

Company Update



Eunkyung Park
Analyst
eunkyung44.park@samsung.com
822 2020 7850

Coway (021240 KS)

From growth to value stock

WHAT'S THE STORY?

Event: Coway yesterday reported 4Q results, with consolidated sales up 4% y-y to KRW542.9b but operating profit down 10% y-y to KRW81.7b, missing our estimate by 16%. Excluding one-off costs, operating profit would have risen 7% y-y to KRW97.4b, meeting our forecast. The firm also announced parent-based 2015 guidance targeting sales and operating profit growth of 8% and 11%, respectively, for aggressive than our forecasts (that reflect strong competition) but disappointing relative to consensus. Coway also said it would pay dividends of KRW2,000/share (for a payout ratio of 60% and yield of 2.4%), in line with expectations.

Impact: After yesterday's announcements, shares went almost limit down (15%) during trading hours, but recovered to end the day down around 4%. Still, we view the decline as excessive given that: 1) 4Q disappointment stemmed from one-offs; and 2) guidance, though conservative, still suggests growth will accelerate in 2015. We view the correction as a buying opportunity, noting that Coway's free cash flow should grow a solid 20% *pa* after having grown well following a change of major shareholders over 4Q12-2Q14.

Action: Reflecting in-line 4Q results, we merely fine-tune our 2015 outlook, and thus maintain our target price of KRW113,000 (which offers 35% upside). Despite our dreary longer-term outlook for earnings, we reiterate BUY on Coway, believing it is a good long-term investment opportunity, as shares should rise proportionately with its mounting cash. We also view near-term growth concerns as overblown.

■ AT A GLANCE

SELL HOLD **BUY**

Target price **KRW113,000 (35.0%)**

Current price **KRW83,700**

Bloomberg code	021240 KS		
Market cap	KRW6.5t/USD5.8b		
Shares (float)	77,124,796 (65.2%)		
52-week high/low	KRW94,600/KRW66,700		
Average daily trading value (60-day)	KRW 14.62b/ USD 13.16m		
One-year performance	1M	6M	12M
Coway (%)	+3.7	-4.3	+23.6
Vs Kospi (%pts)	+2.6	+0.6	+23.3

■ KEY CHANGES

(KRW)	New	Old	Diff (%)
Recommendation	BUY	BUY	
Target price	113,000	113,000	0.0
2015E EPS	3,866	3,765	2.7
2016E EPS	4,173	4,021	3.8
2017E EPS	4,707	4,454	5.7

■ SUMMARY OF 4Q RESULTS

(KRWb)	4Q14	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	542.9	3.6	3.3	(1.1)	(0.4)
Operating profit	81.7	(10.3)	(14.3)	(15.8)	(14.9)
Pre-tax profit	71.5	(20.9)	(16.8)	(29.1)	(23.7)
Net profit	53.4	(21.4)	(16.6)	(28.6)	(24.5)
Margins (%)					
Operating profit	15.1				
Pre-tax profit	13.2				
Net profit	9.8				

Source: Company data, Samsung Securities estimates

THE QUICK VIEW

4Q review: Coway yesterday reported that consolidated 4Q sales and operating profit rose 4% y-y and fell 10% y-y, respectively, to KRW542.9b and KRW81.7b—the former figure meeting our forecast, but the latter falling 16% short. However, excluding a one-off KRW16b loss due to impaired assets at overseas subsidiaries, operating profit would have grown 7% y-y to KRW97.4b, in line with our estimate, and operating margin would have ticked up 0.5%pts y-y to 17.9%. One-off costs include losses at Coway's Chinese cosmetics operations and asset valuation losses associated with Green & Tech. We see little risk of additional write-offs. On a positive note, sales, after remaining flat over 2Q-3Q14, grew y-y again in 4Q, thanks largely to rental sales, which benefited from an expansion of the firm's sales network, improved productivity, and gains from new channels—all factors that should continue to benefit the firm this year. We also expect excessive concerns over competition to ease.

2015 guidance: Coway is targeting parent-based 2015 sales and operating profit growth of 8% and 11%, respectively—which implies consolidated sales growth of around 10%. Although this is more aggressive than our forecasts (of consolidated sales and operating profit growing 6% and 5%, respectively), it is still below consensus (8% and 17%). The disparity between guidance and our forecast is attributable to differences in expected marketing costs—Coway assumes advertising costs will rise 15% this year, whereas we expect such costs to surge 35%. Meanwhile, the firm said it is aiming to be shareholder-friendly in its dividend payout ratio and yield decisions. Coway has yet to elaborate on a strategy to tap the Chinese market—earnings from ODM exports to China have been volatile, and the growth potential of that business appears limited.

■ VALUATION SUMMARY

	2014	2015E	2016E
Multiples (x)			
P/E	25.9	21.6	20.1
P/B	6.5	5.7	5.0
EV/EBITDA	10.9	9.8	9.1
Div yield (%)	2.4	2.9	3.1
EPS growth (% y-y)	0.5	19.4	7.9
ROE (%)	24.9	26.1	25.0
Per-share data (KRW)			
EPS	3,237	3,866	4,173
BVPS	12,877	14,812	16,668
DPS	2,000	2,400	2,600

Coway

Trends and forecasts, by segment (1)

(KRWb)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	2014	2015E	2016E	2017E
Sales												
Household electronics	406.8	422.5	413.5	412.2	413.8	429.9	431.3	432.4	1,707.4	1,820.2	1,903.8	1,984.5
Outright sales	36.6	47.8	35.4	29.4	27.6	37.4	31.8	26.7	123.5	135.4	141.1	141.1
Rental	327.4	331.9	334.9	339.1	342.4	346.7	352.7	358.8	1,400.6	1,501.4	1,579.4	1,660.0
Membership	42.8	42.8	43.2	43.6	43.9	45.7	46.9	46.9	183.4	183.4	183.4	183.4
Exports	31.5	44.6	38.0	30.6	45.2	55.7	33.0	33.5	167.4	192.5	231.0	277.2
Cosmetics	17.9	22.1	16.6	19.8	21.0	22.3	17.2	20.0	80.4	84.4	88.7	93.1
Other (water treatment)	9.1	7.8	21.1	19.8	14.8	15.4	14.6	13.6	58.4	58.4	58.4	58.4
Consolidated other	42.2	59.5	41.3	41.6	40.2	33.6	29.5	43.4	146.7	142.6	162.0	185.2
Chg (% y-y)												
Household electronics	4.9	6.0	2.5	2.5	1.7	1.7	4.3	4.9	3.2	6.6	4.6	4.2
Outright sales	11.9	18.1	(9.3)	(9.3)	(24.7)	(21.8)	(10.4)	(9.1)	(17.3)	9.6	4.2	0.0
Rental	3.5	4.1	3.6	3.6	4.6	4.5	5.3	5.8	5.0	7.2	5.2	5.1
Membership	10.4	9.1	5.1	3.2	2.6	7.0	8.6	7.4	6.4	0.0	0.0	0.0
Exports	5.0	111.4	35.6	0.2	43.6	25.1	(13.0)	9.3	15.8	15.0	20.0	20.0
Cosmetics	6.3	35.5	(4.2)	18.1	17.4	0.5	3.6	1.1	5.3	5.0	5.0	5.0
Other (water treatment)	16.1	(25.8)	125.6	85.0	63.4	98.4	(31.1)	(31.1)	1.1	0.0	0.0	0.0
Consolidated other	19.4	38.7	(14.8)	(29.8)	(4.7)	(43.5)	(28.7)	4.3	(20.6)	(2.8)	13.6	14.3
Portion of total sales (%)												
Household electronics	80.2	75.9	77.9	78.7	77.4	77.2	82.1	79.7	79.0	79.2	77.9	76.4
Outright sales	7.2	8.6	6.7	5.6	5.2	6.7	6.0	4.9	5.7	5.9	5.8	5.4
Rental	64.5	59.7	63.1	64.7	64.0	62.3	67.1	66.1	64.8	65.3	64.6	63.9
Membership	8.4	7.7	8.1	8.3	8.2	8.2	8.9	8.6	8.5	8.0	7.5	7.1
Exports	6.2	8.0	7.2	5.8	8.5	10.0	6.3	6.2	7.7	8.4	9.5	10.7
Cosmetics	3.5	4.0	3.1	3.8	3.9	4.0	3.3	3.7	3.7	3.7	3.6	3.6
Other (water treatment)	1.8	1.4	4.0	3.8	2.8	2.8	2.8	2.5	2.7	2.5	2.4	2.2
Consolidated other	8.3	10.7	7.8	7.9	7.5	6.0	5.6	8.0	6.8	6.2	6.6	7.1
Sales, by product (KRWm)												
Water purifiers												
Bidets	226.1	231.1	229.1	231.6	231.6	235.6	239.7	241.8	948.7	1,004.6	1,044.0	1,085.1
Air purifiers	66.7	66.9	66.6	67.7	68.5	69.0	69.1	70.4	277.0	286.5	296.3	307.9
Water softeners	60.7	59.7	59.5	61.3	63.6	64.3	63.8	66.2	257.9	275.7	286.9	301.0
Mattresses	23.8	22.7	21.9	21.8	21.4	20.9	20.5	20.4	83.2	80.8	78.4	76.1
Other (FWTS, outsourcing, etc)	8.1	9.0	9.6	10.8	11.1	13.1	15.3	17.5	57.1	74.0	90.3	106.5
Chg (% y-y)	21.5	33.0	26.8	19.0	17.6	26.9	22.8	16.2	83.5	98.7	107.8	107.8
Water purifiers												
Bidets	2.4	3.9	1.7	2.2	2.5	1.9	4.6	4.4	3.4	5.9	3.9	3.9
Air purifiers	4.0	3.5	2.2	1.9	2.7	3.2	3.8	3.9	3.4	3.4	3.4	3.9
Water softeners	2.3	(0.5)	2.2	0.0	4.8	7.7	7.3	8.1	7.0	6.9	4.1	4.9
Mattresses	(0.2)	(3.3)	(5.5)	(5.9)	(10.2)	(8.0)	(6.4)	(6.5)	(7.8)	(2.9)	(2.9)	(2.9)
Other (FWTS, outsourcing, etc)	na	na	53.3	44.7	38.1	46.0	59.1	63.0	52.6	29.5	22.0	18.0
Portion of total sales (%)	9.2	18.3	5.8	11.3	(18.1)	(18.6)	(14.9)	(15.1)	(16.8)	18.2	9.3	0.0
Water purifiers												
Bidets	44.6	41.5	43.2	44.2	43.3	42.3	45.6	44.5	43.9	43.7	42.7	41.8
Air purifiers	13.1	12.0	12.5	12.9	12.8	12.4	13.2	13.0	12.8	12.5	12.1	11.9
Water softeners	12.0	10.7	11.2	11.7	11.9	11.6	12.1	12.2	11.9	12.0	11.7	11.6
Mattresses	4.7	4.1	4.1	4.2	4.0	3.8	3.9	3.8	3.9	3.5	3.2	2.9
Other (FWTS, outsourcing, etc)	1.6	1.6	1.8	2.1	2.1	2.4	2.9	3.2	2.6	3.2	3.7	

Source: Company data, Samsung Securities estimates

Coway

Trends and forecasts, by segment (2)

(KRWb)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	2014	2015E	2016E	2017E
Accounts ('000 units)												
Total	5,793	5,816	5,834	5,866	5,513	5,574	5,603	5,617				
Chg (% y-y)	5.6	3.9	2.9	2.2	0.8	1.8	2.3	2.1				
Outright sales additions	4,658	4,717	4,746	4,800	4,455	4,487	4,538	4,601				
Chg (% y-y)	4.0	4.4	4.3	4.2	2.8	2.6	3.4	3.7				
Rental accounts	1,135	1,100	1,088	1,066	1,058	1,087	1,065	1,016				
Chg (% y-y)	13.1	1.6	(2.8)	(5.9)	(6.8)	(1.1)	(2.1)	(4.7)				
Rental additions	139	126	117	114	129	139	130	130				
Chg (% y-y)	1.01	0.90	0.82	0.80	0.90	1.04	0.97	0.95				
Memberships	318	298	257	292	317	371	311	332				
Chg (% y-y)	11.7	(9.9)	(12.3)	(5.6)	(0.4)	24.4	20.7	13.5				
Rental cancellations	61	82	62	40	40	60	52	32				
Monthly churn (%)	21.3	7.0	(18.6)	(23.9)	(35.3)	(26.9)	(16.2)	(19.6)				
Earnings summary												
Sales	507.4	556.5	530.5	524.0	535.0	556.9	525.5	542.9	2,160.3	2,298.1	2,443.8	2,598.4
Gross profit	339.8	363.7	346.3	347.5	352.7	369.0	357.3	354.7	1,433.8	1,520.6	1,600.7	1,701.9
Operating profit	69.7	81.9	96.3	91.1	90.3	97.2	95.3	81.7	364.4	408.5	438.6	491.9
Pre-tax profit	75.3	81.0	80.4	90.4	88.4	86.5	85.9	71.5	332.4	397.6	429.1	484.0
Net profit	57.4	59.7	60.1	67.9	66.1	66.3	63.9	53.4	249.7	298.2	321.8	363.0
Margins (%)												
Gross profit	67.0	65.4	65.3	66.3	65.9	66.3	68.0	65.3	66.4	66.2	65.5	65.5
Operating profit	13.7	14.7	18.1	17.4	16.9	17.4	18.1	15.1	16.9	17.8	17.9	18.9
Pre-tax profit	14.8	14.6	15.2	17.3	16.5	15.5	16.4	13.2	15.4	17.3	17.6	18.6
Net profit	11.3	10.7	11.3	13.0	12.4	11.9	12.2	9.8	11.6	13.0	13.2	14.0
Chg (% y-y)												
Sales	6.2	13.7	4.7	0.9	5.4	0.1	(0.9)	3.6	2.0	6.4	6.3	6.3
Gross profit	5.7	9.7	3.0	6.7	3.8	1.5	3.2	2.1	2.6	6.1	5.3	6.3
Operating profit	7.7	27.6	53.2	165.0	29.5	18.6	(1.0)	(10.3)	7.5	12.1	7.4	12.2
Pre-tax profit	21.4	1,723.3	44.5	282.5	17.5	6.8	6.9	(20.9)	1.6	19.6	7.9	12.8
Net profit	25.0	(829.6)	40.4	402.6	15.2	11.0	6.4	(21.4)	1.9	19.4	7.9	12.8
Chg (% q-q)												
Sales	(2.3)	9.7	(4.7)	(1.2)	2.1	4.1	(5.6)	3.3				
Gross profit	4.4	7.0	(4.8)	0.3	1.5	4.6	(3.2)	(0.7)				
Operating profit	102.8	17.5	17.5	(5.4)	(0.9)	7.6	(1.9)	(14.3)				
Pre-tax profit	218.5	7.5	(0.7)	12.5	(2.2)	(2.2)	(0.6)	(16.8)				
Net profit	324.8	4.0	0.7	13.0	(2.7)	0.3	(3.5)	(16.6)				

Source: Company data, Samsung Securities estimates

2015 guidance and forecasts

(KRWb)	Company				Samsung		Consensus	
	2014 (P)	2015E (P)	Chg (% y-y)	2014 (C)	2015E (C)	Chg (% y-y)	2015E (C)	Chg (% y-y)
Sales	2,013.6	2,180.0	8.3	2016.3	2,298.1	14.0	2,327.6	15.4
Operating profit	377.5	420.0	11.3	364.4	397.6	9.1	428.0	17.4
Margin (%)	18.7	19.3		18.1	17.3		18.4	

Note: Guidance provided only on parent basis; (P) stands for parent basis and (C) stands for consolidated basis

Source: Company data, WiseFn, Samsung Securities estimates

Coway: Guidance vs actual

(KRWb)	2013			2014		
	Guidance	Actual	Difference (%)	Guidance	Actual	Difference (%)
Sales	1,920.0	1,933.7	0.7	2,080.0	2,013.6	(3.2)
Operating profit	291.0	333.2	14.5	362.0	377.5	4.3
Margin (%)	15.2	17.2		17.4	18.7	

Source: Company data

Coway

Annual forecast revisions

(KRWb)	2014	New		Old		Chg (%)	
		2015E	2016E	2015E	2016E	2015E	2016E
Sales	2,160	2,298	2,444	2,298	2,451	0.0	(0.3)
Operating profit	364	408	439	398	423	2.7	3.7
Pre-tax profit	332	398	429	388	414	2.6	3.7
Net profit	250	298	322	290	310	2.7	3.8
EBITDA	596	660	704	649	688	1.7	2.3
EPS (KRW)	3,237	3,866	4,173	3,765	4,021	2.7	3.8

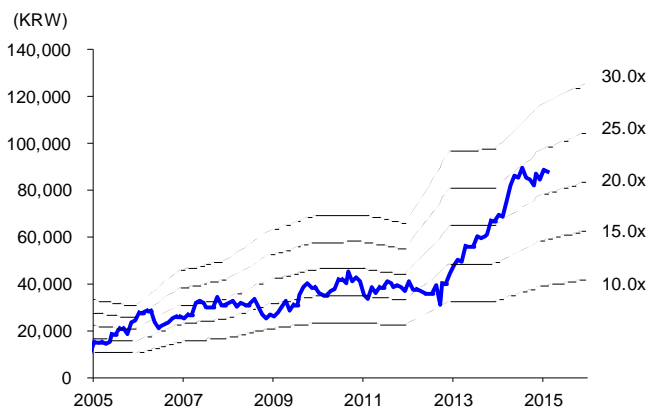
Source: Company data, Samsung Securities estimates

Valuation summary

Year-end Dec 31	Sales (KRWb)	Op prof (KRWb)	Pre-tax prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (% y-y)	P/E (x)	P/B (x)	ROE (%)	EV/EBITDA (x)	Net debt (KRWb)
2012	1,824	235	218	167	2,184	(5.6)	38.3	9.7	22.5	16.5	446
2013	2,118	339	327	245	3,222	47.5	26.0	7.4	28.4	12.1	83
2014	2,160	364	332	250	3,237	0.5	25.9	6.5	24.9	10.9	67
2015E	2,298	408	398	298	3,866	19.4	21.6	5.7	26.1	9.8	(4)
2016E	2,444	439	429	322	4,173	7.9	20.1	5.0	25.0	9.1	(81)
2017E	2,598	492	484	363	4,707	12.8	17.8	4.4	25.1	8.1	(199)

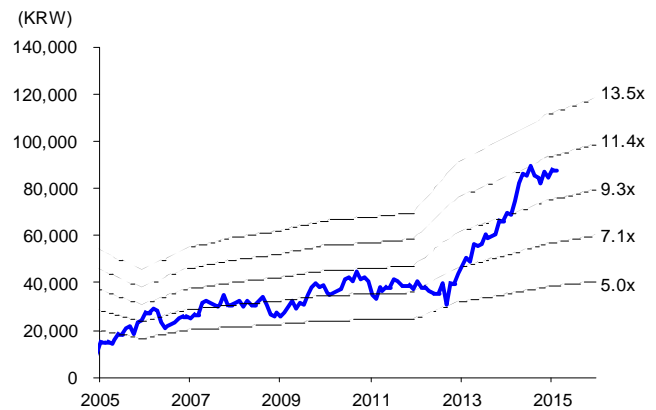
Source: Company data, Samsung Securities estimates

Forward P/E band



Source: Company data, Samsung Securities estimates

Forward EV/EBITDA band



Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2013	2014	2015E	2016E	2017E
Sales	2,118	2,160	2,298	2,444	2,598
Household electronics	3,247	3,362	3,528	3,724	3,888
Exports	145	167	193	231	277
Cosmetics	76	80	84	89	93
Others	58	58	58	58	58
Consolidated others	185	147	143	162	185
Cost of goods sold	721	727	778	843	896
Gross profit	1,397	1,434	1,521	1,601	1,702
Gross margin (%)	66.0	66.4	66.2	65.5	65.5
SG&A expenses	1,058	1,069	1,112	1,162	1,210
Operating profit	339	364	408	439	492
Operating margin (%)	16.0	16.9	17.8	17.9	18.9
Net interest income	(14)	(11)	(11)	(9)	(8)
Net forex-related gains	(4)	0	0	0	0
Net equity-method gains	0	0	0	0	0
Other	6	(21)	(0)	(0)	(0)
Pre-tax profit	327	332	398	429	484
Taxes	82	83	99	107	121
Effective tax rate (%)	25.1	24.9	25.0	25.0	25.0
Net profit	245	250	298	322	363
Net margin (%)	11.6	11.6	13.0	13.2	14.0
Operating net profit*	245	250	298	322	363
Operating net margin (%)	248	250	298	322	363
EBITDA	537	596	660	704	773
EBITDA margin (%)	25.4	27.6	28.7	28.8	29.7
Reported EPS (KRW)	3,178	3,237	3,866	4,173	4,707
Adjusted EPS (KRW)**	3,222	3,237	3,866	4,173	4,707
DPS (common, KRW)	1,660	2,000	2,400	2,600	2,900
DPS (preferred, KRW)	0	0	0	0	0
Dividend payout ratio (%)	50.4	59.7	59.9	60.2	59.5

Cash flow statement

Year-end Dec 31 (KRWb)	2013	2014	2015E	2016E	2017E
Cash flow from operations	537	470	550	586	642
Net profit	245	250	298	322	363
Depreciation & amortization	198	231	252	265	281
Net forex-translation income	0	0	0	0	0
Net equity-method income	0	0	0	0	0
Gross cash flow	528	499	569	607	665
(-) Change in working capital	9	(30)	(20)	(21)	(22)
Other	(0)	0	0	0	0
Cash flow from investments	(76)	(330)	(330)	(330)	(330)
Capex	(258)	(300)	(300)	(300)	(300)
Free cash flow	195	160	238	273	328
Change in investment assets	(1)	(0)	(0)	(0)	(0)
Other	183	(30)	(30)	(30)	(30)
Cash flow from financing	(373)	(100)	(169)	(201)	(212)
Change in debt	(260)	24	(20)	(22)	(19)
Change in equity	0	0	0	0	0
Dividends	(78)	(124)	(149)	(179)	(194)
Other	(34)	0	0	0	0
Change in cash	86	40	50	55	100
Cash at beginning of year	152	239	279	329	384
Cash at end of year	239	279	329	384	484

Note: * Excluding one off items

** Fully diluted, excluding one-off items

*** From companies subject to equity-method valuation

Source: Coway, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2013	2014	2015E	2016E	2017E
Current assets	691	766	841	922	1,048
Cash & equivalents	245	285	335	390	490
Accounts receivable	250	270	287	305	325
Inventories	66	76	80	86	91
Other current assets	131	135	138	141	142
Fixed assets	976	1,053	1,109	1,152	1,179
Investment assets	82	82	82	82	83
Equity in affiliated companies	0	0	0	0	0
Tangible assets	638	715	770	813	840
Intangible assets	177	177	177	177	177
Other long-term assets	80	80	80	80	80
Total assets	1,668	1,819	1,950	2,073	2,227
Current liabilities	677	701	683	664	648
Accounts payable	37	37	40	42	45
Short-term debt	182	352	331	309	291
Other current liabilities	458	312	312	312	312
Long-term liabilities	50	50	50	50	50
Bond & long-term debt	0	0	0	0	0
Other long-term liabilities	50	50	50	50	50
Total liabilities	727	752	734	714	698
Controlling interests' equity	941	1,067	1,216	1,359	1,529
Capital stock	41	41	41	41	41
Capital surplus	126	126	126	126	126
Retained earnings	868	994	1,143	1,286	1,456
Other	(94)	(94)	(94)	(94)	(94)
Non-controlling interests' equity	0	0	0	0	0
Total equity	941	1,067	1,216	1,359	1,529
Net debt	83	67	(4)	(81)	(199)
Book value per share (KRW)	11,242	12,877	14,812	16,668	18,864

Financial ratios

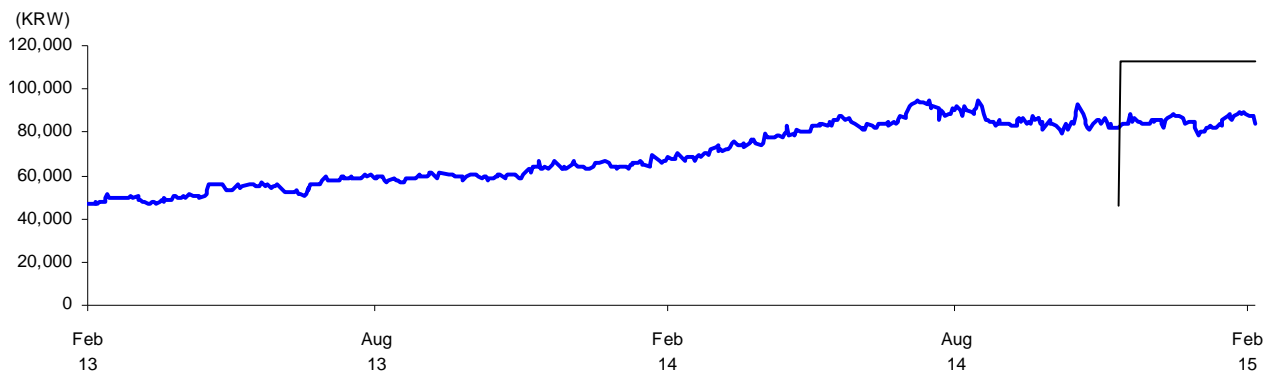
Year-end Dec 31	2013	2014	2015E	2016E	2017E
Growth (%)					
Sales	6.3	2.0	6.4	6.3	6.3
Operating profit	49.9	7.5	12.1	7.4	12.2
Pre-tax profit	124.4	1.6	19.6	7.9	12.8
Net profit	160.6	1.9	19.4	7.9	12.8
EBITDA	31.1	10.9	10.8	6.6	9.8
Adjusted EPS**	169.1	0.5	19.4	7.9	12.8
Ratios					
ROE (%)	28.4	24.9	26.1	25.0	25.1
ROA (%)	14.3	14.3	15.8	16.0	16.9
ROIC (%)	23.2	23.9	26.1	26.4	28.3
Net debt to equity (%)	8.8	6.3	(0.3)	(5.9)	(13.0)
Interest coverage (x)	18.3	24.9	29.4	33.7	40.3
Receivables turnover (days)	44.1	43.9	44.3	44.3	44.3
Payables turnover (days)	7.1	6.3	6.1	6.1	6.1
Inventory turnover (days)	11.8	11.9	12.4	12.4	12.4
Valuations (x)					
P/E	26.0	25.9	21.6	20.1	17.8
P/B	7.4	6.5	5.7	5.0	4.4
EV/EBITDA	12.1	10.9	9.8	9.1	8.1
EV/EBIT	19.1	19.0	15.8	14.5	12.7
Dividend yield (common, %)	2.0	2.4	2.9	3.1	3.5

Coway

■ Compliance Notice

- During the three months prior to Feb 12, 2015, Samsung Securities had not participated in any securities issuance (including DRs, CBs, and IPOs) by companies covered in this report.
- As of Feb 12, 2015, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- As of Feb 12, 2015, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- This material has not been distributed to institutional investors or other third parties prior to its publication.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.

■ Target price changes in past two years



■ Rating changes in past two years

Date 2014/11/19
 Recommendation BUY
 Target price (KRW) 113,000

Samsung Securities uses the following investment ratings.

Company

BUY★★★ Expected to increase in value by 30% or more within 12 months and is highly attractive within sector
BUY Expected to increase in value by 10% or more within 12 months
HOLD Expected to increase/decrease in value by less than 10% within 12 months
SELL Expected to decrease in value by 10% or more within 12 months
SELL★★★ Expected to decrease in value by 30% or more within 12 months

Industry

OVERWEIGHT Expected to outperform market by 5% or more within 12 months
NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd.. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc.