



Woongjin Coway (021240)

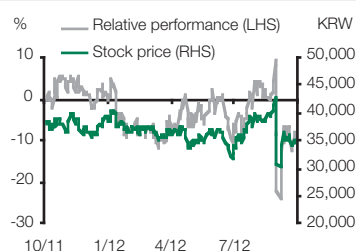
BUY (maintain)



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Current price (Oct 25)	KRW35,000		
Fair value	KRW50,000		
Reuters code	021240.KS		
Bloomberg code	021240 KS		
Industry/Sector	Other Consumer Services		
Rating	Overweight		
Market cap	USD2.4bn		
Ordinary shares issued	77,124,796shrs		
Free float	61.5%		
KOSPI	1924.5		
KOSDAQ	518.25		
Avg T/O Vol (60d)	285,706shrs		
Avg T/O Val (60d)	USD9.0mn		
Foreign ownership	51.9%		
3yr CAGR of adj EPS (12-14)	11.8%		
Market's 3yr CAGR of adj. EPS	17.4%		
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	-15.7%	9.4%	-3.5%
Relative	-11.8%	2.6%	-1.0%



Disposal to MBK to Resume

- Shares to regain strength on expectations of management change
- Final contract to be signed in early 2013
- Disposal of Woongjin Chemical shares to be completed in 4Q12

Shares to regain strength on expectations of management change

The shares are expected to rally again on the expectations of management change. The court has ordered Woongjin Holdings to follow through on its contract with MBK Partners to sell Woongjin Coway. Expectations for management change and shareholder value enhancement will rise in 2013.

Final contract to be signed in early 2013

The court had a closed-door meeting on Oct 25 with Woongjin Holdings, creditors, and MBK Partners. With the court accepting creditors' request (earlier disposal), terms of the previous contract (Woongjin Coway to be sold to MBK Partners for KRW1.2tr) will be carried out. Accordingly, the disposal process will likely begin with approval from the creditors' committee within a week and subsequent submission of an official application to the court.

The final contract will likely be signed after the date of record for year-end dividend payment. The deal will become legally binding upon the court's approval, and thus unexpected events will not happen as in end-Sep. There have not been any comments regarding it, but proceeds from the sale of Woongjin Chemical shares are expected to flow in within 4Q12 and more than offset the one-off losses of around KRW30bn booked for the Japanese subsidiary in 3Q12.

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	14.2	12.6	11.4
PBR (x)	4.1	3.7	3.1	2.7	2.4
EV/EBITDA (x)	8.8	7.3	6.5	6.2	5.8
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.

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

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	8.3	8.0	7.8
ROIC/WACC (x)	2.3	2.2	2.2	2.5	2.6
Economic profit (KRWbn)	101.3	118.1	111.2	136.9	152.3
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

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

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 Company: Strong BUY (+30% or more), BUY (+10 - +30%), Marketperform (-10 - +10%), Underperform (-10% or more)
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