

1Q'19 Earnings release



DISCLAIMER

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.

1. 1Q'19 Earnings Release

- Consolidated Revenue and Profits
- Total accounts (domestic & overseas)
- Total rental gross adds / net adds

2. Business Review

- Health appliance business
- Overseas business

3. New products and 2Q Plan

- New products and 2Q Plan

4. Appendix

- Consolidated financial reports
- Subsidiary results

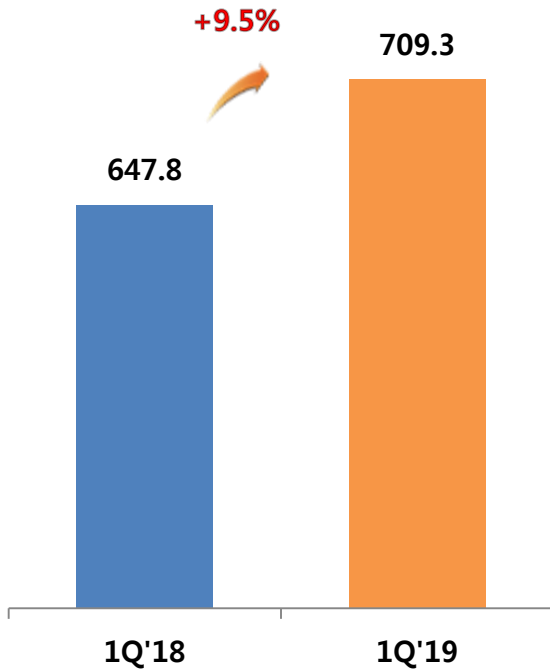
1-1. Consolidated Revenue and Profits

1Q'19 Revenue KRW 709.3bn (+9.5% YoY), driven by historical high rental gross adds (531k)

Operating Profit KRW 135.2bn (+2.9% YoY), Net Profit KRW 100.4bn (+5.5% YoY),
- Historical High 1Q Revenue, Historical High Quarterly OP, NP

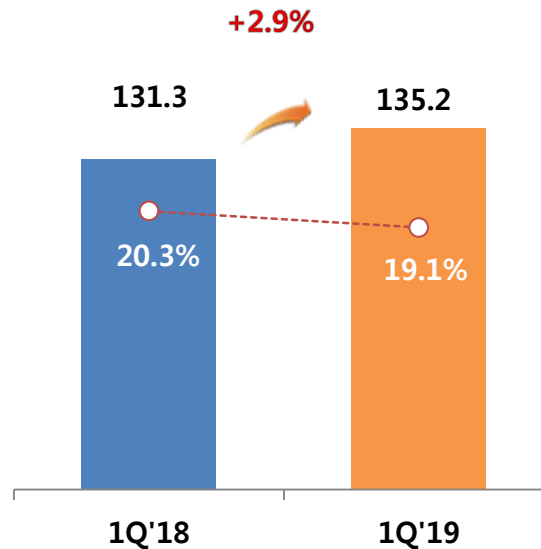
Revenue

[Unit: KRW bn]



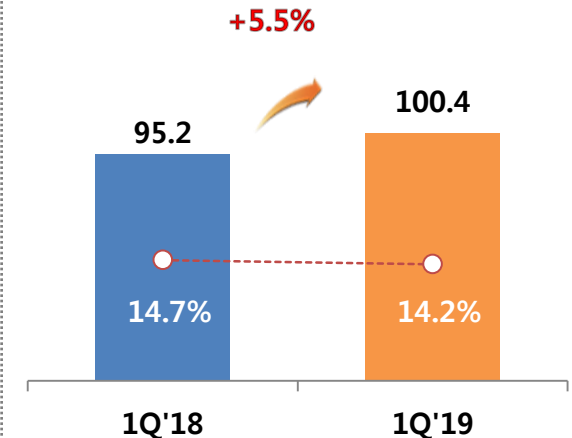
Operating Profit

[Unit: KRW bn/○ : Margin]



