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Raise target price by 7% to KRW75,000

We maintain BUY and raise our DCF-based TP by 7% to KRW75,000 (revised 6y OP CAGR estimate: 4.1%→5.8%). For 2024, we anticipate overseas revenue growth to recover at ~8-10% (vs. 2% in 2023) and Berex products to increase their domestic market share. Thus, the stock should continue on its uptrend.

2024 forecast: Revenue/OP at +7% YoY/+6% YoY, record-high revenue/OP

We forecast 2024 consolidated revenue/OP at KRW4.26tn (+7% YoY)/KRW777.8bn (+6% YoY). ▲ Domestic (standalone) revenue/OP should increase 6% YoY/15% YoY (+20% in financial leases, -4% in operating leases, +12% in exports). Water purifier sales growth should be steady, and revenue from highly priced Berex products should grow rapidly, driving overall expansion. ▲ Malaysia revenue/OP should increase 8% YoY/3% YoY, with growth aligning with the company's strategy to expand its customer base. ▲ Thailand should see remarkable revenue growth of 34% YoY. Contributing factors include an increase in market penetration rate for water purifiers, the launch of new products (e.g., ice water purifier) and better brand awareness; we see a turn to black at KRW200mn.

4Q23 review: In line with market consensus despite various one-offs

Coway reported 4Q23 consolidated revenue/OP of KRW1.44tn (+3% YoY)/KRW166.2bn (+2% YoY), with OP in line with the market consensus. ▲ Domestic (standalone) revenue totaled KRW716.1bn (+5% YoY) but OP fell 18% YoY to KRW93.1bn. The OP decline is attributable to increased advertising costs related to Berex and execution of R&D investment costs, leading to a 3.5pp YoY decline in OPM. No. of rental accounts rose 17% YoY to 47,000 QoQ (net) thanks to +5% YoY in new rental sales and the monthly avg.

Buy Maintain

Target Price (Raised)	KRW75,000
Dividend yield*	2.3%
Total return	23.3%
Current price (Feb 8)	KRW62,000
Consensus target price	KRW70,250
Market capitalization	USD3.5bn

* 12-month forward

Trading Data

Free float	73.2%
Avg. T/O val. (3m, KRWbn)	7.6
Foreign ownership	61.5%
Major shareholders	Netmarble and 7 others 25.1%
	National Pension Service 6.5%

Stock Price Performance (total return)

(%)	1M	3M	6M	12M
Absolute	14.8	32.5	55.5	10.1
Relative	12.5	21.4	51.1	2.9

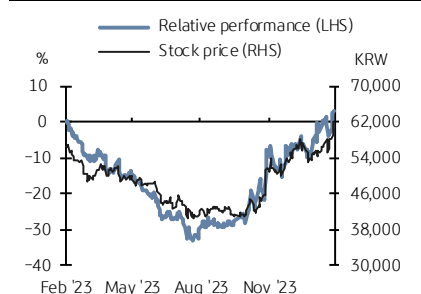
Risk & Total Return (annualized over three years)



Earnings Forecast & Valuation

Fiscal year-end	2023E	2024E	2025E	2026E
Revenue (KRWbn)	3,967	4,259	4,517	4,801
OP (KRWbn)	731	778	835	888
NP to control. int. (KRWbn)	471	530	575	616
EPS (KRW)	6,386	7,183	7,794	8,351
EPS growth (%)	2.9	12.5	8.5	7.1
P/E (x)	9.0	8.6	8.0	7.4
EV/EBITDA (x)	3.8	3.9	3.6	3.4
P/B (x)	1.6	1.5	1.3	1.2
ROE (%)	18.9	18.3	17.2	16.7
Div. yield (%)	2.4	2.3	2.3	2.4

