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# Company Update



**Eunkyung Park**  
Analyst  
eunkyung44.park@samsung.com  
822 2020 7850

## Coway (021240)

### Hope amid uncertainties

- Coway yesterday reported that its sales were largely flat at KRW555b in 2Q as its operating profit plunged 89% y-y to KRW11.8b. We attribute the poor results to a lump-sum recognition of one-off costs related to “nickelgate”, a scandal involving the firm’s water purifier rental business, which (along with a domestic industry one for air purifiers) has clouded its 2H outlook and hit demand for such appliances.
- Our BUY rating and 12-month target price of KRW135,000 are nevertheless unchanged, on expectations of: 1) Coway regaining market confidence by proactively compensating consumers; and 2) the environmental appliance market sustaining long-term growth. Investors should accumulate on weakness from deterioration of the operating environment in 2H.

#### WHAT’S THE STORY?

**2Q review:** Coway yesterday market close reported that its sales were largely flat at KRW555b in 2Q as its operating profit plunged 89% y-y to KRW11.8b as it—contrary to our previous expectation—fully recognized one-off costs related to the “nickelgate” scandal involving its water purifier rental business (along with a domestic industry one for air purifiers). If such costs were excluded, the company’s sales and operating profit would have risen a respective, better-than-forecast 12% and 21% y-y to KRW623b and KRW134b, but the disappointment is still worrisome since negatives from the scandals bound to linger through 2H.

- The 2Q one-offs included: 1) refunds of KRW67.9b—eg, rental fees, aftersales service fees, lump-sum payments, and monthly payments prior to contract cancellation—which were deducted from sales as it involved 106,152 purifiers subject to recall; 2) KRW4.6b in inventory disposal and undepreciated installation commissions—included in 2Q COGS; 3) KRW49.6b in provisioning for rental asset disposal losses and miscellaneous commissions; 4) KRW2.9b in asset disposal costs after product discontinuation—recognized as a non-operating loss. Among the one-offs, KRW83.1b is cash-item.
- The overseas business of Coway fared well in 2Q, with related sales up 53% y-y (extending a rebound begun in 4Q15), with ODM shipments to China and elsewhere in Asia up 62% y-y, while exports to subsidiaries (eg, US and Malaysia) rose 45% y-y. We expect its China business to take off in earnest from next year, with tie-up negotiations with local electronics maker and retailer Haier likely to be completed by end-year.

(Continued on next page)

#### AT A GLANCE

SELL HOLD **BUY**

<b>Target price</b>	<b>KRW135,000</b>	(57.2%)
<b>Current price</b>	<b>KRW85,900</b>	
Market cap	KRW6.6t/USD5.9b	
Shares (float)	77,124,796 (65.4%)	
52-week high/low	KRW113,000/KRW79,200	
Avg daily trading value (60-day)	KRW19.6b/ USD17.7m	

#### ONE-YEAR PERFORMANCE

	1M	6M	12M
Coway (%)	-20.1	-11.5	-12.2
Vs Kospi (%pts)	-21.3	-16.5	-11.7

#### KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	135,000	135,000	0.0%
2016E EPS	3,153	3,614	-12.8%
2017E EPS	5,116	5,343	-4.3%

#### SAMSUNG vs THE STREET

No of estimates	13
Target price	120,250
Recommendation	3.9

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

#### SUMMARY OF 2Q RESULTS

(KRWb)	2Q16	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	555.0	(0.1)	(11.0)	(13.1)	(11.4)
Operating profit	11.8	(89.3)	(90.4)	(86.0)	(89.4)
Pre-tax profit	5.2	(95.2)	(95.8)	(93.6)	(94.8)
Net profit	2.8	(96.6)	(97.1)	(95.4)	(96.0)
<b>Margins (%)</b>					
Operating profit	2.1				
Pre-tax profit	0.9				
Net profit	0.5				

Source: Company data, Samsung Securities estimates

#### VALUATION SUMMARY

	2015	2016E	2017E
<b>Multiples (x)</b>			
P/E	19.1	27.2	16.8
P/B	5.6	5.4	4.6
EV/EBITDA	9.6	11.8	8.3
Div yield (%)	3.3	2.6	3.7
EPS growth (% y-y)	39.3	(29.8)	62.3
ROE (%)	30.1	19.2	28.3
<b>Per-share data (KRW)</b>			
EPS	4,492	3,153	5,116
BVPS	15,465	15,883	18,842
DPS	2,800	2,200	3,200

- Excluding one-off costs, we believe Coway's environmental appliance sales would have risen 11% y-y in 2Q, or by 31% y-y for outright sales (for a fourth quarter running of high growth) and a combined 4% y-y for rentals and financial leases. The firm's number of rental accounts grew 4% y-y (as rental sales volume rose an identical amount), driven mainly by air purifier and mattresses.

**Revising down EPS forecast:** We revise down our 2016 EPS forecast on Coway by 13% given expectations of overall demand for environmental appliances being hit by the aforementioned scandals, which should lead to sizeable sales declines in 2H.

**Still a BUY with KRW135,000 target:** We nevertheless maintain Coway at BUY with an unchanged target price of KRW135,000 (equivalent to 26x 2016 P/E) believing it will enjoy long-term growth. Our target is derived from a DCF valuation based on a WACC of 5.9% and terminal growth of 0.5%, on expectations of: 1) its earnings normalizing from 2017 after its aggressive response to nickelgate, which has minimized brand equity erosion—*nb*, roughly 80% of affected customers opted for replacement models over cancellation; and 2) the environmental appliance market enjoying long-term growth. Our BUY rating assumes the firm will secure both earnings growth and stability amid high macro uncertainties, with investors recommended to accumulate on weakness from deterioration of the operating environment in 2H.

## IR Q&A takeaways

### 2H outlook

- As it seems premature to know the full fallout of nickelgate on its brand value, company guidance still has sales up 11% to KRW2.57t this year on operating profit growth of 8% to KRW500b.
- The company's churn rate for July likely exceeded the 1H average, but Coway sees it as positive that roughly 80% of affected customers have opted for new replacement models—*cf*, 99.4% were successfully contracted with 89.1% of them fully refunded. The firm is striving to rapidly normalize operations quickly, but via measures to boost customer confidence, not through marketing.
- Additional costs in 2H, especially for 3Q, will likely come from: 1) a program that gives six months of free service for returning customers—which should hit its ARPU; and 2) labor cost hikes associated with recalls and reinstallations. While several media say the company faces a class action lawsuit related to nickelgate, it has yet to be summoned over the matter.

**Industry conditions:** A domestic air purifier scandal could chill the market for environmental appliances, but overall demand is unlikely to take a major hit.

**Haier tie-up progressing:** Ongoing negotiations with Haier should wrap up by end-year, with investors wondering what effect nickelgate and Korea-China political strife might have on the deal, but the firm says there has been not related fallout.

**Dividend policy:** Coway has yet to discuss dividends for this year.

### Impact of "nickelgate" water purifier scandal

<b>Operating profit (KRWb)</b>	<b>(122.1)</b>	
Sales	(67.9)	Write-off from recall of 106,152 machines
COGS	(4.6b)	Inventory disposal costs, undepreciated installation commissions
SG&A	(49.6)	Allowances for rental asset disposal losses and miscellaneous commissions
<b>Non-operating profit</b>	<b>(2.9)</b>	<b>Disposal costs from discontinuing production of problematic models</b>

Source: Company data

## Results and forecasts

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16E	4Q16E	2015P	2016E	2017E	2018E
<b>Earnings summary</b>												
<b>(KRWb)</b>	548.2	555.3	580.4	631.3	623.7	555.0	605.2	636.6	2,315.2	2,420.6	2,608.6	2,821.2
Sales	373.0	384.7	402.3	426.4	416.6	355.9	411.9	447.1	1,586.4	1,631.5	1,786.9	1,932.5
Gross profit	100.3	110.5	123.9	128.6	123.6	11.8	60.1	133.0	463.3	328.5	530.0	576.4
Operating profit	101.1	108.9	121.7	122.7	125.3	5.2	58.5	131.4	454.5	320.4	522.2	570.8
Pre-tax profit	77.6	82.7	92.4	90.5	95.2	2.8	44.2	98.1	343.1	240.3	391.7	428.1
Net profit												
<b>Margins (%)</b>	68.0	69.3	69.3	67.5	66.8	64.1	68.1	70.2	68.5	67.4	68.5	68.5
Gross profit	18.3	19.9	21.4	20.4	19.8	2.1	9.9	20.9	20.0	13.6	20.3	20.4
Operating profit	18.4	19.6	21.0	19.4	20.1	0.9	9.7	20.6	19.6	13.2	20.0	20.2
Pre-tax profit	14.1	14.9	15.9	14.3	15.3	0.5	7.3	15.4	14.8	9.9	15.0	15.2
Net profit												
<b>Chg (% y-y)</b>	2.5	(0.3)	10.4	16.3	13.8	(0.1)	4.3	0.8	7.2	4.6	7.8	8.1
Sales	5.8	4.3	12.6	20.2	11.7	(7.5)	2.4	4.8	10.6	2.8	9.5	8.1
Gross profit	11.1	13.7	30.1	57.4	23.2	(89.3)	(51.5)	3.4	27.1	(29.1)	61.3	8.7
Operating profit	14.3	25.9	41.6	71.5	23.9	(95.2)	(52.0)	7.1	36.7	(29.5)	63.0	9.3
Pre-tax profit	17.4	24.8	44.5	69.6	22.7	(96.6)	(52.2)	8.4	37.4	(30.0)	63.0	9.3
Net profit												
<b>Chg (% q-q)</b>	1.0	1.3	4.5	8.8	(1.2)	(11.0)	9.0	5.2				
Sales	5.2	3.1	4.6	6.0	(2.3)	(14.6)	15.7	8.5				
Gross profit	22.8	10.1	12.2	3.8	(3.9)	(90.4)	408.0	121.3				
Operating profit	41.3	7.8	11.7	0.8	2.1	(95.8)	1,017.3	124.7				
Pre-tax profit	45.4	6.6	11.7	(2.0)	5.2	(97.1)	1,492.7	122.1				
Net profit												
<b>Sales breakdown</b>												
Household electronics	439.3	457.9	481.3	504.3	495.0	441.4	494.9	499.3	1,882.9	1,930.5	2,035.3	2,158.6
Outright sales	30.0	41.4	45.6	54.2	50.5	54.1	50.1	51.6	171.2	206.3	236.2	269.2
Rental	363.3	371.2	376.4	380.2	380.1	316.2	376.4	382.7	1,491.1	1,455.4	1,500.9	1,565.6
Membership	46.0	45.4	44.5	43.7	42.9	42.5	43.2	42.1	179.6	170.7	170.7	170.7
Financial lease			14.8	26.1	21.5	28.6	25.2	22.9	40.9	98.2	127.7	153.2
Exports	33.0	39.0	35.8	41.4	56.7	59.8	50.1	49.8	149.3	216.5	270.6	324.7
Cosmetics	23.1	21.1	18.6	20.2	20.1	17.3	15.8	17.4	83.1	70.6	77.7	85.4
Other (water treatment)	10.6	9.4	10.0	16.1	5.8	4.5	8.0	18.6	46.1	36.9	36.9	36.9
Consolidated other	42.1	27.9	34.7	49.3	46.1	32.1	36.4	51.6	194.9	166.1	188.2	215.6
<b>Chg (% y-y)</b>												
Household electronics	6.2	6.5	11.6	16.6	12.7	(3.6)	2.8	(1.0)	10.3	2.5	5.4	6.1
Outright sales	8.8	10.7	43.5	102.9	68.2	30.6	10.0	(4.8)	38.6	20.5	14.5	14.0
Rental	6.1	7.0	6.7	6.0	4.6	(14.8)	0.0	0.6	6.5	(2.4)	3.1	4.3
Membership	4.9	(0.8)	(5.0)	(6.7)	(6.8)	(6.4)	(3.0)	(3.7)	(2.0)	(5.0)	0.0	0.0
Financial lease							70.0	(12.2)			30.0	20.0
Exports	(27.0)	(30.0)	8.5	23.9	71.8	53.3	40.0	20.1	(10.8)	45.0	25.0	20.0
Cosmetics	10.5	(5.3)	8.3	1.1	(13.1)	(17.9)	(15.0)	(14.2)	3.3	(15.0)	10.0	10.0
Other (water treatment)	(28.2)	(38.6)	(31.7)	18.1	(45.3)	(52.1)	(20.0)	15.6	(21.0)	(20.0)	0.0	0.0
Consolidated other	4.7	(17.1)	17.7	13.6	9.4	15.1	5.0	4.7	32.9	(14.7)	13.3	14.5
<b>Portion of total sales (%)</b>												
Household electronics	80.1	82.5	82.9	79.9	79.4	79.5	81.8	78.4	79.9	79.8	78.0	76.5
Outright sales	5.5	7.5	7.9	8.6	8.1	9.7	8.3	8.1	7.3	8.5	9.1	9.5
Rental	66.3	66.8	64.9	60.2	60.9	57.0	62.2	60.1	63.3	60.1	57.5	55.5
Membership	8.4	8.2	7.7	6.9	6.9	7.7	7.1	6.6	7.6	7.1	6.5	6.0
Financial lease			2.6	4.1	3.4	5.2	4.2	3.6	1.7	4.1	4.9	5.4
Exports	6.0	7.0	6.2	6.6	9.1	10.8	8.3	7.8	6.3	8.9	10.4	11.5
Cosmetics	4.2	3.8	3.2	3.2	3.2	3.1	2.6	2.7	3.5	2.9	3.0	3.0
Other (water treatment)	1.9	1.7	1.7	2.5	0.9	0.8	1.3	2.9	2.0	1.5	1.4	1.3
Consolidated other	7.7	5.0	6.0	7.8	7.4	5.8	6.0	8.1	8.3	6.9	7.2	7.6

Source: Company data, Samsung Securities estimates

## Accounts overview

('000)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
<b>Number of accounts</b>										
Total	5,469	5,539	5,571	5,617	5,661	5,714	5,730	5,771	5,794	5,846
Chg (% y-y)	3.5	3.2	2.8	2.8	3.5	3.2	2.8	2.8	2.4	2.3
Rental account	4,455	4,487	4,538	4,601	4,666	4,747	4,780	4,832	4,861	4,921
Chg (% y-y)	(2.0)	(8.1)	(8.1)	(7.6)	4.7	5.8	5.3	5.0	4.2	3.7
Membership	1,014	1,052	1,034	1,016	994	967	950	939	933	924
Chg (% y-y)	7.5	(0.1)	8.7	8.4	(2.0)	(8.1)	(8.1)	(7.6)	(6.2)	(4.4)
Rental cancellations	129	139	130	130	134	143	151	138	146	148
Monthly churn (%)	0.1	1.3	21.5	95.9	3.2	2.7	16.2	6.9	9.1	4.0
Rental account additions	317	371	311	332	341	371	338	359	351	385
Chg (% y-y)	1.0	1.0	1.1	1.0	7.5	(0.1)	8.7	8.4	2.9	3.7
Outright sales account additions	40	60	52	32	40	60	63	63	66	68
Chg (% y-y)	4.7	5.8	5.3	5.0	0.1	1.3	21.5	95.9	67.2	12.2

Source: Company data, Samsung Securities estimates

## Full-year forecast revisions

(KRWb)	2015	New		Old		Chg (%)	
		2016E	2017E	2016E	2017E	2016E	2017E
Sales	2,315	2,421	2,609	2,523	2,718	(4.0)	(4.0)
Operating profit	463	329	530	376	553	(12.5)	(4.1)
Pre-tax profit	454	320	522	368	546	(12.9)	(4.3)
Net profit	343	240	392	276	409	(12.9)	(4.3)
EBITDA	691	563	787	610	809	(7.7)	(2.8)
EPS (KRW)	4,492	3,153	5,116	3,614	5,343	(12.8)	(4.3)

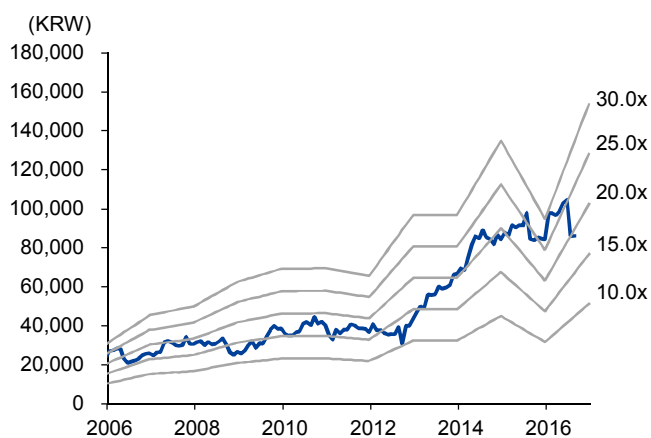
Source: Company data, Samsung Securities estimates

## Valuation summary

Year-end	Sales	Op prof	Pre-tax prof	Net prof	EPS	Chg	P/E	P/B	ROE	EV/EBITDA	Net debt
Dec 31	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(x)	(%)	(x)	(KRWb)
2013	2,118	339	327	245	3,222	47.5	26.7	7.6	28.4	12.4	83
2014	2,160	364	332	250	3,225	0.1	26.6	6.6	25.2	11.5	12
2015	2,315	463	454	343	4,492	39.3	19.1	5.6	30.1	9.6	(38)
2016E	2,421	329	320	240	3,153	(29.8)	27.2	5.4	19.2	11.8	23
2017E	2,609	530	522	392	5,116	62.3	16.8	4.6	28.3	8.3	(111)
2018E	2,821	576	571	428	5,588	9.2	15.4	4.0	26.9	7.4	(231)

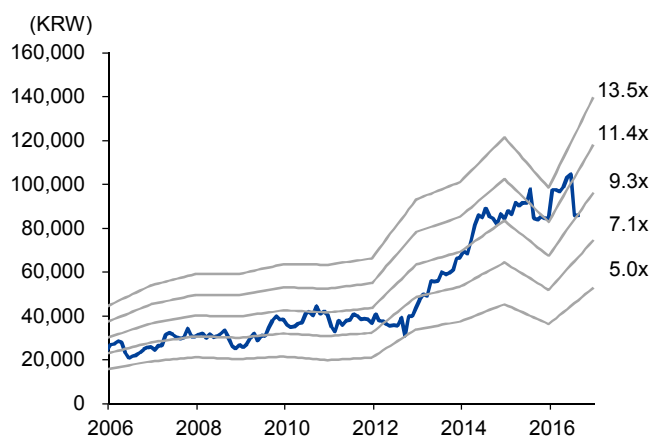
Source: Company data, Samsung Securities estimates

## Forward P/E



Source: Company data, Samsung Securities estimates

## Forward EV/EBITDA



Source: Company data, Samsung Securities estimates

## DCF valuation

(KRWb)	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>463</b>	<b>329</b>	<b>530</b>	<b>576</b>	<b>630</b>	<b>694</b>	<b>729</b>	<b>765</b>	<b>803</b>	<b>844</b>	<b>886</b>
Tax	114	81	131	142	155	171	180	189	198	208	219
Capex	329	342	356	356	356	356	358	360	362	363	365
Change in working capital	54	8	17	19	22	25	25	26	26	26	26
Depreciation	220	227	249	275	304	315	317	318	320	322	323
Amortization	8	8	8	8	8	8	8	8	8	8	8
<b>Free cash flow</b>	<b>195</b>	<b>133</b>	<b>282</b>	<b>342</b>	<b>409</b>	<b>464</b>	<b>490</b>	<b>517</b>	<b>546</b>	<b>576</b>	<b>607</b>
<b>Terminal value</b>	<b>11,321</b>										
Terminal growth (%)	0.5%										
NPV of FCF	3,064										
<b>Present value of terminal value</b>	<b>6,389</b>										
<b>Enterprise value</b>	<b>9,453</b>										
Equity value (adjusted)**	10,190										
Shares outstanding	77,125										
<b>Fair value per share (KRW)</b>	<b>132,129</b>										
Current share price (KRW)*	85,900										
Upside (%)	53.8%										

Note: \* As of Aug 2 close; \*\* reflects a one-month adjustment to end-2016 discount rate

Source: Company data, Samsung Securities estimates

## Income statement

Year-end Dec 31(KRWb)	2014	2015	2016E	2017E	2018E
<b>Sales</b>	<b>2,160</b>	<b>2,315</b>	<b>2,421</b>	<b>2,609</b>	<b>2,821</b>
Cost of goods sold	727	729	789	822	889
<b>Gross profit</b>	<b>1,434</b>	<b>1,586</b>	<b>1,631</b>	<b>1,787</b>	<b>1,932</b>
Gross margin (%)	66.4	68.5	67.4	68.5	68.5
SG&A expenses	1,069	1,123	1,303	1,257	1,356
<b>Operating profit</b>	<b>364</b>	<b>463</b>	<b>329</b>	<b>530</b>	<b>576</b>
Operating margin (%)	16.9	20.0	13.6	20.3	20.4
<b>Non-operating gains (losses)</b>	<b>(32)</b>	<b>(9)</b>	<b>(8)</b>	<b>(8)</b>	<b>(6)</b>
Financial profit	3	1	1	2	2
Financial costs	12	4	4	4	3
Equity-method gains (losses)	0	0	0	0	0
Other	(23)	(6)	(5)	(5)	(5)
<b>Pre-tax profit</b>	<b>332</b>	<b>454</b>	<b>320</b>	<b>522</b>	<b>571</b>
Taxes	83	111	80	131	143
Effective tax rate (%)	24.9	24.5	25.0	25.0	25.0
Profit from continuing operations	250	343	240	392	428
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>250</b>	<b>343</b>	<b>240</b>	<b>392</b>	<b>428</b>
Net margin (%)	11.6	14.8	9.9	15.0	15.2
Net profit (controlling interests)	250	343	240	392	428
Net profit (non-controlling interests)	(0)	(0)	(0)	(0)	(0)
EBITDA	578	691	563	787	859
EBITDA margin (%)	26.8	29.8	23.3	30.2	30.5
EPS (parent-based) (KRW)	3,237	4,449	3,116	5,079	5,551
EPS (consolidated) (KRW)	3,237	4,449	3,115	5,078	5,551
Adjusted EPS (KRW)*	3,225	4,492	3,153	5,116	5,588

## Cash flow statement

Year-end Dec 31(KRWb)	2014	2015	2016E	2017E	2018E
<b>Cash flow from operations</b>	<b>537</b>	<b>513</b>	<b>490</b>	<b>653</b>	<b>714</b>
Net profit	250	343	240	392	428
Non-cash profit and expenses	240	231	263	286	313
Depreciation	206	220	227	249	275
Amortization	8	8	8	8	8
Other	27	3	28	29	30
Changes in A/L from operating activities	47	(61)	(13)	(24)	(27)
<b>Cash flow from investments</b>	<b>(299)</b>	<b>(329)</b>	<b>(342)</b>	<b>(356)</b>	<b>(356)</b>
Change in tangible assets	(296)	(317)	(342)	(356)	(356)
Change in financial assets	0	1	0	0	0
Other	(3)	(13)	0	0	0
<b>Cash flow from financing</b>	<b>(328)</b>	<b>(213)</b>	<b>(147)</b>	<b>(227)</b>	<b>(258)</b>
Change in debt	(163)	(77)	61	(64)	(20)
Change in equity	0	0	0	0	0
Dividends	(124)	(148)	(208)	(163)	(238)
Other	(42)	12	0	0	0
Change in cash	(91)	(31)	0	70	100
Cash at beginning of year	239	147	116	116	186
Cash at end of year	147	116	116	186	286
<b>Gross cash flow</b>	<b>490</b>	<b>574</b>	<b>503</b>	<b>677</b>	<b>741</b>
<b>Free cash flow</b>	<b>211</b>	<b>182</b>	<b>121</b>	<b>270</b>	<b>328</b>

Note: \* Excluding one off items, \*\* Fully diluted, excluding one-off items

\*\*\* From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

## Balance sheet

Year-end Dec 31(KRWb)	2014	2015	2016E	2017E	2018E
<b>Current assets</b>	<b>597</b>	<b>653</b>	<b>664</b>	<b>756</b>	<b>880</b>
Cash & equivalents	147	116	116	186	286
Accounts receivable	229	283	296	319	345
Inventories	62	70	73	79	85
Other current assets	158	184	178	171	164
<b>Fixed assets</b>	<b>1,025</b>	<b>1,122</b>	<b>1,207</b>	<b>1,284</b>	<b>1,335</b>
Investment assets	81	78	78	78	78
Tangible assets	675	700	785	862	913
Intangible assets	171	169	169	169	169
Other long-term assets	98	176	176	176	176
<b>Total assets</b>	<b>1,622</b>	<b>1,775</b>	<b>1,871</b>	<b>2,040</b>	<b>2,216</b>
<b>Current liabilities</b>	<b>526</b>	<b>473</b>	<b>536</b>	<b>477</b>	<b>462</b>
Accounts payable	59	60	63	67	73
Short-term debt	16	8	14	8	6
Other current liabilities	451	405	460	402	384
<b>Long-term liabilities</b>	<b>56</b>	<b>64</b>	<b>64</b>	<b>64</b>	<b>64</b>
Bonds & long-term debt	1	8	8	8	8
Other long-term liabilities	55	56	56	56	56
<b>Total liabilities</b>	<b>582</b>	<b>537</b>	<b>601</b>	<b>541</b>	<b>527</b>
<b>Owners of parent equity</b>	<b>1,039</b>	<b>1,237</b>	<b>1,270</b>	<b>1,498</b>	<b>1,688</b>
Capital stock	41	41	41	41	41
Capital surplus	126	127	127	127	127
Retained earnings	986	1,177	1,209	1,437	1,628
Other	(114)	(108)	(108)	(108)	(108)
<b>Non-controlling interests' equity</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total equity</b>	<b>1,039</b>	<b>1,238</b>	<b>1,270</b>	<b>1,499</b>	<b>1,689</b>
Net debt	12	(38)	23	(111)	(231)

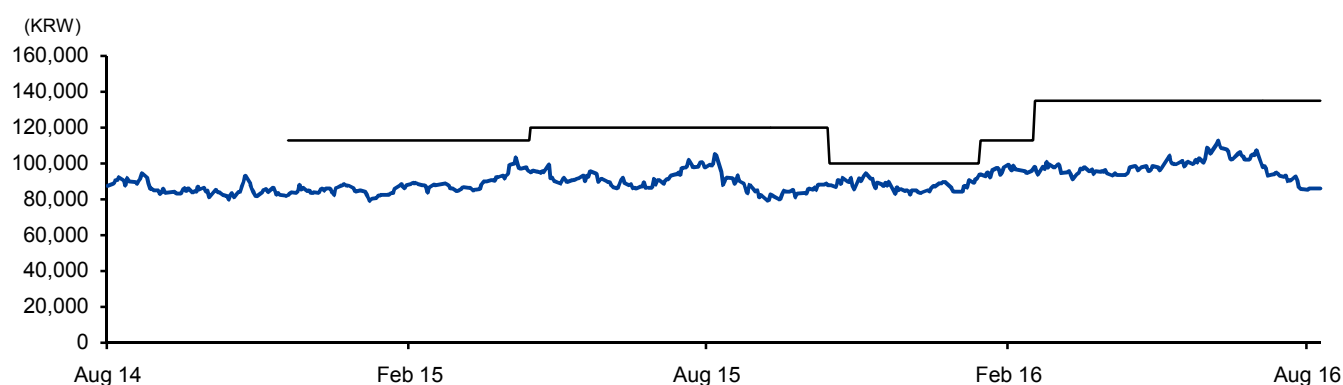
## Financial ratios

Year-end Dec 31	2014	2015	2016E	2017E	2018E
<b>Growth (%)</b>					
Sales	2.0	7.2	4.6	7.8	8.1
Operating profit	7.5	27.1	(29.1)	61.3	8.7
Net profit	11.6	14.8	9.9	15.0	15.2
Adjusted EPS**	0.1	39.3	(29.8)	62.3	9.2
<b>Per-share data (KRW)</b>					
EPS (parent-based)	3,237	4,449	3,116	5,079	5,551
EPS (consolidated)	3,237	4,449	3,115	5,078	5,551
Adjusted EPS**	3,225	4,492	3,153	5,116	5,588
BVPS	12,934	15,465	15,883	18,842	21,310
DPS (common)	2,000	2,800	2,200	3,200	3,500
<b>Valuations (x)</b>					
P/E***	26.6	19.1	27.2	16.8	15.4
P/B***	6.6	5.6	5.4	4.6	4.0
EV/EBITDA	11.5	9.6	11.8	8.3	7.4
<b>Ratios (%)</b>					
ROE	25.2	30.1	19.2	28.3	26.9
ROA	15.2	20.2	13.2	20.0	20.1
ROIC	22.8	31.1	19.6	29.6	30.3
Payout ratio	59.4	60.6	68.0	60.7	60.7
Dividend yield (common)	2.3	3.3	2.6	3.7	4.1
Net debt to equity	1.1	(3.0)	1.8	(7.4)	(13.7)
Interest coverage (x)	31.6	106.8	81.1	132.6	225.7

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## Target price changes in past two years



## Rating changes in past two years

Date	2014/8/3	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

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<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
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## Percentage of ratings in 12 months prior to Jun 30, 2016

BUY (71.2%) | HOLD (28.8%) | SELL (0%)

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