

Vision and Purpose of Coway Acquisition

Oct 14, 2019

Netmarble Investment in Gaming Sector

Netmarble has pursued active investment in game companies for the last 5 years
Netmarble focused on sizable companies showing stable growth based on platforms
However, it is challenging to find attractive targets having stable revenue and
R&D capability

Netmarble's recent investment targets



kakaogames

※ Netmarble has reviewed investment opportunities of more than 100 companies

Investment in Non-gaming Sectors

Netmarble invested across various non-gaming sectors to find future growth engines including entertainment, digital bank, AI, blockchain and platform
However, these are mainly minor investments in early stage companies with limited earnings in the near future

Entertainment (IP)



Big Hit
Entertainment

Digital bank



B
kakaobank

AI/Big data AR/VR



HEROZ
JAPAN

BRAGIEL BROTHERS

BIG DIPPER

Blockchain



Klaytn

Platform



**FASHION
IN TECH**

Netmarble named as the Preferred Bidder for Coway

Netmarble is named as the preferred bidder for acquiring 25% controlling ownership
Coway is the No.1 leader in 'Product Subscription Economy' with water/air purifiers
and mattresses

With Netmarble's IT capability in AI/big data/cloud, Coway has potential to expand
its business to Smart Home market

AS-IS

Rental →
Subscription
Economy

Integrate
AI / Big Data / Cloud
technology

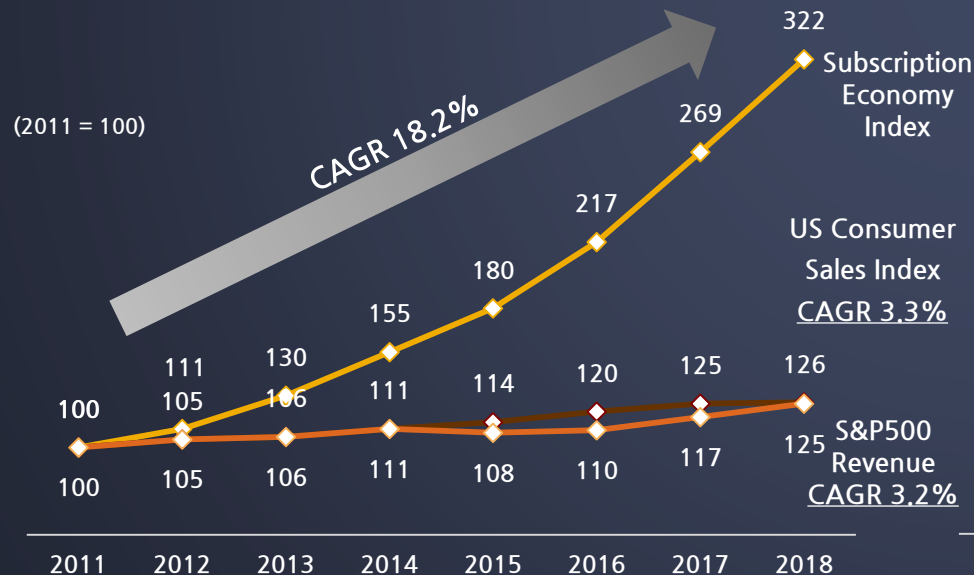
TO-BE

Global Major Player in
Smart Home &
Subscription Economy

Growth of Subscription Economy

Global subscription economy market is forecast to grow to \$ 530 BN by 2020
Korea consumer/household rental market is also forecast to grow to ₩ 10.7 TN by 2020
with 5-years CAGR of 16%

