

Apr 23, 2014
Company Report

Coway (021240.KS)

Buy (initiate)

TP **W100,000 (initiate)**
CP ('14/04/22) **W79,400**

Sector Consumer Staples

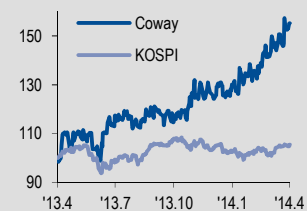
Kospi 2004.22
Kosdaq 570.98
Market cap (common) US\$5,843.45mn
Outstanding shares (common) 77.1mn
52w high ('14/04/10) W79,700
low ('13/04/19) W49,950
Average trading value (60D)US\$14.94mn
Dividend yield (2013) 2.50%
Foreign ownership 53.9%

Major shareholders

Coway Holdings & 12 others 31.0%
Woori Bank 5.8%

Share perf (%)	3M	6M	12M
Absolute	20.9	32.6	59.0
Relative	19.2	40.2	52.0

Price trend



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Focus on long-term growth drivers

We initiate coverage on Coway, viewing the firm as offering strong investment merit on: 1) the firm's sound earnings growth potential thanks to its competitiveness in the eco-friendly appliance (eg, water and air purifiers) rental market; and 2) likely enhanced business efficiency following its separation from the Woongjin Group. We expect Coway's shares to re-rate further going forward.

Initiate coverage at Buy with target price of W100,000

- With a research blackout now lifted, we initiate coverage on Coway at Buy with a target price of W100,000. Given its unique earnings structure, wherein a large amount of its non-cash expenses (including depreciation/amortization costs for tangible/intangible assets) are incurred, we applied the discounted cash flow (DCF) method (rather than rely on short-term earnings) in deriving our target.
- Of note, our target price is equivalent to a 2014E implied P/E of 26.2x and a 2014E EV/EBITDA of 14.3x. While Coway outpaced the Kospi by 52.0%p throughout 2013, it is our opinion that that the firm still deserves an additional valuation premium when considering its strong earnings growth potential.

Valuation premium factors: Green products, rentals, sales/service channels

- Looking at Coway's eco-friendly (green) home appliances, we note that—spurred by greater environmental awareness amongst consumers—demand for eco-friendly products is on the rise. In particular, given the high likelihood that air purifiers will succeed water purifiers as Coway's main product, we believe that the firm's earnings growth will come down the road to be driven by air purifiers.
- We note that consumer demand for Coway's rental products remains firm as the products are provided on a monthly rental fee basis (imposes little financial burden on the users). We also point out that Coway's long-term valuation merit, including the franchise value created by its well-organized nationwide sales network ('CODY') and its strong dominance in the green home appliances market.

Long-term investment merit stands out

- Coway boasts a unique business model under which the sustainability of the company's subscriber-based rental domain should provide it with long-term earnings stability. Backed by this business model, Coway allows investors to be considerably free from the impact of cyclical factors and other external variables.
- Coway has successfully laid the groundwork for enhancing shareholder value by way of paying out high dividends from improved earnings upon the fading of corporate governance risk following its split from the Woongjin Group. Over the long term, we expect Coway to increase its dividend payout in proportion to its earnings growth, forecasting that its 2014 dividend yield will reach 2.5%.

YE-Dec	Sales (Wbn)	Chg (%)	Operating profit (Wbn)	Operating margin (%)	Net profit (excl minority interests) (Wbn)	EPS (won)	Chg (%)	P/E (x)	P/B (x)	EV/EBIT DA (x)	ROE (%)	Debt/equity ratio (%)	Net debt (Wbn)
2012	1,807	5.7	228	12.6	120	1,553	-28.3	28.0	4.2	9.5	15.4	112.0	434
2013	1,934	7.0	333	17.2	253	3,283	111.4	20.2	5.3	10.0	28.6	69.6	116
2014E	2,117	9.5	372	17.6	294	3,810	16.0	20.3	5.3	11.2	28.2	64.2	59
2015F	2,369	11.9	423	17.8	330	4,278	12.3	18.1	4.6	9.8	27.4	60.0	-24
2016F	2,624	10.8	469	17.9	364	4,718	10.3	16.4	4.1	8.7	26.4	56.1	-122

Note: EPS, P/E, P/B, and ROE based on net profit (excl minority interests); Source: Woori I&S Research Center estimates

CONTENTS

I. Initiate coverage at Buy with a target price of W100,000	3
II. Three grounds for deserving additional valuation premium	5
1. Eco-friendly home appliances business boasts strong growth potential	
2. Features attractive rental business model	
3. Strong sales channel to provide new business growth opportunity	
III. Superb earnings visibility to offset risks	11
1. Earnings forecast: EPS to grow at 3-year CAGR of 12.5%	
2. Risk factors: 1) intensifying competition; 2) conflicts between new and existing sales channels; and 3) cash flow mismatches	
IV. Appendix	17

I. Initiate coverage at Buy with a target price of W100,000

Suggest DCF-based target price of W100,000

With a research blackout now lifted, we initiate coverage on Coway at Buy with a target price of W100,000. Given its unique earnings structure, wherein a large amount of its non-cash expenses (including depreciation/amortization costs for tangible/intangible assets) are incurred, we applied the DCF method (rather than rely on short-term earnings) in deriving our target price. Equivalent to a 2014E implied P/E of 26.2x and a 2014E EV/EBITDA of 14.3x, our target price offers 26% upside.

Suggest DCF-based target price of W100,000

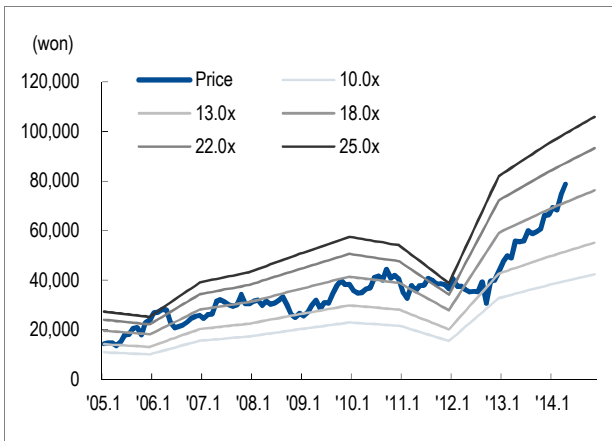
	2013A	2014E	2015F	2016F	2017F	2018F	2019F
EBIT	333	372	423	469	525	576	618
NOPLAT	254	278	316	351	393	431	462
DEP+AMOR	189	168	187	204	221	238	249
Capex	246	227	254	269	283	299	291
FCF	19	241	265	308	357	402	435
Discount factor		0.94	0.88	0.83	0.78	0.73	0.68
PV of FCF		226	234	255	278	293	298
Sum of PV	1,583						
Continuing value							
Noplat as of 2019	462						
g	1.5						
ROIC	27.9						
CV at the end of 2019	8,792						
discount factor	0.68						
PV of continuing value	6,017						
Equity value	7,717						
plus net debt	116						
minus minority interests	0						
plus preferred stock	0						
mid-year adjust factor	1.02						
Current equity value	7,870						
Per share Value	100,000						
shares outstanding	77,125						
Present price	79,400						
Upside (%)	25.9						

Source: Woori I&S Research Center estimates

Target price sensitivity		(Unit: Won)						
		Terminal Growth						
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC	4.5%	120,826	133,419	149,584	171,094	201,125	245,989	320,280
	5.0%	108,482	118,346	130,660	146,468	167,503	196,870	240,742
	5.5%	98,384	106,284	115,931	127,974	143,435	164,007	192,728
	6.0%	89,971	96,416	104,144	113,579	125,359	140,481	160,603
	6.5%	82,857	88,195	94,500	102,059	111,289	122,813	137,605
	7.0%	76,764	81,243	86,466	92,633	100,029	109,059	120,333
	7.5%	71,488	75,288	79,670	84,780	90,815	98,051	106,886
	8.0%	66,876	70,131	73,850	78,138	83,138	89,044	96,124
	8.5%	62,811	65,623	68,809	72,448	76,645	81,538	87,317

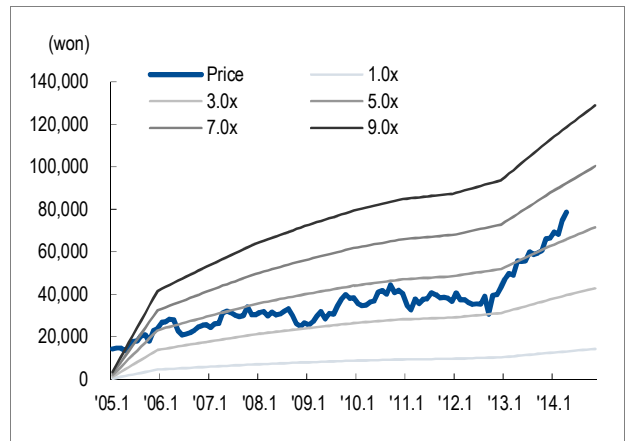
Source: Woori I&S Research Center estimates

Forward P/E band



Source: Dataguide Pro, Woori I&S Research Center estimates

Trailing P/B band



Source: Dataguide Pro, Woori I&S Research Center estimates

II. Three grounds for deserving additional valuation premium

Three reasons for further re-rating

Upon its acquisition by MBK Partners in Jan 2013, Coway became completely split from the Woongjin Group. The fading of corporate governance risk enabled Coway's P/E to jump from its 12-month forward P/E of 15x to as much as 20x during 2013. While Coway's shares outpaced the Kospi by 56.0%p throughout 2013, it is our opinion that the firm still deserves an additional valuation premium. In fact, it is our opinion that the company warrants the highest valuation premium applicable to a domestic demand-oriented company, drawing attention to the following three positives.

Core business offers strong structural growth potential

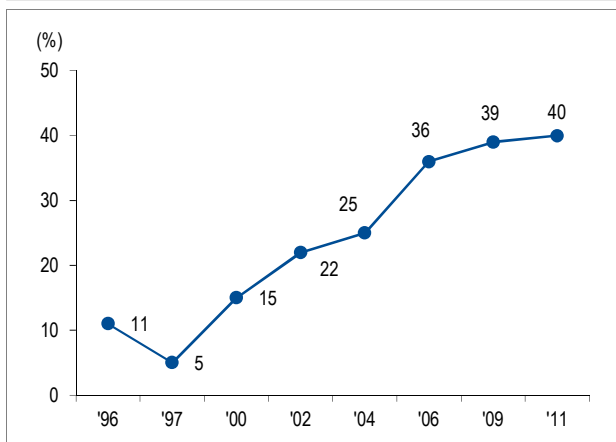
1. Eco-friendly home appliances business boasts strong growth potential

Viewing Coway's eco-friendly home appliance business (its core domain) as possessing strong growth potential, we believe an additional valuation premium is justified. In our opinion: 1) consumer demand for eco-friendly home appliances will strengthen further going forward; and 2) Coway's growth will come to be mainly driven by strong rental sales of air purifiers. Of note, a look at the growth story for water purifiers (represented 48% of Coway's total rental accounts in 2013) provides insight into the growth potential for air purifiers.

Greater market penetration of water purifiers spurring growth at Coway's rental arm

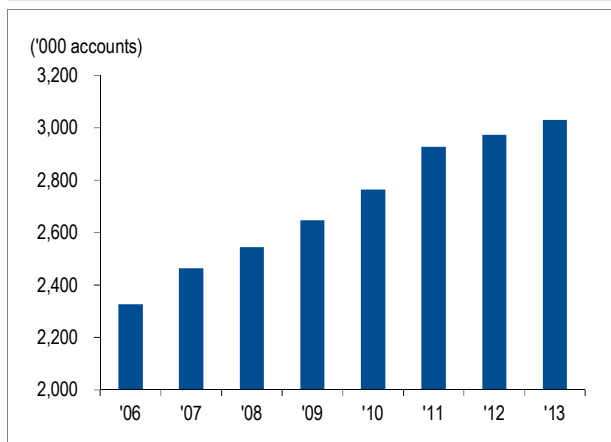
Over 2006~2013, Coway's number of related rental accounts for water purifiers (the number-one cash generator at its rental arm) jumped from 1.73mn to 2.32mn. If adding in membership accounts, the number of water purifier rental accounts climbed from 23.3mn to 3.03mn over the same period. We attribute this remarkable growth to the steadily rising market penetration of water purifiers.

Water purifiers: Penetration rate sharply rising since 2000



Source: Statistics Korea, Woori I&S Research Center

Number of water purifier accounts steadily climbing



Source: Coway, Woori I&S Research Center

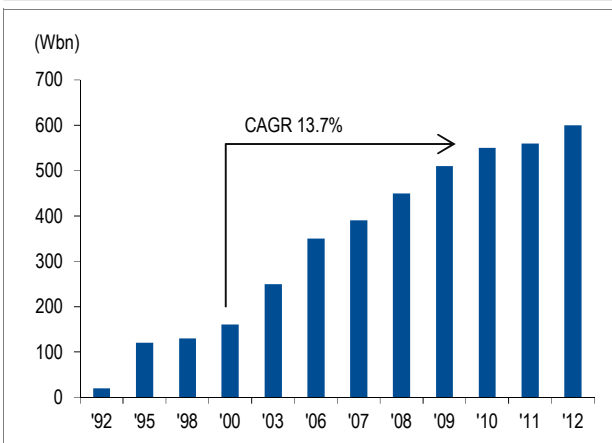
Bottled water market saw rapid expansion over 2000~2011

According to Statistics Korea, the water purifier penetration rate at domestic households over 2000~2011 surged from 15% to 40%, increasing by around 2.7x. Of note, the domestic bottled water market also expanded rapidly over the same period, with its value growing by around 3.5x (2000: W160bn → 2011: W550bn).

Greater environmental awareness to create additional growth opportunities

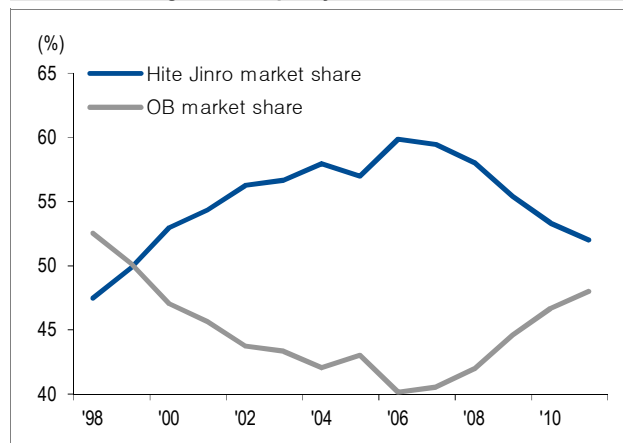
We attribute the above-described expansion of the water purifier and bottled water markets over 2000~2011 to consumer demand for ‘clean water’. Of particular interest, over roughly the same time period, Hite Jinro’s beer brand ‘Hite Jinro’ overwhelmed ‘OB’ to take the top post in the domestic non-premium beer market (highest market share: 60%). This achievement has been mainly credited to the successful marketing of the purity of the water used in Hite Jinro’s brewing process. This example underlines the exponential growth in consumer demand for clean water products seen since around 2000—related products (eg, bottled water and water purifiers) have enjoyed remarkable sales growth over this period.

Domestic bottled water market grew sharply in 2000s



Source: Woori I&S Research Center

Hite Jinro now owns lion's share of beer market thanks to firm's marketing focus on purity of its water

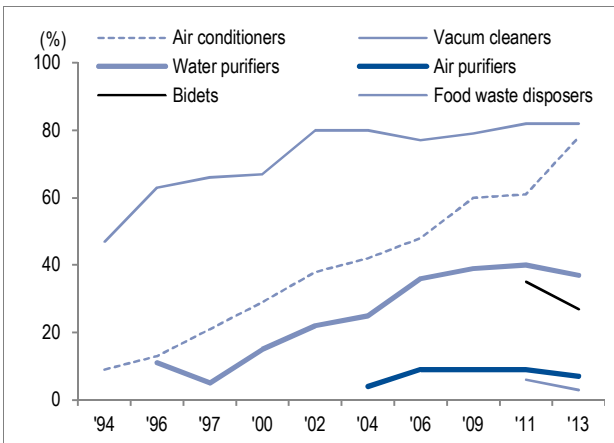


Note: Total demand based on shipment volume; each firm based on sales volume

Despite air pollution problem, air purifier penetration rate has yet to surge

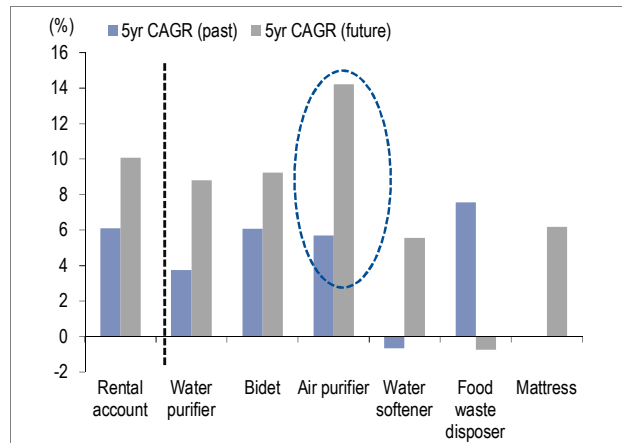
Amidst an intensifying focus on environmental problems involving air pollution in general and ‘yellow dust’ (pollution-bearing airborne sand particles originating from China) in particular, consumer interest is gravitating towards the need for ‘clean air’. Nevertheless, Statistics Korea reports that the domestic penetration rate of air purifiers has remained flat at 9% since 2006, a level considerably lower than that for water purifiers (40%) and air conditioners (61%). Of note, the penetration rate of water purifiers remained stagnant at around 10% in the late 1990s, but sharply rose thereafter. Looking at the growth story for water purifiers, we believe that ample growth potential exists for air purifiers (the current penetration rate of which is relatively low).

Home appliance penetration rate per household illustrates growth potential for air purifiers



Source: Statistics Korea, Woori I&S Research Center

Coway’s rental account growth, by home appliance type

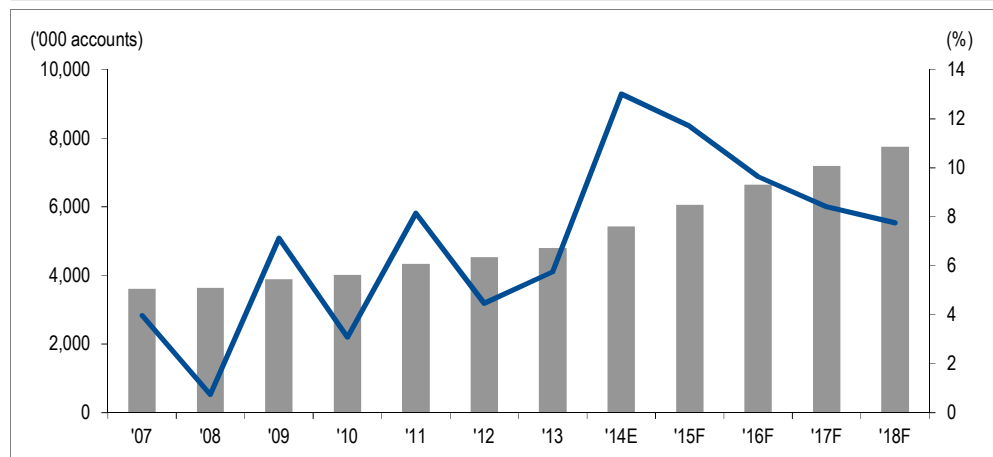


Source: Coway, Woori I&S Research Center estimates

Given anticipated rise in air purifier penetration rate over next five years, firm possesses strong growth potential

We forecast that Coway’s number of rental accounts will increase on at an average of 10.1% pa over the next five years. In particular, we believe that the highest account growth (14.3%) will be for Coway’s air purifier rentals, expecting these accounts to serve as the company’s core growth driver going forward. Of note, the market penetration rate of water purifiers currently stands at around 40%, and Coway’s overall number of water purifier rental accounts (rental accounts + membership accounts) amounts to roughly 3.03mn. In contrast, the firm’s number of air purifier rental accounts now totals only around 1.35mn. However, based on the assumption that the air purifier penetration rate will come to the match that seen for its water purifiers, this figure should increase to roughly 2.54mn accounts in 2018.

Number of rental accounts steadily rising



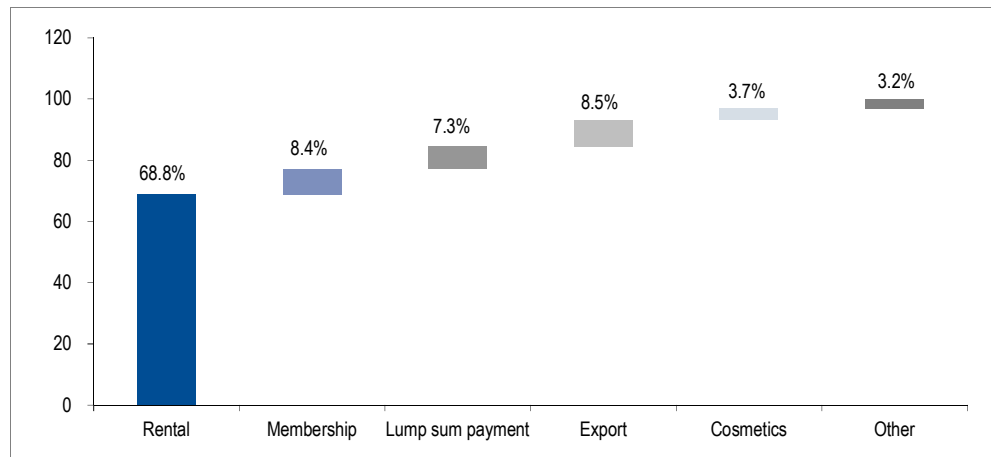
Source: Coway, Woori I&S Research Center estimates

**Rental business
boasts low volatility
and high entry
barrier**

2. Features attractive rental business model

Coway boasts a unique business model under which the sustainability of the company's subscriber-based rental domain (generates 69% of the firm's sales) should provide it with long-term earnings stability (regardless the impact of cyclical factors and other external variables). An interesting feature of Coway's rental business model is that both the manufacturing costs and sales commissions for a product are immediately reflected as costs upon signing of contract between Coway and its subscriber—over the long term, these costs are collected in the form of monthly rental fees.

69 % of Coway's sales are generated by its rental business arm



Source: Coway, Woori I&S Research Center

Noting that a substantial amount of cash outflow is incurred during the initial stages of setting up a rental business, the rental market poses a high entry barrier to cash-strapped new entrants. But, if a firm is able to secure a certain number of loyal customers (subscribers), the model can draw steady cash (based on the inflow of monthly rental fees). Of note, during period of attracting rental users (ie, rental accounts), rental players tend to witness cash outflows that exceed their sales; thus, their cash flow tends to remain in negative territory in the initial stages after the launch, but then tends turns to positive after roughly one year.

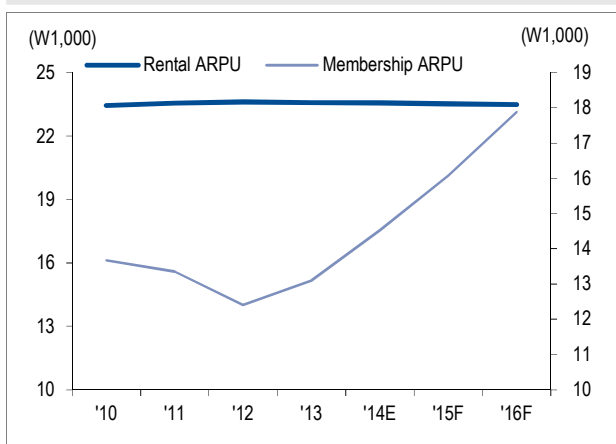
Cash flow analysis of rental structure for 'CP-07BLO' (water purifier)							(Unit: won)
	Period	1yr	2yr	3yr	4yr	5yr	
[Cash inflow]							
Rental registration fee	90,909	90,909					
Rental fee	32,000	384,000	384,000	339,273	339,273	339,273	
Sub-total	122,909	474,909	384,000	339,273	339,273	339,273	
[Cash outflow]							
Product manufacturing cost	152,536	152,536					
Installation fee	22,408	22,408					
Filters & components	124	9,493	23,118	13,258	19,353	13,258	
Sales commission	94,000	130,300	3,300				
Other variable costs	3,017	32,626	32,948	33,380	33,082	32,995	
Maintenance fee		30,000	30,000	30,000	30,000	30,000	
Sub-total	272,085	377,363	89,366	76,638	82,435	76,253	
[Cash flow]	-149,176	97,546	294,634	262,635	256,838	263,020	
Total		97,546	392,180	654,815	911,653	1,174,673	

Source: Coway, Woori I&S Research Center

Low ARPU allows high immunity to economic fluctuations

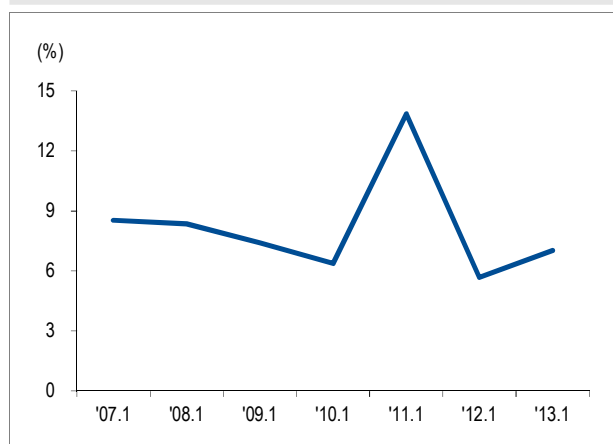
Coway's business is relatively resistant to economic fluctuations—as its products are provided on a monthly rental fee basis (imposes little financial burden on the users), consumer demand tends to remain steady. In detail, the firm's rental accounts and membership accounts represent roughly 80% (combined) of its total sales. But, the monthly average revenue per user (ARPU) in 2013 for these domains amounted to only W24,000 (rentals) and W13,000 (memberships). On the part of consumers, this is a tolerable amount to spend (despite economic downturns and disposable income declines) in order to help maintain a healthy lifestyle—this tolerability, in turn, provides Coway with earnings stability.

Monthly rental fee stands slightly above W20,000



Source: Coway, Woori I&S Research Center estimates

Despite economic downturn, sales growth sound



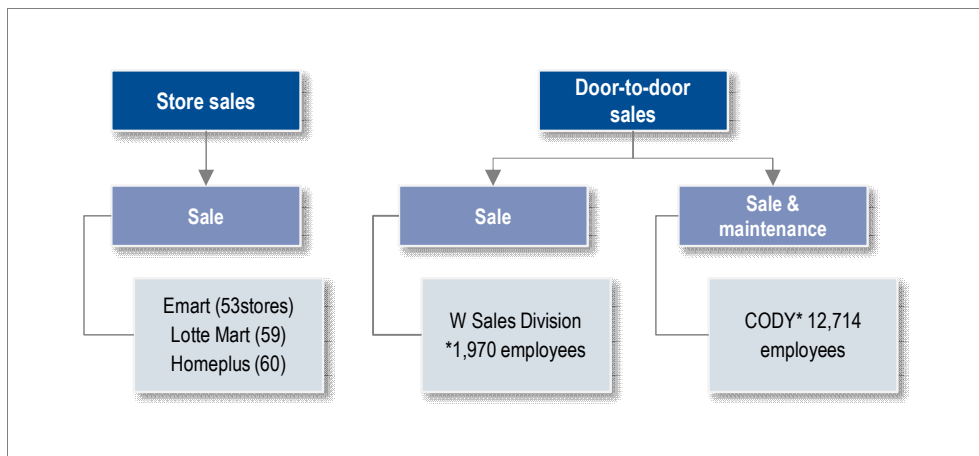
Source: Coway, Woori I&S Research Center

3. Strong sales channel to provide new business growth opportunity

Strength of sales channel warrants attention

We view Coway's shares as deserving to trade at a premium thanks to the franchise value created by its well-organized nationwide sales network (CODY). Coway's sales organization is largely divided into door-to-door sales and its service channel (CODY) and store sales channels (including Emart). In detail, Coway's door-to-sales organization possesses the following strengths: 1) a sound channel; 2) a means to attract new customers; and 3) a core asset for gathering information on consumer trends.

Coway's sales organization

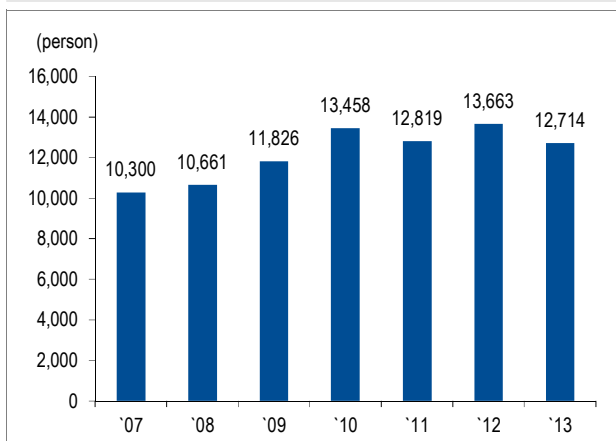


Source: Coway, Woori I&S Research Center

Large-scale improvement seen in channel efficiency over past few years

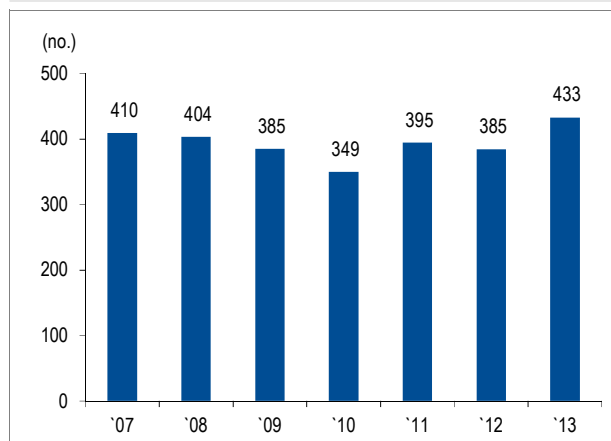
Looking at door-to-door sales models, we observe that an increase/decline in a given firm's number of sales agents is often strongly correlated to the expansion/reduction of its business size. However, Coway is differentiated from others via the fact that its door-to-door sales business gamers not only product sales but also additional service contracts—the firm's representatives (CODY agents) visit customer homes once every two months in order to provide services such as filter replacement. Of note, while Coway has improved its channel efficiency over the past few years by cutting back on its number of door-to-door sales representatives, the fluctuations in the number of CODY agents does not appear to have had a significant impact on top-line growth.

Number of CODY agents



Source: Coway

Number of accounts managed per CODY agent



Source: Coway

III. Superb earnings visibility to offset risks

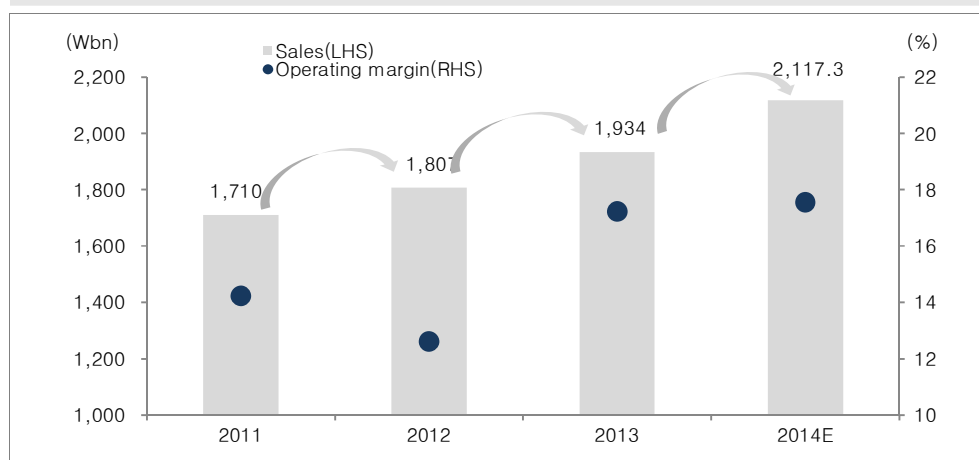
1. Earnings forecast: EPS to grow at 3-year CAGR of 12.5%

1) Focus to shift to growth

Sales to rise 9.5% y-y in 2014

In 2013, during its first year in charge, new major shareholder MBK Partners focused on eliminating Coway's inefficiencies and improving the firm's key indicators. In 2014, we expect Coway's to focus on expansion (utilizing its improved efficiency). Meanwhile, we predict that Korea's green appliance market will grow on: 1) rising rental sales (for water purifiers, air purifiers, and mattresses); 2) expanding sales channels (home shopping, discount stores, and Hi-Mart); 3) steady ARPU growth (following fee hikes in 2013); and 4) manpower reinforcement. In particular, Coway should see its sales climb 9.5% y-y to W2,117.3bn in 2014. Meanwhile, driven by rising demand for air purifiers, we estimate that the firm's rental sales will expand 9.2% y-y.

Focus to shift to growth in 2014



Source: Coway, Woori I&S Research Center estimates

Earnings forecasts based on key assumptions

(Units: Wbn, %)

	2010	2011	2012	2013	2014E	2015F	2016F	2017F	2018F
Sales	1,502	1,710	1,807	1,934	2,117	2,369	2,624	2,878	3,143
Rentals	1,106	1,206	1,286	1,333	1,456	1,622	1,781	1,931	2,080
Memberships	148	161	161	172	179	203	241	287	347
Lump-sum sales	107	138	145	149	154	161	168	173	176
Exports	-	-	110	145	181	218	251	284	318
Cosmetics	23	68	67	76	79	81	84	85	86
Others	117	136	38	58	69	83	100	118	136
Sales growth	6.4	13.9	5.7	7.0	9.5	11.9	10.8	9.7	9.2
Rentals	4.5	9.0	6.6	3.7	9.2	11.4	9.8	8.4	7.7
Memberships	7.1	8.8	0.3	6.8	3.7	13.4	18.7	19.3	20.9
Lump-sum sales	36.6	28.7	4.7	3.2	3.0	5.0	4.0	3.0	2.0
Exports				32.0	25.0	20.9	15.0	13.0	12.0
Cosmetics		191.9	-1.4	13.6	3.5	2.6	3.0	1.5	1.7
Others				50.7	19.1	21.1	20.1	18.0	15.0
Sales breakdown									
Rentals	73.7	70.5	71.2	69.0	68.8	68.5	67.9	67.1	66.2
Memberships	9.8	9.4	8.9	8.9	8.4	8.6	9.2	10.0	11.0
Lump-sum sales	7.1	8.1	8.0	7.7	7.3	6.8	6.4	6.0	5.6
Exports	0.0	0.0	6.1	7.5	8.5	9.2	9.6	9.9	10.1
Cosmetics	1.6	4.0	3.7	4.0	3.7	3.4	3.2	2.9	2.7
Others	7.8	8.0	2.1	3.0	3.2	3.5	3.8	4.1	4.3
Gross profit	1,011	1,158	1,201	1,282	1,407	1,569	1,732	1,892	2,060
Rentals	811	871	921	955	1,043	1,161	1,275	1,383	1,489
Memberships	102	111	110	118	125	143	169	202	244
Lump-sum sales	-	84	78	93	107	115	120	125	128
Exports	-	-	22	34	45	57	65	74	83
Cosmetics	-	56	56	65	64	66	68	69	70
Others	98	36	15	18	23	28	34	40	46
Gross margin	67.3	67.7	66.5	66.3	66.5	66.3	66.0	65.8	65.5
Rentals	73.3	72.2	71.6	71.6	71.6	71.6	71.6	71.6	71.6
Memberships	68.9	68.8	68.1	68.7	70.1	70.4	70.4	70.4	70.4
Lump-sum sales		61.1	53.9	62.0	69.3	71.0	71.7	72.2	72.5
Exports			20.0	23.2	25.1	26.0	26.0	26.0	26.0
Cosmetics		82.1	83.2	84.6	81.0	81.0	81.0	81.0	81.0
Others			39.2	32.0	34.0	34.0	34.0	34.0	34.0
SG&A expense	704	915	974	949	1,035	1,147	1,262	1,367	1,484
Labor costs	196	232	267	265	290	325	360	394	431
Ads	56	58	51	48	53	59	66	72	79
Sales commissions	220	305	316	303	330	367	404	440	478
Others	233	320	339	333	362	396	433	460	497
Operating profit	307	243	228	333	372	423	469	525	576
Growth	50.2	-20.7	-6.4	46.3	11.6	13.7	11.0	11.9	9.7
Operating margin	20.4	14.2	12.6	17.2	17.6	17.8	17.9	18.2	18.3
EBITDA	445	396	400	522	540	609	674	746	814
Growth	26.4	-11.1	1.0	30.6	3.4	12.9	10.6	10.8	9.1
EBITDA margin	29.7	23.1	22.1	27.0	25.5	25.7	25.7	25.9	25.9

Source: Coway, Woori I&S Research Center estimates

Key assumptions for sales estimates

(Units: Wbn, '000, W1,000, %)

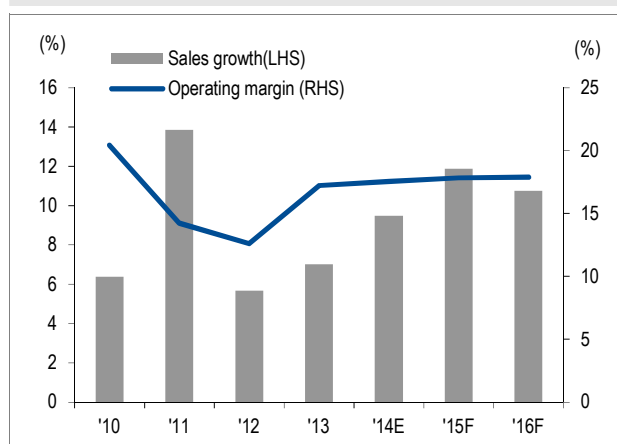
	2010	2011	2012	2013	2014E	2015F	2016F	2017F	2018F
Rental									
Sales	1,106	1,206	1,286	1,333	1,456	1,622	1,781	1,931	2,080
No. of rental accounts	4,018	4,345	4,539	4,800	5,424	6,059	6,642	7,200	7,758
Water purifiers	2,081	2,216	2,259	2,324	2,575	2,848	3,097	3,321	3,544
Bidets	692	756	772	826	922	1,015	1,105	1,195	1,285
Air purifiers	1,036	1,128	1,181	1,223	1,476	1,718	1,938	2,158	2,378
Water softeners	309	315	313	302	321	340	359	378	396
Food waste disposers	27	28	34	34	34	33	33	33	32
Mattresses	-	7	49	91	97	103	110	116	123
ARPU/month	23	24	24	24	24	24	23	24	23
Membership									
Sales	148	161	161	172	179	203	241	287	347
No. of membership accounts	901	1,004	1,084	1,097	1,026	1,050	1,120	1,189	1,263
Water purifiers	684	712	715	707	674	688	727	766	806
Bidets	85	121	140	137	120	118	124	129	134
Air purifiers	56	91	111	129	131	138	147	156	166
Water softeners	72	74	68	63	55	54	56	57	59
Food waste disposers	3	4	3	3	2	2	2	2	2
Mattresses	-	0	44	57	44	50	65	79	96
ARPU/month	14	13	12	13	15	16	18	20	23
Lump sum sales									
Growth	36.6	28.7	4.7	3.2	3.0	5.0	4.0	3.0	2.0
Export									
Growth	-	-	-	32.0	25.0	20.9	15.0	13.0	12.0
Cosmetics									
Growth	-	-	-	50.7	19.1	21.1	20.1	18.0	15.0

Source: Coway, Woori I&S Research Center estimates

Operating margin to grow 0.4%p y-y in 2014

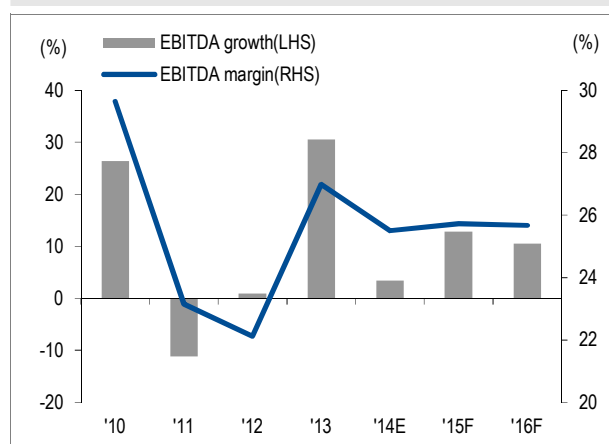
We expect Coway's operating profit to grow 11.6% y-y to W371.7bn in 2014, while the firm's operating margin should improve 0.4%p from 17.2% in 2013 to 17.6% in 2014. Of note, as the company plans to shift its focus towards growth in 2014 (following efforts to improve cost efficiency in 2013), any operating margin improvement is likely to be limited this year.

Sales growth and operating margin



Source: Coway, Woori I&S Research Center estimates

EBITDA growth and EBITDA margin



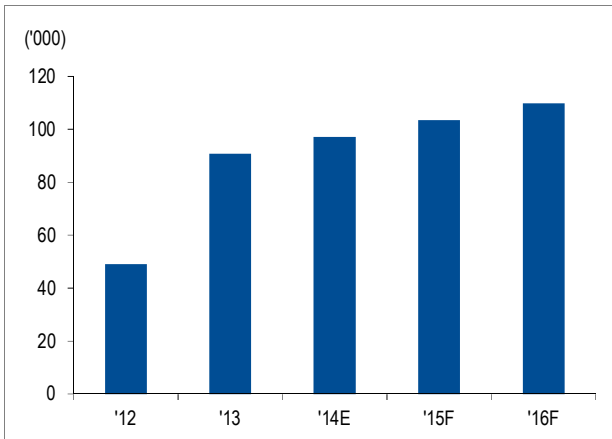
Source: Coway, Woori I&S Research Center

2) Long-term outlook positive

Long-term growth outlook positive

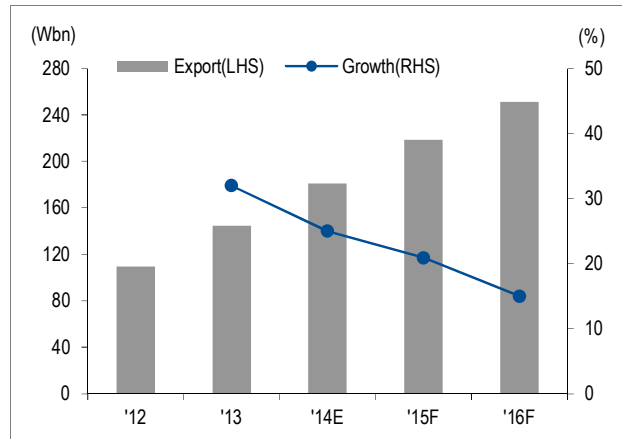
Going forward, we expect Coway's lofty growth to continue, with the firm's EPS increasing at a 3-year CAGR of 12.4%. Growth drivers for the company include: 1) rising exports (including air purifier ODM exports) led by China; and 2) rapid sales growth for new items (including mattresses).

Increase in mattress rental accounts



Source: Coway, Woori I&S Research Center estimates

Rapid export growth

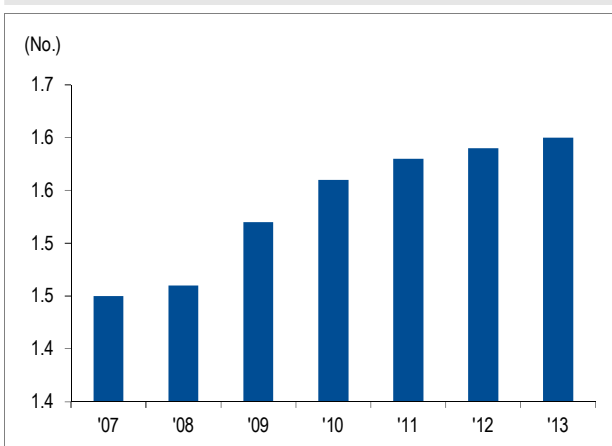


Source: Coway, Woori I&S Research Center estimates

Efficiency continues to improve

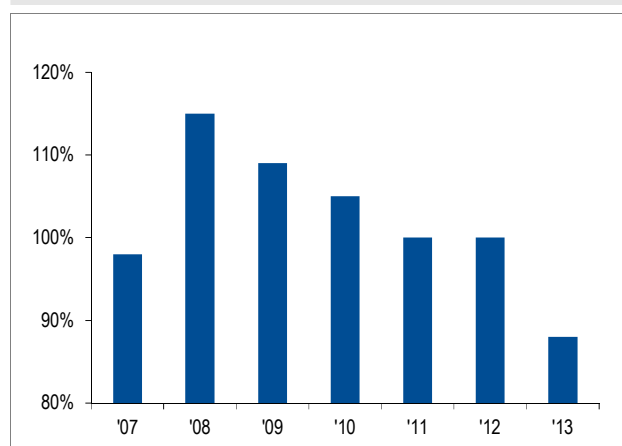
In addition, the number of rental items per user is increasing steadily, and the company's cancellation rate is stabilizing—both of these factors suggest that the firm's top- and bottom-line growth will accelerate further.

Number of rental items per user



Source: Coway, Woori I&S Research Center estimates

Cancellation rate stabilizing



Source: Coway, Woori I&S Research Center

1Q14 earnings to meet consensus

We expect Coway to book 1Q14 sales of W499.9bn (up 7.4% y-y) and operating profit of W85.1bn (up 22.9% y-y), meeting market consensus. Of note, we attribute the strong sales and operating growth to product price hikes implemented in late-Mar 2013.

Quarterly earnings									(Units: Wbn, '000 units, W1,000, %)		
	1Q13	2Q13	3Q13	4Q13	1Q14E	2Q14F	3Q14F	4Q14F	2013	2014E	2015F
Sales	465	497	489	482	500	541	540	536	1,934	2,117	2,369
Rental sales	327	332	335	339	349	359	369	379	1,333	1,456	1,622
No. of accounts	4,658	4,717	4,746	4,800	4,952	5,110	5,267	5,424	4,800	5,424	6,059
ARPU	23	24	24	24	24	24	23	24	24	24	24
Membership sales	43	43	43	44	44	44	45	45	172	179	203
No. of accounts	1,135	1,100	1,088	1,066	1,052	1,033	1,017	1,001	1,097	1,026	1,050
ARPU	13	13	13	14	14	14	15	15	13	15	16
Lump-sum sales	37	48	35	29	38	49	37	30	149	154	161
Export revenue	31	45	38	31	39	56	47	38	145	181	218
Cosmetics sales	18	22	17	20	19	23	17	20	76	79	81
Other	9	8	21	20	11	10	25	23	58	69	83
Sales growth	5.2	11.3	6.8	4.9	7.4	8.9	10.5	11.1	7.0	9.5	11.9
Rental sales	3.5	4.1	3.6	3.6	6.5	8.2	10.2	11.8	3.7	9.2	11.4
Membership sales	10.4	9.1	5.1	3.2	2.9	3.9	4.0	4.1	6.8	3.7	13.4
Lump-sum sales	11.9	18.1	-9.3	-9.3	3.0	3.0	3.0	3.0	3.2	3.0	5.0
Export revenue	5.0	111.4	35.6	0.2	25.0	25.0	25.0	25.0	32.0	25.0	20.9
Cosmetics sales	6.3	35.5	-4.2	18.1	5.0	4.0	3.0	2.0	13.6	3.5	2.6
Other	16.1	-25.8	125.6	85.0	25.0	23.0	20.0	14.0	50.7	19.1	21.1
Gross profit	311	329	319	323	333	359	356	359	1,282	1,407	1,569
Gross margin	66.8	66.2	65.3	67.0	66.6	66.4	65.9	66.9	66.3	66.5	66.3
Operating profit	69	79	97	88	85	98	95	93	333	372	423
Operating profit growth	7.9	21.9	54.2	145.7	22.9	24.1	-2.4	6.7	46.3	11.6	13.7
Operating margin	14.9	16.0	19.8	18.2	17.0	18.2	17.5	17.4	17.2	17.6	17.8

Source: Coway, Woori I&S Research Center estimates

2. Risk factors: 1) intensifying competition; 2) conflicts between new and existing sales channels; and 3) cash flow mismatches

We note that in relation to Coway's business model (or current business situation), investors are worried about potential risk factors that may undermine the firm's enterprise value, such as: 1) intensifying competition; 2) conflicts between existing and new sales channels (upon sales channel expansion); and 3) cash flow mismatches. However, we view the concerns as being unwarranted for the following reasons.

Threat from low-priced brands nothing new

1) We point out that the threat posed by low-priced brands is nothing new. Over the past ten years, Coway has continually faced competition from new low-priced brands. However, backed by its strength in the green home appliance rental segment (in which the timely replacement and cleaning of filters is key), Coway has maintained its competitiveness over the new entrants.

Conflicts unlikely to emerge between new and existing sales channels

2) We recognize that conflicts can emerge between new and existing sales channels. However, as noted earlier, Coway's existing sales channel (CODY) is well positioned to generate profits from maintenance services as well as from the sale of rental products; thus, the introduction of new sales channels should have a limited effect.

Coway boasts a long history in the rental industry; cash flow mismatches unlikely

3) We draw attention to Coway's solid cash flow. The obligatory rental period for Coway's products is five years; however, we point out that cash flow for the company's main products usually turns positive after only one year. Moreover, for most of the firm's other products, even if a customer was to terminate his/her contract after only two years, the impact on the firm's cash flow would likely be negligible. Furthermore, given that Coway boasts a long history in the rental industry, and further given that the firm completed its infrastructure investment in 2006, we believe that it is unlikely to experience severe cash flow mismatches.

IV. Appendix

Corporate history



Source: Coway, Woori I&S Research Center

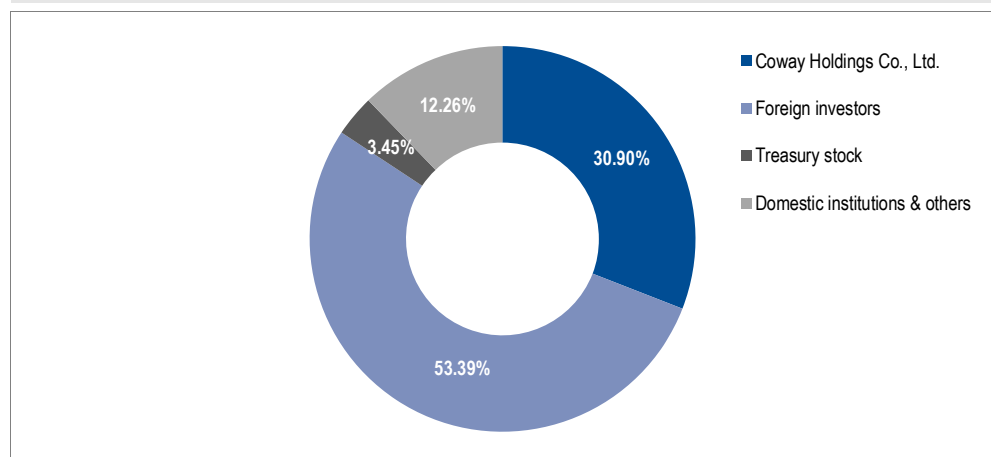
Consolidated subsidiaries

(Units: %, Wbn)

Subsidiary	Location	Fiscal closing	Business area	Stake ownership	Assets	Liabilities	Shareholders' equity	Sales	Net profit	Comprehensive income
WoongJin Coway (China) Living Goods Co, Ltd	China	Dec	Manufacturing of cosmetics & sale and rental of water purifiers, etc	100	42.1	16.6	25.5	44.9	-5.8	-5.3
Coway China Co, Ltd	China	Dec	Sale of air purifiers, etc	100	38.8	40.0	-1.3	38.9	-1.4	-1.4
Coway(Thailand) Co, Ltd	Thailand	Dec	Sale and rental of water purifiers, etc	100	7.5	16.7	-9.2	12.3	-4.6	-3.8
Coway (M) Sdn Bhd	Malaysia	Dec	Sale and rental of water purifiers, etc	100	52.7	39.5	13.1	71.9	3.5	2.3
Woong Jin Coway USA Inc	US	Dec	Sale and rental of water purifiers, etc	100	1.8	0.0	1.7	-	-	0.0
GETC	Korea	Dec	Waste treatment & construction of anti-pollution facilities	100	2.5	0.3	2.1	-	0.0	0.0
Pocheon Clean Water	Korea	Dec	Waste treatment & construction of anti-pollution facilities	100	29.9	17.1	12.8	46.0	0.6	0.6

Source: Coway, Woori I&S Research Center

Coway's ownership structure



Source: Coway, Woori I&S Research Center

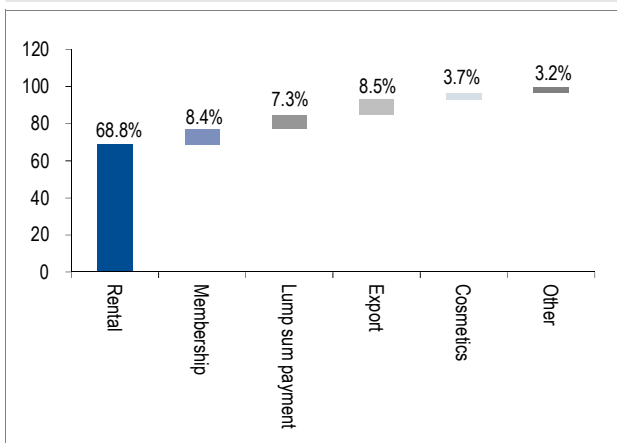
Sales and products

Rentals and memberships

1. Rental sales: When a client signs a rental agreement with CODY, Coway incurs a registration fee (in the first month), before collecting monthly rental fees. Of note, the company’s obligatory contract period is five years, but clients tend to terminate their contracts after an average of 40 months.

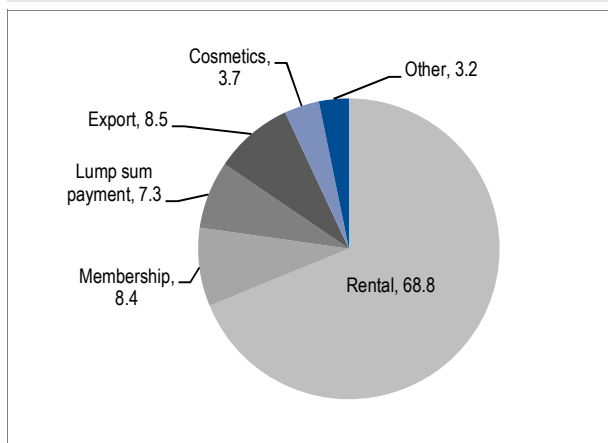
2. Membership sales: Following the completion of a five-year rental contract, product ownership switches from Coway to the respective client; however, the company continues to incur sales via maintenance services (eg, filter replacement). In addition, the company provides maintenance services for products purchased via its lump sum system.

Coway's sales breakdown



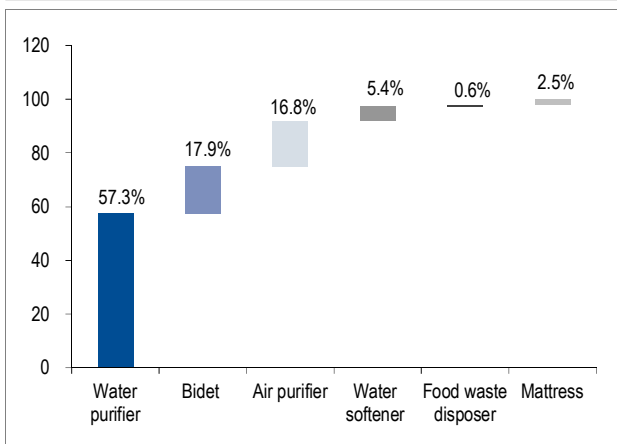
Source: Coway, Woori I&S Research Center

Coway's sales breakdown



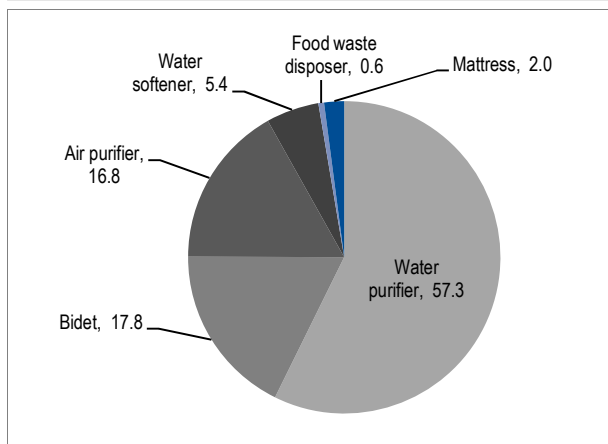
Source: Coway, Woori I&S Research Center

Rental sales breakdown, by product



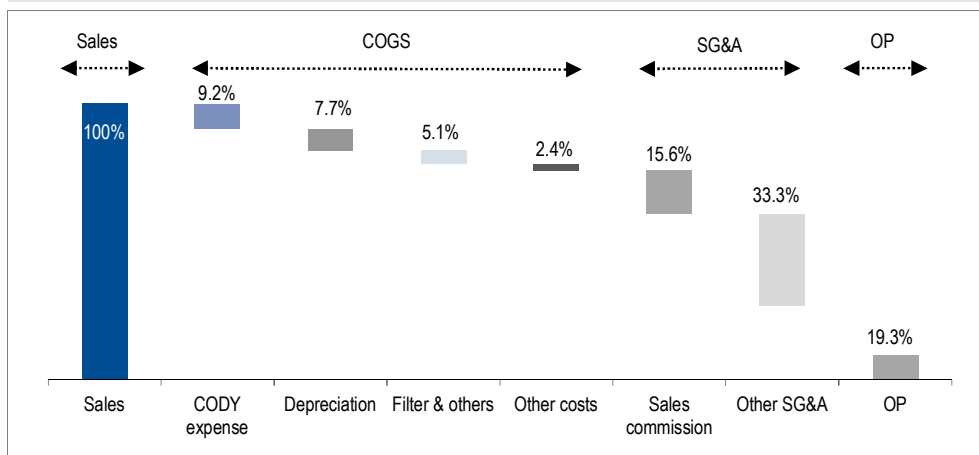
Source: Coway, Woori I&S Research Center

Rental sales breakdown, by product



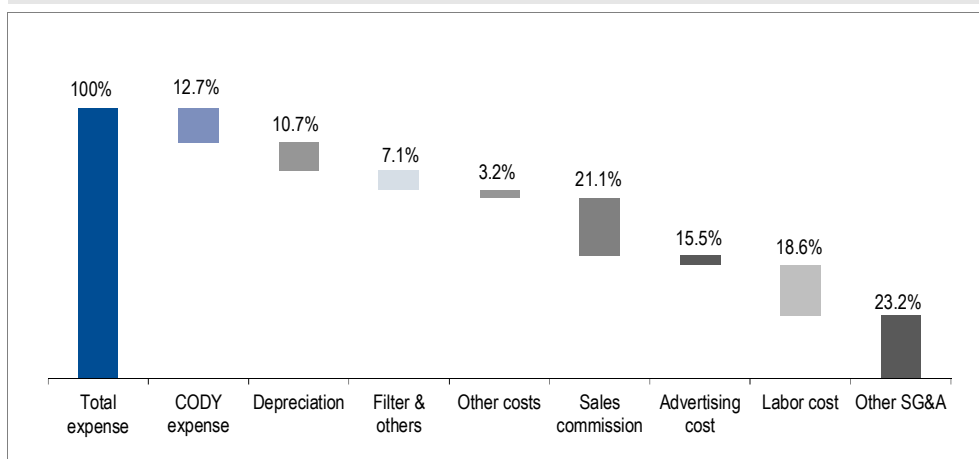
Source: Coway, Woori I&S Research Center

Coway's cost breakdown



Source: Coway

Coway's cost composition (costs + SG&A = 100%)



Source: Coway, Woori I&S Research Center

Loss from disposal of rental assets

With regard to concluding rental contracts, rental costs are booked as assets, and depreciation (one-sixtieth per month) is carried out over a five-year period (obligatory contract period). In this case, total costs are booked as expenses (upon contract signing) under both the firm's income statement and its cash flow statement. If a customer prematurely terminates his/her contract, rental assets are temporarily booked as a loss (referred to as a loss from the disposal of rental assets). Of note, losses from the disposal of rental assets in 2013 amounted to W38.8bn (4.1% of total SG&A expenses).

Cash flow analysis for CP-07BLO (rentable water purifier)

(Unit: won)

Period	1yr	2yr	3yr	4yr	5yr
[Cash inflow]					
Rental registration fee	90,909	90,909			
Rental fee	32,000	384,000	384,000	339,273	339,273
Sub-total	122,909	474,909	384,000	339,273	339,273
[Cash outflow]					
Product manufacturing cost	152,536	152,536			
Installation fee	22,408	22,408			
Filters & components	124	9,493	23,118	13,258	19,353
Sales commission	94,000	130,300	3,300		
Other variable costs	3,017	32,626	32,948	33,380	33,082
Maintenance fee		30,000	30,000	30,000	30,000
Sub-total	272,085	377,363	89,366	76,638	82,435
[Cash flow]	-149,176	97,546	294,634	262,635	256,838
Total		97,546	392,180	654,815	911,653

Source: Coway, Woori I&S Research Center

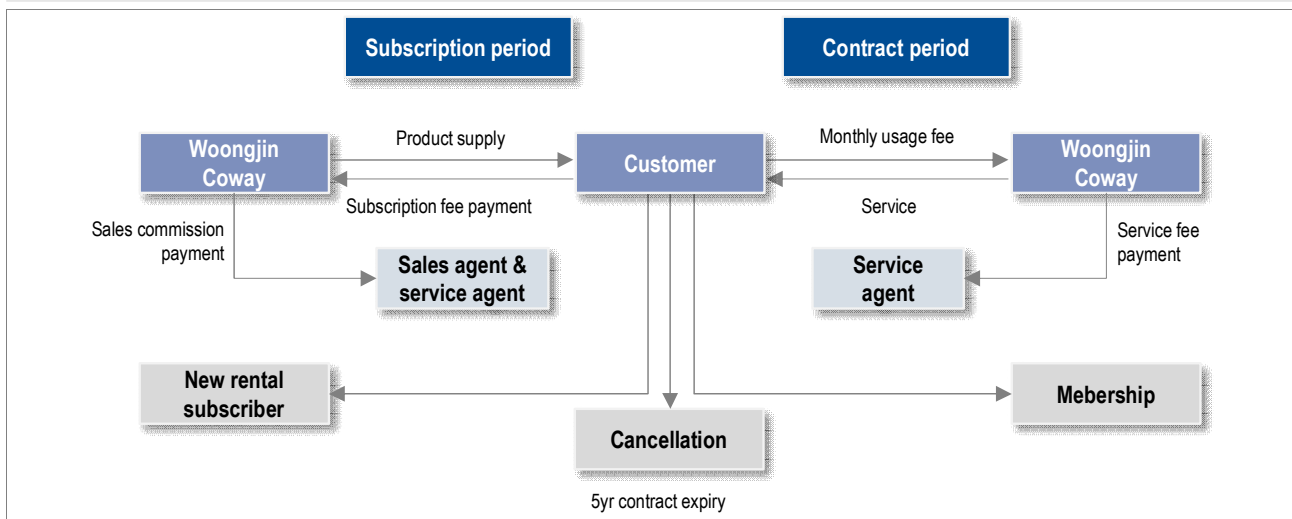
Contribution margin analysis of CP-07BLO (rentable water purifier)

(Unit: won)

Period	1yr	2yr	3yr	4yr	5yr
[Sales recognition]					
Rental registration fee	3,788	45,455	45,455		
Rental fee	32,000	384,000	384,000	339,273	339,273
Sub-total	35,788	429,455	429,455	339,273	339,273
[Cost recognition]					
Depreciation	2,542	30,507	30,507	30,507	30,507
Installation fee	934	11,204	11,204		
Filters & components	124	9,493	23,118	13,258	19,353
Sales commission	5,567	66,800	66,800		
Other variable costs	3,017	32,626	32,948	33,380	33,082
Maintenance fee	0	30,000	30,000	30,000	30,000
Sub-total	12,184	180,630	194,577	107,145	112,942
[Profit & loss]	23,604	248,824	234,877	232,128	226,331
(Total)		248,824	483,702	715,829	942,160









Source: Coway, Woori I&S Research Center

Coway's rental business structure



Source: Coway, Woori I&S Research Center

Lump sum price and rental fee range for product offerings

	Product	Lump sum price	Rental fee (monthly)	Sales method
Water purifier	 Self-sterilization water purifier	W1,990,000~W2,190,000	W45,700~W48,400	Lump sum/rental
	 Alkali-ion water purifier	W2,290,000	W59,500	Lump sum/rental
Air purifier	 Air purifier + natural humidifier (green)	W690,000	W27,900	Lump sum/rental
	 Air purifier + natural humidifier (white)	W940,000	W39,400	Lump sum/rental
Bidet	 Looloo sterilization bidet	W760,000	W23,900	Lump sum/rental
	 Looloo bidet	W819,000	W25,900	Lump sum/rental
Other products	 Food waste disposer	W790,000		Lump sum
	 Mattress/bed	W1,150,000 (frame) W1,350,000 (mattress)	W31,900 (frame) W38,900 (mattress)	Lump sum/rental

Source: Coway

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

(Wbn)	2012/12A	2013/12A	2014/12E	2015/12F	2016/12F	2017/12F
Sales	1,807	1,934	2,117	2,369	2,624	2,878
Growth (%)	5.7	7.0	9.5	11.9	10.8	9.7
Cost of Sales	605	652	710	800	892	986
% sales (%)	33.5	33.7	33.5	33.7	34.0	34.2
Gross Profit	1,201	1,282	1,407	1,569	1,732	1,892
Gross margin (%)	66.5	66.3	66.5	66.3	66.0	65.8
Growth (%)	3.8	6.7	9.8	11.5	10.3	9.3
SG&A	974	949	1,035	1,147	1,262	1,367
Operating Income (A, GP-SG&A)	228	333	372	423	469	525
Operating margin (%)	12.6	17.2	17.6	17.8	17.9	18.2
Growth (%)	-6.4	46.3	11.6	13.7	11.0	11.9
Depreciation&Amortization (B)	172	189	168	187	204	221
Depreciation	165	181	165	183	201	218
Amortization	7	7	4	3	3	3
EBITDA (A+B)	400	522	540	609	674	746
EBITDA margin (%)	22.1	27.0	25.5	25.7	25.7	25.9
Growth (%)	1.0	30.6	3.4	12.9	10.6	10.8
Financial Income	4	4	29	29	30	31
Interest Income	1	4	6	8	10	13
Gains on Foreign Exchange	0	0	3	3	3	3
Other Financial Income	2	0	20	18	17	15
Financial Costs	62	18	16	16	17	18
Interest Expenses	29	18	13	13	14	15
Losses on Foreign Exchange	0	0	3	3	3	3
Other Financial Expense	33	0	0	0	0	0
Other Non-Operating Profits	-5	-9	0	0	0	0
Other Non-Operating Income	23	14	0	0	0	0
Other Non-Operating Expenses	28	23	20	18	17	15
Gains(Losses) in Associates, Subsidiaries and JVs	-3	40	10	8	6	4
Gains(Losses) in Equity Method	0	0	0	0	0	0
Pre-Tax Income	161	351	394	443	488	542
Growth (%)	-28.3	117.1	12.5	12.3	10.3	11.0
Income Taxes	42	97	101	113	125	138
Income from Continuing Operations	120	253	294	330	364	404
Income from Discontinued Operations	0	0	0	0	0	0
Net Profit	120	253	294	330	364	404
Net margin (%)	6.6	13.1	13.9	13.9	13.9	14.0
Growth (%)	-32.4	111.4	16.0	12.3	10.3	11.0
Net Profit of Parent	-2	-1	0	0	0	0
Net Profit to Non-Controlling	RR	RR	-100.0	-	-	-
Other Comprehensive Income	118	253	294	330	364	404
Growth (%)	-31.5	113.7	16.3	12.3	10.3	11.0
Total Comprehensive Income	120	253	294	330	364	404
Growth (%)	6.6	13.1	13.9	13.9	13.9	14.0
Net Profit (excluding preferred dividends)	120	253	294	330	364	404
Total Cash Dividend	0	202	143	161	178	197

STATEMENT OF FINANCIAL POSITION

(Wbn)	2012/12A	2013/12A	2014/12E	2015/12F	2016/12F	2017/12F
Cash & Financial Goods	119	202	271	367	479	611
Accounts Receivables	278	266	298	333	369	405
Inventories	41	41	51	62	74	90
Other Current Assets	252	134	144	154	164	176
Total Current Assets	691	642	764	916	1,087	1,282
Growth (%)	35.1	-7.1	18.9	19.9	18.7	17.9
Current Asset Turnover	3.0	2.9	3.0	2.8	2.6	2.4
Tangible Assets	594	597	660	731	799	863
CAPEX	295	246	227	254	269	283
Disposal of Tangible Assets	3	6	0	0	0	0
Depreciation	165	181	165	183	201	218
Investment Assets	158	154	158	162	166	171
Intangible Assets	158	151	157	154	151	148
Other Non-Current Financial Assets	76	73	73	73	73	73
Non-Current Assets	1,010	999	1,072	1,143	1,212	1,278
Growth (%)	-5.1	-1.2	7.3	6.7	6.0	5.4
Non-Current Asset Turnover	1.7	1.9	2.0	2.1	2.2	2.3
Other Financial Institutions Assets	0	0	0	0	0	0
Assets	1,702	1,641	1,835	2,059	2,299	2,560
Growth (%)	7.9	-3.6	11.8	12.2	11.7	11.3
Total Asset Turnover	1.1	1.2	1.2	1.2	1.2	1.2
Account Payables	29	30	32	36	39	43
Short-Term Debt	438	325	338	351	365	381
ST Borrowings	296	172	184	197	211	226
ST Bonds	0	0	0	0	0	0
Current Portion of Long-Term Debt	110	146	146	146	146	146
Short-Term Financial Liabilities	33	7	7	8	9	9
Other Current Liabilities	246	279	305	339	373	404
Current Liabilities	720	637	678	730	781	832
Growth (%)	34.7	-11.5	6.5	7.7	7.0	6.5
Current Liability Turnover	2.9	2.9	3.2	3.4	3.5	3.6
Long-Term Debt	154	0	0	0	0	0
Bonds	118	0	0	0	0	0
LT Borrowings	30	0	0	0	0	0
LT Financial Liabilities (incl. Leases)	6	0	0	0	0	0
Long-Term Allowance	11	7	8	8	9	9
Other Non-Current Liabilities	12	14	15	16	17	18
Non-Current Liabilities	179	37	39	42	45	48
Growth (%)	-39.0	-79.4	7.0	7.0	7.0	7.0
Non-Current Liability Turnover	7.6	17.9	55.5	58.0	60.0	61.5
Liabilities	899	674	718	772	827	880
Growth (%)	8.5	-25.0	6.5	7.6	7.0	6.5
Total Liabilities Turnover	2.1	2.5	3.0	3.2	3.3	3.4
Capital Stock	41	41	41	41	41	41
Capital Surplus	131	131	131	131	131	131
Paid-In Capital in Excess of Par Value	98	98	98	98	98	98
Others	33	33	33	33	33	33
Retained Earnings	717	890	1,041	1,210	1,396	1,603
Other Reserves	-85	-94	-94	-94	-94	-94
Treasury Stock	-91	-103	-103	-103	-103	-103
Accumulated Other Comprehensive Income	-1	0	0	0	0	0
Shareholders' Equity	803	967	1,118	1,287	1,473	1,680
Growth (%)	7.3	20.5	15.5	15.1	14.5	14.0
Shareholders' Equity Turnover	2.3	2.2	2.0	2.0	1.9	1.8
Capital Employed	982	1,004	1,157	1,329	1,518	1,728

