



coway
IR Webzine
2017. February

02

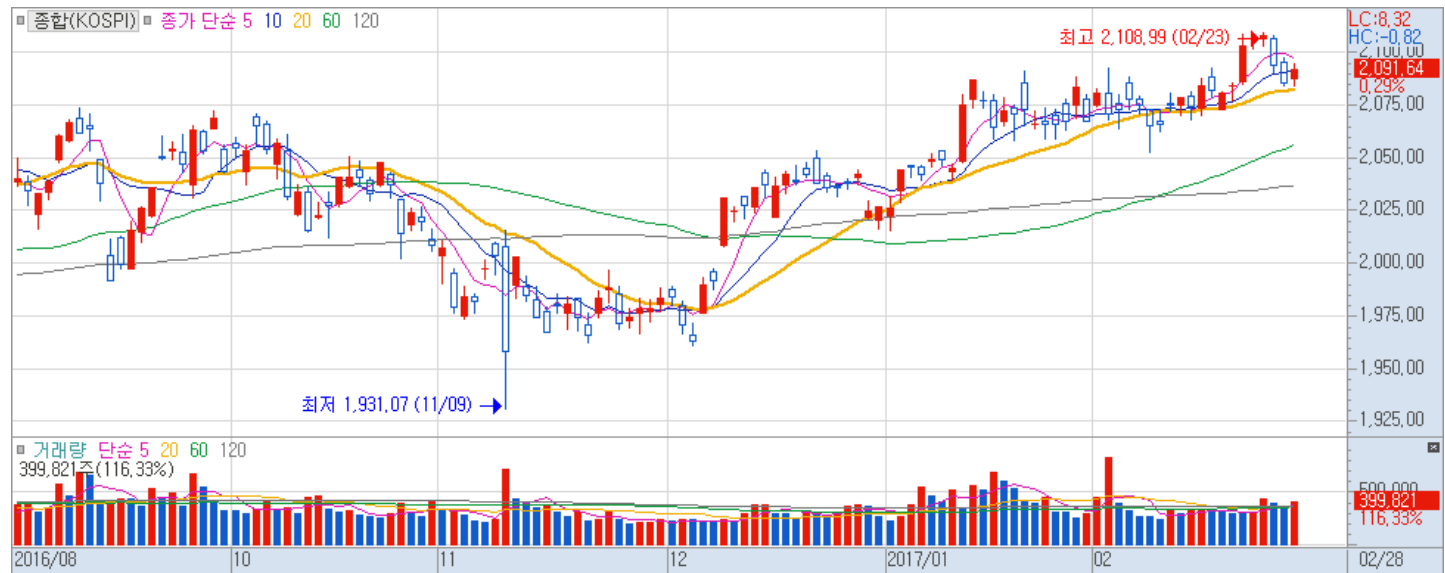
- Market Review
- Coway News

Market Review

Stock Market

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The KOSPI closed at 2,091.64 points, an increase of 1.16% from the previous month, at the end of February 2017, continuing a bullish mood for three consecutive months. In the technical aspect, it has maintained a strong trend along with the increase of trading volume and favorable arrangement of mid and long-term moving average lines, arousing a hope for additional growth. The breakthrough of 2,100 points in 19 months proved a positive change in investment environment as well.

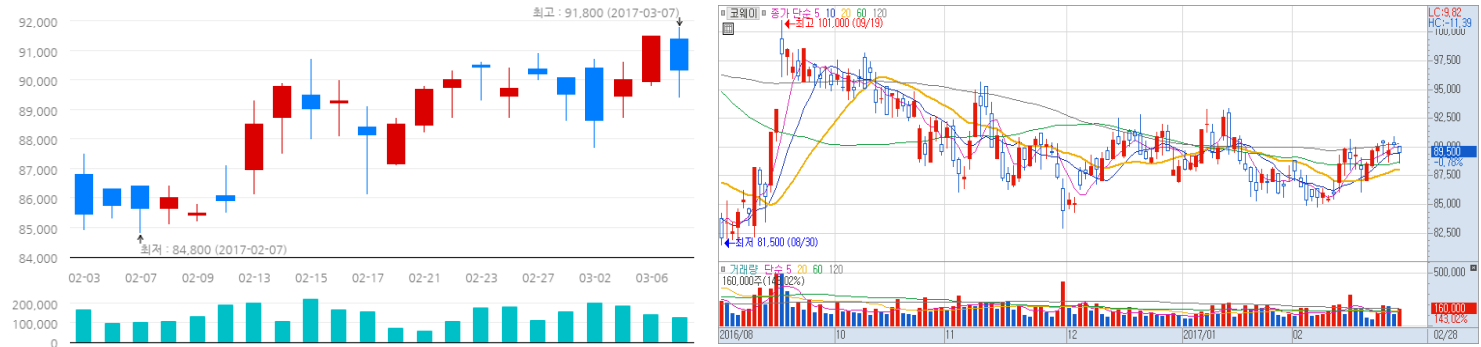
This rally resulted mainly from expectations on continuous quantitative easing in the global financial market and improvement of operating performances of the domestic companies. In spite of increasing uncertainties driven by the Trump Administration's policies, foreign investors showed net purchasing of KRW 340 billion and domestic institutional investors also picked up more than KRW 600 billion worth of stocks in February. In particular, negative issues such as unstable international political situation, presidential impeachment case, and Kim Jong-nam's assassination didn't have much effect on the stock market, which were offset by liquidity-driven market trend.

