

Rental

Results Comment

May 11, 2020

(Maintain) **Buy**

Target Price (12M, W) ▼ **85,000**

Share Price (05/08/20, W) **61,800**

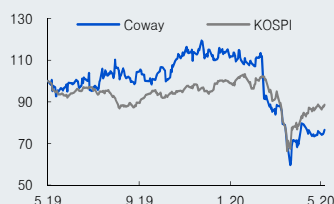
Expected Return **38%**

OP (20F, Wbn) 525
Consensus OP (20F, Wbn) 573

EPS Growth (20F, %) 12.8
Market EPS Growth (20F, %) 28.6
P/E (20F, x) 12.1
Market P/E (20F, x) 12.9
KOSPI 1,945.82

Market Cap (Wbn) 4,561
Shares Outstanding (mn) 74
Free Float (%) 73.1
Foreign Ownership (%) 60.2
Beta (12M) 0.84
52-Week Low 48,250
52-Week High 96,500

(%) **1M 6M 12M**
Absolute -3.9 -32.5 -24.0
Relative -10.7 -25.9 -15.3



Mirae Asset Daewoo Co., Ltd.

[Metals & Mining/Machinery]

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

Coway

(021240 KS)

Earnings to contract in 2Q20 due to Malaysia lockdown

1Q20 review: YoY growth in line with expectations

For 1Q20, Coway announced revenue of W769bn (+8.4% YoY) and operating profit of W139bn (+2.7% YoY), in line with consensus expectations.

For the domestic health appliance business, revenue rose 2.3% YoY to W529.4bn, helped by an increase in the number of accounts. In 1Q20, total accounts reached 6.31mn, up 5.3% YoY. However, churn rate inched up 0.1%p YoY, affected by the COVID-19 outbreak and customer service delays due to the CS Doctor (technician) strike. As a result, rental asset disposal expenses jumped 60% YoY to W13.9bn (from W8.7bn in 1Q19).

Looking overseas, revenue grew 31% YoY to W208.2bn, as revenue from Malaysia increased on the back of account additions. The Malaysia subsidiary's revenue expanded 36.3% YoY to W153bn, while its number of accounts climbed 35.1% YoY to 1.43mn. We believe the pandemic had almost no impact on the company's Malaysia earnings in 1Q20, given that the country went into lockdown on March 18th.

Timing of end of Malaysia's lockdown will be key

Looking ahead, we believe earnings will largely be determined by the timing of Malaysia's lifting of its lockdown. For the domestic health appliance business, the pandemic is likely to have a limited impact on earnings, given that the Korean government has not imposed any official travel restrictions. But in Malaysia, where travel restrictions have led to a suspension of services and face-to-face sales, we expect earnings to contract in 2Q20. In particular, given the company's high percentage of finance leases (30%) in Malaysia, the disruption of new sales activities is likely to have a disproportionate impact on earnings. On May 10th, the Malaysian government extended the lockdown to June 9th. So far, the country has reported 6,589 confirmed cases and 108 deaths. The daily number of new cases has been trending lower since mid-April but still remains at around 60 on average.

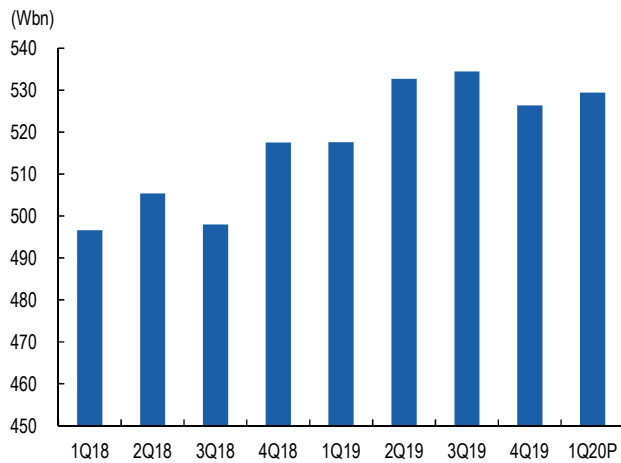
Lower TP in light of temporary slowdown overseas

We lower our target price on Coway to W85,000 (from W94,000), reflecting the temporary growth slowdown caused by Malaysia's lockdown. Our RIM-based target price implies a 2020F P/E of 15.5x. Given the upside potential, we maintain our Buy rating.

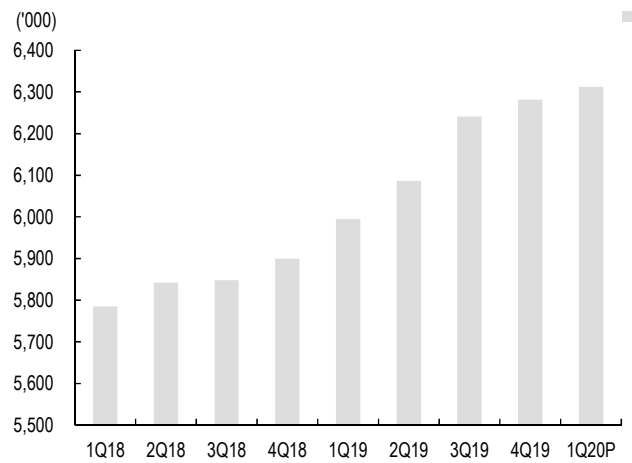
FY (Dec.)	12/17	12/18	12/19	12/20F	12/21F	12/22F
Revenue (Wbn)	2,517	2,707	3,019	3,095	3,287	3,467
OP (Wbn)	473	520	458	525	557	586
OP margin (%)	18.8	19.2	15.2	17.0	16.9	16.9
NP (Wbn)	326	350	333	375	396	418
EPS (W)	4,328	4,735	4,511	5,088	5,369	5,668
ROE (%)	30.1	33.8	30.7	29.7	24.6	21.6
P/E (x)	22.6	15.6	20.6	12.1	11.5	10.9
P/B (x)	6.3	4.7	6.0	3.0	2.5	2.1
Dividend yield (%)	3.3	4.9	0.0	1.8	1.8	1.8

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

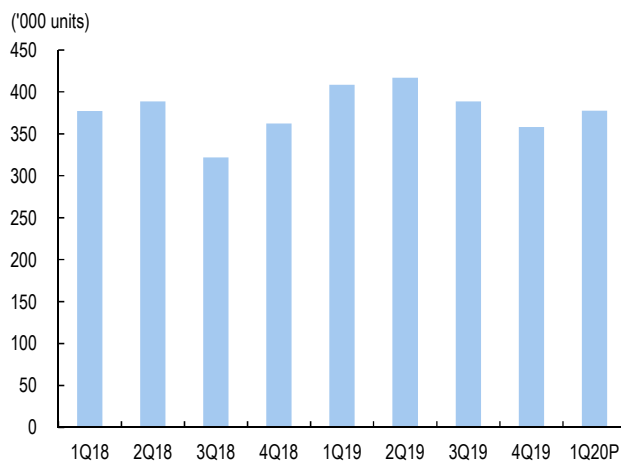
Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.
PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

Figure 1. Domestic health appliance revenue

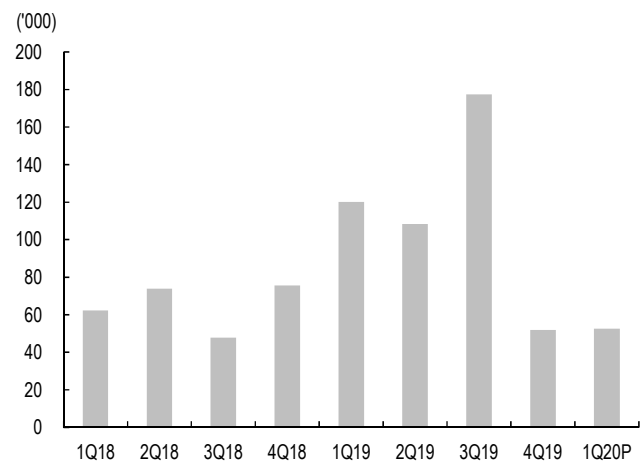
Source: Company data, Mirae Asset Daewoo Research

