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Post-merger uncertainties weigh on share price; Accumulate shares at low-end of boxed range

We maintain a BUY rating on Woongjin Coway and raise the target price by 5% to KRW105,000. PMI (post-merger integration) process has been underway since Woongjin's acquisition of Coway. While Coway's previous largest shareholder (PEF) focused on profit margins and earnings stability, Woongjin is anticipated to seek enterprise value growth via top-line expansion. Woongjin Coway's share price has recently been dampened by uncertainties over its post-merger management direction, but the company's differentiated competitiveness (R&D and services) and earnings stability will not be undermined. We believe Woongjin Coway's downside potential is limited, considering its current share price (2019 PER of 16x) and 2019E dividend yield of 4.1%. Investors are advised to accumulate the shares when the share price hits the low-end of the historical valuation band.

1Q19 OR up 10% YoY and OP up 3% YoY; New rental income rose 8% YoY thanks to brisk air purifier sales

Woongjin Coway turned in 1Q19 consolidated OR of KRW709.3bn (+10% YoY) and OP of KRW135.2bn (+3% YoY). OP hit a quarterly all-time high, satisfying both market consensus and our estimate. 1) The domestic rental business's OR rose 2% YoY, while the financial lease business' OR surged 46% YoY. Woongjin Coway's new rental sales reached 408,000 accounts (+8% YoY) thanks to robust air purifier sales (+33% YoY), while its contract cancellation rate remained stable at 1.01%. Accordingly, rental accounts net grew by 120,000. 2) Lump-sum sales climbed 4% YoY as new air purifier sales soared 88% YoY. 3) Four overseas wellness home appliance subsidiaries turned in combined OR of KRW132.9bn (+59% YoY) and OP of KRW190.1bn (+117% YoY). The Malaysian subsidiary achieved a 71% increase in OR and 8%p improvement in OPM.

Buy maintain

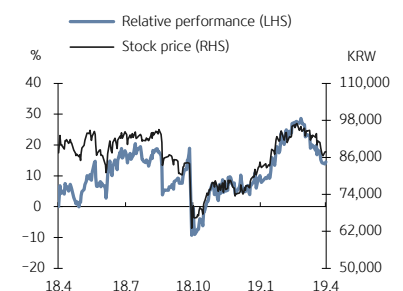
Target Price (raised)	KRW105,000
Upside/Downside	19,6%
Current price (Apr 30)	KRW87,800
Consensus Target Price	KRW105,400
Market cap	USD5.6bn

Trading Data	
Free float	72.6%
Avg T/O Val (3M, KRWbn)	47.1
Foreign ownership	59.8%
Major shareholders	Woongjin Thinkbig and 8 others
	25.2%
	NPS 8.1%

Share price performance					
(%)	1M	3M	6M	12M	
Absolute	-7.1	3.9	29.1	0.3	
Relative	-9.7	4.0	18.0	14.5	

Forecast earnings & valuation

FY-end	2018A	2019E	2020E	2021E
OR (KRWbn)	2,707	3,019	3,250	3,458
OP (KRWbn)	520	543	584	620
NP to parent (KRWbn)	350	392	418	445
EPS (KRW)	4,735	5,310	5,669	6,033
EPS Growth (%)	9.4	12.1	6.8	6.4
PER (x)	15.6	16.5	15.5	14.6
EV/EBITDA (x)	7.8	8.5	8.0	7.5
PBR (x)	5.0	5.3	4.7	4.2
ROE (%)	33.8	34.0	32.2	30.4
Div. Yield (%)	4.9	4.1	4.3	4.3

