

# Coway (021240 KS)

## Dividend yield of 3%, China momentum expected in 2016

### BUY (MAINTAIN)

Price (Nov. 3)	₩90,000
Target Price	₩130,000
% variance	44.4%

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KOSPI	2,048.40p
KOSDAQ	682.13p
Market Cap.	₩6,941.2bn/ US\$6,088.8mn
Par Value	₩500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.4%)
52-Week High/Low	₩105,500/₩78,900
60-Day Avg. Trading Volume	226,276shrs
60-Day. Avg. Trading T/O	₩19,797mn
Foreign Ownership	52.07%
Major Shareholders	
Coway Holdings and 9 others	30.97%
NPS	6.04%
Absolute Performance	
3M	-9.5%
6M	-0.3%
12M	7.5%
Relative performance	
3M	-11.2%
to KOSPI	
6M	3.5%
12M	2.5%

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- ♦ 3Q15 operating profit of ₩125.6bn (+29.5% YoY) tops consensus by 13%
- ♦ Downward rigidity at year-end dividend yield of 3%; China momentum expected in 2016
- ♦ Retain BUY and raise target price to ₩130,000

### 3Q15 operating profit of ₩125.6bn (+29.5% YoY) tops consensus by 13%

Coway reported K-IFRS standalone sales of ₩545.7bn (+10.0% YoY) and operating profit of ₩125.6bn (+29.5% YoY) in 3Q15. The number of rental accounts went up 5.3% YoY to 4.78mn and rental sales increased 11.2% YoY to ₩389.6bn. A change in accounting treatment (mattress rental recognized as capital lease instead of operating lease) added ₩14.8bn to rental sales.

Sales from lump-sum contracts jumped 43.5% YoY to ₩45.6bn. Exports increased 8.5% YoY to ₩35.8bn and cosmetics sales grew 8.3% YoY to ₩18.6bn. Operating profit margin improved 3.5%p YoY (+1.8%p QoQ) to 23%. Operating profit exceeded the consensus by 13%.

### Downward rigidity at year-end dividend yield of 3%; China momentum expected in 2016

Dividend merit has increased on earnings forecast upgrade. The payout ratio is estimated at 60-70% for 2015 based on consolidated EPS. Conservatively assuming a 60% payout, year-end dividend yield comes to 3% based on the current price. The share price should exhibit downward rigidity at this level.

Operating profit margin will likely improve 2.6% YoY in 2015 on strong growth of the high-margin domestic rental business (+8.9% YoY). It should sustain growth next year to further bolster margins. We expect rental sales to go up 6.2% YoY to ₩1.6tr and total operating profit margin up 0.6%p YoY to 22% in 2016.

Coway is set to enter China's water purifier market in 2016. The move should gather steam after sale of Coway. China earnings momentum should lead to share price re-rating.

### Retain BUY and raise target price to ₩130,000

We retain our BUY rating and raise our target price from ₩125,000 to ₩130,000 to reflect earnings forecast upgrade. Our target price is derived by applying a target PER of 26x to 2016F EPS of ₩5,044. The sale of Coway is no longer a negative factor. It is time to focus on the company's high dividend merit (3%) and China momentum.

Year to Dec.	Sales (₩ bn)	OP (₩ bn)	Pre-tax (₩ bn)	NP (₩ bn)	EPS (₩on)	Growth (%)	BPS (₩on)	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	2,128.6	455.0	461.7	350.8	4,549	44.4	15,680	19.8	10.4	5.7	30.9	(5.6)
2016F	2,251.1	495.3	505.8	379.8	4,984	9.6	17,714	18.1	9.6	5.1	29.9	(15.2)
2017F	2,354.8	525.8	539.4	405.1	5,316	6.6	19,787	16.9	9.0	4.5	28.3	(22.9)

Source: Company data, Shinhan Investment Corp.

