

KT 1Q20 Earnings Release

May 13, 2020 | Investor Relations



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1 Financial Highlights

2 Business Overview

3 Appendix

1 Revenue Classification Change

- **[KT Separate]** Wireless/Fixed-line/Media and other core biz → Changed to two main categories, B2C/B2B
- **[Consolidated]** Revenue classified in KT BMs → Separated the performance of KT from its affiliates

As-is	
Wireless	Wireless
	Telephony
Fixed Line	Broadband
	Line lease
Media & Contents	Media
	Contents
Finance	BC card, etc.
	IT/Solution
Others	Real estate
	Others
Merchandise	Devices
	Construction, etc.



To-be		
KT	B2C	Wireless
		Broadband
		IPTV
		Telephony
	B2B	Corporate Lines
		Corporate IT/Solution
		AI/DX
	Real estate	
Subsidiaries	Devices	Fixed/Wireless Devices
	BC card	
	Skylife	
	Contents subsidiaries	
	KT Estate	
	Other affiliates	

2 Income Statement

- Service revenue up by +1.0% YoY due to the increase in Wireless, Media and B2B biz
- Operating profit down by -4.7% YoY with profit decline of group companies impacted by COVID-19
 - Operating income: KRW 299.6 billion (YoY +1.1%), KT separate
 - Affiliates operating income contributed: KRW 83.5 billion (YoY -21.5%)

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
Operating Revenue	5,834.4	6,098.5	6,213.7	6,195.5	5,831.7	-5.9%	0.0%
Service Revenue	5,055.5	5,225.2	5,199.6	5,289.8	5,107.0	-3.5%	1.0%
Handset Revenue	778.9	873.3	1,014.1	905.7	724.7	-20.0%	-6.9%
Operating Expense	5,432.3	5,810.3	5,901.2	6,047.2	5,448.6	-9.9%	0.3%
Operating Income	402.1	288.2	312.5	148.3	383.1	158.4%	-4.7%
Margin	6.9%	4.7%	5.0%	2.4%	6.6%	4.2%p	-0.3%p
Non-op. Income/Loss	-4.4	-4.7	-42.2	-120.2	-15.9	Deficit Decreased	Deficit Increased
Income before taxes	397.7	283.6	270.3	28.1	367.2	1,207.4%	-7.7%
Net Income	259.8	203.0	213.3	-6.8	226.6	TB	-12.8%
Margin	4.5%	3.3%	3.4%	-0.1%	3.9%	4.0%p	-0.6%p
EBITDA	1,309.5	1,191.3	1,209.8	1,079.3	1,295.8	20.1%	-1.0%
Margin	22.4%	19.5%	19.5%	17.4%	22.2%	4.8%p	-0.2%p

3 Operating Expenses

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
Operating Expenses	5,432.3	5,810.3	5,901.2	6,047.2	5,448.6	-9.9%	0.3%
Labor Cost	983.8	1,006.1	959.4	1,001.8	1,003.9	0.2%	2.0%
General Expense	2,327.1	2,459.3	2,433.5	2,579.7	2,259.5	-12.4%	-2.9%
- Depreciation	907.4	903.0	897.4	931.0	912.7	-2.0%	0.6%
Cost of Service Provided	685.6	711.7	759.1	798.9	759.2	-5.0%	10.7%
Selling Expense	572.2	613.9	592.3	499.5	551.6	10.4%	-3.6%
Cost of Handset sold	863.6	1,019.3	1,156.9	1,167.3	874.4	-25.1%	1.3%

▪ Selling Expense (KT Separate)

(Unit: KRW bn)

