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coway

IR Webzine 2017. May

Market Review / Coway News / IR Activities

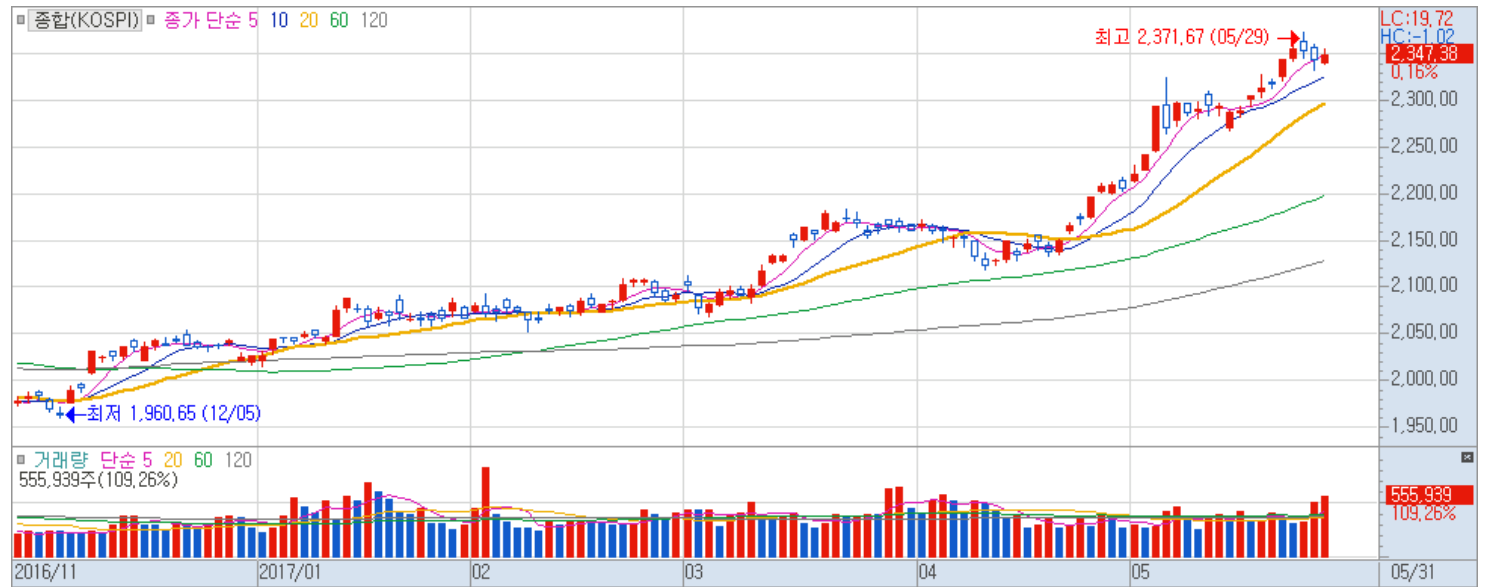
This material includes quarterly development of stock markets, stock prices and related data of Coway, financial status, operating results, and other major issues related to IR. This is aimed to provide a variety of information that could be a reference to shareholders and investors. Therefore, it cannot be the evidential material for legal responsibility regarding investment results of shareholders and investors in any case. This material includes quarterly development of stock

Market Review

Stock Market

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The KOSPI soared 6.44% from the previous month to 2,347.38 points at the end of May 2017, taking an uptrend for six consecutive months. It demonstrated the largest monthly increase among global major stock markets. In the technical aspect, both the KOSPI and well-ordered mid and long-term moving average lines became increasingly steeper and trading volume also rose, which represented stronger purchasing power.

This rally resulted mainly from expectations on economic policy of the new administration, higher-than-expected 1Q operating performances of the domestic companies, increasing preference for risky assets throughout the global financial market. Moreover, continuing export growth and stable US dollar and Japanese yen which are recognized as safe assets contributed to making investment environment positive.

