

Coway (021240 KS)

Continued earnings growth, re-rating expectations

BUY (MAINTAIN)

Price (Jul. 9)	W90,000
Target Price	W112,000
% variance	24.4%

Joshua Kong ☎ (82-2) 3772-1527
✉ jxlove1983@shinhan.com

KOSPI	2,000.50p
KOSDAQ	555.84p
Market Cap.	W6,941.2bn/US6,088.8mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.4%)
52-Week High/Low	W90,000/W56,800
60-Day Avg. Trading Volume	215,225shrs
60-Day. Avg. Trading T/O	W17,728mn
Foreign Ownership	53.77%
Major Shareholders	
Coway Holdings, Inc. and 12 others	30.99%
Absolute Performance	3M 20.6%
	6M 41.3%
	12M 55.2%
Relative performance	3M 20.5%
to KOSPI	6M 37.4%
	12M 42.0%

- ◆ 2Q preview: sales of W523.1bn (+5.3% YoY), OP of W97bn (+22.3% YoY)
- ◆ Expired accounts to fall in 2H, net account growth of 120,000 (+45% YoY)
- ◆ Retain BUY rating, raise target price to W112,000

2Q preview: sales of W523.1bn (+5.3% YoY), OP of W97bn (+22.3% YoY)

Coway is expected to post K-IFRS standalone sales of W523.1bn (+5.3% YoY) and operating profit of W97bn (+22.3% YoY) for 2Q14. Sales of air purifiers in China are believed to have remained strong in the quarter. Exports are estimated at W54.2bn (+21.7% YoY). Domestic new rental business is estimated at 330,000 accounts (+11.9% YoY) with rental revenue of W344.9bn (+4.9% YoY). Operating profit is likely to exceed market's expectations for the fifth quarter in a row.

Expired accounts to fall in 2H, net account growth of 120,000 (+44.8% YoY)

Increase in new rental accounts which have higher ASP should lead to higher ARPU (Average Revenue Per user). Rental ARPU is projected at W25,246 (+1.8% YoY) in 2Q14.

Over 60% of accounts expiring this year are concentrated in 1H. Total rental accounts are estimated to inch up just 2% YoY in 1H14. Net account growth in 2H14 is forecast to be 120,000 (+44.8% YoY) due to a drop in expired contracts. For the year, total rental accounts are expected to increase 4.6% YoY to 4.71mn.

The domestic rental division's contribution to profit margins exceeds 60%. Strong rental sales growth may lift profitability. We project sales and operating profit to climb 7.2% and 18.1% YoY, respectively, to W2.1tr and W393.4bn in 2014. Operating profit margin should improve 1.8%p YoY to 19%.

Retain BUY rating, raise target price to W112,000

We retain our BUY rating and raise the target price from W100,000 to W112,000 by applying a PER of 26x (up from 24x) to 12-month forward EPS of W4,326. The domestic rental business is humming along, overseas business is set to expand, and earnings will likely continue to improve. Share price re-rating should also continue. Term-end dividend yield is 2% at the current share price.

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	2,073.5	393.4	391.5	293.9	3,811	16.1	14,618	23.6	11.7	6.2	28.1	(3.0)
2015F	2,289.1	456.4	465.1	348.8	4,522	18.7	17,021	19.9	10.2	5.3	28.6	(15.2)
2016F	2,500.3	513.4	531.2	378.6	5,166	14.2	19,521	17.4	9.2	4.6	28.3	(25.1)

Source: K-IFRS standalone

2Q14 earnings forecast

(bn KRW)	2Q14F	1Q14	% QoQ	2Q13	% YoY	Consensus
Sales	523.1	494.8	5.7	496.9	5.3	530.6
OP	97.0	89.9	7.9	79.4	22.3	93.4
NP	72.6	66.1	9.7	60.3	20.4	67.0
OPM (%)	18.5	18.2		16.0		17.6
NPM (%)	13.9	13.4		12.1		12.6

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Earnings estimate revision

(bn KRW)	2014F			2015F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,067.3	2,073.5	0.3	2,278.1	2,289.1	0.5
OP	387.0	393.4	1.6	446.2	456.4	2.3
Consolidated NP	289.2	294.0	1.7	348.9	361.3	3.5

