December 13, 2012 COMPANY REPORT

Coway

BUY

Initiate	Service
Price (Dec. 11)	W40,200
Target Price	W54,000
% Variance	34.3%
Bloomberg Code	021240 KS
Reuters Code	021240.KS

[Analyst]

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KOSPI		1,964.62p
KOSDAQ		481.59p
Market Cap.		W3,100.4bn/ US2,719.7mn
Par Value		W500
Outstanding Shares		77.1mn
Free Floating Shares		50.4mn(65.4%)
52-Week High/Low		W43,100/W30,150
60-Day Avg. Trading Volume		328,051shrs
60-Day. Avg. Trading T/O		W11,611mn
Foreign Ownership		51.26%
Major Shareholders		
Woongjin Holdings and 29 others		31.15%
Lazard Asset Management		14.50%
Absolute Performance	3M	4.1%
	6M	14.2%
	12M	6.2%
Relative Performance to KOSPI	3M	1.8%
	6M	8.5%
	12M	1.4%

2013, a new beginning

Environmental appliance rental business to see strong subscriber growth in 2013

We forecast 1.3mn (+6.1% YoY) new subscribers for environmental appliance rental in 2013. With the drop in expired subscriptions, the net increase in subscribers is expected to surge 73.8% YoY to 280,000. Growth momentum will be sustained in 2013 with total rental subscribers of 4.9mn (+6.2% YoY) and ARPU of W23,338 (+2.3% YoY).

Three changes expected after stake sale

The Coway stake sale will be completed once MBK Partners pays the remainder of the sale value on January 2, 2013. We expect three changes after the stake sale: 1) high possibility of low-margin business being sold off; 2) improvement in SG&A cost to sales ratio due to reduced transactions with Woongjin Holdings; and 3) financial structure improvement and stable dividend payout.

Initiate coverage with BUY rating and target price of W54,000

We initiate our coverage on Coway with a BUY rating and target price of W54,000. Our target price is equivalent to a PER of 17x for 2013F consolidated EPS of W3,102. Coway shares traded at an average PER of 16x in 2011-2012 even when earnings were low. We forecast a sizeable improvement in 2013 K-IFRS standalone earnings with an operating profit of W295.4bn (+18.0% YoY) and net profit of W244.1bn (+72.9% YoY). The shares are currently trading at a PER of 13x based on 2013F consolidated earnings. The stock has strong upside potential.

Year to Dec.	2010	2011	2012F	2013F	2014F
Sales (W bn)	1,501.8	1,709.9	1,815.8	1,966.1	2,127.1
OP (W bn)	253.5	242.5	250.3	295.4	334.7
Net Income (W bn)	183.3	177.1	141.1	244.1	250.7
EPS (won)	2,376	2,296	1,830	3,165	3,250
BPS (won)	9,428	9,704	10,520	12,526	14,280
OP Margin (%)	16.9	14.2	13.8	15.0	15.7
NP Margin (%)	12.2	10.4	7.8	12.4	11.8
ROE (%)	26.0	24.0	18.1	27.5	24.3
PER (x)	17.0	15.9	22.0	12.7	12.4
PBR (x)	4.3	3.8	3.8	3.2	2.8
EV/EBITDA (x)	8.6	8.5	8.4	6.8	6.0

Note: K-IFRS separate

Contents

Investment summary

Top-line growth to continue in 2013, margin gains picking up pace

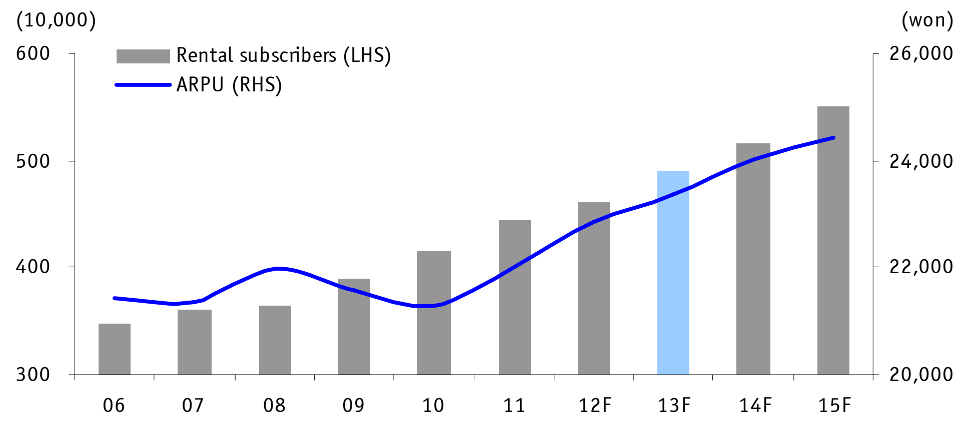
Rental subscribers to record net increase of 280,000 (+73.8% YoY) in 2013

Coway saw its top-line grow during the last two years. Profitability and cash flow deteriorated at the same time due to support for Woongjin Holdings and its affiliates, and strains caused by investments in new businesses. In 2013, the top-line should continue growing with the number of rental clients registering a net increase of 73.8% YoY. We forecast a sizeable improvement in 2013 K-IFRS standalone earnings with an operating profit of W295.4bn (+18.0% YoY) and net profit of W244.1bn (+72.9% YoY).

Consolidated EPS to rise 80.7% YoY in 2013; target price of W54,000 represents 2013 PER of 17x

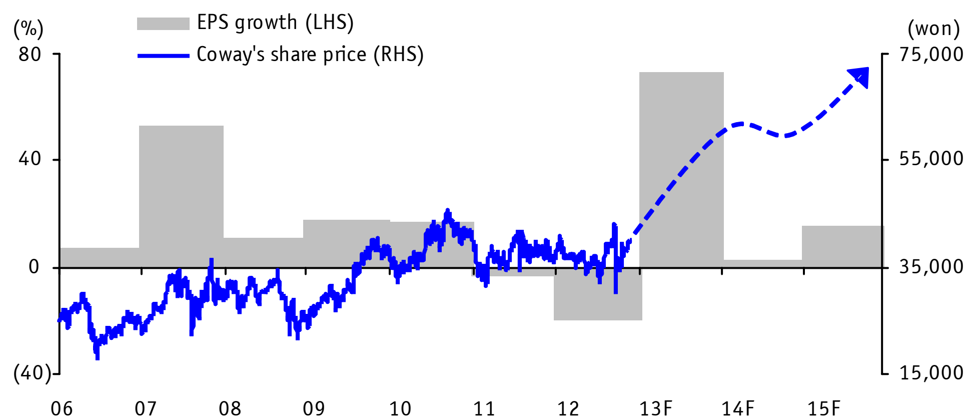
Consolidated EPS is expected to increase 80.7% YoY to W3,102 in 2013. Free cash flow is expected to improve significantly to W162.4bn (+108.4% YoY). The target price of W54,000 represents a 2013 PER of 17x. Average PER remained above 16x even when earnings slumped in 2011-2012. The shares are currently trading at a PER of 13x based on 2013 consolidated earnings estimates. The stock has strong upside potential.

Rental subscribers vs. ARPU



Source: Company data, Shinhan Investment Corp.

EPS growth vs. share price



Source: QuantiWise, Shinhan Investment Corp.

Longer-term outlook: Three changes expected after sale

During the general meeting of shareholders held on November 27, the company changed its name from Woongjin Coway to Coway and replaced the board members with people from its new majority shareholder, MBK Partners. The stake sale deal will be completed once MBK Partners pays the remainder of the sale value on January 2, 2013. We anticipate three major changes after the stake sale.

1) Disposal of low-margin business is a possibility: Sale of water treatment business would increase OP margin by 0.5%p

First, MBK Partners' main focus is on improving Coway's profit margins. It will likely sell off low-margin businesses while strengthening the flagship environmental home appliance business which has an operating profit margin of over 17%. The water treatment business, cosmetics business, GETC (water treatment subsidiary) and other overseas subsidiaries are all turning in losses. Without the cosmetics business, which is expected to post the biggest loss, Coway's operating profit margin will likely improve 1.0%p in 2012. Excluding the water treatment business and GETC, operating profit margin improves by 0.5%p.

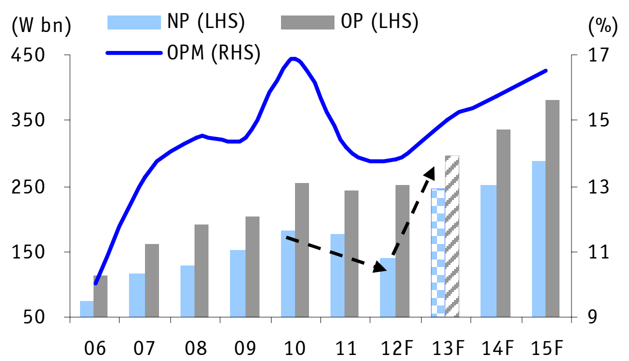
2) Value of MRO purchases from Woongjin Holdings grew six-fold in 2008-2011 → gradual decrease likely

Second, Coway purchases MRO (maintenance, repair, operation) related consumables from Woongjin Holdings. The transaction value increased six-fold in three years from W18.1bn in 2008 to W107.4bn in 2011. Sales grew only 30.1% during the same period. The increase in MRO transaction value does not seem to be caused by an increase in demand for MRO materials. We believe the reason was support to Woongjin Holdings, whose financial structure was failing. Once the stake sale is completed, Coway will no longer need to purchase MRO materials in excess. It will be able to reduce MRO purchases, relieving the strain on SG&A costs. In the longer term, this is positive on margins.

3) 5.6% dividend yield expected in 2013

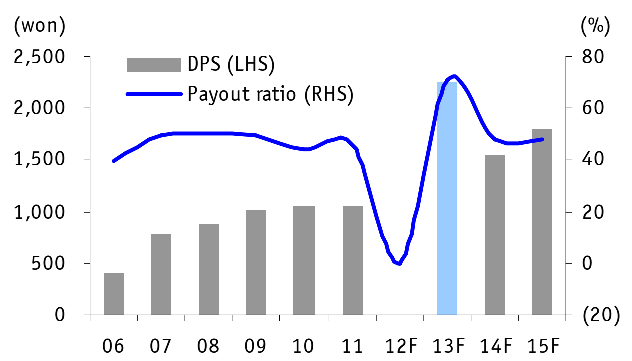
Third, MBK Partners will spend W1.2tr in cash to acquire Coway. Capital gains can be expected from rising enterprise value in the long run. Meanwhile, a certain level of cash dividends is likely every year. Coway maintains a payout ratio of around 45% and is expected to keep it at that level. The dividend for end-2012 will be paid as interim dividend in 1Q13. In 2013, the interim DPS (dividend per share) is estimated at W1,050 and year-end DPS at W1,200. The dividend yield comes to 5.6% at the current share price.

Earnings trend and outlook



Source: Company data, Shinhan Investment Corp.

Dividend per share and payout ratio



Source: Company data, Shinhan Investment Corp.

II. Valuation: Target price of W54,000

Target price of W54,000 represents 2013 PER of 17x

Coway saw its top-line grow during the last two years. Profitability and cash flow deteriorated at the same time. Free cash flow turned negative in 2011, mainly due to support for Woongjin Holdings and its affiliates, and strains caused by investments in new businesses. In 2013, the company is expected to see top-line growth along with improvements in profit margins and cash flow. Consolidated EPS is forecast to increase 81% YoY. Free cash flow should also improve significantly.

We derived our target price using the DCF method, reflecting long-term improvement in cash flow. We assumed a beta of 0.3, WACC of 4.1%, and terminal growth of 0.9%. Our target price of W54,000 represents a 2013 PER of 17x. The shares offer 35.0% upside from the current price.

DCF valuation: Target price W54,000

Key assumptions	(%, W bn)	DCF	(W bn)		
Effective tax rate	24.3	Present value of terminal value	2,908.3	**Target price (won)**	**54,000**
Risk-free return (Rf)	2.3	Present value of free cash flow (years 1-10)	1,543.0	Current value (won)	40,200
Market premium	6.7	Enterprise value	4,451.4	Upside (%)	35.0
Terminal cash flow	4,342.4	+ Market value of non-core assets	8.8		
Terminal growth	0.5	- Net debt (+cash)	477.1		
Debt ratio	39	Net enterprise value	3,983		
Beta	0.3	No. of shares (1,000)	77,125		
WACC	4.1	Value per share (won)	53,623		

Source: Shinhan Investment Corp.

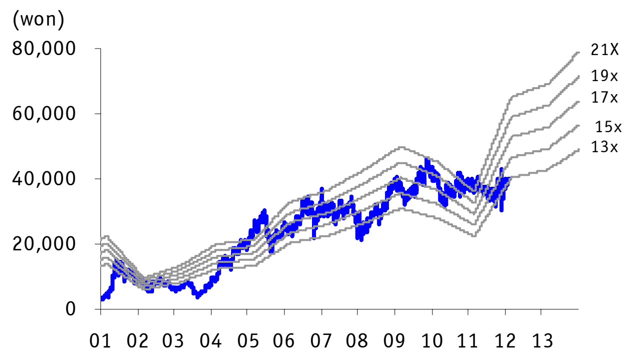
EPS-based valuation

(W bn)	Value	(W bn)	Value	(W bn)	Value
2012 consolidated NP	132.4	12-month forward NP	230.5	2013 consolidated NP	239.2
EPS (won)	1,717	EPS (won)	2,988	EPS (won)	3,102
Target PER (x)	17	Target PER (x)	17	Target PER (x)	17
Target price (won)	30,000	Target price (won)	52,000	**Target price (won)**	**54,000**
Current price (won)	40,200	Current price (won)	40,200	Current price (won)	40,200
Current PER (x)	23.3	Current PER (x)	13.4	Current PER (x)	12.9

Source: Shinhan Investment Corp.

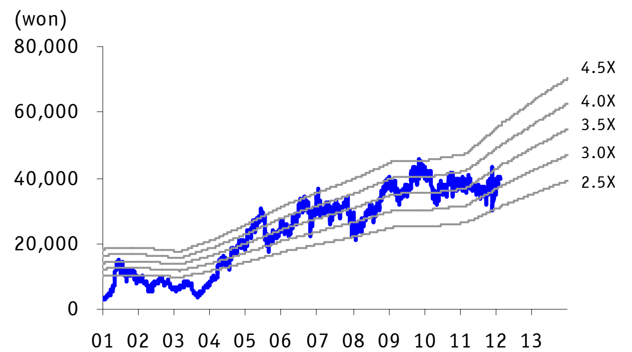
Note: K-IFRS consolidated

PER band



Source: Shinhan Investment Corp.

PBR band



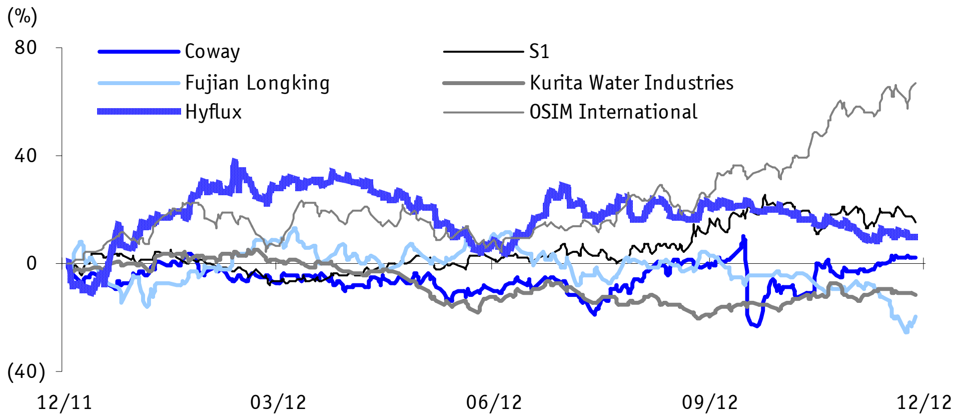
Source: Shinhan Investment Corp.

Global peers

Company		Coway	Kurita Water Industries	S1	OSIM International	Hyflux	Fujian Longking
Ticker		021240 KS	6370 JP	012750 KS	OSIM SP	HYF SP	600388 CH
Market cap. (W bn)		3,100.4	3,053.5	2,420.5	1,148.7	924.6	729.1
Sales	2011	1,709.9	2,438.3	953.6	488.0	418.4	595.6
(W bn)	2012F	1,860.4	2,654.9	1,175.9	547.3	600.2	737.0
	2013F	2,027.7	2,554.5	1,258.1	614.7	657.1	870.9
OP	2011	288.7	365.0	145.3	94.2	71.2	48.0
(W bn)	2012F	266.6	399.8	162.1	102.7	81.9	58.6
	2013F	296.9	322.9	182.7	116.8	95.5	74.7
OPM	2011	16.9	15.0	15.2	19.3	17.0	8.1
(%)	2012F	14.3	15.1	13.8	18.8	13.6	7.9
	2013F	14.6	12.6	14.5	19.0	14.5	8.6
NP	2011	177.1	230.6	117.3	60.9	46.7	43.2
(W bn)	2012F	188.1	235.4	129.8	76.6	43.0	49.8
	2013F	218.0	181.6	145.1	87.0	58.3	60.3
NPM	2011	10.4	9.5	12.3	12.5	11.2	7.3
(%)	2012F	10.1	8.9	11.0	14.0	7.2	6.8
	2013F	10.8	7.1	11.5	14.1	8.9	6.9
EPS growth	2011	T/B	3.0	8.2	43.1	(57.6)	10.5
(% YoY)	2012F	4.1	2.0	6.9	15.7	30.2	14.6
	2013F	15.9	(22.8)	11.4	13.5	31.6	19.2
P/E	2011	15.4	18.3	16.6	11.3	28.0	19.4
(x)	2012F	16.3	13.4	17.1	15.4	22.7	14.7
	2013F	14.1	16.3	15.4	13.7	17.4	12.3
P/B	2011	3.6	1.6	2.7	5.2	3.3	2.2
(x)	2012F	3.6	1.1	3.0	6.4	1.5	1.7
	2013F	3.1	1.1	3.0	4.9	1.4	1.6
EV/EBITDA	2011	7.2	6.2	7.1	6.6	7.6	14.6
(x)	2012F	7.8	4.0	8.7	9.7	17.6	10.4
	2013F	7.1	4.3	8.2	8.5	15.3	9.0
ROE	2011	24.0	8.8	17.2	50.5	10.3	11.7
(%)	2012F	23.4	8.2	17.7	43.9	8.0	11.7
	2013F	23.6	7.0	20.0	38.7	9.9	12.8

Source: Bloomberg consensus, Shinhan Investment Corp.

Relative share performance of global peers



Source: Bloomberg, Shinhan Investment Corp.

III. 2013 outlook: Top-line growth, profit margin increase

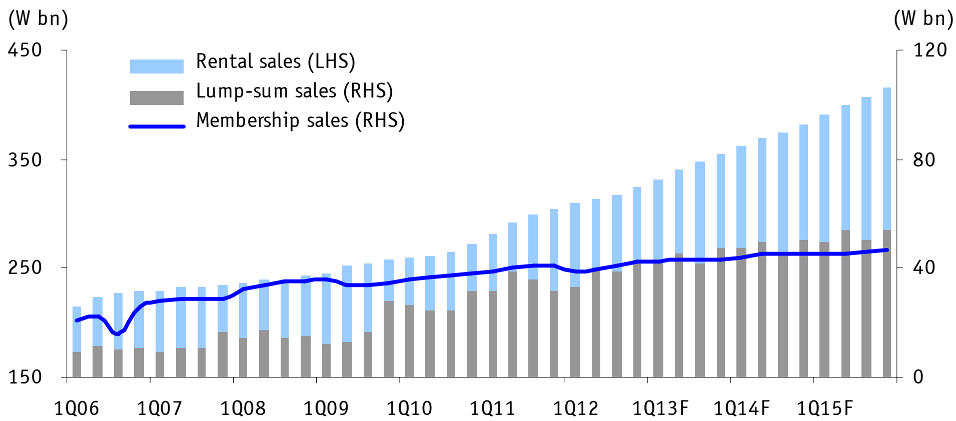
1. Environmental home appliance business: Down-cycle in rental subscribers, growth sustained by product diversification

<2013 outlook for environmental home appliance business>
Rental: W1.37tr (+8.6% YoY)
Lump-sum: W177.9bn (+15.0% oY)
Membership: W171.8bn (+6.3% YoY)

The environmental home appliance division is composed of lump-sum sales, rental, and membership services. The rental business generates 70% of total sales and sustains growth based on increases in subscribers and ARPU. Net subscriber increase stood at a mere 160,000 (-46.4% YoY) in 2012, but is expected to rebound to 280,000 (+73.8% YoY) in 2013. The total number of rental subscribers is expected to rise from 4.61mn (+3.7% YoY) in 2012 to 4.9mn (+6.2% YoY) in 2013. As a result, rental revenue should increase from W1.26tr (+7.6% YoY) to W1.37tr (+8.6% YoY).

Lump-sum sales are expected to drop over 15% YoY due to poor sales of water purifiers and other mainstay products. However, overall sales are climbing thanks to the growing sales of massagers and other outsourced products. Lump-sum sales are expected to increase from W154.7bn (+11.9% YoY) in 2012 to W177.9bn (+15.0% YoY) in 2013. Membership sales are growing steadily due to the rising number of subscribers with expiring contracts. Membership sales are expected to increase from W161.6bn (+0.5% YoY) in 2012 to W171.8bn (+6.3% YoY) in 2013.

Quarterly sales of environmental home appliance business



Source: Company data, Shinhan Investment Corp.

Annual rental subscribers and ARPU

(subscribers)	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F	2015F
ARPU (won)	21,427	21,369	21,970	21,575	21,285	22,008	22,849	23,378	24,041	24,426
Total subscribers	3,478,035	3,612,491	3,639,197	3,898,647	4,145,102	4,450,003	4,613,358	4,897,218	5,160,791	5,502,478
Net increase	260,838	134,456	26,706	259,450	246,455	304,901	163,355	283,860	263,573	341,687
New subscribers	1,030,172	1,173,707	1,045,248	1,188,939	1,167,378	1,272,538	1,223,022	1,297,073	1,332,415	1,418,239
Cancellation rate (%)	12.8	11.5	13.9	13.5	12.9	12.5	12.2	12.0	11.6	11.3
Growth (%)										
ARPU		(0.3)	2.8	(1.8)	(1.3)	3.4	3.8	2.3	2.8	1.6
Total subscribers		3.9	0.7	7.1	6.3	7.4	3.7	6.2	5.4	6.6
Net increase		(48.5)	(80.1)	871.5	(5.0)	23.7	(46.4)	73.8	(7.1)	29.6
New subscribers		13.9	(10.9)	13.7	(1.8)	9.0	(3.9)	6.1	2.7	6.4

Source: Company data, Shinhan Investment Corp.

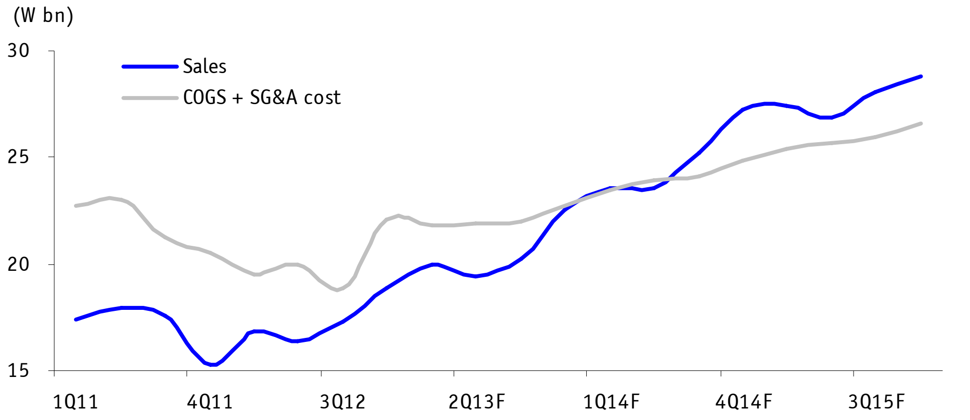
2. Domestic cosmetics business: Operating loss to decrease in 2013

<2013 outlook for domestic cosmetics business>
2012: sales W69.3bn (+1.7% YoY), operating loss W11.2bn
2013: sales W82.1bn (+18.3% YoY), operating loss W6.5bn

Coway has been carrying out the cosmetics business in Korea since 2010. Due to strains from initial investments, the cosmetics division has been recording losses each year. The division posted an operating loss of W13.0bn in 2010 and W19.3bn in 2011. We estimate 2012 sales to remain stagnant at W69.3bn (+1.7% YoY) but operating loss to narrow to W11.2bn thanks to cuts in advertisement and SG&A costs. Stagnant sales are attributable to limitations in door-to-door sales and the low brand recognition of Coway cosmetics.

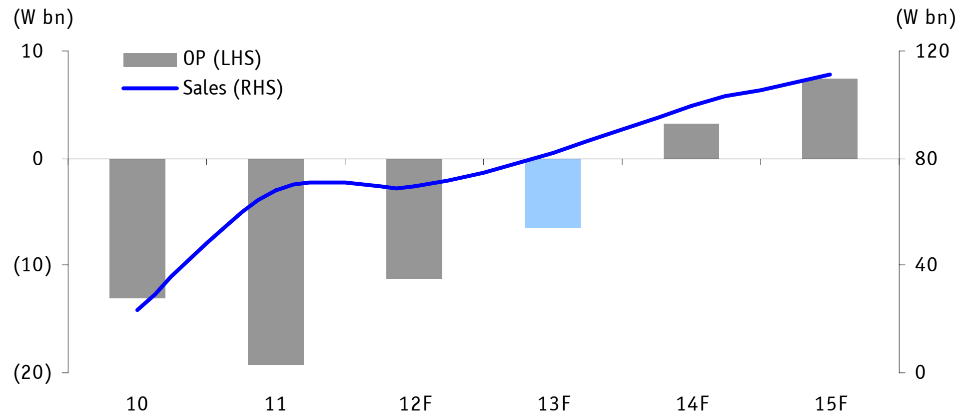
The cosmetics division is unlikely to reach the break-even point any time soon due to limitations presented by low brand recognition and the need to boost ad costs for top-line growth. Coway expects the division to break even with sales of W100.0bn in 2013. However, we forecast sales of W82.1bn (+18.3% YoY) and operating loss of W6.5bn. Cosmetic margins should improve from 2014, passing the BEP level.

Cosmetics sales and costs



Source: Company data, Shinhan Investment Corp.

Earnings of cosmetics division



Source: Company data, Shinhan Investment Corp.

3. Overseas outlook: Losses to continue shrinking in 2013, BEP in 2014

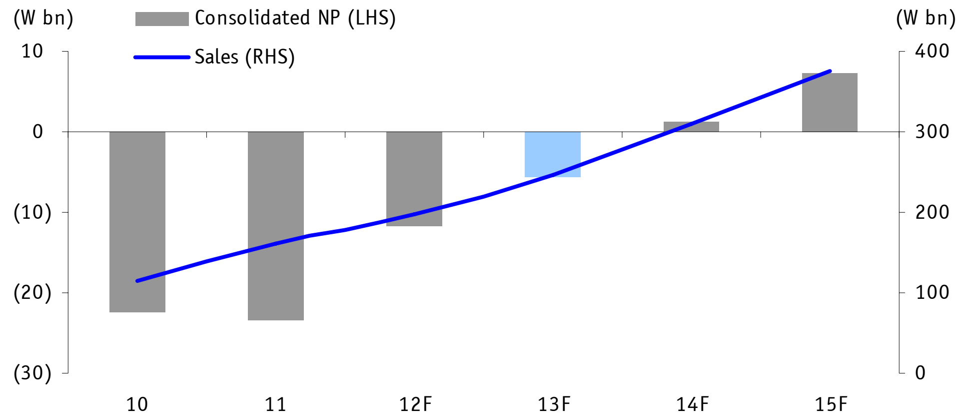
<Consolidated earnings outlook for overseas subsidiaries>
2012: W11.6bn loss
2013: W5.5bn loss
2014: W1.3bn profit
2015: W7.2bn profit

Coway has subsidiaries in China, Thailand, Malaysia, U.S. and Japan. The Chinese subsidiary is engaged in both cosmetics and environmental home appliance businesses, while other subsidiaries are focusing on the rental of environmental home appliances. The subsidiaries have yet to make positive contributions in consolidated earnings as they are still in the initial investment phase. Without considering gains from internal transactions, overseas subsidiaries turned in a combined net loss of W23.4bn in 2011.

The Malaysian subsidiary was able to swing to the black in 2012 with cumulative number of rental subscribers exceeding 120,000. Other subsidiaries were able to reduce losses, lowering the estimated combined net loss to W11.6bn. In 2013, net loss is expected to be reduced to W5.5bn as cosmetics sales recover at the Chinese subsidiary and rental subscribers continue to increase at each subsidiary. Overseas subsidiaries should break even in 2014.

The parent company is exporting products, with 40% shipped to overseas subsidiaries and 60% sold to overseas clients in the form of ODM (original development manufacturing). The value of shipments to overseas subsidiaries is excluded from consolidated earnings as they are internal transactions. Exports are estimated at W105.5bn (+7.6% YoY) in 2012 and W112.3bn (+6.5% YoY) in 2013 on K-IFRS separate basis.

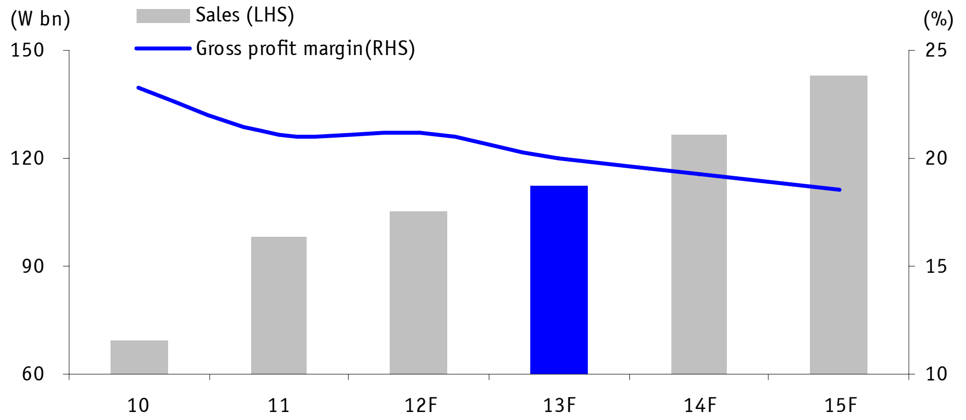
Overseas subsidiaries' sales and consolidated net profit



Source: Company data, Shinhan Investment Corp.

Note: Consolidated net profit refers to overseas subsidiaries' net profit minus internal transaction gains

Parent company's exports and gross profit margin



Source: Company data, Shinhan Investment Corp.

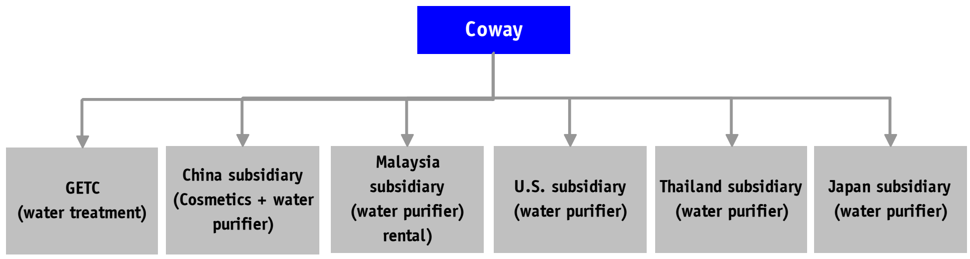
4. Six wholly-owned subsidiaries after Woongjin Chemical sale in 2013

<Consolidated earnings outlook for subsidiaries>
2012: W8.7bn loss
2013: W4.8bn loss
2014: W3.2bn profit
2015: W9.7bn profit

As of 2012, Coway has five overseas subsidiaries (China, Thailand, Malaysia, U.S., Japan), and two domestic subsidiaries GETC Co. (water treatment company acquired in 2010) and Woongjin Chemical (filter supplier). The number will come to six next year as Woongjin Chemical is slated to be sold to Woongjin Holdings in January. The wholly-owned subsidiaries will be included in consolidated quarterly earnings from 2013.

The subsidiaries posted a consolidated operating loss of W10.1bn (excluding internal transactions) in 2011. The loss should be reduced to W8.7bn in 2012 and to W4.8bn in 2013. Subsidiaries are forecast to turn around in 2014.

Coway's consolidated subsidiaries



Source: Company data, Shinhan Investment Corp.

Subsidiaries' net profit estimates

(W bn)	Stake (%)	2010	2011	2012F	2013F	2014F	2015F
Woongjin Coway (China) Living Goods	100.0	4.5	6.2	3.7	6.0	8.5	11.0
Woongjin Coway (Thailand)	100.0	(2.9)	(3.2)	(1.0)	(0.2)	(0.2)	(0.1)
Woongjin Coway (M) Sdn Bhd.	100.0	(3.6)	(2.7)	2.1	3.2	5.0	7.3
Woongjin Coway USA	100.0	(2.7)	(5.9)	(1.0)	(0.5)	1.2	3.1
Coway (Japan) Co., Ltd.	100.0	(2.7)	(2.7)	(1.0)	(1.6)	(1.0)	(0.8)
GETC Co., Ltd.	100.0	1.6	1.6	(1.7)	0.7	1.9	2.5
Woongjin Chemical Co., Ltd.	45.2	23.1	3.9	3.5	Sold		
Internal transaction profit/loss deducted		12.2	12.4	13.4	12.4	12.2	13.3
Equity method + consolidated profit/loss		10.6	(10.1)	(8.7)	(4.8)	3.2	9.7
Separate NP		183.3	177.1	141.1	249.5	254.5	289.1
Consolidated NP		193.9	167.0	132.4	244.6	257.7	298.8

Source: Company data, Shinhan Investment Corp.

5. Steady SG&A cost ratio improvement to lift profitability

Share of labor and marketing costs in sales to decline

Coway's GOGS/sales ratio is being maintained at a stable level since COGS are variable costs in nature. On the other hand, SG&A costs are similar to fixed costs and operating leverage will kick in with continued sales growth. The SG&A/sales ratio jumped from 46.9% in 2010 to 50.8% in 2011. The rise came about as the amortization period for sales commissions was shortened from five to three years with the adoption of K-IFRS and more personnel were hired for the cosmetics and water treatment businesses.

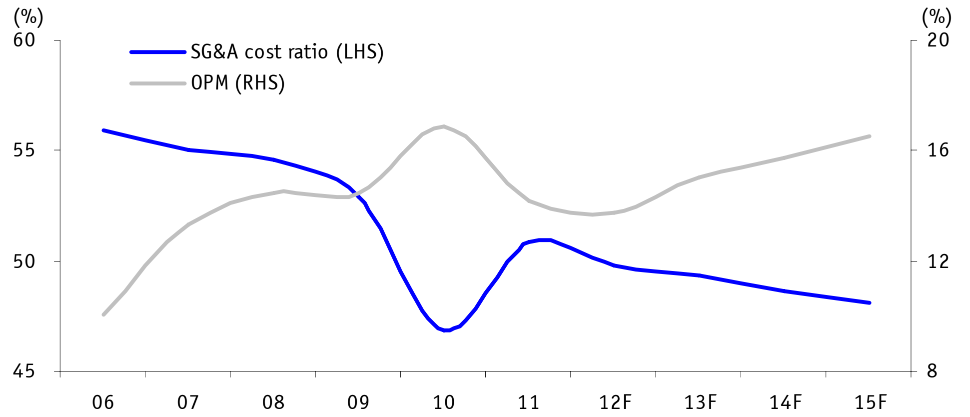
In 2012, advertising and G&A costs as a percentage of sales are projected to decline to 3.2% (-0.2p YoY) and 13.1% (-0.6%p YoY), respectively, and the SG&A ratio should drop to 49.8% (-1.0%p YoY) accordingly. However, operating profit margin is estimated to slip 0.4%p to 13.8% due to W10.5bn in loss on rental asset disposal related to defective water purifiers in 2Q12 and loss on disposal of unprofitable subsidiaries (Kids Mom, Aim Korea).

Coway has around 4.500 employees (excluding production workforce). Labor costs are similar to fixed costs in nature as the company operates the CODY sales network. Recently, Coway added new workers for the cosmetics and water treatment businesses, which added to the labor cost burden. From 2013, the company has no major hiring plans and is expected to step up efforts to contain labor costs.

SG&A/sales ratio to fall from 49.8%(-1.0%p YoY) in 2012 to 48.1% in 2015

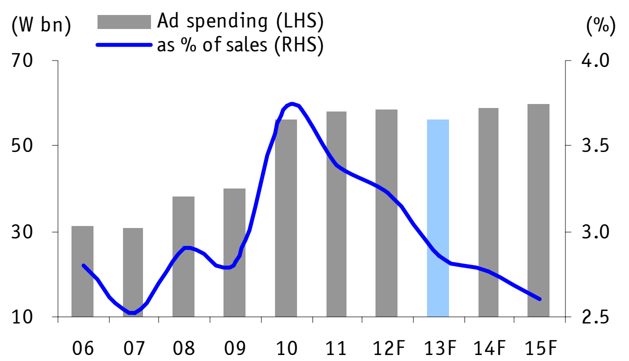
In 2013, the share of advertising and labor costs in sales is forecast to fall to 2.9% (-0.3%p YoY) and 13.5% (-0.3%p), respectively. The SG&A ratio should drop to 49.4% (-0.4%p YoY), as a result. Operating profit margin (K-IFRS separate) is expected to rise sharply to 15.0% (+1.2%p YoY) in the absence of one-off costs booked in 2012. Profitability improvement will likely continue with the SG&A ratio on a downtrend.

SG&A cost/sales ratio vs. OP margin



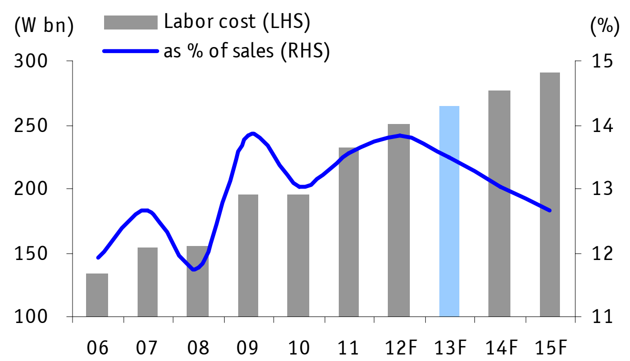
Source: Company data, Shinhan Investment Corp.

Ad spending relative to sales



Source: Company data, Shinhan Investment Corp.

Labor cost relative to sales



Source: Company data, Shinhan Investment Corp.

6. Absence of one-off charges and increased one-off gains in 2013

<One-off costs in 2012> rental asset disposal loss (W10.5bn): allowance for payment guarantee for Japanese subsidiary (W35bn)

In 2012, Coway is expected to post K-IFRS separate sales of W1.816tr (+6.2% YoY), operating profit of W250.3bn (+3.2% YoY), and net profit of W141.3bn (-20.2% YoY). Profits should decline despite sales growth due to loss on rental asset disposal and one-off charges related to payment guarantee for the Japanese subsidiary.

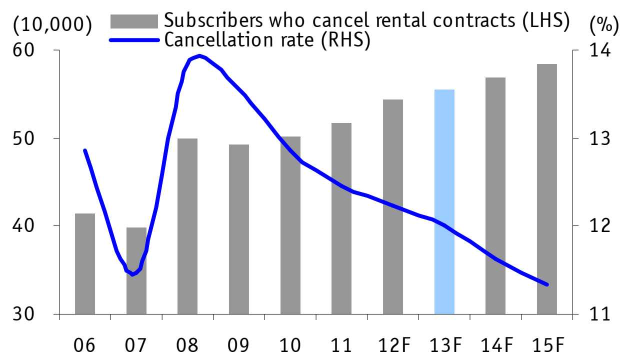
The company booked W10.5bn in rental asset disposal loss in 2Q12 due to defects of new water purifiers. As a result, other operating costs soared, eroding the full-year operating profit margin. Rental asset disposal loss tends to occur when cancellation accounts grow. We expect the loss will decrease going forward as rental cancellation rate continues falling with the growing share of five-year contracts.

In 3Q12, Coway booked W35bn in bad debt allowance for the Japanese subsidiary that is operating in the red. Accordingly, full-year net profit should shrink. However, the allowance is likely to be reversed as operations normalize at the Japanese unit.

W45bn in disposal gain on Woongjin Chemical in 2013

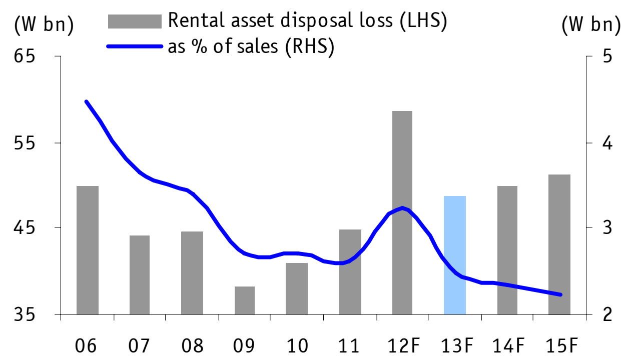
In 2013, operating profit margin (K-IFRS separate) is projected to increase to 15.0% (+1.2%p) in the absence of rental asset disposal loss booked in 2012. Net profit margin should rise to 12.4% (+4.6%p) due to a low comparison base and W45bn in disposal gains on Woongjin Chemical.

Cancellation of rental subscription vs. cancellation rate



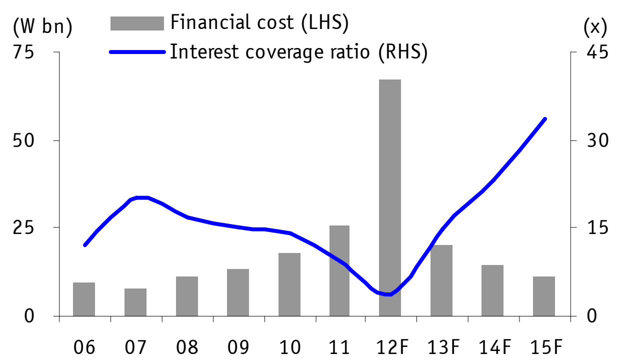
Source: Company data, Shinhan Investment Corp.

Loss on rental asset disposal relative to sales



Source: Company data, Shinhan Investment Corp.

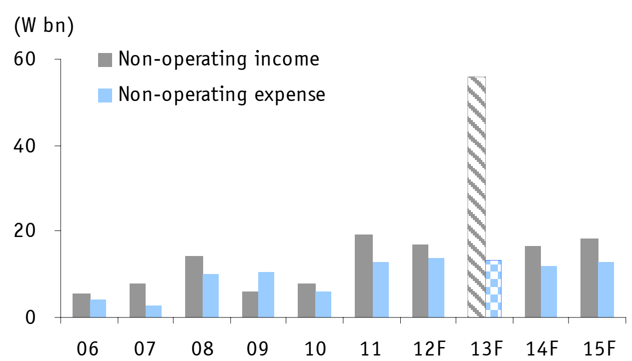
Financial cost vs. interest coverage ratio



Source: Company data, Shinhan Investment Corp.

Note: W35bn of financial cost booked in 3Q12 due to allowance for payment guarantee for Japanese subsidiary

Non-operating income vs. non-operating expense



Source: Company data, Shinhan Investment Corp.

Note: W45bn in non-operating income is expected in 1Q13 on Woongjin Chemical sale

7. 2013 operating profit of W295.4bn (+18%), net profit of W244.1bn (+73%)

Net profit (K-IFRS consolidated) estimated at W132.4bn (-20.7% YoY) in 2012, W239.2bn (+80.7% YoY) in 2013

Margin erosion looks inevitable in 2012 due to one-off costs. Full-year sales are estimated at W1.816tr (+6.2% YoY), operating profit at W250.1bn (+3.1% YoY), and net profit at W141.1bn (-20.3% YoY). In 2013, earnings should improve markedly on rental subscriber growth, lower SG&A/sales ratio, and absence of one-off costs. Full-year sales (K-IFRS separate) are estimated at W1.966tr (+8.3% YoY), operating profit at W295.4bn (+18.0% YoY), and net profit at W244.1bn (+72.9% YoY). Consolidated net profit should come in at W132.4bn (-20.7% YoY) in 2012 and W239.2bn (+80.7% YoY) in 2013.

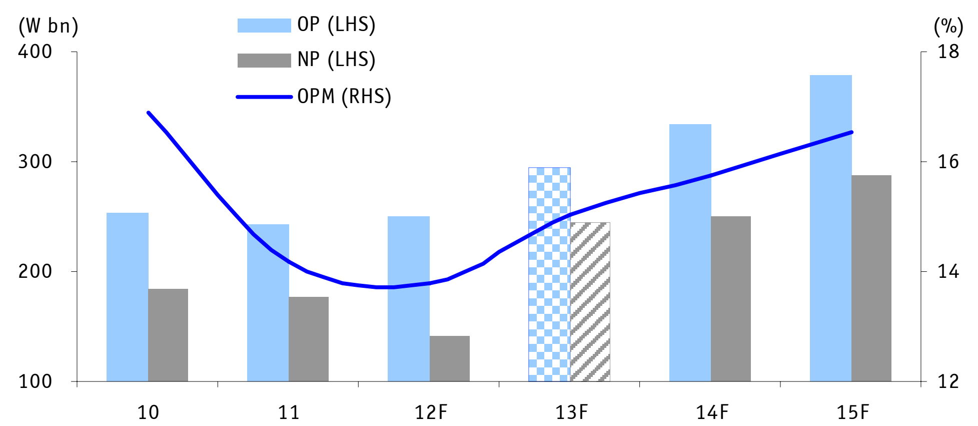
Quarterly earnings

(W bn)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12F	1Q13F	2Q13F	3Q13F	4Q13F	11	12F	13F
Sales	**399.8**	**435.9**	**430.1**	**444.0**	**442.4**	**446.4**	**458.0**	**469.1**	**477.8**	**487.9**	**492.5**	**508.0**	**1,709.9**	**1,815.8**	**1,966.1**
Growth(% YoY)	9.4	19.3	15.6	11.3	10.6	2.4	6.5	5.6	8.0	9.3	7.5	8.3	13.9	6.2	8.3
Rental sales	280.4	291.1	298.6	305.1	309.7	313.1	317.7	324.4	331.1	340.5	347.1	355.2	1,175.2	1,264.9	1,373.8
Rental registration sales	7.6	8.6	7.1	7.8	6.6	5.8	5.5	4.7	3.8	3.0	2.1	1.3	31.1	22.6	10.2
Membership sales	39.1	39.9	41.0	40.8	38.8	39.2	41.1	42.6	42.6	43.0	43.1	43.1	160.8	161.6	171.8
Lump-sum payment sales	31.8	38.8	35.7	31.9	32.7	40.5	39.1	42.4	43.3	45.3	41.8	47.5	138.2	154.7	177.9
Exports	18.3	22.9	24.5	32.3	30.0	21.1	28.0	26.4	27.7	27.1	28.7	28.8	98.0	105.5	112.3
Cosmetics sales	17.4	17.9	17.6	15.3	16.8	16.3	17.3	18.9	19.9	19.4	20.2	22.5	68.2	69.3	82.1
Others	14.1	13.2	16.5	4.1	5.2	16.7	5.7	10.8	7.8	10.4	9.3	9.6	38.4	37.2	38.0
COGS	**125.4**	**141.4**	**134.8**	**150.4**	**145.4**	**142.1**	**151.5**	**153.6**	**155.9**	**159.4**	**160.2**	**169.1**	**552.0**	**592.7**	**644.5**
COGS ratio (%)	31.4	32.4	31.3	33.9	32.9	31.8	33.1	32.8	32.6	32.7	32.5	33.3	32.3	32.6	32.8
SG&A cost	**204.8**	**221.9**	**222.2**	**220.3**	**217.4**	**229.1**	**219.6**	**238.7**	**238.2**	**242.5**	**242.0**	**247.8**	**869.2**	**904.8**	**970.5**
SG&A cost ratio (%)	51.2	50.9	51.7	49.6	49.2	51.3	47.9	50.9	49.9	49.7	49.1	48.8	50.8	49.8	49.4
OP	**56.5**	**61.8**	**61.4**	**62.8**	**64.4**	**63.0**	**62.0**	**60.9**	**70.1**	**72.3**	**76.3**	**76.7**	**242.5**	**250.3**	**295.4**
OPM (%)	14.1	14.2	14.3	14.1	14.6	14.1	13.5	13.0	14.7	14.8	15.5	15.1	14.2	13.8	15.0
Growth (% YoY)	(18.4)	(13.3)	2.7	18.1	14.0	2.0	1.0	(3.0)	8.8	14.8	23.0	25.9	(4.4)	3.2	18.0
Financial income	0.7	0.9	0.1	0.5	0.5	2.4	0.3	0.3	0.4	0.5	0.5	0.6	2.2	3.4	2.0
Financial cost	5.4	6.5	7.2	6.7	8.3	9.3	42.6	6.8	5.9	4.9	4.7	4.4	25.8	67.0	19.9
Other non-operating profit/loss	(1.4)	(1.2)	10.3	(1.4)	(1.0)	3.9	(2.4)	2.4	41.9	0.4	0.2	0.4	6.4	2.9	43.0
Pre-tax profit	50.4	55.1	64.6	55.2	55.6	56.4	17.7	56.8	106.5	68.4	72.3	73.3	225.4	186.5	320.5
NP	**38.8**	**42.1**	**49.2**	**47.1**	**41.2**	**44.0**	**12.9**	**43.0**	**80.8**	**51.8**	**55.3**	**56.2**	**177.1**	**141.1**	**244.1**
NPM (%)	9.7	9.7	11.4	10.6	9.3	9.9	2.8	9.2	16.9	10.6	11.2	11.1	10.4	7.8	12.4
Growth (% YoY)	(24.7)	(28.9)	36.6	28.6	6.4	4.6	(73.7)	(8.8)	96.0	17.7	328.1	30.8	(3.4)	(20.3)	72.9

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS separate

Operating performance



Source: Company data, Shinhan Investment Corp.

IV. Mid/long-term outlook: Three changes after disposal

1. Stronger fundamentals with greater focus on core businesses

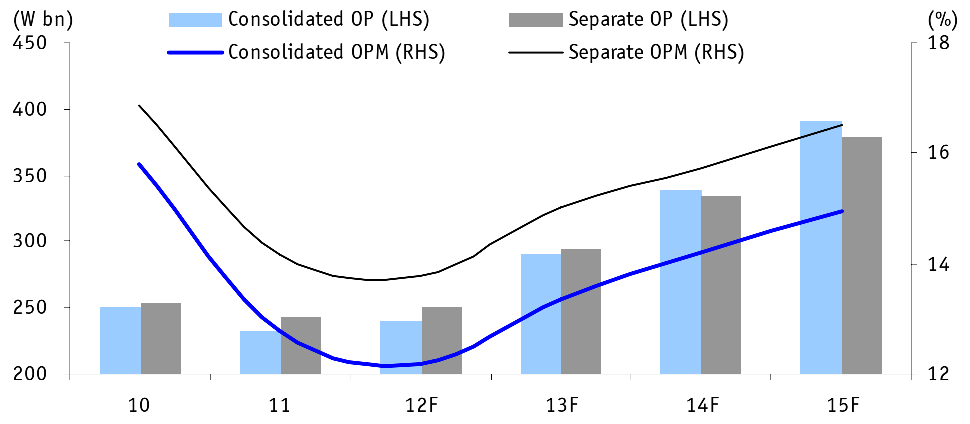
Possible disposal of unprofitable businesses: Sale of water treatment would lift OP margin by 0.5%p in 2012

Coway is expected to post operating profit margin of 13.8% (separate) and 12.2% (consolidated) in 2012. The consolidated margin should be lower than the separate margin due to low profitability of subsidiaries. MBK Partners, Coway's new major shareholder, is putting priority on enhancing profitability. It is expected to beef up Coway's core eco-friendly home appliance business and dispose of unprofitable operations.

The eco-friendly home appliance business maintains operating profit margin at around 17%. By contrast, the water treatment/cosmetics businesses, GETC (water treatment subsidiary) and overseas subsidiaries are operating in the red. Operating profit margin for 2012 improves by 1.0%p if the cosmetics business (the largest money loser) is excluded, and improves by 0.5%p if the water treatment division and GETC are excluded.

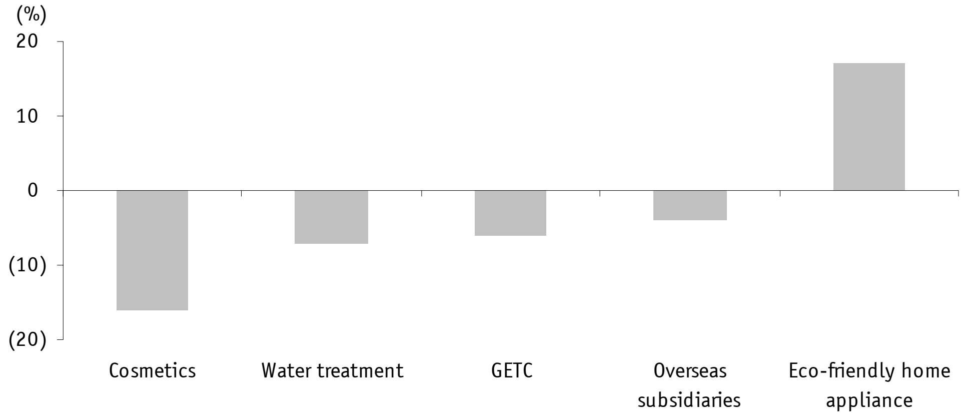
Overseas subsidiaries are mostly engaged in the eco-friendly home appliance business. Their profitability should increase once they surpass BEP amid growth in accumulative subscribers. The odds of the cosmetics division being sold off are low in the near term, as it is still in the early stage and has large operating leverage effect. However, the water treatment division is a good candidate for sell-off given its high sales volatility and low profitability.

OP and OP margin (consolidated vs. separate)



Source: Company data, Shinhan Investment Corp.

OP margin by division (2012)



Source: Company data, Shinhan Investment Corp.

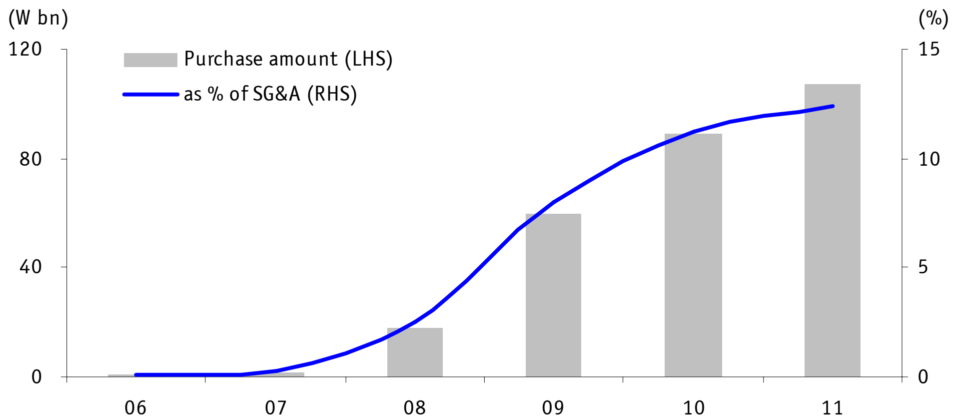
2. Reduced transactions with Woongjin Holdings to boost profitability

MRO transactions with Woongjin Holdings jumped six-fold from 2008 to 2011

Coway has been purchasing consumable materials related to MRO (maintenance, repair and operation) from Woongjin Holdings. These transactions jumped six-fold in a span of three years from W18.1bn in 2008 to W107.4bn in 2011. By contrast, sales grew only 30.1% in the same period. The reason for the jump in transaction amount seems to be Coway's support for the parent company Woongjin Holdings, whose financial structure has weakened, rather than a boost in demand for MRO materials.

The sale of Coway to MBK Partners will be complete as of January 2, 2013. Thereafter, Coway is no longer likely to purchase MRO materials in excess from Woongjin Holdings. Thus, MRO transactions with Woongjin Holdings, which have burdened SG&A costs, are highly likely to decrease gradually. This, in turn, will boost profitability in the long run.

Transactions between Woongjin Holdings and Coway



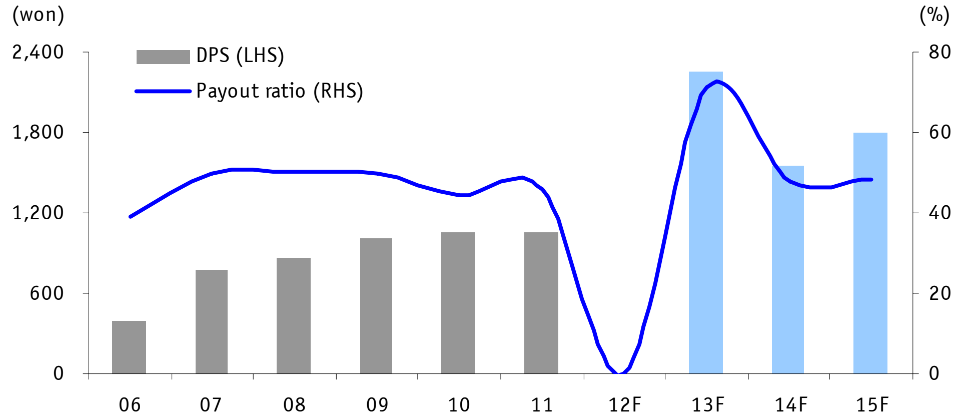
Source: Company data, Shinhan Investment Corp.

3. Stronger financial structure and stable dividend payout

Payout ratio of 5.6% expected in 2013

MBK Partners will spend W1.2tr in cash to acquire Coway. In the long run, capital gains can be expected from an increase in enterprise value, but there is a high possibility of MBK Partners asking for a certain amount of cash dividends every year. Coway's payout ratio currently stands at around 45%, and this level is likely to be sustained. The 2012 year-end dividend payout will be made as an interim dividend in 1Q13. The interim dividend is estimated to be W1,050 and year-end dividend to be W1,200 in 2013. At the current share price, the dividend yield is estimated at 5.6% in 2013.

Dividend per share vs. payout ratio



Source: Company data, Shinhan Investment Corp.

V. Financial structure and cash flow analysis

1. Financial structure to strengthen due to shorter cash conversion cycle

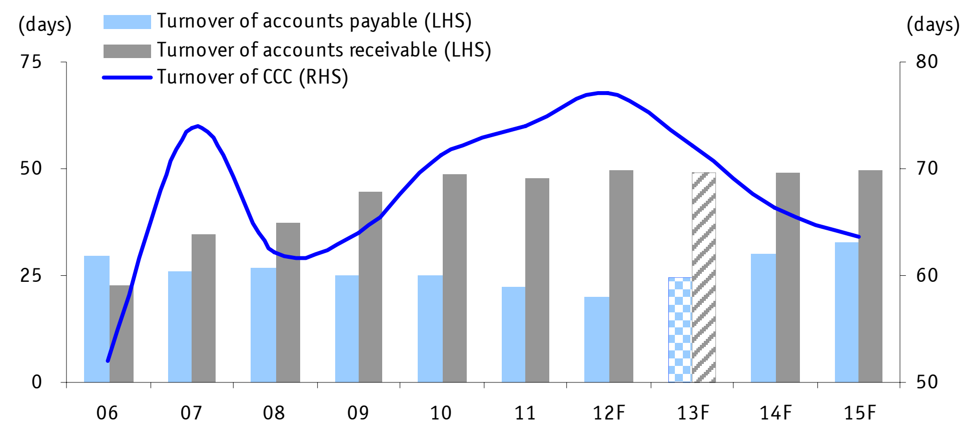
From 2007 to 2011, capex and operating cash flow increased 31.2% and 12.1%

Coway's interest-bearing liabilities nearly tripled in the last five years from W167.8bn in 2007 to W542.0bn in 2011. Borrowings increased to over W200.0bn in 2011 for share buyback and dividend payout. The payback period for the rental business is roughly 10 months, implying good cash flow. Nevertheless, the financial structure has weakened. One reason is that profits stagnated despite increased capex for top-line growth. Another factor is that the cash conversion cycle deteriorated as accounts payable turnover became longer than accounts receivable turnover in the course of supporting Woongjin Holdings.

Cash conversion cycle to shorten from 77 days (2012) to 64 days (2015) → improvement in operating cash flow

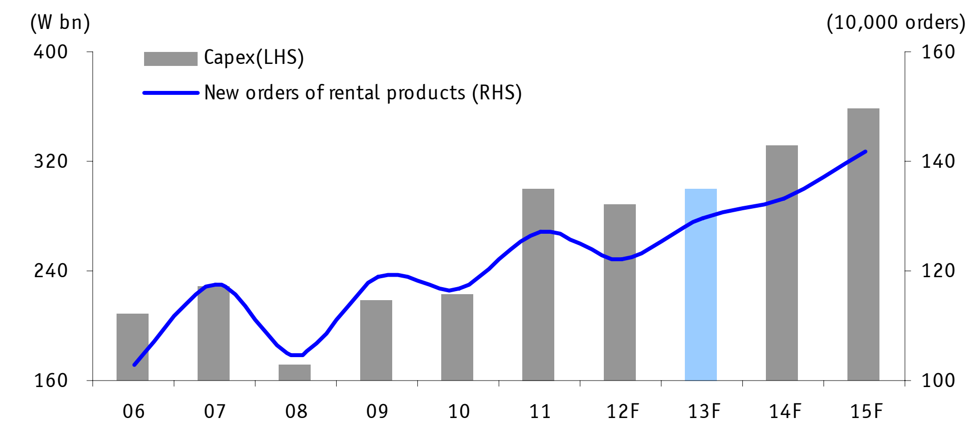
From 2007 to 2011, operating cash flow grew only 12.1% whereas sales and capex increased 41% and 31.2%, respectively. However, meaningful improvement in profitability is anticipated from 2013. The cash conversion cycle is also likely to shorten after the split from Woongjin Holdings. We expect to see operating cash flow pick up from 2013.

Cash conversion cycle



Source: Company data, Shinhan Investment Corp.

Capex vs. new orders of rental products



Source: Company data, Shinhan Investment Corp.

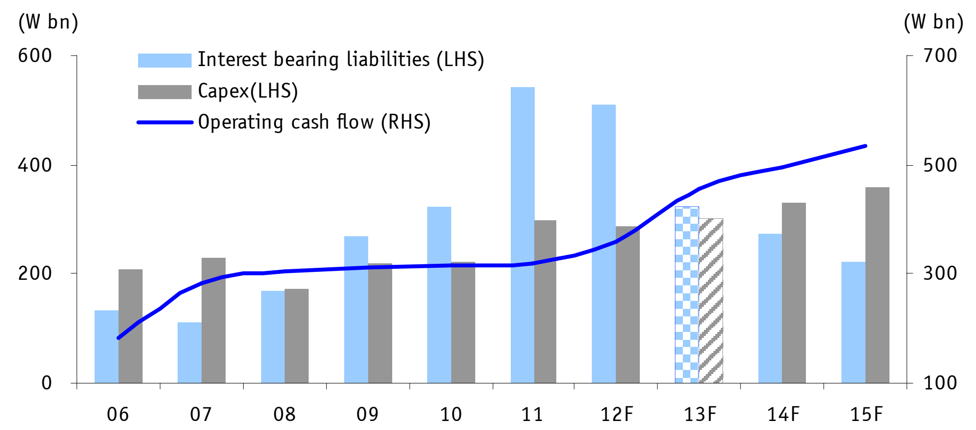
2. Improved cash flow and financial structure – a boon for long-term earnings

Operating cash flow: W358.3bn (+12.8% YoY) in 2012 and W454.5bn (+26.8% YoY) in 2013

Operating cash flow is expected to increase from W358.3bn (+12.8% YoY) in 2012 to W454.4bn (+26.8% YoY) in 2013. In 2013, there will be a cash inflow of W178.2bn related to the disposal of Woongjin Chemical. Greater operating cash flow and gains from the stake disposal should be used to pay down debt. Interest-bearing liabilities are expected to decrease by W33.0bn in 2013 and by W186.0bn in 2013. Since operating cash flow will exceed capex from 2013, Coway's financial structure should strengthen along with continuous decrease in interest-bearing liabilities.

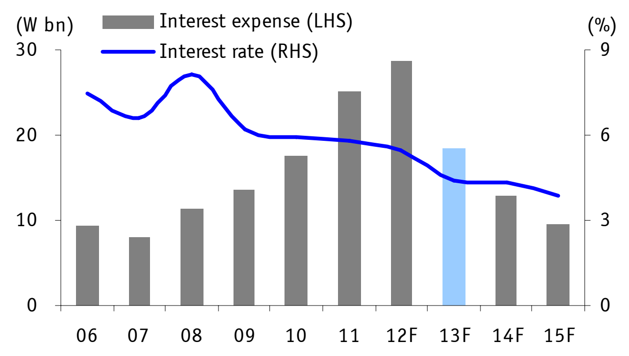
Free cash flow decreased to W2.8bn in 2011 (-98.5% YoY) but is expected to surge to W77.9bn (2,649.5% YoY) in 2012 and W162.4bn (+108.4% YoY) in 2013. Interest expense is forecast to shrink over time as the financial structure stabilizes and cash flow increases. Interest expense is estimated to drop to W18.4bn (-35.9% YoY) in 2013 and W12.8bn in 2014 (-30.4% YoY). Coway's long-term profitability should improve through reduced debt and financial costs resulting from a stronger balance sheet.

Interest-bearing liabilities vs. operating cash flow



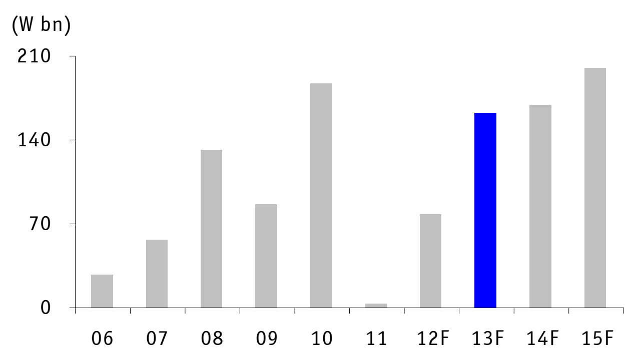
Source: Company data, Shinhan Investment Corp.

Interest expense vs. interest rate



Source: Company data, Shinhan Investment Corp.

Free cash flow



Source: Company data, Shinhan Investment Corp.

Note: Includes loss from disposal of rental assets (non-cash expenses)

VI. Why foreign investors are expected to return

Foreign stake tops 51%, foreign net buying at around PER 15x → current PER is 13x based on 2013F consolidated earnings

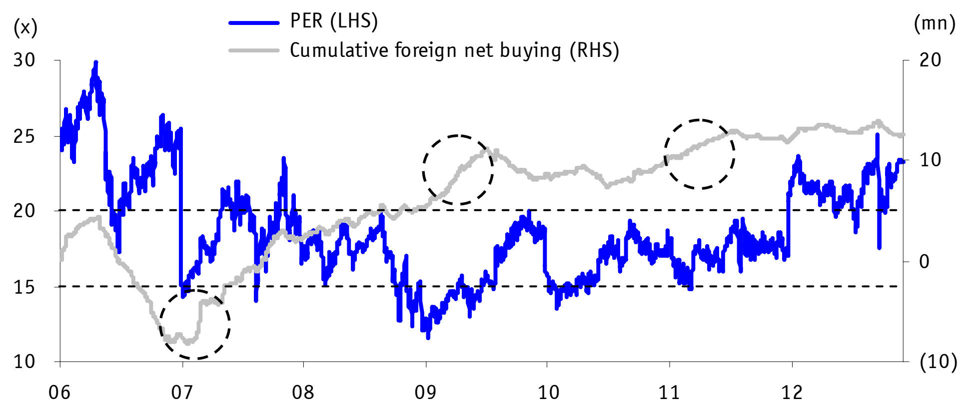
Coway's foreign stake is rather high, standing at 51%. Foreign investors have shown interest in Coway as a domestic consumer play demonstrating stability and long-term growth potential. Past trends indicate that foreign investors buy Coway shares when valuation is attractive. There seems to be a sharp rise in foreign net buying when the PER is around 15x.

Over the past two months, foreign investors have been sellers of Coway and the foreign stake has dwindled. Governance risks were highlighted after the parent company Woongjin Holdings filed for court receivership. Also, sluggish 2012 earnings increased the valuation burden. However, consolidated EPS growth is expected to surpass 80% in 2013, which brings down the PER to 13x based on the current share price. Of note, Coway stock has rarely traded below PER of 15x in the past three years.

Fading governance risk, 2013 earnings to improve, attractive dividend yield → foreign buying → rise in share price

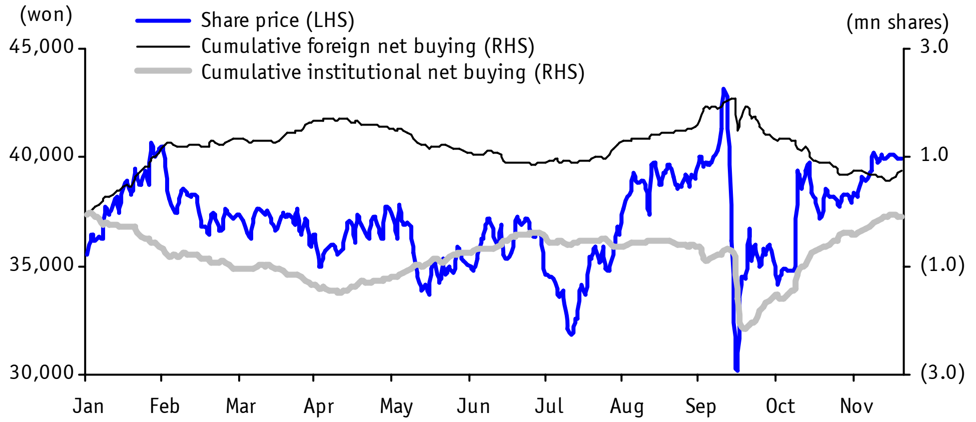
Foreign interest in Coway is likely to increase once governance risks disappear and 2013 earning forecasts are reflected in the share price. Coway will be completely separated from Woongjin Holdings as of January 2, 2013. Foreign investors' sentiment could turn positive, especially considering the high dividend yield of 5.6% expected in 2013. Institutional investors are continuously net buying Coway. If foreign buying kicks in, Coway's share price is very likely to rise.

PER (based on closing price) vs. net buying of foreign investors



Source: Company data, Shinhan Investment Corp.

Institutional vs. foreign buying



Source: Company data, Shinhan Investment Corp.

VII. Governance risk is fading, time to bet on fundamentals

1. Sale to wrap up in January, MBK Partners becomes the largest stakeholder

Coway sale will be completed with the remaining payment made on January 2

At the general shareholders' meeting on November 27, the company's name was changed from Woongjin Coway to Coway and officials of MBK Partners were appointed as new board members. There were some rough patches in the course of separating from Woongjin Holdings, but the court ordered on October 26 that the Coway sale proceed according to the contract terms. Of the total sale price of W1.2tr, an interim payment of W360.0bn (30% of the total) was made on November 28. The sale of Coway will be completed when the remaining payment is made on January 2, 2013.

Coway sale process

Date	Remark
Aug. 15, 2012	Woongjin Group signs a contract with MBK Partners to sell 30.9% stake
Sep. 26, 2012	Woongjin Holdings files for receivership and expresses intent to stop the sale
Oct 25, 2012	Court gives order for the sale to proceed
Nov. 27, 2012	Company name changed to 'Coway' at general shareholders' meeting and MBK Partners officials named as new board members
Nov. 28, 2012	Interim payment of W360bn made (305 of the total sale price)
Jan. 2, 2013	Remaining payment, sale complete

Source: Media reports, Shinhan Investment Corp.

2. Structural improvement in profitability from 2013

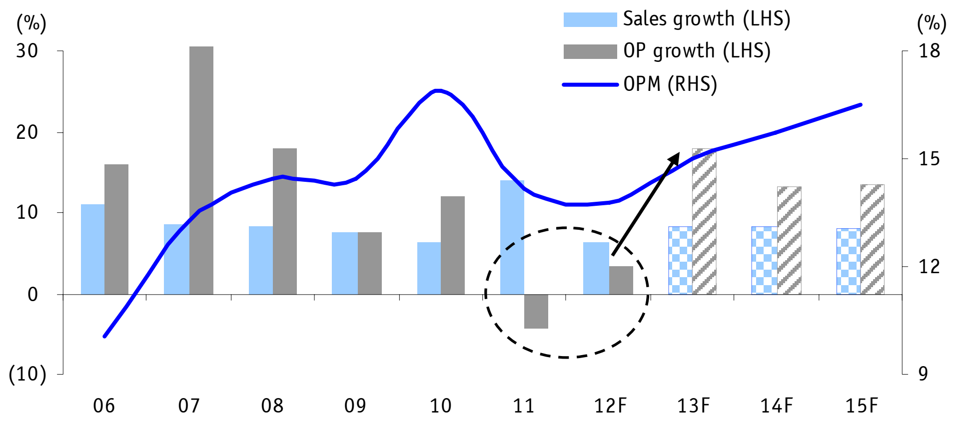
2009~2011: average EPS growth of 10.2% p.a. average PER of 16.5x

From 2009 to 2011, the average annual growth in operating profit was about 5% and that for EPS was 10.2%. In 2012, consolidated operating profit is expected to be W250.3bn (+3.5% YoY) and EPS W1,717 (-20.3% YoY). Top-line growth should continue in 2013 with an estimated 73.8% YoY net increase in rental subscribers. Operating profit is forecast to reach W295.4bn (+18.0% YoY) and EPS W3,102 (+80.7% YoY).

2013 consolidated EPS growth of 80.7%, target price of W54,000 translates to 2013 PER of 17x

The penetration rate in the domestic eco-friendly home appliance market is far lower compared to Japan. Also, Coway is capable of growing further via product diversification. On K-IFRS separate basis, operating profit margin is expected to rise steadily from 13.8% in 2012 to 16.5% in 2015. The current share price translates to a PER of 13x based on 2013F consolidated EPS. Our target price of W54,000 is equivalent to a PER of 17x. Even when earnings were sluggish in 2011 and 2012, average PER exceeded 16x. In view of anticipated sales growth and structural improvement in profitability in 2013, Coway offers ample upside potential.

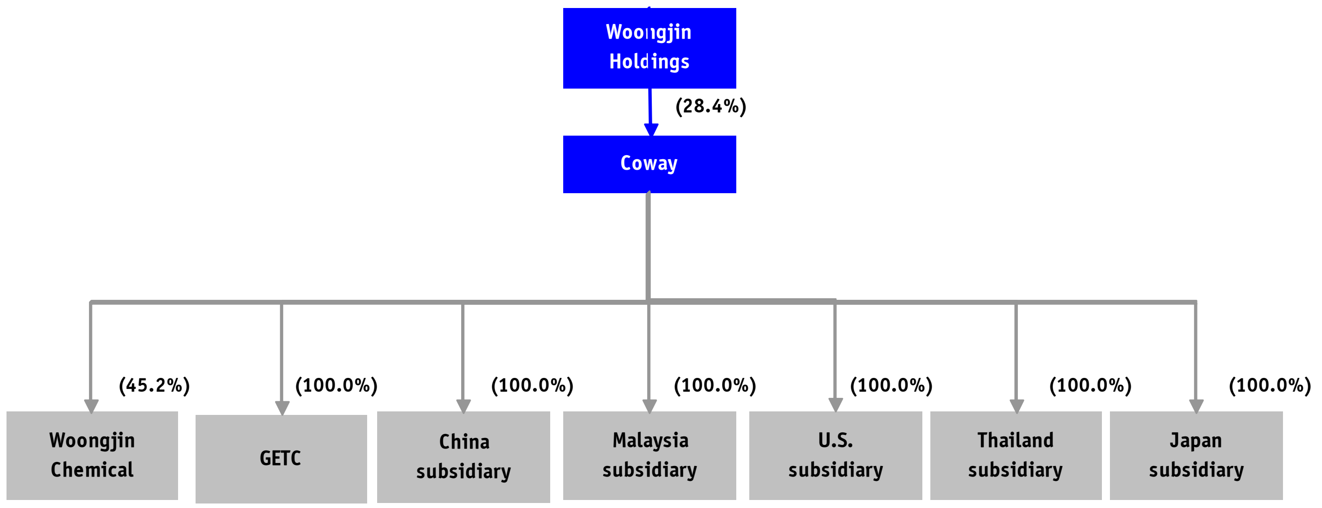
Sales, operating profit, and OP margin



Source: Company data, Shinhan Investment Corp. / Note: K-IFRS separate

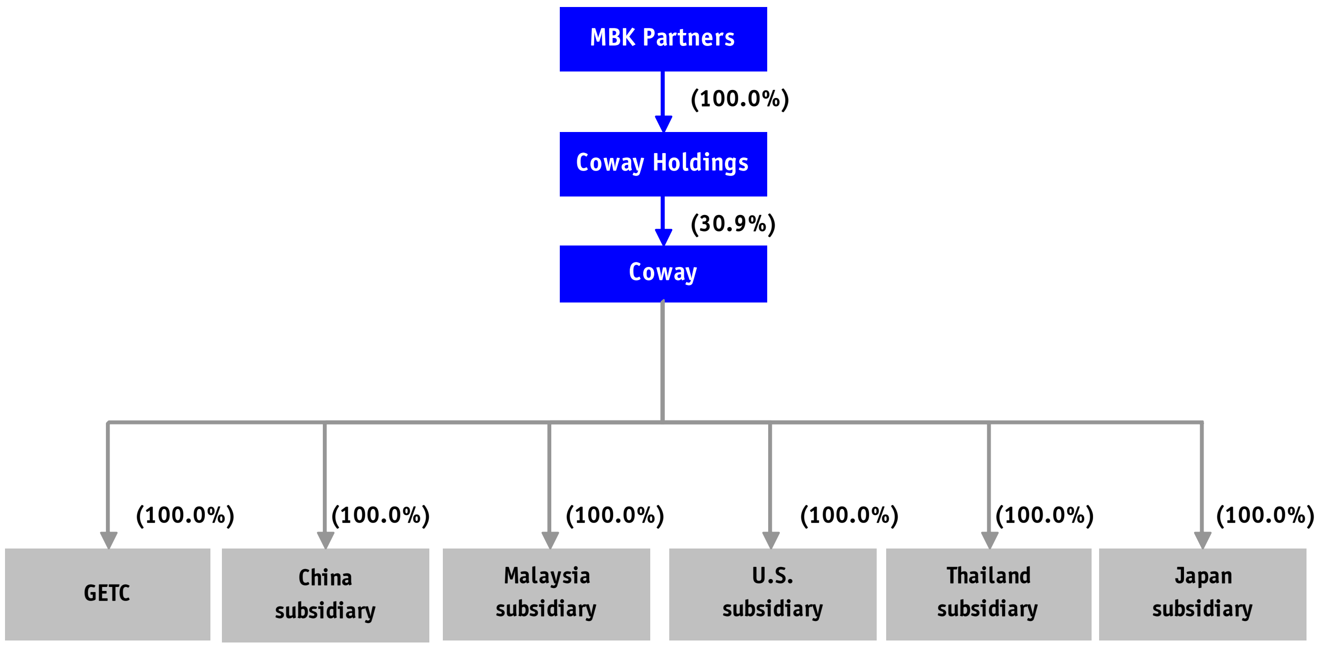
[Change in governance structure]

Before the sale



Source: Company data, Shinhan Investment Corp.

After the sale



Source: Company data, Shinhan Investment Corp.

Appendix : Financial statements

Statement of financial position

Year to Dec. (W bn)	2010	2011	2012F	2013F	2014F
Assets	**1,358.3**	**1,576.5**	**1,639.8**	**1,645.9**	**1,770.3**
Total Current Assets	441.2	511.5	570.2	659.7	721.2
Cash and Cash Equivalents	56.4	64.9	30.2	82.0	88.8
Accounts Receivables	203.8	240.1	254.9	276.0	298.7
Inventories	73.2	73.0	80.0	86.6	93.7
Other Current Assets	107.8	133.5	205.1	215.1	240.0
Non-Current Assets	917.1	1,065.0	1,069.6	986.2	1,049.2
Tangible Assets	441.6	534.7	569.3	607.5	657.0
Intangible Assets	156.5	156.0	154.3	152.7	151.1
Investment Assets	241.2	285.1	256.9	136.9	151.9
Other Non-Current Fin.l Assets	77.8	89.2	89.1	89.1	89.2
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	**631.1**	**828.1**	**828.5**	**679.8**	**669.0**
Current Liabilities	384.5	534.3	647.1	536.0	532.7
ST Borrowings	74.5	164.8	246.0	180.0	170.0
Account Payables	38.3	28.7	35.8	50.2	65.2
Current Portion of LT Debt	30.0	110.0	60.0	30.0	0.0
Other Current Liabilities	241.7	230.8	305.3	275.8	297.5
Non-Current Liabilities	246.6	293.8	181.4	143.8	136.3
Bonds	49.8	176.7	122.7	112.7	102.7
LT Borrowings(incl. LT Fin. Liab.)	170.0	90.3	30.3	0.3	0.3
Other Non-Current Liabilities	26.8	26.8	28.4	30.8	33.3
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	**727.2**	**748.4**	**811.3**	**966.1**	**1,101.3**
Capital Stock	40.7	40.7	40.7	40.7	40.7
Capital Surplus	130.9	130.9	130.9	130.9	130.9
Other Reserves	(27.3)	(98.8)	(98.8)	(98.8)	(98.8)
Accu. Other Comp. Income	0.0	(2.0)	(2.0)	(2.0)	(2.0)
Retained Earnings	582.9	677.7	740.6	895.3	1,030.6
Owners of Parent Equity	**727.2**	**748.4**	**811.3**	**966.1**	**1,101.3**
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	0.0
*Total Debt	324.4	542.0	509.2	323.3	273.3
*Net Debts(Cash)	264.1	468.3	464.0	226.3	164.5

Cash Flow

Year to Dec. (W bn)	2010	2011	2012F	2013F	2014F
Operating Cash Flow	**331.3**	**317.6**	**358.3**	**454.5**	**493.5**
Net Profit	183.3	177.1	141.1	244.1	250.7
Depreciation	131.6	144.9	172.2	190.7	207.2
Amortization	6.8	1.7	1.7	1.6	1.6
Losses(Gains) on F/X Translation	0.4	0.1	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	41.1	10.8	0.0	(45.0)	0.0
Losses(Gains) in Asso.., Subs.,JVs	(22.1)	0.0	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(85.7)	(111.5)	(53.5)	(10.9)	(35.8)
(Payments of Income Taxes)	(44.2)	(42.0)	(45.4)	(76.4)	(77.0)
Others	120.1	136.5	142.2	150.4	146.8
Investing Cash Flow	**(299.9)**	**(344.2)**	**(252.8)**	**(119.4)**	**(333.8)**
Decr. in Tangible Assets	11.2	8.9	12.0	14.0	15.0
Decr.(Incr.) in Intangible Assets	(14.7)	(6.7)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	(41.8)	(21.4)	28.2	165.0	(15.0)
Decr.(Incr.) in Current Fin. Assets	(3.4)	(4.6)	(6.2)	0.0	(5.0)
Others	(251.2)	(320.4)	(286.8)	(298.4)	(328.8)
Free Cash Flow	**146.9**	**(42.1)**	**19.3**	**113.8**	**120.3**
Financing Cash Flow	**(38.2)**	**35.6**	**(139.4)**	**(282.6)**	**(152.2)**
Incr.(Decr.) in Borrowing	54.5	213.0	(32.8)	(186.0)	(50.0)
Decr.(Incr.) of Treasury Stock	0.0	73.5	0.0	0.0	0.0
Dividend	(76.8)	(79.9)	(77.8)	(78.2)	(89.4)
Others	(15.9)	(171.0)	(28.8)	(18.4)	(12.8)
Other Cash Flows	(4.3)	0.0	(0.8)	(0.7)	(0.7)
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.6)	(0.5)	0.0	0.0	0.0
Incr.(Decr.) in Cash	**(7.4)**	**8.5**	**(34.7)**	**51.8**	**6.9**
Beginning Cash	63.8	56.4	64.9	30.2	82.0
Ending Cash	56.4	64.9	30.2	82.0	88.9

Source: Company data, Shinhan Investment Corp, K-IFRS Separate based

Statement of Comprehensive Income

Year to Dec. (W bn)	2010	2011	2012F	2013F	2014F
Sales	**1,501.8**	**1,709.9**	**1,815.8**	**1,966.1**	**2,127.1**
Growth (%)	6.4	13.9	6.2	8.3	8.2
COGS	**490.6**	**552.0**	**592.7**	**644.5**	**699.3**
Gross Profit	**1,011.2**	**1,157.9**	**1,223.1**	**1,321.6**	**1,427.7**
Gross margin (%)	67.3	67.7	67.4	67.2	67.1
SG&A	**704.4**	**869.2**	**904.8**	**970.5**	**1,035.3**
GAAP Operating Income	306.9	288.7	318.3	351.1	392.4
Growth (%)	50.2	(5.9)	10.3	10.3	11.8
GAAP Operating margin (%)	20.4	16.9	17.5	17.9	18.4
Net Other Operating Income	**(53.4)**	**(46.2)**	**(68.0)**	**(55.7)**	**(57.7)**
Net Gains in Equity Method	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Operating Income	**253.5**	**242.5**	**250.3**	**295.4**	**334.7**
Growth (%)	24.1	(4.4)	3.2	18.0	13.3
Operating margin (%)	16.9	14.2	13.8	15.0	15.7
Other Net Non-Operating Profits	**11.9**	**(17.1)**	**(63.8)**	**25.1**	**(7.1)**
Financial Income(Expenses)	(11.7)	(23.5)	(63.6)	(17.9)	(11.8)
Net Other Non-Operating Profits	1.5	6.4	(0.3)	43.0	4.8
Net Gains in Asso., Subs., and JVs	22.1	0.0	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	**265.4**	**225.4**	**186.5**	**320.5**	**327.6**
Income Taxes	60.0	48.2	45.4	76.4	77.0
Profit from Continuing Op.	183.3	177.1	141.1	244.1	250.7
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	**183.3**	**177.1**	**141.1**	**244.1**	**250.7**
Growth (%)	19.6	(3.4)	(20.3)	72.9	2.7
Net Profit margin (%)	12.2	10.4	7.8	12.4	11.8
Net Profit of Parent	183.3	177.1	141.1	244.1	250.7
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	0.0
Total Comprehensive Income	180.2	172.7	141.1	244.1	250.7
Total Comp. Income of Parent	180.2	172.7	141.1	244.1	250.7
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	391.9	389.1	424.2	487.6	543.5
Growth (%)	11.2	(0.7)	9.0	15.0	11.4
EBITDA Margin (%)	26.1	22.8	23.4	24.8	25.5

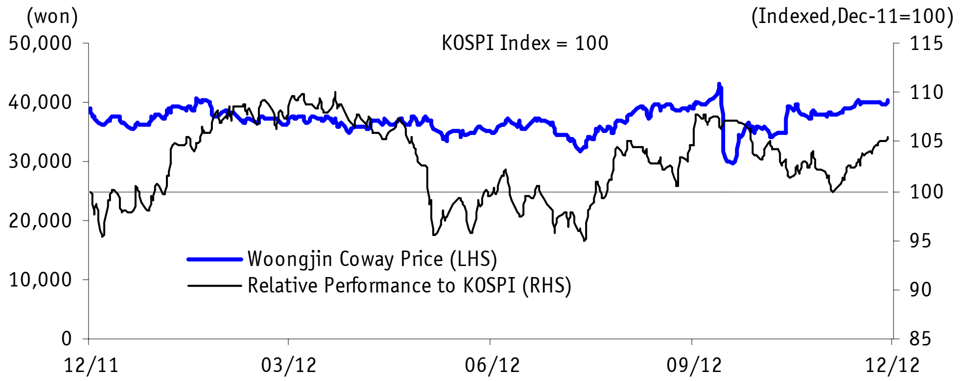
Key Ratios

Year to Dec.	2010	2011	2012F	2013F	2014F
EPS_C (won)	2,376	2,296	1,830	3,165	3,250
EPS_P (won)	2,376	2,296	1,830	3,165	3,250
BPS_C (won)	9,428	9,704	10,520	12,526	14,280
BPS_P (won)	9,428	9,704	10,520	12,526	14,280
DPS (won)	1,050	1,050	1,050	1,200	1,550
PER_C (x)	17.0	15.9	22.0	12.7	12.4
PER_P (x)	17.0	15.9	22.0	12.7	12.4
PBR_C (x)	4.3	3.8	3.8	3.2	2.8
PBR_P (x)	4.3	3.8	3.8	3.2	2.8
EV/EBITDA (x)	8.6	8.5	8.4	6.8	6.0
EV/EBIT (x)	13.3	13.6	14.2	11.3	9.8
Dividend Yield (%)	2.6	2.9	2.6	3.0	3.9
Profitability					
EBITTDA Margin (%)	26.1	22.8	23.4	24.8	25.5
OP Margin (%)	16.9	14.2	13.8	15.0	15.7
NP Margin (%)	12.2	10.4	7.8	12.4	11.8
ROA (%)	13.9	12.1	8.8	14.9	14.7
ROE (%)	26.0	24.0	18.1	27.5	24.3
ROIC (%)	27.3	25.7	20.6	22.8	24.7
Stability					
D/E Ratio (%)	86.8	110.6	102.1	70.4	60.7
Net Debt to Equity (%)	36.3	62.6	57.2	23.4	14.9
Cash Ratio (%)	14.7	12.1	4.7	15.3	16.7
Interest Coverage (x)	14.4	9.6	8.7	16.0	26.1
Activity					
Working Capital Turnover (t)	12.2	11.8	8.5	8.1	8.5
Inventory Turnover (d)	15.5	15.6	15.4	15.5	15.5
Receivable Turnover (d)	48.4	47.4	49.8	49.3	49.3

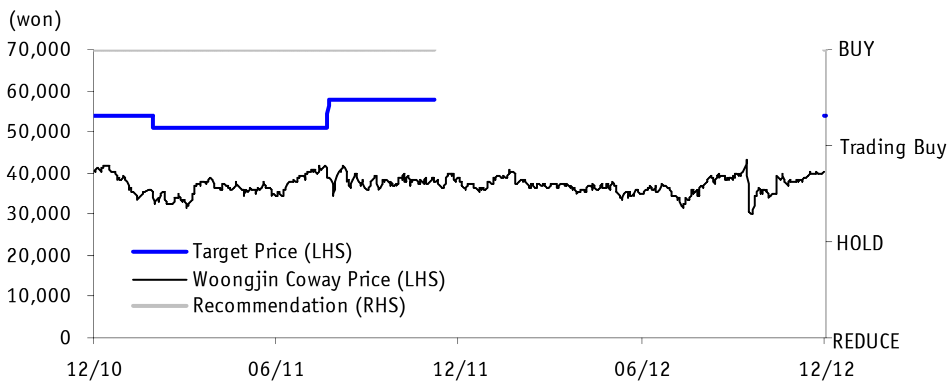
Source: Company data, Shinhan Investment Corp, K-IFRS Separate based

Woongjin Coway (021240 KS)

... Share Price Performance



... Target Price & Recommendation History



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SHIC Rating Classifications: BUY; Over +15%, Trading BUY; 0 to 15%, HOLD; -15% to 0, REDUCE; -15% or More (As of 25 Jul. 2011)