MIRAE ASSET
Building on principles

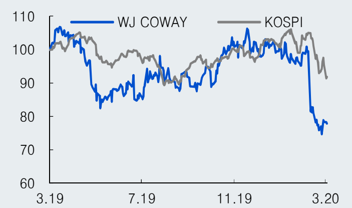
Rental

Initiation Report
March 12, 2020

(Initiate)	Buy
Target Price (12M, W)	94,000
Share Price (03/10/20, W)	70,700
Expected Return	33%

OP (20F, Wbn)	550
Consensus OP (20F, Wbn)	581
EPS Growth (19P, %)	-4.7
Market EPS Growth (19F, %)	-35.2
P/E (19P, x)	20.6
Market P/E (19F, x)	13.9
KOSPI	1,962.93
Market Cap (Wbn)	5,218
Shares Outstanding (mn)	74
Free Float (%)	73.1
Foreign Ownership (%)	60.8
Beta (12M)	0.53
52-Week Low	67,800
52-Week High	97,000

(%)	1M	6M	12M
Absolute	-21.2	-12.6	-22.1
Relative	-11.6	-9.5	-15.2



Mirae Asset Daewoo Co., Ltd.

[Metals & Mining/Machinery]

Jaekwang Rhee
+822-3774-6022
jkrhee@miraeasset.com

Coway
(021240 KS)

A new beginning

Initiate coverage with Buy rating and TP of W94,000

We initiate coverage on Coway with a Buy rating and target price of W94,000. In deriving our target price, we used the residual income model, applying a COE of 7.6%, a beta of 0.9, an equity risk premium of 6%, a risk-free rate of 2%, and a terminal growth rate of 3%. Given the stock's average P/E of 20x since 2011, we think our implied multiple of 17x (2020F) is reasonable. (Indonesian operations, which are still in their nascent stages, were excluded from our valuation.) Meanwhile, dividend payout ratio is likely to normalize at around 30% going forward, down from an average of 71% during the 2012-18 period. Over the next five years, we expect the company to grow at 6.5% CAGR for the following reasons:

1) Acquisition to remove group risks and foster medium/long-term synergies

In February 2020, Netmarble (251270 KS/Buy/TP: W115,000/CP: W90,800) became Coway's largest shareholder after purchasing a 25.08% stake from Woongjin Thinkbig (095720 KS/CP: W2,415) for W1.74tr (W94,000 per share). In the short term, we expect the acquisition to ease the group-level risks to Coway that had emerged when Woongjin Group repurchased the company. Over the longer term, Netmarble's big data analysis capabilities and operational know-how should contribute to the expansion of Coway's smart home business.

2) Domestic: Steady growth driven by rental product lineup expansion

With single-person/dual-income households on the rise, a growing number of consumers are willing to pay extra for products/services that save time or increase convenience. Thus, we expect the rental market to continue to expand as companies make more products available. Coway, as the unrivaled industry leader, should be able to keep growing despite intensifying competition, thanks in large part to product lineup expansion. Notably, in addition to water purifiers, air purifiers, and bidets, mattress rentals have surged in recent years.

3) Southeast Asia: Expanding beyond Malaysia to Indonesia

For 2019, Coway's Malaysian subsidiary reported W526bn in revenue (2012-19 CAGR of 38%) and 1.35mn total rental accounts (2012-19 CAGR of 41%). According to TechSci Research, Malaysia's water purifier market is likely to expand at 9% CAGR from 2017 to 2023. As the no. 1 water purifier rental player (35% market share), Coway is well positioned to benefit from this growth. Going forward, we expect Coway to: 1) expand its rental product categories in Malaysia by leveraging its "Cody" maintenance/marketing program (a strategy that has paid off in Korea); and 2) advance into the Indonesian market in earnest in 2020. In our view, Indonesia has even stronger growth potential than Malaysia, boasting a population eight times greater than that of its neighbor (267mn vs. 33mn as of 2019).

FY (Dec.)	12/16	12/17	12/18	12/19P	12/20F	12/21F
Revenue (Wbn)	2,376	2,517	2,707	3,019	3,304	3,512
OP (Wbn)	339	473	520	458	550	596
OP Margin (%)	14.3	18.8	19.2	15.2	16.6	17.0
NP (Wbn)	244	326	350	333	391	425
EPS (W)	3,167	4,328	4,735	4,511	5,305	5,759
ROE (%)	20.1	30.1	33.8	30.6	30.5	26.0
P/E (x)	27.9	22.6	15.6	20.6	13.3	12.3
P/B (x)	4.9	6.3	4.7	6.0	3.4	2.8
Dividend Yield (%)	3.6	3.3	4.9	2.6	2.3	2.3

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, Mirae Asset Daewoo Research estimates

I. Investment points

1. Netmarble's acquisition of Coway removes group-level risks

After being named the preferred bidder for Woongjin Thinkbig's 25.08% stake in Coway on October 14, 2019, Netmarble signed a W1.74tr share purchase agreement in late December. In the short term, we expect the acquisition to clear the group-level risks to Coway that emerged when Woongjin Group repurchased the company. Over the longer term, Netmarble's big data analysis capabilities and operational know-how gained from its gaming business should contribute to the expansion of Coway's smart home business.

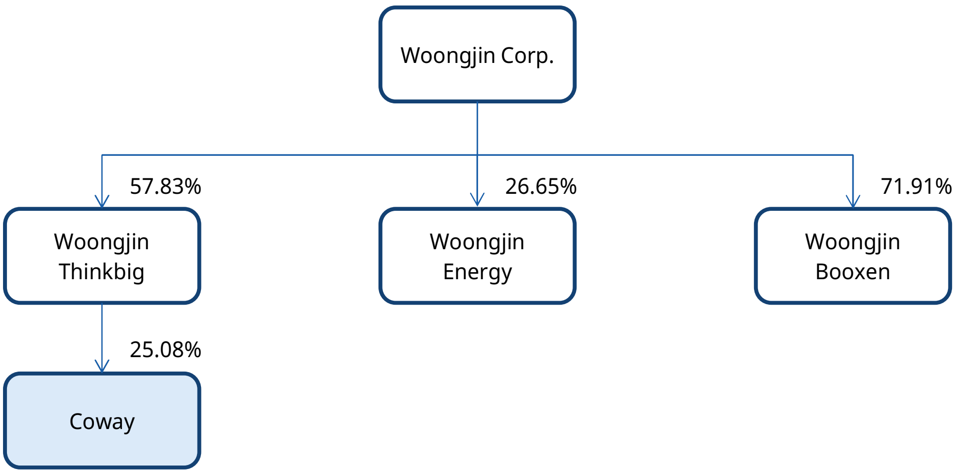
1) Group-level risks to dissipate

First and foremost, Netmarble's acquisition frees Coway from the group-level risks that arose after cash-strapped Woongjin Thinkbig bought back the firm from Coway Holdings (MBK Partners) in March 2019. (MBK Partners had acquired Woongjin Group's stake in Coway in 2013.) With balance sheets already worsening across key Woongjin Group affiliates, the takeover put further financial strain on the heavily indebted group.

In May 2019, Woongjin Energy (26.65% owned by Woongjin Corp. [016880 KS/CP: W1,070], the group's holding company) filed for corporate rehabilitation proceedings, leading to a credit rating downgrade and liquidity problems for the group. Consequently, the group decided to resell its stake in Coway just three months after the repurchase.

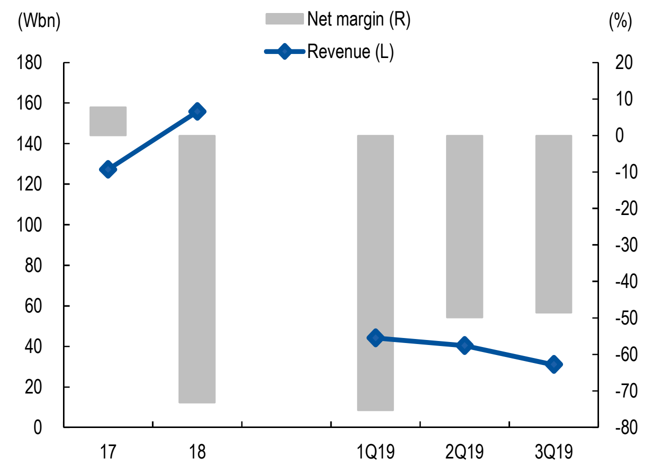
Now outside of Woongjin Group's umbrella, Coway looks to be free from all group-related risks (e.g., insolvent affiliates, excessive leverage for stake purchases, etc.). As of end-3Q19, Netmarble's non-consolidated cash and cash equivalents stood at W1.27tr, and its debt-to-equity ratio was only 8.3%. In comparison, Woongjin Thinkbig had non-consolidated cash and cash equivalents of W260bn and a debt-to-equity ratio of 287.6% at the time of the repurchase (end-1Q19).

