

Coway (021240 KS)

Top-line growth recovery and margin gains in 2015

BUY (MAINTAIN)

Price (Apr. 21)	W95,400
Target Price	W115,000
% variance	20.5%

Joshua Kong	☎ (82-2) 3772-1527
	✉ jxlove1983@shinhan.com
SeungWoo Son	☎ (82-2) 3772-1565
	✉ swson85@shinhan.com

KOSPI	2,144.79p
KOSDAQ	714.52p
Market Cap.	W7,357.7bn/ US6,454.1mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.3%)
52-Week High/Low	W103,500/W77,500
60-Day Avg. Trading Volume	192,129shrs
60-Day Avg. Trading T/O	W17,151mn
Foreign Ownership	54.77%
Major Shareholders	
	Coway Holdings and 9 others 30.97%
	NPS 5.02%
Absolute Performance	3M 14.1%
	6M 13.6%
	12M 23.1%
Relative performance	3M 2.2%
to KOSPI	6M 1.4%
	12M 14.7%

◆ Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.

◆ Please see Analyst certification and important disclosures & disclaimers at the end of this report.

- ◆ 1Q15 sales to reach W528.3bn (+6.8% YoY), operating profit W98.9bn (+10.1% YoY)
- ◆ Sales of W2.2tr (+9.3% YoY) and operating profit margin of 19.7% (+1.0%p YoY) expected in 2015
- ◆ Retain BUY for a target price of W115,000

1Q15 sales to reach W528.3bn (+6.8% YoY), operating profit W98.9bn (+10.1% YoY)

Coway is expected to have posted K-IFRS standalone sales of W528.3bn (+6.8% YoY) and operating profit of W98.9bn (+10.1% YoY) in 1Q15. New rental accounts are estimated at 365,000 (+15.2% YoY) in the first quarter. Rental and lump-sum sales are projected to have reached W364.4bn (+7.4% YoY) and W40.1bn (+45.2% YoY), respectively. Exports are likely to have fallen 14.7% YoY to W38.6bn, while cosmetics sales should have gained 3.6% YoY to W21.7bn. Operating profit will likely come in line with the consensus (W100.4bn).

Sales of W2.2tr (+9.3% YoY) and operating profit margin of 19.7% (+1.0%p YoY) expected in 2015

Sales and operating profit went up 4.1% and 13.3% YoY, respectively, in 2014. Margins improved despite slowing top-line growth. Coway should be able to recover top-line growth in 2015. Rental sales are estimated at W1.5tr (+8.2% YoY), lump-sum sales at W170.5bn (+38.1% YoY), and exports at W183.7bn (+9.7% YoY).

Profitability should continue improving. The COGS ratio is expected to remain flat YoY (33.4%). The SG&A costs-to-sales ratio should decrease 0.9%p YoY on falling cancellation rate and labor cost leverage effect. We forecast 2015 sales at W2.2tr (+9.3% YoY) and operating profit at W432.6bn (+14.6% YoY). Operating profit margin should improve to 19.7% (+0.9%p YoY).

Retain BUY for a target price of W115,000

We retain our BUY rating on Coway for a target price of W115,000, derived by applying a target PER of 26x to 2015F EPS of W4,393. The year-end dividend yield is estimated at 2.6% at the current share price.

Dividend merit will provide downside support for the share price. Sales growth will likely more than double YoY this year. Coway is expected to launch the water purifier business in China at end-2015. We recommend taking a long-term approach to the stock.

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 (%)
2013	1,933.7	333.2	350.5	253.2	3,283	111.4	12,543	20.2	10.1	5.3	28.6	13.5
2014	2,013.6	377.5	329.7	242.9	3,150	(4.1)	13,732	26.7	11.4	6.1	24.0	6.2
2015F	2,200.6	432.6	442.1	331.6	4,299	36.5	15,624	22.2	11.4	6.1	29.3	(3.0)
2016F	2,360.3	493.7	512.7	366.4	4,986	16.0	17,487	19.1	10.3	5.5	30.1	(10.5)
2017F	2,524.4	553.6	576.6	412.0	5,607	12.5	19,942	17.0	9.3	4.8	30.0	(18.6)

Source: Company data, Shinhan Investment Corp.