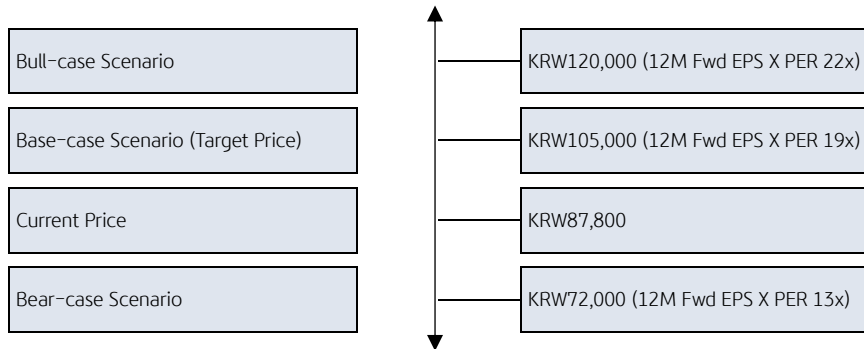


Source: Woongjin Coway, KB Securities estimates

2019 OR to grow 12% YoY and OP 4% YoY, bolstered by technological innovations and expanding client base

Woongjin Coway is expected to report 2019 consolidated OR of KRW3.02tr (+12% YoY) and OP of KRW542.6bn (+4% YoY). 1) Woongjin Coway is highly likely to pay royalties to Woongjin, and we assumed the size of royalties at around 0.5% of OR. 2) The domestic wellness home appliance business is expected to achieve top-line growth of 5% YoY (estimated 3% increase in rentals, 34% increase in financial lease, and 2% increase in lump-sum sales). 3) The Malaysian subsidiary is expected to report OR of 40% and OP growth of 38%. 4) The US subsidiary's OR and OP are forecast to expand 17% YoY and 57% YoY, respectively.

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	2,954.1	3,167.4	3,019.0	3,249.5	2.2	2.6
OP	551.0	587.4	542.6	583.8	-1.5	-0.6
NP to parent	397.4	425.4	391.9	418.4	-1.4	-1.6

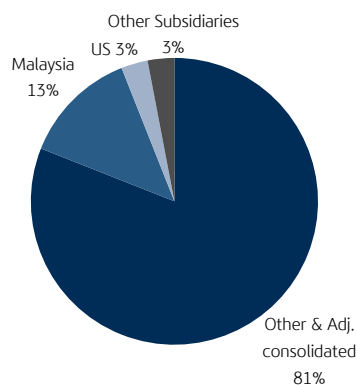
Source: KB Securities estimates

KB estimate vs. Consensus

(KRWbn, %)	KB est.		Consensus		Difference	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	3,019.0	3,249.5	2,933.5	3,152.1	2.9	3.1
OP	542.6	583.8	551.6	594.2	-1.6	-1.7
NP to parent	391.9	418.4	389.8	426.1	0.5	-1.8

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	
		2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
Cuckoo Homesys	0.8	22.0	17.5	2.5	2.3	10.4	10.9	12.5	14.7	14.7	1.4
Lock & Lock	0.8	22.2	16.7	1.3	1.3	9.9	7.4	6.2	7.7	2.5	2.5
RINNAI CORP	3.5	19.5	17.9	1.3	1.2	6.2	5.5	6.7	6.9	1.2	1.2
Whirlpool	8.8	9.4	8.4	3.3	2.8	6.7	6.2	29.4	32.6	3.5	3.5

Source: Bloomberg, KB Securities

Valuation and target price calculation

- 1) Valuation method: PER valuation
- 2) Target price calculation: Applied 12M Fwd EPS with target PER multiple of 19x (discounted 10% from average of 2013~2018 PER)
- 3) Target price range: KRW120,000 ~ KRW72,000
- 4) Valuation at target price: 2019E Implied PER of 19.3x, PBR of 6.2x

Earnings sensitivity analysis

(%)	EPS change	
	2019E	2020E
1%p rise in interest rate	-0.9	-0.7
1% rise in FX rate	+0.3	+0.3

Table 1. Coway: Consolidated 1Q19 earnings

(KRWbn)	1Q19	1Q18	YoY (%)	4Q18	QoQ (%)	Consensus	Var (%)	KB Securities	Var (%)
OR	709.3	647.8	9.5	711.7	-0.3	693.3	2.3	688.8	3.0
OP	135.2	131.3	2.9	128.8	4.9	136.9	-1.3	136.6	-1.1
EBT	135.5	127.8	6.1	99.9	35.7	132.1	2.6	131.2	3.3
NP (to parent)	100.5	95.3	5.4	69.8	44.0	99.3	1.3	98.5	2.0
OPM (%)	19.1	20.3		18.1		19.7		19.8	
EBT margin (%)	19.1	19.7		14.0		19.1		19.0	
NPM (to parent) (%)	14.2	14.7		9.8		14.3		14.3	

