

1Q'18 Earnings release

coway



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This presentation contains historical information of the company which should not be regarded as an indication of the future performance or results.

This presentation also contains forward-looking statements that are, by the nature, subject to significant risks and uncertainties.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance or results.

Actual results may differ materially from information contained in the forward-looking statements as a results of a number of factors beyond our control.

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- 1Q Review and 2Q Plan

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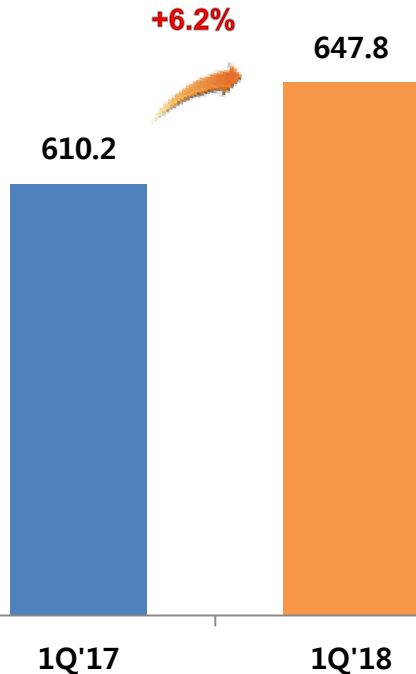
1-1. Consolidated Revenue and Profits

1Q'18 Revenue KRW 647.8bn (+6.2% YoY), due to historical high 1Q rental gross adds (460k)

Operating Profit KRW 131.3bn (+8.6% YoY), Net Profit KRW 95.2bn (+26.2% YoY),
- Historical High Operating Profit

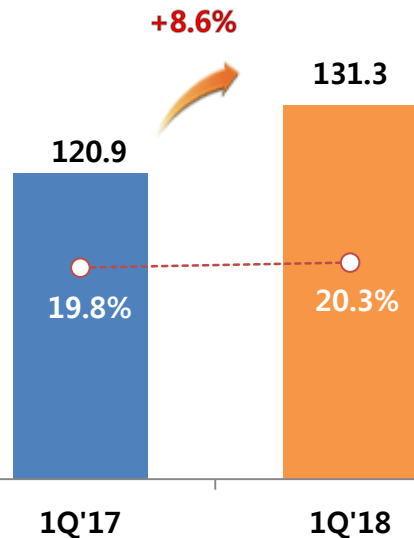
Revenue

[Unit: KRW bn]



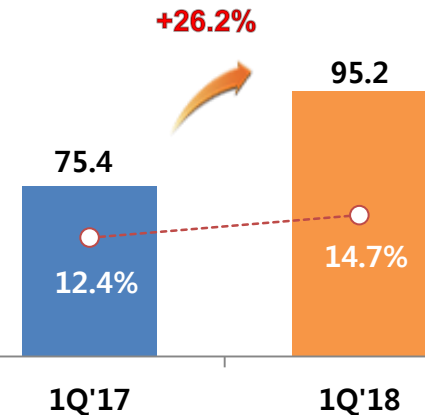
Operating Profit

[Unit: KRW bn/○: Margin]



Net Profit

[Unit: KRW bn/○: Margin]

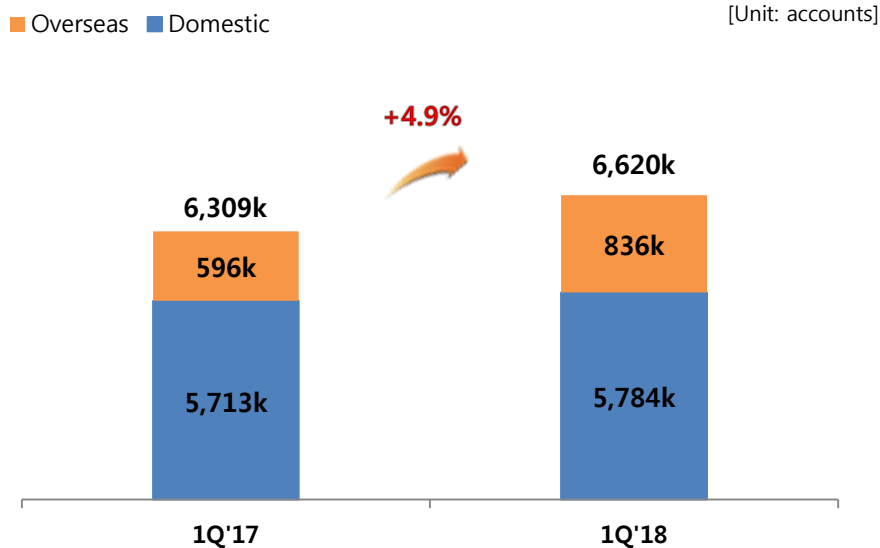


1-2. Total accounts (domestic & overseas)

