

Coway (021240 KS)

Stable dividend growth stock

BUY (MAINTAIN)

Price (May 3)	W96,000
Target Price	W130,000
% variance	35.4%

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KOSPI	1,986.41p
KOSDAQ	698.66p
Market Cap.	W7,404.0bn/ US6,494.7mn
Par Value	W500
Outstanding Shares	77.1mn
Free Floating Shares	50.4mn(65.4%)
52-Week High/Low	W105,500/W79,200
60-Day Avg. Trading Volume	149,289shrs
60-Day. Avg. Trading T/O	W14,347mn
Foreign Ownership	53.63%

Major Shareholders

Coway Holdings, Inc. and 9 others	31.06%
NPS	6.04%
Absolute Performance	3M 0.0%
	6M 6.7%
	12M 6.3%
Relative performance	3M -4.8%
to KOSPI	6M 10.0%
	12M 13.8%

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- ◆ 1Q16 operating profit of W126.9bn (+28.3% YoY) meets consensus
- ◆ 2016 outlook: EPS up 10% YoY, dividend yield of 3.2%, overseas growth momentum remains valid
- ◆ Retain BUY for target price of W130,000

1Q16 operating profit of W126.9bn (+28.3% YoY) meets consensus

Coway reported K-IFRS standalone sales of W577.6bn (+14.1% YoY) and operating profit of W126.9bn (+28.3% YoY) in 1Q16. Rental account sales came in at W378.8bn (+4.8% YoY), lump-sum contract sales at W50.5bn (+68.2% YoY). Exports and cosmetics sales amounted to W56.7bn (+71.8% YoY) and W20.1bn (-13.1% YoY), respectively.

Earnings growth was driven by solid sales of lump-sum contracts and exports. Air purifier sales are climbing again due to air pollution and depletion of inventories. Rental ARPU fell slightly (-0.6% QoQ) due to promotions, but is likely to return to normal levels in 2Q16. Operating profit beat the consensus by about 15%.

2016 outlook: EPS up 10% YoY, dividend yield of 3.2%, overseas growth momentum remains valid

New rental accounts are expected to inch up 0.1% YoY to 1.41mn in 2016. Net account additions are expected to be only 120,000 (-49.2% YoY) due to an increase in expired contracts. The total number of rental accounts is estimated to go up 2.4% YoY to 4.95mn and rental account sales up 3.3% YoY to W1.53tr.

Lump-sum contract sales and exports are expected to rise markedly. Export growth should be driven by recovering ODM sales (+58% YoY) and rising sales at overseas subsidiaries (+46.2% YoY). Standalone and consolidated net profits are projected to expand 10.3% and 10.7% YoY, respectively.

The dividend yield is 3.2%. The stock has strong downside support at a dividend yield of over 3%. Coway has not yet picked a local partner for its water purifier business in China, but growth momentum in overseas markets remains intact.

Retain BUY for target price of W130,000

We retain our BUY rating for a target price of W130,000, based on 2016F PER of 26x. Earnings stability is high and dividend merit stands out. There are opportunities for overseas growth. We recommend a buy-and-hold strategy in the long term.

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 (%)
2014	2,013.6	377.5	329.7	242.9	3,150	(4.1)	13,732	26.7	11.4	6.1	24.0	6.3
2015	2,161.3	463.0	460.8	349.4	4,531	43.8	16,459	18.6	9.6	5.1	30.0	(0.4)
2016F	2,344.5	518.2	512.8	391.3	5,000	10.3	18,543	19.2	10.0	5.2	28.6	(9.2)
2017F	2,466.6	551.9	551.9	420.1	5,367	7.3	20,710	17.9	9.3	4.6	27.3	(17.0)
2018F	2,589.2	589.9	593.0	451.3	5,767	7.4	23,090	16.6	8.4	4.2	26.3	(36.2)

Source: Company data, Shinhan Investment Corp.

1Q16 results

(bn KRW)	1Q16P	4Q15	% QoQ	1Q15	% YoY	SHIC	Consensus
Sales	577.6	582.1	(0.8)	506.1	14.1	575.3	572.5
OP	126.9	126.8	0.1	98.9	28.3	119.9	110.0
NP	92.3	88.9	3.8	75.1	23.0	89.7	81.5
OPM (%)	22.0	21.8		19.5		20.8	19.2
NPM (%)	16.0	15.3		14.8		15.6	14.2

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2015P			2016F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,346.8	2,344.5	(0.1)	2,479.0	2,466.6	(0.5)
OP	511.4	518.2	1.3	550.5	551.9	0.3
Consolidated NP	377.7	379.9	0.6	414.8	415.1	0.1

Source: Shinhan Investment Corp.

