



Market Review

Coway News

IR Activities

coway 08
IR Webzine 2018. August

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

IR WEBZINE
2018. August

08



The KOSPI increased 1.20% from the previous month to 2,322.88 points at the end of August, escaping from a 3-month long bearish trend. In the technical aspect, the KOSPI showed a pattern to gain a foothold by surpassing short- and mid-term moving average lines. Nonetheless, it's too early to expect a rapid turnaround considering declining long-term moving average line and sluggish trading volume.

The KOSPI showed a record low in early August due to prolonged US-China trade conflict. However, the easing of financial crisis triggered by Turkey and strong purchasing of foreign investors heaved up the KOSPI since mid-August. Shipbuilding, healthcare, and media education sectors enjoyed a rally, while utility, consumer product, insurance, and transportation sectors were weak.

In September, a slight rally seems to continue following the previous month. Meanwhile, a lot of investors anticipate that the rally will be limited due to remaining uncertainties including the US-China trade conflict. Positive factors include continuing export growth and higher-than-expected earnings of major companies.

Market Review

Stock Price

IR WEBZINE
2018. August

08



Classification	% change of COWAY			%change of KOSPI	%change of KOSPI200
	Stock Price	vs. KOSPI	vs. KOSPI200		
5 Days	-0.11	-1.40	-1.64	1.29	1.53
20 Days	1.33	-0.99	-0.89	2.32	2.22
60 Days	1.67	6.77	6.36	-5.10	-4.69

The stock price of Coway dropped 2.56% from the previous month to KRW 91,400 in August, showing a time-consuming adjustment pattern. The turnaround of mid- to long-term moving average lines and well-arranged pattern give hope to investors.

Recent key issues of Coway include increasing sales of FWSS, CIROO Tankless Water Purifier, and large-sized air purifiers as well as active overseas business centered on Malaysia subsidiary. Especially, FWSS initiated rental sales on the strength of higher-than-expected market response, evolving into a future growth engine. Coway is also promoting the entrance into new markets in Southeast Asia, which will be a positive issue.

During August, the number of shares held by foreigners increased 245,409 shares, or 0.55%, compared with the prior month. As of the end of August, they maintained 60.50% ownership. Domestic institutional investors marked net selling of 194,210 shares during the same period.

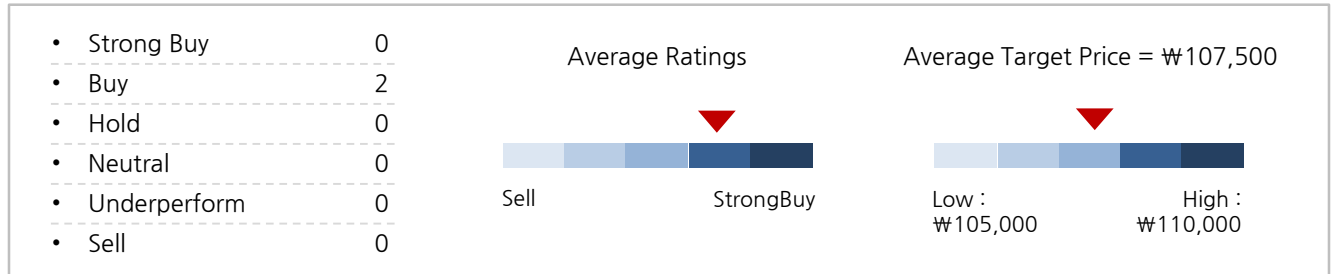
<p>44,648,134 Shares (60.50%) (as of August 31, 2018)</p>	<p>Changes in Stock Price in February</p> <p>-2.56%</p>	<p>Changes in Shares Held by Foreigners in February</p> <p>+245,409 shares (+0.55%)</p>	<p>Net Changes in Shares Held by Institutional Investors in February</p> <p>-194,210 shares</p>
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Market Review

Analyst Opinion

IR WEBZINE
2018. August

08



2018-08-01 | KB Securities | 목표주가 : 110,000 | Buy [FULL REPORT VIEW](#)

2Q18 Review: Earnings Met Consensus but New Rental Sales Growth Bit Disappointing
 2Q18 earnings met consensus with consolidated OR coming in at KRW678.1bn (up 9% YoY) and OP at RW129.3bn (up 7% YoY). Stand-alone OR reached KRW595.8bn (up 4% YoY) and OP stood at KRW119.9bn...

