



2019 Woongjin Coway Overview



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.

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Company Overview

Key highlights

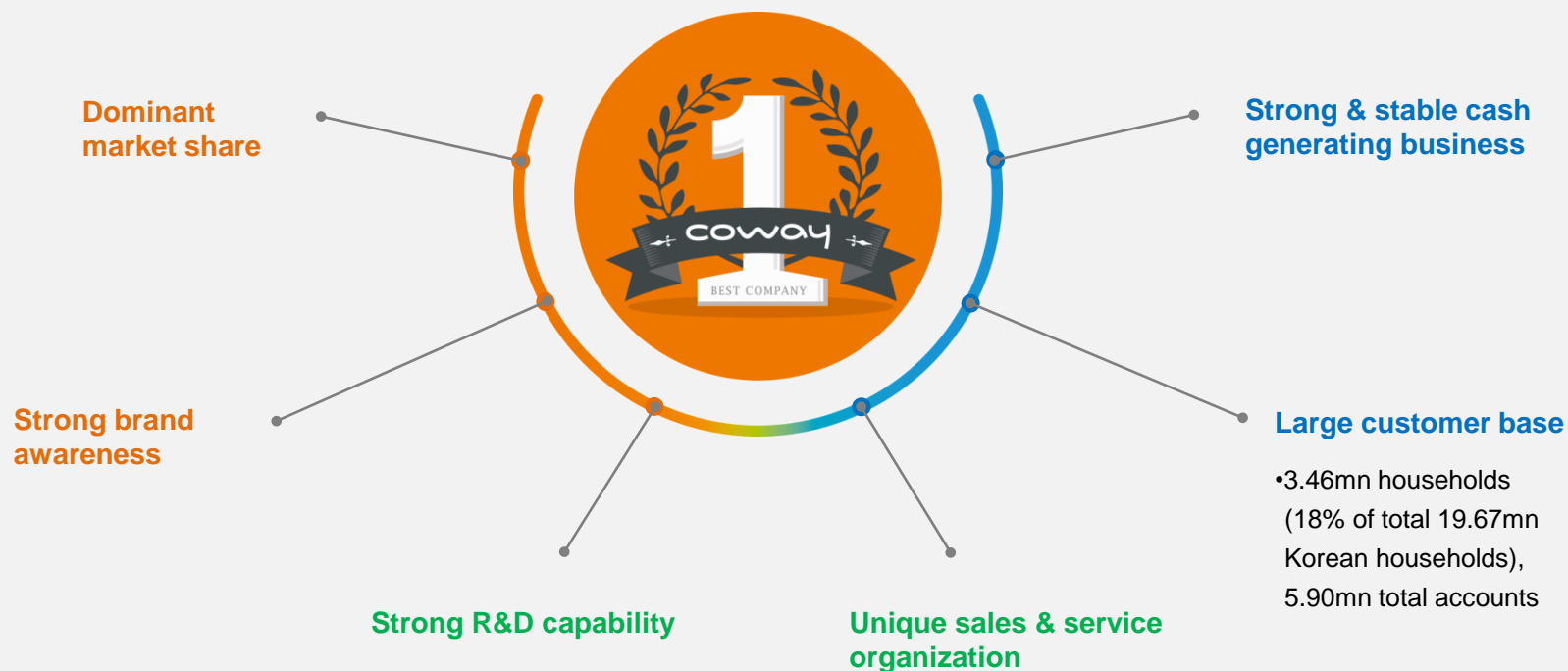
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No.1 company in health appliance business



Company Profile

Company Overview

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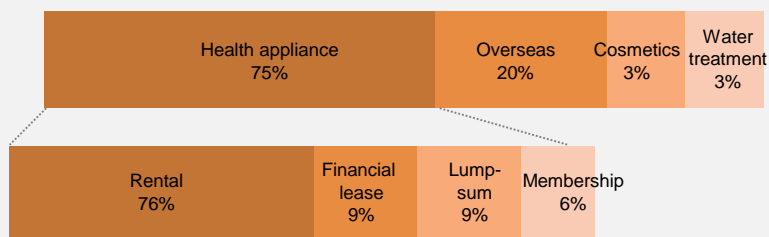
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Coway history

- 1989~ Established door-to-door business, R&D center and manufacturing facility
- 1998~ Adopted rental business (Built Cody system)
- 2005~ Relocated R&D center (Seoul National Univ. campus) and established design research center
- 2010~ Expanded overseas and started cosmetics, mattress business
- 2013~ Major shareholder changed form Woongjin holdings to MBK
- 2016~ Announced company vision as “The Life Care Company”
- 2017~ Promote “Coway Trust” campaign
- 2019~ Major shareholder changed form MBK to Woongjin Thinkbig