Net Profit

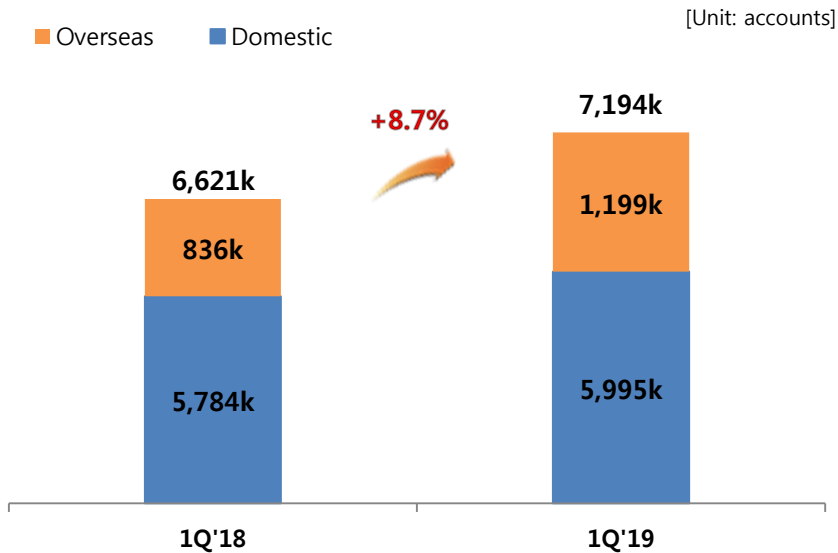
[Unit: KRW bn/○ : Margin]



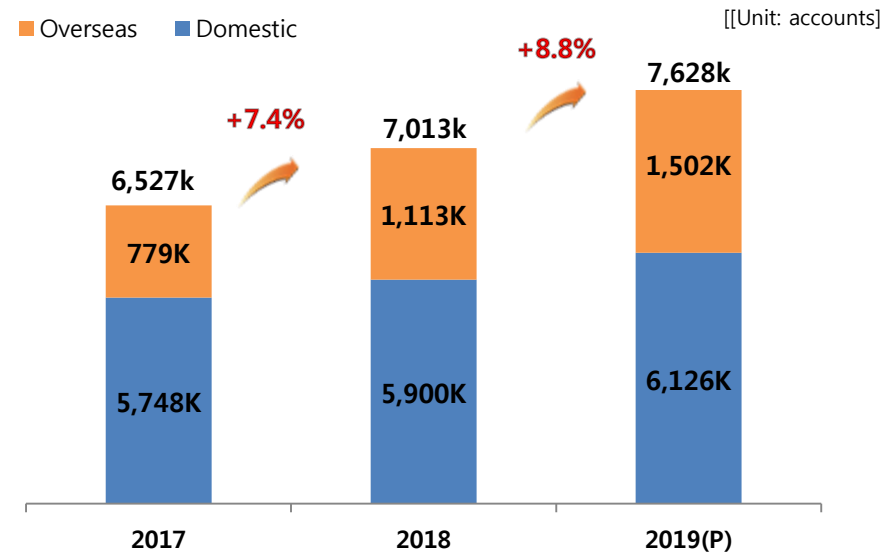
1-2. Total accounts (domestic & overseas)

1Q'19 Total accounts 7.19mn in 4 countries (Korea, Malaysia, U.S., Thailand)
 - Malaysia total accounts exceeded 1mn in 1Q'19

Total accounts (Quarter)



Total accounts (Annual)



@ 1Q'19 total accounts 7.19mn

- Domestic 5.99mn (+3.6% YoY)
- Overseas 1.2mn (+43.4% YoY)
- : Malaysia 1.06mn, U.S. 115K, Thailand 25K

