

# Company Update



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## ■ AT A GLANCE

SELL HOLD BUY

Target price	KRW120,000(31.3%)		
Current price	KRW91,400		
Bloomberg code	021240 KS		
Market cap	KRW7.0t/USD6.6b		
Shares (float)	77,124,796 (65.3%)		
52-week high/low	KRW103,500/KRW78,400		
Average daily trading value (60-day)	KRW 17.48b/USD 16.29m		
One-year performance	1M	6M	12M
Coway (%)	+7.9	+12.3	+26.9
Vs Kospi (%pts)	+1.1	+0.6	+17.5

## ■ KEY CHANGES

(KRW)	New	Old	Diff (%)
Recommendation	BUY	BUY	
Target price	120,000	120,000	0.0
2015E EPS	3,864	3,864	0.0
2016E EPS	4,229	4,229	0.0
2017E EPS	4,785	4,785	0.0

## ■ SAMSUNG vs THE STREET

No of I/B/E/S estimates	9
Target price vs I/B/E/S mean	4.4%
Estimates up/down (4 weeks)	4/0
1-year-fwd EPS vs I/B/E/S mean	-36.9%
Estimates up/down (4 weeks)	2/1
I/B/E/S recommendation	Buy

## Coway (021240 KS)

# Reports of PEF seeking to sell denied

### WHAT'S THE STORY?

**Event:** Coway shares dropped today after reports yesterday said largest shareholder MBK Partners was seeking to sell its management rights. Coway said the rumors were groundless.

**Impact:** The possibility of an ownership change could worry shareholders attracted to Coway by an aggressive shareholder-friendly policy driven by steady growth and ample free cash flows. Coway's denial should limit downside, but management will need to work hard to allay concerns. Stronger-than-expected 1Q earnings or other catalysts would do much to shore up the shares.

**Action:** We keep our 12-month target price at KRW120,000. If there is an ownership change, it could impact how Coway utilizes free cash flow, but should have little effect on the firm's dominant maintenance business. Similarly, if MBK were looking to sell, it would likely make every effort to maximize the company's value prior to doing so.

### THE QUICK VIEW

**MBK could double investment:** MBK Partners acquired 30.9% of Coway in early 2013 for KRW1.19t or KRW50,000/share, a 30-40% premium to the KRW35,000/share at which the stock traded in May 2012 when the private equity firm submitted a letter of intent. Based on Coway's current share price (KRW90,000-100,000) and factoring in a managerial premium, MBK stands to almost double its investment in just two and a half years if it decides to sell its holdings. It is too early to predict what company might want to purchase the sake, but candidates include PEFs KKR, Carlyle, and IMM PE, as well as LG Electronics and Kyowon.

### ■ SUMMARY FINANCIAL DATA

	2014	2015E	2016E	2017E
Revenue (KRWm)	2,160	2,308	2,474	2,626
Net profit (adj) (KRWm)	250	299	328	370
EPS (adj) (KRW)	3,223	3,864	4,229	4,785
EPS (adj) growth (%)	0.0	19.9	9.4	13.1
EBITDA margin (%)	26.8	28.0	28.2	29.3
ROE (%)	25.2	26.6	25.5	25.7
P/E (adj) (x)	28.4	23.7	21.6	19.1
P/B (x)	7.1	6.0	5.4	4.7
EV/EBITDA (x)	12.1	10.8	9.9	8.9
Dividend yield (%)	1.8	2.7	3.0	3.3

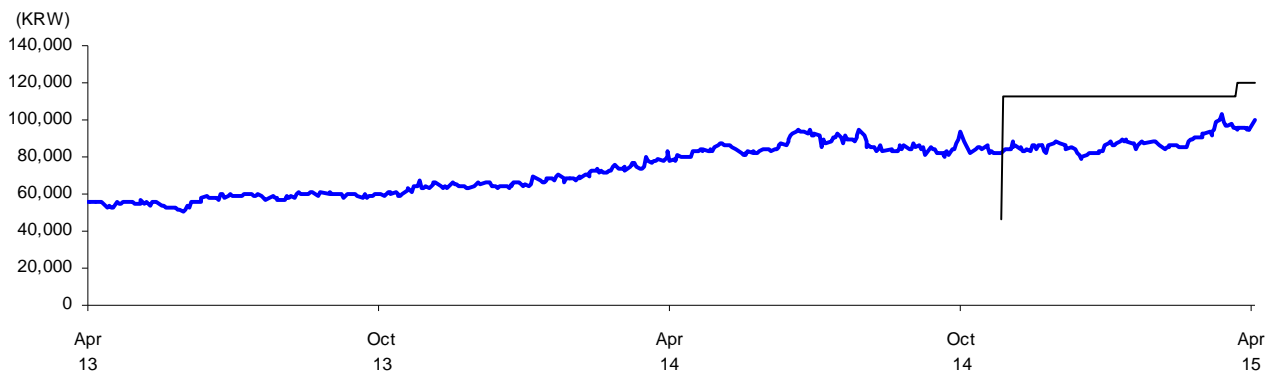
Source: Company data, Samsung Securities estimates

# Coway

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## ■ Target price changes in past two years



## ■ Rating changes in past two years

Date	2014/11/19	2015/4/16
Recommendation	BUY	BUY
Target price (KRW)	113,000	120,000

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- 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
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### Industry

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