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**800-0110**



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CUBEWEALTH

# COUPANG INC. EQUITY REPORT

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AUGUST 9TH, 2021

# COUPANG

BY THE NUMBERS

TICKER: CPNG

PRICE: \$38.80



Coupang, Inc. (CPNG) owns and operates an e-commerce business through its mobile applications and Internet websites primarily in South Korea.

It sells various products and services in the categories of home goods, apparel, beauty products, fresh food and groceries, sporting goods, electronics, and everyday consumables, as well as travel, and restaurant order and delivery services.

The company was founded in 2010 and is based in Seoul, South Korea. The stock's IPO reference price was \$35.

**N/A**

**DIVIDEND  
YIELD**

**+11%**

**IPO  
RETURN**

**\$66B**

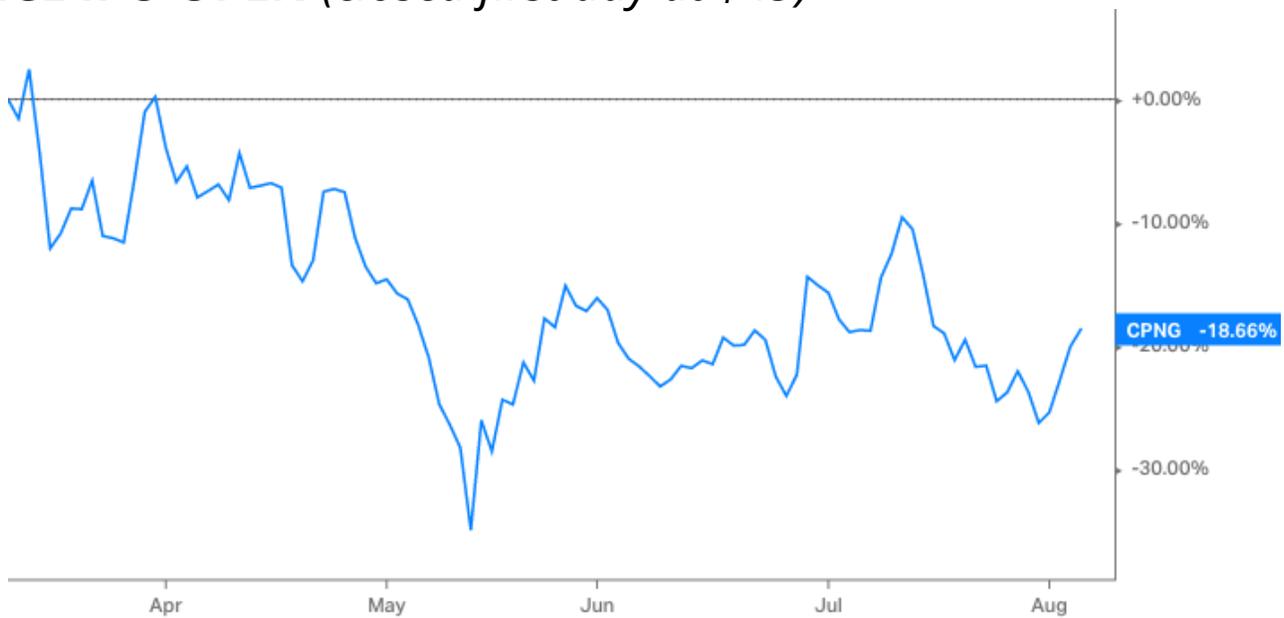
**MARKET  
CAP**



**CPNG**

# SHARE PRICE PERFORMANCE

**SINCE IPO OPEN** (closed first day at \$49)



**LAST MONTH**



# ANALYSIS

What started out as the Groupon of South Korea is now looked at as the Amazon of South Korea. To give a quick history on the company, Coupang was founded in 2010, raised \$300 million in 2014, largely from U.S. investors, followed by \$3 billion in 2015 and 2018 from SoftBank. In fact, Softbank is currently the largest stakeholder in CPNG owning 35% of the company.

Fast forward 11 years from starting the company, Coupang has over 16M active customers out of the possible 48M internet buyers in South Korea and employs 50,000 people across 100 fulfillment and logistics centers in over 30 cities, encompassing over 25 million square feet.

What separates Coupang from its peers and other ecommerce companies is their service - specifically their speed of delivery and overall logistics management.

The company says that 99.3% of its orders are delivered within 24 hours of purchase. In 2019, the company introduced Dawn Delivery, where customers who order before midnight would be guaranteed a delivery by 7 a.m. that morning - a task peers have been unable to match.

How are they able to do this? CPNG has invested heavily in their fulfillment centers and, as a result, 70% of the population lives within 7 miles of one. To top it off, the company has over 15,000 directly employed drivers working 365 days a year - over 65 days more than any other major third-party logistics company in Korea.

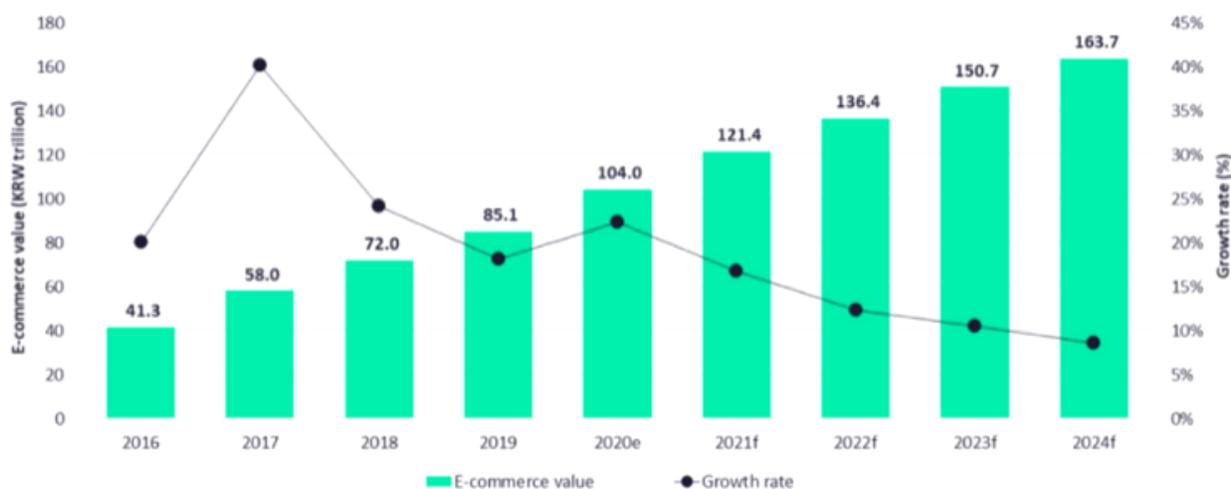
## Market Statistics

For now, Coupang only operates in South Korea. So just how big is this market? South Korea's e-commerce market has an estimated value of \$90.1B in 2020 with an annual growth rate of 22.3%, according to data analytics firm GlobalData. That is expected to grow at a compounded annual rate of 12% to reach \$141.8B in 2024.



### South Korea: E-commerce Value (KRW trillion)

2016-24f



Note: "e" refers "estimated", whereas "f" refers "forecast"



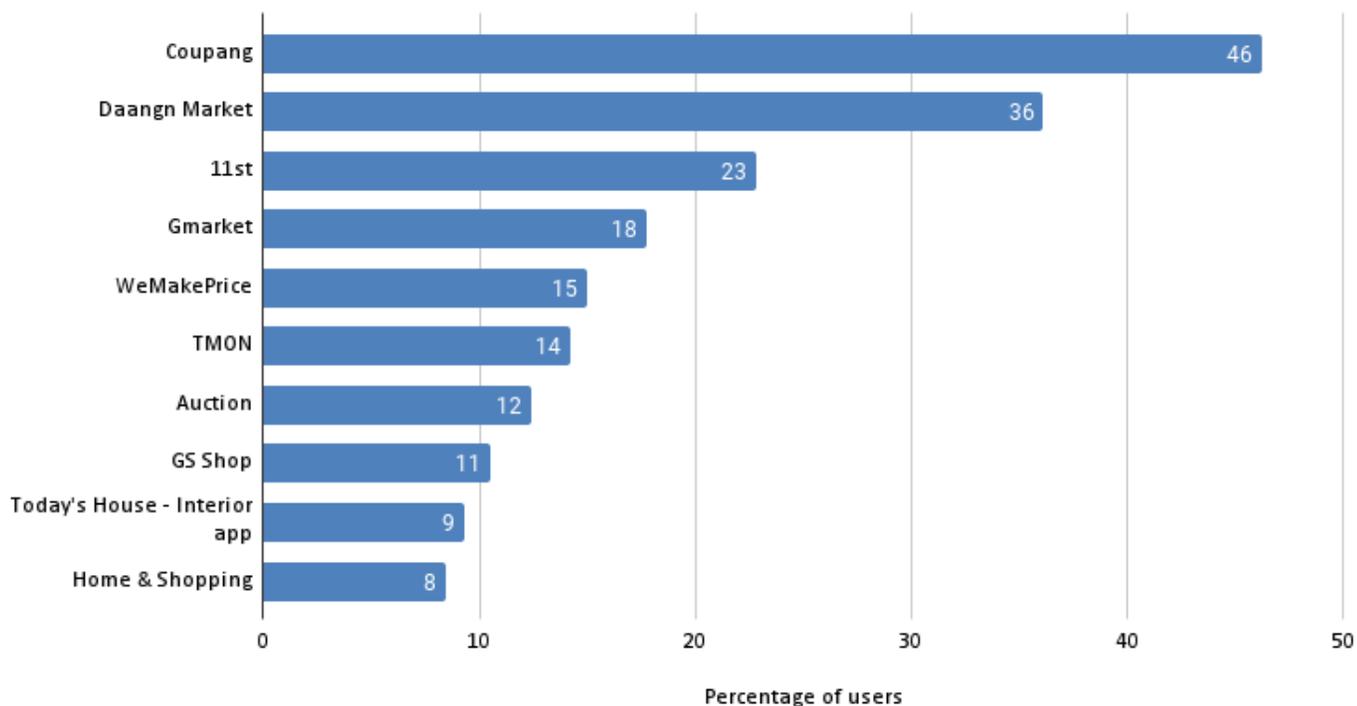
Global Banking and Payments Intelligence Center. [www.globaldata.com](http://www.globaldata.com)

South Korea is the sixth largest market for eCommerce, placing it ahead of France and behind Germany.

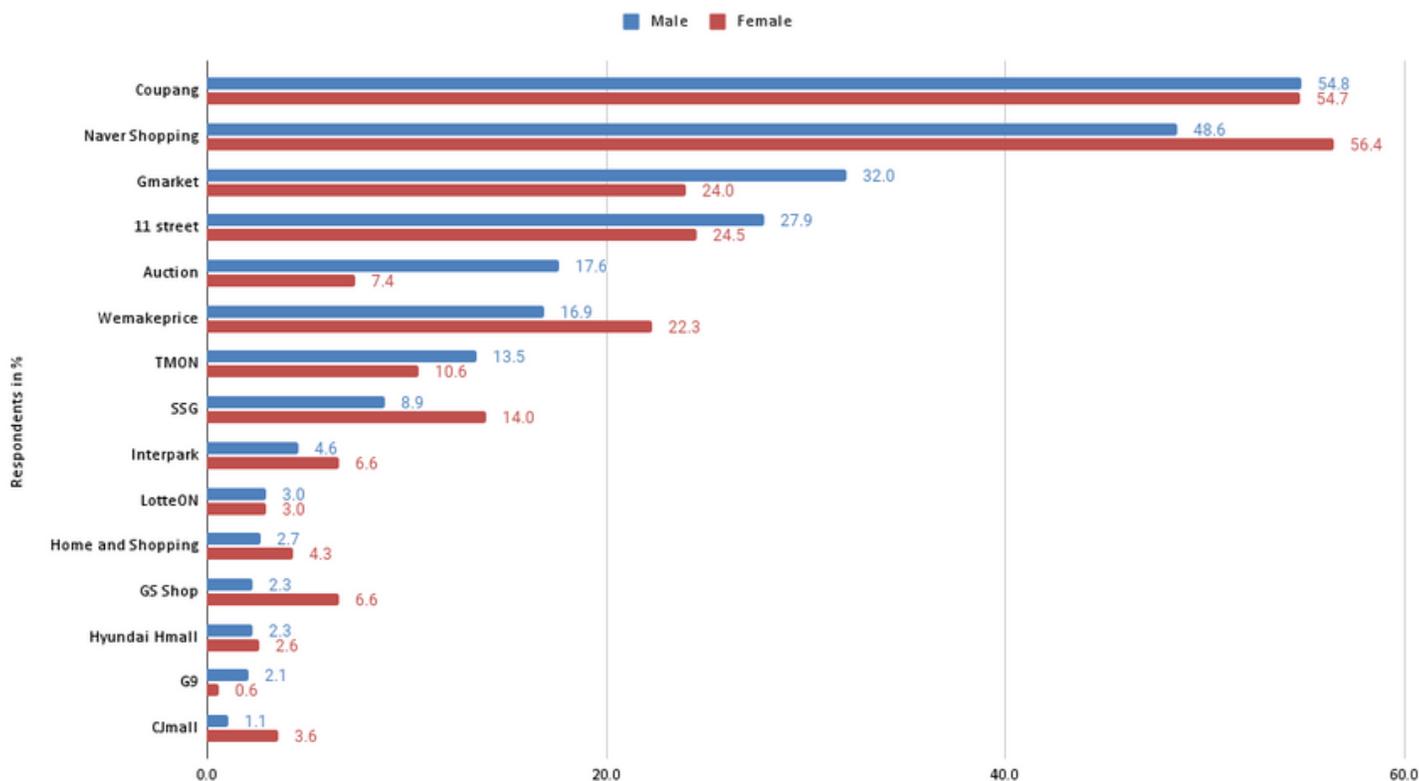
More facts on South Korea:

- It is approximately 1% of the size of the United States geographically and over 60% of the land is mountainous
- 80% of Koreans live in cities
- 95% smart phone penetration rate vs. 80% in USA
- 94.9% have a bank account in-line with USA
- 63.7% have a credit card vs. 70% in USA

## E-commerce applications with the highest reach on Android in South Korea as of March 2021



## Most popular mobile shopping apps among mobile shoppers in South Korea in 2020, by gender



Coupang is not only the largest ecommerce player in South Korea but they are also the only e-commerce company that showed a sizeable gain in market share last year as their wallet size rose from 18.1% in 2019 to about 24.6% in 2020 due to the pandemic. In other words, they stepped on the gas and expanded their lead vs. competition.