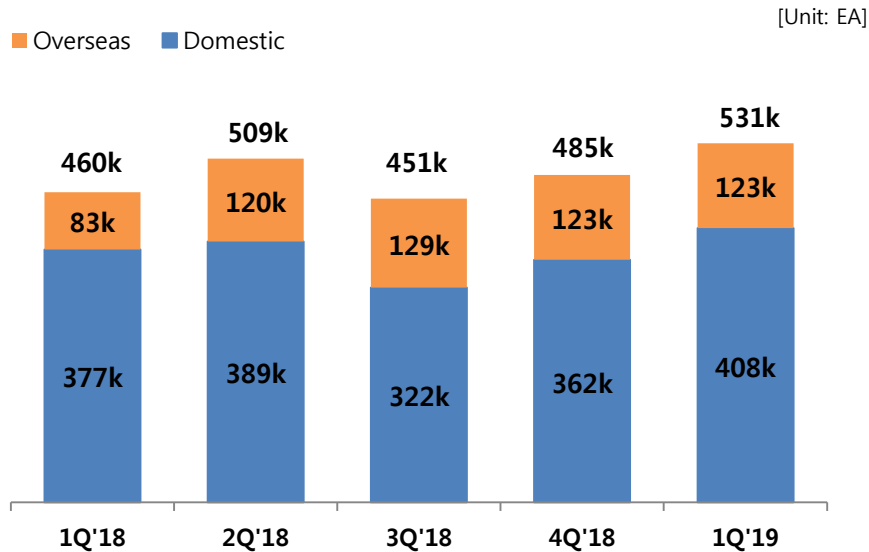
@ Plan to achieve total accounts of 7.6mn by 2019

- 2019(P) 7.63mn
- Domestic 6.13mn (+3.8% YoY)
- Overseas 1.5mn (+34.9% YoY)

1-3. Total rental gross adds / net adds

Historical high quarterly rental gross adds and net adds

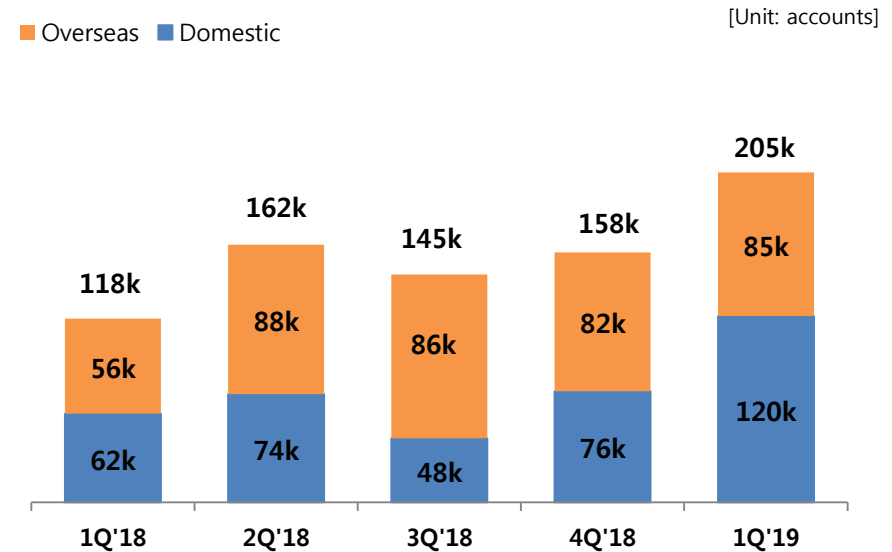
Total rental gross adds



1Q total rental gross adds 531K

- Domestic 408K (+8.3% YoY)
- Overseas 123K (+47.4% YoY)
- : Malaysia 114K, U.S. 6,413, Thailand 2,168

Total rental net adds



1Q total rental net adds 205K

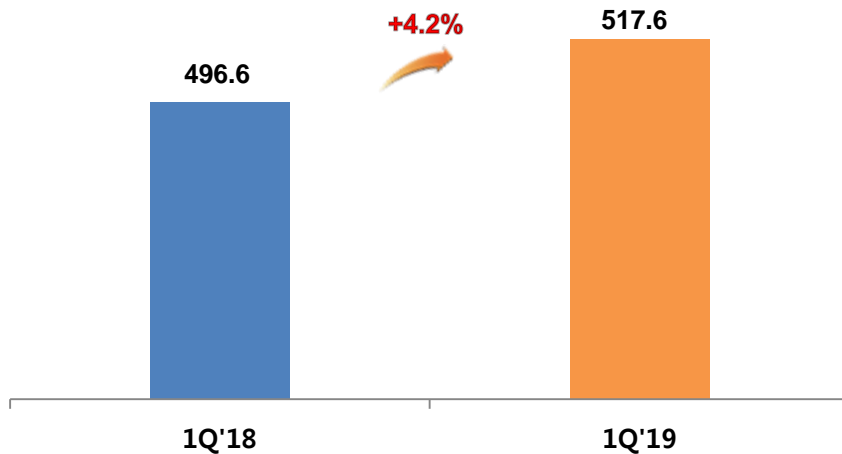
- Domestic 120K (+92.5% YoY, +58k)
- Overseas 85K (+50.9% YoY, +29k)
- : Malaysia 82K, U.S. 783, Thailand 1,771

2-1. Health appliance business

Historical high 1Q health appliance revenue **KRW 517.6bn (+4.2% YoY)**
 Total accounts **5.99mn (+3.6% YoY)**

Health Appliance¹⁾

[Unit: KRW bn]



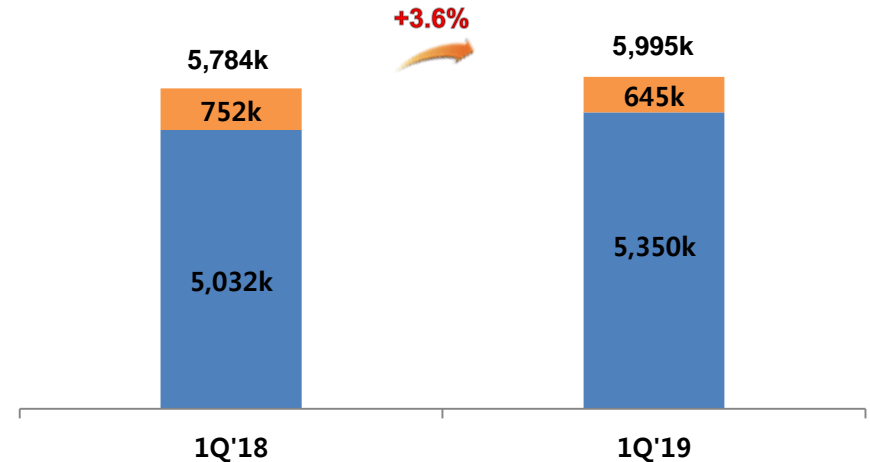
© 1Q'19 Health appliance revenue KRW 517.6bn

- Rental and financial lease : KRW 441.0bn (+5.7% YoY)
 : Rental revenue increase due to strong growth of rental net adds
 : Financial lease revenue growth driven by increase of clothing purifier and electric range sales
- Lump-sum and other : KRW 48.6bn (+3.3% YoY)
 : Lump-sum revenue increase due to increase of air purifier sales

Accounts²⁾³⁾

■ Rental ■ Membership

[Unit: accounts]



© 1Q'19 Total accounts 5.99mn

- Rental accounts : 5.35mn (+318k, +6.3% YoY)
 : Achievement of historical high rental net adds within the last 10 years due to increase of rental sales
- Membership accounts : 645k (-107k, -14.3% 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

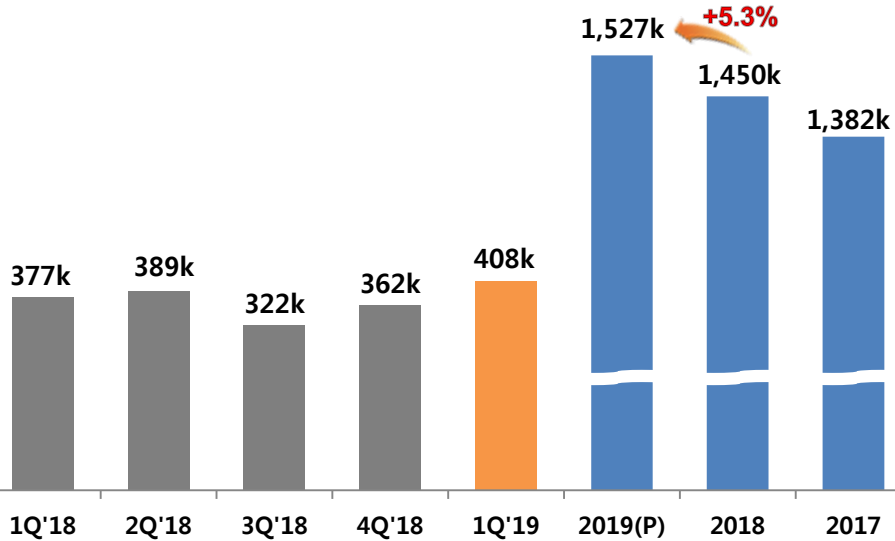
3) Including financial lease accounts: Applied to all accounts in this material

2-1. Health appliance business

Historical high quarterly rental gross adds of **408k** and continued growth of rental net adds

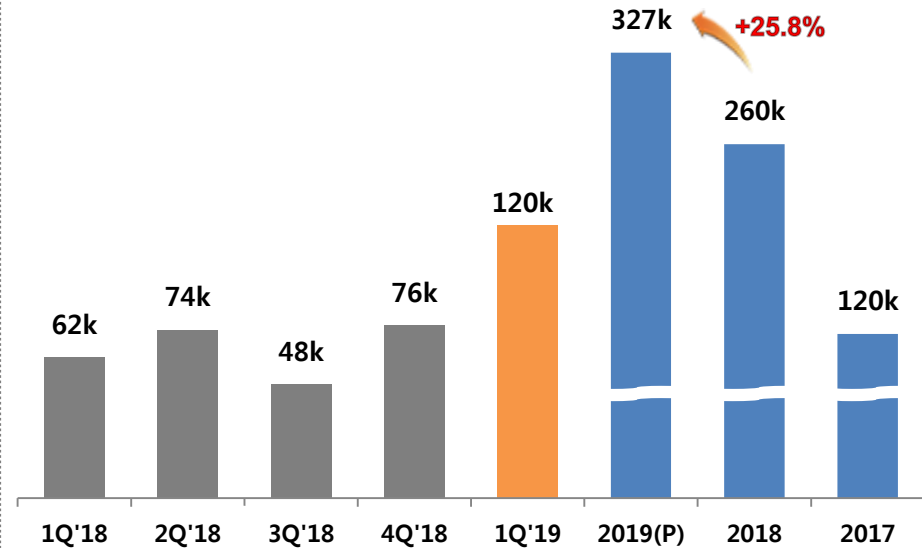
Rental gross adds¹⁾

[Unit: EA]



Rental net adds

[Unit: accounts]



② Historical high quarterly rental gross adds

- Rental gross adds 408k in 1Q'19 (+8.3% YoY, +12.7% QoQ)
- : Strong sales of air purifier and existing products.
- : Sales increase due to introduction of electric range in financial lease rental sales

② Continued growth of rental accounts attributable to 120k rental net adds increase

- Historical high rental net adds within the last decade due to growth of rental sales, new product additions, and stable management of cancellation rate
- Rental net adds 120k in 1Q'19 (+92.5% YoY, +58.6% QoQ)

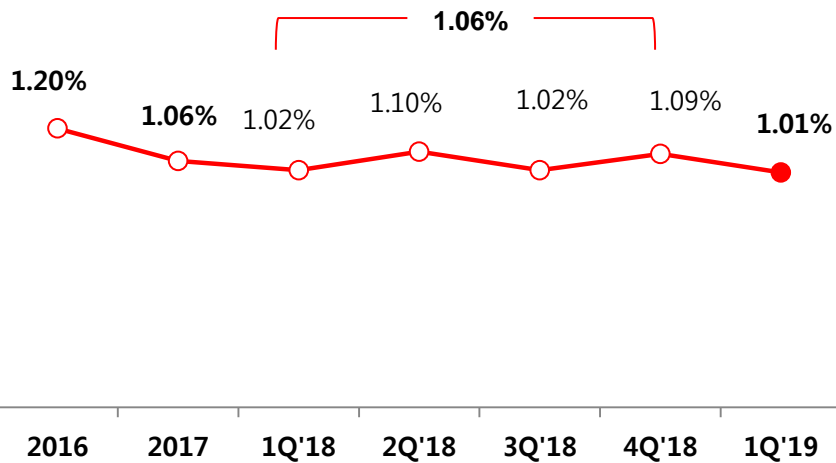
1) Including financial lease sales : Applies to all gross adds in this material

2-1. Health appliance business

Stable management of cancellation rate and decrease of rental asset disposal expense rate

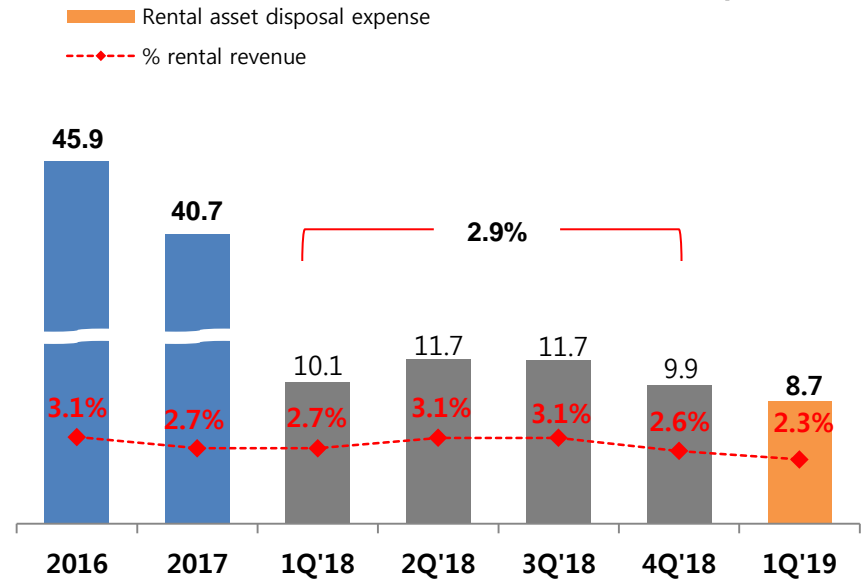
Cancellation rate

[Unit: %]



Rental asset disposal expense

[Unit: KRW bn, %]



© Stable management of cancellation rate

- Cancellation rate 1.01% in 1Q'19 (-0.01%p YoY, -0.08%p QoQ)
- : Continue to manage stabilized cancellation rate by in-depth customer care and strengthened service quality.

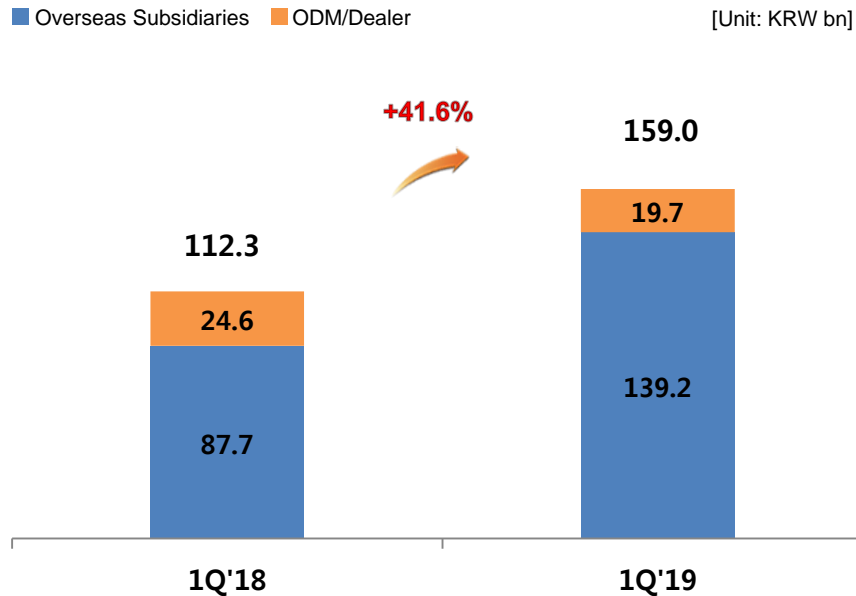
© Stable rental asset disposal expense rate

- Rental asset disposal expense KRW 87.4bn in 1Q'19
- : Stable management (2.3% of rental revenue) due to decrease of cancellation rate and etc.

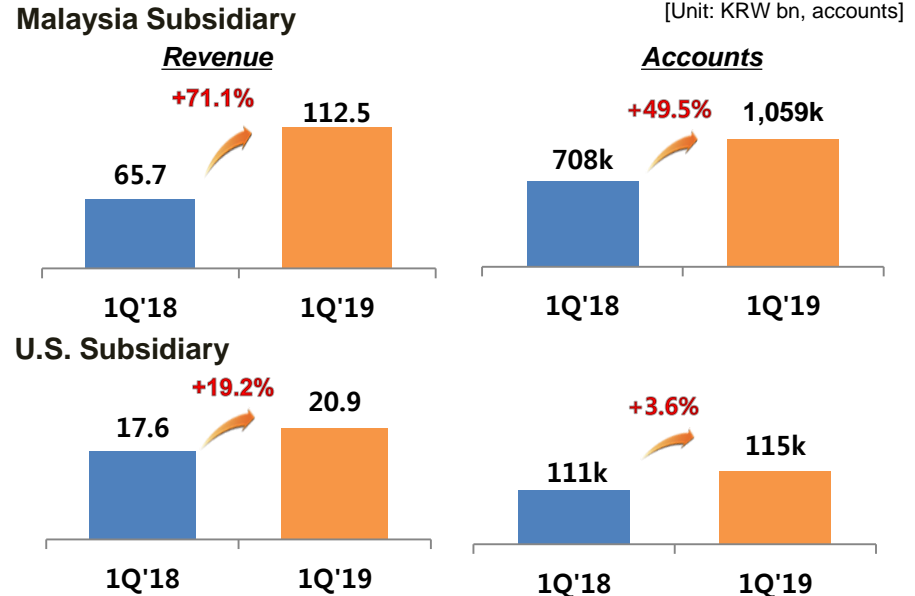
2-2. Overseas business

Overseas revenue KRW 159.0bn (+41.6% YoY) Continued growth of overseas subsidiaries revenue

Overseas revenue



Overseas subsidiaries revenue



Overseas revenue KRW 159.0bn

- Overseas subsidiaries revenue: KRW 139.2bn (+58.8% YoY)
: Strong growth from Malaysia and U.S. subsidiaries.
- ODM/Dealer revenue: KRW 19.7bn (-19.8% YoY)
: China ODM partner export volume decreased due to intensifying competition and improvement of air quality.
: Expect ODM revenue to increase in 2H by proposal of new products.

Continued growth from overseas subsidiaries

- 1Q'19 Malaysia: +71.1% YoY revenue growth, accounts 1,059k
: Historical high revenue among quarters (KRW 112.5bn)
: Rental and membership total accounts exceeded 1 million.
- 1Q'19 U.S.: +19.2% YoY revenue growth, accounts 115K
: Door-to-door revenue growth driven by accounts increase.
: Retail revenue increase due to strong sales of air purifier.

3-1. New products and 2Q Plan

New Products

1 Health appliance business

④ 1.5 Generation upgraded clothing purifier



- Enhance competitiveness with upgraded functions.
 - : Clothing care, room care function (room coverage 16.5m²) plus new additional functions.
 - : Price competitiveness secured by maintaining same price with first generation clothing purifier model.

2 Overseas business

④ Flagship water purifier model face-off



- Launched a flagship model to expand market share in the premium market.
 - : Customized water purifier with adjustable hot water temperature function. (Lukewarm temperature function)
 - : Improved customer usability by raising the height of water dispense faucet. (Easy to use tumbler and bottle)

2Q'19 Plan

1 Health appliance business

④ Enhancement of product line-ups

- Continue to grow rental business by releasing new models (Water purifier, Mattress, Clothing purifier)
- Increase lump-sum sales by releasing MD products (Dyson Vacuum/Fan, Clothing Dryer and etc.)

