

Coway (021240 KS)

Attractive earnings and dividend, China momentum expected in 2H15

BUY (MAINTAIN)

Price (Jun. 30)	W91,400
Target Price	W120,000
% variance	31.3%

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KOSPI	2,074.20p
KOSDAQ	742.27p
Market Cap.	W7,049.2bn/ US6,183.5mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.3%)
52-Week High/Low	W103,500/W78,900
60-Day Avg. Trading Volume	165,881shrs
60-Day. Avg. Trading T/O	W15,337mn
Foreign Ownership	54.25%

Major Shareholders		
	Coway Holdings and 9 others	30.97%
	Lazard Asset Management LLC and 39 others	5.21%

Absolute Performance	3M	-2.0%
	6M	8.6%
	12M	7.9%
Relative performance to KOSPI	3M	-4.1%
	6M	0.3%
	12M	4.2%

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- ◆ 2Q15 operating profit to be in line with consensus at W106.4bn (+9% YoY)
- ◆ Domestic rental business to remain brisk in 2H15, new momentum expected from water purifier business in China
- ◆ Retain BUY and upgrade target price to W120,000

2Q15 operating profit to be in line with consensus at W106.4bn (+9% YoY)

We forecast Coway's standalone sales to reach W530.3bn (+1.3% YoY) and operating profit W106.4bn (+9.0% YoY) in 2Q15. Net adds in rental subscription are expected to have surged to 94,654 (+192.5% YoY) as the number of expiring subscribers decreased (-25% YoY).

Coway is projected to have posted rental sales of W370.1bn (+7.6% YoY), lump-sum contract revenue of W39bn (+4.2% YoY), exports of W36.1bn (-35.3% YoY), and cosmetic sales of W22.3bn (+0.2% YoY). Operating profit is likely to meet the consensus (W106.2bn).

Domestic rental business to remain brisk in 2H15, new momentum expected from water purifier business in China

Domestic rental business is expected to sustain growth in 2H15. We forecast net adds in rental contracts to rise to 130,000 (+17.5% YoY) and rental sales to W759bn (+7.4% YoY) in 2H15. Earnings growth in the rental business will drive margin improvement. Operating margin is estimated at 20.1% (+1%p YoY) in 2H15.

A risk factor is limited room for long-term growth in the domestic water purifier market with penetration rate already reaching approximately 30%. Coway's shares have been trading in a narrow range for the past year due to the sluggishness of air purifier exports to China.

Foray into China's water purifier market in 2H15 is the new growth engine. The company will form partnership with local distributors based on its own brand. The B2C penetration rate of water purifiers is only 2% in China. Expectations run high.

Retain BUY and upgrade target price to W120,000

We retain our BUY rating on Coway and upgrade our target price from W115,000 to W120,000 based on earnings forecast revision. Steady earnings improvement will be attained on brisk domestic rental business. High year-end dividend yield of 2.8% provides downward rigidity in the share price. Downside risk is limited. Penetration into the China water purifier market is key. We recommend a BUY rating from a long-term perspective.

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	10.5	6.1	24.0	6.2
2015F	2,113.1	421.7	415.7	313.1	4,059	28.9	15,287	22.5	10.2	6.0	28.0	(6.7)
2016F	2,258.7	465.7	467.1	331.7	4,542	11.9	16,795	20.1	9.5	5.4	28.3	(16.3)
2017F	2,410.5	519.6	524.0	372.1	5,096	12.2	18,442	17.9	8.7	5.0	28.9	(24.2)

Source: Company data, Shinhan Investment Corp. / Note: K-IFRS standalone

2Q15 earnings estimates

(bn KRW)	2Q15F	1Q15	% QoQ	2Q14	% YoY	Consensus
Sales	530.3	506.1	4.8	523.3	1.3	538.5
OP	106.4	98.9	7.5	97.6	9.0	106.2
NP	77.8	75.1	3.6	65.2	19.3	78.2
OPM (%)	20.1	19.5		18.7		19.7
NPM (%)	14.7	14.8		12.5		14.5

