

Coway (021240 KS)

Bright overseas prospects amid strong domestic rental business

BUY (MAINTAIN)

Price (Feb. 14)	W70,200
Target Price	W85,000
% variance	21.1%

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KOSPI	1,940.28p
KOSDAQ	522.58p
Market Cap.	W5,414.2bn/ US4,749.3mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.6mn(65.6%)
52-Week High/Low	W70,200/W46,950
60-Day Avg. Trading Volume	158,413shrs
60-Day. Avg. Trading T/O	W10,277mn
Foreign Ownership	53.23%
Major Shareholders	
Coway Holdings and 12 others	30.99%
Lazard Asset Management LLC and 33 others	6.17%
Absolute Performance	3M 14.1%
	6M 23.6%
	12M 49.5%
Relative performance	3M 15.8%
to KOSPI	6M 22.5%
	12M 52.6%

- ◆ 4Q13 operating profit of W88.5bn (+138.0% YoY) beats market consensus
- ◆ Domestic rental business to hum along, overseas growth to pick up in 2014
- ◆ Retain BUY, upgrading target price to W85,000

4Q13 operating profit of W88.5bn (+138.0% YoY) beats market consensus

Coway posted K-IFRS standalone sales of W482.4bn (+4.9% YoY) and operating profit of W88.5bn (+138.0% YoY) in 4Q13. Operating profit came in far higher than expected, despite a hike in seasonal costs including advertising. Productivity has increased due to a change in sales coordinator commissions based on performance. The cancellation rate of rental service has declined steadily on improved services.

Domestic rental business to hum along, overseas growth to pick up in 2014

Coway has delivered higher-than-anticipated earnings every quarter since it was acquired by MBK Partners. Profit margin has improved sharply on stable top-line growth.

The domestic rental business is expected to continue flourishing in 2014. Top-line growth will be fueled by the growth of air purifier market and product mix expansion (including mattress). Since the burden of variable costs is small for the rental business, profit margins will improve further if top-line growth continues.

Coway's overseas performance will improve in 2014. The fast growth of the Chinese air purifier market deserves attention. Overseas sales will grow at a CAGR of 20-30% based on conservative projection. The company is expected to turn in full-year sales of W2.1tr (+6.6% YoY) and operating profit of W394.1bn (+17.9% YoY).

Retain BUY, upgrading target price to W85,000

We retain our BUY rating on Coway, and raise our target price from W80,000 to W85,000 based on our earnings forecast upgrade. Our target price is derived by applying a target PER of 22x to 2014F consolidated EPS of W3,773. Steady earnings growth is driving up the enterprise value. The company is expected to post substantial earnings gains in both domestic and overseas businesses in 2014. We recommend an overweight strategy from a mid- and long-term perspective.

Year to Dec.	Sales (W bn)	OP (W bn)	Pre-tax (W bn)	NP (W bn)	EPS (Won)	Growth (%)	BPS (Won)	PER (X)	EV/EBITDA (X)	PBR (X)	ROE (%)	Net Debt Ratio (%)
2011	1,709.9	243.3	225.4	177.1	2,296	(3.4)	9,704	15.9	8.3	3.8	24.0	62.6
2012	1,806.8	178.4	161.5	119.7	1,553	(32.4)	10,408	28.0	10.9	4.2	15.4	58.9
2013F	1,933.7	337.4	353.7	255.6	3,314	113.4	10,912	20.0	10.4	6.1	31.1	30.6
2014F	2,060.9	394.1	387.4	290.6	3,768	13.7	13,038	18.6	9.5	5.4	31.5	9.4
2015F	2,257.9	453.9	455.4	341.6	4,429	17.5	15,534	15.9	8.2	4.5	31.0	(9.3)

