

April 7, 2016 Company Analysis



Coway

(021240)

BUY (maintain)



Jaesung Kang Analyst /
Other Consumer Goods
82-2-6114-2920 jaesung.kang@hdsr.com

1Q16 Earnings Preview

1Q16 earnings to meet market consensus

1Q16 OR and OP are estimated at KRW605bn (up 10.4%YoY) and KRW118.2bn (up 17.8%YoY), respectively. There seem to be low base effects associated with sluggish earnings in 1H15. Wellness home appliance sales (up 11.2%YoY; rental sales up 2.9%YoY, lump-sum sales up 20.5%YoY) and exports (overseas subsidiaries; up 20.8%YoY) seem to have improved as well. As such, Coway is estimated to have posted sound growth in 1Q16. Lump-sum sales are estimated to have grown on robust sales of non-flagship items, such as Dyson vacuum cleaners and massage chairs. We estimate that 1Q16 profitability slid YoY (2015 OP margin of 20%, 4Q15 OP margin of 20.4%), but cancellation rates and losses from rental asset obsolescence seem to have been flattish QoQ (cancellation rate at 1%, 2.6–7% of rental sales). As such, profitability seems to have been maintained (1Q16 OP margin estimated at 19.5%).

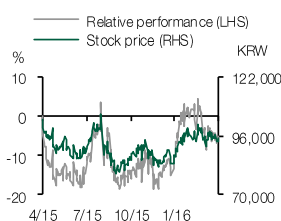
Focus on top-line growth, rather than profitability, in 2016

2016 OR and OP are projected to climb 8.1%YoY and 5.1%YoY to KRW2.5tr and KRW486.7bn, respectively. The company is anticipated to focus on top-line growth rather than margins this year. Overseas market turnarounds and growth in rental and lump-sum sales businesses focusing on the domestic market are forecast to continue: Top-line growth and earnings improvements at overseas subsidiaries (up 35%YoY in Malaysia, up 14%YoY in US, up 8.5%YoY in China), increased rental sales volume (rising sales of water purifiers/air purifiers with IoT technology applied) and a growing lump-sum sales business stemming from product diversification into cleaners, massage chairs and electric ranges (wellness home appliances OR up 5.9%YoY)

BUY kept with target price of KRW110,000

The current price corresponds to a 2016 PER of 19x. This is not burdensome in light of earnings growth, but the issue of the largest stakeholder's disposal is highly likely to impede share price movements over the short-term. We recommend investors to take into account the disposal issue.

Current price (Apr 6)	KRW94,700		
Target Price	KRW110,000		
Reuters code	021240.KS		
Bloomberg code	021240 KS		
Industry/Sector	Other Consumer Services		
Rating			
Market cap	USD6.3bn		
Ordinary shares issued	77,124,796shrs		
Free float	65.4%		
KOSPI	1,971.32		
KOSDAQ	694.03		
Avg T/O Vol (60d)	153,135shrs		
Avg T/O Val (60d)	12.7mn		
Foreign ownership	53.2%		
3yr CAGR of adj EPS (16~18)	4.8%		
Market's 3yr CAGR of adj. EPS	22.4%		
52wk high/low	KRW105,500		
	KRW79,200		
Beta (12M, daily return)	0.5		
Major shareholders	Coway Holdings, Inc. and 8 others		
	31.1%		
Price performance	1M	3M	6M
Absolute	0.1%	8.1%	9.2%
Relative	-0.7%	5.6%	10.3%



FY-end	12/14A	12/15A	12/16F	12/17F	12/18F
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
OR (KRWbn)	2,160.3	2,315.2	2,503.2	2,611.7	2,724.8
OP (KRWbn)	364.4	463.3	486.7	512.9	533.4
NP (KRWbn)	249.7	343.1	359.6	380.0	395.7
Parent NP (KRWbn)	249.7	343.1	359.6	380.0	395.8
EPS (KRW)	3,360	4,622	4,837	5,109	5,321
Adj. EPS (KRW)	3,360	4,622	4,837	5,109	5,321
PER* (x)	28.2–18.7	23.1–16.2	19.6	18.5	17.8
PBR (x)	6.0	5.0	5.1	4.6	4.1
EV/EBITDA (x)	11.3	9.3	10.1	9.7	9.0
Div. Yield (%)	2.4	3.3	3.2	3.4	3.4
ROE (%)	25.2	30.2	27.4	25.9	24.4
ROIC (%)	27.4	32.6	29.8	28.5	30.7

