
KT&G FY2023 Third Quarter Results

2023. 11. 9 | Investor Relations

Disclaimer

This presentation is prepared and provided for the convenience of investors and shareholders prior to the completion of the external audit. Therefore certain contents are subject to change during the auditing process.

The financial information in this presentation is based on K-IFRS standards.

This presentation and related discussions contain certain forward looking statements related to expected future business, financial performance and/or the industry forecasts which are uncertain.

Therefore, the recipients of this presentation shall be aware of that the forward looking statements set forth herein may not correspond to the actual results.

KEY TAKEAWAYS

Record-High Quarterly Revenues (consolidated basis)

Delivered highest-ever quarterly revenue driven by robust topline growth from tobacco and real estate

Operating profit grew versus previous year with improvements to the revenue mix despite continued cost headwinds

(Global Cigarettes) Growth Trifecta of 「Volume – Revenue – Operating Profit」

Dramatic surge in profit driven by combined growth across export and subsidiary volumes,
and synergy between pricing and stronger revenue contribution of high-ASP markets

(Global NGP) Higher Stick Revenue Contribution Driving Continued Enhancement in Profitability

(Treasury Shares) Cancelled 3.47mn Stocks to Reduce Number of Outstanding Shares (by 2.5%)

1. 3Q 2023 Performance Highlights

Consolidated Results

Revenue (KRW bn)

KRW 1.69 trn

YoY +4.0%



3Q '22

3Q '23

Operating Profit (KRW bn)

KRW 406.7 bn

YoY +0.3%



3Q '22

3Q '23

Net Income

KRW 333.3 bn

YoY -28.0%

Earnings per Share

KRW 2,699

YoY -30.2%

EBITDA / EBITDA Margin

KRW 467.5 bn / 27.7%

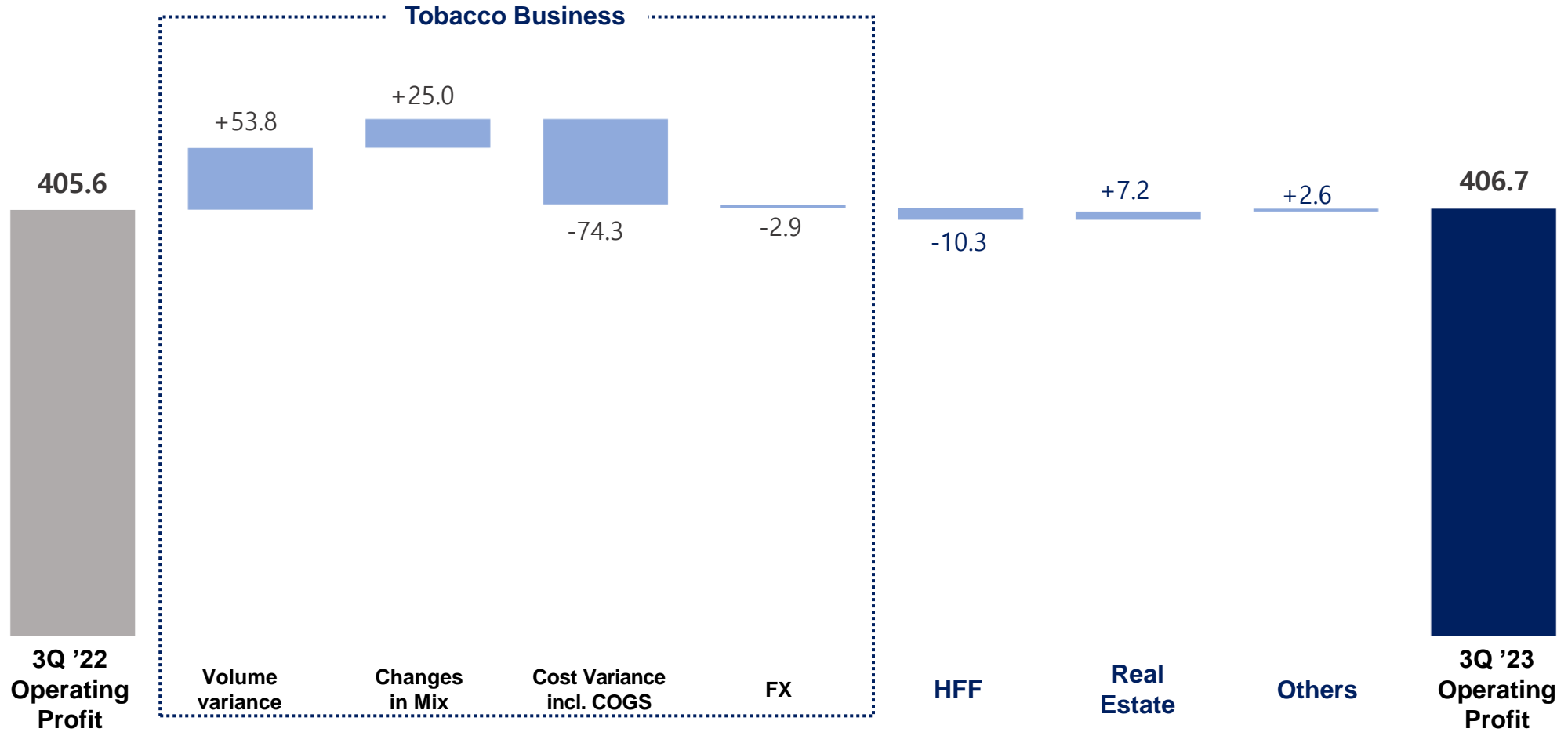
YoY +1.7%

YoY -0.6%p

1. 3Q 2023 Performance Highlights

Movement in Earnings

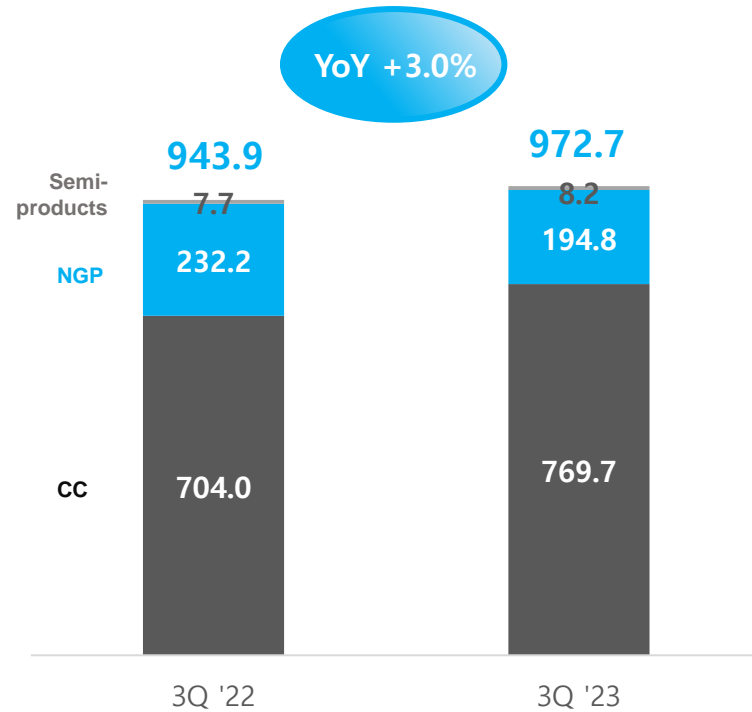
(unit : KRW bn)



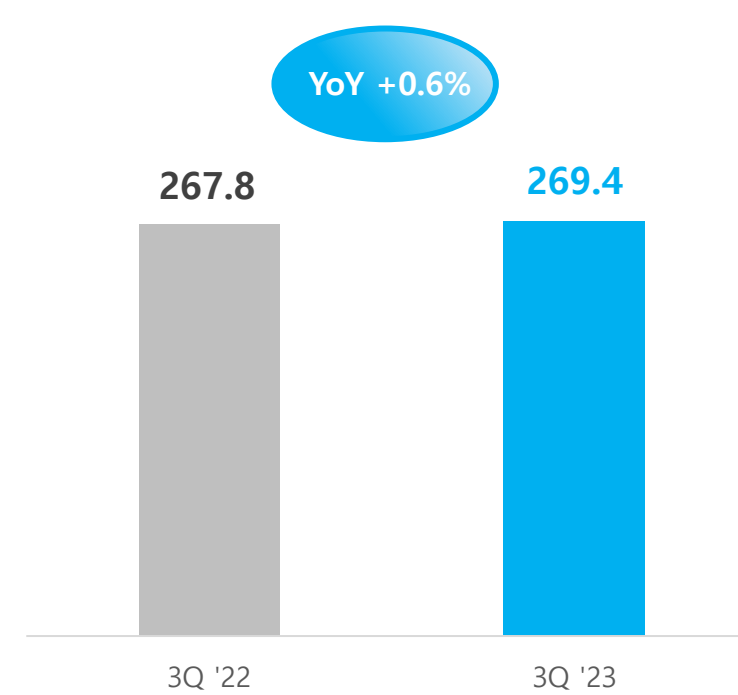
2. Performance by Business

Tobacco Business

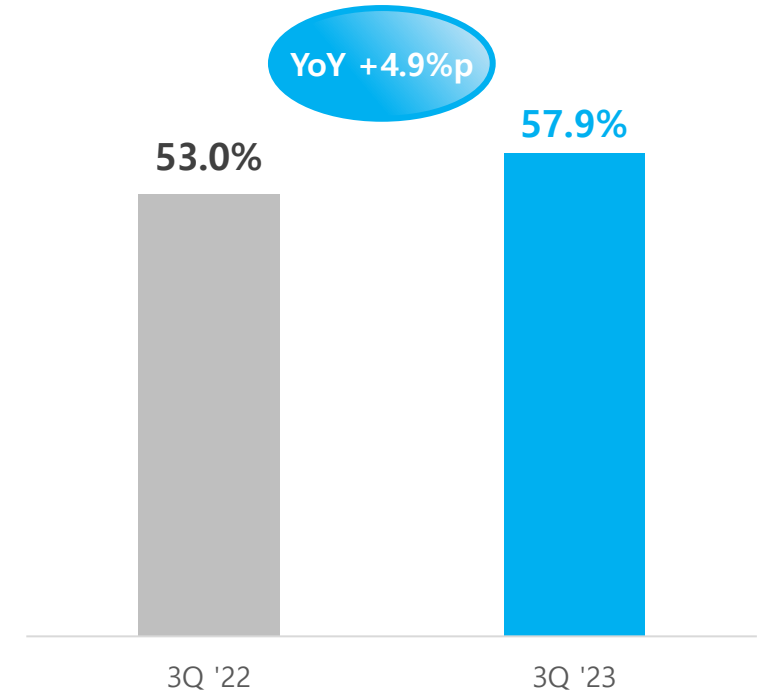
Revenue (KRW bn)



Operating Profit (KRW bn)



Share of Global Sales (volume)