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Earnings forecast revision

(bn KRW)	2015F			2016F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,111.5	2,113.1	0.1	2,256.9	2,258.7	0.1
OP	414.8	421.7	1.7	458.1	465.7	1.7
Consolidated NP	314.9	320.6	1.8	361.8	368.9	2.0

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

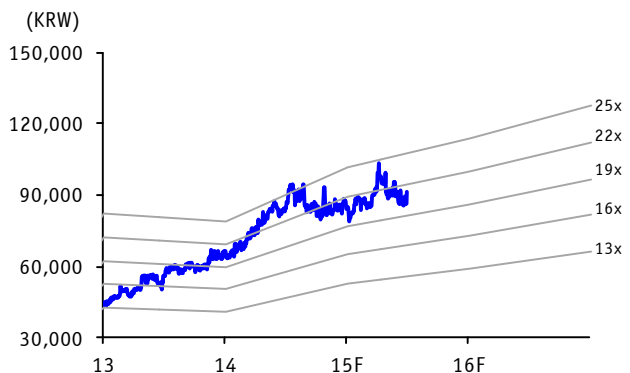
Target price calculation

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2015 NP	320.6	12-month forward NP	352.8	2016 NP	368.9
EPS (KRW)	4,157	EPS (KRW)	4,575	EPS (KRW)	4,784
PER (x)	29	Target PER (x)	26	PER (x)	25
Target price (KRW)	120,000	Target price (KRW)	120,000	Target price (KRW)	120,000
Current price (KRW)	91,400	Current price (KRW)	91,400	Current price (KRW)	91,400
Current PER (x)	22.0	Current PER (x)	20.0	Current PER (x)	19.1

Source: Shinhan Investment Corp.

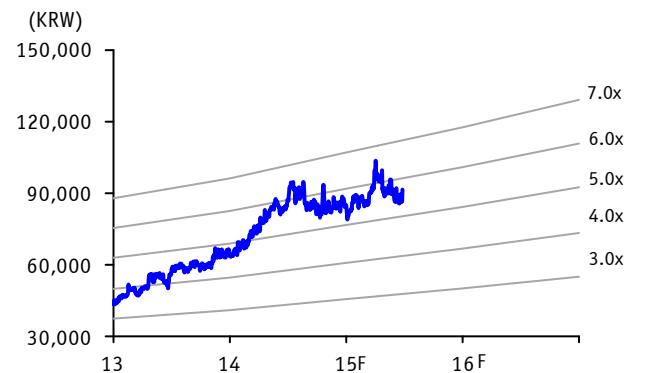
Note: 1) K-IFRS consolidated; 2) target PER is a 20% premium to 3-year average PER of 22x

