

08

Coway

IR Webzine 2017. August

Market Review / Coway News / IR Activities



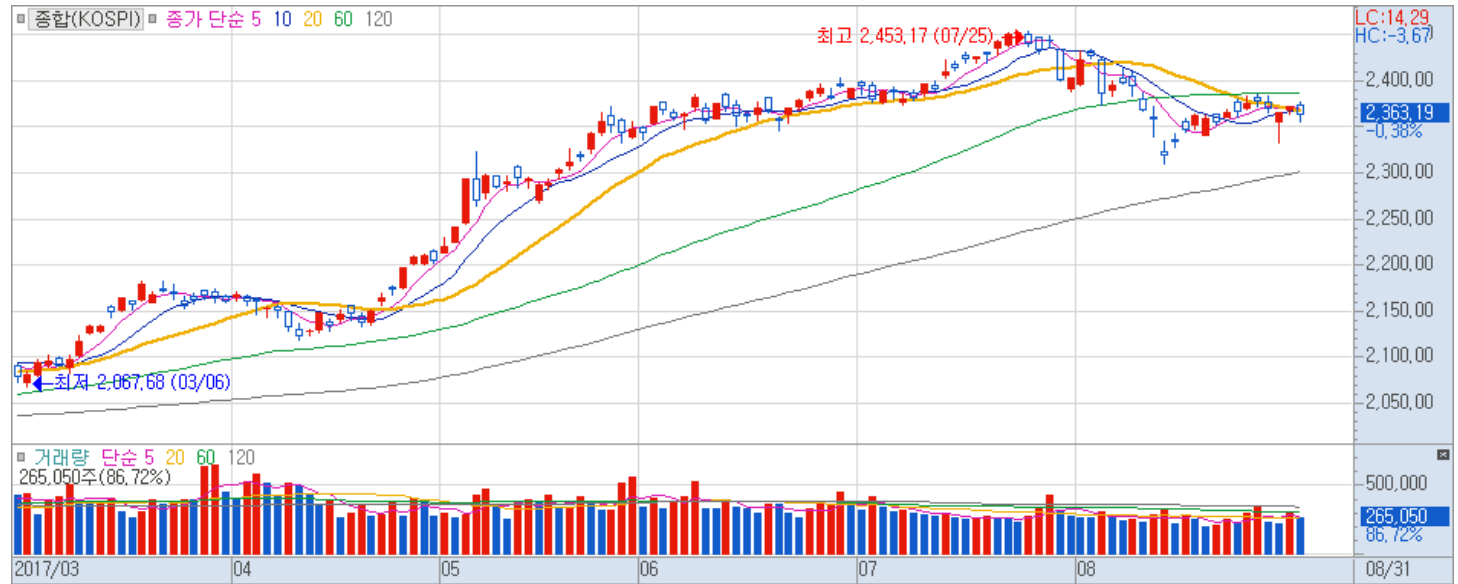
This material includes quarterly development of stock markets, stock prices and related data of Coway, financial status, operating results, and other major issues related to IR. This is aimed to provide a variety of information that could be a reference to shareholders and investors. Therefore, it cannot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

Market Review

Stock Market

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An eight-months long rally of the KOSPI was finished as it decreased 1.64% from the previous month to 2,363.19 points at the end of August. The KOSPI rebounded slightly after a technical decline of around 5% compared with the highest point. In the technical aspect, the KOSPI seems to be sluggish for the meantime as short- and mid-term moving average lines and trading volume are declining.

The weak KOSPI in August resulted mainly from increasing needs for realizing marginal profits due to a long rally as well as geopolitical uncertainties arisen from the North Korean issue. Foreign investors have focused on selling stocks since the last month. They have sold large-scale IT companies' stocks while buying finance, chemicals, and steel sectors. Therefore, it is expected that they reorganize their investment portfolio during sluggish period.

