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Shares trading at P/E of 7x, lowest since 2003

2023E consolidated revenue, OP growth of +7%, +9%; Double-digit revenue growth expected in U.S., Malaysia

1Q23 preview: In line with consensus with revenue, OP growth of +9%, +8%

We maintain BUY on Coway but cut our TP by 11% to KRW80,000. Despite steady earnings and a diverse business portfolio, the stock has been struggling due to the drop in payout ratio since 2020 and free cash flow since 2021. Shares in Coway are currently trading at 7x P/E, the lowest since 2023—indicating an opportunity for bottom fishing.

We forecast 2023 consolidated revenue growth of 7% and OP growth of 9%. Standalone (domestic) revenue and OP should each inch up less than 2%, while Malaysia/U.S. revenue grows 15%/14% (overseas revenue contribution to increase 3.2pp YoY). Domestic operations will see a net increase in accounts of just 93k due to the large number of expiring own-after-rent accounts, but the release of new product categories (e.g., massage chairs), easing competition in water purifier rental market, and price hikes should sustain steady results. In the U.S., Coway plans on spending the next two years making preparations for increasing market penetration and expanding regional coverage, and on releasing new models in 2025. In Thailand, revenue is expected to exceed KRW100.0bn for the first time.

We forecast 1Q23 consolidated revenue of KRW1.02tn (+9% YoY) and OP of KRW186.0bn (+8% YoY), which is in line with the market consensus.

- (1) **Domestic (standalone)** revenue should come in at KRW727.1bn (+2% YoY) and OP at KRW133.1bn (-7% YoY; OPM to retreat 1.9pp YoY due to high base). New rental contract sales should grow 2% YoY, while cancellation rate should remain at a low 0.7%. With 215k accounts set to expire, number of accounts should see a net increase of just 23k QoQ.

### Buy Maintain

|                               |                  |
|-------------------------------|------------------|
| <b>Target Price (Lowered)</b> | <b>KRW80,000</b> |
| Dividend yield*               | 2.9%             |
| Total return                  | 66.5%            |
| Current price (Mar 16)        | KRW48,900        |
| Consensus target price        | KRW85,333        |
| Market capitalization         | USD2.7bn         |

\* 12-month forward

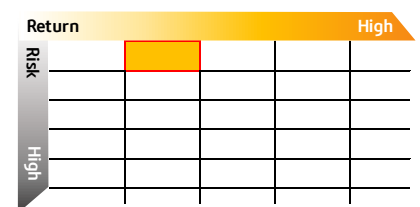
#### Trading Data

|                           |   |
|---------------------------|---|
| Free float                | 73.2%   |
| Avg. T/O val. (3m, KRWbn) | 10.0  |
| Foreign ownership         | 61.3%   |
| Major shareholders        | Netmarble and 6 others 25.1%<br>National Pension Service 7.5% |

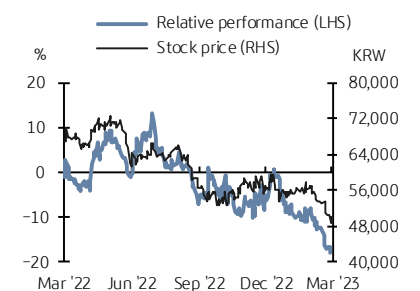
#### Stock Price Performance (total return)

| (%)      | 1M    | 3M    | 6M    | 12M   |
|----------|-------|-------|-------|-------|
| Absolute | -14.1 | -11.1 | -11.4 | -25.2 |
| Relative | -10.5 | -13.2 | -12.9 | -18.6 |

#### Risk & Total Return (annualized over three years)



#### Stock Price & Relative Performance

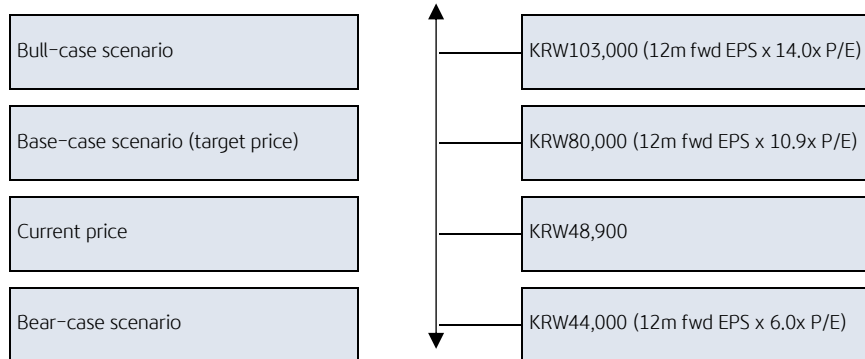


#### Earnings Forecast & Valuation

| Fiscal year-end             | 2022P | 2023E | 2024E | 2025E |
|-----------------------------|-------|-------|-------|-------|
| Revenue (KRWbn)             | 3,856 | 4,118 | 4,377 | 4,666 |
| OP (KRWbn)                  | 677   | 740   | 793   | 846   |
| NP to control. int. (KRWbn) | 458   | 525   | 566   | 606   |
| EPS (KRW)                   | 6,208 | 7,114 | 7,665 | 8,213 |
| EPS growth (%)              | -1.6  | 14.6  | 7.7   | 7.1   |
| P/E (x)                     | 9.0   | 6.9   | 6.4   | 6.0   |
| EV/EBITDA (x)               | 3.9   | 3.1   | 2.8   | 2.4   |
| P/B (x)                     | 1.8   | 1.3   | 1.1   | 1.0   |
| ROE (%)                     | 21.7  | 20.7  | 19.0  | 17.5  |
| Div. yield (%)              | 2.3   | 2.9   | 3.0   | 3.1   |

- (2) **Malaysia** revenue should grow 15% and OP inch up 1%. The top-line growth should be attributable to brisk sales of air conditioners and massage chairs launched in February.
- (3) **U.S.** revenue should grow 14%, but OP should retreat 24% to KRW1.8bn (3.5% OPM) as the SG&A expense burden (e.g., logistics, warehouse storage) persists.

## Investment Opinion & Risks



### Base-case scenario: Catalysts

- 1) 2022-25 domestic revenue CAGR at 2.5%
- 2) 2022-25 overseas revenue CAGR at 14%

### Bull-case scenario: Upside risks

- 1) 2022-25 domestic revenue CAGR above 2.5%
- 2) 2022-25 overseas revenue CAGR above 14%

### Bear-case scenario: Downside risks

- 1) 2022-25 domestic revenue CAGR below 2.5%
- 2) 2022-25 overseas revenue CAGR below 14%

## Revised Earnings Estimates

| (KRWbn, %)            | Previous |         | Revised |         | Change |       |
|-----------------------|----------|---------|---------|---------|--------|-------|
|                       | 2023E    | 2024E   | 2023E   | 2024E   | 2023E  | 2024E |
| Revenue               | 4,307.8  | 4,628.6 | 4,117.6 | 4,377.0 | -4.4   | -5.4  |
| OP                    | 754.6    | 811.6   | 739.7   | 792.8   | -2.0   | -2.3  |
| NP (to control. int.) | 533.8    | 585.9   | 525.0   | 565.7   | -1.6   | -3.4  |