Source: Company, Fnguide, KB Securities

Table 1. Coway: PER valuation

	2016	2017	2018	2019E	2020E	2021E
Consolidated EPS (KRW)	3,324	4,521	4,852	5,429	5,796	6,168
Applied PER (X)				18.0	18.0	18.0
Value per share (KRW)				98,000	104,000	111,000
Upside (%)				11.3	18.8	26.5
TP (KRW)	105,000					
2019E EPS (KRW)				5,551		
Target PER (X)				19.0		
Current price (KRW)				87,800		(2019.04.30)
Upside (%)				19.6		
Applied PER of TP (X)				19.3	18.1	17.0
PER of current price (X)				16.2	15.1	14.2

Source: KB Securities estimates

Note: Target price is calculated by applying 10% discount to average PER (2013~2018) of 21x

Table 3. Coway: Revised earnings estimates

(KRWbn)	Before			After			Change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
OR	2,954.1	3,167.4	3,360.0	3,019.0	3,249.5	3,457.9	2.2	2.6	2.9
OP	551.0	587.4	621.2	542.6	583.8	619.6	-1.5	-0.6	-0.3
EBT	529.3	566.6	601.5	523.7	557.3	593.0	-1.1	-1.6	-1.4
NP (to parent)	397.4	425.4	451.5	391.9	418.4	445.2	-1.4	-1.6	-1.4
EPS (KRW)	5,311.5	5,685.3	6,035.2	5,310.3	5,669.1	6,168.2	-0.0	-0.3	2.2
YoY (%)									
OR	9.1	7.2	6.1	11.5	7.6	6.4			
OP	6.0	6.6	5.8	4.4	7.6	6.1			
EBT	13.0	7.0	6.2	11.8	6.4	6.4			
NP (to parent)	13.5	7.0	6.2	11.9	6.8	6.4			
EPS	11.9	7.0	6.2	11.9	6.8	8.8			
OPM (%)	18.7	18.5	18.5	18.0	18.0	17.9			
EBT margin (%)	17.9	17.9	17.9	17.3	17.1	17.2			
NPM (to parent, %)	13.5	13.4	13.4	13.0	12.9	12.9			

