

Coway (021240 KS)

Recovery in 4Q, growth in 2017

BUY (MAINTAIN)

Price (Nov 1)	W91,700
Target Price	W130,000
% variance	41.8%

Joshua Kong ☎ (82-2) 3772-1527
✉ jxlove1983@shinhan.com

MoonJong Lee ☎ (82-2) 3772-1586
✉ mj1224@shinhan.com

KOSPI	2,007.39p
KOSDAQ	626.38p
Market Cap.	W7,004.1bn/ US6,143.9mn
Par Value	W500
Outstanding Shares	76.4mn
Free Floating Shares	50.4mn(65.9%)
52-Week High/Low	W113,000/W81,300
60-Day Avg. Trading Volume	246,147shrs
60-Day. Avg. Trading T/O	W22,137mn
Foreign Ownership	54.50%

Major Shareholders		
Coway Holdings, Inc. and 9 others	31.33%	
GIC Private Limited	7.10%	

Absolute Performance	3M	7.5%
	6M	-7.0%
	12M	7.6%
Relative performance to KOSPI	3M	8.7%
	6M	-7.6%
	12M	8.8%

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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	2,220.2	385.5	362.9	279.5	3,559	(21.5)	17,361	25.8	11.6	5.3	21.1	(3.6)
2017F	2,399.5	543.3	539.0	418.2	5,364	50.7	19,432	17.1	9.1	4.7	29.2	(11.2)
2018F	2,520.2	583.3	582.4	451.9	5,795	8.1	21,749	15.8	8.4	4.2	28.1	(18.5)

Source: Company data, Shinhan Investment Corp.

- ♦ 3Q16 operating profit of W116.6bn (-7.2% YoY), missing consensus by 5%
- ♦ Rental account sales to normalize in 4Q16, operating profit to grow 41% YoY in 2017
- ♦ Retain BUY for target price of W130,000

3Q16 operating profit of W116.6bn (-7.2% YoY), missing consensus by 5%

Coway reported K-IFRS standalone sales of W550.6bn (-0.9% YoY) and operating profit of W116.6bn (-7.2% YoY) for 3Q16. Rental account sales fell 2.4% YoY to W366bn (+16.2% QoQ) on the exemption of rental fees for ice makers (W11.3bn) and net account decline (-97,934 accounts QoQ). Lump-sum sales came in at W42.6bn (-6.6% YoY), cosmetics sales at W18.1bn (-2.5% YoY), and exports at W48.1bn (+34.4% YoY). Operating profit missed the consensus (W122.8bn) by 5%.

Rental account sales to normalize in 4Q16, OP to grow 41% YoY in 2017

Rental account sales increased from 89,000 accounts (-24.9% YoY) in July to 105,000 accounts (-8.1% YoY) in September. Rental account sales are expected at 380,000 accounts (+5.8% YoY, +33.4% QoQ) in 4Q16. Sales (-2.2% YoY) and operating profit (-4.8% YoY) should decrease on the exemption of rental fees for ice makers and increased marketing spending (+W5.4bn QoQ).

Earnings are forecast to improve markedly in 2017. Effects of rental fee cuts will be removed from 2Q17 and costs related to the recall of ice-making water purifiers will be excluded. A low base effect will come into play. We expect 2017 sales to reach W2.4tr (+8.1% YoY) and operating profit W543.3bn (+40.9% YoY).

Coway is likely to strengthen its shareholder return policies. Aside from the ongoing share buyback (70bn), dividends will likely increase (W2,800→W3,000). The year-end dividend yield is estimated at 3.3%, offering downside support.

Retain BUY for target price of W130,000

We retain our BUY rating for a target price of W130,000, derived by applying a target PER of 24x (15% premium to past 5-year average) to 2017F EPS of W5,327. The worst has passed. Both share price and earnings are expected to recover. We recommend a bottom-fishing strategy in view of earnings improvement in 2017.