Analysts don't expect this to reverse either as Wall Street estimates Coupang will have 30% market share in South Korea by 2024.

As we look at the South Korean ecommerce market one last time, CUBE is amazed at the online purchase breakdown among different age groups.

While the percentages are high for each group due to Korea's smartphone adoption rates, the one to surprise CUBE the most is the fact that nearly 80% of Koreans between the age of 55-64 have made a purchase on the web in the last month.

Put simply, South Korea is arguably one of the most technologically advanced and digitally connected countries in the world.



## Service Offerings

As we'll see later on in the slides, Coupang trades at a much lower price to sales multiple than many of its ecommerce peers.

This is mainly due to the fact that Coupang, at this point in time, is purely an ecommerce company operating solely in one country.

As we'll see, this is beginning to change.

In 2019, the company added two additional offerings by launching online groceries as part of their owned-inventory selection with Rocket Fresh and also the largest online food delivery service in Korea via Coupang Eats.

- Rocket Fresh ensures vegetables, fruit, meat, dairy products and other fresh goods ordered before 10 a.m. are delivered the same day at around 6 p.m.
  - This service is available to Rocket Wow subscribers (think Amazon Prime) and covers more than 8,500 kinds of fresh food. The minimum order is 15,000 won (\$13 USD), the lowest among its rivals.
- Coupang Eats accounted for 17.1% of the food delivery market in January 2021, according to mobile application analysis platform Mobile Index, a nearly threefold jump from 5.66% in August last year.
  - The average number of daily users also rose from some 29,000 in January 2020 to some 460,000 in December 2020 during last year, jumping 15-fold over the period of one year.

In-line with their business, Coupang also delivers their products in a very unique way. The company does not use boxes often. They use "Fresh Bags" which are recyclable cooling bags that are picked up, washed and reused. Even 85% of all non-Fresh orders are delivered "boxless," eliminating the most wasteful packaging involved in eCommerce deliveries.

## Service Offerings

The company has also:

- Launched Coupang Pay in 2018 but has now made it a separate entity, still owned by Coupang, to further build out.
  - On April 1st, 2020: "Coupang Pay will not only offer a simple easy payment system, but also develop into a comprehensive fintech platform. We are planning to launch a new unique service that only Coupang Pay can provide," Senior Director Kyung said in a press release.
  - Had over 10M users in 2020
  - Company provided very little data on business in S1 filing
- In 2019, they launched the Rocket Wow membership program for a flat monthly fee. It began by offering unlimited free shipping with no minimum spend for the millions of products available on Rocket Delivery. Since launch, Rocket Wow membership has expanded to include Rocket Fresh and Rocket Dawn Delivery orders.
  - Rocket Wow members comprised of 32% of their 16M active customers
  - The frequency of purchases by Rocket Wow members was over four times that of active non-members
  - Monthly subscription costs ₩2,900, or just under \$2.50.
- In December, Coupang launched a video-streaming service called Coupang Play, the company's equivalent of Prime Video. The company has also honed in on plans to build out a livestream shopping business.
- In January, the company rolled out Coupang Logistics, which is bringing its vast fulfillment network in-house. While Coupang previously relied on a coalition of subcontractors to ship and deliver orders, it now handles the deliveries. And some reports have indicated that Coupang has ambitions to deliver for companies unaffiliated with the e-commerce giant, the way a traditional carrier would.
- Established their Coupang Media Group, an in-house advertising platform that mirrors Amazon's and Walmart's growing retail ads businesses.

## Service Offerings

All of these new ventures are generally pretty new and we feel the Street is discounting a majority of them. This is happening for two reasons in our view. For one, Coupang is not very transparent in these new business lines as very little was extracted from their SEC filings. For example, there is no mention in their filings how many Coupang Pay users they have, we are not told explicitly how many Rocket Wow subs they have, we don't know the revenue breakouts between their ecommerce business and a segment like Coupang Eats, etc.

The second reason this could all be discounted by the Street may be because they are waiting for these new ventures to hit the top and bottom line.

Aside from new ventures, Coupang has made it clear they are gearing up to hit new markets. The company has officially launched in Japan and Taiwan a couple of months ago. Sources say expansion into Malaysia is on Coupang's radar after Japan, Taiwan, and Singapore as well.

Upon further research, it also seems Coupang is trying to slide its way into the Chinese market [as per this source we found](#).

As of late 2020, CPNG had 175 employees working in Shanghai, a dedicated website, and:

" According to KIPRIS by the South Korean Patent Office, Coupang registered and applied for its Chinese brand: Gou ban 购伴 via its legal agency Kim & Chang partners. The pronunciation is similar to the current brand, Coupang. Gou ban(购伴) means buying partner in Chinese.

From the meaning of the brand trademark for Chinese, we could infer that Coupang is pursuing a business model like Amazon Global Selling and Partner acquisition. "

## Additional Commentary

As will be covered in the later sections, the biggest caveat with Coupang is without a doubt their gross margins at 16%. The stock hasn't done all that well out of the gate with the IPO and has also been lagging peers that have been running extremely hot since Coupang became public in March.

In our view, this is because Coupang is purely an ecommerce play operating solely in one market and has inferior margins when compared to all of its peers whether that be Alibaba, Amazon, Sea, Ebay, MercadoLibre, and so on.

Amazon has AWS to cushion margins, Alibaba has Alibaba Cloud to do the same, Sea Limited has Garena, and MercadoLibre has a strong fintech business.

What does Coupang have? At this moment, nothing worth noting. They have been hyper focused on being the best ecommerce company in South Korea and, to their credit, have succeeded greatly. But with 16% gross margins, the Street wants to see the company expand into business lines that will pave a more clear road to free cash flow.

As mentioned, we are starting to see the company work towards this and we believe this is the lowest we are going to see Coupang's gross margins. We think it's up from here as the company not only scales their business better (used to have 7.7% gross margins in 2016) but because their ads and fintech business will also start to help.

With over 16M active users, we also see the path to offering more services to their customers as natural and seamless. They have already shown they can do it with Coupang Eats and getting them to subscribe to the Rocket Wow membership. It shouldn't be difficult for them to find additional ways to monetize current and new customers considering how reliable and dependent they've shown they can be.

# CUBE'S TOP PROS



REVENUE  
GROWTH AND  
MARKET SHARE



EXPANDING  
SERVICES AND  
MARKETS



UNIQUE SERVICE  
AND QUALITY

# CUBE'S TOP CONS



CURRENT REVS  
PRIMARILY FROM  
ONE MARKET AND  
ONE SERVICE



TOUGH  
COMPETITION



WEAK GROSS  
MARGINS

# FINANCIAL STATEMENTS

## BALANCE SHEET

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents.....	\$ 4,332,799	\$ 1,251,455
Restricted cash.....	196,097	144,949
Accounts receivable, net.....	81,423	71,257
Inventories.....	1,306,958	1,161,205
Other current assets.....	239,132	211,848
Total current assets.....	6,156,409	2,840,714
Long-term restricted cash.....	4,802	4,898
Property and equipment, net.....	1,070,528	1,017,947
Operating lease right-of-use assets.....	1,129,538	1,011,255
Goodwill.....	4,077	4,247
Long-term lease deposits and other.....	231,204	188,271
Total assets.....	<u>\$ 8,596,558</u>	<u>\$ 5,067,332</u>
<b>Liabilities, redeemable convertible preferred units and stockholders'/members' equity (deficit)</b>		
Current liabilities:		
Accounts payable.....	\$ 2,964,877	\$ 2,907,918
Accrued expenses.....	134,857	115,606
Deferred revenue.....	64,269	65,259
Short-term borrowings.....	154,218	156,678
Current portion of long-term debt.....	171,261	67,576
Current portion of long-term operating lease obligations.....	216,656	207,196
Other current liabilities.....	211,028	212,477
Total current liabilities.....	3,917,166	3,732,710
Long-term debt.....	273,800	353,342
Long-term operating lease obligations.....	981,063	859,477
Convertible notes.....	—	589,851
Defined severance benefits and other.....	149,404	135,203
Total liabilities.....	5,321,433	5,670,583
<b>Commitments and contingencies</b>		
Redeemable convertible preferred units no par value; no units authorized, issued or outstanding, and no liquidation preference as of March 31, 2021; 1,448,632,049 units authorized, 1,372,898,443 units issued, 1,329,464,982 units outstanding, and aggregate liquidation preference of \$3,584,028 as of December 31, 2020.....	—	3,465,611
<b>Stockholders'/members' equity (deficit)</b>		
Common units no par value; no units authorized, issued or outstanding as of March 31, 2021; 264,166,544 units authorized, 114,566,705 units issued, and 105,822,205 units outstanding as of December 31, 2020.....	—	45,122
Class A common stock, \$0.0001 par value, 10,000,000,000 shares authorized and 1,557,739,938 shares issued and outstanding as of March 31, 2021; Class B common stock, \$0.0001 par value, 250,000,000 shares authorized and 174,802,990 shares issued and outstanding as of March 31, 2021; no shares of Class A and Class B common stock authorized, issued and outstanding as of December 31, 2020.....	173	—
Additional paid-in capital.....	7,693,115	25,036
Accumulated other comprehensive loss.....	(15,203)	(31,093)
Accumulated deficit.....	(4,402,960)	(4,107,927)
Total stockholders'/members' equity (deficit).....	3,275,125	(4,068,862)
Total liabilities, redeemable convertible preferred units and stockholders'/members' equity (deficit).....	<u>\$ 8,596,558</u>	<u>\$ 5,067,332</u>

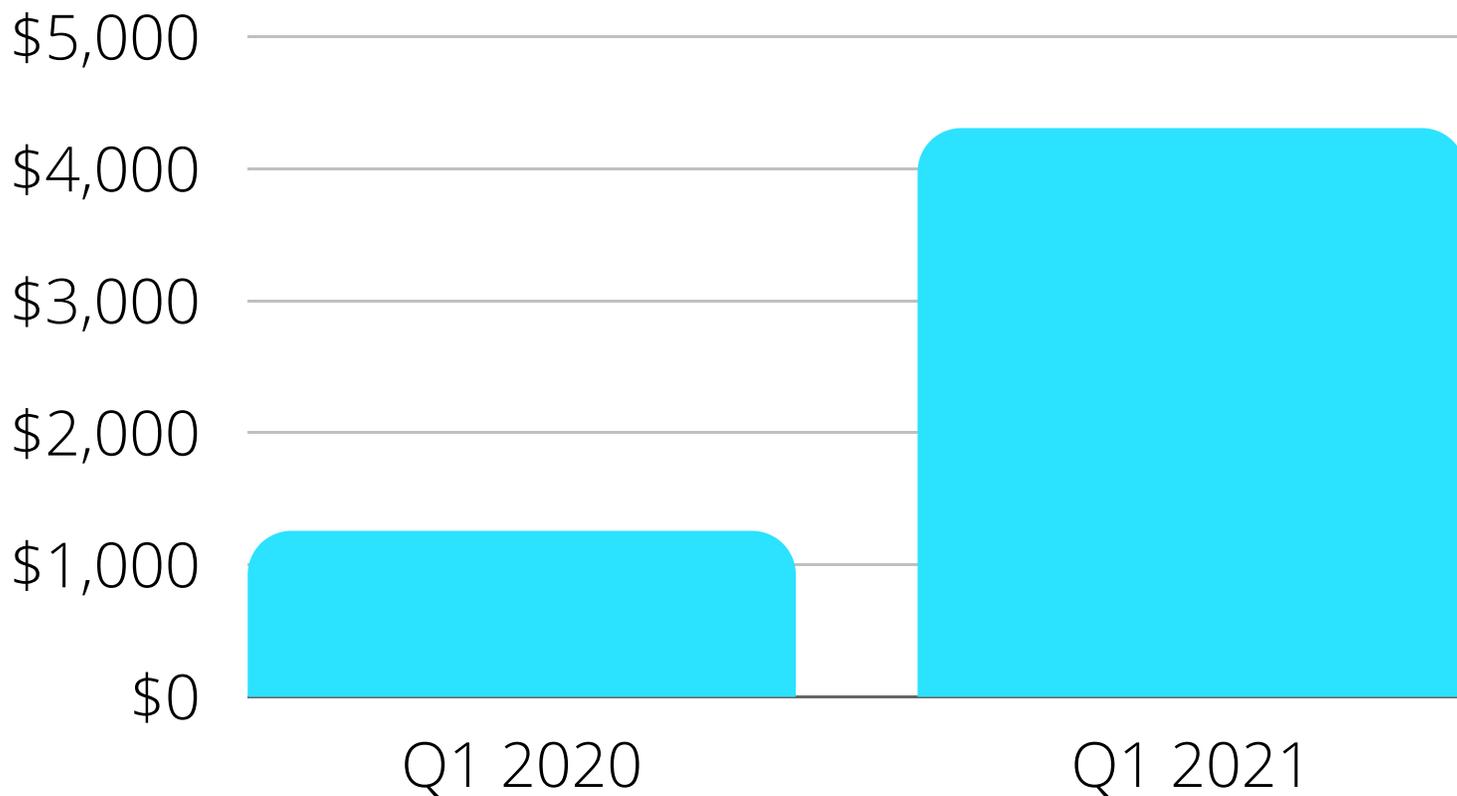
Looking at Coupang's balance sheet. It is very solid. The company is sitting on over \$4.3B in cash & cash equivalents, up from \$1.25B a year ago. The company raised \$3.4B from the IPO.

Accounts receivable, even with the massive growth in revenues, have not budged much and remain healthy thus showing the company is having no problems collecting revenues.

Goodwill, a figure we look at to make sure companies aren't padding their assets, remains extremely low at \$4M.

As we look at liabilities, the company doesn't have any issues with liquidity or leverage. Debt, both short and long term, stands around \$600M with additional operating lease obligations but nothing at all to worry about given their cash balance.

**Cash & Cash Equivalents  
(\$M)**



# FINANCIAL STATEMENTS

## INCOME STATEMENT

	Three Months Ended March 31,	
	2021	2020
Net retail sales .....	\$ 3,807,043	\$ 2,236,462
Net other revenue.....	399,817	176,797
<b>Total net revenues .....</b>	<b>4,206,860</b>	<b>2,413,259</b>
Cost of sales.....	3,474,354	1,982,964
Operating, general and administrative .....	999,822	503,932
<b>Total operating cost and expenses.....</b>	<b>4,474,176</b>	<b>2,486,896</b>
Operating loss .....	(267,316)	(73,637)
Interest income .....	940	5,163
Interest expense .....	(24,823)	(26,515)
Other expense, net .....	(3,826)	(10,241)
Loss before income taxes.....	(295,025)	(105,230)
Income tax expense.....	8	123
Net loss.....	(295,033)	(105,353)
Less: premium on repurchase of redeemable convertible preferred units.....	—	(34,871)
<b>Net loss attributable to Class A and Class B common stockholders .....</b>	<b>\$ (295,033)</b>	<b>\$ (140,224)</b>
Net loss attributable to Class A and Class B common stockholders per share, basic and diluted .....	\$ (0.68)	\$ (5.74)

	Three Months Ended March 31,		% Y/Y Change
	2021	2020	
(in thousands, except net revenues per Active Customer)			
Total net revenues.....	\$4,206,860	\$2,413,259	74%
Total net revenues growth, constant currency <sup>1</sup> .....			63%
Active Customers .....	16,037	13,278	21%
Total net revenues per Active Customer.....	\$262	\$182	44%
Gross profit <sup>2</sup> .....	\$732,506	\$430,295	70%
Net loss.....	(295,033)	(105,353)	180%
Adjusted EBITDA <sup>1</sup> .....	(132,966)	(41,845)	NM <sup>3</sup>

Coupang has been growing their business at a rapid pace and their latest quarter once again showed that.

- Total net revenues increased 74% Y/Y in Q1 2021 to \$4.2B
- Total active customers grew 21% Y/Y to 16M
- Total net revenues per Active Customer was up 44% to \$262
- Gross profit was \$733M in the first quarter, a 70% increase Y/Y
- Net losses came in at \$295M, up from \$105M Y/Y

If we look at the financials below, we get a better idea of how fast Coupang has been growing.

2016 revenues: \$1.67B

2017 revenues: \$2.40B

2018 revenues: \$4.05B

2019 revenues: \$6.27B

2020 revenues: \$11.9B

2021 expected revenues: \$19.1-19.5B

CAGR from 2016 to 2021 = 60%+

	Year Ended December 31,				
	2020	2019	2018	2017	2016
(in thousands, except per unit data)					
<b>Consolidated Statements of Operations Data:</b>					
Net retail sales	\$ 11,045,096	\$ 5,787,090	\$ 3,799,129	\$ 2,232,088	\$ 1,489,860
Net other revenue	922,243	486,173	254,460	171,539	184,693
Total net revenues <sup>(1)</sup>	11,967,339	6,273,263	4,053,589	2,403,627	1,674,553
Cost of sales	9,981,159	5,240,159	3,864,205	2,206,184	1,544,040
Operating, general and administrative	2,513,912	1,676,941	1,241,790	783,479	629,216
Total operating cost and expenses	12,495,071	6,917,100	5,105,995	2,989,663	2,173,256
Operating loss	(527,732)	(643,837)	(1,052,406)	(586,036)	(498,703)
Interest income	10,991	19,135	3,925	3,244	3,296
Interest expense	(107,762)	(96,907)	(70,949)	(14,052)	(2,090)
Other income (expense), net	149,900	22,569	24,177	(19,815)	3,140
Loss before income taxes	(474,603)	(699,040)	(1,095,253)	(616,659)	(494,357)
Income tax expense (benefit)	292	(241)	2,279	342	192
Net loss	\$ (474,895)	\$ (698,799)	\$ (1,097,532)	\$ (617,001)	\$ (494,549)
Net loss attributable to common unitholders	\$ (567,629)	\$ (770,214)	\$ (1,097,532)	\$ (617,001)	\$ (494,549)
Net loss attributable to common unitholders per unit, basic and diluted	\$ (7.23)	\$ (11.14)	\$ (16.60)	\$ (10.87)	\$ (11.24)
Weighted average number of common units outstanding used in computing per unit amounts, basic and diluted	78,543	69,125	66,117	56,780	43,994
Pro forma net loss attributable to common stockholders per share, basic and diluted <sup>(2)</sup>	\$ (0.37)				
Pro forma weighted average number of shares of common stock outstanding used in computing per share amounts, basic and diluted	1,599,739				
<b>Consolidated Statements of Cash Flows Data:</b>					
Net cash provided by (used in) operating activities	\$ 301,554	\$ (311,843)	\$ (694,465)	\$ (404,690)	\$ (419,968)

# FINANCIAL STATEMENTS

## CASH FLOW

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
Net loss .....	\$ (295,033)	\$ (105,353)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization.....	47,384	25,412
Provision for severance benefits.....	32,272	14,782
Equity-based compensation.....	86,966	6,380
Paid-in-kind interest and accretion of discount on convertible notes.....	20,148	20,686
Revaluation of derivative instrument.....	—	17,890
Non-cash operating lease expense.....	57,318	27,379
Non-cash others.....	15,153	9,545
Change in operating assets and liabilities:		
Accounts receivable, net.....	(14,076)	(14,181)
Inventories.....	(209,443)	(9,075)
Other assets.....	(72,439)	(58,738)
Accounts payable.....	166,536	353,278
Accrued expenses.....	22,737	(18,328)
Deferred revenue.....	1,603	31,246
Other liabilities.....	(42,475)	13,797
Net cash (used in) provided by operating activities.....	<u>(183,349)</u>	<u>314,720</u>
<b>Investing activities:</b>		
Purchases of property and equipment.....	(146,831)	(68,105)
Proceeds from sale of property and equipment.....	30	45
Other investing activities.....	(3,681)	3,854
Net cash used in investing activities.....	<u>(150,482)</u>	<u>(64,206)</u>
<b>Financing activities:</b>		
Proceeds from issuance of Class A common stock upon initial public offering, net of underwriting discounts.....	3,431,277	—
Deferred offering costs paid.....	(11,618)	—
Repurchase of common units and preferred units.....	—	(38,174)
Proceeds from issuance of common stock/units, equity-based compensation plan.....	43,735	5,193
Proceeds from short-term borrowings and long-term debt.....	56,464	152,330
Repayment of short-term borrowings and long-term debt.....	(13,687)	(4,637)
Other financing activities.....	(487)	(433)
Net cash provided by financing activities.....	<u>3,505,684</u>	<u>114,279</u>
Effect of exchange rate changes on cash and cash equivalents, and restricted cash.....	(39,457)	(55,752)
Net increase in cash and cash equivalents, and restricted cash.....	3,132,396	309,041
Cash and cash equivalents, and restricted cash at beginning of the year.....	1,401,302	1,371,535
Cash and cash equivalents, and restricted cash at end of the year.....	<u>\$ 4,533,698</u>	<u>\$ 1,680,576</u>

Net cash used in operating activities was -\$183M for the three months ended March 31, 2021, representing a change of nearly -\$500M, compared to \$315 million of net cash from operations for the three months ended March 31, 2020. The Y/Y change in operating cash flow was primarily driven by a -\$446M reduction in cash flows due to changes in operating assets and liabilities, mainly from -\$200M of increased investments in inventory to support higher sales volume and to expand available selection for customers and a -\$187M negative impact from timing of payments on accounts payable.

When deducting the \$146M in purchases of property and equipment, Coupang saw a free cash flow burn of \$330M in Q1. This pushes total cash burn over the last twelve months to \$759M.

As already mentioned, the company has been investing aggressively in building out their logistics centers to become the fastest door-to-door ecommerce company in the world.

With \$3.4B raised in their IPO, we do not expect CPNG to raise cash for at least 6-8 months. Their debts are well in order so they could opt for convertible debt if they'd like under decent terms but it remains to be seen.

Either way, whether debt or equity, we expect the company to raise capital to expand their offerings in new countries and businesses sometime in late 2022 / early 2023.

	Three Months Ended March 31,		Trailing Twelve Months Ended March 31,	
	2021	2020	2021	2020
	(in thousands)			
Net cash (used in) provided by operating activities	\$ (183,349)	\$ 314,720	\$ (196,515)	\$ 179,364
Adjustments:				
Purchases of property and equipment	(146,831)	(68,105)	(563,356)	(258,673)
Proceeds from sale of property and equipment	30	45	492	3,588
Free cash flow	\$ (330,150)	\$ 246,660	\$ (759,379)	\$ (75,721)
Net cash used in investing activities	\$ (150,482)	\$ (64,206)	\$ (606,930)	\$ (255,184)
Net cash provided by financing activities	\$ 3,505,684	\$ 114,279	\$ 3,569,907	\$ 832,157

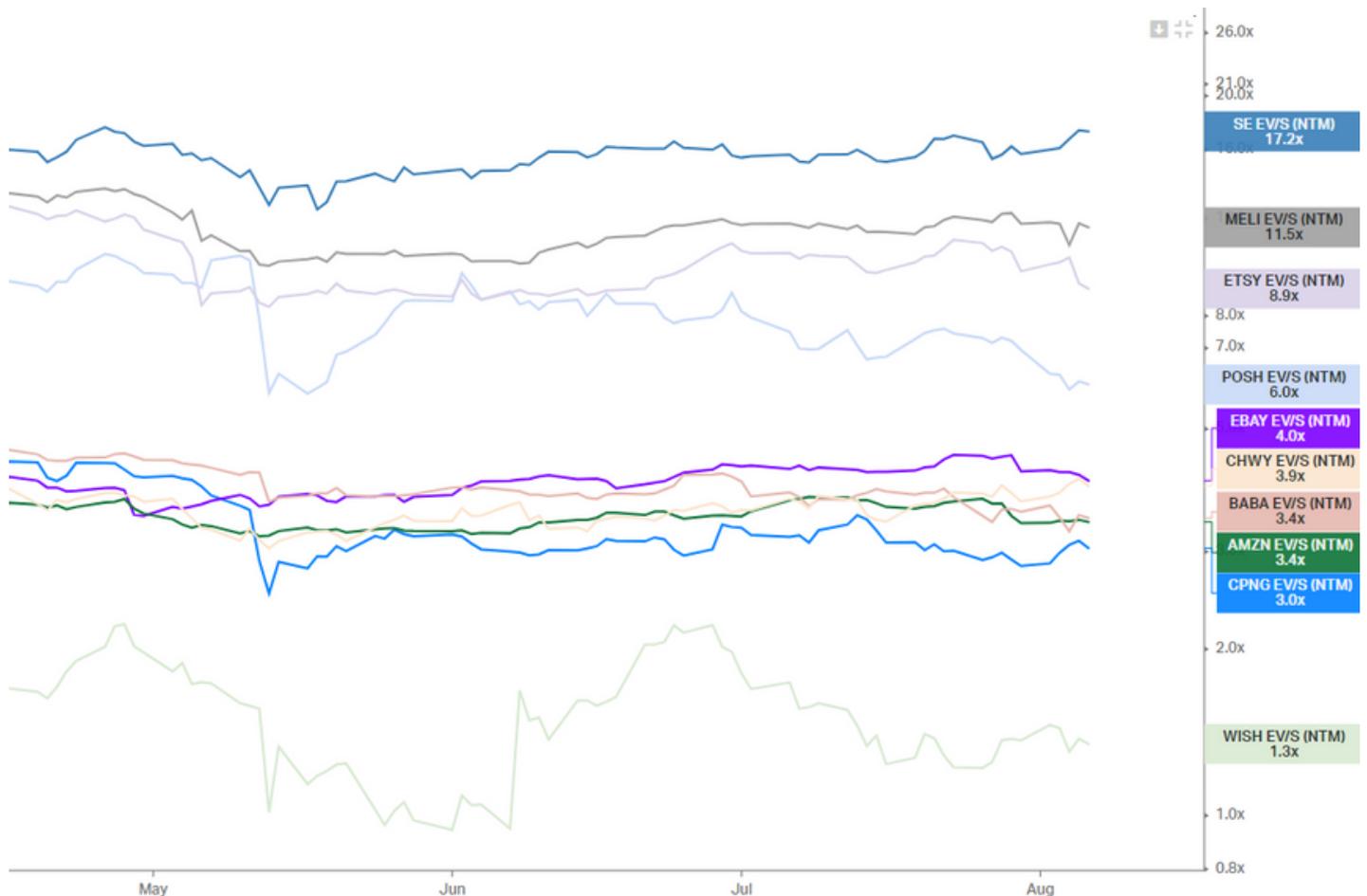


# CPNG FUNDAMENTALS

We are going to compare Coupang (CPNG) to other ecommerce companies across the world such as Sea Limited (SE), MercadoLibre (MELI), Etsy (ETSY), Poshmark (POSH), Chewy (CHWY), Alibaba (BABA), Amazon (AMZN), and Wish (WISH).

On a price to sales standpoint looking out over the next twelve months, CPNG trades at the second cheapest at 3.0x. The only one lower is WISH at 1.3x while the established players like Amazon and Alibaba trade at 3.4x.

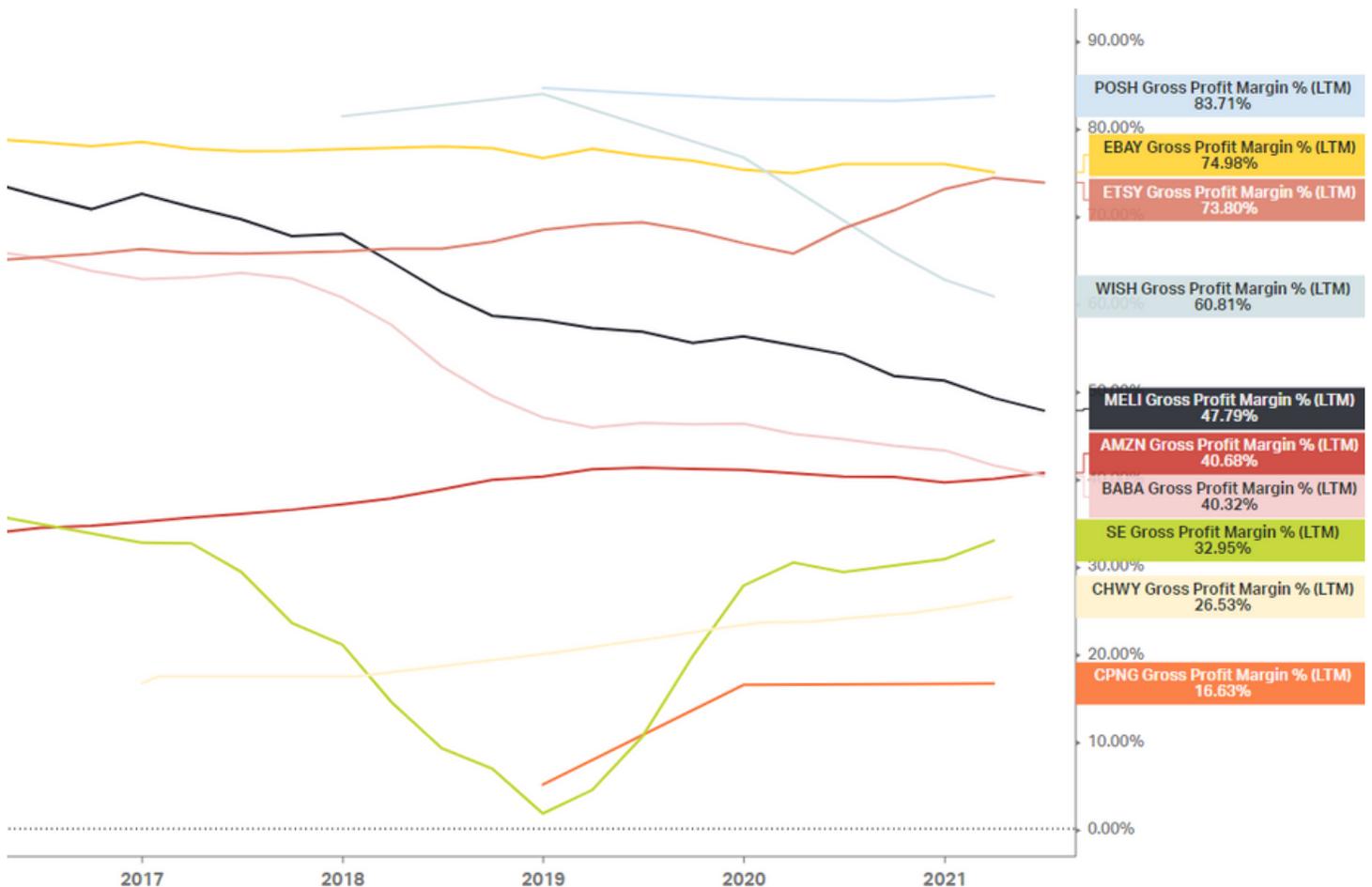
SE and MELI sit at the higher range and trade at 17.2x, and 11.5x, respectively.

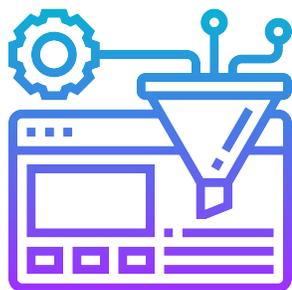




# CPNG FUNDAMENTALS

Much of the reason CPNG is trading at such a steep discount on a P/S ratio is because they have by far the lowest margins in the space. CPNG is only generating 16.6% gross margins while companies like EBAY and POSH are in the 73-84% range. Companies like Amazon, Alibaba, and MercadoLibre are seeing 40-48% gross margins. Chewy is the closest to Coupang but still generating 26.5% gross margins. Why is this? As we covered, CPNG does not have any alternative businesses to cushion their pure ecommerce margins.





# CPNG DCF MODEL

Attached in the email, as well as in the Vault, you will see the discounted cash flow model. Here are the following variables used:

- **Discount Rate:** 10.3%
- **Beta:** 1.50 (higher beta than peers because of concentration of revenue in one country with only one business line in pure ecommerce)
- **30 YR Treasury (Risk Free Rate):** 2.05%
- **Market Risk Premium:** 5.50%
- **Perpetual Growth Rate:** 5% +/- 0.50% (driven by growing ecommerce business in Asia)

## Growth Rates

- Analysts expect revenue growth for CPNG as such:
  - \$19.1B in 2021 (growth of 57.5% Y/Y) vs. CUBE's estimates for \$19.5B
  - \$27B in 2022 (growth of 41% Y/Y) vs. CUBE's estimates for \$27.88B
  - \$34.1B in 2023 (growth of 26.3% Y/Y) vs. CUBE's estimates for \$36.8B
- Reasoning for being more bullish than Wall Street
  - We expect CPNG's launch in Japan (\$150B ecomm market), Taiwan (\$39B ecomm market), Singapore, and Malaysia to begin moving needle by 2023 while also growing offerings in South Korea
  - Expect significant growth in ads business that will help add to free cash flow margin by 2025 in addition to Coupang Pay + expanding delivery network to other parties
  - Significant growth opportunities in grocery delivery business, especially in an aging demographic like Japan

## Free Cash Flow

- We do not expect Coupang to generate any cash flow until 2025. We believe the next 3-4 years will be capital intensive as the company spends heavily to enter new markets, establish logistics centers, and launch new products and services.
- We believe economies of scale will help margins but more so their ability to grow their ads and fintech business.
- We do not believe the company will achieve free cash flow margins greater than 10% due to percentage of revenues coming from low margin, pure ecommerce business.

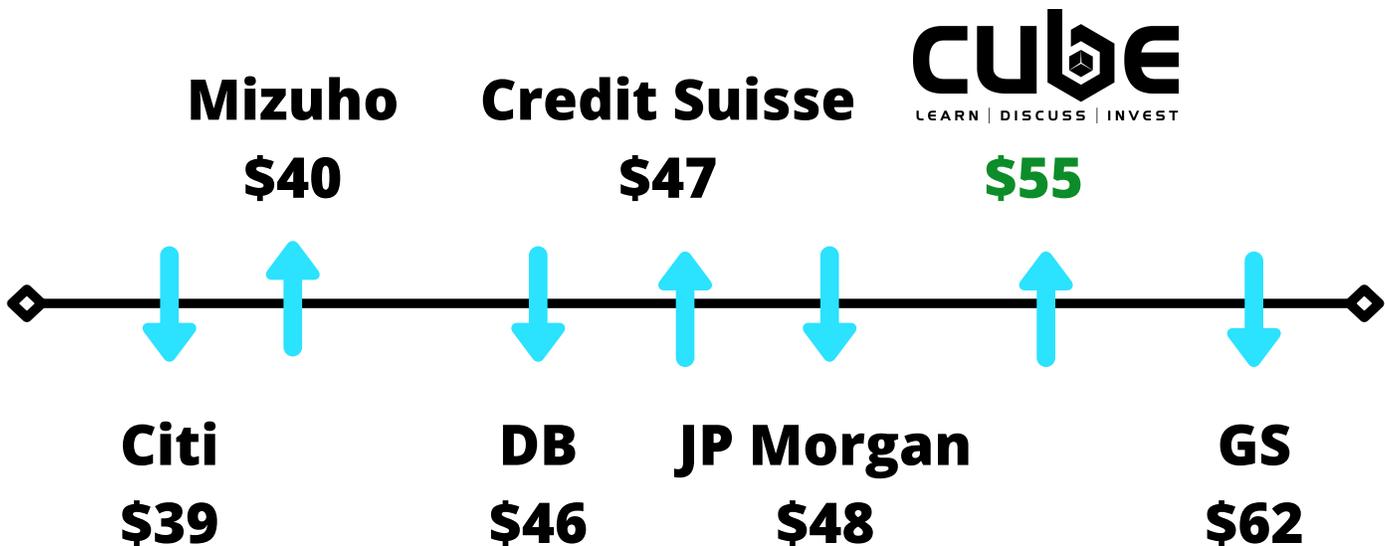


# CPNG DCF MODEL

- Current Price: \$38.80
- Market Cap: \$66B

CUBE Model:

- **Base Case Price Target: \$55 (+43% upside)**
- **Bull Case Price Target: \$70 (+81% upside)**
- **Bear Case Price Target: \$45 (+17% upside)**





# CPNG TECH ANALYSIS

CPNG Coupang Inc. NYSE

© StockCharts.com

6-Aug-2021

Open 39.70 High 40.38 Low 38.71 Close 38.80 Volume 3.8M Chg -1.26 (-3.15%)





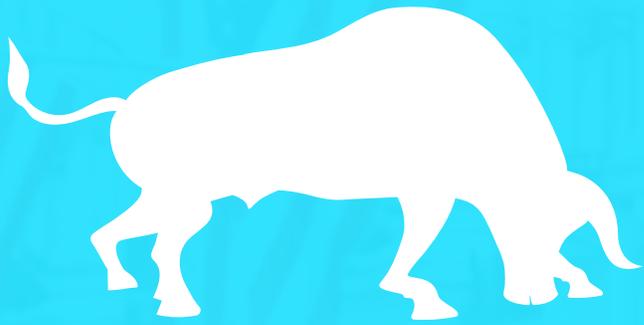
# TECHNICAL ANALYSIS SUMMARY

Looking at the charts, CPNG is signaling more downside after being denied by 3 major areas of resistance. This includes the 20 day moving average of \$39.48, the 50 day moving average of \$39.59, and the pivot point fibonacci level of \$39.36.

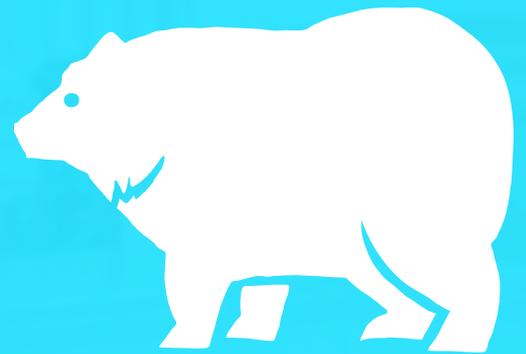
Unless CPNG gets back above these levels, we see shares sliding over the next several weeks to \$32.71 support at the S1 fibonacci level. In that zone we expect to see volume pick up heavy as it will be a strong area of support.



# BULLISH OR BEARISH?



VS.



*Ultra Bullish*



*Bullish*



*Neutral*



*Bearish*

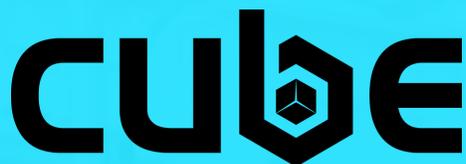


*Ultra Bearish*

**MORE BULLISH  
(POSITIVE)**



**MORE BEARISH  
(NEGATIVE)**



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# CPNG CONCLUSION

Overall, CUBE is giving Coupang a 4/5 rating and \$55 price target. Our price target is towards the higher range compared to Wall Street and this is because we expect growth to come in greater than the Street is expecting over the next several years.

We see this growth coming from multiple avenues. First, we believe the company will have success replicating their business model in other countries in the Asia region. Secondly, and perhaps more importantly, Coupang is starting to branch out and offer more services which are higher margin. This is what it all comes down to for Coupang. If they can continue to grow their revenue but also get their gross margins above 25% with help from economies of scale + higher portions of revenue from their ads, fintech businesses, etc. the company will undoubtedly unlock multiple expansion.

The fact that the company has grown revenues from \$1.7B in 2016 to over \$19B this year is remarkable and we believe they still have tons of room to grow. While Amazon has AWS to cushion margins and Sea Limited has Garena, we still think Coupang deserves to trade at a higher P/S ratio (3.0x) than EBAY and CHWY (4.0x).

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