1Q15 earnings estimates

(bn KRW)	1Q15F	4Q14	% QoQ	1Q14	% YoY	Consensus
Sales	528.3	499.5	5.8	494.8	6.8	531.4
OP	98.9	93.2	6.2	89.9	10.1	100.4
NP	75.3	45.3	66.4	66.2	13.7	78.5
OPM (%)	18.7	18.7		18.2		18.9
NPM (%)	14.3	9.1		13.4		14.8

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2015F			2016F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,212.3	2,200.6	(0.5)	2,397.6	2,360.3	(1.6)
OP	435.2	432.6	(0.6)	504.9	493.7	(2.2)
Consolidated NP	336.0	338.8	0.8	378.1	402.7	6.5

Source: Shinhan Investment Corp.

Note: K-IFRS standalone

Target price calculation

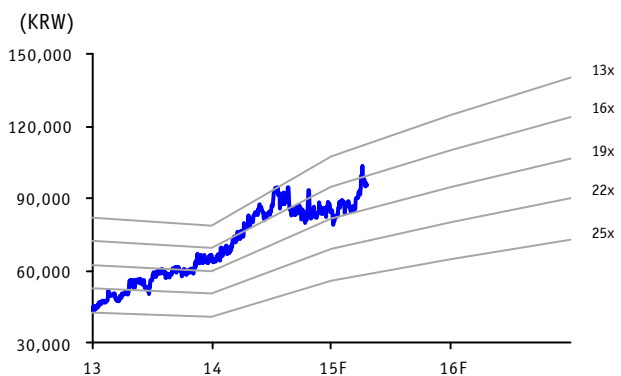
(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2015 NP	338.8	12-month forward NP	360	2016 NP	402.7
EPS (KRW)	4,393	EPS (KRW)	4,665	EPS (KRW)	5,221
Target PER (x)	26	Target PER (x)	25	Target PER (x)	22
Target price (KRW)	115,000	Target price (KRW)	115,000	Target price (KRW)	115,000
Current price (KRW)	95,400	Current price (KRW)	95,400	Current price (KRW)	95,400
Current PER (x)	21.7	Current PER (x)	20.4	Current PER (x)	18.3

Source: Shinhan Investment Corp.

Note: 1) K-IFRS consolidated basis

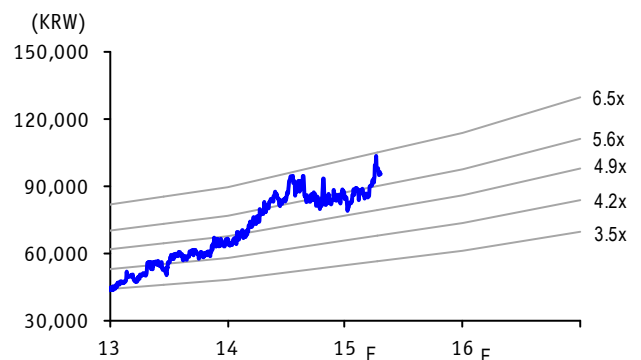
2) Target PER is a 30% premium to 2-year average PER of 20x

12-month forward PER band



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR band



Source: QuantiWise, Shinhan Investment Corp.

