



**Woongjin Coway**



# 3Q'12 IR Presentation

This presentation contains historical information of the company which should not be regarded as an indication of the future performance or results.

This presentation also contains forward-looking statements that are, by the nature, subject to significant risks and uncertainties.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance or results.

Actual results may differ materially from information contained in the forward-looking statements as a results of a number of factors beyond our control.

# Contents

## 1. Earnings release 3Q'12

- Revenue / Operating Profits
- Domestic home appliance business
- Overseas business
- Cosmetics business

## 2. Home appliance results

- Rental sales trend
- Lump-sum sales trend
- Mattress business
- Sales trend (3Q'08~3Q'12)
- New products release

## 3. Appendix

- Revenue and Profits
- Revenue breakdown
- Cost of goods sold
- SGnA and other operating incomes(expenses)
- Balance sheet and Net debt
- Rental and lump-sum sales volume
- Rental and Membership accounts

# Contents

## 1. Earnings release 3Q'12

- Revenue / Operating Profits
- Domestic home appliance business
- Overseas business
- Cosmetics business

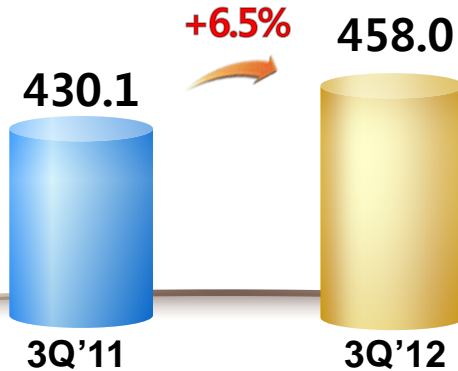
# 1-1 Revenue and Operating profits

[Earnings Release 3Q'12]

Revenue of KRW1,346.8 bn and OP of KRW189.4 bn  
(+6.4% and +5.4%, YoY)

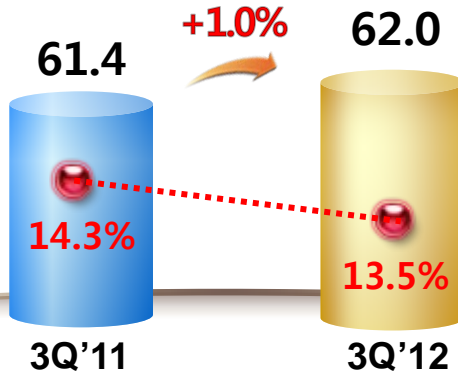
## Revenue

[Unit: KW bn]



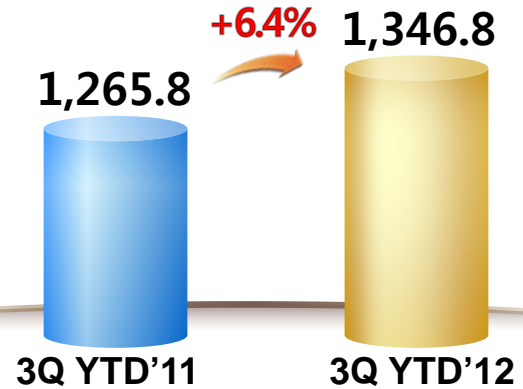
## Operating profits

[Unit: KW bn/ Margin]



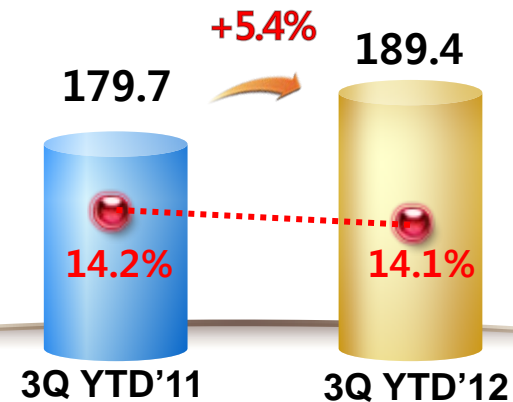
## Revenue

[Unit: KW bn]



## Operating profits

[Unit: KW bn/ Margin]



# 1-2. Domestic home appliance business

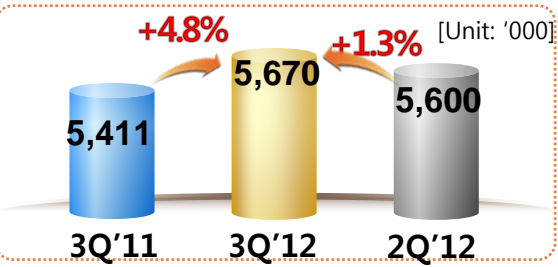
[Earnings Release 3Q'12]

## Solid sales trend of water purifier and mattress in 3Q'12 /

### 70K net account increase

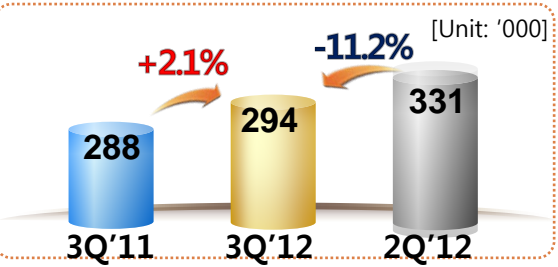
#### 1 Net account

- **-70K net account increase** in 3Q'12
- Mainly due to strong sales of water purifier and mattress
- 16K net account increase (Water purifier) / 10K net account increase (Mattress)