## 3Q15 results

(bn KRW)	3Q15P	2Q15	% QoQ	3Q14	% YoY	SHIC	Consensus
Sales	545.7	527.5	3.5	496.1	10.0	533.0	532.2
OP	125.6	111.7	12.4	97.0	29.5	110.7	111.5
NP	100.4	85.0	18.1	66.4	51.3	83.5	88.4
OPM (%)	23.0	21.2		19.5		20.8	21.0
NPM (%)	18.4	16.1		13.4		15.7	16.6

Source: Company data, Shinhan Investment Corp.

## Earnings forecast revision

(bn KRW)	2015P			2016F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,103.8	2,128.6	1.2	2,258.2	2,251.1	(0.3)
OP	428.9	455.0	6.1	475.2	495.3	4.2
Consolidated NP	332.7	342.8	3.0	382.1	389.0	1.8

Source: Shinhan Investment Corp.

Note: K-IFRS standalone

## Target price calculation

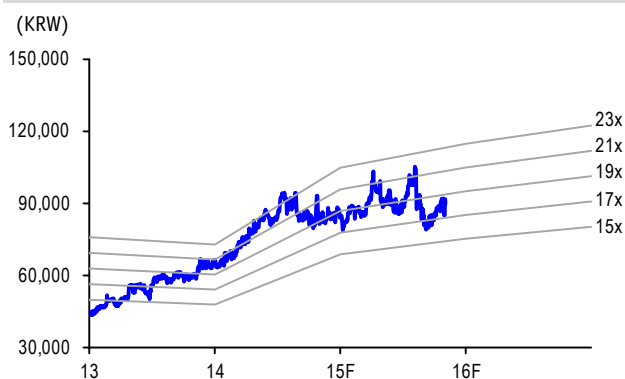
(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2015F NP	342.8	2016F NP	389.0	2017F NP	416.9
EPS (KRW)	4,444	EPS (KRW)	5,044	EPS (KRW)	5,405
PER (x)	29	PER (x)	26	PER (x)	24
Target price (KRW)	130,000	Target price (KRW)	130,000	Target price (KRW)	130,000
Current price (KRW)	90,000	Current price (KRW)	90,000	Current price (KRW)	90,000
Current PER (x)	20.3	Current PER (x)	17.8	Current PER (x)	16.7

Source: Shinhan Investment Corp.

Note: 1) K-IFRS consolidated

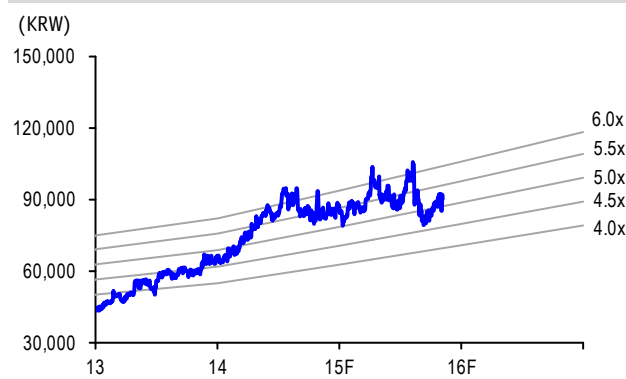
2) Target PER represents a 30% premium to 2-year average PER of 29x