Figure 1. Woongjin Group: Ownership structure (before sale of Coway to Netmarble)



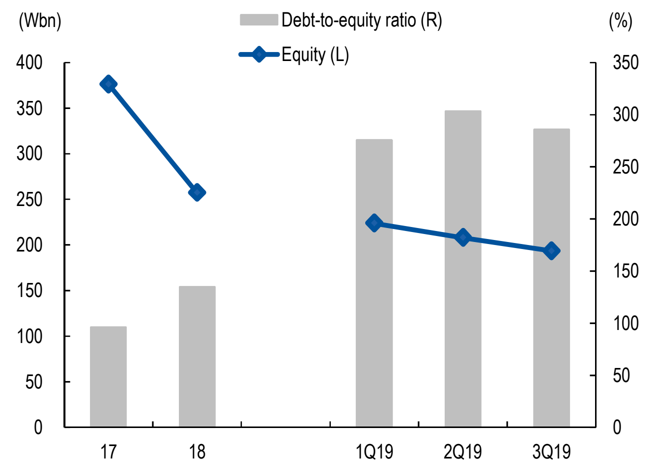
Source: Woongjin Corp., Mirae Asset Daewoo Research

Figure 2. Woongjin Corp.: Revenue and net margin



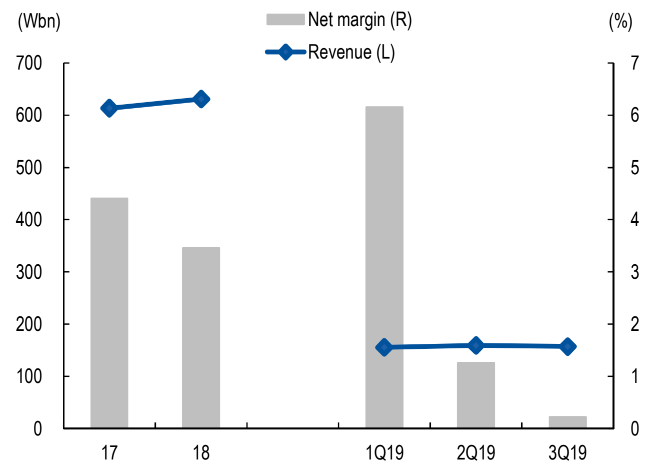
Source: Woongjin Corp., Mirae Asset Daewoo Research

Figure 3. Woongjin Corp.: Equity and debt-to-equity ratio



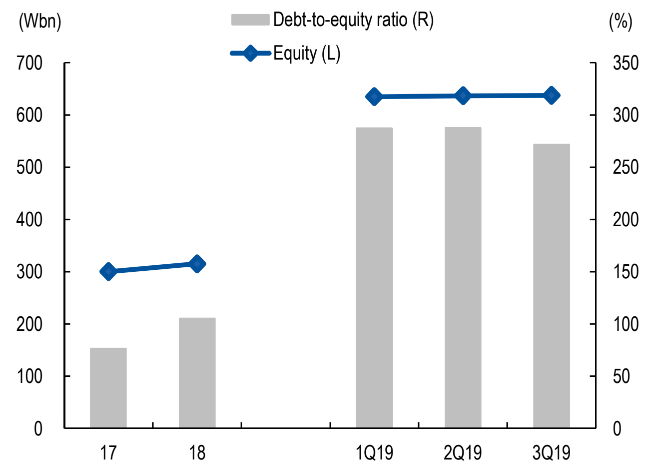
Source: Woongjin Corp., Mirae Asset Daewoo Research

Figure 4. Woongjin Thinkbig: Revenue and net margin



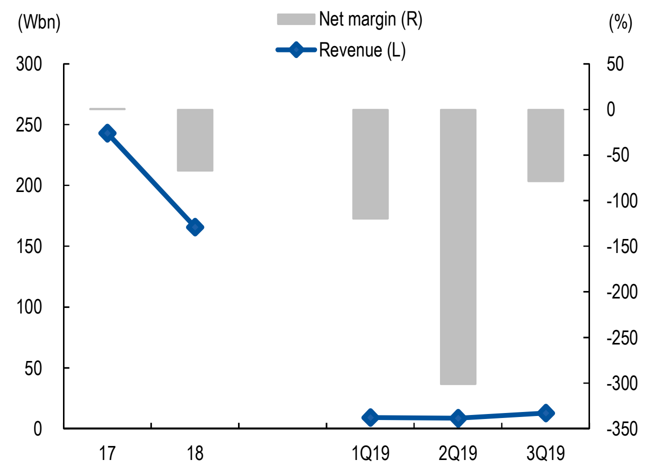
Source: Woongjin Thinkbig, Mirae Asset Daewoo Research

Figure 5. Woongjin Thinkbig: Equity and debt-to-equity ratio



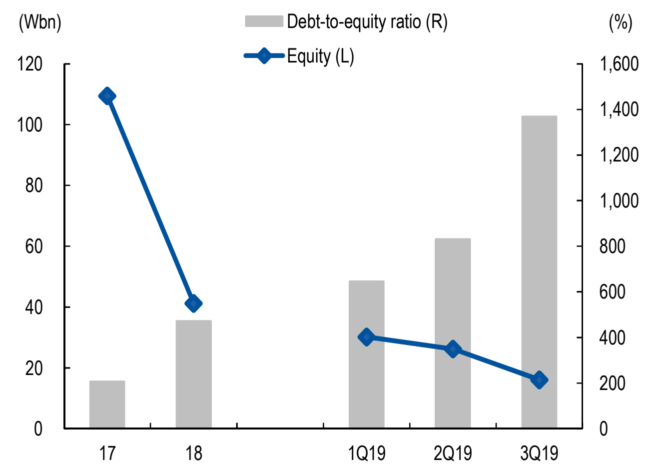
Source: Woongjin Thinkbig, Mirae Asset Daewoo Research

Figure 6. Woongjin Energy: Revenue and net margin



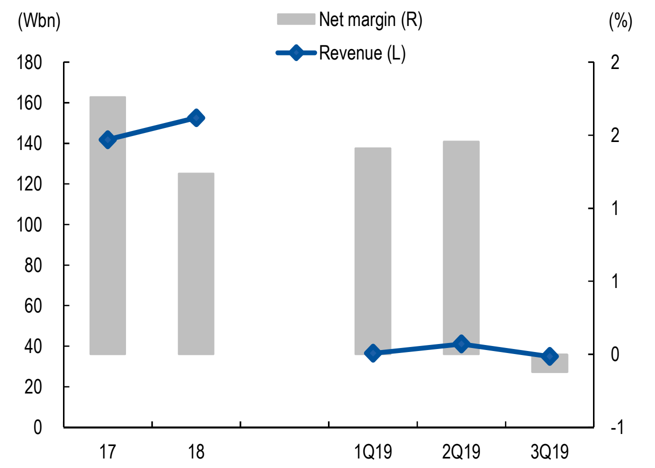
Source: Woongjin Energy, Mirae Asset Daewoo Research

Figure 7. Woongjin Energy: Equity and debt-to-equity ratio



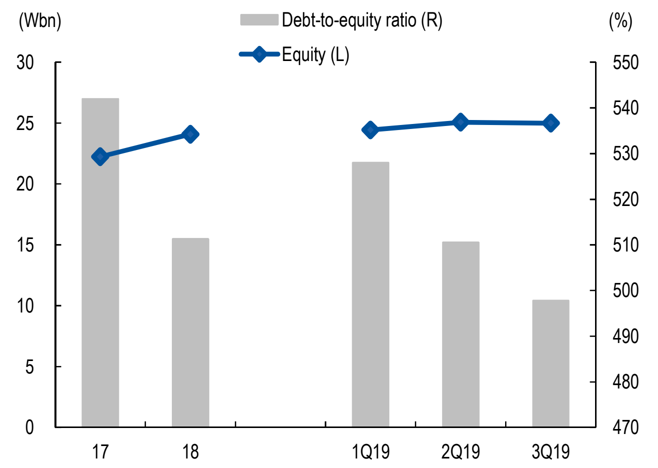
Source: Woongjin Energy, Mirae Asset Daewoo Research

Figure 8. Woongjin Booxen: Revenue and net margin



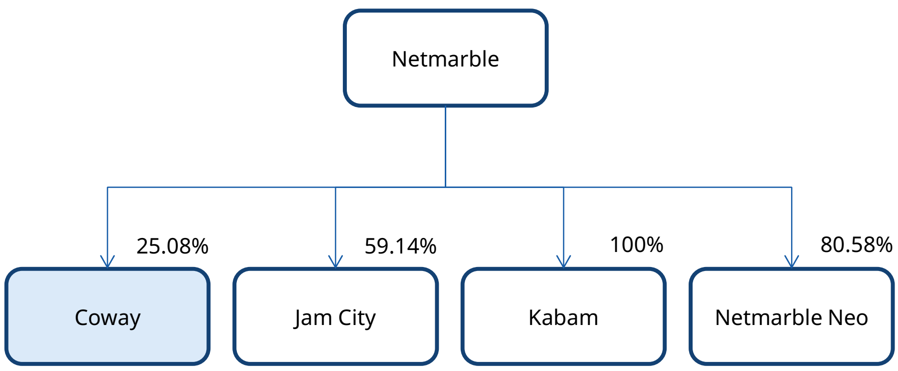
Source: Woongjin Booxen, Mirae Asset Daewoo Research

Figure 9. Woongjin Booxen: Equity and debt-to-equity ratio



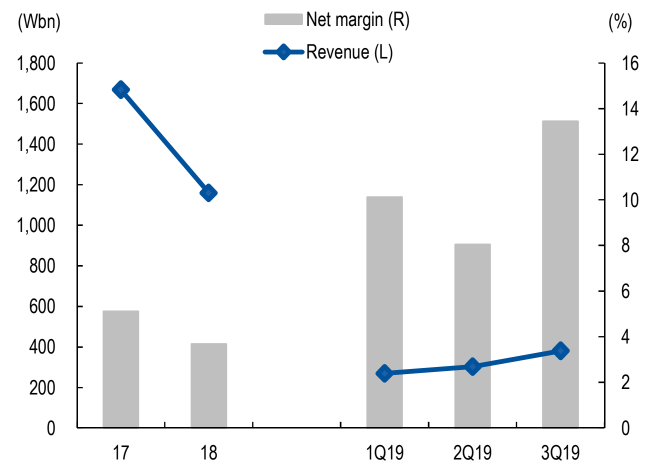
Source: Woongjin Booxen, Mirae Asset Daewoo Research

Figure 10. Netmarble: Ownership structure



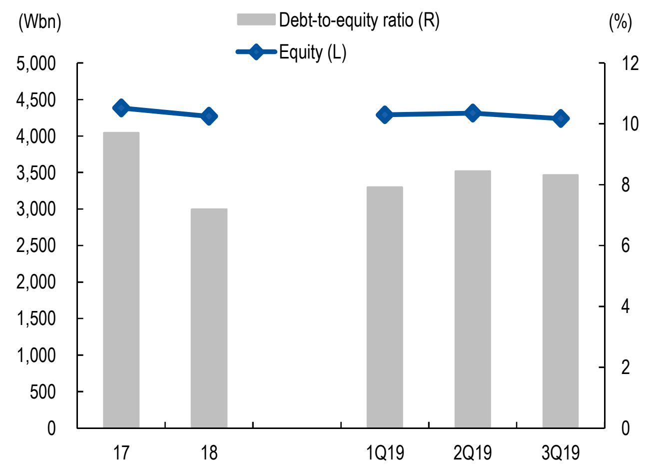
Source: Netmarble, Mirae Asset Daewoo Research

Figure 11. Netmarble: Revenue and net margin



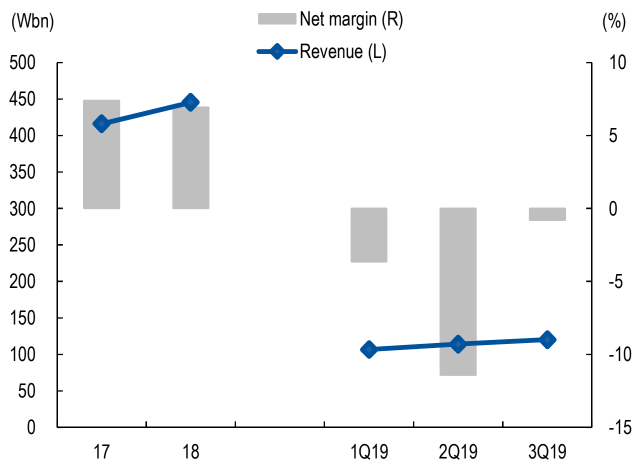
Source: Netmarble, Mirae Asset Daewoo Research

Figure 12. Netmarble: Equity and debt-to-equity ratio



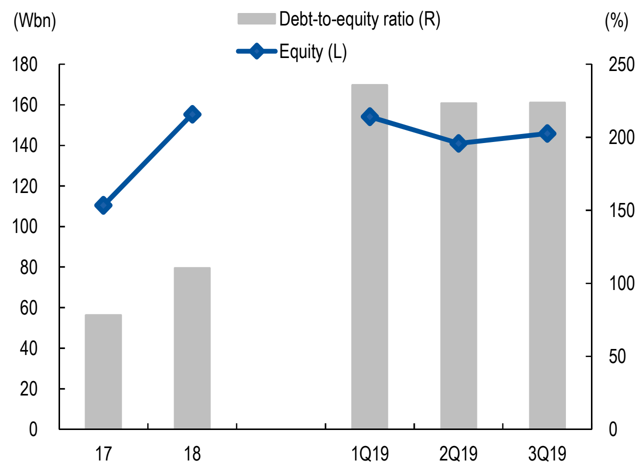
Source: Netmarble, Mirae Asset Daewoo Research

Figure 13. Jam City: Revenue and net margin



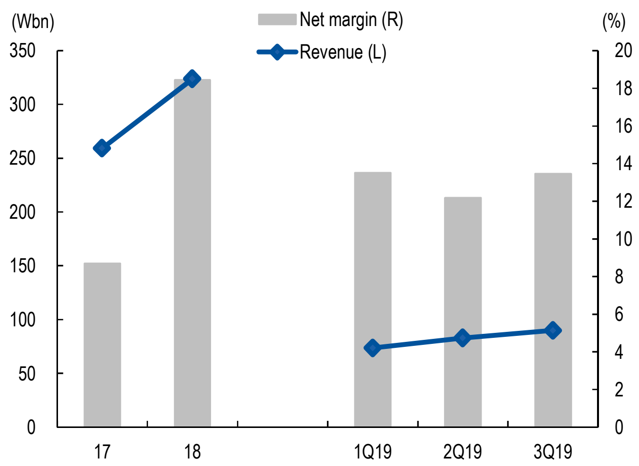
Source: Netmarble, Mirae Asset Daewoo Research

Figure 14. Jam City: Equity and debt-to-equity ratio



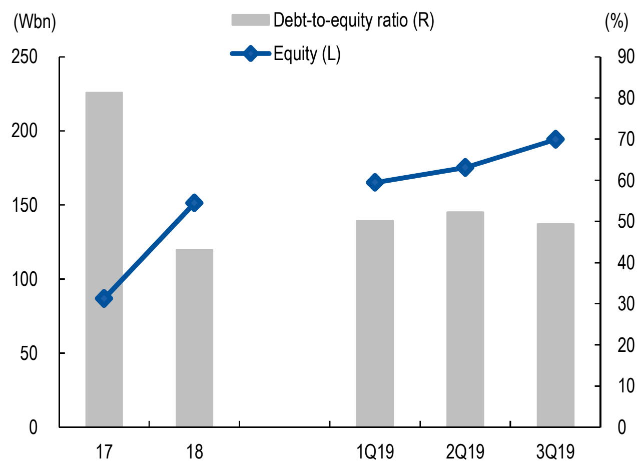
Source: Netmarble, Mirae Asset Daewoo Research

Figure 15. Kabam: Revenue and net margin



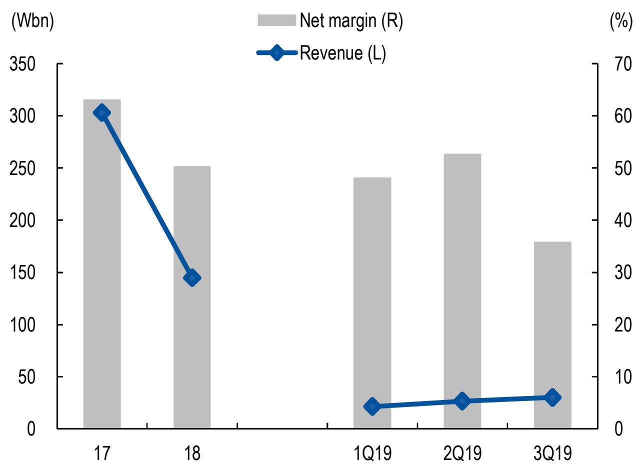
Source: Netmarble, Mirae Asset Daewoo Research

Figure 16. Kabam: Equity and debt-to-equity ratio



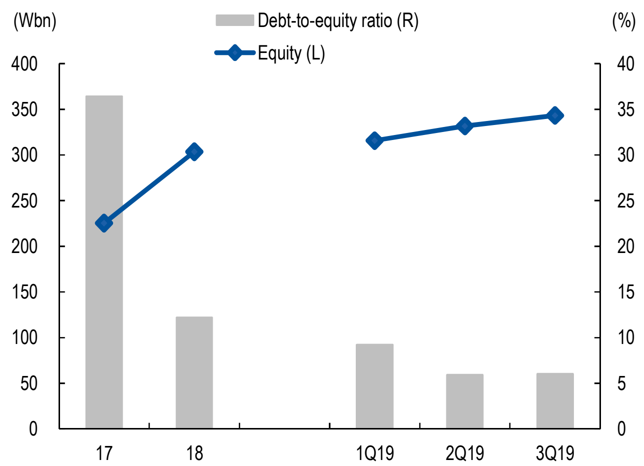
Source: Netmarble, Mirae Asset Daewoo Research

Figure 17. Netmarble Neo: Revenue and net margin



Source: Netmarble, Mirae Asset Daewoo Research

Figure 18. Netmarble Neo: Equity and debt-to-equity ratio

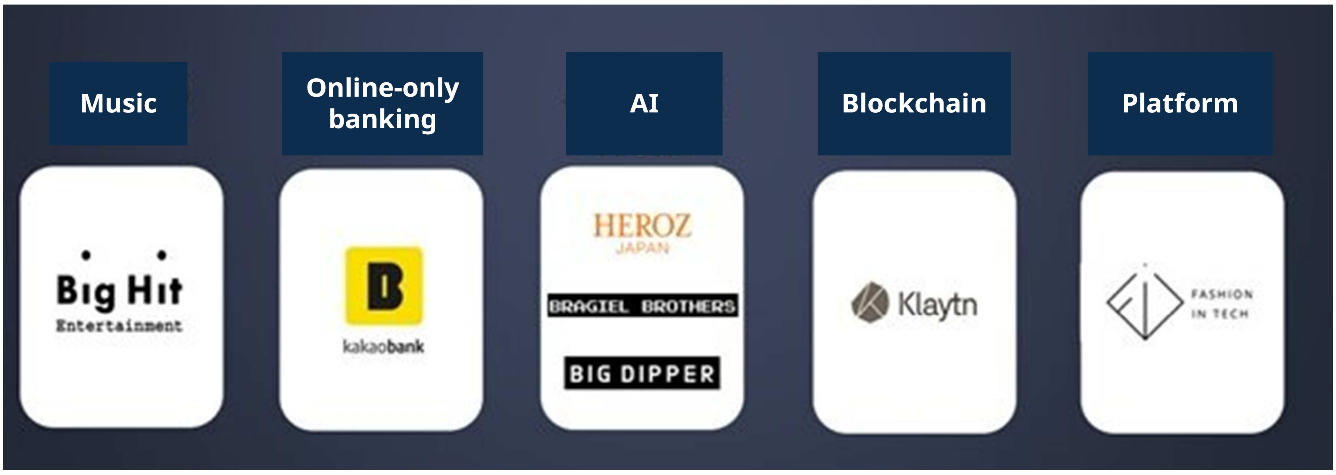


Source: Netmarble, Mirae Asset Daewoo Research

2) Expansion of the smart home business

The initial market response to Netmarble's acquisition of Coway has been negative due to the perceived lack of synergies between the gaming and health appliance rental businesses. It should be noted, however, that Netmarble has set its eyes on business diversification (while remaining focused on gaming). Indeed, the company dropped "Games" from its name in March 2018 (similar to how Apple dropped "Computer" from its name in 2007), and has since made investments in a variety of future growth engines, including the music, online-only banking, AI, blockchain, and platform businesses.

Figure 19. Netmarble: Non-gaming investment portfolio



Source: Company materials

Regarding its recent acquisition, Netmarble has unveiled its plan to grow Coway into a key global provider of subscription-based smart home services by incorporating AI, big data, and cloud technologies into Coway's appliance rental business.

While this plan might strike some as far-fetched, and will indeed be a challenge to execute, we believe it holds the key to Netmarble's transformation into a truly diversified company.

In the US, tech giants such as Alphabet (GOOGL US/CP: US$1,275.17) and Amazon (AMZN US/CP: US$1,891.82) are already branching out to the smart home business. Google bought household device maker Nest Labs for US$3.2bn in 2014, and Amazon acquired home security device manufacturer Ring for US$1bn in 2018. We believe these tech giants are seeking to develop new devices/services by utilizing data collected from machine-learning smart home systems.

In the same vein, we believe the Netmarble-Coway alliance can lead to the development of upgraded IoT-based home appliances and/or a whole new suite of smart home devices/services.

2. Rental demand to rise with prioritization of time savings/convenience

Amid the steady rise in single-person/dual-income households, a growing number of consumers are willing to pay extra for products/services that save time or increase convenience. As companies make more products available for rental, we expect the rental market to continue to expand going forward.

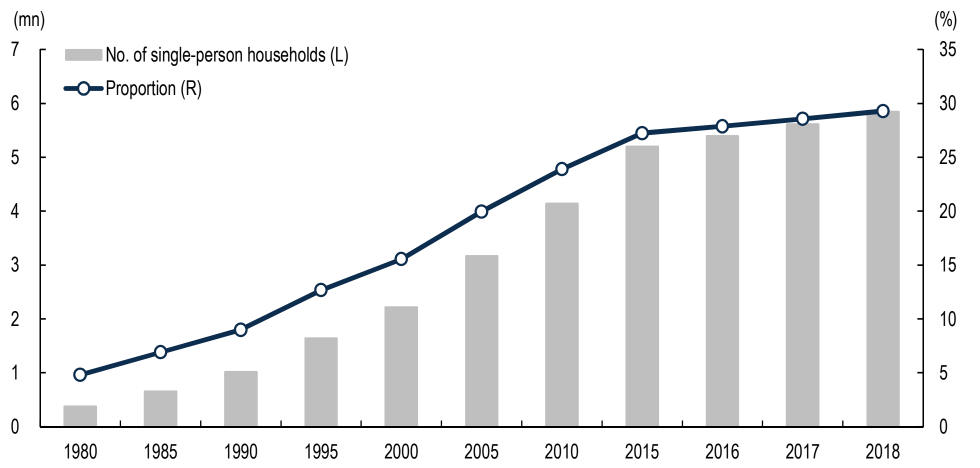
1) Premium placed on convenience

We believe that the appliance rental (rent-to-own) business is one of the key beneficiaries of consumers' growing prioritization of (willingness to pay extra for) convenience.

The rent-to-own business, which started out as a form of installment buying, has expanded rapidly on the back of fees from regular maintenance services. Indeed, rather than buy water/air purifiers or bidets outright (which is cheaper), many consumers opt to rent them because of the convenience that comes with regular maintenance provided by sellers.

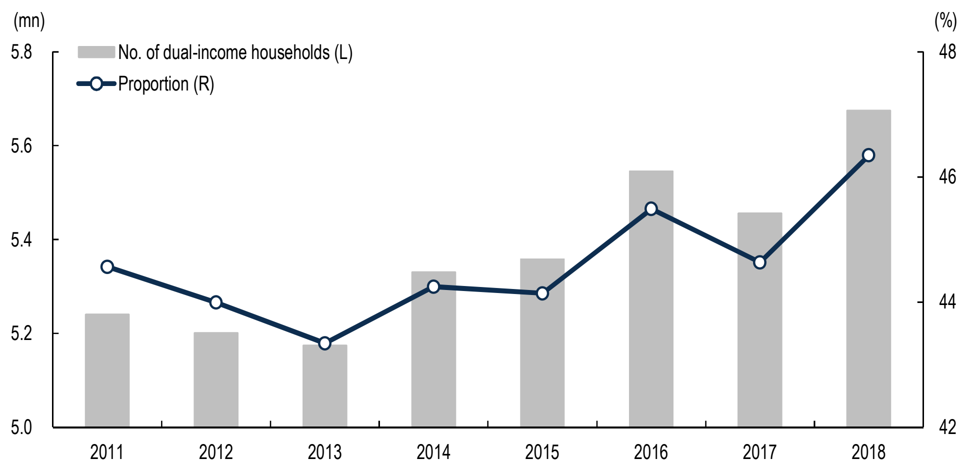
Going forward, we expect appliance rental demand to continue to expand due to the rise in single-person/dual-income households, which are willing to pay a premium for products/services that allow them to spend less time on repetitive household chores.

Figure 20. No. and proportion of single-person households



Source: KOSIS, Mirae Asset Daewoo Research

Figure 21. No. and proportion of dual-income households



Source: KOSIS, Mirae Asset Daewoo Research

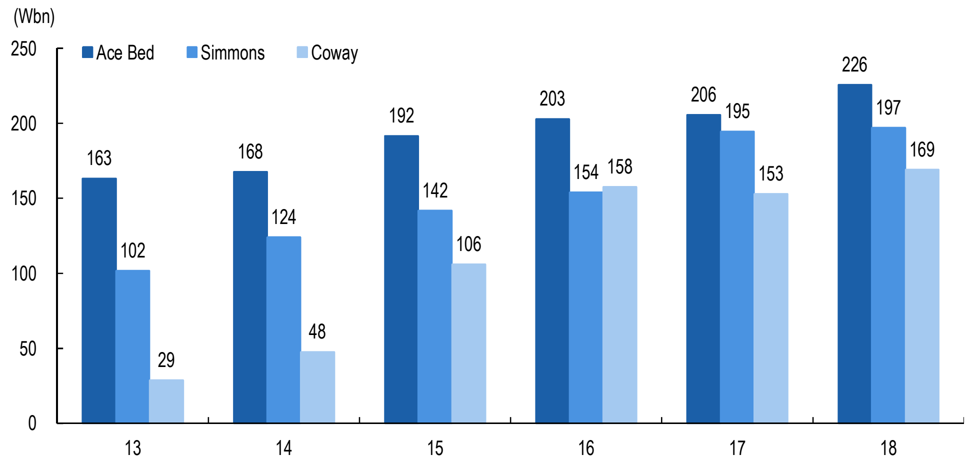
2) Growth of mattress rentals

Coway's appliance rental portfolio has diversified over time, from water purifiers to air purifiers, bidets, and mattresses. In particular, mattress rentals have surged in recent years. Since Coway launched its mattress rental business in 2011, related revenue has expanded at a CAGR of 43% (from W29bn in 2013 to W169bn in 2018), nearing the levels of top mattress suppliers Ace Bed (W226bn) and Simmons (W197bn).

We attribute this strong growth to the regular maintenance services provided by Coway. Traditional bed brands have long advised consumers to replace their mattresses every seven to eight years (due to possible bacterial contamination, etc.). Coway is the first brand to introduce mattress rental and care services.

The success of Coway's business model has led rivals such as Simmons to follow suit. While competition should intensify, we believe the entry of latecomers will increase the market's overall size, with Coway enjoying first-mover advantages.

Figure 22. Mattress revenue trends by brand



Source: Company data, Mirae Asset Daewoo Research

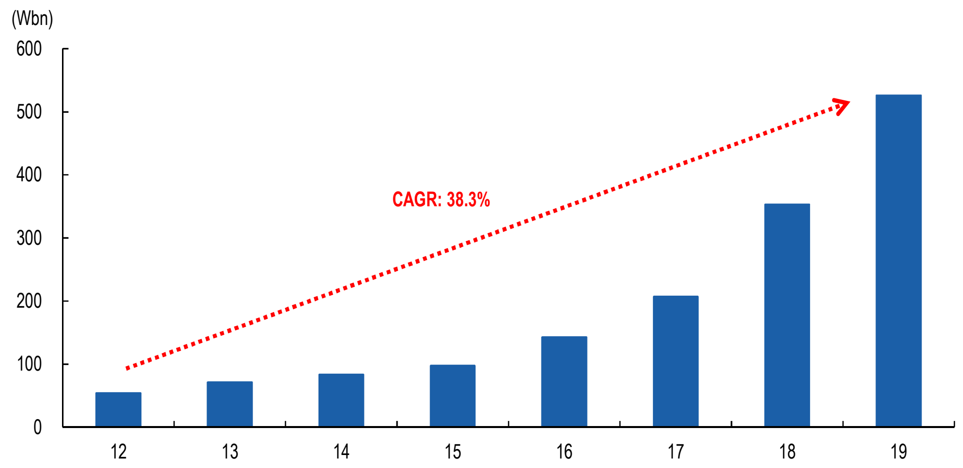
3. Expansion in Southeast Asia: Beyond Malaysia to Indonesia

1) Malaysia

Among overseas markets, Coway has found the most success in Malaysia. For 2019, the Malaysian subsidiary posted revenue of W526bn (+48.9% YoY; 2012-19 CAGR of 38%). The number of rental accounts surged 38.7% YoY last year, reaching 1.35mn (2012-19 CAGR of 41%). OP margin, which averaged 7% during 2012-2017, more than doubled to 16% during 2018-19, which we attribute to the increased mix of high-margin finance lease contracts. We believe the company launched finance lease-type products in a strategic effort to attract more customers through lower rental prices.

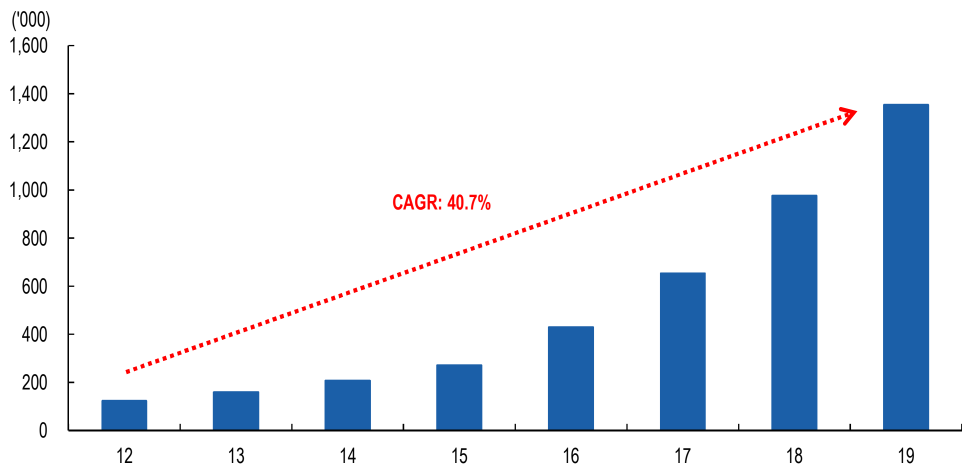
Unlike an operating lease contract, a finance lease contract transfers ownership to customers, meaning the asset value is fully booked as revenue at the point of sale; this results in relatively high margins. And given that such contracts allow the company to offer lower rental prices in return for longer lease terms, they make it easier to attract new customers. The downside is that there is a lag between the time when revenue is recognized and the time when cash flow is actually generated from monthly rental income.

Figure 23. Coway: Malaysian subsidiary's revenue



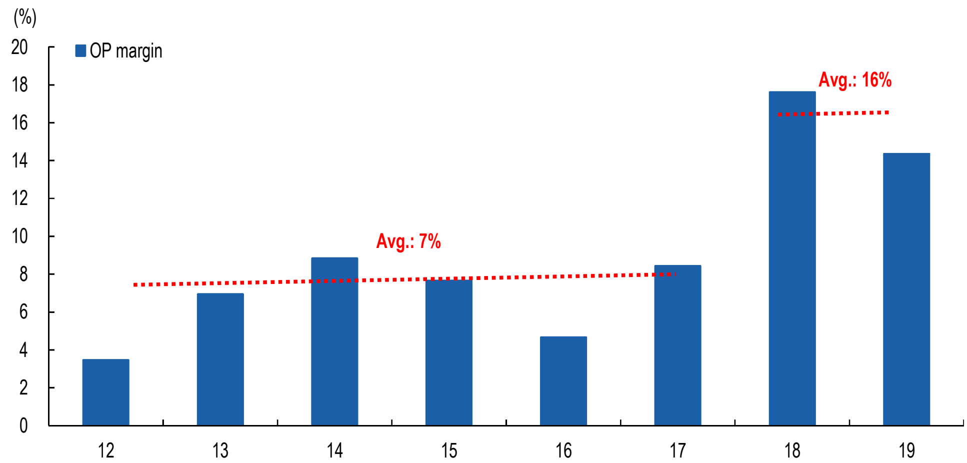
Source: Company data, Mirae Asset Daewoo Research

Figure 24. Coway: Malaysian subsidiary's accounts



Source: Company data, Mirae Asset Daewoo Research

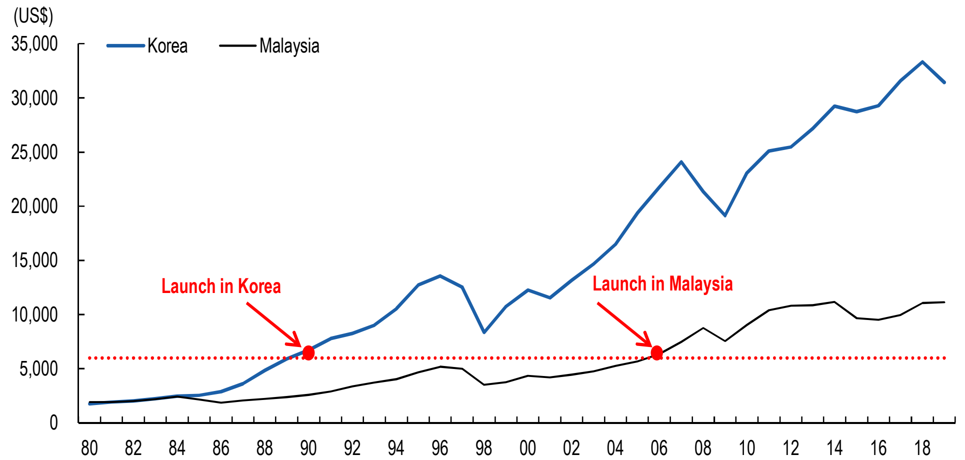
Figure 25. Coway: Malaysian subsidiary's OP margin



Source: Company data, Mirae Asset Daewoo Research

The penetration of environmental appliances, such as water purifiers, depends on income levels. Indeed, rental contracts for such items require consumers to pay not only monthly fees but also the cost of ongoing maintenance. Notably, when Coway entered the Malaysian market in 2006, the country's GDP per capita stood at US$6,353, exceeding the US$6,000 level for the first time. This is similar to Korea's per capita GDP in 1990 (US$6,733), when Coway started as a water purifier company and water purifiers began to make their way into Korean households. Thus, we believe conditions in Malaysia were ripe for the water purifier market to take off when Coway entered the market.

Figure 26. GDP per capita: Korea vs. Malaysia



Source: IMF, Mirae Asset Daewoo Research

TechSci Research projects Malaysia's water purifier market to expand at a CAGR of 9% from 2017 (US$301mn) to 2023 (US$510mn), driven by robust demand amid rising concerns over drinking water quality and growing disposable income, as well as water purification campaigns by the government and related organizations.

The major players in Malaysia's water purifier market are Coway, Cuckoo (284740 KS/CP: W35,800) Aqua Kent, Diamond Water Systems, 3M (MMM US/CP: US$153.3), Amway, Panasonic (6752 JP/CP: JPY886), PureGen Technology, Nikom Global Marketing, and Xiaomi (1810 HK/CP: HK$12.04). As the no. 1 player (35% market share), Coway is well positioned to benefit from the market's expansion. We expect Coway to expand its rental product categories in Malaysia through its competitive maintenance/marketing program, a strategy that has paid off in Korea.

Figure 27. Malaysia's water purifier market outlook

Source: TechSci Research

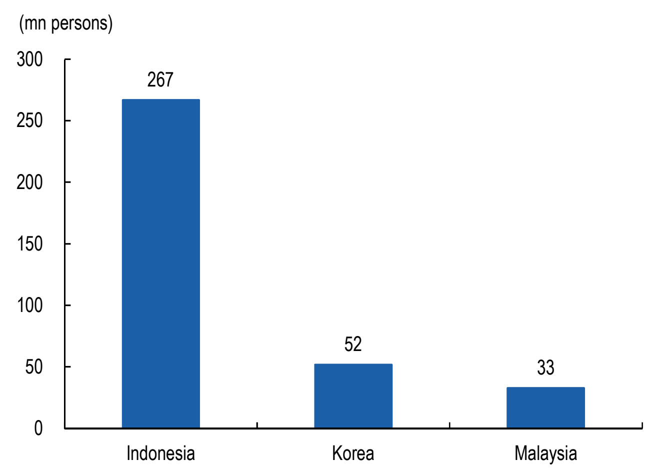
2) Indonesia

Coway plans to advance into the Indonesian market in earnest in 2020. We believe Indonesia has even stronger growth potential than Malaysia, with a population eight times greater than that of its neighbor (267mn vs. 33mn as of 2019).

That said, Indonesia's GDP per capita stood at just US$4,194 in 2019, below the level needed for environmental appliances such as water purifiers to become common household items. Nevertheless, we expect the rental market to take hold in the capital, Jakarta (population of 10.56mn), where the GDP per capita is much higher (US$17,440).

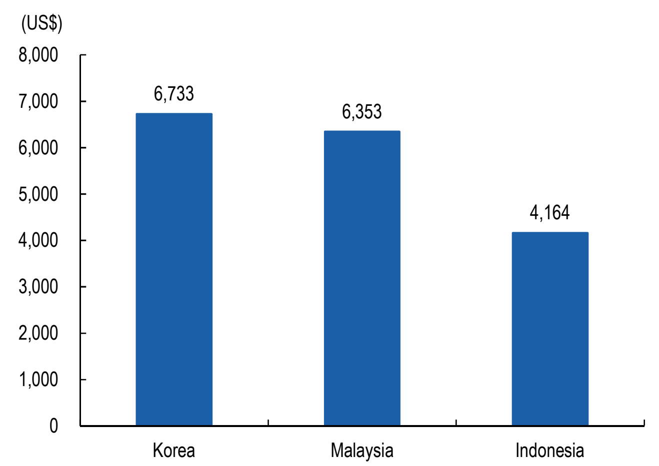
Moreover, assuming Indonesia's annual GDP growth at 5%, we estimate GDP per capita to exceed US$6,000 by 2025. All in all, we believe Indonesia has solid long-term growth potential.

Figure 28. Population: Korea vs. Malaysia vs. Indonesia



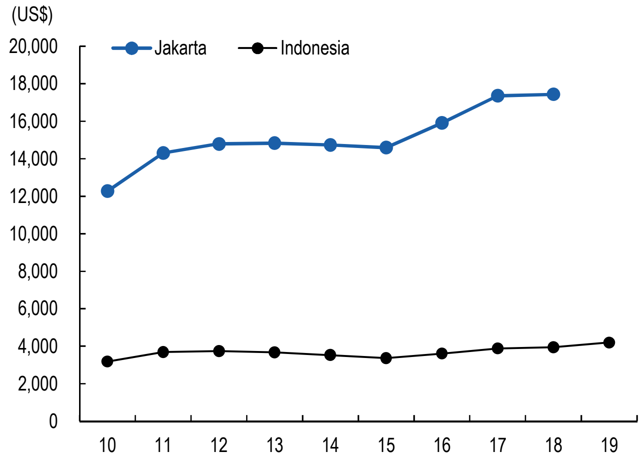
Source: IMF, Mirae Asset Daewoo Research

Figure 29. GDP per capita: Korea vs. Malaysia vs. Indonesia



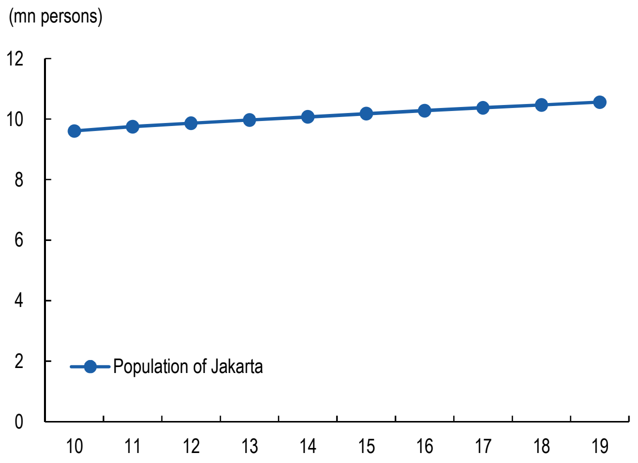
Note: Based on the year in which Coway entered the market (1990 for Korea, 2006 for Malaysia, and 2019 for Indonesia).
Source: IMF, Mirae Asset Daewoo Research

Figure 30. GDP per capita: Jakarta vs. Indonesia



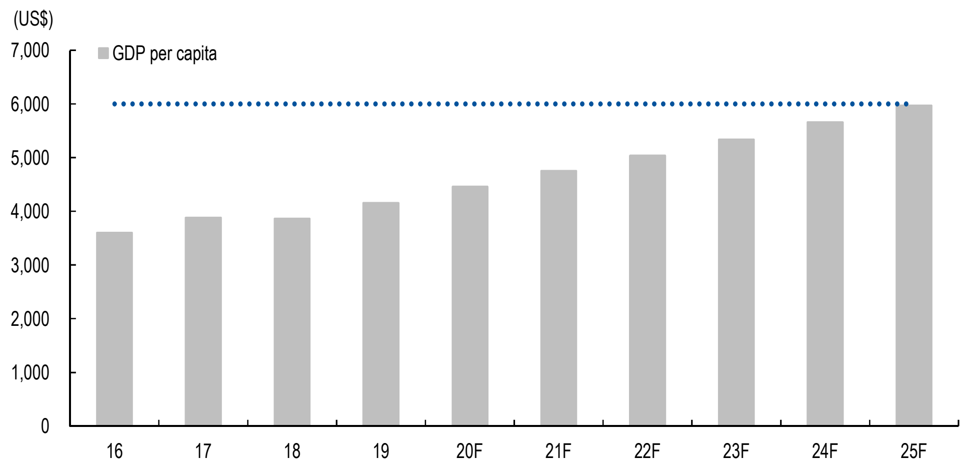
Source: Badan Pusat Statistik, Mirae Asset Daewoo Research

Figure 31. Jakarta's population



Source: Badan Pusat Statistik, Mirae Asset Daewoo Research

Figure 32. Indonesia's GDP per capita outlook



Source: IMF, Mirae Asset Daewoo Research

II. Earnings forecasts

2020 outlook: Revenue growth of 9.4% and OP growth of 20.1%

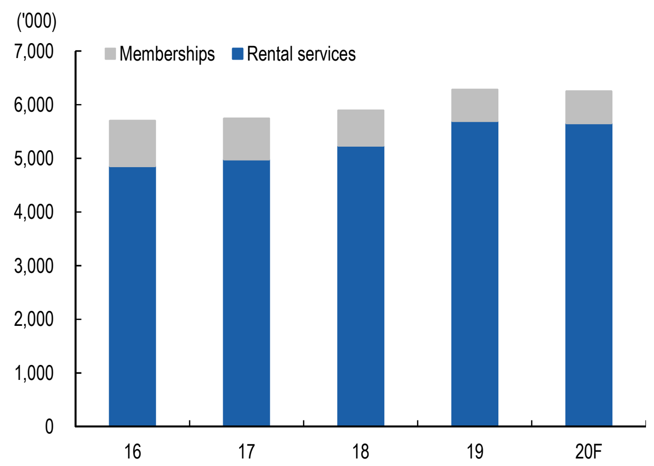
For 2020, we forecast Coway's earnings to expand YoY despite heightened short-term uncertainty amid the COVID-19 outbreak. We project revenue to increase 9.4% to W3.3tr, mainly driven by overseas operations (particularly in Malaysia), and operating profit to soar 20.1% to W550bn. Operating profit should grow faster than revenue due to a low base of comparison (4Q19 provisioning of W77bn against the conversion of part-timers to full-time employees).

Table 1. Quarterly and annual earnings (Wbn, %)

	1Q19	2Q19	3Q19	4Q19P	1Q20F	2Q20F	3Q20F	4Q20F	2018	2019P	2020F
Revenue	709	755	760	795	786	813	832	873	2,707	3,019	3,304
Domestic	536	551	553	547	540	538	547	547	2,093	2,187	2,172
Overseas	173	204	207	248	246	275	285	326	614	831	1,132
Operating profit	135	138	140	45	128	132	142	148	520	458	550
OP margin	19.1	18.3	18.5	5.6	16.3	16.3	17.1	16.9	19.2	15.2	16.7
Pretax profit	136	137	152	27	123	127	137	143	469	451	529
NP (controlling)	101	102	111	20	93	96	104	108	350	333	402
No. of accounts ('000)											
Domestic	5,995	6,087	6,241	6,282	6,246	6,212	6,240	6,252	5,900	6,282	6,252
Malaysia	1,050	1,150	1,247	1,354	1,404	1,504	1,554	1,654	976	1,354	1,654

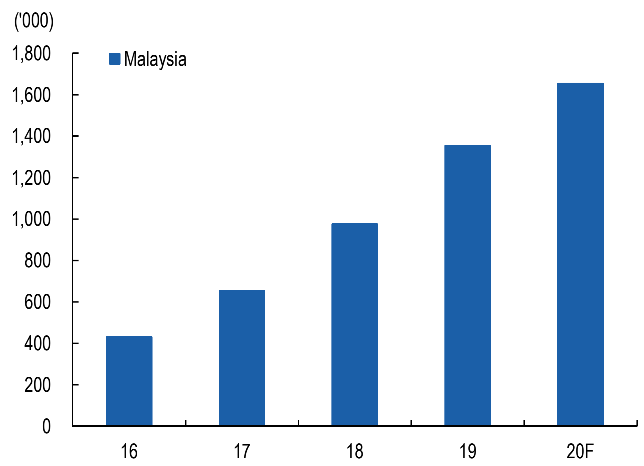
Source: Company data, Mirae Asset Daewoo Research

Figure 33. Coway: No. of accounts (domestic)



Source: Company data, Mirae Asset Daewoo Research

Figure 34. Coway: No. of accounts (Malaysia)



Source: Company data, Mirae Asset Daewoo Research

III. Key issue

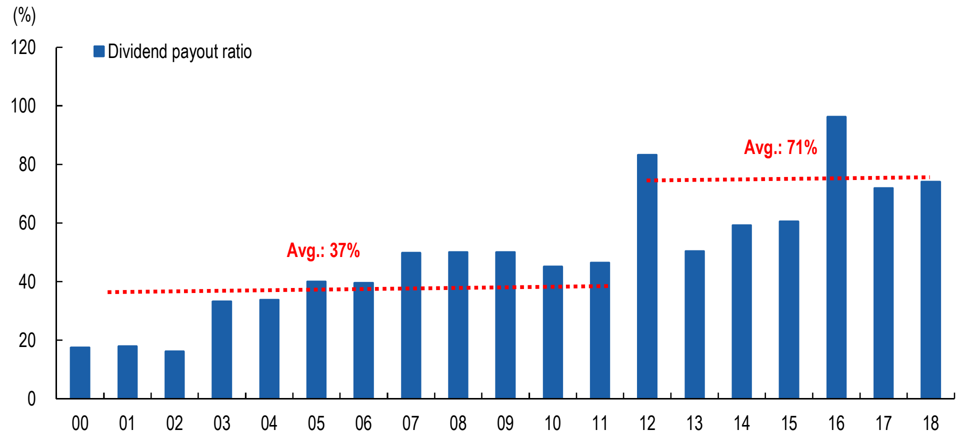
Dividend payout ratio to normalize

After being acquired by MBK Partners in 2012, Coway's dividend payout ratio soared from an average of 37% in 2000-11 to 71% in 2012-18 (average of domestic listed companies: 30%). Payout was widely anticipated to remain high after Woongjin Group reacquired Coway in 2019, because the deal imposed a hefty financial burden on major shareholder Woongjin Thinkbig.

However, we think the company's payout ratio will fall back to around 30%. Netmarble has few incentives to keep dividends high, and Coway also has more to lose than to gain from a high payout ratio, given that it must improve its financial health and invest in future growth. Coway's end-2019 debt-to-equity ratio, at 164.7%, was 46%p higher YoY and 121.3%p higher than the 2015 level (lowest ratio in the firm's history).

During Coway's 2019 earnings conference call, the company's newly appointed CFO announced that more focus would be placed on financial health and medium/long-term investments going forward (exact dividend was not disclosed).

Figure 35. Coway: Dividend payout ratio



Source: Company data, Mirae Asset Daewoo Research

IV. Valuation

Present TP of W94,000, based on the residual income model

We derived our target price of W94,000 using the residual income model (major assumptions: COE of 7.6%, beta of 0.9, equity risk premium of 6%, risk-free rate of 2%, and terminal growth rate of 3%). The target price corresponds to a 2020 P/E of 17x, which seems reasonable given the firm's average P/E of 20x since 2011. Of note, we assumed a CAGR of 6.5% over the next five years, but excluded our earnings estimates for the Indonesia business as the operation is still in its early stages.

Table 2. Coway: TP calculation

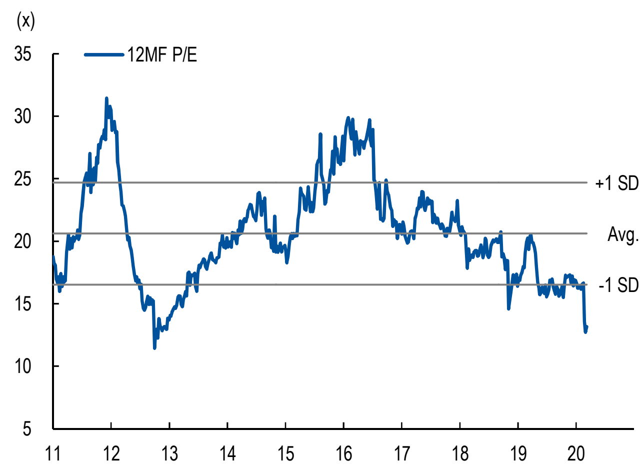
(Wbn, %)

	2019P	2020F	2021F	2022F	2023F	2024F
Revenue	3,019	3,304	3,512	3,722	3,924	4,142
Growth	11.5	9.4	6.3	6.0	5.4	5.6
Net profit	333	391	425	450	473	498
Net margin	11.0	11.8	12.1	12.1	12.1	12.0
Equity	1,229	1,491	1,785	2,097	2,418	2,749
ROE	27	26	24	21	20	18
COE	7.6	7.6	7.6	7.6	7.6	7.6
Residual income	240	278	290	291	290	290

NPV of FCFF	1,160	Beta	0.9
PV of terminal value	4,522	Risk-free rate	2.0
Current book value	1,229	Equity risk premium	6.0
Equity value	6,911	COE	7.6
No. of shares outstanding (mn)	74	Terminal growth rate	3.0
TP (W)	94,000		

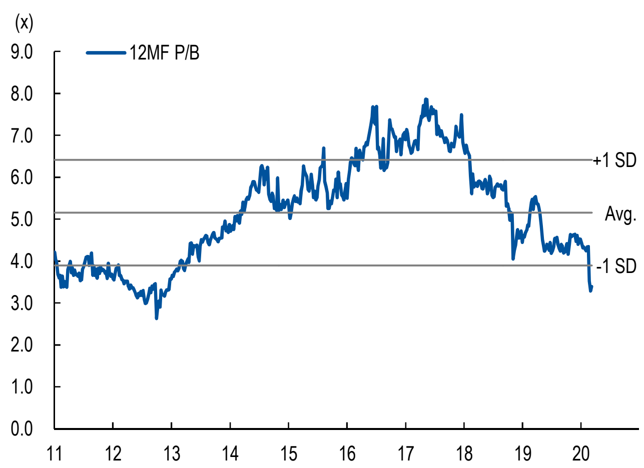
Source: Mirae Asset Daewoo Research

Figure 36. Coway: P/E band



Source: WISEfn, Mirae Asset Daewoo Research

Figure 37. Coway: P/B band



Source: WISEfn, Mirae Asset Daewoo Research

Coway (021240 KS/Buy/TP: W94,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/18	12/19P	12/20F	12/21F
Revenue	**2,707**	**3,019**	**3,304**	**3,512**
Cost of Sales	**878**	**1,097**	**1,150**	**1,212**
Gross Profit	**1,829**	**1,922**	**2,154**	**2,300**
SG&A Expenses	**1,309**	**1,464**	**1,604**	**1,705**
Operating Profit (Adj)	**520**	**458**	**550**	**596**
Operating Profit	**520**	**458**	**550**	**596**
Non-Operating Profit	**-51**	**-7**	**-21**	**-22**
Net Financial Income	-17	-21	-21	-21
Net Gain from Inv in Associates	0	-13	0	0
Pretax Profit	469	451	529	574
Income Tax	119	119	138	149
Profit from Continuing Operations	350	332	391	425
Profit from Discontinued Operations	0	0	0	0
Net Profit	350	332	391	425
Controlling Interests	350	333	391	425
Non-Controlling Interests	0	-1	0	0
Total Comprehensive Profit	**344**	**337**	**391**	**425**
Controlling Interests	344	337	392	425
Non-Controlling Interests	0	0	0	0
EBITDA	775	753	839	884
FCF (Free Cash Flow)	139	84	280	356
EBITDA Margin (%)	28.6	24.9	25.4	25.2
Operating Profit Margin (%)	19.2	15.2	16.6	17.0
Net Profit Margin (%)	12.9	11.0	11.8	12.1

Statement of Financial Condition (Summarized)

(Wbn)	12/18	12/19P	12/20F	12/21F
Current Assets	**844**	**703**	**1,087**	**1,394**
Cash and Cash Equivalents	69	4	343	643
AR & Other Receivables	316	329	361	367
Inventories	103	121	133	135
Other Current Assets	356	249	250	249
Non-Current Assets	**1,535**	**2,009**	**2,040**	**2,071**
Investments in Associates	0	0	0	0
Property, Plant and Equipment	781	1,278	1,318	1,358
Intangible Assets	160	169	160	152
Total Assets	**2,379**	**2,711**	**3,126**	**3,465**
Current Liabilities	**1,234**	**1,504**	**1,527**	**1,557**
AP & Other Payables	223	236	259	263
Short-Term Financial Liabilities	732	873	873	874
Other Current Liabilities	279	395	395	420
Non-Current Liabilities	**57**	**121**	**121**	**121**
Long-Term Financial Liabilities	11	23	23	23
Other Non-Current Liabilities	46	98	98	98
Total Liabilities	**1,291**	**1,625**	**1,648**	**1,677**
Controlling Interests	**1,088**	**1,088**	**1,479**	**1,788**
Capital Stock	41	41	41	41
Capital Surplus	130	130	130	130
Retained Earnings	967	961	1,353	1,662
Non-Controlling Interests	**0**	**-1**	**-1**	**-1**
Stockholders' Equity	**1,088**	**1,087**	**1,478**	**1,787**

Cash Flows (Summarized)

(Wbn)	12/18	12/19P	12/20F	12/21F
Cash Flows from Op Activities	539	496	680	756
Net Profit	350	332	391	425
Non-Cash Income and Expense	541	534	448	459
Depreciation	247	286	280	280
Amortization	9	9	9	9
Others	285	239	159	170
Chg in Working Capital	-237	-226	-21	21
Chg in AR & Other Receivables	20	17	-31	-5
Chg in Inventories	-26	-11	-12	-2
Chg in AP & Other Payables	-3	-19	7	1
Income Tax Paid	**-116**	**-144**	**-138**	**-149**
Cash Flows from Inv Activities	-394	-402	-319	-319
Chg in PP&E	-388	-382	-320	-320
Chg in Intangible Assets	-6	-2	0	0
Chg in Financial Assets	-49	-51	0	0
Others	**49**	**33**	**1**	**1**
Cash Flows from Fin Activities	-187	-160	-23	-138
Chg in Financial Liabilities	59	153	0	1
Chg in Equity	1	0	0	0
Dividends Paid	-231	-260	0	-116
Others	**-16**	**-53**	**-23**	**-23**
Increase (Decrease) in Cash	-41	-66	339	300
Beginning Balance	110	69	4	343
Ending Balance	**69**	**4**	**343**	**643**

Forecasts/Valuations (Summarized)

	12/18	12/19P	12/20F	12/21F
P/E (x)	15.6	20.6	13.3	12.3
P/CF (x)	6.1	7.9	6.2	5.9
P/B (x)	4.7	6.0	3.4	2.8
EV/EBITDA (x)	7.8	10.0	6.6	6.0
EPS (W)	4,735	4,511	5,305	5,759
CFPS (W)	12,050	11,739	11,371	11,979
BPS (W)	15,652	15,613	20,918	25,107
DPS (W)	3,600	2,400	1,600	1,600
Payout ratio (%)	74.3	52.2	29.6	27.3
Dividend Yield (%)	4.9	2.6	2.3	2.3
Revenue Growth (%)	7.5	11.5	9.4	6.3
EBITDA Growth (%)	9.5	-2.8	11.4	5.4
Operating Profit Growth (%)	9.9	-11.9	20.1	8.4
EPS Growth (%)	9.4	-4.7	17.6	8.6
Accounts Receivable Turnover (x)	8.8	9.8	10.1	10.1
Inventory Turnover (x)	30.5	26.9	26.0	26.1
Accounts Payable Turnover (x)	15.1	17.0	16.4	16.4
ROA (%)	15.4	13.1	13.4	12.9
ROE (%)	33.8	30.6	30.5	26.0
ROIC (%)	25.1	17.8	22.3	23.7
Liability to Equity Ratio (%)	118.7	149.5	111.5	93.9
Current Ratio (%)	68.4	46.7	71.1	89.5
Net Debt to Equity Ratio (%)	52.1	63.8	23.9	3.1
Interest Coverage Ratio (x)	29.2	20.8	24.4	26.4

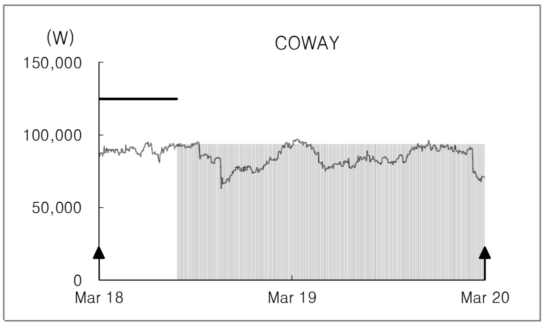
Source: Company data, Mirae Asset Daewoo Research estimates

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Coway (021240)	03/11/2020	Buy	94,000
	08/07/2018	No Coverage	
	02/12/2018	Buy	125,000



Stock Ratings	
Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings	
Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (─), Target price (▬), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))
* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.
* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.
* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.
* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	84.05%	9.82%	6.13%	0.00%
Investment Banking Services	76.67%	13.33%	10.00%	0.00%

* Based on recommendations in the last 12-months (as of December 31, 2019)

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