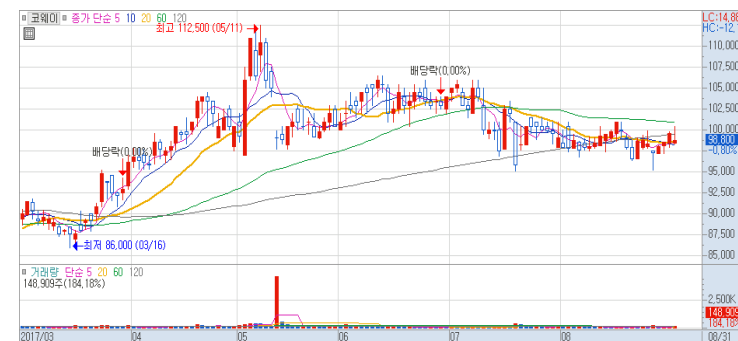
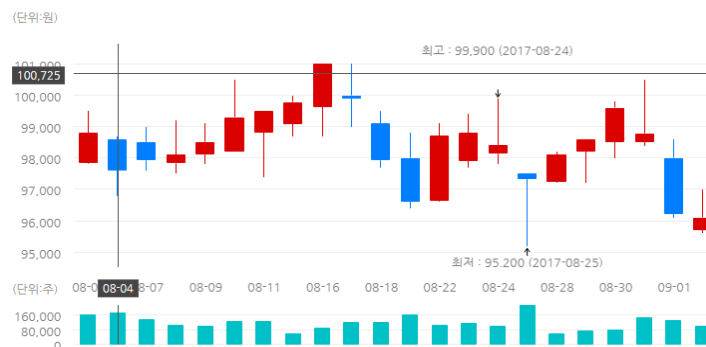
This KOSPI is anticipated to showcase a flat movement in September. Because investment sentiment is weakened due to geopolitical risks and time-consuming decline even though global economy is recovered and operating performances of major companies are on a rise. Circulatory rally by each sector is expected for the meantime.

Market Review

Stock Price

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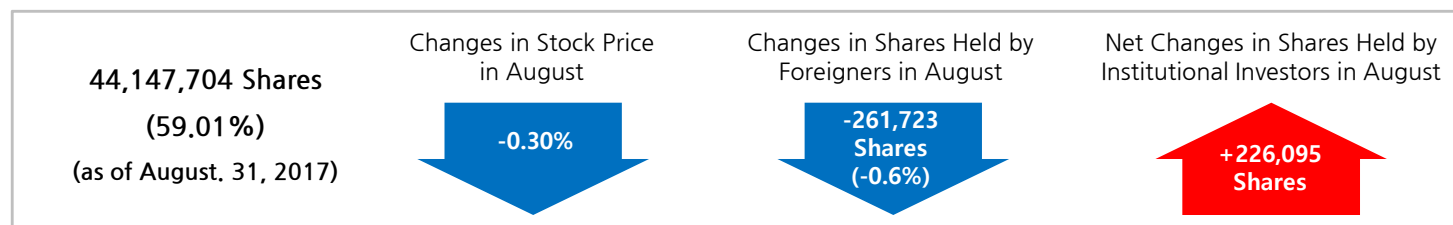


Classification	% change of COWAY			%change of KOSPI	%change of KOSPI200
	Stock Price	vs. KOSPI	vs. KOSPI200		
5 Days	0.41	1.05	1.19	-0.64	-0.79
20 Days	1.02	3.68	3.98	-2.65	-2.96
60 Days	-4.08	-4.21	-4.93	0.13	0.85

The stock price of Coway fell by 0.30% from the previous month to KRW 98,800 at the end of August. It has just repeated fluctuation within a narrow interval for a month. In the technical aspect, stock price and moving average lines are converged and trading volume is at a lower level, which makes it difficult to foresee the direction. It is necessary to secure a momentum to attract attention of investors.

As a leader in the rental business of healthy appliances, Coway continues a stable growth by rapidly responding to customers' changing needs based on nationwide sales and service organizations. Particularly, the number of rental accounts for air purifiers is remarkably increasing and the growth of overseas business is being accelerated, which will be a key investment point in the future.

During August, the number of shares held by foreigners decreased 261,723 shares, or 0.6%, compared with the prior month. As of the end of August, they maintained 59.01% ownership. Domestic institutional investors marked net purchasing of 226,095 shares during the same period.