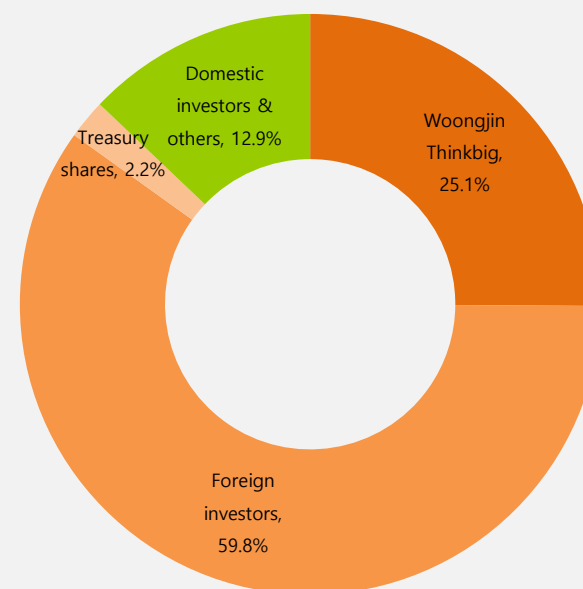
Financial reports

- Revenue : KRW 2,707.3 bn
- Operating profit : KRW 519.8 bn (OPM : 19.2%)
- Net income : KRW 349.8 bn



