

## Coway (021240)

12M rating **BUY (Maintain)**  
12M TP **W117,000** from W117,000  
Up/downside **+23%**

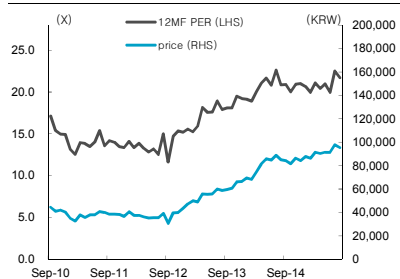
### Stock Data

KOSPI (Aug 10, pt)	2,003
Stock price (Aug 10, KRW)	95,400
Market cap (USD mn)	6,325
Shares outstanding (mn)	77
52-Week high/low (KRW)	105,500/78,900
6M avg. daily turnover (USD mn)	13.6
Free float / Foreign ownership (%)	65.4/53.3
Major shareholders (%)	
Coway Holdings, Inc. and 9 others	31.0
NPS	6.0

### Performance

	1M	6M	12M
Absolute (%)	2.6	8.7	3.4
Relative to KOSPI (%p)	4.0	5.2	4.7

### 12MF PE trend



Source: WISEfn consensus

## Uncertainty grows over potential sale by largest shareholder

### Coway Holdings may sell stake; shares down 8.7% yesterday

On August 10, Coway disclosed that its largest stakeholder, Coway Holdings, was considering various strategies, including a stake disposal, and that it had selected Goldman Sachs as an advisor. Of note, Coway disclosed in April that its largest shareholder had not decided on a stake sale or proceeded with it. As such, the possibility of a stake disposal appears to have firmed with the latest disclosure. And, Coway shares closed down 8.7% yesterday.

### Uncertainty over business strategy and shareholder return policy

At end-2012, MBK Partners acquired 30.9% of Coway for W1.2tn, or W50,000 per share. On August 10, Coway shares closed up 90% from the time of the acquisition. Compared to 2012, sales should grow 14% and OP 91% with OPM up from 11.3% to 19.1% in 2015F. This implies the share price upswing so far was driven by earnings improvements. It was backed by growth geared toward the high-margin rental business and tight cost controls, although top-line growth was not significant on the scale-down of non-profitable businesses and the sale of subsidiaries. Growth in the rental division is boosting earnings visibility from 2H15. The air/water purifier business in Malaysia, US and China also seems to have solid growth potential.

The strategy to raise profitability and maximize shareholder value has pushed Coway shares higher since the stake sale in 2012. In the face of an earlier-than-expected stake disposal, Coway's future share price performance should depend largely on upcoming news and the potential buyer, which would affect the overall business strategy and shareholder return policy, such as dividends. When the stake was sold in 2012, shares did not rally until the acquirer was determined.

### Valuation

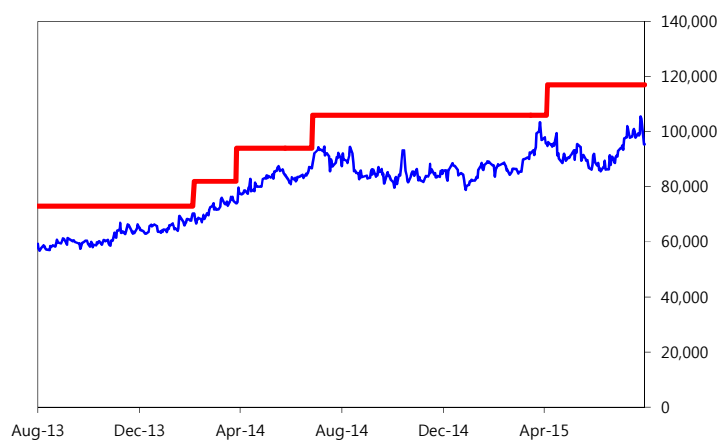
Coway shares trade at 22x 2015F PE and 20x 2016F PE. We maintain BUY and a TP of W117,000 (25x 12MF PE, historical peak).

**Eun-chaee Na**  
3276-6160  
ec.na@truefriend.com

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(W bn)	(W bn)	(W bn)	(KRW)	(YoY)	(W bn)	(x)	(x)	(x)	(%)	(%)
2013A	2,118	339	245	3,283	159.1	537	20.2	9.5	4.9	28.4	4.1
2014A	2,160	364	250	3,361	2.4	578	25.1	11.0	5.6	25.2	2.4
2015F	2,263	431	325	4,376	30.2	654	21.8	11.0	5.6	29.2	2.5
2016F	2,436	476	361	4,860	11.1	709	19.6	10.0	5.0	28.6	2.9
2017F	2,629	514	391	5,259	8.2	757	18.1	9.3	4.5	27.6	3.4

**Changes to recommendation and price target**

Company (Code)	Date	Recommendation	Price target
Coway (021240)	08-27-13	BUY	W73,000
	02-16-14	BUY	W82,000
	04-08-14	BUY	W94,000
	07-08-14	BUY	W106,000
	04-16-15	BUY	W117,000



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- BUY: Expected to outperform the market index by 15%p or more
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■ **Guide to Korea Investment & Securities Co., Ltd. stock rating allocation (as of Jun 30, 2015)**

BUY	Hold	Underweight (Sell)
76.6%	20.5%	2.9%

Note: % of companies under coverage with this rating

■ **Guide to Korea Investment & Securities Co., Ltd. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.
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- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the Kospi (Kosdaq) based on market capitalization.

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Prepared by: Eun-chaе Na

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