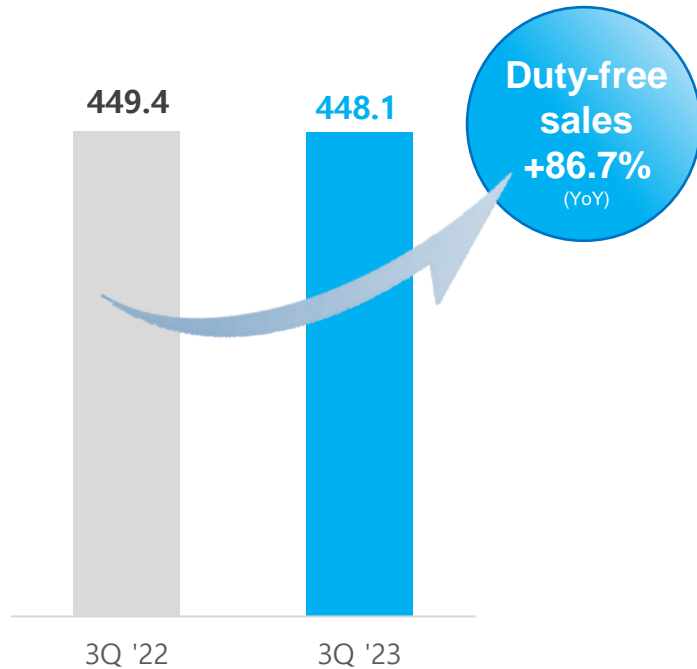


2. Performance by Business

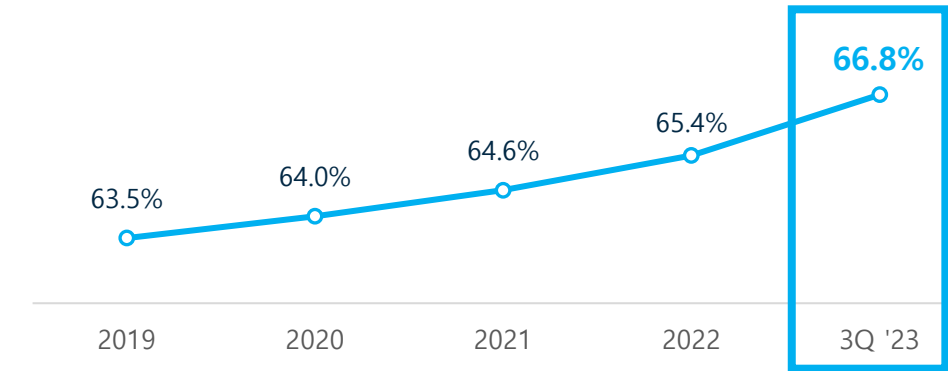
Tobacco_Domestic CC

- Continued SoM growth (YoY+1.6%p) despite volume decline (YoY-2.1%) due to contracting CC market demand (YoY-4.4%)
- Stronger sales in duty-free (YoY+86.7%), a high-margin channel, led to higher ASP (YoY+1.8%), partially offsetting revenue decline (YoY-0.3%)

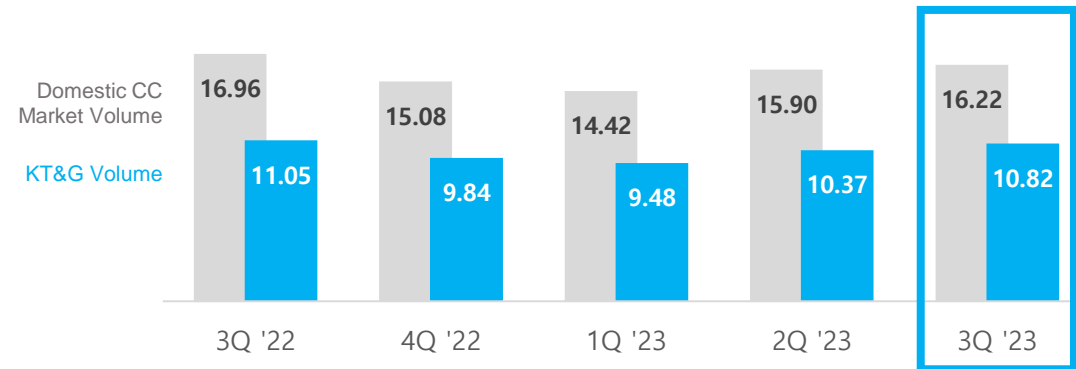
Revenue (KRW bn)



KT&G M/S¹⁾



Market Volume / KT&G Volume¹⁾ (bn sticks)



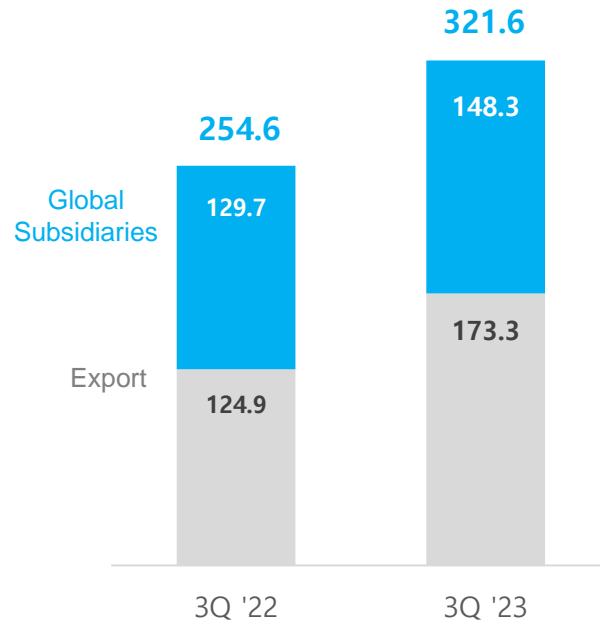
1) Source : Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc.

2. Performance by Business

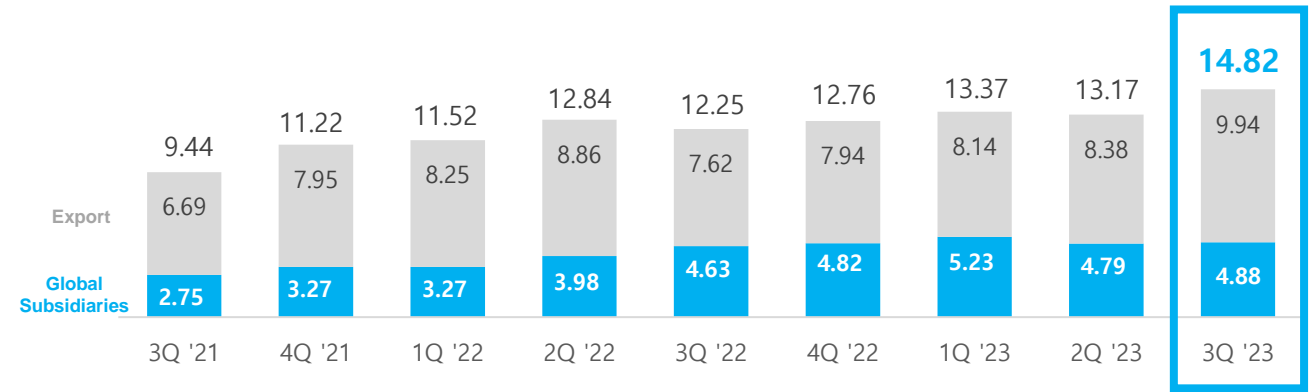
Tobacco_Global CC

- (Export) **Increased contribution of high-ASP markets**, combined with **pricing in export regions** led to a **stronger-than-volume revenue surge** (YoY+38.8%)
- (Subsidiary) **Robust volume** led by expanded distribution coverage in major regions and **pricing effect** led to **growth in revenue** (YoY+14.3%)

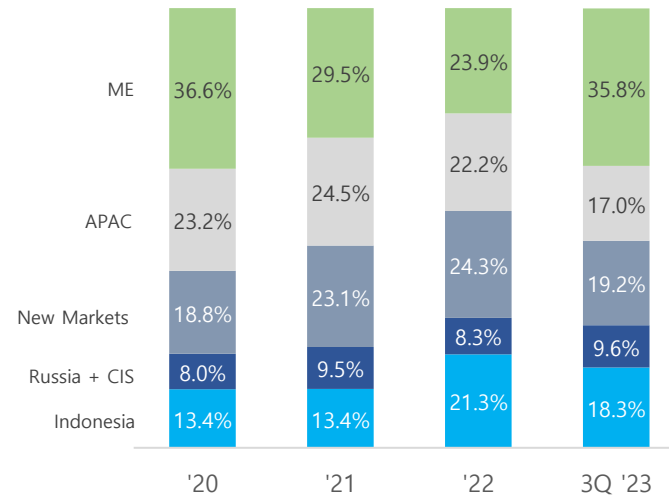
Revenue (KRW bn)



