

2017. 8. 2

# Company Update



**Eunkyung Park**  
Analyst  
eunkyung44.park@samsung.com  
822 2020 7850

## Coway (021240)

### Base effect provides expected lift

- Coway reported that its sales and operating profit leapt a respective 12% and 919% y-y, with the growth attributable to low base from one-off costs associated with last year's nickel scandal. It also reported a DPS of KRW800 for the quarter.
- The sales results were similar to adjusted ones in 2Q16—excluding one-off costs associated with the nickel scandal—but the company's: 1) water purifier sales continue to fall y-y; and 2) cancellation rate remains above the quarterly average. Some qualitative improvements are nevertheless in evidence, with water purifier sales recovering q-q and top-line growth being propelled by product diversification (eg, air purifiers).
- We revise down our 2017 and 2018 EPS forecasts on Coway and cut our 12-month target price by 4.3% to KRW110,000, but keep the stock at BUY since current price levels provide estimated returns of 5% (given share cancellations and dividend payouts), which should limit downside.

#### WHAT'S THE STORY?

**2Q review:** Coway reported that its sales and operating profit grew a respective 12% and 919% y-y to KRW623.4b and KRW120.6b in 2Q, with the former rebounding to levels seen prior to last year's nickel scandal, while the latter largely met estimates.

- The company's rental service sales (65-70% of the total) fell by 2% y-y in 2Q—even though its rental-sales subscribers rose 3% y-y—due to total account contractions as its cancellation rate was flat at 1.2% (vs the quarterly average of 1.0%). Such sales should maintain solid q-q growth, however, since: 1) the cancellation rate fell to a lower level over June-July; and 2) new rental sales [driven by air purifiers] are likely thriving.
- The company's overseas sales (15-20% of the total) fell 7% y-y on contracting air purifier exports to China, but the water purifier operation maintained robust growth, with its Malaysian subsidiary seeing sales jump 43% y-y. Meanwhile, the firm's long-awaited China business roadmap could be unveiled by year-end.

**Still a BUY:** We lower our 2017 and 2018 EPS estimates on Coway by a respective 4% and 3% in anticipation of greater water-purifier rental competition, and thus cut our 12-month target price by 4.3% to KRW110,000. Our target is based on a DCF valuation—assumes a WACC of 7.1% and terminal growth rate of 2%—and equates to 23x 2017 P/E, which offers 12% upside, so we leave the stock at BUY. Current current price levels provide estimated returns of 5% (given share cancellations and dividend payouts), which should limit downside.

#### AT A GLANCE

SELL HOLD **BUY**

<b>Target price</b>	<b>KRW110,000</b>	(12.4%)
<b>Current price</b>	<b>KRW97,900</b>	
Market cap	KRW7.3t/USD6.5b	
Shares (float)	74,818,121 (70.3%)	
52-week high/low	KRW111,000/KRW81,300	
Avg daily trading value (60-day)	KRW24.6b/ USD21.9m	

#### ONE-YEAR PERFORMANCE

	1M	6M	12M
Coway (%)	-5.9	11.4	14.8
Vs Kospi (%pts)	-7.1	-4.4	-3.9

#### KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	110,000	115,000	-4.3%
2017E EPS	4,821	5,010	-3.8%
2018E EPS	5,401	5,571	-3.1%

#### SAMSUNG vs THE STREET

No of estimates	9
Target price	115,250
Recommendation	3.4

BUY★★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★★: 1

#### SUMMARY OF 2Q RESULTS

(KRWb)	2Q17	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	623.4	12.3	2.2	(3.0)	(1.8)
Operating profit	120.6	919.4	(0.3)	(4.8)	(0.1)
Pre-tax profit	119.3	2179.6	18.6	(5.3)	7.3
Net profit	95.2	3331.8	26.2	(2.7)	8.1
<b>Margins (%)</b>					
Operating profit	19.3				
Pre-tax profit	19.1				
Net profit	15.3				

