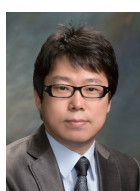


October 12, 2012 Company Analysis



# Woongjin Coway (021240)

## BUY (maintain)



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## Approval of Group's Receivership and Important Variables Ahead

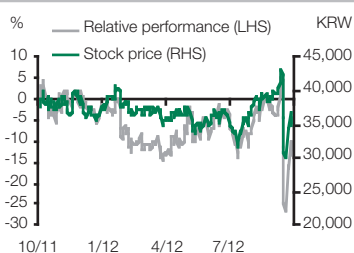
- Appears to have escaped worst-case scenario
- Court accepted group's receivership application and creditors' demand at the same time
- Oct 25 meeting warrants attention

### Appears to have escaped worst-case scenario

Woongjin Coway's share price has rallied about 30% since its short-term plunge following the holding company Woongjin Holdings's sudden application for court receivership. In recent days, share price volatility has increased over the issue of the court's designation of a legal administrator.

With Woongjin Coway awaiting its disposal schedule, its share price is expected to move in a boxed range for some time. For the short-term, the outcome of an Oct 25 meeting between the court, creditors, and the previous contract counterparty, MBK Partners, will serve as an important variable.

Current price (Oct 11)	KRW34,950		
<b>Fair value</b>	<b>KRW50,000</b>		
Reuters code	021240.KS		
Bloomberg code	021240 KS		
Industry/Sector	Other Consumer Services		
Rating	Overweight		
Market cap	USD2.5bn		
Ordinary shares issued	77,124,796shrs		
Free float	61.5%		
KOSPI	1933.09		
KOSDAQ	534.95		
Avg T/O Vol (60d)	276,745shrs		
Avg T/O Val (60d)	USD8.5mn		
Foreign ownership	52.4%		
3yr CAGR of adj EPS (12-14)	11.8%		
Market's 3yr CAGR of adj. EPS	15.4%		
52wk high/low	KRW43,100 / KRW30,150		
Beta (12M, daily return)	0.4		
Major shareholders	WoongJin Holdings etc. 31.0%		
Price performance	1M	3M	6M
Absolute	-7.9%	-1.0%	1.3%
Relative	-9.0%	-7.0%	3.7%



FY-end	12/10A	12/11A	12/12F	12/13F	12/14F
(Reporting standard)	(GAAP-P)	(IFRS-C)	(IFRS-P)	(IFRS-P)	(IFRS-P)
OR (KRWbn)	1,519.1	1,824.4	1,862.6	2,019.0	2,147.0
OP (KRWbn)	228.8	233.2	264.6	289.5	318.9
NP (KRWbn)	177.0	167.1	185.9	208.4	230.6
Parent NP (KRWbn)	177.0	167.1	185.9	208.4	230.6
EPS (KRW)	2,294	2,192	2,472	2,772	3,067
Adj. EPS (KRW)	2,294	2,192	2,472	2,772	3,067
PER* (x)	20.0 - 13.6	19.5 - 14.2	14.1	12.6	11.4
PBR (x)	4.1	3.7	3.1	2.7	2.4
EV/EBITDA (x)	8.8	7.3	6.7	6.4	6.0
Div. Yield (%)	2.6	2.9	3.4	3.6	0.0
ROE (%)	24.5	22.6	22.0	23.0	22.3
ROIC (%)	22.1	19.7	18.7	20.2	20.4

Source: Company data, Hyundai Securities

For explanations of equity research ratings and disclosures, please refer to the compliance section at the end of this report.

**Court accepted application for court receivership and demand from creditors**

The court accepted applications for court receivership of Woongjin Holdings and its subsidiary Kukdong E&C. As reported by media, Woongjin Group executives were appointed as managers of a court-led workout program. As a compromise, the court also appointed a figure recommended by creditors to be responsible for restructuring measures.

The court's decision has opened up the possibilities of both the revival of Woongjin Group and the disposal of Woongjin Coway by creditors at the same time. Given that a disposal schedule has not been finalized yet, however, the future schedule should be monitored closely.

**Oct 25 meeting merits attention**

The court plans to hold a closed-door meeting on Oct 25 with creditors, Woongjin Coway, and MBK Partners to discuss the sale of Woongjin Coway to MBK Partners. In the meeting, discussions are expected to be held on whether to sell Woongjin Coway earlier or later (after 2014).

Profit & Loss					
(KRWbn)	12/10A	12/11A	12/12F	12/13F	12/14F
(Reporting standard)	(GAAP-P)	(IFRS-C)	(IFRS-P)	(IFRS-P)	(IFRS-P)
Operating revenue	1,519.1	1,824.4	1,862.6	2,019.0	2,147.0
Cost of sales	494.1	580.8	620.5	678.9	753.7
Gross profit	1,025.1	1,243.5	1,242.1	1,340.1	1,393.3
SG&A expenses	796.3	955.0	921.5	998.6	1,017.4
Other operating income	0.0	(55.3)	(56.0)	(52.0)	(57.0)
Operating profit	228.8	233.2	264.6	289.5	318.9
EBITDA	382.6	448.0	491.8	517.9	546.1
Non-operating accounts	7.7	(15.7)	(19.4)	(14.5)	(14.7)
Net financing income	(14.1)	(24.3)	(29.4)	(29.5)	(29.7)
Profit on equity method	22.1	3.4	10.0	15.0	15.0
Net other non-operating income	(0.3)	5.3	0.0	0.0	0.0
Profit before tax	236.5	217.5	245.2	275.0	304.2
Income tax expense	59.5	50.5	59.3	66.5	73.6
Net profit	177.0	167.1	185.9	208.4	230.6
Profit attributable to owners of parent	177.0	167.1	185.9	208.4	230.6
Total comprehensive income	174.3	161.2	185.9	208.4	230.6
TCI, attributable to owners of parent	174.3	161.2	185.9	208.4	230.6
Net exceptional gains	0.0	0.0	0.0	0.0	0.0
Adj. net profit	177.0	167.1	185.9	208.4	230.6

Cash Flow					
(KRWbn)	12/10A	12/11A	12/12F	12/13F	12/14F
Net profit	177.0	167.1	185.9	208.4	230.6
Depreciation & amortization	153.8	159.5	171.2	176.4	170.2
Other non-cash adjustments	53.5	151.8	64.1	67.7	58.6
Investments in working capital	(70.6)	(120.8)	(41.8)	(20.6)	(12.5)
Other operating cash flow	0.0	(43.1)	(67.3)	(66.5)	(73.6)
Cash flow from operating activities	313.8	314.5	312.0	365.4	373.3
Capital expenditure	(211.9)	(302.8)	(230.0)	(230.0)	(230.0)
Investments in intangibles	(14.7)	(6.8)	(15.0)	(15.0)	(15.0)
Changes in current financial assets	(3.3)	(0.5)	(10.0)	(3.6)	(3.6)
Changes in investment assets	(65.1)	(7.8)	0.0	0.0	0.0
Other investment cash flow	(1.3)	(6.4)	7.0	0.0	0.0
Cash flow from investing activities	(296.4)	(324.2)	(248.0)	(248.6)	(248.6)
Proceeds from (repayments of) debt	54.5	208.7	0.0	55.0	0.0
Changes in equity	0.0	(73.5)	0.0	0.0	0.0
Dividends paid	(76.8)	(79.9)	(77.8)	(90.2)	(94.0)
Other financing cash flow	1.9	(24.8)	23.2	(56.1)	(34.7)
Cash flow from financing activities	(20.4)	30.5	(54.6)	(91.4)	(128.7)
Other cash flow	(4.3)	2.8	0.0	0.0	0.0
Increase/decrease in cash	(7.4)	23.6	9.4	25.4	(4.0)
Cash and cash equivalents at FYB	63.7	74.6	98.2	107.6	133.1
Cash and cash equivalents at FYE	56.3	98.2	107.6	133.1	129.1
Gross operating cash flow	328.2	351.7	363.7	395.8	411.9
Free cash flow	30.7	(74.9)	73.3	130.2	154.3
Net cash flow	(63.5)	(181.8)	(79.8)	7.6	36.0
Net cash (net debt)	(264.0)	(445.8)	(525.5)	(517.9)	(481.9)

Operating Statistics & Ratios					
(%)	12/10A	12/11A	12/12F	12/13F	12/14F
OR growth	7.6	NA	NA	8.4	6.3
OP growth	12.0	NA	NA	9.4	10.2
EBITDA growth	8.6	NA	NA	5.3	5.5
NP growth of parent	15.5	(5.6)	11.3	12.1	10.6
Adj. NP growth	15.5	(5.6)	11.3	12.1	10.6
OP margin	15.1	12.8	14.2	14.3	14.9
EBITDA margin	25.2	24.6	26.4	25.7	25.4
NP margin	11.7	9.2	10.0	10.3	10.7
Adj. NP margin	11.7	9.2	10.0	10.3	10.7

Note: Adj. EPS = [(Adjusted NP - preferred share dividends) + (after-tax dilution adjustment)] / (diluted avg. number of total ordinary shares outstanding)  
 Adjusted NP = (Parent NP) - [discontinued operation gains + (net exceptional gains) × (1 - marginal tax rate)]  
 Net exceptional gains: Pre-tax exceptional gains (exceptional gains attributable to parent including FX gains, derivatives gains, valuation gains, and one-off gains)  
 Source: Company data, Hyundai Securities

Statement of financial position					
(KRWbn)	12/10A	12/11A	12/12F	12/13F	12/14F
(Reporting standard)	(GAAP-P)	(IFRS-C)	(IFRS-P)	(IFRS-P)	(IFRS-P)
Cash and cash equivalents	56.3	98.2	107.6	133.1	129.1
Current financial assets	3.9	2.2	6.8	9.0	9.0
Trade receivables	207.3	205.3	220.0	230.0	240.0
Inventories	73.2	103.7	82.2	87.0	92.0
Other current assets	238.1	163.2	267.6	282.0	300.0
Current assets	578.8	572.6	684.3	741.1	770.1
Investment assets	204.3	229.0	350.0	350.0	350.0
Property, plant and equipment	454.2	568.9	626.8	716.8	794.8
Intangible assets	133.6	183.2	134.0	134.0	134.0
Deferred tax assets	5.2	0.7	0.0	0.0	0.0
Other non-current assets	63.4	70.4	63.4	63.4	63.4
Non-current assets	860.7	1,052.1	1,174.2	1,264.2	1,342.3
Total assets	1,439.5	1,624.7	1,858.5	2,005.3	2,112.3
Trade payables	38.3	51.9	43.1	45.5	50.0
Short-term financial liabilities	104.5	278.8	340.0	360.0	350.0
Current provisions	4.2	6.9	4.3	4.4	4.4
Other current liabilities	294.0	240.7	308.0	314.0	330.0
Current liabilities	441.0	578.3	695.3	723.9	734.4
Non-current financial liabilities	219.8	267.3	300.0	300.0	270.0
Non-current provisions	0.1	0.7	0.1	0.1	0.0
Provisions for employee benefits	6.7	14.6	10.0	10.0	0.0
Deferred tax liabilities	0.0	8.6	0.0	0.0	0.0
Other non-current liabilities	7.2	17.2	7.2	7.2	7.2
Non-current liabilities	233.8	308.5	317.3	317.3	277.2
Total liabilities	674.7	886.8	1,012.6	1,041.2	1,011.6
Issued capital	40.7	40.7	40.7	40.7	40.7
Share premium	140.0	126.3	126.3	126.3	126.3
Other equity interest	(43.0)	(98.8)	(98.8)	(98.8)	(98.8)
Accumulated other comprehensive income	(2.7)	(5.9)	(5.9)	(5.9)	(5.9)
Retained earnings	629.8	675.7	783.7	901.9	1,038.5
Equity attributable to owners of parent	764.8	737.9	845.9	964.1	1,100.7
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Total equity	764.8	737.9	845.9	964.1	1,100.7
Total Liab. and equity	1,439.5	1,624.7	1,858.5	2,005.3	2,112.3

Per-share Performance					
(KRW)	12/10A	12/11A	12/12F	12/13F	12/14F
EPS	2,294	2,192	2,472	2,772	3,067
Adj. EPS	2,294	2,192	2,472	2,772	3,067
BPS	9,907	9,813	11,250	12,822	14,639
SPS	19,688	23,943	24,770	26,850	28,553
GCFPS	4,253	4,615	4,837	5,264	5,478
DPS	1,050	1,050	1,200	1,250	0
3yr CAGR of adj. EPS	6.9	6.5	11.8	10.5	NA

Shareholder Value & Financial Structure					
(%)	12/10A	12/11A	12/12F	12/13F	12/14F
ROE	24.5	22.6	22.0	23.0	22.3
ROA	14.1	11.5	11.2	12.0	12.3
ROIC	22.1	19.7	18.7	20.2	20.4
WACC	9.7	9.0	9.1	8.7	8.5
ROIC/WACC (x)	2.3	2.2	2.1	2.3	2.4
Economic profit (KRWbn)	101.3	118.1	103.8	129.8	145.1
Total liab./equity	88.2	120.2	119.7	108.0	91.9
Net debt/equity	34.5	60.4	62.1	53.7	43.8
Interest coverage (x)	21.7	17.0	16.6	17.4	18.2

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 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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