

Coway

(021240 KS)

Record earnings vs. low valuation

Buy
(Maintain)

TP: W98,000
Upside: 37.8%

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2021 review

Record year despite COVID-19 lockdowns

- In 2021, Coway delivered historic-high revenue and operating profit. Revenue came in at W3.66tr (+13.2% YoY), while operating profit reached W640.2bn (+5.6% YoY).
- The strong results were driven by the domestic health appliance business, which accounted for 61% of company-wide revenue. The business posted record revenue of W2.25tr (+5.5% YoY), aided by steady account growth (+2.7% YoY to 6.5mn), particularly in the highly-profitable rental segment (5.81mn → 6.02mn).
- Despite COVID-19 lockdowns, overseas revenue (33% of total revenue) continued to display robust growth, surging 35.6% YoY to W1.22tr. We believe overseas subsidiaries' efforts to focus on air purifiers and online sales channels have paid off.

2022 outlook

Overseas business to continue to be key growth driver

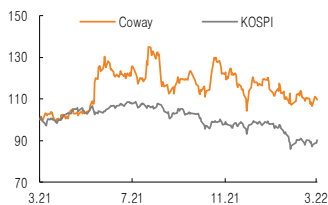
- Coway guided 2022 revenue and operating profit growth at 8.7% and 6.3%, respectively.
- The overseas business is continuing to expand, led by Malaysia. Overall, we see strong growth continuing on the back of increasing contributions from the US, Thailand, Indonesia, and Vietnam.
- We expect digitalized services and new product releases to support the domestic health appliance unit's return to a strong growth trajectory.

Valuation and recommendation

Valuation at 10-year low levels

- We maintain our Buy rating and target price of W98,000.
- Coway has delivered 7% revenue CAGR over the past decade, and we expect to see high-single-digit expansion this year. Over the medium to long term, we anticipate that overseas operations will drive robust growth. In light of this, we believe that Coway's valuation, which stands at a 10-year low, is unjustifiably depressed.

Key data



Current price (3/3/22, W)	71,100	Market cap (Wbn)	5,247
OP (21P, Wbn)	640	Shares outstanding (mn)	74
Consensus OP (21F, Wbn)	656	Free float (%)	73.2
EPS growth (21P, %)	15.0	Foreign ownership (%)	61.0
P/E (21P, x)	11.8	Beta (12M)	0.96
Market P/E (21F, x)	10.5	52-week low (W)	64,100
KOSPI	2,747.08	52-week high (W)	87,600

Share performance

(%)	1M	6M	12M
Absolute	0.6	-8.4	7.9
Relative	-0.9	6.8	21.1

Earnings and valuation metrics

(Dec.)	2018	2019	2020	2021P	2022F	2023F
Revenue (Wbn)	2,707	3,019	3,237	3,664	3,978	4,307
OP (Wbn)	520	458	606	640	681	775
OP margin (%)	19.2	15.2	18.7	17.5	17.1	18.0
NP (Wbn)	350	333	405	466	492	562
EPS (W)	4,735	4,511	5,486	6,309	6,669	7,614
ROE (%)	33.8	30.7	31.5	27.5	23.5	22.2
P/E (x)	15.6	20.6	13.3	11.8	10.7	9.3
P/B (x)	4.7	6.0	3.5	2.8	2.2	1.9
Div. yield (%)	4.9	2.6	1.7	1.6	1.7	1.7

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

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Table 1. Quarterly/annual earnings and forecasts

(Wbn, %)

	1Q21	2Q21	3Q21	4Q21P	1Q22F	2Q22F	3Q22F	4Q22F	2020	2021P	2022F
Revenue	879	905	934	946	976	976	1,023	1,003	3,237	3,664	3,978
Domestic	539	559	556	592	573	578	582	586	2,127	2,245	2,319
Overseas	294	286	333	302	353	349	392	367	896	1,215	1,459
Others	46	60	45	50	50	50	50	50	214	201	200
OP	171	166	164	139	167	167	173	175	606	640	681
Domestic	114	116	110	120	115	116	116	117	465	459	464
Overseas	57	51	54	19	52	51	56	58	141	181	217
OP margin	19.4	18.4	17.5	14.7	17.1	17.1	16.9	17.5	18.7	17.5	17.1
Domestic	21.2	20.7	19.7	20.3	20.0	20.0	20.0	20.0	21.9	20.5	20.0
Overseas	19.3	17.8	16.3	6.3	14.8	14.7	14.4	15.8	15.8	14.9	14.9

Source: Company data, Mirae Asset Securities Research

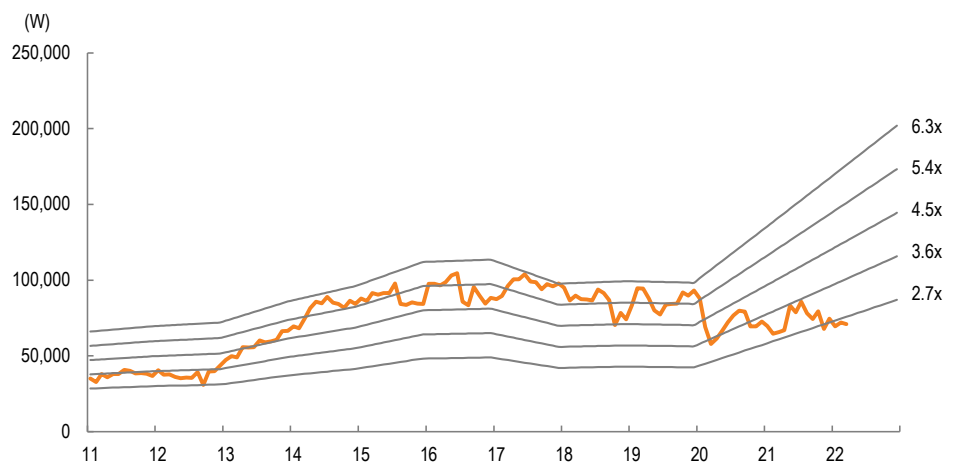
Table 2. Domestic and overseas rental accounts

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	2015	2016	2017	2018	2019	2020	2021	2022F
Rental accounts								
Domestic	4,832	4,849	4,970	5,230	5,688	5,809	6,018	6,218
Overseas	373	540	779	1,113	1,508	1,930	2,576	3,100

Source: Company data, Mirae Asset Securities Research

Figure 1. P/B band chart



Source: WISEfn, Mirae Asset Securities Research

Coway (021240 KS)

Income statement (summarized)

(Wbn)	2020	2021F	2022F	2023F
Revenue	3,237	3,664	3,978	4,307
Cost of revenue	1,044	1,275	1,308	1,378
GP	2,193	2,389	2,670	2,929
SG&A expenses	1,587	1,749	1,989	2,153
OP (adj.)	606	640	681	775
OP	606	640	681	775
Non-operating profit	-66	19	-16	-16
Net financial income	-20	-16	-16	-16
Net income from associates	0	2	0	0
Pretax profit	540	659	665	759
Income tax	136	193	173	197
Profit from continuing operations	405	465	492	562
Profit from discontinued operations	0	0	0	0
NP	405	465	492	562
Attributable to owners	405	466	492	562
Attributable to minority interests	0	0	0	0
Total comprehensive income	396	491	492	562
Attributable to owners	396	491	492	562
Attributable to minority interests	0	0	0	0
EBITDA	1,150	1,162	1,137	1,185
FCF	238	163	714	718
EBITDA margin (%)	35.5	31.7	28.6	27.5
OP margin (%)	18.7	17.5	17.1	18.0
Net margin (%)	12.5	12.7	12.4	13.0

Cash flow statement (summarized)

(Wbn)	2020	2021F	2022F	2023F
Operating cash flow	563	462	1,014	1,018
NP	405	465	492	562
Non-cash income/expenses	916	881	645	623
Depreciation	534	514	448	402
Amortization	9	8	8	7
Other	373	359	189	214
Chg. in working capital	-567	-706	50	31
Chg. in AR & other receivables	-22	49	-37	-28
Chg. in inventory	-25	-73	21	-15
Chg. in AP & other payables	43	-38	5	6
Income tax	-191	-179	-173	-197
Cash flow from investing activities	-323	-349	-337	-338
Chg. in PP&E	-325	-299	-300	-300
Chg. in intangible assets	-1	-7	0	0
Chg. in financial assets	-79	-145	-37	-39
Other	82	102	0	1
Cash flow from financing activities	-182	-37	-104	-104
Chg. in financial liabilities	-170	114	0	0
Chg. in equity	15	0	0	0
Dividends	0	-87	-87	-87
Other	-27	-64	-17	-17
Chg. in cash	55	76	573	576
Beginning balance	61	116	192	765
Ending balance	116	192	765	1,341

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2020	2021F	2022F	2023F
Current assets	897	1,199	1,830	2,494
Cash & equivalents	116	192	765	1,341
AR & other receivables	324	305	341	370
Inventory	134	205	184	199
Other current assets	323	497	540	584
Non-current assets	2,132	2,580	2,425	2,315
Investments in associates	0	4	4	4
PP&E	1,225	1,153	1,005	902
Intangible assets	140	181	173	166
Total assets	3,029	3,779	4,255	4,809
Current liabilities	1,417	1,265	1,335	1,414
AP & other payables	255	266	283	307
Short-term financial liabilities	715	375	375	375
Other current liabilities	447	624	677	732
Non-current liabilities	122	623	623	623
Long-term financial liabilities	29	483	483	483
Other non-current liabilities	93	140	140	140
Total liabilities	1,539	1,887	1,958	2,037
Equity attributable to owners	1,491	1,893	2,298	2,773
Capital stock	41	41	41	41
Capital surplus	148	148	148	148
Retained earnings	1,365	1,747	2,152	2,627
Minority interests	-1	-1	-1	-1
Shareholders' equity	1,490	1,892	2,297	2,772

Key valuation metrics/ratios

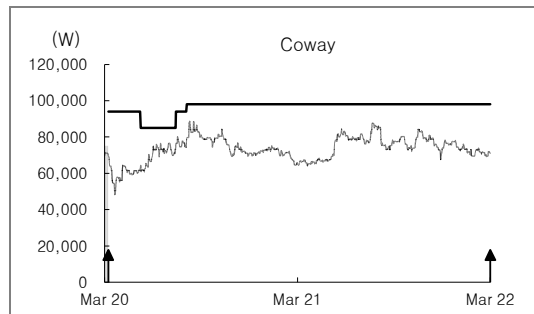
	2020	2021F	2022F	2023F
P/E (x)	13.3	11.8	10.7	9.3
P/CF (x)	4.1	4.1	4.6	4.4
P/B (x)	3.5	2.8	2.2	1.9
EV/EBITDA (x)	5.0	4.9	4.3	3.6
EPS (W)	5,486	6,309	6,669	7,614
CFPS (W)	17,896	18,249	15,404	16,059
BPS (W)	20,905	26,354	31,843	38,278
DPS (W)	1,200	1,200	1,200	1,200
Dividend payout ratio (%)	21.5	18.7	17.7	15.5
Dividend yield (%)	1.7	1.6	1.7	1.7
Revenue growth (%)	7.2	13.2	8.6	8.3
EBITDA growth (%)	18.2	1.0	-2.2	4.2
OP growth (%)	32.3	5.6	6.4	13.8
EPS growth (%)	21.6	15.0	5.7	14.2
AR turnover (x)	10.3	11.9	12.6	12.4
Inventory turnover (x)	26.2	21.6	20.5	22.5
AP turnover (x)	16.5	18.3	17.9	17.5
ROA (%)	13.8	13.7	12.3	12.4
ROE (%)	31.5	27.5	23.5	22.2
ROIC (%)	25.5	20.7	25.3	31.5
Debt-to-equity ratio (%)	103.3	99.8	85.2	73.5
Current ratio (%)	63.3	94.8	137.1	176.3
Net debt-to-equity ratio (%)	22.1	12.0	-16.7	-36.0
Interest coverage ratio (x)	28.6	36.7	40.1	45.7

Appendix 1

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Two-year rating and TP history

Company	Date	Rating	TP (₩)
Coway (021240)	08/06/20	Buy	98,000
	07/17/20	Buy	94,000
	05/11/20	Buy	85,000
	03/11/20	Buy	94,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	82.48%	10.22%	6.57%	0.73%
Investment banking services	66.66%	16.67%	16.67%	0%

* Based on recommendations in the last 12-months (as of December 31, 2021)

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