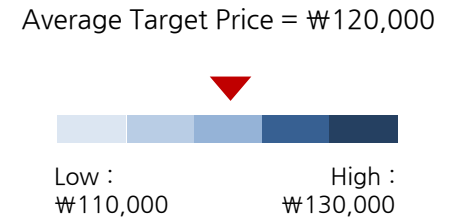
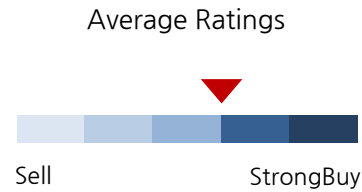


Market Review
Analyst Opinion

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• Strong Buy	0
• Buy	2
• Hold	0
• Neutral	0
• Underperform	0
• Sell	0



2017-08-02 | Mirae Asset Securities | Target Price : 130,000 | Buy

[FULL REPORT VIEW](#)

Long-awaited recovery is here

For 2Q17, Coway announced preliminary consolidated revenue of ₩623.4bn(+12.3% YoY), operating profit of ₩120.6bn (+919.4% YoY), and OP margin of 19.3%. Overall, the results were consistent...

2017-08-02 | Korea Investment & Securities |

[FULL REPORT VIEW](#)

Stagnant domestic business overseas ...

2Q17 consolidated sales grew to ₩623bn (+12% YoY), and OP surged to ₩121bn(+919% YoY, OPM of 19.3%). Considering that sales reductions and costs from the recall of nickel-contaminated water ...

2017-08-01 | Samsung Securities | Target Price : 110,000 | Buy

[FULL REPORT VIEW](#)

Base effect provides expected lift

Coway reported that its sales and operating profit grew a respective 12% and 919% y-y to ₩623.4b and ₩120.6b in 2Q, with the former rebounding to levels seen prior to last year's nickel scandal, while the latter...

Launching tankless water purifier models with high hygiene and safety

- Equipped with five-layers nanotrap filters
- Ensuring hygiene through periodic and systematic free parts replacement service
- Innovative square product design, drawer tray, up-and-down faucet



Coway launches tankless water purifier models (CHP-7200N · CP-7200N · HP-7200N) equipped with five-layers high-efficiency nanotrap filters on August 24. These products dispense pure, cool, and hot water directly without water storage tank, and five-layers high-efficiency nanotrap filters eliminate norovirus and colon bacillus as well as microscopic heavy metals such as steel, aluminum, mercury, and lead particles.

Maintenance service quality is also upgraded. The company plans to replace water pipes and faucet tip 16 months and 44 months later, and water pipes, faucet tip, and faucet-linked water pipe 28 months later for free, which will ensure high hygiene and customer satisfaction.

Moreover, innovative square design and drawer tray system of these products ensure top-notch space efficiency. Up-and-down faucet accommodates various-sized containers. One-touch fixed-amount water-dispensing function (120 ml/250 ml/500ml) also raises user convenience.

Particularly, the HP-7200N model is a new water purifier that proactively reflects needs and preference of customers based on the result of customer survey. The survey showed that customers in their 50s and 60s had higher needs for hot water than cool water. This model is Coway's first water purifier that dispenses pure and hot water.

Se-yong Kim, the head of Product Strategy Division, said, "We have set the trend of tankless water purifier market since the launch of Hanppyeom Water Purifier in 2012. These products will take the standard of water purifier's hygiene to the next level. We will continue to deliver cleanness, safety, and hygiene to customers based on innovative technologies and services."

Signed an exclusive distributorship agreement with Iran's largest home appliances maker

- Plan to sell Coway's water purifiers, air purifiers, and bidets across Iran this year
- Agree to cooperate on building door-to-door sales and maintenance service organizations



Coway signed an exclusive distributorship agreement with Iran's largest home appliances maker "Entekhab Investment Development Group" at the head office in Seoul on August 22. This agreement is expected to accelerate the entrance into health appliance market in the Middle East.

Hae-sun Lee, the CEO of Coway, Yong-sung Kim, the head of Coway's Global Business HQ, and Dr. Mohammad Karimian, Vice President of Entekhab Investment Development Group, participated in this agreement ceremony. Hassan Taerian, the Iran Ambassador to Korea, also attended the ceremony to show high interest in this agreement.

Entekhab Investment Development Group, established in 1979, is the largest home appliances maker and distributor in Iran. Moreover, Iran with a population of more than 80 million is recognized as the largest market in the Middle East. As local people prefer Korea's premium home appliances and have increasing interest in health, Coway expects this agreement will give a good chance for business expansion in the Middle East market.

Based on this agreement, Entekhab Investment Development Group plans to sell Coway's water purifiers, air purifiers, and bidets across the nation this year. Particularly, Coway's strategic water purifier model CHP-08AR is a product optimized for the Middle East market as it obtained the Halal certification. Moreover, both companies plan to build exclusive door-to-door sales and maintenance service organizations.

With this agreement as a stepping stone, Coway will continue to expand target markets to Israel, Jordan, and Bahrain beyond Saudi Arabia, Turkey, Qatar, Kuwait, and Iraq where it already operates businesses.

Yong-sung Kim, the head of Global Business HQ, said, "We will make a concerted effort to maximize synergy by efficiently combining our innovative products and service capability and the partner's distribution power."

We will also continue to expand business in the Middle East market and eventually grow into a global health appliances maker."

Held a science camp for employees' children



Coway held a science camp at the Hoam Professor Hall of Seoul National University for three days from August 18, where more than 40 children of employees were invited. The science camp, as a corporate culture program, was prepared to provide their children with a chance to experience the importance of water during summer vacation.

This event included a variety of programs such as a visit to Coway's Environmental Technology Research Center, mentoring of career development, hydro-science experiment, water analysis, and execution of group projects.

At the event, children had time for understanding the taste and nature of water through a special learning course and joined scientific water-related experiments such as "study on climate change" and "simple water purifiers." Moreover, an engineering education group "Engineering Mentor" consisting of Seoul National University students delivered mentoring for children's career development.

Jung-min Bae, a manager who applied to this event, said, "The science camp helped my daughter have higher interest in the company and science, which will be an important motivational factor for me to fulfill my duty as well."

Hae-sun Lee, the CEO of Coway, said, "Our company plans to expand the family care program with the aim of delivering our corporate value to family members as well as employees and making them raise self-esteem on the company."

Coway also plans to hold an air-themed science camp for children of customers in the future.

KRW 623.4 billion and KRW 120.6 billion in 2Q sales and operating profit respectively

- Up 12.3% year-on-year in sales and 919.4% in operating profit
- 397 thousand rental sales, the largest-ever quarterly record

Coway accomplished KRW 623.4 billion, up 12.3% year-on-year, in sales and KRW 120.6 billion, up 919.4%, in operating profit on a K-IFRS consolidated basis in the second quarter of 2017.

The company explained that those favorable results were mainly attributable to stable growth of health appliances business, lower-than-expected churn rate, outstanding growth of overseas subsidiaries, and progress of homecare business and cosmetics business.

▲ Stable growth of health appliances business

2Q sales from health appliances business rose by 12.3% year-on-year to KRW 500.8 billion. Particularly, rental unit sales amounted to 397 thousand, up 3.2% year-on-year and 13.5% from the previous quarter, backed by sales increase of water purifier, air purifier, and mattress. This figure demonstrates the largest-ever quarterly rental unit sales. This trend is expected to continue in the second half of this year due to the launch of a strategic water purifier AIS.

▲ Lower-than-expected churn rate

Coway has focused on the “Coway Trust” activity since the previous year with the aim of lowering churn rate. As a result, churn rate has decreased from 1.26% in 4Q 2016 to 1.20% in 1Q and 1.19% in 2Q this year. Rental asset disposal expense also decreased to KRW 9.9 billion, 2.6% of rental sales, in 2Q compared with KRW 12.4 billion, 3.9% of rental sales, in 2Q 2016.

▲ Outstanding growth of overseas subsidiaries

Our Malaysia subsidiary and US subsidiary achieved noticeable growth despite tough business environment. Sales of Malaysia subsidiary and US subsidiary increased 42.6% and 6% year-on-year to KRW 49.0 billion and KRW 15.6 billion, respectively. Total number of accounts also grew 59.1% and 9.2% from the previous year to 541 thousand and 107 thousand, respectively. Exports in the first half rose by 6% year-on-year to KRW 123.5 billion.

▲ Progress of homecare business and cosmetics business

Total number of accounts in mattress business increased 13.6% year-on-year to 337 thousand in 2Q and sales from homecare business recorded KRW 42.5 billion, an increase of 6.7% from the previous quarter. Sales from cosmetics business also increased 8.3% year-on-year to KRW 18.7 billion thanks to productivity improvement of the sales organization and launch of new products.

IR Activities

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EVENT	Domestic NDR
DATE	2017-08-08~ 08-09
LOCATION	Domestic institutional investors
NOTE	HSBC Securities

EVENT	Overseas NDR
DATE	2017-08-07 ~ 08-11
LOCATION	Paris, Geneva, Zurich, Frankfurt, London
NOTE	Macquarie
