
KT&G FY2024 Third Quarter Results

2024. 11. 7 | Investor Relations



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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 Quarter Revenues for the Tobacco Business

Revenue up 7.7%, Operating Profit by 23.6%, with Operating Profit Margin at 31.8%

Global CC with another 「Growth Trifecta (volume-revenue-OP)」 and Record Quarter Volume/Revenue

Uptake in sales and stronger pricing led to growth of 10.1% in volume, 30.5% in revenue and 167.2% in OP

Profit-centered Growth continued for NGP

Profitability continues to grow with operating profit surging 18.9% for the quarter as share of sticks rise in the mix

First-ever KRW 1 Trillion in Quarter Revenue for 3 Core Businesses (Global CC, NGP, HFF)

1. 2024 Q3 Performance Highlights

Consolidated Results

Revenue (KRW bn)

KRW 1.64 trn

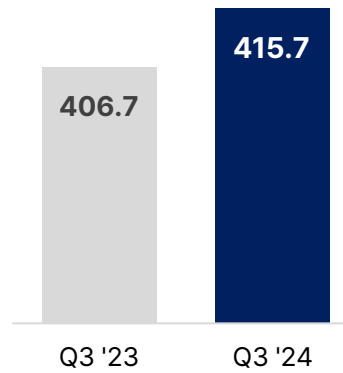
YoY - 3.1%



Operating Profit (KRW bn)

KRW 415.7 bn

YoY + 2.2%



Net Income

KRW 239.9 bn

YoY - 28.0%

EPS

KRW 2,251

YoY - 16.9%

EBITDA / EBITDA Margin

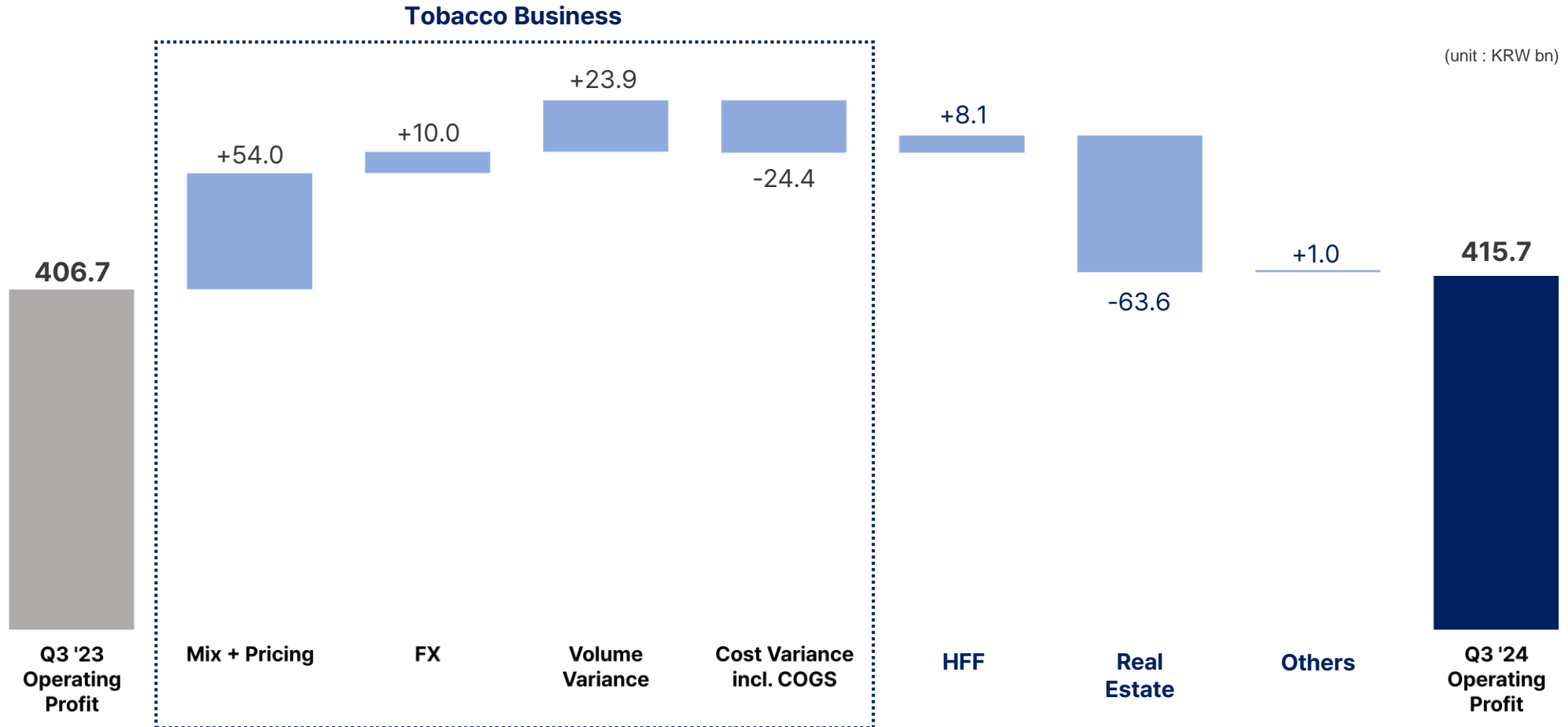
KRW 479.2 bn / 29.3%

YoY +2.5%

YoY +1.6%p

1. 2024 Q3 Performance Highlights

Movement in Earnings

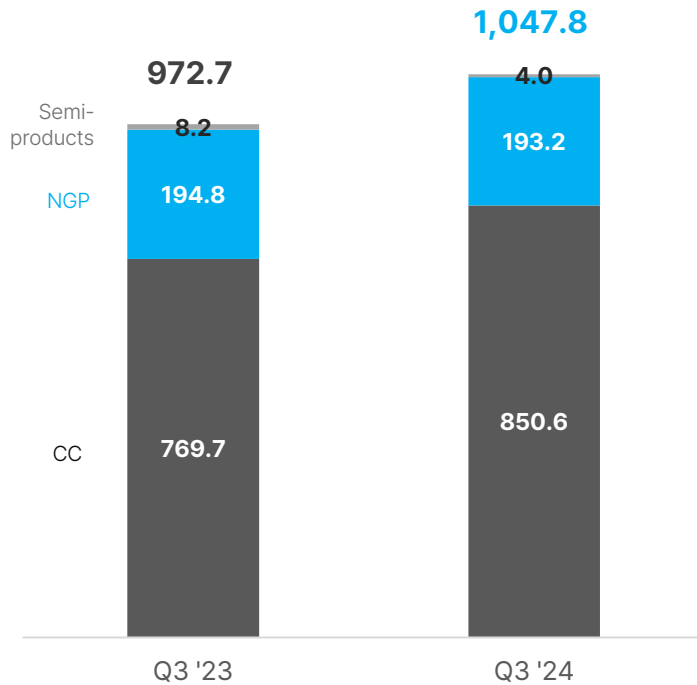


2. Performance by Business

Tobacco Business

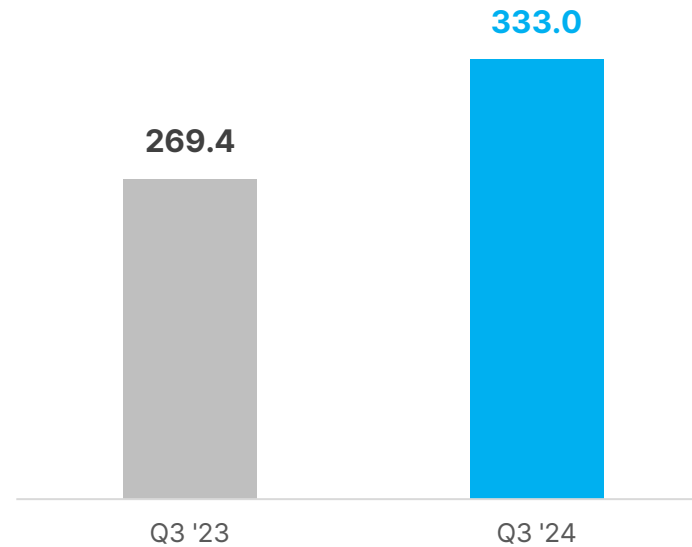
Revenue (KRW bn)

- Revenue grew (YoY +7.7%) **as global CC posted another record quarter revenue (YoY +30.5%)** and **domestic NGP delivered promising results (YoY +15.2%)**



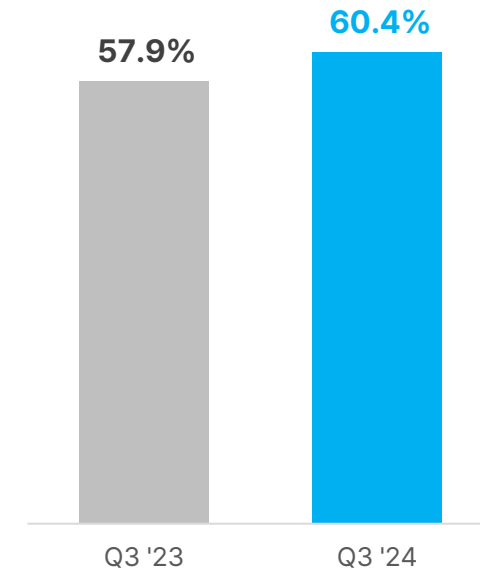
Operating Profit (KRW bn)

- Operating profit grew (YoY +23.6%) **with better profitability for the global CC and NGP businesses**



Share of Global Sales (volume)

- Robust sales in global CC drove the share of global business to **beyond 60%** (YoY +2.5%p)



2. Performance by Business

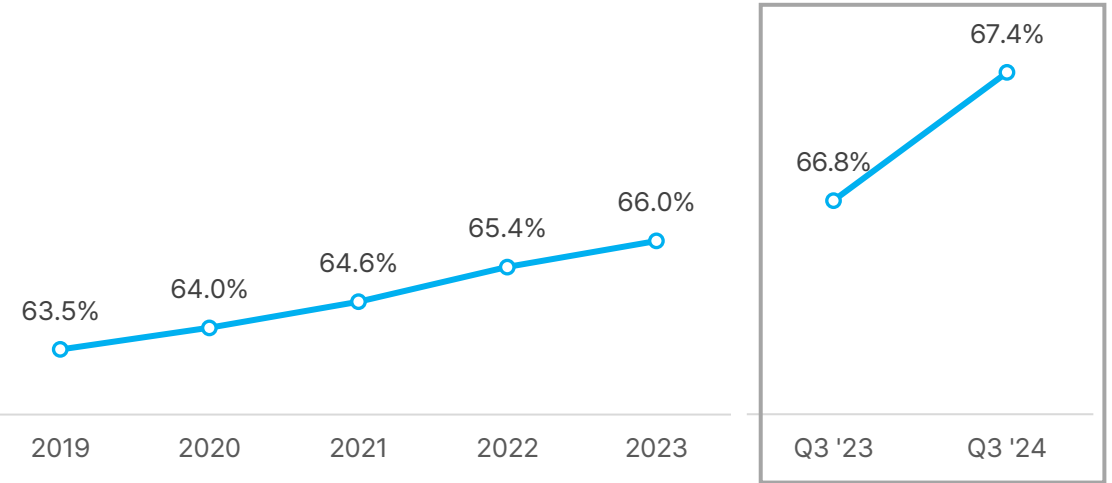
Tobacco_Domestic CC

- Reduction in sales volume (YoY - 4.5%) partially offset by **growth in market share (YoY + 0.6%p)** despite contraction in domestic market volume (YoY -5.6%)
- Drop in revenue partially mitigated by **increased DFS sales (YoY + 7.6%) and higher portion of premium products in the mix**

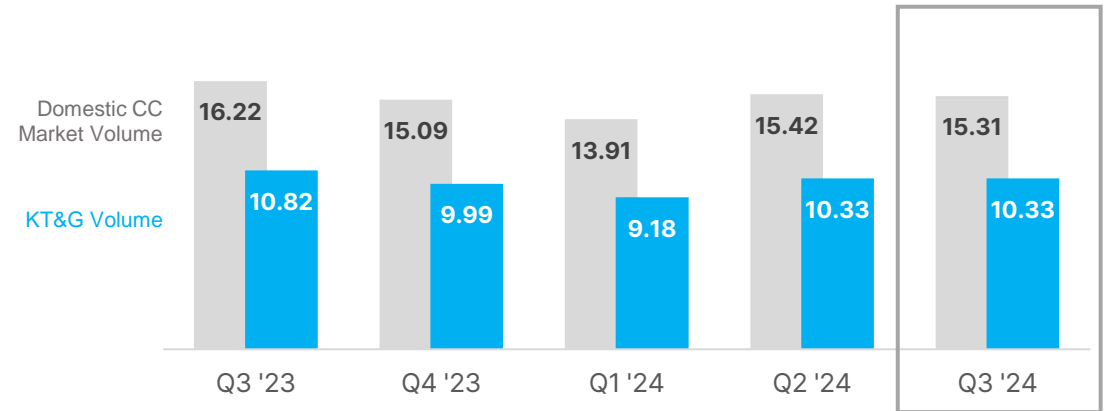
Revenue (KRW bn)



KT&G SoM¹⁾



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



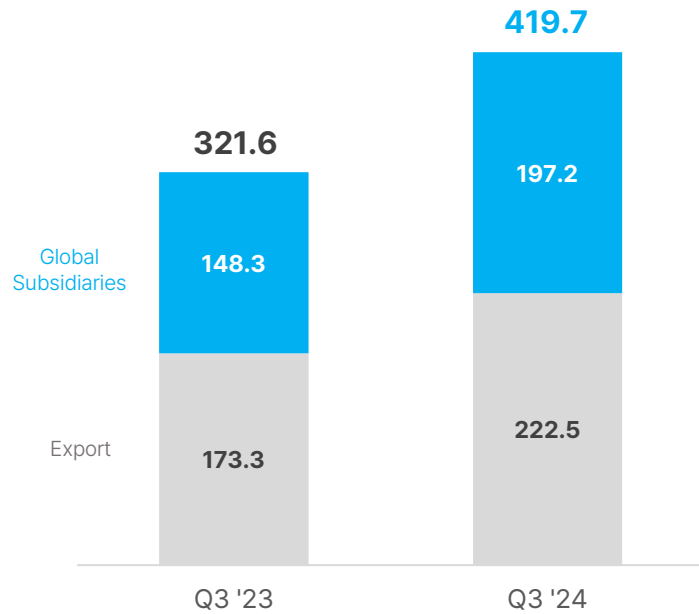
1) Source : Korea Tobacco Association data based on shipment volumes to general stores, centralized logistics, specialized channels, etc.

2. Performance by Business

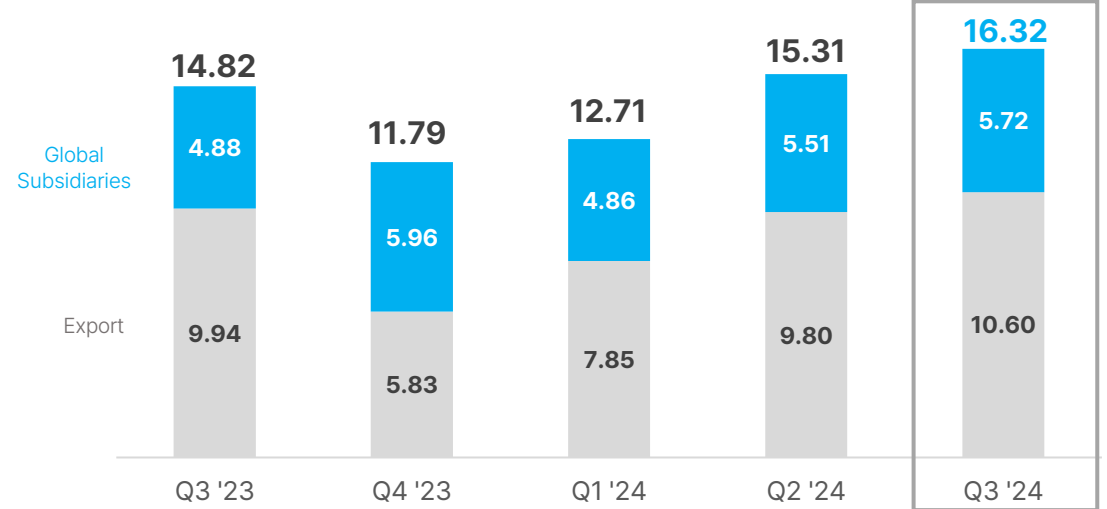
Tobacco_Global CC

- **Record-high volumes for two consecutive quarters (YoY +10.1%)** as volumes grew simultaneously for export and global subsidiaries
- **Revenue growth (YoY +30.5%) surpassed volume growth to reach record levels for two consecutive quarters**, positively impacted by continuous price increase

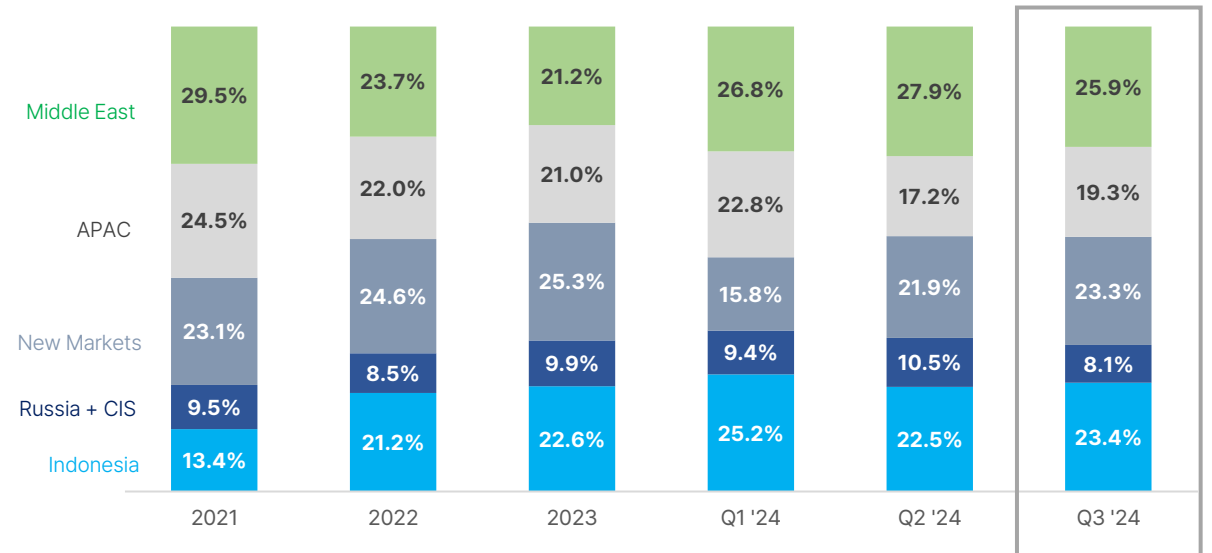
Revenue (KRW bn)



Volume (bn sticks)



Volume Share per Region

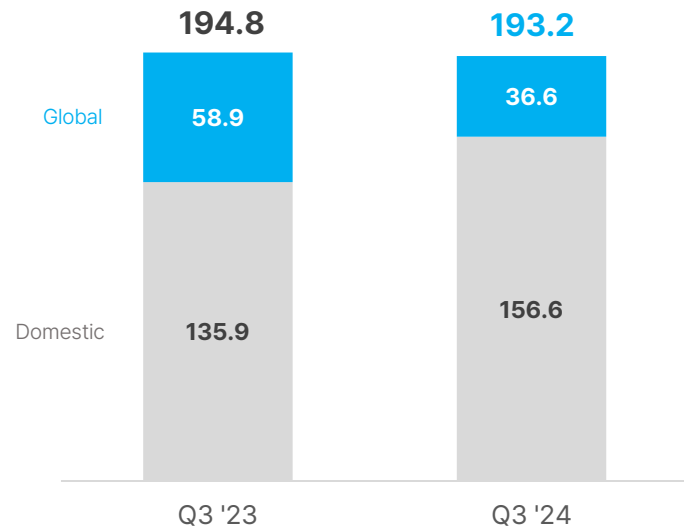


2. Performance by Business

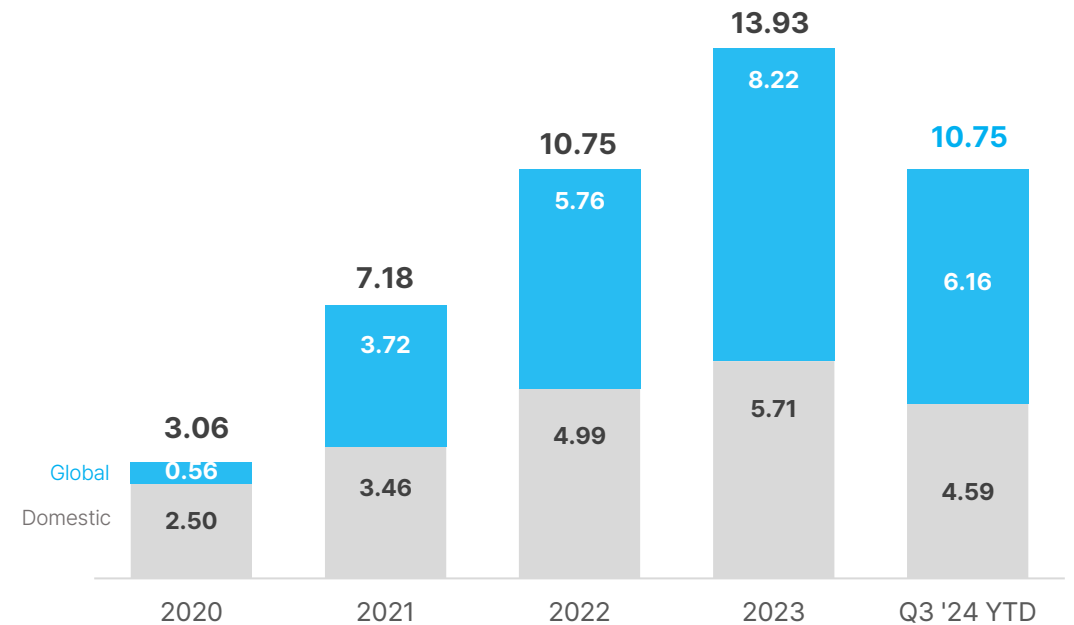
Tobacco_NGP (Next Generation Products)

- Despite sustained growth in domestic sales and global stick revenue, total revenue was marginally down year-over-year due to strategic sales adjustment of devices in the market in preparation for new platform launch overseas

Revenue (KRW bn)



Stick Volume (bn sticks)

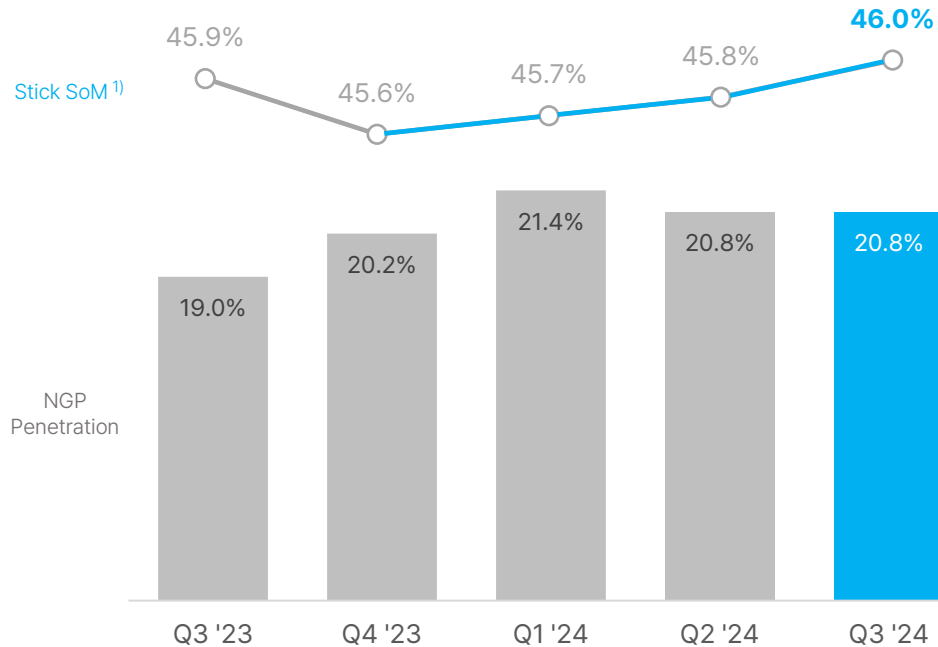


2. Performance by Business

Tobacco_NGP (Next Generation Products)

Domestic Operation

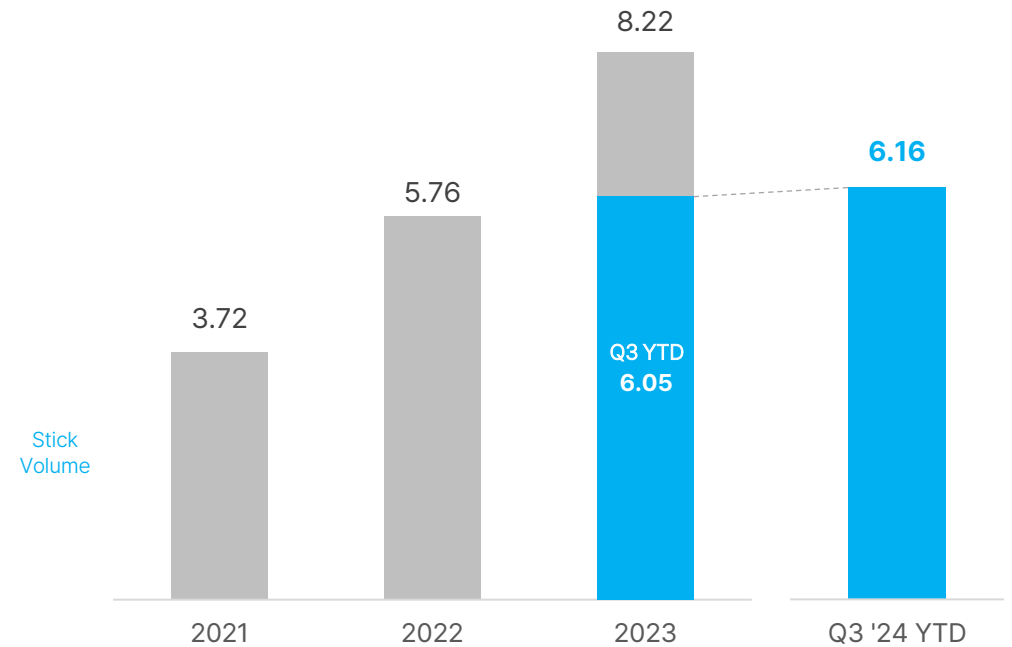
- **NGP continues to penetrate the market (YoY +1.8%p)** as demand for the category grows
- **The growth trend in market share is sustained** year-to-date with **stronger competitiveness of the lil Hybrid platform**, despite intensifying competition



1) CVS offtake data

Global Operation (bn sticks)

- **Profitability continues to improve with increased stick revenue in the mix**, despite strategic sales adjustment of devices in the market

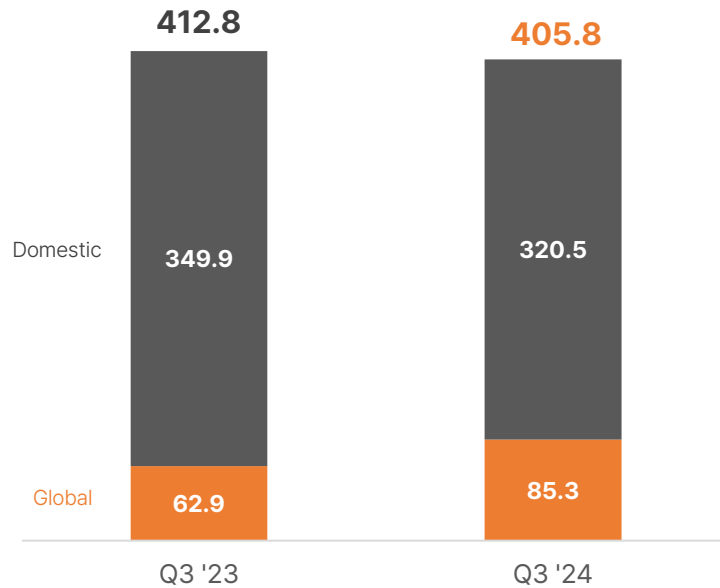


2. Performance by Business

Health-Functional Food

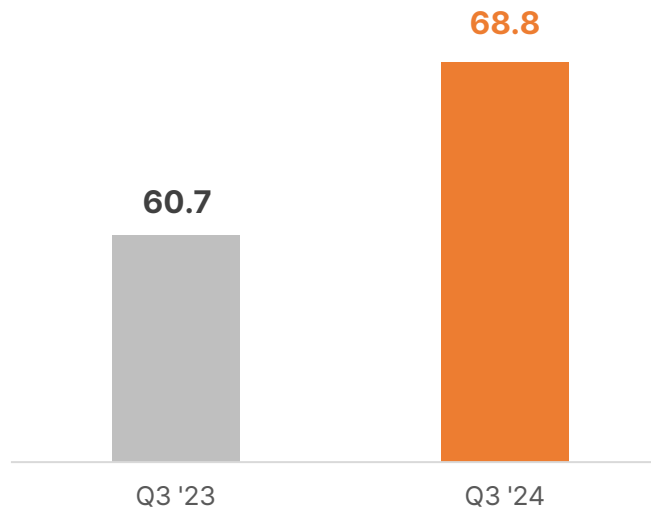
Revenue (KRW bn)

- Negative topline impact (YoY -1.7%) from domestic revenue due to **subdued HFF market and reduced discount promotions**, despite **continued overseas growth**



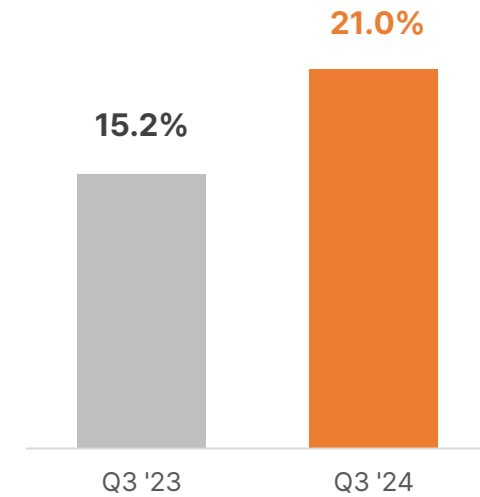
Operating Profit (KRW bn)

- Growth in operating profit (YoY +13.3%) led by **improved economics of the global business** and **higher efficiency in the domestic cost structure**



Share of Global Sales (revenue)

- **Strategic drive behind global business growth** led to 5.8%p increase in share of global revenue

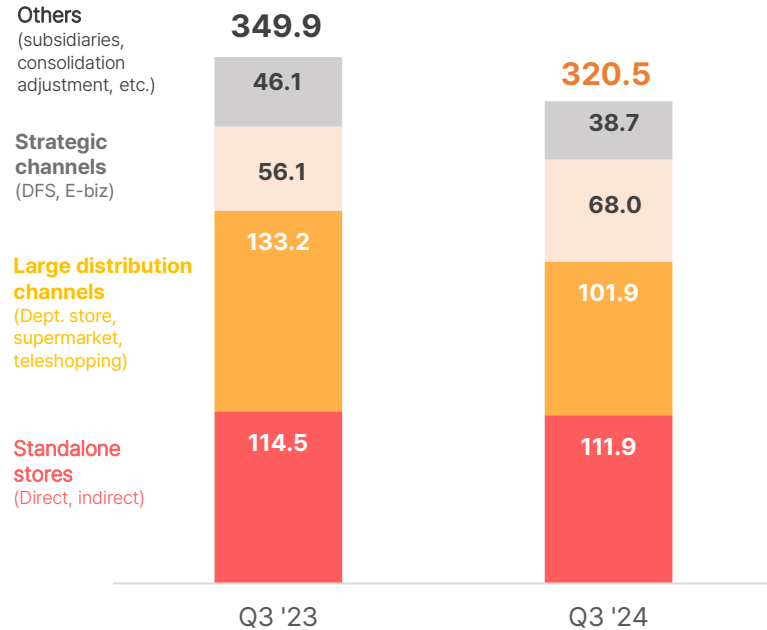


2. Performance by Business

Health-Functional Food

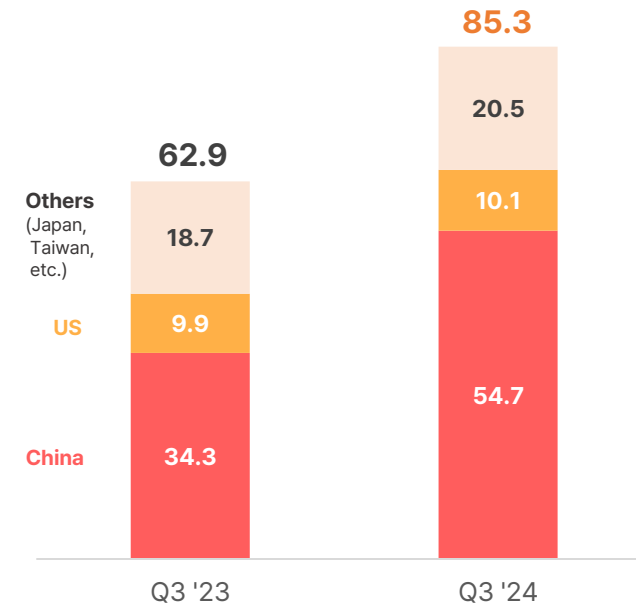
Domestic Revenue by Channel (KRW bn)

- Lower demand for Chuseok holiday gifts due to weaker macro-economics and reduced revenue from large distribution channels as discount promotions are adjusted
- Higher E-biz revenue centered around the Big 3 platforms, as a result of targeted cultivation of high-growth platforms



Global Revenue by Market (KRW bn)

- Revenue grew in major markets with presence (YoY +35.6%) as per the strategic drive behind global business growth
 - Strong performance from promotions in China (YoY +59.5%) and uptake in sales from online/supermarkets in Japan (YoY +34.5%)

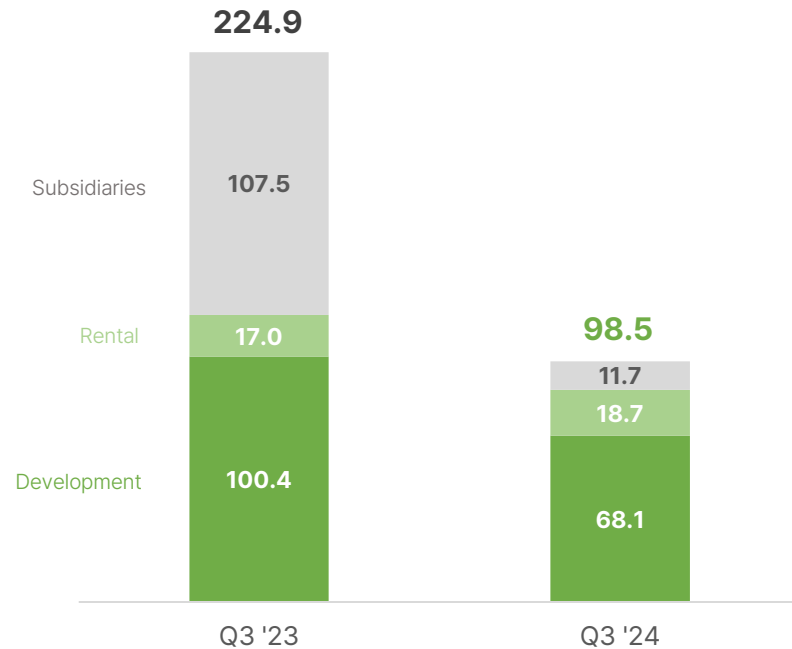


2. Performance by Business

Real Estate

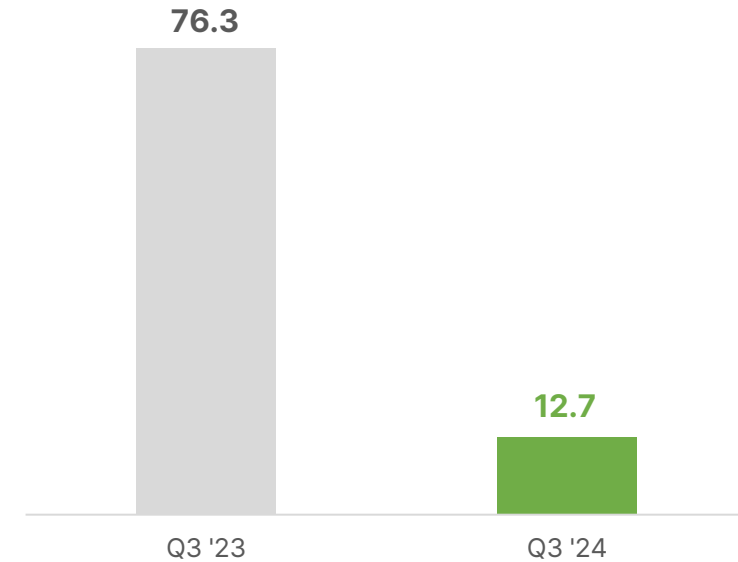
Revenue (KRW bn)

- Lower revenue (YoY -56.2%) due to **completion in development projects including Suwon and DNC Deok-eun** and **reduced investments in new projects as mid-to-long term direction for the real estate business is revised**



Operating Profit (KRW bn)

- Weaker operating profit with unfavorable comparison due to completion of Suwon and DNC Deok-eun development projects (YoY -83.4%)



Appendix. Income Status by Business Segment

(units : KRW bn, sticks bn)		Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24
Tobacco	Volume	29.12	25.40	25.43	29.32	30.18
	NGP	3.48	3.62	3.54	3.68	3.53
	Domestic	1.45	1.46	1.43	1.53	1.63
	Global	2.03	2.17	2.11	2.15	1.90
	CC	25.64	21.78	21.89	25.64	26.65
	Domestic	10.82	9.99	9.18	10.33	10.33
	Global	14.82	11.79	12.71	15.31	16.32
	Revenue	972.7	893.9	856.6	989.9	1,047.8
	NGP	194.8	195.0	176.3	197.7	193.2
	Domestic	135.9	131.7	130.1	137.3	156.6
	Global	58.9	63.3	46.2	60.4	36.6
	CC	769.7	694.1	674.7	788.0	850.6
	Domestic	448.1	413.6	382.9	428.9	430.9
	Global	321.6	280.6	291.8	359.1	419.7
Semi-products	8.2	4.8	5.6	4.1	4.0	
Operating Profit	269.4	228.4	206.6	316.4	333.0	
OP Margin	27.7%	25.6%	24.1%	32.2%	31.8%	
Health-Functional Food	Revenue	412.8	335.8	308.4	265.1	405.8
	Domestic	349.9	192.2	243.3	172.5	320.5
	Global	62.9	143.6	65.1	92.6	85.3
	Operating Profit	60.7	12.1	23.0	-1.5	68.8
OP Margin	14.7%	3.6%	7.5%	-	17.0%	
Real Estate	Revenue	224.9	127.7	45.2	80.5	98.5
	Development	100.4	135.7	18.9	51.8	68.1
	Rental Properties	17.0	18.1	18.9	18.7	18.7
	Subsidiaries	107.5	-26.2	7.4	10.0	11.7
	Operating Profit	76.3	-45.6	2.6	2.9	12.7
OP Margin	33.9%	-	5.8%	3.6%	12.9%	
Others	Revenue	79.1	84.1	82.1	88.3	84.2
	Pharmaceutical	59.1	63.8	64.2	62.2	62.0
	Cosmetics	20.0	20.3	17.9	26.1	22.2
	Operating Profit	0.3	3.0	4.4	3.7	1.2
OP Margin	0.4%	3.6%	5.4%	4.2%	1.5%	

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)	Q3 '24	YE'23
Current assets^(a)	7,029.5	6,418.4
Cash ^(*)	1,951.1	1,669.0
Trade and other receivables	1,418.7	1,506.5
Inventories	2,782.8	2,763.8
Others	876.9	479.1
Non-current assets	6,454.1	6,354.1
Property, plant, and equipment	2,395.4	2,096.5
Investment property	805.0	1,018.4
Others	3,253.7	3,239.2
Total assets	13,483.6	12,772.5
Current liabilities ^(b)	3,119.6	2,672.5
Non-current liabilities	1,130.7	805.1
Total liabilities^(c)	4,250.3	3,477.6
Total equity^(d)	9,233.3	9,294.9
Current ratio ^(a/b)	225.3%	240.2%
Debt-to-equity ratio ^(c/d)	46.0%	37.4%

Standalone

(unit : KRW bn)	Q3 '24	YE'23
Current assets^(a)	3,974.5	3,554.3
Cash ^(*)	967.2	655.7
Trade and other receivables	1,364.4	1,433.9
Inventories	1,280.6	1,222.8
Others	362.3	241.9
Non-current assets	6,825.5	6,819.6
Property, plant, and equipment	1,426.9	1,282.1
Investment property	763.5	992.5
Others	4,635.1	4,545.0
Total assets	10,800.0	10,373.9
Current liabilities ^(b)	2,539.6	2,164.2
Non-current liabilities	584.4	377.2
Total liabilities^(c)	3,124.0	2,541.4
Total equity^(d)	7,676.0	7,832.5
Current ratio ^(a/b)	156.5%	164.2%
Debt-to-equity ratio ^(c/d)	40.7%	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 ¹⁾

(unit : KRW bn)	Q3 '24	Q3 '23
Revenue	1,636.3	1,689.5
Cost of goods sold	782.7	862.4
Gross profit	853.6	827.1
Selling, general and administrative expense	437.9	420.4
Operating profit	415.7	406.7
Other income/expenses	(125.9)	491.5
Financial gain/loss	28.1	4.6
Net income from continuing operations	241.7	334.9
Net income from discontinued operations	(1.8)	(1.6)
Net income	239.9	333.3
Gross profit margin	52.2%	49.0%
Operating profit margin	25.4%	24.1%
Net income margin	14.7%	19.7%

Standalone

(unit : KRW bn)	Q3 '24	Q3 '23
Revenue	997.6	976.1
Cost of goods sold	488.7	489.8
Gross profit	508.9	486.3
Selling, general and administrative expense	202.1	192.4
Operating profit	306.8	293.9
Other income/expenses	(141.8)	41.7
Financial gain/loss	29.5	10.1
Net income	146.4	258.3
Gross profit margin	51.0%	49.8%
Operating profit margin	30.8%	30.1%
Net income margin	14.7%	26.5%

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)	Q3 '24	Q3 '23
Cash and cash equivalents at July 1	1,032.0	1,401.0
Cash flows from operating activities	902.4	896.1
Cash generated from operations	1,218.2	1,269.1
Income tax paid	(315.8)	(373.0)
Cash flows from investing activities	(434.5)	(420.2)
Acquisition of property, plant and equipment	(506.4)	(292.5)
Cash flows from financing activities	(346.7)	(725.5)
Net increase in cash and cash equivalents	121.2	(249.6)
Changes in consolidation scope etc.	-	(14.0)
Effect of exchange rate fluctuation	66.7	22.2
Cash and cash equivalents at September 30	1,219.9	1,173.6

Standalone

(unit : KRW bn)	Q3 '24	Q3 '23
Cash and cash equivalents at July 1	210.4	939.6
Cash flows from operating activities	848.3	600.3
Cash generated from operations	1,114.7	917.6
Income tax paid	(266.4)	(317.3)
Cash flows from investing activities	(116.6)	(439.2)
Acquisition of property, plant and equipment	(251.7)	(175.9)
Cash flows from financing activities	(356.1)	(736.2)
Net increase in cash and cash equivalents	375.6	(575.1)
Effect of exchange rate fluctuation	(0.7)	7.2
Cash and cash equivalents at September 30	585.3	371.7

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)	Q3 '24	YE'23
Current assets	1,788.4	1,687.0
Inventories	986.6	1,119.5
Cash and cash equivalents	229.5	177.2
Others	572.3	390.3
Non-current assets	826.7	836.6
Property, plant and equipment	335.3	355.3
Intangible assets	27.6	26.2
Others	463.8	455.1
Total assets	2,615.1	2,523.6
Current liabilities	169.6	136.3
Non-current liabilities	97.1	90.0
Total liabilities	266.7	226.3
Total equity	2,348.4	2,297.3

Income Statement

(unit : KRW bn)	Q3 '24	Q3 '23
Revenue	362.9	374.0
Cost of goods sold	162.9	179.7
Gross profit	200.0	194.3
SG&A	138.8	135.7
Operating profit	61.2	58.6
Other income/expense	(1.4)	1.7
Financial gain/loss	3.3	3.8
Net income	46.7	49.7

Thank you