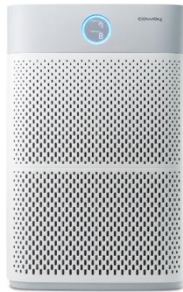


# 2018 Earnings release

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coway



# 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. 2018 Earnings Release

- Consolidated Revenue and Profits
- Total accounts, rental gross adds, net adds
- Domestic Health Appliance Business
- Overseas Business
- Home-care and Cosmetics Business
- 2018 Business Review
- Shareholder Return Policy

## 2. 2019 Business Plan

- 2019 Business Strategy
- 2019 Revenue / Profits
- 2019 Key Index
- 2019 Health appliance / Overseas Revenue
- 2019 Malaysia / U.S

## 3. Appendix

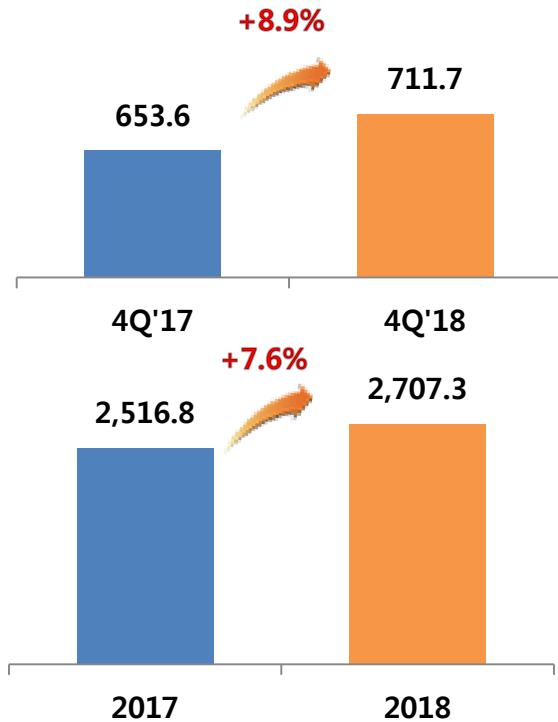
- Consolidated Financial Reports
- Subsidiary Results

# 1-1. Consolidated Revenue and Profits

Historical high annual Revenue, Operating Profit, Net Profit  
4Q Revenue exceeded KRW 700bn, historical high quarterly revenue

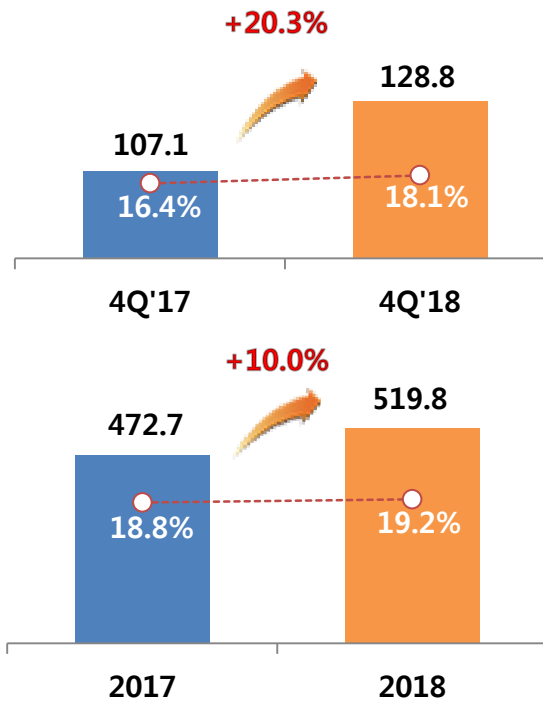
## Revenue

[Unit: KRW bn]



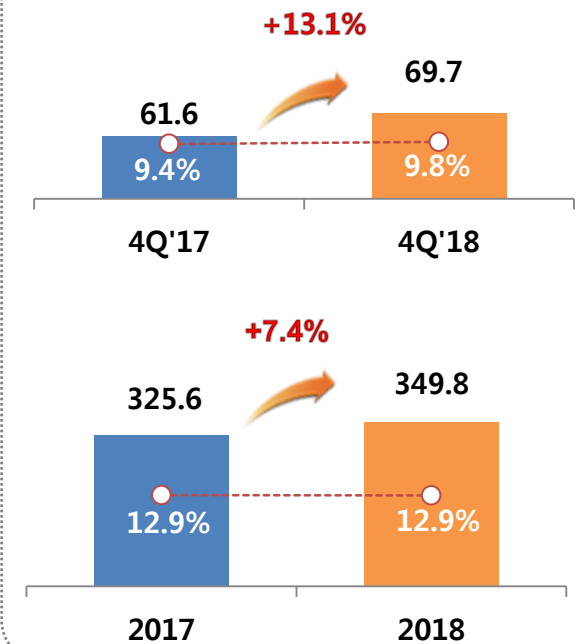
## Operating Profit

[Unit: KRW bn/○ : Margin]



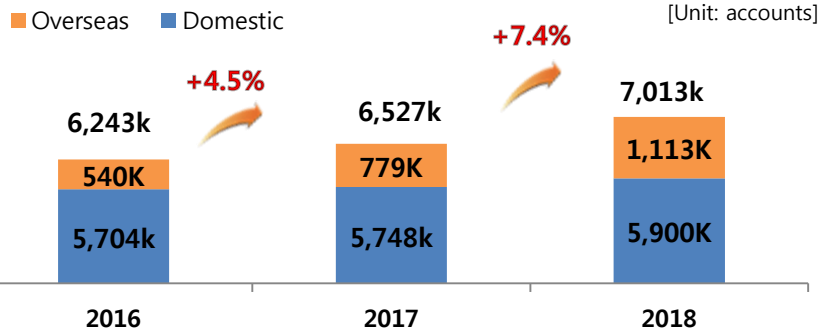
## Net Profit

[Unit: KRW bn/○ : Margin]



# 1-2. Total accounts, rental gross adds, net adds

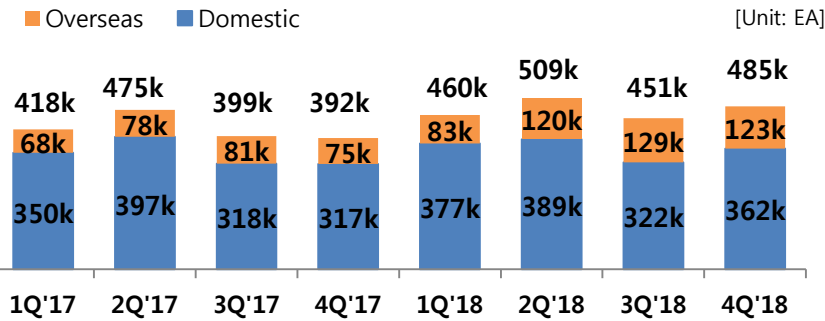
Total accounts exceeded 7mn in 2018, due to historical high rental gross adds (1,905k)



## 1 Total accounts (Annual)

### Continued growth of total accounts

- Total accounts exceeded 7mn in 2018
- Domestic: 5,900k (+2.6% YoY)
- Overseas: 1,113k (+42.9% YoY)