Source(s): KB Securities estimates

## KB Estimates vs. Consensus

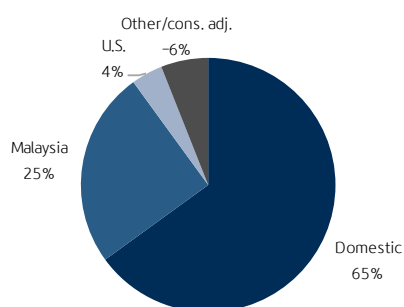
| (KRWbn, %)            | KB Estimates |         | Consensus |         | Difference |       |
|-----------------------|--------------|---------|-----------|---------|------------|-------|
|                       | 2023E        | 2024E   | 2023E     | 2024E   | 2023E      | 2024E |
| Revenue               | 4,117.6      | 4,377.0 | 4,083.4   | 4,254.1 | 0.8        | 2.9   |
| OP                    | 739.7        | 792.8   | 733.0     | 778.6   | 0.9        | 1.8   |
| NP (to control. int.) | 525.0        | 565.7   | 530.5     | 571.3   | -1.0       | -1.0  |

Source(s): FnGuide, KB Securities estimates

## Valuation & Target Price Calculation

- 1) Valuation method:  
Discounted cash flow model
- 2) Target price calculation:  
7.60% WACC; 1.50% TGR
- 3) Target price range:  
KRW44,000 - KRW103,000
- 4) Valuation at target price:  
10.9x 12m fwd implied P/E, 2.08x P/B

## Revenue Composition (2022)



Source(s): Company data, KB Securities

## Earnings Sensitivity Analysis

| (%)                   | EPS change |       |
|-----------------------|------------|-------|
|                       | 2023E      | 2024E |
| +1pp in interest rate | -0.6       | -0.5  |
| +1% in FX rate        | +0.3       | +0.3  |

## Peer Group Comparison

| (KRWbn, x, %) | Market Cap. | 12m fwd P/E | 2y EPS CAGR | 12m fwd P/B | 12m fwd ROE | 12m fwd EV/EBITDA | 2y EBITDA CAGR |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------------|----------------|
| Coway         | 3,608.8     | 6.8         | 11.1        | 1.27        | 18.8        | 3.1               | 0.7            |
| Amorepacific  | 7,264.8     | 34.0        | 54.8        | 1.69        | 5.0         | 11.3              | 13.4           |
| LG H&H        | 8,730.6     | 18.6        | 67.5        | 1.68        | 9.0         | 8.1               | 12.7           |

Source(s): KB Securities estimates

**Table 1. KB Estimates vs. Consensus (consolidated)**

| (KRWbn)               | 1Q23E<br>(KB) | 1Q22  | YoY (%) | 4Q22  | QoQ (%) | 1Q23E<br>(Cons.) | Diff.<br>(%) | 2023E<br>(KB) | YoY (%) | 2023E<br>(Cons.) | Diff. (%) |
|-----------------------|---------------|-------|---------|-------|---------|------------------|--------------|---------------|---------|------------------|-----------|
| Revenue               | 1,015.4       | 928.0 | 9.4     | 980.2 | 3.6     | 981.3            | 3.5          | 4,117.6       | 6.8     | 4,083.4          | 0.8       |
| OP                    | 186.0         | 172.7 | 7.7     | 163.7 | 13.6    | 184.3            | 0.9          | 739.7         | 9.2     | 733.0            | 0.9       |
| EBT                   | 183.2         | 191.9 | -4.5    | 103.5 | 77.0    | 184.0            | -0.4         | 728.5         | 6.6     | 724.5            | 0.6       |
| NP (to control. int.) | 131.9         | 135.0 | -2.3    | 76.4  | 72.7    | 138.0            | -4.4         | 524.5         | 14.6    | 530.1            | -1.0      |
| OPM (%)               | 18.3          | 18.6  |         | 16.7  |         | 18.8             |              | 18.0          |         | 18.0             |           |
| EBT margin (%)        | 18.0          | 20.7  |         | 10.6  |         | 18.8             |              | 17.7          |         | 17.7             |           |
| NPM (%)               | 13.0          | 14.5  |         | 7.8   |         | 14.1             |              | 12.7          |         | 13.0             |           |

Source(s): Company data, FnGuide, KB Securities estimates

**Table 2. Earnings Estimate Revisions**

| (KRWbn)                    | Previous              |         |       | Revised |         |         | Change (%) |       |       |
|----------------------------|-----------------------|---------|-------|---------|---------|---------|------------|-------|-------|
|                            | 2023E                 | 2024E   | 2025E | 2023E   | 2024E   | 2025E   | 2023E      | 2024E | 2025E |
| Revenue                    | 4,307.8               | 4,628.6 | N/A   | 4,117.6 | 4,377.0 | 4,665.7 | -4.4       | -5.4  | N/A   |
| OP                         | 754.6                 | 811.6   | N/A   | 739.7   | 792.8   | 845.8   | -2.0       | -2.3  | N/A   |
| EBT                        | 740.6                 | 800.2   | N/A   | 728.5   | 784.9   | 841.0   | -1.6       | -1.9  | N/A   |
| NP (to control. int.)      | 533.8                 | 585.9   | N/A   | 525.0   | 565.7   | 606.1   | -1.6       | -3.4  | N/A   |
| EPS (KRW)                  | 7,357                 | 8,075   | N/A   | 7,236   | 7,796   | 8,353   | -1.7       | -3.5  | N/A   |
| YoY (%)                    | Revenue               | 11.7    | 7.4   | N/A     | 6.8     | 6.3     | 6.6        |       |       |
|                            | OP                    | 11.4    | 7.5   | N/A     | 9.2     | 7.2     | 6.7        |       |       |
|                            | EBT                   | 8.4     | 8.0   | N/A     | 6.6     | 7.7     | 7.1        |       |       |
|                            | NP (to control. int.) | 16.5    | 9.8   | N/A     | 14.6    | 7.7     | 7.1        |       |       |
|                            | EPS                   | 16.5    | 9.8   | N/A     | 14.6    | 7.7     | 7.1        |       |       |
| OPM (%)                    |                       | 17.5    | 17.5  | N/A     | 18.0    | 18.1    | 18.1       |       |       |
| EBT margin (%)             |                       | 17.2    | 17.3  | N/A     | 17.7    | 17.9    | 18.0       |       |       |
| NPM (to control. int.) (%) |                       | 12.4    | 12.7  | N/A     | 12.8    | 12.9    | 13.0       |       |       |