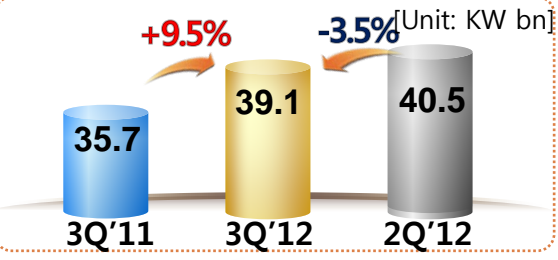
#### 2 Rental sales

- The rental sales increased by 2.1%, YoY due to strong sales of WP and mattress
- **Accumulated sales of WP reached historical high with 479K**  
: (399K, '10 → 463K '11 → 479K '12)
- **Maintaining more than 10K mattress units sales** in three consecutive quarters

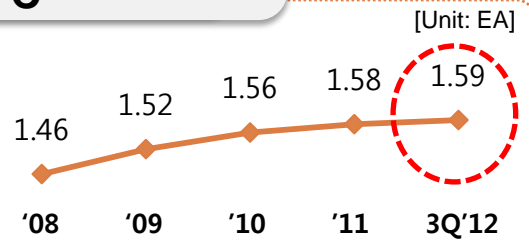


#### 3 Lump-sum sales

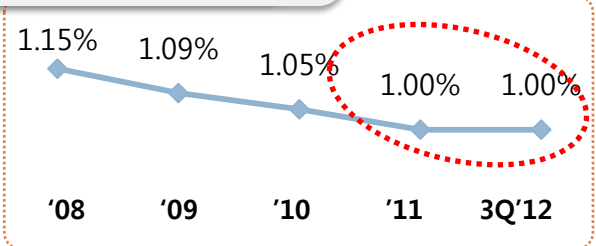
- The lump-sum sales increased by 9.5%, YoY despite high base effects  
: (KRW25.4 bn, 3Q'09) → (KRW24.5 bn, 3Q'10) → (KRW 35.7 bn, 3Q'11)
- Steady sales of outsourced items : dehumidifier ,health care and kitchen goods



#### 4 PPC



#### 5 Churn rate

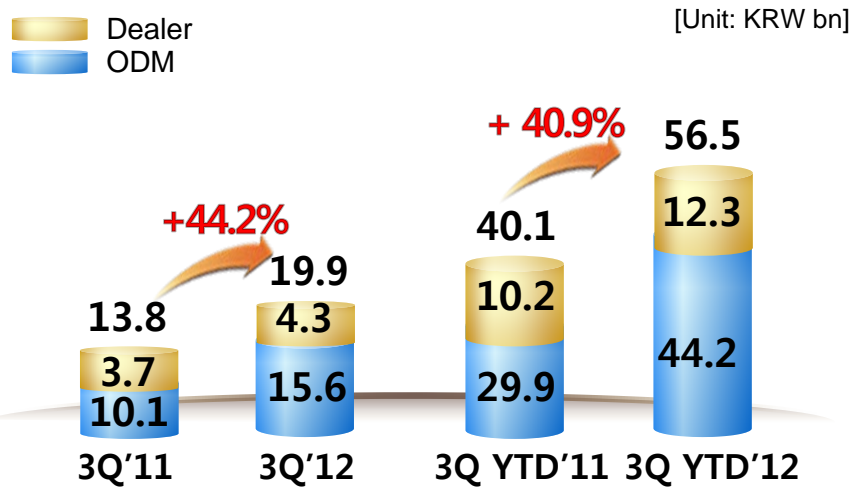


# 1-3. Overseas business-ODM, Dealer and Subsidiaries

[Earnings Release 3Q'12]

The export revenue in 3Q YTD'12 recorded **KRW56.5 bn (+40.9%, YoY)**  
(ODM: KRW44.2 bn , Dealer: KRW12.3 bn)

## Exports (ODM, Dealer)



◎ **Strong sales growth based on overseas production facility**

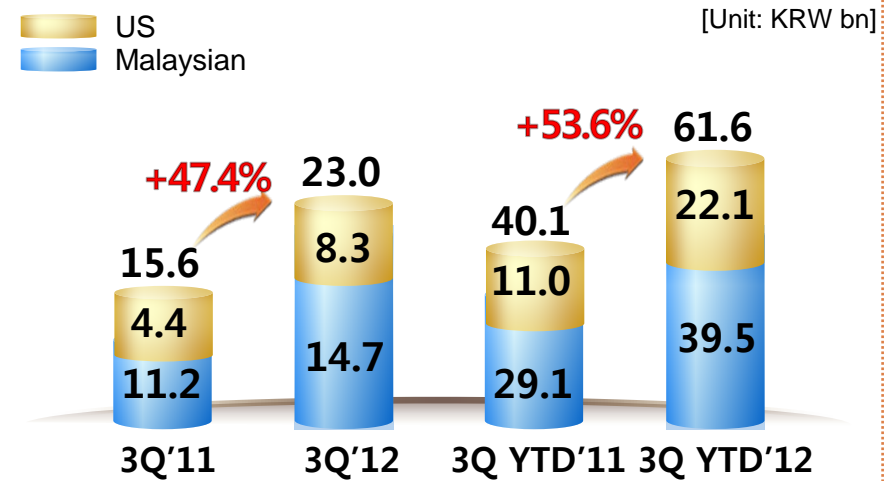
- Revenue growth by providing air purifiers to the U.S. (KRW14.4 bn) and China (KRW4.6 bn) with ODM