3Q16 results

(bn KRW)	3Q16P	2Q16	% QoQ	3Q15	% YoY	SHIC	Consensus
Sales	550.6	523.0	5.3	545.7	0.9	571.7	566.1
OP	116.6	21.4	445.5	125.6	(7.2)	128.1	122.8
NP	78.8	12.3	541.5	100.4	(21.6)	99.9	82.3
OPM (%)	21.2	4.1		23.0		22.4	21.7
NPM (%)	14.3	2.3		18.4		17.5	14.5

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2016F			2017F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	2,257.9	2,220.2	(1.7)	2,470.2	2,399.5	(2.9)
OP	408.6	385.5	(5.6)	578.3	543.3	(6.1)
Consolidated NP	298.1	268.1	(10.1)	438.3	410.8	(6.3)

Source: Shinhan Investment Corp.

Note: K-IFRS standalone basis

Target price calculation

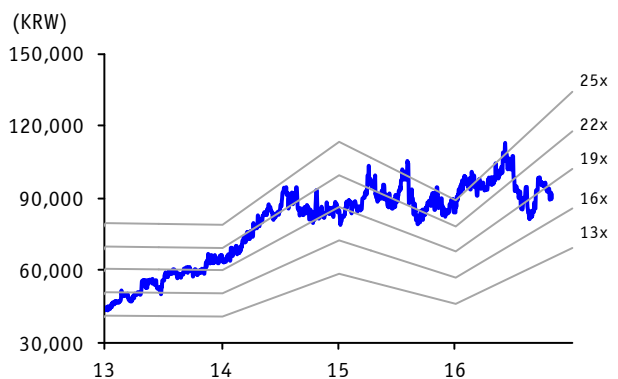
(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2016 NP	268.1	2017F NP	410.8	2018F NP	444.9
EPS (KRW)	3,476	EPS (KRW)	5,327	EPS (KRW)	5,769
PER (x)	37	PER (x)	24	PER (x)	23
Target price (KRW)	130,000	Target price (KRW)	130,000	Target price (KRW)	130,000
Current price (KRW)	91,700	Current price (KRW)	91,700	Current price (KRW)	91,700
Current PER (x)	26.4	Current PER (x)	17.2	Current PER (x)	15.9

Source: Shinhan Investment Corp.

Note: 1) K-IFRS consolidated basis

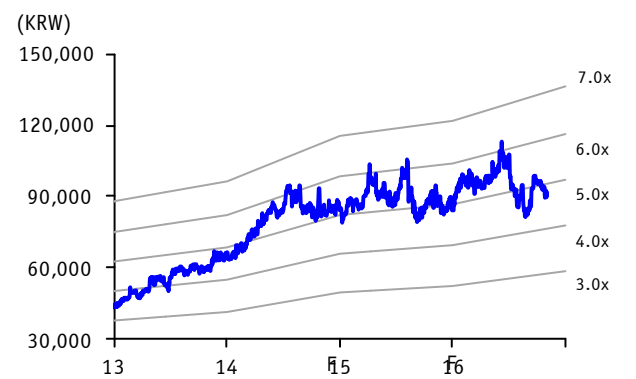
2) Target PER represents a 15% premium to 5-year average PER of 21x

12-month forward PER band



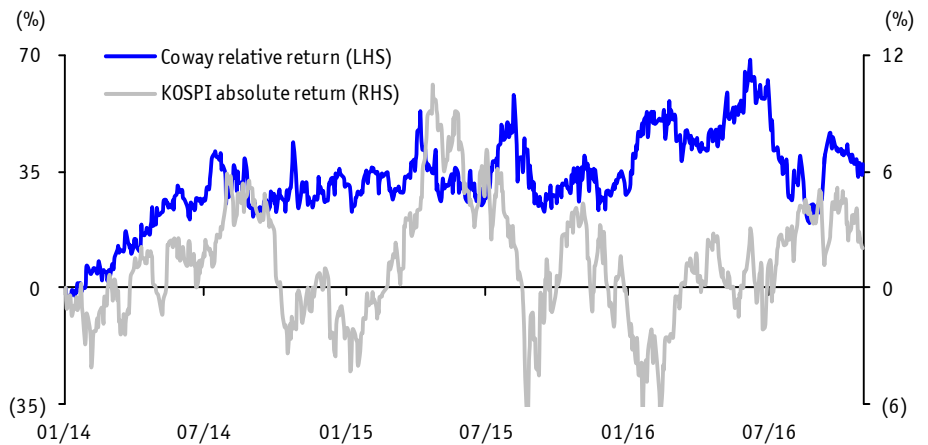
Source: QuantiWise, Shinhan Investment Corp.