Subscription Economy Index

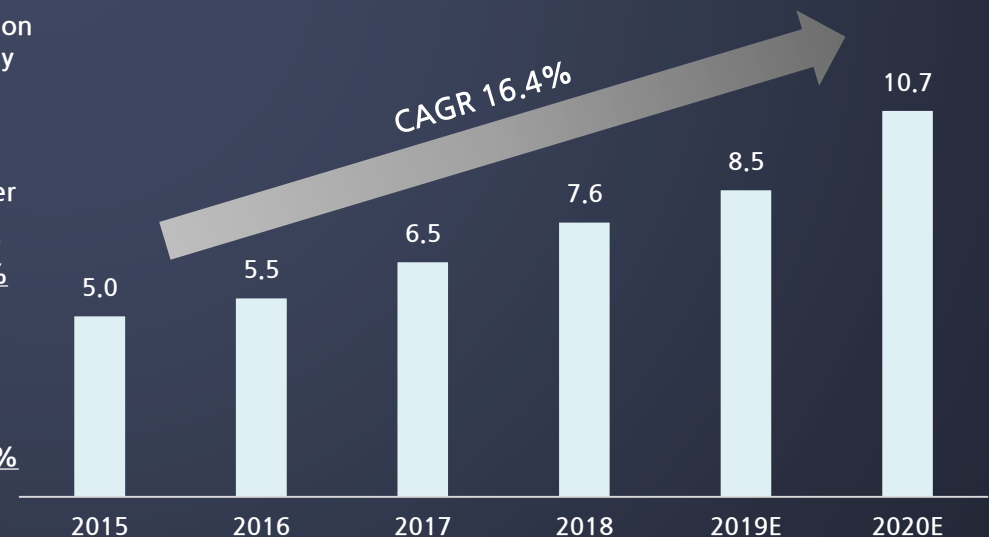


SEI = Total subscription business sales of companies (SaaS/IoT/Media)

Source : ZUORA

Korea Consumer/Household Rental Market Size

(Unit: Trillion won)