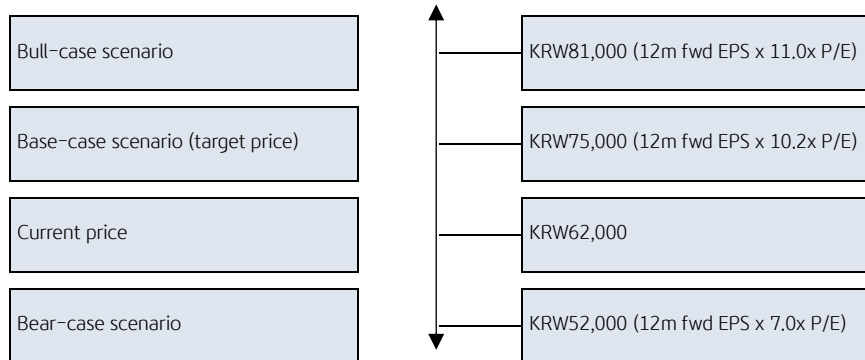
Stock Price & Relative Performance



Source(s): Company data, KB Securities

cancellation rate remaining low at 0.5% despite a high no. of account expirations (215,000). ▲ Malaysia revenue fell 5% YoY (1% growth based on localization) on weakened consumer sentiment and a reduced sales force, though OP rose 24% YoY on a temporary decrease in SG&A (e.g., advertising). ▲ U.S. revenue grew 5% YoY on even growth in commercial sales and door-to-door sales, with a turn to black at KRW500mn (+KRW4.5bn YoY; 1% OPM). ▲ Thailand revenue fell 7% YoY on organizational reshuffling, leading to operating loss of KRW4.1bn (KRW3.2bn reflected in loan loss provisions).

Investment Opinion & Risks



Base-case scenario: Catalysts

- 1) 2023–26 domestic revenue CAGR at 6%
- 2) 2023–26 overseas revenue CAGR at 8%

Bull-case scenario: Upside risks

- 1) 2023–26 domestic revenue CAGR above 6%
- 2) 2023–26 overseas revenue CAGR above 8%

Bear-case scenario: Downside risks

- 1) 2023–26 domestic revenue CAGR below 6%
- 2) 2023–26 overseas revenue CAGR below 8%

Revised Earnings Estimates

(KRWbn, %)	Previous		Revised		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,246.3	4,489.9	4,259.1	4,517.0	0.3	0.6
OP	779.3	826.8	777.8	834.9	-0.2	1.0
NP (to control. int.)	530.6	568.0	530.1	575.2	-0.1	1.3

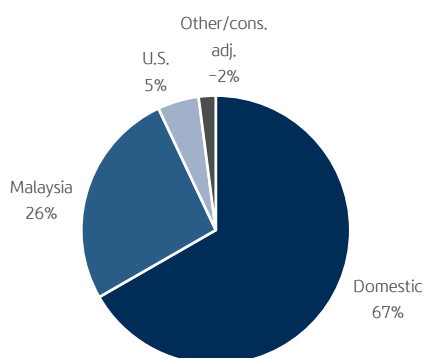
Source(s): KB Securities estimates

KB Estimates vs. Consensus

(KRWbn, %)	KB Estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,259.1	4,517.0	4,157.7	4,365.0	2.4	3.5
OP	777.8	834.9	774.0	819.7	0.5	1.9
NP (to control. int.)	530.1	575.2	539.2	572.7	-1.7	0.4

Source(s): FnGuide, KB Securities estimates

Revenue Composition (2023)



Source(s): Company data, KB Securities

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	4,575.6	8.6	10.5	1.44	16.9	3.9	1.2
Amorepacific	7,569.0	30.0	51.0	1.71	5.7	10.3	49.8
LG H&H	4,818.2	16.3	64.4	0.96	5.9	5.8	6.8

Source(s): KB Securities estimates

Valuation & Target Price Calculation

- 1) Valuation method:
Discounted cash flow model
- 2) Target price calculation:
8.00% WACC; 1.50% TGR
- 3) Target price range:
KRW52,000 – KRW81,000
- 4) Valuation at target price:
10.2x 12m fwd implied P/E, 1.75x P/B

Earnings Sensitivity Analysis

(%)	EPS change	
	2024E	2025E
+1pp in interest rate	-0.5	-0.4
+1% in FX rate	+0.3	+0.3