*2018, K-IFRS, Consolidated base

Ownership structure

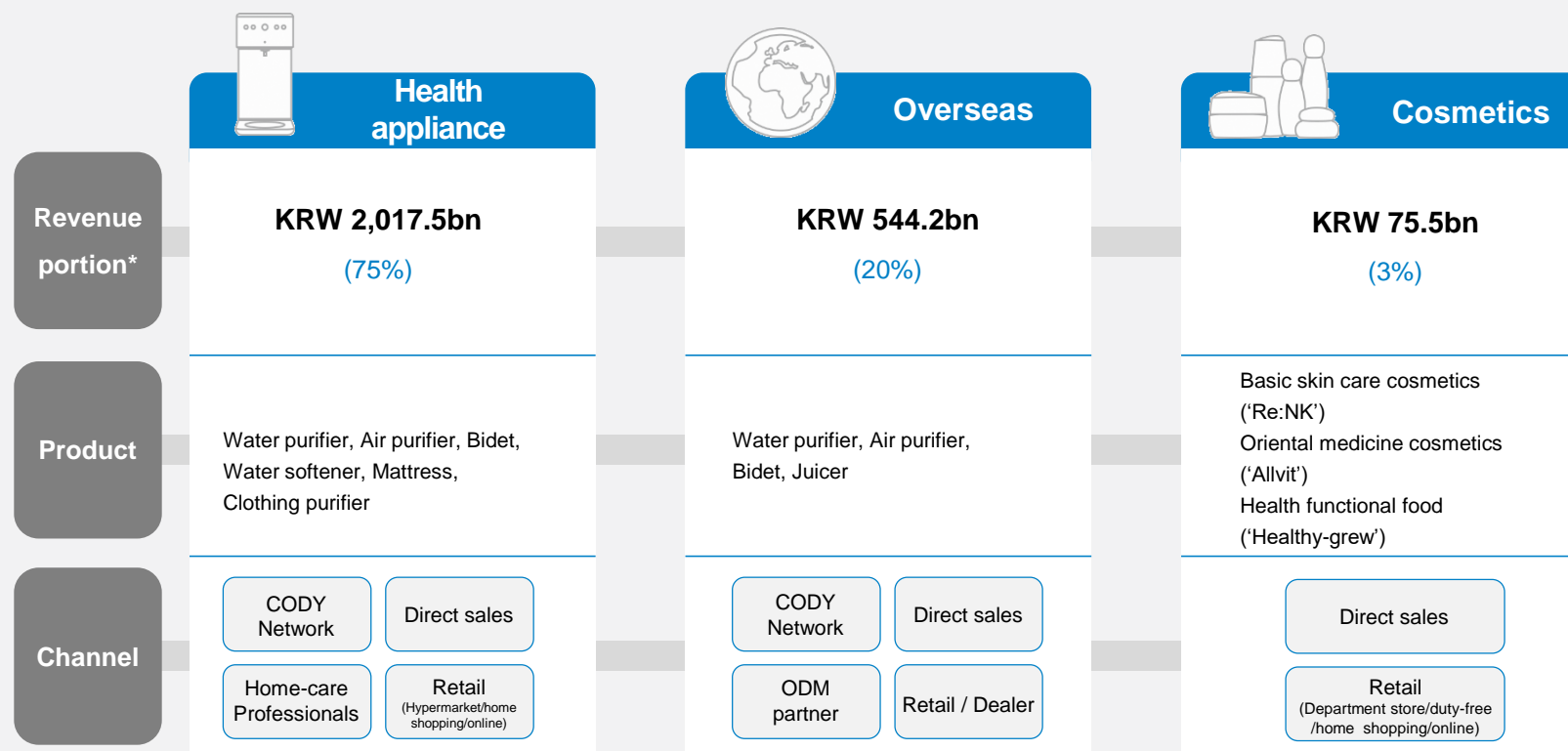


No. of outstanding shares: 73,799,619

* As of April 2019

Business Overview

Business structure



*2018, K-IFRS, Consolidated base

Health appliance business - revenue components

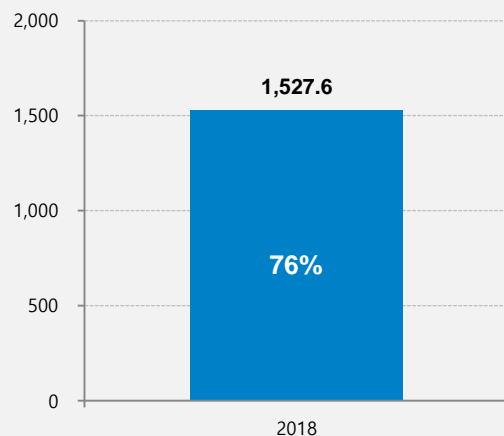
Revenue components & portion within health appliance business

1. Rental program

(Total rental accounts : 5.23mn)

Product + Maintenance service(5 yrs)

(unit: KRW bn)



Monthly rental fee: ₩38,900*

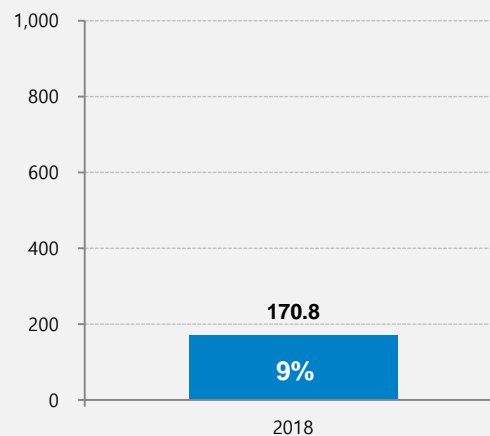
Rental fee for 5 years: ₩2,434,000

Registration fee: ₩100,000

2. Lump-sum sales

Product sales only

(unit: KRW bn)



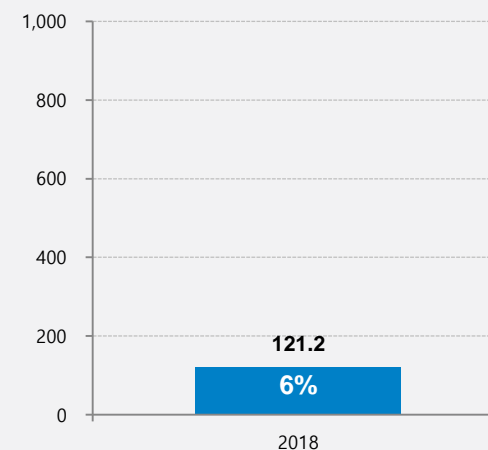
ASP: ₩1,500,000*

3. Membership program**

(Total membership accounts : 670k)

Maintenance service only(1 yr)

(unit: KRW bn)



Monthly membership fee : ₩15,600*

Membership fee for 5years : ₩936,000

* CHP-242N Model

**Membership program is a maintenance service for lump-sum sales customers and rental customers whose rental contract has expired

Health appliance business

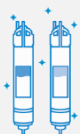
- Rental business structure and Key index

Details



Contract term

5 years (Ownership is transferred to customers at maturity of the 5-year contract)



Maintenance service program

Filter & parts change, cleaning service, etc.