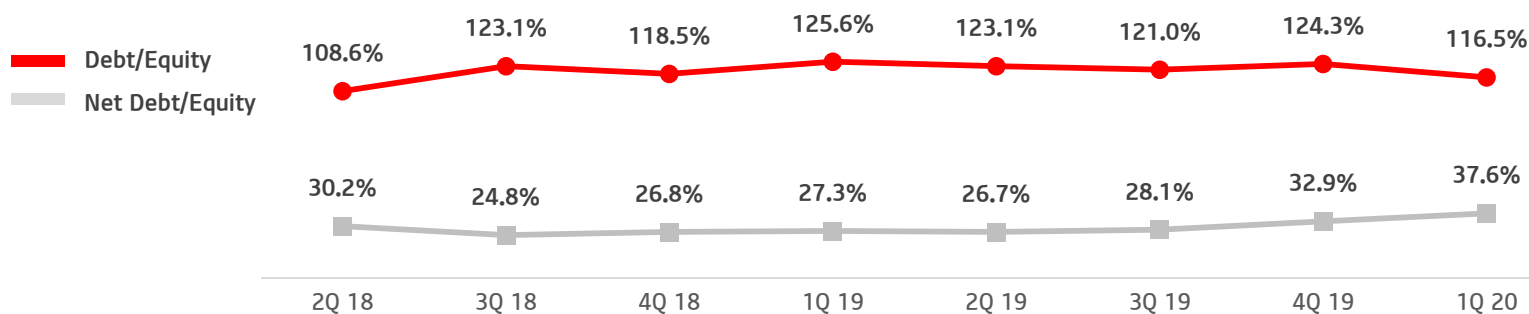
	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
Selling Expense	581.0	612.4	620.3	566.0	575.8	1.7%	-0.9%

※ Membership points used in FY19 are deducted from selling expense in 4Q19.

4 Financial Position

(Unit: KRW bn)

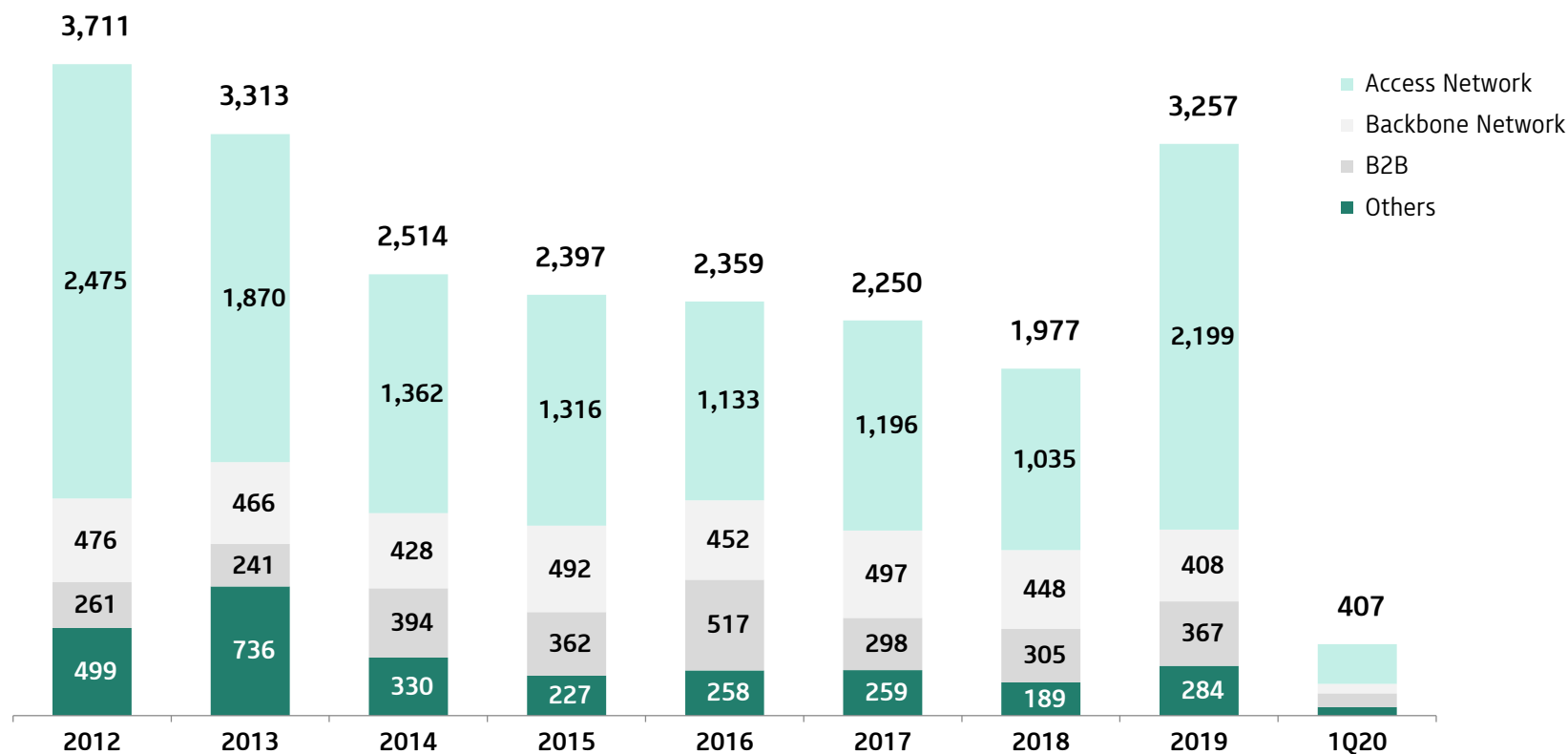
	1Q 19	4Q 19	1Q 20	QoQ	YoY
Assets	33,247.8	34,061.3	32,631.0	-4.2%	-1.9%
Cash & Cash Equivalents	2,765.0	2,305.9	1,627.1	-29.4%	-41.2%
Liabilities	18,509.4	18,874.3	17,559.4	-7.0%	-5.1%
Borrowings	6,790.1	7,298.9	7,286.9	-0.2%	7.3%
Equity	14,738.5	15,187.0	15,071.6	-0.8%	2.3%
Capital Stock	1,564.5	1,564.5	1,564.5	0.0%	0.0%
Net Debt	4,025.1	4,993.0	5,659.8	13.4%	40.6%
Debt / Equity	125.6%	124.3%	116.5%	-7.8%p	-9.1%p
Net Debt / Equity	27.3%	32.9%	37.6%	4.7%p	10.2%p



5 CAPEX

- FY2020 CAPEX guidance as 3.1 trillion won and executed 406.9bn won in 1Q20 (13.1%)
 - Access Network 225.7bn, Backbone Network 55.1bn, B2B communications 77.4bn, others 48.7bn

(Unit: KRW bn)