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	2,113.1	2,258.7	2,410.5
Growth (% YoY)	7.0	4.1	4.9	6.9	6.7
Rental subscribers (no. of contracts)	4,434,632	4,600,582	4,894,038	5,162,885	5,459,534
Growth (% YoY)	(3.8)	3.7	6.4	5.5	5.7
Rental ARPU (KRW)	25,359	25,647	26,163	26,440	26,785
Rental sales	1,320.2	1,390.3	1,490.4	1,595.5	1,707.1
Rental registration	13.2	10.2	6.7	4.4	2.9
Membership	172.3	183.4	184.9	187.2	189.4
Lump-sum	149.3	123.5	134.9	135.9	137.7
Exports	144.6	167.4	149.5	171.9	190.7
ODM	112.7	120.3	106.3	122.2	133.9
Overseas subsidiaries	31.9	47.1	43.2	49.7	56.8
Cosmetics	76.4	80.4	91.5	102.5	115.9
Others	57.7	58.4	55.1	61.4	66.7
Growth (% YoY)					
Rental	4.6	5.3	7.2	7.0	7.0
Rental registration	(44.6)	(22.4)	(34.4)	(34.4)	(34.4)
Membership	6.8	6.4	0.9	1.2	1.2
Lump-sum	3.2	(17.3)	9.2	0.7	1.4
Exports	32.0	15.8	(10.7)	14.9	11.0
Cosmetics	13.6	5.3	13.7	12.1	13.1
Others (living + water treatment)	50.7	1.2	(5.6)	11.5	8.6
COGS	651.7	673.4	684.0	737.6	787.3
COGS ratio (%)	33.7	33.4	32.4	32.7	32.7
GP	1,282.1	1,340.3	1,429.1	1,521.1	1,623.2
GPM (%)	66.3	66.6	67.6	67.3	67.3
SG&A costs	948.9	962.7	1,007.4	1,055.4	1,103.5
SG&A costs/sales ratio (%)	49.1	47.8	47.7	46.7	45.8
OP	333.2	377.6	421.7	465.7	519.6
OPM (%)	17.2	18.8	20.0	20.6	21.6
Growth (% YoY)	46.3	13.3	11.7	10.4	11.6
Financial income	3.9	2.3	2.4	3.9	(0.5)
Financial expense	17.6	10.9	6.3	3.9	1.3
Other non-operating income	(9.1)	(8.5)	(2.2)	1.4	6.2
Pre-tax profit	350.5	329.9	415.7	467.1	524.0
Corporate tax	97.9	86.9	102.6	116.8	131.0
Corporate tax rate (%)	27.9	26.4	24.7	25.0	25.0
NP	252.6	242.9	313.1	350.3	393.0
NPM (%)	13.1	12.1	14.8	15.5	16.3
Growth (% YoY)	111.0	(3.8)	28.9	11.9	12.2
Profit/loss at subsidiaries	(7.6)	(4.2)	7.5	18.6	27.9
Consolidated NP	245.1	238.7	320.6	368.9	420.9
Growth (% YoY)	160.6	(2.6)	34.3	15.1	14.1
Standalone EPS (KRW)	3,283	3,150	4,059	4,542	5,096
Consolidated EPS (KRW)	3,178	3,095	4,157	4,784	5,458

Source: Company data, Shinhan Investment Corp.

Note: 1) K-IFRS standalone

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

Quarterly earnings															
(bn KRW)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15F	3Q15F	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015F	2016F
Sales	494.8	523.3	496.1	499.5	506.1	530.3	533.9	542.8	549.5	564.5	567.0	577.8	2,013.7	2,113.1	2,258.7
Growth (% YoY)	6.4	5.3	1.4	3.6	2.3	1.3	7.6	8.7	8.6	6.4	6.2	6.4	4.1	4.9	6.9
Rental sales	339.4	344.0	350.3	356.7	361.3	370.1	376.2	382.8	388.6	396.3	401.9	408.7	1,390.3	1,490.4	1,595.5
Rental registration	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	43.9	45.7	46.9	46.9	46.0	46.2	46.3	46.4	46.6	46.7	46.9	47.0	183.4	184.9	187.2
Lump-sum	27.6	37.4	31.8	26.7	30.0	39.0	33.0	33.0	33.8	36.5	31.6	34.0	123.5	134.9	135.9
Exports	45.2	55.7	33.0	33.5	33.0	36.1	39.8	40.7	40.1	43.2	44.1	44.5	167.4	149.5	171.9
Cosmetics	21.0	22.3	17.2	20.0	23.1	22.3	22.3	23.7	24.7	25.1	25.9	26.8	80.4	91.5	102.5
Others	14.8	15.4	14.6	13.6	10.6	14.9	14.8	14.8	14.5	15.5	15.6	15.9	58.4	55.1	61.4
COGS	169.3	180.5	162.5	161.1	159.3	172.5	174.9	177.3	178.7	184.8	185.4	188.6	673.4	684.0	737.6
COGS ratio (%)	34.2	34.5	32.8	32.3	31.5	32.5	32.8	32.7	32.5	32.7	32.7	32.6	33.4	32.4	32.7
SG&A costs	235.7	245.2	236.6	245.2	247.9	251.4	251.7	256.4	263.0	262.1	263.5	266.8	962.7	1,007.4	1,055.4
SG&A costs/sales ratio (%)	47.6	46.9	47.7	49.1	49.0	47.4	47.1	47.2	47.9	46.4	46.5	46.2	47.8	47.7	46.7
OP	89.9	97.6	97.0	93.2	98.9	106.4	107.3	109.1	107.8	117.5	118.0	122.4	377.6	421.7	465.7
OPM (%)	18.2	18.7	19.5	18.7	19.5	20.1	20.1	20.1	19.6	20.8	20.8	21.2	18.8	20.0	20.6
Growth (% YoY)	29.8	23.0	(0.1)	6.4	10.1	9.0	10.7	17.1	9.0	10.4	10.0	12.1	13.3	11.7	10.4
Financial income	0.7	0.4	0.7	0.4	0.3	0.5	0.7	0.8	0.8	0.8	1.0	1.2	2.3	2.4	3.9
Financial expense	2.9	3.1	2.8	2.1	0.9	2.2	1.7	1.5	1.3	1.1	0.9	0.7	10.9	6.3	3.9
Other non-operating income	0.2	(8.3)	(6.6)	6.1	(0.0)	(1.0)	(0.7)	(0.4)	(0.1)	0.2	0.5	0.8	(8.5)	(2.2)	1.4
Pre-tax profit	87.9	86.7	88.2	67.0	98.3	103.7	105.6	108.1	107.3	117.4	118.7	123.7	329.9	415.7	467.1
NP	66.1	65.2	66.4	45.3	75.1	77.8	79.2	81.0	80.4	88.1	89.1	92.8	242.9	313.1	350.3
NPM (%)	13.4	12.5	13.4	9.1	14.8	14.7	14.8	14.9	14.6	15.6	15.7	16.1	12.1	14.8	15.5
Growth (% YoY)	(17.6)	8.1	6.7	(9.4)	13.6	19.3	19.3	79.0	7.1	13.2	12.5	14.5	(3.8)	28.9	11.9

