Korea Investment
& Securities Co., Ltd.

Coway (021240)

Company In-depth / Education & Other consumer goods

April 9, 2014

12M rating	**BUY (Maintain)**	
12M TP	**W94,000**	*from W82,000*
Up/downside	**+27%**	

Stock Data

KOSPI (Apr 8, pt)	1,993
Stock price (Apr 8, KRW)	74,000
Market cap (USD mn)	5,424
Shares outstanding (mn)	77
52-Week high/low (KRW)	76,400/49,900
6M avg. daily turnover (USD mn)	12.1
Free float / Foreign ownership (%)	65.6/53.7
Major shareholders (%)	
Coway Holdings Inc. and 12 others	31.0
Lazard Asset Management LLC and 33 others	6.2

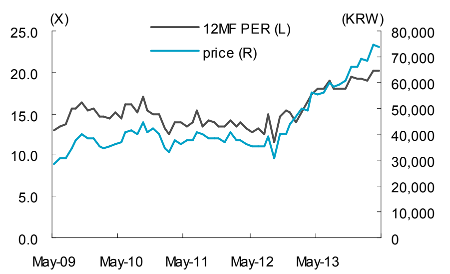
EPS revision (KIS estimates, KRW)

	Previous	Revised	(%)
2014F	3,802	3,869	1.8
2015F	4,285	4,417	3.1
2016F	4,671	4,885	4.6

Performance

	1M	6M	12M
Absolute (%)	2.1	22.3	48.3
Relative to KOSPI (%p)	1.1	22.8	44.4

12MF PE trend



Source: WISEfn consensus

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A must-have for your families and investors

Share re-rating to continue

We maintain BUY on Coway and lift the TP from W82,000 to W94,000. As earnings estimates are now based on consolidated, EPS is lifted 2% for 2014F and 3% for 2015F and the 12MF target PE is revised up from 21x to 23x. With Coway gaining firmer fundamentals following the change to its largest shareholder, its profitability improved substantially and shares made a big rally in 2013. The re-rating should continue in 2014 as growth businesses draw attention along with its profit-generating ability.

Environmental home appliances and home care industries on a growth spurt; Rental accounts growth to continue

We believe environmental home appliances (EHA) and home care products will become household necessities to cope with changing climate and environmental conditions and backed by growing household income and pursuit of better quality living. Coway reported record earnings in 2013 but its net account additions of rental fell to a historic low. However, we forecast the net additions will rise from 2013's bottom on 1) more rental subscribers led by air purifiers and mattresses, 2) lower cancellation rate and 3) a low base of comparison as the net outflow of low-priced, free membership accounts have been wound up. Greater lump-sum payment sales of dehumidifiers and larger exports are other pluses. A steady ~2% ARPU rise should continue on low-priced membership outflow seen in 2013, ASP hikes and better product mix.

Opportunities overseas: Limited risks at low-priced channels

Overseas operations, including exports and subsidiaries, should account for 16% of total sales in 2014F. The company is stepping up efforts to penetrate China and Malaysia. While overseas operations are less profitable than the domestic rental business, they should steadily improve on economies of scale. With the rental industry expanding, there is concern that low-priced brands may adopt more aggressive strategies. However, Coway has been able to defend its position backed by strong brand power and a competitive edge in a wide range of products and services. It is also using online/home shopping channels to absorb demand from single/two-person households and low-margin customers.

	2012A	2013A	2014F	2015F	2016F
Sales (W bn)	1,993	2,118	2,340	2,556	2,782
OP (W bn)	226	339	384	436	479
EBT (W bn)	146	327	380	434	480
NP (W bn)	94	245	288	329	364
EBITDA (W bn)	410	537	576	628	672
Net debt (W bn)	439	90	14	(105)	(213)
OP margin (%)	11.3	16.0	16.4	17.0	17.2
ROE (%)	12.3	28.4	28.3	27.8	26.5
Dividend yield (%)	0.0	4.1	2.4	2.7	2.9
EPS (KRW)	1,267	3,283	3,869	4,417	4,885
chg. (%, YoY)	(43.3)	159.1	17.8	14.2	10.6
BPS (KRW)	11,354	13,535	15,534	17,870	20,464
DPS (KRW)	0	2,710	1,800	2,000	2,200
PE (x)	34.4	20.2	19.1	16.8	15.1
PB (x)	3.8	4.9	4.8	4.1	3.6
EV/EBITDA (x)	9.0	9.5	9.8	8.8	8.0

What is the report about?

- Provide an outlook for each division and new/growth businesses
- Analyze market concerns and present our considerations

I. No. 1 rental provider of EHA, now considered must-have consumer goods

Overwhelming no. 1 in EHA rentals and services

The common concerns for Coway are 1) there are not many companies it can be compared with, 2) it is difficult to comprehend or explain its business models or competitive edge, 3) it is already a market leader and has few opportunities for further growth and 4) its valuation always appears lofty. Although Coway manufactures home appliances, it can also be viewed as a service provider given its main rental business handles maintenance via ~13,000 service technicians known as Coway Ladies (CODYs, home appliances) and Homecare Doctors (mattresses/air conditioners). Domestic peers with the most similar business model are ChungHo Nais and Tongyang Magic (both unlisted). Coway claims 40-50% market share and has a wide lead over the second-tiers.

For a peer group, we suggest five brands with dominant market shares in the consumer goods sectors – S1, AmorePacific, LG Household & Healthcare (H&H), Hanssem and Orion. In terms of valuation, Coway looks more attractive than the peer group. Excluding LG H&H, the average 2014F PE for the other four is 25x. Coway also has the largest ROE and a relatively low EV/EBITDA. When compared to S1 with a subscriber-based business model, B2C-focused Coway enjoys stable product prices and steady margins backed by firm consumer loyalty. Coway also has similarities with cosmetics/household goods brands (consumer staples) in terms of market share and profit visibility. And it is comparable to Hanssem, a home furnishing and household goods provider, in terms of market growth and target customers.

Coway's strengths lie in brand power, strong domestic presence and the possibility of overseas expansion. In addition, it also stands apart backed by growth potential of the EHA business, steady cash flows and aggressive shareholder value policy.

Table 1. Coway valuation looks more attractive than peers (W bn, x, %)

		Coway	S1	AmorePacific	LG H&H	Hanssem	Orion
Market cap		5,707	3,097	7,430	6,927	1,659	4,767
PE (x)	13	20.2	31.9	25.7	25.6	16.2	34.3
	14F	19.1	22.2	26.2	19.6	26.0	24.7
	15F	16.8	18.4	21.1	16.7	22.3	20.2
PB (x)	13	4.9	2.9	2.7	6.2	3.8	5.0
	14F	4.8	2.9	3.1	4.3	4.2	3.7
	15F	4.1	2.6	2.8	3.6	3.5	3.2
ROE (%)	13	28.4	10.0	11.0	26.5	23.8	13.8
	14F	28.3	14.4	12.5	23.5	21.4	14.2
	15F	27.8	15.6	13.9	22.7	20.9	15.1
EV/EBITDA (x)	13	9.5	10.7	12.2	15.4	13.0	17.3
	14F	9.8	10.0	13.5	11.6	15.1	13.0
	15F	8.8	8.6	10.9	9.9	12.6	11.2

Note: Consensus figures for Hanssem and KIS figures for others
Source: Korea Investment & Securities

Re-rating to continue

With Coway gaining firmer fundamentals, its profitability improved substantially and shares made a big rally in 2013. The re-rating should continue in 2014 on 1) attractive valuations compared to the peer group, 2) good earnings visibility from a subscriber-based business model and stable prices and 3) growth opportunities at home and abroad. We lift our TP from W82,000 to W94,000. We revise up the 12MF target PE from 21x to 23x (10% premium from the historical peak). As we changed the earnings estimates to consolidated basis, sales are lifted ~10% and EPS up 2% for 2014F and 3% for 2015F.

II. Resolving internal issues in 2013, ready for growth in 2014

Declining new sales volume biggest concern of late

The only downside for the record earnings in 2013 was the slowdown of sales growth in 2H. Since the transfer of management rights to private equity firm MBK Partners, Coway enjoyed brisk earnings in 2013 backed by profitability-focused approaches such as scaling down low-margin businesses, controlling the cancellation rate and reducing costs, rather than focusing on the top line. Coway posted single-digit sales growth in 2012 and 2013. Of note, in 2013, net accounts growth for the EHA rental business (flagship) was the weakest among all others. Given the net gain was attributed to a lower cancellation rate rather than new sales volume, less sales volume was noted as a concern. The most notable point to watch in 2014 would be whether new rental sales can recover. We believe the main reason for reduced sales volume in 2012-2013 was not a market slowdown but the company's strategy. It appears the EHA market is on a growth track. We forecast Coway's subscriber base will expand ~5% in 2014 and 2015 backed by a rebound for new sales volume and the total number of accounts will reach 6.53mn at end-2015.

Table 2. Overview of major EHA market

(W bn, '000 units, %, '000 accounts)

	Market size	Annual sales volume	Penetration rate	Estimated saturation rate	Market share (by Coway except for air purifiers in China)	Accounts/sales volume	Sales type
Water purifiers	1,500	1,200	34	55-60	50	3,020	Rental/membership/lump-sum payment
Bidets	500	800-1,000	18	50-60	43	1,350	Rental/membership/lump-sum payment
Air purifiers (Korea)	500	400-500	12	45-50	41	960	Rental/membership/lump-sum payment
Air purifiers (China)	850	2,400	Less than 1%	45-50	45	500	Lump-sum payment/ODM
Mattresses (incl. frames)	800	700	70	70	10	140	Rental/membership/lump-sum payment
Dehumidifiers	300	1,000	12	50	10	100	Lump-sum payment
Water	100	NA	NA	NA	NA	360	Rental/membership/lump-sum payment
Food waste treatment system	Less than W100bn	NA	NA	NA	NA	36	Rental/membership/lump-sum payment

Note: Market size based on 2012-2013 figures; Market share for air purifiers in China is Philips'; Rental business based on the number of accounts and lump-sum payment and exports based on sales volume
Source: Industry data, Korea Investment & Securities

Sales volume to rebound in 2014

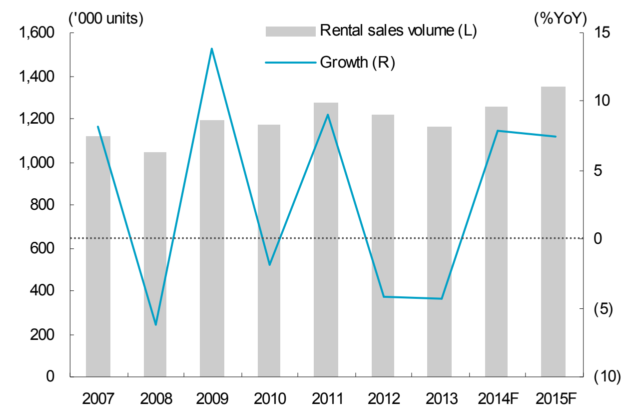
YoY increase in new sales likely in 2014

The new rental sales volume shrank in 2012 and 2013. The fall in 2012 was due to 1) the consumer spending downturn, 2) an unstable marketing division caused by the issue of management rights being sold and 3) fewer new air purifier sales. As the air purifier market expanded in 2012, competition intensified. In response, the company shifted strategy to put more focus on lump-sum deals. As a result, 2012 lump-sum sales added more than 40% YoY or W40bn. Dividing the increase by the ASP of W560,000, the company sold ~70,000 purifiers via lump-sum. Converting the figure to rentals, the figure equals ~1.29mn purifiers, which is similar to the 2011 level when the sales volume peaked. Amid the still slow consumer economy, an ASP hike in April 2013 triggered price resistance and pushed down new sales. Against this backdrop, new rental sales volume contracted.

EHA and home care businesses in a growth phase: 1) Growing needs; 2) Recognized convenience; 3) Income levels and dwelling conditions improve

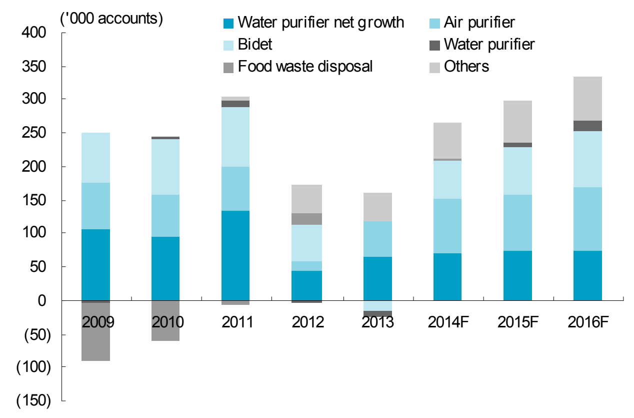
In 2014-2015, new rental sales should add 7-8% YoY on 1) new product effects, 2) bigger air purifier and bidet markets and 3) growing sales from new businesses such as the mattress division. We believe the EHA and home care businesses in Korea are in a growth phase. Coway's EHA are not necessities. However, their needs have grown along with environmental changes and convenience has been noted. Thus, the products are becoming must-have household goods along with higher income levels and better living standards. In Korea, small/midsize and seasonal home appliance penetration is ~60% for air conditioners and 70% for kimchi refrigerators. Coway specializes in relatively high-priced items that require maintenance services. Regarding the hurdle posed by high prices, the rental scheme facilitates the purchase-use-disposal process. The company also maximizes convenience by offering maintenance services through related professionals dubbed CODYs and Homecare Doctors.

Figure 1. Rental sales volume shrank in 2012-2013



Source: Company data, Korea Investment & Securities

Figure 2. Likely to recover accounts net growth in 2014 on rising purifier and other subscribers



Source: Company data, Korea Investment & Securities

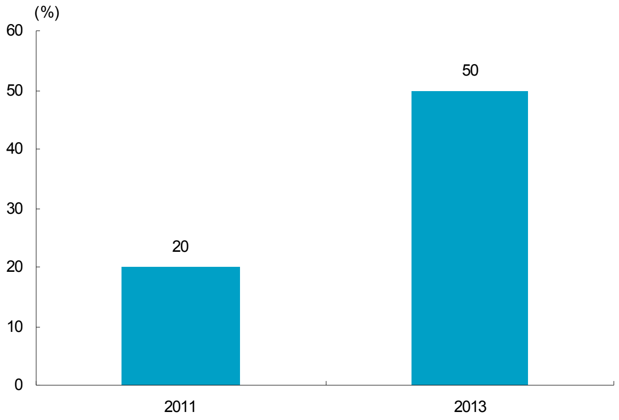
Water purifiers: New products to absorb replacement demand; Strengthen home shopping/online

The leaders' competitive edge lies in product quality and services. Despite not so strong growth potential, the water purifier business has the most solid subscriber base and accounts for more than 50% of total accounts. The business sees constant replacement demand and new sales are more sensitive to new products than market growth. In 2011, the sales volume peaked along with new product releases such as the Handspan (small) and ice cube models. In 2013, new sales decreased while the firm focused on lowering the cancellation rate. In 2014, however, the new product lineup will widen and include models only available via the home shopping and online channels, which would target single/two-person households and demand for low-priced products. The company has strengthened the low-priced lineup by minimizing functions or reducing maintenance frequency.

Air purifiers, bidets: Bigger market, better performance

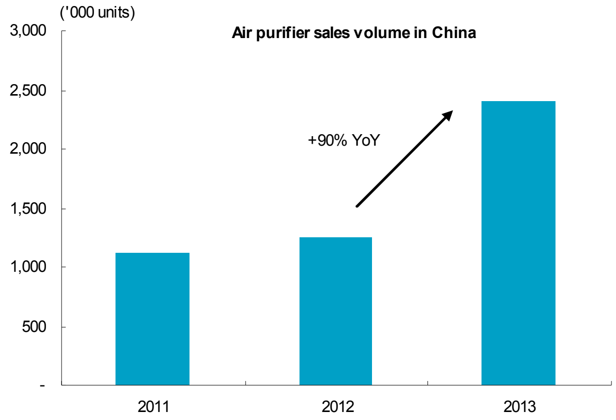
Given the 10-20% penetration and segments experiencing 7-8% CAGR, we anticipate robust sales from air purifiers and bidets. In 2013, new sales of the former went up 15% YoY and 10% for the latter. Previously, air purifiers were a seasonal item whose sales were sensitive to yellow dust in the air or outbreaks of bird flu. But they will likely become essential home appliances along with mounting concern about fine dust and there is more interest in the dwelling environment. Coway is focusing on securing rental demand by eliminating the seasonal factor with the addition of humidifier/dehumidifier functions and emphasizing the importance of maintenance. The multi-function portion among new air purifier sales volume has swelled from 20% in 2011 to more than 50% at present.

Figure 3. Air purifiers in Korea: 50% of the market feature both humidifier and dehumidifier functions



Source: Industry data, Korea Investment & Securities

Figure 4. Air purifiers in China: Fledgling market



Source: Industry data, Korea Investment & Securities

Air purifier business in China is a plus alpha; Begins now

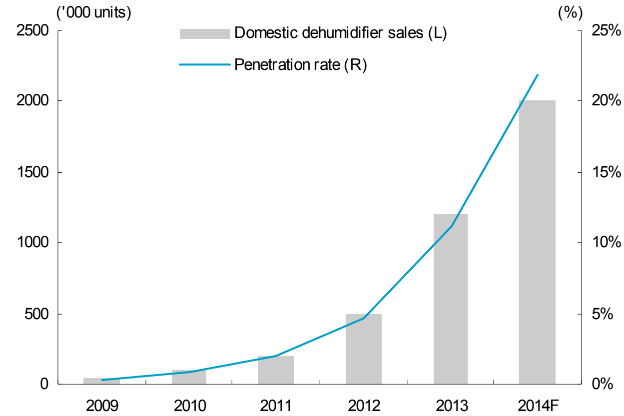
It is worthwhile to note the overseas segment of the air purifier business. Since 2008, Coway has supplied air purifiers to Philips as an original design manufacturer and with a lump-sum payment arrangement. In 2013, the Chinese market size stood at 2.4mn products (+91% YoY). With 45% market share, Philips is an unrivaled leader and the high-priced segment is shared among overseas manufacturers such as Panasonic, Sharp, etc. In China, air purifier penetration reaches less than 1% compared with 12% in Korea. Coway's air purifier sales volume in China has exceeded that in Korea since 2013. Although the Chinese business accounts for a mere ~5% of total sales, we anticipate fast growth given worsening air pollution, low penetration and Philips' market recognition.

Dehumidifier sales growth led by lump-sum payment products; Mattress rental market share up on intro of care services; Home care expanding from mattresses to air conditioners

Dehumidifiers and mattresses generated less than 2% of sales, respectively, in 2013 but as a growth business, the sales contribution should increase to ~3% for each division in 2015F. According to the industry, domestic dehumidifier sales are estimated to have more than doubled to 1.2mn in 2013 and the industry projects it will further grow to 2mn-2.5mn, up more than 80% YoY, in 2014. The solid gain was spurred by climate change as weather becomes more sub-tropical, i.e., hot and humid. We believe the dehumidifier market has substantial growth potential given the very low penetration rate in Korea compared to nearly 90% in Japan and Hong Kong. Winix has the number one domestic market share at 50% while Coway commands 14%. As dehumidifiers are considered a seasonal appliance, Coway plans to compete with lump-sum payment products, in line with the industry leader.

Coway has provided mattress rental and care services since end-2011 and there were 140,000 accounts in 2013. Coway's monthly mattress unit sales recently surpassed 5,000, which translates to ~10% market share given annual sales of 700,000 in Korea as a whole. Coway's penetration is still minimal with cumulative unit sales of ~250,000. One of the merits of the subscriber-based profit model is that new sales buildup leads to more managed accounts. We forecast the mattress business will become Coway's main rental operation as the number of accounts should reach 300,000 going forward with net additions at 60,000-70,000 p.a. Coway plans to recruit more Homecare Doctors (mattress care specialists) and to ramp up air conditioner cleaning and sterilization as part of home care services.

Figure 5. Domestic dehumidifier market outlook



Source: News reports, Korea Investment & Securities

Figure 6. Mattress rental: Subscriber growth to gain traction once 10% market share is secured

Source: Coway advertisement

Fewer cancellations and rising ARPU

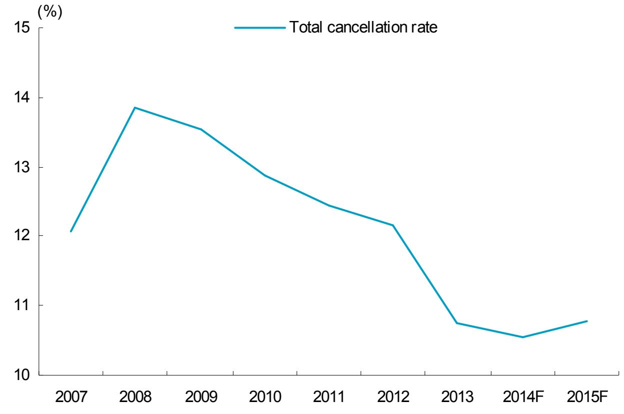
Declining cancellation rate is positive

Subscriber cancellations fell from 12.1% in 2012 to 10.8% in 2013. While cancellations slowed for water purifiers, the pace was especially steeper for air purifiers and bidets as the products are increasingly recognized as household necessities. CODYs, Coway's maintenance agents, have also placed more focus on lowering the cancellation rate rather than on renewed rentals or new product sales. As the rental business carries large initial capex, a lesser cancellation rate and the resulting acceleration of net subscriber additions help improve profits and cash flow by lowering commission rates and reducing depreciation/losses on the scrapping of rental units.

ARPU to grow 2% p.a.

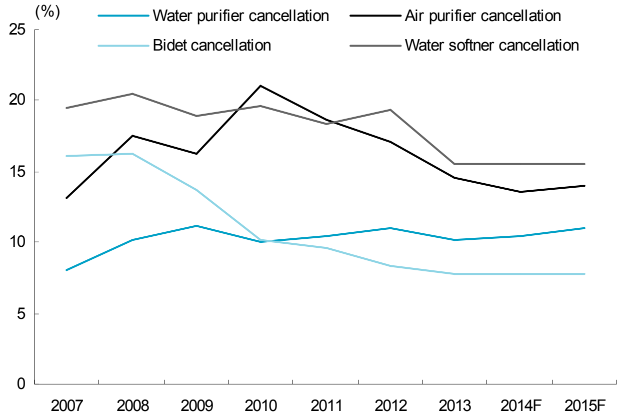
In addition to more subscribers, Coway should post ARPU growth of ~2% p.a. Overall rental ARPU is trending up after bottoming in 1Q13. While ARPU stands at W22,000 for rentals and W12,000 for membership services, membership ARPU is rising faster than rental ARPU on a net outflow of 67,000 low-priced membership accounts. The membership accounts outflow and ASP hikes in April 2013 should work together to lift ASP by 1% p.a. over the next three to four years. As the number of accounts has recently increased for air purifiers and mattresses, ARPU is similar to the rental ARPU of W22,000 or even more.

Figure 7. Subscriber cancellation rates trending down



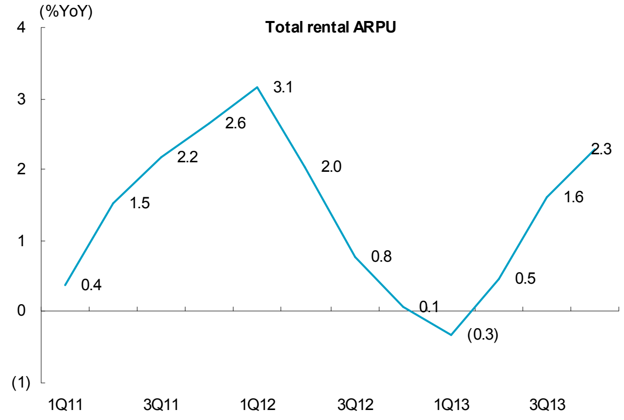
Source: Company data, Korea Investment & Securities

Figure 8. Cancellation rates on changing perception: Products such as air purifiers and bidets are increasingly considered household necessities



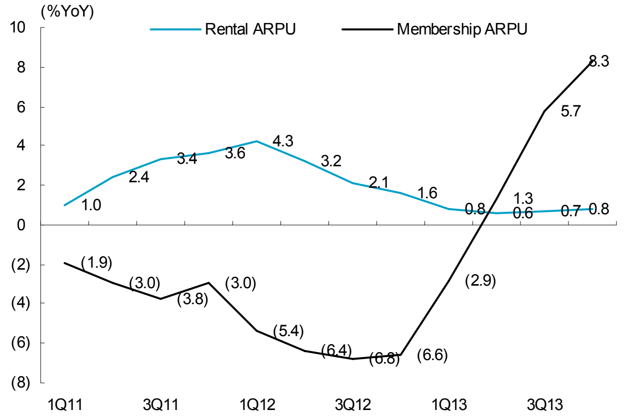
Source: Company data, Korea Investment & Securities

Figure 9. Rental ARPU climbing gradually



Source: Company data, Korea Investment & Securities

Figure 10. Membership ARPU rising rapidly



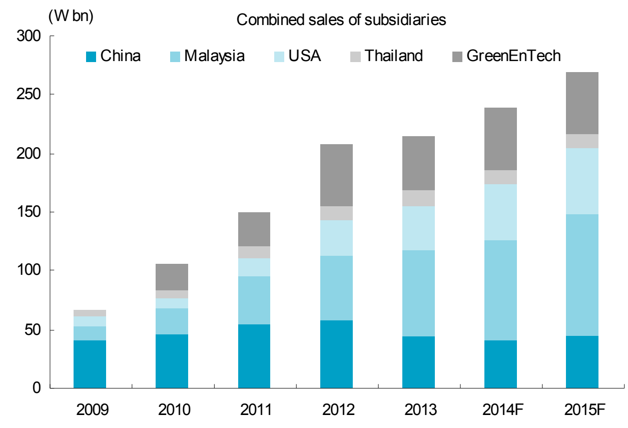
Source: Company data, Korea Investment & Securities

III. Opportunities and risk analysis

Expanding overseas operations to create new opportunities

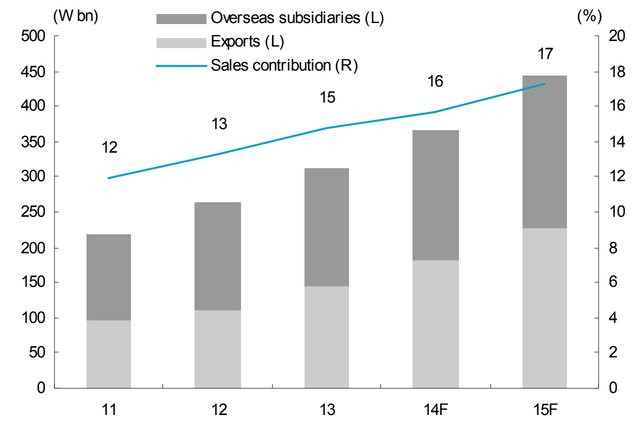
Coway's major subsidiaries are located abroad. Overseas operations are engaged in the water/air purifier business in China, Malaysia, the US and Thailand. The Malaysian subsidiary uses the same business model (for rentals and service technicians) as the domestic, boasting 160,000 accounts and the biggest growth potential, and the US subsidiary is growing as well. Malaysia likely posted an improved OPM of 7% in 2013 and the US should break even in 2014. Subsidiaries in Thailand and China are set to post better bottom lines in 2014 as costs related to restructuring were booked early. Of note, the Chinese subsidiary will likely downsize or close its cosmetics business. We estimate Coway subsidiaries will combine for sales of W238.7bn in 2014F, of which ~W186bn would come from overseas. If sales from the export division are added, overseas operations would post sales of W366.7bn in 2014F, accounting for 16% of total revenue. Of note, overseas operations are less profitable than the domestic rental business. However, costs in 2013 were booked early while the China and Malaysia businesses should post better bottom lines in 2014, so their profitability would improve YoY as well. For overseas operations, growth opportunities are plentiful and bottom lines should steadily improve as the firm gains economies of scale.