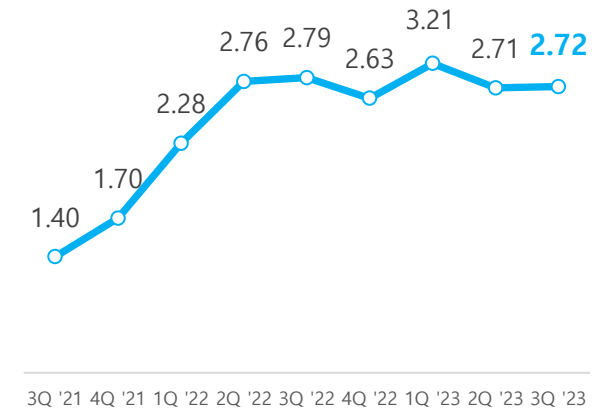
Volume (bn sticks)



Volume Share per Region



Indonesia Volume (bn sticks)

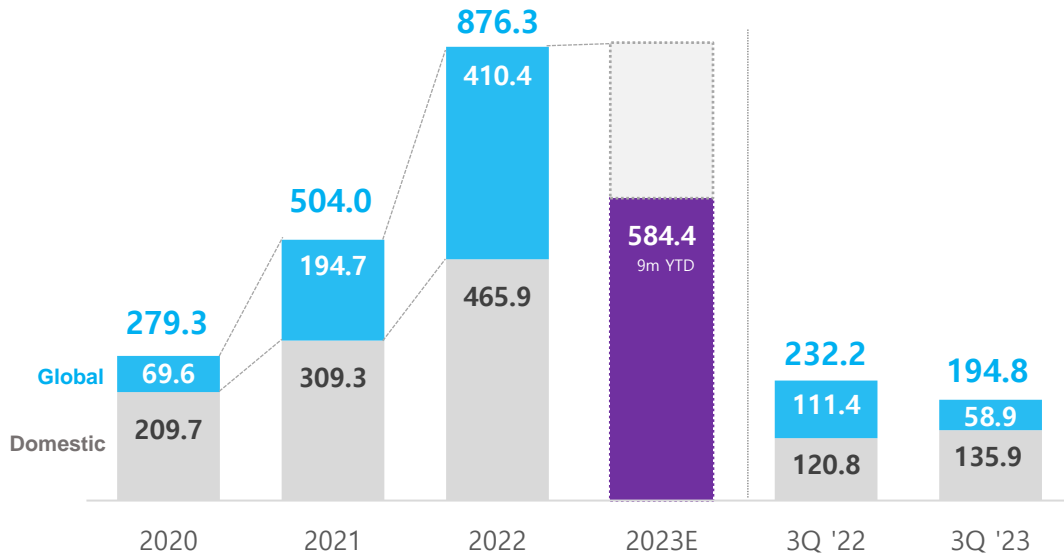


2. Performance by Business

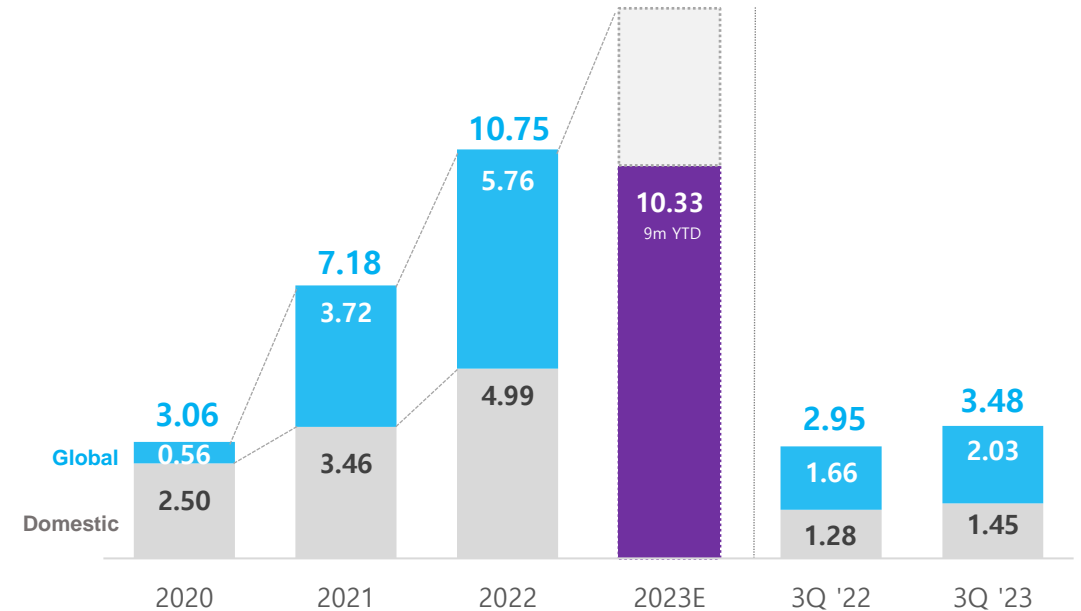
Tobacco_NGP (Next Generation Products)

- Sustained growth in domestic and overseas stick volume (YoY+18.2%)
- While higher market volume and new product launches led to stronger domestic revenue (YoY+12.5%), global NGP revenue was down (YoY-47.1%) despite stick revenue growth due to unfavorable comparison against the strong device volumes from the previous year driven by the global supply chain disruption

Revenue (KRW bn)



Stick Volume (bn sticks)

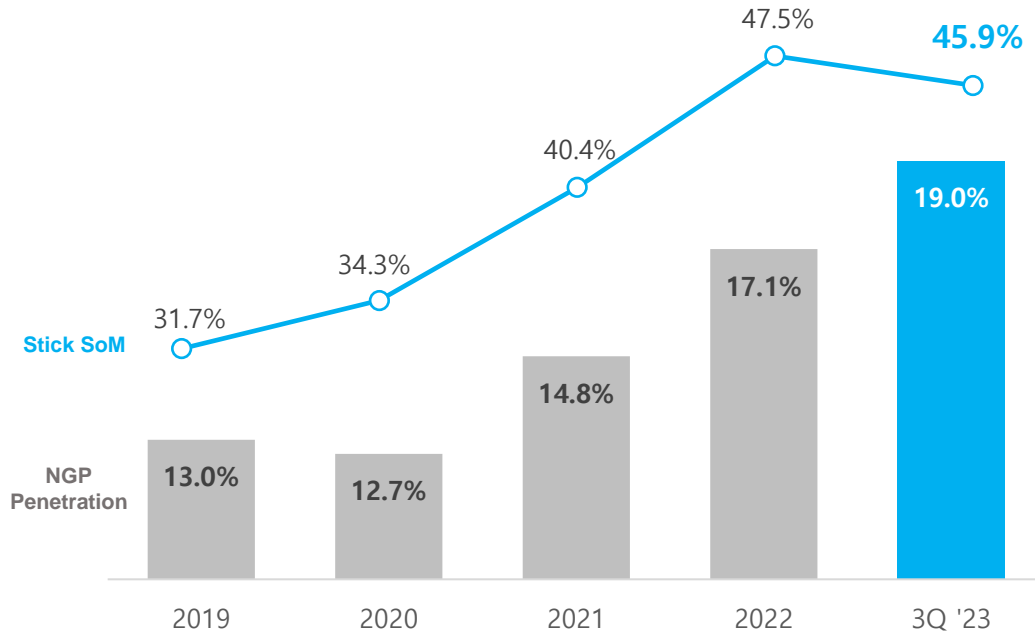


2. Performance by Business

Tobacco_NGP (Next Generation Products)

Domestic

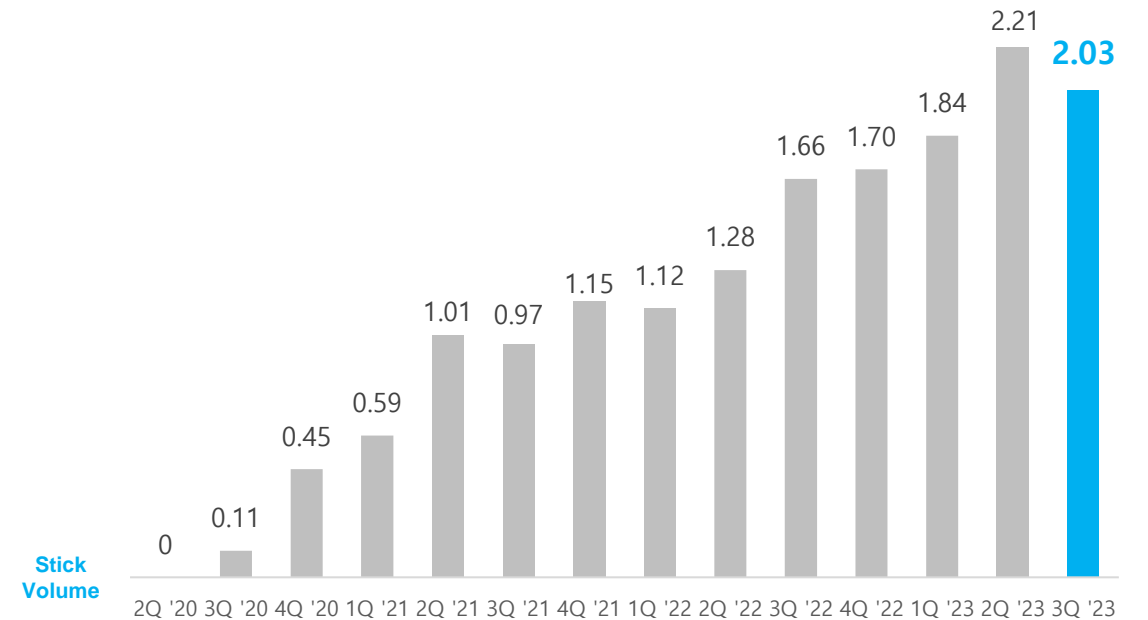
- Penetration rate continues to grow with higher demand for NGP
- Despite impact from fiercer competition with more aggressive promotions and new device launches from competitors, market leadership is maintained and to be bolstered with nationwide expansion of recent launch



1) CVS offtake data

Global (bn sticks)

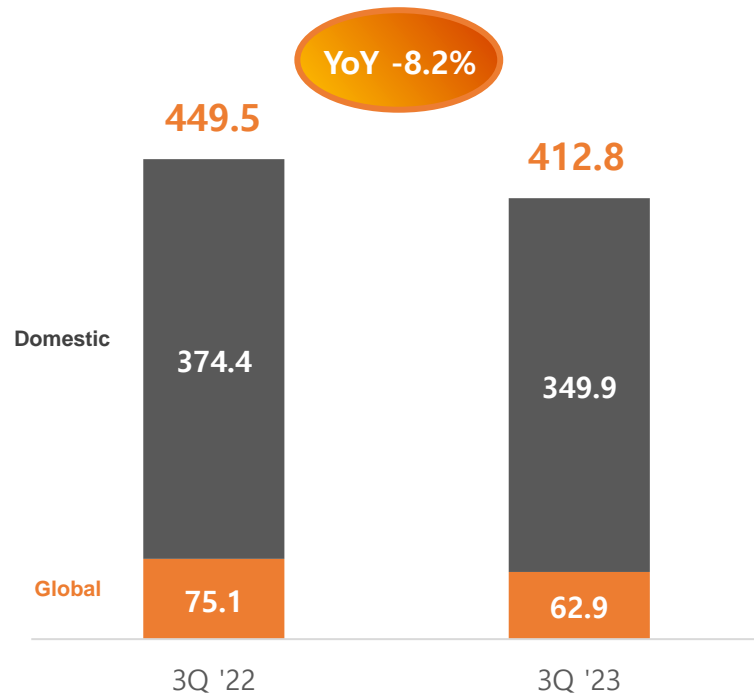
- YoY growth in quarter and YTD stick volumes as market penetration expands within launched markets



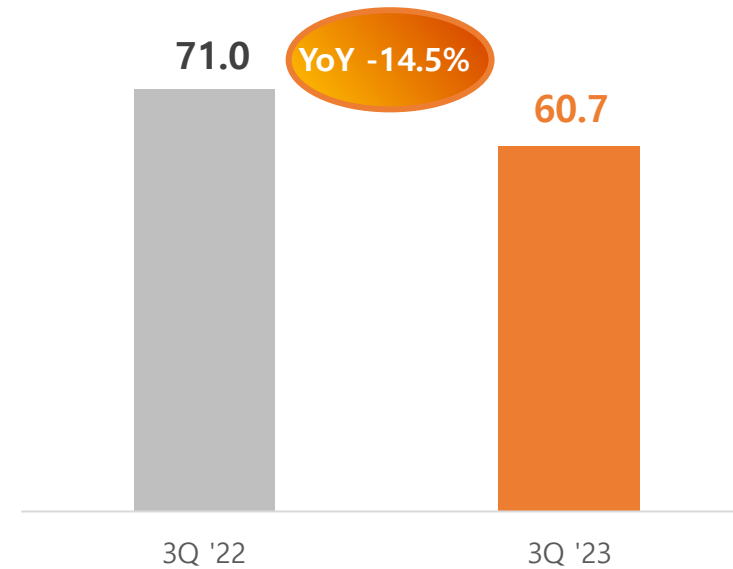
2. Performance by Business

Health-Functional Food

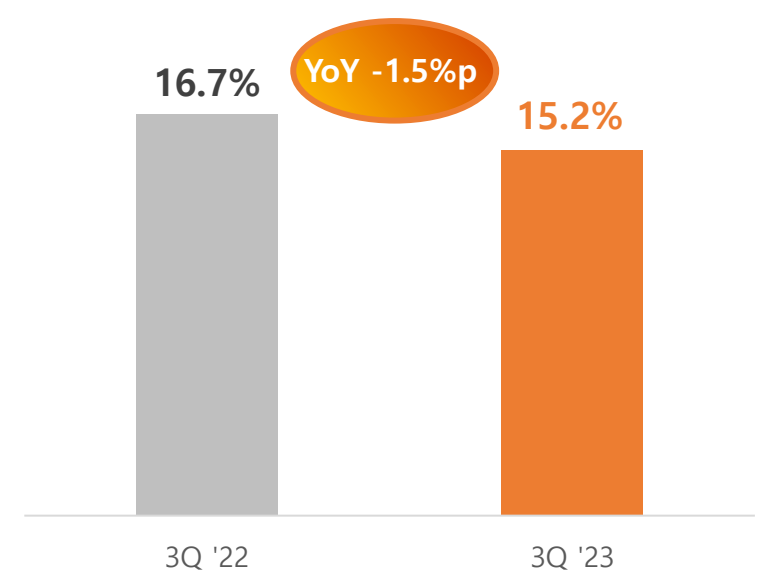
Revenue (KRW bn)



Operating Profit (KRW bn)



Share of Global Sales

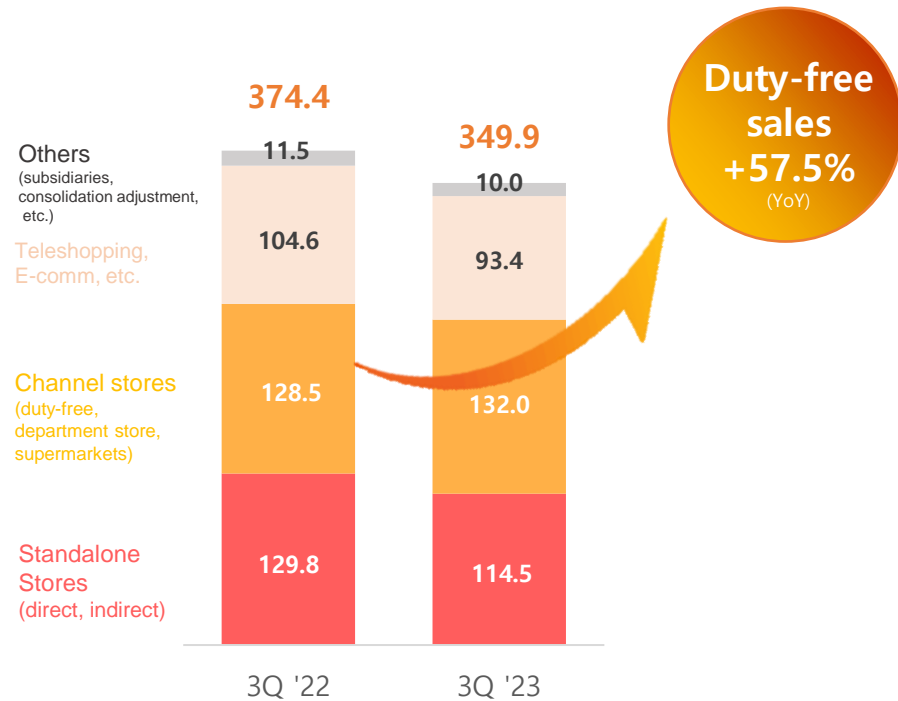


2. Performance by Business

Health-Functional Food

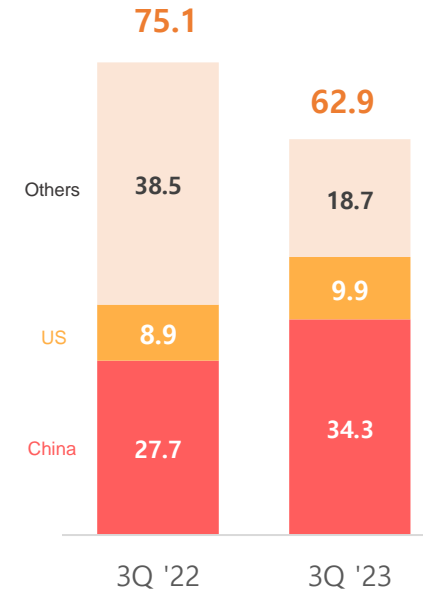
Domestic Revenue by Channel (KRW bn)

- While **duty-free revenues are recovering** as inbound/outbound travelers increase and Chinese tourist demand partially rebound,
- Reduced disposable income due to inflation led to decline in demand for holiday gifts



Global Revenue by Market (KRW bn)

- Despite **revenue growth in core markets including China (YoY+23.8%) and the US (YoY+11.3%) with strengthened online marketing,**
- Revenue impacted by **decline in other markets (YoY-51.4%)** including Japan and Taiwan due to **channel reorganizing**

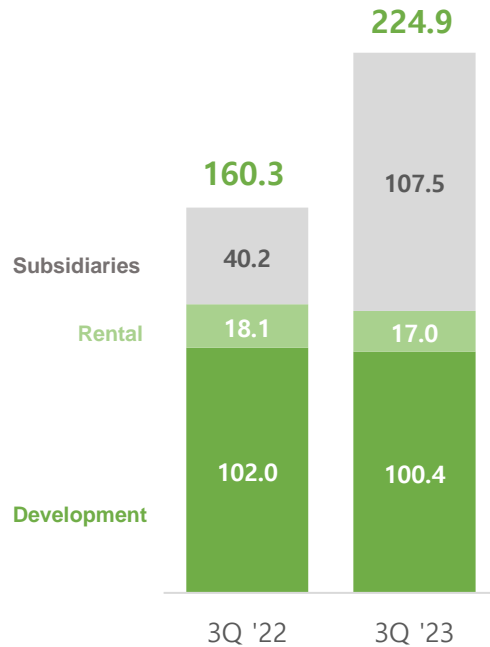


2. Performance by Business

Real Estate

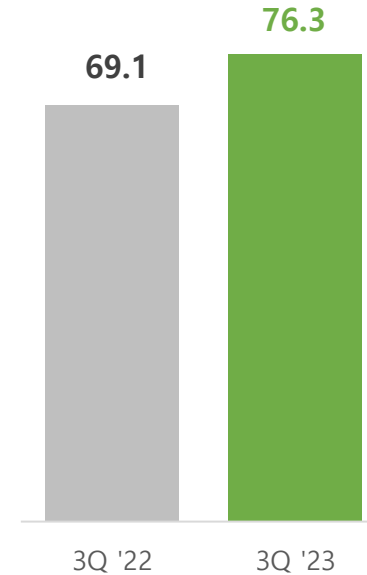
Revenue (KRW bn)

- Robust subsidiary revenues (YoY+167.4%) mainly driven by **revenues newly recognized from DNC Deok-eun**, and **revenues from development of properties in Greater Seoul** led to topline growth (YoY+40.3%)



Operating Profit (KRW bn)

- Profits grew (YoY+10.4%) thanks to contribution from new projects including DNC Deok-eun** more than offsetting the unfavorable comparison of Suwon and Gwacheon SangSang PFV from the previous year.



Q&A

Appendix. Income Status by Business Segment

| (units KRW bn, stick bn) | | 3Q '22 | 4Q '22 | 1Q '23 | 2Q '23 | 3Q '23 |
|--------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Tobacco | Volume | 26.25 | 25.54 | 26.06 | 27.16 | 29.12 |
| | NGP | 2.95 | 2.94 | 3.22 | 3.61 | 3.48 |
| | Domestic | 1.28 | 1.30 | 1.38 | 1.42 | 1.45 |
| | Global | 1.66 | 1.70 | 1.84 | 2.21 | 2.03 |
| | CC | 23.30 | 22.60 | 22.85 | 23.54 | 25.64 |
| | Domestic | 11.05 | 9.84 | 9.48 | 10.37 | 10.82 |
| | Global | 12.25 | 12.76 | 13.37 | 13.17 | 14.82 |
| | Revenue | 943.9 | 860.4 | 857.6 | 888.1 | 972.7 |
| | NGP | 232.2 | 207.7 | 199.6 | 190.0 | 194.8 |
| | Domestic | 120.8 | 122.5 | 127.9 | 123.8 | 135.9 |
| | Global | 111.4 | 85.2 | 71.7 | 66.2 | 58.9 |
| | CC | 704.0 | 646.9 | 654.8 | 692.1 | 769.7 |
| | Domestic | 449.4 | 386.7 | 389.7 | 426.6 | 448.1 |
| | Global | 254.6 | 260.2 | 265.1 | 265.5 | 321.6 |
| Semi-products | 7.7 | 5.8 | 3.2 | 6.0 | 8.2 | |
| Operating Profit | 267.8 | 181.4 | 236.6 | 242.6 | 269.4 | |
| OP Margin | 28.4% | 21.1% | 27.6% | 27.3% | 27.7% | |
| Health-Functional Food | Revenue | 449.5 | 275.8 | 384.1 | 260.8 | 412.8 |
| | Domestic | 374.4 | 175.7 | 320.2 | 193.9 | 349.9 |
| | Global | 75.1 | 100.1 | 63.9 | 66.9 | 62.9 |
| | Operating Profit | 71.0 | -5.2 | 55.0 | -10.7 | 60.7 |
| OP Margin | 15.8% | - | 14.3% | - | 14.7% | |
| Real Estate | Revenue | 160.3 | 191.5 | 83.9 | 113.7 | 224.9 |
| | Development | 102.0 | 123.6 | 36.8 | 44.4 | 100.4 |
| | Rental Properties | 18.1 | 17.3 | 18.2 | 17.6 | 17.0 |
| | Subsidiaries | 40.2 | 50.6 | 28.9 | 51.7 | 107.5 |
| | Operating Profit | 69.1 | 27.8 | 24.2 | 14.2 | 76.3 |
| OP Margin | 43.1% | 14.5% | 28.8% | 12.5% | 33.9% | |
| Others | Revenue | 70.8 | 79.0 | 70.1 | 73.4 | 79.1 |
| | Pharmaceutical | 54.3 | 59.5 | 54.0 | 57.0 | 59.1 |
| | Cosmetics | 16.5 | 19.5 | 16.1 | 16.4 | 20.0 |
| | Operating Profit | -2.3 | -2.7 | 0.7 | 0 | 0.3 |
| | OP Margin | - | - | - | 1% | 0.4% |

Appendix. KT&G Condensed Balance Sheet

※ The results below are still under audit by the outside auditors and may be subject to change.

Consolidated

| (unit : KRW bn) | 3Q '23 | 4Q '22 |
|--|-----------------|-----------------|
| Current assets^(a) | 6,661.3 | 6,509.6 |
| Cash ^(*) | 1,640.2 | 1,995.2 |
| Trade and other receivables | 1,913.2 | 1,528.5 |
| Inventories | 2,520.6 | 2,575.8 |
| Others | 587.3 | 410.1 |
| Non-current assets | 6,268.3 | 5,792.1 |
| Property, plant, and equipment | 1,935.3 | 1,837.0 |
| Investment property | 1,020.8 | 1,071.5 |
| Others | 3,312.2 | 2,883.6 |
| Total assets | 12,929.6 | 12,301.7 |
| Current liabilities ^(b) | 2,990.6 | 2,527.3 |
| Non-current liabilities | 745.1 | 415.8 |
| Total liabilities^(c) | 3,735.7 | 2,943.1 |
| Total equity^(d) | 9,193.9 | 9,358.6 |
| Current ratio ^(a/b) | 222.7% | 257.6% |
| Debt ratio ^(c/d) | 40.6% | 31.4% |

Standalone

| (unit : KRW bn) | 3Q '23 | 4Q '22 |
|--|-----------------|-----------------|
| Current assets^(a) | 3,745.5 | 4,096.5 |
| Cash ^(*) | 681.0 | 1,471.2 |
| Trade and other receivables | 1,598.8 | 1,299.9 |
| Inventories | 1,172.0 | 1,123.0 |
| Others | 293.7 | 202.4 |
| Non-current Assets | 6,606.4 | 6,060.4 |
| Property, plant, and equipment | 1,198.6 | 1,177.8 |
| Investment property | 994.7 | 1,029.2 |
| Others | 4,413.1 | 3,853.4 |
| Total assets | 10,351.9 | 10,156.9 |
| Current liabilities ^(b) | 2,244.3 | 2,037.7 |
| Non-current liabilities | 370.7 | 65.6 |
| Total liabilities^(c) | 2,615.0 | 2,103.3 |
| Total equity^(d) | 7,736.9 | 8,053.6 |
| Current ratio ^(a/b) | 166.9% | 201.0% |
| Debt ratio ^(c/d) | 33.8% | 26.1% |

(*) Cash and cash equivalents, current other financial assets, current fair value through profit or loss

Appendix. KT&G Condensed Income Statement

※ The results below are still under audit by the outside auditors and may be subject to change.

Consolidated ¹⁾

| (unit : KRW bn) | 3Q '23 | 3Q '22 |
|---|----------------|----------------|
| Revenue | 1,689.5 | 1,624.6 |
| Cost of goods sold | 862.4 | 791.7 |
| Gross profit | 827.1 | 832.9 |
| Selling, general and administrative expense | 420.4 | 427.3 |
| Operating profit | 406.7 | 405.6 |
| Other income/expenses | 43.5 | 205.2 |
| Financial gain/loss | 4.6 | 22.3 |
| Net income from continuing operations | 334.9 | 464.2 |
| Net income from discontinued operations | (1.6) | (1.0) |
| Net income | 333.3 | 463.1 |
| Gross profit margin | 49.0% | 51.3% |
| Operating profit margin | 24.1% | 25.0% |
| Net income margin | 19.7% | 28.5% |

Standalone

| (unit : KRW bn) | 3Q '23 | 3Q '22 |
|---|--------------|--------------|
| Revenue | 976.1 | 970.4 |
| Cost of goods sold | 489.8 | 443.9 |
| Gross profit | 486.3 | 526.5 |
| Selling, general and administrative expense | 192.4 | 218.7 |
| Operating profit | 293.9 | 307.8 |
| Other income/expenses | 41.7 | 217.7 |
| Financial gain/loss | 10.1 | 30.3 |
| Net income | 258.3 | 406.1 |
| Gross profit margin | 49.8% | 54.3% |
| Operating profit margin | 30.1% | 31.7% |
| Net income margin | 26.5% | 41.8% |

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial items of the US cigarette business (US subsidiary) has been segregated from net income from continuing operations and reclassified as a separate account of 'net income from discontinued operations' for comparison with previous income statement.

Appendix. KT&G Condensed Cash Flow

※ The results below are still under audit by the outside auditors and may be subject to change.

Consolidated

| (unit : KRW bn) | 3Q '23 | 3Q '22 |
|--|----------------|----------------|
| Cash and cash equivalents at Jul, 1 | 1,401.0 | 946.6 |
| Cash flows from operating activities | 901.6 | 748.5 |
| Cash generated from operations | 1,274.6 | 1,139.2 |
| Income tax paid | (373.0) | (390.7) |
| Cash flows from investing activities | (425.9) | 430.9 |
| Acquisition of property, plant and equipment | (292.5) | (132.9) |
| Cash flows from financing activities | (715.6) | (566.0) |
| Net increase in cash and cash equivalents | (239.9) | 613.4 |
| Changes in consolidation scope etc. | - | - |
| Effect of exchange rate fluctuation | 12.5 | 29.8 |
| Cash and cash equivalents at Sept, 30 | 1,173.6 | 1,589.8 |

Standalone

| (unit : KRW bn) | 3Q '23 | 3Q '22 |
|--|----------------|----------------|
| Cash and cash equivalents at Jul, 1 | 939.5 | 590.6 |
| Cash flows from operating activities | 600.3 | 476.1 |
| Cash generated from operations | 917.6 | 823.2 |
| Income tax paid | (317.3) | (347.1) |
| Cash flows from investing activities | (439.1) | 514.2 |
| Acquisition of property, plant and equipment | (175.9) | (92.5) |
| Cash flows from financing activities | (736.2) | (582.2) |
| Net increase in cash and cash equivalents | (575.1) | 408.1 |
| Effect of exchange rate fluctuation | 7.2 | 12.5 |
| Cash and cash equivalents at Sept, 30 | 371.7 | 1,011.2 |

Appendix. KGC Condensed Financial Statement (standalone)

※ The results below are still under audit by the outside auditors and may be subject to change.

Balance Sheet

| (unit KRW bn) | 3Q '23 | 4Q '22 |
|-------------------------------|----------------|----------------|
| Current assets | 1,667.1 | 1,625.9 |
| Inventories | 995.5 | 1,161.9 |
| Cash and cash equivalents | 143.8 | 177.3 |
| Others | 527.8 | 286.7 |
| Non-current assets | 893.2 | 801.2 |
| Property, plant and equipment | 351.8 | 324.3 |
| Intangible assets | 25.3 | 26.9 |
| Others | 516.1 | 450.0 |
| Total assets | 2,560.3 | 2,427.1 |
| Current liabilities | 165.4 | 135.7 |
| Non-current liabilities | 69.9 | 69.1 |
| Total liabilities | 235.3 | 204.8 |
| Total equity | 2,325.0 | 2,222.3 |

Income Statement

| (unit KRW bn) | 3Q '23 | 3Q '22 |
|---|--------------|--------------|
| Revenue | 374.0 | 429.1 |
| Cost of goods sold | 179.7 | 211.3 |
| Gross profit | 194.3 | 217.8 |
| Selling, general and administrative expense | 135.7 | 143.0 |
| Operating profit | 58.6 | 74.8 |
| Other income/expense | 1.7 | 7.7 |
| Financial gain/loss | 3.8 | 2.5 |
| Net income | 49.7 | 65.6 |

Thank you