

---

# KT&G FY2024 Second Quarter Results

2024. 8. 8 | 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.

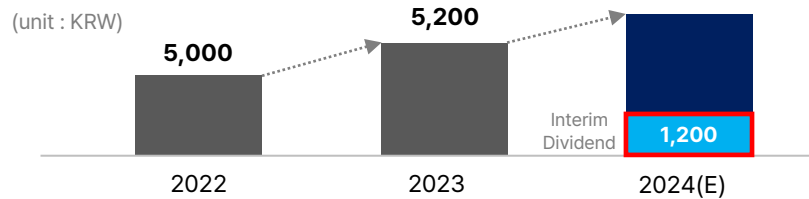
This presentation and related discussions contain certain forward looking statements related to expected future business, financial performance and/or the industry forecasts which are uncertain.

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.

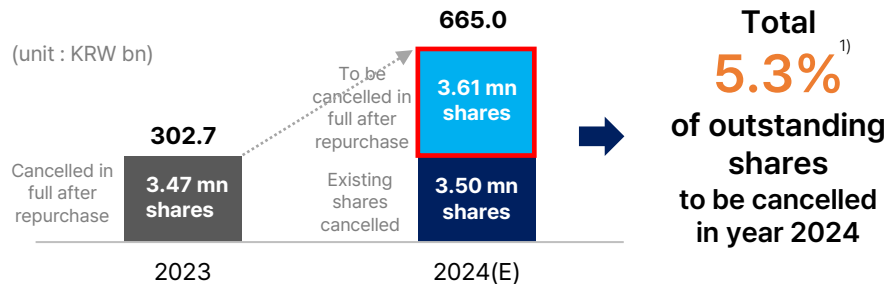
# Business Update

## Interim Dividend **KRW 1,200** to be paid (in Aug)

Annual DPS for FY2024 **to increase**



## Share Repurchase Cancellation of **KRW 350 bn** in H2



## KT&G-PMI MoU Executed (July '24) for Collaboration on 『US PMTA Submission for New KT&G HNB Products』

### Established intent to collaborate on regulatory submissions for the US

- (Scope) **New KT&G HNB (NGP) products** selected for commercialization by PMI in the US
- (Plan) **New NGP products are expected to be launched first outside the US**, and thereafter, partners **plan to work on PMTA submission** in accordance with the MoU

\* PMTA : Pre-Market Tobacco product Application

### Recognizing the importance of the U.S. market

- (Market Scale) Key market of nearly 31 mn legal age smokers and 180 bn cigarettes<sup>2)</sup>
- ➔ To **advance the shared strategic vision of providing better alternatives** to adult smokers with scientifically substantiated NGPs

**New Corporate Value-up Plan** to be published in H2

1) % of total outstanding shares in end '23 (133,822,497)

2) Source : Publicly available data, including Euromonitor

# KEY TAKEAWAYS

## Revenue grew by 6.6%, Operating Profit by 30.6% in Q2 2024

Solid growth in the tobacco business (revenue 11.5%↑, OP 30.4%↑, OPM 32.0%) drove strong overall earnings

## 「Growth Trifecta (Volume–Revenue–Profit)」 and record–high quarter revenue in global cigarettes

Strong numbers of volume +16.2%, revenue +35.3%, operating profit +139.1% with growth in all key regions

## Profit–centered growth in NGP business

Triple growth of stick volume 7.7%, revenue 10.8%, operating profit 42.8% in domestic NGP, and higher stick share in the global NGP mix led to continued improvements in profitability

## Accelerated growth momentum in global HFF

Global HFF revenue grew by 38.4% as revenue from China, a top priority target market, increased by 75.4%, leading to higher proportion of global business (25.7% → 34.9%)