Source: Company data, Samsung Securities estimates

#### VALUATION SUMMARY

	2016	2017E	2018E
<b>Multiples (x)</b>			
P/E	31.2	20.3	18.1
P/B	6.3	5.6	5.0
EV/EBITDA	13.4	10.1	9.2
Div yield (%)	3.3	3.6	4.1
EPS growth (% y-y)	(30.2)	53.8	12.0
ROE (%)	20.1	29.2	29.4
<b>Per-share data (KRW)</b>			
EPS	3,134	4,821	5,401
BVPS	15,496	17,539	19,573
DPS	3,200	3,500	4,000

## Results and forecasts

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17E	4Q17E	2016	2017E	2018E	2019E
<b>Summary (KRWb)</b>												
Sales	623.7	555.0	583.5	614.1	610.2	623.4	634.5	669.9	2,376.3	2,537.9	2,750.5	2,965.5
Gross profit	416.6	355.9	391.0	400.6	417.1	428.5	443.4	449.5	1,564.2	1,738.5	1,884.1	2,031.3
Operating profit	123.6	11.8	107.0	96.4	120.9	120.6	127.3	134.9	338.8	503.8	560.8	610.1
Pre-tax profit	125.3	5.2	90.0	103.2	100.6	126.0	125.8	133.4	323.8	485.9	543.8	594.3
Net profit	95.2	2.8	67.7	77.7	75.4	95.2	94.0	99.8	243.3	364.4	407.9	445.7
<b>Margins (%)</b>												
Gross profit	66.8	64.1	67.0	65.2	68.4	68.7	69.9	67.1	65.8	68.5	68.5	68.5
Operating profit	19.8	2.1	18.3	15.7	19.8	19.3	20.1	20.1	14.3	19.9	20.4	20.6
Pre-tax profit	20.1	0.9	15.4	16.8	16.5	20.2	19.8	19.9	13.6	19.1	19.8	20.0
Net profit	15.3	0.5	11.6	12.6	12.4	15.3	14.8	14.9	10.2	14.4	14.8	15.0
<b>Chg (% y-y)</b>												
Sales	13.8	(0.1)	0.5	(2.7)	(2.2)	12.3	8.7	9.1	7.2	2.6	6.8	8.4
Gross profit	11.7	(7.5)	(2.8)	(6.0)	0.1	20.4	13.4	12.2	10.6	(1.4)	11.1	8.4
Operating profit	23.2	(89.3)	(13.7)	(25.0)	(2.2)	919.4	19.0	40.0	27.1	(26.9)	48.7	11.3
Pre-tax profit	23.9	(95.2)	(26.0)	(15.9)	(19.7)	2,308.1	39.7	29.2	36.7	(28.8)	50.1	11.9
Net profit	22.7	(96.6)	(26.7)	(14.2)	(20.8)	3,331.5	39.0	28.5	37.4	(29.1)	49.8	11.9
<b>Chg (% q-q)</b>												
Sales	(1.2)	(11.0)	5.1	5.2	(0.6)	2.2	1.8	5.6				
Gross profit	(2.3)	(14.6)	9.9	2.4	4.1	2.7	3.5	1.4				
Operating profit	(3.9)	(90.4)	804.2	(9.9)	25.4	(0.3)	5.6	6.0				
Pre-tax profit	2.1	(95.8)	1,620.4	14.6	(2.5)	25.3	(0.2)	6.0				
Net profit	5.2	(97.1)	2,339.7	14.7	(2.9)	26.2	(1.2)	6.1				
<b>Sales breakdown</b>												
Household electronics	495.0	509.3	479.2	477.9	479.1	496.9	495.0	510.5	1,961.3	1,981.4	2,103.8	2,226.5
Outright sales	50.4	54.1	42.6	48.7	45.9	50.4	51.1	52.0	195.7	199.5	224.2	251.1
Rental	380.1	384.1	367.5	360.9	369.5	379.5	378.5	391.0	1,492.6	1,518.5	1,625.1	1,728.1
Membership	43.0	42.5	42.1	40.0	37.8	36.7	36.2	36.6	167.5	147.4	132.7	119.4
Financial lease	21.5	28.6	27.0	28.4	25.9	30.2	29.1	30.8	105.4	116.0	121.8	127.9
Exports	56.7	59.8	48.1	52.3	68.0	55.5	62.5	63.5	217.0	249.5	287.0	330.0
Cosmetics	20.1	17.3	18.1	18.7	20.9	18.7	19.1	19.2	74.2	77.9	81.8	85.9
Other (water treatment)	5.8	(63.4)	5.1	4.5	3.9	3.9	5.1	6.1	(48.0)	19.0	19.0	19.0
Consolidated other	46.1	32.1	33.0	60.7	38.3	48.3	52.8	70.6	171.8	210.0	258.9	304.0
<b>Chg (% y-y)</b>												
Household electronics	12.7	11.2	(0.4)	(5.2)	(3.2)	(2.4)	3.3	6.8	4.2	1.0	6.2	5.8
Outright sales	68.1	30.6	(6.6)	(10.3)	(8.9)	(6.7)	20.0	6.9	14.3	1.9	12.4	12.0
Rental	4.6	3.5	(2.4)	(5.1)	(2.8)	(1.2)	3.0	8.3	0.1	1.7	7.0	6.3
Membership	(6.7)	(6.4)	(5.4)	(8.6)	(11.9)	(13.5)	(14.0)	(8.4)	(6.8)	(12.0)	(10.0)	(10.0)
Financial lease			81.9	8.8	20.5	5.5	8.0	8.5	157.7	10.0	5.0	5.0
Exports	71.8	53.3	34.4	26.3	19.8	(7.1)	30.0	21.3	45.4	15.0	15.0	15.0
Cosmetics	(13.1)	(17.9)	(2.5)	(7.8)	4.0	8.3	5.0	3.0	(10.7)	5.0	5.0	5.0
Other (water treatment)	(45.3)	(771.3)	(48.4)	(72.0)	(33.2)	(106.1)	0.0	35.1	(204.0)	(139.6)	0.0	0.0
Consolidated other	9.4	15.1	(4.9)	23.1	(16.9)	50.7	60.0	16.4	(11.8)	22.2	23.3	17.4
<b>Portion of total sales (%)</b>												
Household electronics	79.4	91.8	82.1	77.8	78.5	79.7	78.0	76.2	82.5	78.1	76.5	75.1
Outright sales	8.1	9.7	7.3	7.9	7.5	8.1	8.1	7.8	8.2	7.9	8.2	8.5
Rental	60.9	69.2	63.0	58.8	60.6	60.9	59.7	58.4	62.8	59.8	59.1	58.3
Membership	6.9	7.7	7.2	6.5	6.2	5.9	5.7	5.5	7.0	5.8	4.8	4.0
Financial lease	3.4	5.2	4.6	4.6	4.2	4.8	4.6	4.6	4.4	4.6	4.4	4.3
Exports	9.1	10.8	8.2	8.5	11.1	8.9	9.9	9.5	9.1	9.8	10.4	11.1
Cosmetics	3.2	3.1	3.1	3.0	3.4	3.0	3.0	2.9	3.1	3.1	3.0	2.9
Other (water treatment)	0.9	(11.4)	0.9	0.7	0.6	0.6	0.8	0.9	(2.0)	0.7	0.7	0.6
Consolidated other	7.4	5.8	5.7	9.9	6.3	7.8	8.3	10.5	7.2	8.3	9.4	10.3

