

Coway



BUY

Maintain

Price (Feb. 15) W47,400

Target Price W60,000

% Variance 26.6%

Bloomberg Code 021240 KS

Reuters Code 021240.KS

[Analyst]

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KOSPI	1,981.18p
KOSDAQ	514.58p
Market Cap.	W3,655.7bn/ US3,206.8mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.7mn(65.8%)
52-Week High/Low	W47,400/W30,150
60-Day Avg. Trading Volume	161,017shrs
60-Day. Avg. Trading T/O	W6,968mn
Foreign Ownership	51.39%
Major Shareholders	
Coway Holdings	30.90%
Lazard Asset Management	14.50%
Absolute Performance	3M 23.9%
	6M 26.2%
	12M 24.4%
Relative performance	3M 17.0%
to KOSPI	6M 24.7%
	12M 27.2%

From mama's boy to healthy boy

4Q12 sales W460.1bn (+4% YoY), operating profit W35.6bn (-44% YoY)

Coway posted 4Q12 sales of W460.1bn (+3.6% YoY) and operating profit of W35.6bn (-43.7% YoY). Operating profit dropped sharply due to W15.6bn consolatory payments to employees and W11.8bn loss from disposal of unused inventory. Total rental subscribers and membership subscribers came in at 4.6mn (+3.5% YoY) and 1.13mn (+13.1% YoY), respectively, in 2012.

Moving towards qualitative growth from 2013

We forecast subscribers to register a net increase of 270,000 (+71.7% YoY) in 2013. Monthly ARPU is expected to rise to W23,759 (+4.1% YoY) on price hikes. Total rental subscribers and membership subscribers are estimated at 4.88mn (+5.9% YoY) and 1.19mn (+4.8% YoY), respectively. We expect a big earnings improvement with full-year sales of W1.98tr (+9.8% YoY) and operating profit of W300.4bn (+31.8% YoY).

Retain BUY, upgrading target price to W60,000

Coway's profitability had deteriorated in the past due to support to the holding company and investment in new businesses. We believe the company will achieve both top-line growth and margin gains in 2013. We raise our target price from W54,000 to W60,000 in view of improving market conditions. Our target price is derived by applying a PER of 19x to 2013F consolidated EPS of W3,112.

Year to Dec.	2011	2012P	2013F	2014F	2015F
Sales (W bn)	1,709.9	1,806.8	1,983.1	2,149.0	2,315.6
OP (W bn)	242.5	227.8	300.4	346.0	395.6
Net Income (W bn)	177.1	119.7	244.4	252.2	290.6
EPS (won)	2,296	1,552	3,169	3,270	3,768
BPS (won)	9,704	10,240	12,248	14,017	16,043
OP Margin (%)	14.2	12.6	15.1	16.1	17.1
NP Margin (%)	10.4	6.6	12.3	11.7	12.5
ROE (%)	24.0	15.6	28.2	24.9	25.1
PER (x)	15.9	28.1	15.0	14.5	12.6
PBR (x)	3.8	4.3	3.9	3.4	3.0
EV/EBITDA (x)	8.5	8.2	7.0	6.1	5.3

Note: K-IFRS standalone basis



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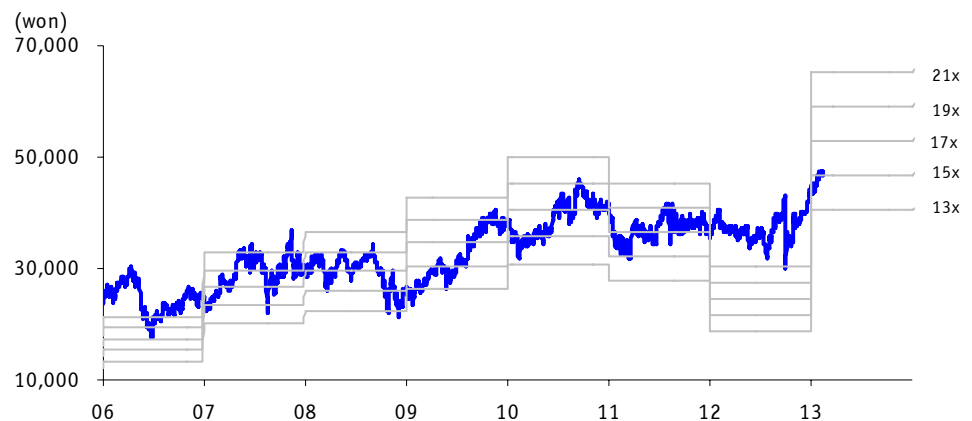
Upgrade target price to W60,000

Coway has maintained top-line growth for years, but profitability and cash flow deteriorated at the same time due to support to affiliated companies and investments in new businesses. MBK Partners is the new major shareholder of Coway. Its main focus has been on improving profitability since the acquisition. It will likely sell off the water treatment business and aggressively invest in the cosmetics business. Profitability should improve from 2013 when operating leverage kicks in from growing number of subscribers.

Coway's share price has been very stable based on solid top-line growth led by increasing number of subscribers. The shares traded in the PER range of 13-21x, and showed downward rigidity at a PER of 15x. Coway is expected to sustain strong sales growth in 2013, helped by ARPU improvement and increased number of subscribers. Profitability should also improve significantly on strengthening fundamentals of its core business.