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1 KT - Wireless

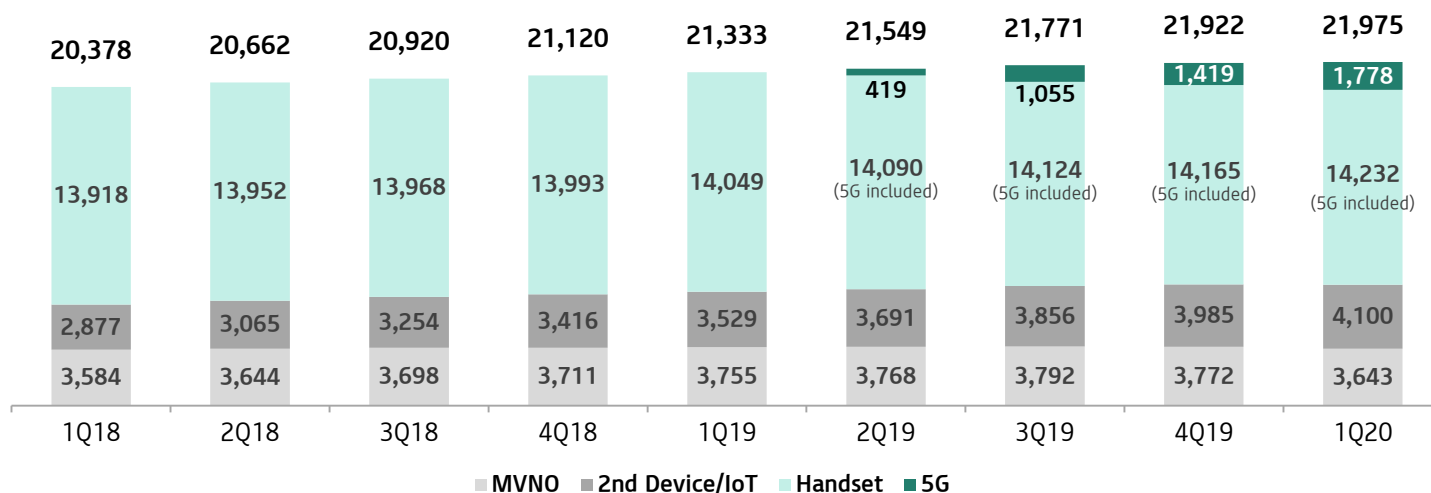
- Wireless service revenue up by +2.2% YoY on net addition of MNO subscribers and its ARPU increase
- Total number of 5G subscribers reached 1.78 million (13% of Handset subscribers) in 1Q20

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
Wireless	1,702.8	1,712.5	1,726.4	1,705.4	1,735.7	1.8%	1.9%
Service	1,596.9	1,612.7	1,626.0	1,607.1	1,632.4	1.6%	2.2%
Interconnection	105.9	99.7	100.4	98.3	103.3	5.1%	-2.5%

Subscribers

(Unit: Thousands)



2 KT - Fixed Line/IPTV

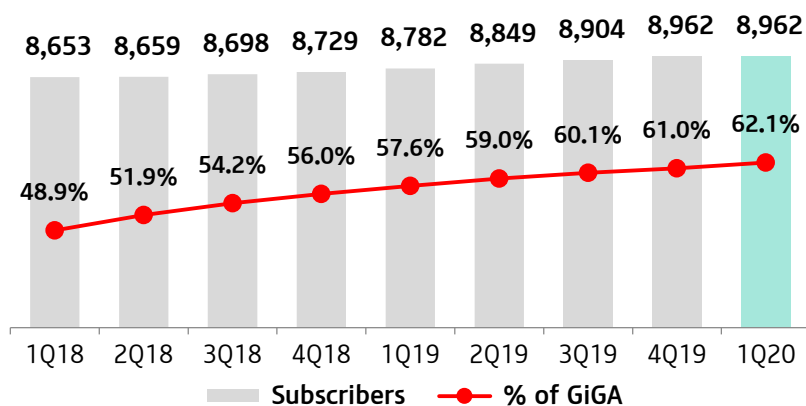
- Broadband revenue up by +0.5% YoY driven by GiGA subscriber increase
- IPTV revenue went up by +11.9% on high-ARPU customers and platform revenue increase

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
Telephony	400.6	400.4	397.0	382.5	372.5	-2.6%	-7.0%
Broadband	500.0	503.0	500.3	498.8	502.5	0.7%	0.5%
IPTV	373.2	405.7	410.4	410.2	417.7	1.8%	11.9%

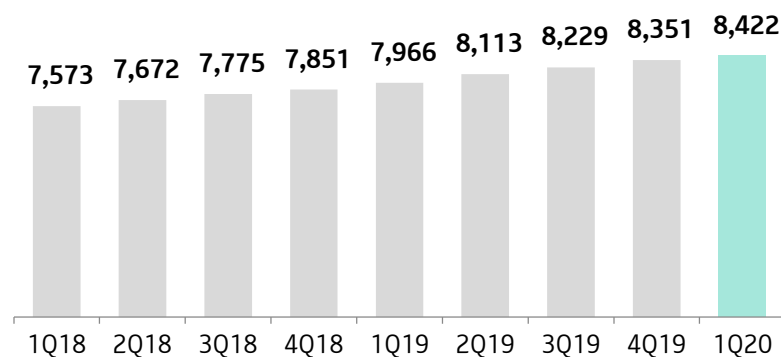
Broadband Subscriber

(Unit: Thousands)



IPTV Subscriber

(Unit: Thousands)



※ Number of IPTV subscribers above deviates from MSIT's released figure below following IPTV law
 - Number of KT pay TV subscriber is 7,081,177 in 1H 2019 (6 month average)

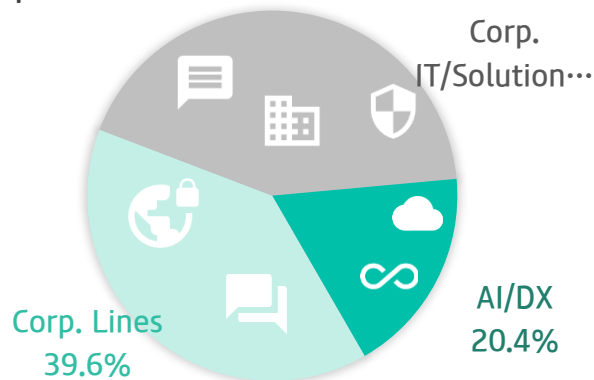
3 KT - B2B and others

- B2B revenue up by +8.2% YoY on continuous IDC business growth and expansion of Cloud business toward public and finance sector

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
B2B	623.4	684.8	684.9	725.9	674.8	-7.1%	8.2%
Corporate Fixed Line	263.0	266.1	266.2	268.9	267.5	-0.5%	1.7%
Corporate IT/Solution	253.2	298.6	294.2	316.2	269.5	-14.8%	6.4%
AI/DX	107.2	120.1	124.6	140.8	137.8	-2.2%	28.5%
Real estate	45.3	44.9	46.8	45.6	45.8	0.4%	1.2%
Handset revenue	688.9	807.3	939.8	837.8	680.1	-18.8%	-1.3%

Composition of B2B Rev



Corp. Lines

Line lease, Kornet

Corp.
IT/Solution

SI, Global ICT, Energy, Video security, etc.

AI/DX

IDC, Cloud, bizmekka, AI Platform,
Block chain, Smart mobility, etc.

4 Major subsidiaries

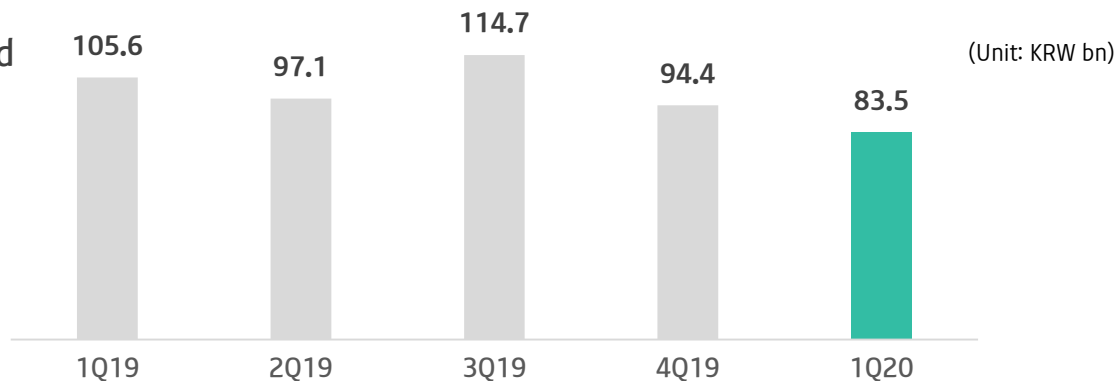
- BC card's revenue down by -7.7% due to decreased usage of credit cards, impacted by COVID-19
- Skylife underperformed its revenue by -1.6% YoY due to the decline in satellite TV subscribers
- Contents subsidiaries' revenue surged by +12.0% YoY with substantial growth in T-Commerce biz and steady increase in Genie Music subscribers

Sales Revenue

(Unit: KRW bn)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY
BC card	865.7	880.6	868.8	921.4	799.4	-13.2%	-7.7%
Skylife	170.7	174.2	182.3	167.4	167.9	0.3%	-1.6%
Contents subsidiaries	158.8	177.6	178.7	189.1	177.9	-5.9%	12.0%
KT estate	116.4	113.4	125.6	129.8	106.7	-17.8%	-8.4%

Operating Income contributed by subsidiaries in total



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1 K-IFRS Income Statement

(Unit: KRW bn)

Consolidated	1Q 19	2Q 19	3Q 19	4Q 19	2019	1Q 20	KT Separate	1Q 19	2Q 19	3Q 19	4Q 19	2019	1Q 20
Operating revenue	5,834.4	6,098.5	6,213.7	6,195.5	24,342.1	5,831.7	Operating revenue	4,334.3	4,558.5	4,705.7	4,606.2	18,204.7	4,429.1
Service revenue	5,055.5	5,225.2	5,199.6	5,289.8	20,770.0	5,107.0	Service revenue	3,645.4	3,751.3	3,765.9	3,768.5	14,931.0	3,749.0
Device revenue	778.9	873.3	1,014.1	905.7	3,572.0	724.7	Device revenue	688.9	807.3	939.8	837.8	3,273.7	680.1
Operating expense	5,432.3	5,810.3	5,901.2	6,047.2	23,191.0	5,448.6	Operating expense	4,037.8	4,367.4	4,508.0	4,552.3	17,465.5	4,129.5
Service expense	4,568.7	4,791.0	4,744.3	4,879.9	18,983.9	4,574.2	Service expense	3,325.3	3,493.6	3,504.9	3,551.7	13,875.5	3,368.7
Labor cost	983.8	1,006.1	959.4	1,001.8	3,951.1	1,003.9	Labor cost	543.6	573.7	528.5	537.5	2,183.2	555.1
General expense	2,327.1	2,459.3	2,433.5	2,579.7	9,799.6	2,259.5	General expense	1,595.7	1,671.8	1,690.7	1,800.3	6,758.4	1,613.3
Cost of svc provided	685.6	711.7	759.1	798.9	2,955.3	759.2	Cost of svc provided	588.1	618.4	649.0	688.2	2,543.6	608.9
Selling expense	572.2	613.9	592.3	499.5	2,277.9	551.6	Selling expense	598.0	629.7	636.7	525.7	2,390.2	591.4
Cost of device sold	863.6	1,019.3	1,156.9	1,167.3	4,207.1	874.4	Cost of device sold	712.5	873.8	1,003.1	1,000.6	3,590.1	760.8
Operating income	402.1	288.2	312.5	148.3	1,151.1	383.1	Operating income	296.4	191.1	197.7	53.9	739.2	299.6
N-OP income (loss)	-4.4	-4.7	-42.2	-120.2	-171.4	-15.9	N-OP income (loss)	100.7	-1.8	-99.5	-112.0	-112.6	134.2
N-OP income	181.5	199.2	208.4	94.7	683.8	290.5	N-OP income	271.7	179.4	195.2	60.1	706.4	389.0
N-OP expense	186.5	199.1	252.3	214.0	851.9	302.9	N-OP expense	170.9	181.2	294.7	172.2	819.0	254.8
Equity Method (G/L)	0.7	-4.8	1.7	-0.9	-3.3	-3.5							
Income bf tax	397.7	283.6	270.3	28.1	979.7	367.2	Income bf tax	397.2	189.4	98.2	-58.1	626.6	433.8
Income tax	138.0	80.5	57.0	34.9	310.4	140.6	Income tax	104.5	49.7	25.8	14.8	194.8	113.8
Income from con. op	259.8	203.0	213.3	-6.8	669.3	226.6							
Income from disc. op	0.0	0.0	0.0	0.0	0.0	0.0							
Net income	259.8	203.0	213.3	-6.8	669.3	226.6	Net income	292.6	139.7	72.4	-72.9	431.8	320.0
NI contribution to KT	231.1	173.9	189.7	24.4	619.2	208.3							
EBITDA	1,309.5	1,191.3	1,209.8	1,079.3	4,790.0	1,295.8	EBITDA	1,108.1	997.7	999.3	872.6	3,977.8	1,113.5
EBITDA Margin	22.4%	19.5%	19.5%	17.4%	19.7%	22.2%	EBITDA Margin	25.6%	21.9%	21.2%	18.9%	21.9%	25.1%

2 K-IFRS Balance Sheet

(Unit: KRW bn)

Consolidated	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
Assets	33,247.8	33,469.4	33,661.3	34,061.3	32,631.0
Current assets	12,396.1	11,818.3	11,716.7	11,725.1	10,887.2
Cash & cash equi.	2,765.0	2,250.1	2,128.4	2,305.9	1,627.1
Trade & other rec	4,129.5	4,364.8	4,108.2	3,931.5	4,121.3
Inventories	646.4	607.6	636.2	665.5	634.7
Other current asset	4,855.2	4,595.7	4,843.9	4,822.2	4,504.1
- Prepaid_Contract cost	1,106.3	1,165.2	1,318.5	1,389.5	1,362.5
- Contract assets	330.9	377.8	430.6	409.8	393.7
Non-current assets	20,851.8	21,651.1	21,944.6	22,336.2	21,743.8
Trade & other rec	690.4	867.9	943.6	1,238.0	996.7
Tangible assets	12,811.1	13,192.8	13,349.7	13,785.3	13,497.4
Other current assets	7,350.3	7,590.4	7,651.3	7,312.9	7,249.7
- Prepaid_Contract cost	364.4	403.5	460.3	459.8	461.3
- Contract assets	94.1	111.3	126.5	147.3	147.2
Liabilities	18,509.4	18,464.8	18,430.1	18,874.3	17,559.4
Current liabilities	9,926.8	9,908.1	9,973.8	10,074.9	9,171.5
Trade & other payables	7,264.0	7,980.9	7,709.7	7,597.5	6,524.1
Short-term borrowings	1,149.0	583.6	915.7	1,185.7	1,271.3
Others	1,513.8	1,343.6	1,348.4	1,291.7	1,376.2
- Contract liabilities	302.9	304.4	304.1	313.6	314.6
Non-current liabilities	8,582.5	8,556.7	8,456.4	8,799.5	8,387.9
Trade & other payables	1,132.7	1,110.0	1,125.6	1,082.2	801.7
Long-term borrowings	5,641.1	5,673.2	5,492.6	6,113.1	6,015.6
Others	1,808.7	1,773.5	1,838.2	1,604.1	1,570.6
- Contract liabilities	44.3	42.7	45.0	52.0	58.5
Equity	14,738.5	15,004.6	15,231.1	15,187.0	15,071.6
Retained earnings	11,269.5	11,438.9	11,627.4	11,637.2	11,575.1

KT Separate	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
Assets	26,837.7	26,959.8	27,076.4	27,733.9	27,069.1
Current assets	7,307.3	7,052.4	6,961.4	7,113.2	6,884.5
Cash & cash equi.	1,750.1	1,394.9	1,189.2	1,328.4	754.0
Trade & other rec	3,357.8	3,451.0	3,300.9	3,108.0	3,490.2
Inventories	446.4	404.8	437.6	477.1	439.4
Other current asset	1,753.1	1,801.7	2,033.7	2,199.7	2,200.8
- Prepaid_Contract cost	1,134.5	1,210.6	1,368.1	1,432.1	1,408.2
- Contract assets	300.2	339.1	384.4	382.2	359.2
Non-current assets	19,530.4	19,907.4	20,115.0	20,620.6	20,184.6
Trade & other rec	641.7	806.4	888.0	1,186.5	954.4
Tangible assets	10,656.7	10,914.5	11,092.4	11,448.0	11,284.6
Other current assets	8,232.0	8,186.5	8,134.5	7,986.2	7,945.7
- Prepaid_Contract cost	351.4	398.9	457.0	444.2	448.8
- Contract assets	84.0	101.4	112.5	95.8	93.6
Liabilities	14,099.7	14,076.5	14,122.0	14,837.2	14,133.3
Current liabilities	6,283.8	6,238.7	6,471.1	6,728.1	6,486.4
Trade & other payables	4,472.4	5,118.4	5,006.4	5,025.7	4,560.1
Short-term borrowings	948.5	380.4	744.7	1,052.5	1,168.5
Others	862.9	739.9	720.0	649.9	757.8
- Contract liabilities	302.1	306.7	304.2	314.5	316.7
Non-current liabilities	7,815.9	7,837.8	7,650.9	8,109.1	7,646.9
Trade & other payables	1,524.9	1,476.1	1,454.2	1,371.5	1,061.2
Long-term borrowings	5,502.7	5,549.0	5,371.1	5,975.5	5,854.5
Others	788.3	812.6	825.6	762.1	731.1
- Contract liabilities	41.4	40.1	42.4	49.1	55.5
Equity	12,738.0	12,883.3	12,954.3	12,896.7	12,935.8
Retained earnings	10,741.7	10,880.2	10,952.9	10,870.0	10,919.6

3 Subscribers

Wireless	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ	YoY
Subscribers (Unit: Thousands) ¹⁾							
Total	21,333	21,549	21,771	21,922	21,975	0.2%	3.0%
Net additions	213	216	222	150	53	-64.8%	-75.2%
Gross additions	1,181	1,133	1,077	1,067	928	-13.0%	-21.4%
Deactivation ²⁾	968	917	855	917	875	-4.5%	-9.6%
Churn rate	1.5%	1.4%	1.3%	1.4%	1.3%	-0.1%p	-0.2%p
LTE	17,393	17,383	17,169	17,153	17,033	-0.7%	-2.1%
5G		419	1,055	1,419	1,779	25.3%	-
LTE+5G Penetration rate	81.5%	82.6%	83.7%	84.7%	85.6%	0.9%p	4.1%p
ARPU (KRW)³⁾	31,490	31,727	31,906	31,341	31,773	1.4%	0.9%

Note 1) Subscribers: MSIT's new guidelines for subscriber disclosure (Retroactively applied from 1Q14, MVNO included)

Note 2) Deactivation: Mandatory deactivation included

Note 3) ARPU = Wireless revenue* / Wireless subscribers**

* Wireless revenue(3G, LTE, 5G, IoT included): Revenue of Voice and Data usage (Interconnection/Subscription fee excluded), VAS, Contract/ Bundled Discounts, and etc. included

** Wireless subscribers: Based on MSIT's guidelines for average billed subscribers in quarter

Fixed Line/IPTV	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ	YoY
Subscribers (Unit: Thousands)							
Telephony	14,830	14,554	14,386	14,185	14,033	-1.1%	-5.4%
PSTN	11,489	11,343	11,192	11,052	10,878	-1.4%	-5.1%
VoIP	3,340	3,211	3,194	3,133	3,135	0.1%	-6.1%
Broadband	8,782	8,849	8,904	8,962	8,962	0.0%	2.1%
IPTV (OTV+OTS)	7,966	8,113	8,229	8,351	8,422	0.8%	5.7%

※ Number of IPTV subscribers above deviates from MSIT's released figure below following IPTV law

- Number of KT pay TV subscriber is 7,081,177 in 1H 2019 (6 month average)