◎ **New contract with big partners and product line-up expansion**

- Developing new global partners and revenue growth with new items providing

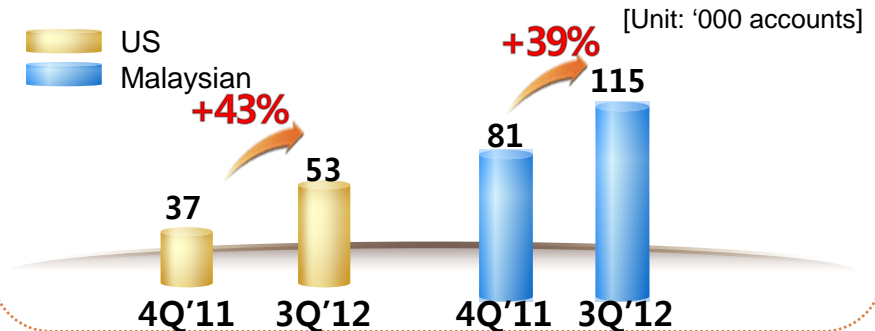
(Revenue contribution 3Q YTD'12: PHILIPS 35%, Lowe's 18%)

## Subsidiaries



◎ **Overseas total No. of accounts exceeded 203K**

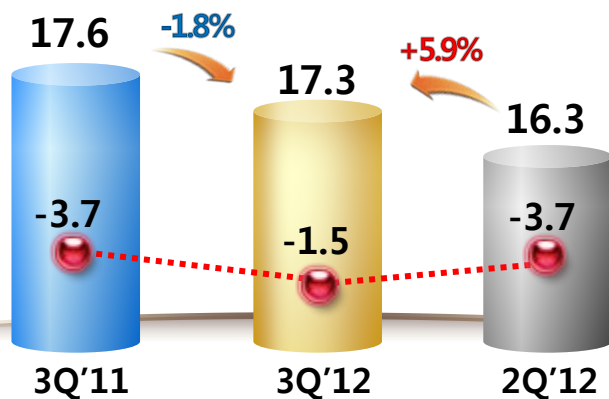
- Malaysian : 115K accounts
- US : 53K accounts



## Sales declined, YoY in domestic and Chinese cosmetics due to the uncertainty in stake disposal

### Domestic

[Unit: KRW bn]



#### Ⓢ Sales declined, yoy due to the uncertainty in stake disposal

- The number of BP decreased in 3Q'12

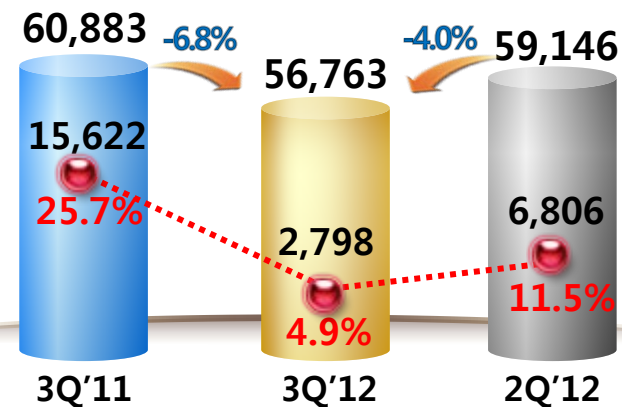
[Unit: BP]	2011	1Q'12	2Q'12	3Q'12
Sales personnel	2,718	2,970	2,822	2,657

#### Ⓢ Reduction in operating loss

- Operating loss in 3Q YTD '12 : KRW -7.9 bn (3Q YTD '11 : KRW -14.1 bn)

### Chinese

[Unit: '000RMB, ● : Margin]



#### Ⓢ Sales declining

- Wholesalers stopped and delayed purchasing inventories due to uncertainty in Coway stake disposal
- Sales people decreased

