

Woongjin Coway (021240)

4Q19 Review: Share Price Volatility Inevitable as Uncertainties Mount

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Shares to display heavy volatility; Conservative approach recommended

We maintain BUY on Woongjin Coway, but cut the target price 9% to KRW100,000, because our 2020 EPS projection was revised down by 7%. Finding a new owner, "Netmarble," is positive, resolving uncertainties involving a sale that dragged on for the last four years. However, Woongjin Coway shares are expected to display heavy volatility due to increasing uncertainties until concrete mid/long-term business strategies, 2020 earnings guidance and dividend policies are announced.

Uncertainties over 1) rising labor cost burden and 2) declining payout ratio

Two uncertainties have emerged. First, rising cost burden is expected to be inevitable following decisions to shift the employment statuses of "CS doctors" (installation/repair workers) to regular staff. Our 2020 standalone OPM was cut by 0.7%p as a result. Additional cost rises are also expected after related consultations. Second, shareholder return policies are highly likely to change. DPS is estimated at 0 for 4Q19, which cut our 2019 DPS projection from KRW3,200 to KRW2,400 (a dividend yield of 2.6% in 2019). Woongjin Coway plans to focus on securing mid/long-term growth engines (e.g., a global foray), expanding R&D investments and improving financial health (debt ratio rose from 66% to 165% over three years). Our 2020 DPS projection was cut from KRW3,400 to KRW2,400 to reflect possible declines in dividend payments. The DPS projections could be revised, since dividend policies have yet to be revealed.

4Q19 Review: Earnings shock due to one-off provisions after "CS doctors" become regular employees

Woongjin Coway saw consolidated OR climb 12% YoY to KRW794.6bn and OP plunge 65% YoY to KRW44.6bn in 4Q19. OP missed market consensus by 68%. **▲ Standalone** OR rose 1% YoY to KRW638.2bn and OP is estimated to have plunged 72% YoY to KRW31.9bn. The sluggish results are due to the following reasons. 1) Provisions of

Buy maintain

Target Price (lowered) **KRW100,000**

Dividend Yield	2.0%
Total Return	12.6%
Current price (Feb 14)	KRW90,400
Consensus Target Price	KRW0

* 12-month forward

Forecast earnings & valuation

FY-end	2018A	2019E	2020E	2021E
OR (KRWbn)	2,707	3,019	3,344	3,600
OP (KRWbn)	520	458	582	612
NP to parent (KRWbn)	350	333	408	452
EPS (KRW)	4,735	4,511	5,527	5,856
EPS Growth (%)	9.4	-4.7	22.5	6.0
PER (x)	15.6	20.6	16.4	15.4
EV/EBITDA (x)	7.8	10.0	8.0	7.5
PBR (x)	5.0	6.3	4.9	4.1
ROE (%)	33.8	30.6	33.2	28.9
Div. Yield (%)	4.9	2.6	2.7	2.7

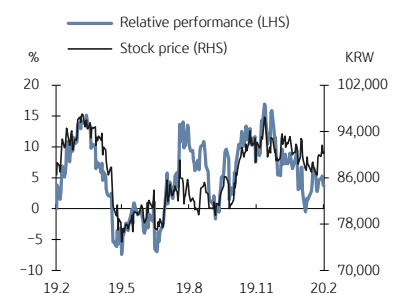
Trading Data

Free float	73.0%
Avg T/O Val (3M, KRWbn)	44.3
Foreign ownership	60.9%
Major shareholders	Netmarble and 3 others 25.1%
	NPS 8.2%