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Target price calculation

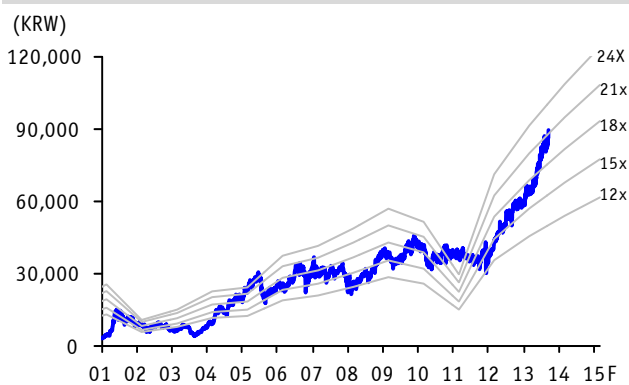
(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2014 NP	294.0	12-month forward NP	334	2015 NP	361.3
EPS (KRW)	3,812	EPS (KRW)	4,326	EPS (KRW)	4,684
PER (x)	29	Target PER (x)	26	PER (x)	24
Target price (KRW)	112,000	Target price (KRW)	112,000	Target price (KRW)	112,000
Current price (KRW)	90,000	Current price (KRW)	90,000	Current price (KRW)	90,000
Current PER (x)	23.6	Current PER (x)	20.8	Current PER (x)	19.2

Source: Shinhan Investment Corp.

Note: 1) K-IFRS consolidated

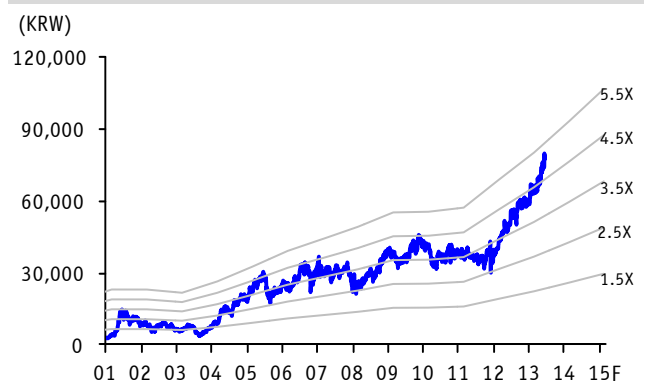
2) Target PER represents 30% premium on 2-year average PER of 20x

12-month forward PER band



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR band



Source: QuantiWise, Shinhan Investment Corp.

Earnings estimates					
(bn KRW)	12	13	14F	15F	16F
Revenue	1,806.8	1,933.7	2,073.5	2,289.1	2,500.3
Growth (% YoY)	5.7	7.0	7.2	10.4	9.2
Rental subscribers	4,607,420	4,502,314	4,709,486	4,991,411	5,242,453
Growth (% YoY)	3.5	(2.3)	4.6	6.0	5.0
Rental ARPU (KRW)	22,824	24,154	25,270	25,972	26,291
Rental	1,261.9	1,320.2	1,396.7	1,511.7	1,614.4
Rental registration	23.8	13.2	10.2	6.7	4.4
Memberships	161.3	172.3	176.4	178.5	180.6
Lump-sum	144.7	149.3	136.5	152.4	159.7
Exports	109.6	144.6	201.8	275.5	363.8
ODM		112.7	160.8	230.0	312.0
Overseas subsidiaries		31.9	41.0	45.5	51.8
Cosmetics	67.2	76.4	86.2	97.2	110.0
Others	38.3	57.7	65.6	67.1	67.4
Growth (% YoY)					
Rental	7.4	4.6	5.8	8.2	6.8
Rental registration	(23.4)	(44.6)	(22.4)	(34.4)	(34.4)
Memberships	0.3	6.8	2.3	1.2	1.2
Lump-sum	4.7	3.2	(8.6)	11.7	4.8
Exports	11.8	32.0	39.6	36.5	32.1
Cosmetics	(1.4)	13.6	12.9	12.8	13.1
Others (living+ water disposal)	(0.2)	50.7	13.7	2.2	0.4
COGS	605.4	651.7	720.0	818.8	921.9
COGS ratio (%)	33.5	33.7	34.7	35.8	36.9
Gross profit	1,201.4	1,282.1	1,353.5	1,470.4	1,578.5
Gross margin (%)	66.5	66.3	65.3	64.2	63.1
SG&A	973.6	948.9	960.1	1,014.0	1,065.1
SG&A ratio (%)	53.9	49.1	46.3	44.3	42.6
OP	227.8	333.2	393.4	456.4	513.4
OPM (%)	12.6	17.2	19.0	19.9	20.5
Growth (% YoY)	(6.4)	46.3	18.1	16.0	12.5
Financial income	3.6	3.9	6.4	9.5	11.9
Financial costs	61.7	17.6	11.4	8.8	6.0
Other non-operating income	(5.0)	(9.1)	3.2	8.0	12.0
Pre-tax profit	161.5	350.5	391.5	465.1	531.2
Corporate tax	41.7	97.9	97.6	116.3	132.8
Corporate tax rate (%)	25.8	27.9	24.9	25.0	25.0
NP	119.7	252.6	293.9	348.8	398.4
NPM (%)	6.6	13.1	14.2	15.2	15.9
Growth (% YoY)	(32.4)	111.0	16.3	18.7	14.2
Earnings contribution from subsidiaries	(21.0)	(30.2)	0.1	12.5	19.8
Consolidated NP	98.7	222.4	294.0	361.3	418.2
Growth (% YoY)	(40.9)	125.2	32.2	22.9	15.8
Standalone EPS (KRW)	1,553	3,283	3,811	4,522	5,166
Consolidated EPS (KRW)	1,280	2,883	3,812	4,684	5,422

Source: Company data, Shinhan Investment Corp.

Note: 2013 rental subscriber numbers do not include 297,634 accounts receivable

Quarterly earnings															
(bn KRW)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q15F	4Q15F	13	14F	15F
Revenues	465.2	496.9	489.2	482.4	494.8	523.1	525.2	530.4	553.2	579.0	580.6	576.3	1,933.7	2,073.5	2,289.1
Growth (% YoY)	5.2	11.3	6.8	4.9	6.4	5.3	7.4	10.0	11.8	10.7	10.5	8.7	7.0	7.2	10.4
Rental	323.8	328.8	331.8	335.8	339.4	344.9	352.5	359.9	367.7	375.9	381.1	386.9	1,320.2	1,396.7	1,511.7
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
Memberships	42.8	42.8	43.2	43.6	43.9	44.0	44.2	44.3	44.4	44.6	44.7	44.8	172.3	176.4	178.5
Lump-sum	36.6	47.8	35.4	29.4	27.6	39.9	34.9	34.1	37.7	40.7	36.1	37.9	149.3	136.5	152.4
Exports	31.5	44.6	38.0	30.6	45.2	54.2	52.0	50.3	61.7	75.4	75.5	62.9	144.6	201.8	275.5
Cosmetics	17.9	22.1	16.6	19.8	21.0	21.5	21.3	22.5	23.3	23.9	24.6	25.5	76.4	86.2	97.2
Others	9.1	7.8	21.1	19.8	14.8	15.9	17.9	17.1	16.4	16.8	17.1	16.8	57.7	65.6	67.1
COGS	154.7	167.9	169.9	159.2	169.3	183.6	183.6	183.5	195.6	210.3	210.4	202.5	651.7	720.0	818.8
COGS ratio (%)	33.2	33.8	34.7	33.0	34.2	35.1	35.0	34.6	35.4	36.3	36.2	35.1	33.7	34.7	35.8
SG&A	241.3	249.7	222.3	235.5	235.7	242.5	239.6	242.4	250.6	253.8	253.2	256.4	948.9	960.1	1,014.0
SG&A ratio (%)	51.9	50.2	45.4	48.8	47.6	46.4	45.6	45.7	45.3	43.8	43.6	44.5	49.1	46.3	44.3
OP	69.2	79.4	97.0	87.6	89.9	97.0	102.0	104.5	107.0	114.9	117.0	117.5	333.2	393.4	456.4
OPM (%)	14.9	16.0	19.8	18.2	18.2	18.5	19.4	19.7	19.3	19.9	20.1	20.4	17.2	19.0	19.9
Growth (% YoY)	7.9	21.9	54.2	145.7	29.8	22.3	5.1	19.3	19.1	18.5	14.7	12.4	46.3	18.1	16.0
Financial income	0.6	1.3	0.6	1.4	0.7	1.7	1.8	2.1	2.1	2.3	2.4	2.6	3.9	6.4	9.5
Financial costs	5.7	4.3	4.1	3.5	2.9	3.0	2.8	2.7	2.5	2.3	2.1	1.9	17.6	11.4	8.8
Other non-operating income	6.0	4.4	(9.6)	(9.9)	0.2	1.0	1.0	1.0	2.0	2.0	2.0	2.0	(9.1)	3.2	8.0
Pre-tax profit	115.0	80.7	83.0	71.8	87.8	96.8	102.0	105.0	108.7	116.9	119.3	120.2	350.5	391.5	465.1
NP	80.2	60.3	62.2	50.0	66.1	72.6	76.5	78.7	81.5	87.7	89.5	90.1	252.6	293.9	348.8
NPM (%)	17.2	12.1	12.7	10.4	13.4	13.9	14.6	14.8	14.7	15.1	15.4	15.6	13.1	14.2	15.2
Growth (% YoY)	195.6	77.3	(660.7)	(29.6)	(17.5)	20.4	23.0	57.5	23.2	20.8	17.0	14.5	111.0	16.3	18.7