1Q'18 Total accounts **6.62mn** in 4 countries (Korea, Malaysia, U.S., Thailand)

- Recorded **6.62mn** accounts in 1Q'18, plan to achieve **7.00mn** accounts by 2018

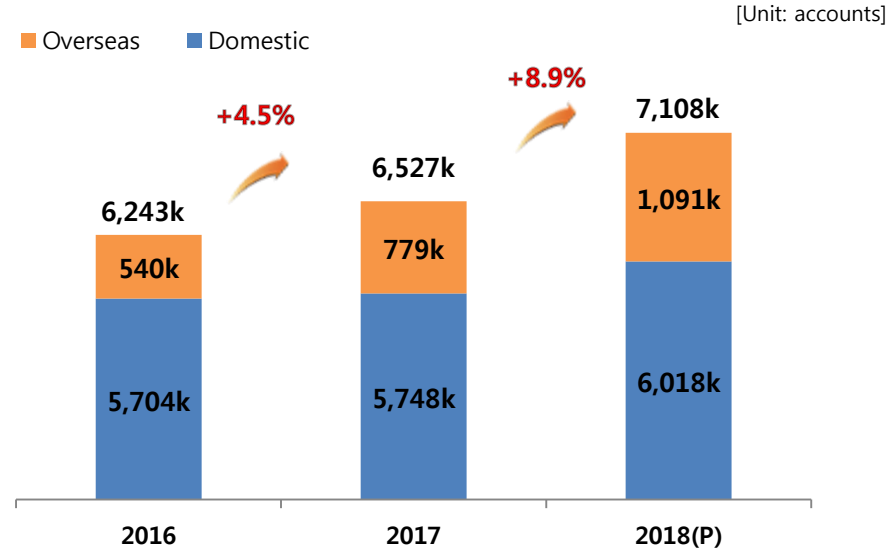
Total accounts (Quarter)



Ⓢ **1Q'18 total accounts 6.62mn**

- Domestic 5.78mn (+1.3% YoY)
- Overseas 836K (+40.4% YoY)
- : Malaysia 708K, U.S. 111K, Thailand 17K

Total accounts (Annual)



Ⓢ **Plan to achieve total accounts of 7mn by 2018**

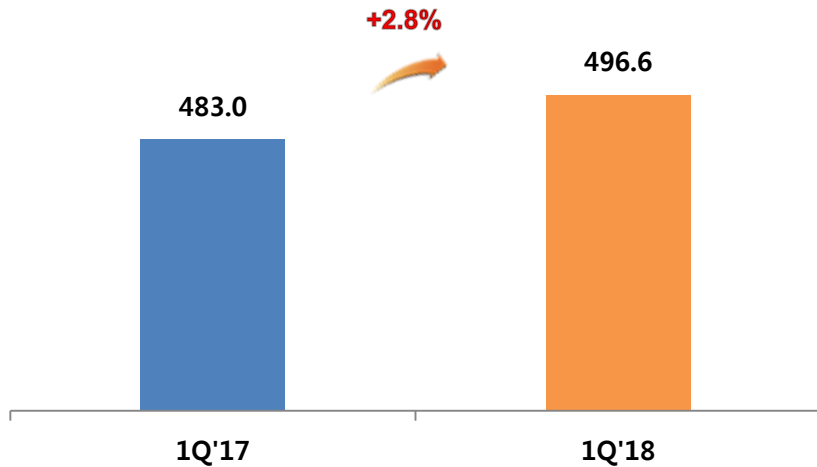
- 2018(P) 7.11mn
- Domestic 6.02mn (+4.7% YoY)
- Overseas 1.09mn (+40.1% YoY)

2-1. Health appliance business

Health appliance revenue KRW 496.6bn (+2.8% YoY)
 Total accounts 5.78mn (+1.3% YoY)