12-month forward PBR band



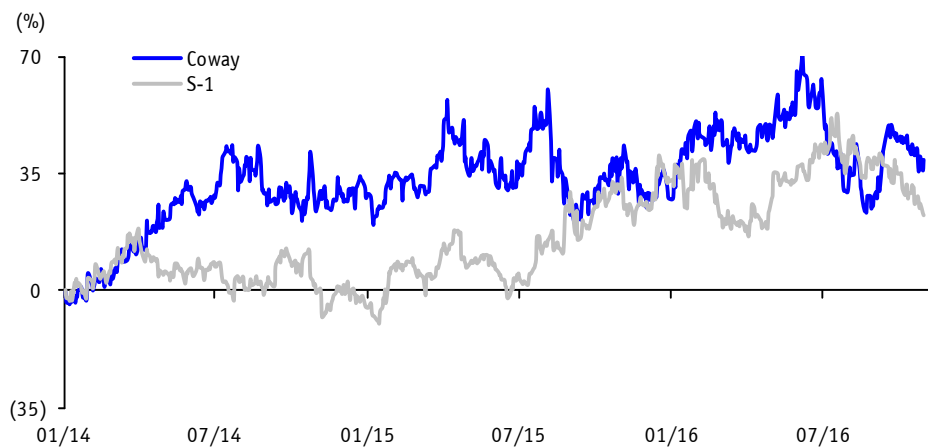
Source: QuantiWise, Shinhan Investment Corp.

Relative share performance vs. KOSPI (2014 – present)



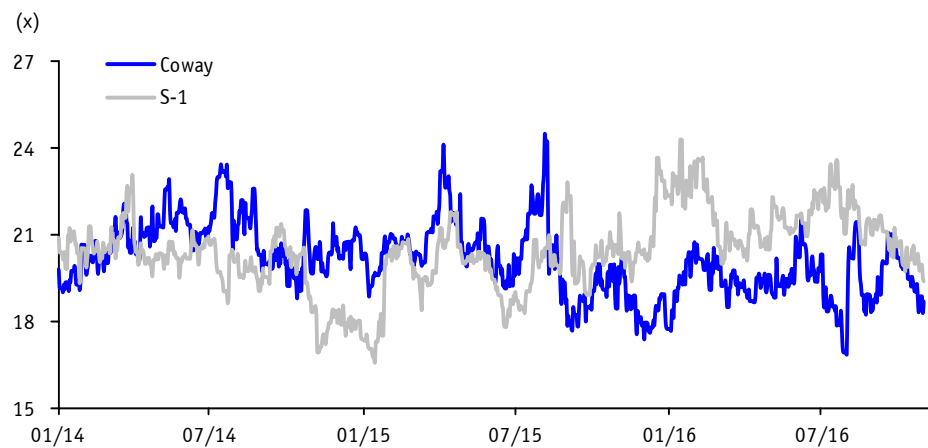
Source: QuantiWise, Shinhan Investment Corp.

Relative share prices 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)	2014	2015	2016F	2017F	2018F
Sales	2,013.7	2,161.3	2,220.2	2,399.5	2,520.2
Growth (% YoY)	4.1	7.3	2.7	8.1	5.0
Rental subscribers (no. of contracts)	4,600,582	4,832,434	4,879,777	5,013,291	0
Growth (% YoY)	3.7	5.0	1.0	2.7	0.0
Rental ARPU (KRW)	25,647	26,226	24,554	26,283	0
Rental sales	1,390.3	1,484.4	1,430.8	1,560.1	1,627.4
Rental registration sales	10.2	6.7	4.4	2.9	1.9
Capital lease (mattress rental)		40.9	105.3	116.7	126.5
Membership sales	183.4	179.6	169.4	166.0	163.4
Lump-sum sales	123.5	171.2	198.0	216.7	230.9
Exports	167.4	149.3	215.6	234.7	260.6
ODM	120.3	82.2	121.8	116.2	126.6
Overseas subsidiaries	47.1	67.1	93.8	118.5	134.0
Cosmetics sales	80.4	83.1	75.5	80.8	87.4
Others	58.4	46.1	21.0	21.5	22.1
Growth (% YoY)					
Rental	5.3	6.8	(3.6)	9.0	4.3
Rental registration	(22.4)	(34.4)	(34.4)	(34.4)	(34.4)
Capital lease (mattress rental)			157.5	10.8	8.3
Membership	6.4	(2.0)	(5.7)	(2.0)	(1.6)
Lump-sum	(17.3)	38.6	15.7	9.4	6.5
Exports	15.8	(10.8)	44.5	8.9	11.0
Cosmetics	5.3	3.3	(9.2)	7.1	8.1
Others (living + water treatment)	1.2	(21.1)	(54.3)	1.9	3.1
COGS	673.4	679.5	758.8	797.0	841.1
COGS/sales ratio (%)	33.4	31.4	34.2	33.2	33.4
Gross profit	1,340.3	1,481.8	1,461.4	1,602.6	1,679.1
Gross margin (%)	66.6	68.6	65.8	66.8	66.6
SG&A costs	962.7	1,018.9	1,075.8	1,059.3	1,095.7
SG&A costs/sales ratio (%)	47.8	47.1	48.5	44.1	43.5
OP	377.6	463.0	385.5	543.3	583.3
OPM (%)	18.8	21.4	17.4	22.6	23.1
Growth (% YoY)	13.3	22.6	(16.7)	40.9	7.4
Financial income	2.2	1.1	1.3	3.3	6.4
Financial expense	10.8	4.3	4.6	4.0	3.6
Other non-operating income	(8.5)	0.9	(19.3)	(3.5)	(3.7)
Pre-tax profit	329.8	460.8	362.9	539.0	582.4
Corporate tax	86.8	111.3	89.1	129.4	139.8
Corporate tax rate (%)	26.3	24.2	24.5	24.0	24.0
NP	243.1	349.4	273.8	409.7	442.7
NPM (%)	12.1	16.2	12.3	17.1	17.6
Growth (% YoY)	(4.0)	43.8	(21.7)	49.6	8.1
Profit/loss at subsidiaries	6.6	(6.3)	(5.7)	1.1	2.3
Consolidated NP	249.7	343.1	268.1	410.8	444.9
Growth (% YoY)	1.9	37.4	(21.9)	53.2	8.3
Standalone EPS (KRW)	3,150	4,531	3,559	5,364	5,795
Consolidated EPS (KRW)	3,238	4,449	3,476	5,327	5,769

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	1Q16	2Q16	3Q16P	4Q16F	1Q17F	2Q17F	3Q17F	4Q17F	2015	2016F	2017F
Sales	506.1	527.5	545.7	582.1	577.6	523.0	550.6	569.0	592.0	598.2	600.2	609.1	2,161.3	2,220.2	2,399.5
Growth (% YoY)	2.3	0.8	10.0	16.5	14.1	(0.9)	0.9	(2.2)	2.5	14.4	9.0	7.0	7.3	2.7	8.1
Rental sales	361.3	369.4	374.8	378.8	378.8	315.0	366.0	371.0	385.1	389.6	390.5	394.9	1,484.4	1,430.8	1,560.1
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	28.6	27.0	28.3	28.1	29.0	29.4	30.1	40.9	105.3	116.7
Membership sales	46.0	45.4	44.5	43.7	42.9	42.5	42.1	41.9	41.8	41.6	41.4	41.3	179.6	169.4	166.0
Lump-sum sales	30.0	41.4	45.6	54.2	50.5	54.1	42.6	50.9	54.2	54.8	51.7	56.0	171.2	198.0	216.7
Exports	33.0	39.0	35.8	41.4	56.7	59.8	48.1	51.0	56.7	57.4	60.7	59.9	149.3	215.6	234.7
Cosmetics sales	23.1	21.1	18.6	20.2	20.1	17.3	18.1	19.9	19.8	19.7	20.4	20.9	83.1	75.5	80.8
Others	10.6	9.4	10.0	16.1	5.8	4.5	5.6	5.1	5.4	5.3	5.4	5.4	46.1	21.0	21.5
COGS	159.3	166.8	168.7	184.8	190.3	192.6	185.7	190.3	196.3	198.4	199.9	202.4	679.5	758.8	797.0
COGS ratio (%)	31.5	31.6	30.9	31.7	33.0	36.8	33.7	33.4	33.2	33.2	33.3	33.2	31.4	34.2	33.2
SG&A costs	247.9	249.0	251.4	270.5	260.4	309.0	248.3	258.1	268.3	261.8	262.2	267.0	1,018.9	1,075.8	1,059.3
SG&A costs ratio (%)	49.0	47.2	46.1	46.5	45.1	59.1	45.1	45.4	45.3	43.8	43.7	43.8	47.1	48.5	44.1
OP	98.9	111.7	125.6	126.8	126.9	21.4	116.6	120.7	127.3	138.0	138.2	139.8	463.0	385.5	543.3
OPM (%)	19.5	21.2	23.0	21.8	22.0	4.1	21.2	21.2	21.5	23.1	23.0	22.9	21.4	17.4	22.6
Growth (% YoY)	10.1	14.4	29.5	36.1	28.3	(80.9)	(7.2)	(4.8)	0.3	545.7	18.6	15.8	22.6	(16.7)	40.9
Financial income	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.5	0.6	0.7	0.9	1.1	1.1	1.3	3.3
Financial expense	0.9	1.7	0.9	0.8	0.7	2.0	1.0	0.8	1.0	1.1	0.9	0.9	4.3	4.6	4.0
Other non-operating income	(0.1)	1.1	6.7	(6.8)	(4.6)	(1.6)	(11.8)	(1.3)	(0.7)	(0.7)	(1.1)	(1.0)	0.9	(19.3)	(3.5)
Pre-tax profit	98.3	111.4	131.6	119.4	121.8	18.0	104.0	119.1	126.2	136.8	137.1	139.0	460.8	362.9	539.0
NP	75.1	85.0	100.4	88.9	92.2	12.3	78.8	90.5	95.9	104.0	104.2	105.6	349.4	273.8	409.7
NPM (%)	14.8	16.1	18.4	15.3	16.0	2.3	14.3	15.9	16.2	17.4	17.4	17.3	16.2	12.3	17.1
Growth (% YoY)	13.4	30.4	51.3	96.4	22.9	(85.6)	(21.6)	1.8	4.0	746.7	32.2	16.7	43.8	(21.7)	49.6

Source: Company data, Shinhan Investment Corp.

Note: K-IFRS standalone basis

Rental subscribers and ARPU									
(subscribers)	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
ARPU (KRW)	24,713	24,129	24,905	25,258	25,359	25,647	26,226	24,554	26,283
Total subscribers	3,898,647	4,145,102	4,450,003	4,607,420	4,434,632	4,600,582	4,832,434	4,879,777	5,013,291
Net adds	259,450	246,455	304,901	157,417	(172,788)	165,950	231,852	47,343	133,514
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	1,395,686
Termination	436,446	419,214	451,370	521,109	477,717	636,142	609,907	669,357	646,023
Cancellation rate (%)	13.5	12.9	12.5	12.1	10.8	11.9	12.3	12.0	12.0
Growth (%)									
ARPU	0.8	(2.4)	3.2	1.4	0.4	1.1	2.3	(6.4)	7.0
Total subscribers	7.1	6.3	7.4	3.5	(3.8)	3.7	5.0	1.0	2.7
Net adds	871.5	(5.0)	23.7	(48.4)	(209.8)	(196.0)	39.7	(79.6)	182.0
New subscribers	13.7	(1.8)	9.0	(4.2)	(4.3)	14.1	5.9	0.7	(1.6)

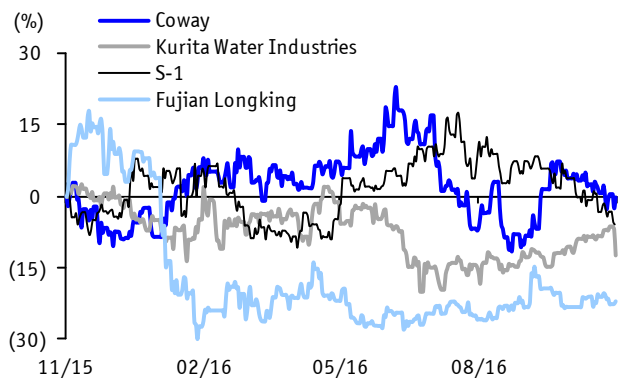
Source: Company data, Shinhan Investment Corp.

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

Global peers						
Company		Coway	Kurita water Industries	S-1	Fujian Longking	OSIM International
Ticker		021240 KS	6370 JP	012750 KS	600388 CH	OSIM SP
Market cap. (bn KRW)		7,004.1	3,034.8	3,495.9	2,339.5	-
Sales (bn KRW)	2015	2,315.2	2,067.9	1,799.6	1,314.5	510.2
	2016F	2,429.3	2,312.8	1,842.0	-	502.9
	2017F	2,643.0	2,393.1	1,998.1	-	524.6
OP (bn KRW)	2015	463.3	191.3	173.3	119.6	56.1
	2016F	363.7	218.4	213.3	-	63.7
	2017F	520.5	235.2	239.5	-	68.1
OPM (%)	2015	20.0	9.3	9.6	9.1	11.0
	2016F	15.0	9.4	11.6	-	12.7
	2017F	19.7	9.8	12.0	-	13.0
NP (bn KRW)	2015	343.1	121.3	154.2	100.9	42.4
	2016F	270.3	140.4	153.0	-	49.1
	2017F	389.6	153.8	174.6	-	53.5
NPM (%)	2015	14.8	5.9	8.6	7.7	8.3
	2016F	11.1	6.1	8.3	-	9.8
	2017F	14.7	6.4	8.7	-	10.2
EPS growth (% YoY)	2015	37.5	(0.6)	37.9	26.8	(49.8)
	2016F	(22.5)	40.9	(6.9)	10.2	14.1
	2017F	44.5	11.1	14.3	13.1	10.1
P/E (x)	2015	18.2	23.7	28.1	33.2	15.9
	2016F	25.6	21.1	21.7	21.3	-
	2017F	17.7	19.1	19.0	18.8	-
P/B (x)	2015	5.0	1.3	3.4	5.2	2.0
	2016F	5.4	1.2	3.0	-	-
	2017F	4.8	1.2	2.7	-	-
EV/EBITDA (x)	2015	9.0	6.8	10.0	23.1	7.1
	2016F	11.9	6.6	9.1	-	-
	2017F	9.3	6.3	8.7	-	-
ROE (%)	2015	30.2	5.6	16.4	16.7	12.3
	2016F	21.3	5.9	14.8	-	14.3
	2017F	28.5	6.1	15.3	-	15.1

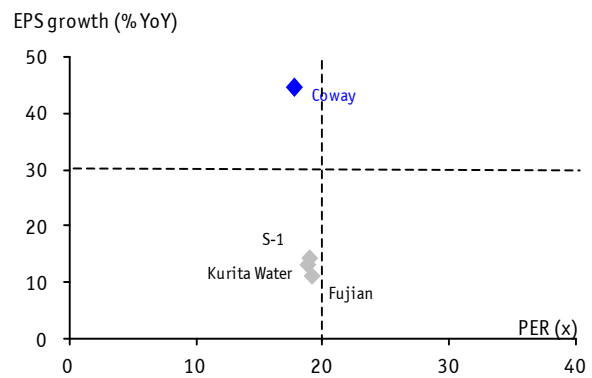
Source: Bloomberg consensus, Shinhan Investment Corp.

Share performance of global peers



Source: Bloomberg, Shinhan Investment Corp.

Valuation comparison 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	1,773.6	1,955.0	2,144.1
Total Current Assets	573.1	658.1	684.5	848.5	1,019.1
Cash and Cash Equivalents	105.5	86.6	97.5	214.1	352.7
Accounts Receivables	273.6	353.6	363.2	392.6	412.3
Inventories	41.8	48.2	49.5	53.5	56.2
Non-Current Assets	1,002.9	1,084.3	1,089.0	1,106.5	1,125.1
Tangible Assets	617.6	624.9	633.3	646.3	662.8
Intangible Assets	147.8	146.1	139.1	133.4	128.7
Investment Assets	123.2	122.1	125.5	135.6	142.4
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	517.0	472.9	453.3	485.1	506.5
Current Liabilities	468.0	421.6	400.9	429.3	448.3
ST Borrowings	162.8	80.0	50.0	50.0	50.0
Account Payables	46.5	47.7	49.0	52.9	55.6
Current Portion of LT Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities	49.0	51.3	52.4	55.8	58.1
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	1,320.3	1,469.9	1,637.7
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	1,255.9	1,414.1	1,591.1
Owners of Parent Equity	1,059.0	1,269.4	1,326.0	1,484.2	1,661.2
Non-Controlling Interests Equity	0.0	0.0	(5.7)	(14.3)	(23.5)
*Total Debt	172.1	90.1	60.0	60.0	60.0
*Net Debts(Cash)	66.4	(5.7)	(46.9)	(164.3)	(303.4)

Cash Flow

Year to Dec. (W bn)	2014	2015	2016F	2017F	2018F
Operating Cash Flow	498.5	475.2	468.8	568.5	624.1
Net Profit	242.9	349.4	273.8	409.7	442.7
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)	(19.8)	(52.0)	(24.9)
(Payments of Income Taxes)	(97.6)	(82.1)	(89.1)	(129.4)	(139.8)
Others	143.5	176.2	92.5	130.1	137.0
Investing Cash Flow	(268.9)	(264.0)	(215.1)	(225.1)	(221.8)
Incr. in Tangible Assets(CAPEX)	(275.7)	(270.6)	(302.8)	(307.5)	(310.9)
Decr. in Tangible Assets	8.2	9.1	90.0	90.0	90.0
Decr.(Incr.) in Intangible Assets	(5.7)	(5.3)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	8.5	9.9	(3.3)	(10.1)	(6.8)
Others	(4.2)	(7.1)	1.0	2.5	5.9
Free Cash Flow	170.8	233.5	193.4	297.1	329.2
Financing Cash Flow	(325.3)	(230.1)	(242.6)	(226.9)	(263.7)
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)	(222.9)	(260.0)
Others	(77.9)	1.0	(4.6)	(4.0)	(3.7)
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)	11.0	116.5	138.6
Beginning Cash	201.3	105.5	86.6	97.6	214.1
Ending Cash	105.5	86.6	97.6	214.1	352.7

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	2,220.2	2,399.5	2,520.2
Growth (%)	4.1	7.3	2.7	8.1	5.0
COGS	673.4	679.5	758.8	797.0	841.1
Gross Profit	1,340.3	1,481.8	1,461.4	1,602.6	1,679.1
Gross margin (%)	66.6	68.6	65.8	66.8	66.6
SG&A	962.8	1,018.9	1,075.8	1,059.3	1,095.7
Operating Income	377.5	463.0	385.5	543.3	583.3
Growth (%)	13.3	22.6	(16.7)	40.9	7.4
Operating margin (%)	18.7	21.4	17.4	22.6	23.1
Other Net Non-Operating Profits	(47.8)	(2.2)	(22.7)	(4.2)	(0.9)
Financial Income(Expenses)	(8.6)	(3.2)	(3.3)	(0.8)	2.8
Net Other Non-Operating Profits	(8.5)	0.9	(19.3)	(3.5)	(3.7)
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	362.9	539.0	582.4
Income Taxes	86.8	111.3	89.1	129.4	139.8
Profit from Continuing Op.	242.9	349.4	273.8	409.7	442.7
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	242.9	349.4	273.8	409.7	442.7
Growth (%)	(4.1)	43.8	(21.7)	49.6	8.1
Net Profit margin (%)	12.1	16.2	12.3	17.1	17.6
Net Profit of Parent	242.9	349.4	279.5	418.2	451.9
Net Profit to Non-Controlling	0.0	0.0	(5.7)	(8.5)	(9.2)
Total Comprehensive Income	235.2	345.9	273.8	409.7	442.7
Total Comp. Income of Parent	235.2	345.9	273.8	409.7	442.7
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
EBITDA	577.0	674.7	596.9	753.4	792.5
Growth (%)	10.6	16.9	(11.5)	26.2	5.2
EBITDA Margin (%)	28.7	31.2	26.9	31.4	31.4

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

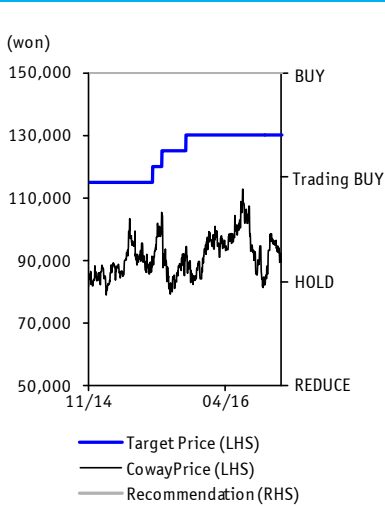
Key Ratios

Year to Dec.	2014	2015	2016F	2017F	2018F
EPS_C (won)	3,150	4,531	3,559	5,364	5,795
EPS_P (won)	3,150	4,531	3,559	5,364	5,795
BPS_C (won)	13,732	16,459	17,286	19,245	21,441
BPS_P (won)	13,732	16,459	17,361	19,432	21,749
DPS (won)	2,000	2,800	3,000	3,500	3,700
PER_C (x)	26.7	18.6	25.8	17.1	15.8
PER_P (x)	26.7	18.6	25.8	17.1	15.8
PBR_C (x)	6.1	5.1	5.3	4.8	4.3
PBR_P (x)	6.1	5.1	5.3	4.7	4.2
EV/EBITDA (x)	11.4	9.6	11.6	9.1	8.4
Payout Ratio (%)	61.1	59.5	79.7	62.2	60.8
Dividend Yield (%)	2.4	3.3	3.3	3.8	4.0
Profitability					
EBITDA Margin (%)	28.7	31.2	26.9	31.4	31.4
OP Margin (%)	18.7	21.4	17.4	22.6	23.1
NP Margin (%)	12.1	16.2	12.3	17.1	17.6
ROA (%)	15.1	21.1	15.6	22.0	21.6
ROE (%)	24.0	30.0	21.1	29.2	28.1
ROIC (%)	31.1	36.9	29.2	40.9	42.8
Stability					
D/E Ratio (%)	48.8	37.3	34.3	33.0	30.9
Net Debt to Equity (%)	6.3	(0.4)	(3.6)	(11.2)	(18.5)
Cash Ratio (%)	22.5	20.5	24.3	49.9	78.7
Interest Coverage (x)	34.8	108.3	84.3	135.2	161.5
Activity (%)					
Working Capital Turnover (t)	13.6	11.2	9.9	10.1	10.0
Inventory Turnover (d)	7.5	7.6	8.0	7.8	7.9
Receivable Turnover (d)	48.9	53.0	58.9	57.5	58.3

Source: Company data, Shinhan Investment Corp.

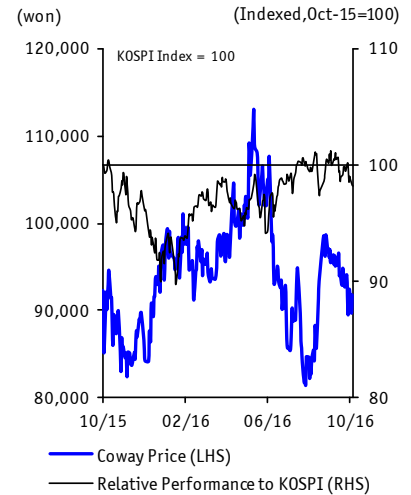
Coway (021240 KS)

Target Price & Recommendation History



Date	Recommendation	Target Price (won)
2014. 11. 02	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 Oct. 31, 2016)

BUY (BUY)	89.14%	Trading BUY (HOLD)	5.88%	HOLD (HOLD)	4.98%	REDUCE (SELL)	0%
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