Annual earnings					
(bn KRW)	2013	2014	2015F	2016F	2017F
Sales	1,933.7	2,013.7	2,200.6	2,360.3	2,524.4
Growth (% YoY)	7.0	4.1	9.3	7.3	7.0
Rental subscribers (no. of contracts)	4,434,632	4,600,582	4,928,532	5,211,240	5,521,772
Growth (% YoY)	(3.8)	3.7	7.1	5.7	6.0
Rental ARPU (KRW)	25,359	25,647	26,317	26,542	26,888
Rental sales	1,320.2	1,390.3	1,504.6	1,614.8	1,731.5
Rental registration sales	13.2	10.2	6.7	4.4	2.9
Membership sales	172.3	183.4	188.8	191.1	193.4
Lump-sum sales	149.3	123.5	170.5	180.8	196.0
Exports	144.6	167.4	183.7	212.0	230.3
ODM	112.7	120.3	133.8	156.0	166.4
Overseas subsidiaries	31.9	47.1	49.9	56.0	63.9
Cosmetics sales	76.4	80.4	88.5	99.7	112.8
Others	57.7	58.4	57.7	57.6	57.5
Growth (% YoY)					
Rental	4.6	5.3	8.2	7.3	7.2
Rental registration	(44.6)	(22.4)	(34.4)	(34.4)	(34.4)
Membership	6.8	6.4	3.0	1.2	1.2
Lump-sum	3.2	(17.3)	38.1	6.0	8.4
Exports	32.0	15.8	9.7	15.4	8.6
Cosmetics	13.6	5.3	10.1	12.6	13.1
Others (living + water treatment)	50.7	1.2	(1.1)	(0.3)	(0.1)
COGS	651.7	673.4	735.4	791.5	843.6
COGS ratio (%)	33.7	33.4	33.4	33.5	33.4
Gross profit	1,282.1	1,340.3	1,465.2	1,568.8	1,680.7
Gross margin (%)	66.3	66.6	66.6	66.5	66.6
SG&A costs	948.9	962.7	1,032.6	1,075.1	1,127.1
SG&A costs/sales ratio (%)	49.1	47.8	46.9	45.5	44.6
OP	333.2	377.6	432.6	493.7	553.6
OPM (%)	17.2	18.8	19.7	20.9	21.9
Growth (% YoY)	46.3	13.3	14.6	14.1	12.1
Financial income	3.9	2.3	1.8	2.7	(0.7)
Financial expense	17.6	10.9	7.7	3.9	1.3
Other non-operating income	(9.1)	(8.5)	15.4	20.2	25.0
Pre-tax profit	350.5	329.9	442.1	512.7	576.6
Corporate tax	97.9	86.8	110.5	128.2	144.2
Corporate tax rate (%)	27.9	26.3	25.0	25.0	25.0
NP	252.6	243.1	331.6	384.5	432.5
NPM (%)	13.1	12.1	15.1	16.3	17.1
Growth (% YoY)	111.0	(3.8)	36.4	16.0	12.5
Profit/loss at subsidiaries	(7.6)	(4.2)	7.2	18.2	0.0
Consolidated NP	245.1	238.9	338.8	402.7	432.5
Growth (% YoY)	160.6	(2.5)	41.8	18.9	7.4
Standalone EPS (KRW)	3,150	4,299	4,986	5,607	0
Consolidated EPS (KRW)	3,178	3,097	4,393	5,221	5,607

Source: Shinhan Investment Corp.

Note: 1) K-IFRS standalone basis

2) 365,316 non-performing accounts excluded in 2013 rental subscriber numbers

Quarterly earnings															
(bn KRW)	1Q14	2Q14	3Q14	4Q14	1Q15F	2Q15F	3Q15F	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015F	2016F
Sales	494.8	523.3	496.1	499.5	528.3	551.4	553.8	567.1	576.3	588.7	591.8	603.5	2,013.7	2,200.6	2,360.3
Growth (% YoY)	6.4	5.3	1.4	3.6	6.8	5.4	11.6	13.5	9.1	6.8	6.9	6.4	4.1	9.3	7.3
Rental sales	339.4	344.0	350.3	356.7	364.4	373.7	379.9	386.7	393.1	401.1	406.8	413.8	1,390.3	1,504.6	1,614.8
Rental registration sales	3.0	2.7	2.4	2.2	2.0	1.8	1.6	1.4	1.3	1.2	1.0	0.9	10.2	6.7	4.4
Membership sales	43.9	45.7	46.9	46.9	47.0	47.1	47.3	47.4	47.6	47.7	47.9	48.0	183.4	188.8	191.1
Lump-sum sales	27.6	37.4	31.8	26.7	40.1	46.8	40.4	43.3	44.1	47.1	43.1	46.5	123.5	170.5	180.8
Exports	45.2	55.7	33.0	33.5	38.6	45.6	48.6	51.0	51.9	52.8	53.4	53.8	167.4	183.7	212.0
Cosmetics sales	21.0	22.3	17.2	20.0	21.7	21.9	21.8	23.1	23.9	24.5	25.2	26.1	80.4	88.5	99.7
Others	14.8	15.4	14.6	13.6	14.6	14.5	14.3	14.3	14.4	14.4	14.4	14.4	58.4	57.7	57.6
COGS	169.3	180.5	162.5	161.1	174.4	184.5	185.9	190.6	193.8	197.7	198.3	201.7	673.4	735.4	791.5
COGS ratio (%)	34.2	34.5	32.8	32.3	33.0	33.5	33.6	33.6	33.6	33.6	33.5	33.4	33.4	33.4	33.5
SG&A costs	235.7	245.2	236.6	245.2	254.9	258.2	257.0	262.5	267.0	267.8	268.4	271.9	962.7	1,032.6	1,075.1
SG&A costs/sales ratio (%)	47.6	46.9	47.7	49.1	48.3	46.8	46.4	46.3	46.3	45.5	45.3	45.1	47.8	46.9	45.5
OP	89.9	97.6	97.0	93.2	98.9	108.7	110.9	114.1	115.4	123.3	125.1	129.9	377.6	432.6	493.7
OPM (%)	18.2	18.7	19.5	18.7	18.7	19.7	20.0	20.1	20.0	20.9	21.1	21.5	18.8	19.7	20.9
Growth (% YoY)	29.8	23.0	(0.1)	6.4	10.1	11.3	14.4	22.4	16.7	13.5	12.8	13.8	13.3	14.6	14.1
Financial income	0.7	0.4	0.7	0.4	0.4	0.3	0.5	0.6	0.6	0.5	0.7	0.9	2.3	1.8	2.7
Financial expense	2.9	3.1	2.8	2.1	2.3	2.2	1.7	1.5	1.3	1.1	0.9	0.7	10.9	7.7	3.9
Other non-operating income	0.2	(8.3)	(6.6)	6.1	3.4	3.7	4.0	4.3	4.6	4.9	5.2	5.5	(8.5)	15.4	20.2
Pre-tax profit	87.9	86.7	88.2	67.0	100.4	110.5	113.7	117.5	119.3	127.6	130.2	135.6	329.9	442.1	512.7
NP	66.2	65.2	66.4	45.3	75.3	82.9	85.2	88.1	89.5	95.7	97.7	101.7	243.1	331.6	384.5
NPM (%)	13.4	12.5	13.4	9.1	14.3	15.0	15.4	15.5	15.5	16.3	16.5	16.8	12.1	15.1	16.3
Growth (% YoY)	(17.4)	8.1	6.7	(9.4)	13.7	27.1	28.5	94.7	18.8	15.5	14.6	15.4	(3.8)	36.4	16.0