Note: IFRS-C = Consolidated financial statements; IFRS-P = Individual financial statements

Source: Company data, Hyundai Securities

Consolidated OR guidance of 10.6% growth, which hints at Coway's commitment to top-line growth

Low base effects expected in 1H16

IoT-applied items keep expanding (proportion: 1% → 3%); ARPU 50% higher as well

Lump-sum sales on continued rise, bolstered by robust sales of non-flagship items (e.g., vacuum cleaners, massage chairs)

As for overseas business, growth is anticipated, backed by growing US subsidiary and recovering sales in China

Share price in boxed-range movement due to issue of largest stakeholder's selloff; BUY kept with target price of KRW110,000

Coway presented the following guidance: 10.6%YoY growth in consolidated OR and OP margin of 19.5%. It is the first time for Coway to present a double-digit growth rate as guidance, which indicates the company's strong commitment to top-line growth. Coway is likely to sustain robust YoY growth until 1H16 (2Q: peak season), aided by a low base associated with lackluster earnings in 1H15. The pace of growth looks to slow down in 2H16, weighed by a high base from brisk earnings in 2H15. Hence, we advise investors to tame expectations for Coway's 2H16 earnings.

Coway is expected to expand rental sales by raising the proportion of IoT-applied items. In fact, Coway's sales exposure to IoT-applied items is still minimal, but the sales proportion increased from 1% to 3% of total sales (ARPU of IoT-applied items maximum 50% higher as well). In the case of existing air purifiers, it is difficult for customers to check improvements of air quality with their own eyes. With IoT-applied air purifiers, however, customers can systematically manage air quality. Coway expects the IoT-applied air purifier sales to grow as they can provide information on numerical changes in air quality and customized care (air purifier's penetration rate in domestic market estimated at about 20%; 1Q16 air purifier sales growth estimated in the high-single digit range).

Coway's lump-sum sales have continuously risen, driven by non-flagship items, such as Dyson vacuum cleaners, an electric range, massage chairs, and juicepresso (vacuum cleaner/massage chair sales estimated to have posted double-digit growth rates in 1Q16). Also, the effects of cross-selling are increasing thanks to door-to-door sales by Codi (Coway sales ladies) and the number of products used per client is estimated to stand at 1.63 units (the number likely to rise to 2).

As for the overseas business, we anticipate growing sales at Malaysian and US subsidiaries and improving exports to China this year (OR up 14%YoY). The Malaysian subsidiary is forecast to see 2016 OR grow 35-40%YoY (OP margin of 8%), aided by continued growth in the rental business, while the US subsidiary is expected to post 15%YoY growth in OR, aided by strategies to expand sales targeting Koreans, and reach BEP. In the case of the Taiwanese subsidiary, negative growth should be inevitable due to the suspension of the rental business, but margins are likely to improve due to a reduced extent of losses. The Chinese subsidiary (plus exports) saw tepid sales in 2015 from client P's reduced market share in China, but is forecast to see improved earnings YoY (up 8.5%YoY) on client P's improving market share in China starting in 4Q15, inventory depletion and the subsidiary's growing new order intakes amid severe fine dust levels and environmental pollution in China.

The selloff of a controlling stake by the largest stakeholder, private equity fund MBK Partners, is underway. Due to the nature of a private equity fund, margins were well managed, leading to sound earnings over the past several years, but the possibility of margin drops in the case of the disposal of the controlling stake has caused the shares to move in a boxed range. Until the issue of the largest stakeholder's disposal is resolved, the share prices are highly likely to move sideways. In light of the company's growth potential, however, we maintain BUY and a target price of KRW110,000. The target price was derived by using the 10-year DCF method.