Note: K-IFRS standalone

4Q13 results

(bn KRW)	4Q13P	3Q13	% QoQ	4Q12	% YoY	SHIC	Consensus
Sales	482.4	489.2	(1.4)	460.1	4.9	489.0	484.4
OP	88.5	97.0	(8.8)	37.2	138.0	83.6	79.9
NP	50.9	62.3	(18.3)	22.8	382.2	59.8	61.0
OPM (%)	18.3	19.8		8.1		17.1	16.5
NPM (%)	10.5	12.7		5.0		12.2	12.6

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2014F			2015F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,083.2	2,060.9	(1.1)	2,234.5	2,257.9	1.0
OP	374.8	394.1	5.1	411.0	453.9	10.4
Consolidated NP	275.4	290.1	5.3	311.7	345.6	10.9

Source: Shinhan Investment Corp., K-IFRS standalone

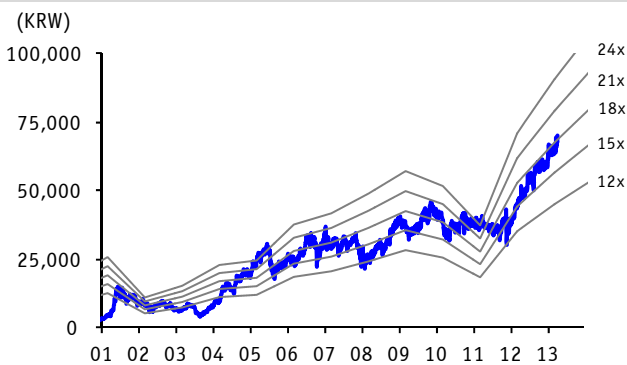
Target price calculation

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2013 NP	227.5	2014F NP	290.1	2015F NP	345.6
EPS (KRW)	2,950	EPS (KRW)	3,761	EPS (KRW)	4,480
PER (x)	28	Target PER (x)	22	PER (x)	19
Target price (KRW)	84,000	Target price (KRW)	85,000	Target price (KRW)	84,000
Current price (KRW)	70,200	Current price (KRW)	70,200	Current price (KRW)	70,200
Current PER (x)	23.8	Current PER (x)	18.7	Current PER (x)	15.7

Source: Shinhan Investment Corp.

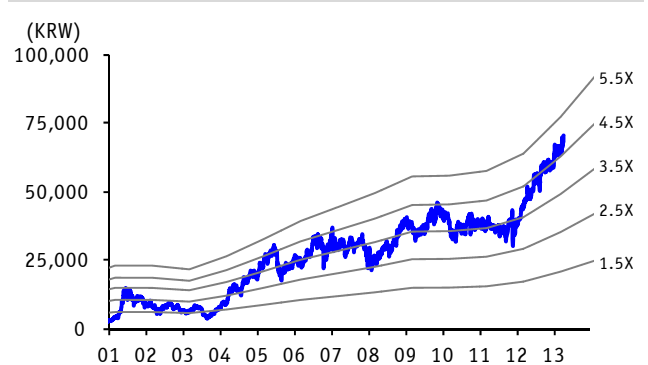
Note: K-IFRS consolidated, target PER based on the average of the upper end of five-year band

12-month forward PER



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR



Source: QuantiWise, Shinhan Investment Corp.