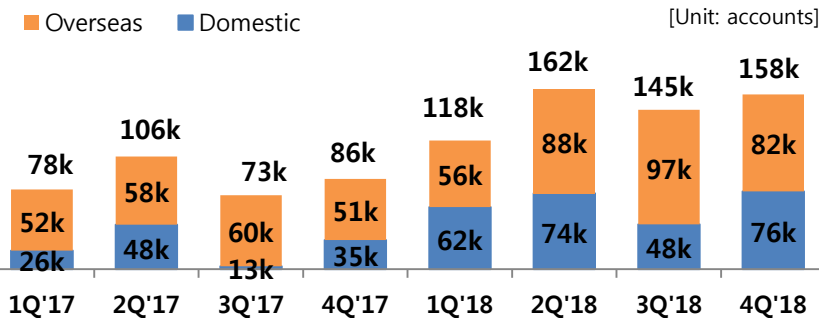
## 2 Total rental gross adds (Quarter)

### 4Q'18 rental gross adds 485k

- Domestic: 362k (+14.1% YoY)
- Overseas: 123k (+63.8% YoY) : Malaysia 114k, US 5,868, Thailand 2,860

### 2018 rental gross adds 1,905k (+13.1% YoY)

- Domestic: 1,450k (+4.9% YoY)
- Overseas: 455k (+50.5% YoY) : Malaysia 421k, US 24k, Thailand 9,923



## 3 Total rental net adds (Quarter)

### 4Q'18 rental net adds 158k

- Domestic: 76k (+118.1% YoY, +41k)
- Overseas: 82k (+59.2% YoY, +30k) : Malaysia 79k, US 511, Thailand 2,257

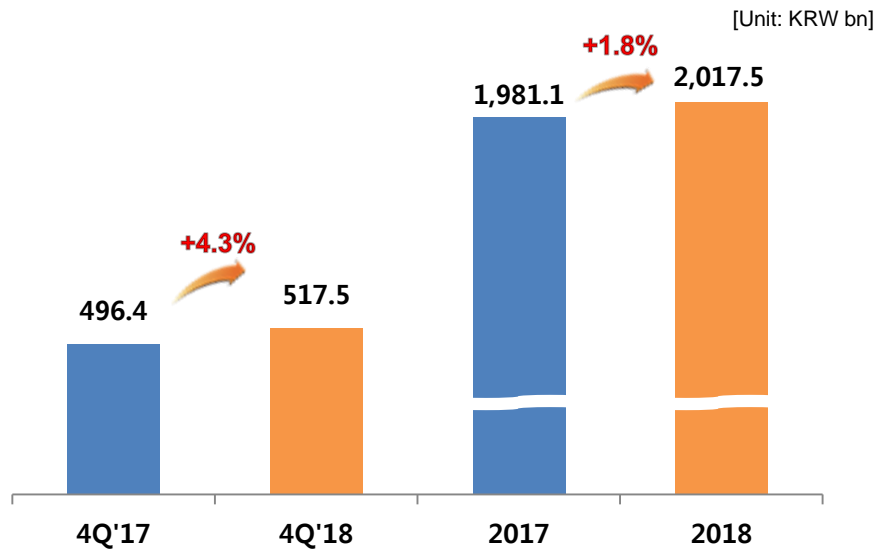
### 2018 rental net adds 583k (+70.9% YoY, +242k)

- Domestic 260k (+115.7% YoY, +139k)
- Overseas 323k (+46.4% YoY, +102k) : Malaysia 313k, US 2,521, Thailand 7,416

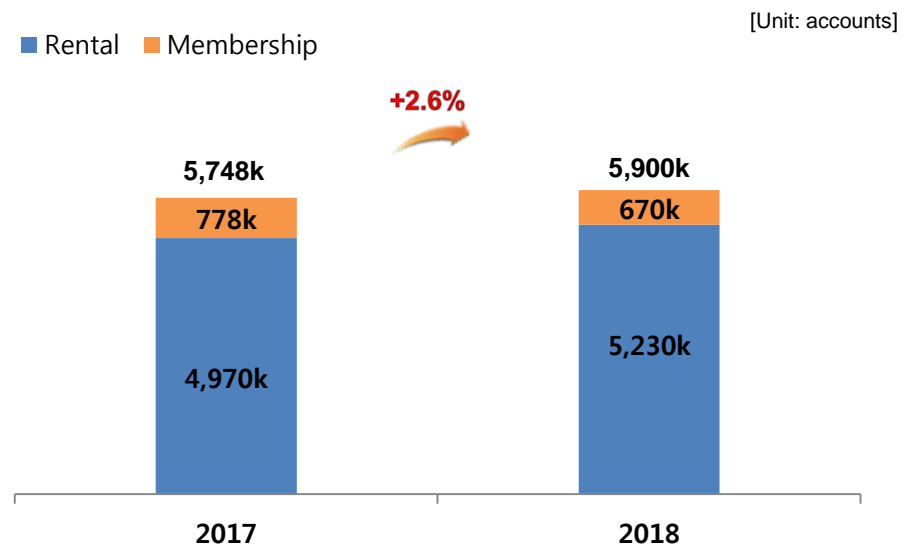
# 1-3. Health appliance business

'18 Health appliance revenue **KRW 2,017.5bn (+1.8% YoY)**  
 Total accounts **5.9mn (+2.6% YoY)**

## Health Appliance<sup>1)</sup>



## Accounts<sup>2)3)</sup>



### © Health appliance revenue KRW 2,017.5bn

- Rental and financial lease revenue : KRW 1,712.8bn (+5.2% YoY)  
: Driven by growth from major health appliance products and higher-than-expected clothing purifier sales
- Lump-sum and other revenue : KRW 183.6bn (-11.5% YoY)  
: Due to converting water softener to rental sales (slight growth excluding water softener effect)
- Historical high quarterly revenue (4Q: KRW 517.5 bn)

### © 2018 Total accounts 5.90mn

- Rental accounts: 5.23mn (+260k, +5.2% YoY)
- Membership accounts: 670k (-108k, -13.9% YoY)  
: Membership accounts declined due to the conversion of re-rental from the mature subscribers

1) Including other health appliance revenue (A/S, installation and etc.): Applies to all health appliance revenue in this material

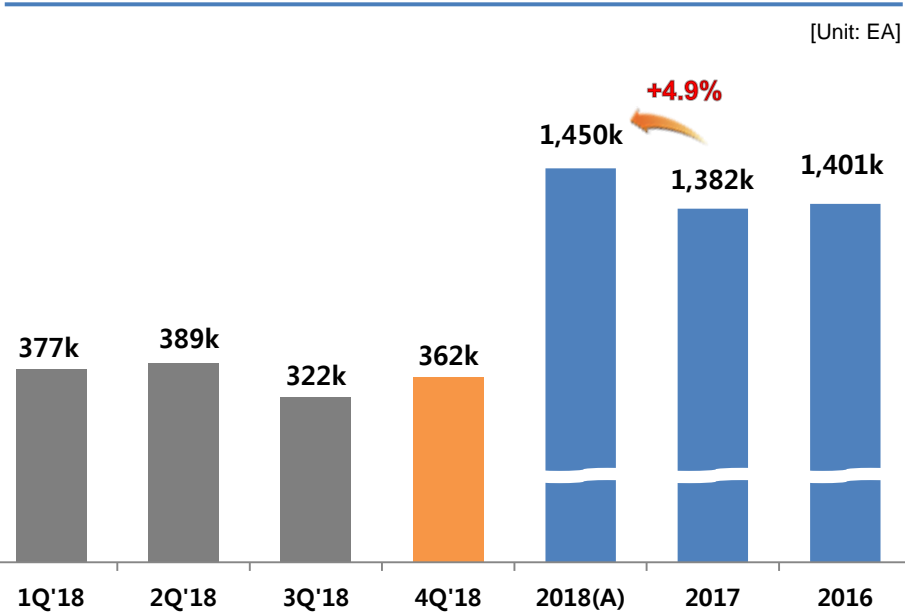
2) Excluding non-performing, 5 year maturity pending and free membership accounts: Applies to all accounts in this material

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

# 1-3. Health appliance business

Historical high rental gross adds 1.45mn and continued growth of rental net adds

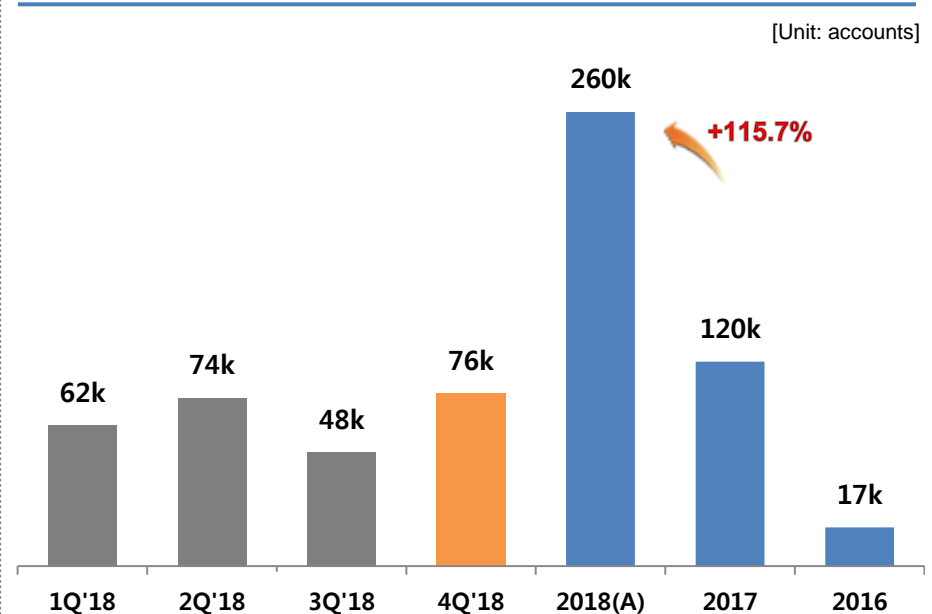
## Rental gross adds<sup>1)</sup>



Ⓢ **Historical high rental gross adds (1.45mn)**

- High sales achieved by strong sales of major product categories : Increase of water purifier, air purifier and clothing purifier sales
- 4Q'18 Rental gross adds 362k (+14.1% YoY, +12.5% QoQ)

## Rental net adds



Ⓢ **Continued growth of rental accounts by 260k rental net adds increase**

- Rental accounts increased due to growth of rental sales including clothing purifier and decrease of 5yr matured accounts
- 4Q'18 Rental net adds 76k (+118.1% YoY, +58.4% QoQ)

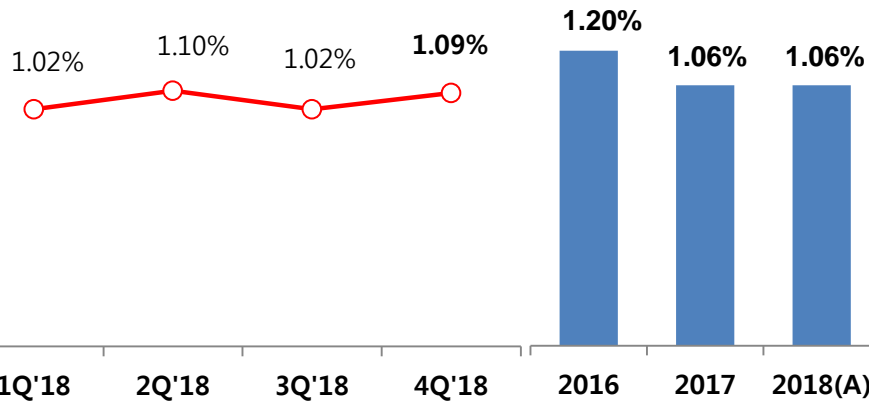
1) Including financial lease sales : Applies to all gross adds in this material

# 1-3. Health appliance business

## Stabilized cancellation rate and efforts to stabilize rental asset disposal expense

### Cancellation rate

[Unit:%]

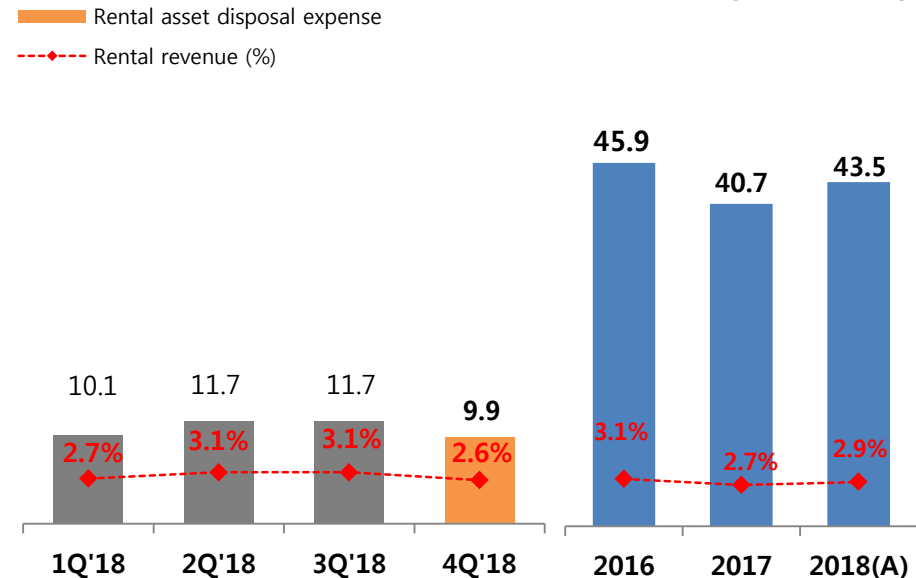


#### ◎ Efforts to maintain stabilized cancellation rate

- Cancellation rate 1.06% in 2018
- : Maintain around 1% cancellation rate by improvement of customer oriented service and enhancement of product quality
- Cancellation rate 1.09% in 4Q'18

### Rental asset disposal expense

[Unit: KRW bn, %]