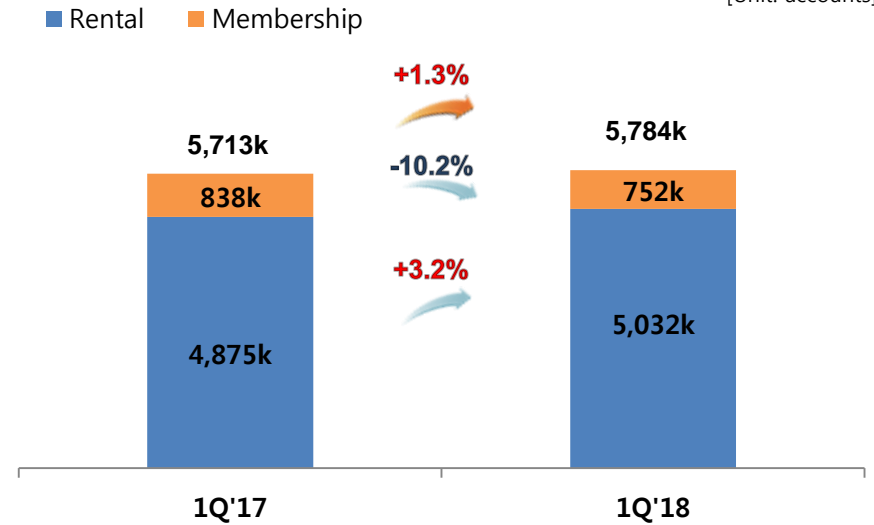
Health Appliance¹⁾

[Unit: KRW bn]



Accounts²⁾³⁾

[Unit: accounts]



① **1Q'18 Health appliance revenue KRW 496.6bn**

- Rental and financial lease : KRW 417.3bn (+5.6% YoY)
- : Strong revenue growth due to historical high 1Q rental gross adds
- Lump-sum and other : KRW 47.1bn (-5.5% YoY)
- : Focused on rental sales in January and February, but from March, lump-sum sales started to grow. New product launch such as drying machine is expected to increase 2Q lump-sum sales

① **1Q'18 Total accounts 5.78mn**

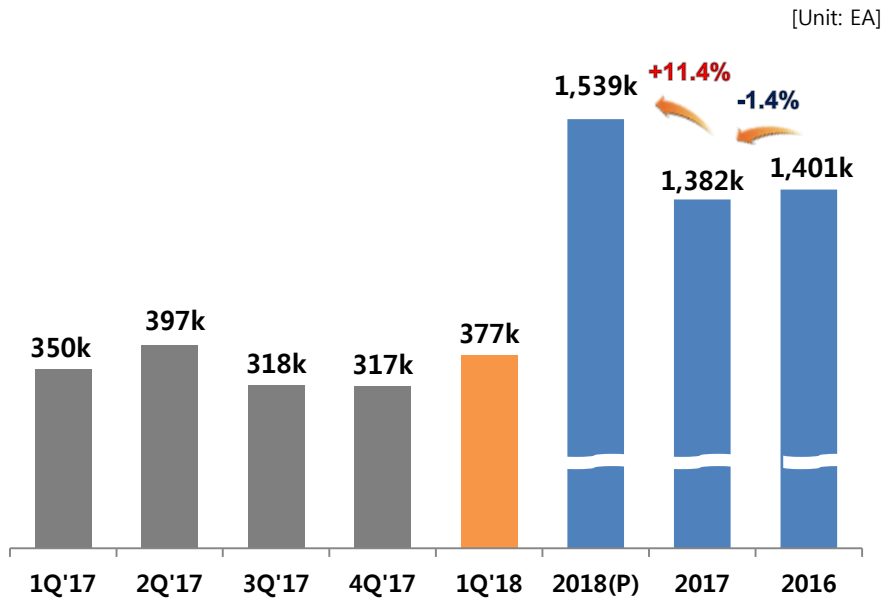
- Rental accounts : 5.03mn (+3.2% YoY)
- Membership accounts : 752k (-10.2% YoY)

1) Including other health appliance revenue (A/S, Installation and etc.): Applies to all health appliance revenue in this material
 2) Excluding non-performing, 5 year maturity pending and free membership accounts: Applies to all accounts in this material
 3) Including financial lease accounts: Applied to all accounts in this material

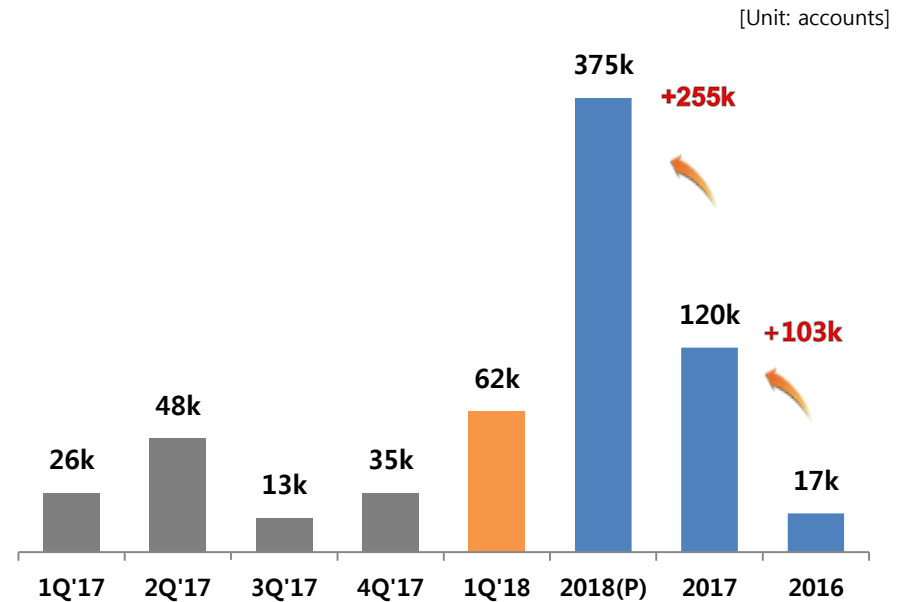
2-1. Health appliance business

Historical high 1Q rental gross adds
 Rental accounts exceeded 5.03mn boosted by rental net adds 62k

Rental gross adds¹⁾



Rental net adds



① Historical high 1Q rental gross adds

- 1Q'18 Rental gross adds 377k (+7.9% YoY, +18.8% QoQ)
- : Water purifier, air purifier and mattress sales increase due to strengthening product portfolio based on customer needs analysis.
- Rental gross adds expect to increase due to arrival of the peak season and release of new products.

① Continued growth of rental net adds

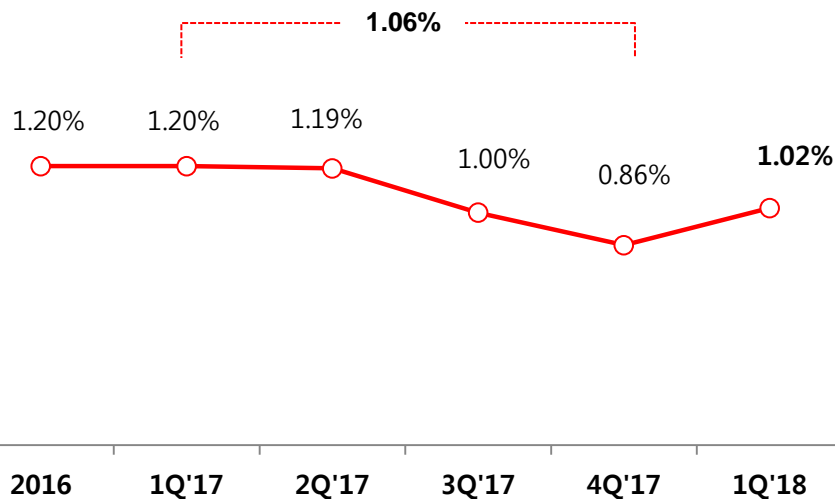
- Rental net adds +62k in 1Q'18
- : Increase of rental net adds due to stabilization of cancellation rate and increase of rental gross adds.
- Rental accounts exceed 5.03mn in 1Q'18.
- Enhancement of rental net adds by expanding rental gross adds and strengthening customer retention activities.

1) Including financial lease sales : Applied to all gross adds in this material

2-1. Health appliance business

Stable management of cancellation rate and rental asset disposal expense rate

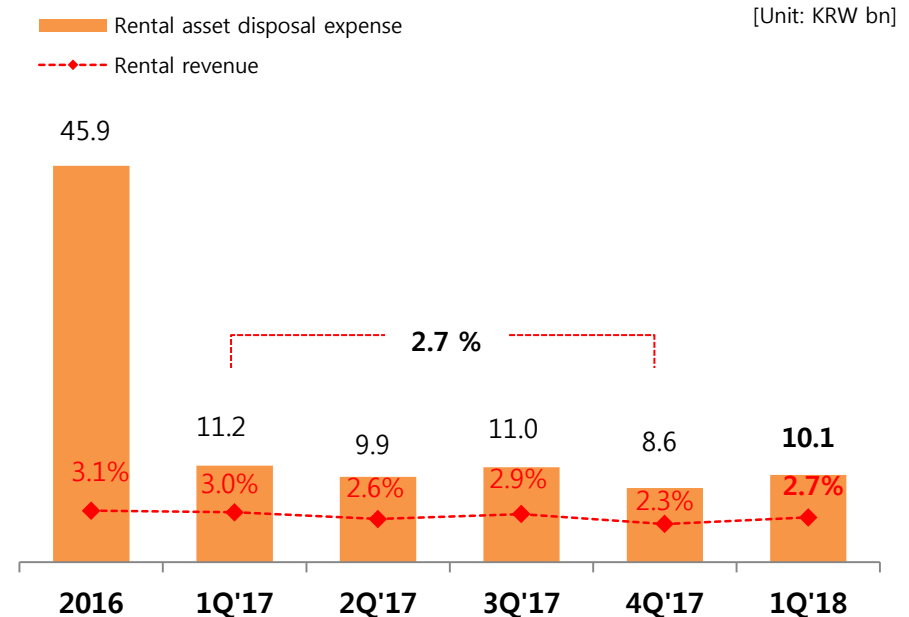
Cancellation rate



Ⓢ **Stable management of cancellation rate (1% level)**

- Cancellation rate 1.02% in 1Q'18
- : Continue to manage stabilized cancellation rate by strengthening product and service quality.

Rental asset disposal expense



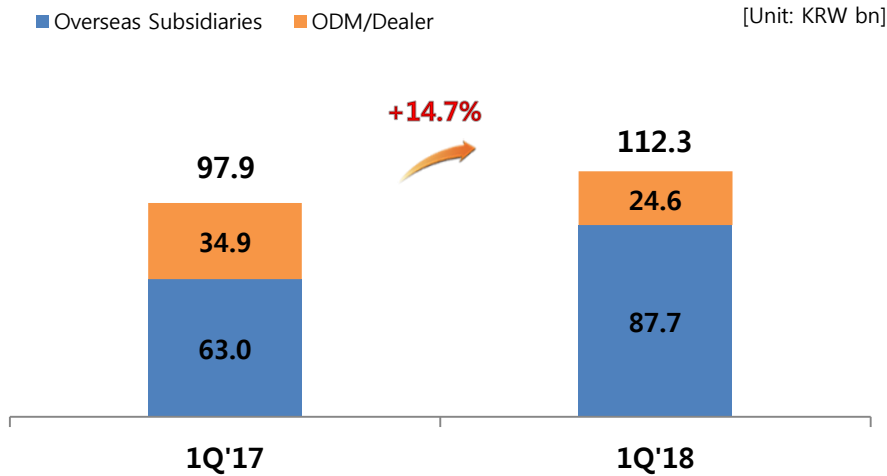
Ⓢ **Stable rental asset disposal expense rate**

- Rental asset disposal expense KRW 10.1bn in 1Q'18
- : Rental asset disposal expense rate stayed stable at 2.7% of rental revenue

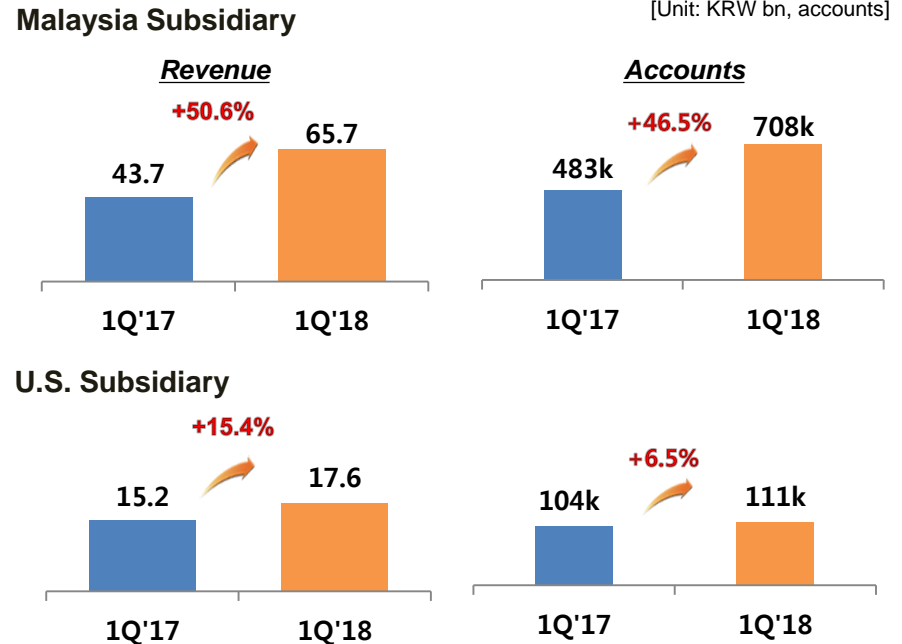
2-2. Overseas business

Overseas revenue KRW 112.3bn (+14.7% YoY) Continued growth of overseas subsidiaries revenue

Overseas revenue



Overseas subsidiaries revenue



Overseas revenue KRW 112.3bn

- Overseas subsidiaries revenue KRW 87.7bn (+39.1% YoY)
: Strong growth from Malaysia and U.S. subsidiaries.
- ODM/Dealer revenue KRW 24.6bn (-29.3% YoY)
: China ODM partner export volume decreased due to exhaustion of secured inventory.
- Expect revenue to increase due to overseas subsidiaries sales increase, new product launch from ODM partners and expansion of brand partners.

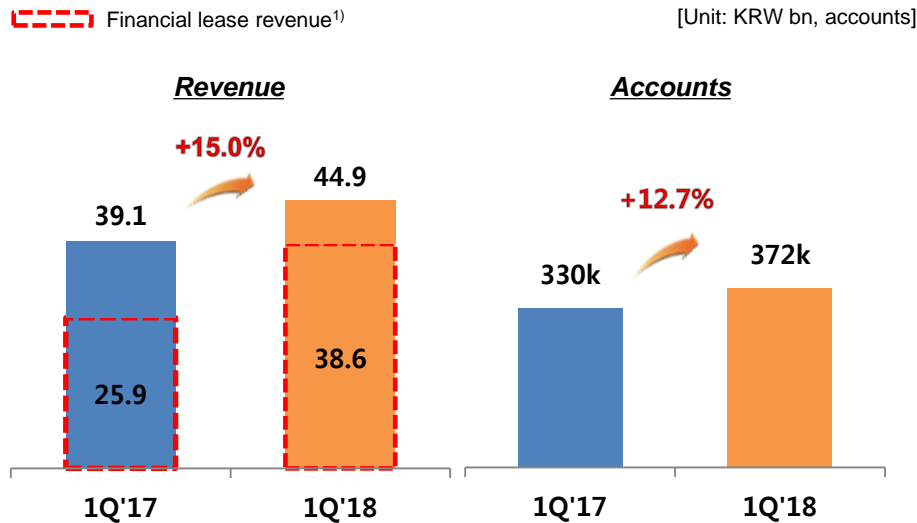
Continued growth from overseas subsidiaries

- 1Q'18 Malaysia: +43.1% YoY revenue growth in local currency
: Quarterly revenue exceeded KRW 60.0bn, recorded historical high OPM of 14%
- 1Q'18 U.S. +24.2% YoY revenue growth in local currency
: Revenue growth driven by accounts increase in door-to door channel and strong sales of air purifier in retail channel.

2-3. Home-care & Cosmetics business

Home-care financial lease revenue KRW 38.6bn (+49.3% YoY)
 Cosmetics revenue KRW 20.6bn (-1.6% YoY)

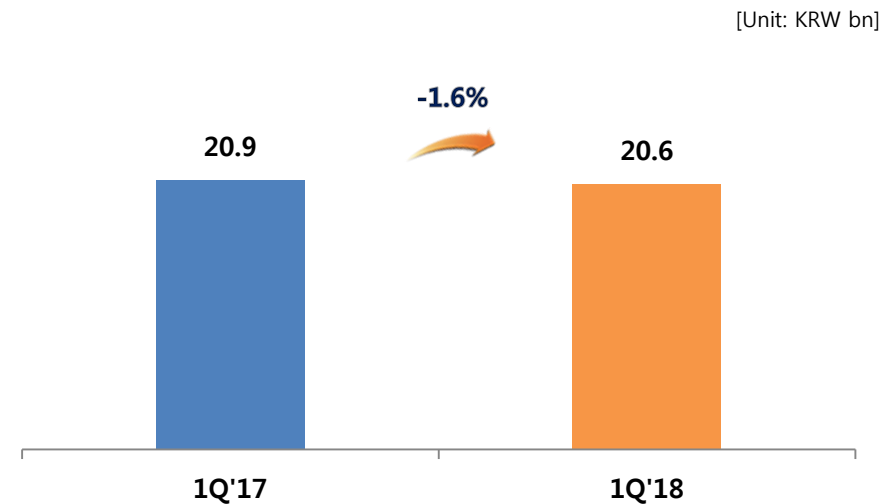
Home-care



Ⓢ **Financial lease revenue growth driven by increase of accounts**

- Mattress gross adds 33k in 1Q'18 (+20.7% YoY)
: Increase of sales to existing health appliance subscribers.
- Financial lease revenue KRW 38.6bn in 1Q'18 (+49.3% YoY)
: Sales expect to increase due to release of new product such as junior bed and others.

Cosmetics



Ⓢ **Cosmetics revenue KRW 20.6bn**

- Revenue maintained at 1Q'17 level, but plan to increase revenue through 1) activating door-to-door sales channel by holding recruiting session for business partners and introducing award ceremony, 2) increasing number of home-shopping broadcasts.

1) Financial lease: Record 5yr/ 6yr revenue at the time of the sales as present value

2-4. New products (domestic and overseas)

Increase sales by release of new water purifier, air purifier, Fresh Wear Styling System and other products

Domestic



Ⓢ **Ice water purifier AIS 2.0 (2Q)**

- Expansion of ice water purifier line-ups (AIS 2.0), CIROO¹⁾ filter and hygiene enhancement system applied.
- : Enhance hygiene system by applying auto flushing and detachable ice tank.
- : Produce hard and colorless ice by applying Wave Icing System(remove air bubbles)



Ⓢ **Active action air purifier (1Q)**

- Self-learning and purifying A.I. air purifier.
- : Purifies every corner by applying Up/Down/Left/Right rotating Active Swing Care function.
- : Automatically detects the polluted area and intensively purifies the air by applying Motion Recognition Care function.



Ⓢ **New product category Fresh Wear Styling System (2Q)**

- Next generation of clothe and space care (purifying, dehumidifying) system.
- : Remove over 90% of dust and odor by applying 3-Way Power Blowing system.
- : Straighten wrinkles without harming clothe by applying Air Shot hanger system.

Overseas



Ⓢ **U.S retail target water purifier Aquamega (1Q)**

- Cordless counter-top type direct flow water purifier.
- : Installation, filter change easily done by oneself.
- : Create synergy with Airmega (air purifier).

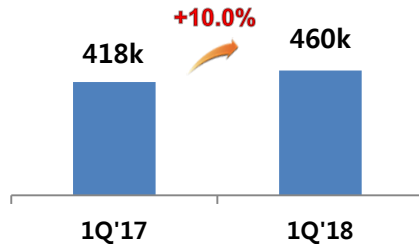
1) CIROO : Coway Intensive Reverse Osmosis filter system

3-1. 1Q Review & 2Q Plan

1Q'18 Review

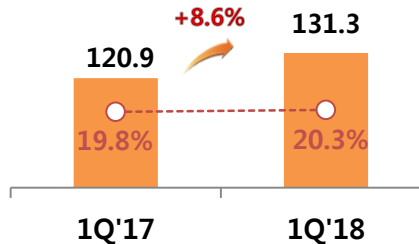
Historical high 1Q rental gross adds

[Unit: EA]



Historical high operating profit

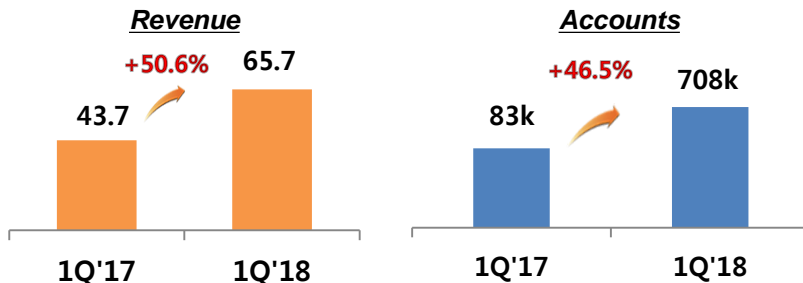
[Unit: KRW bn / Margin]



Historical high quarterly revenue of KRW 60bn with 708k accounts

Malaysia Subsidiary

[Unit: KRW bn/ accounts]



2Q'18 Plan

1 Health appliance business

Enhancement of product line-ups

- Increase sales by release of ice water purifier AIS 2.0, Korea first direct-flow CIROO¹⁾ water purifier and new product category Fresh Ware Styling System.
- Increase lump-sum sales by release of new product such as drying machine, hybrid electric range and spine heating massage chair and others.

Reinforcement of sales channel

- Expand door-to-door organization such as young sales organization BB²⁾ and home-care doctors
- Strengthen on-line channel by releasing new product and expanding vendors

2 Overseas business

Continued growth of overseas business

- Malaysia : Plan to reach 1 mil accounts in '18 by expanding number of salesforce and new lineups
- U.S. : Increase retail sales by strengthening partnership with Amazon, such as applying DRS system (auto filter deliver system) and expanding product categories (Aquamega)
- ODM and Brand : Expansion of brand partners (ex. Japan, Taiwan)

1) CIROO : Coway Intensive Reverse Osmosis filter system
 2) BB : Blue Bird, Coway's special sales organization (sales forces age under 32)

APPENDIX

- Consolidated financial reports
- Subsidiary results

Consolidated financial reports

② Balance Sheet

(Unit: KRW bn)	Mar. '18	Dec. '17
<Assets>	2,272.8	2,158.9
Current Assets	871.1	791.5
Cash and cash equivalents	183.2	110.3
Accounts receivable	328.9	314.6
Inventories	80.7	74.9
Non-Current Assets	1,401.7	1,367.4
Fixed assets	735.5	712.4
Intangible assets	183.6	183.9
<Liabilities>	1,256.1	1,176.6
Current Liabilities	1,191.9	1,124.8
ST Borrowings	671.3	670.0
Current portion of bonds	-	-
Current portion of LT borrowings	-	-
Non-Current Liabilities	64.2	51.9
LT Borrowings	10.4	12.3
Corporate bond	-	-
<Shareholders' Equity>	1,016.7	982.3
Debt to Equity Ratio	123.5%	119.8%
Net Debt to Equity Ratio	49.0%	58.2%

② Income Statement

(Unit: KRW bn)	1Q'18	1Q'17	YoY
Revenue	647.8	610.2	6.2%
COGS	201.8	193.1	4.5%
Gross profits	446.0	417.1	6.9%
SG&A	314.7	296.2	6.2%
Operating profits	131.3	120.9	8.6%
Margin(%)	20.3%	19.8%	0.5%P
Other income	8.9	3.4	159.8%
Other expenses	9.3	22.0	-57.9%
Financial income	0.3	0.2	37.5%
Financial expenses	3.5	2.0	79.8%
Profit before tax	127.8	100.6	27.0%
Corporate tax	32.6	25.2	29.2%
Net income	95.2	75.4	26.2%
Margin(%)	14.7%	12.4%	2.3%P

Subsidiaries results

(Unit: KRW bn)	1Q'18	1Q'17	YoY
Malaysia			
Revenue	65.7	43.7	50.6%
Operating Profit	9.2	2.3	306.7%
Margin	14.0%	5.2%	
U.S.			
Revenue	17.6	15.2	15.4%
Operating Profit	0.6	0.2	247.9%
Margin	3.6%	1.2%	
China			
Revenue	1.3	2.1	-38.3%
Operating Profit	-0.7	-0.7	-
Margin	-	-	
Thailand			
Revenue	3.1	2.1	48.2%
Operating Profit	-0.3	-0.1	-
Margin	-	-	
Coway Entech			
Revenue	18.3	8.4	117.9%
Operating Profit	-1.4	-0.9	-
Margin	-	-	

Malaysia

- . 1Q'18 Revenue 65.7bn (+50.6% YoY), OPM 14.0%
- . 1Q'18 accounts 708K (1Q'17 483K, +46.5% YoY)
 - : Revenue +43.1% YoY in local currency
 - : Revenue increase driven by strong water and air purifier volume growth.

U.S.

- . 1Q'18 Revenue KRW 17.6bn (+15.4% YoY)
- . 1Q'18 accounts 111K (1Q'17 104K +6.5% YoY)
 - : Revenue +24.2% YoY in local currency
 - : Revenue increase due to accounts growth and increase of retail channel sales.

China

- . 1Q'18 Revenue KRW 1.3bn (-38.3% YoY)
 - : Revenue decrease due to weak air purifier sales in online channel.
 - : Review in process to operate online channel directly for air purifier.

Thailand

- . 1Q'18 Revenue KRW 3.1bn (+48.2% YoY)
 - : Revenue increase due to water purifier sales volume increase.

Coway Entech

- . 1Q'18 Revenue KRW 18.3bn (+117.9% YoY)
 - : Revenue increase driven by increase of existing orders.