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone

Rental subscribers and ARPU									
(subscribers)	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
ARPU (KRW)	24,713	24,129	24,905	25,258	25,359	25,647	26,163	26,440	26,785
Total subscribers	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,600,582	4,894,038	5,162,885	5,459,534
Net adds	259,450	246,455	304,901	157,417	(172,788)	165,950	293,456	268,847	296,649
New subscribers	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,330,052	1,463,898	1,507,326	1,535,600
Termination	436,446	419,214	451,370	521,109	477,717	636,142	634,082	725,347	694,779
Cancellation rate (%)	13.5	12.9	12.5	12.1	10.8	11.9	11.7	11.0	10.5
Growth (%)									
ARPU	0.8	(2.4)	3.2	1.4	0.4	1.1	2.0	1.1	1.3
Total subscribers	7.1	6.3	7.4	3.5	(3.8)	3.7	6.4	5.5	5.7
Net adds	871.5	(5.0)	23.7	(48.4)	(209.8)	(196.0)	76.8	(8.4)	10.3
New subscribers	13.7	(1.8)	9.0	(4.2)	(4.3)	14.1	10.1	3.0	1.9

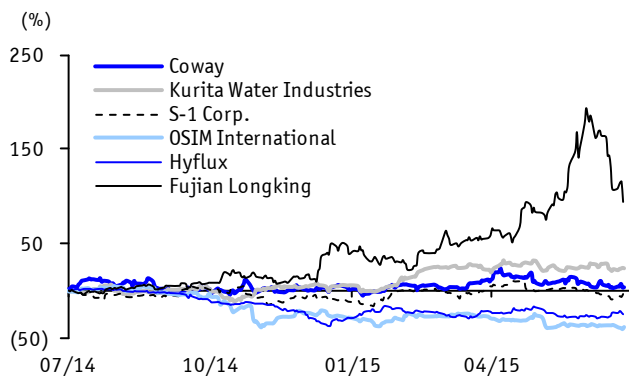
Source: Shinhan Investment Corp.