Earnings estimates					
(bn KRW)	2011	2012	2013P	2014F	2015F
Sales	1,709.9	1,806.8	1,933.7	2,060.9	2,257.9
Growth (% YoY)	13.9	5.7	7.0	6.6	9.6
Rental subscribers (no. of contracts)	4,450,003	4,607,420	4,799,948	5,056,101	5,353,318
Growth (% YoY)	7.4	3.5	4.2	5.3	5.9
Rental ARPU (KRW)	22,008	22,824	22,920	23,066	23,369
Rental sales	1,175.2	1,261.9	1,320.2	1,399.5	1,501.2
Water purifier	689.0	733.8	760.2	796.5	842.5
Air purifier	182.3	196.7	206.9	226.8	251.7
Bidet	217.2	233.9	243.5	251.7	264.0
Water softener	78.8	79.6	77.3	75.0	73.5
Others (food disposal, etc.)	7.8	8.2	9.1	9.6	10.2
Mattress		6.9	23.2	39.9	59.3
Rental registration sales	31.1	23.8	13.2	10.2	6.7
Membership sales	160.8	161.3	172.3	174.9	176.3
Lump-sum sales	138.2	144.7	149.3	154.8	174.6
Exports	98.0	109.6	144.6	171.0	236.0
Cosmetics sales	68.2	67.2	76.4	85.6	96.6
Others	38.4	38.3	57.7	64.9	66.5
Growth (% YoY)					
Rental	11.0	7.4	4.6	6.0	7.3
Rental registration	(34.5)	(23.4)	(44.6)	(22.4)	(34.4)
Membership	8.8	0.3	6.8	1.5	0.8
Lump-sum	28.7	4.7	3.2	3.7	12.8
Exports	41.6	11.8	32.0	18.3	38.0
Cosmetics	191.9	(1.4)	13.6	12.0	12.9
Others (living + water treatment)	(19.8)	(0.3)	50.8	12.5	2.4
COGS	552.0	605.3	651.5	703.8	793.5
COGS ratio (%)	32.3	33.5	33.7	34.2	35.1
Gross profit	1,157.9	1,201.5	1,282.2	1,357.0	1,464.4
Gross margin (%)	67.7	66.5	66.3	65.8	64.9
SG&A costs	913.1	987.5	948.1	962.9	1,010.6
SG&A costs/sales ratio (%)	53.4	54.7	49.0	46.7	44.8
Other operating income	0.6	1.4	1.5	1.5	1.6
Other operating expense	46.8	70.8	46.9	43.5	43.3
OP	244.8	213.9	334.1	394.1	453.9
OPM (%)	14.3	11.8	17.3	19.1	20.1
Growth (% YoY)	(8.0)	(12.6)	56.2	17.9	15.2
Financial income	2.2	3.7	3.5	4.6	8.0
Financial expense	25.8	67.5	18.4	11.2	8.8
Other non-operating income	6.4	4.6	54.7	7.3	10.3
Pre-tax profit	226.4	146.0	350.5	387.4	455.4
Corporate tax	48.2	41.7	97.2	96.9	113.9
Corporate tax rate (%)	21.3	28.5	27.7	25.0	25.0
NP	178.2	104.3	253.2	290.6	341.6
NPM (%)	10.4	5.8	13.1	14.1	15.1
Growth (% YoY)	(5.3)	(41.5)	142.8	14.7	17.5
Consolidated NP	167.1	95.9	227.5	290.1	345.6
Growth (% YoY)	(13.8)	(42.6)	137.3	27.5	19.1
Standalone EPS (KRW)	2,296	1,553	3,314	3,768	4,429
Consolidated EPS (KRW)	2,149	1,243	2,950	3,761	4,480