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Rental subscriptions and ARPU									
(subscriptions)	08	09	10	11	12	13	14F	15F	16F
ARPU (KRW)	24,023	24,231	23,691	24,484	24,854	24,970	25,270	25,972	26,291
Total subscriptions	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,502,314	4,709,486	4,991,411	5,242,453
Net increase	26,706	259,450	246,455	304,901	157,417	(105,106)	207,172	281,925	251,041
New subscriptions	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,239,603	1,302,735	1,326,619
Cancellation rate (%)	13.9	13.5	12.9	12.5	12.1	10.8	10.6	10.4	9.9
Growth (%)									
ARPU	1.1	0.9	(2.2)	3.3	1.5	0.5	1.2	2.8	1.2
Total subscriptions	0.7	7.1	6.3	7.4	3.5	(2.3)	4.6	6.0	5.0
Net increase	(80.1)	871.5	(5.0)	23.7	(48.4)	(166.8)	(297.1)	36.1	(11.0)
New subscriptions	(10.9)	13.7	(1.8)	9.0	(4.2)	(4.3)	6.3	5.1	1.8

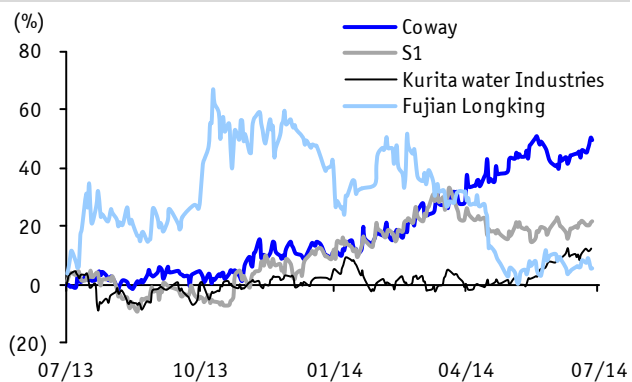
Source: Company data, Shinhan Investment Corp.

Note: 2013 rental subscriber numbers do not include 297,634 accounts receivable

Global peers			Coway	Kurita Water Industries	S1	Fujian Longking	OSIM International	Hyflux Ltd
Company			021240 KS	6370 JP	012750 KS	600388 CH	OSIM SP	HYF SP
Market cap. (bn KRW)			6,941.2	2,821.6	2,994.3	1,684.7	795.8	1,745.7
Sales (bn KRW)	2013		2,118.3	2,434.1	1,274.1	971.6	465.9	566.7
	2014F		2,281.4	1,773.7	1,723.8	1,122.8	389.2	613.3
	2015F		2,449.5	1,821.2	1,864.4	1,218.3	524.1	692.1
OP (bn KRW)	2013		339.0	283.6	129.1	76.9	73.6	116.1
	2014F		385.7	150.3	193.9	83.0	57.4	125.5
	2015F		436.9	175.8	221.0	93.2	76.9	146.7
OPM (%)	2013		16.0	11.7	10.1	7.9	15.8	20.5
	2014F		16.9	8.5	11.3	7.4	14.7	20.5
	2015F		17.8	9.7	11.9	7.6	14.7	21.2
NP (bn KRW)	2013		245.1	155.1	79.2	81.3	38.5	88.9
	2014F		290.7	95.4	128.8	78.4	51.7	97.5
	2015F		336.5	114.2	147.1	85.1	30.2	113.6
NPM (%)	2013		11.6	6.4	6.2	8.4	8.3	15.7
	2014F		12.7	5.4	7.5	7.0	13.3	15.9
	2015F		13.7	6.3	7.9	7.0	5.8	16.4
EPS growth (% YoY)	2013		159.1	T/B	T/B	57.0	T/B	13.8
	2014F		16.5	T/B	52.2	T/B	T/B	2.8
	2015F		15.4	19.9	14.1	13.0	195.5	15.8
P/E (x)	2013		20.2	22.3	31.9	31.3	48.3	16.4
	2014F		23.5	30.2	22.1	22.9	90.8	17.7
	2015F		20.4	24.6	19.4	20.2	30.3	15.3
P/B (x)	2013		5.3	1.2	3.1	5.2	2.0	6.1
	2014F		6.0	1.3	3.7	3.3	1.1	4.9
	2015F		5.1	1.3	3.2	2.9	1.1	4.1
EV/EBITDA (x)	2013		9.4	4.9	9.6	28.5	18.7	10.9
	2014F		12.1	6.7	9.8	15.1	23.0	11.6
	2015F		10.8	6.1	8.7	13.9	18.1	10.1
ROE (%)	2013		28.4	5.5	10.0	17.1	4.2	43.5
	2014F		28.7	4.5	15.1	15.2	9.5	32.4
	2015F		28.1	5.3	15.4	14.5	3.9	28.5

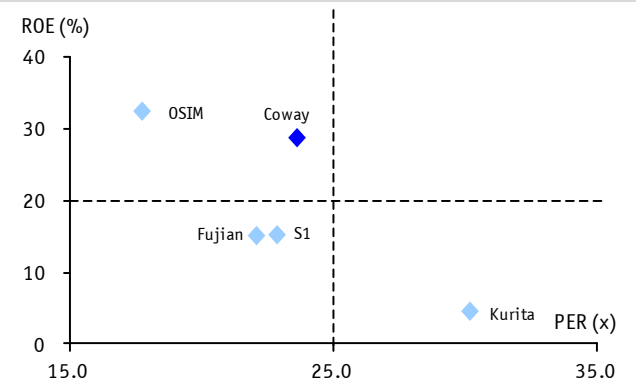
Source: Bloomberg consensus, Shinhan Investment Corp.

Share prices of global peers



Source: Bloomberg, Shinhan Investment Corp.

Valuation 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	1,798.7	1,967.0	2,155.2
Total Current Assets	691.3	642.5	795.6	946.2	1,112.6
Cash and Cash Equivalents	118.9	201.3	322.9	424.4	542.6
Accounts Receivables	278.4	265.9	285.1	314.7	343.8
Inventories	41.3	40.9	43.8	48.4	52.9
Non-Current Assets	1,010.2	998.6	1,003.1	1,020.8	1,042.6
Tangible Assets	594.2	596.8	596.7	602.7	612.3
Intangible Assets	157.5	150.9	144.4	138.9	134.2
Investment Assets	158.3	154.0	165.1	182.3	199.1
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	898.8	673.7	671.3	654.4	629.8
Current Liabilities	719.6	636.8	631.8	610.8	582.2
ST Borrowings	295.7	172.0	150.0	100.0	50.0
Account Payables	28.9	29.5	38.4	49.9	54.5
Current Portion of LT Debt	109.9	146.1	131.1	116.1	101.1
Non-Current Liabilities	179.2	36.9	39.5	43.6	47.7
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	1,127.4	1,312.7	1,525.3
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	1,050.6	1,235.8	1,428.6
Owners of Parent Equity	802.7	967.3	1,127.4	1,312.7	1,505.5
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	19.8
*Total Debt	592.2	325.1	288.6	224.3	160.1
*Net Debts(Cash)	472.7	123.4	(34.4)	(200.0)	(382.5)

Cash Flow

Year to Dec. (W bn)	2012	2013	2014F	2015F	2016F
Operating Cash Flow	429.1	517.6	488.8	523.4	567.8
Net Profit	119.7	253.2	293.9	348.8	398.4
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)	(7.9)	(31.6)	(30.8)
(Payments of Income Taxes)	(34.7)	(41.4)	(97.6)	(116.3)	(132.8)
Others	146.6	160.3	103.6	117.2	128.5
Investing Cash Flow	(300.9)	(58.4)	(195.8)	(215.1)	(216.0)
Incr. in Tangible Assets(CAPEX)	(295.0)	(245.7)	(280.1)	(295.8)	(299.4)
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	(11.1)	(17.2)	(16.8)
Others	(5.9)	(10.6)	5.4	7.9	10.2
Free Cash Flow	(65.7)	348.0	211.2	245.4	277.2
Financing Cash Flow	(73.6)	(376.8)	(171.4)	(206.8)	(233.7)
Incr.(Decr.) in Borrowing	20.9	(266.5)	(36.5)	(64.2)	(64.2)
Decr.(Incr.) of Treasury Stock	0.0	18.8	0.0	0.0	0.0
Dividend	(77.8)	(78.4)	(123.6)	(133.8)	(163.5)
Others	(16.7)	(50.7)	(11.3)	(8.8)	(6.0)
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	121.7	101.5	118.1
Beginning Cash	64.9	118.9	201.3	322.9	424.5
Ending Cash	118.9	201.3	322.9	424.5	542.6

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	2,073.5	2,289.1	2,500.3
Growth (%)	5.7	7.0	7.2	10.4	9.2
COGS	605.4	651.7	720.0	818.8	921.9
Gross Profit	1,201.4	1,282.1	1,353.5	1,470.4	1,578.5
Gross margin (%)	66.5	66.3	65.3	64.2	63.1
SG&A	973.6	948.9	960.1	1,014.0	1,065.1
Operating Income	227.8	333.2	393.4	456.4	513.4
Growth (%)	(6.4)	46.3	18.1	16.0	12.5
Operating margin (%)	12.6	17.2	19.0	19.9	20.5
Other Net Non-Operating Profits	(66.3)	17.3	(1.9)	8.7	17.8
Financial Income(Expenses)	(58.1)	(13.7)	(5.0)	0.7	5.8
Net Other Non-Operating Profits	(5.0)	(9.1)	3.2	8.0	12.0
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	391.5	465.1	531.2
Income Taxes	41.7	97.4	97.6	116.3	132.8
Profit from Continuing Op.	119.7	253.2	293.9	348.8	398.4
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	119.7	253.2	293.9	348.8	398.4
Growth (%)	(32.4)	111.4	16.1	18.7	14.2
Net Profit margin (%)	6.6	13.1	14.2	15.2	15.9
Net Profit of Parent	119.7	253.2	293.9	348.8	378.6
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	19.8
Total Comprehensive Income	118.2	252.6	293.9	348.8	398.4
Total Comp. Income of Parent	118.2	252.6	293.9	348.8	398.4
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	399.7	521.9	590.1	661.7	717.9
Growth (%)	1.0	30.6	13.1	12.1	8.5
EBITDA Margin (%)	22.1	27.0	28.5	28.9	28.7

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

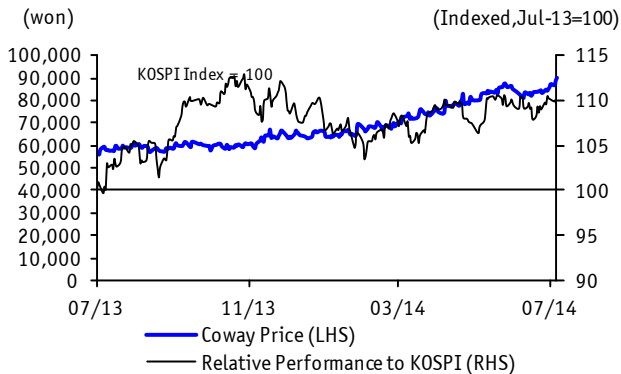
Key Ratios

Year to Dec.	2012	2013	2014F	2015F	2016F
EPS_C (won)	1,553	3,283	3,811	4,522	5,166
EPS_P (won)	1,553	3,283	3,811	4,522	5,166
BPS_C (won)	10,408	12,543	14,618	17,021	19,777
BPS_P (won)	10,408	12,543	14,618	17,021	19,521
DPS (won)	0	2,710	1,800	2,200	2,500
PER_C (x)	28.0	20.2	23.6	19.9	17.4
PER_P (x)	28.0	20.2	23.6	19.9	17.4
PBR_C (x)	4.2	5.3	6.2	5.3	4.6
PBR_P (x)	4.2	5.3	6.2	5.3	4.6
EV/EBITDA (x)	9.6	10.0	11.7	10.2	9.2
EV/EBIT (x)	16.8	15.7	17.6	14.8	12.8
Dividend Yield (%)	0.0	4.1	2.0	2.4	2.8
Profitability					
EBITDA Margin (%)	22.1	27.0	28.5	28.9	28.7
OP Margin (%)	12.6	17.2	19.0	19.9	20.5
NP Margin (%)	6.6	13.1	14.2	15.2	15.9
ROA (%)	7.3	15.1	17.1	18.5	19.3
ROE (%)	15.4	28.6	28.1	28.6	28.3
ROIC (%)	18.0	26.3	33.8	39.2	43.5
Stability					
D/E Ratio (%)	112.0	69.6	59.5	49.9	41.3
Net Debt to Equity (%)	58.9	12.8	(3.0)	(15.2)	(25.1)
Cash Ratio (%)	16.5	31.6	51.1	69.5	93.2
Interest Coverage (x)	7.9	19.0	34.8	52.2	86.0
Activity (%)					
Working Capital Turnover (t)	7.5	9.0	15.6	16.8	17.2
Inventory Turnover (d)	11.5	7.8	7.5	7.4	7.4
Receivable Turnover (d)	52.4	51.4	48.5	47.8	48.1

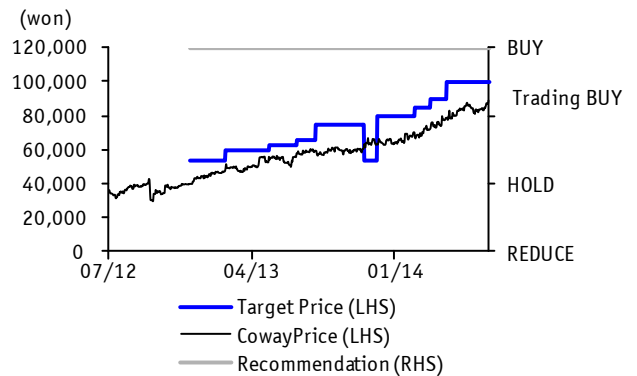
Source: Company data, Shinhan Investment Corp.

Coway (021240 KS)

Share Price Performance



Target Price & Recommendation History



Compliance Notice

- ◆ Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: Joshua Kong.
- ◆ As of the date of this report's publication, Shinhan Investment Corp.'s shareholdings in the company mentioned in this report (Coway) do not exceed 1% of outstanding shares of the company.
- ◆ As of this date, Shinhan Investment Corp. has not participated as the lead underwriter or advisor in issuance of the securities of the company during the past 1 year.
- ◆ As of this date, the covering analyst does not possess any financial interest in the securities or debt instruments convertible into such shares of the company, which is required to be disclosed by law, and has not and will not receive any compensation of any kind whatsoever in exchange for expressing specific recommendations.
- ◆ All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date, and may differ from actual results.
- ◆ This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- ◆ This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

	Recommendation	Target Price (won)
2011. 10. 10	BUY	58,000
2012. 12. 11	BUY	54,000
2013. 02. 17	BUY	60,000
2013. 05. 12	BUY	63,000
2013. 07. 04	BUY	66,000
2013. 08. 09	BUY	75,000
2013. 11. 10	BUY	54,000
2013. 11. 10	BUY	80,000
2014. 02. 15	BUY	85,000
2014. 03. 17	BUY	90,000
2014. 04. 17	BUY	100,000
2014. 07. 09	BUY	112,000

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