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

Global peers			Coway	Kurita Water Industries	S-1 Corp.	OSIM International	Fujian Longking	Hyflux
Company			021240 KS	6370 JP	012750 KS	OSIM SP	600388 CH	HYF SP
Ticker								
Market cap. (bn KRW)			7,049.2	3,106.3	2,982.9	1,039.6	3,658.3	574.7
Sales (bn KRW)	2014		2,160.3	1,833.3	1,718.3	574.4	1,017.5	259.7
	2015F		2,298.5	1,704.6	1,881.4	571.8	1,223.9	385.6
	2016F		2,462.8	1,965.1	2,045.4	611.6	1,402.3	596.2
OP (bn KRW)	2014		364.4	188.1	172.3	104.6	88.5	(58.4)
	2015F		423.7	164.1	200.1	90.8	101.8	40.9
	2016F		474.7	182.6	232.4	105.5	120.1	71.5
OP margin (%)	2014		16.9	10.3	10.0	18.2	8.7	(22.5)
	2015F		18.4	9.6	10.6	15.9	8.3	10.6
	2016F		19.3	9.3	11.4	17.3	8.6	12.0
NP (bn KRW)	2014		249.7	101.0	111.8	84.9	79.2	47.8
	2015F		317.6	102.7	140.0	74.6	95.2	1.8
	2016F		357.9	119.2	165.4	85.4	110.9	31.4
NP margin (%)	2014		11.6	5.5	6.5	14.8	7.8	18.4
	2015F		13.8	6.0	7.4	13.1	7.8	0.5
	2016F		14.5	6.1	8.1	14.0	7.9	5.3
EPS growth (% YoY)	2014		8.1	T/B	39.7	T/B	5.3	T/B
	2015F		16.7	9.4	15.7	T/B	122.0	T/B
	2016F		12.7	17.3	18.1	11.1	10.5	T/B
P/E (x)	2014		25.1	33.1	21.5	14.8	32.4	50.9
	2015F		22.1	29.5	20.7	14.4	19.2	n/a
	2016F		19.6	25.1	17.5	12.9	17.4	29.7
P/B (x)	2014		6.0	1.5	2.7	3.5	4.8	1.5
	2015F		5.6	1.5	2.8	2.9	3.2	0.8
	2016F		4.9	1.5	2.5	2.7	2.7	0.8
EV/EBITDA (x)	2014		10.8	8.2	8.0	8.9	24.1	n/a
	2015F		10.9	8.6	8.7	7.5	n/a	20.2
	2016F		10.0	8.2	7.8	6.6	n/a	12.9
ROE (%)	2014		25.2	4.7	13.1	28.8	15.6	5.2
	2015F		28.1	5.4	14.6	19.2	18.0	(1.4)
	2016F		27.4	5.9	15.8	20.1	18.7	3.8

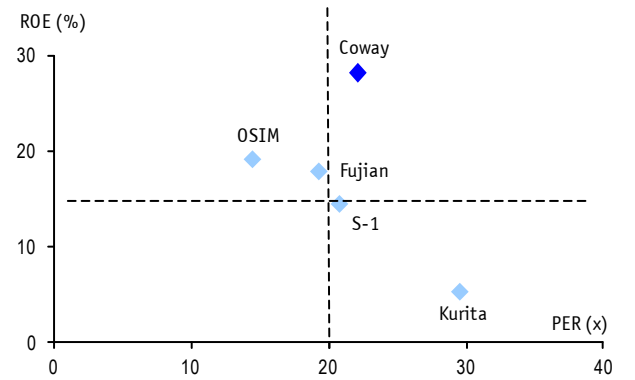
Source: Bloomberg consensus, Shinhan Investment Corp.

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	1,661.9	1,772.7	1,947.5
Total Current Assets	642.5	573.1	678.2	796.0	971.1
Cash and Cash Equivalents	201.3	105.5	187.8	271.8	411.6
Accounts Receivables	265.9	273.6	287.1	306.9	327.5
Inventories	40.9	41.8	43.8	46.9	50.0
Non-Current Assets	998.6	1,002.9	983.8	976.7	976.5
Tangible Assets	596.8	617.6	601.3	592.3	588.1
Intangible Assets	150.9	147.8	138.9	131.9	126.5
Investment Assets	154.0	123.2	129.3	138.2	147.5
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	673.7	517.0	482.9	458.8	485.7
Current Liabilities	636.8	468.0	432.0	404.8	428.7
ST Borrowings	172.0	162.8	100.0	50.0	50.0
Account Payables	29.5	46.5	60.5	64.7	69.0
Current Portion of LT Debt	146.1	0.0	0.0	0.0	0.0
Non-Current Liabilities	36.9	49.0	51.0	53.9	57.0
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	1,179.0	1,313.9	1,461.9
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	1,121.8	1,238.1	1,365.1
Owners of Parent Equity	967.3	1,059.0	1,179.0	1,295.3	1,422.4
Non-Controlling Interests Equity	0.0	0.0	0.0	18.6	39.5
*Total Debt	332.1	171.0	108.2	58.2	58.2
*Net Debts(Cash)	130.5	65.3	(79.5)	(213.6)	(353.4)

Cash Flow

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
Operating Cash Flow	517.6	498.5	537.2	577.4	612.6
Net Profit	253.2	242.9	313.1	350.3	393.0
Depreciation	181.2	238.4	250.3	250.3	250.3
Amortization	7.5	9.6	8.9	7.0	5.4
Losses(Gains) on F/X Translation	(0.1)	(4.6)	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	38.8	50.2	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)	(39.1)	(30.3)	(38.0)
(Payments of Income Taxes)	(41.4)	(97.6)	(102.6)	(116.8)	(131.0)
Others	160.3	85.6	106.6	116.9	132.9
Investing Cash Flow	(58.4)	(268.9)	(237.5)	(246.3)	(256.1)
Incr. in Tangible Assets(CAPEX)	(245.7)	(275.7)	(324.0)	(331.3)	(336.2)
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	(6.1)	(8.9)	(9.3)
Others	(10.6)	(4.2)	2.6	3.9	(0.6)
Free Cash Flow	348.0	219.3	256.5	264.2	297.8
Financing Cash Flow	(376.8)	(325.3)	(217.4)	(247.1)	(216.7)
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)	(193.1)	(215.4)
Others	(50.7)	(77.9)	(6.3)	(4.0)	(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)	82.2	84.0	139.8
Beginning Cash	118.9	201.3	105.5	187.8	271.8
Ending Cash	201.3	105.5	187.8	271.8	411.6

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	2,113.1	2,258.7	2,410.5
Growth (%)	7.0	4.1	4.9	6.9	6.7
COGS	651.7	673.4	684.0	737.6	787.3
Gross Profit	1,282.1	1,340.3	1,429.1	1,521.1	1,623.2
Gross margin (%)	66.3	66.6	67.6	67.3	67.3
SG&A	948.9	962.8	1,007.4	1,055.4	1,103.5
Operating Income	333.2	377.5	421.7	465.7	519.6
Growth (%)	46.3	13.3	11.7	10.4	11.6
Operating margin (%)	17.2	18.7	20.0	20.6	21.6
Other Net Non-Operating Profits	17.3	(47.8)	(6.1)	1.4	4.4
Financial Income(Expenses)	(13.7)	(8.6)	(3.9)	(0.0)	(1.8)
Net Other Non-Operating Profits	(9.1)	(8.5)	(2.2)	1.4	6.2
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	415.7	467.1	524.0
Income Taxes	97.4	86.8	102.6	116.8	131.0
Profit from Continuing Op.	253.2	242.9	313.1	350.3	393.0
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	253.2	242.9	313.1	350.3	393.0
Growth (%)	111.4	(4.1)	28.9	11.9	12.2
Net Profit margin (%)	13.1	12.1	14.8	15.5	16.3
Net Profit of Parent	253.2	242.9	313.1	331.7	372.1
Net Profit to Non-Controlling	0.0	0.0	0.0	18.6	20.9
Total Comprehensive Income	252.6	235.2	313.1	350.3	393.0
Total Comp. Income of Parent	252.6	235.2	313.1	350.3	393.0
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	521.9	625.5	681.0	723.0	775.4
Growth (%)	30.6	19.9	8.9	6.2	7.2
EBITDA Margin (%)	27.0	31.1	32.2	32.0	32.2