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Quarterly earnings estimates															
(bn KRW)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13P	1Q14F	2Q14F	3Q14F	4Q14F	2012	2013P	2014F
Sales	442.4	446.4	458.0	460.1	465.2	496.9	489.2	482.4	497.5	517.7	519.5	526.1	1,806.8	1,933.7	2,060.9
Growth (% YoY)	10.6	2.4	6.5	3.6	5.2	11.3	6.8	4.9	6.9	4.2	6.2	9.1	5.7	7.0	6.6
Rental sales	309.7	313.1	317.7	321.4	323.8	328.8	331.8	335.8	341.3	347.3	352.3	358.7	1,261.9	1,320.2	1,399.5
Rental registration	6.6	5.8	5.5	5.9	3.6	3.2	3.1	3.3	3.0	2.7	2.4	2.2	23.8	13.2	10.2
Membership	38.8	39.2	41.1	42.3	42.8	42.8	43.2	43.6	43.0	44.1	44.0	43.8	161.3	172.3	174.9
Lump-sum	32.7	40.5	39.1	32.4	36.6	47.8	35.4	29.4	39.7	40.5	35.9	38.7	144.7	149.3	154.8
Exports	30.0	21.1	28.0	30.5	31.5	44.6	38.0	30.6	35.6	46.0	46.0	43.4	109.6	144.6	171.0
Cosmetics	16.8	16.3	17.3	16.8	17.9	22.1	16.6	19.8	20.6	21.4	21.2	22.4	67.2	76.4	85.6
Others	5.2	16.7	5.7	10.8	7.8	10.4	9.3	10.7					38.3	57.7	64.9
COGS	145.4	142.1	151.5	166.3	154.6	167.8	169.8	159.3	166.9	177.9	179.4	179.7	605.3	651.5	703.8
COGS ratio (%)	32.9	31.8	33.1	36.1	33.2	33.8	34.7	33.0	33.5	34.4	34.5	34.1	33.5	33.7	34.2
SG&A costs	248.1	239.2	243.6	256.6	241.3	249.8	222.3	234.6	239.5	242.3	238.6	242.5	987.5	948.1	962.9
SG&A costs/sales ratio (%)	56.1	53.6	53.2	55.8	51.9	50.3	45.4	48.6	48.1	46.8	45.9	46.1	54.7	49.0	46.7
OP	48.8	65.1	62.9	37.2	69.2	79.4	97.0	88.5	91.1	97.5	101.5	103.9	213.9	334.1	394.1
OPM (%)	11.0	14.6	13.7	8.1	14.9	16.0	19.8	18.3	18.3	18.8	19.5	19.7	11.8	17.3	19.1
Growth (% YoY)	(16.5)	5.4	2.3	(41.1)	41.9	22.0	54.3	138.0	31.6	22.9	4.6	17.4	(12.6)	56.2	17.9
Financial income	0.5	2.4	0.3	0.6	0.4	1.4	0.5	1.2	0.9	1.2	1.2	1.3	3.7	3.5	4.6
Financial expense	8.3	9.3	42.6	7.3	6.5	4.3	4.1	3.5	3.2	2.9	2.6	2.5	67.5	18.4	11.2
Other non-operating income	(2.0)	1.8	(3.3)	2.5	51.1	4.4	(9.6)	(9.9)	(0.1)	0.0	(0.2)	0.2	4.6	54.7	7.3
Pre-tax profit	39.0	56.4	17.7	32.9	114.2	80.8	82.9	72.6	88.8	95.9	100.0	102.8	146.0	350.5	387.4
NP	25.9	44.0	12.9	22.8	80.2	60.4	62.1	50.7	66.6	71.9	75.0	77.1	104.3	253.2	290.6
NPM (%)	5.9	9.9	2.8	5.0	17.2	12.1	12.7	10.5	13.4	13.9	14.4	14.7	5.8	13.1	14.1
Growth (% YoY)	(33.2)	4.6	(73.8)	(52.7)	209.9	37.2	381.8	122.4	(17.0)	19.1	20.8	52.2	(41.5)	142.8	14.7