Note: K-IFRS standalone basis

Target price calculation

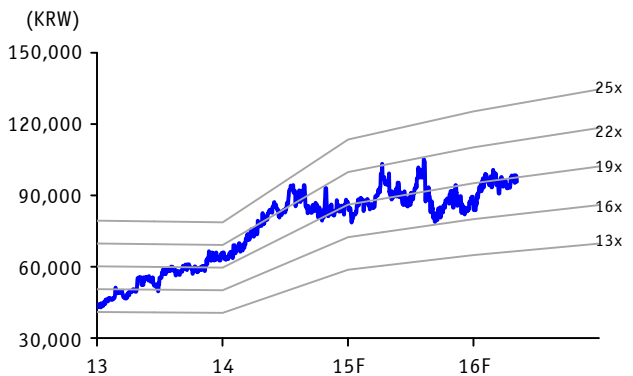
(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2016 NP	379.9	12-month forward NP	394.5	2017F NP	415.1
EPS (KRW)	4,925	EPS (KRW)	5,115.6	EPS (KRW)	5,382
PER (x)	26	Target PER (x)	25	PER (x)	24
Target price (KRW)	130,000	Target price (KRW)	130,000	Target price (KRW)	130,000
Current price (KRW)	96,000	Current price (KRW)	96,000	Current price (KRW)	96,000
Current PER (x)	19.5	Current PER (x)	18.8	Current PER (x)	17.8

Source: Shinhan Investment Corp.

Note: 1) K-IFRS consolidated basis

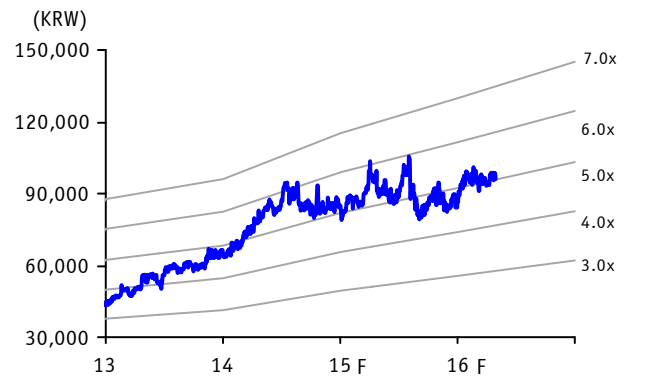
2) Target PER represents a 30% premium to 2-year average PER of 20x

12-month forward PER band



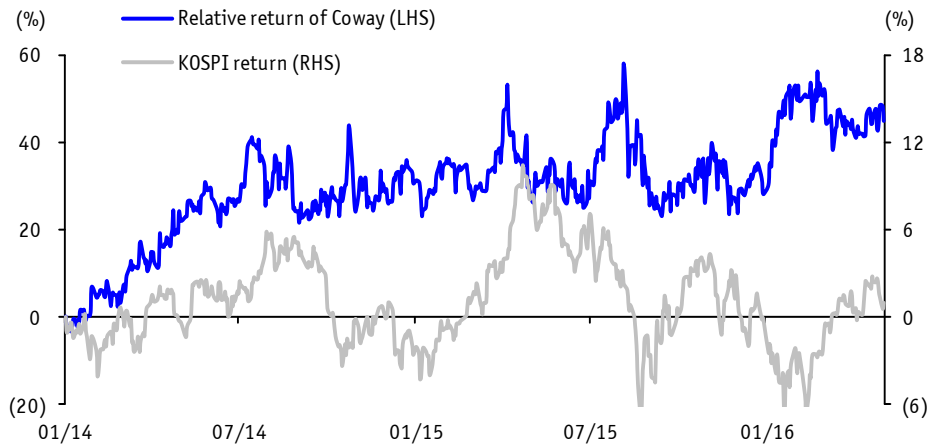
Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR band