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Rental subscribers and ARPU									
(subscribers)	2008	2009	2010	2011	2012	2013	2014	2015F	2016F
ARPU (KRW)	24,522	24,713	24,129	24,905	25,258	25,359	25,647	26,317	26,542
Total subscribers	3,639,197	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,600,582	4,928,532	5,211,240
Net adds	26,706	259,450	246,455	304,901	157,417	(172,788)	165,950	327,950	282,707
New subscribers	1,045,248	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,330,052	1,496,225	1,520,158
Cancellation rate (%)	13.9	13.5	12.9	12.5	12.1	10.8	11.8	11.4	10.8
Growth (%)									
ARPU	1.0	0.8	(2.4)	3.2	1.4	0.4	1.1	2.6	0.9
Total subscribers	0.7	7.1	6.3	7.4	3.5	(3.8)	3.7	7.1	5.7
Net adds	(80.1)	871.5	(5.0)	23.7	(48.4)	(209.8)	(196.0)	97.6	(13.8)
New subscribers	(10.9)	13.7	(1.8)	9.0	(4.2)	(4.3)	14.1	12.5	1.6

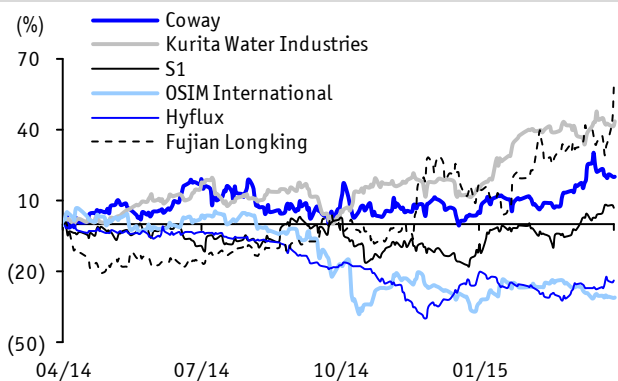
Source: Shinhan Investment Corp.

Note: 365,316 non-performing accounts excluded in 2013 rental subscriber numbers

Global peers			Coway	Kurita Water Industries	S1	OSIM International	Fujian Longking	Hyflux
Company Ticker			021240 KS	6370 JP	012750 KS	OSIM SP	600388 CH	HYF SP
Market cap. (bn KRW)			7,357.7	3,295.2	3,328.7	3,408.0	604.8	1,156.8
Sales (bn KRW)	2014		2,160.3	1,941.1	1,718.3	1,017.5	259.7	574.4
	2015F		2,328.0	1,736.6	1,890.7	1,193.5	338.2	600.6
	2016F		2,498.7	2,013.7	2,059.2	1,236.4	587.5	650.9
OP (bn KRW)	2014		364.4	162.2	172.3	88.5	(58.4)	104.6
	2015F		427.7	165.3	207.7	99.0	38.2	114.6
	2016F		479.9	179.2	239.6	114.2	70.4	128.3
OPM (%)	2014		16.9	8.4	10.0	8.7	(22.5)	18.2
	2015F		18.4	9.5	11.0	8.3	11.3	19.1
	2016F		19.2	8.9	11.6	9.2	12.0	19.7
NP (bn KRW)	2014		249.7	101.9	111.8	79.2	47.8	84.9
	2015F		325.6	105.1	143.5	96.5	(3.5)	88.7
	2016F		370.7	120.5	168.8	103.8	30.9	99.1
NPM (%)	2014		11.6	5.2	6.5	7.8	18.4	14.8
	2015F		14.0	6.1	7.6	8.1	(1.0)	14.8
	2016F		14.8	6.0	8.2	8.4	5.3	15.2
EPS growth (% YoY)	2014		8.1	T/B	39.7	5.3	T/B	T/B
	2015F		19.7	11.1	18.3	13.3	T/B	7.8
	2016F		13.8	14.9	17.6	7.8	T/B	12.3
P/E (x)	2014		25.1	28.5	21.5	32.4	50.9	14.8
	2015F		22.5	31.4	22.6	35.1	n/a	13.6
	2016F		19.7	27.3	19.2	32.6	26.0	12.1
P/B (x)	2014		6.0	1.2	2.7	4.8	1.5	3.5
	2015F		5.8	1.6	3.1	5.4	0.9	3.2
	2016F		5.2	1.6	2.8	4.8	0.9	2.8
EV/EBITDA (x)	2014		10.8	6.1	8.0	24.1	n/a	8.9
	2015F		11.3	8.4	10.3	20.4	28.2	7.4
	2016F		10.2	8.1	9.2	19.9	15.5	6.6
ROE (%)	2014		25.2	4.4	13.1	15.6	5.2	28.8
	2015F		28.4	5.4	14.9	15.8	(0.3)	23.0
	2016F		28.2	5.9	16.0	15.0	3.8	22.7

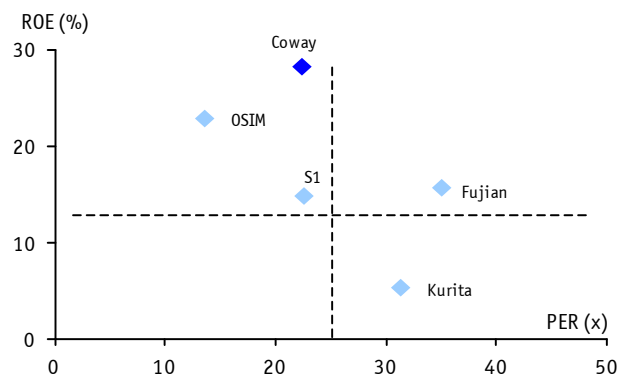
Source: Bloomberg consensus, Shinhan Investment Corp.

Share performance of global peers



Source: Bloomberg, Shinhan Investment Corp.

Valuation of global peers



Source: Bloomberg, Shinhan Investment Corp.

Balance Sheet

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
Assets	1,641.1	1,576.0	1,701.0	1,840.9	2,079.6
Total Current Assets	642.5	573.1	654.6	749.5	936.7
Cash and Cash Equivalents	201.3	105.5	143.9	201.7	350.9
Accounts Receivables	265.9	273.6	299.0	320.7	343.0
Inventories	40.9	41.8	45.7	49.0	52.4
Non-Current Assets	998.6	1,002.9	1,046.4	1,091.4	1,142.9
Tangible Assets	596.8	617.6	656.7	697.9	744.1
Intangible Assets	150.9	147.8	140.7	134.8	130.0
Investment Assets	154.0	123.2	134.7	144.5	154.5
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	673.7	517.0	495.9	474.1	503.0
Current Liabilities	636.8	468.0	443.2	418.1	443.7
ST Borrowings	172.0	162.8	100.0	50.0	50.0
Account Payables	29.5	46.5	60.5	64.9	69.4
Current Portion of LT Debt	146.1	0.0	0.0	0.0	0.0
Non-Current Liabilities	36.9	49.0	52.7	56.0	59.3
Bonds	0.0	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	7.1	8.2	8.2	8.2	8.2
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	967.3	1,059.0	1,205.0	1,366.9	1,576.6
Capital Stock	40.7	40.7	40.7	40.7	40.7
Capital Surplus	130.8	131.1	131.1	131.1	131.1
Other Reserves	(94.4)	(114.5)	(114.5)	(114.5)	(114.5)
Accu. Other Comp. Income	(0.2)	0.0	0.0	0.0	0.0
Retained Earnings	890.4	1,001.8	1,147.8	1,291.4	1,480.8
Owners of Parent Equity	967.3	1,059.0	1,205.0	1,348.7	1,538.0
Non-Controlling Interests Equity	0.0	0.0	0.0	18.2	38.6
*Total Debt	332.1	171.0	108.2	58.2	58.2
*Net Debts(Cash)	130.5	65.3	(35.6)	(143.5)	(292.6)

Cash Flow

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
Operating Cash Flow	517.6	498.5	507.1	547.0	631.6
Net Profit	253.2	242.9	331.6	384.5	432.5
Depreciation	181.2	191.8	201.4	201.4	201.4
Amortization	7.5	7.7	7.1	5.9	4.8
Losses(Gains) on F/X Translation	(0.1)	(4.2)	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	38.8	40.4	0.0	0.0	0.0
Losses(Gains) in Asso., Subs.,JVs	(40.1)	30.6	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(41.8)	(56.6)	(38.9)	(46.0)	(9.2)
(Payments of Income Taxes)	(41.4)	(97.6)	(110.5)	(128.2)	(144.2)
Others	160.3	143.5	116.4	129.4	146.3
Investing Cash Flow	(58.4)	(268.9)	(249.9)	(249.6)	(258.5)
Incr. in Tangible Assets(CAPEX)	(245.7)	(275.7)	(330.6)	(332.6)	(337.7)
Decr. in Tangible Assets	6.1	8.2	90.0	90.0	90.0
Decr.(Incr.) in Intangible Assets	(2.1)	(5.7)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	193.9	8.5	(11.4)	(9.8)	(10.0)
Others	(10.6)	(4.2)	2.1	2.8	(0.8)
Free Cash Flow	348.0	170.8	196.9	232.8	271.2
Financing Cash Flow	(376.8)	(325.3)	(218.9)	(239.5)	(224.0)
Incr.(Decr.) in Borrowing	(266.5)	(155.3)	(62.8)	(50.0)	0.0
Decr.(Incr.) of Treasury Stock	18.8	31.5	0.0	0.0	0.0
Dividend	(78.4)	(123.6)	(148.3)	(185.6)	(222.7)
Others	(50.7)	(77.9)	(7.8)	(3.9)	(1.3)
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	(0.0)	(0.0)	0.0	0.0	0.0
Incr.(Decr.) in Cash	82.4	(95.8)	38.3	57.9	149.1
Beginning Cash	118.9	201.3	105.5	143.9	201.7
Ending Cash	201.3	105.5	143.9	201.7	350.9

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
Sales	1,933.7	2,013.6	2,200.6	2,360.3	2,524.4
Growth (%)	7.0	4.1	9.3	7.3	7.0
COGS	651.7	673.4	735.4	791.5	843.6
Gross Profit	1,282.1	1,340.3	1,465.2	1,568.8	1,680.7
Gross margin (%)	66.3	66.6	66.6	66.5	66.6
SG&A	948.9	962.8	1,032.6	1,075.1	1,127.1
Operating Income	333.2	377.5	432.6	493.7	553.6
Growth (%)	46.3	13.3	14.6	14.1	12.1
Operating margin (%)	17.2	18.7	19.7	20.9	21.9
Other Net Non-Operating Profits	17.3	(47.8)	9.5	19.0	23.0
Financial Income(Expenses)	(13.7)	(8.6)	(5.9)	(1.2)	(2.0)
Net Other Non-Operating Profits	(9.1)	(8.5)	15.4	20.2	25.0
Net Gains in Asso., Subs., and JVs	40.1	(30.6)	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	350.5	329.7	442.1	512.7	576.6
Income Taxes	97.4	86.8	110.5	128.2	144.2
Profit from Continuing Op.	253.2	242.9	331.6	384.5	432.5
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	253.2	242.9	331.6	384.5	432.5
Growth (%)	111.4	(4.1)	36.5	16.0	12.5
Net Profit margin (%)	13.1	12.1	15.1	16.3	17.1
Net Profit of Parent	253.2	242.9	331.6	366.4	412.0
Net Profit to Non-Controlling	0.0	0.0	0.0	18.2	20.4
Total Comprehensive Income	252.6	235.2	331.6	384.5	432.5
Total Comp. Income of Parent	252.6	235.2	331.6	384.5	432.5
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	521.9	577.0	641.2	701.0	759.9
Growth (%)	30.6	10.6	11.1	9.3	8.4
EBITDA Margin (%)	27.0	28.7	29.1	29.7	30.1

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

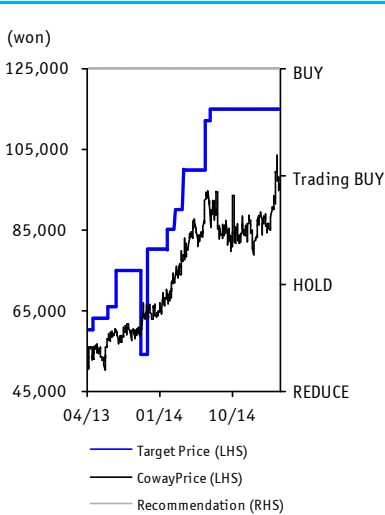
Key Ratios

Year to Dec.	2013	2014	2015F	2016F	2017F
EPS_C (won)	3,283	3,150	4,299	4,986	5,607
EPS_P (won)	3,283	3,150	4,299	4,986	5,607
BPS_C (won)	12,543	13,732	15,624	17,723	20,442
BPS_P (won)	12,543	13,732	15,624	17,487	19,942
DPS (won)	2,710	2,000	2,500	3,000	3,000
PER_C (x)	20.2	26.7	22.2	19.1	17.0
PER_P (x)	20.2	26.7	22.2	19.1	17.0
PBR_C (x)	5.3	6.1	6.1	5.4	4.7
PBR_P (x)	5.3	6.1	6.1	5.5	4.8
EV/EBITDA (x)	10.1	11.4	11.4	10.3	9.3
Payout Ratio (%)	79.8	61.1	56.0	60.8	54.1
Dividend Yield (%)	4.1	2.4	2.6	3.1	3.1
Profitability					
EBITDA Margin (%)	27.0	28.7	29.1	29.7	30.1
OP Margin (%)	17.2	18.7	19.7	20.9	21.9
NP Margin (%)	13.1	12.1	15.1	16.3	17.1
ROA (%)	15.1	15.1	20.2	21.7	22.1
ROE (%)	28.6	24.0	29.3	30.1	30.0
ROIC (%)	26.3	31.1	34.4	37.5	40.0
Stability					
D/E Ratio (%)	69.6	48.8	41.2	34.7	31.9
Net Debt to Equity (%)	13.5	6.2	(3.0)	(10.5)	(18.6)
Cash Ratio (%)	31.6	22.5	32.5	48.3	79.1
Interest Coverage (x)	19.0	34.8	56.0	125.3	429.6
Activity (%)					
Working Capital Turnover (t)	9.0	13.6	13.2	13.5	13.5
Inventory Turnover (d)	7.8	7.5	7.3	7.3	7.3
Receivable Turnover (d)	51.4	48.9	47.5	47.9	48.0

Source: Company data, Shinhan Investment Corp.

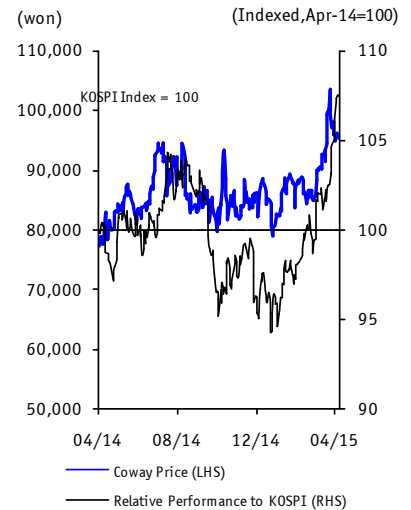
Coway (021240 KS)

Target Price & Recommendation History



Date	Recommendation	Target Price (won)
2013. 04. 21	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



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, SeungWoo Son.
- 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.

Distribution

United States: This report is distributed in the U.S. by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Investment Corp. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan and its affiliates to any registration or licensing requirement within such jurisdiction.

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