The overwhelming view in the stock market is an additional growth in June. This is underpinned by expectations on prolonged export growth and favorable economic policy of the new administration as well as recently recovered consumer confidence.



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	-0.50	-1.79	-1.48	1.30	0.98
20 Days	0.00	-6.24	-6.03	6.24	6.03
60 Days	13.43	1.79	1.69	11.64	11.74

The stock price of Coway stayed KRW 100,500, the same level of the previous month. It showed a strong movement that exceeded the previous high point, while entering level-off since the block deal with institutional investors in mid-June. In the technical aspect, it is likely to find a momentum for rebound on mid and long-term moving average lines.

Coway achieved 1Q operating performance that met market consensus and proved that its rental sales nearly recovered the level of ice water purifier issue. Furthermore, Coway has favorable investment attractions such as unrivalled leading position in the health appliance market, excellence in creating cash through its stable rental business model, continuously growing overseas business, and relatively high dividend payout ratio. These factors will raise investors' expectations on our corporate value.

During May, the number of shares held by foreigners increase 3,106,956 shares, or 7.5%, compared with the prior month. As of the end of May, they maintained 59.06% ownership. Domestic institutional investors also marked net purchasing of 564,109 shares during the same period.

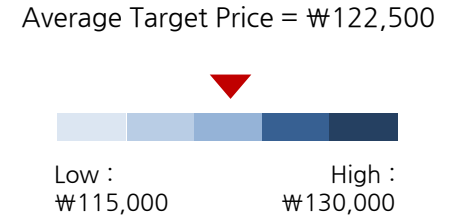
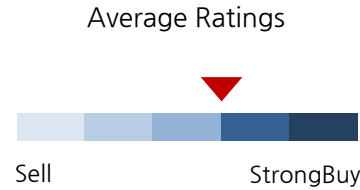
44,651,322 Shares (59.06) (as of May. 31, 2017)	Changes in Stock Price in May 0.00%	Changes in Shares Held by Foreigners in May 3,106,956 Shares (7.5%)	Net Changes in Shares Held by Institutional Investors in May 564,109 Shares
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Market Review
Analyst Opinion

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- Strong Buy 0
- Buy 2
- Hold 0
- Underperform 0
- Sell 0



2017-05-02 | Samsung Securities | Target Price : 115,000 | BUY

[FULL REPORT VIEW](#)

Non-core operations behind 1Q beat

Coway on Apr 28 reported that its sales and operating profit both fell by 2% y-y in 1Q, with the former missing our estimate by 3% as the latter beat it by 8%. The firm also said it will also cancel treasury shares ...

2017-05-02 | Mirae Asset Securities | Target Price : 130,000 | BUY

[FULL REPORT VIEW](#)

Full normalization appears imminent

For 1Q17, Coway delivered preliminary consolidated revenue of ₩610.2bn (-2.2% YoY), operating profit of ₩120.9bn (-2.2% YoY), and OP margin of 19.8%. Revenue was broadly in line with our estimate ...

2017-05-02 | Korea Investment | Target Price : 100,500

[FULL REPORT VIEW](#)

Mix of hopes and fears

1Q17 consolidated sales fell 2.2% YoY to ₩610bn and OP 2.2% YoY to ₩121bn (OPM 19.8%), in line with our estimate and 11% above consensus. Rental-relate sales (rentals + memberships) declined 4% YoY, ...

Won the Minister Prize for the equal employment from the Ministry of Employment and Labor



Coway won the Minister Prize at the ceremony for awarding excellent companies in equal employment for 2017 hosted by the Ministry of Employment and Labor on May 31.

The event was prepared to build a culture of employment where male and female can work on an equal footing. To this end, the Ministry of Employment and Labor evaluates the level of equal employment of companies and awards excellent performers every year.

At Coway, the rate of female employees is relatively high and diverse systems for equal employment are running. Anyone can use childcare leave without distinction of gender and the company monitors to prevent childcare leave users from any disadvantage in job evaluation and promotion. Coway was also highly recognized for its effective systems to support work-life balance.