## 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
<b>Sales</b>	<b>1,933.7</b>	<b>2,013.7</b>	<b>2,128.6</b>	<b>2,251.1</b>	<b>2,354.8</b>
Growth (% YoY)	7.0	4.1	5.7	5.8	4.6
Rental subscribers (no. of contracts)	4,434,632	4,600,582	4,810,679	4,918,368	5,059,866
Growth (% YoY)	(3.8)	3.7	4.6	2.2	2.9
Rental ARPU (KRW)	25,359	25,647	26,807	27,534	27,914
Rental sales	1,320.2	1,390.3	1,513.7	1,607.3	1,671.2
Rental registration sales	13.2	10.2	6.7	4.4	2.9
Membership sales	172.3	183.4	180.6	179.9	182.1
Lump-sum sales	149.3	123.5	153.3	159.2	164.8
Exports	144.6	167.4	147.1	164.1	186.6
ODM	112.7	120.3	81.9	89.7	101.4
Overseas subsidiaries	31.9	47.1	65.2	74.4	85.2
Cosmetics sales	76.4	80.4	85.2	90.4	97.6
Others	57.7	58.4	42.0	45.8	49.7
<b>Growth (% YoY)</b>					
Rental	4.6	5.3	8.9	6.2	4.0
Rental registration	(44.6)	(22.4)	(34.4)	(34.4)	(34.4)
Membership	6.8	6.4	(1.5)	(0.4)	1.2
Lump-sum	3.2	(17.3)	24.1	3.9	3.5
Exports	32.0	15.8	(12.1)	11.5	13.7
Cosmetics	13.6	5.3	5.9	6.1	7.9
Others (living + water treatment)	50.7	1.2	(28.0)	8.9	8.6
<b>COGS</b>	<b>651.7</b>	<b>673.4</b>	<b>668.4</b>	<b>709.9</b>	<b>747.6</b>
COGS ratio (%)	33.7	33.4	31.4	31.5	31.7
<b>Gross profit</b>	<b>1,282.1</b>	<b>1,340.3</b>	<b>1,460.2</b>	<b>1,541.2</b>	<b>1,607.2</b>
Gross margin (%)	66.3	66.6	68.6	68.5	68.3
<b>SG&amp;A costs</b>	<b>948.9</b>	<b>962.7</b>	<b>1,005.2</b>	<b>1,045.8</b>	<b>1,081.3</b>
SG&A costs/sales ratio (%)	49.1	47.8	47.2	46.5	45.9
<b>OP</b>	<b>333.2</b>	<b>377.6</b>	<b>455.0</b>	<b>495.3</b>	<b>525.8</b>
OPM (%)	17.2	18.8	21.4	22.0	22.3
Growth (% YoY)	46.3	13.3	20.5	8.9	6.2
Financial income	3.9	2.2	1.4	2.4	4.1
Financial expense	17.6	10.8	4.6	2.8	1.9
Other non-operating income	(9.1)	(8.5)	10.0	10.9	11.4
Pre-tax profit	350.5	329.8	461.7	505.8	539.4
Corporate tax	97.4	86.8	110.9	121.4	129.5
Corporate tax rate (%)	27.8	26.3	24.0	24.0	24.0
<b>NP</b>	<b>253.2</b>	<b>243.0</b>	<b>350.8</b>	<b>384.4</b>	<b>410.0</b>
NPM (%)	13.1	12.1	16.5	17.1	17.4
Growth (% YoY)	111.4	(4.0)	44.4	9.6	6.6
Profit/loss at subsidiaries	(8.1)	(4.2)	(8.1)	4.6	6.9
Consolidated NP	<b>245.1</b>	<b>238.8</b>	<b>342.8</b>	<b>389.0</b>	<b>416.9</b>
Growth (% YoY)	<b>160.6</b>	<b>(2.5)</b>	<b>43.5</b>	<b>13.5</b>	<b>7.2</b>
Standalone EPS (KRW)	3,283	3,150	4,549	4,984	5,316
Consolidated EPS (KRW)	3,178	3,097	4,444	5,044	5,405

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	2Q15	3Q15P	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015F	2016F
Sales	494.8	523.3	496.1	499.5	506.1	527.5	545.7	549.4	552.2	562.0	565.2	571.6	2,013.7	2,128.6	2,251.1
Growth (% YoY)	6.4	5.3	1.4	3.6	2.3	0.8	10.0	10.0	9.1	6.5	3.6	4.0	4.1	5.7	5.8
Rental sales	339.4	344.0	350.3	356.7	361.3	369.4	389.6	393.3	396.4	400.6	403.3	407.0	1,390.3	1,513.7	1,607.3
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	46.0	45.4	44.5	44.6	44.8	44.9	45.0	45.2	183.4	180.6	179.9
Lump-sum sales	27.6	37.4	31.8	26.7	30.0	41.4	45.6	36.3	38.0	42.0	39.7	39.6	123.5	153.3	159.2
Exports	45.2	55.7	33.0	33.5	33.0	39.0	35.8	39.3	38.4	40.0	42.2	43.4	167.4	147.1	164.1
Cosmetics sales	21.0	22.3	17.2	20.0	23.1	21.1	18.6	22.4	22.4	22.2	22.4	23.5	80.4	85.2	90.4
Others	14.8	15.4	14.6	13.6	10.6	9.4	10.0	12.0	11.0	11.1	11.6	12.0	58.4	42.0	45.8
COGS	169.3	180.5	162.5	161.1	159.3	166.8	168.7	173.7	173.5	176.7	178.7	181.0	673.4	668.4	709.9
COGS ratio (%)	34.2	34.5	32.8	32.3	31.5	31.6	30.9	31.6	31.4	31.4	31.6	31.7	33.4	31.4	31.5
SG&A costs	235.7	245.2	236.6	245.2	247.9	249.0	251.4	256.9	262.2	260.0	260.1	263.6	962.7	1,005.2	1,045.8
SG&A costs/sales ratio (%)	47.6	46.9	47.7	49.1	49.0	47.2	46.1	46.8	47.5	46.3	46.0	46.1	47.8	47.2	46.5
OP	89.9	97.6	97.0	93.2	98.9	111.7	125.6	118.8	116.5	125.3	126.5	127.0	377.6	455.0	495.3
OPM (%)	18.2	18.7	19.5	18.7	19.5	21.2	23.0	21.6	21.1	22.3	22.4	22.2	18.8	21.4	22.0
Growth (% YoY)	29.8	23.0	(0.1)	6.4	10.1	14.4	29.5	27.5	17.8	12.2	0.8	6.9	13.3	20.5	8.9
Financial income	0.7	0.4	0.7	0.4	0.3	0.3	0.3	0.5	0.5	0.5	0.6	0.8	2.2	1.4	2.4
Financial expense	2.9	3.1	2.8	2.1	0.9	1.7	0.9	1.2	0.9	0.8	0.6	0.5	10.8	4.6	2.8
Other non-operating income	0.2	(8.3)	(6.6)	6.1	(0.0)	1.1	6.6	2.4	2.1	2.8	3.4	2.7	(8.5)	10.0	10.9
Pre-tax profit	87.9	86.7	88.2	66.9	98.3	111.4	131.6	120.5	118.2	127.8	129.9	129.9	329.8	461.7	505.8
NP	66.2	65.2	66.4	45.3	75.0	85.0	100.4	90.4	89.8	97.2	98.7	98.7	243.0	350.8	384.4
NPM (%)	13.4	12.5	13.4	9.1	14.8	16.1	18.4	16.4	16.3	17.3	17.5	17.3	12.1	16.5	17.1
Growth (% YoY)	(17.5)	7.7	6.6	(9.8)	13.3	30.4	51.3	99.6	19.8	14.2	(1.7)	9.2	(4.0)	44.4	9.6