Share price performance

(%)	1M	3M	6M	12M
Absolute	-2.6	-1.7	8.8	4.5
Relative	-2.8	-6.3	-6.0	3.7

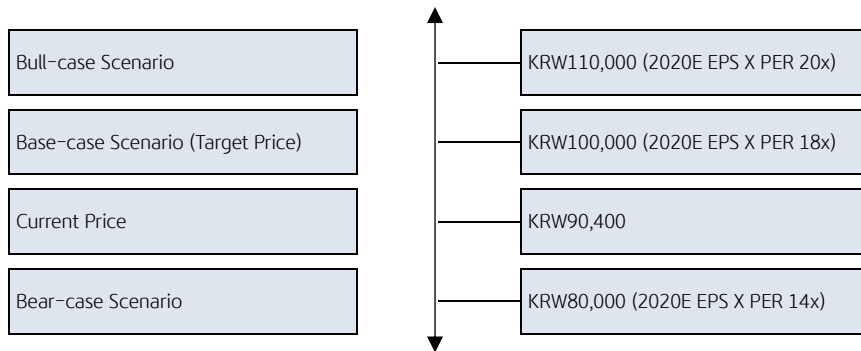
Market cap USD5.7bn



Source: Woongjin Coway, KB Securities estimates

KRW77bn were set aside for retirement and bonus payments, as around 1,500 “CS doctors” (installations/repair workers) became regular employees. 2) New rental sales fell 1% YoY to 358,000 accounts, as a strike by “CS doctors” in Oct-Dec caused disruptions in product installations. In addition, delayed repair services temporarily boosted the churn rate to 1.04%. 3) Sluggish new sales and increased churn rates caused net additions to fall 31% YoY to 52,000 accounts. ▲ OR at the Malaysian subsidiary grew 47% YoY, but OP remained flattish YoY due to the booking of losses on cancelled accounts starting in 3Q19 (a KRW1bn loss/month). ▲ The US subsidiary registered solid earnings, with OR increasing 24% and OP reaching KRW3bn (OPM up 4.6%p YoY).

Investment opinion and risks



Base-case Scenario: Catalysts

- 1) Domestic sales register CAGR of 5% over next 2 years
- 2) Combined overseas sales register CAGR of 21% over next 2 years

Bull-case Scenario: Upside risks

- 1) Domestic sales register CAGR of more than 5% over next 2 year
- 2) Combined overseas sales register CAGR of more than 21% over next 2 years

Bear-case Scenario: Downside risks

- 1) Domestic sales register CAGR of less than 5% over next 2 years
- 2) Combined overseas sales register CAGR of less than 21% over next 3 years

Revised earnings estimates

(KRWbn, %)	Previous		Revised		Change	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	3,038.6	3,344.5	3,018.9	3,343.9	-0.6	-0.0
OP	554.6	619.3	458.3	582.1	-17.4	-6.0
NP to parent	413.5	439.6	332.9	407.9	-19.5	-7.2

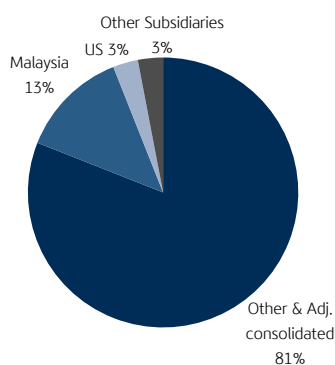
Source: KB Securities estimates

KB estimate vs. Consensus

(KRWbn, %)	KB est.		Consensus		Difference	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	3,018.9	3,343.9	2,995.0	3,332.7	0.8	0.3
OP	458.3	582.1	553.0	591.9	-17.1	-1.6
NP to parent	332.9	407.9	n/a	422.4	n/a	-3.4

Source: FnGuide, KB Securities estimates

OR composition (2018, %)



Source: Company data, KB Securities

PEER group comparison

(KRWbn, X, %)	Martket cap.	12M Fwd PER	EPS 3-yr CAGR	12M Fwd PBR	12M Fwd ROE	12M Fwd EV/EBITDA	EBITDA 3-yr CAGR
Woongjin Coway	6,671.5	16.2	0.0	4.8	29.4	7.9	1.8
Amorepacific	11,136.3	32.5	17.3	2.7	8.3	13.3	12.0
LG H&H	21,693.7	28.1	8.2	4.9	17.6	14.3	7.6

Source: KB Securities estimates

Valuation and target price calculation

- 1) Valuation method: PER valuation
- 2) Target price calculation: Target PER of 18x (20% discount on 2016-18 avg. PER) applied to 2020E EPS
- 3) Target price range: KRW110,000 ~ KRW80,000
- 4) Valuation at target price: 2020E Implied PER of 17.7x, PBR of 5.3x

Earnings sensitivity analysis

(%)	EPS change	
	2019E	2020E
1%p rise in interest rate	-0.9	-0.7
1% rise in FX rate	+0.3	+0.3

