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# Company Update



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## AT A GLANCE

SELL HOLD **BUY**

**Target price** KRW135,000 (31.1%)

**Current price** KRW103,000  
Market cap KRW7.9t/USD6.6b  
Shares (float) 77,124,796 (65.4%)  
52-week high/low KRW105,500/KRW79,200  
Avg daily trading value (60-day) KRW14.4b/USD12.1m

## ONE-YEAR PERFORMANCE

	1M	6M	12M
Coway (%)	4.5	21.9	12.6
Vs Kospi (%pts)	5.0	22.4	20.0

## KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	135,000	135,000	0.0%
2016E EPS	5,025	5,025	0.0%
2017E EPS	5,503	5,503	0.0%

## SAMSUNG vs THE STREET

No of estimates	13
Target price	125,917
Recommendation	3.9

BUY★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★: 1

## Coway (021240)

### Haier tie-up seen as optimal China strategy

- Local media yesterday reported that Coway signed an MOU with Chinese home appliance maker Haier Electronics in a deal that is sure to please market watchers as it should expedite the firm's overseas expansion strategy.
- Our BUY rating and 12-month target price of KRW135,000 are both unchanged, but we note that the deal will likely compel us to make upward revisions once it is finalized.

#### WHAT'S THE STORY?

**Reportedly signs MOU with Chinese appliance maker...:** Local media yesterday reported that Coway signed an MOU with Haier Electronics (China) after having sought a local partner in that nation since last year. The deal should allow the company to distribute and sell premium water purifiers there under its brand, although details remain unknown. We expect a related contract to be finalized by end-year to develop China-bound products and expand into that nation's water purifier market.

**...Haier Electronics:** In a 25:75 sales split, Haier Electronics is a manufacturer of home appliances and is engaged in distribution—or integrated channel services (ICS)—with the latter not only for in-house brands, but also third-party ones. The Chinese company boasts offline distribution strength, but the division is making aggressive online forays as well. The firm is part of the Haier Group, which was China's number-two white goods player last year, with its recent acquisition of General Electronics' home appliance unit making it the world's leading brand in terms of sales.

**Tie-up would bode well:** Shares in Coway have been range-bound for some time—despite stable, long-term growth backed by domestic market dominance and a unique business model—on concerns of top-down limits from being primarily a domestic play. Still, the company's overseas export sales surged 72% y-y in 1Q, which has raised anticipation of its growth and rerating potential. Accordingly, tying up with Haier Electronics appears to be an optimal China strategy if the firm can retain its brand and technology while leveraging the distribution strength of the new Chinese partner. An upward revision to our 12-month target price is in the offing once the contract is inked, with our current target of KRW135,000 derived by a DCF valuation—with a WACC of 5.9% and growth of 0.5%—and is equivalent to 27x 2016 P/E.

#### SUMMARY FINANCIAL DATA

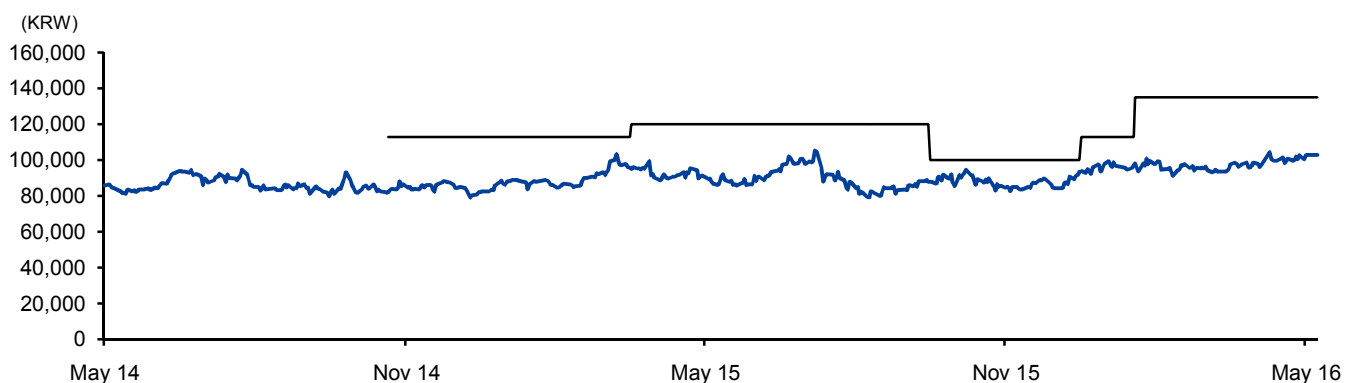
	2015	2016E	2017E	2018E
Revenue (KRWb)	2,315	2,538	2,739	2,958
Net profit (adj) (KRWb)	343	385	422	458
EPS (adj) (KRW)	4,492	5,025	5,503	5,972
EPS (adj) growth (% y-y)	39.3	11.9	9.5	8.5
EBITDA margin (%)	29.8	29.7	30.1	30.4
ROE (%)	30.1	29.0	27.9	26.8
P/E (adj) (x)	22.9	20.5	18.7	17.2
P/B (x)	6.7	5.8	5.1	4.5
EV/EBITDA (x)	11.3	10.4	9.4	8.5
Dividend yield (%)	2.7	3.0	3.3	3.6

Source: Company data, Samsung Securities estimates

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## Target price changes in past two years



## Rating changes in past two years

Date	2014/6/1	11/19	2015/4/16	10/15	2016/1/15	2/17
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	46,000	113,000	120,000	100,000	113,000	135,000

Samsung Securities uses the following investment ratings.

### Company

<b>BUY★★★</b>	Expected to increase in value by 30% or more within 12 months and is highly attractive within sector
<b>BUY</b>	Expected to increase in value by 10% or more within 12 months
<b>HOLD</b>	Expected to increase/decrease in value by less than 10% within 12 months
<b>SELL</b>	Expected to decrease in value by 10% or more within 12 months
<b>SELL★★★</b>	Expected to decrease in value by 30% or more within 12 months

### Industry

<b>OVERWEIGHT</b>	Expected to outperform market by 5% or more within 12 months
<b>NEUTRAL</b>	Expected to outperform/underperform market by less than 5% within 12 months
<b>UNDERWEIGHT</b>	Expected to underperform market by 5% or more within 12 months

## Percentage of ratings in 12 months prior to Mar 31, 2016

BUY (69.8%) | HOLD (30.2%) | SELL (0%)

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