④ Reinforcement of sales forces

- Secure market competitiveness by recruiting Cody's and sales forces
- Improve training and support policy to strengthen sales force settlement

2 Overseas business

④ Continued growth of overseas business

- Malaysia subsidiary
 - : Expand rental business by releasing premium water purifier and strengthening product line-ups.
- U.S. subsidiary
 - : Continue to grow retail channel by releasing new air purifier and expanding product line-ups such as bidet.

APPENDIX

- Consolidated financial reports
- Subsidiary results

Consolidated financial reports

② Balance Sheet

(Unit: KRW bn)	Mar. '19	Dec. '18
<Assets>	2,532.0	2,374.1
Current Assets	935.8	843.7
Cash and cash equivalents	108.4	69.4
Accounts receivable	355.9	325.6
Inventories	112.2	102.9
Non-Current Assets	1,596.2	1,530.4
Fixed assets	800.2	781.0
Intangible assets	184.4	160.3
<Liabilities>	1,507.9	1,286.4
Current Liabilities	1,441.1	1,234.3
ST Borrowings	731.1	731.1
Current portion of bonds	-	-
Current portion of LT borrowings	-	-
Non-Current Liabilities	66.7	52.1
LT Borrowings	10.0	10.0
Corporate bond	-	-
<Shareholders' Equity>	1,024.1	1,087.7
Debt to Equity Ratio	147.2%	118.3%
Net Debt to Equity Ratio	61.8%	61.8%

② Income Statement

(Unit: KRW bn)	1Q'19	1Q'18	YoY
Revenue	709.3	647.8	9.5%
COGS	232.9	201.8	15.4%
Gross profits	476.4	446.0	6.8%
SG&A	341.2	314.7	8.4%
Operating profits	135.2	131.3	2.9%
Margin(%)	19.1%	20.3%	-1.2%P
Other income	11.1	8.9	24.0%
Other expenses	6.0	9.3	-35.1%
Financial income	0.3	0.3	-15.9%
Financial expenses	5.0	3.5	40.9%
Profit before tax	135.5	127.8	6.1%
Corporate tax	35.1	32.6	7.8%
Net income	100.4	95.2	5.5%
Margin(%)	14.2%	14.7%	-0.5%P

Subsidiaries results

(Unit: KRW bn)	1Q'19	1Q'18	YoY
Malaysia			
Revenue	112.5	65.7	71.1%
Operating Profit	19.1	9.2	107.9%
Margin	17.0%	14.0%	
U.S.			
Revenue	20.9	17.6	19.2%
Operating Profit	0.8	0.6	20.0%
Margin	3.6%	3.6%	
China			
Revenue	0.9	1.3	-26.0%
Operating Profit	-0.5	-0.7	적자지속
Margin	-	-	
Thailand			
Revenue	4.9	3.1	57.7%
Operating Profit	-0.3	-0.3	적자지속
Margin	-	-	
Coway Entech			
Revenue	13.1	18.3	-28.4%
Operating Profit	-2.0	-1.4	적자지속
Margin	-	-	

Malaysia

- . 1Q'19 Revenue KRW 112.5bn (+71.1% YoY), OPM 19.1%
- . 1Q'19 Accounts 1,059k (1Q'18 708k, +49.5% YoY)
 - : Revenue +71.5% YoY in local currency
 - : Revenue increase driven by strong water and air purifier volume growth.

U.S.

- . 1Q'19 Revenue KRW 20.9bn (+19.2% YoY)
- . 1Q'19 Accounts 115K (1Q'18 111K +3.6% YoY)
 - : Revenue +13.6% YoY in local currency
 - : Revenue increase due to accounts growth and increase of retail channel sales

China

- . 1Q'19 Revenue KRW 0.9bn (-26.0% YoY)
- : Revenue decrease due to weak air purifier sales in online channel.

Thailand

- . 1Q'19 Revenue KRW 4.9bn (+57.7% YoY)
- : Revenue increase due to water purifier sales volume increase.

Coway Entech

- . 1Q'19 Revenue 13.1bn (-28.4% YoY)
- : Revenue decrease due to lower than expected progress in plan construction and delay in new orders.