Figure 2. No. of domestic accounts

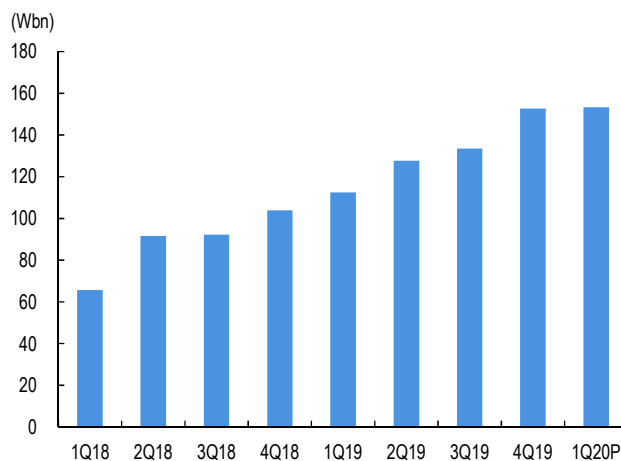
Source: Company data, Mirae Asset Daewoo Research

Figure 3. Domestic rental volume

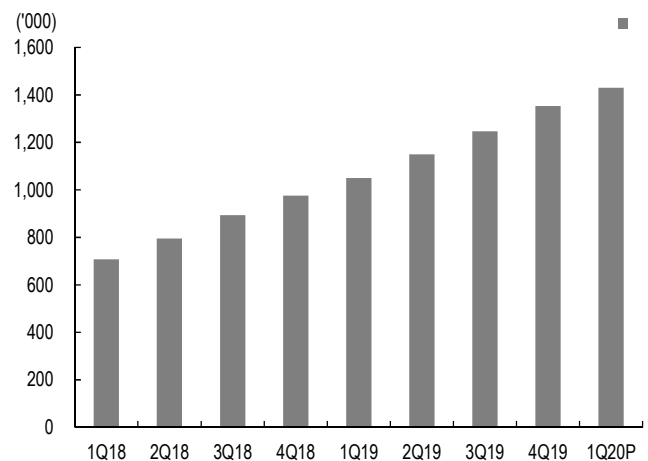
Source: Company data, Mirae Asset Daewoo Research

Figure 4. Net increase in domestic rental accounts

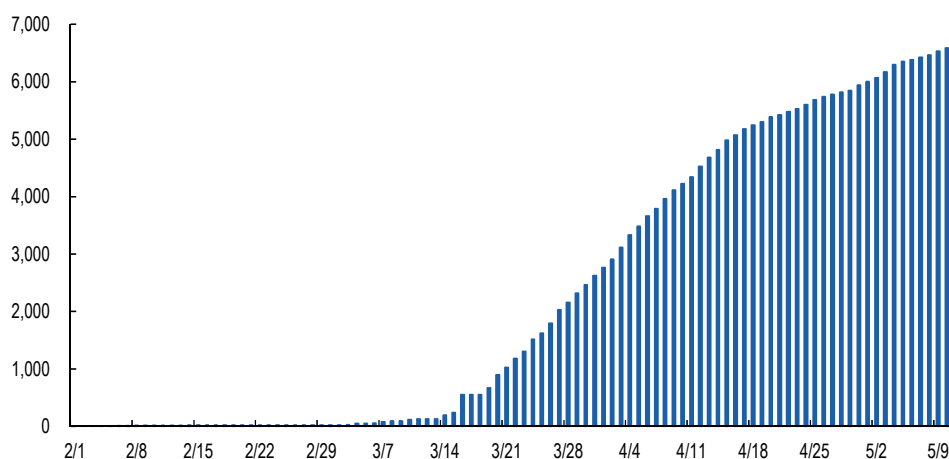
Source: Company data, Mirae Asset Daewoo Research

Figure 5. Malaysian subsidiary revenue

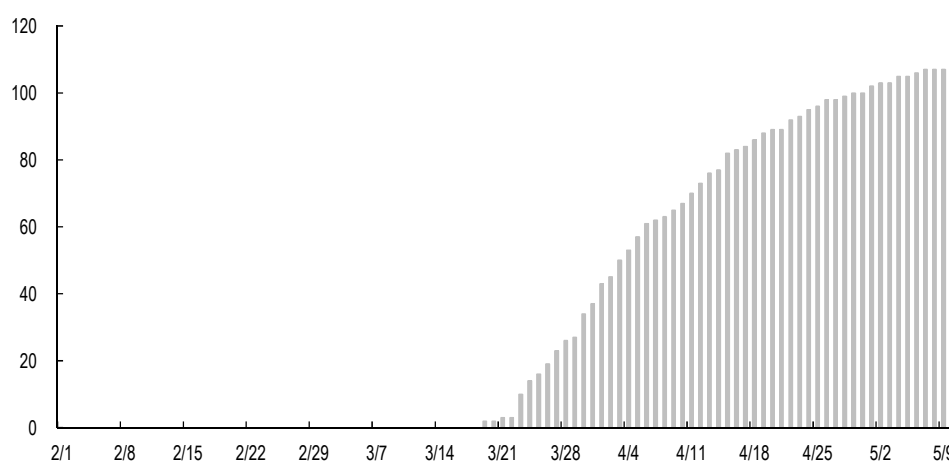
Source: Company data, Mirae Asset Daewoo Research

Figure 6. No. of Malaysian accounts

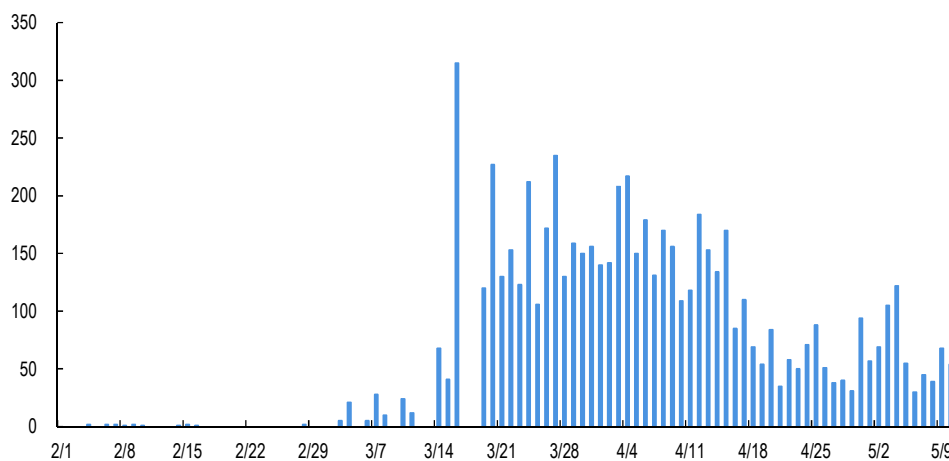
Source: Company data, Mirae Asset Daewoo Research

Figure 7. Cumulative confirmed COVID-19 cases in Malaysia

Source: CEIC, Mirae Asset Daewoo Research

Figure 8. Cumulative COVID-19 death toll in Malaysia

Source: CEIC, Mirae Asset Daewoo Research

Figure 9. New confirmed COVID-19 cases in Malaysia

Source: CEIC, Mirae Asset Daewoo Research

Table 1. Quarterly and annual earnings

(Wbn, %)

	1Q19	2Q19	3Q19	4Q19	1Q20P	2Q20F	3Q20F	4Q20F	2019	2020F	2021F
Revenue	709	755	760	795	769	723	791	812	3,019	3,095	3,287
Domestic	518	533	535	526	529	522	534	536	2,111	2,122	2,200
Overseas	159	180	185	225	208	160	217	236	749	822	937
Other	33	42	40	43	31	40	40	40	158	151	150
Operating profit	135	138	140	45	139	118	133	135	458	525	557
OP margin	19.1	18.3	18.5	5.6	18.1	16.3	16.8	16.7	15.2	17.0	16.9
Pretax profit	136	137	152	27	138	113	127	130	451	508	535
NP (controlling)	101	102	111	20	102	83	94	96	333	375	396
No. of accounts ('000)											
Domestic	5,995	6,087	6,241	6,282	6,313	6,373	6,412	6,432	6,282	6,432	6,606
Malaysia	1,050	1,150	1,247	1,354	1,430	1,430	1,480	1,580	1,354	1,580	1,830

Source: Company data, Mirae Asset Daewoo Research estimates

Table 2. TP calculation

(Wbn, %)

	2019	2020F	2021F	2022F	2023F	2024F
Revenue	3,019	3,095	3,287	3,467	3,656	3,851
Growth	11.5	2.5	6.2	5.5	5.4	5.3
Net profit	333	375	396	418	442	465
Net margin	11.0	12.1	12.1	12.1	12.1	12.1
Equity	1,078	1,453	1,770	2,108	2,470	2,856
ROE	31	30	25	22	19	17
COE	7.8	7.8	7.8	7.8	7.8	7.8
Residual income	247	317	297	290	283	276
NPV of FCF		1,180				
PV of terminal value		4,044				
Current book value		1,078				
Equity value		6,302				
No. of shares outstanding (mn)		74				
TP (W)		85,000				

Source: Mirae Asset Daewoo Research estimates

Coway (021240 KS/Buy/TP: W85,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/19	12/20F	12/21F	12/22F
Revenue	3,019	3,095	3,287	3,467
Cost of Sales	1,010	732	778	821
Gross Profit	2,009	2,363	2,509	2,646
SG&A Expenses	1,550	1,839	1,953	2,060
Operating Profit (Adj)	458	525	557	586
Operating Profit	458	525	557	586
Non-Operating Profit	-7	-17	-22	-21
Net Financial Income	-21	-21	-21	-21
Net Gain from Inv in Associates	0	5	0	0
Pretax Profit	451	508	535	565
Income Tax	119	133	139	147
Profit from Continuing Operations	332	375	396	418
Profit from Discontinued Operations	0	0	0	0
Net Profit	332	375	396	418
Controlling Interests	333	375	396	418
Non-Controlling Interests	-1	0	0	0
Total Comprehensive Profit	330	375	396	418
Controlling Interests	331	390	412	434
Non-Controlling Interests	-1	-14	-15	-16
EBITDA	739	767	810	849
FCF (Free Cash Flow)	149	244	255	289
EBITDA Margin (%)	24.5	24.8	24.6	24.5
Operating Profit Margin (%)	15.2	17.0	16.9	16.9
Net Profit Margin (%)	11.0	12.1	12.0	12.1

Statement of Financial Condition (Summarized)

(Wbn)	12/19	12/20F	12/21F	12/22F
Current Assets	767	1,069	1,331	1,626
Cash and Cash Equivalents	61	363	597	865
AR & Other Receivables	337	331	355	374
Inventories	113	118	123	129
Other Current Assets	256	257	256	258
Non-Current Assets	2,088	2,166	2,233	2,290
Investments in Associates	0	0	0	0
Property, Plant and Equipment	1,271	1,359	1,435	1,499
Intangible Assets	168	157	149	142
Total Assets	2,855	3,235	3,564	3,916
Current Liabilities	1,587	1,592	1,604	1,618
AP & Other Payables	234	239	251	265
Short-Term Financial Liabilities	876	876	876	876
Other Current Liabilities	477	477	477	477
Non-Current Liabilities	191	191	191	191
Long-Term Financial Liabilities	27	27	27	27
Other Non-Current Liabilities	164	164	164	164
Total Liabilities	1,778	1,783	1,795	1,809
Controlling Interests	1,078	1,453	1,769	2,108
Capital Stock	41	41	41	41
Capital Surplus	132	132	132	132
Retained Earnings	954	1,329	1,646	1,985
Non-Controlling Interests	-1	-1	-1	-1
Stockholders' Equity	1,077	1,452	1,768	2,107

Cash Flows (Summarized)

(Wbn)	12/19	12/20F	12/21F	12/22F
Cash Flows from Op Activities	539	644	655	689
Net Profit	332	375	396	418
Non-Cash Income and Expense	663	396	413	431
Depreciation	271	231	244	256
Amortization	10	11	9	7
Others	382	154	160	168
Chg in Working Capital	-308	5	-16	-12
Chg in AR & Other Receivables	-4	0	-19	-18
Chg in Inventories	-5	-5	-4	-7
Chg in AP & Other Payables	-9	7	0	4
Income Tax Paid	-148	-133	-139	-147
Cash Flows from Inv Activities	-383	-319	-319	-319
Chg in PP&E	-366	-320	-320	-320
Chg in Intangible Assets	-3	0	0	0
Chg in Financial Assets	-73	0	0	0
Others	59	1	1	1
Cash Flows from Fin Activities	-165	-22	-102	-102
Chg in Financial Liabilities	160	0	0	0
Chg in Equity	3	0	0	0
Dividends Paid	-260	0	-80	-80
Others	-68	-22	-22	-22
Increase (Decrease) in Cash	-9	302	234	269
Beginning Balance	69	61	363	597
Ending Balance	61	363	597	865

Source: Company data, Mirae Asset Daewoo Research estimates

Forecasts/Valuations (Summarized)

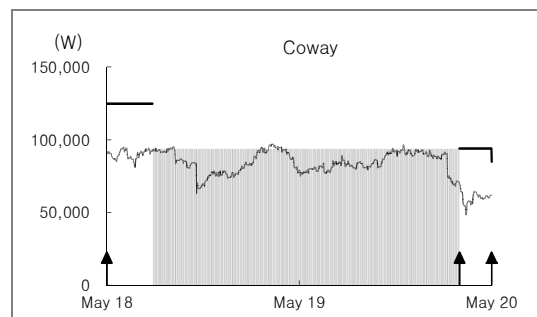
	12/19	12/20F	12/21F	12/22F
P/E (x)	20.6	12.1	11.5	10.9
P/CF (x)	6.9	5.9	5.6	5.4
P/B (x)	6.0	3.0	2.5	2.1
EV/EBITDA (x)	10.1	6.4	5.7	5.1
EPS (W)	4,511	5,088	5,369	5,668
CFPS (W)	13,491	10,458	10,971	11,502
BPS (W)	15,498	20,577	24,866	29,454
DPS (W)	0	1,100	1,100	1,100
Payout ratio (%)	52.2	21.2	20.1	19.1
Dividend Yield (%)	0.0	1.8	1.8	1.8
Revenue Growth (%)	11.5	2.5	6.2	5.5
EBITDA Growth (%)	-4.6	3.8	5.6	4.8
Operating Profit Growth (%)	-11.9	14.6	6.1	5.2
EPS Growth (%)	-4.7	12.8	5.5	5.6
Accounts Receivable Turnover (x)	9.9	10.0	10.3	10.2
Inventory Turnover (x)	28.0	26.8	27.3	27.5
Accounts Payable Turnover (x)	16.8	11.9	12.0	12.3
ROA (%)	12.7	12.3	11.7	11.2
ROE (%)	30.7	29.7	24.6	21.6
ROIC (%)	20.0	21.6	22.0	22.3
Liability to Equity Ratio (%)	165.0	122.8	101.5	85.8
Current Ratio (%)	48.3	67.2	83.0	100.5
Net Debt to Equity Ratio (%)	58.3	21.4	4.5	-8.9
Interest Coverage Ratio (x)	20.9	23.6	25.1	26.4

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Coway (021240)	05/11/2020	Buy	85,000
	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	82.04%	12.57%	5.39%	0.00%
Investment Banking Services	80.77%	11.54%	7.69%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2020)

Disclosures

As of the publication date, Mirae Asset Daewoo Co., Ltd. has acted as a liquidity provider for equity-linked warrants backed by shares of Coway as an underlying asset; other than this, Mirae Asset Daewoo has no other special interests in the covered companies.

Analyst Certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws or regulations thereof. Each Analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the personal views of the Analyst about any and all of the issuers and securities named in this report and (ii) no part of the compensation of the Analyst was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. Mirae Asset Daewoo Co., Ltd. ("Mirae Asset Daewoo") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. Like all employees of Mirae Asset Daewoo, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset Daewoo except as otherwise stated herein.

Disclaimers

This report was prepared by Mirae Asset Daewoo, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset Daewoo makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws or regulations or subject Mirae Asset Daewoo or any of its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of Mirae Asset Daewoo by virtue of receiving this report. This report does not take into account the particular investment objectives, financial

situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset Daewoo may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Daewoo may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset Daewoo and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset Daewoo.

Distribution

United Kingdom: This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

United States: Mirae Asset Daewoo is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(b)(4) under the U.S. Securities Exchange Act of 1934, as amended. All U.S. persons that receive this document by their acceptance hereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Mirae Asset Daewoo or its affiliates. Any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc. Mirae Asset Securities (USA) Inc. accepts responsibility for the contents of this report in the U.S., subject to the terms hereof, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Mirae Asset Daewoo. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This report is distributed in Hong Kong by Mirae Asset Securities (HK) Limited, which is regulated by the Hong Kong Securities and Futures Commission. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person.

All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Mirae Asset Daewoo or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Mirae Asset Daewoo and its affiliates to any registration or licensing requirement within such jurisdiction.

Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul) Global Equity Sales Team Mirae Asset Center 1 Building 26 Eulji-ro 5-gil, Jung-gu, Seoul 04539 Korea Tel: 82-2-3774-2124	Mirae Asset Securities (HK) Ltd. Units 8501, 8507-8508, 85/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong Tel: 852-2845-6332	Mirae Asset Securities (UK) Ltd. 41st Floor, Tower 42 25 Old Broad Street, London EC2N 1HQ United Kingdom Tel: 44-20-7982-8000
Mirae Asset Securities (USA) Inc. 810 Seventh Avenue, 37th Floor New York, NY 10019 USA Tel: 1-212-407-1000	Mirae Asset Wealth Management (USA) Inc. 555 S. Flower Street, Suite 4410, Los Angeles, California 90071 USA Tel: 1-213-262-3807	Mirae Asset Wealth Management (Brazil) CCTVM Rua Funchal, 418, 18th Floor, E-Tower Building Vila Olimpia Sao Paulo - SP 04551-060 Brasil Tel: 55-11-2789-2100
PT. Mirae Asset Sekuritas Indonesia Equity Tower Building Lt. 50 Sudirman Central Business District Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan 12190 Indonesia Tel: 62-21-515-3281	Mirae Asset Securities (Singapore) Pte. Ltd. 6 Battery Road, #11-01 Singapore 049909 Republic of Singapore Tel: 65-6671-9845	Mirae Asset Securities (Vietnam) LLC 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3911-0633 (ext.110)
Mirae Asset Securities Mongolia UTsK LLC #406, Blue Sky Tower, Peace Avenue 17 1 Khoroo, Sukhbaatar District Ulaanbaatar 14240 Mongolia Tel: 976-7011-0806	Mirae Asset Investment Advisory (Beijing) Co., Ltd 2401B, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699	Beijing Representative Office 2401A, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699 (ext. 3300)
Shanghai Representative Office 38T31, 38F, Shanghai World Financial Center 100 Century Avenue, Pudong New Area Shanghai 200120 China Tel: 86-21-5013-6392	Ho Chi Minh Representative Office 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3910-7715	