#### Ⓢ Profits declining

- A&P cost increased in order to stabilize sales organization



# Contents

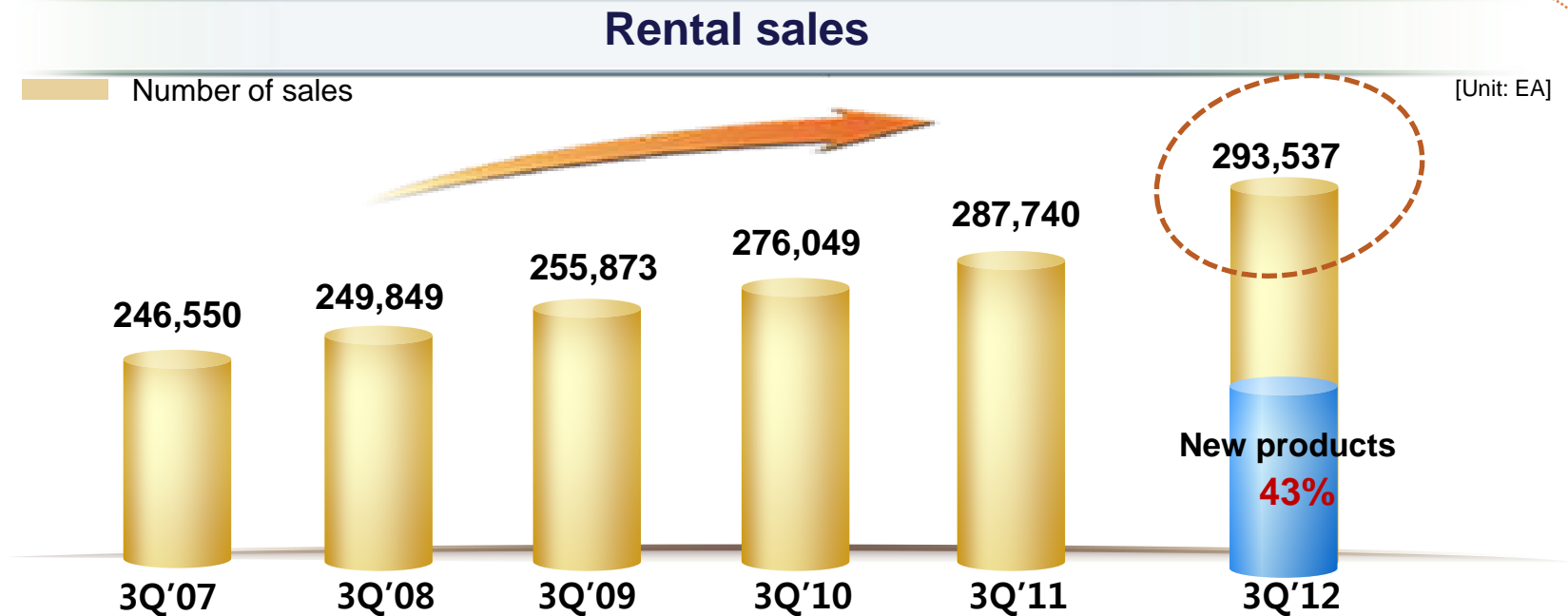
## 2. Domestic home appliance business

- Rental sales trend
- Lump-sum sales trend
- Mattress business
- Sales trend (3Q'08~3Q'12)
- New products release

## 2-1. Rental sales trend

[Home appliance business results]

**Record high rental sales in 3Q'12** amongst all third quarters due to the strong sales of new products



© **Record high sales in rental**

- Rental sales has increased gradually since 2007
- Rental sales in 3Q'12 recorded 294K (Historically high sales)

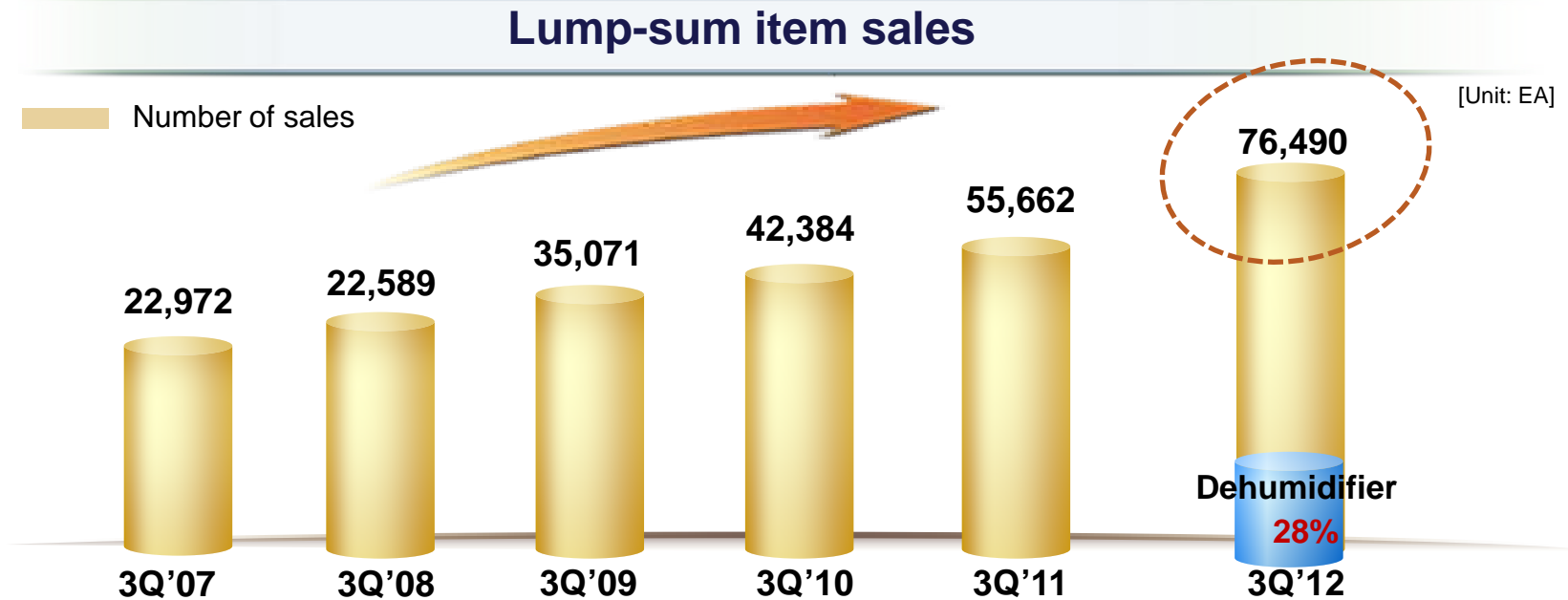
© **Good sales in new products**

- Market release of the innovative water purifiers and air purifiers in 2012
- New products sales contribution : 43% (3Q'12)