Figure 11. Combined sales of major overseas subsidiaries: Malaysia most robust



Source: Company data, Korea Investment & Securities

Figure 12. Overseas operations continue to contribute more to sales: 17% in 2015F



Source: Company data, Korea Investment & Securities

Low-priced channels face limited risk: For brand companies, brand power is more important than sales channels

With the rental industry expanding, low-priced brands adopting aggressive strategies via online/home shopping channels are a concern. However, we believe brand power is more important than sales channels for brand companies. This applies more to products that are functional and require more involvement and therefore receive a greater value for their brand name. Of note, Coway products are in the similar price range as the no. 2 player, ChungHo Nais. Coway is also trying to capture some low-margin customers by offering more products through the online-only channel, while using home shopping channels as well.

Company overview & Glossary

■ Company overview

Coway makes and sells environmental home appliances (EHA) such as water/air purifiers, bidets, etc. The company mainly provides products through rentals and outright purchases to customers. Coway is the domestic leader in terms of market share and brand recognition with approximately 5.87mn accounts (rental users + memberships) as of end-2013. The company continues to expand its product lineup, which includes water/air purifiers, bidets, water softeners, food waste treatment systems, mattresses, etc., and is also stepping up overseas operations.

■ Glossary

- Rental: Customers gain the right to use a product by paying for registration and monthly rental fees
- Membership: Customers that have purchased a product or gained ownership receive services for product maintenance
- Outright purchase: A lump-sum payment made for a product with no maintenance service offered
- ARPU: Average revenue per user

Balance sheet

FY-ending Dec. (W bn)	2012A	2013A	2014F	2015F	2016F
Current assets	779	691	764	879	984
Cash & cash equivalents	152	239	264	332	389
Accounts & other receivables	262	250	276	301	328
Inventory	72	66	73	79	86
Non-current assets	976	976	1,031	1,084	1,139
Investment assets	54	55	61	66	72
Tangible assets	630	638	657	676	695
Intangible assets	184	177	195	213	232
Total assets	1,755	1,668	1,795	1,963	2,123
Current liabilities	759	677	643	625	584
Accounts & other payables	236	224	248	271	294
ST debt & bonds	330	182	132	82	32
Current portion of LT debt	110	146	146	146	146
Non-current liabilities	211	50	55	61	66
Debentures	118	0	0	0	0
LT debt & financial liabilities	36	0	0	0	0
Total liabilities	970	727	698	686	650
Controlling interest	785	941	1,095	1,275	1,475
Capital stock	41	41	41	41	41
Capital surplus	126	126	126	126	126
Capital adjustments	(85)	(94)	(94)	(94)	(94)
Retained earnings	701	868	1,022	1,202	1,402
Minority interest	0	0	0	0	0
Shareholders' equity	785	941	1,095	1,275	1,475

Income statement

FY-ending Dec. (W bn)	2012A	2013A	2014F	2015F	2016F
Sales	1,993	2,118	2,340	2,556	2,782
COGS	678	721	796	859	935
Gross profit	1,315	1,397	1,545	1,697	1,847
SG&A expenses	1,088	1,058	1,160	1,262	1,369
Operating profit	226	339	384	436	479
Financial income	2	4	6	8	9
Interest income	2	4	6	8	9
Financial expenses	30	19	9	8	6
Interest expenses	30	19	9	8	6
Other non-operating profit	(58)	(15)	(1)	(1)	(1)
Gains (Losses) in associates, subsidiaries and JV	5	18	0	0	0
Earnings before tax	146	327	380	434	480
Income taxes	52	82	92	105	116
Net profit	94	245	288	329	364
Net profit of controlling interest	94	245	288	329	364
Other comprehensive profit	5	(1)	0	0	0
Total comprehensive profit	99	244	288	329	364
Total comprehensive profit of controlling interest	99	244	288	329	364
EBITDA	410	537	576	628	672

Cash flow

FY-ending Dec. (W bn)	2012A	2013A	2014F	2015F	2016F
C/F from operations	454	537	453	512	522
Net profit	94	245	288	329	364
Depreciation	175	191	183	183	183
Amortization	8	8	8	9	10
Net incr. in W/C	(24)	(41)	(28)	(11)	(37)
Others	201	134	2	2	2
C/F from investing	(319)	(76)	(245)	(245)	(247)
Capex	(314)	(268)	(202)	(202)	(202)
Decr. in fixed assets	4	10	0	0	0
Incr. in investment	(3)	180	(6)	(6)	(6)
Net incr. in intangible assets	(8)	(2)	(27)	(27)	(29)
Others	2	4	(10)	(10)	(10)
C/F from financing	(76)	(373)	(184)	(199)	(214)
Incr. in equity	12	5	0	0	0
Incr. in debt	20	(262)	(50)	(50)	(50)
Dividends	(78)	(78)	(202)	(134)	(149)
Others	(30)	(38)	68	(15)	(15)
C/F from others	(5)	(1)	0	0	0
Increase in cash	54	86	24	68	61

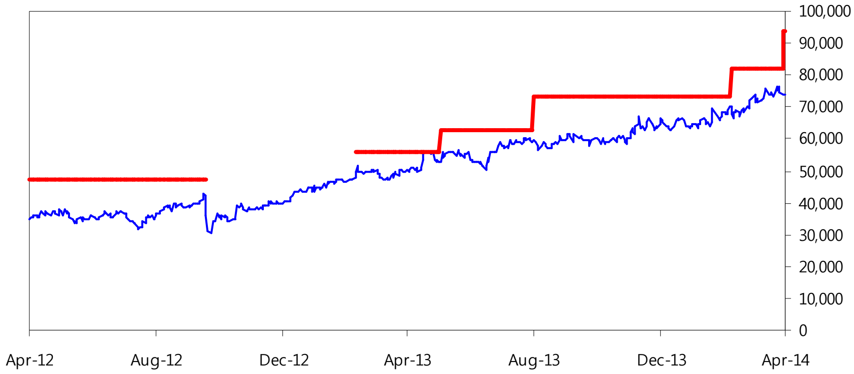
Note: K-IFRS (consolidated)

Key financial data

FY-ending Dec.	2012A	2013A	2014F	2015F	2016F
Per-share data (KRW)					
EPS	1,267	3,283	3,869	4,417	4,885
BPS	11,354	13,535	15,534	17,870	20,464
DPS	0	2,710	1,800	2,000	2,200
Growth (%)					
Sales growth	9.2	6.3	10.5	9.2	8.8
OP growth	(3.7)	49.9	13.3	13.4	9.9
NP growth	(43.7)	160.6	17.6	14.2	10.6
EPS growth	(43.3)	159.1	17.8	14.2	10.6
EBITDA growth	3.9	31.1	7.2	9.0	7.0
Profitability (%)					
OP margin	11.3	16.0	16.4	17.0	17.2
NP margin	4.7	11.6	12.3	12.9	13.1
EBITDA margin	20.6	25.4	24.6	24.6	24.1
ROA	5.6	14.3	16.7	17.5	17.8
ROE	12.3	28.4	28.3	27.8	26.5
Dividend yield	0.0	4.1	2.4	2.7	2.9
Stability					
Net debt (W bn)	439	90	14	(105)	(213)
Debt/equity ratio (%)	75.7	35.6	26.0	18.4	12.5
Valuation (x)					
PE	34.4	20.2	19.1	16.8	15.1
PB	3.8	4.9	4.8	4.1	3.6
PS	1.7	2.4	2.4	2.2	2.1
EV/EBITDA	9.0	9.5	9.8	8.8	8.0

Changes to recommendation and price target

Company (Code)	Date	Recommendation	Price target
Coway (021240)	09-28-12	Hold	-
	02-18-13	BUY	W56,000
	05-11-13	BUY	W63,000
	08-09-13	BUY	W73,000
	02-16-14	BUY	W82,000
	04-08-14	BUY	W94,000



■ **Guide to Korea Investment & Securities Co., Ltd. stock ratings based on absolute 12-month forward share price performance**

- BUY: Expected to give a return of +15% or more
- Hold: Expected to give a return between -15% and +15%
- Underweight: Expected to give a return of -15% or less
- Korea Investment & Securities does not offer target prices for stocks with Hold or Underweight ratings.

■ **Guide to Korea Investment & Securities Co., Ltd. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the Kospi (Kosdaq) based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.

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