Source: Company data, Samsung Securities estimates

## Accounts overview

('000)	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
<b>Accounts</b>									
Total	5,714	5,730	5,771	5,794	5,846	5,732	5,704	5,713	5,746
Chg (% y-y)	3.2	2.8	2.8	2.4	2.3	0.0	(1.2)	(1.4)	(1.7)
Rental	60	63	63	66	68	54	57	55	78
Chg (% y-y)	1.3	21.5	95.9	67.2	12.2	(14.8)	(8.9)	(17.6)	14.5
Membership	4,747	4,780	4,832	4,861	4,921	4,823	4,849	4,875	4,923
Chg (% y-y)	5.8	5.3	5.0	4.2	3.7	0.9	0.4	0.3	0.0
Rental cancellations	371	338	359	351	385	285	381	350	397
Monthly churn (%)	(0.1)	8.7	8.4	2.9	3.7	(15.6)	5.8	(0.3)	3.2
Rental account additions	967	950	939	933	924	908	854	838	823
Chg (% y-y)	(8.1)	(8.1)	(7.6)	(6.2)	(4.4)	(4.5)	(9.0)	(10.2)	(11.0)
Outright sales account additions	143	151	138	146	148	224	183	174	175
Chg (% y-y)	2.7	16.2	6.9	9.1	4.0	47.8	32.1	19.5	18.2

