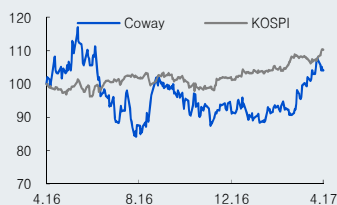


Consumer Services

Results Comment
May 2, 2017

(Upgrade)	Buy
Target Price (12M, W)	130,000
Share Price (04/28/17, W)	100,500
Expected Return	29%

OP (17F, Wbn)	485		
Consensus OP (17F, Wbn)	479		
EPS Growth (17F, %)	41.6		
Market EPS Growth (17F, %)	36.3		
P/E (17F, x)	22.4		
Market P/E (17F, x)	9.4		
KOSPI	2,205.44		
Market Cap (Wbn)	7,599		
Shares Outstanding (mn)	76		
Free Float (%)	64.7		
Foreign Ownership (%)	54.9		
Beta (12M)	1.02		
52-Week Low	81,300		
52-Week High	113,000		
(%)	1M	6M	12M
Absolute	8.6	8.9	4.0
Relative	6.6	-0.3	-5.6



Mirae Asset Daewoo Co., Ltd.

[Cosmetics/Household Goods/Duty Free]

Regina Hahm
+822-3774-1682
regina.hahm@miraeasset.com

Minkyung Kim
+822-3774-1732
minkyung.kim.a@miraeasset.com

Coway

(021240 KS)

Full normalization appears imminent

1Q17 review: Stronger-than-expected OP of W120.9bn (-2.2% YoY)

For 1Q17, Coway delivered preliminary consolidated revenue of W610.2bn (-2.2% YoY), operating profit of W120.9bn (-2.2% YoY), and OP margin of 19.8%. Revenue was broadly in line with our estimate (which was just 1% higher), but operating profit beat our projection and the consensus by 12%.

Revenue declined marginally QoQ, due to the impact of the discount promotions carried out in 4Q16, but operating profit grew faster than expected on robust sales of premium products and strong cost discipline. Despite the operating profit surprise, net profit came in below the consensus, hit by W16bn in F/X-translation losses on receivables at overseas subsidiaries.

Full normalization appears imminent

Key fundamental indicators (rental sales, churn rate, and asset disposal losses) have been improving rapidly since 4Q16. Despite the absence of sales promotions in the quarter, rental sales volume held steady YoY, at 350,000 units, suggesting underlying demand for the company's products and services has returned to normal. Churn rate remained higher than usual, at 1.2%, but we see rapid stabilization ahead, as the company continues to strengthen its management capabilities.

In all, we believe the latest results confirm that the company's brand image has emerged from the water purifier recall scandal largely unscathed, and increase our confidence in a full normalization in revenue and margins from 2Q17.

Upgrade to Buy and raise TP by 24% to W130,000

We previously maintained a cautious stance on the stock, based on our belief that the aggressive promotions implemented in late 2016 would lead to higher earnings volatility for several quarters. However, with the one-off recall having only a limited impact on the company's brand reputation and earnings likely to return to normal in 2Q17, we are upgrading our call on Coway to Buy from Trading Buy.

We are also raising our target price by 24% to W130,000 from W105,000. Our DCF-based valuation remains unchanged, but we changed the starting point of our estimates to 2017. We believe Coway deserves another look for its ability to continue steady long-term growth, regardless of the macro environment, on the back of continued product innovation and exceptional service quality.

FY (Dec.)	12/14	12/15	12/16	12/17F	12/18F	12/19F
Revenue (Wbn)	2,160	2,315	2,376	2,577	2,741	2,874
OP (Wbn)	364	463	339	485	516	548
OP margin (%)	16.9	20.0	14.3	18.8	18.8	19.1
NP (Wbn)	250	343	244	340	381	407
EPS (W)	3,237	4,449	3,167	4,484	5,034	5,390
ROE (%)	25.2	30.2	20.1	29.7	33.1	33.2
P/E (x)	26.0	18.9	27.9	22.4	20.0	18.6
P/B (x)	5.6	4.8	4.9	5.9	5.5	5.3
Dividend yield (%)	2.4	3.3	3.6	3.4	4.2	4.8

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, Mirae Asset Daewoo Research estimates

1Q17 review

Table 1. 1Q17 review

(Wbn, %)

	1Q16	4Q16	1Q17P			Growth	
			Preliminary	Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	624	614	610	617	628	-2.2	-0.6
Operating profit	124	96	121	108	108	-2.2	25.4
OP margin (%)	19.8	15.7	19.8	17.5	17.2		
Pretax profit	125	103	101	116	106	-19.7	-2.5
Net profit	95	78	75	87	81	-20.8	-3.1

Source: Company data, Mirae Asset Daewoo Research estimates

Table 2. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	17F	18F	17F	18F	17F	18F	
Revenue	2,600	2,750	2,577	2,741	-0.9	-0.3	
Operating profit	484	518	485	516	0.4	-0.3	- SG&A expenses
Pretax profit	482	517	451	505	-6.4	-2.3	- Revised F/X profit/loss estimates
Net profit	363	389	340	381	-6.4	-2.3	

Source: Company data, Mirae Asset Daewoo Research estimates

Table 3. Valuation

(Wbn, %, '000 shares, W)

	17F	18F	19F	20F	21F
EBIT	485	516	548	562	576
- Tax on EBIT	121	128	136	139	143
- Capex	283	283	288	295	303
- Increase (decline) in net working capital	-63	13	13	13	13
+ Depreciation	232	239	246	252	258
+ Amortization	7	7	7	7	7
+ Losses on disposal of rental assets	46	46	47	48	49
FCFF	429	383	411	421	432
Final year FCFF	443				
Terminal value	11,858				
Terminal growth	3%				
NPV of FCFF		2,014			
PV of terminal value		8,185			
Enterprise value		10,199			
Cash & equivalents		136			
Other investment		75			
Interest-bearing debt		452			
Minority interest		1			
Preferred stock		0			
Current equity value		9,958			
Shares outstanding		76,381			
Estimated value per share (W)		130,000			
Current price (W)		100,500			
Upside (%)		29.4%			

Source: Mirae Asset Daewoo Research estimates

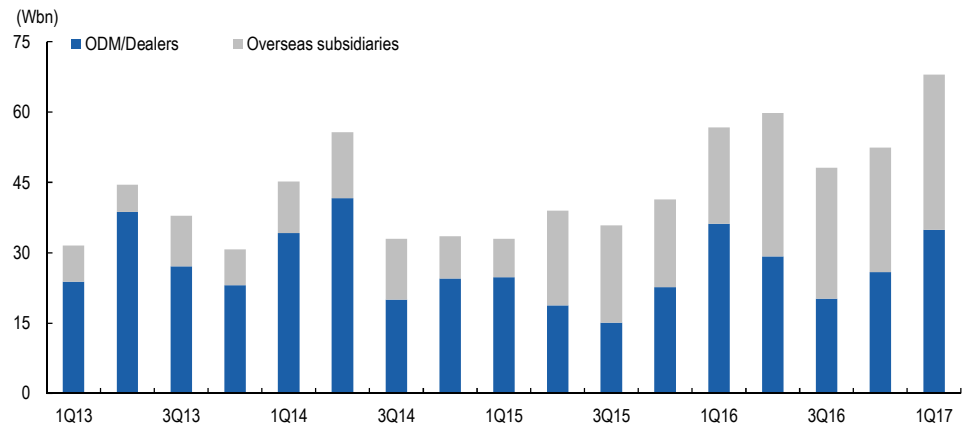
Table 4. Earnings trend and outlook on a non-consolidated basis

(Wbn, '000 accounts, %)

	1Q16	2Q16	3Q16	4Q16	1Q17P	2Q17F	3Q17F	4Q17F
Revenue	578	523	551	553	572	586	599	636
Rental	380	316	367	361	370	402	403	407
Membership	43	42	42	40	38	41	42	40
Lump-sum	52	54	43	49	46	54	43	55
Other	103	110	99	104	119	89	110	133
% YoY								
Total	14.1	-0.9	0.9	-4.9	-1.0	12.1	8.8	14.9
Rental	4.6	-14.8	-2.5	-5.1	-2.8	27.3	9.9	12.8
Membership	-6.8	-6.4	-5.4	-8.6	-11.8	-2.9	0.6	0.9
Lump-sum	73.4	30.6	-6.6	-10.3	-11.7	-0.3	1.2	13.8
Other	53.6	58.6	24.8	0.0	15.7	-19.7	11.6	27.8
Rental orders	351	385	285	381	350	392	347	388
Cancellation	146	148	224	183	174	156	154	161
Termination	176	176	159	171	186	215	184	206
Total rental accounts	4,861	4,921	4,823	4,849	4,875	4,880	4,889	4,910
Monthly average cancellation rate	1.00	1.01	1.55	1.26	1.20	1.06	1.05	1.09

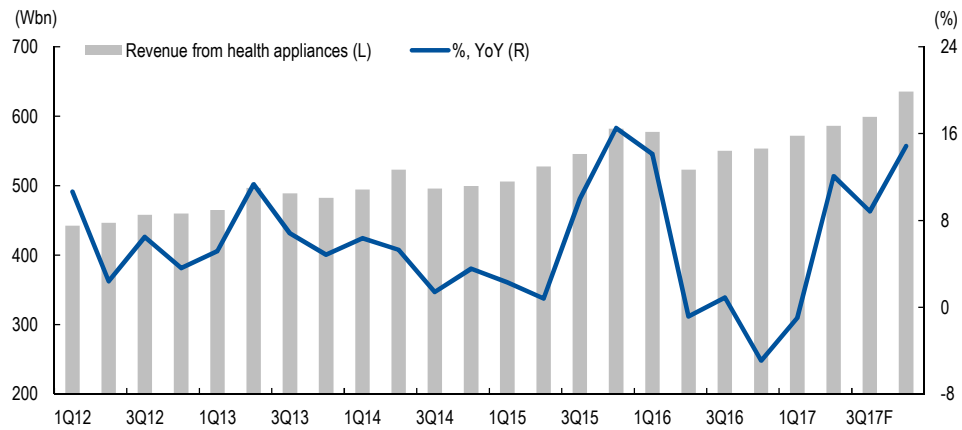
Source: Company data, Mirae Asset Daewoo Research estimates

Figure 1. Overseas sales trend



Source: Company data, Mirae Asset Daewoo Research

Figure 2. Health appliance business revenue trend



Source: Company data, Mirae Asset Daewoo Research

Coway (021240 KS/Buy/TP: W130,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Revenue	2,376	2,577	2,741	2,874
Cost of Sales	812	852	895	940
Gross Profit	1,564	1,725	1,846	1,934
SG&A Expenses	1,225	1,239	1,331	1,386
Operating Profit (Adj)	339	485	516	548
Operating Profit	339	485	516	548
Non-Operating Profit	-15	-34	-11	-7
Net Financial Income	-5	-9	-9	-9
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	324	451	505	541
Income Tax	80	112	125	134
Profit from Continuing Operations	243	339	380	407
Profit from Discontinued Operations	0	0	0	0
Net Profit	243	339	380	407
Controlling Interests	244	340	381	407
Non-Controlling Interests	0	-1	-1	-1
Total Comprehensive Profit	243	339	380	407
Controlling Interests	243	340	381	407
Non-Controlling Interests	0	-1	-1	-1
EBITDA	572	724	761	800
FCF (Free Cash Flow)	29	353	324	354
EBITDA Margin (%)	24.1	28.1	27.8	27.8
Operating Profit Margin (%)	14.3	18.8	18.8	19.1
Net Profit Margin (%)	10.3	13.2	13.9	14.2

Cash Flows (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Cash Flows from Op Activities	358	636	607	642
Net Profit	243	339	380	407
Non-Cash Income and Expense	467	346	366	382
Depreciation	225	232	239	246
Amortization	8	7	7	7
Others	234	107	120	129
Chg in Working Capital	-232	63	-13	-13
Chg in AR & Other Receivables	-62	64	-13	-12
Chg in Inventories	-4	-4	-4	-4
Chg in AP & Other Payables	-4	6	4	3
Income Tax Paid	-120	-112	-125	-134
Cash Flows from Inv Activities	-367	-240	-248	-241
Chg in PP&E	-313	-240	-252	-245
Chg in Intangible Assets	-13	-8	-8	-8
Chg in Financial Assets	-67	-6	-3	-3
Others	26	14	15	15
Cash Flows from Fin Activities	-40	-326	-316	-310
Chg in Financial Liabilities	264	100	-10	40
Chg in Equity	0	0	0	0
Dividends Paid	-208	-416	-295	-339
Others	-96	-10	-11	-11
Increase (Decrease) in Cash	-50	70	43	91
Beginning Balance	116	66	136	179
Ending Balance	66	136	179	271

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Current Assets	733	745	808	916
Cash and Cash Equivalents	66	136	179	271
AR & Other Receivables	313	252	267	280
Inventories	70	74	79	82
Other Current Assets	284	283	283	283
Non-Current Assets	1,235	1,251	1,269	1,273
Investments in Associates	0	0	0	0
Property, Plant and Equipment	669	678	691	691
Intangible Assets	183	184	185	187
Total Assets	1,968	1,996	2,076	2,189
Current Liabilities	735	841	837	882
AP & Other Payables	215	228	242	254
Short-Term Financial Liabilities	340	440	430	470
Other Current Liabilities	180	173	165	158
Non-Current Liabilities	49	49	49	49
Long-Term Financial Liabilities	12	12	12	12
Other Non-Current Liabilities	37	37	37	37
Total Liabilities	784	890	886	931
Controlling Interests	1,182	1,106	1,192	1,261
Capital Stock	41	41	41	41
Capital Surplus	127	127	127	127
Retained Earnings	1,180	1,103	1,189	1,257
Non-Controlling Interests	1	0	-1	-2
Stockholders' Equity	1,183	1,106	1,191	1,259

Forecasts/Valuations (Summarized)

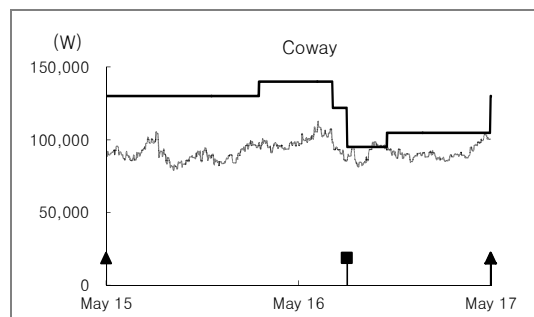
	12/16	12/17F	12/18F	12/19F
P/E (x)	27.9	22.4	20.0	18.6
P/CF (x)	9.6	11.1	10.2	9.6
P/B (x)	4.9	5.9	5.5	5.3
EV/EBITDA (x)	12.2	10.8	10.2	9.7
EPS (W)	3,167	4,484	5,034	5,390
CFPS (W)	9,227	9,041	9,864	10,433
BPS (W)	17,891	17,063	18,194	19,102
DPS (W)	3,200	3,400	4,200	4,800
Payout ratio (%)	96.5	72.9	80.6	86.0
Dividend Yield (%)	3.6	3.4	4.2	4.8
Revenue Growth (%)	2.6	8.5	6.4	4.9
EBITDA Growth (%)	-17.2	26.6	5.1	5.1
Operating Profit Growth (%)	-26.8	43.1	6.4	6.2
EPS Growth (%)	-28.8	41.6	12.3	7.1
Accounts Receivable Turnover (x)	8.7	9.9	11.6	11.6
Inventory Turnover (x)	33.9	35.7	35.9	35.7
Accounts Payable Turnover (x)	13.7	13.8	13.4	13.3
ROA (%)	13.0	17.1	18.6	19.1
ROE (%)	20.1	29.7	33.1	33.2
ROIC (%)	20.0	27.3	29.3	30.6
Liability to Equity Ratio (%)	66.3	80.5	74.4	73.9
Current Ratio (%)	99.7	88.6	96.5	103.9
Net Debt to Equity Ratio (%)	17.8	21.7	15.7	10.8
Interest Coverage Ratio (x)	55.5	47.7	49.7	50.0

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Coway(021240)	05/01/2017	Buy	130,000
	10/17/2016	Trading Buy	105,000
	08/02/2016	Trading Buy	95,000
	07/06/2016	Buy	122,000
	02/17/2016	Buy	140,000
	03/03/2015	Buy	130,000



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution

Buy	Trading Buy	Hold	Sell
72.86%	15.58%	11.56%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2017)

Disclosures

As of the publication date, Mirae Asset Daewoo Co., Ltd. and/or its affiliates do not have any special interest with the subject company and do not own 1% or more of the subject company's shares outstanding.

Analyst Certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws and regulations thereof. Opinions expressed in this publication about the subject securities and companies accurately reflect the personal views of the Analysts primarily responsible for this report. Mirae Asset Daewoo Co., Ltd. ("Mirae Asset Daewoo") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. No part of the compensation of the Analysts was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report but, like all employees of Mirae Asset Daewoo, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset Daewoo except as otherwise stated herein.

Disclaimers

This report is published by Mirae Asset Daewoo, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset Daewoo makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws and regulations or subject Mirae Asset Daewoo and its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of Mirae Asset Daewoo by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of

the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset Daewoo may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Daewoo may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset Daewoo and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset Daewoo.

Distribution

United Kingdom: This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

United States: This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, and is only intended for major institutional investors as defined in Rule 15a-6(b)(4) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Mirae Asset Daewoo or its affiliates. Any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This document has been approved for distribution in Hong Kong by Mirae Asset Securities (HK) Ltd., which is regulated by the Hong Kong Securities and Futures Commission. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person.

All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Mirae Asset Daewoo or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Mirae Asset Daewoo and its affiliates to any registration or licensing requirement within such jurisdiction.

Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

Global Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan
12190
Indonesia

Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsk LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Suites 1109-1114, 11th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
China

Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brasil

Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)