## 2-2. Lump-sum sales

[Home appliance business results]

Lump-sum sales recorded historical high with 76K item sales in 3Q'12



④ **Historically highest items sales in lump-sum**

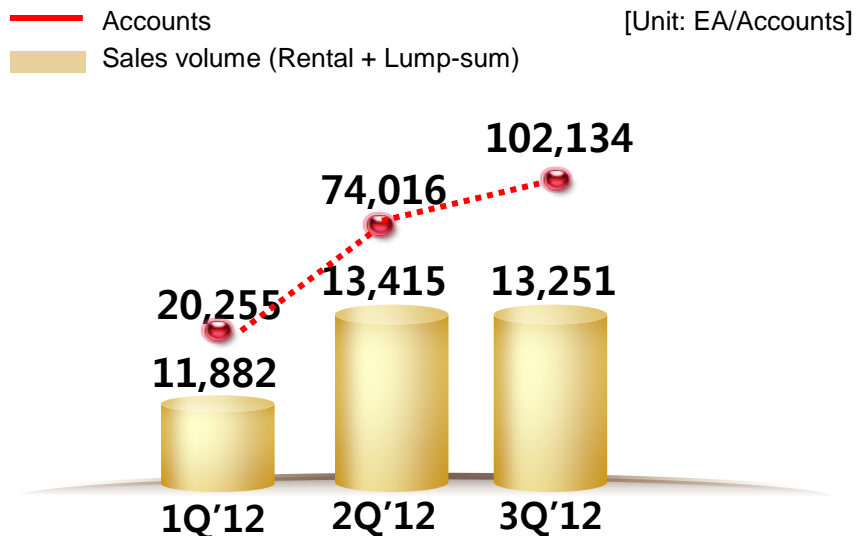
- Lump-sum sales in 3Q'12 recorded 76K

④ **Steady sales of outsourced items**

- The sales of dehumidifier accounts for 28% of total lump sum item sales in 3Q'12
- Product lineup expansion in health kitchen category and good sales of new items such as water sanitizer

## Successful penetration in mattress market , a new growth engine

### Sales/Accounts



Ⓢ **Becoming 5<sup>th</sup> rental item**

- About 4K units sales per month in rental
- Followed by water softener (Appx. 6K unit sold per month)

Ⓢ **Positioned at rank 3<sup>rd</sup> in domestic mattress**

- Record 7% M/S in a short time period

### Strategy



Ⓢ **Diversification of mattress lineups & brand**

- Launching premium global No.1 brand “ Sealy”
- Expecting ARPU increase due to the product mix

Ⓢ **Home care service expansion**

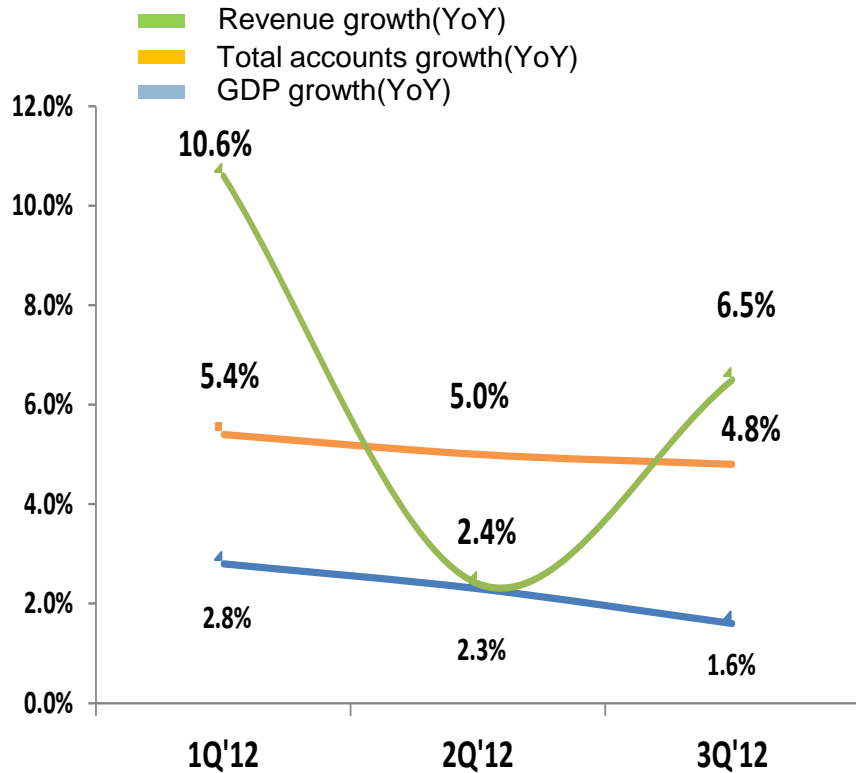
- Utilizing a new care service force called “Home care doctor” ( 568 people as of Sep.)
- Service expansion to bed linen, couch, carpet, etc.

# 2-4. Sales trend (3Q'08-3Q'12)

[Home appliance business results]

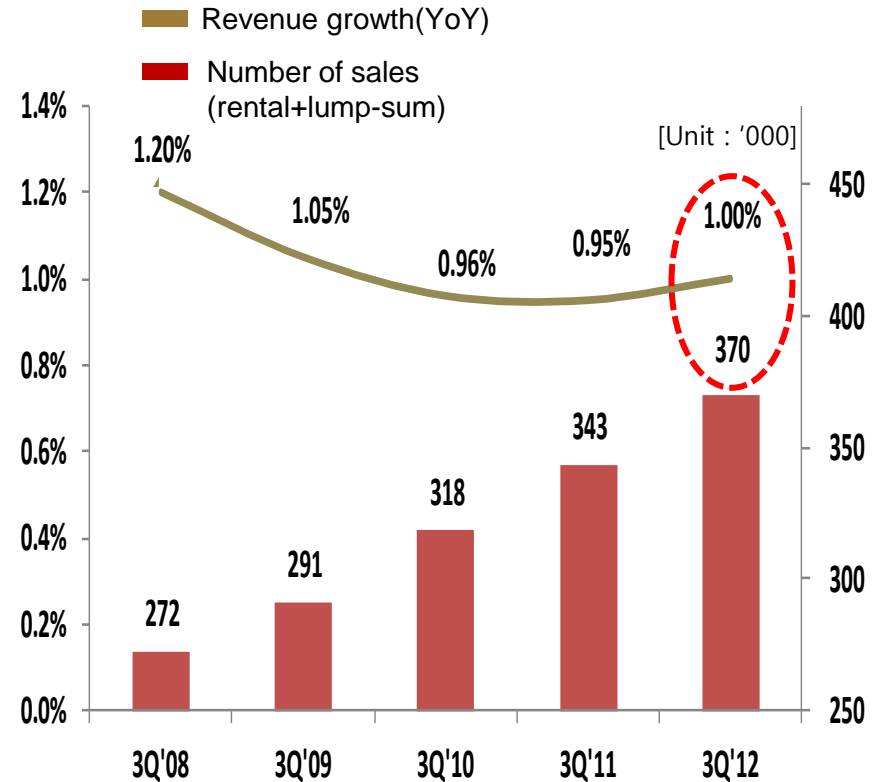
**Sales and net account increase + low churn rate + record high item sales in Q3** even in economic downturn

**Strong revenue and account growth compared to GDP growth in recession period**



[Source: BOK, Woongjin Coway]

**Maintaining 1% churn rate and achieving historically high sales in 3Q'12**



## Steady sales in new products (Seasonal items meeting customers' needs)

Home appliance  
- 'Davinch' Water purifier



- **New innovative water purifier (launched in Oct.)**
  - **Innovative hygiene**
    - . World's first tankless water purifier (hot/cold) (electric deionization water purification system)
  - **Innovative water taste**
    - . Able to select pure or mineral water
  - **Innovative functionality**
    - . Controlling water temperature, amounts, and volume
    - . LED display

Home appliance  
- Air purifier



- **Humidifying air purifier (launched in Oct.)**
  - **Nature humidification**
    - . Microfiber nature humidification system adoption (0.1 nano meter water particles smaller than harmful substance)
  - **Anti virus system**
    - . Care for mold, virus and germ through anti virus HEPA filter
      - \* HEPA: High-efficiency particulate air filter

## 3. Appendix

- Revenue and Profits
- Revenue breakdown
- Cost of goods sold
- SGnA and other operating incomes(expenses)
- Balance sheet and Net debt
- Rental and lump-sum sales volume
- Rental and Membership accounts

# 3-1. Revenue and profits

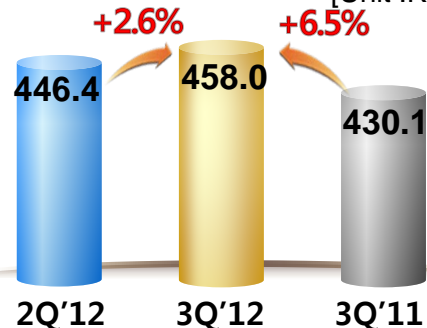
[APPENDIX]

[Unit :KRW bn]

	3Q'12	2Q'12	QoQ	3Q'11	YoY
Revenue	458.0	446.4	2.6%	430.1	6.5%
Operating profits	62.0	63.0	-1.6%	61.4	1.0%
Margin	13.5%	14.1%		14.3%	
Recurring profits	17.7	56.4	-68.6%	64.6	-72.6%
Margin	3.9%	12.6%		15.0%	
Net profits	12.9	44.0	-70.7%	49.2	-73.7%
Margin	2.8%	9.9%		11.4%	
EBITDA	123.4	111.3	10.8%	108.0	14.3%
Margin	26.9%	24.9%		25.1%	

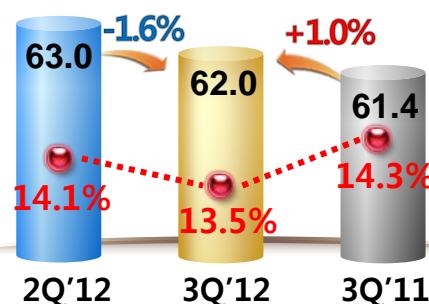
## Revenue

[Unit :KW bn]



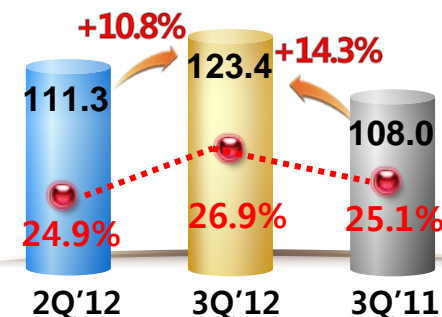
## Operating profits

[Unit: KW bn/ Margin]



## EBITDA

[Unit: KW bn/ Margin]





# 3-2. Revenue breakdown

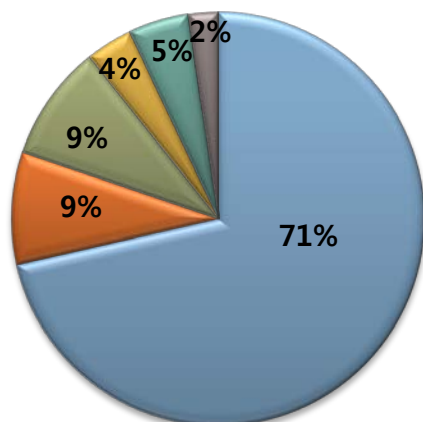
[APPENDIX]

[Unit :KRW bn]

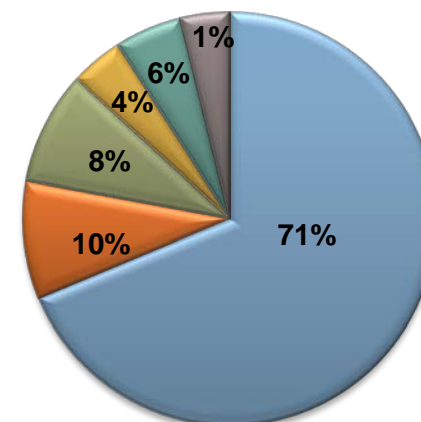
Revenue	3Q'12	2Q'12	QoQ	3Q'11	YoY
Rental related	364.3	358.1	1.7%	346.7	5.1%
Rental	323.2	318.9	1.4%	305.7	5.7%
Membership	41.1	39.2	4.8%	41.0	0.3%
Lump-sum	39.1	40.5	-3.4%	35.7	9.5%
Cosmetics	17.3	16.3	5.9%	17.6	-1.8%
Exports	28.0	21.1	32.8%	24.5	14.2%
Others	9.4	10.4	-10.3%	5.6	66.0%
<b>Total</b>	<b>458.0</b>	<b>446.4</b>	<b>2.6%</b>	<b>430.1</b>	<b>6.5%</b>

## Revenue contribution (YoY)

■ Rental  
 ■ Membership  
 ■ Lump-sum  
 ■ Exports  
 ■ Cosmetics  
 ■ Others



3Q'12



3Q'11

# 3-3. Cost of goods sold

[APPENDIX]

[Unit :KRW bn]

COGS	3Q'12	2Q'12	QoQ	3Q'11	YoY
Rental related	104.4	101.7	2.7%	95.6	9.2%
Rental	91.4	88.9	2.8%	83.2	9.9%
<i>(% of Revenue)</i>	<i>28.3%</i>	<i>27.9%</i>		<i>27.2%</i>	
Membership	13.0	12.7	1.7%	12.5	4.0%
<i>(% of Revenue)</i>	<i>31.6%</i>	<i>32.5%</i>		<i>30.4%</i>	
Lump-sum	15.6	15.0	3.8%	13.6	14.4%
Cosmetics	3.0	2.6	14.3%	3.1	-3.1%
Exports	22.8	15.8	44.5%	19.6	16.1%
Others	5.8	7.1	-18.3%	2.8	105.0%
Total	151.5	142.1	6.6%	134.8	12.4%
<i>(% of Revenue)</i>	<i>33.1%</i>	<i>31.8%</i>		<i>31.3%</i>	

# 3-4. SGnA and other operating incomes (expenses)

[APPENDIX]

[Unit : KRW bn]

SGnA		3Q'12	2Q'12	QoQ	3Q'11	YoY
SGnA	Salary related	52.4	52.5	-0.2%	49.7	5.5%
	Welfare expenses	9.1	10.0	-8.9%	9.2	-0.9%
	Sales commissions	80.2	81.2	-1.3%	79.8	0.4%
	Amortization	1.7	1.7	-3.2%	1.7	-4.9%
	Advertisements	11.2	16.4	-32.0%	13.9	-19.7%
	Fees & commissions	20.0	21.2	-5.5%	22.0	-8.9%
	Others	45.0	45.3	-0.6%	45.8	-1.7%
	Total	219.6	228.4	-3.8%	222.2	-1.2%
Other operating incomes		0.4	0.4	1.2%	1	469.5%
Other operating expenses		25.3	12.5	101.8%	118	114.3%
<i>(% of Revenue)</i>		<b>47.9%</b>	<b>51.2%</b>		<b>51.7%</b>	

## P/L Analysis( YoY)

SGnA (% of Revenue  
: 47.9% (-3.8%p, YoY) \*3Q'11: 51.7%

1. Salary related
  - 1) KRW52.4 bn (+5.5%, yoy)
  - 2) Due to salary increase and recruiting
2. Advertisement
  - 1) KRW11.2bn (-19.7%, yoy)
  - 2) Due to marketing cost decrease in cosmetics
3. Other operation cost
  - 1) KRW25.3bn (+114.3, yoy)
  - 2) Rental asset disposal loss increase (+89.5%)  
- due to the increase of new item change

# 3-5. Balance sheet

[APPENDIX]

[Unit : KW bn]

	Sept'12	Dec'11
<b>&lt;Assets&gt;</b>	<b>1,601.2</b>	<b>1,576.5</b>
Current Assets	<b>610.0</b>	<b>511.5</b>
Cash and Cash equivalents	<b>22.9</b>	<b>64.9</b>
Inventories	<b>56.9</b>	<b>73.0</b>
Non-current Assets	<b>991.2</b>	<b>1,065.0</b>
PPE	<b>578.9</b>	<b>534.7</b>
Affiliates and subsidiaries	<b>101.7</b>	<b>236.9</b>
Investment	<b>24.1</b>	<b>23.8</b>
Intangible assets	<b>155.5</b>	<b>156.0</b>
<b>&lt;Liabilities&gt;</b>	<b>830.2</b>	<b>828.1</b>
Current Liabilities	<b>630.8</b>	<b>534.3</b>
Short-term borrowings	<b>225.6</b>	<b>164.8</b>
Debenture (Less than 1 year)	<b>50.0</b>	<b>0</b>
Debenture (More than 1 year)	<b>60.0</b>	<b>110.0</b>
Non-current Liabilities	<b>199.4</b>	<b>293.8</b>
Long-term borrowings	<b>30.0</b>	<b>90.0</b>
Bonds	<b>123.0</b>	<b>176.7</b>
<b>&lt;Stockholder's Equity&gt;</b>	<b>770.9</b>	<b>748.4</b>
Liability / Equity	<b>107.7%</b> <sup>1)83.0%</sup>	<b>110.6%</b> <sup>1)84.2%</sup>
Net debt / Equity	<b>60.4%</b> <sup>1)41.3%</sup>	<b>63.7%</b> <sup>1)43.1%</sup>

1) Considering treasury shares

# 3-6. Rental and Lump-sum sales volume

[APPENDIX]

[Unit: EA]

Rental	3Q'12	2Q'12	QoQ	3Q'11	YoY
Water purifier	163,607	186,562	-12.3%	156,066	4.8%
Air purifier	36,124	45,993	-21.5%	36,339	-0.6%
Bidet	58,309	62,225	-6.3%	70,260	-17.0%
Water softener	18,698	19,348	-3.4%	20,713	-9.7%
Food waste disposer	6,178	5,260	17.5%	4,360	41.7%
Mattress	10,621	11,668	-9.0%	-	-
Others	-	-	-	2	-100.0%
Total	293,537	331,056	-11.3%	287,740	2.0%

[Unit: EA]

Lump-sum	3Q'12	2Q'12	QoQ	3Q'11	YoY
Water purifier	5,217	6,000	-13.1%	9,053	-42.4%
Air purifier	7,800	16,889	-53.8%	13,799	-43.5%
Bidet	8,596	8,734	-1.6%	7,292	17.9%
Water softener	1,313	1,569	-16.3%	1,525	-13.9%
Food waste disposer	1,011	2,612	-61.3%	7,092	-85.7%
Mattress	2,630	1,747	50.5%	-	-
Others	49,923 <sup>1)</sup>	38,668 <sup>2)</sup>	29.1%	16,901	195.4%
Total	76,490	76,219	0.4%	55,662	37.4%

1) MD product 3,745 EA / 2) MD product 3,219 EA included

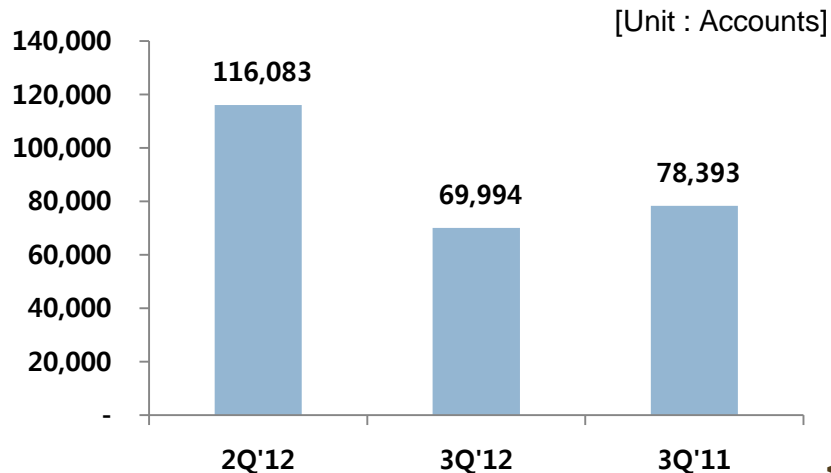
# 3-7. Rental and Membership accounts

[APPENDIX]

[Unit: EA]

Accounts	3Q'12	2Q'12	QoQ	3Q'11	YoY
<b>Rental</b>	4,551,249	4,517,595	0.7%	4,376,626	4.0%
Water purifier	2,245,982	2,230,045	0.7%	2,192,123	2.5%
Air purifier	749,160	756,509	-1.0%	735,584	1.8%
Bidet	1,168,865	1,156,459	1.1%	1,105,905	5.7%
Water softener	314,717	315,693	-0.3%	315,218	-0.2%
Food waste disposal	33,287	30,081	10.7%	27,615	20.5%
Mattress	39,114	28,673	36.4%	-	-
Others	124	135	-8.1%	181	-31.5%
<b>Membership</b>	1,118,451	1,082,111	3.4%	1,034,407	8.1%
<b>Total</b>	5,669,700	5,599,706	1.2%	5,411,033	4.8%

## Net account increase



## Churn rate