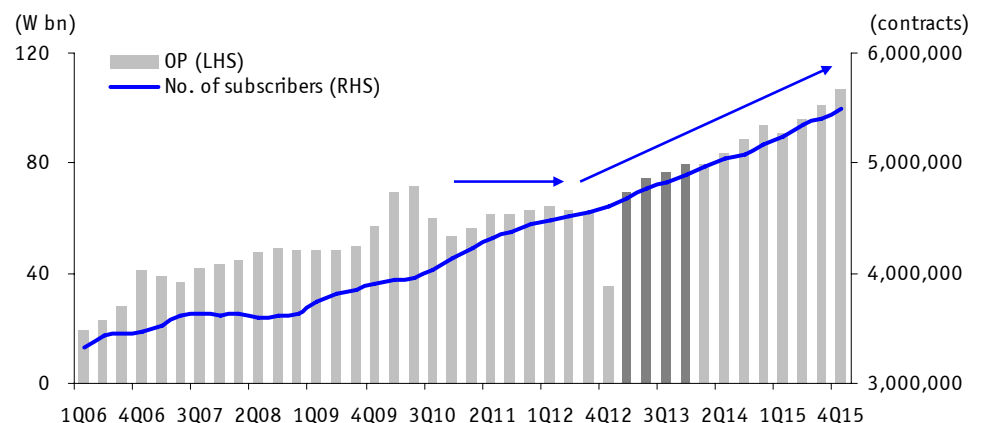
Coway is expected to post K-IFRS standalone sales of W1.98tr (+9.8% YoY) and operating profit of W300.4bn (+31.8% YoY). Operating profit margin will likely improve to 15.1% (+2.5%p YoY). We upgrade our target price for Coway to W60,000 from W54,000 given ameliorating market conditions. Our target price is derived by applying a PER of 19x to 2013F consolidated EPS of W3,112.

PER band



Source: Statistics Korea, Shinhan Investment Corp.

Coway's operating profit vs. no. of subscribers



Source: Korea Statistics, Shinhan Investment Corp.

4Q12 results

(W bn)	4Q12P	3Q12	% QoQ	4Q11	% YoY
Sales	460.1	458.0	0.5	444.0	3.6
OP	35.6	62.9	(43.4)	63.2	(43.7)
NP	21.6	12.9	67.4	47.1	(54.1)
OPM (%)	7.7	13.7		14.2	
NPM (%)	4.7	2.8		10.6	

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(W bn)	2013F			2014F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	1,966.1	1,983.1	0.9	2,127.1	2,149.0	1.0
OP	295.4	300.4	1.7	334.7	346.0	3.4
NP	244.1	244.4	0.1	250.7	252.2	0.6

Source: Shinhan Investment Corp.

Note: K-IFRS standalone basis

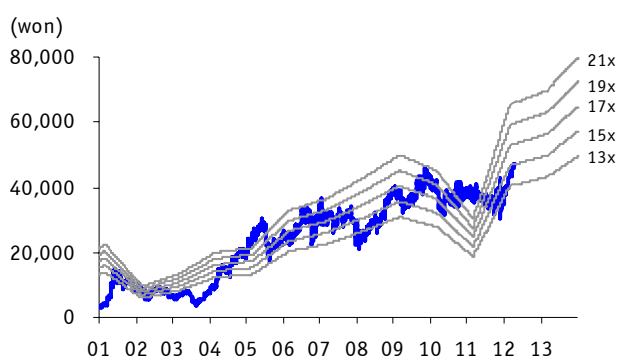
EPS-based target price calculation

(W bn)	Value	(W bn)	Value
2013 NP	240.0	2014 NP	255.8
EPS (won)	3,112	EPS (won)	3,317
Target PER (x)	19	Target PER (x)	19
Target price (won)	60,000	Target price (won)	64,000
Current price (won)	47,400	Current price (won)	47,400
Current PER (x)	15.2	Current PER (x)	14.3

Source: Shinhan Investment Corp.

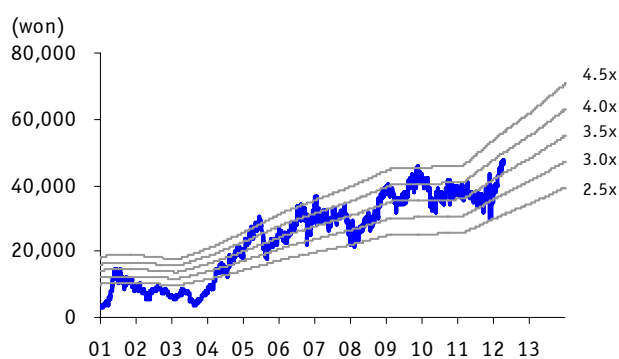
Note: Based on K-IFRS consolidated NP (controlling shareholders)

PER band



Source: Shinhan Investment Corp.

PBR band



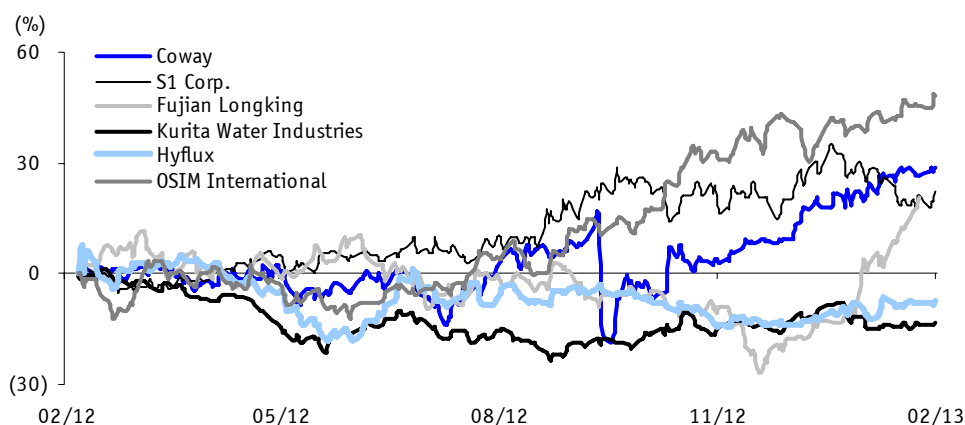
Source: Shinhan Investment Corp.