Source(s): Company data, KB Securities estimates

Note: Previous estimates based on data as of Sep 7, 2022

**Table 3. Earnings & Estimates (consolidated)**

| (KRWbn)                    | 1Q22   | 2Q22   | 3Q22   | 4Q22P | 1Q23E   | 2Q23E   | 3Q23E   | 4Q23E   | 2021    | 2022P   | 2023E   | 2024E   | 2025E   |
|----------------------------|--------|--------|--------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue                    | 928.0  | 978.2  | 969.8  | 980.2 | 1,015.4 | 1,032.2 | 1,051.0 | 1,019.0 | 3,664.3 | 3,856.1 | 4,117.6 | 4,377.0 | 4,665.7 |
| Standalone                 | 710.1  | 700.1  | 721.2  | 682.1 | 727.1   | 715.1   | 738.5   | 696.2   | 2,814.6 | 2,813.5 | 2,876.8 | 2,936.6 | 3,026.1 |
| Malaysia                   | 262.8  | 274.7  | 276.5  | 277.5 | 302.2   | 315.9   | 318.0   | 319.1   | 980.1   | 1,091.5 | 1,255.2 | 1,418.4 | 1,588.6 |
| U.S.                       | 45.8   | 53.7   | 50.7   | 49.6  | 52.2    | 61.2    | 57.8    | 56.5    | 169.7   | 199.8   | 227.8   | 257.4   | 285.7   |
| Other subsidiaries         | 50.1   | 65.3   | 60.0   | 69.0  | 65.9    | 74.2    | 73.3    | 79.5    | 169.8   | 244.4   | 292.8   | 333.4   | 371.5   |
| Cons. adj.                 | -140.8 | -115.6 | -138.7 | -98.0 | -131.9  | -134.1  | -136.6  | -132.4  | -470.0  | -493.1  | -535.1  | -568.8  | -606.3  |
| YoY (%)                    |        |        |        |       |         |         |         |         |         |         |         |         |         |
| Revenue                    | 5.6    | 8.0    | 3.8    | 3.6   | 9.4     | 5.5     | 8.4     | 4.0     | 13.2    | 5.2     | 6.8     | 6.3     | 6.6     |
| Standalone                 | 5.2    | -1.5   | 5.1    | -8.2  | 2.4     | 2.1     | 2.4     | 2.1     | 8.6     | -0.0    | 2.3     | 2.1     | 3.1     |
| Malaysia                   | 9.3    | 16.1   | 7.9    | 12.4  | 15.0    | 15.0    | 15.0    | 15.0    | 38.4    | 11.4    | 15.0    | 13.0    | 12.0    |
| U.S.                       | 6.8    | 50.0   | -12.6  | 50.3  | 14.0    | 14.0    | 14.0    | 14.0    | 11.3    | 17.7    | 14.0    | 13.0    | 11.0    |
| Other subsidiaries         | 142.0  | 49.8   | 15.2   | 29.2  | 31.4    | 13.6    | 22.2    | 15.2    | 113.9   | 43.9    | 19.8    | 13.9    | 11.4    |
| Cons. adj.                 | RR     | RR     | RR     | RR    | RR      | RR      | RR      | RR      | RR      | RR      | RR      | RR      | RR      |
| Proportion (%)             |        |        |        |       |         |         |         |         |         |         |         |         |         |
| Revenue                    | 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                 | 76.5   | 71.6   | 74.4   | 69.6  | 71.6    | 69.3    | 70.3    | 68.3    | 76.8    | 73.0    | 69.9    | 67.1    | 64.9    |
| Malaysia                   | 28.3   | 28.1   | 28.5   | 28.3  | 29.8    | 30.6    | 30.3    | 31.3    | 26.7    | 28.3    | 30.5    | 32.4    | 34.0    |
| U.S.                       | 4.9    | 5.5    | 5.2    | 5.1   | 5.1     | 5.9     | 5.5     | 5.5     | 4.6     | 5.2     | 5.5     | 5.9     | 6.1     |
| Other subsidiaries         | 5.4    | 6.7    | 6.2    | 7.0   | 6.5     | 7.2     | 7.0     | 7.8     | 4.6     | 6.3     | 7.1     | 7.6     | 8.0     |
| Cons. adj.                 | -15.2  | -11.8  | -14.3  | -10.0 | -13.0   | -13.0   | -13.0   | -13.0   | -12.8   | -12.8   | -13.0   | -13.0   | -13.0   |
| Operating profit           | 172.7  | 176.0  | 165.1  | 163.7 | 186.0   | 186.8   | 191.8   | 175.1   | 640.2   | 677.4   | 739.7   | 792.8   | 845.8   |
| Standalone                 | 143.1  | 123.4  | 135.5  | 112.8 | 133.1   | 130.9   | 135.1   | 118.4   | 451.7   | 514.7   | 517.4   | 528.2   | 544.2   |
| Malaysia                   | 53.7   | 50.4   | 49.5   | 48.4  | 54.4    | 56.9    | 57.2    | 57.4    | 199.4   | 202.0   | 225.9   | 262.4   | 293.9   |
| U.S.                       | 2.4    | 8.3    | -0.1   | -4.0  | 1.8     | 2.1     | 2.0     | 2.0     | 7.8     | 6.6     | 8.0     | 9.3     | 10.3    |
| Other subsidiaries         | -4.7   | -6.3   | -8.7   | -6.2  | -4.2    | -4.0    | -3.5    | -3.5    | -24.6   | -25.9   | -15.3   | -11.0   | -6.8    |
| Cons. adj.                 | -21.9  | 0.2    | -11.1  | 12.6  | 0.9     | 0.9     | 1.0     | 0.9     | 5.9     | -20.1   | 3.7     | 3.9     | 4.2     |
| YoY (%)                    |        |        |        |       |         |         |         |         |         |         |         |         |         |
| OP                         | 1.1    | 5.7    | 0.8    | 17.5  | 7.7     | 6.1     | 16.2    | 7.0     | 5.6     | 5.8     | 9.2     | 7.2     | 6.7     |
| Standalone                 | 27.8   | 0.7    | 29.6   | 0.1   | -7.0    | 6.1     | -0.2    | 4.9     | -0.8    | 14.0    | 0.5     | 2.1     | 3.0     |
| Malaysia                   | -4.3   | -15.4  | -9.7   | 67.5  | 1.3     | 12.8    | 15.6    | 18.7    | 53.3    | 1.3     | 11.9    | 16.1    | 12.0    |
| U.S.                       | -57.9  | 822.2  | TTR    | RR    | -23.9   | -74.2   | TTB     | TTB     | -60.6   | -15.4   | 20.8    | 16.2    | 11.0    |
| Other subsidiaries         | RR     | RR     | RR     | RR    | RR      | RR      | RR      | RR      | RR      | RR      | RR      | RR      | RR      |
| Cons. adj.                 | TTR    | TTB    | TTR    | 89.4  | TTB     | 295.4   | TTB     | -93.1   | -50.8   | TTR     | TTB     | 7.2     | 6.7     |
| OPM (%)                    |        |        |        |       |         |         |         |         |         |         |         |         |         |
| OP                         | 18.6   | 18.0   | 17.0   | 16.7  | 18.3    | 18.1    | 18.2    | 17.2    | 17.5    | 17.6    | 18.0    | 18.1    | 18.1    |
| Standalone                 | 20.2   | 17.6   | 18.8   | 16.5  | 18.3    | 18.3    | 18.3    | 17.0    | 16.0    | 18.3    | 18.0    | 18.0    | 18.0    |
| Malaysia                   | 20.4   | 18.3   | 17.9   | 17.4  | 18.0    | 18.0    | 18.0    | 18.0    | 20.3    | 18.5    | 18.0    | 18.5    | 18.5    |
| U.S.                       | 5.2    | 15.5   | -0.2   | -8.1  | 3.5     | 3.5     | 3.5     | 3.5     | 4.6     | 3.3     | 3.5     | 3.6     | 3.6     |
| Other subsidiaries         | -9.4   | -9.6   | -14.5  | -9.0  | -6.4    | -5.4    | -4.8    | -4.5    | -14.5   | -10.6   | -5.2    | -3.3    | -1.8    |
| Cons. adj.                 | 15.5   | -0.2   | 8.0    | -12.9 | -0.7    | -0.7    | -0.7    | -0.7    | -1.3    | 4.1     | -0.7    | -0.7    | -0.7    |
| Proportion (%)             |        |        |        |       |         |         |         |         |         |         |         |         |         |
| OP                         | 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                 | 82.9   | 70.1   | 82.1   | 68.9  | 71.5    | 70.0    | 70.5    | 67.6    | 70.6    | 76.0    | 69.9    | 66.6    | 64.3    |
| Malaysia                   | 31.1   | 28.6   | 30.0   | 29.6  | 29.3    | 30.4    | 29.8    | 32.8    | 31.1    | 29.8    | 30.5    | 33.1    | 34.7    |
| U.S.                       | 1.4    | 4.7    | -0.1   | -2.4  | 1.0     | 1.1     | 1.1     | 1.1     | 1.2     | 1.0     | 1.1     | 1.2     | 1.2     |
| Other subsidiaries         | -2.7   | -3.6   | -5.3   | -3.8  | -2.3    | -2.1    | -1.9    | -2.0    | -3.8    | -3.8    | -2.1    | -1.4    | -0.8    |
| Gross profit               | 599.7  | 626.3  | 612.9  | 647.6 | 652.1   | 656.8   | 660.1   | 669.1   | 2,388.9 | 2,486.5 | 2,638.1 | 2,799.9 | 2,980.0 |
| EBT                        | 191.9  | 194.1  | 193.8  | 103.5 | 183.2   | 184.0   | 189.0   | 172.3   | 658.6   | 683.3   | 728.5   | 784.9   | 841.0   |
| NP (to control. int.)      | 135.1  | 132.6  | 114.0  | 76.5  | 132.0   | 132.6   | 136.2   | 124.2   | 465.7   | 458.2   | 525.0   | 565.7   | 606.1   |
| EBITDA                     | 298.1  | 297.6  | 284.7  | 279.9 | 290.7   | 291.6   | 296.6   | 279.9   | 1,162.8 | 1,160.3 | 1,158.8 | 1,176.9 | 1,224.4 |
| YoY (%)                    |        |        |        |       |         |         |         |         |         |         |         |         |         |
| Gross profit               | 3.4    | 5.4    | 1.6    | 5.9   | 8.7     | 4.9     | 7.7     | 3.3     | 8.9     | 4.1     | 6.1     | 6.1     | 6.4     |
| EBT                        | 9.8    | 21.4   | 4.3    | -25.1 | -4.5    | -5.2    | -2.5    | 66.5    | 21.9    | 3.8     | 6.6     | 7.7     | 7.1     |
| NP (to control. int.)      | 7.3    | 14.5   | -16.5  | -12.6 | -2.2    | 0.0     | 19.5    | 62.4    | 15.0    | -1.6    | 14.6    | 7.7     | 7.1     |
| EBITDA                     | -2.1   | -0.0   | -3.1   | 4.8   | -2.5    | -2.0    | 4.2     | 0.0     | 1.1     | -0.2    | -0.1    | 1.6     | 4.0     |
| GPM (%)                    | 64.6   | 64.0   | 63.2   | 66.1  | 64.2    | 63.6    | 62.8    | 65.7    | 65.2    | 64.5    | 64.1    | 64.0    | 63.9    |
| EBT margin (%)             | 20.7   | 19.8   | 20.0   | 10.6  | 18.0    | 17.8    | 18.0    | 16.9    | 18.0    | 17.7    | 17.7    | 17.9    | 18.0    |
| NPM (to control. int.) (%) | 14.6   | 13.6   | 11.8   | 7.8   | 13.0    | 12.8    | 13.0    | 12.2    | 12.7    | 11.9    | 12.8    | 12.9    | 13.0    |
| EBITDA margin (%)          | 32.1   | 30.4   | 29.4   | 28.6  | 28.6    | 28.2    | 28.2    | 27.5    | 31.7    | 30.1    | 28.1    | 26.9    | 26.2    |

Source(s): Company data, KB Securities estimates

Note: RR=remain in red, TTB=turn to black, TTR=turn to red

**Table 4. Earnings & Estimates (standalone)**

| (KRWbn)                           | 1Q22    | 2Q22    | 3Q22    | 4Q22P   | 1Q23E   | 2Q23E   | 3Q23E   | 4Q24E   | 2021    | 2022P   | 2023E   | 2024E   | 2025E   |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue                           | 710.1   | 700.1   | 721.2   | 682.1   | 727.1   | 715.1   | 738.5   | 696.2   | 2,814.6 | 2,813.5 | 2,876.8 | 2,936.6 | 3,026.1 |
| Domestic home appliance           | 559.5   | 573.7   | 571.3   | 572.5   | 568.9   | 582.6   | 580.9   | 581.9   | 2,245.3 | 2,277.0 | 2,314.2 | 2,343.7 | 2,400.1 |
| Rental                            | 365.1   | 361.3   | 349.2   | 343.2   | 358.6   | 351.2   | 338.8   | 305.5   | 1,542.4 | 1,418.9 | 1,354.2 | 1,288.5 | 1,254.9 |
| Home care                         | 159.9   | 180.3   | 189.3   | 198.1   | 179.1   | 201.9   | 212.0   | 247.6   | 542.8   | 727.5   | 840.6   | 941.5   | 1,035.6 |
| Membership                        | 22.7    | 22.2    | 22.3    | 22.2    | 21.4    | 21.1    | 21.2    | 21.1    | 93.5    | 89.3    | 84.7    | 81.8    | 79.3    |
| Lump-sum payment                  | 8.6     | 6.3     | 6.8     | 5.6     | 6.6     | 4.9     | 5.2     | 4.3     | 53.8    | 27.2    | 21.0    | 18.4    | 17.1    |
| Other                             | 3.1     | 3.6     | 3.8     | 3.5     | 3.1     | 3.5     | 3.7     | 3.5     | 12.8    | 14.0    | 13.7    | 13.5    | 13.2    |
| Exports                           | 141.5   | 117.0   | 141.7   | 100.8   | 150.0   | 124.0   | 150.2   | 106.9   | 526.1   | 501.0   | 531.1   | 563.0   | 596.8   |
| Cosmetics                         | 9.1     | 9.4     | 8.2     | 8.5     | 8.2     | 8.4     | 7.4     | 7.5     | 45.2    | 35.0    | 31.5    | 29.9    | 29.3    |
| YoY (%)                           |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Revenue                           | 5.2     | -1.5    | 5.1     | -8.2    | 2.4     | 2.1     | 2.4     | 2.1     | 8.6     | -0.0    | 2.3     | 2.1     | 3.1     |
| Domestic HA                       | 3.9     | 2.7     | 2.7     | -3.2    | 1.7     | 1.6     | 1.7     | 1.6     | 5.6     | 1.4     | 1.6     | 1.3     | 2.4     |
| Rental                            | -7.4    | -7.1    | -8.2    | -9.4    | -1.8    | -2.8    | -3.0    | -11.0   | -3.4    | -8.0    | -4.6    | -4.9    | -2.6    |
| Home care                         | 63.2    | 41.5    | 38.3    | 9.7     | 12.0    | 12.0    | 12.0    | 25.0    | 78.5    | 34.0    | 15.5    | 12.0    | 10.0    |
| Membership                        | -6.1    | -6.4    | -3.4    | -1.5    | -5.6    | -5.1    | -5.1    | -5.1    | -5.8    | -4.4    | -5.2    | -3.4    | -3.1    |
| Lump-sum                          | -54.4   | -60.0   | -45.8   | -16.9   | -22.8   | -22.8   | -22.8   | -22.8   | -52.8   | -49.4   | -22.8   | -12.5   | -7.3    |
| Other                             | 0.2     | 11.0    | 13.3    | 12.8    | -2.0    | -2.0    | -2.0    | -2.0    | -5.2    | 9.4     | -2.0    | -2.0    | -2.0    |
| Exports                           | 13.5    | -16.4   | 18.1    | -28.8   | 6.0     | 6.0     | 6.0     | 6.0     | 30.0    | -4.8    | 6.0     | 6.0     | 6.0     |
| Cosmetics                         | -21.4   | -22.5   | -19.4   | -11.1   | -10.0   | -10.0   | -10.0   | -10.0   | -28.7   | -19.0   | -10.0   | -5.0    | -2.0    |
| Proportion (%)                    |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Revenue                           | 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 HA                       | 78.8    | 81.9    | 79.2    | 83.9    | 78.2    | 81.5    | 78.7    | 83.6    | 79.8    | 80.9    | 80.4    | 79.8    | 79.3    |
| Rental                            | 51.4    | 51.6    | 48.4    | 50.3    | 49.3    | 49.1    | 45.9    | 43.9    | 54.8    | 50.4    | 47.1    | 43.9    | 41.5    |
| Home care                         | 22.5    | 25.8    | 26.2    | 29.0    | 24.6    | 28.2    | 28.7    | 35.6    | 19.3    | 25.9    | 29.2    | 32.1    | 34.2    |
| Membership                        | 3.2     | 3.2     | 3.1     | 3.3     | 2.9     | 2.9     | 2.9     | 3.0     | 3.3     | 3.2     | 2.9     | 2.8     | 2.6     |
| Lump-sum                          | 1.2     | 0.9     | 0.9     | 0.8     | 0.9     | 0.7     | 0.7     | 0.6     | 1.9     | 1.0     | 0.7     | 0.6     | 0.6     |
| Other                             | 0.4     | 0.5     | 0.5     | 0.5     | 0.4     | 0.5     | 0.5     | 0.5     | 0.5     | 0.5     | 0.5     | 0.5     | 0.4     |
| Export                            | 19.9    | 16.7    | 19.6    | 14.8    | 20.6    | 17.3    | 20.3    | 15.4    | 18.7    | 17.8    | 18.5    | 19.2    | 19.7    |
| Cosmetics                         | 1.3     | 1.3     | 1.1     | 1.2     | 1.1     | 1.2     | 1.0     | 1.1     | 1.5     | 1.2     | 1.1     | 1.0     | 1.0     |
| OP                                | 143.1   | 123.4   | 135.5   | 112.8   | 133.1   | 130.9   | 135.1   | 118.4   | 451.7   | 514.7   | 517.4   | 528.2   | 544.2   |
| YoY (%)                           | 27.8    | 0.7     | 29.6    | 0.1     | -7.0    | 6.1     | -0.2    | 4.9     | -0.8    | 14.0    | 0.5     | 2.1     | 3.0     |
| OPM (%)                           | 20.2    | 17.6    | 18.8    | 16.5    | 18.3    | 18.3    | 18.3    | 17.0    | 16.0    | 18.3    | 18.0    | 18.0    | 18.0    |
| Key rental assumptions            |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Total accounts ('000)             | 6,085.0 | 6,090.0 | 6,115.6 | 6,155.8 | 6,178.7 | 6,194.1 | 6,228.4 | 6,248.4 | 6,018.4 | 6,155.8 | 6,248.4 | 6,307.3 | 6,523.9 |
| New ('000)                        | 353.2   | 347.6   | 338.7   | 341.9   | 358.5   | 358.0   | 348.9   | 352.2   | 1,326.3 | 1,381.5 | 1,417.6 | 1,445.9 | 1,474.9 |
| Churn ('000)                      | 126.4   | 127.8   | 121.8   | 122.1   | 120.7   | 121.1   | 121.4   | 122.1   | 506.5   | 498.1   | 485.2   | 490.9   | 500.2   |
| Expiries ('000)                   | 160.3   | 214.8   | 191.3   | 179.6   | 214.9   | 221.6   | 193.1   | 210.1   | 610.3   | 746.0   | 839.8   | 896.1   | 758.1   |
| Monthly ARPU (KRW)                | 28,922  | 29,655  | 29,411  | 29,406  | 29,066  | 29,803  | 29,558  | 29,553  | 29,384  | 29,385  | 29,490  | 29,601  | 29,752  |
| Monthly avg. churn (%)            | 0.70    | 0.70    | 0.67    | 0.67    | 0.65    | 0.65    | 0.65    | 0.65    | 0.73    | 0.69    | 0.66    | 0.65    | 0.66    |
| Expiries (%)                      | 45.8    | 54.1    | 60.2    | 56.6    | 57.0    | 57.0    | 60.0    | 58.0    | 43.6    | 54.0    | 57.9    | 57.0    | 56.0    |
| Key membership assumptions        |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Total accounts ('000)             | 470.6   | 468.4   | 460.0   | 456.1   | 447.1   | 444.9   | 437.0   | 433.3   | 485.1   | 456.1   | 433.3   | 420.3   | 407.7   |
| Monthly ARPU ('000 KRW)           | 15.8    | 15.8    | 16.0    | 16.1    | 15.8    | 15.7    | 16.0    | 16.1    | 15.4    | 15.8    | 15.9    | 16.0    | 16.0    |
| Key lump-sum assumptions          |         |         |         |         |         |         |         |         |         |         |         |         |         |
| New sales ('000)                  | 7.0     | 6.1     | 5.8     | 4.2     | 5.2     | 4.6     | 4.3     | 3.1     | 54.0    | 23.0    | 17.2    | 14.6    | 13.2    |
| ARPU ('000 KRW)                   | 1,230.7 | 1,040.3 | 1,176.7 | 1,334.4 | 1,267.6 | 1,071.5 | 1,212.0 | 1,374.4 | 996.9   | 1,185.6 | 1,221.2 | 1,257.8 | 1,295.5 |
| Obsolescence loss (cons.) (KRWbn) | 14.1    | 12.7    | 14.5    | 11.9    | 13.7    | 13.3    | 13.1    | 12.2    | 53.7    | 53.1    | 52.3    | 52.8    | 54.4    |

Source(s): Company data, KB Securities estimates

Note: "Churn" and "expiries" are based on KB Securities estimates

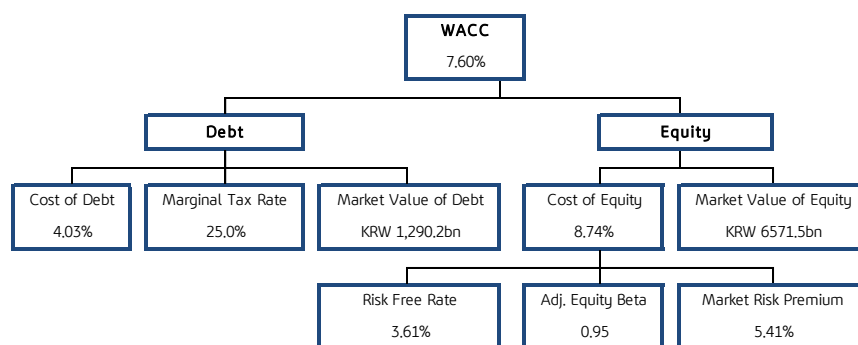
**Table 5. Target Price Calculation: Discounted Cash Flow Model**

| (KRWbn)                                    |               | 2022P         | 2023E          | 2024E         | 2025E  | 2026E          | 2027E          | 2028E         | 2029E          |
|--|---------------|---------------|----------------|---------------|--|----------------|----------------|---------------|----------------|
| <b>Cash flow estimates</b>                 |               |               |                |               |  |                |                |               |                |
| OP   | a             | 677.4         | 739.7          | 792.8         | 845.8  | 849.2          | 878.9          | 879.4         | 905.8          |
| Effective tax rate (%)                     | b             | 25.0          | 25.0           | 25.0          | 25.0   | 25.0           | 25.0           | 25.0          | 25.0           |
| <b>NOPLAT</b>                              | $C=a*(1-b)$   | <b>508.0</b>  | <b>554.8</b>   | <b>594.6</b>  | <b>634.3</b>   | <b>636.9</b>   | <b>659.2</b>   | <b>659.5</b>  | <b>679.3</b>   |
| D&A  | d             | 482.9         | 419.1          | 384.1         | 378.6  | 367.0          | 352.2          | 338.0         | 324.4          |
| <b>Total cash flow</b>                     | $E=C+d$       | <b>990.9</b>  | <b>973.8</b>   | <b>978.7</b>  | <b>1,012.9</b>   | <b>1,003.9</b> | <b>1,011.4</b> | <b>997.5</b>  | <b>1,003.7</b> |
| <b>Total investment</b>                    | $F=g+h$       | <b>-977.4</b> | <b>-443.7</b>  | <b>-452.8</b> | <b>-510.3</b>  | <b>-650.0</b>  | <b>-650.0</b>  | <b>-650.0</b> | <b>-650.0</b>  |
| Change in working capital                  | g             | -707.7        | -143.7         | -152.8        | -160.3   | -300.0         | -300.0         | -300.0        | -300.0         |
| Capex                                      | h             | -269.7        | -300.0         | -300.0        | -350.0   | -350.0         | -350.0         | -350.0        | -350.0         |
| FCFF                                       | $I=E+F$       | 13.6          | 530.2          | 525.9         | 502.6  | 353.9          | 361.4          | 347.5         | 353.7          |
| <b>PV of cash flows</b>                    |               |               |                |               |  |                |                |               |                |
| Discount rate                              |               |               |                | 6.0%          | 14.1%  | 22.8%          | 32.1%          | 42.1%         |                |
| PV of FCFF                                 |               |               |                | 394.0         | 440.5  | 288.2          | 273.6          | 244.5         |                |
| Total PV of FCFF (2024E-28E)               | j             |               | 1,640.8        |               |  |                |                |               |                |
| Terminal growth rate (%)                   |               |               | 1.50%          |               | 30y KTB yield  |                |                |               |                |
| Terminal value (2029E)                     |               |               | 5,798.3        |               | 2029E FCFF / (WACC - TGR)                                    |                |                |               |                |
| PV of terminal value                       | k             |               | 4,079.3        |               | 7.60% WACC (3.61% risk-free rate; 5.41% market risk premium) |                |                |               |                |
| <b>Valuation</b>                           |               |               |                |               |  |                |                |               |                |
| Total cash flow (PV)                       | $L=j+k$       |               | 5,720.1        |               |  |                |                |               |                |
| Net cash                                   | m             |               | 53.0           |               | 12m fwd  |                |                |               |                |
| Investments in non-consolidated affiliates | n             |               | 33.0           |               | End-4Q22   |                |                |               |                |
| Non-controlling interests                  | o             |               | -1.8           |               | End-4Q22   |                |                |               |                |
| <b>Fair value</b>                          | $P=L+(m+n+o)$ |               | <b>5,807.9</b> |               |  |                |                |               |                |
| No. of shares ('000)                       | q             |               | 72,564         |               |  |                |                |               |                |
| <b>Target price (KRW)</b>                  | $R=P/q$       |               | <b>80,000</b>  |               |  |                |                |               |                |
| Current price (KRW)                        |               |               | 48,900         |               | Mar 16, 2023   |                |                |               |                |
| Upside (%)                                 |               |               | 63.6           |               |  |                |                |               |                |
| 12m fwd implied P/E (x)                    |               |               | 10.9           |               |  |                |                |               |                |
| 12m fwd implied P/B (x)                    |               |               | 2.08           |               |  |                |                |               |                |

Source(s): Company data, KB Securities estimates

**Fig 1. WACC Calculation**

- (1) Cost of debt is 4.03% (YTD return of Coway's 1y KRW-based bonds); market value of debt based on total financial liabilities as of end-3Q22
- (2) Cost of equity derived using CAPM; risk-free rate is 1y monetary stabilization bond yield; equity beta is Coway's 52w adj. beta; market risk premium is difference between historical avg. total return of WMI500 and 1y market stabilization bonds
- (3) Shareholders' equity derived by multiplying total no. of outstanding shares by target price



Source(s): KB Securities estimates

**Table 6. WACC Revision**

| (KRWbn, %)                     |                       | Previous<br>(Sep 7, 2022) | Revised<br>(Mar 16, 2023) | Notes                                      |
|--------------------------------|-----------------------|---------------------------|---------------------------|--|
| <b>Cost of equity</b>          | A = B + C x D         | <b>9.62</b>               | <b>8.74</b>               |  |
| Risk-free rate                 | B                     | 2.89                      | 3.61                      | Avg. 1y MSB yield (last three months)      |
| Adj. beta                      | C                     | 0.94                      | 0.95                      | 52w adj. beta                              |
| Raw beta                       |                       | 0.58                      | 0.41                      |  |
| R <sup>2</sup>                 |                       | 0.14                      | 0.09                      |  |
| Risk premium                   | D = E - F             | 7.16                      | 5.41                      |  |
| Market return                  | E                     | 10.61                     | 8.72                      | 2001-22 annual avg. WMI500 total return    |
| Risk-free rate                 | F                     | 3.45                      | 3.32                      | 2001-22 annual avg. 1y MSB total return    |
| <b>Cost of debt</b>            | G                     | <b>4.01</b>               | <b>4.03</b>               | YTD yield of KRW-based 1y bonds            |
| Fair shareholder value (KRWbn) |                       | 6,571.5                   | 5,807.9                   | Value of outstanding shares based on TP    |
| Debt (KRWbn)                   |                       | 1,284.6                   | 1,290.2                   | Total financial liabilities as of end-3Q22 |
| Weight of equity               | H                     | 80.0                      | 80.0                      |  |
| Weight of debt                 | I                     | 20.0                      | 20.0                      |  |
| <b>WACC</b>                    | J = (A x H) + (G x I) | <b>8.29</b>               | <b>7.60</b>               |  |

Source(s): Company data, KB Securities estimates

**Table 7. Target Price Sensitivity to WACC & TGR**

| (KRW) |       | TGR    |        |        |        |        |         |         |
|-------|-------|--------|--------|--------|--------|--------|---------|---------|
|       |       | 0.9%   | 1.1%   | 1.3%   | 1.5%   | 1.7%   | 1.9%    | 2.1%    |
| WACC  | 6.60% | 87,285 | 89,573 | 92,034 | 94,687 | 97,558 | 100,672 | 104,064 |
|       | 6.80% | 84,497 | 86,611 | 88,879 | 91,317 | 93,947 | 96,792  | 99,878  |
|       | 7.00% | 81,892 | 83,849 | 85,944 | 88,191 | 90,608 | 93,214  | 96,034  |
|       | 7.20% | 79,451 | 81,268 | 83,208 | 85,284 | 87,511 | 89,906  | 92,489  |
|       | 7.40% | 77,159 | 78,849 | 80,650 | 82,573 | 84,630 | 86,838  | 89,211  |
|       | 7.60% | 75,004 | 76,579 | 78,254 | 80,000 | 81,944 | 83,984  | 86,171  |
|       | 7.80% | 72,974 | 74,444 | 76,005 | 77,665 | 79,433 | 81,322  | 83,343  |
|       | 8.00% | 71,057 | 72,432 | 73,889 | 75,436 | 77,081 | 78,835  | 80,706  |
|       | 8.20% | 69,244 | 70,533 | 71,896 | 73,340 | 74,873 | 76,504  | 78,242  |
|       | 8.40% | 67,528 | 68,737 | 70,014 | 71,365 | 72,797 | 74,316  | 75,932  |
|       | 8.60% | 65,901 | 67,037 | 68,235 | 69,500 | 70,839 | 72,258  | 73,765  |

Source(s): Company data, KB Securities estimates



| Income Statement                         |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| (KRWbn)                                  | 2021A    | 2022P    | 2023E    | 2024E    | 2025E    |
| (Reporting standard)                     | (IFRS-C) | (IFRS-C) | (IFRS-C) | (IFRS-C) | (IFRS-C) |
| Revenue                                  | 3,664    | 3,856    | 4,118    | 4,377    | 4,666    |
| Cost of revenue                          | 1,275    | 1,370    | 1,480    | 1,577    | 1,686    |
| Gross profit                             | 2,389    | 2,486    | 2,638    | 2,800    | 2,980    |
| SG&A expenses                            | 1,749    | 1,809    | 1,898    | 2,007    | 2,134    |
| Operating profit                         | 640      | 677      | 740      | 793      | 846      |
| EBITDA                                   | 1,163    | 1,160    | 1,159    | 1,177    | 1,224    |
| Non-operating accounts                   | 18       | 6        | -11      | -8       | -5       |
| Interest income                          | 1        | 3        | 5        | 7        | 8        |
| Interest expenses                        | 18       | 33       | 36       | 34       | 33       |
| Profit on equity method                  | -5       | -6       | 0        | 0        | 0        |
| Net other non-operating income           | 40       | 42       | 20       | 20       | 20       |
| Profit before tax                        | 659      | 683      | 728      | 785      | 841      |
| Income tax expense                       | 193      | 226      | 204      | 220      | 235      |
| Net profit                               | 465      | 458      | 525      | 565      | 606      |
| NP attributable to controlling interests | 466      | 458      | 525      | 566      | 606      |
| Adj. net profit                          | 466      | 458      | 525      | 566      | 606      |

| Operating Statistics & Ratios |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|
| (%)                           | 2021A | 2022P | 2023E | 2024E | 2025E |
| Revenue growth                | 13.2  | 5.2   | 6.8   | 6.3   | 6.6   |
| OP growth                     | 5.6   | 5.8   | 9.2   | 7.2   | 6.7   |
| EBITDA growth                 | 1.1   | -0.2  | -0.1  | 1.6   | 4.0   |
| NP growth of parent           | 15.0  | -1.6  | 14.6  | 7.7   | 7.2   |
| GP margin                     | 65.2  | 64.5  | 64.1  | 64.0  | 63.9  |
| OP margin                     | 17.5  | 17.6  | 18.0  | 18.1  | 18.1  |
| EBITDA margin                 | 31.7  | 30.1  | 28.1  | 26.9  | 26.2  |
| EBT margin                    | 18.0  | 17.7  | 17.7  | 17.9  | 18.0  |
| NP margin of parent           | 12.7  | 11.9  | 12.8  | 12.9  | 13.0  |

| Statement of Cash Flows              |       |       |       |       |       |
|--------------------------------------|-------|-------|-------|-------|-------|
| (KRWbn)                              | 2021A | 2022P | 2023E | 2024E | 2025E |
| Cash flow from operating activities  | 331   | 178   | 800   | 796   | 824   |
| Net profit                           | 465   | 458   | 525   | 565   | 606   |
| Depreciation & amortization          | 523   | 483   | 419   | 384   | 379   |
| Other non-cash adjustments           | 340   | 245   | 204   | 220   | 235   |
| Investments in working capital       | -829  | -708  | -144  | -153  | -160  |
| Decrease(Increase) in receivables    | 109   | 59    | -43   | -49   | -57   |
| Decrease(Increase) in inventory      | -91   | -8    | -41   | -47   | -54   |
| Increase(Decrease) in payables       | -30   | -96   | 14    | 10    | 12    |
| Investments in other working capital | -818  | -663  | -74   | -67   | -61   |
| Other operating cash flow            | -168  | -300  | -204  | -220  | -235  |
| Cash flow from investing activities  | -368  | -254  | -448  | -395  | -453  |
| Capital expenditure                  | -275  | -269  | -300  | -300  | -350  |
| Investments in intangibles           | -10   | -16   | -15   | -15   | -15   |
| Changes in investment assets         | -53   | -6    | 0     | 0     | 0     |
| Other investment cash flow           | -29   | 37    | -133  | -80   | -88   |
| Cash flow from financing activities  | -9    | 149   | -150  | -154  | -154  |
| Proceeds from (repayment of) debt    | 95    | 285   | -57   | -53   | -50   |
| Changes in equity                    | 0     | 0     | 0     | 0     | 0     |
| Dividends paid                       | -87   | -91   | -94   | -102  | -105  |
| Other financing cash flow            | -16   | -46   | 1     | 1     | 1     |
| Other cash flow                      | 2     | 7     | 0     | 0     | 0     |
| Increase/decrease in cash            | -43   | 80    | 202   | 248   | 217   |
| Cash and cash equivalents at FYE     | 73    | 153   | 355   | 603   | 820   |
| Free cash flow                       | 56    | -91   | 500   | 496   | 474   |
| Net cash flow                        | 15    | -115  | 391   | 380   | 354   |
| Net cash (net debt)                  | -301  | -416  | -25   | 355   | 709   |

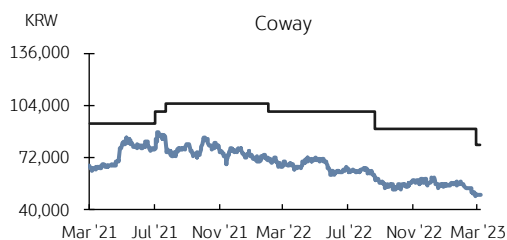
Source(s): Company data, KB Securities estimates

| Statement of Financial Position        |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| (KRWbn)                                | 2021A    | 2022P    | 2023E    | 2024E    | 2025E    |
| (Reporting standard)                   | (IFRS-C) | (IFRS-C) | (IFRS-C) | (IFRS-C) | (IFRS-C) |
| Total assets                           | 3,801    | 4,418    | 4,734    | 5,091    | 5,495    |
| Current assets                         | 1,106    | 1,414    | 1,834    | 2,260    | 2,678    |
| Cash and cash equivalents              | 73       | 153      | 355      | 603      | 820      |
| Current financial assets               | 510      | 663      | 796      | 875      | 963      |
| Trade receivables                      | 249      | 286      | 329      | 379      | 436      |
| Inventory                              | 235      | 270      | 311      | 357      | 411      |
| Other current assets                   | 39       | 41       | 43       | 46       | 49       |
| Non-current assets                     | 2,694    | 3,004    | 2,900    | 2,830    | 2,817    |
| Investment assets                      | 63       | 63       | 63       | 63       | 63       |
| Property, plant and equipment          | 1,160    | 1,036    | 927      | 854      | 838      |
| Intangible assets                      | 183      | 188      | 193      | 197      | 200      |
| Other non-current assets               | 1,288    | 1,716    | 1,716    | 1,716    | 1,716    |
| Total liabilities                      | 1,896    | 2,103    | 1,989    | 1,882    | 1,786    |
| Current liabilities                    | 1,293    | 1,176    | 1,082    | 994      | 918      |
| Trade payables                         | 88       | 91       | 105      | 115      | 127      |
| Short-term financial liabilities       | 388      | 366      | 330      | 297      | 267      |
| Other current liabilities              | 817      | 719      | 647      | 583      | 525      |
| Non-current liabilities                | 603      | 926      | 907      | 888      | 868      |
| Non-current financial liabilities      | 496      | 866      | 846      | 826      | 806      |
| Other non-current liabilities          | 107      | 60       | 61       | 61       | 62       |
| Total equity                           | 1,904    | 2,315    | 2,745    | 3,209    | 3,709    |
| Issued capital                         | 41       | 41       | 41       | 41       | 41       |
| Share premium                          | 148      | 148      | 148      | 148      | 148      |
| Other equity interest                  | -48      | -48      | -48      | -48      | -48      |
| Accumulated other comprehensive income | 8        | 58       | 58       | 58       | 58       |
| Retained earnings                      | 1,757    | 2,118    | 2,549    | 3,013    | 3,514    |
| Controlling interests                  | 1,906    | 2,317    | 2,747    | 3,212    | 3,712    |
| Non-controlling interests              | -1       | -2       | -2       | -3       | -4       |

| Key Ratios                      |        |        |        |          |          |
|---------------------------------|--------|--------|--------|----------|----------|
| (x, %, KRW)                     | 2021A  | 2022P  | 2023E  | 2024E    | 2025E    |
| Multiples                       |        |        |        |          |          |
| P/E                             | 11.8   | 9.0    | 6.9    | 6.4      | 6.0      |
| P/B                             | 2.9    | 1.8    | 1.3    | 1.1      | 1.0      |
| P/S                             | 1.5    | 1.1    | 0.9    | 0.8      | 0.8      |
| EV/EBITDA                       | 5.0    | 3.9    | 3.1    | 2.8      | 2.4      |
| EV/EBIT                         | 9.0    | 6.7    | 4.9    | 4.1      | 3.4      |
| Dividend yield, ordinary (%)    | 1.7    | 2.3    | 2.9    | 3.0      | 3.1      |
| EPS                             | 6,310  | 6,208  | 7,114  | 7,665    | 8,213    |
| BVPS                            | 25,825 | 31,393 | 37,229 | 43,517   | 50,305   |
| SPS                             | 49,651 | 52,251 | 55,794 | 59,309   | 63,221   |
| DPS (annual, ordinary)          | 1,250  | 1,300  | 1,400  | 1,450    | 1,500    |
| Cash dividends payout ratio (%) | 19.5   | 20.6   | 19.4   | 18.6     | 18.0     |
| Operating performance           |        |        |        |          |          |
| ROE                             | 27.4   | 21.7   | 20.7   | 19.0     | 17.5     |
| ROA                             | 13.6   | 11.1   | 11.5   | 11.5     | 11.4     |
| ROIC                            | 17.3   | 13.8   | 14.3   | 13.8     | 13.4     |
| Financial structure (%)         |        |        |        |          |          |
| Total liab./equity              | 99.6   | 90.8   | 72.4   | 58.7     | 48.2     |
| Net debt/equity                 | 15.8   | 18.0   | 0.9    | Net Cash | Net Cash |
| Current ratio                   | 0.9    | 1.2    | 1.7    | 2.3      | 2.9      |
| Interest coverage (x)           | 35.8   | 20.5   | 20.5   | 23.0     | 25.7     |
| Activity ratios                 |        |        |        |          |          |
| Asset turnover (x)              | 1.1    | 0.9    | 0.9    | 0.9      | 0.9      |
| Receivables turnover (x)        | 13.0   | 14.4   | 13.4   | 12.4     | 11.5     |
| Payables turnover (x)           | 46.9   | 43.2   | 42.1   | 39.8     | 38.6     |
| Inventory turnover (x)          | 19.9   | 15.3   | 14.2   | 13.1     | 12.2     |

## Disclosures

### Rating & Target Price Changes (Share price —, Target price —)



#### Coway (021240)

| Date        | Rating | Analyst     | TP Differential (%) |        |         |
|-------------|--------|-------------|---------------------|--------|---------|
|             |        |             | (KRW)               | Avg.   | Max/Min |
| Feb-22-2021 | Buy    | Shinay Park | 93,000              | -21.99 |         |
| Jul-19-2021 | Buy    | Shinay Park | 100,000             | -15.09 | -12.40  |
| Aug-09-2021 | Buy    | Shinay Park | 105,000             | -27.81 | -19.71  |
| Feb-17-2022 | Buy    | Shinay Park | 100,000             | -33.47 | -27.50  |
| Sep-07-2022 | Buy    | Shinay Park | 90,000              | -38.36 | -33.78  |
| Mar-16-2023 | Buy    | Shinay Park | 80,000              |        |         |

### Classification of Investment Ratings

#### Stock Ratings (based on expected 12m performance)

Buy: +15% or beyond    Hold: Between 15% and -15%    Sell: -15% or beyond

Note: Classification revised from four ratings (Strong BUY, BUY, Marketperform, Underperform) to three (Buy, Hold, Sell) as of Feb 23, 2017; Basis for ratings revised from expected 6m return to expected 12m return as of Feb 10, 2020

#### Sector Ratings (based on expected 12m performance)

Positive: To outperform market    Neutral: To perform in line with market    Negative: To underperform market

Note: Classification revised from Overweight/Neutral/Underweight to Positive/Neutral/Negative as of Jun 28, 2017; Basis for ratings revised from expected 6m return to expected 12m return as of Feb 10, 2020

#### Ratings Distribution (as of December 31, 2022)

| Buy  | Hold | Sell |
|------|------|------|
| 86.7 | 13.3 | -    |

Note: Based on recommendations in the last 12 months

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