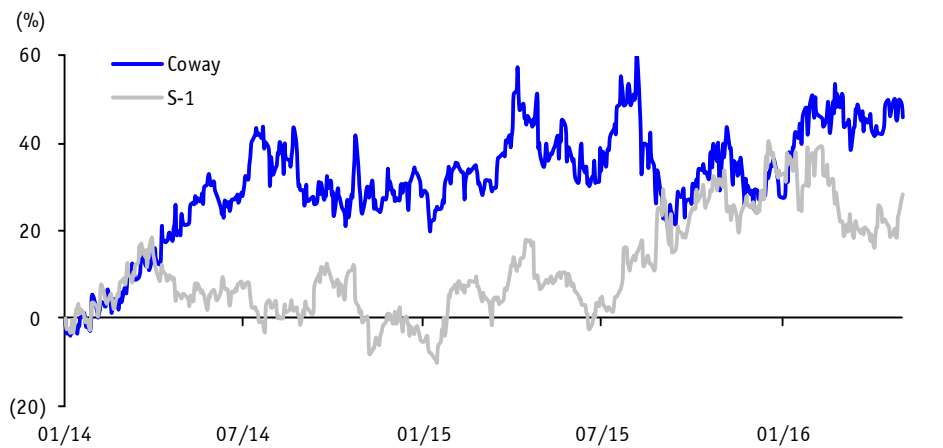
Source: QuantiWise, Shinhan Investment Corp.

Relative share performance vs. KOSPI (2014 – present)



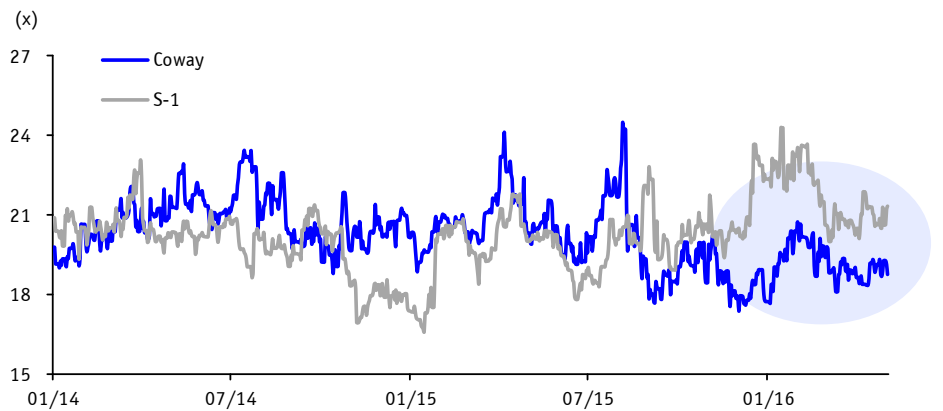
Source: QuantiWise, Shinhan Investment Corp.

Share performance of Coway and S-1



Source: QuantiWise, Shinhan Investment Corp.

12-month forward PER of Coway and S-1



Source: Bloomberg, Shinhan Investment Corp.