Fig 1: Coway's earnings forecast

(KRWbn)	1Q15	2Q15	3Q15	4Q15	1Q16F	Consen	2Q16F	3Q16F	4Q16F	2014	2015	2016F	Consen	2017F
Rental account	4,666,185	4,747,355	4,779,581	4,832,434	4,895,256		4,973,580	5,013,368	5,058,489	4,600,582	4,832,434	5,058,489		5,269,013
Membership accou	994,392	967,025	950,400	938,872	927,484		916,234	905,120	894,141	1,016,086	938,872	894,141		851,542
Consolidated OR	548.2	555.3	580.5	631.3	605.0	598.1	618.1	623.6	656.5	2,160.3	2,315.2	2,503.2	2,495.5	2,611.7
Environmental appl	444.6	463.5	486.5	509.3	494.2		505.4	503.6	513.0	1,725.2	1,903.8	2,016.2		2,101.8
Rental OR	363.3	371.2	376.4	380.2	376.1		381.9	385.4	393.0	1,400.6	1,491.1	1,536.4		1,625.2
Membership OR	46.0	45.3	44.5	43.7	40.8		40.6	40.0	40.1	183.4	179.5	161.5		160.3
Lump-sum OR	30.0	41.4	45.6	54.2	44.8		49.9	45.4	47.2	123.5	171.2	187.3		182.7
Cosmetics	23.1	21.1	18.6	20.2	19.6		20.0	20.5	21.3	80.5	83.0	81.4		83.9
Exports	33.0	39.0	35.8	41.4	39.9		40.3	40.1	48.6	167.4	149.2	168.9		198.3
ODM/Dealers	24.8	18.8	15.9	22.7	21.8		18.0	20.0	28.3	120.3	82.2	88.1		96.9
Overseas affiliates	8.2	20.2	19.9	18.7	18.0		22.2	20.1	20.4	47.1	67.0	80.8		101.3
Others	47.5	31.7	39.6	60.4	51.3		52.4	59.5	73.6	187.2	179.2	236.7		227.8
COGS	175.2	170.6	178.1	204.9	197.7		200.1	204.5	216.2	726.6	728.8	818.5	788.1	844.6
COGS-to-OR ratio	32.0	30.7	30.7	32.5	32.7		32.4	32.8	32.9	33.6	31.5	32.7	31.6	32.3
Gross profit	373.0	384.7	402.4	426.4	407.2		418.0	419.1	440.4	1,433.7	1,586.4	1,684.7	1,707.4	1,767.2
Gross profit margin	68.0	69.3	69.3	67.5	67.3		67.6	67.2	67.1	66.4	68.5	67.3	68.4	67.7
SG&A	272.7	274.2	278.4	297.8	289.1		296.2	300.1	312.7	1,069.3	1,123.1	1,198.0	1,209.6	1,254.3
SG&A ratio	49.7	49.4	48.0	47.2	47.8		47.9	48.1	47.6	49.5	48.5	47.9	48.5	48.0
OP	100.3	110.4	124.0	128.6	118.2	117.9	121.8	119.0	127.7	364.4	463.3	486.7	503.0	512.9
OP margin (%)	18.3	19.9	21.4	20.4	19.5	19.7	19.7	19.1	19.5	16.9	20.0	19.4	20.2	19.6
EBT	101.1	108.9	121.7	122.7	118.3	119.5	120.8	116.8	122.2	332.4	478.0	505.7	498.0	526.8
NP	77.6	82.7	92.4	90.5	89.4	90.2	90.9	87.7	91.6	249.7	359.6	380.0	373.5	395.7
(%YoY)														
Consolidated OR	2.5	(0.3)	10.5	16.3	10.4		11.3	7.4	4.0	2.0	7.2	8.1	7.8	4.3
Environmental appl	6.1	6.2	12.8	16.2	11.2		9.1	3.5	0.7	4.2	10.4	5.9		4.2
Rental OR	6.1	7.1	6.7	6.0	3.5		2.9	2.4	3.4	5.1	6.5	3.0		5.8
Membership OR	4.8	(1.0)	(5.0)	(6.8)	(11.2)		(10.4)	(10.2)	(8.3)	5.6	(2.1)	(10.0)		(0.7)
Lump-sum OR	8.8	10.7	43.5	102.9	49.3		20.5	(0.4)	(12.9)	(17.4)	38.6	9.4		(2.5)
Cosmetics	10.0	(5.4)	8.1	1.2	(15.0)		(5.0)	10.0	5.0	5.4	3.2	(2.0)		3.1
Exports	(27.0)	(30.0)	8.5	23.6	20.8		3.3	12.1	17.5	15.8	(10.9)	13.2		17.4
Membership OR	(27.5)	(54.8)	(20.5)	(7.3)	(12.0)		(4.0)	25.8	24.5	6.7	(31.7)	7.2		10.0
Overseas affiliates	(25.5)	43.3	53.1	107.8	120.0		10.0	1.2	8.9	47.6	42.3	20.5		25.5
Others	(4.5)	(25.2)	(10.0)	18.2	8.0		65.3	50.2	21.9	(22.7)	(4.9)	32.1		(3.8)
COGS	(3.9)	(9.2)	5.9	8.9	12.9		17.3	14.8	5.5	0.8	0.3	12.3	8.1	3.2
Gross profit	5.7	4.2	12.6	20.2	9.2		8.7	4.2	3.3	2.6	10.6	6.2	7.6	4.9
SG&A	3.9	0.9	6.2	9.1	6.0		8.0	7.8	5.0	1.0	5.0	6.7	7.7	4.7
OP	11.1	13.7	30.1	57.4	17.8	17.6	10.3	(4.0)	(0.7)	7.5	27.1	5.1	8.6	5.4
EBT	14.3	25.9	41.6	71.5	17.0	18.2	10.9	(4.0)	(0.4)	1.6	43.8	5.8	4.2	4.2
NP	17.4	24.8	44.5	69.6	15.2	18.2	9.9	(5.0)	1.2	1.9	44.0	5.7	3.9	4.1

