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Current price suggests 2019 dividend yield of 4.2%

We retain our BUY rating on Coway, while raising the target price 5% to KRW100,000 (4% upward revision in 2019 EPS). The company's earnings stability and growth potential will both stand out in 2019. Coway plans to 1) defend its domestic market share by differentiating its technology and services and 2) solidify its hegemony in the Malaysian market, while 3) aggressively expanding its sales in the US. Earnings estimates will be revised up if the company's business strategies with its Chinese partners or plans to venture into new markets materialize. Although uncertainties over Coway's prospects following its acquisition by Woongjin have not completely dissipated, we believe that Coway shares have solid downward rigidity when considering the current price represents a 2019 dividend yield of 4.2%.

OR growth of 9% YoY and OP growth of 20% YoY in 4Q18; Earnings in line with consensus

Based on 4Q18 consolidated earnings, Coway achieved all-time quarterly high earnings, posting OR of KRW711.7bn (+9% YoY) and OP of KRW128.8bn (+20% YoY). 1) The domestic rental business registered top-line growth of 6% as the number of rental accounts increased by a net 76K on a 14% increase in new sales. However, the cancellation rate inched up to 1.09% (+0.07%p QoQ) due to the release of a new bidet model. 2) The homecare wing saw its top-line advance 42%, but revenues from lump-sum and other forms of sales dropped 14%. 3) The four overseas wellness home appliance subsidiaries turned in combined OR of KRW132.9bn (+59% YoY) and OP of KRW20.4bn (+234% YoY). The Malaysian subsidiary achieved a 74% increase in OR and 8%p improvement in OPM.

Buy maintain

Target Price (raised)	KRW100,000
Upside/Downside	15.6%
Current price (Feb 14)	KRW86,500
Consensus Target Price	KRW89,000
Market cap	USD5.7bn

Trading Data

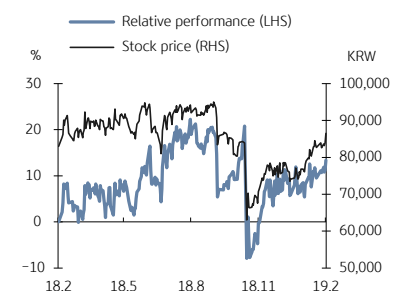
Free float	75.5%
Avg T/O Val (3M, KRWbn)	13.0
Foreign ownership	62.6%
Major shareholders	Coway Holdings, Inc. and 6 others 22.3%
	GIC Private Limited 7.4%

Share price performance

(%)	1M	3M	6M	12M
Absolute	12.6	22.3	-6.1	4.2
Relative	4.5	13.7	-4.7	13.4

Forecast earnings & valuation

FY-end	2017A	2018E	2019E	2020E
OR (KRWbn)	2,517	2,707	2,954	3,167
OP (KRWbn)	473	520	551	587
NP to parent (KRWbn)	326	350	397	425
EPS (KRW)	4,328	4,746	5,385	5,764
EPS Growth (%)	36.7	9.7	13.5	7.0
PER (x)	22.6	15.6	16.1	15.0
EV/EBITDA (x)	11.0	7.4	8.1	7.6
PBR (x)	7.4	5.0	5.2	4.6
ROE (%)	30.1	33.8	34.2	32.4
Div. Yield (%)	3.3	4.9	4.2	4.4

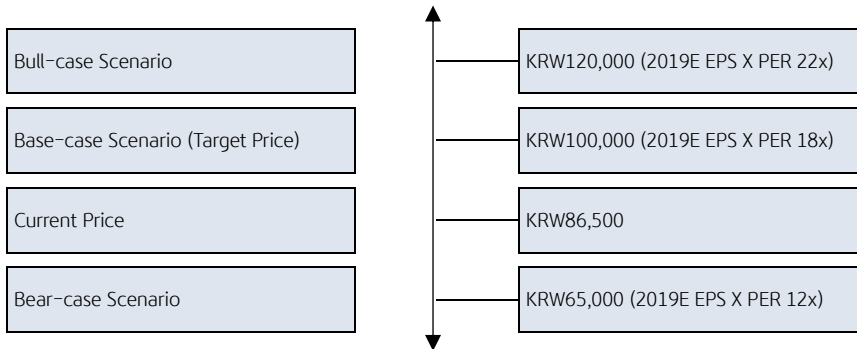


Source: COWAY, KB Securities estimates

Technological innovations and client base expansion in 2019 to result in OR growth of 9% and OP growth of 6%

Based on consolidated earnings, Coway is forecast to turn in OR of KRW2.95tr (+9% YoY) and OP of KRW551.0bn (+6% YoY) in 2019. The company plans to expand its low/mid-end product lineup to fend off competition, while strengthening its premium product line-up via technological innovations to boost its domestic and overseas customer base. 1) The domestic wellness home appliance business is projected to achieve top-line growth of 4% (estimated 4% increase in rentals, 15% increase in homecare, 6% increase in lump-sum sales). 2) The Malaysian subsidiary is expected to report OR growth of 27% and OP growth of 19%. 3) The US subsidiary is forecast to see OR advance 13% and OP rise 16%. Meanwhile, 4) Coway recently signed an MOU with JOMOO (Chinese kitchen and bathroom appliance company) with plans to launch sales in China's water purifier and bidet markets.

Investment opinion and risks



Base-case Scenario: Catalysts

- 1) Stable domestic net rental account growth
- 2) High growth of overseas businesses, including Malaysia

Bull-case Scenario: Upside risks

- 1) Strong sales of new rental products, including apparel refreshers
- 2) Higher-than-expected earnings at overseas units

Bear-case Scenario: Downside risks

- 1) Weak domestic net rental account growth due to intensifying competition
- 2) Shift in business and dividend policies following change in major shareholder

Revised earnings estimates

(KRWbn, %)	Previous		Revised		Change	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	2,918.4	3,106.6	2,954.1	3,167.4	1.2	2.0
OP	544.8	575.9	551.0	587.4	1.2	2.0
NP to parent	383.5	407.1	397.4	425.4	3.6	4.5

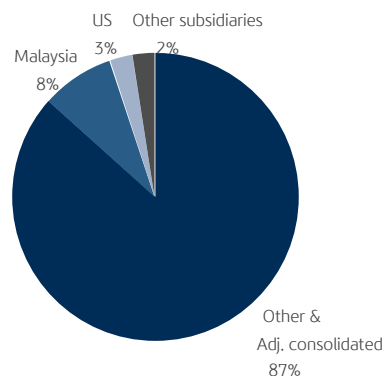
Source: KB Securities estimates

Difference vs. Consensus

(KRWbn, %)	KB est.		Consensus		Difference	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	2,954.1	3,167.4	2,917.8	3,133.2	1.2	1.1
OP	551.0	587.4	551.9	599.6	-0.2	-2.0
NP to parent	397.4	425.4	396.9	433.5	0.1	-1.9

Source: FnGuide, KB Securities estimates

OR composition (2017, %)



Source: Company data, KB Securities

Peer group comparison

(USDbn, X, %)	Market cap.	PER		PBR		EV/EBITDA		ROE		Dividend Yield	
		2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
Cuckoo Homesys	0.7	16.2	12.6	2.0	1.7	11.8	12.9	14.0	15.0	15.0	1.7
Lock & Lock	1.0	30.4	20.9	1.6	1.5	15.3	10.3	5.5	7.5	2.5	2.5
RINNAI CORP	3.5	17.0	18.6	1.3	1.3	5.9	6.0	8.2	6.9	1.2	1.2
Whirlpool	8.8	9.4	9.3	3.6	3.7	7.2	6.6	24.9	30.8	3.3	3.3

Source: Bloomberg, KB Securities

Valuation and target price calculation

- 1) Valuation method:
PER valuation
- 2) Target price calculation:
Applied 2019E EPS with target PER of multiple 18x (Bottom of 2012~2017 PER)
- 3) Target price range:
KRW120,000 ~ KRW65,000
- 4) Target price range:
2019E Implied PER of 18x, PBR of 6x

Earnings sensitivity analysis

(%)	EPS change	
	2018E	2019E
1%p rise in interest rate	-0.9	-0.7
1% rise in FX rate	+0.3	+0.3

Table 1. Coway: Consolidated 4Q18 earnings

(KRWbn)	4Q18	4Q17	YoY (%)	3Q18	QoQ (%)	Consensus	Var (%)	KB Securities	Var (%)
OR	711.7	653.6	8.9	669.8	6.3	710.2	0.2	710.2	0.2
OP	128.8	107.1	20.3	130.4	-1.2	121.0	6.4	125.5	2.7
EBT	99.9	89.1	12.2	118.2	-15.5	114.8	-13.0	120.0	-16.8
NP (to parent)	69.8	61.8	13.0	94.3	-26.0	87.4	-20.2	91.3	-23.6
OPM (%)	18.1	16.4		19.5		17.0		17.7	
EBT margin (%)	14.0	13.6		17.6		16.2		16.9	
NPM (to parent) (%)	9.8	9.5		14.1		12.3		12.9	

Source: Company, Fnguide, KB Securities

Table 1. Coway: PER valuation

	2016	2017	2018	2019E	2020E	2021E
Consolidated EPS (KRW)	3,324	4,521	4,856	5,510	5,898	6,261
Applied PER (X)				18.0	18.0	18.0
Value per share (KRW)				99,000	106,000	113,000
Upside (%)				14.7	22.7	30.3
TP (KRW)	100,000					
2019E EPS (KRW)				5,510		
Target PER (X)				18.0		
Current price (KRW)				86,500		(2019.02.14)
Upside (%)				15.6		
Applied PER of TP (X)				18.1	17.0	16.0
PER of current price (X)				15.7	14.7	13.8

Source: KB Securities estimates

Table 3. Coway: Revised earnings estimates

(KRWbn)	Before			After			Change (%)		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
OR	2,705.8	2,918.4	3,106.6	2,707.3	2,954.1	3,167.4	0.1	1.2	2.0
OP	516.5	544.8	575.9	519.8	551.0	587.4	0.6	1.2	2.0
EBT	495.2	524.8	557.1	468.6	529.3	566.6	-5.4	0.9	1.7
NP (to parent)	371.7	383.5	407.1	350.2	397.4	425.4	-5.8	3.6	4.5
EPS (KRW)	4,968.4	5,125.2	5,440.7	4,681.2	5,311.5	5,685.3	-5.8	3.6	4.5
YoY (%)									
OR	7.5	7.9	6.4	7.6	9.1	7.2			
OP	9.3	5.5	5.7	10.0	6.0	6.6			
EBT	12.6	6.0	6.2	6.5	13.0	7.0			
NP (to parent)	14.0	3.2	6.2	7.4	13.5	7.0			
EPS	14.0	3.2	6.2	7.4	13.5	7.0			
OPM (%)	19.1	18.7	18.5	19.2	18.7	18.5			
EBT margin (%)	18.3	18.0	17.9	17.3	17.9	17.9			
NPM (to parent, %)	13.7	13.1	13.1	12.9	13.5	13.4			

Source: Company data, KB Securities estimates

Note: Based on changes relative to 2018 Oct. 31 estimates

Table 4. Coway: Earnings trend and estimates (consolidated)

(KRWbn)		1Q18	2Q18	3Q18	4Q18	1Q19E	2Q19E	3Q19E	4Q19E	2017	2018	2019E	2020E
Consolidated OR		647.8	678.1	669.8	711.7	688.8	747.1	746.1	772.2	2,516.8	2,707.3	2,954.1	3,167.4
Stand-alone		571.5	595.8	595.4	609.9	605.3	631.0	629.9	640.0	2,320.5	2,372.7	2,506.2	2,619.7
Malaysia		65.7	91.6	92.3	103.8	83.4	116.3	117.2	131.8	207.5	353.4	448.8	547.6
U.S.		17.6	17.4	21.1	24.4	19.9	19.7	23.8	27.6	65.0	80.5	91.0	100.1
Other subsidiaries		22.7	25.1	20.6	20.1	24.1	27.7	22.8	22.1	64.5	88.5	96.6	102.2
Adjust.		-30.0	-51.8	-59.7	-46.5	-44.0	-47.7	-47.6	-49.3	-141.4	-188.0	-188.6	-202.2
YoY (%)	Consol. OR	6.2	8.8	6.4	8.9	6.3	10.2	11.4	8.5	5.9	7.6	9.1	7.2
	Stand-alone	-0.1	3.6	1.1	4.3	5.9	5.9	5.8	4.9	5.3	2.2	5.6	4.5
	Malaysia	50.6	86.8	67.7	73.7	26.9	27.0	27.0	27.0	45.1	70.4	27.0	22.0
	U.S.	15.4	11.4	35.4	31.0	13.3	13.0	13.0	13.0	8.0	23.7	13.1	10.0
	Other subsidiaries	80.6	27.5	81.9	-3.8	5.9	10.5	10.5	9.7	15.4	37.3	9.1	5.8
	Adj.	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC
Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Stand-alone	88.2	87.9	88.9	85.7	87.9	84.5	84.4	82.9	92.2	87.6	84.8	82.7
	Malaysia	10.1	13.5	13.8	14.6	12.1	15.6	15.7	17.1	8.2	13.1	15.2	17.3
	U.S.	2.7	2.6	3.2	3.4	2.9	2.6	3.2	3.6	2.6	3.0	3.1	3.2
	Other subsidiaries	3.5	3.7	3.1	2.8	3.5	3.7	3.1	2.9	2.6	3.3	3.3	3.2
	Adj.	-4.6	-7.6	-8.9	-6.5	-6.4	-6.4	-6.4	-6.4	-5.6	-6.9	-6.4	-6.4
Consolidated OP		131.3	129.3	130.4	128.8	136.6	139.0	141.1	134.3	472.7	519.8	551.0	587.4
Stand-alone		123.1	119.9	120.6	112.8	129.8	126.3	126.9	117.8	478.4	476.4	500.8	526.1
Malaysia		9.2	15.9	17.0	20.2	13.8	19.2	19.3	21.8	17.5	62.3	74.1	84.9
U.S.		0.6	-0.1	1.3	1.3	0.7	0.1	1.4	1.4	0.5	3.1	3.6	4.2
Other subsidiaries		-2.4	-1.2	-1.5	-3.1	-1.9	-0.9	-0.7	-1.0	-3.7	-8.2	-4.5	-3.3
Adjust.		0.8	-5.2	-7.0	-2.4	-5.7	-5.8	-5.9	-5.6	-20.0	-13.8	-23.0	-24.5
YoY (%)	Consol. OR	8.6	7.2	5.0	20.3	4.1	7.5	8.2	4.3	39.5	10.0	6.0	6.6
	Stand-alone	0.1	-4.3	-5.0	9.3	5.4	5.4	5.3	4.4	29.8	-0.4	5.1	5.0
	Malaysia	300.0	396.9	240.0	188.6	49.6	20.7	13.8	7.7	161.2	256.0	18.9	14.6
	U.S.	200.0	N/A	225.0	TB	16.0	TB	10.0	6.0	N/A	520.0	16.2	15.6
	Other subsidiaries	LC	LC	LC	TR	LC	LC	LC	LC	LC	LC	LC	LC
	Adj.	TB	LC	LC	LC	TR	LC	LC	LC	LC	LC	LC	LC
OPM (%)	Consol. OR	20.3	19.1	19.5	18.1	19.8	18.6	18.9	17.4	18.8	19.2	18.7	18.5
	Stand-alone	21.5	20.1	20.3	18.5	21.4	20.0	20.2	18.4	20.6	20.1	20.0	20.1
	Malaysia	14.0	17.4	18.4	19.5	16.5	16.5	16.5	16.5	8.4	17.6	16.5	15.5
	U.S.	3.4	-0.6	6.2	5.3	3.5	0.5	6.0	5.0	0.8	3.9	4.0	4.2
	Other subsidiaries	-10.6	-4.8	-7.3	-15.4	-7.9	-3.1	-3.2	-4.4	-5.7	-9.3	-4.6	-3.2
	Adj.	-2.7	9.9	11.8	5.2	12.9	12.1	12.3	11.4	14.1	7.3	12.2	12.1
Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Stand-alone	93.7	92.7	92.5	87.6	95.0	90.9	90.0	87.7	101.2	91.6	90.9	89.6
	Malaysia	7.0	12.3	13.0	15.7	10.1	13.8	13.7	16.2	3.7	12.0	13.4	14.4
	U.S.	0.5	-0.1	1.0	1.0	0.5	0.1	1.0	1.0	0.1	0.6	0.7	0.7
	Other subsidiaries	-1.8	-0.9	-1.2	-2.4	-1.4	-0.6	-0.5	-0.7	-0.8	-1.6	-0.8	-0.6
GP		446.0	460.0	455.8	473.4	470.7	508.3	509.2	515.2	1,718.3	1,835.2	2,003.4	2,154.4
EBT		127.8	122.7	118.2	99.9	131.2	133.6	135.7	128.9	439.9	468.6	529.3	566.6
NP		95.3	90.8	94.3	69.8	98.5	100.3	101.8	96.8	326.1	350.2	397.4	425.4
NP to parent		192.8	192.2	194.9	205.7	205.1	207.4	209.5	202.8	708.3	785.5	824.7	867.0
EBITDA		6.9	7.4	4.9	8.1	5.6	10.5	11.7	8.8	9.9	6.8	9.2	7.5
YoY (%)	GP	27.0	-2.6	-4.8	12.2	2.7	8.8	14.8	29.0	35.9	6.5	13.0	7.0
	EBT	26.2	-4.7	0.9	13.0	3.3	10.4	8.0	38.7	33.8	7.4	13.5	7.0
	NP	7.7	7.4	6.3	23.1	6.3	7.9	7.5	-1.4	23.8	10.9	5.0	5.1
	NP to parent	68.8	67.8	68.0	66.5	68.3	68.0	68.2	66.7	68.3	67.8	67.8	68.0
	EBITDA	19.7	18.1	17.6	14.0	19.0	17.9	18.2	16.7	17.5	17.3	17.9	17.9
NPM to parent (%)		14.7	13.4	14.1	9.8	14.3	13.4	13.7	12.5	13.0	12.9	13.5	13.4
EBITDA Margin (%)		29.8	28.3	29.1	28.9	29.8	27.8	28.1	26.3	28.1	29.0	27.9	27.4

Source: Company data, KB Securities estimates

Table 5. Coway: Earnings trend and estimates (Stand-alone)

(KRWbn)		1Q18	2Q18	3Q18	4Q18	1Q19E	2Q19E	3Q19E	4Q19E	2017	2018	2019E	2020E
Stand-alone OR		571.5	595.8	595.4	609.9	605.3	631.0	629.9	640.0	2,320.5	2,372.7	2,506.2	2,619.7
Domestic home appliance		496.6	505.4	498.0	517.5	521.6	527.9	518.1	535.3	1,981.0	2,017.5	2,102.9	2,171.6
Rental		378.7	382.7	382.2	399.5	395.7	399.2	395.9	411.2	1,506.0	1,543.2	1,601.9	1,647.5
Home care		38.6	40.9	45.2	45.0	44.4	47.0	51.9	51.8	122.8	169.6	195.1	214.6
Membership		32.2	31.1	29.4	28.0	28.7	29.2	27.6	26.2	144.7	120.7	111.7	108.4
One-off payment		43.9	47.3	38.2	41.6	49.7	49.2	39.8	43.2	192.2	171.0	181.9	189.2
Etc.		3.2	3.4	3.0	3.0	3.1	3.3	2.9	3.0	15.2	12.6	12.3	11.9
Export		54.3	71.8	79.9	73.6	62.7	84.2	93.9	85.5	259.7	279.7	326.3	369.6
Cosmetics		20.6	18.6	17.5	18.8	21.0	19.0	17.9	19.2	79.7	75.5	77.0	78.6
YoY (%)	Stand-alone OR	-0.1	3.6	1.1	4.3	5.9	5.9	5.8	4.9	5.3	2.2	5.6	4.5
	Domestic home appliance	2.8	0.9	-0.6	4.3	5.0	4.5	4.0	3.4	3.6	1.8	4.2	3.3
	Rental	2.5	0.9	1.0	5.5	4.5	4.3	3.6	2.9	0.9	2.5	3.8	2.8
	Home care	49.3	35.3	28.7	42.2	15.0	15.0	15.0	15.0	16.5	38.1	15.0	10.0
	Membership	-14.9	-15.4	-18.0	-18.4	-10.9	-6.2	-6.2	-6.2	-13.6	-16.6	-7.4	-3.0
	One-off payment	-4.5	-6.2	-19.2	-14.4	13.3	4.0	4.0	4.0	-1.8	-11.1	6.4	4.0
	Etc.	-17.5	-12.8	-25.2	-10.0	-3.0	-3.0	-3.0	-3.0	-18.6	-16.7	-3.0	-3.0
	Export	-20.1	29.3	16.5	8.9	15.5	17.2	17.5	16.2	19.7	7.7	16.7	13.2
	Cosmetics	-1.6	-0.7	-9.6	-9.1	2.0	2.0	2.0	2.0	7.4	-5.3	2.0	2.0
Portion (%)	Stand-alone OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Domestic home appliance	86.9	84.8	83.6	84.8	86.2	83.7	82.2	83.6	85.4	85.0	83.9	82.9
	Rental	66.3	64.2	64.2	65.5	65.4	63.3	62.8	64.2	64.9	65.0	63.9	62.9
	Home care	6.8	6.9	7.6	7.4	7.3	7.4	8.2	8.1	5.3	7.1	7.8	8.2
	Membership	5.6	5.2	4.9	4.6	4.7	4.6	4.4	4.1	6.2	5.1	4.5	4.1
	One-off payment	7.7	7.9	6.4	6.8	8.2	7.8	6.3	6.8	8.3	7.2	7.3	7.2
	Etc.	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.7	0.5	0.5	0.5
	Export	9.5	12.1	13.4	12.1	10.4	13.3	14.9	13.4	11.2	11.8	13.0	14.1
	Cosmetics	3.6	3.1	2.9	3.1	3.5	3.0	2.8	3.0	3.4	3.2	3.1	3.0
Stand-alone OP		123.1	119.9	120.6	112.8	129.8	126.3	126.9	117.8	478.4	476.4	500.8	526.1
YoY (%)		0.1	-4.3	-5.0	9.3	5.4	5.4	5.3	4.4	29.8	-0.4	5.1	5.0
OPM (%)		21.5	20.1	20.3	18.5	21.4	20.0	20.2	18.4	20.6	20.1	20.0	20.1
Key assumption of rental													
Total account ('000)		5,032.3	5,106.3	5,154.1	5,229.8	5,307.0	5,362.6	5,378.2	5,424.4	4,969.9	5,229.8	5,424.4	5,602.6
Newly sales ('000)		377.1	388.8	321.9	362.2	394.1	406.3	336.4	378.5	1,381.7	1,450.0	1,515.2	1,560.7
Cancellation ('000)		152.1	166.9	156.0	169.5	155.3	157.6	159.3	159.7	625.4	644.5	631.9	650.1
Arrival of the due date ('000)		162.6	147.9	118.1	117.0	161.6	193.0	161.5	172.5	635.9	545.7	688.6	732.4
ARPU (Monthly avg.) (KRW)		27,817	27,854	27,766	28,539	27,845	27,882	27,794	28,568	27,646	27,988	28,111	28,145
Cancellation portion (Monthly avg.) (%)		1.0	1.1	1.0	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.0
Arrival of the due date proportion (%)		51.1	49.6	45.9	40.1	51.0	52.0	52.0	52.0	52.2	46.8	51.8	52.0
Key assumption of membership													
Total account ('000)		752.1	735.9	693.8	670.3	707.0	691.7	652.1	630.1	778.4	670.3	630.1	611.2
ARPU (Monthly avg.) (KRW)		14,030	13,927	13,726	13,663	13,890	13,899	13,699	13,636	14,776	13,885	14,316	14,550
Key assumption of one-off payment													
Newly sales ('000)		49.1	54.4	44.2	49.5	50.6	56.1	45.6	50.9	250.6	197.2	203.1	209.2
ARPU (KRW)		893,867	868,986	863,873	840,444	983,254	877,676	872,512	848,848	767,223	866,873	895,565	904,520
Obsolescence loss (Consolidated) (KRWbn)		10.9	13.0	13.4	11.5	10.8	12.1	13.4	12.1	43.5	50.4	48.5	52.0

Source: Company data, KB Securities estimates

Profit & Loss

(KRWbn)	2016A	2017A	2018E	2019E	2020E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,376	2,517	2,707	2,954	3,167
Cost of sales	812	798	872	951	1,013
Gross profit	1,564	1,718	1,835	2,003	2,154
SG&A expenses	1,225	1,246	1,315	1,452	1,567
Operating profit	339	473	520	551	587
EBITDA	572	708	786	825	867
Non-operating accounts	-15	-33	-51	-22	-21
Interest income	1	1	1	1	1
Interest expenses	6	12	17	15	14
Profit on equity method	0	0	0	0	0
Net other non-operating income	-10	-22	-35	-8	-8
Profit before tax	324	440	469	529	567
Income tax expense	80	114	119	132	142
Net profit	243	326	350	397	425
NP to parent	244	326	350	397	425
Adj. net profit	244	326	350	397	425

Operating Statistics & Ratios

(%)	2016A	2017A	2018E	2019E	2020E
OR growth	2.6	5.9	7.6	9.1	7.2
OP growth	-26.9	39.5	10.0	6.0	6.6
EBITDA growth	-17.2	23.8	10.9	5.0	5.1
NP growth of parent	-29.0	35.8	7.4	13.5	7.0
GP margin	65.8	68.3	67.8	67.8	68.0
OP margin	14.3	18.8	19.2	18.7	18.5
EBITDA margin	24.1	28.1	29.0	27.9	27.4
EBT margin	13.6	17.5	17.3	17.9	17.9
NP margin	10.2	12.9	12.9	13.4	13.4

Cash Flow

(KRWbn)	2016A	2017A	2018E	2019E	2020E
Cash flow from operating activities	358	554	561	513	544
Net profit	243	326	350	397	425
Depreciation & amortization	233	236	266	274	280
Other non-cash adjustments	233	241	228	132	142
Investments in working capital	-232	-148	-149	-157	-161
Decrease(Increase) in Receivables	-62	-59	38	-28	-31
Decrease(Increase) in Inventories	-4	-6	-20	-7	-7
Increase(Decrease) in Payables	-4	21	-8	2	2
Other operating cash flow	-120	-100	-134	-133	-142
Cash flow from investing activities	-368	-290	-123	-317	-318
Capital expenditure	-313	-323	-310	-300	-300
Investments in intangibles	-13	-8	-10	-10	-10
Changes in investment assets	-1	-1	-1	0	0
Other investment cash flow	1	1	179	0	0
Cash flow from financing activities	-40	-218	-394	-189	-187
Proceeds from (repayments of) debt	264	330	-138	-29	-27
Changes in equity	-93	-127	3	0	0
Dividends paid	-208	-409	-231	-202	-202
Other financing cash flow	-2	-12	-29	42	42
Other cash flow	0	-2	0	0	0
Increase/decrease in cash	-50	44	44	7	38
Cash and cash equivalents at FYE	66	110	155	162	200
Free cash flow	45	230	251	213	244
Net cash flow	-248	-302	192	43	74
Net cash (net debt)	-210	-512	-320	-276	-202

Source: COWAY, KB Securities estimates

Statement of financial position

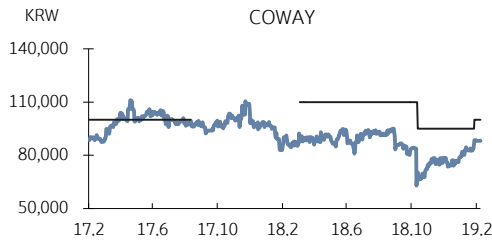
(KRWbn)	2016A	2017A	2018E	2019E	2020E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	1,968	2,159	2,117	2,215	2,343
Current assets	733	791	850	912	1,010
Cash and cash equivalents	66	110	155	162	200
Current financial assets	75	60	72	79	87
Trade receivables	293	315	283	311	343
Inventories	70	75	97	104	111
Other current assets	228	232	243	255	268
Non-current assets	1,235	1,367	1,267	1,303	1,333
Investment assets	89	89	86	86	86
Property, plant and equipment	669	712	703	738	768
Intangible assets	183	184	183	183	184
Other non-current assets	292	381	295	295	295
Total liabilities	784	1,177	1,026	986	949
Current liabilities	735	1,125	971	934	899
Trade payables	59	54	56	57	59
Short-term financial liabilities	340	670	536	509	484
Other current liabilities	317	361	379	367	356
Non-current liabilities	49	52	55	52	50
Non-current financial liabilities	12	12	10	8	6
Other non-current liabilities	25	22	26	26	26
Total equity	1,183	982	1,092	1,229	1,394
Issued capital	41	41	41	41	41
Share premium	127	129	130	130	130
Other equity interest	-159	-146	-46	-46	-46
Accumulated other comprehensive income	-6	-5	-4	-4	-4
Retained earnings	1,180	963	972	1,110	1,275
Equity attributable to owners of parent	1,183	982	1,092	1,230	1,395
Non-controlling Interests	1	0	0	-1	-1

Key Ratio

(X, %, KRW)	2016A	2017A	2018E	2019E	2020E
Multiples					
PER	27.9	22.6	15.6	16.5	15.4
PBR	5.7	7.4	5.0	5.3	4.7
PSR	2.9	2.9	2.0	2.2	2.1
EV/EBITDA	12.2	11.0	7.4	8.3	7.8
EV/EBIT	20.5	16.5	11.1	12.4	11.5
Dividend yield, ordinary (%)	3.6	3.3	4.9	4.1	4.3
EPS	3,167	4,328	4,746	5,385	5,764
BPS	15,486	13,128	14,798	16,662	18,905
SPS	30,890	33,402	36,685	40,028	42,919
DPS (Annual, Ordny.)	3,200	3,200	3,600	3,600	3,800
Cash dividends payout ratio (%)	96.3	71.2	74.2	65.4	64.5
Operating performance					
ROE	20.1	30.1	33.8	34.2	32.4
ROA	13.0	15.8	16.4	18.3	18.6
ROIC	20.6	25.6	28.1	29.8	29.8
Financial structure (%)					
Total liab./equity	66.3	119.8	93.9	80.3	68.1
Net debt/equity	17.8	52.1	29.3	22.5	14.5
Current Ratio	1.0	0.7	0.9	1.0	1.1
Interest coverage (x)	55.5	38.3	30.2	37.0	41.6
Activity ratios					
Asset turnover (x)	1.3	1.2	1.3	1.4	1.4
Receivables turnover (x)	8.7	8.3	9.1	9.9	9.7
Inventory turnover (x)	33.9	34.7	31.5	29.3	29.4

Disclosures

Rating and Target Price Changes (Share price —, Target Price —)



COWAY (021240)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
17-05-24	Hold	100,000	-0.38	-7.70
17-11-24	6 month later	100,000	1.17	0.00
18-03-21	Buy	110,000	-17.91	-13.64
18-09-21	6 month later	110,000	-25.26	-21.09
18-10-31	Buy	95,000	-19.55	-8.95
19-02-15	Buy	100,000		

KB Securities is the issuer and liquidity provider of ELW that has [COWAY] as an underlying asset as of this date of publication.

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Classification and Standards for Investment Rating

Investment Rating for Company

(based on estimation of six-month absolute returns)

Buy: +15% or beyond	Hold: Between 15% and -15%	Sell: -15% or beyond
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Note: KB Securities's classification of investment ratings has shifted from four stages (Strong BUY, BUY, Marketperform, Underperform) to three stages (Buy, Hold, Sell) based on Korean reports since February 23, 2017.

Investment Rating for Industry

(based on estimation of six-month absolute returns)

Positive: To outperform market	Neutral: To match market performance	Negative: To underperform market
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Notes: The industry rating system of KB Securities has shifted from (Overweight, Neutral, Underweight) to (Positive, Neutral, Negative) as of Jun 28, 2017

Proportion of investment rating (as of December 31, 2018)

Buy	Hold	Sell
70.6	29.4	-

* Note: Based on reports presented with investment ratings over the past one year

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