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

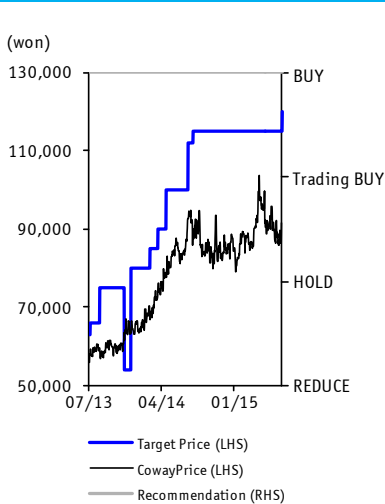
Key Ratios

Year to Dec.	2013	2014	2015F	2016F	2017F
EPS_C (won)	3,283	3,150	4,059	4,542	5,096
EPS_P (won)	3,283	3,150	4,059	4,542	5,096
BPS_C (won)	12,543	13,732	15,287	17,037	18,954
BPS_P (won)	12,543	13,732	15,287	16,795	18,442
DPS (won)	2,710	2,000	2,600	2,900	3,300
PER_C (x)	20.2	26.7	22.5	20.1	17.9
PER_P (x)	20.2	26.7	22.5	20.1	17.9
PBR_C (x)	5.3	6.1	6.0	5.4	4.8
PBR_P (x)	5.3	6.1	6.0	5.4	5.0
EV/EBITDA (x)	10.1	10.5	10.2	9.5	8.7
Payout Ratio (%)	79.8	61.1	61.7	64.9	65.9
Dividend Yield (%)	4.1	2.4	2.8	3.2	3.6
Profitability					
EBITDA Margin (%)	27.0	31.1	32.2	32.0	32.2
OP Margin (%)	17.2	18.7	20.0	20.6	21.6
NP Margin (%)	13.1	12.1	14.8	15.5	16.3
ROA (%)	15.1	15.1	19.3	20.4	21.1
ROE (%)	28.6	24.0	28.0	28.3	28.9
ROIC (%)	26.3	31.1	34.8	39.1	43.7
Stability					
D/E Ratio (%)	69.6	48.8	41.0	34.9	33.2
Net Debt to Equity (%)	13.5	6.2	(6.7)	(16.3)	(24.2)
Cash Ratio (%)	31.6	22.5	43.5	67.1	96.0
Interest Coverage (x)	19.0	34.8	67.2	118.2	403.2
Activity (%)					
Working Capital Turnover (t)	9.0	13.6	13.1	13.7	13.6
Inventory Turnover (d)	7.8	7.5	7.4	7.3	7.3
Receivable Turnover (d)	51.4	48.9	48.4	48.0	48.0

Source: Company data, Shinhan Investment Corp.

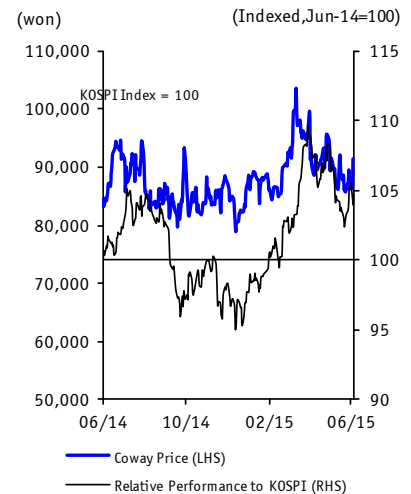
Coway (021240 KS)

Target Price & Recommendation History



Date	Recommendation	Target Price (won)
2013. 07. 01	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
2015. 06. 30	BUY	120,000

Share Price Performance



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Stock	Sector
◆ BUY: Expected return of over +15% in the next 6 months	◆ OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap
◆ Trading BUY: Expected return of 0% ~ +15% in the next 6 months	◆ NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap
◆ HOLD: Expected return of -15% ~ 0% in the next 6 months	◆ UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap
◆ REDUCE: Expected return of below -15% in the next 6 months	

SHIC Universe Rating Classification Ratio (as of Jun. 29, 2015)

BUY (BUY)	83.84%	Trading BUY (HOLD)	11.11%	HOLD (HOLD)	5.05%	REDUCE (SELL)	0%
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