Source: Company data, Samsung Securities estimates

## Full-year forecast revisions

(KRWb)	2016	New		Old		Chg (%)	
		2017E	2018E	2017E	2018E	2017E	2018E
Sales	2,376	2,538	2,750	2,587	2,802	(1.9)	(1.8)
Operating profit	339	504	561	523	578	(3.6)	(3.0)
Pre-tax profit	324	486	544	513	569	(5.2)	(4.4)
Net profit	243	364	408	385	427	(5.2)	(4.4)
EBITDA	572	745	809	764	825	(2.5)	(1.9)
EPS (KRW)	3,134	4,821	5,401	5,010	5,571	(3.8)	(3.0)

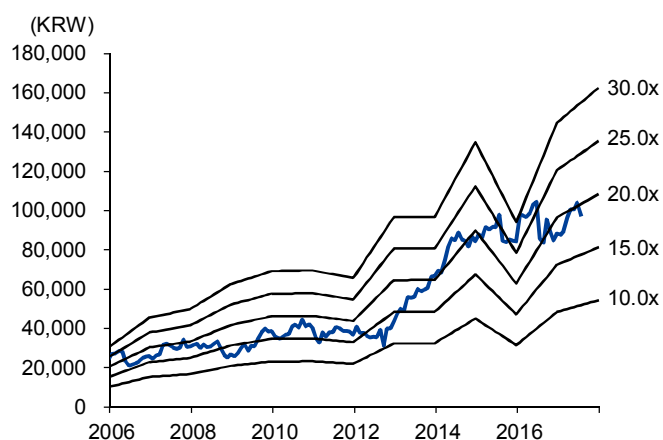
Source: Company data, Samsung Securities estimates

## Valuation summary

Year-end	Sales	Operating profit	Pre-tax profit	Net profit	EPS	Chg	P/E	P/B	ROE	EV/EBITDA	Net debt
Dec 31	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(x)	(%)	(x)	(KRWb)
2014	2,160	364	332	250	3,225	0.1	30.4	7.6	25.2	13.3	12
2015	2,315	463	454	343	4,492	39.3	21.8	6.3	30.1	11.1	(38)
2016	2,376	339	324	243	3,134	(30.2)	31.2	6.3	20.1	13.4	210
2017E	2,538	504	486	364	4,821	53.8	20.3	5.6	29.2	10.1	183
2018E	2,750	561	544	408	5,401	12.0	18.1	5.0	29.4	9.2	145
2019E	2,965	610	594	446	5,906	9.3	16.6	4.5	28.9	8.4	90

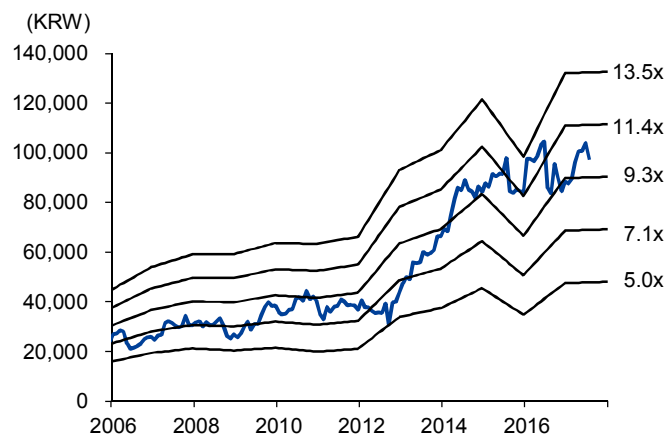
Source: Company data, Samsung Securities estimates

## Forward P/E



Source: Company data, Samsung Securities estimates

## Forward EV/EBITDA



Source: Company data, Samsung Securities estimates

## DCF valuation

(KRWb)	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
<b>EBIT</b>	<b>504</b>	<b>561</b>	<b>610</b>	<b>663</b>	<b>724</b>	<b>760</b>	<b>798</b>	<b>838</b>	<b>880</b>	<b>924</b>	<b>970</b>
Tax	137	152	166	180	196	206	217	227	239	251	263
Capex	341	355	369	384	399	407	415	424	432	441	450
Change in working capital	3	29	29	29	32	33	33	34	35	35	36
Depreciation	233	240	269	296	320	327	333	340	347	353	361
Amortization	8	8	8	8	8	8	9	9	9	9	9
<b>Free cash flow</b>	<b>264</b>	<b>273</b>	<b>323</b>	<b>375</b>	<b>424</b>	<b>449</b>	<b>474</b>	<b>501</b>	<b>529</b>	<b>559</b>	<b>591</b>
<b>Terminal value</b>	<b>11,193</b>										
Terminal growth (%)	2										
NPV of FCF	2,781										
<b>Present value of terminal value</b>	<b>5,639</b>										
<b>Enterprise value</b>	<b>8,420</b>										
Equity value (adjusted)**	8,416										
Shares outstanding	74,818										
<b>Fair value per share (KRW)</b>	<b>109,164</b>										
Current share price (KRW)*	97,900										
Upside (%)	11.5%										

Note: \* As of Aug 1 close; \*\* reflects a one-month adjustment to end-2016 discount rate

Source: Company data, Samsung Securities estimates

## Income statement

Year-end Dec 31(KRWb)	2015	2016	2017E	2018E	2019E
<b>Sales</b>	<b>2,315</b>	<b>2,376</b>	<b>2,538</b>	<b>2,750</b>	<b>2,965</b>
Cost of goods sold	729	812	799	866	934
<b>Gross profit</b>	<b>1,586</b>	<b>1,564</b>	<b>1,738</b>	<b>1,884</b>	<b>2,031</b>
Gross margin (%)	68.5	65.8	68.5	68.5	68.5
SG&A expenses	1,123	1,225	1,235	1,323	1,421
<b>Operating profit</b>	<b>463</b>	<b>339</b>	<b>504</b>	<b>561</b>	<b>610</b>
Operating margin (%)	20	14.3	19.9	20.4	20.6
<b>Non-operating gains (losses)</b>	<b>(9)</b>	<b>(15)</b>	<b>(18)</b>	<b>(17)</b>	<b>(16)</b>
Financial profit	1	1	1	1	1
Financial costs	4	6	9	8	7
Equity-method gains (losses)	0	0	0	0	0
Other	(6)	(10)	(10)	(10)	(10)
<b>Pre-tax profit</b>	<b>454</b>	<b>324</b>	<b>486</b>	<b>544</b>	<b>594</b>
Taxes	111	80	121	136	149
Effective tax rate (%)	24.5	24.8	25	25	25
Profit from continuing operations	343	243	364	408	446
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>343</b>	<b>243</b>	<b>364</b>	<b>408</b>	<b>446</b>
Net margin (%)	14.8	10.2	14.4	14.8	15
Net profit (controlling interests)	343	244	364	408	446
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	691	572	745	809	887
EBITDA margin (%)	29.8	24.1	29.4	29.4	29.9
EPS (parent-based) (KRW)	4,449	3,167	4,859	5,439	5,943
EPS (consolidated) (KRW)	4,449	3,163	4,859	5,439	5,943
Adjusted EPS (KRW)*	4,492	3,134	4,821	5,401	5,906

## Cash flow statement

Year-end Dec 31(KRWb)	2015	2016	2017E	2018E	2019E
<b>Cash flow from operations</b>	<b>513</b>	<b>358</b>	<b>604</b>	<b>649</b>	<b>716</b>
Net profit	343	243	364	408	446
Non-cash profit and expenses	231	155	263	271	300
Depreciation	220	225	233	240	269
Amortization	8	8	8	8	8
Other	3	(78)	21	22	23
Changes in A/L from operating activities	(61)	(41)	(23)	(30)	(30)
<b>Cash flow from investments</b>	<b>(329)</b>	<b>(367)</b>	<b>(341)</b>	<b>(355)</b>	<b>(369)</b>
Change in tangible assets	(317)	(313)	(341)	(355)	(369)
Change in financial assets	4	(35)	0	0	0
Other	(16)	(19)	0	0	0
<b>Cash flow from financing</b>	<b>(213)</b>	<b>(40)</b>	<b>(263)</b>	<b>(294)</b>	<b>(347)</b>
Change in debt	(77)	264	(27)	(38)	(54)
Change in equity	0	0	(1)	0	0
Dividends	(148)	(208)	(235)	(256)	(292)
Other	12	(96)	0	0	0
Change in cash	(31)	(50)	0	0	0
Cash at beginning of year	147	116	66	66	66
Cash at end of year	116	66	66	66	66
<b>Gross cash flow</b>	<b>574</b>	<b>399</b>	<b>627</b>	<b>679</b>	<b>746</b>
<b>Free cash flow</b>	<b>182</b>	<b>111</b>	<b>248</b>	<b>277</b>	<b>328</b>

Note: \* Excluding one off items, \*\* Fully diluted, excluding one-off items

\*\*\* From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

## Balance sheet

Year-end Dec 31(KRWb)	2015	2016	2017E	2018E	2019E
<b>Current assets</b>	<b>653</b>	<b>733</b>	<b>760</b>	<b>795</b>	<b>829</b>
Cash & equivalents	116	66	66	66	66
Accounts receivable	283	323	345	374	403
Inventories	70	70	75	81	88
Other current assets	184	274	274	274	272
<b>Fixed assets</b>	<b>1,122</b>	<b>1,235</b>	<b>1,313</b>	<b>1,398</b>	<b>1,468</b>
Investment assets	74	86	86	86	86
Tangible assets	700	669	748	832	903
Intangible assets	169	183	183	183	183
Other long-term assets	179	296	296	296	296
<b>Total assets</b>	<b>1,775</b>	<b>1,968</b>	<b>2,073</b>	<b>2,193</b>	<b>2,297</b>
<b>Current liabilities</b>	<b>473</b>	<b>735</b>	<b>712</b>	<b>679</b>	<b>630</b>
Accounts payable	60	59	63	68	73
Short-term debt	8	34	31	27	22
Other current liabilities	405	643	619	584	535
<b>Long-term liabilities</b>	<b>64</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>
Bonds & long-term debt	8	12	12	12	12
Other long-term liabilities	56	37	37	37	37
<b>Total liabilities</b>	<b>537</b>	<b>784</b>	<b>761</b>	<b>728</b>	<b>679</b>
<b>Owners of parent equity</b>	<b>1,237</b>	<b>1,183</b>	<b>1,311</b>	<b>1,464</b>	<b>1,617</b>
Capital stock	41	41	40	40	40
Capital surplus	127	127	127	127	127
Retained earnings	1,177	1,180	1,310	1,462	1,615
Other	(108)	(165)	(165)	(165)	(165)
<b>Non-controlling interests' equity</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total equity</b>	<b>1,238</b>	<b>1,183</b>	<b>1,312</b>	<b>1,464</b>	<b>1,618</b>
Net debt	(38)	210	183	145	90

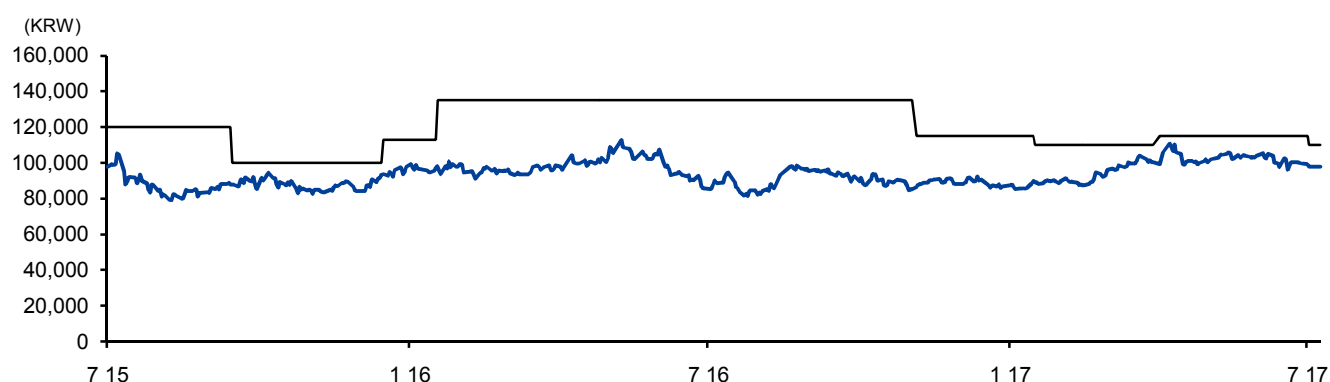
## Financial ratios

Year-end Dec 31	2015	2016	2017E	2018E	2019E
<b>Growth (%)</b>					
Sales	7.2	2.6	6.8	8.4	7.8
Operating profit	27.1	(26.9)	48.7	11.3	8.8
Net profit	14.8	10.2	14.4	14.8	15.0
Adjusted EPS**	39.3	(30.2)	53.8	12.0	9.3
<b>Per-share data (KRW)</b>					
EPS (parent-based)	4,449	3,167	4,859	5,439	5,943
EPS (consolidated)	4,449	3,163	4,859	5,439	5,943
Adjusted EPS**	4,492	3,134	4,821	5,401	5,906
BVPS	15,465	15,496	17,539	19,573	21,625
DPS (common)	2,800	3,200	3,500	4,000	4,300
<b>Valuations (x)</b>					
P/E***	21.8	31.2	20.3	18.1	16.6
P/B***	6.3	6.3	5.6	5.0	4.5
EV/EBITDA	11.1	13.4	10.1	9.2	8.4
<b>Ratios (%)</b>					
ROE	30.1	20.1	29.2	29.4	28.9
ROA	20.2	13.0	18.0	19.1	19.9
ROIC	31.1	19.1	25.7	26.7	27.2
Payout ratio	60.6	96.4	70.2	71.6	70.5
Dividend yield (common)	2.9	3.3	3.6	4.1	4.4
Net debt to equity	(3.0)	17.8	13.9	9.9	5.6
Interest coverage (x)	106.8	55.5	53.7	66.1	84.7

## Compliance notice

- As of Aug 1, 2017, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of Aug 1, 2017, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.

## Target price changes in past two years



## Rating changes in past two years

Date	2015/8/2	10/15	2016/1/15	2/17	12/4	2017/2/15	4/29	8/1
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	120,000	100,000	113,000	135,000	115,000	110,000	115,000	110,000

Samsung Securities uses the following investment ratings.

### Company

<b>BUY</b>	Expected to increase in value by 10% or more within 12 months and is highly attractive within sector
<b>HOLD</b>	Expected to increase/decrease in value by less than 10% within 12 months
<b>SELL</b>	Expected to decrease in value by 10% or more within 12 months

### Industry

<b>OVERWEIGHT</b>	Expected to outperform market by 5% or more within 12 months
<b>NEUTRAL</b>	Expected to outperform/underperform market by less than 5% within 12 months
<b>UNDERWEIGHT</b>	Expected to underperform market by 5% or more within 12 months

## Percentage of ratings in 12 months prior to Jun 30, 2017

BUY (81.5%) | HOLD (18.5%) | SELL (0%)

## Global Disclosures & Disclaimers

### General

This research report is for information purposes only. It is 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 report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or 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. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

### For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

### For reports to be distributed to UK:

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 2001 (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.

### For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

### For reports to be distributed to 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 Samsung Securities 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.

### Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd.. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc.