

Coway (021240 KS)

Welcoming the yellow dust

BUY (MAINTAIN)

Price (Apr. 17)	W78,600
Target Price	W100,000
% variance	27.2%

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KOSPI	1,992.05p
KOSDAQ	565.75p
Market Cap.	W6,062.0bn/US\$5,317.6mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.3%)
52-Week High/Low	W79,700/W49,950
60-Day Avg. Trading Volume	214,856shrs
60-Day. Avg. Trading T/O	W15,502mn
Foreign Ownership	53.89%

Major Shareholders		
Coway Holdings and 12 others	30.99%	
Woori Bank	5.83%	
Absolute Performance		
3M	19.1%	
6M	35.3%	
12M	56.0%	
Relative performance to KOSPI		
3M	16.2%	
6M	38.6%	
12M	50.6%	

- ◆ 1Q14 operating profit to beat consensus at W90.3bn (+30.4% YoY)
- ◆ Welcoming the yellow dust with domestic and overseas air purifier sales spikes
- ◆ Retain BUY, upgrading target price to W100,000

1Q14 operating profit to beat consensus at W90.3bn (+30.4% YoY)

We forecast Coway's 1Q14 standalone sales of W501.1bn (+7.7% YoY) and operating profit of W90.3bn (+30.4% YoY). Rental subscribers are expected to have increased 4.4% YoY to 4.86mn, and rental sales 5.3% YoY to W340.9bn. Lump-sum sales will likely have grown 8.3% YoY to W39.7bn, and exports 25.5% YoY to W39.5bn. Operating profit should beat the market consensus at W86.1bn.

Welcoming the yellow dust with domestic and overseas air purifier sales spikes

Coway welcomes the yellow dust. Air purifier sales are spiking in domestic and overseas markets. In 2013, new air purifier rentals came to 220,000 (+9.4% YoY) in the domestic market. ODM exports to China surged over 150% YoY.

Air purifier is now a necessity in China. Market penetration is still only 12% in Korea and 1% in China. According to the China Center for Information Industry Development, 2.4mn air purifiers were sold in China in 2013. Considering that 20mn to 30mn new cars are sold every year in China, annual air purifier sales are highly likely to increase to 20mn-30mn units.

In 2014, Coway is expected to see a 9.7% YoY growth in domestic new air purifier rentals (250,000) and a 100% YoY growth in air purifier ODM exports. We forecast full-year sales of W2.1tr (+8.5% YoY) and operating profit of W391.5bn (+17.2% YoY).

Retain BUY, upgrading target price to W100,000

We reiterate our BUY rating on Coway and raise our target price from W90,000 to W100,000. Our target price is derived by applying a target PER of 24x to 12-month forward EPS of W4,133. The China air purifier market is only in its early stages. Once high growth is confirmed, we expect a share price re-rating. Shares are currently trading at 2014 PER of 20.7x. Year-end dividend yield is 2.3%.

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 (%)
2012	1,806.8	227.8	161.5	119.7	1,553	(32.4)	10,408	28.0	9.6	4.2	15.4	58.9
2013	1,933.7	333.2	350.5	253.2	3,283	111.4	12,543	20.2	10.0	5.3	28.6	12.8
2014F	2,098.1	391.5	389.6	292.2	3,788	15.4	14,597	20.7	10.3	5.4	27.9	(2.0)
2015F	2,338.3	454.7	458.8	344.1	4,462	17.8	16,939	17.6	8.9	4.6	28.3	(13.7)
2016F	2,561.6	516.4	526.8	386.5	5,123	14.8	19,543	15.3	7.9	4.0	28.1	(23.4)

Note: K-IFRS standalone

1Q14 earnings estimates

(bn KRW)	1Q14F	4Q13	% QoQ	1Q13	% YoY	Consensus
Sales	501.1	482.4	3.9	465.2	7.7	496.8
OP	90.3	88.5	2.1	69.2	30.4	86.1
NP	67.2	51.2	31.1	80.2	(16.3)	63.6
OPM (%)	18.0	18.3		14.9		17.3
NPM (%)	13.4	10.6		17.2		12.8

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2014F			2015F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,065.8	2,098.1	1.6	2,260.6	2,338.3	3.4
OP	394.8	391.5	(0.8)	454.9	454.7	(0.0)
Consolidated NP	289.9	292.2	0.8	345.9	346.1	0.1

Source: Shinhan Investment Corp.

Note: K-IFRS standalone

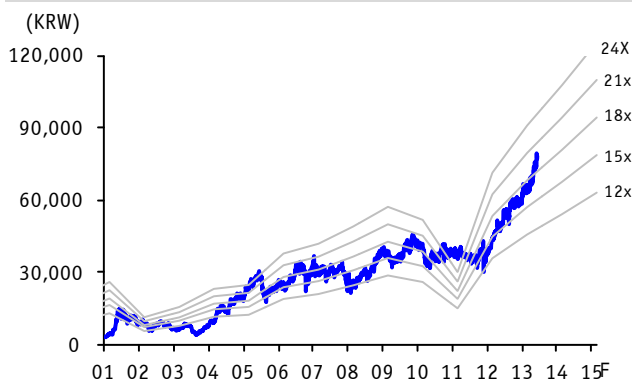
Target price calculation

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2014F NP	292.2	12-month forward NP	318.8	2015F NP	346.1
EPS (KRW)	3,789	EPS (KRW)	4,133	EPS (KRW)	4,488
PER (x)	26	PER (x)	24	PER (x)	22
Target price (KRW)	100,000	Target price (KRW)	100,000	Target price (KRW)	100,000
Current price (KRW)	78,600	Current price (KRW)	78,600	Current price (KRW)	78,600
Current price PER (x)	20.7	Current price PER (x)	19.0	Current price PER (x)	17.5

Source: Shinhan Investment Corp.

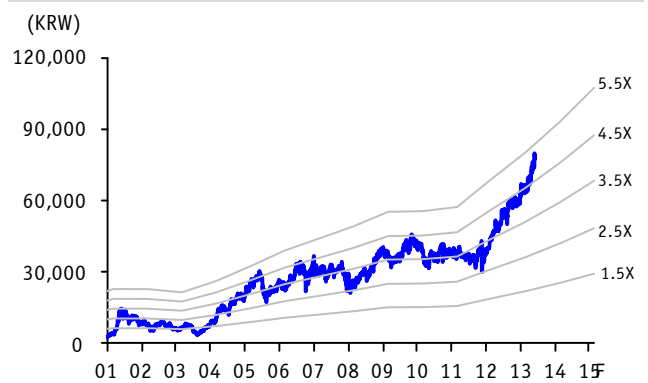
Note: K-IFRS standalone; target PER is a 20% premium to 2-year average PER of 20x

12-month forward PER



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR



Source: QuantiWise, Shinhan Investment Corp.

Earnings forecasts					
(bn KRW)	2012F	2013F	2014F	2015F	2016F
Sales	1,806.8	1,933.7	2,098.1	2,338.3	2,561.6
Growth (% YoY)	5.7	7.0	8.5	11.4	9.6
Rental subscribers (no. of contracts)	4,607,420	4,799,948	5,069,969	5,407,617	5,745,607
Growth (% YoY)	3.5	4.2	5.6	6.7	6.3
Rental ARPU (KRW)	22,824	22,920	22,976	23,175	23,427
Rental sales	1,261.9	1,320.2	1,397.9	1,503.9	1,615.2
Water purifier	733.8	760.2	793.3	837.2	882.9
Air purifier	196.7	206.9	225.3	252.1	280.4
Bidet	233.9	243.5	254.8	271.7	288.8
Water softener	79.6	77.3	75.0	73.5	71.6
Others (food disposal, etc.)	8.2	9.1	9.6	10.2	11.1
Mattress	6.9	23.2	39.9	59.3	80.4
Rental registration	23.8	13.2	10.2	6.7	4.4
Membership	161.3	172.3	174.7	176.0	182.6
Lump-sum	144.7	149.3	154.8	174.6	191.4
Exports	109.6	144.6	210.0	314.0	392.0
Cosmetics	67.2	76.4	85.6	96.6	109.3
Others	38.3	57.7	64.9	66.5	66.8
Growth (% YoY)					
Rental	7.4	4.6	5.9	7.6	7.4
Rental registration	(23.4)	(44.6)	(22.4)	(34.4)	(34.4)
Membership	0.3	6.8	1.4	0.7	3.8
Lump-sum	4.7	3.2	3.7	12.8	9.6
Exports	11.8	32.0	45.2	49.5	24.8
Cosmetics	(1.4)	13.6	12.0	12.9	13.2
Others (living + water treatment)	(0.3)	50.8	12.5	2.4	0.4
COGS	605.3	651.5	740.0	866.5	975.2
COGS ratio (%)	33.5	33.7	35.3	37.1	38.1
Gross profit	1,201.5	1,282.2	1,358.0	1,471.8	1,586.5
Gross margin (%)	66.5	66.3	64.7	62.9	61.9
SG&A costs	987.5	948.1	966.6	1,017.1	1,070.1
SG&A costs/sales ratio (%)	54.7	49.0	46.1	43.5	41.8
Other operating income	1.4	1.5	1.5	1.6	1.7
Other operating expense	70.8	46.9	43.5	43.5	43.8
OP	213.9	334.1	391.5	454.7	516.4
OPM (%)	11.8	17.3	18.7	19.4	20.2
Growth (% YoY)	(12.6)	56.2	17.2	16.2	13.6
Financial income	3.7	4.8	5.5	7.0	8.6
Financial expense	67.5	18.3	11.4	8.9	6.3
Other non-operating income	4.6	54.7	7.3	10.3	15.5
Pre-tax profit	146.0	351.9	389.6	458.8	526.7
Corporate tax	41.7	97.2	97.4	114.7	131.7
Corporate tax rate (%)	28.5	27.6	25.0	25.0	25.0
NP	104.3	254.7	292.2	344.1	395.1
NPM (%)	5.8	13.2	13.9	14.7	15.4
Growth (% YoY)	(41.5)	144.2	14.7	17.8	14.8
Consolidated NP	95.9	229.0	292.2	346.1	403.6
Growth (% YoY)	(42.6)	138.8	27.6	18.4	16.6
Standalone EPS (KRW)	1,553	3,283	3,788	4,462	5,123
Consolidated EPS (KRW)	1,243	2,969	3,789	4,488	5,233

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Quarterly earnings															
(bn KRW)	1Q13	2Q13	3Q13	4Q13	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q15F	4Q15F	13	14F	15F
Sales	465.2	496.9	489.2	482.4	501.1	530.4	532.2	534.4	551.8	602.8	606.7	577.0	1,933.7	2,098.1	2,338.3
Growth (% YoY)	5.2	11.3	6.8	4.9	7.7	6.7	8.8	10.8	10.1	13.7	14.0	8.0	7.0	8.5	11.4
Rental	323.8	328.8	331.8	335.8	340.9	347.0	352.0	358.0	365.4	373.7	379.4	385.4	1,320.2	1,397.9	1,503.9
Rental registration	3.6	3.2	3.1	3.3	3.0	2.7	2.4	2.2	2.0	1.8	1.6	1.4	13.2	10.2	6.7
Membership	42.8	42.8	43.2	43.6	43.0	44.1	43.9	43.7	43.7	43.8	44.1	44.5	172.3	174.7	176.0
Lump-sum	36.6	47.8	35.4	29.4	39.7	40.5	35.9	38.7	42.4	45.2	42.3	44.7	149.3	154.8	174.6
Exports	31.5	44.6	38.0	30.6	39.5	59.0	59.0	52.5	59.0	98.0	98.0	59.0	144.6	210.0	314.0
Cosmetics	17.9	22.1	16.6	19.8	20.6	21.4	21.2	22.4	23.1	23.8	24.4	25.3	76.4	85.6	96.6
Others	7.8	10.4	9.3	10.7									57.7	64.9	66.5
COGS	154.6	167.8	169.8	159.3	170.8	190.2	191.1	188.0	196.6	232.4	233.3	204.2	651.5	740.0	866.5
COGS ratio (%)	33.2	33.8	34.7	33.0	34.1	35.9	35.9	35.2	35.6	38.5	38.5	35.4	33.7	35.3	37.1
SG&A costs	241.3	249.8	222.3	234.6	239.9	243.2	240.9	242.6	252.5	254.1	253.8	256.7	948.1	966.6	1,017.1
SG&A costs/sales ratio (%)	51.9	50.3	45.4	48.6	47.9	45.8	45.3	45.4	45.8	42.1	41.8	44.5	49.0	46.1	43.5
OP	69.2	79.4	97.0	88.5	90.3	97.0	100.2	103.9	102.6	116.4	119.6	116.1	334.1	391.5	454.7
OPM (%)	14.9	16.0	19.8	18.3	18.0	18.3	18.8	19.4	18.6	19.3	19.7	20.1	17.3	18.7	19.4
Growth (% YoY)	41.9	22.0	54.3	138.0	30.4	22.3	3.3	17.4	13.6	19.9	19.3	11.8	56.2	17.2	16.2
Financial income	0.6	1.8	0.9	1.6	1.2	1.3	1.4	1.6	1.6	1.7	1.8	1.9	4.8	5.5	7.0
Financial expense	6.5	4.3	4.1	3.4	3.0	3.0	2.8	2.6	2.5	2.3	2.1	2.0	18.3	11.4	8.9
Other non-operating income	51.1	4.4	(9.6)	(9.9)	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.5	54.7	7.3	10.3
Pre-tax profit	114.4	81.2	83.3	73.1	89.5	96.4	99.8	103.8	103.3	117.2	120.7	117.6	351.9	389.6	458.8
NP	80.2	60.8	62.4	51.2	67.2	72.3	74.9	77.8	77.4	87.9	90.6	88.2	254.7	292.2	344.1
NPM (%)	17.2	12.2	12.8	10.6	13.4	13.6	14.1	14.6	14.0	14.6	14.9	15.3	13.2	13.9	14.7
Growth (% YoY)	209.9	38.1	384.7	124.8	(16.3)	19.0	19.9	52.0	15.3	21.6	20.9	13.3	144.2	14.7	17.8

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

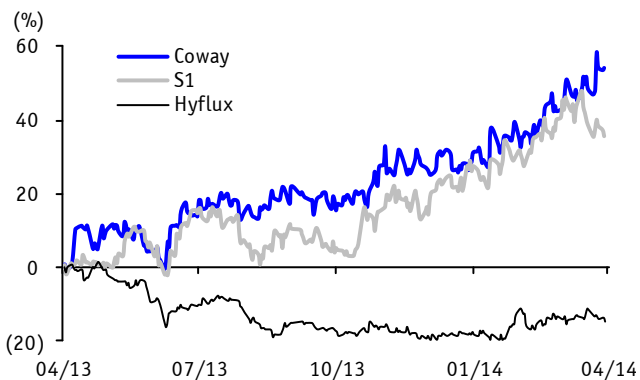
Rental subscriptions and ARPU									
(subscriptions)	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F
ARPU (KRW)	21,970	21,575	21,285	22,008	22,824	22,920	22,976	23,175	23,427
Total subscriptions	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,799,948	5,069,969	5,407,617	5,745,607
Net increase	26,706	259,450	246,455	304,901	157,417	192,528	270,021	337,648	337,991
New subscriptions	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,254,481	1,307,376	1,331,166
Cancellation rate (%)	13.9	13.5	12.9	12.5	12.1	10.8	9.6	8.9	8.3
Growth (%)									
ARPU	2.8	(1.8)	(1.3)	3.4	3.7	0.4	0.2	0.9	1.1
Total subscriptions	0.7	7.1	6.3	7.4	3.5	4.2	5.6	6.7	6.3
Net increase	(80.1)	871.5	(5.0)	23.7	(48.4)	22.3	40.3	25.0	0.1
New subscriptions	(10.9)	13.7	(1.8)	9.0	(4.2)	(4.3)	7.6	4.2	1.8

Source: Company data, Shinhan Investment Corp.

Company		Coway	Kurita Water Industries	S1	Fujian Longking	OSIM International	Hyflux
Ticker		021240 KS	6370 JP	012750 KS	600388 CH	OSIM SP	HYF SP
Market cap. (bn KRW)		6,062.0	2,584.9	3,115.9	2,071.6	1,669.2	839.1
Sales (bn KRW)	2013	2,118.3	2,434.1	1,274.1	971.6	566.7	465.9
	2014F	2,284.4	1,786.2	1,723.1	1,097.2	634.9	467.6
	2015F	2,473.5	1,869.8	1,877.0	1,219.7	715.5	678.5
OP (bn KRW)	2013	339.0	283.6	129.1	n/a	116.1	71.2
	2014F	381.7	152.5	199.7	88.0	130.5	71.3
	2015F	433.3	189.9	229.0	101.0	150.3	89.3
OPM (%)	2013	16.0	11.7	10.1	n/a	20.5	15.3
	2014F	16.7	8.5	11.6	8.0	20.6	15.3
	2015F	17.5	10.2	12.2	8.3	21.0	13.2
NP (bn KRW)	2013	245.1	155.1	79.2	81.3	88.9	38.5
	2014F	274.0	97.0	130.8	81.0	99.7	36.5
	2015F	314.8	122.0	151.6	89.7	114.2	46.7
NPM (%)	2013	11.6	6.4	6.2	8.4	15.7	8.3
	2014F	12.0	5.4	7.6	7.4	15.7	7.8
	2015F	12.7	6.5	8.1	7.4	16.0	6.9
EPS growth (% YoY)	2013	159.1	(32.1)	(21.6)	57.0	N/A	(47.0)
	2014F	10.3	T/B	54.8	T/B	6.5	58.4
	2015F	14.9	27.2	15.9	9.9	13.5	43.4
P/E (x)	2013	20.2	22.3	31.9	31.3	16.4	48.3
	2014F	21.7	26.9	22.6	27.2	17.3	30.5
	2015F	18.9	21.2	19.5	24.7	15.3	21.4
P/B (x)	2013	5.3	1.2	3.1	n/a	6.1	3.3
	2014F	5.2	1.2	3.9	3.8	5.3	1.3
	2015F	4.4	1.2	3.3	3.4	4.4	1.2
EV/EBITDA (x)	2013	9.4	4.9	9.6	n/a	10.9	7.6
	2014F	10.9	6.3	8.9	16.1	11.3	20.0
	2015F	9.9	5.7	8.2	15.5	9.9	16.6
ROE (%)	2013	28.4	5.5	10.0	n/a	43.5	4.2
	2014F	26.7	4.5	15.8	14.6	35.3	6.2
	2015F	26.3	5.6	16.4	14.3	31.7	6.8

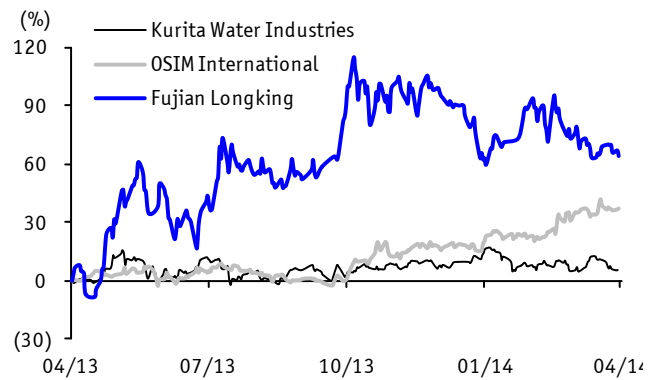
Source: Bloomberg consensus, Shinhan Investment Corp.

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)	2012	2013	2014F	2015F	2016F
Assets	1,701.5	1,641.1	1,797.7	1,965.3	2,151.9
Total Current Assets	691.3	642.5	789.6	936.5	1,099.5
Cash and Cash Equivalents	118.9	201.3	311.3	403.5	515.5
Accounts Receivables	278.4	265.9	288.5	321.5	352.2
Inventories	41.3	40.9	44.3	49.4	54.1
Non-Current Assets	1,010.2	998.6	1,008.1	1,028.8	1,052.4
Tangible Assets	594.2	596.8	599.7	606.7	617.3
Intangible Assets	157.5	150.9	144.4	138.9	134.2
Investment Assets	158.3	154.0	167.1	186.2	204.0
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	898.8	673.7	671.9	658.8	636.0
Current Liabilities	719.6	636.8	631.9	614.2	587.2
ST Borrowings	295.7	172.0	150.0	100.0	50.0
Account Payables	28.9	29.5	38.4	49.9	54.7
Current Portion of LT Debt	109.9	146.1	131.1	116.1	101.1
Non-Current Liabilities	179.2	36.9	40.0	44.6	48.8
Bonds	117.8	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	35.9	0.0	0.0	0.0	0.0
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	802.7	967.3	1,125.8	1,306.5	1,515.8
Capital Stock	40.7	40.7	40.7	40.7	40.7
Capital Surplus	130.6	130.8	130.8	130.8	130.8
Other Reserves	(84.6)	(94.4)	(94.4)	(94.4)	(94.4)
Accu. Other Comp. Income	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)
Retained Earnings	716.8	890.4	1,048.9	1,229.6	1,430.3
Owners of Parent Equity	802.7	967.3	1,125.8	1,306.5	1,507.3
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	8.5
*Total Debt	592.2	325.1	288.6	224.5	160.3
*Net Debts(Cash)	472.7	123.4	(22.7)	(178.9)	(355.2)

Cash Flow

Year to Dec. (W bn)	2012	2013	2014F	2015F	2016F
Operating Cash Flow	429.1	517.6	483.0	519.0	566.6
Net Profit	119.7	253.2	292.2	344.1	395.1
Depreciation	164.8	181.2	190.3	199.8	199.8
Amortization	7.1	7.5	6.5	5.5	4.7
Losses(Gains) on F/X Translation	0.3	(0.1)	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	59.8	38.8	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	3.2	(40.1)	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(37.7)	(41.8)	(13.0)	(33.5)	(31.7)
(Payments of Income Taxes)	(34.7)	(41.4)	(97.4)	(114.7)	(131.7)
Others	146.6	160.3	104.4	117.8	130.4
Investing Cash Flow	(300.9)	(58.4)	(202.0)	(220.5)	(221.2)
Incr. in Tangible Assets(CAPEX)	(295.0)	(245.7)	(283.2)	(296.8)	(300.4)
Decr. in Tangible Assets	3.4	6.1	90.0	90.0	90.0
Decr.(Incr.) in Intangible Assets	(7.7)	(2.1)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	4.3	193.9	(13.1)	(19.1)	(17.8)
Others	(5.9)	(10.6)	4.3	5.4	7.0
Free Cash Flow	(65.7)	348.0	200.9	240.8	277.3
Financing Cash Flow	(73.6)	(376.8)	(171.0)	(206.3)	(233.4)
Incr.(Decr.) in Borrowing	20.9	(266.5)	(36.4)	(64.1)	(64.2)
Decr.(Incr.) of Treasury Stock	0.0	18.8	0.0	0.0	0.0
Dividend	(77.8)	(78.4)	(123.6)	(133.7)	(163.5)
Others	(16.7)	(50.7)	(11.0)	(8.5)	(5.7)
Other Cash Flows	0.0	0.0	(0.0)	0.0	0.0
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.6)	(0.0)	0.0	0.0	0.0
Incr.(Decr.) in Cash	54.0	82.4	110.0	92.1	112.0
Beginning Cash	64.9	118.9	201.3	311.3	403.4
Ending Cash	118.9	201.3	311.3	403.4	515.4

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2012	2013	2014F	2015F	2016F
Sales	1,806.8	1,933.7	2,098.1	2,338.3	2,561.6
Growth (%)	5.7	7.0	8.5	11.4	9.6
COGS	605.4	651.7	740.0	866.5	975.2
Gross Profit	1,201.4	1,282.1	1,358.0	1,471.8	1,586.5
Gross margin (%)	66.5	66.3	64.7	62.9	61.9
SG&A	973.6	948.9	966.6	1,017.1	1,070.1
Operating Income	227.8	333.2	391.5	454.7	516.4
Growth (%)	(6.4)	46.3	17.5	16.2	13.6
Operating margin (%)	12.6	17.2	18.7	19.4	20.2
Other Net Non-Operating Profits	(66.3)	17.3	(1.9)	4.1	10.4
Financial Income(Expenses)	(58.1)	(13.7)	(5.9)	(1.9)	2.4
Net Other Non-Operating Profits	(5.0)	(9.1)	4.0	6.0	8.0
Net Gains in Asso., Subs., and JVs	(3.2)	40.1	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	161.5	350.5	389.6	458.8	526.8
Income Taxes	41.7	97.4	97.4	114.7	131.7
Profit from Continuing Op.	119.7	253.2	292.2	344.1	395.1
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	119.7	253.2	292.2	344.1	395.1
Growth (%)	(32.4)	111.4	15.4	17.8	14.8
Net Profit margin (%)	6.6	13.1	13.9	14.7	15.4
Net Profit of Parent	119.7	253.2	292.2	344.1	386.5
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	8.5
Total Comprehensive Income	118.2	252.6	292.2	344.1	395.1
Total Comp. Income of Parent	118.2	252.6	292.2	344.1	395.1
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	399.7	521.9	588.2	660.0	720.9
Growth (%)	1.0	30.6	12.7	12.2	9.2
EBITDA Margin (%)	22.1	27.0	28.0	28.2	28.1

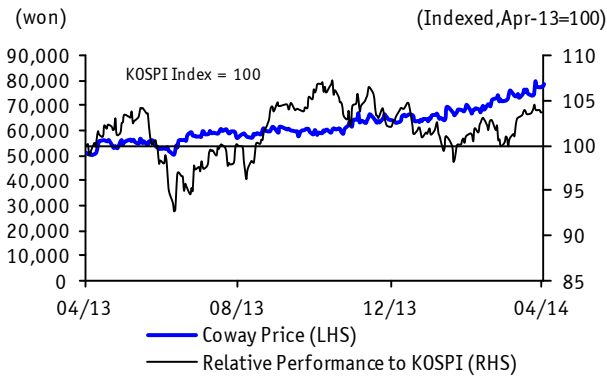
Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A costs)

Key Ratios

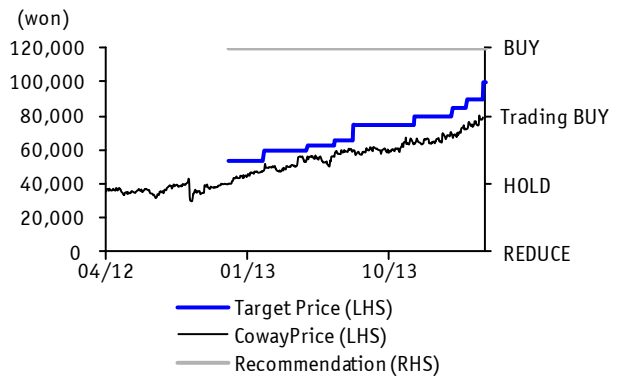
Year to Dec.	2012	2013	2014F	2015F	2016F
EPS_C (won)	1,553	3,283	3,788	4,462	5,123
EPS_P (won)	1,553	3,283	3,788	4,462	5,123
BPS_C (won)	10,408	12,543	14,597	16,939	19,654
BPS_P (won)	10,408	12,543	14,597	16,939	19,654
DPS (won)	0	2,710	1,800	2,200	2,500
PER_C (x)	28.0	20.2	20.7	17.6	15.3
PER_P (x)	28.0	20.2	20.7	17.6	15.3
PBR_C (x)	4.2	5.3	5.4	4.6	4.0
PBR_P (x)	4.2	5.3	5.4	4.6	4.0
EV/EBITDA (x)	9.6	10.0	10.3	8.9	7.9
EV/EBIT (x)	16.8	15.7	15.4	12.9	11.1
Dividend Yield (%)	0.0	4.1	2.3	2.8	3.2
Profitability					
EBITDA Margin (%)	22.1	27.0	28.0	28.2	28.1
OP Margin (%)	12.6	17.2	18.7	19.4	20.2
NP Margin (%)	6.6	13.1	13.9	14.7	15.4
ROA (%)	7.3	15.1	17.0	18.3	19.2
ROE (%)	15.4	28.6	27.9	28.3	28.1
ROIC (%)	18.0	26.3	33.5	38.6	43.1
Stability					
D/E Ratio (%)	112.0	69.6	59.7	50.4	42.0
Net Debt to Equity (%)	58.9	12.8	(2.0)	(13.7)	(23.4)
Cash Ratio (%)	16.5	31.6	49.3	65.7	87.8
Interest Coverage (x)	7.9	19.0	35.7	53.7	89.5
Activity (%)					
Working Capital Turnover (t)	7.5	9.0	15.5	16.4	16.6
Inventory Turnover (d)	11.5	7.8	7.4	7.3	7.4
Receivable Turnover (d)	52.4	51.4	48.2	47.6	48.0

Source: Company data, Shinhan Investment Corp.

Share Price Performance



Target Price & Recommendation History



Compliance Notice

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History Table

	Recommendation	Target Price (won)
March 19 th 2012	BUY	58,000
Dec. 12 th 2012	BUY	54,000
Feb. 17 th 2013	BUY	60,000
May 12 th 2013	BUY	63,000
July 4 th 2013	BUY	66,000
August 9 th 2013	BUY	75,000
November 10 th 2013	BUY	80,000
Feb. 15 th 2014	BUY	85,000
March. 18 th 2014	BUY	90,000

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