Table 1. 4Q23 Earnings Review (consolidated)

(KRWbn)	4Q23P	4Q22	YoY (%)	3Q23	QoQ (%)	Consensus	Diff. (%)	KB Est.	Diff. (%)
Revenue	1,004.4	980.2	2.5	1,007.7	-0.3	1,017.5	-1.3	1,028.9	-2.4
OP	166.2	163.7	1.5	195.3	-14.9	167.5	-0.8	173.8	-4.4
EBT	145.6	103.5	40.7	187.2	-22.2	159.9	-9.0	161.8	-10.0
NP	101.7	76.5	33.0	137.0	-25.7	115.0	-11.5	115.0	-11.5
OPM (%)	16.5	16.7		19.4		16.5		16.9	
EBT margin (%)	14.5	10.6		18.6		15.7		15.7	
NPM (%)	10.1	7.8		13.6		11.3		11.2	

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

Table 2. Earnings Estimate Revisions

(KRWbn)		Previous			Revised			Change (%)		
		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue		4,246.3	4,489.9	N/A	4,259.1	4,517.0	4,801.1	0.3	0.6	N/A
OP		779.3	826.8	N/A	777.8	834.9	941.8	-0.2	1.0	N/A
EBT		746.5	799.2	N/A	745.9	809.4	920.8	-0.1	1.3	N/A
NP (to control. int.)		530.6	568.0	N/A	530.1	575.2	616.3	-0.1	1.3	N/A
EPS (KRW)		7,312	7,828	N/A	7,305	7,927	8,494	-0.1	1.3	N/A
YoY (%)	Revenue	5.0	5.7	N/A	5.3	6.1	6.3			
	OP	7.5	6.1	N/A	7.3	7.3	12.8			
	EBT	11.7	7.1	N/A	11.6	8.5	13.8			
	NP (to control. int.)	11.8	7.1	N/A	11.7	8.5	7.1			
	EPS	11.8	7.1	N/A	11.7	8.5	7.1			
OPM (%)		18.4	18.4	N/A	18.3	18.5	19.6			
EBT margin (%)		17.6	17.8	N/A	17.5	17.9	19.2			
NPM (to control. int.) (%)		12.5	12.7	N/A	12.4	12.7	12.8			

Source(s): Company data, KB Securities estimates

Note: Previous estimates based on data as of Nov 20, 2023

Table 3. Earnings & Estimates (consolidated)

(KRWbn)	1Q23	2Q23	3Q23	4Q23P	1Q24E	2Q24E	3Q24E	4Q24E	2022	2023P	2024E	2025E	2026E
Revenue	948.3	1,006.2	1,007.7	1,004.4	1,042.7	1,070.0	1,070.4	1,076.0	3,856.1	3,966.5	4,259.1	4,517.0	4,801.1
Standalone	653.8	678.8	710.4	716.1	712.0	726.3	738.3	749.8	2,813.5	2,759.0	2,926.4	3,095.0	3,275.5
Malaysia	268.2	285.6	269.8	263.5	289.7	302.7	291.4	284.6	1,091.5	1,087.1	1,168.4	1,238.5	1,300.4
U.S.	38.8	61.1	53.2	52.2	54.3	55.0	55.9	54.8	199.8	205.3	220.0	231.0	242.5
Other subsidiaries	59.5	65.4	76.9	79.4	83.5	85.4	84.4	86.7	244.4	281.2	340.0	399.3	457.6
Cons. adj.	-72.0	-84.7	-102.6	-106.8	-96.9	-99.4	-99.4	-100.0	-493.1	-366.1	-395.7	-446.7	-474.8
YoY (%)													
Revenue	2.2	2.9	3.9	2.5	10.0	6.3	6.2	7.1	5.2	2.9	7.4	6.1	6.3
Standalone	-7.9	-3.0	-1.5	5.0	8.9	7.0	3.9	4.7	-0.0	-1.9	6.1	5.8	5.8
Malaysia	2.1	4.0	-2.4	-5.0	8.0	6.0	8.0	8.0	11.4	-0.4	7.5	6.0	5.0
U.S.	-15.3	13.8	4.9	5.2	40.0	-10.0	5.0	5.0	17.7	2.8	7.2	5.0	5.0
Other subsidiaries	18.8	0.2	28.2	15.1	40.4	30.5	9.7	9.2	43.9	15.1	20.9	17.5	14.6
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	68.9	67.5	70.5	71.3	68.3	67.9	69.0	69.7	73.0	69.6	68.7	68.5	68.2
Malaysia	28.3	28.4	26.8	26.2	27.8	28.3	27.2	26.4	28.3	27.4	27.4	27.4	27.1
U.S.	4.1	6.1	5.3	5.2	5.2	5.1	5.2	5.1	5.2	5.2	5.2	5.1	5.1
Other subsidiaries	6.3	6.5	7.6	7.9	8.0	8.0	7.9	8.1	6.3	7.1	8.0	8.8	9.5
Cons. adj.	-7.6	-8.4	-10.2	-10.6	-9.3	-9.3	-9.3	-9.3	-12.8	-9.2	-9.3	-9.9	-9.9
Operating profit	175.6	194.2	195.3	166.2	186.1	202.6	203.3	185.8	677.4	731.3	777.8	834.9	888.2
Standalone	115.6	143.4	144.9	93.1	135.3	148.9	151.3	135.0	514.7	497.0	570.5	611.0	646.7
Malaysia	45.1	46.7	35.0	59.8	47.8	50.0	48.1	47.0	202.0	186.6	192.8	202.8	213.0
U.S.	-2.8	10.2	1.7	0.5	2.4	2.5	2.5	2.5	6.6	9.6	9.9	10.9	12.1
Other subsidiaries	-6.3	-2.3	-1.7	-4.9	-1.2	-0.8	-0.7	-0.5	-25.9	-15.2	-3.1	1.9	7.6
Cons. adj.	24.0	-3.8	15.4	17.7	1.8	2.0	2.0	1.8	-20.1	53.2	7.7	8.3	8.8
YoY (%)													
OP	1.7	10.3	18.3	1.5	6.0	4.3	4.1	11.8	5.8	8.0	6.4	7.3	6.4
Standalone	-19.2	16.2	7.0	-17.5	17.0	3.8	4.4	45.0	14.0	-3.4	14.8	7.1	5.8
Malaysia	-16.0	-7.3	-29.3	23.6	6.0	7.0	37.4	-21.5	1.3	-7.6	3.3	5.2	5.0
U.S.	TTR	22.9	TTB	TTB	TTB	-75.7	47.9	393.3	-15.4	45.5	3.1	9.7	11.7
Other subsidiaries	RR	RR	RR	RR	RR	RR	RR	RR	RR	RR	RR	TTB	304.6
Cons. adj.	TTB	TTR	TTB	39.9	-92.3	TTB	-86.9	-89.6	TTR	TTB	-85.5	7.3	6.4
OPM (%)													
OP	18.5	19.3	19.4	16.5	17.9	18.9	19.0	17.3	17.6	18.4	18.3	18.5	18.5
Standalone	17.7	21.1	20.4	13.0	19.0	20.5	20.5	18.0	18.3	18.0	19.5	19.7	19.7
Malaysia	16.8	16.4	13.0	22.7	16.5	16.5	16.5	16.5	18.5	17.2	16.5	16.4	16.4
U.S.	-7.2	16.7	3.2	1.0	4.5	4.5	4.5	4.5	3.3	4.7	4.5	4.7	5.0
Other subsidiaries	-10.6	-3.5	-2.2	-6.2	-1.5	-0.9	-0.8	-0.5	-10.6	-5.4	-0.9	0.5	1.7
Cons. adj.	-33.3	4.5	-15.0	-16.6	-1.9	-2.0	-2.0	-1.8	4.1	-14.5	-1.9	-1.9	-1.9
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	65.8	73.8	74.2	56.0	72.7	73.5	74.4	72.7	76.0	68.0	73.4	73.2	72.8
Malaysia	25.7	24.1	17.9	36.0	25.7	24.7	23.6	25.3	29.8	25.5	24.8	24.3	24.0
U.S.	-1.6	5.3	0.9	0.3	1.3	1.2	1.2	1.3	1.0	1.3	1.3	1.3	1.4
Other subsidiaries	-3.6	-1.2	-0.9	-2.9	-0.7	-0.4	-0.3	-0.2	-3.8	-2.1	-0.4	0.2	0.9
Gross profit	612.1	645.9	658.7	654.7	672.0	685.9	698.7	700.3	2,486.5	2,571.5	2,756.8	2,919.3	3,098.1
EBT	174.3	153.4	187.2	145.6	178.2	194.6	195.3	177.8	683.3	660.6	745.9	809.4	920.8
NP (to control. int.)	125.3	107.2	137.0	101.7	126.6	138.3	138.8	126.4	458.2	471.3	530.1	575.2	616.3
EBITDA	288.6	305.3	302.4	272.0	284.3	300.7	301.5	283.9	1,160.3	1,168.3	1,170.4	1,196.3	1,284.0
YoY (%)													
Gross profit	2.1	3.1	7.5	1.1	9.8	6.2	6.1	7.0	4.1	3.4	7.2	5.9	6.1
EBT	-9.1	-21.0	-3.4	40.7	2.2	26.8	4.3	22.1	3.8	-3.3	12.9	8.5	13.8
NP (to control. int.)	-7.2	-19.2	20.2	33.0	1.0	29.0	1.3	24.2	-1.6	2.9	12.5	8.5	7.1
EBITDA	-3.2	2.6	6.2	-2.8	-1.5	-1.5	-0.3	4.4	-0.2	0.7	0.2	2.2	7.3
GPM (%)	64.5	64.2	65.4	65.2	64.4	64.1	65.3	65.1	64.5	64.8	64.7	64.6	64.5
EBT margin (%)	18.4	15.3	18.6	14.5	17.1	18.2	18.2	16.5	17.7	16.7	17.5	17.9	19.2
NPM (to control. int.) (%)	13.2	10.7	13.6	10.1	12.1	12.9	13.0	11.7	11.9	11.9	12.4	12.7	12.8
EBITDA margin (%)	30.4	30.3	30.0	27.1	27.3	28.1	28.2	26.4	30.1	29.5	27.5	26.5	26.7

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)	1Q23	2Q23	3Q23	4Q23P	1Q24E	2Q24E	3Q24E	4Q24E	2022	2023P	2024E	2025E	2026E	
Revenue	653.8	678.8	710.4	716.1	712.0	726.3	738.3	749.8	2,813.5	2,759.0	2,926.4	3,095.0	3,275.5	
Domestic home appliance	580.4	590.4	601.1	601.6	609.1	622.1	634.8	635.8	2,277.0	2,373.5	2,501.8	2,631.0	2,776.4	
Operating Lease	333.4	329.7	340.6	317.2	320.2	316.7	329.3	301.9	1,418.9	1,320.9	1,268.1	1,221.9	1,189.4	
Finance Lease	215.6	230.0	229.8	253.2	258.7	276.1	275.8	303.8	727.5	928.7	1,114.4	1,292.8	1,473.7	
Membership	22.8	22.3	22.2	22.4	22.5	22.0	21.9	22.2	89.3	89.7	88.7	87.6	85.8	
Lump-sum payment	5.0	5.0	4.4	4.4	4.0	4.0	3.5	3.5	27.2	18.8	14.9	12.7	11.1	
Other	3.6	3.3	4.2	4.4	3.6	3.4	4.2	4.4	14.0	15.4	15.7	16.0	16.4	
Exports	67.1	82.2	103.4	109.3	97.3	98.7	98.3	109.3	501.5	362.1	403.6	444.0	479.5	
Cosmetics	6.2	6.1	5.8	5.2	5.6	5.5	5.2	4.7	35.0	23.4	21.0	20.0	19.6	
YoY (%)	Revenue	-7.9	-3.0	-1.5	5.0	8.9	7.0	3.9	4.7	-0.0	-1.9	6.1	5.8	5.8
	Domestic HA	3.7	2.9	5.2	5.1	4.9	5.4	5.6	5.7	1.4	4.2	5.4	5.2	5.5
	Operating Lease	-8.7	-8.8	-2.5	-7.6	-4.0	-3.9	-3.3	-4.8	-8.0	-6.9	-4.0	-3.6	-2.7
	Finance Lease	34.8	27.6	21.4	27.8	20.0	20.0	20.0	20.0	34.0	27.6	20.0	16.0	14.0
	Membership	0.5	0.5	-0.7	1.1	-1.1	-1.1	-1.1	-1.1	-4.4	0.4	-1.1	-1.2	-2.0
	Lump-sum	-41.2	-20.4	-35.2	-21.3	-21.0	-21.0	-21.0	-21.0	-49.4	-30.8	-21.0	-14.5	-12.7
	Other	13.9	-7.4	10.7	23.7	2.0	2.0	2.0	2.0	9.4	10.0	2.0	2.0	2.0
	Exports	-52.6	-29.7	-27.0	7.9	45.0	20.0	-5.0	0.0	-4.7	-27.8	11.5	10.0	8.0
	Cosmetics	-31.6	-34.6	-29.3	-37.4	-10.0	-10.0	-10.0	-10.0	-19.0	-33.2	-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	
	Domestic HA	88.8	87.0	84.6	84.0	85.5	85.7	86.0	84.8	80.9	86.0	85.5	85.0	84.8
	Operating Lease	51.0	48.6	47.9	44.3	45.0	43.6	44.6	40.3	50.4	47.9	43.3	39.5	36.3
	Finance Lease	33.0	33.9	32.4	35.4	36.3	38.0	37.4	40.5	25.9	33.7	38.1	41.8	45.0
	Membership	3.5	3.3	3.1	3.1	3.2	3.0	3.0	3.0	3.2	3.3	3.0	2.8	2.6
	Lump-sum	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5	1.0	0.7	0.5	0.4	0.3
	Other	0.5	0.5	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.5	0.5	0.5
	Export	10.3	12.1	14.6	15.3	13.7	13.6	13.3	14.6	17.8	13.1	13.8	14.3	14.6
	Cosmetics	1.0	0.9	0.8	0.7	0.8	0.8	0.7	0.6	1.2	0.8	0.7	0.6	0.6
OP		115.6	143.4	144.9	93.1	135.3	148.9	151.3	135.0	514.7	497.0	570.5	611.0	646.7
YoY (%)		-19.2	16.2	7.0	-17.5	17.0	3.8	4.4	45.0	14.0	-3.4	14.8	7.1	5.8
OPM (%)		17.7	21.1	20.4	13.0	19.0	20.5	20.5	18.0	18.3	18.0	19.5	19.7	19.7
Key rental assumptions														
Total accounts ('000)		6,206.8	6,258.5	6,302.1	6,349.0	6,431.7	6,509.5	6,554.2	6,616.4	6,155.8	6,349.0	6,616.4	7,010.1	7,388.1
New ('000)		393.4	394.6	353.2	360.3	417.0	418.3	374.4	381.9	1,381.5	1,501.5	1,591.6	1,639.3	1,663.9
Churn ('000)		125.4	110.9	105.6	98.4	101.6	102.9	104.2	104.9	498.1	440.3	413.5	460.4	516.7
Expiries ('000)		217.0	232.0	204.0	215.0	232.7	237.6	225.5	214.9	746.0	868.0	910.7	785.2	769.3
Monthly ARPU (KRW)		29,605	29,936	30,276	30,059	30,197	30,534	30,881	30,660	29,385	29,983	30,626	30,757	30,827
Monthly avg. churn (%)		0.68	0.60	0.56	0.52	0.53	0.53	0.53	0.53	0.69	0.60	0.54	0.58	0.61
Expiries (%)		57.5	59.7	63.4	59.4	57.0	57.0	58.0	60.0	54.0	59.9	57.9	58.0	58.0
Key membership assumptions														
Total accounts ('000)		446.6	441.8	440.7	437.6	428.7	424.1	423.1	420.1	456.1	437.6	420.1	407.5	395.3
Monthly ARPU ('000 KRW)		16.8	16.7	16.7	17.0	17.3	17.2	17.2	17.5	15.8	16.7	17.2	17.6	17.8
Key lump-sum assumptions														
New sales ('000)		8.6	9.9	7.7	7.1	7.3	8.4	6.5	6.0	40.8	33.2	28.2	25.4	22.9
ARPU ('000 KRW)		590.0	507.1	571.0	619.5	548.7	471.6	531.1	576.2	666.7	567.1	527.4	501.1	486.0
Obsolescence (cons.; KRWbn)		11.8	11.4	11.3	9.5	11.6	11.9	11.9	11.9	53.1	44.1	47.3	50.4	53.6

Source(s): Company data, KB Securities estimates

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

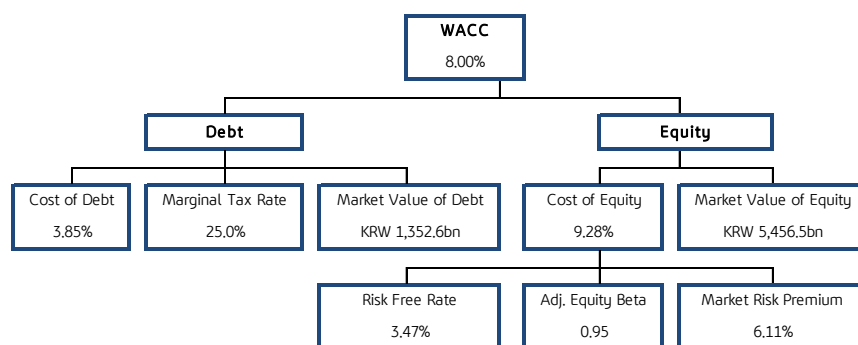
Table 5. Target Price Calculation: Discounted Cash Flow Model

(KRWbn)		2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash flow estimates									
OP	a	731.3	777.8	834.9	888.2	973.7	1,002.6	1,022.0	1,031.6
Effective tax rate (%)	b	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
NOPLAT	$C=a*(1-b)$	548.4	583.3	626.2	666.2	730.3	751.9	766.5	773.7
D&A	d	437.0	392.6	361.4	342.2	321.9	302.8	284.8	270.6
Total cash flow	$E=C+d$	985.5	976.0	987.6	1,008.4	1,052.2	1,054.7	1,051.3	1,044.3
Total investment	$F=g+h$	-781.2	-630.1	-520.6	-447.6	-680.0	-690.0	-690.0	-690.0
Change in working capital	g	-526.2	-360.1	-250.6	-167.6	-400.0	-400.0	-400.0	-400.0
Capex	h	-255.0	-270.0	-270.0	-280.0	-280.0	-290.0	-290.0	-290.0
FCFF	$I=E+F$	204.2	345.8	467.0	560.8	372.2	364.7	361.3	354.3
PV of cash flows									
Discount rate				7.1%	15.7%	25.0%	35.0%	45.8%	
PV of FCFF				389.3	484.7	297.8	270.2	247.9	
Total PV of FCFF (2025E-29E)	j		1,689.8						
Terminal growth rate (%)			1.50%		30y KTB yield				
Terminal value (2030E)			5,453.2		2030E FCFF / (WACC - TGR)				
PV of terminal value	k		3,741.3		8.00% WACC (3.47% risk-free rate; 6.11% market risk premium)				
Valuation									
Total cash flow (PV)	$L=j+k$		5,431.1						
Net cash	m		-3.9		12m fwd				
Investments in non-consolidated affiliates	n		33.3		End-3Q23				
Non-controlling interests	o		-2.1		End-3Q23				
Fair value	$P=L+(m+n+o)$		5,462.5						
No. of shares ('000)	q		72,564						
Target price (KRW)	$R=P/q$		75,000						
Current price (KRW)			62,000		Feb 8, 2024				
Upside (%)			21.0						
12m fwd implied P/E (x)			10.2						
12m fwd implied P/B (x)			1.75						

Source(s): Company data, KB Securities estimates

Fig 1. WACC Calculation

- (1) Cost of debt is 3.85% (YTD return of Coway's 1y KRW-based bonds); market value of debt based on total financial liabilities as of end-3Q23
- (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 WMIS00 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 (Nov 20, 2023)	Revised (Feb 13, 2024)	Notes
Cost of equity	A = B + C x D	8.81	9.28	
Risk-free rate	B	3.68	3.47	Avg. 1y MSB yield (last three months)
Adj. beta	C	0.95	0.95	52w adj. beta
Raw beta		0.47	0.52	
R ²		0.10	0.10	
Risk premium	D = E - F	5.41	6.11	
Market return	E	8.72	9.41	2001-23 annual avg. WMI500 total return
Risk-free rate	F	3.32	3.30	2001-23 annual avg. 1y MSB total return
Cost of debt	G	4.35	3.85	YTD yield of KRW-based 1y bonds
Fair shareholder value (KRWbn)		5,108.8	5,456.5	Value of outstanding shares based on TP
Debt (KRWbn)		1,349.4	1,352.6	Total financial liabilities as of end-3Q23
Weight of equity	H	80.0	80.0	
Weight of debt	I	20.0	20.0	
WACC	J = (A x H) + (G x I)	7.70	8.00	

Source(s): Company data, KB Securities estimates

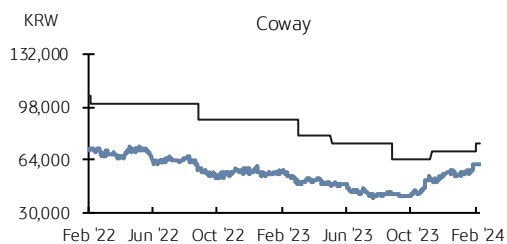
Table 7. Target Price Sensitivity to WACC & TGR

(KRW)		TGR						
		0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%
WACC	7.00%	81,797	83,747	85,834	88,072	90,480	93,077	95,885
	7.20%	79,347	81,157	83,089	85,157	87,375	89,761	92,334
	7.40%	77,047	78,730	80,523	82,438	84,487	86,685	89,049
	7.60%	74,884	76,452	78,119	79,896	81,793	83,824	86,002
	7.80%	72,845	74,309	75,863	77,515	79,275	81,156	83,168
	8.00%	70,921	72,289	73,740	75,000	76,917	78,661	80,524
	8.20%	69,101	70,383	71,739	73,176	74,702	76,324	78,053
	8.40%	67,378	68,580	69,850	71,194	72,619	74,131	75,738
	8.60%	65,743	66,873	68,065	69,323	70,655	72,067	73,565
	8.80%	64,190	65,253	66,373	67,554	68,802	70,122	71,520
9.00%	62,714	63,715	64,769	65,878	67,049	68,285	69,593	

Source(s): Company data, KB Securities estimates

Disclosures

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



Coway (021240)

Date	Rating	Analyst	TP Differential (%)		
			(KRW)	Avg.	Max/Min
Feb-03-2022	Buy	Shinay Park	105,000	-31.03	
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	-36.80	-34.38
May-16-2023	Buy	Shinay Park	75,000	-40.95	-34.20
Sep-07-2023	Buy	Shinay Park	65,000	-32.03	-16.77
Nov-20-2023	Buy	Shinay Park	70,000	-21.51	-11.43
Feb-13-2024	Buy	Shinay Park	75,000		

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

Ratings Distribution (as of December 31, 2023)

Buy	Hold	Sell
89.0	11.0	-

Note: Based on recommendations in the last 12 months

Sector Ratings (based on expected 12m performance)

Positive: Neutral: Negative:

To outperform market To perform in line with market 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

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