Many experts present an overarching view of additional bullish stock market in March due to the possibility of keeping the US interest rate unchanged, continuous export growth, and improvement of major companies' operating performances. On the other hand, unfavorable factors include sluggish steps of stock prices of IT companies which had led the rally at the beginning of the year and the possibility of extensive fluctuation since breaking through the previous peak.

Market Review
Stock Price

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Classification	% change of COWAY			% change of KOSPI	% change of KOSPI200
	Stock Price	vs. KOSPI	vs. KOSPI200		
5 Days	-0.22	0.31	0.53	-0.54	-0.75
20 Days	2.29	1.12	1.55	1.16	0.73
60 Days	4.80	-0.64	-1.32	5.44	6.12

The stock price of Coway rose by 2.29% from the previous month to KRW 89,500 at the end of February 2017. In the technical aspect, it has been in the box pattern around KRW 90,000 for three months in a row. Mid- to long-term moving average lines and the stock price are entwined and trading volume is also flat, which means a level-off status for securing a momentum for the next leap.

Coway has been conducting diverse activities to recover customer trust and plans to conduct consistent investor-friendly policies including purchasing of treasury stocks in 2017 as well. Moreover, the company is showcasing innovative products and services to further enhance competitiveness in the health appliances rental market. Remarkable growth of overseas business is expected to become a momentum for the recovery of its corporate value in the stock market.

During February, the number of shares held by foreigners increase 141,779 shares, or 0.3%, compared with the prior month. As of the end of February, they maintained 53.38% ownership. Domestic institutional investors also marked net selling of 30,359 shares during the same period.

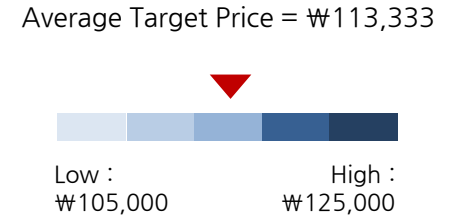
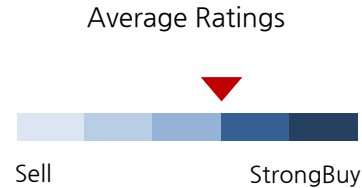
<p>40,770,628 shares (53.38) (as of February. 28, 2017)</p>	<p>Changes in Stock Price in February</p> <p>2.29%</p>	<p>Changes in Shares Held by Foreigners in February</p> <p>141,779 Shares (0.3%)</p>	<p>Net Changes in Shares Held by Institutional Investors in February</p> <p>30,359 Shares</p>
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Market Review
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- Strong Buy 0
- Buy 3
- Hold 0
- Underperform 0
- Sell 0



2017-2-27 | Mirae Asset Securities | Target Price : 105,000 | BUY

[FULL REPORT VIEW](#)

Reinforcing qualitative advantages

For 4Q16, Coway posted preliminary consolidated revenue of ₩614.1bn (-2.7% YoY) and operating profit of ₩96.4bn (-25% YoY; OP margin of 15.7%). The YoY declines in both revenue and operating profit ...

2017-2-20 | NH Investment & Securities | Target Price : 125,000 | BUY

[FULL REPORT VIEW](#)

Domestic business recovery export ...

Affected by large-scale costs stemming from rental promotion activities, Coway's 4Q16 results missed both our estimates and consensus. But, we forecast that the firm's operating profit ...

2017-2-16 | Samsung Securities | Target Price : 110,000 | BUY

[FULL REPORT VIEW](#)

Moving forward gradually

Coway's sales and operating profit in 4Q16 fell a respective 3% and 25% y-y to ₩614.1b and ₩96.4b, the latter missing our estimate by 10%. Yet, we see few reasons to be disappointed, given low expectations ...

Announced operating performance in 2016 and business plans for 2017

- KRW 2.38 trillion in sales and KRW 338.8 billion in operating profit in 2016
- 380 thousand units in rental sales in 4Q 2016

Coway achieved KRW 2.38 trillion, up 2.6% year-on-year, in sales and KRW 338.8 billion, down 26.9%, in operating profit in 2016.