Annual earnings					
(bn KRW)	14	15	16F	17F	18F
Sales	2,013.7	2,161.3	2,344.5	2,466.6	2,589.2
Growth (% YoY)	4.1	7.3	8.5	5.2	5.0
Rental subscribers (no. of contracts)	4,600,582	4,832,434	4,950,140	5,085,494	0
Growth (% YoY)	3.7	5.0	2.4	2.7	0.0
Rental ARPU (KRW)	25,647	26,226	26,118	26,349	0
Rental sales	1,390.3	1,484.4	1,533.0	1,586.6	1,652.2
Rental registration sales	10.2	6.7	4.4	2.9	1.9
Capital lease (mattress rental)		40.9	93.3	101.9	110.3
Membership sales	183.4	179.6	170.6	167.9	165.2
Lump-sum sales	123.5	171.2	201.3	221.9	236.8
Exports	167.4	149.3	228.0	262.1	290.5
ODM	120.3	82.2	129.9	136.2	146.6
Overseas subsidiaries	47.1	67.1	98.1	125.9	143.9
Cosmetics sales	80.4	83.1	83.8	90.7	98.1
Others	58.4	46.1	30.0	32.7	34.2
Growth (% YoY)					
Rental	5.3	6.8	3.3	3.5	4.1
Rental registration	(22.4)	(34.4)	(34.4)	(34.4)	(34.4)
Capital lease (mattress rental)			128.1	9.2	8.3
Membership	6.4	(2.0)	(5.0)	(1.6)	(1.6)
Lump-sum	(17.3)	38.6	17.6	10.2	6.7
Exports	15.8	(10.8)	52.7	15.0	10.8
Cosmetics	5.3	3.3	0.8	8.3	8.2
Others (living + water treatment)	1.2	(21.1)	(34.9)	9.0	4.4
COGS	673.4	679.5	773.2	822.1	867.7
COGS ratio (%)	33.4	31.4	33.0	33.3	33.5
Gross profit	1,340.3	1,481.8	1,571.3	1,644.5	1,721.5
Gross margin (%)	66.6	68.6	67.0	66.7	66.5
SG&A costs	962.7	1,018.9	1,053.0	1,092.6	1,131.7
SG&A costs/sales ratio (%)	47.8	47.1	44.9	44.3	43.7
OP	377.6	463.0	518.2	551.9	589.9
OPM (%)	18.8	21.4	22.1	22.4	22.8
Growth (% YoY)	13.3	22.6	11.9	6.5	6.9
Financial income	2.2	1.1	1.2	2.1	5.2
Financial expense	10.8	4.3	2.1	1.7	1.6
Other non-operating income	(8.5)	0.9	(4.5)	(0.4)	(0.5)
Pre-tax profit	329.8	460.8	512.8	551.9	593.0
Corporate tax	86.8	111.3	127.3	138.0	148.2
Corporate tax rate (%)	26.3	24.2	24.8	25.0	25.0
NP	243.1	349.4	385.6	413.9	444.7
NPM (%)	12.1	16.2	16.4	16.8	17.2
Growth (% YoY)	(4.0)	43.8	10.3	7.3	7.4
Profit/loss at subsidiaries	6.6	(6.3)	(5.7)	1.1	2.3
Consolidated NP	249.7	343.1	379.9	415.1	447.0
Growth (% YoY)	1.9	37.4	10.7	9.3	7.7
Standalone EPS (KRW)	3,150	4,531	5,000	5,367	5,767
Consolidated EPS (KRW)	3,238	4,449	4,925	5,382	5,796

Source: Company data, 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)	1Q15	2Q15	3Q15	4Q15	1Q16P	2Q16F	3Q16F	4Q16F	1Q17F	2Q17F	3Q17F	4Q17F	15	16F	17F
Sales	506.1	527.5	545.7	582.1	577.6	581.1	587.7	597.9	606.5	613.9	618.6	627.5	2,161.3	2,344.5	2,466.6
Growth (% YoY)	2.3	0.8	10.0	16.5	14.1	10.2	7.7	2.7	5.0	5.6	5.3	5.0	7.3	8.5	5.2
Rental sales	361.3	369.4	374.8	378.8	378.8	382.0	384.4	387.7	391.5	395.6	397.9	401.5	1,484.4	1,533.0	1,586.6
Rental registration sales	2.0	1.8	1.6	1.4	1.3	1.2	1.0	0.9	0.8	0.8	0.7	0.6	6.7	4.4	2.9
Capital lease (mattress rental)			14.8	26.1	21.5	24.0	23.4	24.4	24.6	25.3	25.7	26.3	40.9	93.3	101.9
Membership sales	46.0	45.4	44.5	43.7	42.9	42.7	42.6	42.4	42.2	42.1	41.9	41.7	179.6	170.6	167.9
Lump-sum sales	30.0	41.4	45.6	54.2	50.5	51.0	48.6	51.3	54.9	55.9	53.9	57.2	171.2	201.3	221.9
Exports	33.0	39.0	35.8	41.4	56.7	52.3	58.7	60.3	62.7	63.7	67.3	68.4	149.3	228.0	262.1
Cosmetics sales	23.1	21.1	18.6	20.2	20.1	21.0	21.0	21.6	22.0	22.5	22.9	23.3	83.1	83.8	90.7
Others	10.6	9.4	10.0	16.1	5.8	7.0	8.0	9.2	7.7	8.1	8.4	8.5	46.1	30.0	32.7
COGS	159.3	166.8	168.7	184.8	190.3	190.0	194.4	198.5	201.5	204.0	206.8	209.8	679.5	773.2	822.1
COGS ratio (%)	31.5	31.6	30.9	31.7	33.0	32.7	33.1	33.2	33.2	33.2	33.4	33.4	31.4	33.0	33.3
SG&A costs	247.9	249.0	251.4	270.5	260.4	263.9	262.5	266.3	276.6	269.5	271.6	274.9	1,018.9	1,053.0	1,092.6
SG&A costs/sales ratio (%)	49.0	47.2	46.1	46.5	45.1	45.4	44.7	44.5	45.6	43.9	43.9	43.8	47.1	44.9	44.3
OP	98.9	111.7	125.6	126.8	126.9	127.3	130.8	133.2	128.4	140.4	140.3	142.9	463.0	518.2	551.9
OPM (%)	19.5	21.2	23.0	21.8	22.0	21.9	22.3	22.3	21.2	22.9	22.7	22.8	21.4	22.1	22.4
Growth (% YoY)	10.1	14.4	29.5	36.1	28.3	14.0	4.2	5.1	1.2	10.3	7.2	7.2	22.6	11.9	6.5
Financial income	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.6	0.7	1.1	1.2	2.1
Financial expense	0.9	1.7	0.9	0.8	0.7	0.6	0.4	0.4	0.5	0.4	0.4	0.4	4.3	2.1	1.7
Other non-operating income	(0.1)	1.1	6.7	(6.8)	(4.6)	0.4	0.5	(0.8)	(0.1)	0.0	(0.1)	(0.2)	0.9	(4.5)	(0.4)
Pre-tax profit	98.3	111.4	131.6	119.4	121.8	127.4	131.2	132.4	128.3	140.4	140.3	142.9	460.8	512.8	551.9
NP	75.1	85.0	100.4	88.9	92.3	95.6	98.4	99.3	96.2	105.3	105.2	107.1	349.4	385.6	413.9
NPM (%)	14.8	16.1	18.4	15.3	16.0	16.4	16.7	16.6	15.9	17.2	17.0	17.1	16.2	16.4	16.8
Growth (% YoY)	13.4	30.4	51.3	96.4	23.0	12.4	(2.0)	11.7	4.2	10.2	6.9	7.9	43.8	10.3	7.3

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone basis

Rental subscribers and ARPU									
(subscribers)	09	10	11	12	13	14	15	16F	17F
ARPU (KRW)	24,713	24,129	24,905	25,258	25,359	25,647	26,226	26,118	26,349
Total subscribers	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,600,582	4,832,434	4,950,140	5,085,494
Net adds	259,450	246,455	304,901	157,417	(172,788)	165,950	231,852	117,706	135,354
New subscribers	1,188,939	1,167,378	1,272,538	1,218,911	1,165,966	1,330,052	1,408,547	1,418,528	1,404,817
Termination	436,446	419,214	451,370	521,109	477,717	636,142	609,907	713,479	694,779
Cancellation rate (%)	13.5	12.9	12.5	12.1	10.8	11.9	12.3	12.0	11.7
Growth (%)									
ARPU	0.8	(2.4)	3.2	1.4	0.4	1.1	2.3	(0.4)	0.9
Total subscribers	7.1	6.3	7.4	3.5	(3.8)	3.7	5.0	2.4	2.7
Net adds	871.5	(5.0)	23.7	(48.4)	(209.8)	(196.0)	39.7	(49.2)	15.0
New subscribers	13.7	(1.8)	9.0	(4.2)	(4.3)	14.1	5.9	0.7	(1.0)

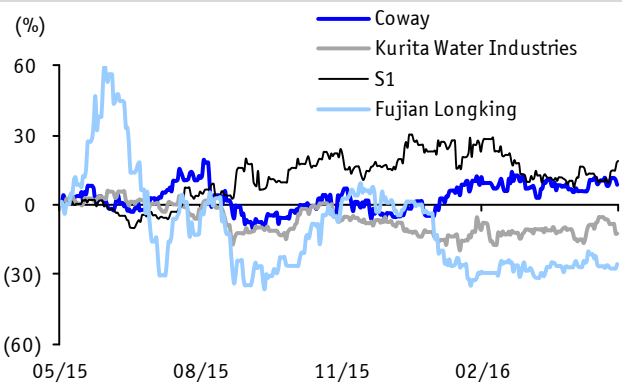
Source: Company data, Shinhan Investment Corp.

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

Global peers							
Company		Coway	S1	Kurita water Industries	Fujian Longking	OSIM International	Hyflux Ltd
Ticker		021240 KS	012750 KS	6370 JP	600388 CH	OSIM SP	HYF SP
Market cap. (bn KRW)		7,404.0	3,663.1	3,241.4	2,512.7	876.2	417.2
Sales (bn KRW)	2015	2,315.2	1,799.6	1,833.3	1,314.5	510.2	359.2
	2016F	2,520.4	1,930.1	2,312.8	1,474.3	502.9	480.3
	2017F	2,685.8	2,076.8	2,382.1	1,690.9	524.6	462.3
OP (bn KRW)	2015	463.3	173.3	188.1	119.6	60.8	58.5
	2016F	502.0	216.5	218.4	149.8	63.7	53.4
	2017F	539.2	241.8	238.2	177.7	68.1	77.0
OPM (%)	2015	20.0	9.6	10.3	9.1	11.9	16.3
	2016F	19.9	11.2	9.4	10.2	12.7	11.1
	2017F	20.1	11.6	10.0	10.5	13.0	16.7
NP (bn KRW)	2015	343.1	154.2	101.0	100.9	42.4	34.0
	2016F	380.9	156.8	140.4	115.9	49.1	2.3
	2017F	410.4	176.0	155.9	139.5	53.5	21.9
NP margin (%)	2015	14.8	8.6	5.5	7.7	8.3	9.5
	2016F	15.1	8.1	6.1	7.9	9.8	0.5
	2017F	15.3	8.5	6.5	8.2	10.2	4.7
EPS Growth (% YoY)	2015	37.5	37.9	T/B	26.8	T/B	-
	2016F	8.0	(4.8)	40.9	16.0	14.1	8.2
	2017F	7.7	12.4	12.7	17.3	10.1	-
P/E (x)	2015	18.2	28.1	33.1	33.2	15.9	-
	2016F	19.2	22.2	22.7	21.6	18.5	-
	2017F	17.9	19.7	20.0	18.5	16.7	48.1
P/B (x)	2015	5.0	3.4	1.5	5.2	2.0	0.5
	2016F	5.1	3.0	1.3	3.6	2.6	0.6
	2017F	4.6	2.7	1.3	3.1	2.5	0.6
EV/EBITDA (x)	2015	9.0	10.0	8.2	23.1	6.7	21.7
	2016F	9.8	9.6	7.1	14.7	9.0	22.7
	2017F	9.2	9.7	6.5	12.4	8.3	18.0
ROE (%)	2015	30.2	16.4	4.7	16.7	12.3	(1.3)
	2016F	28.8	15.1	5.9	15.8	14.3	1.1
	2017F	27.3	15.2	6.5	16.5	15.1	4.7

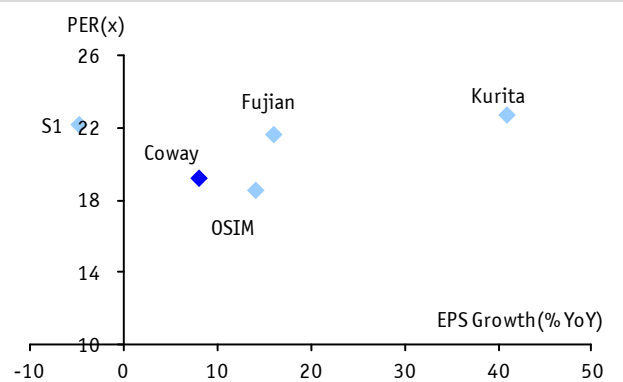
Source: Bloomberg consensus, Shinhan Investment Corp.

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)	2014	2015	2016F	2017F	2018F
Assets	1,576.0	1,742.4	1,899.8	2,082.4	2,281.1
Total Current Assets	573.1	658.1	801.7	970.6	1,371.4
Cash and Cash Equivalents	105.5	86.6	181.8	318.4	686.9
Accounts Receivables	273.6	353.6	383.6	403.6	423.6
Inventories	41.8	48.2	52.3	55.0	57.8
Non-Current Assets	1,002.9	1,084.3	1,098.2	1,111.8	909.6
Tangible Assets	617.6	624.9	635.4	647.9	443.4
Intangible Assets	147.8	146.1	139.1	133.4	128.7
Investment Assets	123.2	122.1	132.5	139.4	146.3
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	517.0	472.9	475.3	497.0	518.7
Current Liabilities	468.0	421.6	420.5	439.9	459.2
ST Borrowings	162.8	80.0	50.0	50.0	50.0
Account Payables	46.5	47.7	51.7	54.4	57.1
Current Portion of LT Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities	49.0	51.3	54.8	57.1	59.5
Bonds	0.0	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	9.3	10.0	10.0	10.0	10.0
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	1,059.0	1,269.4	1,424.4	1,585.4	1,762.4
Capital Stock	40.7	40.7	40.7	40.7	40.7
Capital Surplus	131.1	132.0	132.0	132.0	132.0
Other Reserves	(114.5)	(102.6)	(102.6)	(102.6)	(102.6)
Accu. Other Comp. Income	0.0	0.0	0.0	0.0	0.0
Retained Earnings	1,001.8	1,199.3	1,360.0	1,527.2	1,710.7
Owners of Parent Equity	1,059.0	1,269.4	1,430.1	1,597.2	1,780.8
Non-Controlling Interests Equity	0.0	0.0	(5.7)	(11.8)	(18.4)
*Total Debt	172.1	90.1	60.0	60.0	60.0
*Net Debts(Cash)	66.4	(5.7)	(131.7)	(268.8)	(637.8)

Cash Flow

Year to Dec. (W bn)	2014	2015	2016F	2017F	2018F
Operating Cash Flow	498.5	475.2	560.1	591.2	625.2
Net Profit	242.9	349.4	385.6	413.9	444.7
Depreciation	191.8	204.4	204.4	204.4	204.4
Amortization	7.7	7.3	7.0	5.7	4.7
Losses(Gains) on F/X Translation	(4.2)	(6.2)	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	40.4	40.6	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	30.6	(0.1)	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(56.6)	(214.3)	(37.8)	(32.5)	(25.1)
(Payments of Income Taxes)	(97.6)	(82.1)	(127.3)	(138.0)	(148.2)
Others	143.5	176.2	128.2	137.7	144.7
Investing Cash Flow	(268.9)	(264.0)	(224.9)	(222.2)	(2.3)
Incr. in Tangible Assets(CAPEX)	(275.7)	(270.6)	(305.0)	(306.9)	0.0
Decr. in Tangible Assets	8.2	9.1	90.0	90.0	0.0
Decr.(Incr.) in Intangible Assets	(5.7)	(5.3)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	8.5	9.9	(10.4)	(6.9)	(6.9)
Others	(4.2)	(7.1)	0.5	1.6	4.6
Free Cash Flow	170.8	233.5	277.3	304.6	638.9
Financing Cash Flow	(325.3)	(230.1)	(240.1)	(232.3)	(254.5)
Incr.(Decr.) in Borrowing	(155.3)	(82.8)	(30.0)	0.0	0.0
Decr.(Incr.) of Treasury Stock	31.5	0.0	0.0	0.0	0.0
Dividend	(123.6)	(148.3)	(208.0)	(230.6)	(252.9)
Others	(77.9)	1.0	(2.1)	(1.7)	(1.6)
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	(95.8)	(18.9)	95.1	136.7	368.5
Beginning Cash	201.3	105.5	86.6	181.7	318.4
Ending Cash	105.5	86.6	181.7	318.4	686.8

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2014	2015	2016F	2017F	2018F
Sales	2,013.6	2,161.3	2,344.5	2,466.6	2,589.2
Growth (%)	4.1	7.3	8.5	5.2	5.0
COGS	673.4	679.5	773.2	822.1	867.7
Gross Profit	1,340.3	1,481.8	1,571.3	1,644.5	1,721.5
Gross margin (%)	66.6	68.6	67.0	66.7	66.5
SG&A	962.8	1,018.9	1,053.0	1,092.6	1,131.7
Operating Income	377.5	463.0	518.2	551.9	589.9
Growth (%)	13.3	22.6	11.9	6.5	6.9
Operating margin (%)	18.7	21.4	22.1	22.4	22.8
Other Net Non-Operating Profits	(47.8)	(2.2)	(5.4)	0.0	3.1
Financial Income(Expenses)	(8.6)	(3.2)	(0.9)	0.4	3.6
Net Other Non-Operating Profits	(8.5)	0.9	(4.5)	(0.4)	(0.5)
Net Gains in Asso., Subs., and JVs	(30.6)	0.1	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	329.7	460.8	512.8	551.9	593.0
Income Taxes	86.8	111.3	127.3	138.0	148.2
Profit from Continuing Op.	242.9	349.4	385.6	413.9	444.7
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	242.9	349.4	385.6	413.9	444.7
Growth (%)	(4.1)	43.8	10.3	7.3	7.4
Net Profit margin (%)	12.1	16.2	16.4	16.8	17.2
Net Profit of Parent	242.9	349.4	391.3	420.1	451.3
Net Profit to Non-Controlling	0.0	0.0	(5.7)	(6.1)	(6.6)
Total Comprehensive Income	235.2	345.9	385.6	413.9	444.7
Total Comp. Income of Parent	235.2	345.9	385.6	413.9	444.7
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	577.0	674.7	729.6	762.0	799.0
Growth (%)	10.6	16.9	8.1	4.4	4.8
EBITDA Margin (%)	28.7	31.2	31.1	30.9	30.9

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

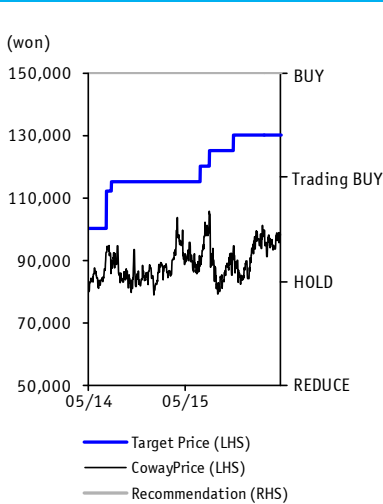
Key Ratios

Year to Dec.	2014	2015	2016F	2017F	2018F
EPS_C (won)	3,150	4,531	5,000	5,367	5,767
EPS_P (won)	3,150	4,531	5,000	5,367	5,767
BPS_C (won)	13,732	16,459	18,469	20,557	22,851
BPS_P (won)	13,732	16,459	18,543	20,710	23,090
DPS (won)	2,000	2,800	3,100	3,400	3,600
PER_C (x)	26.7	18.6	19.2	17.9	16.6
PER_P (x)	26.7	18.6	19.2	17.9	16.6
PBR_C (x)	6.1	5.1	5.2	4.7	4.2
PBR_P (x)	6.1	5.1	5.2	4.6	4.2
EV/EBITDA (x)	11.4	9.6	10.0	9.3	8.4
Payout Ratio (%)	61.1	59.5	58.9	60.2	59.3
Dividend Yield (%)	2.4	3.3	3.2	3.5	3.8
Profitability					
EBITDA Margin (%)	28.7	31.2	31.1	30.9	30.9
OP Margin (%)	18.7	21.4	22.1	22.4	22.8
NP Margin (%)	12.1	16.2	16.4	16.8	17.2
ROA (%)	15.1	21.1	21.2	20.8	20.4
ROE (%)	24.0	30.0	28.6	27.3	26.3
ROIC (%)	31.1	36.9	39.0	40.5	47.4
Stability					
D/E Ratio (%)	48.8	37.3	33.4	31.3	29.4
Net Debt to Equity (%)	6.3	(0.4)	(9.2)	(17.0)	(36.2)
Cash Ratio (%)	22.5	20.5	43.2	72.4	149.6
Interest Coverage (x)	34.8	108.3	250.6	318.6	376.4
Activity (%)					
Working Capital Turnover (t)	13.6	11.2	10.1	10.0	10.0
Inventory Turnover (d)	7.5	7.6	7.8	7.9	8.0
Receivable Turnover (d)	48.9	53.0	57.4	58.2	58.3

Source: Company data, Shinhan Investment Corp.

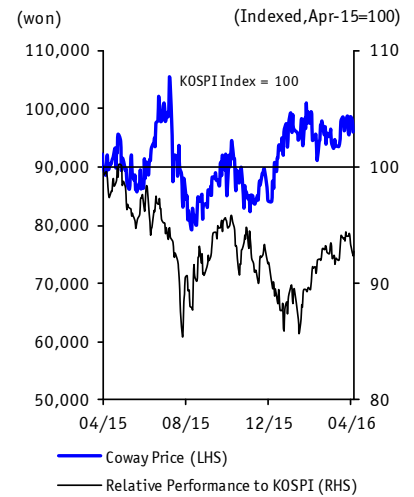
Coway (021240 KS)

Target Price & Recommendation History



Date	Recommendation	Target Price (won)
2014. 05. 04	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
2015. 11. 03	BUY	130,000

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 May. 2, 2016)

BUY (BUY)	87.21%	Trading BUY (HOLD)	5.94%	HOLD (HOLD)	6.85%	REDUCE (SELL)	0%
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