Source: Company data, KB Securities estimates

Note: Based on changes relative to 2019 Feb. 15 estimates

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

(KRWbn)		1Q18	2Q18	3Q18	4Q18	1Q19	2Q19E	3Q19E	4Q19E	2017	2018	2019E	2020E
Consolidated OR		647.8	678.1	669.8	711.7	709.3	746.5	757.9	805.3	2,516.8	2,707.3	3,019.0	3,249.5
Stand-alone		571.5	595.8	595.4	632.7	606.6	626.5	634.4	672.8	2,320.5	2,395.5	2,540.4	2,668.9
Malaysia		65.7	91.6	92.3	103.8	112.5	123.7	124.6	134.9	207.5	353.4	495.7	594.8
U.S.		17.6	17.4	21.1	24.4	20.9	21.2	24.3	27.6	65.0	80.5	94.0	103.9
Other subsidiaries		22.7	25.1	20.6	20.1	16.7	22.7	22.9	21.4	64.5	88.5	83.8	89.3
Adjust.		-30.0	-51.8	-59.7	-69.4	-47.4	-47.6	-48.4	-51.4	-141.4	-210.8	-194.9	-207.4
YoY (%)	Consol. OR	6.2	8.8	6.4	8.9	9.5	10.1	13.2	13.2	5.9	7.6	11.5	7.6
	Stand-alone	-0.1	3.6	1.1	8.2	6.1	5.2	6.5	6.3	5.3	3.2	6.0	5.1
	Malaysia	50.6	86.8	67.7	73.7	71.1	35.0	35.0	30.0	45.1	70.4	40.3	20.0
	U.S.	15.4	11.4	35.4	31.0	19.1	22.0	15.0	13.0	8.0	23.7	16.8	10.5
	Other subsidiaries	80.6	27.5	81.9	-3.8	-26.5	-9.4	11.4	6.4	15.4	37.3	-5.4	6.6
	Revised	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
	Stand-alone	88.2	87.9	88.9	88.9	85.5	83.9	83.7	83.5	92.2	88.5	84.1	82.1
	Malaysia	10.1	13.5	13.8	14.6	15.9	16.6	16.4	16.8	8.2	13.1	16.4	18.3
	U.S.	2.7	2.6	3.2	3.4	2.9	2.8	3.2	3.4	2.6	3.0	3.1	3.2
	Other subsidiaries	3.5	3.7	3.1	2.8	2.4	3.0	3.0	2.7	2.6	3.3	2.8	2.7
	Revised	-4.6	-7.6	-8.9	-9.7	-6.7	-6.4	-6.4	-6.4	-5.6	-7.8	-6.5	-6.4
Consolidated OP		131.3	129.3	130.4	128.8	135.2	135.4	138.3	133.7	472.7	519.8	542.6	583.8
Stand-alone		123.1	119.9	120.6	113.7	122.6	119.0	121.8	114.4	478.4	477.2	477.8	504.6
Malaysia		9.2	15.9	17.0	20.2	19.1	21.6	21.8	23.6	17.5	62.3	86.2	98.1
U.S.		0.6	-0.1	1.3	1.3	0.8	1.1	1.3	1.7	0.5	3.1	4.9	5.9
Other subsidiaries		-2.4	-1.2	-1.5	-3.1	-2.8	-2.2	-2.4	-1.8	-3.7	-8.2	-9.1	-6.8
Adjust.		0.8	-5.2	-7.0	-3.2	-4.5	-4.2	-4.3	-4.1	-20.0	-14.6	-17.1	-18.1
YoY (%)	Consol. OR	8.6	7.2	5.0	20.3	2.9	4.7	6.1	3.8	39.5	10.0	4.4	7.6
	Stand-alone	0.1	-4.3	-5.0	10.1	-0.4	-0.7	1.0	0.6	29.8	-0.2	0.1	5.6
	Malaysia	300.0	396.9	240.0	188.6	107.6	36.1	28.3	16.9	161.2	256.0	38.3	13.9
	U.S.	200.0	N/A	225.0	TB	33.3	TB	2.7	27.3	N/A	520.0	56.5	21.9
	Other subsidiaries	LC	LC	LC	TR	LC	LC	LC	LC	LC	LC	LC	LC
	Revised	TB	LC	LC	LC	TR	LC	LC	LC	LC	LC	LC	LC
	OPM (%)	Consol. OR	20.3	19.1	19.5	18.1	19.1	18.1	18.2	16.6	18.8	19.2	18.0
	Stand-alone	21.5	20.1	20.3	18.0	20.2	19.0	19.2	17.0	20.6	19.9	18.8	18.9
	Malaysia	14.0	17.4	18.4	19.5	17.0	17.5	17.5	17.5	8.4	17.6	17.4	16.5
	U.S.	3.4	-0.6	6.2	5.3	3.8	5.0	5.5	6.0	0.8	3.9	5.2	5.7
	Other subsidiaries	-10.6	-4.8	-7.3	-15.4	-16.8	-9.6	-10.3	-8.4	-5.7	-9.3	-10.9	-7.6
	Revised	-2.7	9.9	11.8	4.6	9.5	8.8	8.8	8.0	14.1	6.9	8.8	8.7
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	88.2	90.7	87.9	88.1	85.5	101.2	91.8	88.1	86.4
	Malaysia	7.0	12.3	13.0	15.7	14.1	16.0	15.8	17.7	3.7	12.0	15.9	16.8
	U.S.	0.5	-0.1	1.0	1.0	0.6	0.8	1.0	1.2	0.1	0.6	0.9	1.0
	Other subsidiaries	-1.8	-0.9	-1.2	-2.4	-2.1	-1.6	-1.7	-1.3	-0.8	-1.6	-1.7	-1.2
		Revised											
GP		446.0	460.0	455.8	467.3	476.4	502.7	513.4	526.4	1,718.3	1,829.1	2,018.9	2,169.8
EBT		127.8	122.7	118.2	99.9	135.5	129.0	131.9	127.3	439.9	468.6	523.7	557.3
NP		95.3	90.8	94.3	69.8	100.5	96.8	99.0	95.6	326.1	350.2	391.9	418.4
NP to parent		192.8	192.2	194.9	195.5	204.1	204.3	207.2	202.6	708.3	775.4	818.1	864.6
EBITDA		6.9	7.4	4.9	6.7	6.8	9.3	12.7	12.6	9.9	6.4	10.4	7.5
YoY (%)	GP	27.0	-2.6	-4.8	12.2	6.1	5.1	11.6	27.4	35.9	6.5	11.8	6.4
	EBT	26.2	-4.7	0.9	13.0	5.4	6.6	5.0	36.9	33.8	7.4	11.9	6.8
	NP	7.7	7.4	6.3	17.0	5.8	6.3	6.3	3.6	23.8	9.5	5.5	5.7
	NP to parent	68.8	67.8	68.0	65.7	67.2	67.3	67.7	65.4	68.3	67.6	66.9	66.8
	EBITDA	19.7	18.1	17.6	14.0	19.1	17.3	17.4	15.8	17.5	17.3	17.3	17.1
NPM to parent (%)		14.7	13.4	14.1	9.8	14.2	13.0	13.1	11.9	13.0	12.9	13.0	12.9
EBITDA Margin (%)		29.8	28.3	29.1	27.5	28.8	27.4	27.3	25.2	28.1	28.6	27.1	26.6

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	632.7	606.6	626.5	634.4	672.8	2,320.5	2,395.5	2,540.4	2,668.9
Domestic home appliance	496.6	505.4	498.0	517.5	517.6	525.7	523.3	543.0	1,981.0	2,017.5	2,109.6	2,186.8
Rental	378.7	382.7	382.2	384.0	384.7	389.3	391.4	404.8	1,506.0	1,527.7	1,570.2	1,625.0
Home care	38.6	40.9	45.2	60.5	56.3	61.3	63.2	66.5	122.8	185.1	247.4	272.1
Membership	32.2	31.1	29.4	28.4	27.9	26.8	26.0	25.5	144.7	121.2	106.2	100.5
One-off payment	43.9	47.3	38.2	41.4	45.6	45.1	39.8	43.1	192.2	170.8	173.6	177.3
Etc.	3.2	3.4	3.0	3.2	3.0	3.2	2.9	3.1	15.2	12.8	12.2	11.8
Export	54.3	71.8	79.9	96.4	70.1	83.2	93.9	111.4	259.7	302.5	358.7	408.6
Cosmetics	20.6	18.6	17.5	18.8	18.9	17.7	17.2	18.4	79.7	75.5	72.2	73.6
YoY (%)												
Stand-alone OR	-0.1	3.6	1.1	8.2	6.1	5.2	6.5	6.3	5.3	3.2	6.0	5.1
Domestic home appliance	2.8	0.9	-0.6	4.3	4.2	4.0	5.1	4.9	3.6	1.8	4.6	3.7
Rental	2.5	0.9	1.0	1.5	1.6	1.7	2.4	5.4	0.9	1.4	2.8	3.5
Home care	49.3	35.3	28.7	91.1	45.9	50.0	40.0	10.0	16.5	50.7	33.6	10.0
Membership	-14.9	-15.4	-18.0	-17.0	-13.5	-13.8	-11.7	-10.2	-13.6	-16.3	-12.4	-5.4
One-off payment	-4.5	-6.2	-19.2	-14.8	4.0	-4.6	4.0	4.0	-1.8	-11.2	1.6	2.1
Etc.	-17.5	-12.8	-25.2	-6.3	-6.0	-6.0	-3.0	-3.0	-18.6	-15.8	-4.6	-3.0
Export	-20.1	29.3	16.5	42.7	29.1	15.8	17.5	15.6	19.7	16.5	18.6	13.9
Cosmetics	-1.6	-0.7	-9.6	-9.2	-8.1	-5.0	-2.0	-2.0	7.4	-5.3	-4.4	2.0
Proportion (%)												
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	81.8	85.3	83.9	82.5	80.7	85.4	84.2	83.0	81.9
Rental	66.3	64.2	64.2	60.7	63.4	62.1	61.7	60.2	64.9	63.8	61.8	60.9
Home care	6.8	6.9	7.6	9.6	9.3	9.8	10.0	9.9	5.3	7.7	9.7	10.2
Membership	5.6	5.2	4.9	4.5	4.6	4.3	4.1	3.8	6.2	5.1	4.2	3.8
One-off payment	7.7	7.9	6.4	6.5	7.5	7.2	6.3	6.4	8.3	7.1	6.8	6.6
Etc.	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.7	0.5	0.5	0.4
Export	9.5	12.1	13.4	15.2	11.6	13.3	14.8	16.6	11.2	12.6	14.1	15.3
Cosmetics	3.6	3.1	2.9	3.0	3.1	2.8	2.7	2.7	3.4	3.2	2.8	2.8
Stand-alone OP	123.1	119.9	120.6	113.7	122.6	119.0	121.8	114.4	478.4	477.2	477.8	504.6
YoY (%)	0.1	-4.3	-5.0	10.1	-0.4	-0.7	1.0	0.6	29.8	-0.2	0.1	5.6
OPM (%)	21.5	20.1	20.3	18.0	20.2	19.0	19.2	17.0	20.6	19.9	18.8	18.9
Key assumption of rental												
Total account ('000)	5,032.3	5,106.3	5,154.1	5,229.8	5,349.8	5,445.5	5,482.0	5,538.5	4,969.9	5,229.8	5,538.5	5,743.0
New sales ('000)	377.1	388.8	321.9	362.2	408.3	412.1	338.0	378.5	1,381.7	1,450.0	1,536.9	1,573.5
Cancellation ('000)	152.1	166.9	156.0	169.5	159.5	160.5	161.7	162.8	625.4	644.5	644.5	664.7
Arrival of due date ('000)	162.6	147.9	118.1	117.0	128.8	155.9	139.8	159.2	635.9	545.7	583.7	704.3
ARPU (Monthly avg.) (KRW)	27,817	27,854	27,766	28,539	27,792	27,826	27,738	28,510	27,646	27,988	28,132	28,028
Cancellation proportion (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 due date proportion (%)	51.1	49.6	45.9	40.1	40.7	42.0	45.0	48.0	52.2	46.8	43.9	50.0
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												
New sales ('000)	752.1	735.9	693.8	670.3	644.8	640.2	624.4	603.3	778.4	670.3	603.3	573.1
ARPU (KRW)	14,030	13,927	13,726	13,901	14,131	13,899	13,699	13,873	14,776	13,941	13,898	14,236
Obsolescence loss (Consolidated) (KRWbn)	10.9	13.0	13.4	11.5	10.4	12.4	13.7	11.2	43.5	48.8	47.6	52.5

