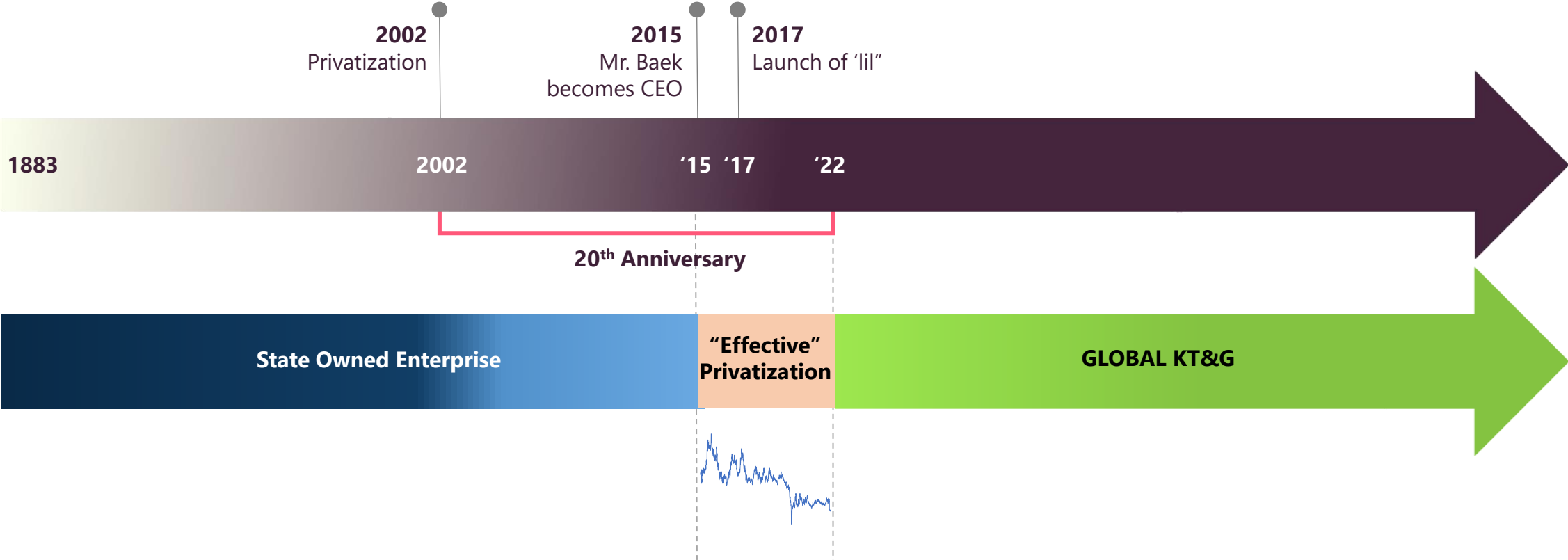


# **“NEXT 100 YEARS”**

May 10, 2022

# 140 YEARS OF HISTORY

## KT&G's Milestones Since Inception



## Some Voice from the Market

---

**“KT&G is state-owned, right?”**

**“Yeah, not SOE per se, but anyway it’s ownerless.”**

**“If he is such a shareholder-friendly CEO, then why is the valuation so dismally low...?”**

**“If they have such a great HNB product, why are they doing nothing in the global market?”**

**“Korea Ginseng Co was KT&G’s subsidiary? I am sure it is making loss.”**

**“Everyone says they are No. 1 on ESG...”**

**“Tobacco company has no place on ESG..”**

# FIVE SUGGESTIONS FOR “NEXT 100 YEARS”

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3 Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

# FIVE SUGGESTIONS FOR “NEXT 100 YEARS”

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3 Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

- The emergence of HNB is a new major catalyst of growth for KT&G and global tobacco industry.
- KT&G’s lil has great potential overseas to threaten PMI’s IQOS.
- KT&G needs a well-built 5-year plan to grow lil into a global brand, through building its own in-house distribution and marketing capabilities.

# FIVE SUGGESTIONS FOR "NEXT 100 YEARS"

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3 Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

- Given the global aging population, its exceptionally strong market share and brand power, KGC has a potential to become Super K-Food.
- What KGC needs now, to become a global brand, is "a spin-off into a listed company".
- After spin-off, KT&G management may feel sad to run a smaller company than before. That said, the spin-off will help globalize ginseng, and please shareholders, employees, farmers, and consumers, thereby accomplishing a feat of "1+1 = 4".

# FIVE SUGGESTIONS FOR “NEXT 100 YEARS”

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3** Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

- With its 9 non-core, sub-scale businesses running, KT&G cannot focus on its tobacco and ginseng, which demand undivided management attention.
- Especially, Real Estate business is totally irrelevant to KT&G’s core business and is a distraction “unprecedented” for any global consumer brands.
- “Focus on Core Business”, instead of pursuing irrelevant distractions, should be the right direction for KT&G if it were to become a global brand.

# FIVE SUGGESTIONS FOR “NEXT 100 YEARS”

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3 Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

- Whether or not to withheld the excessive cash is an important decision for management team and the board of rectors.
- Be it investment for future, or return to shareholders, the decision needs to be supported by well thought out rationale and execution plan.
- Should KT&G consider making investment for new business, it should most objectively evaluate its strategic priority, its own track record in M&A, and its capability to carry out new businesses.



# FIVE SUGGESTIONS FOR “NEXT 100 YEARS”

---

## 5 SUGGESTIONS FROM FLASHLIGHT

- 1 Grow lil into a global brand
- 2 Spin off ginseng business
- 3 Exit nine non-core businesses
- 4 Triple share buyback program
- 5 ESG with action, not check-the-box

- KT&G can make contribution to better ESG, and become a true ESG leader in Korea.
- The other 4 initiatives will be possible only if KT&G brings back proper governance, which will ensure the profit-generating ideas are explored without bias.
- As for G, by having a BOD director who can represent the shareholder’s view, KT&G can have more balanced view.
- HNB and ginseng will make big contribution on E and G.

## THOUGHTS THAT MAY ARISE NOW

---

**“Yeah, what’s new?”**

**“If we keep doing this over and over, some day the market will appreciate us.”**

**“Why should we do anything more?”**

**“Well, let me sleep on it...”**

**“We can do only a few of these, not all, and see how the market responds.”**

**“It’s what IR team should do.”**



*Continue to Page 3*