#### ◎ Making efforts to stabilize rental asset disposal expense rate

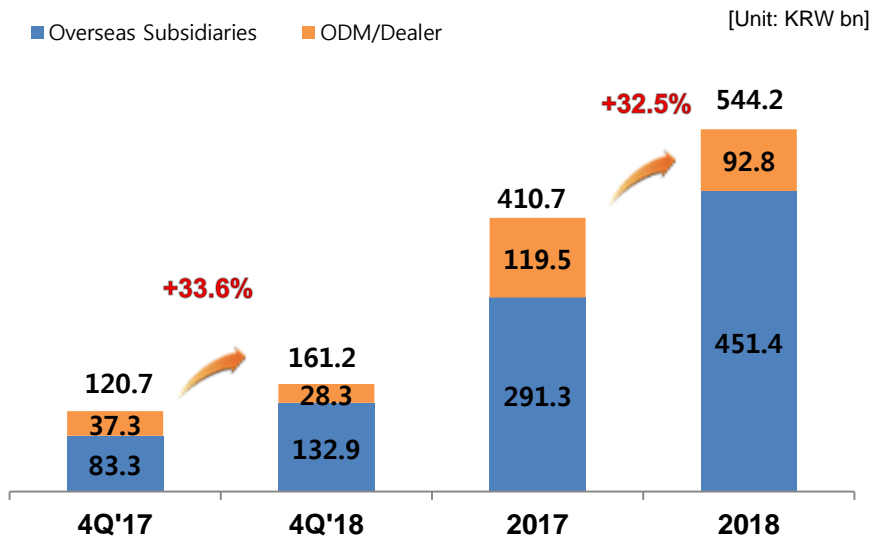
- Gearing for stable rental asset disposal expense (2.9% of rental revenue in 2018)
- Rental asset disposal expense KRW 9.89 bn in 4Q'18



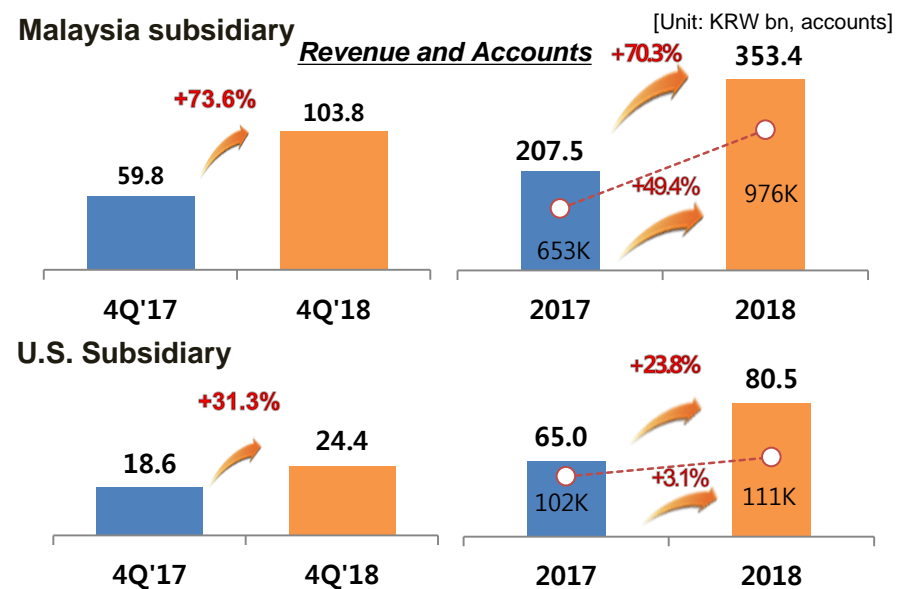
# 1-4. Overseas business

## Overseas revenue KRW 544.2bn (+32.5% YoY) Continued growth of overseas subsidiaries

### Overseas revenue



### Overseas subsidiaries revenue



#### @ 2018 Overseas revenue KRW 544.2bn

- Overseas subsidiaries revenue KRW451.4bn (+55.0% YoY)  
: Strong growth from Malaysia and U.S. subsidiaries
- 2018 ODM/Dealer revenue KRW 92.8bn (-24.2% YoY)  
: Due to revenue decrease in China ODM partner  
: However, 4Q ODM/Dealer revenue increased +42.6% QoQ due to China ODM partner's new product release

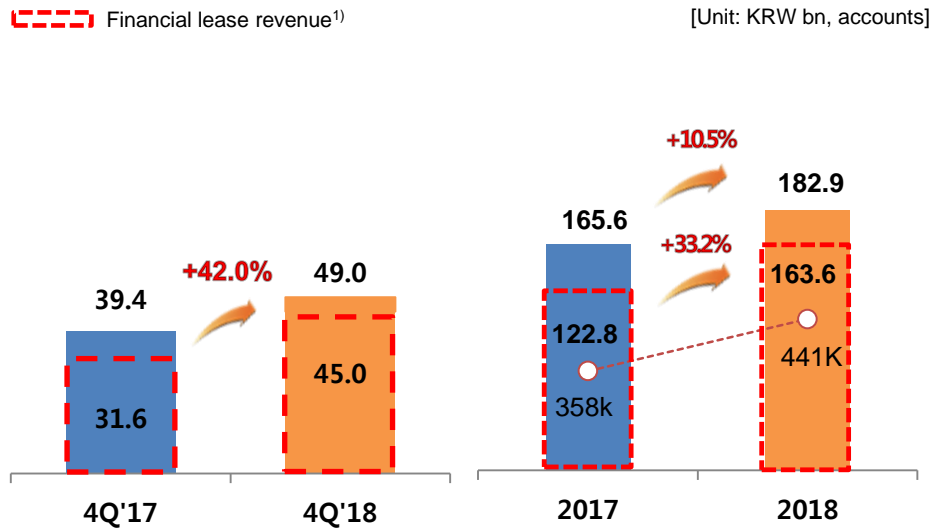
#### @ Continued growth from overseas subsidiaries

- 2018 Malaysia +64.2% YoY revenue growth in local currency  
: Annual revenue exceeded KRW 300bn with OPM 17.6%  
: Quarterly revenue and OP exceeded KRW 100bn, KRW 20bn, respectively, both recording quarterly high.
- 2018 U.S. +27.1% YoY revenue growth in local currency  
: Revenue growth driven by accounts increase in D2D channel and strong sales of air purifier in retail channel.

# 1-5. Home-care & Cosmetics busines

## Historical high rental gross adds and revenue of Home-care business Cosmetics revenue KRW 75.5bn (-5.3% YoY)

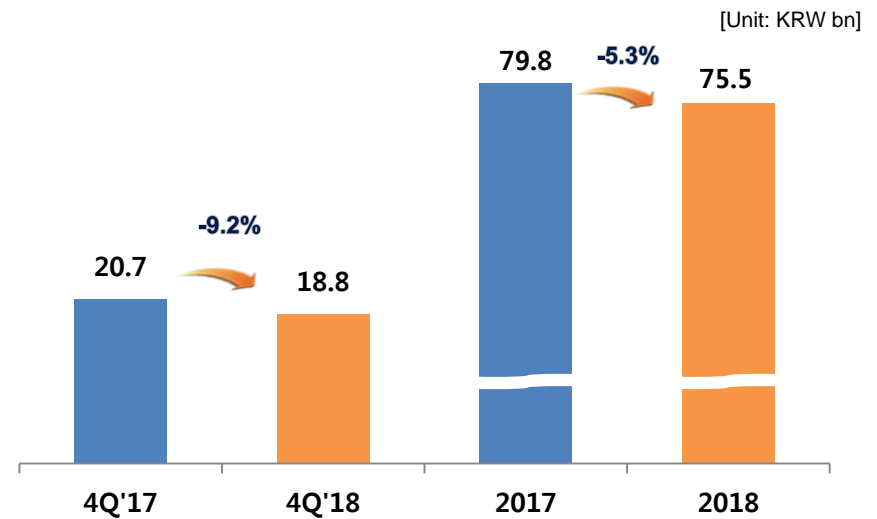
### Home-care



#### Ⓢ Home-care revenue KRW 182.9bn

- Mattress gross adds 146k in 2018 (+15.2% YoY)  
: Historical high FY rental gross adds
- Financial lease revenue KRW 163.6bn in 2018 (+33.2% YoY)  
: Historical high FY financial lease revenue

### Cosmetics



#### Ⓢ Cosmetics revenue KRW 75.5bn

- Door-to-door revenue KRW 52.2bn (+0.2% YoY)
- Non door-to-door revenue KRW 23.3bn (-15.8% YoY)  
: Due to delay of new product release

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

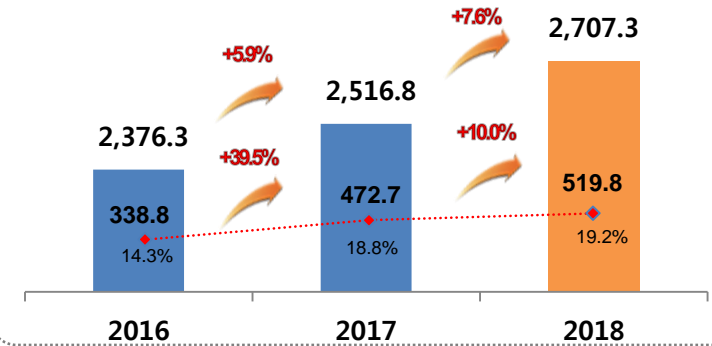
# 1-6. 2018 Key highlights

## Historical high revenue, operating profit, net profit

### Continued growth of domestic and overseas rental business

- Revenue: KRW 2,707bn (+7.6% YoY)
- Operating profit: KRW 519.8bn (+10.0% YoY), OPM : 19.2%
- Net profit: KRW 349.8 bn (+7.4% YoY)

### Consolidate revenue and operatin profit [Unit: KRW bn]

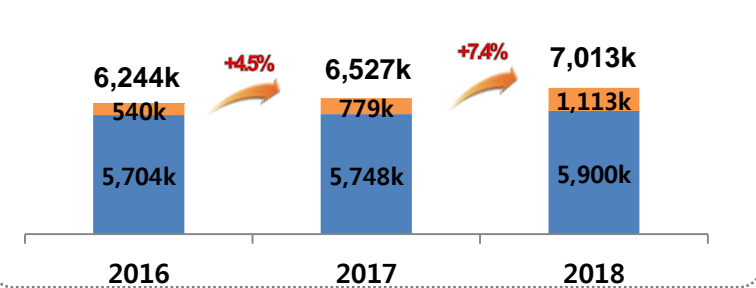


## Total account exceed 7.0mn (domestic & overseas)

### Continued growth of total accounts (rental + membership)

- Historical high rental gross adds (1.91mn)
- Domestic health appliance business 5.90mn (+2.6% YoY)
- Overseas subsidiary 1.11mn (+42.9% YoY)

### Total accounts [Unit: accounts]

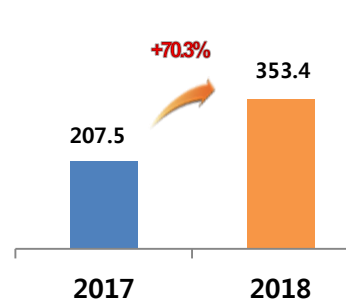


## Continued growth of overseas subsidiary revenue

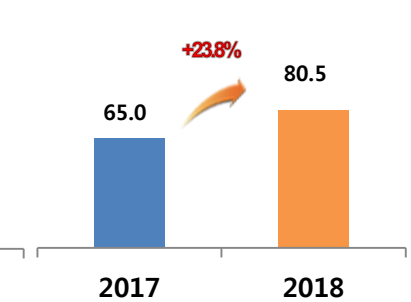
### Strong growth from Malaysia and US retail sales

- Malaysia revenue KRW 353.4bn, +70.3% YoY/ OP KRW 62.3bn, (OPM: 17.6%)
- : Rental sales increase due to expansion of sales forces and customer base
- US revenue KRW 80.5bn, +23.8% YoY/ OP KRW 3.2bn (OPM: +4.0%)
- : Revenue increased by strong sales from air purifier in Amazon channel

### Malaysia Revenue



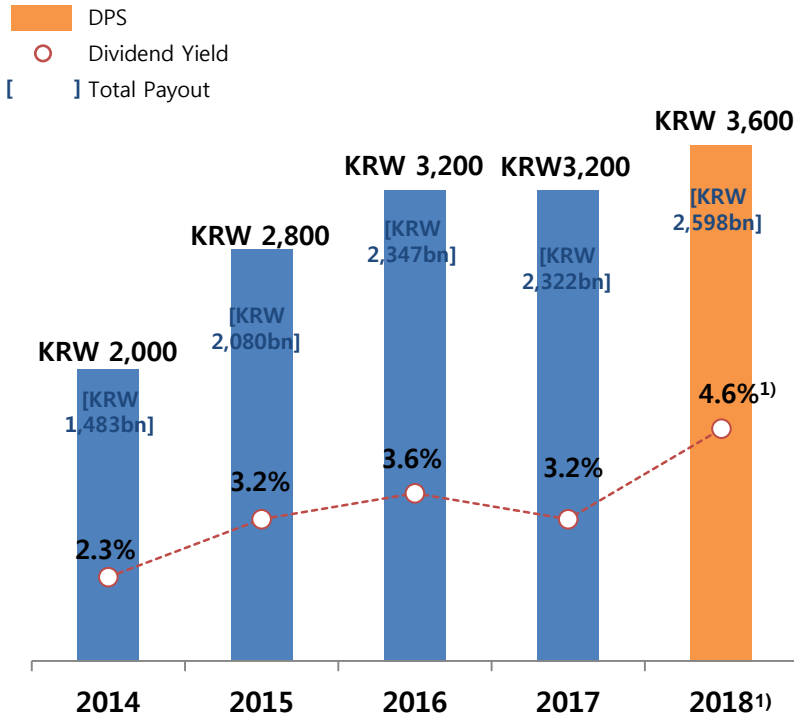
### US Revenue



# 1-7. Shareholder Return Policy

4Q DPS KRW 1,200 (2018 DPS KRW 3,600)

## 2018 Dividend



## Shareholder Return Policy

- Ⓢ Paid quarterly dividend in 2018
  - 1) 1Q~3Q : DPS KRW 800 each quarter
  - 2) 4Q : DPS KRW 1,200
  
- Ⓢ Payout ratio in 2018 Consolidated 74%
  
- Ⓢ Dividend yield increase +1.4%p in 2018  
2017: 3.2% → 2018: 4.6%

<sup>1)</sup> 2018 Dividend Yield based on weighted average share price of Dec 20<sup>th</sup> ~ 26<sup>th</sup> : KRW 77,424

## 2. 2019 Business Plan

- **2019 Business Strategy**
  - Health appliance business
  - Overseas business
- **2019 Revenue / Profits**

# 2-1. 2019 Business plan

Create new values by strengthening competitiveness,  
pioneering new markets



Re:FUSION

New Value in Purification

## Competitiveness

Strengthen leadership in  
product/service/technology

## Growth

Expand existing channels  
and pioneer new markets

# 2-1. 2019 Business plan – Health appliance business

## Increase sales by strengthening competitiveness and differentiating service/technology

New CIROO Filter



B2G/B2B



Ⓢ Strengthening competitiveness

- Expand lineup to lead the market and expand customer base
- : Lead direct-flow water purifier market by developing new innovative CIROO direct-flow water filter
- : Enhance B2B/B2G market by introducing large capacity air purifier

New Sterilizer



Clothing purifier



Ⓢ Differentiating service and technology

- Strengthen service competitiveness and secure market leading technology
- : Enhance service expertise via introduction of new sterilizer
- : Differentiate clothing air purifier by adding new functions

“From Filter to Care” Campaign

FROM 필터  
TO 케어

깨끗함의 시작과 끝.  
coway

Ⓢ Enhancing marketing communication

- Conduct “From Filter to Care” Campaign
- : Raise consumers’ awareness of differentiated Coway’s filter and care, thereby shifting paradigm for better consumer choice

# 2-1. 2019 Business Plan – overseas business

## Secure growth engine via overseas subsidiaries expansion and pioneering into new market



### Malaysia

- Maintain growth and solidify #1 position
- : Promote continuous growth of sales organization
- : Secure product competitiveness by releasing premium products and expanding target customer base



### U.S.

- Expand the number flagship stores to increase door-to-door sales
- Increase retail sales by strengthening partnership with Amazon and expanding product categories



### China

- Entry into the Chinese market with JV
- : Conclude an MOU with Jomoo (kitchen & bath co.)
- : Expect synergy in brand, technology and channel

### Entering new market

- New entry in to Southeast Asia
- : benchmark the success of Malaysia subsidiary
- via acquiring D2D license and building sales force

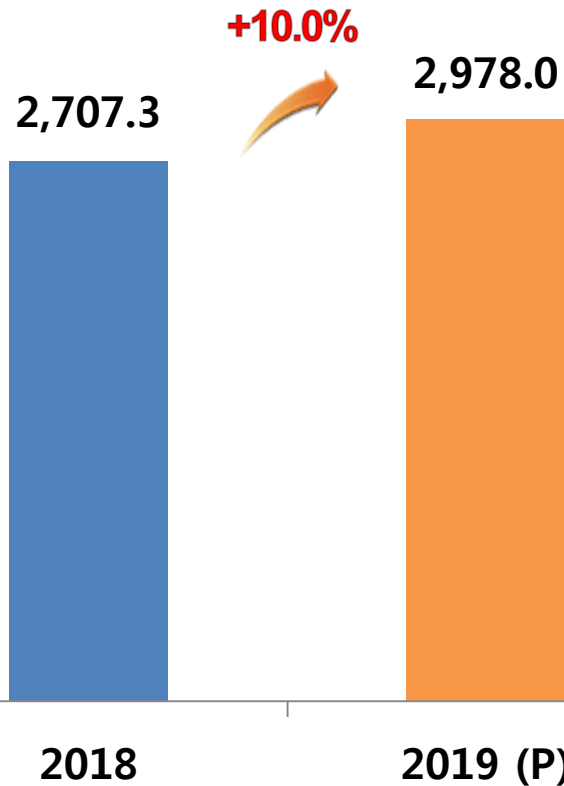


## 2-2. 2019 Revenue / Profits

Consolidated +10.0%, OP +6.0%, YoY

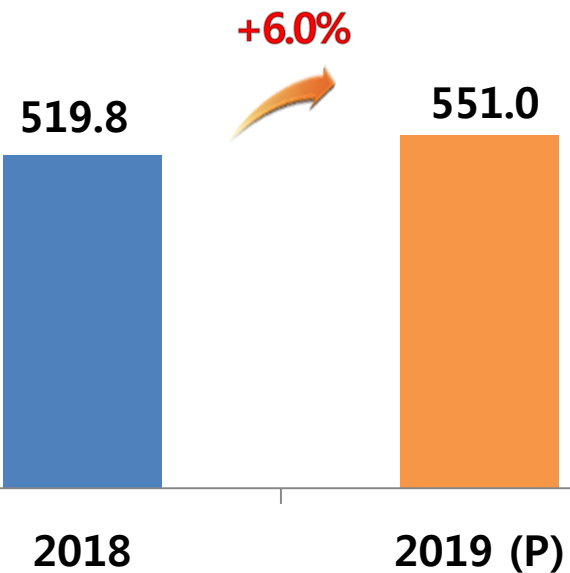
### Consolidated Revenue

[Unit: KRW bn]



### Consolidated Operating Profits

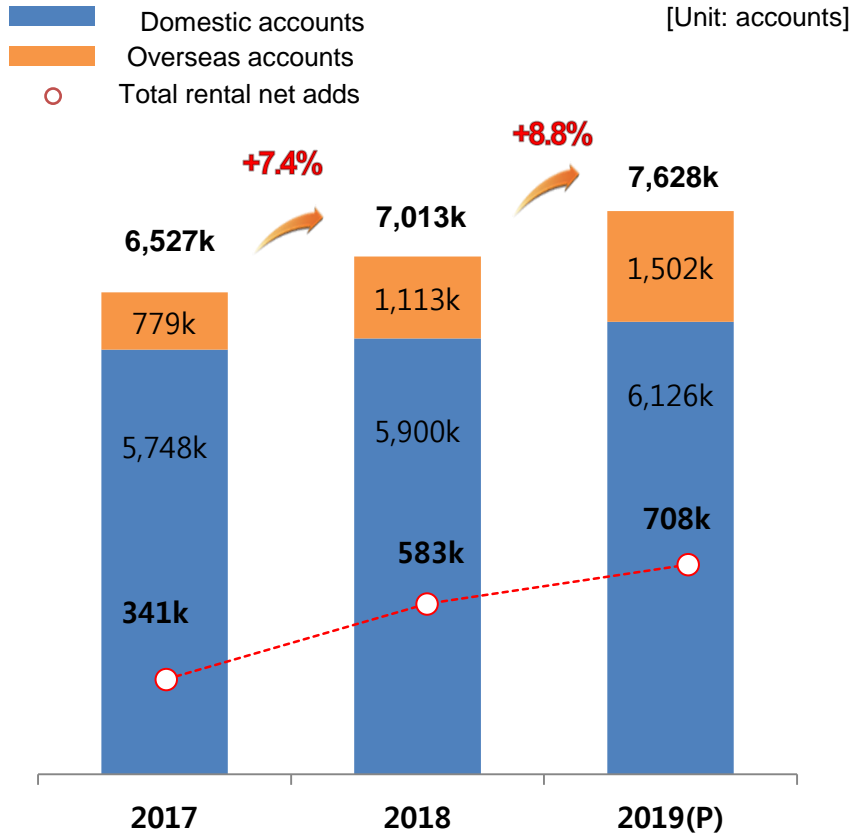
[Unit: KRW bn]



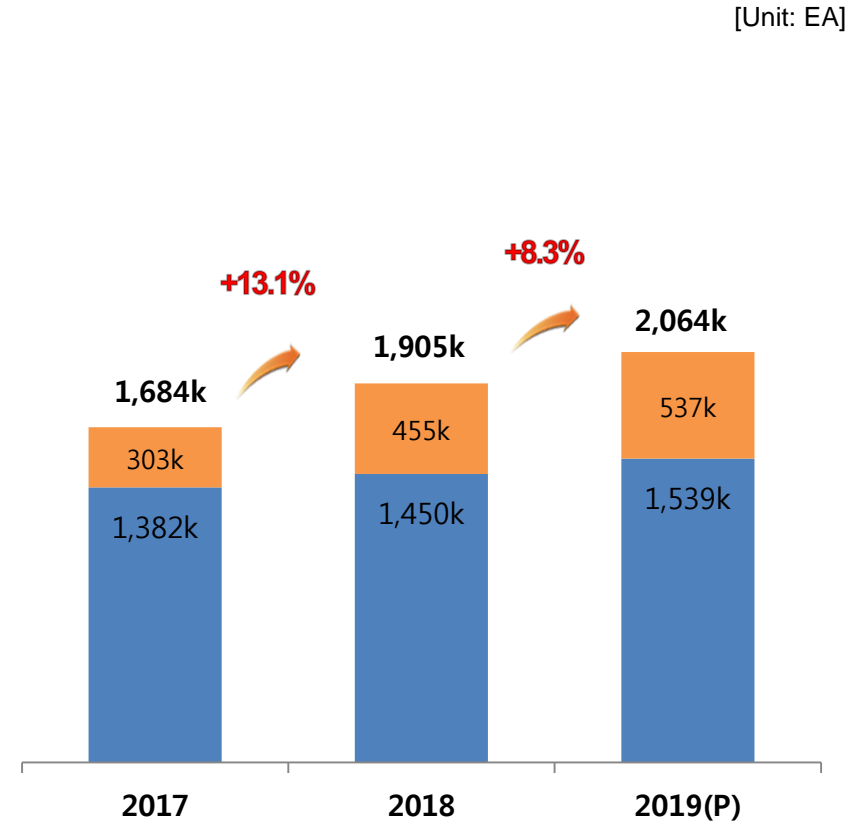
# 2-3. 2019 Key index

Target rental net adds 708k, rental gross adds 2,064k

## Total accounts/rental net adds



## Total rental gross adds

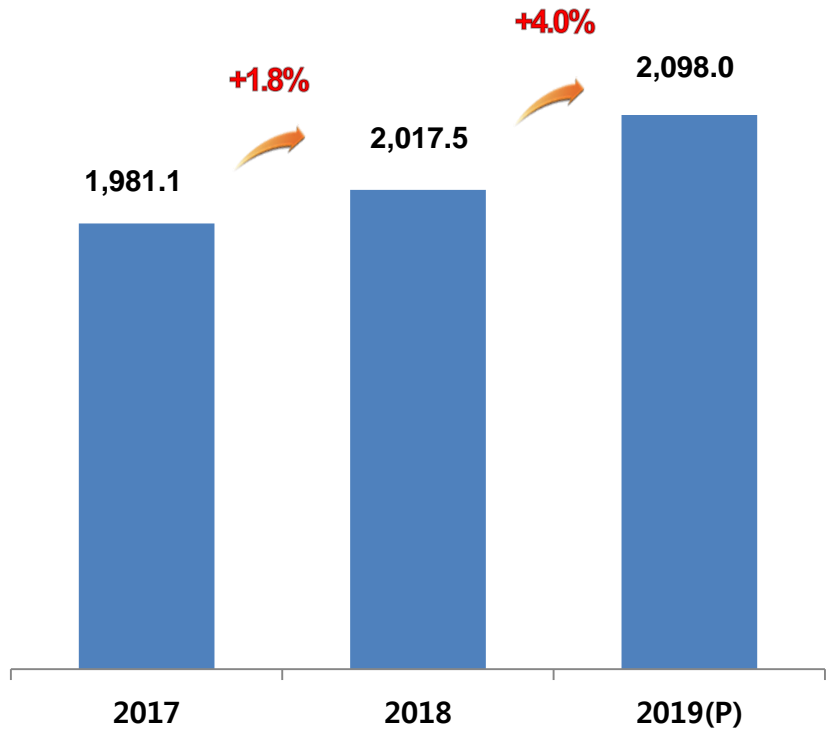


# 2-4. 2019 Health appliance / Overseas Revenue

Health appliance KRW 2.1trn (+4.0% YoY)  
 Overseas KRW 718bn(+31.8% YoY)

## Health appliance revenue

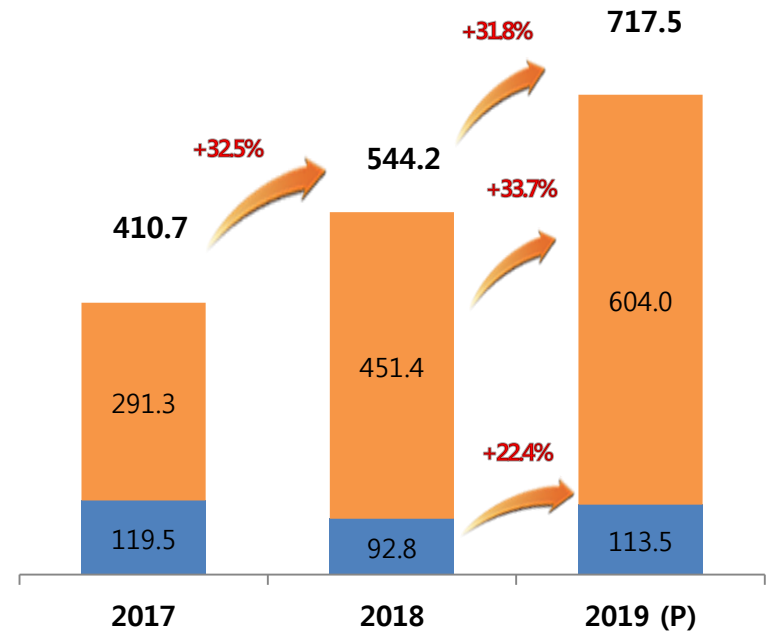
[Unit: KRW bn]



## Overseas revenue

[Unit: KRW bn]

- Overseas subsidiaries
- ODM/Dealer

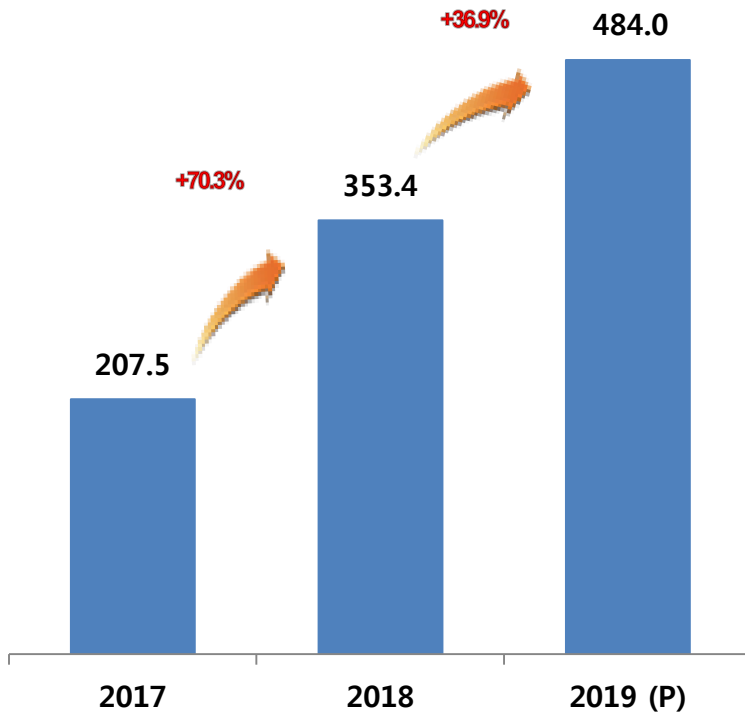


# 2-5. 2019 Malaysia / U.S

Malaysia KRW 484bn (+36.9% YoY), U.S. KRW 95bn (+18.0% YoY)

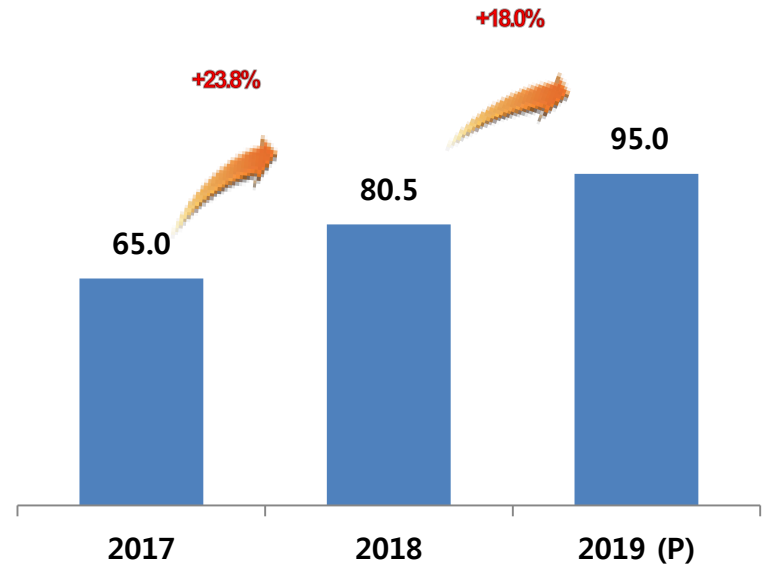
## Malaysia

[Unit: KRW bn]



## U.S.

[Unit: KRW bn]



# APPENDIX

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- Consolidated financial reports
- Subsidiary results

# Consolidated financial reports

## ② Balance Sheet

(Unit: KRW bn)	Dec. '18	Dec. '17
<Assets>	2,374.1	2,158.9
<b>Current Assets</b>	<b>843.7</b>	<b>791.5</b>
Cash and cash equivalents	69.4	110.3
Accounts receivable	325.6	314.6
Inventories	102.9	74.9
<b>Non-Current Assets</b>	<b>1,530.4</b>	<b>1,367.4</b>
Fixed assets	781.0	712.4
Intangible assets	160.3	183.9
<Liabilities>	1,286.4	1,176.6
<b>Current Liabilities</b>	<b>1,234.3</b>	<b>1,124.8</b>
ST Borrowings	731.1	670.0
Current portion of bonds	-	-
Current portion of LT borrowings	-	-
<b>Non-Current Liabilities</b>	<b>52.1</b>	<b>51.9</b>
LT Borrowings	10.0	12.3
Corporate bond	-	-
<Shareholders' Equity>	1,087.7	982.3
<b>Debt to Equity Ratio</b>	<b>118.3%</b>	<b>119.8%</b>
<b>Net Debt to Equity Ratio</b>	<b>61.8%</b>	<b>58.2%</b>

## ② Income Statement

(Unit: KRW bn)	4Q'18	4Q'17	YoY
Revenue	711.7	653.6	8.9%
COGS	244.4	215.6	13.4%
Gross profits	467.3	438.1	6.7%
SG&A	338.5	331.0	2.3%
Operating profits	128.8	107.1	20.3%
<b>Margin(%)</b>	<b>18.1%</b>	<b>16.4%</b>	<b>1.7%P</b>
Other income	3.6	6.4	-44.1%
Other expenses	27.6	20.9	32.2%
Financial income	0.3	0.3	16.3%
Financial expenses	5.2	3.8	38.7%
Profit before tax	99.9	89.1	12.2%
Corporate tax	30.2	27.4	10.1%
Net income	69.7	61.6	13.1%
<b>Margin(%)</b>	<b>9.8%</b>	<b>9.4%</b>	<b>0.4%P</b>

# Subsidiaries results — 5 entities (4 overseas subsidiaries, Coway Entech)

(Unit: KRW bn)	4Q'18	4Q'17	YoY	2018	2017	YoY
<b>Malaysia</b>						
Revenue	103.8	59.8	73.6%	353.4	207.5	70.3%
OP	20.2	7.0	189.5%	62.3	17.4	257.7%
Margin	19.5%	11.7%		17.6%	8.4%	
<b>U.S.</b>						
Revenue	24.4	18.6	31.3%	80.5	65.0	23.8%
OP	1.3	-0.1	-	3.2	0.5	593.1%
Margin	5.4%	-		4.0%	0.7%	
<b>China</b>						
Revenue	2.0	1.3	61.6%	4.3	6.4	-32.1%
OP	0.1	-0.9	-	-1.8	-2.9	-
Margin	4.8%	-		-	-	
<b>Thailand</b>						
Revenue	2.7	3.7	-27.4%	13.1	12.4	5.9%
OP	-1.2	0.1	-	-1.7	0.1	-
Margin	-	3.2%		-	1.0%	
<b>Coway Entech</b>						
Revenue	14.1	15.9	-11.4%	70.5	45.8	54.1%
OP	-2.0	1.5	-	-4.4	-0.9	-
Margin	-	9.2%		-	-	

## Malaysia

- . 2018 Revenue KRW 353.4bn (+70.3% YoY), OPM 17.6%
- . 4Q'18 Revenue KRW 103.8bn (+73.6% YoY), OPM 19.5%
- . 4Q'18 accounts 976K (4Q'17 653K, +49.4% YoY)
- : Revenue increase driven by accounts growth and adopting new sales system (financial lease)

## U.S.

- . 2018 Revenue KRW 80.5bn (+23.8% YoY), OPM 4.0%
- . 4Q'18 Revenue KRW 24.4bn (+31.3% YoY)
- . 4Q'18 accounts 114K (4Q'17 111K +3.1% YoY)
- : Revenue increase due to accounts growth and increase of retail channel sales

## China

- . 2018 Revenue KRW 4.3bn (-32.1% YoY)
- . 4Q'18 Revenue KRW 2bn (+61.6% YoY)
- : Revenue increase due to air purifier sales increase

## Thailand

- . 2018 Revenue KRW 13.1bn (+5.9% YoY)
- . 4Q'18 Revenue KRW 2.7bn (-27.4% YoY)
- : Revenue decrease due to change in accounting principle

## Coway Entech

- . 2018 Revenue KRW 70.5bn (+54.1% YoY)
- . 4Q'18 Revenue KRW 14.1bn (-11.4% YoY)
- : Revenue decrease due to lower than expected progress in plan construction and delay in new orders.