

coway 05
IR Webzine 2018. 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.

Market Review
Stock Market

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The KOSPI slid 3.67% from the previous month to 2,423.01 points at the end of May, descending into bearish trend once again. In the technical aspect, the KOSPI failed in keeping the growing bottom line pattern since February, which presents the possibility of extending sluggish trend. Other unfavorable conditions include downward moving average lines and increased trading volume for the period of decline.

In May, the domestic stock market started with the expectation on the establishment of peace and expansion of economic cooperation since the inter-Korean Summit Talk. The expectation was offset by external critical issues such as the Iran nuclear deal exit of the U.S., strong crude oil prices and dollar, possibility of crises in emerging countries, reignition of U.S.-China trade war, and Italexit. Nonmetallic mineral, medical & precision, and paper & wood sectors were strong, while finance, steel, and transportation sectors were weak.

In June, the stock market seems to waver due to increasing external uncertainties despite the expectations on successful North Korea-U.S. Summit Talk. Therefore, the KOSPI is predicted to continue sluggish movement for the mean time instead of drastic ups and downs.

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Stock Price

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Classification	% change of COWAY			%change of KOSPI	%change of KOSPI200
	Stock Price	vs. KOSPI	vs. KOSPI200		
5 Days	0.81	2.55	2.87	-1.74	-2.07
20 Days	-0.23	3.44	3.68	-3.67	-3.91
60 Days	1.75	0.88	0.91	0.87	0.83

The stock price of Coway recorded KRW 87,300, a decrease of 0.23% from the previous month, at the end of May, continuing a flat trend. In the technical aspect, the stock price fluctuated between KRW 85,000 and KRW 95,000 for four consecutive months, which may sign the accumulation of energy.

Coway has been demonstrating growing share in the domestic water purifier and air purifier markets on the back of new products and increasing net adds of rental accounts. Mattress rental business also sees higher-than-expected sales growth. The newly launched FWSS (fresh wear styling system) is also expected to win popularity in the market. As for overseas business, the company is enjoying sharp sales growth in Malaysia and the U.S. particularly. The shareholder-friendly policy also appeals much to investors. These factors will make positive effects on the future stock price.

During May 2018, the number of shares held by foreigners increased 5,475 shares, or 0.01%, compared with the prior month. As of the end of May, they maintained 60.00% ownership. Domestic institutional investors marked net purchasing of 36,707 shares during the same period.

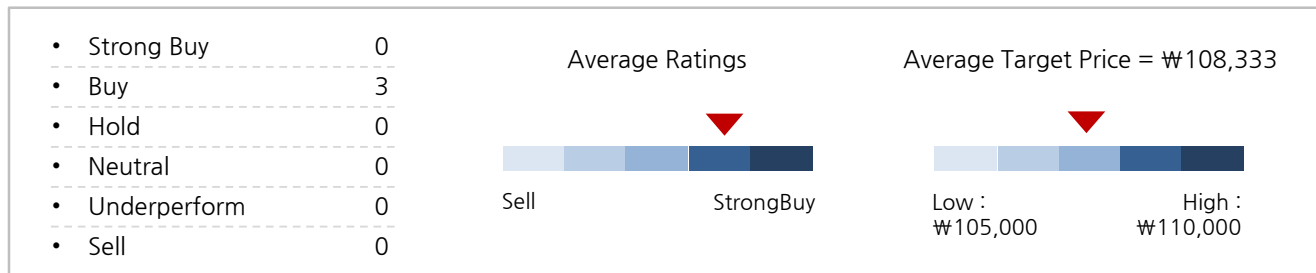
<p>44,277,227 Shares (60.00 %) (as of May 31, 2018)</p>	<p>Changes in Stock Price in February</p> <p>-0.23%</p>	<p>Changes in Shares Held by Foreigners in February</p> <p>+5,475 Shares (+0.01%)</p>	<p>Net Changes in Shares Held by Institutional Investors in February</p> <p>+36,707 Shares</p>
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Market Review

Analyst Opinion

IR WEBZINE
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2018-05-23 | Korea Investment & Securities | Target Price : 110,000 | Buy [FULL REPORT VIEW](#)

NDR takeaways: Domestic competition concerns fade solid overseas operations
Coway received positive feedback from investors for offering an aggressive guidance for its domestic business in 2018 and adding more accounts. The overseas operations attracted considerable interest. ...

2018-05-02 | Samsung Securities | Target Price : 105,000 | Buy [FULL REPORT VIEW](#)

Maintains market dominance
1Q review: Coway on Apr 30 reported in-line 1Q results, with its sales and operating profit up a respective 6% and 9% y-y to KRW647.8b and KRW131.3b for a margin of 20.3%. Despite concerns, the firm's domestic rental ...

2018-05-02 | Korea Investment & Securities | Target Price : 110,000 | Buy [FULL REPORT VIEW](#)

Fading competition concerns at home and outstanding performance abroad
Coway's 1Q18 results were in line with the consensus with sales up 6% YoY to W647.8bn and OP up 9% YoY to W131.3bn (OPM 20.3%, up 0.5%p YoY). By division, domestic rental sales rose 1% YoY and mattress...

Achieve record-high operating profit in 1Q

- Record-high quarterly rental sales of 460 thousand units in 1Q
- Record-high KRW 647.8 billion in quarterly sales
- Up 8.6% and 26.2% year-on-year in operating profit and net profit, respectively

Coway announced on May 1 that it achieved record high operating profit on a quarterly basis. Sales of Coway in 1Q 2018 recorded KRW 647.8 billion, an increase of 6.2% from the previous year. Operating profit and net profit increased 8.6% and 26.2% to KRW 131.3 billion and KRW 95.2 billion, respectively. Particularly, operating profit was the largest ever in its history on a quarterly basis. (based on K-IFRS consolidated financial statements).

These remarkable operating performances were mainly attributable to record-high rental sales at home and abroad, consistent growth of overseas business, increases of sales from the homecare business and the number of accounts, and maintenance of stable churn rate.

▲ Record-high rental sales at home and abroad

Total rental sales at home and abroad increased 10% year-on-year to 460 thousand units, a new record on a quarterly basis. Growth in the domestic market was attributable to rental sales increase in all products including water purifier, air purifier, and mattress, launch of innovative products such as the Active Action Water Purifier, and enhancement of new sales channels. Overseas rental sales also boosted on the back of higher-than-expected growth of Malaysia and the U.S. subsidiaries. Rental net adds of accounts reached 117 thousand in 1Q, which resulted in attaining 6.62 million (6.78 million in Korea and 0.84 million in the world) in total. The company expects the number of accounts to exceed 7 million this year.

▲ Consistent growth of overseas business

Overseas sales in 1Q increased 14.7% year-on-year to KRW 112.3 billion backed by launch of new products and growth of local subsidiaries. Particularly, Malaysia and the U.S. subsidiaries attained impressive growth. Malaysia subsidiary succeeded in surpassing KRW 60 billion in sales for the first time on a quarterly basis and operating margin reached 14%, the highest ever. Sales of the subsidiary in 1Q increased 50.6% from the previous year to KRW 65.7 billion and the number of accounts also soared 46.5% to 708 thousand. The U.S. subsidiary also realized KRW 17.6 billion, an increase of 15.4%, in sales on the back of door-to-door sales growth and vigorous retail sales of air purifiers. The number of accounts rose 6.5% from the previous year to 111 thousand.

▲ Increases of sales from the homecare business and the number of accounts

The homecare business also contributed to sales growth. The number of accounts in rental sales of mattress grew 12.7% year-on-year to 372 thousand and sales stood at KRW 44.9 billion, up 15.0%. This favorable trend is expected to continue due to launch of new products such as beds for kids.

▲ Maintenance of stable churn rate

At Coway, churn rate is stably controlled by continuously improving product power and customer services. Churn rate in 1Q decreased 0.18%p from the previous year to 1.02%, which resulted in reducing 10% in loss on disposal of rental assets to KRW 10.1 billion. The figure was 2.7% of total rental sales, a decrease of 0.3%p from 3.0% in 1Q 2017.



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Coway expects current growth trend to continue in the second quarter as the FWSS (fresh wear styling system), a next-generation clothe and space care product with the functions of purification and dehumidification, will be launched

Open the Coway Service Lab



Coway plans to open the “Coway Service Lab” in the head office to provide customers with differentiated service experiences and satisfaction.

The Coway Service Lab will play a role for analyzing customer experiences at all customer contact points and identifying ideas for customer service differentiation, eventually creating innovative customer value and realizing corporate philosophy Coway Trust.

The Coway Service Lab consists of service practice monitoring zone, ideation zone, and communication zone. Particularly, in the communication zone, chairs for both customers and CODYs are arranged with the purpose of always listening to the voice of customers. Today, more than 100 CODYs are participating in service innovation activities.

At the Coway Service Lab, monitoring activities will be carried out to offer the best customer experiences in entire process of product order, installation, usage, CODY service, and after service. Other programs include real-time CS check, research on service, and discussion on innovation.

Service innovation activities are conducted by forming the CFT (Cross Functional Team) of each project, in which customers by each CFT, CODYs, and staff responsible for product planning, development, marketing, and design participate. Current projects include innovation of water purifier service, materialization of purification effect, and CODY-On service.

Hyun-jeong Yoon, the head of Strategic Innovation HQ, said, “We will make a concerted effort to develop and offer differentiated customer service based on unrivalled service quality and knowhow. The Coway Service Lab will play a key role for providing customer-centric innovative services and making Coway become a company with higher customer trust.”

Launch the Fresh Wear Styling System



Coway launches the Fresh Wear Styling System (FAD-01), an innovative product that cares both clothes and wardrobe space.

Currently, wear care system and wear dryer aimed at hygienically caring clothes are increasing in popularity due to environmental issues such as fine dust and yellow sand.

To meet this need and trend, Coway showcases the Fresh Wear Styling System that hygienically cares both daily wear and clothes inside wardrobe. The Fresh Wear Styling System is Korea's first two-in-one product that combines wear care and air purification functions.

The wear-intensive care function eliminates dust and odor from clothes and puts crease in three stages, helping users wear clothes in pristine condition.

The first stage inhales dust from clothes by operating the 3-way power blowing system based on Coway's core competence air care technology - dust on clothes by power air shot, dust inside clothes by air shot hanger, and remaining dust by air circulation function. The second stage washes dust and odor particles by spraying nano mist generated from electrolyzed sterilization system. The third stage dries clothes at low temperature through heat-pump technology, protecting damage and keeping soft and smooth.

The space care function provides pleasant environment all year round through air purification and dehumidification functions. The 4-step filtering system consisting of microfiber free filter, tailored filter, deodorization filter, and hepa filter ensures clean indoor air quality in accordance with situation, space, and season. In addition, the space dehumidification system protects clothes from condensation and mold.

The mirror on the front surface of this product demonstrates sophisticated and luxurious interior design and user convenience. The care service is offered every four months by Homecare Doctor. In June, Fresh Wear Styling System without front surface mirror will be launched as well.

Hold the “Cody Recruit Conference” on May 24



코웨이 코디
모집의 날 행사
2018/5/24

일 시 | 2018년 5월 24일 (목) 오전 10시 ~ 오후 5시
장 소 | 전국 코웨이 마트센터
행사내용 | 코디 혜택 소개 및 지원자에 한해 1차 면접 진행
문 의 | 행사장소 및 자세한 내용은
www.ttag.coway.co.kr를 방문하거나,
02-781-7220으로 문의하십시오

Coway announced on May 14 that it holds the “Cody Recruit Conference” in 21 places around the nation including Seoul, Daejeon, Incheon, and Busan on May 24. This conference aims to provide women with career discontinuity with opportunities to become service specialists in celebration of 20th anniversary of Cody system.

Participants are able to experience Cody duties and services as well as products. Other programs include one-on-one aptitude test for Cody service and field interview for applicants.

Coway’s Cody system is well recognized for the representative work-life balance job. Currently, most Cody members are housewives in their 30s to 50s and they are compensated according to their performances.

Cody members are able to work in regions they want. Benefits include free subscription to group personal accident insurance, installment savings, awards and training programs to excellent performers, and supports for family events.

Jong-bae Kim, the head of Health Appliance Biz HQ, said, “Our Cody system has played a significant role for helping women with career discontinuity restart their careers for the past two decades. We will continue to support Cody members to grow together with our company.”

Sponsor the “Korea Junior Water Prize 2018”



Coway officially sponsors the “Korea Junior Water Prize 2018” hosted by the Korea Water Forum.

This event was prepared to raise teenagers’ interest in international water issues and solve them based on creative thinking.

The deadline for the application is 12:00 on July 6 and every team consisting of one or two teenagers between the ages of 15~18 and a guidance teacher can participate. It is required to identify free water-related themes and submit research plans and results how to solve those issues. Key evaluation factors include theme creativity, practicality, and social and economic values.

The teams in the qualifying round will join the incubating program guided by the Coway Environmental Technology Research Institute located in the research park of Seoul National University. Therefore, they can experience advanced water-related technologies of Coway and receive practical counselling about research contents through one-on-one mentoring.

A total of six teams will be awarded at this event. The best team will be eligible for participating in the “Stockholm Junior Water Prize” which will be held in Sweden in the future.

Hae-sun Lee, the CEO of Coway, “We expect our sponsorship will contribute to increasing next generations’ social role and interest in solving world’s water issues. As Korea’s representative water company, Coway will continue to raise people’s awareness on the importance of clean water.”

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EVENT	Overseas NDR
DATE	2018-05-22 ~ 05-25
LOCATION	Frankfurt, Luxembourg, London, Paris
NOTE	CLSA

EVENT	Conference
DATE	2018-05-18
LOCATION	Jangchung-dong Silla
NOTE	Samsung Securities