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	26,807	27,534	27,914
Total subscribers	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,600,582	4,810,679	4,918,368	5,059,866
Net adds	259,450	246,455	304,901	157,417	(172,788)	165,950	210,097	107,689	141,498
New subscribers	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,330,052	1,411,048	1,423,750	1,398,714
Termination	436,446	419,214	451,370	521,109	477,717	636,142	631,909	725,347	694,779
Cancellation rate (%)	13.5	12.9	12.5	12.1	10.8	11.9	12.4	12.0	11.8
<b>Growth (%)</b>									
ARPU	0.8	(2.4)	3.2	1.4	0.4	1.1	4.5	2.7	1.4
Total subscribers	7.1	6.3	7.4	3.5	(3.8)	3.7	4.6	2.2	2.9
Net adds	871.5	(5.0)	23.7	(48.4)	(209.8)	(196.0)	26.6	(48.7)	31.4
New subscribers	13.7	(1.8)	9.0	(4.2)	(4.3)	14.1	6.1	0.9	(1.8)

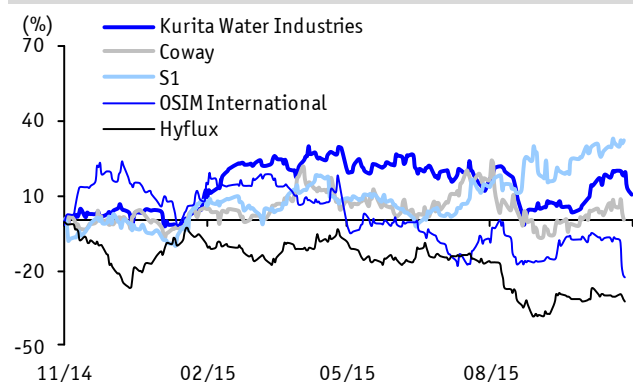
Source: Company data, Shinhan Investment Corp.

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

Global peers							
Company Ticker		Coway 021240 KS	Kurita Water Industries 6370 JP	S1 012750 KS	OSIM International OSIM SP	Fujian Longking 600388 CH	Hyflux HYF SP
Market cap. (bn KRW)		6,941.2	2,991.1	3,818.9	830.4	3,228.4	431.0
Sales	2014	2,160.3	1,833.3	1,718.3	574.4	1,017.5	259.7
(bn KRW)	2015F	2,269.5	1,704.6	1,855.4	498.6	1,285.7	366.5
	2016F	2,435.7	2,044.4	1,987.0	521.8	1,452.9	574.2
OP	2014	364.4	188.1	172.3	104.6	88.5	(58.4)
(bn KRW)	2015F	428.9	164.1	190.4	68.5	114.5	60.9
	2016F	475.9	193.2	219.2	81.4	141.9	87.4
OPM	2014	16.9	10.3	10.0	18.2	8.7	(22.5)
(%)	2015F	18.9	9.6	10.3	13.7	8.9	16.6
	2016F	19.5	9.4	11.0	15.6	9.8	15.2
NP	2014	249.7	101.0	111.8	84.9	79.2	47.8
(bn KRW)	2015F	320.8	102.7	171.1	52.9	104.5	(3.1)
	2016F	356.8	125.9	161.5	60.2	121.5	29.8
NPM	2014	11.6	5.5	6.5	14.8	7.8	18.4
(%)	2015F	14.1	6.0	9.2	10.6	8.1	(0.8)
	2016F	14.6	6.2	8.1	11.5	8.4	5.2
EPS growth	2014	8.1	T/B	39.7	T/B	5.3	T/B
(% YoY)	2015F	17.8	9.4	42.4	T/B	21.6	T/B
	2016F	11.8	24.6	T/B	15.3	15.4	T/B
P/E	2014	25.1	33.1	21.5	14.8	32.4	50.9
(x)	2015F	21.5	27.6	21.6	17.0	31.2	n/a
	2016F	19.3	23.2	22.8	14.7	27.1	20.2
P/B	2014	6.0	1.5	2.7	3.5	4.8	1.5
(x)	2015F	5.8	1.4	3.5	2.5	4.9	0.6
	2016F	5.1	1.4	3.2	2.4	4.2	0.6
EV/EBITDA	2014	10.8	8.2	8.0	8.9	24.1	n/a
(x)	2015F	10.6	7.9	12.2	8.3	22.6	18.4
	2016F	9.7	7.5	11.3	7.2	18.6	13.2
ROE	2014	25.2	4.7	13.1	28.8	15.6	5.2
(%)	2015F	28.8	5.4	17.4	14.2	18.8	(2.1)
	2016F	28.2	6.0	15.0	16.0	18.8	4.1

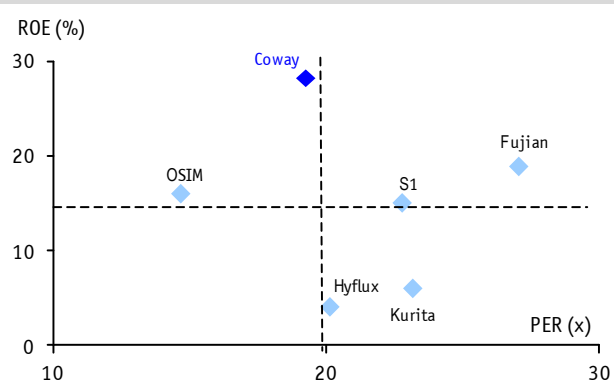
Source: Bloomberg consensus, Shinhan Investment Corp.

### 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
<b>Assets</b>	<b>1,641.1</b>	<b>1,576.0</b>	<b>1,694.5</b>	<b>1,827.7</b>	<b>2,010.9</b>
Total Current Assets	642.5	573.1	669.8	789.2	956.3
Cash and Cash Equivalents	201.3	105.5	175.7	266.7	409.7
Accounts Receivables	265.9	273.6	289.2	305.9	320.0
Inventories	40.9	41.8	44.2	46.7	48.9
Non-Current Assets	998.6	1,002.9	1,024.8	1,038.5	1,054.6
Tangible Assets	596.8	617.6	639.5	651.7	666.3
Intangible Assets	150.9	147.8	140.7	134.8	130.0
Investment Assets	154.0	123.2	130.3	137.8	144.1
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>673.7</b>	<b>517.0</b>	<b>485.2</b>	<b>456.9</b>	<b>475.3</b>
Current Liabilities	636.8	468.0	434.0	403.2	419.4
ST Borrowings	172.0	162.8	100.0	50.0	50.0
Account Payables	29.5	46.5	60.5	64.0	66.9
Current Portion of LT Debt	146.1	0.0	0.0	0.0	0.0
Non-Current Liabilities	36.9	49.0	51.3	53.8	55.9
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
<b>Shareholders' Equity</b>	<b>967.3</b>	<b>1,059.0</b>	<b>1,209.3</b>	<b>1,370.8</b>	<b>1,535.6</b>
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	1,152.0	1,309.0	1,468.8
Owners of Parent Equity	967.3	1,059.0	1,209.3	1,366.2	1,526.1
Non-Controlling Interests Equity	0.0	0.0	0.0	4.6	9.5
*Total Debt	332.1	171.0	108.2	58.2	58.2
*Net Debts(Cash)	130.5	65.3	(67.5)	(208.5)	(351.5)

## Cash Flow

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
<b>Operating Cash Flow</b>	<b>517.6</b>	<b>498.5</b>	<b>514.8</b>	<b>563.2</b>	<b>586.0</b>
Net Profit	253.2	242.9	350.8	384.4	410.0
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)	(47.9)	(29.0)	(28.0)
(Payments of Income Taxes)	(41.4)	(97.6)	(110.9)	(121.4)	(129.5)
Others	160.3	143.5	114.3	121.9	127.3
<b>Investing Cash Flow</b>	<b>(58.4)</b>	<b>(268.9)</b>	<b>(228.8)</b>	<b>(218.7)</b>	<b>(218.3)</b>
Incr. in Tangible Assets(CAPEX)	(245.7)	(275.7)	(313.4)	(303.6)	(306.1)
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	(7.0)	(7.5)	(6.3)
Others	(10.6)	(4.2)	1.6	2.4	4.1
<b>Free Cash Flow</b>	<b>348.0</b>	<b>170.8</b>	<b>242.8</b>	<b>270.9</b>	<b>292.0</b>
<b>Financing Cash Flow</b>	<b>(376.8)</b>	<b>(325.3)</b>	<b>(215.8)</b>	<b>(253.4)</b>	<b>(224.8)</b>
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)	(200.6)	(222.9)
Others	(50.7)	(77.9)	(4.7)	(2.8)	(1.9)
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
<b>Incr.(Decr.) in Cash</b>	<b>82.4</b>	<b>(95.8)</b>	<b>70.2</b>	<b>91.1</b>	<b>143.0</b>
Beginning Cash	118.9	201.3	105.5	175.7	266.8
Ending Cash	201.3	105.5	175.7	266.8	409.7

Source: Company data, Shinhan Investment Corp.

## Profit and Loss

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
<b>Sales</b>	<b>1,933.7</b>	<b>2,013.6</b>	<b>2,128.6</b>	<b>2,251.1</b>	<b>2,354.8</b>
Growth (%)	7.0	4.1	5.7	5.8	4.6
<b>COGS</b>	<b>651.7</b>	<b>673.4</b>	<b>668.4</b>	<b>709.9</b>	<b>747.6</b>
<b>Gross Profit</b>	<b>1,282.1</b>	<b>1,340.3</b>	<b>1,460.2</b>	<b>1,541.2</b>	<b>1,607.2</b>
Gross margin (%)	66.3	66.6	68.6	68.5	68.3
<b>SG&amp;A</b>	<b>948.9</b>	<b>962.8</b>	<b>1,005.2</b>	<b>1,045.8</b>	<b>1,081.3</b>
<b>Operating Income</b>	<b>333.2</b>	<b>377.5</b>	<b>455.0</b>	<b>495.3</b>	<b>525.8</b>
Growth (%)	46.3	13.3	20.5	8.9	6.2
Operating margin (%)	17.2	18.7	21.4	22.0	22.3
<b>Other Net Non-Operating Profits</b>	<b>17.3</b>	<b>(47.8)</b>	<b>6.8</b>	<b>10.5</b>	<b>13.6</b>
Financial Income(Expenses)	(13.7)	(8.6)	(3.3)	(0.5)	2.2
Net Other Non-Operating Profits	(9.1)	(8.5)	10.0	10.9	11.4
Net Gains in Asso., Subs., and JVs	40.1	(30.6)	0.0	0.0	0.0
<b>Pre-tax Profit from Cont. Op.</b>	<b>350.5</b>	<b>329.7</b>	<b>461.7</b>	<b>505.8</b>	<b>539.4</b>
Income Taxes	97.4	86.8	110.9	121.4	129.5
Profit from Continuing Op.	253.2	242.9	350.8	384.4	410.0
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>253.2</b>	<b>242.9</b>	<b>350.8</b>	<b>384.4</b>	<b>410.0</b>
Growth (%)	111.4	(4.1)	44.4	9.6	6.6
Net Profit margin (%)	13.1	12.1	16.5	17.1	17.4
Net Profit of Parent	253.2	242.9	350.8	379.8	405.1
Net Profit to Non-Controlling	0.0	0.0	0.0	4.6	4.9
<b>Total Comprehensive Income</b>	<b>252.6</b>	<b>235.2</b>	<b>350.8</b>	<b>384.4</b>	<b>410.0</b>
Total Comp. Income of Parent	252.6	235.2	350.8	384.4	410.0
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>521.9</b>	<b>577.0</b>	<b>663.5</b>	<b>702.6</b>	<b>732.1</b>
Growth (%)	30.6	10.6	15.0	5.9	4.2
EBITDA Margin (%)	27.0	28.7	31.2	31.2	31.1

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

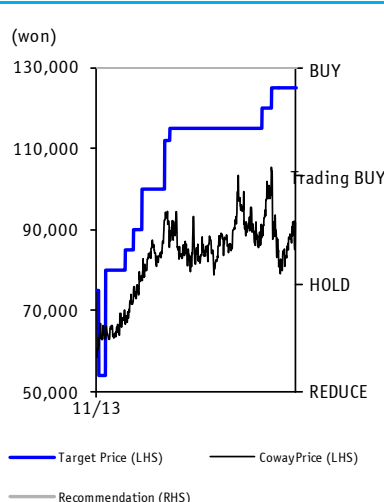
## Key Ratios

Year to Dec.	2013	2014	2015F	2016F	2017F
EPS_C (won)	3,283	3,150	4,549	4,984	5,316
EPS_P (won)	3,283	3,150	4,549	4,984	5,316
BPS_C (won)	12,543	13,732	15,680	17,774	19,910
BPS_P (won)	12,543	13,732	15,680	17,774	19,787
DPS (won)	2,710	2,000	2,700	3,000	3,300
PER_C (x)	20.2	26.7	19.8	18.1	16.9
PER_P (x)	20.2	26.7	19.8	18.1	16.9
PBR_C (x)	5.3	6.1	5.7	5.1	4.5
PBR_P (x)	5.3	6.1	5.7	5.1	4.5
EV/EBITDA (x)	10.1	11.4	10.4	9.6	9.0
Payout Ratio (%)	79.8	61.1	57.2	58.7	60.5
Dividend Yield (%)	4.1	2.4	3.0	3.3	3.7
<b>Profitability</b>					
EBITDA Margin (%)	27.0	28.7	31.2	31.2	31.1
OP Margin (%)	17.2	18.7	21.4	22.0	22.3
NP Margin (%)	13.1	12.1	16.5	17.1	17.4
ROA (%)	15.1	15.1	21.5	21.8	21.4
ROE (%)	28.6	24.0	30.9	29.9	28.3
ROIC (%)	26.3	31.1	37.1	39.8	41.5
<b>Stability</b>					
D/E Ratio (%)	69.6	48.8	40.1	33.3	31.0
Net Debt to Equity (%)	13.5	6.2	(5.6)	(15.2)	(22.9)
Cash Ratio (%)	31.6	22.5	40.5	66.2	97.7
Interest Coverage (x)	19.0	34.8	98.3	174.7	276.8
<b>Activity (%)</b>					
Working Capital Turnover (t)	9.0	13.6	13.1	13.5	13.5
Inventory Turnover (d)	7.8	7.5	7.4	7.4	7.4
Receivable Turnover (d)	51.4	48.9	48.3	48.2	48.5

Source: Company data, Shinhan Investment Corp.

## Coway (021240 KS)

## Target Price &amp; Recommendation History



Date	Recommendation	Target Price (won)
2013. 11. 03	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
2015. 08. 04	BUY	125,000

## Share Price Performance



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## SHIC Rating Classifications (As of Jul. 25, 2011)

Stock	Sector
<ul style="list-style-type: none"> <li>◆ <b>BUY:</b> Expected return of over +15% in the next 6 months</li> <li>◆ <b>Trading BUY:</b> Expected return of 0% ~ +15% in the next 6 months</li> <li>◆ <b>HOLD:</b> Expected return of -15% ~ 0% in the next 6 months</li> <li>◆ <b>REDUCE:</b> Expected return of below -15% in the next 6 months</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>OVERWEIGHT:</b> Prevalence of BUY rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>NEUTRAL:</b> Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>UNDERWEIGHT:</b> Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap</li> </ul>

## SHIC Universe Rating Classification Ratio (as of Oct. 30, 2015)

BUY (BUY)	89.05%	Trading BUY (HOLD)	6.19%	HOLD (HOLD)	4.76%	REDUCE (SELL)	0%
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