Global peers

Company		Coway	Kurita Water Industries	S1 Corp.	OSIM International	Hyflux	Fujian Longking
Ticker		021240 KS	6370 JP	012750 KS	OSIM SP	HYF SP	600388 CH
Market cap. (W bn)		3,655.7	2,777.0	2,553.5	1,185.2	981.0	1,116.2
Sales (W bn)	2011	1,824.4	2,438.3	1,026.1	488.0	418.4	595.6
	2012F	1,936.5	2,654.9	1,098.1	528.4	607.1	724.9
	2013F	2,095.6	2,240.6	1,212.9	596.5	650.2	873.8
OP (W bn)	2011	288.5	365.0	167.2	94.2	71.2	48.0
	2012F	262.2	399.8	148.1	98.3	80.6	58.6
	2013F	305.3	277.1	173.5	113.0	94.0	74.7
OP margin (%)	2011	15.8	15.0	16.3	19.3	17.0	8.1
	2012F	13.5	15.1	13.5	18.6	13.3	8.1
	2013F	14.6	12.4	14.3	18.9	14.5	8.5
NP (W bn)	2011	167.1	230.6	126.3	60.9	46.7	43.2
	2012F	183.2	235.4	114.3	74.5	36.1	48.7
	2013F	239.0	154.2	133.8	86.2	57.7	60.5
NP margin (%)	2011	9.2	9.5	12.3	12.5	11.2	7.3
	2012F	9.5	8.9	10.4	14.1	5.9	6.7
	2013F	11.4	6.9	11.0	14.4	8.9	6.9
EPS growth (% YoY)	2011	(12.3)	3.0	11.8	43.1	(57.6)	10.5
	2012F	(0.4)	2.0	(16.0)	13.2	22.6	13.0
	2013F	40.0	(34.0)	16.2	12.6	38.5	20.3
P/E (x)	2011	16.4	18.3	15.5	11.3	28.0	19.4
	2012F	21.3	13.7	21.4	15.9	25.7	22.8
	2013F	15.2	17.4	18.4	14.3	18.6	19.0
P/B (x)	2011	3.7	1.6	2.7	5.2	3.3	2.2
	2012F	4.6	1.1	3.0	6.6	1.7	2.6
	2013F	3.9	1.1	2.7	5.5	1.5	2.4
EV/EBITDA (x)	2011	7.1	6.2	6.4	6.6	7.6	14.6
	2012F	9.2	4.1	9.3	9.0	18.3	16.6
	2013F	8.1	4.6	8.2	8.0	15.9	13.5
ROE (%)	2011	22.8	8.8	18.0	50.5	10.3	11.7
	2012F	109.6	8.2	14.9	43.8	7.9	11.3
	2013F	0.8	6.4	15.8	41.2	9.9	12.9

Source: Bloomberg consensus, Shinhan Investment Corp.

Relative share performance of global peers



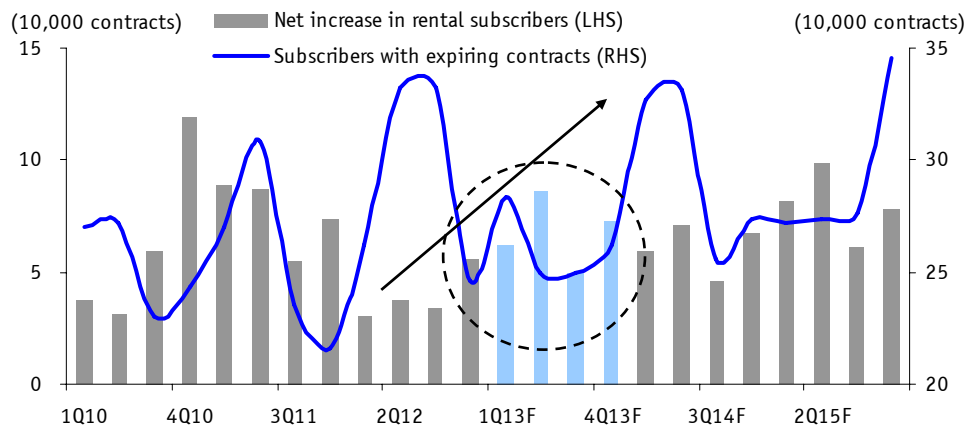
Source: Bloomberg, Shinhan Investment Corp.

Net increase in rental subscribers to jump 71.7% YoY to 270,000

Coway posted new rental subscribers of 1.22mn (-4.2% YoY) in 2012. The net increase in subscribers dropped sharply to 157,000 (-48.4% YoY) because subscribers with expired contracts increased 14% YoY. The net increase should rise sharply in 2013 as subscribers with expired contracts decline over 10% YoY.

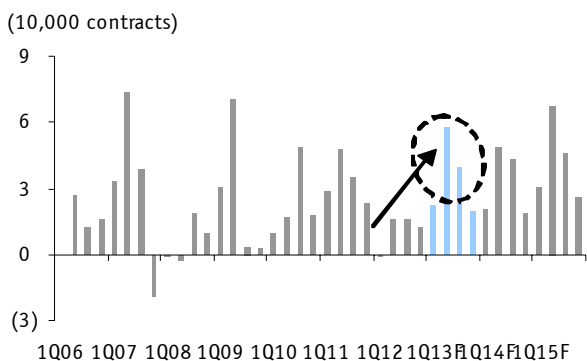
New rental subscribers are forecast to stand at 1.3mn (+6.2% YoY) in 2013. New air purifier subscribers should recover to 240,000 (+16.6% YoY) after last year's sluggish growth, while water purifier and bidet subscribers reach 280,000 (+5.1% YoY) and 630,000 (+3.3% YoY), respectively. The net increase in rental subscribers is estimated to jump 71.7% YoY to 270,000 in 2013, while total rental subscribers should rise 5.9% YoY to 4.88mn.