Moreover, the company has developed mobile groupware to help employees who are having maternity and childcare leave. Family-friendly welfare benefit programs include the Coway Day to invite employees' families to the company and support healing travels, lending farm to employees for free, and a leave system for refreshing.

These differentiated efforts resulted in winning the grand prize at the top 100 large companies with great workplace hosted by the GWP Korea in 2016, which was the sixth achievement in a row. In 2017, Coway won the Minister Prize for the equal employment from the Ministry of Employment and Labor following 2013.

Jae-ho Lee, the head of Business Management Division, said, "It's more important to create good environment to work beyond the equal employment. We will continue to make best efforts to activate communication among employees."

Coway's air purifiers to catch popularity in Taiwan

- Held a launching event for three air purifiers
- Export of air purifiers to Taiwan for 1H 2017 increased more than three times compared with the previous year.



On May 26, Coway held an event to launch new air purifier models in Taipei, Taiwan, with the aim of gearing up for full-scale penetration in the Taiwan market.

Since the entrance into the Taiwan market in 2008, Coway has sold air purifiers, water purifiers, and bidet. Particularly, air purifier sales have sharply increased from the previous year backed by the environmental factor and enhancement of marketing activities. Coway's air purifier sales in the first half of this year soared more than three times compared with the previous year. In March, Coway's AP-1009CH model ranked second (as of GFK data) in the Taiwanese air purifier market on a sales basis.

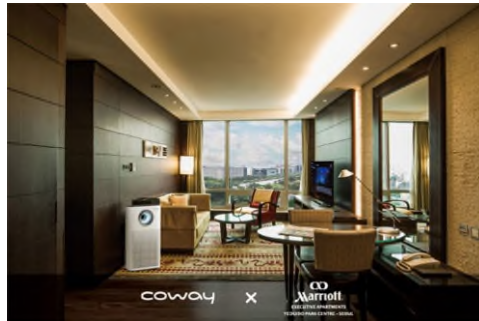
At the launching ceremony, Coway showcased three new air purifier models including "multi-action air purifier (AP-1516D)." This product features rapid and strong air quality control by four-mode multi-action functions, winning great popularity.

Yong-sung Kim, the head of Overseas Business HQ, said, "We intend to preoccupy the air purifier market in Taiwan which is rapidly growing by launching new products, enhancing marketing activities, and expanding distribution channels. We will also drive entrance into overseas markets by continuously introducing trend-leading innovative products."

Today, Coway's air purifiers are sold in about 30 countries.

Operating the “Care Zone” at JW Marriott Hotel

- Installing Coway’s air purifiers at JW Marriott Hotel rooms in Yoi-do to offer pleasant environment



With the aim of providing clean air without fine dust, Coway started the operation of the “Care Zone” by signing a business agreement with JW Marriott Hotel located in Yoi-do, Seoul. The “Care Zone” is a pleasant space where Coway’s water purifier, air purifier, and bidet are installed. Coway plans to continue to expand the “Care Zone.”

The “Care Zone” is offered to customers of the hotel who use the “clean cooling package” service. Coway’s multi-action air purifier model (AP-1516D) equipped with the “Air Dynamics” technology is installed in those hotel rooms. This product features rapid and strong air quality control by four-mode multi-action functions.

Yong-joo Park, the head of Marketing HQ, said, “Multiuse facilities such as hotel, kids’ café, and hospital need more systematic air quality control. Therefore, we plan to expand the Care Zone step by step in order to provide pleasant and clean air with the responsibility as the market leader.”

Currently, the Care Zone is operating at Cha Hospital and its affiliated postnatal care center and Teddy Bear Theme Part in Korea and Kuala Lumpur International Airport in Malaysia.

Conducted the completion ceremony for the “Wi School,” a social contribution program aimed at helping young adults start businesses

- Six teams of the first session of the Wi School presented their business plans.



The completion ceremony for the first session of the Wi School was held at the head office on May 20.

The "Coway Wi School" program was prepared to support startups by capitalizing on Coway's unique one-man business cultivation capability. Currently, more than 20 thousand one-man companies called Cody, service specialist, and Bluebird, young sales specialist, are working in Coway.

Coway's CEO Hae-sun Lee and about 100 trainees attended the ceremony consisting of congratulatory message of the CEO, presentations on their startup business plans, and awards.

Particularly, startup business plans of six teams who are members of the first session of the Wi School won great response. Those were completed through a total of 11 regular courses of the Wi School and mentoring services by an innovative startup cultivator group "UNDERDOGS." Major items were as follows: "HYUNTA TRIP" service to help free travelers in China and Asian countries match local travel buddies; "T fine" service to offer tailored blending teas; "Farewell" pursuing rational funeral culture; "MY SECRET BAG," a platform to share luxury handbags; "normgamestory" aimed at offering game scenario consulting services; and "DESIGN CRACY," a campaign for political issues.

Presented items were fairly evaluated by the panel consisting of Hae-sun Lee, Coway's CEO, Young-ha Ko, Chairman of the Angel Investment Association, Sung-ju Cho, a professor of business administration at KAIST. The team who presented the "MY SECRET BAG" item won the finals.

Seung-moo Kim, the "MY SECRET BAG" item presenter, said, "The Wi School program consisting of a variety of practical and efficient training courses unlike other similar programs has been a great help to me, ahead of starting a new business. The mentoring service also allowed me to build up self-confidence."

Hae-sun Lee, the CEO, said, "We intended to provide young adult startups with more effective trainings to help them secure competitiveness. We will continue to develop realistic and effective programs that can offer opportunities for hope and challenge to young generations."

The second session of the Wi School will start in the second half of this year.

Coway's CEO was inaugurated as the Chairman of the Korea Marketing Association.



Coway's CEO Hae-sun Lee was inaugurated as the chairman of the Korea Marketing Association. The ceremony was held at Novotel Ambassadors Hotel in Gangnam-gu, Seoul, on May 19.

* Hae-sun Lee, the CEO of Coway (right) / Dae-yeon Won, honorary Chairman of the Korea Marketing Association (left)

Coway's CEO Hae-sun Lee had served as the Vice President of Amore Pacific and CEO of CJ O Shopping and CJ CheilJedang. He is recognized as a professional in the consumer marketing sector that pursues the realization of customer value.

Showcasing upgraded heart services

- Checking the result before and after its heart service through mobile application
- Replacing major hygiene-related parts of water purifiers for rental customers
- Enhancing customer satisfaction even in follow-up management



Coway started its upgraded “Safe Heart Service” on May 17, which includes the Cody-On service that customers can directly experience and satisfy, special care service, and follow-up management service as well as existing care services.

The Cody-On service provides customers with visualized product inspection results through mobile devices. It has not been easy for Cody to describe inspection results in detail after conducting the Heart Service, while the Cody-On service makes it possible for customers to easily understand the results through images. Moreover, image-based preview service is available before Cody’s visit through the function of pushing alarm.

The special care service is to replace major hygiene-related parts of water purifiers to help customers use them with an easy mind. Until now, this service has been offered to only rental customers who have used some water purifier models for 29 months. This service is expanded to all water purifier models from this May and the scope of parts replacement is extended to water pipes, fitting, tubing, and faucet. In addition, Special Doctor who is specializing in installation and after service visits customers to provide checkup, sterilization, cleanup, and parts replacement services.

Coway also enhance its follow-up management service by evaluating customer satisfaction and monitoring their opinions after the implementation of the Heart Service. In particular, the service responsibility system is introduced to elevate entire service quality ranging from receiving customer complaints to solving them and confirming improvements in an integrated manner. And the processes and results are reported to the Quality Committee consisting of staff of departments responsible for product development, production, customer service, and quality control. On top of that, Coway plans to increase its service quality in real time through the loCare service.

Hyun-jeong Yoon, the head of Strategic Innovation HQ, said, “We will make a concerted effort for service innovation with the aim of offering our differentiated services where customers can directly experience.”

Coway Blue Bird members to keep customer safety

- Offering theory and practice training about cardiopulmonary resuscitation to 150 Blue Bird members
- Playing a role as the customer safety keeper after finishing the training
- Planning to expand the training into all Blue Bird members



Coway announced on May 16 that it starts training about cardiopulmonary resuscitation for the Blue Bird members to help them respond to emergency of customers.

This training is offered to about 150 Blue Bird members at the Coway head office located in Jung-gu, Seoul, for four days from May 15 to 18. Coway plans to expand this training into more than 400 Blue Bird members all over the country.

Coway commissions the Korea Emergency Care Training Institute for this training with the aim of helping Blue Bird members rapidly take cardiopulmonary resuscitation if an emergency occurs when they visit or meet customers.

Blue Bird members receive not only theory educations such as the “importance of cardiopulmonary resuscitation” and “fundamentals and understanding of cardiopulmonary resuscitation” but also practice training. The certificate about this training is given after a certain evaluation. Considering business characteristics, Blue Bird members visit customers six or seven times a day for consultation and go around every corner of alleys to develop new customers. Therefore, Blue Bird members who complete this training will play a role as the customer safety keeper by promptly taking emergency measures.

Young-seop Kang, the head of W Business Div., said, “This training was prepared to achieve Coway’s mission “Healthy Environment, Happy People.” We will make a concerted effort to care for customers in diverse areas.”

Held the “Coway Run” marathon race in Malaysia

- Held a marathon race to celebrate our leadership in Malaysia
- More than 4,000 local people participated in the race.
- Installed large-sized water purifiers on the marathon course to provide participants with clean water



Coway held the first “Coway Run” marathon race in Damansara, Malaysia, on May 7, in which more than 4,000 local people participated. This event was prepared to deliver the value of clean water to local people, ending in great success.

Our Malaysia subsidiary has enjoyed a steep growth of approximately 110% CAGR in the local water purifier market since the establishment in Kuala Lumpur in 2006. Today it demonstrates the largest share in the Malaysian water purifier market. Sales in 2016 reached KRW 143 billion (corresponding to 510 million ringgit), and sales in 1Q 2017 rose by 48.5% from the previous year to KRW 43.7 billion. As of April 2017, the number of customer accounts surpassed 500 thousand.

This event was planned to share the value of a cup of clean water with participants through the marathon race under the concept of “Drink Up, Race On.” Hae-sun Lee, the CEO of Coway, also finished a 5-km marathon race to encourage the challenging spirit and passion of participants.

Particularly, Coway installed three large-sized water purifiers with the height of 3.6 meters to help participants slake their thirst, receiving appeal much to them.

A participant Zoe Ng Chui Han said “I enjoy marathon for better health. Clean water offered through the race cheered me up. This event helped me have trust in Coway and feel better.

Hae-sun Lee, the CEO of Coway, said, “We prepared this event with the aim of celebrating our leadership in the market and sharing the value of healthy life Coway pursues with local people. We will evolve into a global hidden champion by enhancing the competitiveness of our overseas business.”

Meanwhile, Coway plans to hold the “Coway Eco Run” marathon race in Korea on June 5 in commemoration of the World Environment Day.

IR Activities

IR WEBZINE
2017. May

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EVENT	Conference
DATE	2017-05-18
LOCATION	Jangchung-dong Silla
NOTE	Samsung Securities

EVENT	Domestic NDR
DATE	2017-05-16
LOCATION	Domestic institutional investors
NOTE	Meritz Securities

EVENT	Conference
DATE	2017-05-10 ~ 05-12
LOCATION	Japan
NOTE	CLSA