Table 1. Woongjin Coway: Consolidated 4Q19 earnings

(KRWbn)	4Q19	4Q18	YoY (%)	3Q19	QoQ (%)	Consensus	Diff. (%)	KB Securities	Diff. (%)
OR	794.6	711.7	11.7	759.6	4.6	796.3	-0.2	814.3	-2.4
OP	44.6	128.8	-65.4	140.3	-68.2	138.7	-67.8	141.0	-68.3
EBT	26.8	99.9	-73.2	152.3	-82.4	135.3	-80.2	135.3	-80.2
NP (to parent)	19.7	69.8	-71.7	110.8	-82.2	100.3	-80.3	100.3	-80.3
OPM (%)	5.6	18.1		18.5		17.4		17.3	
EBT margin (%)	3.4	14.0		20.0		17.0		16.6	
NPM (to parent) (%)	2.5	9.8		14.6		12.6		12.3	

Source: Company, Fnguide, KB Securities

Table 2. Woongjin Coway: PER valuation

	2016	2017	2018	2019	2020E	2021E
Consolidated EPS (KRW)	3,324	4,521	4,852	4,613	5,651	5,987
Applied PER (X)					18.0	18.0
Value per share (KRW)					102,000	108,000
Upside (%)					12.5	19.2
TP (KRW)	100,000					
2020E EPS (KRW)					5,651	
Target PER (X)					18.0	
Current price (KRW)					90,400	(2020.2.14)
Upside (%)					10.6	
Applied PER of TP (X)					17.7	16.7
PER of current price (X)					16.0	15.1

Source: KB Securities estimates

Note: Target PER is calculated by applying 20% discount to average PER (2016~2018) of 22x

Table 3. Woongjin Coway: Revised earnings estimates

(KRWbn)	Before			After			Change (%)		
	2019	2020E	2021E	2019P	2020E	2021E	2019P	2020E	2021E
OR	3,038.6	3,344.5	3,576.1	3,018.9	3,343.9	3,600.5	-0.6	-0.0	0.7
OP	554.6	619.3	660.3	458.3	582.1	612.4	-17.4	-6.0	-7.3
EBT	559.9	593.5	634.7	451.4	550.1	582.8	-19.4	-7.3	-8.2
NP (to parent)	413.5	439.6	470.1	332.9	407.9	432.2	-19.5	-7.2	-8.1
EPS (KRW)	5,602.6	5,957.3	6,513.3	4,511.4	5,539.2	5,987.2	-19.5	-7.0	-8.1
YoY (%)									
OR	12.2	10.1	6.9	11.5	10.8	7.7			
OP	6.7	11.7	6.6	-11.8	27.0	5.2			
EBT	19.5	6.0	6.9	-3.7	21.9	5.9			
NP (to parent)	18.1	6.3	6.9	-4.9	22.5	5.9			
EPS	18.1	6.3	9.3	-4.9	22.8	8.1			
OPM (%)	18.3	18.5	18.5	15.2	17.4	17.0			
EBT margin (%)	18.4	17.7	17.7	15.0	16.5	16.2			
NPM (to parent, %)	13.6	13.1	13.1	11.0	12.2	12.0			

Source: Company data, KB Securities estimates

Note: Based on changes relative to 2019 Nov 11 estimates

Table 4. Woongjin Coway: Earnings trend and estimates (consolidated)

(KRWbn)		1Q19	2Q19	3Q19	4Q19	1Q20E	2Q20E	3Q20E	4Q20E	2017	2018	2019E	2020E	2021E
Consolidated OR		709.3	755.5	759.6	794.6	788.9	837.0	849.7	868.3	2,516.8	2,707.3	3,018.9	3,343.9	3,600.5
Standalone		606.6	635.2	651.0	638.2	652.3	678.8	687.7	666.0	2,320.5	2,395.5	2,551.0	2,684.8	2,807.4
Malaysia		112.5	127.6	133.6	152.6	146.3	165.9	173.7	198.4	207.5	353.4	526.3	684.2	821.0
U.S.		20.9	23.6	22.5	30.3	25.1	26.4	26.6	33.3	65.0	80.5	97.3	111.4	122.5
Other subsidiaries		16.7	27.4	24.4	34.2	24.7	28.8	25.7	35.9	64.5	88.5	102.7	115.1	120.5
Adjust.		-47.4	-58.4	-71.9	-60.7	-59.4	-63.0	-64.0	-65.4	-141.4	-210.8	-238.4	-251.7	-271.0
YoY (%)	Consol. OR	9.5	11.4	13.4	11.7	11.2	10.8	11.9	9.3	5.9	7.6	11.5	10.8	7.7
	Standalone	6.1	6.6	9.3	0.9	7.5	6.9	5.6	4.4	5.3	3.2	5.7	6.1	4.6
	Malaysia	71.1	39.3	44.7	47.0	30.0	30.0	30.0	30.0	45.1	70.4	48.9	30.0	20.0
	U.S.	19.1	35.6	6.6	24.2	20.0	12.0	18.0	10.0	8.0	23.7	20.9	14.5	10.0
	Other subsidiaries	-26.5	9.2	18.4	70.1	47.8	5.2	5.3	5.0	15.4	37.3	16.0	12.1	4.7
	Revised	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC
Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Standalone	85.5	84.1	85.7	80.3	82.7	81.1	80.9	76.7	92.2	88.5	83.8	80.3	78.0
	Malaysia	15.9	16.9	17.6	19.2	18.5	19.8	20.4	22.8	8.2	13.1	17.4	20.5	22.8
	U.S.	2.9	3.1	3.0	3.8	3.2	3.2	3.1	3.8	2.6	3.0	3.2	3.3	3.4
	Other subsidiaries	2.4	3.6	3.2	4.3	3.1	3.4	3.0	4.1	2.6	3.3	3.4	3.4	3.3
	Revised	-6.7	-7.7	-9.5	-7.6	-7.5	-7.5	-7.5	-7.5	-5.6	-7.8	-7.9	-7.5	-7.5
Consolidated OP		135.2	138.2	140.3	44.6	142.3	150.2	152.9	136.8	472.7	519.8	458.3	582.1	612.4
Stand-alone		122.4	110.8	139.2	31.9	127.2	132.4	134.1	113.2	478.4	477.2	404.2	506.9	516.0
Malaysia		19.1	22.1	14.2	20.2	21.9	24.9	26.1	29.8	17.5	62.3	75.6	102.6	123.2
U.S.		0.8	0.4	-0.9	3.0	0.9	0.9	0.9	1.2	0.5	3.1	3.3	3.9	4.9
Other subsidiaries		-2.8	1.3	0.0	-0.2	-0.2	-0.1	-0.1	-0.2	-3.7	-8.6	-1.7	-0.6	0.6
Adjust.		-4.3	3.7	-12.3	-10.3	-7.5	-7.9	-8.0	-7.2	-20.0	-14.2	-23.2	-30.6	-32.2
YoY (%)	Consol. OR	2.9	6.9	7.6	-65.4	5.3	8.6	9.0	206.5	39.5	10.0	-11.8	27.0	5.2
	Standalone	-0.6	-7.6	15.4	-71.9	3.9	19.5	-3.7	254.8	29.8	-0.2	-15.3	25.4	1.8
	Malaysia	107.6	39.0	-16.5	0.0	14.9	12.6	83.5	47.3	161.2	256.0	21.3	35.8	20.0
	U.S.	33.3	TB	TR	130.8	9.7	131.3	TB	-61.1	N/A	520.0	6.5	18.1	25.7
	Other subsidiaries	LC	TB	TB	LC	LC	TR	TR	LC	LC	LC	LC	LC	TB
	Revised	TR	TB	LC	LC	LC	TR	LC	LC	LC	LC	LC	LC	LC
OPM (%)	Consol. OR	19.1	18.3	18.5	5.6	18.0	17.9	18.0	15.7	18.8	19.2	15.2	17.4	17.0
	Standalone	20.2	17.4	21.4	5.0	19.5	19.5	19.5	17.0	20.6	19.9	16.0	18.9	18.4
	Malaysia	17.0	17.3	10.6	13.2	15.0	15.0	15.0	15.0	8.4	17.6	14.4	15.0	15.0
	U.S.	3.8	1.7	-4.0	9.9	3.5	3.5	3.5	3.5	0.8	3.9	3.4	3.5	4.0
	Other subsidiaries	-16.8	4.7	0.0	-0.6	-0.9	-0.3	-0.6	-0.5	-5.7	-9.7	-1.6	-0.6	0.5
	Revised	9.1	-6.3	17.0	17.0	12.6	12.5	12.6	11.0	14.1	6.7	9.7	12.2	11.9
Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Standalone	90.5	80.1	99.2	71.5	89.4	88.1	87.7	82.8	101.2	91.8	88.2	87.1	84.3
	Malaysia	14.1	16.0	10.1	45.3	15.4	16.6	17.0	21.8	3.7	12.0	16.5	17.6	20.1
	U.S.	0.6	0.3	-0.6	6.7	0.6	0.6	0.6	0.9	0.1	0.6	0.7	0.7	0.8
	Other subsidiaries	-2.1	0.9	0.0	-0.4	-0.1	-0.1	-0.1	-0.1	-0.8	-1.7	-0.4	-0.1	0.1
GP		476.4	506.4	509.0	516.7	526.7	557.7	565.9	561.1	1,718.3	1,829.1	2,008.5	2,211.6	2,366.8
EBT		135.5	136.8	152.3	26.8	134.8	142.7	145.4	127.2	439.9	468.6	451.4	550.1	582.8
NP		100.5	101.9	110.8	19.7	99.9	105.8	107.8	94.3	326.1	350.2	332.9	407.9	432.2
NP to parent		206.3	212.2	217.9	120.3	223.1	231.0	233.7	217.5	708.3	775.4	756.7	905.2	954.0
EBITDA		6.8	10.1	11.7	10.6	10.6	10.1	11.2	8.6	9.9	6.4	9.8	10.1	7.0
YoY (%)	GP	6.1	11.5	28.8	-73.2	-0.5	4.3	-4.5	374.5	35.9	6.5	-3.7	21.9	5.9
	EBT	5.4	12.3	17.4	-71.7	-0.6	3.8	-2.7	378.3	33.8	7.4	-4.9	22.5	5.9
	NP	7.0	10.4	11.8	-38.5	8.2	8.8	7.2	80.9	23.8	9.5	-2.4	19.6	5.4
GPM (%)		67.2	67.0	67.0	65.0	66.8	66.6	66.6	64.6	68.3	67.6	66.5	66.1	65.7
EBT margin (%)		19.1	18.1	20.0	3.4	17.1	17.0	17.1	14.7	17.5	17.3	15.0	16.5	16.2
Np to parent (%)		14.2	13.5	14.6	2.5	12.7	12.6	12.7	10.9	13.0	12.9	11.0	12.2	12.0
EBITDA margin (%)		29.1	28.1	28.7	15.1	28.3	27.6	27.5	25.1	28.1	28.6	25.1	27.1	26.5

Source: Company data, KB Securities estimates

Table 5. Woongjin Coway: Earnings trend and estimates (standalone)

(KRWbn)		1Q19	2Q19	3Q19	4Q19	1Q20E	2Q20E	3Q20E	4Q20E	2017	2018	2019E	2020E	2021E
Standalone OR		606.6	635.2	651.0	638.2	652.3	678.8	687.7	666.0	2,320.5	2,395.5	2,531.0	2,684.8	2,807.4
Domestic home appliance		517.6	532.7	534.5	526.4	552.3	565.7	560.7	545.3	1,981.0	2,017.5	2,111.2	2,224.2	2,306.8
Rental		384.7	391.7	396.7	399.5	409.6	418.7	416.6	413.1	1,506.0	1,527.7	1,572.6	1,658.0	1,718.0
Home care		56.3	67.6	72.9	61.5	67.6	74.4	80.2	67.7	122.8	185.1	258.4	289.9	313.0
Membership		27.9	27.0	26.7	25.7	25.2	25.0	24.8	23.8	144.7	121.2	107.3	98.8	93.6
Lump-sum		45.6	43.5	35.5	36.6	47.0	44.9	36.6	37.7	192.2	170.8	161.3	166.2	171.2
Etc.		3.0	2.9	2.7	3.0	2.9	2.8	2.6	3.0	15.2	12.8	11.7	11.3	11.0
Export		70.1	83.8	97.9	91.7	80.6	93.9	108.1	100.2	259.7	302.5	343.5	382.9	421.2
Cosmetics		18.9	18.8	18.5	20.1	19.3	19.2	18.9	20.5	79.7	75.5	76.3	77.8	79.4
YoY (%)	Standalone OR	6.1	6.6	9.3	0.9	7.5	6.9	5.6	4.4	5.3	3.2	5.7	6.1	4.6
	Domestic home appliance	4.2	5.4	7.3	1.7	6.7	6.2	4.9	3.6	3.6	1.8	4.6	5.3	3.7
	Rental	1.6	2.3	3.8	4.0	6.5	6.9	5.0	3.4	0.9	1.4	2.9	5.4	3.6
	Home care	45.9	65.5	61.4	1.7	20.0	10.0	10.0	10.0	16.5	50.7	39.6	12.2	8.0
	Membership	-13.5	-13.3	-9.1	-9.6	-9.5	-7.3	-7.3	-7.3	-13.6	-16.3	-11.5	-7.9	-5.3
	Lump-sum	4.0	-7.9	-7.2	-11.5	3.0	3.0	3.0	3.0	-1.8	-11.2	-5.6	3.0	3.0
	Etc.	-6.0	-14.8	-8.9	-4.1	-3.0	-3.0	-3.0	-3.0	-18.6	-15.8	-8.6	-3.0	-3.0
	Export	29.1	16.6	22.5	-4.9	15.0	12.2	10.4	9.3	19.7	16.5	13.6	11.5	10.0
	Cosmetics	-8.1	1.0	5.7	6.9	2.0	2.0	2.0	2.0	7.4	-5.3	1.1	2.0	2.0
Proportion (%)	Standalone OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Domestic home appliance	85.3	83.9	82.1	82.5	84.7	83.3	81.5	81.9	85.4	84.2	83.4	82.8	82.2
	Rental	63.4	61.7	60.9	62.6	62.8	61.7	60.6	62.0	64.9	63.8	62.1	61.8	61.2
	Home care	9.3	10.6	11.2	9.6	10.4	11.0	11.7	10.2	5.3	7.7	10.2	10.8	11.2
	Membership	4.6	4.2	4.1	4.0	3.9	3.7	3.6	3.6	6.2	5.1	4.2	3.7	3.3
	Lump-sum	7.5	6.9	5.5	5.7	7.2	6.6	5.3	5.7	8.3	7.1	6.4	6.2	6.1
	Etc.	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.7	0.5	0.5	0.4	0.4
	Export	11.6	13.2	15.0	14.4	12.4	13.8	15.7	15.0	11.2	12.6	13.6	14.3	15.0
	Cosmetics	3.1	3.0	2.8	3.1	3.0	2.8	2.7	3.1	3.4	3.2	3.0	2.9	2.8
Stand-alone OP		122.4	110.8	139.2	31.9	127.2	132.4	134.1	113.2	478.4	477.2	404.2	506.9	516.0
YoY (%)		-0.6	-7.6	15.4	-71.9	3.9	19.5	-3.7	254.8	29.8	-0.2	-15.3	25.4	1.8
OPM (%)		20.2	17.4	21.4	5.0	19.5	19.5	19.5	17.0	20.6	19.9	16.0	18.9	18.4
Key assumption of rental														
Total account ('000)		5,349.8	5,458.3	5,635.8	5,687.7	5,770.3	5,844.2	5,903.1	5,917.6	4,969.9	5,229.8	5,687.7	5,917.6	6,176.2
New sales ('000)		408.3	416.9	388.7	358.1	424.7	433.6	404.3	372.5	1,381.7	1,450.0	1,572.1	1,634.9	1,684.0
Cancellation ('000)		159.5	162.7	160.0	177.0	171.8	174.3	176.5	178.3	625.4	644.5	659.1	700.8	724.9
Expiries ('000)		128.8	145.7	51.2	129.3	170.3	185.4	168.8	179.7	635.9	545.7	455.0	704.3	700.4
ARPU (monthly avg.) (KRW)		27,792	28,331	28,218	27,145	27,764	28,302	28,190	27,117	27,646	27,988	27,952	27,973	27,991
Cancellation rate (monthly avg.) (%)		1.0	1.0	1.0	1.05	1.01	1.01	1.01	1.01	1.07	1.08	1.05	1.03	1.02
Percentage of expiries (%)		40.7	39.3	16.5	39.0	50.0	50.0	50.0	50.0	52.2	46.8	34.2	50.0	50.0
Key assumption of membership														
Total accounts ('000)		644.9	628.4	604.8	593.8	599.8	584.4	562.5	552.2	778.4	670.3	593.8	552.2	524.6
ARPU (Monthly avg.) (KRW)		14,130	14,116	14,458	14,297	14,088	14,074	14,414	14,254	14,776	13,941	14,145	14,376	14,481
Key assumption of lump-sum payments														
New sales ('000)		58.8	49.3	43.6	42.5	60.0	50.3	44.4	43.4	250.6	197.2	194.2	198.1	202.0
ARPU (KRW)		776,074	882,868	814,307	861,815	783,835	891,697	822,450	870,433	767,223	866,032	830,542	838,847	847,235
Disposal loss (cons.) (KRWbn)		10.4	11.1	21.2	8.5	14.7	15.0	14.9	14.8	43.5	48.8	51.2	59.4	63.7

Source: Company data, KB Securities estimates

Profit & Loss					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,517	2,707	3,019	3,344	3,600
Cost of sales	798	878	1,010	1,132	1,234
Gross profit	1,718	1,829	2,009	2,212	2,367
SG&A expenses	1,246	1,309	1,550	1,629	1,754
Operating profit	473	520	458	582	612
EBITDA	708	775	757	905	954
Non-operating accounts	-33	-51	-7	-32	-30
Interest income	1	1	1	1	1
Interest expenses	12	18	22	23	21
Profit on equity method	0	0	0	0	0
Net other non-operating income	-22	-35	14	-10	-10
Profit before tax	440	469	451	550	583
Income tax expense	114	119	119	143	152
Net profit	326	350	332	407	431
NP to parent	326	350	333	408	432
Adj. net profit	326	350	333	408	432

Operating Statistics & Ratios					
(%)	2017A	2018A	2019E	2020E	2021E
OR growth	5.9	7.6	11.5	10.8	7.7
OP growth	39.5	10.0	-11.8	27.0	5.2
EBITDA growth	23.8	9.5	-2.4	19.6	5.4
NP growth of parent	33.8	7.4	-4.9	22.5	6.0
GP margin	68.3	67.6	66.5	66.1	65.7
OP margin	18.8	19.2	15.2	17.4	17.0
EBITDA margin	28.1	28.6	25.1	27.1	26.5
EBT margin	17.5	17.3	15.0	16.5	16.2
NP margin	12.9	12.9	11.0	12.2	12.0

Cash Flow					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
Cash flow from operating activities	554	539	535	555	597
Net profit	326	350	332	407	431
Depreciation & amortization	236	256	298	323	342
Other non-cash adjustments	241	286	234	143	152
Investments in working capital	-148	-237	-185	-175	-176
Decrease(Increase) in Receivables	-59	20	34	-15	-16
Decrease(Increase) in Inventories	-6	-26	-3	-6	-12
Increase(Decrease) in Payables	21	-3	-11	6	6
Other operating cash flow	-100	-116	-144	-143	-152
Cash flow from investing activities	-290	-394	-432	-420	-420
Capital expenditure	-323	-388	-410	-400	-400
Investments in intangibles	-8	-6	-9	-10	-10
Changes in investment assets	-1	-1	-1	0	0
Other investment cash flow	1	2	-20	0	0
Cash flow from financing activities	-218	-187	-106	-123	-161
Proceeds from (repayments of) debt	330	59	161	-95	-90
Changes in equity	-127	3	2	0	0
Dividends paid	-409	-231	-260	-87	-130
Other financing cash flow	-12	-18	-9	59	59
Other cash flow	-2	0	2	0	0
Increase/decrease in cash	44	-41	-1	12	16
Cash and cash equivalents at FYE	110	69	68	80	96
Free cash flow	250	152	125	155	197
Net cash flow	-303	-54	-110	117	116
Net cash (net debt)	-513	-567	-677	-560	-444

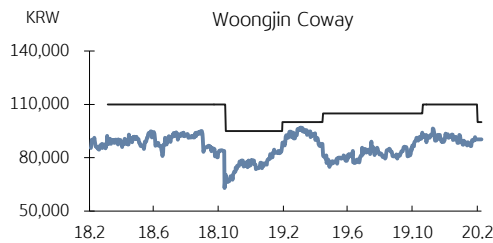
Statement of financial position					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	2,159	2,379	2,777	2,910	3,035
Current assets	791	844	735	781	838
Cash and cash equivalents	110	69	68	80	96
Current financial assets	60	107	192	202	212
Trade receivables	315	302	296	311	326
Inventories	75	103	113	119	131
Other current assets	232	255	66	70	73
Non-current assets	1,367	1,535	2,042	2,128	2,197
Investment assets	89	82	41	41	41
Property, plant and equipment	712	781	1,303	1,390	1,457
Intangible assets	184	160	177	178	178
Other non-current assets	381	506	482	482	482
Total liabilities	1,177	1,291	1,690	1,545	1,412
Current liabilities	1,125	1,234	1,562	1,419	1,292
Trade payables	54	62	75	81	87
Short-term financial liabilities	670	732	915	823	741
Other current liabilities	361	440	572	515	463
Non-current liabilities	52	57	128	126	121
Non-current financial liabilities	13	11	23	19	11
Other non-current liabilities	21	30	31	31	31
Total equity	982	1,088	1,087	1,364	1,622
Issued capital	41	41	41	41	41
Share premium	129	130	130	130	130
Other equity interest	-146	-45	-48	-48	-48
Accumulated other comprehensive income	-5	-4	4	4	4
Retained earnings	963	967	961	1,239	1,498
Equity attributable to owners of parent	982	1,088	1,088	1,366	1,625
Non-controlling Interests	0	0	-1	-2	-3

Key Ratio					
(X, %, KRW)	2017A	2018A	2019E	2020E	2021E
Multiples					
PER	22.6	15.6	20.6	16.4	15.4
PBR	7.4	5.0	6.3	4.9	4.1
PSR	2.9	2.0	2.3	2.0	1.9
EV/EBITDA	11.0	7.8	10.0	8.0	7.5
EV/EBIT	16.5	11.6	16.5	12.4	11.6
Dividend yield, ordinary (%)	3.3	4.9	2.6	2.7	2.7
EPS	4,328	4,735	4,511	5,527	5,856
BPS	13,128	14,744	14,747	18,513	22,020
SPS	33,402	36,604	40,907	45,310	48,787
DPS (Annual, Ordnrly.)	3,200	3,600	2,400	2,400	2,400
Cash dividends payout ratio (%)	71.2	74.2	52.1	42.5	40.1
Operating performance					
ROE	30.1	33.8	30.6	33.2	28.9
ROA	15.8	15.4	12.9	14.3	14.5
ROIC	25.6	26.0	20.4	23.8	23.1
Financial structure (%)					
Total liab./equity	119.8	118.7	155.4	113.3	87.1
Net debt/equity	52.2	52.1	62.3	41.0	27.3
Current Ratio	0.7	0.7	0.5	0.6	0.7
Interest coverage (x)	38.3	29.2	21.0	25.2	29.6
Activity ratios					
Asset turnover (x)	1.2	1.2	1.2	1.2	1.2
Receivables turnover (x)	8.3	8.8	10.1	11.0	11.3
Inventory turnover (x)	34.7	30.5	27.9	28.8	28.9

Source: Woongjin Coway, KB Securities estimates

Disclosures

Rating and Target Price Changes (Share price —, Target Price —)



Woongjin Coway (021240)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
18-03-21	Buy	110,000	-19.00	-13.64
18-10-31	Buy	95,000	-19.55	-8.95
19-02-15	Buy	100,000	-7.45	-3.00
19-05-02	Buy	105,000	-21.59	-10.38
19-11-06	Buy	110,000	-17.46	-12.27
20-02-17	Buy	100,000		

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Proportion of investment rating (as of December 31, 2019)

Buy	Hold	Sell
75.9	24.1	-

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

Classification and Standards for Investment Rating

Investment Rating for Company

(based on estimation of 12-month absolute returns)

Buy: +15% or beyond	Hold: Between 15% and -15%	Sell: -15% or beyond
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Note: KB Securities's classification of investment ratings has shifted from four stages (Strong BUY, BUY, Marketperform, Underperform) to three stages (Buy, Hold, Sell) based on Korean reports since February 23, 2017.

KB Securities's standards for stock rating shifted starting on Feb 10, 2020 from an estimation of six-month absolute returns to an estimation of 12-month absolute returns.

Investment Rating for Industry

(based on estimation of 12-month absolute returns)

Positive:	Neutral:	Negative:
To outperform market	To match market performance	To underperform market

Notes: The industry rating system of KB Securities has shifted from (Overweight, Neutral, Underweight) to (Positive, Neutral, Negative) as of Jun 28, 2017.

KB Securities's standards for industry rating shifted starting on Feb 10, 2020 from an estimation of six-month absolute returns to an estimation of 12-month absolute returns.

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