Source: Company data, FnGuide, Hyundai Securities

Fig 2: Target price calculated through DCF

	1	2	3	4	5	6	7	8	9	10	11
(KRWbn)	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F
OP	486.7	512.9	533.4	563.6	578.7	619.2	662.6	708.9	758.6	811.7	868.5
Income tax rate	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%
OP after tax (NOPLAT)	368.9	388.8	404.3	427.2	438.7	469.4	502.2	537.4	575.0	615.2	658.3
Depreciation expenses/intangible	227.7	230.3	232.5	233.7	234.8	236.0	237.2	238.4	239.6	240.7	242.0
Increase in working capital	35.0	20.0	15.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
CAPEX	(244.7)	(290.0)	(300.0)	(303.0)	(306.0)	(309.1)	(309.1)	(309.1)	(309.1)	(309.1)	(309.1)
FCF	386.9	349.0	351.8	367.9	377.4	406.3	440.3	476.6	515.5	556.9	595.9
Discount factor	1.07	1.15	1.24	1.33	1.42	1.53	1.64	1.76	1.89	2.02	2.17
FCF (present value)	360.6	303.2	284.8	277.5	265.4	266.2	268.9	271.3	273.4	275.3	274.5
WACC	7.3%										
FCF's current value	2,846.5										
Residual value	5,297.9										
Enterprise value	8,144.4										
Net debt	181.8										
Shareholders' equity	8,326										
# of shares (share)	74,297,159										
Target price (KRW)	112,066										
Calculation of residual value											
FCF (terminal year)	556.9										
WACC	7.3%										
Terminal growth	2.0%										
Residual value	5,297.9										

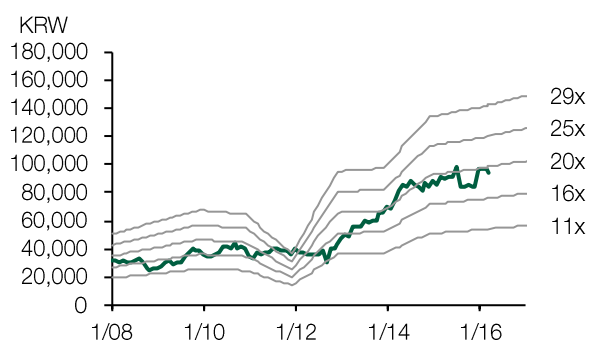
Source: Company data, Hyundai Securities

Fig 3: Sensitivity analysis based on changes in WACC and terminal growth

Terminal Growth		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.3%	145,804	160,214	178,991	204,474	241,036
	6.3%	118,298	126,799	137,276	150,511	167,757
	7.3%	100,159	105,600	112,066	119,880	129,511
	8.3%	87,481	91,165	95,433	100,437	106,386
	9.3%	78,243	80,844	83,800	87,191	91,121

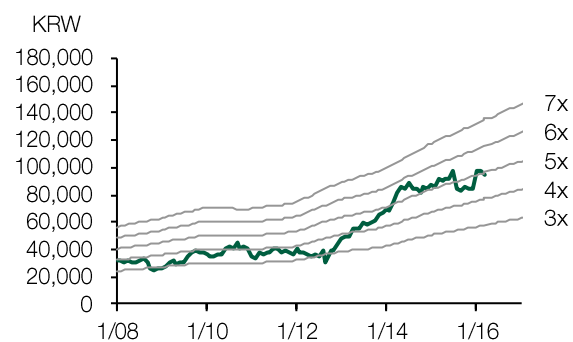
Source: Company data, Hyundai Securities

Fig 4: PER band chart



Source: Quantwise, Hyundai Securities

Fig 5: PBR band chart



Source: Quantwise, Hyundai Securities

Profit & Loss					
(KRWbn)	12/14A	12/15A	12/16F	12/17F	12/18F
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,160.3	2,315.2	2,503.2	2,611.7	2,724.8
Cost of sales	726.6	728.8	818.5	844.6	882.0
Gross profit	1,433.7	1,586.4	1,684.7	1,767.2	1,842.8
SG&A expenses	1,069.3	1,123.1	1,198.0	1,254.3	1,309.4
Other operating income	0.0	0.0	0.0	0.0	0.0
Operating profit	364.4	463.3	486.7	512.9	533.4
EBITDA	578.0	691.0	717.0	742.1	761.7
Non-operating accounts	(32.0)	(8.9)	(8.7)	(7.1)	(6.6)
Net financing income	(8.9)	(2.9)	(2.8)	(2.8)	(2.8)
Profit on equity method	0.0	0.0	0.0	0.0	0.0
Net other non-operating income	(23.1)	(6.0)	(5.8)	(4.4)	(3.8)
Profit before tax	332.4	454.5	478.0	505.7	526.8
Income tax expense	82.8	111.3	118.5	125.8	131.1
Net profit	249.7	343.1	359.6	380.0	395.7
Profit attributable to owners of parent	249.7	343.1	359.6	380.0	395.8
Total comprehensive income	241.1	334.3	359.6	380.0	395.7
TCI, attributable to owners of parent	241.1	334.3	359.6	380.0	395.8
Net exceptionals	0.0	0.0	0.0	0.0	0.0
Adj. net profit	249.7	343.1	359.6	380.0	395.8

Cash Flow					
(KRWbn)	12/14A	12/15A	12/16F	12/17F	12/18F
Net profit	249.7	343.1	359.6	380.0	395.7
Depreciation & amortization	213.6	227.7	230.3	229.2	228.3
Other non-cash adjustments	201.7	220.8	118.5	125.8	131.1
Investments in working capital	(29.1)	(195.3)	(14.6)	8.2	0.0
Other operating cash flow	(99.1)	(83.4)	(120.0)	(125.0)	(131.1)
Cash flow from operating activities	536.7	512.8	573.8	618.1	624.0
Capital expenditure	(296.2)	(320.4)	(300.0)	(320.0)	0.0
Investments in intangibles	(6.0)	(5.4)	(5.0)	(5.0)	0.0
Changes in current financial assets	0.2	0.0	6.7	0.5	0.0
Changes in investment assets	0.1	3.3	(1.9)	0.9	(0.5)
Other investment cash flow	2.7	(7.0)	(37.8)	(45.9)	0.0
Cash flow from investing activities	(299.2)	(329.5)	(337.9)	(369.5)	(0.5)
Proceeds from (repayments of) debt	(169.1)	(77.3)	(0.8)	(0.8)	0.0
Changes in equity	(27.6)	5.2	0.0	0.0	0.0
Dividends paid	(123.6)	(148.3)	(208.0)	(223.2)	(238.0)
Other financing cash flow	(7.6)	7.0	1.7	(0.8)	0.0
Cash flow from financing activities	(327.9)	(213.4)	(207.1)	(224.8)	(238.0)
Other cash flow	(0.9)	(1.0)	0.0	0.0	0.0
Increase/decrease in cash	(91.3)	(31.1)	28.7	23.8	385.5
Cash and cash equivalents at FYB	238.7	147.4	116.3	145.0	168.9
Cash and cash equivalents at FYE	147.4	116.3	145.0	168.9	554.4
	0.0	0.0	0.0	0.0	0.0
Gross operating cash flow	485.6	580.6	594.9	615.3	629.0
Free cash flow	142.5	(17.4)	237.5	252.7	629.0
Net cash flow	78.2	49.2	22.8	24.1	385.5
Net cash (net debt)	(13.0)	36.3	59.0	83.2	468.7

Operating Statistics & Ratios					
(%)	12/14A	12/15A	12/16F	12/17F	12/18F
OR growth	2.0	7.2	8.1	4.3	4.3
OP growth	7.5	27.1	5.1	5.4	4.0
EBITDA growth	7.6	19.6	3.8	3.5	2.6
NP growth of parent	1.9	37.4	4.8	5.7	4.2
Adj. NP growth	1.9	37.4	4.8	5.7	4.2
OP margin	16.9	20.0	19.4	19.6	19.6
EBITDA margin	26.8	29.8	28.6	28.4	28.0
NP margin	11.6	14.8	14.4	14.5	14.5
Adj. NP margin	11.6	14.8	14.4	14.5	14.5

Statement of financial position					
(KRWbn)	12/14A	12/15A	12/16F	12/17F	12/18F
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Cash and cash equivalents	147.4	116.3	145.0	168.9	554.4
Current financial assets	6.4	9.2	2.5	2.0	2.0
Trade receivables	208.8	256.0	256.0	256.0	256.0
Inventories	61.9	69.8	69.8	69.8	69.8
Other current assets	172.4	202.0	202.0	202.0	202.0
Current assets	596.8	653.3	675.3	698.7	1,084.2
Investment assets	81.4	77.7	79.5	78.6	79.1
Property, plant and equipment	675.2	699.5	775.8	872.1	648.4
Intangible assets	170.6	168.8	167.2	166.7	162.1
Deferred tax assets	0.9	0.9	0.9	0.9	0.9
Other non-current assets	96.7	175.2	213.0	258.9	258.9
Non-current assets	1,024.8	1,122.1	1,236.4	1,377.2	1,149.4
Total assets	1,621.6	1,775.4	1,911.7	2,075.9	2,233.6
Trade payables	59.0	59.8	60.4	61.0	61.0
Short-term financial liabilities	164.5	80.1	79.3	78.5	78.5
Current provisions	1.4	1.6	1.6	1.6	1.6
Other current liabilities	301.1	331.4	316.3	323.8	323.8
Current liabilities	526.0	472.9	457.5	464.9	464.9
Non-current financial liabilities	2.2	9.2	9.2	9.2	9.2
Non-current provisions	0.7	2.1	2.1	2.1	2.1
Provisions for employee benefits	16.0	12.4	14.2	13.3	13.3
Deferred tax liabilities	20.1	23.1	21.6	22.4	22.4
Other non-current liabilities	17.2	17.4	17.3	17.4	17.4
Non-current liabilities	56.2	64.3	64.5	64.4	64.4
Total liabilities	582.2	537.2	522.0	529.3	529.3
Issued capital	40.7	40.7	40.7	40.7	40.7
Share premium	126.5	127.5	127.5	127.5	127.5
Other equity interest	(114.5)	(102.6)	(102.6)	(102.6)	(102.6)
Accumulated other comprehensive income	(0.0)	(5.2)	(5.2)	(5.2)	(5.2)
Retained earnings	985.9	1,177.0	1,328.6	1,485.5	1,643.3
Equity attributable to owners of parent	1,038.5	1,237.4	1,389.0	1,545.8	1,703.6
Non-controlling interests	0.9	0.9	0.8	0.8	0.7
Total equity	1,039.4	1,238.2	1,389.8	1,546.6	1,704.3
Total Liab. and equity	1,621.6	1,775.4	1,911.8	2,075.9	2,233.6

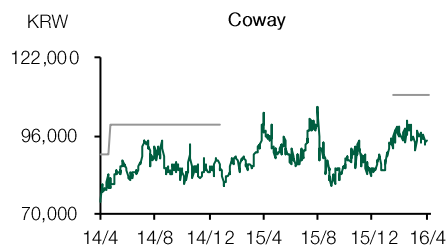
Per-share Performance					
(KRW)	12/14A	12/15A	12/16F	12/17F	12/18F
EPS	3,360	4,622	4,837	5,109	5,321
Adj. EPS	3,360	4,622	4,837	5,109	5,321
BPS	14,001	16,654	18,672	20,781	22,901
SPS	29,068	31,188	33,672	35,110	36,630
GCFPS	6,534	7,821	8,002	8,272	8,456
DPS	2,000	2,800	3,000	3,200	3,200
3yr CAGR of adj. EPS	13.7	15.0	4.8	5.0	4.5

Shareholder Value & Financial Structure					
(%)	12/14A	12/15A	12/16F	12/17F	12/18F
ROE	25.2	30.2	27.4	25.9	24.4
ROA	15.7	20.4	19.7	19.2	18.5
ROIC	27.4	32.6	29.8	28.5	30.7
WACC	3.9	8.0	7.3	8.0	8.0
ROIC/WACC (x)	7.0	4.1	4.1	3.6	3.8
Economic profit (KRWbn)	233.9	272.4	280.3	283.2	287.1
Total liab./equity	56.0	43.4	37.6	34.2	31.1
Net debt/equity	1.3	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	50.1	159.3	171.3	180.0	185.5

Note: Adj. EPS = [(Adjusted NP - preferred share NP) + (after-tax dilution adjustment)] / (diluted avg. number of ordinary shares outstanding). Adjusted NP = (Parent NP) - (net exceptional gains)
Net exceptional gains: After-tax exceptional gains (exceptional gains attributable to parent including FX gains, derivatives gains, valuation gains, one-off gains and discontinued operation gains)
Reporting standard: IFRS-C = Consolidated financial statements, IFRS-I = Individual financial statements, IFRS-S = Separate financial statements
Source: Coway, HyundaiSecurities

Disclosures

■ Rating and Target Price Changes



Company	Date	Rating	Target Price (KRW)
Coway	14/04/28	BUY	100,000
	15/12/03	BUY	110,000

■ Hyundai Securities has not disclosed the material contained in this report to any institutional investor or third party prior to its publication. The author(s) confirms that the material contained herein correctly represents his/her/their opinion and that it has been prepared without any undue influences or interventions. Hyundai Securities Co., Ltd. or any of its affiliates has not taken part in public offerings of the company(ies) covered in this report for the past 12 months. The author(s) of this report does not have any interest in the company(ies) covered herein.

■ Rating: Sector: Overweight (+10% or more), Neutral (-10 - +10%), Underweight (-10% or more)
Company: Strong BUY (+30% or more), BUY (+10 - +30%), Marketperform (-10 - +10%), Underperform (-10% or more) (Share price —, Target Price —)

■ Proportion of investment rating (As of March 31, 2016)

BUY	Neutral	Sell
88.0	11.7	0.3

* Based on reports presented with investment ratings over the past one year

■ All Hyundai Securities Research is available via the following electronic databases: Bloomberg, Thomson Reuters, FactSet. Contact your Hyundai Securities sales representative for access.

■ This report has been prepared for informational purposes only, and does not constitute an offer or solicitation of a contract for trading. Opinions in this report reflect professional judgment at this date based on information and data obtained from sources we consider reliable. However, we do not guarantee that the information and data are accurate or complete, and, therefore, this report is subject to change without prior notice. Individual investment should be made based on each client's own judgment, and we expressly disclaim all liability for any investment decisions and any results thereof. This report is a copyrighted material of Hyundai Securities Co. and, thus, it may not be reproduced, distributed, or modified without the prior consent of Hyundai Securities Co. This report is not prepared for academic purposes, and any third party wishing to quote from it for academic publications should receive the prior consent of Hyundai Securities Co.