CASH FLOW STATEMENT

(Wbn)	2012/12A	2013/12F	2014/12F	2015/12F	2016/12F	2017/12F
Operating Cash Flow	429	518	429	490	536	583
+ Net Profit	120	253	294	330	364	404
+ Non-Cash Expenses (Profit)	382	348	276	305	333	361
+ Depreciation	165	181	165	183	201	218
+ Amortization	7	7	4	3	3	3
+ Loss(Gains) from Subs	3	-40	0	0	0	0
+ FC translation loss(profit)	0	0	0	0	0	0
+ Losses(Gains) on Disposal of Assets	60	39	0	0	0	0
+ Other Losses(Gains)	147	160	108	119	129	140
Gross Cash Flow	502	601	570	635	697	765
- Incr.(Decr.) in WC	-38	-42	-40	-33	-36	-44
- Incr.(Decr.) in Receivables	-55	-8	-32	-35	-36	-36
- Incr.(Decr.) in Inventory	25	11	-10	-11	-13	-15
- Incr.(Decr.) in Payables	0	1	3	4	4	3
- Others	-7	-45	-1	10	9	4
Investing Cash Flow	-301	-58	-236	-251	-263	-274
+ Decr.(Incr.) in Current Assets	8	0	0	0	0	0
+ Disp.(Acq.) of Inv. Assets	127	4	-4	-4	-4	-5
+ Decr. In Tangible Assets	3	6	0	0	0	0
- Incr. In Tangible Assets(CAPEX)	-295	-246	-227	-254	-269	-283
+ Decr. In Intangible Assets	-9	-1	-10	0	0	0
+ Others	-136	178	6	8	10	13
Free Cash Flow	134	272	202	236	267	300
Net Cash Flow	128	459	194	239	273	309
Financing Cash Flow	-74	-377	-124	-143	-161	-177
+ Incr.(Decr.) in ST Borrowing	164	-150	13	13	14	15
+ Incr.(Decr.) in ST Portion of LT Debt	0	36	0	0	0	0
+ Incr.(Decr.) in Bond	-59	-118	0	0	0	0
+ Incr.(Decr.) in LT Borrowing	-54	-36	0	0	0	0
+ Incr.(Decr.) in Other Interest-Bearing Asset/Liab.	0	0	0	0	0	0
+ Incr.(Decr.) in Paid-in Capital	0	0	0	0	0	0
+ Decr.(Incr.) of Treasury Stock	0	-19	0	0	0	0
- Dividends Paid	-78	-78	-124	-143	-161	-178
+ Others	-46	-13	-13	-13	-14	-15
Other Cash Flows	-1	0	0	0	0	0
Incr.(Decr.) in Cash&Equivalents	54	82	70	96	112	132
Beginning Cash and Cash Equivalents	65	119	201	271	367	479
End Cash and Cash Equivalents	119	201	271	367	479	611

VALUATION (I)

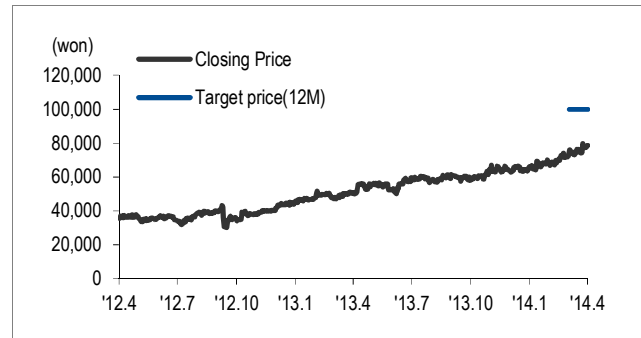
(Wbn)	2012/12A	2013/12A	2014/12E	2015/12F	2016/12F	2017/12F
WACC (%)						
Cost of Debt (Tax Adj.)	3.9	2.9	3.0	3.0	3.0	3.0
Average cost of debt*	5.3	4.0	4.0	4.0	4.0	4.0
Adjustment (tax, CB, BW, etc)	1.4	1.1	1.0	1.0	1.0	1.0
Cost of Equity (COE)	8.0	7.8	8.8	8.3	8.3	8.1
Risk free rate	3.2	3.0	4.0	3.5	3.5	3.3
Equity risk premium	4.8	4.8	4.8	4.8	4.8	4.8
WACC	5.9	5.8	6.5	6.3	6.4	6.3
Change (%p)	-0.7	-0.1	0.7	-0.2	0.1	0.0
RIM						
Spread (FROE-COE) (%)	7.4	20.8	19.4	19.1	18.1	17.6
Residual Income	57.4	184.2	214.6	238.6	259.0	284.3
12M RIM Target Price (W)	98,579					
EVA						
Invested Capital	1,121.5	952.2	1,044.4	1,130.0	1,217.7	1,306.9
Operating Non-current Assets	824.8	819.9	889.1	956.8	1,021.6	1,083.1
Net Working Capital	296.7	132.3	155.3	173.2	196.0	223.8
NOPLAT	173.0	253.7	278.1	316.2	351.0	392.6
EBIT	227.8	333.2	371.7	422.7	469.4	525.1
(Taxes)	54.8	79.5	93.7	106.6	118.4	132.5
ROIC (%)	16.8	24.5	27.9	29.1	29.9	31.1
ROIC - WACC (%)	10.9	18.7	21.3	22.8	23.5	24.8
EVA	122.6	177.9	222.8	257.4	286.7	324.0
DCF						
EBIT	227.8	333.2	371.7	422.7	469.4	525.1
+ Depreciation	171.9	188.7	168.1	186.6	204.3	221.1
- Taxes	-58.9	-92.5	-94.8	-107.8	-119.7	-133.9
- CAPEX	-295.0	-245.7	-227.4	-254.2	-269.2	-282.6
- Increase in Net Working Capital	-111.6	164.4	-23.0	-17.9	-22.8	-27.7
Free Cash Flow for Firm	157.4	19.2	240.6	265.3	307.7	357.4
Enterprise Value						
+ Market cap	3,359	5,121	5,977	5,977	5,977	5,977
+ Net debt (-cash)	434	116	59	-24	-122	-239
Enterprise Value	3,793	5,238	6,036	5,953	5,855	5,738
- Investment Assets	158	154	158	162	166	171
EV (adjusted)	3,635	5,084	5,878	5,791	5,689	5,567
EV/ EBITDA (X)	9.5	10.0	11.2	9.8	8.7	7.7
EV/ EBIT (X)	16.6	15.7	16.2	14.1	12.5	10.9
Adjusted EV/ EBITDA (X)	9.1	9.7	10.9	9.5	8.4	7.5
Adjusted EV/ EBIT (X)	16.0	15.3	15.8	13.7	12.1	10.6
EBITPS (W)	2,954	4,320	4,820	5,481	6,087	6,808
EBITDAPS (W)	5,182	6,767	7,000	7,901	8,736	9,675

VALUATION (II)

	2012/12A	2013/12A	2014/12E	2015/12F	2016/12F	2017/12F
PER, PBR & PCR						
Price/ Earning (X)	28.0	20.2	20.3	18.1	16.4	14.8
PER (High,X)	28.6	20.6	20.9	18.6	16.9	15.2
PER (Low,X)	18.5	13.1	16.5	14.7	13.3	12.0
Fully diluted EPS (W)	1,553	3,283	3,810	4,278	4,718	5,239
Price/ Book Value (X)	4.2	5.3	5.3	4.6	4.1	3.6
PBR (High,X)	4.3	5.4	5.5	4.8	4.2	3.7
PBR (Low,X)	2.8	3.4	4.3	3.8	3.3	2.9
BVPS (W)	10,408	12,543	14,492	16,681	19,096	21,777
Price/ Gross Cash Flow (X)	6.7	8.5	10.5	9.4	8.6	7.8
CFPS (W)	6,503	7,789	7,389	8,238	9,034	9,921
PSR & PEG						
Price/ Sales (X)	1.9	2.6	2.8	2.5	2.3	2.1
Sales PS (W)	23,427	25,073	27,453	30,716	34,023	37,313
PER/ EPS growth (X)	0.7	1.6	1.8	1.7	1.7	-0.1
PER/ EBITPS growth (X)	1.2	1.7	1.7	1.7	1.7	-
PER/ EBITDAPS growth (X)	1.9	2.3	1.8	1.8	1.9	-
EPS CAGR (3-Yr) (%)	40.2	12.9	11.2	10.4	9.5	-
EBITPS CAGR (3-Yr) (%)	22.9	12.1	12.2	10.9	9.6	-
EBITDAPS CAGR (3-Yr) (%)	15.1	8.9	11.4	10.1	8.8	-
Profitability Breakdown						
Return On Investment						
Return on asset (ROA) (%)	7.3	15.1	16.9	16.9	16.7	16.6
Return on invested capital (ROIC) (%)	16.8	24.5	27.9	29.1	29.9	31.1
EBITDA/ equity (%)	49.8	54.0	48.3	47.4	45.7	44.4
EBITDA/ asset (%)	23.5	31.8	29.4	29.6	29.3	29.1
ROE Breakdown						
Return on equity (ROE) (%)	15.4	28.6	28.2	27.4	26.4	25.6
NP/ Sales (%)	6.6	13.1	13.9	13.9	13.9	14.0
Sales/ Asset (X)	1.1	1.2	1.2	1.2	1.1	1.1
Asset/ Equity (Avg,%)	219.4	185.4	176.0	171.3	166.7	162.4
Stability & Turnover						
LT Debt Ratios						
Net debt(cash)/ equity (%)	54.1	12.0	5.3	-1.9	-8.3	-14.2
Debt/ equity (%)	112.0	69.6	64.2	60.0	56.1	52.4
Net interest exp/ sales (%)	1.6	0.9	0.6	0.6	0.5	0.5
Interest coverage (X)	7.9	19.0	28.7	31.4	33.5	36.0
Short Term Solvency Ratios						
Current Ratio (%)	96.1	100.9	112.6	125.4	139.1	154.0
Quick Ratio (%)	90.3	94.5	105.1	117.0	129.6	143.3
Cash Ratio (%)	16.5	31.6	40.0	50.2	61.2	73.4
Asset Utilization Ratios						
Inventory turnover (X)	31.6	47.0	46.2	42.2	38.6	35.1
Receivables turnover (X)	7.0	7.1	7.5	7.5	7.5	7.4
Net working capital turnover (X)	7.5	9.0	14.7	14.4	14.2	13.7
Dividend						
Dividend Yield (%)	2.4	2.5	2.5	2.8	3.0	3.4
Cash Dividends (Wbn)	0	202	143	161	178	197
Cash DPS (W)	1,050	1,660	1,931	2,168	2,391	2,655
Dividend						
Total shares (mn)	77	77	77	77	77	77
Common Shares (mn)	77	77	77	77	77	77
Preferred Shares (mn)	0	0	0	0	0	0
Wgt. Avg. shrs (C) (mn)	77	77	77	77	77	77
Wgt. fully diluted shrs (C) (mn)	77	77	77	77	77	77
Par value (W)	500	500	500	500	500	500

Rating and target price update

Company	Code	Date	Rating	Target price
Coway	021240.KS	2014.04.21	Buy	W100,000(12M)



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