Net increase in rental subscribers and subscribers with expiring contracts



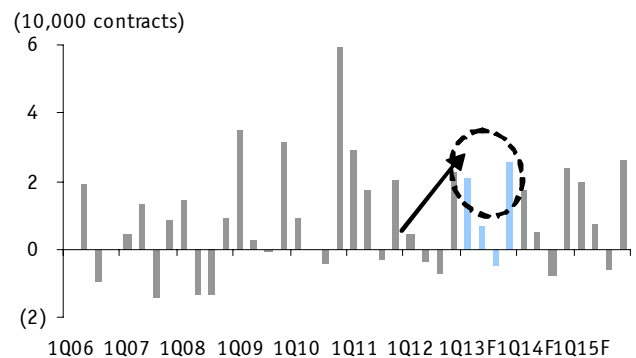
Source: Company data, Shinhan Investment Corp.

Net increase in water purifier rental subscribers



Source: Company data, Shinhan Investment Corp.

Net increase in air purifier rental subscribers



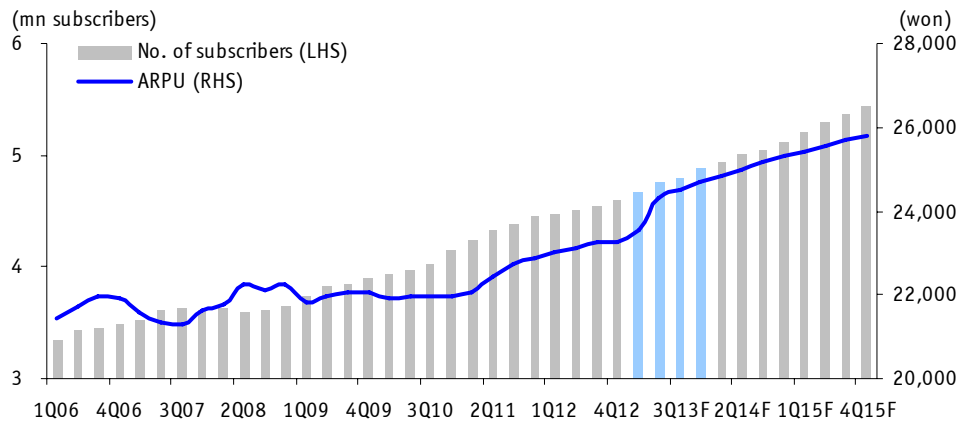
Source: Company data, Shinhan Investment Corp.

Strong ARPU growth to continue on price hikes

Coway's monthly ARPU (average revenue per user) rose from W22,008 (+3.4% YoY) in 2011 to W22,824 (+3.7% YoY) in 2012 for the following two reasons. First, the company introduced a five-year contract in which it offered a discount for the first two years and raised rental prices for the remaining three years. The effect of the price hike has been felt since 2012. Second, the launch of new premium products has provided a boost to the ARPU of new subscribers.

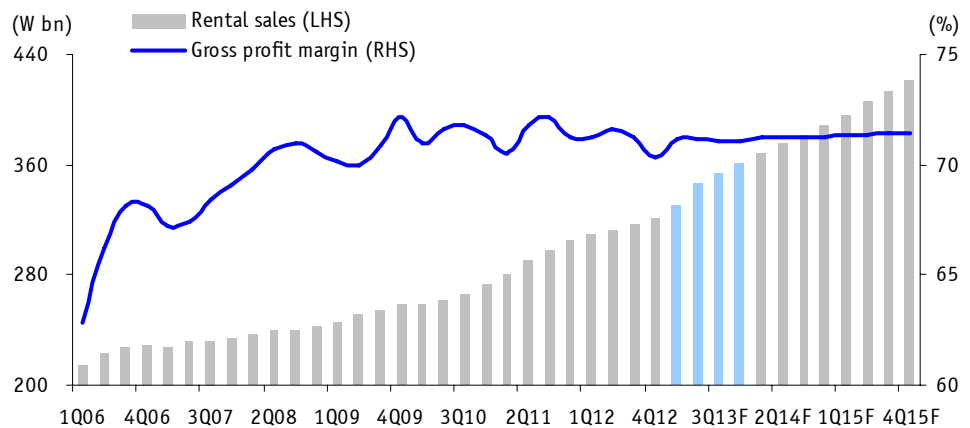
Coway announced that it would raise the prices of new rental products by 6% from April 2013. We revise up our ARPU estimate for 2013 from W23,338 (+2.3% YoY) to W23,759 (+4.1% YoY). The ARPU of new subscribers is relatively higher than that of subscribers with expiring contracts. We forecast ARPU growth will continue going forward. The price hikes should help expand sales by W20.0bn in 2013 and W30.0bn in 2014.

Rental subscribers and ARPU



Source: Company data, Shinhan Investment Corp.

Rental sales and gross profit margin



Source: Company data, Shinhan Investment Corp.

Operating earnings estimates

(W bn)	10	11	12P	13F	14F	15F
Sales	1,501.8	1,709.9	1,806.8	1,983.1	2,149.0	2,315.6
Growth (% YoY)	6.0	13.9	5.7	9.8	8.4	7.8
Rental subscribers (contracts)	4,145,102	4,450,003	4,607,420	4,877,664	5,121,746	5,441,792
Growth (% YoY)	6.3	7.4	3.5	5.9	5.0	6.2
Rental ARPU (won)	21,285	22,008	22,824	23,759	24,623	25,081
Rental sales	1,058.8	1,175.2	1,261.9	1,390.6	1,513.3	1,637.8
Water purifier	628.0	689.0	733.8	808.2	883.2	957.7
Air purifier	150.1	182.3	196.7	219.4	238.9	258.6
Bidet	197.5	217.2	233.9	250.6	260.2	270.9
Water softener	75.8	78.8	79.6	79.5	79.0	79.0
Others (food disposal etc.)	7.5	7.8	8.2	9.8	11.2	12.6
Mattress			6.9	21.7	38.7	57.0
Rental registration sales	47.5	31.1	23.8	15.4	4.3	
Membership sales	147.7	160.8	161.3	177.0	186.8	192.6
Lump-sum sales	107.4	138.2	144.7	163.3	175.5	187.6
Exports	69.2	98.0	109.6	118.6	134.1	151.9
Cosmetics sales	23.4	68.2	67.2	78.5	95.0	105.9
Others	47.9	38.4	38.3	39.6	39.8	39.8
Growth (% YoY)						
Rental	4.9	11.0	7.4	10.2	8.8	8.2
Rental registration	(4.3)	(34.5)	(23.4)	(35.4)	(71.8)	(100.0)
Membership	7.1	8.8	0.3	9.7	5.5	3.1
Lump-sum	52.9	28.7	4.7	12.8	7.5	6.9
Exports	52.9	41.6	11.8	8.2	13.1	13.2
Cosmetics		191.9	(1.4)	16.9	21.0	11.4
Others (living + water treatment)		(19.8)	(0.3)	3.4	0.6	0.1
COGS	490.6	552.0	605.3	669.7	729.4	783.2
COGS ratio (%)	32.7	32.3	33.5	33.8	33.9	33.8
Gross profit	1,011.2	1,157.9	1,201.5	1,313.4	1,419.6	1,532.5
Gross margin (%)	67.3	67.7	66.5	66.2	66.1	66.2
SG&A costs	704.4	913.1	973.6	1,013.0	1,073.6	1,136.8
SG&A costs to sales ratio (%)	46.9	53.4	53.9	51.1	50.0	49.1
Other operating income	1.5	0.6	1.4	1.5	1.5	1.6
Other operating expense	54.8	46.8	70.8	58.1	61.6	65.4
OP	306.9	244.8	227.9	300.4	346.0	395.6
OPM (%)	20.4	14.3	12.6	15.1	16.1	17.1
Growth (% YoY)	0.0	(20.2)	(6.9)	31.8	15.2	14.4
Financial income	6.4	2.2	3.9	3.3	3.6	4.5
Financial cost	18.1	25.8	67.4	22.9	14.2	11.2
Other non-operating income	1.5	6.4	4.6	48.6	5.6	6.6
Pre-tax profit	289.0	226.4	161.3	323.0	334.0	387.8
Corporate tax	60.0	48.2	41.7	78.6	81.8	97.3
Corporate tax rate (%)	20.8	21.3	25.8	24.3	24.5	25.1
NP	229.0	178.2	119.7	244.4	252.2	290.6
NPM (%)	15.2	10.4	6.6	12.3	11.7	12.5
Growth (% YoY)		(22.2)	(32.8)	104.3	3.2	15.2
Revenue from subsidiaries (equity method + consolidated)	10.6	(10.1)	(8.4)	(4.5)	3.6	10.3
Consolidated NP	193.9	167.1	111.2	240.0	255.8	300.8
Growth (% YoY)		(13.8)	(33.4)	115.8	6.6	17.6
Standalone EPS (won)	2,376	2,296	1,552	3,169	3,270	3,761
Consolidated EPS (won)	2,516	2,149	1,442	3,112	3,317	3,900

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone basis

Quarterly earnings estimates

(W bn)	1Q12	2Q12	3Q12	4Q12P	1Q13F	2Q13F	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	12P	13F	14F
Sales	442.4	446.4	458.0	460.1	476.6	494.1	498.3	514.0	522.8	534.3	539.7	552.2	1,806.8	1,983.1	2,149.0
Growth (% YoY)	10.6	2.4	6.5	3.6	7.8	10.7	8.8	11.7	9.7	8.1	8.3	7.4	5.7	9.8	8.4
Rental sales	309.7	313.1	317.7	321.4	329.7	346.7	353.2	361.1	367.6	375.5	381.6	388.7	1,261.9	1,390.6	1,513.3
Rental registration sales	6.6	5.8	5.5	5.9	5.1	4.2	3.4	2.6	1.7	1.1	0.9	0.7	23.8	15.4	4.3
Membership sales	38.8	39.2	41.1	42.3	43.2	44.2	44.7	45.0	45.6	47.0	47.1	47.2	161.3	177.0	186.8
Lump-sum sales	32.7	40.5	39.1	32.4	41.0	41.9	37.4	43.0	43.4	45.4	42.1	44.6	144.7	163.3	175.5
Exports	30.0	21.1	28.0	30.5	28.8	28.4	30.4	31.0	32.0	32.9	34.1	35.1	109.6	118.6	134.1
Cosmetics sales	16.8	16.3	17.3	16.8	19.3	18.7	19.3	21.3	22.6	22.5	24.0	26.0	67.2	78.5	95.0
Others	5.2	16.7	5.7	10.8	7.8	10.4	9.3	10.7					38.3	39.6	39.8
COGS	145.4	142.1	151.5	166.3	158.9	165.6	167.2	177.9	177.8	182.4	181.2	188.0	605.3	669.7	729.4
COGS ratio (%)	32.9	31.8	33.1	36.1	33.3	33.5	33.6	34.6	34.0	34.1	33.6	34.0	33.5	33.8	33.9
SG&A costs	231.9	239.9	243.6	258.2	248.0	254.2	254.4	256.4	265.6	268.4	269.6	269.9	973.6	1,013.0	1,073.6
SG&A costs to sales ratio (%)	52.4	53.7	53.2	56.1	52.0	51.4	51.1	49.9	50.8	50.2	50.0	48.9	53.9	51.1	50.0
OP	65.0	64.4	62.9	35.6	69.7	74.3	76.7	79.8	79.3	83.5	88.9	94.3	227.9	300.4	346.0
OPM (%)	14.7	14.4	13.7	7.7	14.6	15.0	15.4	15.5	15.2	15.6	16.5	17.1	12.6	15.1	16.1
Growth (% YoY)	11.2	4.3	2.3	(43.5)	7.2	15.4	22.0	123.8	13.8	12.5	15.9	18.2	(6.9)	31.8	15.2
Financial income	0.5	2.4	0.3	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9	3.9	3.3	3.6
Financial cost	8.3	9.3	42.6	7.2	6.8	5.7	5.6	4.8	4.0	3.7	3.4	3.2	67.4	22.9	14.2
Other non-operating income	(2.0)	3.0	(3.3)	2.5	45.4	(1.0)	(1.2)	(1.0)	(0.3)	(0.3)	(0.6)	(0.2)	4.6	48.6	5.6
Pre-tax profit	55.2	56.8	17.7	31.6	109.2	68.4	70.7	74.7	75.9	80.5	85.9	91.8	161.3	323.0	334.0
NP	40.8	44.4	12.9	21.5	82.6	51.6	53.5	56.7	57.5	60.9	65.0	68.7	119.7	244.4	252.2
NPM (%)	9.2	10.0	2.8	4.7	17.3	10.4	10.7	11.0	11.0	11.4	12.0	12.4	6.6	12.3	11.7
Growth (% YoY)	5.3	5.6	(73.8)	(55.3)	102.2	16.2	315.9	163.4	(30.3)	18.1	21.5	21.1	(32.8)	104.3	3.2

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone basis

Annual rental subscribers and ARPU

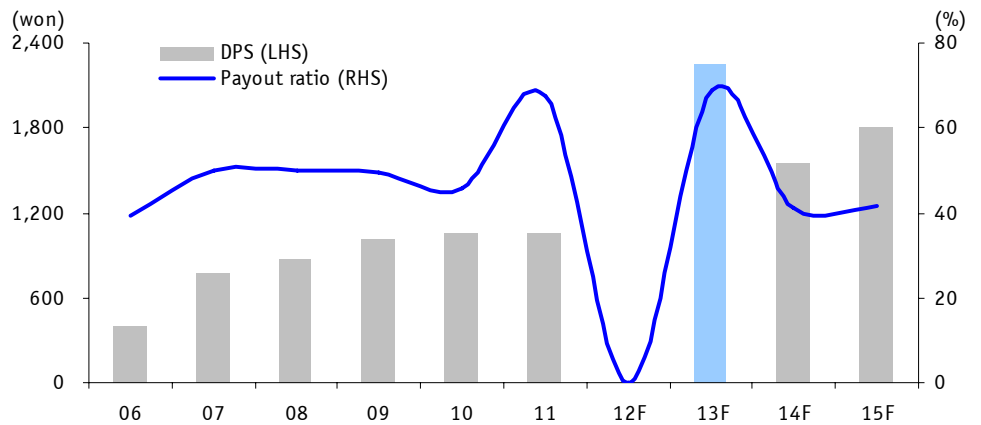
(contracts)	06	07	08	09	10	11	12P	13F	14F	15F
ARPU (won)	21,427	21,369	21,970	21,575	21,285	22,008	22,824	23,759	24,623	25,081
Total subscribers	3,478,035	3,612,491	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,877,664	5,121,746	5,441,792
Net increase	260,838	134,456	26,706	259,450	246,455	304,901	157,417	270,244	244,081	320,046
New subscribers	1,030,172	1,173,707	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,294,602	1,329,176	1,414,621
Cancellation rate (%)	12.8	11.5	13.9	13.5	12.9	12.5	12.1	11.9	11.5	11.2
Growth (%)										
ARPU		(0.3)	2.8	(1.8)	(1.3)	3.4	3.7	4.1	3.6	1.9
Total subscribers		3.9	0.7	7.1	6.3	7.4	3.5	5.9	5.0	6.2
Net increase		(48.5)	(80.1)	871.5	(5.0)	23.7	(48.4)	71.7	(9.7)	31.1
New subscribers		13.9	(10.9)	13.7	(1.8)	9.0	(4.2)	6.2	2.7	6.4

Source: Company data, Shinhan Investment Corp.

Dividend yield estimated at 4.7% in 2013

MBK Partners spent W1.2tr in cash to acquire Coway. In the long run, capital gains are expected from an increase in enterprise value. MBK Partners is likely to ask for a certain amount of cash dividends every year. Coway has been maintaining a payout ratio of around 45% and is likely to continue doing so. The 2012 year-end dividend will be paid as interim dividend in 1Q13. The interim dividend is estimated to be W1,050 and year-end dividend to be W1,200 in 2013. The dividend yield comes to 4.7% based on the current share price.

Dividend per share and payout ratio



Source: Company data, Shinhan Investment Corp.

Appendix : Financial statements

Statement of financial position

Year to Dec. (W bn)	2011	2012P	2013F	2014F	2015F
Assets	1,576.5	1,687.1	1,620.7	1,746.5	1,898.0
Total Current Assets	511.5	595.2	597.6	652.3	729.6
Cash and Cash Equivalents	64.9	117.9	123.9	131.5	151.5
Accounts Receivables	240.1	253.7	278.4	301.7	325.1
Inventories	73.0	41.3	45.3	49.1	52.9
Other Current Assets	133.5	182.3	150.0	170.0	200.1
Non-Current Assets	1,065.0	1,091.8	1,023.1	1,094.2	1,168.4
Tangible Assets	534.7	593.7	644.5	702.2	762.9
Intangible Assets	156.0	154.3	152.7	151.1	149.6
Investment Assets	285.1	254.7	136.7	151.7	166.7
Other Non-Current Fin.I Assets	89.2	89.1	89.2	89.2	89.2
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	828.1	897.3	676.1	665.4	660.7
Current Liabilities	534.3	720.1	536.1	532.8	535.4
ST Borrowings	164.8	319.0	180.0	170.0	130.0
Account Payables	28.7	35.8	50.2	65.2	84.8
Current Portion of LT Debt	110.0	60.0	30.0	0.0	0.0
Other Current Liabilities	230.8	305.3	275.9	297.6	320.6
Non-Current Liabilities	293.8	177.3	140.1	132.6	125.3
Bonds	176.7	118.7	108.7	98.7	88.7
LT Borrowings(incl. LT Fin. Liab.)	90.3	30.3	0.3	0.3	0.3
Other Non-Current Liabilities	26.8	28.3	31.1	33.6	36.3
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	748.4	789.7	944.6	1,081.1	1,237.3
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	(98.8)	(98.8)	(98.8)	(98.8)	(98.8)
Accu. Other Comp. Income	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Retained Earnings	677.7	719.0	873.9	1,010.4	1,166.6
Owners of Parent Equity	748.4	789.7	944.6	1,081.1	1,237.3
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	0.0
*Total Debt	542.0	578.2	319.3	269.3	219.3
*Net Debts(Cash)	468.3	400.3	180.4	117.8	37.8

Cash Flow

Year to Dec. (W bn)	2011	2012P	2013F	2014F	2015F
Operating Cash Flow	317.6	429.6	498.8	506.8	574.1
Net Profit	177.1	119.7	244.4	252.2	290.6
Depreciation	144.9	226.9	247.6	271.0	295.7
Amortization	1.7	1.7	1.6	1.6	1.5
Losses(Gains) on F/X Translation	0.1	0.0	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	10.8	0.0	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	0.0	0.0	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(111.5)	53.9	(14.2)	(28.2)	(19.9)
(Payments of Income Taxes)	(42.0)	(41.7)	(78.6)	(81.8)	(97.3)
Others	136.5	69.1	98.0	92.0	103.5
Investing Cash Flow	(344.2)	(304.9)	(133.4)	(346.3)	(378.1)
Decr. in Tangible Assets	8.9	0.0	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(6.7)	0.0	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	(21.4)	30.4	118.0	(15.0)	(15.0)
Decr.(Incr.) in Current Fin. Assets	(4.6)	(51.2)	45.0	(5.0)	(10.0)
Others	(320.4)	(284.1)	(296.4)	(326.3)	(353.1)
Free Cash Flow	(55.5)	163.4	170.9	199.0	232.0
Financing Cash Flow	35.6	(70.9)	(358.7)	(152.2)	(175.1)
Incr.(Decr.) in Borrowing	213.0	36.2	(259.0)	(50.0)	(50.0)
Decr.(Incr.) of Treasury Stock	73.5	0.0	0.0	0.0	0.0
Dividend	(79.9)	(77.8)	(78.3)	(89.6)	(115.7)
Others	(171.0)	(29.3)	(21.4)	(12.6)	(9.4)
Other Cash Flows	0.0	(0.8)	(0.8)	(0.8)	(0.8)
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.5)	0.0	0.0	0.0	0.0
Incr.(Decr.) in Cash	8.5	53.0	6.0	7.5	20.1
Beginning Cash	56.4	64.9	117.9	123.9	131.4
Ending Cash	64.9	117.9	123.9	131.4	151.5

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

Statement of Comprehensive Income

Year to Dec. (W bn)	2011	2012P	2013F	2014F	2015F
Sales	1,709.9	1,806.8	1,983.1	2,149.0	2,315.6
Growth (%)	13.9	5.7	9.8	8.4	7.8
COGS	552.0	605.3	669.7	729.4	783.2
Gross Profit	1,157.9	1,201.5	1,313.4	1,419.6	1,532.5
Gross margin (%)	67.7	66.5	66.2	66.1	66.2
SG&A	869.2	973.6	1,013.0	1,073.6	1,136.8
GAAP Operating Income	288.7	227.9	300.4	346.0	395.6
Growth (%)	(5.9)	(21.1)	31.8	15.2	14.4
GAAP Operating margin (%)	16.9	12.6	15.1	16.1	17.1
Net Other Operating Income	(46.2)	(0.1)	0.0	0.0	0.0
Net Gains in Equity Method	0.0	0.0	0.0	0.0	0.0
Operating Income	242.5	227.8	300.4	346.0	395.6
Growth (%)	(4.4)	(6.0)	31.9	15.2	14.4
Operating margin (%)	14.2	12.6	15.1	16.1	17.1
Other Net Non-Operating Profits	(63.3)	(66.5)	22.7	(12.0)	(7.8)
Financial Income(Expenses)	(23.5)	(63.5)	(19.6)	(10.6)	(6.7)
Net Other Non-Operating Profits	(39.8)	(3.0)	42.2	(1.4)	(1.1)
Net Gains in Asso., Subs., and JVs	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	179.1	161.3	323.1	334.0	387.8
Income Taxes	48.2	41.7	78.6	81.8	97.3
Profit from Continuing Op.	177.1	119.7	244.4	252.2	290.6
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	177.1	119.7	244.4	252.2	290.6
Growth (%)	(3.4)	(32.4)	104.3	3.2	15.2
Net Profit margin (%)	10.4	6.6	12.3	11.7	12.5
Net Profit of Parent	177.1	119.7	244.4	252.2	290.6
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	0.0
Total Comprehensive Income	172.7	119.7	244.4	252.2	290.6
Total Comp. Income of Parent	172.7	119.7	244.4	252.2	290.6
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	389.1	456.4	549.6	618.6	692.9
Growth (%)	(0.7)	17.3	20.4	12.6	12.0
EBITDA Margin (%)	22.8	25.3	27.7	28.8	29.9

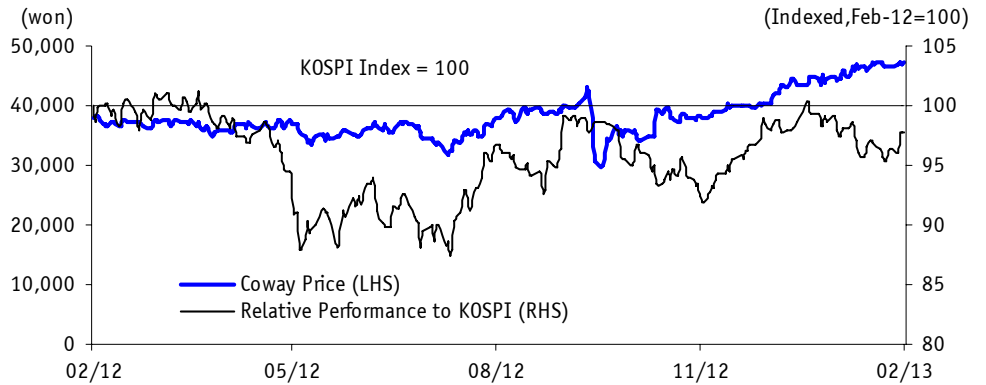
Key Ratios

Year to Dec.	2011	2012P	2013F	2014F	2015F
EPS_C (won)	2,296	1,552	3,169	3,270	3,768
EPS_P (won)	2,296	1,552	3,169	3,270	3,768
BPS_C (won)	9,704	10,240	12,248	14,017	16,043
BPS_P (won)	9,704	10,240	12,248	14,017	16,043
DPS (won)	1,050	1,050	1,200	1,550	1,800
PER_C (x)	15.9	28.1	15.0	14.5	12.6
PER_P (x)	15.9	28.1	15.0	14.5	12.6
PBR_C (x)	3.8	4.3	3.9	3.4	3.0
PBR_P (x)	3.8	4.3	3.9	3.4	3.0
EV/EBITDA (x)	8.5	8.2	7.0	6.1	5.3
EV/EBIT (x)	13.6	16.5	12.8	10.9	9.3
Dividend Yield (%)	2.9	2.4	2.5	3.3	3.8
Profitability					
EBITDA Margin (%)	22.8	25.3	27.7	28.8	29.9
OP Margin (%)	14.2	12.6	15.1	16.1	17.1
NP Margin (%)	10.4	6.6	12.3	11.7	12.5
ROA (%)	12.1	7.3	14.8	15.0	15.9
ROE (%)	24.0	15.6	28.2	24.9	25.1
ROIC (%)	24.0	19.2	25.0	27.0	28.7
Stability					
D/E Ratio (%)	110.6	113.6	71.6	61.6	53.4
Net Debt to Equity (%)	62.6	50.7	19.1	10.9	3.1
Cash Ratio (%)	12.1	16.4	23.1	24.7	28.3
Interest Coverage (x)	9.6	7.8	14.0	27.3	41.9
Activity					
Working Capital Turnover (t)	11.8	11.3	14.5	15.0	15.5
Inventory Turnover (d)	15.6	11.5	8.0	8.0	8.0
Receivable Turnover (d)	47.4	49.9	49.0	49.3	49.4

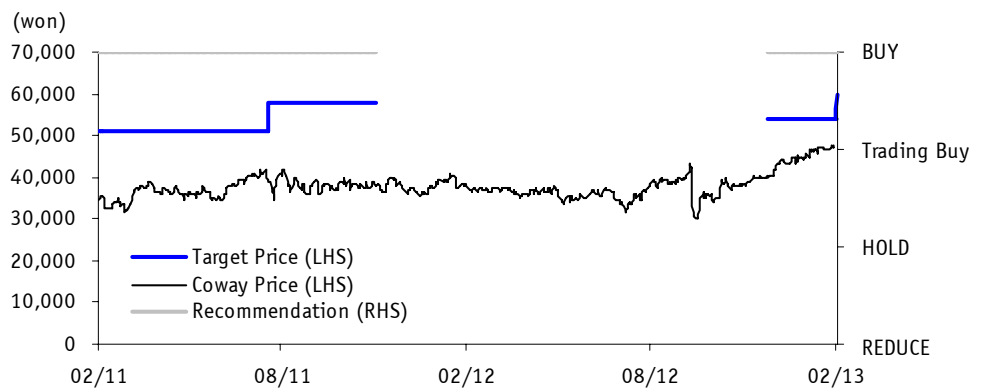
Source: Company data, Shinhan Investment Corp, K-IFRS Separate based

Coway (021240 KS)

... Share Price Performance



... Target Price & Recommendation History





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