Source: Company data, KB Securities estimates

Profit & Loss					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,517	2,707	3,019	3,250	3,458
Cost of sales	798	878	1,000	1,080	1,152
Gross profit	1,718	1,829	2,019	2,170	2,305
SG&A expenses	1,246	1,309	1,476	1,586	1,686
Operating profit	473	520	543	584	620
EBITDA	708	775	818	865	904
Non-operating accounts	-33	-51	-19	-27	-27
Interest income	1	1	2	2	2
Interest expenses	12	18	20	20	21
Profit on equity method	0	0	0	0	0
Net other non-operating income	-22	-35	-1	-8	-8
Profit before tax	440	469	524	557	593
Income tax expense	114	119	132	139	148
Net profit	326	350	392	418	445
NP to parent	326	350	392	418	445
Adj. net profit	326	350	392	418	445

Operating Statistics & Ratios					
(%)	2017A	2018A	2019E	2020E	2021E
OR growth	5.9	7.6	11.5	7.6	6.4
OP growth	39.5	10.0	4.4	7.6	6.1
EBITDA growth	23.8	9.5	5.5	5.7	4.6
NP growth of parent	33.8	7.4	11.9	6.8	6.4
GP margin	68.3	67.6	66.9	66.8	66.7
OP margin	18.8	19.2	18.0	18.0	17.9
EBITDA margin	28.1	28.6	27.1	26.6	26.2
EBT margin	17.5	17.3	17.4	17.2	17.2
NP margin	12.9	12.9	13.0	12.9	12.9

Cash Flow					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
Cash flow from operating activities	554	539	528	555	582
Net profit	326	350	392	418	445
Depreciation & amortization	236	256	276	281	285
Other non-cash adjustments	241	286	132	139	148
Investments in working capital	-148	-237	-139	-143	-148
Decrease(Increase) in Receivables	-59	20	-30	-33	-37
Decrease(Increase) in Inventories	-6	-26	-7	-8	-8
Increase(Decrease) in Payables	21	-3	2	2	2
Other operating cash flow	-100	-116	-132	-139	-148
Cash flow from investing activities	-290	-394	-321	-322	-323
Capital expenditure	-323	-388	-300	-300	-300
Investments in intangibles	-8	-6	-10	-10	-10
Changes in investment assets	-1	-1	0	0	0
Other investment cash flow	1	2	0	0	0
Cash flow from financing activities	-218	-187	-140	-139	-151
Proceeds from (repayments of) debt	330	59	20	21	23
Changes in equity	-127	3	0	0	0
Dividends paid	-409	-231	-202	-202	-217
Other financing cash flow	-12	-18	42	42	42
Other cash flow	-2	0	0	0	0
Increase/decrease in cash	44	-41	67	94	108
Cash and cash equivalents at FYE	110	69	136	231	339
Free cash flow	250	152	228	255	282
Net cash flow	-303	-54	58	85	98
Net cash (net debt)	-513	-567	-509	-423	-326

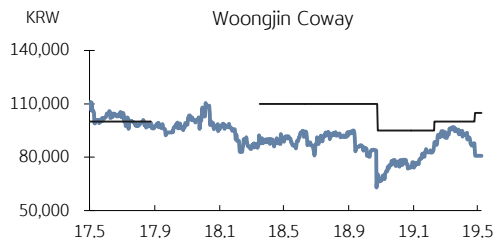
Statement of financial position					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	2,159	2,379	2,541	2,731	2,936
Current assets	791	844	972	1,132	1,312
Cash and cash equivalents	110	69	136	231	339
Current financial assets	60	107	117	129	142
Trade receivables	315	302	332	365	402
Inventories	75	103	110	118	126
Other current assets	232	255	267	281	295
Non-current assets	1,367	1,535	1,570	1,599	1,624
Investment assets	89	82	82	82	82
Property, plant and equipment	712	781	811	837	859
Intangible assets	184	160	164	168	171
Other non-current assets	381	506	506	506	506
Total liabilities	1,177	1,291	1,322	1,353	1,388
Current liabilities	1,125	1,234	1,267	1,300	1,335
Trade payables	54	62	64	66	68
Short-term financial liabilities	670	732	754	776	800
Other current liabilities	361	440	449	458	467
Non-current liabilities	52	57	55	53	53
Non-current financial liabilities	13	11	9	7	7
Other non-current liabilities	21	30	30	30	30
Total equity	982	1,088	1,219	1,377	1,548
Issued capital	41	41	41	41	41
Share premium	129	130	130	130	130
Other equity interest	-146	-45	-45	-45	-45
Accumulated other comprehensive income	-5	-4	-4	-4	-4
Retained earnings	963	967	1,099	1,257	1,428
Equity attributable to owners of parent	982	1,088	1,220	1,379	1,550
Non-controlling Interests	0	0	-1	-1	-2

Key Ratio					
(X, %, KRW)	2017A	2018A	2019E	2020E	2021E
Multiples					
PER	22.6	15.6	16.5	15.5	14.6
PBR	7.4	5.0	5.3	4.7	4.2
PSR	2.9	2.0	2.1	2.0	1.9
EV/EBITDA	11.0	7.8	8.5	8.0	7.5
EV/EBIT	16.5	11.6	12.9	11.8	11.0
Dividend yield, ordinary (%)	3.3	4.9	4.1	4.3	4.3
EPS	4,328	4,735	5,310	5,669	6,033
BPS	13,128	14,744	16,533	18,680	20,996
SPS	33,402	36,604	40,908	44,031	46,855
DPS (Annual, Ordnrly.)	3,200	3,600	3,600	3,800	3,800
Cash dividends payout ratio (%)	71.2	74.2	66.3	65.6	61.6
Operating performance					
ROE	30.1	33.8	34.0	32.2	30.4
ROA	15.8	15.4	15.9	15.9	15.7
ROIC	25.6	26.0	25.2	26.1	26.5
Financial structure (%)					
Total liab./equity	119.8	118.7	108.4	98.3	89.7
Net debt/equity	52.2	52.1	41.7	30.7	21.1
Current Ratio	0.7	0.7	0.8	0.9	1.0
Interest coverage (x)	38.3	29.2	27.7	29.0	30.0
Activity ratios					
Asset turnover (x)	1.2	1.2	1.2	1.2	1.2
Receivables turnover (x)	8.3	8.8	9.5	9.3	9.0
Inventory turnover (x)	34.7	30.5	28.3	28.5	28.4

Source: Woongjin Coway, KB Securities estimates

Disclosures

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



Woongjin 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	-7.45	-3.00
19-05-02	Buy	105,000		

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

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Proportion of investment rating (as of March 31, 2019)

Buy	Hold	Sell
71.9	28.1	-

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

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:	Neutral:	Negative:
To outperform market	To match market performance	To underperform market

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

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