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

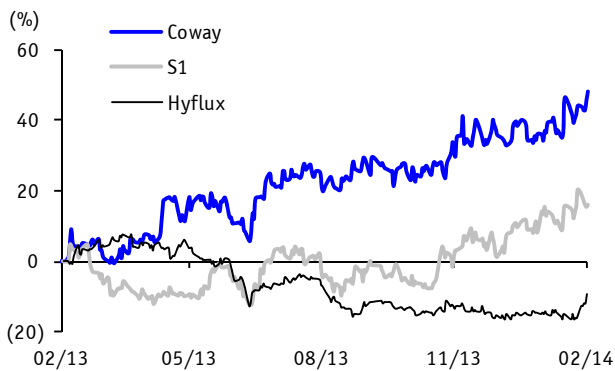
Rental subscribers and ARPU									
	2007	2008	2009	2010	2011	2012	2013P	2014F	2015F
ARPU (KRW)	21,369	21,970	21,575	21,285	22,008	22,824	22,920	23,066	23,369
Total subscribers	3,612,491	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,799,948	5,056,101	5,353,318
Net adds	134,456	26,706	259,450	246,455	304,901	157,417	192,528	256,153	297,217
New subscribers	1,173,707	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,240,296	1,263,978
Cancellation rate (%)	11.5	13.9	13.5	12.9	12.5	12.1	10.8	9.6	8.9
Growth (%)									
ARPU	(0.3)	2.8	(1.8)	(1.3)	3.4	3.7	0.4	0.6	1.3
Total subscribers	3.9	0.7	7.1	6.3	7.4	3.5	4.2	5.3	5.9
Net adds	(48.5)	(80.1)	871.5	(5.0)	23.7	(48.4)	22.3	33.0	16.0
New subscribers	13.9	(10.9)	13.7	(1.8)	9.0	(4.2)	(4.3)	6.4	1.9

Source: Company data, Shinhan Investment Corp.

Global peers							
Company		Coway	S1	Kurita water Industries	Fujian Longking	OSIM International	Hyflux
Ticker		021240 KS	012750 KS	6370 JP	600388 CH	OSIM SP	HYF SP
Market cap. (bn KRW)		5,414.2	2,963.9	2,648.4	2,503.9	1,440.3	859.4
Sales (bn KRW)	2012	1,992.8	1,096.5	2,729.3	750.0	542.5	607.5
	2013F	2,106.0	1,259.4	2,119.1	914.9	543.1	475.1
	2014F	2,237.0	1,707.1	1,867.1	1,130.8	642.6	502.2
OP (bn KRW)	2012	226.1	134.6	413.8	61.9	71.2	81.6
	2013F	296.2	134.5	254.8	93.0	108.3	83.9
	2014F	339.1	200.0	165.5	88.0	129.7	84.9
OPM (%)	2012	11.3	12.3	15.2	8.3	13.1	13.4
	2013F	14.1	10.7	12.0	10.2	19.9	17.7
	2014F	15.2	11.7	8.9	7.8	20.2	16.9
NP (bn KRW)	2012	94.0	100.9	233.1	52.0	78.4	55.0
	2013F	220.0	86.5	141.1	74.5	85.5	37.6
	2014F	254.3	134.0	101.7	81.3	101.9	38.4
NPM (%)	2012	4.7	9.2	8.5	6.9	14.4	9.1
	2013F	10.4	6.9	6.7	8.1	15.7	7.9
	2014F	11.4	7.8	5.4	7.2	15.9	7.7
EPS growth (% YoY)	2012	T/B	(20.2)	2.0	19.0	20.2	N/A
	2013F	94.1	T/B	T/B	36.2	5.6	2.2
	2014F	36.4	55.8	T/B	12.0	17.9	7.1
P/E (x)	2012	34.4	23.4	15.5	16.1	14.5	28.9
	2013F	28.5	33.1	21.0	35.8	17.3	25.2
	2014F	20.9	21.3	26.9	32.0	15.0	23.3
P/B (x)	2012	4.1	3.1	1.2	1.8	3.3	2.3
	2013F	5.7	3.4	1.3	3.7	7.5	1.5
	2014F	4.8	3.4	1.2	4.4	5.0	1.4
EV/EBITDA (x)	2012	9.0	9.1	4.3	11.7	7.6	17.0
	2013F	11.6	11.9	4.8	26.9	11.7	13.9
	2014F	10.6	8.6	6.1	18.5	10.0	14.8
ROE (%)	2012	12.3	13.4	8.1	12.0	48.1	12.2
	2013F	25.6	11.2	6.1	14.9	45.5	6.8
	2014F	24.9	16.1	4.6	14.6	37.4	6.4

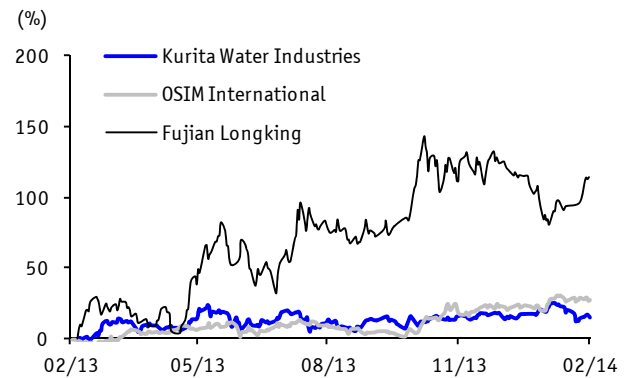
Source: Bloomberg consensus, Shinhan Investment Corp

Share performance of global peers



Source: Bloomberg, Shinhan Investment Corp

Share performance of global peers



Source: Bloomberg, Shinhan Investment Corp

Balance Sheet

Year to Dec. (W bn)	2011	2012	2013F	2014F	2015F
Assets	1,576.5	1,701.5	1,564.6	1,715.2	1,900.6
Total Current Assets	511.5	691.3	530.7	659.1	832.6
Cash and Cash Equivalents	64.9	118.9	71.4	176.9	315.9
Accounts Receivables	240.1	278.4	280.0	285.0	290.0
Inventories	73.0	41.3	44.3	47.2	51.7
Non-Current Assets	1,065.0	1,010.2	1,033.9	1,056.1	1,068.0
Tangible Assets	534.7	594.2	593.8	602.2	599.4
Intangible Assets	156.0	157.5	150.2	144.0	138.7
Investment Assets	285.1	155.3	186.7	206.7	226.7
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	828.1	898.8	723.0	709.7	702.5
Current Liabilities	534.3	719.6	582.0	576.9	576.9
ST Borrowings	164.8	295.7	180.0	170.0	130.0
Account Payables	28.7	28.9	40.5	52.6	68.4
Current Portion of LT Debt	110.0	109.9	30.0	0.0	0.0
Non-Current Liabilities	293.8	179.2	141.0	132.8	125.6
Bonds	176.7	117.8	107.8	97.8	87.8
LT Borrowings(incl. LT Fin. Liab.)	90.3	35.9	5.9	5.9	5.9
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	748.4	802.7	841.6	1,005.5	1,198.1
Capital Stock	40.7	40.7	40.7	40.7	40.7
Capital Surplus	130.9	130.6	130.6	130.6	130.6
Other Reserves	(98.8)	(84.6)	(84.6)	(84.6)	(84.6)
Accu. Other Comp. Income	(2.0)	(0.8)	(0.8)	(0.8)	(0.8)
Retained Earnings	677.7	716.8	755.7	919.6	1,112.2
Owners of Parent Equity	748.4	802.7	841.6	1,005.5	1,198.1
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	0.0
*Total Debt	542.0	592.2	358.9	311.2	264.7
*Net Debts(Cash)	468.3	472.7	257.4	94.2	(111.2)

Cash Flow

Year to Dec. (W bn)	2011	2012	2013F	2014F	2015F
Operating Cash Flow	317.6	429.1	409.9	571.8	515.9
Net Profit	177.1	119.7	255.6	290.6	341.6
Depreciation	144.9	164.8	173.0	181.7	190.8
Amortization	7.5	7.1	7.3	6.2	5.3
Losses(Gains) on F/X Translation	1.4	0.3	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	44.1	59.8	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	0.0	3.2	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(111.5)	(37.7)	(42.1)	85.9	(23.2)
(Payments of Income Taxes)	(42.0)	(34.7)	(98.1)	(96.9)	(113.9)
Others	96.1	146.6	114.2	104.3	115.3
Investing Cash Flow	(344.2)	(300.9)	(232.0)	(216.7)	(221.2)
Incr. in Tangible Assets(CAPEX)	(299.4)	(295.0)	(252.7)	(280.1)	(288.0)
Decr. in Tangible Assets	8.9	3.4	80.0	90.0	100.0
Decr.(Incr.) in Intangible Assets	(6.7)	(7.7)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	(21.4)	4.3	(31.4)	(20.0)	(20.0)
Others	(25.6)	(5.9)	(27.9)	(6.6)	(13.2)
Free Cash Flow	(35.6)	(102.3)	369.4	222.6	269.8
Financing Cash Flow	35.6	(73.6)	(251.0)	(275.2)	(181.4)
Incr.(Decr.) in Borrowing	213.0	20.9	(233.3)	(47.7)	(46.4)
Decr.(Incr.) of Treasury Stock	73.5	0.0	0.0	0.0	0.0
Dividend	(79.9)	(77.8)	0.0	(216.7)	(126.6)
Others	(171.0)	(16.7)	(17.7)	(10.8)	(8.4)
Other Cash Flows	0.0	0.0	25.6	25.6	25.6
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.5)	(0.6)	0.0	0.0	0.0
Incr.(Decr.) in Cash	8.5	54.0	(47.5)	105.5	139.0
Beginning Cash	56.4	64.9	118.9	71.4	176.9
Ending Cash	64.9	118.9	71.4	176.9	315.9

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2011	2012	2013F	2014F	2015F
Sales	1,709.9	1,806.8	1,933.7	2,060.9	2,257.9
Growth (%)	13.9	5.7	7.0	6.6	9.6
COGS	552.0	605.4	651.5	703.8	793.5
Gross Profit	1,157.9	1,201.4	1,282.2	1,357.0	1,464.4
Gross margin (%)	67.7	66.5	66.3	65.8	64.9
SG&A	914.5	1,023.0	944.8	962.9	1,010.6
Operating Income	243.3	178.4	337.4	394.1	453.9
Growth (%)	(20.7)	(26.7)	89.1	16.8	15.2
Operating margin (%)	14.2	9.9	17.4	19.1	20.1
Other Net Non-Operating Profits	(18.0)	(17.0)	16.3	(6.6)	1.5
Financial Income(Expenses)	(23.5)	(58.1)	(15.0)	(6.6)	(0.7)
Net Other Non-Operating Profits	5.5	44.3	31.3	(0.0)	2.3
Net Gains in Asso., Subs., and JVs	0.0	(3.2)	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	225.4	161.5	353.7	387.4	455.4
Income Taxes	48.2	41.7	98.1	96.9	113.9
Profit from Continuing Op.	177.1	119.7	255.6	290.6	341.6
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	177.1	119.7	255.6	290.6	341.6
Growth (%)	(3.4)	(32.4)	113.4	13.7	17.5
Net Profit margin (%)	10.4	6.6	13.2	14.1	15.1
Net Profit of Parent	177.1	119.7	255.6	290.6	341.6
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	0.0
Total Comprehensive Income	172.7	118.2	255.6	290.6	341.6
Total Comp. Income of Parent	172.7	118.2	255.6	290.6	341.6
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	395.8	350.3	517.7	582.0	650.0
Growth (%)	(11.1)	(11.5)	47.8	12.4	11.7
EBITDA Margin (%)	23.1	19.4	26.8	28.2	28.8

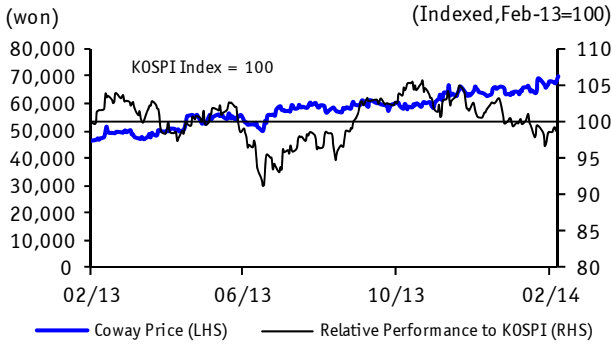
Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A costs)

Key Ratios

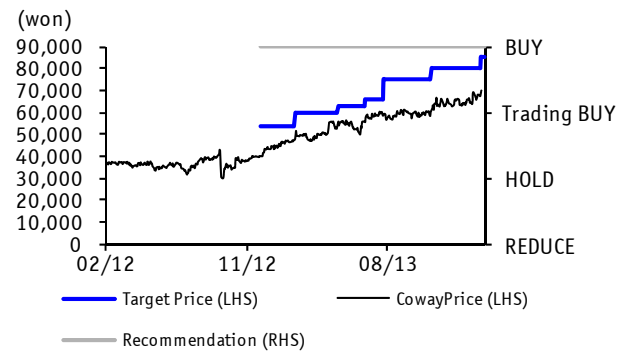
Year to Dec.	2011	2012	2013F	2014F	2015F
EPS_C (won)	2,296	1,553	3,314	3,768	4,429
EPS_P (won)	2,296	1,553	3,314	3,768	4,429
BPS_C (won)	9,704	10,408	10,912	13,038	15,534
BPS_P (won)	9,704	10,408	10,912	13,038	15,534
DPS (won)	1,050	0	2,910	1,700	2,000
PER_C (x)	15.9	28.0	20.0	18.6	15.9
PER_P (x)	15.9	28.0	20.0	18.6	15.9
PBR_C (x)	3.8	4.2	6.1	5.4	4.5
PBR_P (x)	3.8	4.2	6.1	5.4	4.5
EV/EBITDA (x)	8.3	10.9	10.4	9.5	8.2
EV/EBIT (x)	13.5	21.5	15.9	14.0	11.7
Dividend Yield (%)	2.9	0.0	4.4	2.4	2.8
Profitability					
EBITDA Margin (%)	23.1	19.4	26.8	28.2	28.8
OP Margin (%)	14.2	9.9	17.4	19.1	20.1
NP Margin (%)	10.4	6.6	13.2	14.1	15.1
ROA (%)	12.1	7.3	15.6	17.7	18.9
ROE (%)	24.0	15.4	31.1	31.5	31.0
ROIC (%)	25.8	14.2	25.8	35.5	42.0
Stability					
D/E Ratio (%)	110.6	112.0	85.9	70.6	58.6
Net Debt to Equity (%)	62.6	58.9	30.6	9.4	(9.3)
Cash Ratio (%)	12.1	16.5	12.3	30.7	54.8
Interest Coverage (x)	9.7	6.2	19.1	36.4	54.6
Activity (%)					
Working Capital Turnover (t)	11.8	7.5	9.8	23.1	32.8
Inventory Turnover (d)	15.6	11.5	8.1	8.1	8.0
Receivable Turnover (d)	47.4	52.4	52.7	50.0	46.5

Source: Company data, Shinhan Investment Corp.

Share Price Performance



Target Price & Recommendation History



Compliance Notice

- ◆ Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: Joshua Kong.
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History Table

	Recommendation	Target Price (won)
2012. 02. 17	BUY	58,000
2012. 12. 12	BUY	54,000
2013. 02. 17	BUY	60,000
2013. 05. 12	BUY	63,000
2013. 07. 04	BUY	66,000
2013. 08. 09	BUY	75,000
2013. 11. 10	BUY	80,000
2014. 02. 15	BUY	85,000

SHIC Rating Classifications (As of 25 Jul. 2011)

Stock	Sector
<ul style="list-style-type: none"> ◆ BUY: Expected return of over +15% in the next 6 months ◆ Trading BUY: Expected return of 0% ~ +15% in the next 6 months ◆ HOLD: Expected return of -15% ~ 0% in the next 6 months ◆ REDUCE: Expected return of below -15% in the next 6 months 	<ul style="list-style-type: none"> ◆ OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap ◆ NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap ◆ UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap