

Woongjin Coway (021240)

Buy, TP: 47,000, (8/16): 38,100

Woongjin Holdings decides to sell Woongjin Coway stake to MBK Partners

Woongjin group reaches deal with MBK Partners on Woongjin Coway sale including managerial control

- Woongjin Holdings announced a deal with MBK Partners² regarding of disposing Woongjin Coway's 28.4% stake
- MBK Partners will acquire Woongjin Holdings and related parties' 30.9% stake for W1.2trn which price equates to W50,000, a 31% premium to the current price
- Block sale with managerial control is the deal and according to the media, Woonjin group has the right of first buyer in case of re-takeover in the future
- As scheduled, Woongjin Holdings will take over 46.3% of Woongjin Chemical stake, owned by Woongjin Coway, for W178.1bn

Implication

- Woongjin group's funding and owner issue will resolve by lump-sum sale including managerial control
- In addition, 1) restructuring efforts, 2) business expansion utilizing stable cash flow and growing businesses and 3) efforts to enhance shareholder value are expected
- With the floating of rumors on potential acquirers, share price fluctuated. Share price is currently trading at 14x 2012 PE, partially reflecting expectation over resolving uncertainty issue
- Future price variables will be earnings; 1) environmental appliance business with stable growth and 2) mattress, cosmetics and overseas business growth. Further earnings improvement and policy to enhance shareholder value needs to be checked