

BUY (maintain)

Woongjin Coway (021240)

Share Buyback to Resolve Financial Issues

SK Lee Analyst / Retail
82-2-2003-2915 sk.lee@hdsrc.com

Yoonsun Tae RA
82-2-2003-2934 yoonsun.tae@hdsrc.com

Current price (Mar 21)	KRW33,500
Fair value	KRW56,000
Reuters code	021240.KS
Bloomberg code	021240 KS
Industry/Sector	Other Consumer Services
Rating	Overweight
Market cap	USD2.3bn
Ordinary shares issued	77,124,796shrs
Free float	67.6%
KOSPI	1,981.13
KOSDAQ	494.79
Avg T/O Vol (60d)	340,670shrs
Avg T/O Val (60d)	USD10.9mn
Foreign ownership	47.6%
3yr CAGR of adj. EPS (10-12)	11.8%
Market's 3yr CAGR of adj. EPS	46.6%
52wk high/low	KRW45,850 KRW31,050
Beta (12M, daily return)	0.6
Major shareholders	Woongjin Holdings 31.1%

- About 3% stock buyback decided
- Share price to bottom out
- Valuation at historical trough

About 3% stock buyback decided

Woongjin Coway decided to buy back approximately 2mn shares (2.6% of shares issued) between Mar 22 and Jun 21. The move seems to be aimed at resolving financial issues, associated with: 1) concerns over capital injection to Kukdong E&C (unlisted) from 4Q10; and 2) a decrease in payout ratio to 45% from 50%.

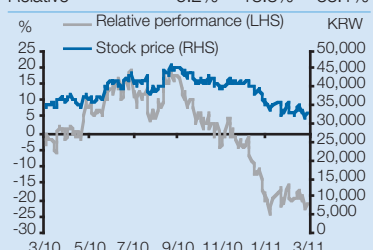
Share price to bottom out

The decision signifies the company's continued policy aimed at enhancing shareholder value. The company's share price is expected to confirm a trough, aided by a recovery in earnings momentum in 2H11. In 2H11, earnings will gather momentum from: 1) an expansion in rental accounts via new product launches; 2) improvements in cosmetics earnings; and 3) earnings improvement at the subsidiary Woongjin Chemical (008000).

Valuation historically low

The shares are currently trading at a 2011 PER of 13x, which corresponds to the low end of the historical band. Since quarterly earnings are expected to improve in 2H11, the shares are expected to ascend gradually. For further details on the recent operational status, please refer to our Mar 16 company visit note.

Price performance	1M	3M	6M
Absolute	-6.7%	-20.6%	-27.4%
Relative	-5.2%	-18.8%	-33.1%



FY-end	12/08A	12/09A	12/10P	12/11F	12/12F
OR (KRWbn)	1,314.4	1,411.9	1,519.1	1,680.9	1,872.2
OP (KRWbn)	190.1	204.3	228.8	243.9	277.9
EBT (KRWbn)	184.8	202.7	236.5	252.5	290.2
NP (KRWbn)	129.1	153.3	176.7	191.9	224.9
EPS (KRW)	1,734	2,023	2,291	2,489	2,916
Adj. EPS (KRW)	1,657	2,088	2,284	2,489	2,916
PER* (x)	20.8 - 12.9	19.4 - 11.2	17.6	13.5	11.5
PBR (x)	3.8	5.6	4.9	3.4	2.8
EV/EBITDA (x)	6.2	9.0	8.7	6.9	6.3
ROE (%)	22.9	24.0	24.4	23.3	23.7

Source: Company data, Hyundai Securities

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- Rating: Sector: Overweight (+10% or more), Neutral (-10 - +10%), Underweight (-10% or more)
 Company: Strong BUY (+30% or more), BUY (+10 - +30%), Marketperform (-10 - +10%), Underperform (-10% or more)
 Strong BUY = 4, BUY = 3, Marketperform = 2, Underperform = 1, Blackout/Universe Exclusion = 0 (Share price —, Fair value ▲, Rating —)
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