Service period

Every 1/ 2/ 4/ 6 month

*The service period may vary by product and environment



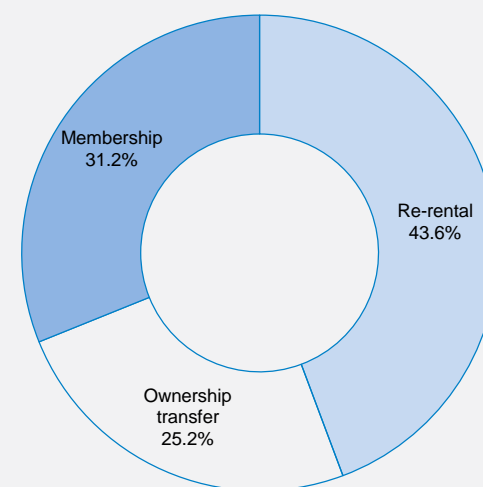
Minimum rental period

3 years

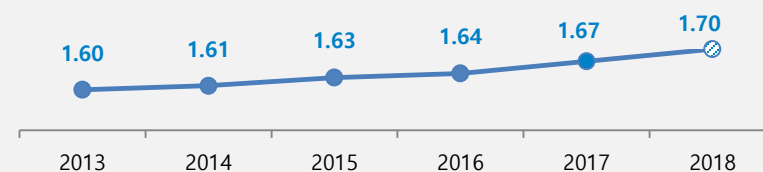
Retention rate

Retention rate at maturity: 75%

* As of 2018



PPC (products per customer) trend



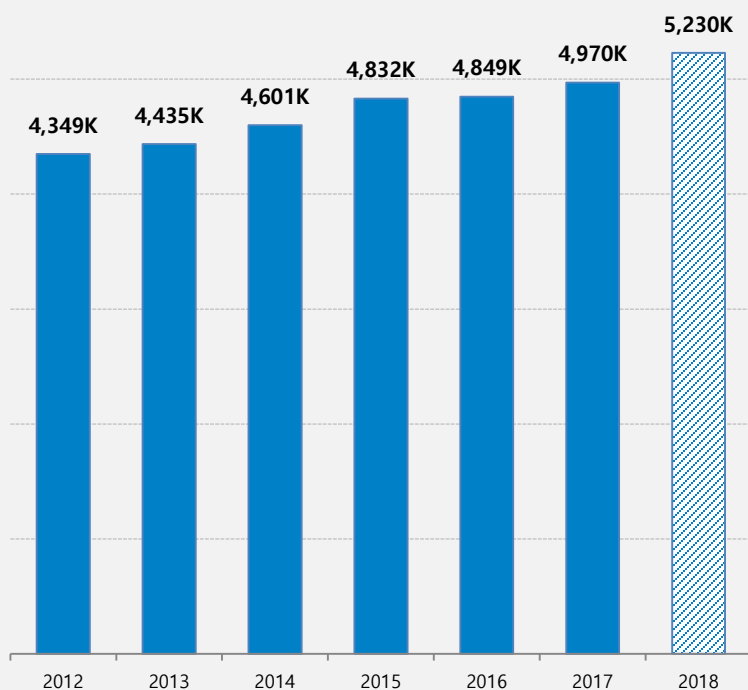
(PPC: 1 product 66%, 2 products 22%, 3 products 7%)

Health appliance business

- Rental accounts, cancellation trend and rental asset disposal expense

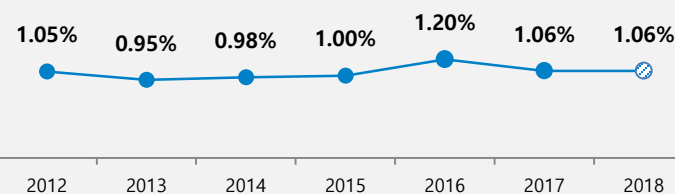
Rental Accounts

(Unit: accounts)



Rental cancellation trend* (per month)

(Unit: %)

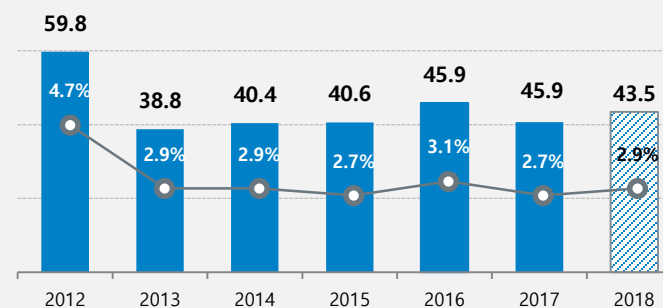


* Cancellation rate (2012 and before): Excluding non-performing accounts

Rental asset disposal expense

(Unit: KRW bn, %)

○ % of rental revenue

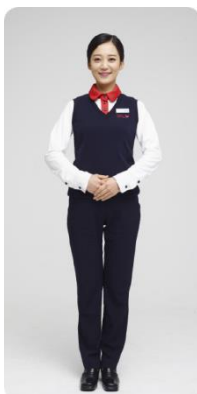


Health appliance business - Sales & service platform

Sales and service organization

- Cody (Coway lady) – Sales & service (Health appliance product)
- Direct sales force – Sales only
- Home-care professionals – Sales & service (Home-care product)
- CS (Customer service) professionals – Installation & A/S (Health appliance product)

※ Number of sales & service professionals



Cody

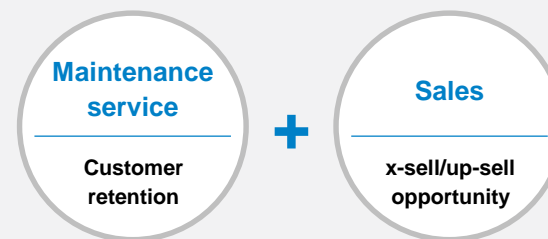


Home-care professionals

Competitiveness of Cody network

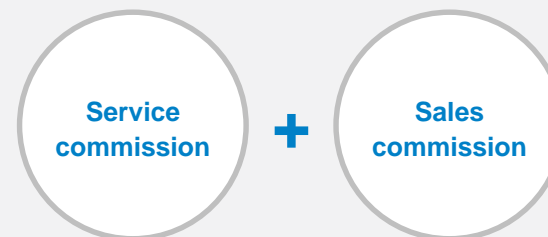
•Strong customer relationship

- Develop new sales + provide maintenance service regularly
- Increase cross selling and decrease cancellation rate by maintaining closer relationship with customers



•Stable income structure

- Guarantee base service commission by managing 420 accounts



•Minimum service area per Cody

- High efficiency by covering close area due to scalability
(Less than 1km² per Cody, total accounts 5.90mn)

Health appliance business - Home-care business

Mattress rental program

- Contract period: 5/ 6 years
- Service period: every 4 months by home-care professionals
- Service program: 7-step cleaning program every 4 month, Topper replacement on 3rd year by home-care professionals

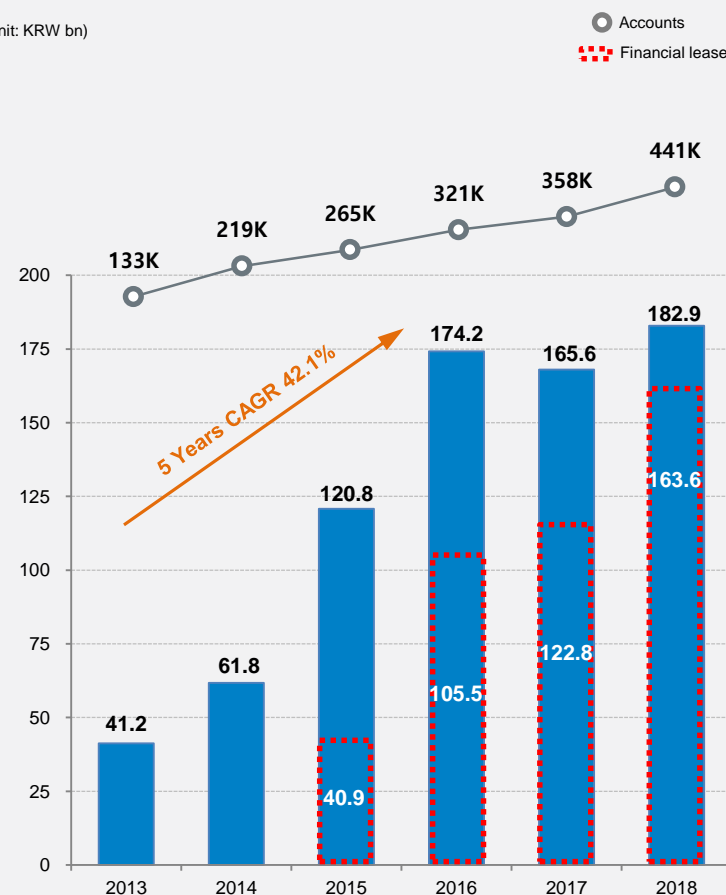
※ New home-care sales system

Category	Rental sales system (~ July, 2015)	New sales system (August, 2015 ~)
Contract period	3 years	5 or 6 years
Service	Care service (4M)	Care service (4M) + Topper replacement (3yr)
Minimum contract period	26 months	5 or 6 years
Rental fee*	KRW 38,900	5 year : KRW 37,900 6 year : KRW 32,900
Sales method	Operational lease	Financial lease
Revenue recognition	Monthly recognition	Mattress (60%) recognized at once + Service (40%) recognized as provided

* Based on CMQ-PO1 Model

Revenue trend

(Unit: KRW bn)



Overseas business

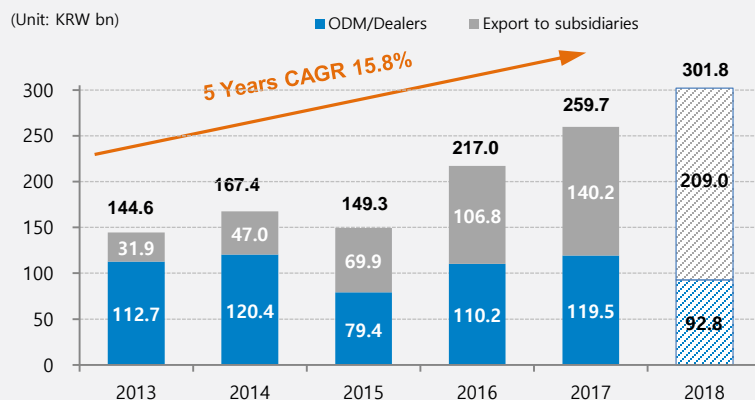
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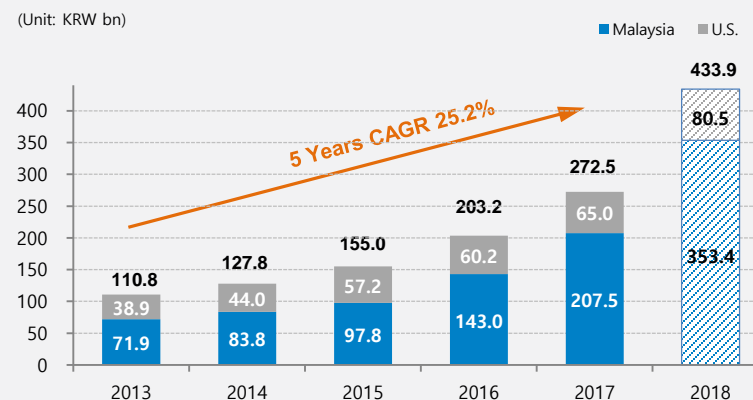
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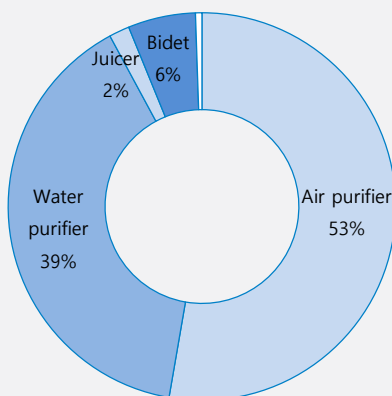
Export revenue



Overseas subsidiary revenue

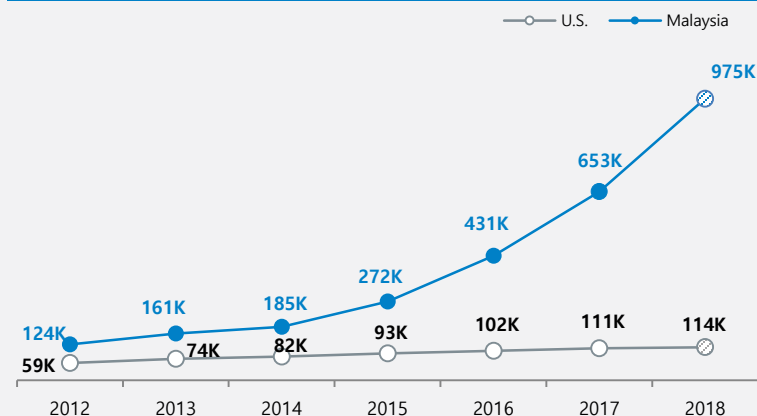


Product mix



* As of 2018

Number of accounts*



* 2014 and after: Excluding free membership accounts

2019 Business Strategy

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**Create new values by strengthening competitiveness,
pioneering new markets**



Re:FUSION
New Value in Purification

Competitiveness

Strengthen leadership in
product/service/technology

Growth

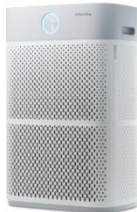
Expand existing channels
and pioneer new markets

2019 Business Plan – Health appliance business

New CIROO Filter



B2G/B2B



③ 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



③ 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

③ 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

2019 Business Plan – Overseas business



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

2019 Revenue & operating profit

Company Overview

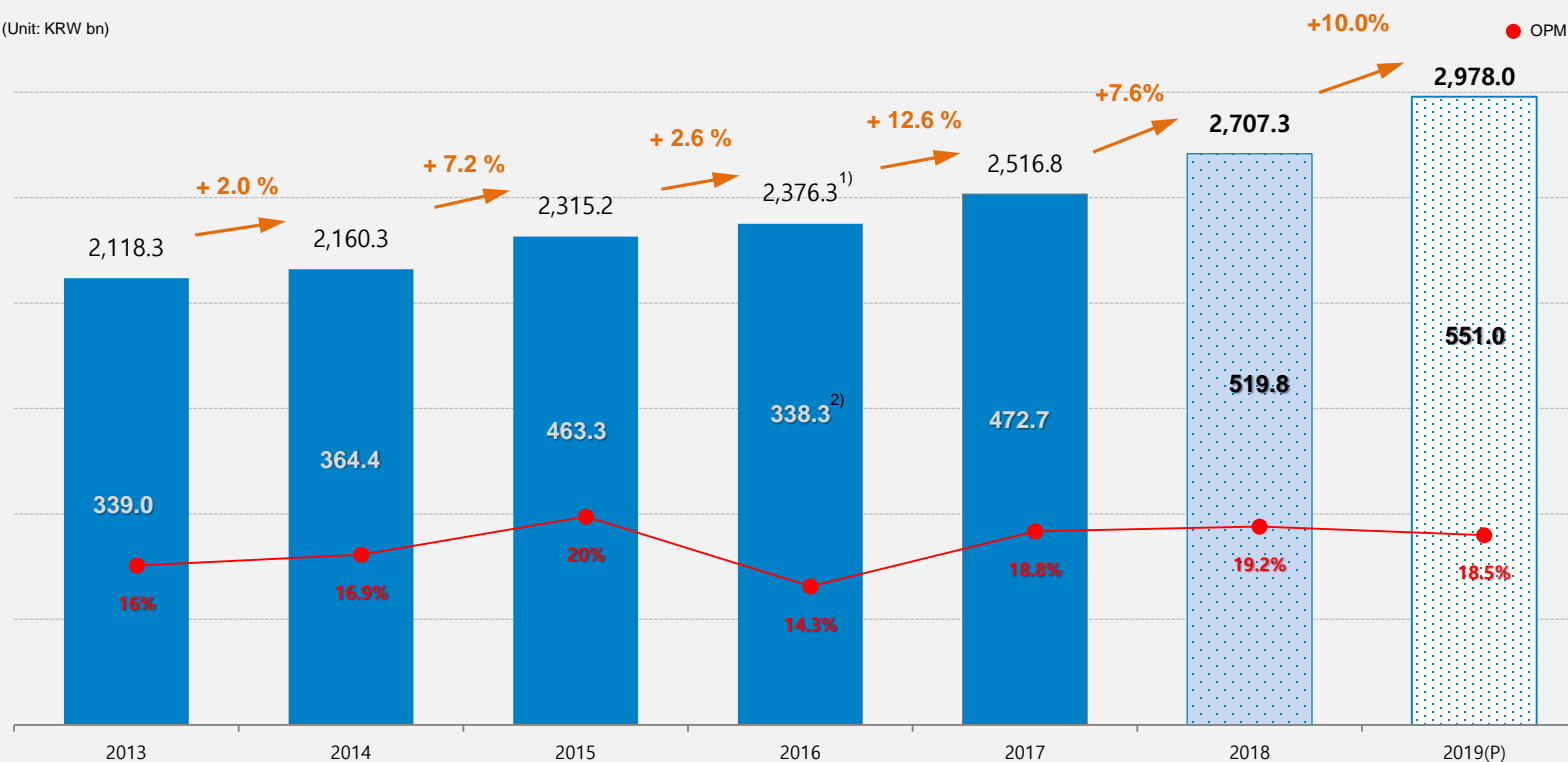
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Consolidated base

(Unit: KRW bn)



1) FY2016 Adj. Revenue: Consolidated KRW 2,444.2 bn (+5.6% YoY), Non-consolidated KRW 2,272.4 bn (+5.1% YoY), excluding revenue reduction of KRW 67.9bn from recall of Ice Water Purifier

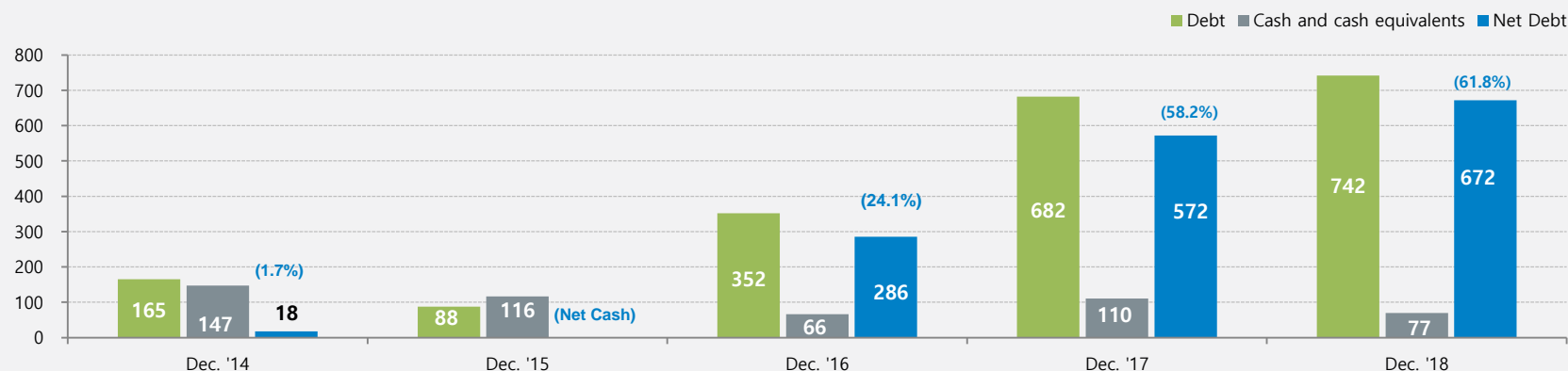
2) FY2016 Adj. OP: Consolidated KRW 458.9 bn (-0.9% YoY), Non-consolidated KRW 488.8 bn (+5.6% YoY), excluding reduction of one off cost KRW 120.1bn from recall of Ice Water Purifier

Financial Report

Cash and debt, capex trend

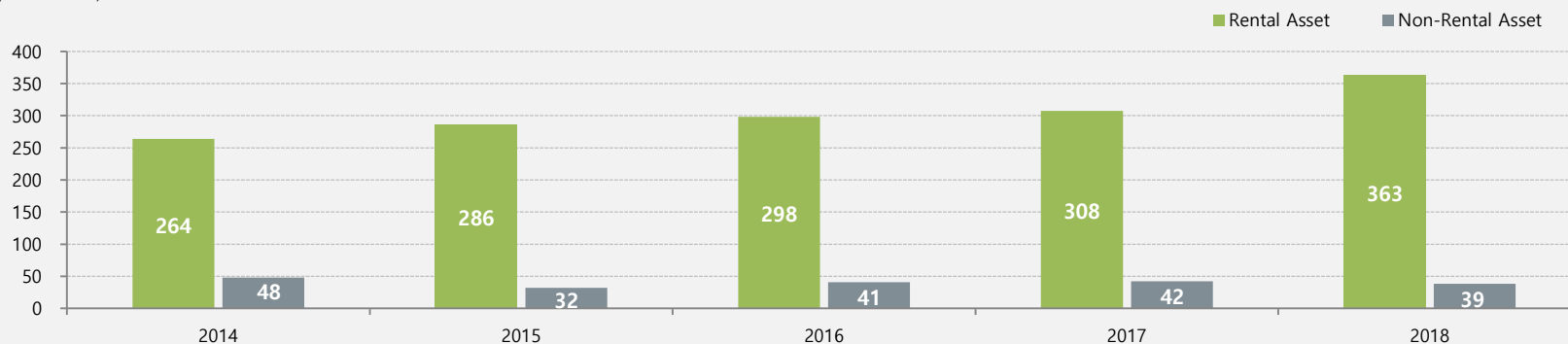
Cash and Debt

(Unit: KRW bn)



CAPEX (Rental asset and Other capital expenditure)

(Unit: KRW bn)



Shareholder policy

Share-buyback & cancellation

- 2005: 3 mil shares cancelled (purchased in 2004)
- 2007: 3 mil share buyback (ESOP)
- 2009: 1.35 mil share buyback
- 2011: 2 mil share buyback
- 2013~2014: 0.72 mil share cancelled
- 2016: 0.74 mil share cancelled, KRW140bn buyback
- 2017: 1.56 mil share cancelled, KRW100bn buyback
- 2018: 1.02 mil share cancelled (Feb)

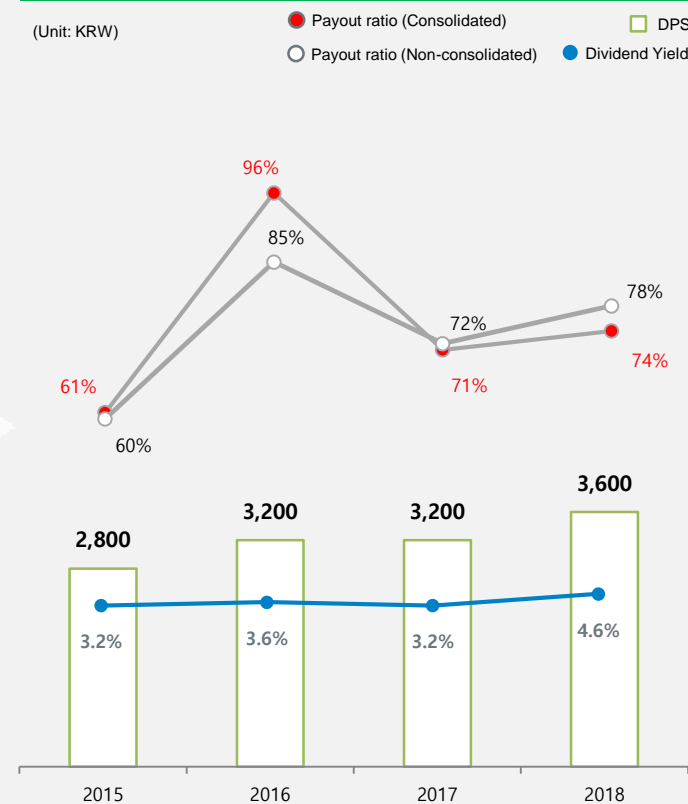
Focus on
enhancing
shareholder
value

Increase company transparency

- Achieve IR events
 - Earnings release, NDR, Conference etc.

Dividend

(Unit: KRW)



-1Q'17~3Q'18 Paid quarterly dividend (DPS of KRW 800)

-4Q'18 Paid quarterly dividend (DPS of KRW 1,200)

Appendix

Income statement (Annual)

- K-IFRS, Consolidated base

(Unit: KRW bn)

	2016	2017	2018
Sales	2,376.3	2,516.8	2,707.3
Growth(YoY)	2.6%	5.9%	7.6%
Cost of Sales	812.2	798.5	878.3
% of sales	34.2%	31.7%	32.4%
Gross Profit	1,564.2	1,718.3	1,829.1
Gross Profit Margin	65.8%	68.3%	67.6%
Selling and Administrative Expenses	1,225.4	1,245.5	1,309.2
Operating Profit	338.8	472.7	519.8
Operating Profit Margin	14.3%	18.8%	19.2%
Income Tax	80.4	114.3	118.8
Net Profit	243.3	325.6	349.8
Net Profit Margin	10.2%	12.9%	12.9%

Balance sheet

- K-IFRS, Consolidated base

(Unit: KRW bn)

	Dec. 2017	Dec. 2018
Cash and cash equivalents	110.3	69.4
Account receivable	314.6	325.6
Inventories	74.9	102.9
Current Assets	791.5	843.7
Fixed assets	712.4	781.0
Intangible assets	183.9	160.3
Non-current Assets	1,366.1	1,530.4
Assets	2,157.5	2,374.1
Short-term borrowings	670	731.1
Current portion of bonds	-	-
Current portion of long-term borrowings	-	-
Current Liabilities	1,124.8	1,234.3
Long-term borrowings	12.3	10.0
Corporate bond	-	-
Non-current Liabilities	50.5	52.1
Liabilities	1,175.3	1,286.4
Shareholders' equity	982.3	1,087.7
Liabilities and Shareholders' equity	2,157.5	2,374.1



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