2018-08-01 | Samsung Securities | 목표주가 : 105,000 | Buy [FULL REPORT VIEW](#)

Overseas operations gaining traction
 2Q review: Coway reported in-line 2Q results, with sales and operating profit rising a respective 9% and 7% y-y to KRW678.1b and KRW129.3b (for an operating margin of 19.1%). The overseas operations drove its overall...

Promote an event for customer appreciation in commemoration of starting rental sales of FWSS



Coway starts rental sales of FWSS on August 1st on the strength of positive customer response since its launch. The company also prepared the “Rental Plus Up” event that discounts 15% of monthly rental fee of FWSS for existing Coway customers for two months in gratitude for them.

Coway’s FWSS has gained great popularity in the market since the launch in March backed by the differentiated concept that ensures clothes management and space care at the same time. The first batch of 1,000 units was sold out just in a week.

On the back of higher-than-expected consumer response, Coway starts rental sales of FWSS beyond existing lump-sum sales. Monthly rental fee is set at KRW 49,900 for FAD-01 model (premium type) and KRW 47,900 for FAD-02 model (general model).

To commemorate the starting of rental sales and appreciate customers, Coway implements the “Rental Plus Up” event for existing customers for two months.

Through this event, existing customers of Coway water purifier, air purifier, bidet, water softener, and mattress can get 10% discount of monthly rental fee and exemption of registration fee when they add FWSS rental program. 15% discount of monthly rental fee and exemption of registration fee are granted to customers who have used existing products for five years.

Yong-joo Park, the head of Marketing HQ, said, “Our company has celebrated 20th anniversary of rental business this year. In this regard, starting rental sales of FWSS which will be a new growth engine has a great meaning. As the FWSS has been recognized for its value in the market, we expect swifter sales increase of FWSS on the back of starting the rental program.”

Demonstrate record-high quarterly sales of KRW 678.1 billion

- KRW 129.3 billion in operating profit, the largest ever among 2Q performances
- Quarterly record-high rental sales of 509 thousand units
- Quarterly record-high net adds of 162 thousand accounts

Coway announced that its achieved record-high sales on a quarterly basis in 2Q 2018. 2Q sales and operating profit increased 8.8% and 7.2% year-on-year to KRW 678.1 billion and KRW 129.3 billion, respectively. Sales was the highest ever on a quarterly basis and operating profit was the highest among 2Q performances (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, and quarterly record-high rental sales of mattress.

▲ Record-high rental sales at home and abroad

Total rental sales at home and abroad increased 7.1% year-on-year to 509 thousand units, a new record on a quarterly basis. Growth in the domestic market was attributable to rental sales increase in key health appliances, particularly, including the CIROO Water Purifier and FWSS which are strategic products in 2018. 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 162 thousand in 2Q, the largest ever among quarterly performances, which resulted in attaining 6.77 million (5.84 million in Korea and 0.93 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 2Q increased 48.9% year-on-year to KRW 133.0 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 90 billion in sales for the first time on a quarterly basis and operating margin reached 17.4%, the highest ever. Sales of the subsidiary in 2Q increased 86.8% from the previous year to KRW 91.6 billion and the number of accounts also soared 47.1% to 796 thousand. The U.S. subsidiary also realized KRW 17.4 billion, an increase of 11.4%, in sales on the back of door-to-door sales growth and vigorous retail sales. The number of accounts rose 4.9% from the previous year to 113 thousand.

▲ Quarterly record-high rental sales of mattress

The homecare business also contributed to sales growth in 2Q. Rental sales of mattress grew 22.2% year-on-year to 39 thousand units, the largest ever among 2Q performances. The number of accounts increased 16.5% from the previous year to 393 thousand. Sales from homecare business reached KRW 46.0 billion, up 9.5% year-on-year.

Coway News

IR WEBZINE
2018. August

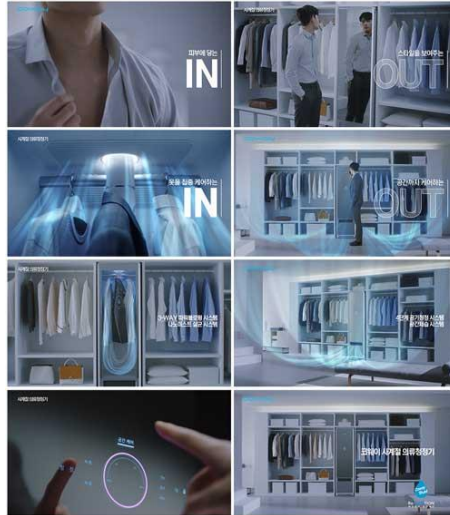
08

▲ Expectation on continuous growth in the second half of this year

Coway plans to continue this sales growth trend by focusing on enhancing sales of two kinds of CIROO water purifiers (for family and business uses), boosting rental sales of FWSS, and solidifying leadership in B2B and B2G markets. Exploring new overseas markets with potentials that can recreate the success of Malaysia subsidiary will also be promoted.

Jae-ho Lee, the CFO of Coway, said, “Our consistent efforts for product and service innovation has led unwavering growth in most operating indices. We will devote ourselves to maintaining ascending growth in the second half of this year as well.”

Promote an ad campaign for FWSS titled “clean inside and outside”



Coway launched an ad campaign for FWSS, a flagship product in the second half of 2018, with the title of “clean inside and outside” on August 3 for the purpose of enhancing communication with consumers.

The main ad campaign copy phrase “Coway cares cleanliness both inside and outside” emphasizes that FWSS is an innovative two-in-one product which enables intensive wear care and year-round care for clean space.

To better deliver the feature and differentiation of this product to consumers, the video ad shows diverse scenes of using the product with the concept of “contact with skin ‘IN,’ express a style ‘OUT,’ intensively care clothes ‘IN,’ and care even space ‘OUT.’”

This new ad campaign is put on the air through public TV, cable TV, and general programming cable TV broadcasters.

Yong-joo Park, the head of Marketing Department, said, “This ad campaign focuses on informing more consumers of the necessity of caring both inside and outside the space and demonstrating the competitiveness of our FWSS. We will continue to conduct diverse communication activities for expanding the scope of consensus with consumers.”

Coway’s FWSS has gained great popularity in the market since the launch in March as the first batch of 1,000 units was sold out just in a week. Coway starts rental sales of FWSS on August 1st on the strength of positive customer response since its launch.

Hold a science camp for employees' children



Coway held a science camp at the Environmental Technology Research Institute located in R&D Park of Seoul National University for three days since August 10, to which 40 elementary school student children of employees were invited.

The science camp is a family-friendly program that provides children with opportunities for doing water and air related scientific experiments. Coway has been holding this camp twice a year with the aim of delivering the identity and value of Coway's business to families and cultivating their children's scientific thinking and creativity.

Diverse water-themed programs were offered to camp participants. They were able to easily understand the characteristics of water by checking water quality, experiencing the role of water sommelier, making simple water purifiers, and practicing electrolysis.

They not only learned about operating principles of water purifier and filter and how to distinguish water taste from Coway researchers, but also experienced the value of eco-friendly future technologies by directly making water capsule, straw-typed purification filter, and hydrogen energy. These activities allowed them to fully sympathize with their parents' works.

Jung-soo Ko, a researcher Coway, who joined the camp, said, "I felt pride in the company once again when my son became interested in science and wanted to become a scientist like me in the future."

Hae-sun Lee, the CEO, said, "We planned the camp to share the value of our business with both employees and their families. We will continue to expand the culture of family-friendly management."

Launch the “SIROO Stand-typed Water Purifier”



On August 14, Coway launches the “SIROO Stand-typed Water Purifier (CHP/CP-5700R) that can offer large-capacity cold water and unlimited purified water through tankless system despite smaller size. This product is suitable for business and office use.

This product boasts higher space efficiency due to 6 cm smaller size than our existing large-capacity stand-typed water purifiers.

Meanwhile, the capacity of cold water tank was expanded to 7 liters from 6 liters of existing products, which helps users fully enjoy cold water during the hot summer.

The tankless “CIROO 2.0 Filter” system makes it possible to use purified water storage limit. The CIROO 2.0 filter was co-developed by Coway and Toray Chemical, a global chemicals manufacturer, and applied for a patent. It is made of the intensive active dense layer that can eliminate even ion substance with the size of one-in-tens of thousands. This filter boasts six times larger size and 30 times larger water purification capacity than existing CIROO filter, which enables excellent tankless water purification despite RO membrane filter.

Particularly, this product blocks off the inflow of purified water when extracting cold water, thereby ensuring more capacity of cold water than existing stand-typed water purifiers.

The innovative design increases user convenience. Higher faucet position allows users to fill the cup or bottle without bending the body and extended water-taking space accommodates any kind of bottles.

Considering the fact that large-sized bottles are commonly used at restaurants and offices, this product offers an automatic water extraction function fixed at the capacity of 1 liter, 1.5 liters, and three-minute long. This function helps users easily take water at a single touch.

Moreover, the light sensor automatically controls the operation of this product in accordance with the amount of light, ensuring efficient use of electricity.

Se-yong Kim, the head of Product Strategy Division, said, “The SIROO Stand-typed Water Purifier is a product that we have adopted innovative functions in the fields of water capacity, hygiene, and pollutants elimination considering that it would be suitable for restaurants and offices with numerous users. We will continue to plan and develop customer-centric products.”

Operate the “Coway Clean Space” within theater



Coway announced that it would operate the “Coway Clean Space” within the CGV Yoido located in the IFC Mall from August 17 to the end of this year. The space will be added to the CGV Youngdeundpo in early September.

The Coway Clean Space is available to a theater of the CGV Yoido. A large-sized “Coway Quattro Power Air Purifier (AP-3018B) is installed in the space to systematically manage indoor air quality, which contributes to moviegoers enjoying movies in pleasant environment. Adopting a total of four sets of four-step filter system at the top and bottom on the front and rear sides, respectively, this product cares air even in a wide space.

Moreover, Coway installed the FWSS which was launched in this May in the Cine Library of CGV Myeongdong Station to give visitors a chance for experiencing the product’s differentiated intensive wear care function that eliminates even fine dust as well as common dust and odor.

Yong-joo Park, the head of Marketing Department, said, “Increasing needs for pleasant environment will usher more people in the Coway Clean Space. We will continue to expand the Coway Clean Space to public facilities where air quality control is indispensable.”

Instruct suppliers in the “Smart Factory”



Coway provided the CEOs of 30 suppliers with an education on the “Smart Factory” at the Coway Win-Win Cooperation Center located in Bucheon-si on August 22.

The education was prepared to help suppliers better understand smart factory operation and proactively respond to the 4th Industrial Revolution.

Major contents included those that can be a great help to suppliers including the awareness on changes in the manufacturing business in the era of the 4th Industrial Revolution and best practices in smart factory operation. On top of that, participants visited the plant of Shinsung E&G which was selected as an excellent smart factory by the government in 2017 for benchmarking and shared Coway’s shared growth policies.

Coway has been conducting a variety of shared growth activities to help suppliers grow into hidden champions with competitive edge. This effort resulted in Coway acquiring the “Best Grade” in the shared growth index evaluation guided by the Korea Commission for Corporate Partnership in 2017. It was fifth achievement in a row.

Kyo-won Lee, the head of SCM (Supply Chain Management), said, “This education will contribute to elevating the response capability of our suppliers to the 4th Industrial Revolution. Under the vision of “CO-WAY for Shared Growth with Suppliers,” we will promote shared growth in a practical manner.”

IR Activities

IR WEBZINE
2018. August

08

EVENT	Overseas NDR
DATE	2018-08-06 ~ 08-10
LOCATION	London,Boston,New York
NOTE	Credit Suisse