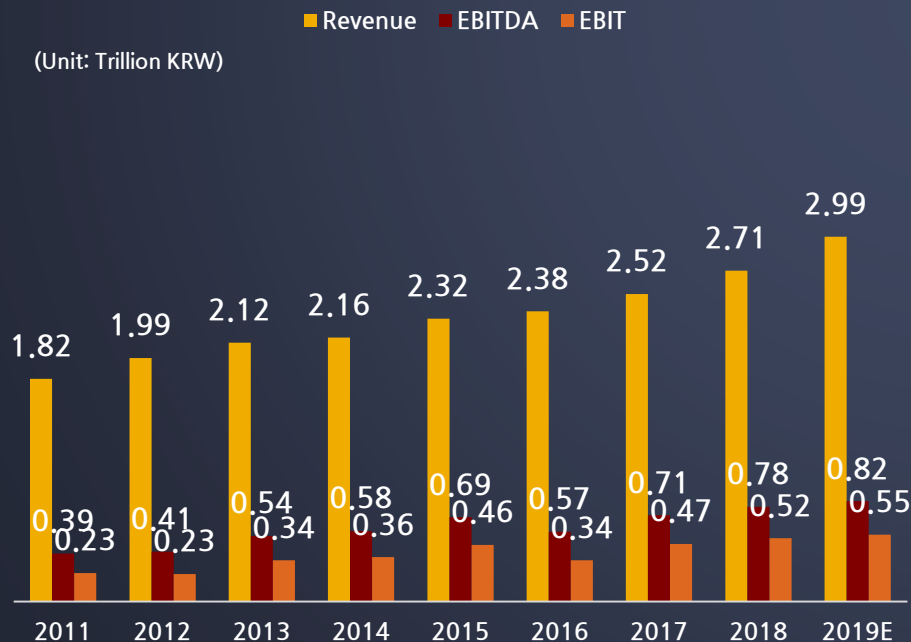
Source : Korea Development Institute

Growth of Coway

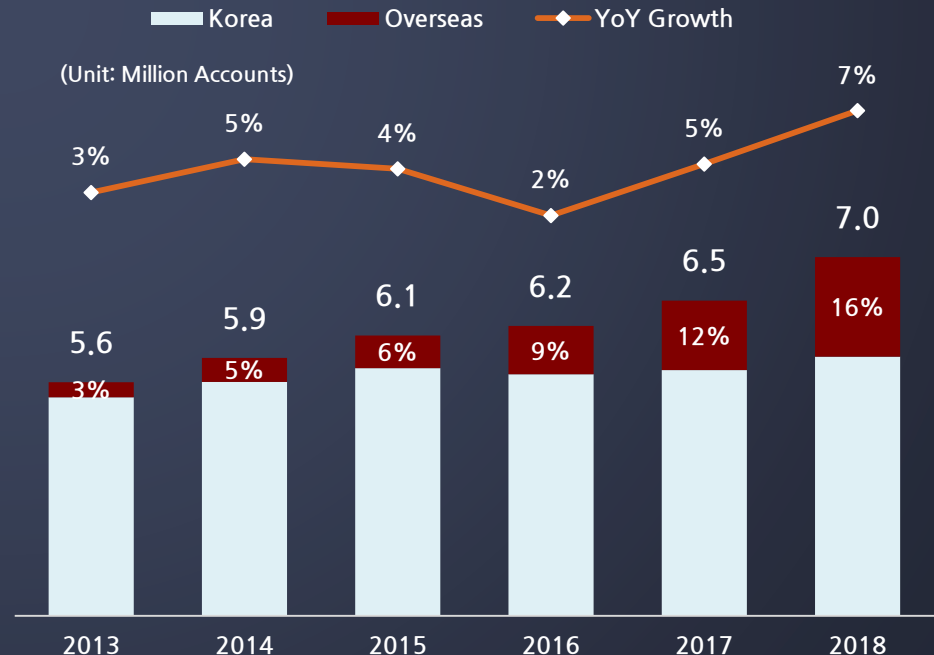
Coway has shown steady growth with revenue of ₩ 2.7 TN and EBIT of ₩ 0.52 TN in 2018
The number of gross accounts also has shown stable growth with 7 MN (Korea 5.9 MN and Overseas 1.1 MN) accounts in 2018

Coway is expected to show rapid growth in SEA and the US markets

Financial Performance



Number of Gross Accounts



What is Subscription Economy?

Subscription and Sharing Economy has risen as new business models as a result of paradigm shift called 'The Age of Access' in the 4th Industrial Revolution

People have shown increasing interests in subscription economy as it can generate stable cash flow without conflicts with existing ecosystem

'The Age of Access'

Sharing Economy



People share products and services
The key goal is to improve efficiency of resources

Trend
shift

Subscription Economy



People sign up membership service to use products and services
The key goal is to provide customized experience

Potential of Product Subscription Economy

‘Product Subscription Economy’ is expected to rapidly rise after ‘Contents Subscription’
While rental model was slow in innovation, it has growth potential based on integration with IT components

‘Content’

Netflix Model

NETFLIX



prime video

Provide infinite access to contents with monthly subscription

‘Product’

Membership Model



STITCH FIX

Deliver curated products with monthly subscription

Rental Model

coway

Provide door-to-door service with monthly subscription

Synergy between Subscription Economy and IT

Product subscription economy model was not globally adopted due to difficulty of providing services to wide region

However, Product Subscription started to rise as mainstream with recent development of AI/Cloud technology and logistics innovation

Coway also partnered with Amazon DRS to expand its business in the NA market

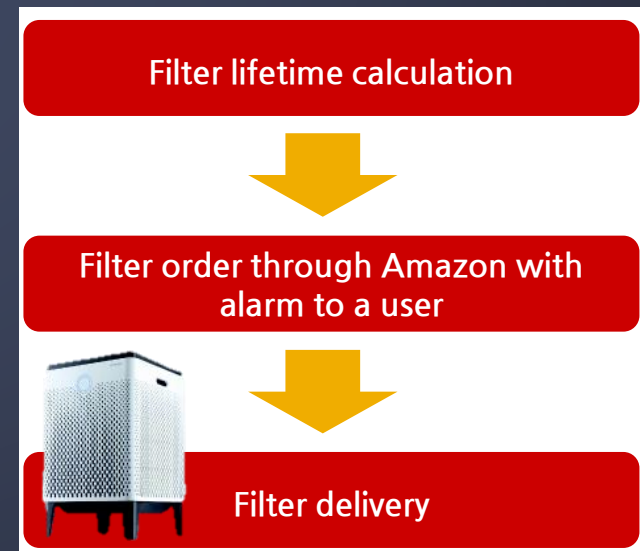
Coway Air-purifier 'Air Mega'



One of top sellers among Amazon's air purifiers

Expanding product category including water purifier and bidet

IoT functions of 'Air Mega'



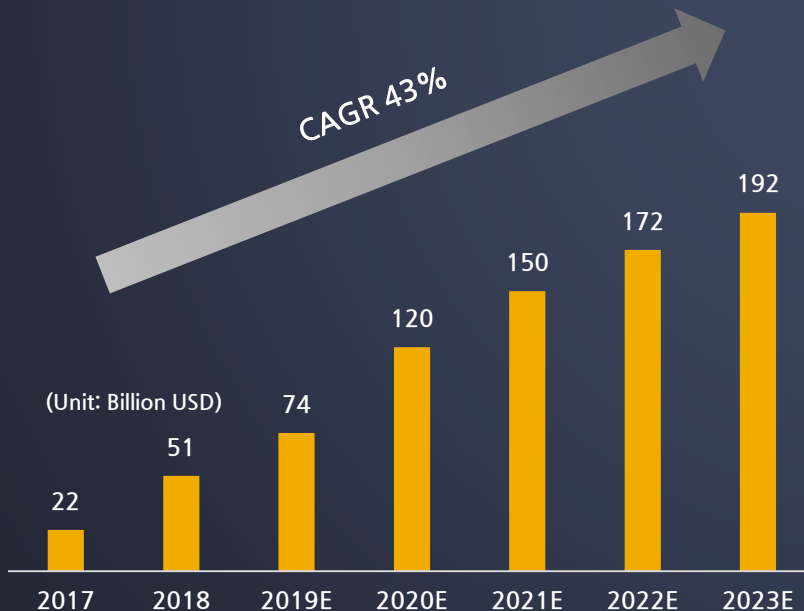
Smart Home Market Forecast

Smart Home is intelligent service based on appliances connected to network with IoT

Global Smart Home market is forecast to witness a 6-yr CAGR of 43% to \$ 192 BN in 2023

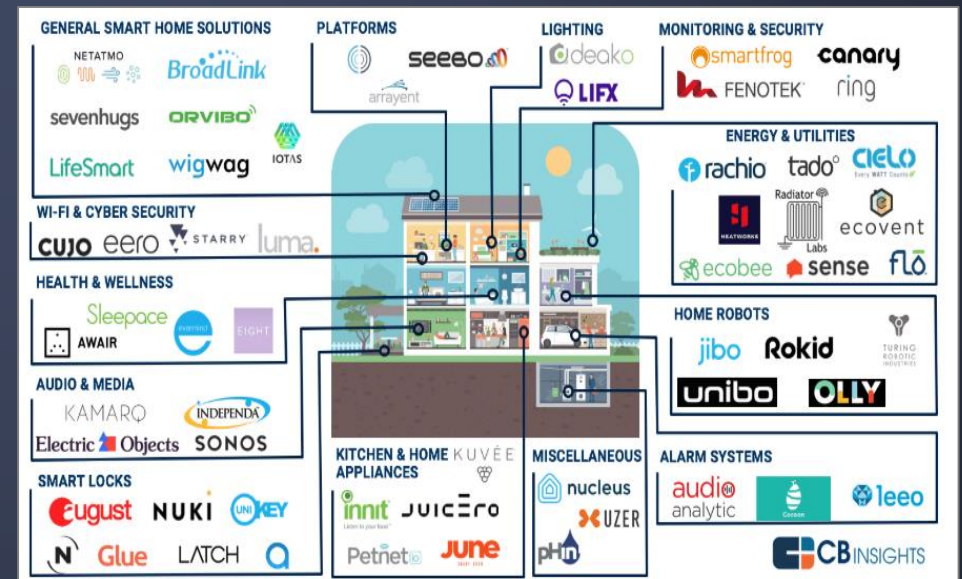
Coway has advantages in transforming to global Smart Home business

