

# Coway (021240)

Above

In line

Below

12M rating **Hold (Maintain)**

## Mix of hopes and fears

### Stock Data

KOSPI (Apr 28, pt)	2,205
Stock price (Apr 28, KRW)	100,500
Market cap (USD mn)	6,678
Shares outstanding (mn)	76
52-Week high/low (KRW)	113,000/81,300
6M avg. daily turnover (USD mn)	11.7
Free float / Foreign ownership (%)	64.7/54.9
Major shareholders (%)	
Coway Holdings, Inc. and 8 others	31.7
GIC Private Limited	7.2

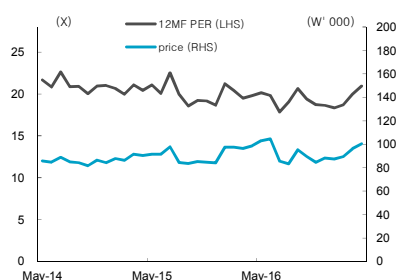
### Valuation

	2016A	2017F	2018F
PE (x)	26.9	20.9	19.5
PB (x)	4.9	5.2	4.9
ROE (%)	20.1	29.7	30.4
DY (%)	3.6	3.6	4.0
EV/EBITDA (x)	11.8	10.5	10.1
EPS (KRW)	3,280	4,799	5,144
BPS (KRW)	17,891	19,271	20,346

### Performance

	1M	6M	12M
Absolute (%)	8.6	8.9	4.0
Relative to KOSPI (%p)	6.7	(0.3)	(6.2)

### 12MF PE trend



Source: WISEfn consensus

### What's new: Earnings normalizing

1Q17 consolidated sales fell 2.2% YoY to W610bn and OP 2.2% YoY to W121bn (OPM 19.8%), in line with our estimate and 11% above consensus. Rental-related sales (rentals + memberships) declined 4% YoY, while non-rental sales increased 4% YoY. While lump-sum payments were sluggish (down 9% YoY), exports jumped 20%. In addition, cosmetics sales climbed 4% YoY. However, EBT eroded 20% YoY on W16bn in FX-related expenses.

### Pros: Operations normalize, Malaysia robust, positive shareholder-return policy

Operations appear to be normalizing. Due to: 1) free rental services related to ice water purifier exchanges, and 2) rental fees being waived for three months to attract new users in 4Q16, losses reached W8.7bn but the cancellation rate also declined from 1.26% in 4Q16 to 1.2% in 1Q17. We estimate OP capacity at W120-130bn per quarter. Going forward, we recommend focusing on overseas growth. Malaysia has already secured 484,000 rental accounts, up 53,000 QoQ. In fact, the country should grow to more than 10% of the domestic market this year. Meanwhile, friendly-shareholder policies, including a quarterly dividend of W800 per share and the cancellation of more than 1% of treasury shares, are another positive.

### Cons: Fierce domestic competition, low overseas margins

Net subscriber additions reached only 9,000 in 1Q17, while total accounts contracted by 1.4% YoY. Rental accounts edged up only 0.3% YoY, while membership accounts dropped 10% YoY. Net rental account additions reached only 26,000 in 1Q17, suggesting guidance of 230,000 is far out of reach. We forecast 2017 net rental growth at 115,000, and net account additions will reach 1.4% YoY at 77,000. New sales are stagnant, and are mostly being fueled by existing customer renewals and membership accounts changing to rental accounts. The cancellation rate is trending down, but remains high. And, ARPU appears to have fallen 2.5% YoY in 1Q17, and 0.4% YoY even if promotional effects are stripped out. We attribute all of these factors to increased competition. In the water purifier market, mid-sized rental players, including Cuckoo and SK Magic, are gaining traction. As competition intensifies, profitability-orientated strategies used in the past that focused on raising ARPU and lower SG&A should become increasingly difficult. Meanwhile, operations in Malaysia are booming and hopes are high for the China market. However, overseas markets are generating relatively low margins and growth needs to be confirmed going forward.

(W bn, %, %p)

**Eun-cha Na**  
822-3276-6160  
ec.na@truefriend.com

**Sunho Lee**  
822-3276-6175  
sunho.lee@truefriend.com

	1Q17P				Change		2017F	
	KIS est.	Actual	Diff.	Consensus	QoQ	YoY	KIS	Consensus
Sales	642	610	(5.0)	628	(0.6)	(2.2)	2,555	2,582
OP	116	121	4.0	108	25.4	(2.2)	488	483
OP margin	18.1	19.8	1.7	17.2	4.1	0.0	19.1	18.7
EBT	116	101	(13.4)	108	(2.5)	(19.7)	466	471
NP	88	76	(14.4)	81	(3.0)	(20.7)	350	355

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

### Conclusion: Stable earnings and attractive valuations or flat earnings and relatively high valuations

Coway's market dominance, high rental-based earnings visibility and attractive dividend yield (forecast 3.6% in 2017) are unmatched investment points. Furthermore, management appears committed to a strong shareholder-return policy that maximizing value per share. However, long-term consistency in terms of the sales outlook and shareholder-return policies appears unlikely as a private equity fund is the major shareholder. Furthermore, a valuation re-rating appears unlikely as the dividend payout should reach 74% this year and shares are already trading at 20x 12MF PE. Going forward, long-term operations and the overall business direction should be critical. And, subscribers and ARPU, both key indicators, are deteriorating. Growth overseas also needs to be closely monitored. Overall, we maintain Hold.

**Table 1. Coway earnings**

(W bn, %, % YoY)

	2016				2017				Annual				
	1Q	2Q	3Q	4Q	1QP	2QF	3QF	4QF	2015	2016	2017F	2018F	2019F
Sales	624	555	584	614	610	638	632	674	2,315	2,376	2,555	2,724	2,872
% YoY	13.8	(0.1)	0.5	(2.7)	(2.2)	15.0	8.3	9.8	7.2	2.6	7.5	6.6	5.4
Rental related	423	359	409	401	407	418	420	421	1,671	1,592	1,666	1,716	1,752
% YoY	3.3	3.0	(2.8)	(5.4)	(3.7)	16.5	2.7	4.9	5.5	(4.7)	4.7	3.0	2.1
Rentals	380	316	367	361	370	381	383	385	1,491	1,424	1,519	1,575	1,617
% YoY	4.6	(14.8)	(2.5)	(5.1)	(2.8)	20.4	4.4	6.7	6.5	(4.5)	6.6	3.7	2.6
Membership	43	43	42	40	38	37	37	36	180	168	148	141	136
% YoY	(6.7)	(6.4)	(5.4)	(8.5)	(11.9)	(12.8)	(12.0)	(11.0)	(2.1)	(6.7)	(11.9)	(4.4)	(3.9)
Finance lease	22	29	27	28	26	30	30	30	41	106	116	120	120
% YoY	NM	NM	NM	8.8	20.5	4.1	10.3	6.5		157.9	9.7	3.4	0.0
Lump-sum	51	54	43	49	46	51	49	55	171	196	201	208	217
% YoY	68.3	30.7	(6.6)	(10.1)	(9.1)	(5.0)	15.0	12.6	38.6	14.4	2.7	3.2	4.3
Cosmetics	20	17	18	19	21	19	19	20	83	74	79	85	91
% YoY	(13.0)	(18.0)	(2.7)	(7.9)	4.0	8.0	7.0	9.3	3.4	(10.7)	7.0	7.0	7.0
Exports	57	60	48	52	68	72	63	68	149	217	271	319	367
% YoY	71.8	53.3	34.4	25.3	19.9	20.0	30.0	31.7	(10.8)	45.1	25.0	18.0	15.0
Others	6	4	6	5	4	4	6	5	89	21	19	19	19
% YoY	(45.8)	(52.4)	(43.4)	(70.6)	(32.6)	0.0	0.0	(3.4)	52.2	(76.7)	(10.0)	0.0	1.0
Subsidiaries	64	62	61	87	72	77	77	101	239	274	326	394	460
% YoY	20.4	20.5	6.3	12.6	11.2	25.0	25.0	16.1	18.0	14.5	18.9	21.1	16.6
OP	124	12	107	96	121	125	122	120	463	339	488	501	509
% YoY	23.2	(89.3)	(13.7)	(25.0)	(2.2)	960	14	24	27.1	(26.9)	44.1	2.5	1.6
OPM (%)	19.8	2.1	18.3	15.7	19.8	19.6	19.3	17.8	20.0	14.3	19.1	18.4	17.7

Source: Company data, Korea Investment &amp; Securities

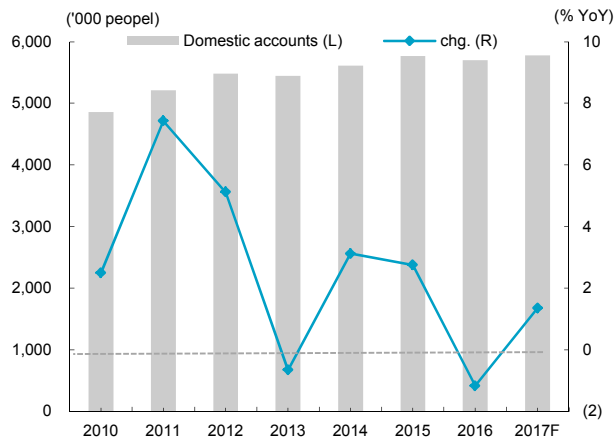
**Table 2. Rental business key assumptions**

('000 accounts, % YoY, %)

	2016				2017				Annual				
	1Q	2Q	3Q	4Q	1QP	2QF	3QF	4QF	2015	2016	2017F	2018F	2019F
Total accounts	5,794	5,846	5,732	5,704	5,713	5,743	5,763	5,781	5,771	5,704	5,781	5,894	5,986
Net additions	23	51	(114)	(28)	9	30	20	18	155	(68)	77	113	92
% YoY	2.4	2.3	0.1	(1.2)	(1.4)	(1.8)	0.5	1.4	2.8	(1.2)	1.4	2.0	1.6
Rental accounts (year-end)	4,861	4,921	4,823	4,849	4,875	4,915	4,940	4,964	4,832	4,849	4,964	5,113	5,231
% YoY	4.2	3.7	0.9	0.4	0.3	(0.1)	2.4	2.4	5.0	0.4	2.4	3.0	2.3
Net additions	29	60	(98)	26	26	40	25	24	232	17	115	149	117
Membership accounts (year-end)	933	924	908	854	838	828	823	817	939	854	817	780	755
% YoY	(6.2)	(4.4)	(3.8)	(9.0)	(10.2)	(10.5)	(9.4)	(4.4)	(7.6)	(9.0)	(4.4)	(4.5)	(3.3)
Net additions	(6)	(9)	(16)	(54)	(17)	(10.0)	(5.0)	(6)	(77)	(85)	(38)	(36)	(25)
New rental sales	351	385	285	381	350	385	342	373	1,409	1,401	1,450	1,484	1,498
% YoY	2.9	3.8	(15.6)	5.8	(0.3)	0.0	20.0	(1.9)	5.9	(0.5)	3.5	2.4	0.9
Churn rate (%)	1.0	1.0	1.5	1.3	1.2	1.1	1.1	1.0	1.00	1.21	1.10	1.12	1.13
Rental ARPU	26,140	21,548	25,108	24,871	25,331	25,927	25,927	25,920	26,345	24,516	25,791	26,049	26,049
% YoY	0.0	(18.0)	(4.7)	(5.7)	(3.1)	20.3	3.3	4.2	2.0	(6.9)	5.2	1.0	0.0
Membership ARPU	15,279	15,256	15,317	15,131	14,895	14,746	14,598	14,484	15,311	15,568	14,712	14,712	14,712
% YoY	0.2	(1.1)	(1.3)	(2.2)	(2.5)	(3.3)	(4.7)	(4.3)	1.6	1.7	(5.5)	0.0	0.0

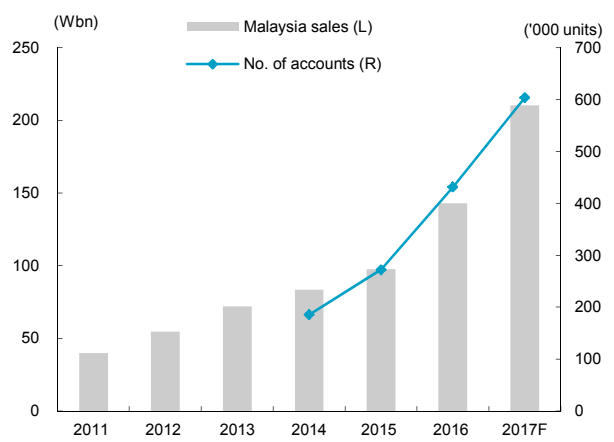
Source: Company data, Korea Investment &amp; Securities

**Figure 1. Domestic subscribers are stagnant**



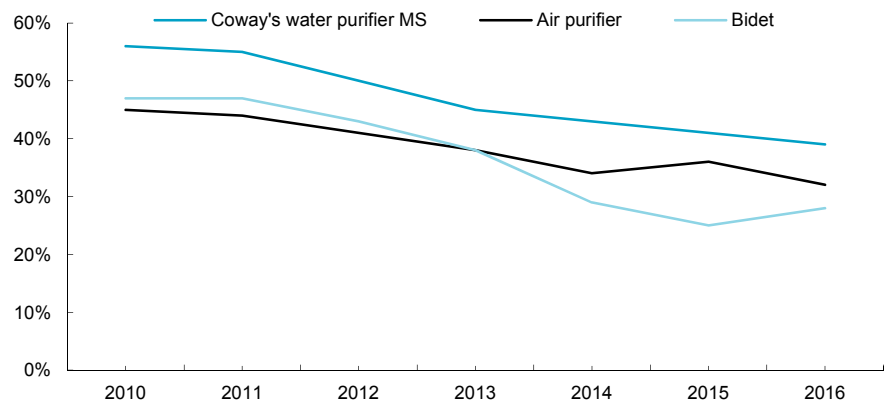
Source: Company data, Korea Investment & Securities

**Figure 2. Malaysia subsidiary sales**



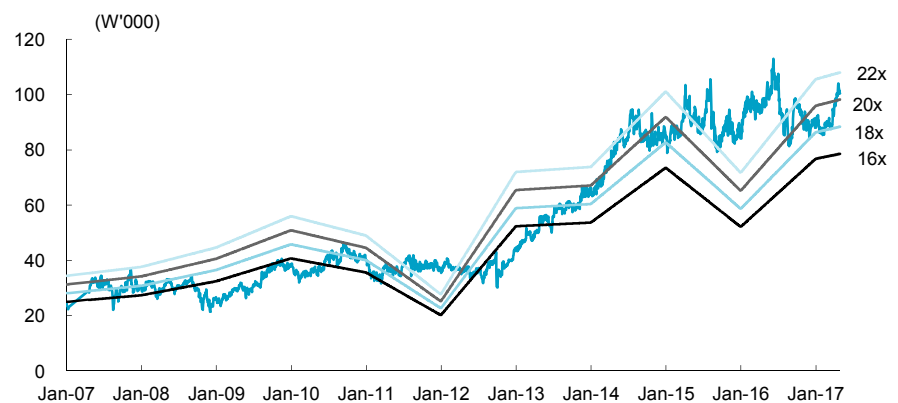
Source: Company data, Korea Investment & Securities

**Figure 3. Coway major products domestic MS outlook**



Source: Company data, Korea Investment & Securities

**Figure 4. PE band**



Source: WISEfn, Korea Investment & Securities

**Company overview & Glossary**

Established in 1989, Coway is specialized in environmental home appliances (EHA) such as water purifiers, air purifiers and bidets, and has brought EHAs into people's daily lives. Coway was the industry's first to introduce the EHA rental business in 1998. Coway also introduced the maintenance and technician managers (called Cody) to offer standout onsite services. Coway is the leader in Korea with 45% market share for water purifiers, 44% air purifiers, 38% bidets and 62% water softeners, and has strong brand awareness. Coway had approximately 57.7mn accounts (rental + membership) as of end-2015. Coway continues to expand its product lineup to water softeners, food waste treatment systems, mattresses and so on and is stepping up its business drive abroad.

- Rental: Consumers may use the products in exchange for a monthly rental fee along with a one-off registration fee; Contracts usually have a mandatory subscription period of three years while ownership is transferred to the consumer after five years of use; By paying rental fees, consumers are granted access to product use and maintenance services
- Membership: Customers retain product ownership and are offered maintenance services
- ARPU (average sales per user): Monthly average of rental or membership charges paid by customers

**Balance sheet**

FY-ending Dec. (W bn)	2015A	2016A	2017F	2018F	2019F
Current assets	653	733	855	925	943
Cash & cash equivalent	116	66	179	215	197
Accounts & other receivables	283	323	307	322	338
Inventory	70	70	75	79	83
Non-current assets	1,122	1,235	1,304	1,356	1,410
Investment assets	51	52	56	59	62
Tangible assets	700	669	696	718	740
Intangible assets	169	183	197	207	217
Total assets	1,775	1,968	2,159	2,281	2,352
Current liabilities	473	735	863	902	899
Accounts & other payables	259	255	289	303	318
ST debt & bond	80	340	440	440	440
Current portion of LT debt	0	0	0	0	0
Non-current liabilities	64	49	122	124	126
Debentures	0	0	0	0	0
LT debt & financial liabilities	8	12	82	82	82
Total liabilities	537	784	985	1,025	1,024
Controlling interest	1,237	1,183	1,174	1,256	1,329
Capital stock	41	41	41	41	41
Capital surplus	127	127	127	127	127
Other Reserves	(103)	(159)	(258)	(258)	(258)
Retained earnings	1,177	1,180	1,271	1,353	1,427
Minority interest	1	1	0	(0)	(1)
Shareholders' equity	1,238	1,183	1,174	1,255	1,328

**Cash flow**

FY-ending Dec. (W bn)	2015A	2016A	2017F	2018F	2019F
C/F from operating	513	358	607	620	590
Net profit	343	243	349	369	375
Depreciation	220	225	226	234	241
Amortization	8	8	9	10	10
Net incr. in W/C	(195)	(232)	23	8	(35)
Others	137	114	0	(1)	(1)
C/F from investing	(329)	(367)	(307)	(298)	(307)
CAPEX	(329)	(328)	(268)	(271)	(278)
Decr. in fixed assets	9	15	15	15	15
Incr. in investment	0	(43)	(5)	(4)	(4)
Net incr. in intangible assets	(5)	(13)	(23)	(19)	(20)
Others	(4)	2	(26)	(19)	(20)
C/F from financing	(213)	(40)	(187)	(287)	(301)
Incr. in equity	5	5	0	0	0
Incr. in debts	(77)	264	170	0	0
Dividends	(148)	(208)	(235)	(258)	(287)
Others	7	(101)	(122)	(29)	(14)
C/F from others	(1)	(0)	0	0	0
Increase in cash	(31)	(50)	113	36	(17)

Note: Based on K-IFRS (consolidated)

**Income statement**

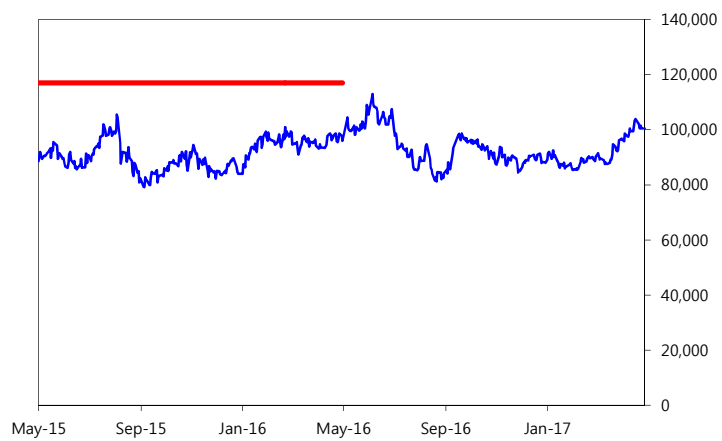
FY-ending Dec. (W bn)	2015A	2016A	2017F	2018F	2019F
Sales	2,315	2,376	2,555	2,683	2,817
COGS	729	812	825	872	921
Gross profit	1,586	1,564	1,730	1,811	1,896
SG&A expense	1,123	1,225	1,242	1,310	1,387
Operating profit	463	339	488	501	509
Financial income	1	1	2	3	3
Interest income	1	1	2	3	3
Financial expense	4	6	27	14	14
Interest expense	4	6	12	14	14
Other non-operating profit	(6)	(10)	3	3	3
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	454	324	466	492	500
Income taxes	111	80	116	123	125
Net profit	343	243	349	369	375
Net profit of controlling interest	343	244	350	369	375
Other comprehensive profit	(9)	(1)	(1)	(1)	(1)
Total comprehensive profit	334	243	348	368	374
Total comprehensive profit of controlling interest	334	243	349	368	375
EBITDA	691	572	723	744	760

**Key financial data**

FY-ending Dec.	2015A	2016A	2017F	2018F	2019F
per share data (KRW)					
EPS	4,621	3,280	4,799	5,144	5,231
BPS	17,654	17,891	19,271	20,346	21,314
DPS	2,800	3,200	3,600	4,000	4,200
Growth (%)					
Sales growth	7.2	2.6	7.5	5.0	5.0
OP growth	27.1	(26.9)	44.1	2.5	1.6
NP growth	37.4	(29.0)	43.5	5.6	1.7
EPS growth	37.5	(29.0)	46.3	7.2	1.7
EBITDA growth	19.5	(17.2)	26.5	2.9	2.1
Profitability (%)					
OP margin	20.0	14.3	19.1	18.7	18.1
NP margin	14.8	10.3	13.7	13.8	13.3
EBITDA margin	29.8	24.1	28.3	27.7	27.0
ROA	20.2	13.0	16.9	16.6	16.2
ROE	30.2	20.1	29.7	30.4	29.1
Dividend yield	3.3	3.6	3.6	4.0	4.2
Dividend payout ratio	60.6	96.3	73.9	77.8	80.3
Stability					
Net debt (W bn)	(37)	210	262	222	235
Int.-bearing debt/equity (%)	7.1	29.7	44.4	41.6	39.3
Valuation (X)					
PE	18.2	26.9	20.9	19.5	19.2
PB	4.8	4.9	5.2	4.9	4.7
EV/EBITDA	9.2	11.8	10.5	10.1	9.9

**Changes to recommendation and price target**

Company (Code)	Date	Recommendation	Price target
Coway (021240)	05-06-15	BUY	W117,000
	05-04-16	Hold	-



■ **Guide to Korea Investment & Securities Co., Ltd. stock ratings based on 12-month forward share price performance relative to the market index**

- BUY: Expected to outperform the market index by 15%p or more
- Hold: Expected to underperform or outperform the market index by less than 15%p
- Underweight: Expected to underperform the market index by 15%p or more
- Korea Investment & Securities does not offer target prices for stocks with Hold or Underweight ratings.

■ **Guide to Korea Investment & Securities Co., Ltd. stock rating allocation (as of Mar 31, 2017)**

BUY	Hold	Underweight (Sell)
77.4%	21.7%	0.9%

Note: % of companies under coverage with this rating

■ **Guide to Korea Investment & Securities Co., Ltd. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the Kospi (Kosdaq) based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), Korea Investment & Securities Co., Ltd., or its affiliates does not own 1% or more of any class of common equity securities of Coway.

There is no actual, material conflict of interest of the research analyst or Korea Investment & Securities Co., Ltd., or its affiliates known at the time of publication of the research report or at the time of the public appearance.

Korea Investment & Securities Co., Ltd., or its affiliates has not managed or co-managed a public offering of securities for Coway in the past 12 months;

Korea Investment & Securities Co., Ltd., or its affiliates has not received compensation for investment banking services from Coway in the past 12 months; Korea Investment & Securities Co., Ltd., or its affiliates does not expect to receive or intend to seek compensation for investment banking services from Coway in the next 3 months.

Korea Investment & Securities Co., Ltd., or its affiliates was not making a market in Coway's securities at the time that the research report was published.

Korea Investment & Securities Co., Ltd. does not own over 1% of shares of the companies mentioned in this report as of May 2, 2017.

Korea Investment & Securities Co., Ltd. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of May 2, 2017.

Korea Investment & Securities Co., Ltd. has issued ELW with underlying stocks of Coway and is the liquidity provider.

Prepared by: Eun-chaе Na

## Global Disclaimer

### ■ General

This research report and marketing materials for Korean securities are originally prepared and issued by the Research Center of Korea Investment & Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the Korea Financial Investment Association in Korea only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of Korea Investment & Securities Co., Ltd.

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. Korea Investment & Securities Co., Ltd. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Korea Investment & Securities Co., Ltd., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or Korea Investment & Securities Co., Ltd. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) 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 U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, 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. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2017 Korea Investment & Securities Co., Ltd. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of Korea Investment & Securities Co., Ltd.