

Coway (021240 KS)

Structural boom for rental biz in 2015

BUY (MAINTAIN)

Price (Oct. 24)	W93,300
Target Price	W115,000
% variance	23.3%

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KOSPI	1,925.69p
KOSDAQ	560.66p
Market Cap.	W7,195.7bn/ US6,312.1mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.2mn(65.1%)
52-Week High/Low	W94,600/W58,600
60-Day Avg. Trading Volume	192,950shrs
60-Day. Avg. Trading T/O	W16,673mn
Foreign Ownership	54.99%
Major Shareholders	
Coway Holdings, Inc. and 11 others	30.98%
Absolute Performance	3M 1.3%
	6M 12.5%
	12M 55.2%
Relative performance	3M 6.6%
to KOSPI	6M 16.8%
	12M 65.0%

- ◆ 3Q sales of W496.1bn (+1.4% YoY), operating profit of W97bn (-0.1%YoY)
- ◆ 2015 rental outlook: 4.95mn accts (+7.2%YoY), sales of W1.5tr (+8.5%YoY)
- ◆ Retain BUY rating for a target price of W115,000

3Q14 sales of W496.1bn (+1.4% YoY), operating profit of W97bn (-0.1% YoY)

Coway posted K-IFRS standalone sales of W496.1bn (+1.4% YoY) and operating profit of W97bn (-0.1% YoY). Rental accounts stood at 4.54mn (+3.6% YoY) and ARPU (Average Revenue Per User) was W25,729 (+1.9% YoY).

Rental sales amounted to W350.3bn (+5.5% YoY). Lump-sum sales were only W31.8bn (-10.4% YoY) and exports were W33bn (-13.0% YoY). Despite sluggish sales overall, margins improved backed by the strong rental business. Operating profit margin was 19.5% (+0.7%p QoQ), exceeding market expectation by 0.5%p.

2015 rental outlook: 4.95mn accounts (+7.2% YoY), sales of W1.5tr (+8.5% YoY)

Rental sales have jumped this year on the addition of sales channels including home shopping and discount stores. New rental sales are forecast to reach 1.35mn accounts (+16.1% YoY) in 2014 and 1.5mn (+11.0% YoY) in 2015.

The number of accounts expiring in 2015 is forecast to decline 2% YoY. The cancellation rate is expected to fall 0.3%p YoY to 11.5%. Rental net adds are estimated at 330,000 (+82.6% YoY) and total subscribers at 4.95mn (+7.2% YoY). We expect rental sales to rise 8.5% YoY to W1.5tr. We project total sales to grow by 8.2% YoY to W2.2tr and operating profit by 13.9% YoY to W442.6bn.

Retain BUY rating for a target price of W115,000

We retain our BUY rating for a target price of W115,000, derived by applying a PER of 26x to 2015F EPS of W4,430. The prospects are bright for stable growth and profit margin improvement in 2015. The company is recording free cash flow of over W300.0bn. Dividend payout ratio (currently 50%) is likely to be raised. We advise a "buy and hold" strategy over a long-term horizon.

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	8.5	5.3	28.6	12.8
2014F	2,035.8	388.4	367.6	276.3	3,583	9.1	14,395	26.0	10.4	6.5	26.6	(9.8)
2015F	2,203.7	442.6	453.0	339.7	4,405	22.9	16,685	21.2	9.2	5.6	28.3	(26.2)
2016F	2,376.6	501.4	525.3	383.8	5,109	16.0	19,258	18.3	8.2	4.8	28.4	(38.6)

Source: K-IFRS standalone

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3Q14 earnings summary

(bn KRW)	3Q14P	2Q14	% QoQ	3Q13	% YoY	SHIC	Consensus
Sales	496.1	523.3	(5.2)	489.2	1.4	525.6	519.6
OP	97.0	97.6	(0.7)	97.0	(0.1)	100.6	98.8
NP	66.4	65.2	1.8	62.2	6.7	74.7	72.6
OPM (%)	19.5	18.7		19.8		19.1	19.0
NPM (%)	13.4	12.5		12.7		14.2	14.0

Source: Company data, Shinhan Investment Corp

Earnings estimate revision

(bn KRW)	2014F			2015F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,075.9	2,035.8	(1.9)	2,298.5	2,203.7	(4.1)
OP	391.4	388.4	(0.8)	461.5	442.6	(4.1)
NP	283.3	262.5	(7.3)	363.5	341.7	(6.0)

Source: Shinhan Investment Corp.

Note: K-IFRS standalone

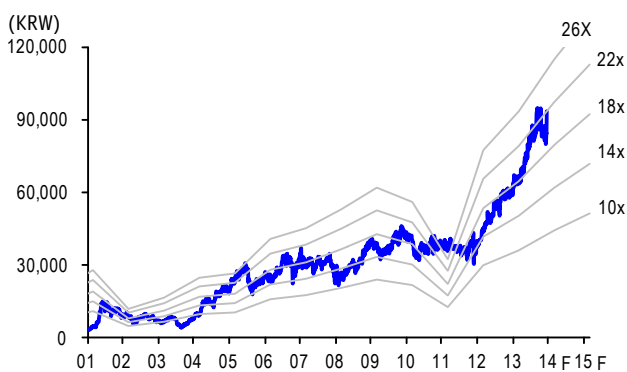
Target price calculation

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2014 NP	262.5	2015F NP	341.7	2016F NP	404.2
EPS (KRW)	3,404	EPS (KRW)	4,430	EPS (KRW)	5,241
PER (x)	34	Target PER (x)	26	PER (x)	22
Target price (KRW)	115,000	Target price (KRW)	115,000	Target price (KRW)	115,000
Current price (KRW)	93,300	Current price (KRW)	93,300	Current price (KRW)	93,300
Current price PER (x)	27.4	Current price PER (x)	21.1	Current price PER (x)	17.8

Source: Shinhan Investment Corp.

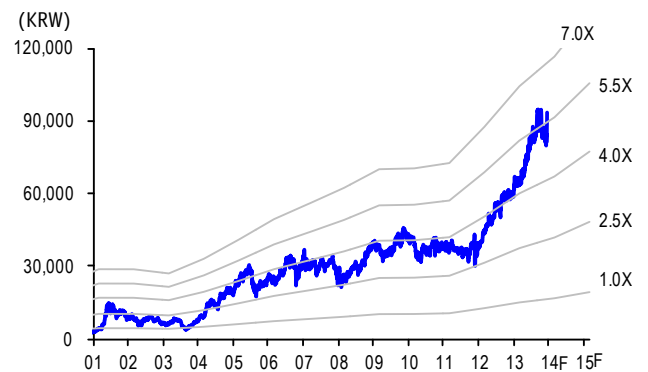
Note: K-IFRS consolidated, target PER represents a 30% premium to the average PER of the past two years (20x)

12-month forward PER band



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR band



Source: QuantiWise, Shinhan Investment Corp.

Earnings estimates					
(bn KRW)	2012	2013	2014F	2015F	2016F
Sales	1,806.8	1,933.7	2,035.8	2,203.7	2,376.6
Growth (% YoY)	5.7	7.0	5.3	8.2	7.8
Rental subscribers (no. of contracts)	4,607,420	4,434,632	4,616,398	4,948,370	5,292,018
Growth (% YoY)	3.5	(3.8)	4.1	7.2	6.9
Rental ARPU (KRW)	25,258	25,359	25,629	26,326	26,590
Rental sales	1,261.9	1,320.2	1,391.8	1,510.8	1,633.7
Rental registration sales	23.8	13.2	10.2	6.7	4.4
Membership sales	161.3	172.3	183.5	189.5	191.8
Lump-sum sales	144.7	149.3	127.2	135.5	142.0
Exports	109.6	144.6	180.1	208.7	240.2
ODM		112.7	128.9	152.0	175.5
Overseas subsidiaries		31.9	51.1	56.7	64.7
Cosmetics sales	67.2	76.4	82.0	91.1	102.9
Others	38.3	57.7	60.9	61.4	61.5
Growth (% YoY)					
Rental	7.4	4.6	5.4	8.5	8.1
Rental registration	(23.4)	(44.6)	(22.4)	(34.4)	(34.4)
Membership	0.3	6.8	6.5	3.3	1.2
Lump-sum	4.7	3.2	(14.8)	6.5	4.8
Exports	11.8	32.0	24.5	15.9	15.1
Cosmetics	(1.4)	13.6	7.4	11.1	12.9
Others (living + water treatment)	(0.2)	50.7	5.5	0.8	0.2
COGS	605.4	651.7	689.3	750.9	812.6
COGS ratio (%)	33.5	33.7	33.9	34.1	34.2
Gross profit	1,201.4	1,282.1	1,346.6	1,452.8	1,563.9
Gross margin (%)	66.5	66.3	66.1	65.9	65.8
SG&A costs	973.6	948.9	958.2	1,010.2	1,062.5
SG&A costs/sales ratio (%)	53.9	49.1	47.1	45.8	44.7
OP	227.8	333.2	388.4	442.6	501.4
OPM (%)	12.6	17.2	19.1	20.1	21.1
Growth (% YoY)	(6.4)	46.3	16.6	13.9	13.3
Financial income	3.6	3.9	3.6	8.4	10.8
Financial expense	61.7	17.6	11.3	9.8	6.7
Other non-operating income	(5.0)	(9.1)	(13.1)	11.8	19.8
Pre-tax profit	161.5	350.5	367.6	453.0	525.3
Corporate tax	41.7	97.9	91.2	113.2	131.3
Corporate tax rate (%)	25.8	27.9	24.8	25.0	25.0
NP	119.7	252.6	276.3	339.7	394.0
NPM (%)	6.6	13.1	13.6	15.4	16.6
Growth (% YoY)	(32.4)	111.0	9.4	22.9	16.0
Profit of subsidiaries	(25.7)	(7.6)	(13.8)	2.0	10.2
Consolidated NP	94.0	245.1	262.5	341.7	404.2
Growth (% YoY)	(43.7)	160.6	7.1	30.2	18.3
Standalone EPS (KRW)	1,553	3,283	3,583	4,405	5,109
Consolidated EPS (KRW)	1,219	3,178	3,404	4,430	5,241

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone, Rental subscribers in 2013 exclude 365,316 non-performing accounts

Quarterly earnings estimates															
(bn KRW)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14P	4Q14F	1Q15F	2Q15F	3Q15F	4Q15F	2013	2014F	2015F
Sales	465.2	496.9	489.2	482.4	494.8	523.3	496.1	521.7	536.7	556.8	546.6	563.7	1,933.7	2,035.8	2,203.7
Growth (% YoY)	5.2	11.3	6.8	4.9	6.4	5.3	1.4	8.2	8.5	6.4	10.2	8.0	7.0	5.3	8.2
Rental sales	323.8	328.8	331.8	335.8	339.4	344.0	350.3	358.1	365.9	375.1	381.3	388.5	1,320.2	1,391.8	1,510.8
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	43.9	45.7	46.9	47.0	47.2	47.3	47.4	47.6	172.3	183.5	189.5
Lump-sum	36.6	47.8	35.4	29.4	27.6	37.4	31.8	30.5	33.4	36.2	32.1	33.7	149.3	127.2	135.5
Exports	31.5	44.6	38.0	30.6	45.2	55.7	33.0	46.1	50.9	58.6	46.3	52.9	144.6	180.1	208.7
Cosmetics	17.9	22.1	16.6	19.8	21.0	22.3	17.2	21.7	22.2	22.5	22.5	24.0	76.4	82.0	91.1
Others	9.1	7.8	21.1	19.8	14.8	15.4	14.6	16.1	15.2	15.3	15.3	15.5	57.7	60.9	61.4
COGS	154.7	167.9	169.9	159.2	169.3	180.5	162.5	177.0	183.3	192.8	183.4	191.5	651.7	689.3	750.9
COGS ratio (%)	33.2	33.8	34.7	33.0	34.2	34.5	32.8	33.9	34.1	34.6	33.6	34.0	33.7	33.9	34.1
SG&A costs	241.3	249.7	222.3	235.5	235.7	245.2	236.6	240.7	250.6	252.0	251.4	256.1	948.9	958.2	1,010.2
SG&A costs/sales ratio (%)	51.9	50.2	45.4	48.8	47.6	46.9	47.7	46.1	46.7	45.3	46.0	45.4	49.1	47.1	45.8
OP	69.2	79.4	97.0	87.6	89.9	97.6	97.0	104.0	102.8	112.0	111.8	116.0	333.2	388.4	442.6
OPM (%)	14.9	16.0	19.8	18.2	18.2	18.7	19.5	19.9	19.2	20.1	20.4	20.6	17.2	19.1	20.1
Growth (% YoY)	7.9	21.9	54.2	145.7	29.8	23.0	(0.1)	18.7	14.4	14.7	15.3	11.6	46.3	16.6	13.9
Financial income	0.6	1.3	0.6	1.4	0.7	0.4	0.7	1.7	1.9	2.1	2.2	2.3	3.9	3.6	8.4
Financial expense	5.7	4.3	4.1	3.5	2.9	3.1	2.8	2.5	2.7	2.6	2.3	2.1	17.6	11.3	9.8
Other non-operating income	6.0	4.4	(9.6)	(9.9)	0.2	(8.3)	(6.6)	1.5	2.2	2.7	3.2	3.7	(9.1)	(13.1)	11.8
Pre-tax profit	115.0	80.7	83.0	71.8	87.9	86.7	88.2	104.7	104.2	114.1	114.8	119.9	350.5	367.6	453.0
NP	80.2	60.3	62.2	50.0	66.2	65.2	66.4	78.5	78.1	85.6	86.1	89.9	252.6	276.3	339.7
NPM (%)	17.2	12.1	12.7	10.4	13.4	12.5	13.4	15.0	14.6	15.4	15.8	16.0	13.1	13.6	15.4
Growth (% YoY)	195.6	77.3	(660.7)	(29.6)	(17.4)	8.1	6.7	57.1	17.9	31.3	29.7	14.5	111.0	9.4	22.9

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Rental subscribers and ARPU										
	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	
ARPU (KRW)	24,522	24,713	24,129	24,905	25,258	25,359	25,629	26,326	26,590	
Total subscribers	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,616,398	4,948,370	5,292,018	
Net adds	26,706	259,450	246,455	304,901	157,417	(172,788)	181,766	331,973	343,647	
New subscribers	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,353,907	1,503,201	1,534,564	
Cancellation rate (%)	13.9	13.5	12.9	12.5	12.1	10.8	11.8	11.5	10.8	
Growth (%)										
ARPU	1.0	0.8	(2.4)	3.2	1.4	0.4	1.1	2.7	1.0	
Total subscribers	0.7	7.1	6.3	7.4	3.5	(3.8)	4.1	7.2	6.9	
Net adds	(80.1)	871.5	(5.0)	23.7	(48.4)	(209.8)	(205.2)	82.6	3.5	
New subscribers	(10.9)	13.7	(1.8)	9.0	(4.2)	(4.3)	16.1	11.0	2.1	

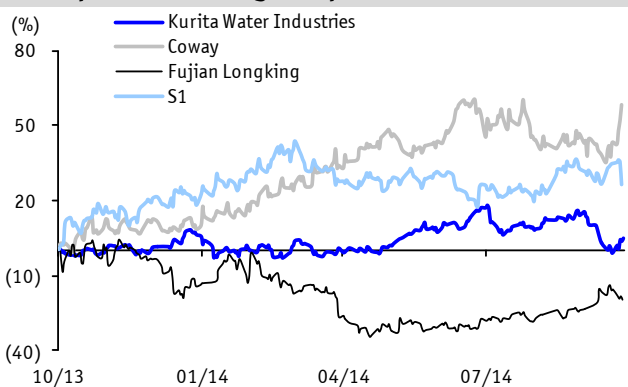
Source: Company data, Shinhan Investment Corp.

Note: Rental subscribers in 2013 exclude 365,316 non-performing accounts

Global peers							
Company Ticker		Coway 021240 KS Equity	Kurita Water Industries 6370 JP Equity	S1 012750 KS Equity	Fujian Longking 600388 CH Equity	Hyflux Ltd HYF SP Equity	OSIM International OSIM SP Equity
Market cap. (bn KRW)		7,195.7	2,627.4	2,971.5	2,065.5	698.9	1,463.6
Sales (bn KRW)	2013	2,118.3	2,434.1	1,274.1	971.6	465.9	566.7
	2014F	2,233.5	1,773.7	1,741.2	1,188.5	373.1	623.9
	2015F	2,394.0	1,839.8	1,913.6	1,331.0	512.4	705.8
OP (bn KRW)	2013	339.0	283.6	129.1	76.9	73.6	116.1
	2014F	383.8	150.3	180.8	73.1	49.3	122.8
	2015F	441.9	175.6	220.8	83.0	60.3	147.1
OP margin (%)	2013	16.0	11.7	10.1	7.9	15.8	20.5
	2014F	17.2	8.5	10.4	6.1	13.2	19.7
	2015F	18.5	9.5	11.5	6.2	11.8	20.8
NP (bn KRW)	2013	245.1	155.1	79.2	81.3	38.5	88.9
	2014F	284.5	95.4	125.4	81.7	13.6	98.9
	2015F	335.2	114.6	151.1	87.9	16.2	115.4
NP margin (%)	2013	11.6	6.4	6.2	8.4	8.3	15.7
	2014F	12.7	5.4	7.2	6.9	3.6	15.9
	2015F	14.0	6.2	7.9	6.6	3.2	16.4
EPS Growth (% YoY)	2013	159.1	T/B	T/B	57.0	T/B	13.8
	2014F	13.1	T/B	43.6	T/B	T/B	2.1
	2015F	17.8	20.3	23.4	9.9	6,599.6	15.7
P/E (x)	2013	20.2	22.3	31.9	31.3	48.3	16.4
	2014F	25.1	28.6	23.2	26.1	n/a	15.0
	2015F	21.3	23.4	18.8	23.7	46.8	13.0
P/B (x)	2013	5.3	1.2	3.1	5.2	2.0	6.1
	2014F	6.4	1.3	3.1	3.8	1.0	4.1
	2015F	5.4	1.2	2.7	3.4	0.9	3.4
EV/EBITDA (x)	2013	9.4	4.9	9.6	28.5	18.7	10.9
	2014F	12.9	6.2	10.6	15.9	20.8	9.1
	2015F	11.4	5.6	9.0	15.2	17.5	7.8
ROE (%)	2013	28.4	5.5	10.0	17.1	4.2	43.5
	2014F	28.0	4.5	14.4	12.9	3.6	32.4
	2015F	27.9	5.3	15.6	12.9	1.7	27.2

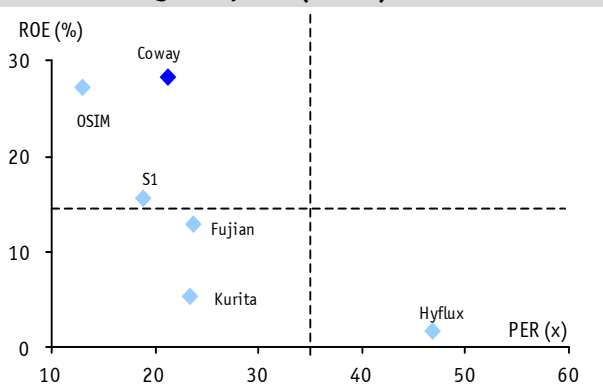
Source: Bloomberg consensus, Shinhan Investment Corp

Share performance of global peers



Source: Bloomberg, Shinhan Investment Corp

Valuation of global peers (2015F)



Source: Bloomberg, Shinhan Investment Corp

Balance Sheet

Year to Dec. (W bn)	2012	2013	2014F	2015F	2016F
Assets	1,701.5	1,641.1	1,780.6	1,932.6	2,110.0
Total Current Assets	691.3	642.5	861.1	1,063.1	1,279.4
Cash and Cash Equivalents	118.9	201.3	396.9	560.7	737.6
Accounts Receivables	278.4	265.9	279.9	303.0	326.8
Inventories	41.3	40.9	43.0	46.6	50.2
Non-Current Assets	1,010.2	998.6	919.5	869.6	830.6
Tangible Assets	594.2	596.8	519.3	463.5	416.6
Intangible Assets	157.5	150.9	141.3	133.7	127.9
Investment Assets	158.3	154.0	162.1	175.5	189.3
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	898.8	673.7	670.4	645.8	614.5
Current Liabilities	719.6	636.8	631.6	603.8	569.2
ST Borrowings	295.7	172.0	150.0	100.0	50.0
Account Payables	28.9	29.5	38.4	49.9	53.8
Current Portion of LT Debt	109.9	146.1	131.1	116.1	101.1
Non-Current Liabilities	179.2	36.9	38.8	42.0	45.3
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	1,110.2	1,286.8	1,495.5
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	1,033.3	1,209.9	1,408.3
Owners of Parent Equity	802.7	967.3	1,110.2	1,286.8	1,485.3
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	10.2
*Total Debt	592.2	325.1	288.4	224.0	159.6
*Net Debts(Cash)	472.7	123.4	(108.5)	(336.6)	(578.0)

Cash Flow

Year to Dec. (W bn)	2012	2013	2014F	2015F	2016F
Operating Cash Flow	429.1	517.6	577.9	620.0	666.6
Net Profit	119.7	253.2	276.3	339.7	394.0
Depreciation	164.8	270.2	283.7	297.9	297.9
Amortization	7.1	11.1	9.6	7.5	5.8
Losses(Gains) on F/X Translation	0.3	(0.8)	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	59.8	61.0	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	3.2	(85.0)	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(37.7)	(41.8)	0.2	(28.1)	(28.6)
(Payments of Income Taxes)	(34.7)	(41.4)	(91.2)	(113.2)	(131.3)
Others	146.6	91.1	99.3	116.2	128.8
Investing Cash Flow	(300.9)	(58.4)	(210.8)	(248.7)	(255.5)
Incr. in Tangible Assets(CAPEX)	(295.0)	(245.7)	(296.2)	(332.1)	(341.0)
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	(8.1)	(13.4)	(13.8)
Others	(5.9)	(10.6)	3.5	6.8	9.3
Free Cash Flow	(65.7)	440.7	297.1	303.4	328.9
Financing Cash Flow	(73.6)	(376.8)	(171.5)	(207.6)	(234.1)
Incr.(Decr.) in Borrowing	20.9	(266.5)	(36.6)	(64.4)	(64.4)
Decr.(Incr.) of Treasury Stock	0.0	18.8	0.0	0.0	0.0
Dividend	(77.8)	(78.4)	(123.6)	(133.4)	(163.1)
Others	(16.7)	(50.7)	(11.3)	(9.8)	(6.6)
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	195.6	163.7	176.9
Beginning Cash	64.9	118.9	201.3	396.9	560.7
Ending Cash	118.9	201.3	396.9	560.7	737.6

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	2,035.8	2,203.7	2,376.6
Growth (%)	5.7	7.0	5.3	8.2	7.8
COGS	605.4	651.7	689.3	750.9	812.6
Gross Profit	1,201.4	1,282.1	1,346.6	1,452.8	1,563.9
Gross margin (%)	66.5	66.3	66.1	65.9	65.8
SG&A	973.6	948.9	958.2	1,010.2	1,062.5
Operating Income	227.8	333.2	388.4	442.6	501.4
Growth (%)	(6.4)	46.3	16.6	13.9	13.3
Operating margin (%)	12.6	17.2	19.1	20.1	21.1
Other Net Non-Operating Profits	(66.3)	17.3	(20.9)	10.4	23.9
Financial Income(Expenses)	(58.1)	(13.7)	(7.7)	(1.4)	4.1
Net Other Non-Operating Profits	(5.0)	(9.1)	(13.1)	11.8	19.8
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	367.6	453.0	525.3
Income Taxes	41.7	97.4	91.2	113.2	131.3
Profit from Continuing Op.	119.7	253.2	276.3	339.7	394.0
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	119.7	253.2	276.3	339.7	394.0
Growth (%)	(32.4)	111.4	9.1	22.9	16.0
Net Profit margin (%)	6.6	13.1	13.6	15.4	16.6
Net Profit of Parent	119.7	253.2	276.3	339.7	383.8
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	10.2
Total Comprehensive Income	118.2	252.6	276.3	339.7	394.0
Total Comp. Income of Parent	118.2	252.6	276.3	339.7	394.0
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	399.7	614.5	681.8	748.0	805.1
Growth (%)	1.0	53.8	10.9	9.7	7.6
EBITDA Margin (%)	22.1	31.8	33.5	33.9	33.9

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

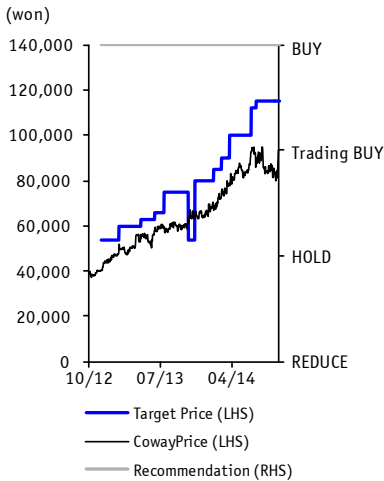
Key Ratios

Year to Dec.	2012	2013	2014F	2015F	2016F
EPS_C (won)	1,553	3,283	3,583	4,405	5,109
EPS_P (won)	1,553	3,283	3,583	4,405	5,109
BPS_C (won)	10,408	12,543	14,395	16,685	19,390
BPS_P (won)	10,408	12,543	14,395	16,685	19,258
DPS (won)	0	2,710	1,800	2,200	2,500
PER_C (x)	28.0	20.2	26.0	21.2	18.3
PER_P (x)	28.0	20.2	26.0	21.2	18.3
PBR_C (x)	4.2	5.3	6.5	5.6	4.8
PBR_P (x)	4.2	5.3	6.5	5.6	4.8
EV/EBITDA (x)	9.6	8.5	10.4	9.2	8.2
Payout Ratio (%)	0.0	79.8	48.3	48.0	48.3
Dividend Yield (%)	0.0	4.1	1.9	2.4	2.7
Profitability					
EBITDA Margin (%)	22.1	31.8	33.5	33.9	33.9
OP Margin (%)	12.6	17.2	19.1	20.1	21.1
NP Margin (%)	6.6	13.1	13.6	15.4	16.6
ROA (%)	7.3	15.1	16.2	18.3	19.5
ROE (%)	15.4	28.6	26.6	28.3	28.4
ROIC (%)	18.0	26.3	35.2	44.2	53.8
Stability					
D/E Ratio (%)	112.0	69.6	60.4	50.2	41.1
Net Debt to Equity (%)	58.9	12.8	(9.8)	(26.2)	(38.6)
Cash Ratio (%)	16.5	31.6	62.9	92.9	129.6
Interest Coverage (x)	7.9	19.0	34.6	45.2	75.3
Activity (%)					
Working Capital Turnover (t)	7.5	9.0	15.9	17.6	18.1
Inventory Turnover (d)	11.5	7.8	7.5	7.4	7.4
Receivable Turnover (d)	52.4	51.4	48.9	48.3	48.4

Source: Company data, Shinhan Investment Corp.

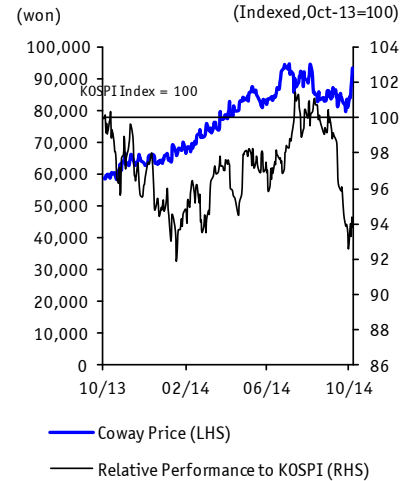
Coway (021240 KS)

Target Price & Recommendation History



Date	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
2014. 07. 28	BUY	115,000

Share Price Performance



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Stock	Sector
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