1. 2024 Q2 Performance Highlights

# Consolidated Results

## Revenue (KRW bn)

**KRW 1.42 trn**

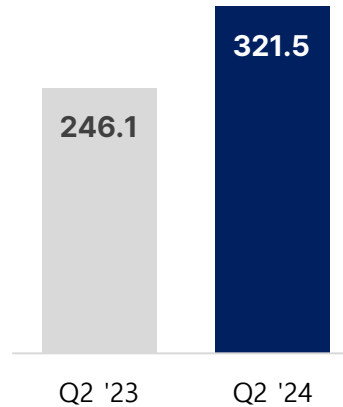
YoY + 6.6%



## Operating Profit (KRW bn)

**KRW 321.5 bn**

YoY + 30.6%



## Net Income

**KRW 318.0 bn**

YoY + 57.5%

## EPS

**KRW 2,754**

YoY + 59.5%

## EBITDA / EBITDA Margin

**KRW 383.1 bn / 26.9%**

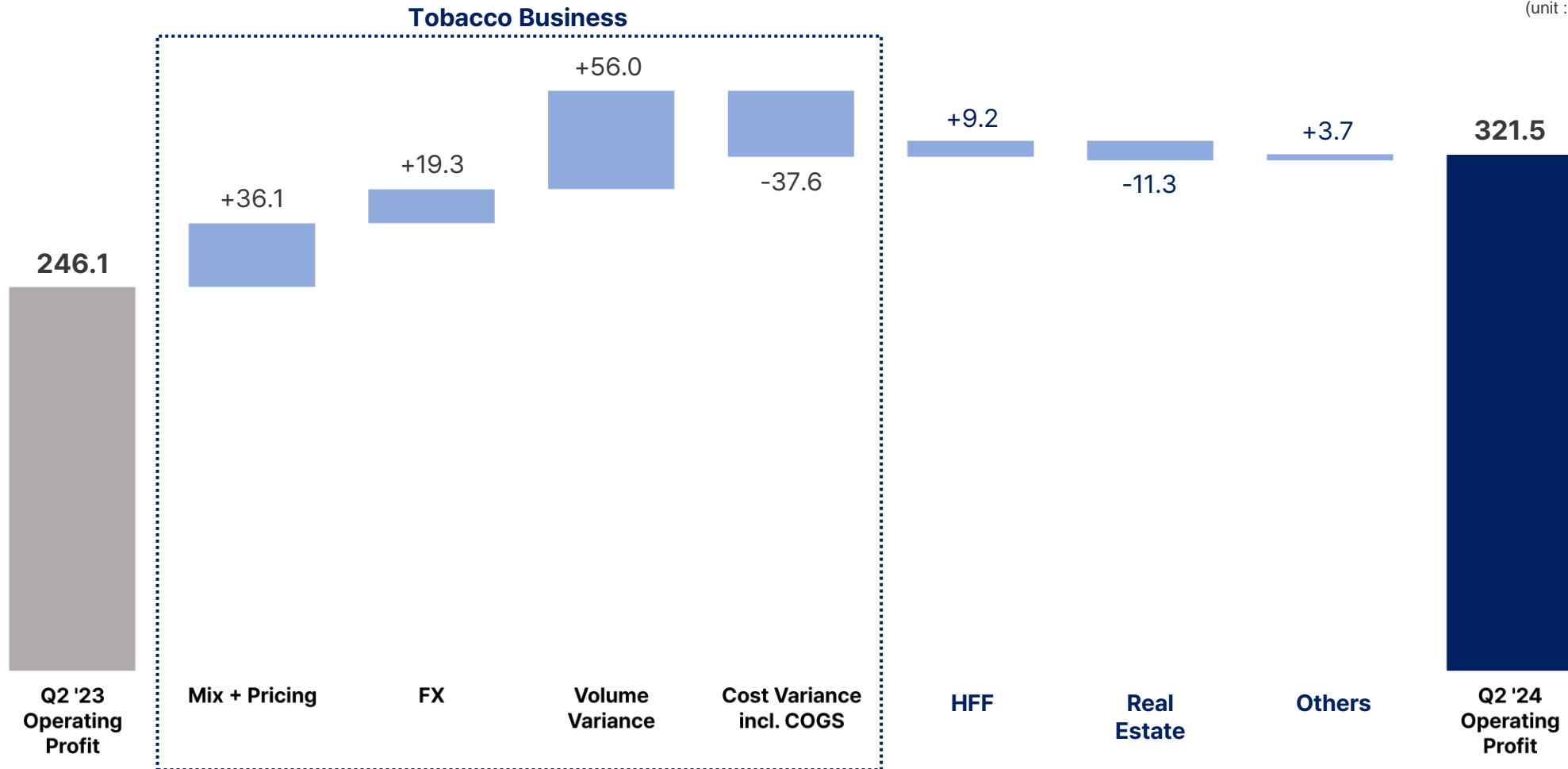
YoY +25.4%

YoY +4.0%p

1. 2024 Q2 Performance Highlights

# Movement in Earnings

(unit : KRW bn)

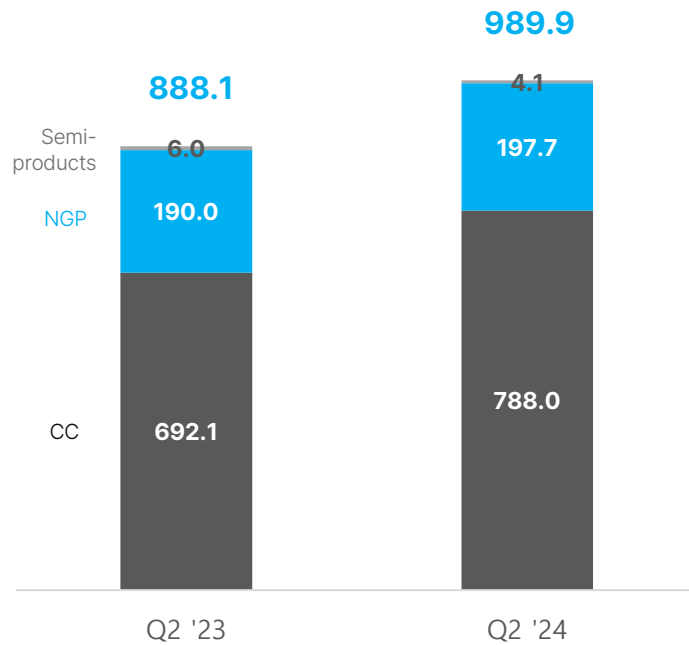


## 2. Performance by Business

# Tobacco Business

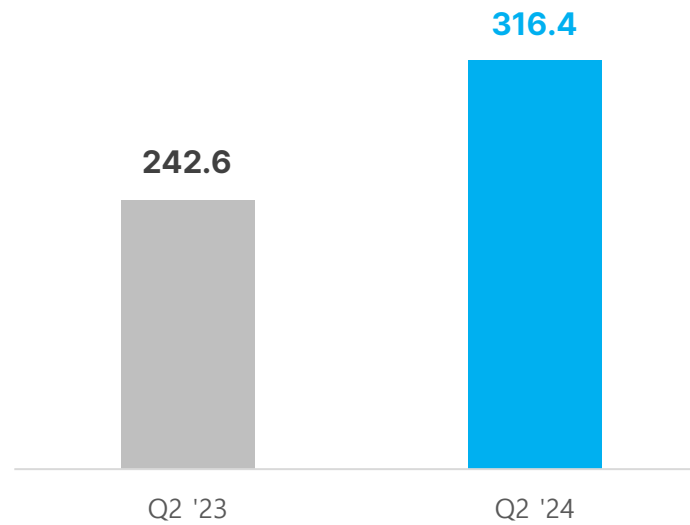
### Revenue (KRW bn)

- **Growth in global CC (YoY +35%)** and **domestic NGP (YoY +11%)** drove topline performance



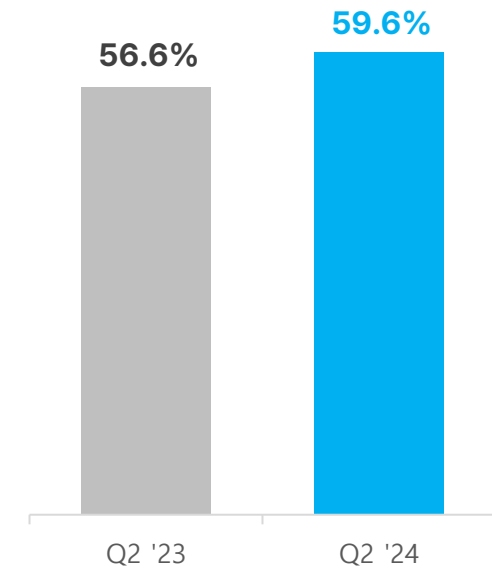
### Operating Profit (KRW bn)

- **Operating profit grew (YoY +11%) in all tobacco business segments** including domestic CC and NGP, and predominantly in global CC



### Share of Global Sales (volume)

- Share of global sales recorded approx. 60% (YoY +3.0%p)



## 2. Performance by Business

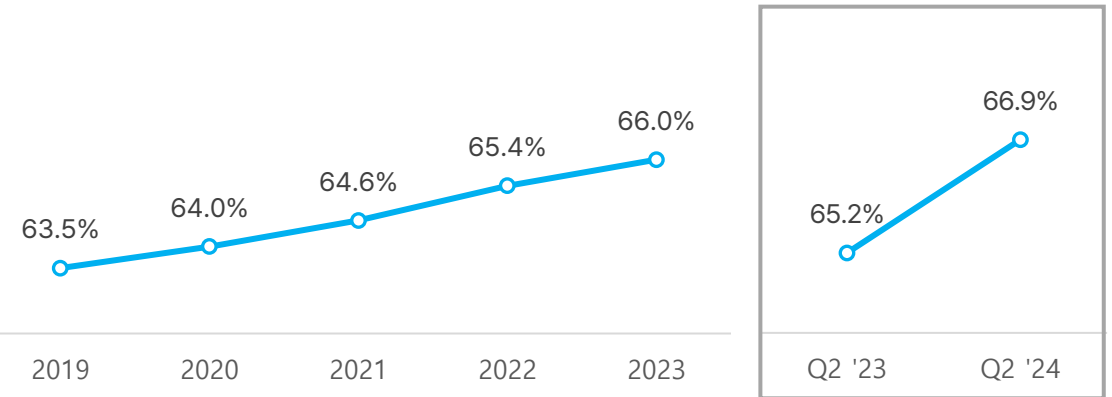
# Tobacco\_Domestic CC

- Despite structural decline in domestic CC market volume **SoM growth (YoY + 1.7%p) partially mitigated reduction in sales volume**
- **Strong duty-free sales (YoY + 15.7%), a high-ASP channel, and higher portion of premium products** led to revenue growth

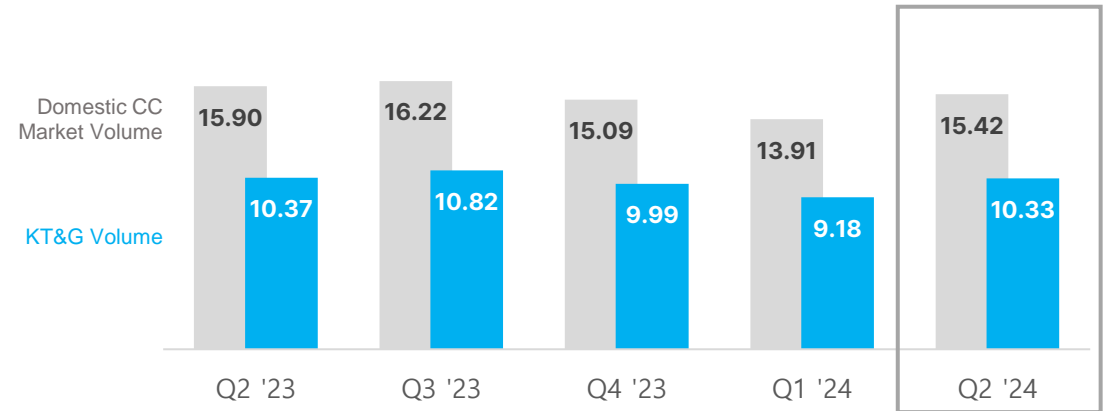
### Revenue (KRW bn)



### KT&G SoM<sup>1)</sup>



### Total Market Volume / KT&G Volume<sup>1)</sup> (bn sticks)



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

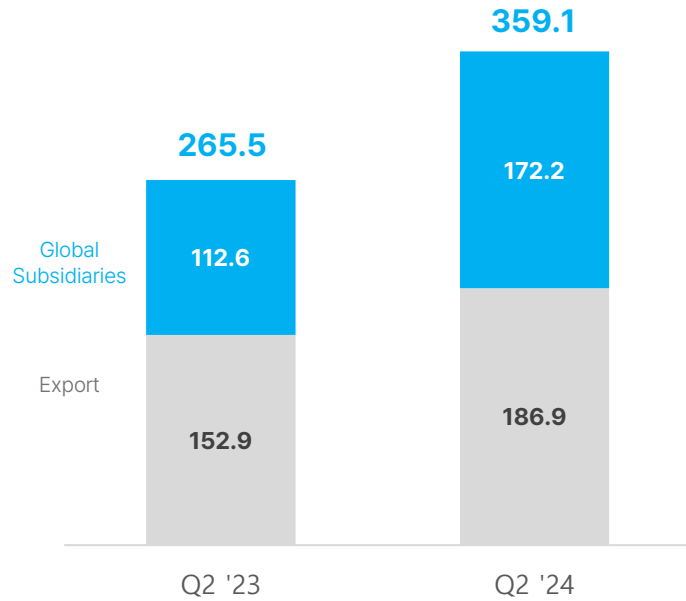


## 2. Performance by Business

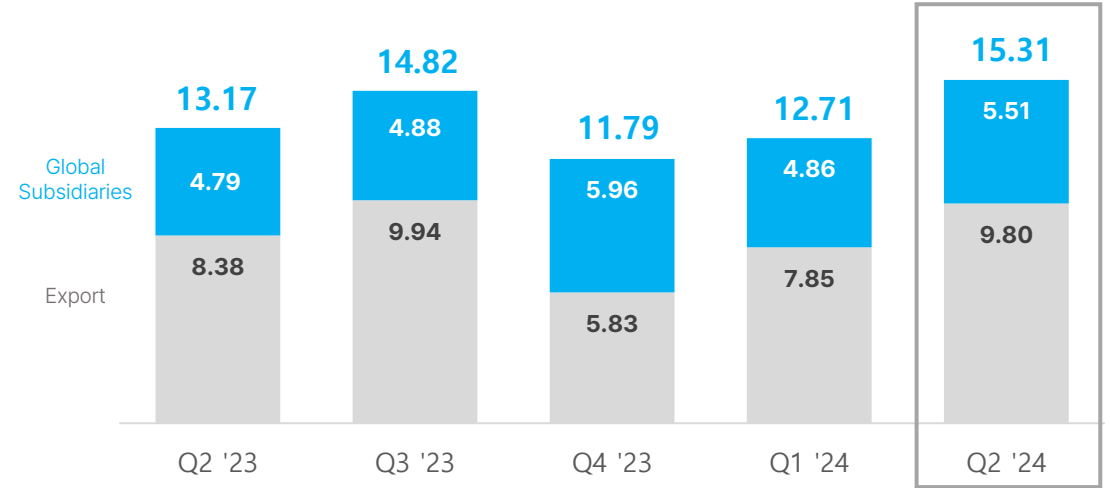
# Tobacco\_Global CC

- Stronger volume and ASP led to revenue growth in all regions, **reaching record-high quarter revenue**

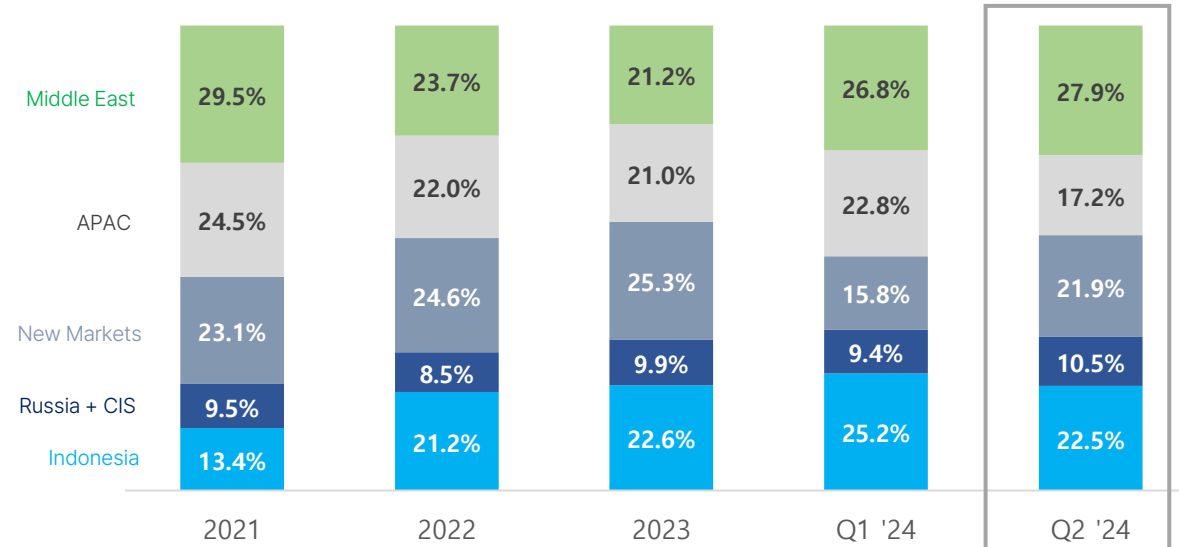
Revenue (KRW bn)



Volume (bn sticks)



Volume Share per Region

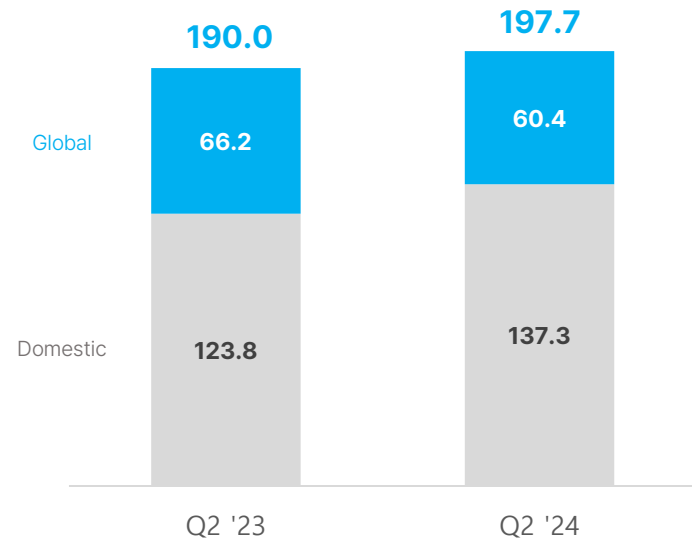


## 2. Performance by Business

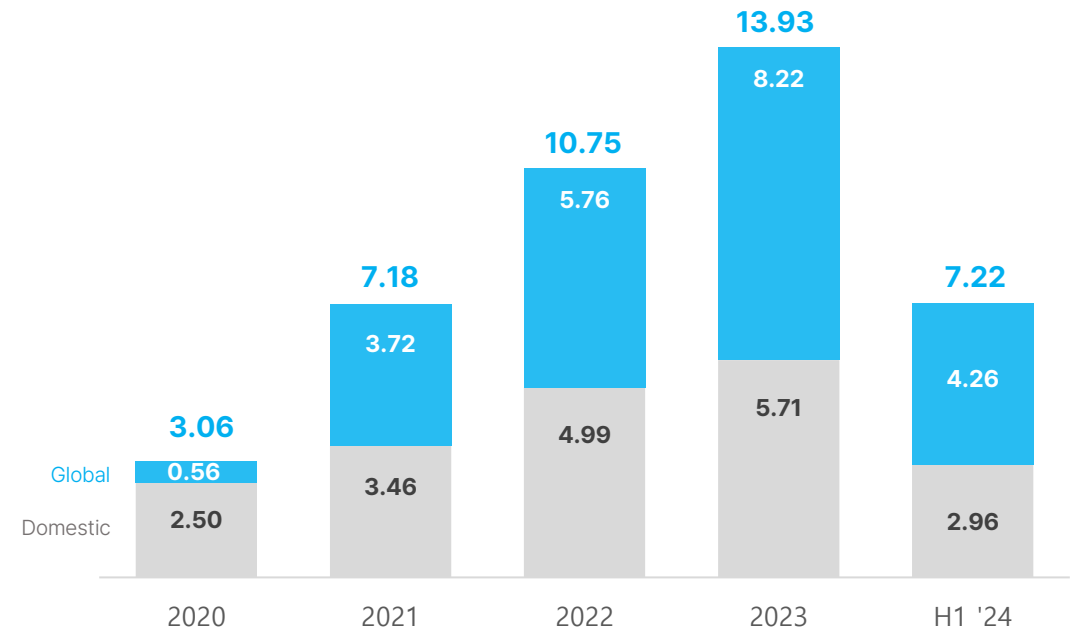
# Tobacco\_NGP (Next Generation Products)

- **Stick volumes, the key growth driver of the business, increased by 5.7%** (H1 cumulative)
- Growth in both domestic market and KT&G SoM supported revenue growth
- Global revenue down due to device inventory adjustment in preparation for new platform launch

### Revenue (KRW bn)



### Stick Volume (bn sticks)

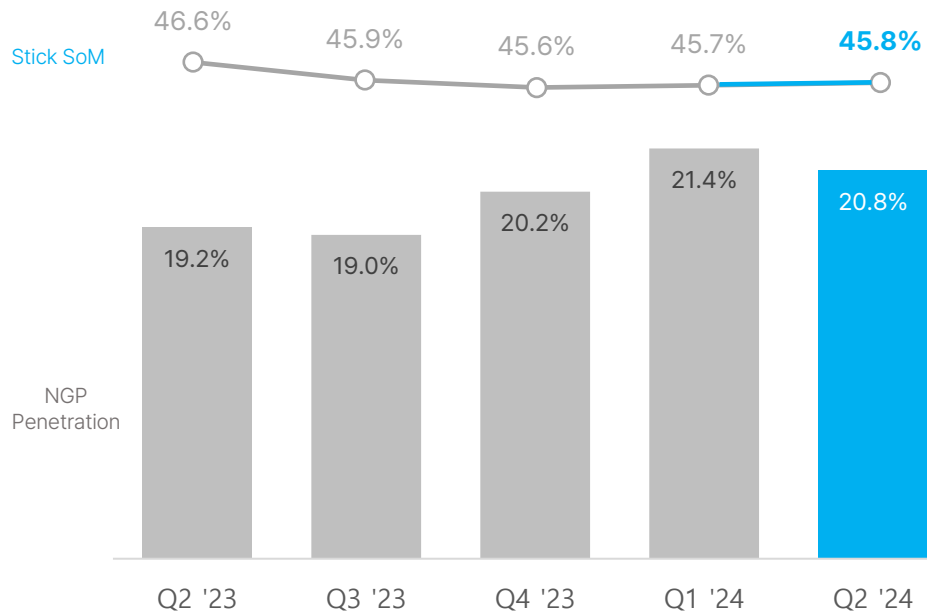


## 2. Performance by Business

# Tobacco\_NGP (Next Generation Products)

### Domestic Operation

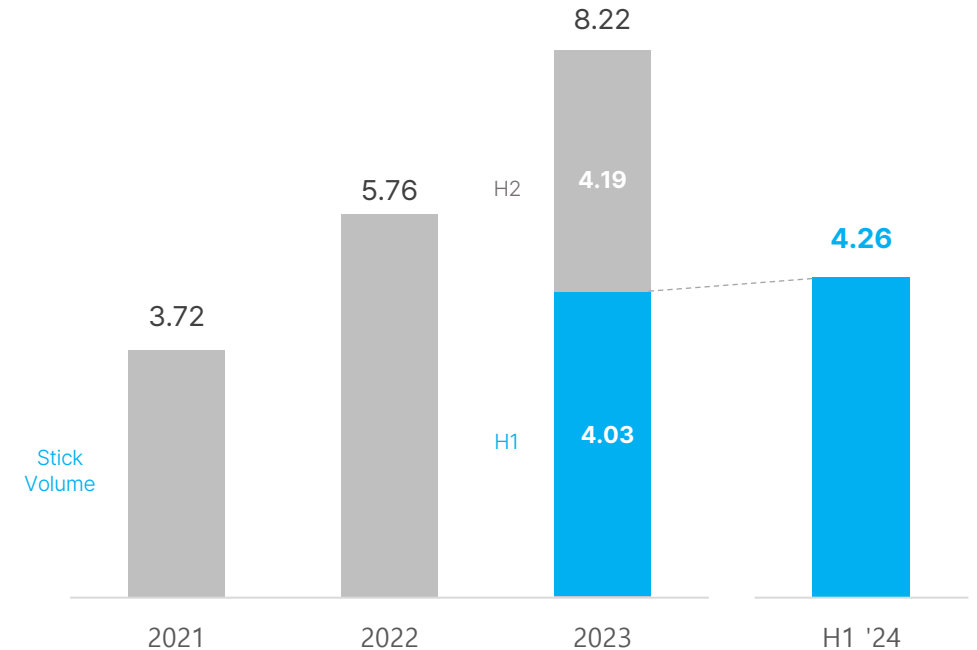
- **NGP penetration rate continues to expand (YoY +1.6%p)** with higher demand for NGP  
- Penetration rate down on QoQ basis due to seasonality
- Despite impact from fiercer competition caused by **aggressive marketing among competitors**, **SoM growth is sustained**, supported by **competitive advantage in devices** and **new product launches in sticks**



1) CVS offtake data

### Global Operation (bn sticks)

- Higher penetration within launched markets led to **increased sales of sticks**, the growth driver of NGP, **further improving profitability**

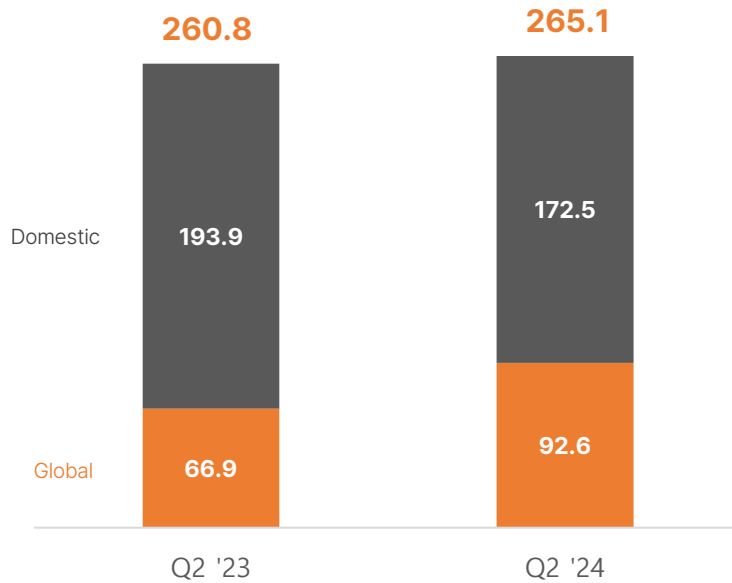


## 2. Performance by Business

# Health-Functional Food

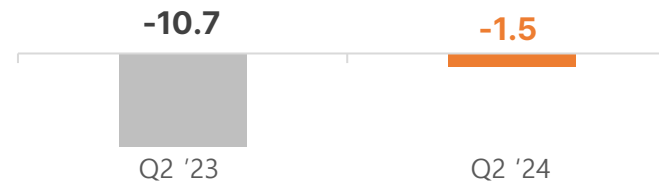
### Revenue (KRW bn)

- Despite reduced domestic revenues due to a **subdued HFF market** and **strategic channel restructuring**, **global revenue growth** drove higher overall revenue (YoY +1.6%)



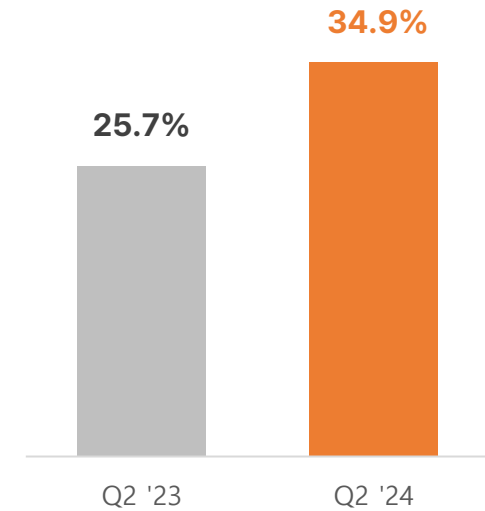
### Operating Profit (KRW bn)

- **Reduced losses** year-over-year with **improvements to cost structure** and **adjustments in promotion policy including discounts**



### Share of Global Sales (revenue)

- **Share of global revenue increased to 35%** as overseas sales continue strong growth

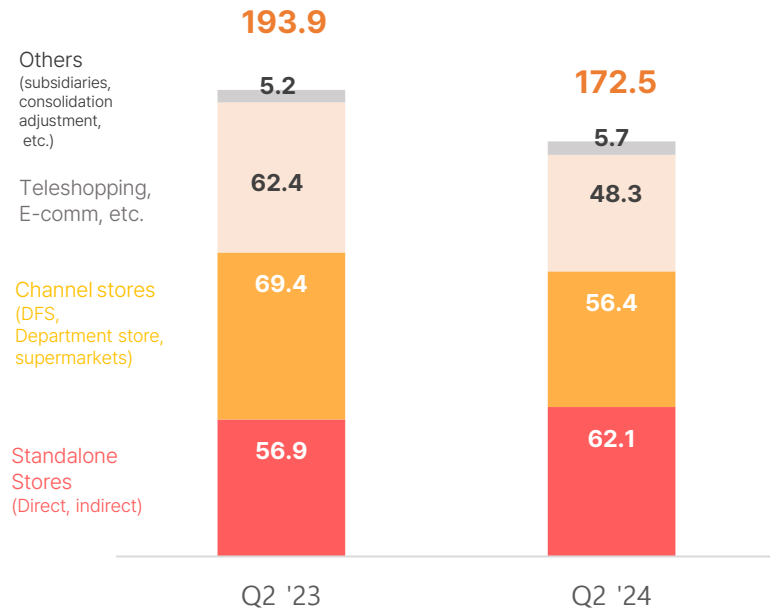


## 2. Performance by Business

# Health-Functional Food

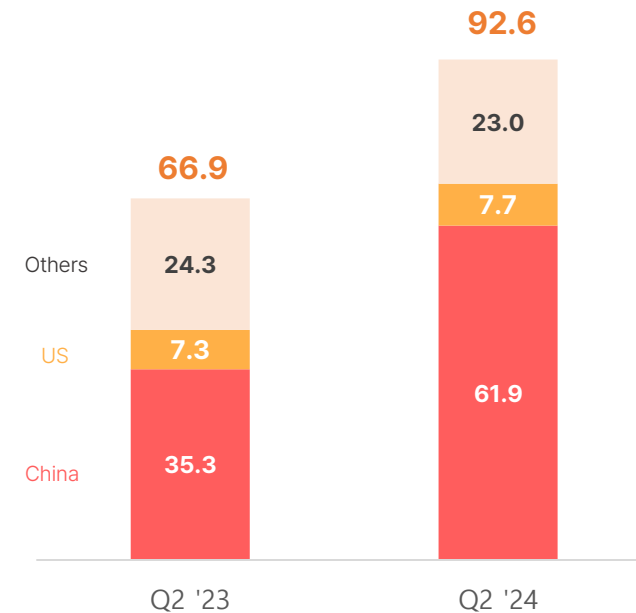
### Domestic Revenue by Channel (KRW bn)

- Higher standalone store revenues (YoY +9.1%) driven by family month promotions
- Continued strategic reduction of inefficient channels (teleshopping, supermarkets) and adjustments in discount promotion policy in channel stores led to lower revenue



### Global Revenue by Market (KRW bn)

- Global revenue grew (YoY +38.4%) mainly in China
  - Revenue from China grew 75.4% year-over-year with balanced growth on- and off-line leveraging 618 promotions

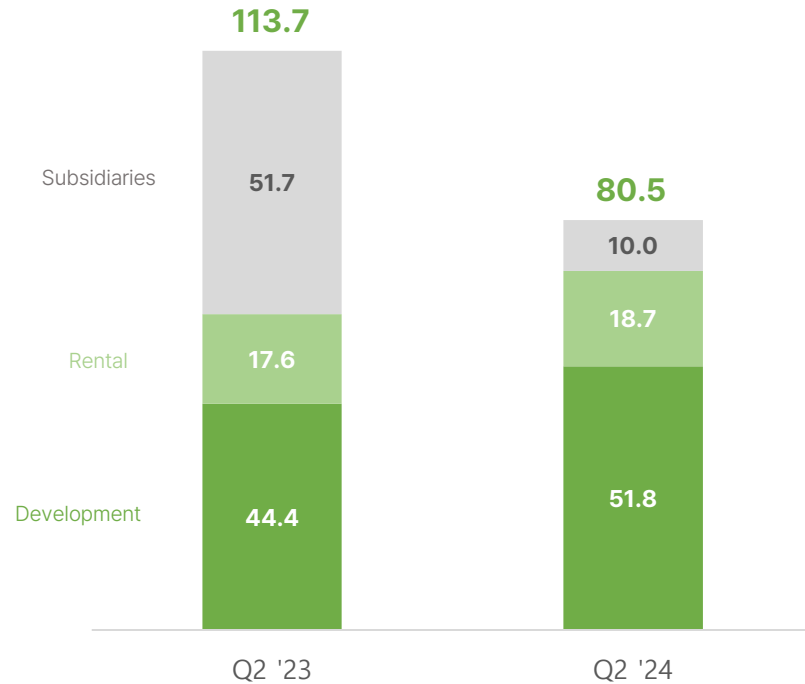


## 2. Performance by Business

# Real Estate

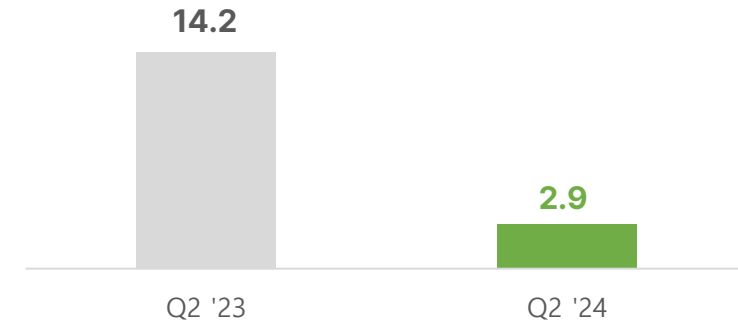
### Revenue (KRW bn)

- Development revenue grew (YoY 16.6%) **as revenue from the Anyang property project is recognized for the first time**
- Total revenues down (YoY -29.2%) as unfavorable comparison against subsidiary development projects including Gwacheon Sang Sang PFV continues



### Operating Profit (KRW bn)

- Reduced operating profits (YoY -79.6%) due to comparison against Suwon project and subsidiary developments including Gwacheon Sang Sang PFV



### 3. 2024 Guidance Update

# Annual Earnings Outlook

## Tobacco

- **Strong growth trend to continue into H2** for tobacco, the core business of the company
- Expect to **meet previous guidance** as CC and NGP strengthen both in growth potential and profitability

### Tobacco Guidance

Revenue +9.0 ~ +9.5% YoY,  
Operating Profit +6.0 ~ +6.5% YoY

## Health-functional Food

- **Some variability expected in the P&L due to improvements to the business fundamentals and structural innovation**
- Channel adjustments, innovations to the discount-centered promotion policy
- **Higher marketing investment to accelerate global business growth**

### HFF Guidance

Revenue -2.5 ~ -3.0% YoY,  
Operating Profit -28.0 ~ -28.5% YoY

## Real Estate

- **Review of mid-to-long term business directions and restructuring of the business framework**
- Full reassessment of subsidiary projects (including equity investments) that accounted for 30% of the previous guidance
- Changes to the P&L recognition due to **delay in major development project** (Anyang property) for '24

### Real Estate Guidance

Revenue -34.5 ~ -35.0% YoY,  
Operating Profit -92.5 ~ -93.0% YoY

## 2024 Outlook

Revenue +2.5 ~ +3.0%, Operating Profit flat YoY projected on consolidated basis

---

# Q&A



# Appendix. Income Status by Business Segment

(units : KRW bn, sticks bn)		Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24
Tobacco	<b>Volume</b>	<b>27.16</b>	<b>29.12</b>	<b>25.40</b>	<b>25.43</b>	<b>29.32</b>
	NGP	3.61	3.48	3.62	3.54	3.68
	Domestic	1.42	1.45	1.46	1.43	1.53
	Global	2.19	2.03	2.17	2.11	2.15
	CC	23.54	25.64	21.78	21.89	25.64
	Domestic	10.37	10.82	9.99	9.18	10.33
	Global	13.17	14.82	11.79	12.71	15.31
	<b>Revenue</b>	<b>888.1</b>	<b>972.7</b>	<b>893.9</b>	<b>856.6</b>	<b>989.9</b>
	NGP	190.0	194.8	195.0	176.3	197.7
	Domestic	123.8	135.9	131.7	130.1	137.3
	Global	66.2	58.9	63.3	46.2	60.4
	CC	692.1	769.7	694.1	674.7	788.0
	Domestic	426.6	448.1	413.6	382.9	428.9
	Global	265.5	321.6	280.6	291.8	359.1
Semi-products	6.0	8.2	4.8	5.6	4.1	
<b>Operating Profit</b>	<b>242.6</b>	<b>269.4</b>	<b>228.4</b>	<b>206.6</b>	<b>316.4</b>	
OP Margin	27.3%	27.7%	25.6%	24.1%	32.2%	
Health-Functional Food	<b>Revenue</b>	<b>260.8</b>	<b>412.8</b>	<b>335.8</b>	<b>308.4</b>	<b>265.1</b>
	Domestic	193.9	349.9	192.2	243.3	172.5
	Global	66.9	62.9	143.6	65.1	92.6
	<b>Operating Profit</b>	<b>-10.7</b>	<b>60.7</b>	<b>12.1</b>	<b>23.0</b>	<b>-1.5</b>
OP Margin	-	14.7%	3.6%	7.5%	-	
Real Estate	<b>Revenue</b>	<b>113.7</b>	<b>224.9</b>	<b>127.7</b>	<b>45.2</b>	<b>80.5</b>
	Development	44.4	100.4	135.7	18.9	51.8
	Rental Properties	17.6	17.0	18.1	18.9	18.7
	Subsidiaries	51.7	107.5	-26.2	7.4	10.0
	<b>Operating Profit</b>	<b>14.2</b>	<b>76.3</b>	<b>-45.6</b>	<b>2.6</b>	<b>2.9</b>
OP Margin	12.5%	33.9%	-	5.8%	3.6%	
Others	<b>Revenue</b>	<b>73.4</b>	<b>79.1</b>	<b>84.1</b>	<b>82.1</b>	<b>88.3</b>
	Pharmaceutical	57.0	59.1	63.8	64.2	62.2
	Cosmetics	16.4	20.0	20.3	17.9	26.1
	<b>Operating Profit</b>	<b>0</b>	<b>0.3</b>	<b>3.0</b>	<b>4.4</b>	<b>3.7</b>
OP Margin	-	0.4%	3.6%	5.4%	4.2%	

# 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)	Q2 '24	Q4 '23
<b>Current assets<sup>(a)</sup></b>	<b>7,025.3</b>	<b>6,418.4</b>
Cash <sup>(*)</sup>	1,887.9	1,669.0
Trade and other receivables	1,505.5	1,506.5
Inventories	2,832.1	2,763.8
Others	799.8	479.1
<b>Non-current assets</b>	<b>6,525.5</b>	<b>6,354.1</b>
Property, plant, and equipment	2,325.8	2,096.5
Investment property	871.2	1,018.4
Others	3,328.5	3,239.2
<b>Total assets</b>	<b>13,550.8</b>	<b>12,772.5</b>
Current liabilities <sup>(b)</sup>	2,913.6	2,672.4
Non-current liabilities	1,142.9	805.1
<b>Total liabilities<sup>(c)</sup></b>	<b>4,056.5</b>	<b>3,477.6</b>
<b>Total equity<sup>(d)</sup></b>	<b>9,494.3</b>	<b>9,294.9</b>
Current ratio <sup>(a/b)</sup>	241.1%	240.2%
Debt-to-equity ratio <sup>(c/d)</sup>	42.7%	37.4%

## Standalone

(unit : KRW bn)	Q2 '24	Q4 '23
<b>Current assets<sup>(a)</sup></b>	<b>3,937.7</b>	<b>3,554.3</b>
Cash <sup>(*)</sup>	838.2	655.7
Trade and other receivables	1,517.7	1,433.9
Inventories	1,295.1	1,222.8
Others	286.7	241.9
<b>Non-current assets</b>	<b>6,964.3</b>	<b>6,819.6</b>
Property, plant, and equipment	1,401.7	1,282.1
Investment property	843.8	992.5
Others	4,718.8	4,545.0
<b>Total assets</b>	<b>10,902.0</b>	<b>10,373.9</b>
Current liabilities <sup>(b)</sup>	2,229.7	2,164.2
Non-current liabilities	688.2	377.2
<b>Total liabilities<sup>(c)</sup></b>	<b>2,917.9</b>	<b>2,541.4</b>
<b>Total equity<sup>(d)</sup></b>	<b>7,984.1</b>	<b>7,832.5</b>
Current ratio <sup>(a/b)</sup>	176.6%	164.2%
Debt-to-equity ratio <sup>(c/d)</sup>	36.5%	32.4%

(\*) 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 <sup>1)</sup>

(unit : KRW bn)	Q2 '24	Q2 '23
<b>Revenue</b>	<b>1,423.8</b>	<b>1,336.0</b>
Cost of goods sold	710.2	685.1
<b>Gross profit</b>	<b>713.6</b>	<b>650.9</b>
Selling, general and administrative expense	392.1	404.8
<b>Operating profit</b>	<b>321.5</b>	<b>246.1</b>
Other income/expenses	90.8	(4.2)
Financial gain/loss	21.2	35.0
Net income from continuing operations	319.5	203.2
Net income from discontinued operations	(1.5)	(1.3)
<b>Net income</b>	<b>318.0</b>	<b>201.9</b>
<b>Gross profit margin</b>	<b>50.1%</b>	<b>48.7%</b>
<b>Operating profit margin</b>	<b>22.6%</b>	<b>18.4%</b>
<b>Net income margin</b>	<b>22.3%</b>	<b>15.1%</b>

## Standalone

(unit : KRW bn)	Q2 '24	Q2 '23
<b>Revenue</b>	<b>944.1</b>	<b>882.6</b>
Cost of goods sold	462.6	433.5
<b>Gross profit</b>	<b>481.5</b>	<b>449.1</b>
Selling, general and administrative expense	200.0	205.3
<b>Operating profit</b>	<b>281.5</b>	<b>243.8</b>
Other income/expenses	94.6	- 5.2
Financial gain/loss	22.4	37.0
<b>Net income</b>	<b>299.9</b>	<b>201.9</b>
<b>Gross profit margin</b>	<b>51.0%</b>	<b>50.9%</b>
<b>Operating profit margin</b>	<b>29.8%</b>	<b>27.6%</b>
<b>Net income margin</b>	<b>31.7%</b>	<b>22.9%</b>

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)	Q2 '24	Q2 '23
<b>Cash and cash equivalents at April 1</b>	<b>1,032.0</b>	<b>1,401.0</b>
<b>Cash flows from operating activities</b>	<b>508.5</b>	<b>131.7</b>
Cash generated from operations	699.4	359.0
Income tax paid	(190.9)	(227.3)
<b>Cash flows from investing activities</b>	<b>(417.9)</b>	<b>(57.2)</b>
Acquisition of property, plant and equipment	(299.0)	(219.9)
<b>Cash flows from financing activities</b>	<b>(176.2)</b>	<b>(576.6)</b>
Net increase in cash and cash equivalents	(85.6)	(502.1)
<b>Changes in consolidation scope etc.</b>	<b>-</b>	<b>(14.0)</b>
<b>Effect of exchange rate fluctuation</b>	<b>77.8</b>	<b>4.1</b>
<b>Cash and cash equivalents at June 30</b>	<b>1,024.2</b>	<b>889.0</b>

## Standalone

(unit : KRW bn)	Q2 '24	Q2 '23
<b>Cash and cash equivalents at April 1</b>	<b>210.4</b>	<b>939.5</b>
<b>Cash flows from operating activities</b>	<b>489.5</b>	<b>92.0</b>
Cash generated from operations	644.0	293.8
Income tax paid	(154.5)	(201.8)
<b>Cash flows from investing activities</b>	<b>(289.6)</b>	<b>(85.6)</b>
Acquisition of property, plant and equipment	(152.6)	(119.3)
<b>Cash flows from financing activities</b>	<b>(151.2)</b>	<b>(586.1)</b>
Net increase in cash and cash equivalents	48.7	(579.6)
<b>Effect of exchange rate fluctuation</b>	<b>10.3</b>	<b>1.6</b>
<b>Cash and cash equivalents at June 30</b>	<b>269.4</b>	<b>361.4</b>

# 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)	Q2 '24	Q4 '23
<b>Current assets</b>	<b>1,671.5</b>	<b>1,687.0</b>
Inventories	1,036.1	1,119.5
Cash and cash equivalents	210.5	177.2
Others	424.9	390.3
<b>Non-current assets</b>	<b>829.6</b>	<b>836.6</b>
Property, plant and equipment	346.8	355.3
Intangible assets	25.2	26.2
Others	457.6	455.1
<b>Total assets</b>	<b>2,501.1</b>	<b>2,523.6</b>
Current liabilities	124.0	136.3
Non-current liabilities	78.4	90.0
<b>Total liabilities</b>	<b>202.4</b>	<b>226.3</b>
<b>Total equity</b>	<b>2,298.7</b>	<b>2,297.3</b>

## Income Statement

(unit : KRW bn)	Q2 '24	Q2 '23
<b>Revenue</b>	<b>229.4</b>	<b>232.6</b>
Cost of goods sold	115.0	117.5
<b>Gross profit</b>	<b>114.4</b>	<b>115.1</b>
SG&A	118.0	126.6
<b>Operating profit</b>	<b>(3.6)</b>	<b>(11.5)</b>
Other income/expense	9.6	0.1
Financial gain/loss	4.1	3.9
<b>Net income</b>	<b>7.6</b>	<b>(4.0)</b>

---

**Thank you**