▲ Health Appliances Business

Sales from the health appliances business amounted to KRW 1.91 trillion in 2016. In particular, rental sales increased 5.8% year-on-year to 38 thousand units in just 4Q due to the growth of water purifier, mattress, and bidet sales, realizing record high among 4Q sales. Total rental sales in 2016 surpassed 1.4 million units. The cancellation rate in 2016 was 1.20%. It showed a downturn in 4Q and in particular, marked 1.18% in December 2016.

▲ Overseas Business and Local Subsidiaries

Sales from the overseas business in 2016 soared 45.4% from the previous year to KRW 217.0 billion thanks to vigorous ODM business for air purifiers toward Chinese market and sales growth of local subsidiaries.

Particularly, our subsidiaries in Malaysia and the US accomplished remarkable growth. Malaysia subsidiary achieved KRW 143.0 billion, an increase of 46.3% year-on-year, in sales with the soaring number of accounts which rose by 58.2% to 431 thousand. US subsidiary also saw KRW 60.2 billion in sales, an increase of 5.2%, backed by 9.9% growth to 102 thousand in accounts. They have been demonstrating steadfast growth qualitatively and quantitatively.

▲ Homecare Business

Sales from the homecare business which mainly engages in rental and maintenance of mattress, increased 44.3% year-on-year to KRW 174.2 billion in 2016. More than 130 thousand mattresses were sold in 2016 and the number of accounts also increased 21.1% from the previous year to 321 thousand.

■ Business Plan for 2017

Coway set its goals for the coming year at KRW 2.68 trillion, up 12.6%, in sales and KRW 494 billion, up 45.8%, in operating profit.

Major strategies for realizing the goals are promoting stable growth in the health appliances business by solidifying customer trust, securing growth engines through developing market-leading innovative products and technologies, and spurring overseas business.

Hae-sun Lee, the CEO, said, "We prepared business strategies for 2017 under the management principle 'Coway Trust' to fully recover customer trust. We are committed to conducting unlimitedly responsible management in product quality and service and launching innovative products to prove our technological prowess."

Won the design awards at the ‘2017 iF Design Award’

- Six products and one application won the awards.



Coway’s six products including multi-circulation air purifier (AP-1516D) and an application for controlling loCare products won the design awards in the categories of home & kitchen electric appliances and application at the ‘2017 International Forum Design Award.’

The iF Design Award with 50-year history is recognized as one of the world’s top four design awards, at which Coway has won design-related awards for 10 consecutive years from 2008 to 2017.

The award-winning multi-circulation air purifier boasts three kinds of air circulation functions (multi-circulation, concentrated circulation, and general circulation) and tailored air filtration system, ensuring methodical indoor air quality control. This product displays the level of indoor air pollution in four stages with LED lamps located on the front panel. In addition, tower-type product design delivers maximized space efficiency and white color design creates a luxurious atmosphere.

Il-soo Yeom, the head of Design Research Center, said, “Design is a critical factor that delivers corporate identity and gives the first impression on product. We will continue to make best effort to lead the design trend and develop differentiated product design that can be highly recognized in the global market.”

Launched a new humidification air purifier loCare with high hygiene

- High hygiene by self-humidification, self-sterilization, and washable filter systems
- Fast and strong air purification by three action modes
- Tailored air purification services in line with IoT-based indoor air quality analysis



Coway launched a new air purifier named multi-action humidification air purifier loCare (APMS-1516E). This product demonstrates humidification of 726ml per hour through high-capacity rotating humidification filtration system, creating a healthy environment in a fast manner.

The best feature of this product is a triple hygiene system. Self-humidification system prevents the product from pollution by automatically drying water tank and humidification filter when the humidification function is not used. Self-sterilization system is automatically operated every 90 minutes to sterilize inside of the humidification water tank. In addition, the washable humidification filter helps users easily keep this product clean.

Faster and stronger air purification function is also one of features of this product. Equipped with 4-step hepa filtration system and two air outlets - front and top, this product offers three kinds of air purification modes - multi-circulation for fast air purification for near space, concentrated circulation for fast air purification for remote space, and general circulation for wide space - which ensure more efficient indoor air quality control.

The IoT-based application displays the level of indoor air pollution and informs users of tailored filters and the time of filter replacement in line with the analysis results. Information on maintenance service, product sterilization, and power consumption is also offered through the application.

This product is available through rental service (KRW 47,900 per month) or lump-sum sales (KRW 1.38 million)

Yong-joo Park, the head of Marketing HQ, said, "This product came to the fore at the 2017 CES and boasts innovative hygiene and stronger air purification functions. We expect it to become a bestselling product in the near future."