

02


coway

IR Webzine 2018. February

Coway News

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Market Review

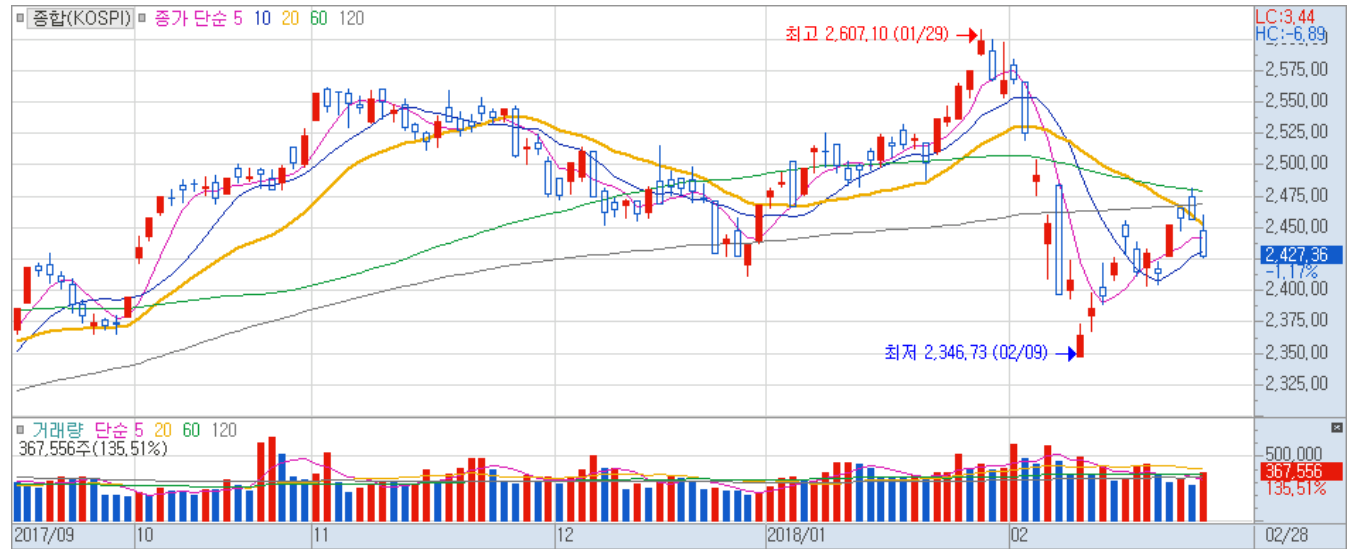


This material includes quarterly development of stock markets, stock prices and related data of Coway, financial status, operating results, and other major issues related to IR. This is aimed to provide a variety of information that could be a reference to shareholders and investors. Therefore, it cannot 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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The KOSPI fell by 5.42% from the previous month to 2,427.36 points at the end of February 2018, offsetting the rally in January and eventually freezing investment sentiment. In the technical aspect, the KOSPI plunged down mid and long-term moving average lines with increasing trading volume and the rebound was beyond expectations, striking a bleak outlook on future stock market.

The domestic stock market which had enjoyed a rally since the end of last year faced an unexpected collapse in February, which was mainly attributable to a sharp increase of the U.S. treasury yield and ensuing weak global stock markets. Major stock indices of the U.S., the epicenter of collapse, recovered most part of negative impact, while those of other countries remained sluggish movements. In February, most sectors except for paper & wood, pharmaceuticals, and medical precision sectors showed weakness. Telecommunication, service, steel, and construction sectors were relatively weaker.

The global stock markets have enjoyed a stable growth on the back of two engines - low interest rate trend and economic recovery - of which low interest rate trend is anticipated to dissipate. Therefore, a lot of experts expect that the domestic stock market will be flat rather than changeable. It will also be a burden that performance outlook of F/X-sensitive sectors including IT and automobile is downgraded.

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	-3.88	-3.79	-3.37	-0.09	-0.51
20 Days	-9.89	-3.31	-2.43	-6.57	-7.45
60 Days	-13.40	-10.00	-8.01	-3.40	-5.39

The stock price of Coway slipped down by 9.03% from the previous month to KRW 86,600 in February 2018, showing weak trend for three consecutive months. In the technical aspect, it fell down below the bottom line of the previous month's box pattern and moving average lines were also on a downturn. It is necessary to identify the bottom line for turnaround. Meanwhile, the increase of trading volume for a rebound since mid-February proved stronger-than-expected potential purchasing power.

Despite recent weak stock price, the market consensus on Coway is positive on the back of the expectation that sharply growing overseas business will boost sales growth in the future. In China, Coway is enjoying stable growth by securing Philips, the largest air purifier supplier in China, as a captive buyer. Rental business in Malaysia is also very active. These favorable business conditions help Coway reshape itself as a global player. Moreover, Coway plans to launch diverse new products and expand rental categories to further enhance its market leadership, which will also much appeal to investors.

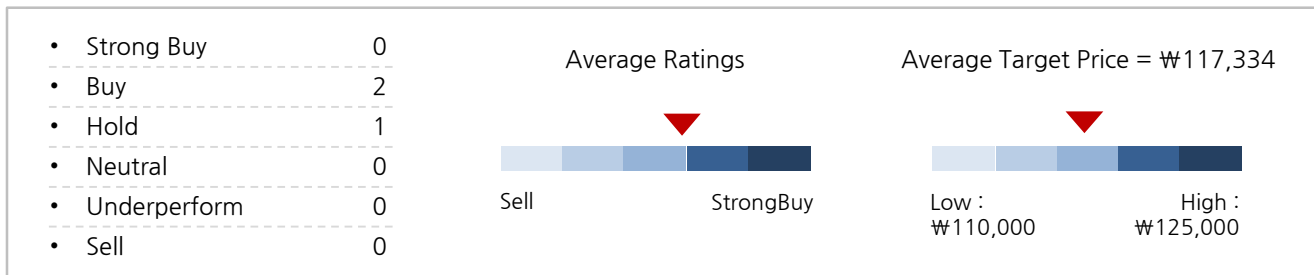
During February 2018, the number of shares held by foreigners increased 13,568 shares, or 0.03%, compared with the prior month. As of the end of February, they maintained 58.98% ownership. Domestic institutional investors marked net selling of 102,226 shares during the same period.

<p>43,927,090 Shares (59.36%) (as of February. 28, 2018)</p>	<p>Changes in Stock Price in February</p> <p>-9.03%</p>	<p>Changes in Shares Held by Foreigners in February</p> <p>+13,568 Shares (+0.03%)</p>	<p>Net Changes in Shares Held by Institutional Investors in February</p> <p>-102,226 Shares</p>
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Market Review
Analyst Opinion

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2018-02-26 | Korea Investment & Securities | Target Price : 110,000 | Buy [FULL REPORT VIEW](#)

Global presence revs up with water and air
We upgrade Coway to BUY with a TP of ₩110,000 (21x 12MF PE, threeyear-trailing avg.). The company will likely achieve robust growth driven by solid overseas operations starting ...

2018-02-13 | Korea Investment & Securities | Target Price : 117,000 | Hold [FULL REPORT VIEW](#)

Malaysia operations robust; Monitor domestic growth
Coway reported 4Q17 sales of ₩653.6bn, up 6% YoY, and OP of ₩107.1bn, up 11% YoY, with OPM reaching 16.4%. While OP missed consensus by 9%, it would have satisfied expectations stripping out one-off factors, ...

2018-02-13 | Mirae Asset Securities | Target Price : 125,000 | Buy [FULL REPORT VIEW](#)

Relative growth remains healthy
For 4Q17, Coway announced preliminary consolidated revenue of ₩653.6bn (+6.4% YoY), operating profit of ₩107.1bn (+11.1% YoY), and OP margin of 16.4%. Revenue was broadly in line with the consensus, but ...

Operate the “Pure Zone” for water purifier at an international airport in Malaysia

- Installed water purifiers at major 73 spaces to deliver the value of clean water to world people
- Plan to expand the “Pure Zone” equipped with water purifiers and air purifiers to public institutions in Malaysia



Coway operates the “Pure Zone” where everyone can experience its water purifiers at Kuala Lumpur International Airport in Malaysia, delivering the value of clean water to world people.

The “Pure Zone” was installed at major 73 spaces with a large floating population in February 18. At the “Pure Zone,” anyone can enjoy clean water purified by Coway’s products and directly experience the performance of filters. The company installed large-capacity water purifiers (CHP-671L) in consideration of the characteristics of airport with a large floating population.

Prior to this, Coway had installed more than 30 air purifiers at Kuala Lumpur International Airport in 2011. The company has attracted much attention of world people by offering clean and pleasant air to the airport where indoor air quality control is essential. In response, the number of air purifiers installed has been extended to 100. Coway intends to expand the “Pure Zone” where consumers are able to directly experience air purifiers and water purifiers throughout the nation in order to solidify the brand identity of space care.

Ki-ryong Choi, the head of Malaysia subsidiary, said, “Installing water purifiers and air purifiers at Kuala Lumpur International Airport gives us a chance to prove the status of Coway in Malaysia. The Pure Zone helps increase local people’s interest and trust in Coway. We will expand the Pure Zone to local public institutions step by step.”

Malaysia subsidiary achieved sales of KRW 207.5 billion, up 45% year-on-year, in sales and the number of managing accounts also soared over 50% to 653 thousand. Malaysia subsidiary plans to expand the number of managing accounts up to one million in 2018 by enhancing product lineups and brand marketing activities.

Achieve KRW 2.52 trillion in sales and KRW 472.7 billion in operating profit in 2017, marking record high operating performance

- Sales and operating profit jumped 5.9% and 39.5% year-on-year, respectively
- Health appliances sales increased 3.5% on the back of air purifier sales growth
- Targeting KRW 2.77 trillion and KRW 525 billion in sales and operating profit, respectively

Coway achieved record high operating performance in 2017 by realizing sales of KRW 2.5168 trillion, up 5.9% year-on-year, and operating profit of KRW 472.7 billion, up 39.5%, on the K-IFRS consolidated basis.

4Q sales amounted to KRW 653.6 billion, up 6.4% year-on-year, and operating profit was KRW 107.1 billion, up 11.1%, retaining stable growth.

▲ Health appliances business

Sales from the domestic health appliances business increased 3.5% from the previous year to KRW 1.98 trillion in 2017 on the back of sales growth of air purifier and mattress. Those of 4Q 2017 also increased 2.9% year-on-year to KRW 496.4 billion. Coway set the goal of 2018 sales from the domestic health appliances business at KRW 2.006 trillion, a rise of 4.1% year-on-year.

▲ Churn rate management

Coway has been maintaining churn rate of most products including water purifier by focusing on improving product quality and strengthening customer service. Product churn rate in 2017 decreased 0.14%p compared with the previous year to 1.06%.

Particularly, it was only 0.86% in 4Q, the lowest level. As a result, rental asset disposal expense in 2017 marked KRW 40.7 billion, 2.7% of total rental sales. This figure was 0.4%p lower than KRW 45.9 billion, or 3.1%, of the previous year.

▲ Export and local sales

Overseas sales in 2017 soared 19.7% over the previous year to KRW 259.7 billion backed by the growth of new products sales and local subsidiaries.

Particularly, Malaysia and U.S. subsidiaries achieved remarkable growth. Sales of Malaysia soared 45.1% year-on-year to KRW 207.5 billion, first exceeding KRW 200 billion. The number of managing accounts also jumped 51.5% from the previous year to 653 thousand in 2017.

U.S subsidiary accomplished KRW 65 billion, 8% year-on-year, in sales on the back of growing sales of air purifiers through the partnership with Amazon.

▲ Homecare and cosmetics business

Total unit sales of mattress reached 137 thousand, the highest level since its launch, in 2017. Total number of managing accounts also increased 11.4% year-on-year to 358 thousand.

Cosmetics sales in 2017 were KRW 79.8 billion, an increase of 7.4%, due to enhancing productivity of salespersons and launching new products.

■ Business plan in 2018

Coway set the goal in 2018 at KRW 2.77 trillion, up 10.1% year-on-year, in sales and KRW 525 billion, up 11.1%, in operating profit on the K-IFRS consolidated basis.

To achieve the goal and continuously enjoy stable growth, Coway will focus on solidifying its market leadership, growing overseas business, and stabilizing cosmetics business with the enhancement of competitiveness in marketing, sales, service, and quality.

Hae-sun Lee, the CEO, said, “We achieved balanced growth in all business areas including health appliances in 2017. With three keywords of products inspired by Coway’s core competence, response to strategic target market, and the 4th Industrial Revolution technologies accompanied by business field, we will take a step forward in 2018.”

Conduct volunteer activities for improving the environment of a local childcare center



The "Blue Bird," an organization consisting of business experts at Coway, carried out volunteer activities for improving the environment of a local childcare center in Gwangmyeong, Gyeonggi-do, on February 2, delivering the value of healthy life to children.

The Blue Bird was launched in 2010 with the aim of securing diverse customers, in which business experts who just start out in a career after graduating university. Currently, about 450 persons throughout the nation join the Blue Bird and they are proactive in volunteer activities on a regular basis.

The local childcare center where the Blue Bird members implemented volunteer activities provides a variety of educational and emotional supports to underprivileged children and teenagers.

About 40 members participated in replacing polluted wallpapers and linoleums, improving living conditions, and donating water purifiers and air purifiers to help them live and study in a clean and healthy environment.

The Blue Bird will continue volunteer activities for improving the environment of local childcare centers throughout the nation on a quarterly basis.

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EVENT	Overseas NDR
DATE	2018-02-27 ~ 03-02
LOCATION	Hong Kong, Singapore
NOTE	HSBC Securities

EVENT	Conference
DATE	2018-02-23
LOCATION	Yeouido Conrad
NOTE	J.P.Morgan