Global Smart Home Market Size



Source : IHS Markit

Startups in Smart Home Market



Source : CB INSIGHTS

Active M&A Trends

Amazon and Google have competitively acquired Smart Home companies

Google acquired NEST for \$ 3 BN and Amazon acquired RING for \$ 1 BN

They aim to provide the best service by collecting and analyzing data from various IoT-based devices in households

NEST by Google



Google acquired NEST for \$ 3 BN

NEST offers customized A/C and heating system based on machine-learning analysis of data collected from motion, moisture, temperature sensors

RING by Amazon

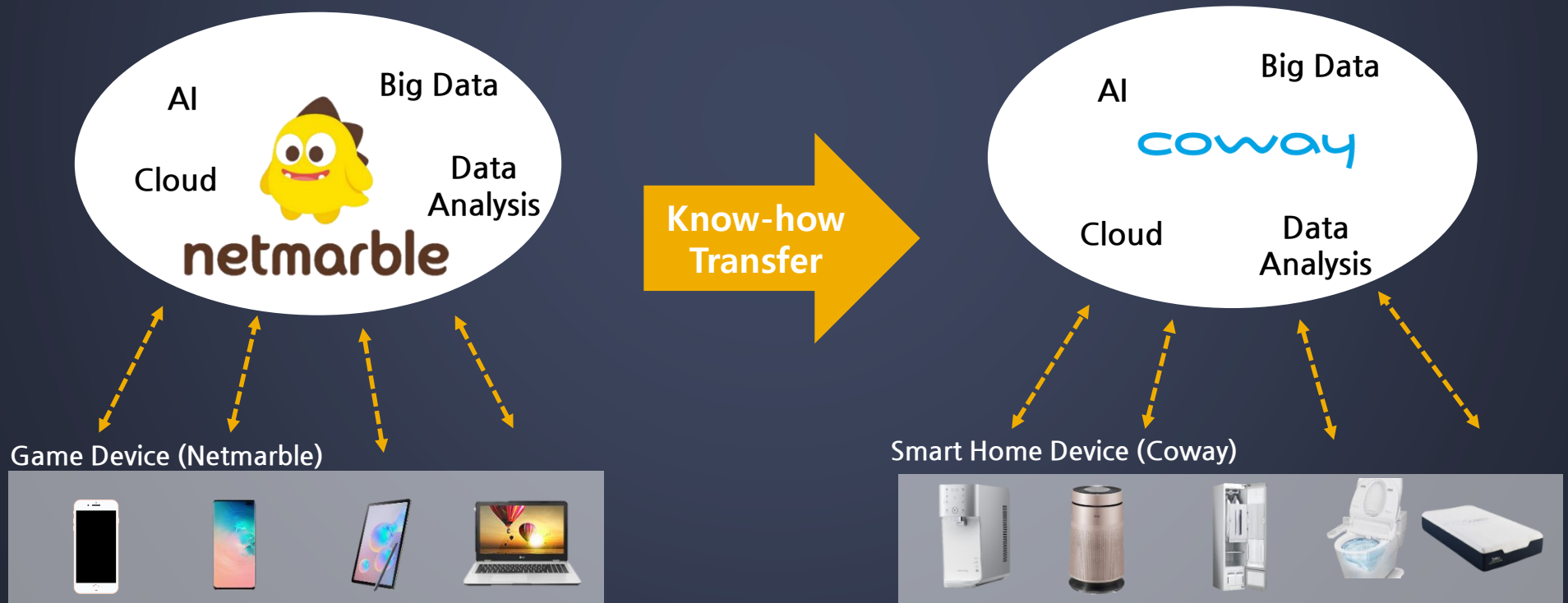


Amazon acquired RING for \$ 1 BN

RING helps a user to monitor a visitor through its doorbell camera

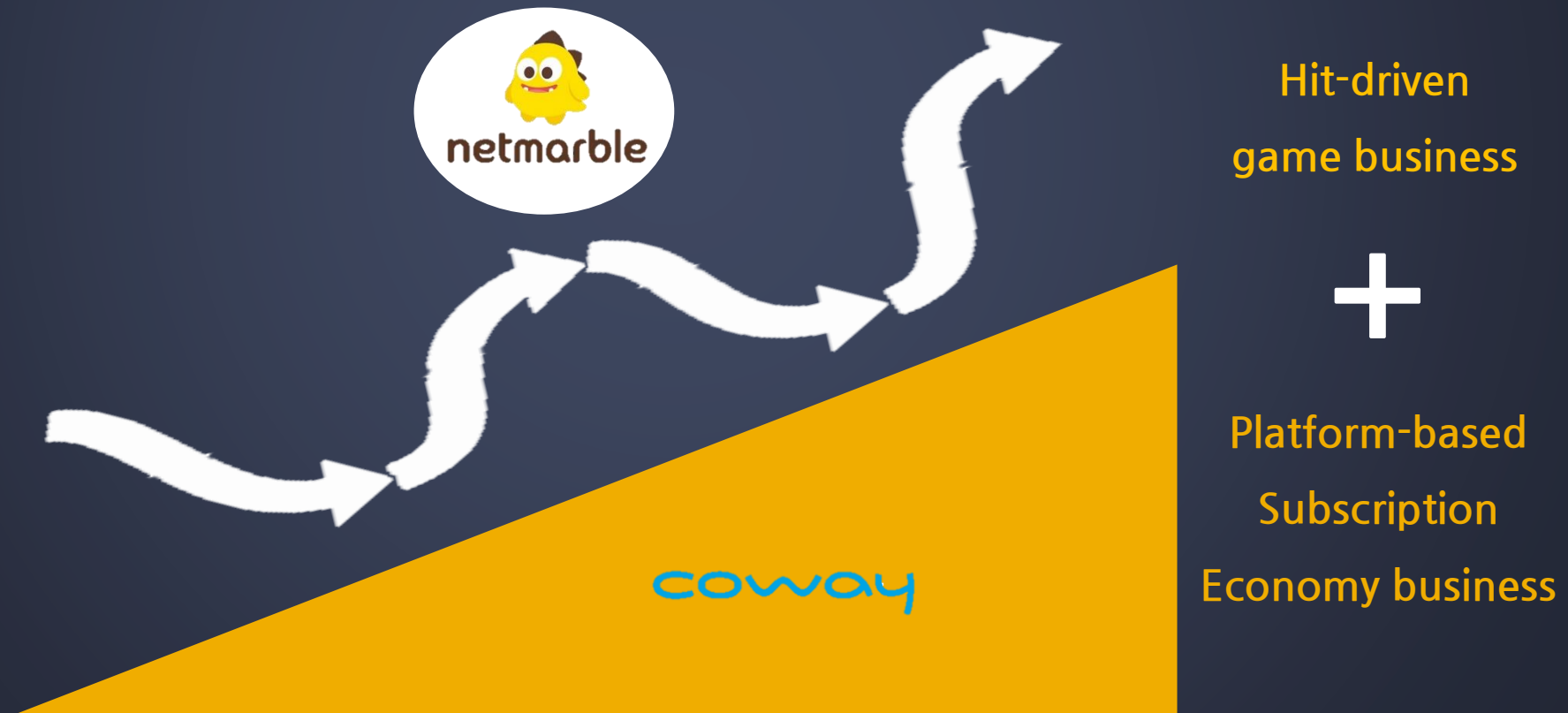
Synergy with Netmarble

The goal is to implement to all devices of Coway the know-how of user big data analysis and operation which Netmarble has accumulated via game business



Secure a Stable Revenue Business

With the acquisition of a growing platform-based, subscription-economy company, Netmarble's operational stability is expected to be further strengthened



Thank you.