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Decision to put company up for sale to trigger uncertainties, but beneficial for share price in light of concerns involving Woongjin

We maintain BUY and a target price of KRW105,000 on Woongjin Coway. Woongjin Coway shares outperformed the KOSPI by 5% after Woongjin decided on Jun 27 to sell Coway, three months after its acquisition under Woongjin ThinkBig. All eyes are on a possible race to acquire Coway in the stock markets instead of earnings, which remained steady in 2Q19. Concerns over uncertainties will be inevitable until a new owner emerges. However, Woongjin Coway's differentiated competitiveness (R&D and services) and earnings stability will remain unaffected. Woongjin Coway shares have strong downward rigidity, currently trading at a 2019 PER of 15x, with 2019 dividend yield estimated at 4% (DPS of KRW3,200). If a new buyer is decided, Coway will receive a boost, given lingering concerns over Woongjin Group (e.g., transparency in management, deteriorating profitability). We maintain a positive stance on Woongjin Coway.

2Q19 OR increases 11%, OP climbs 7%, coming in line with market consensus, OP increases 19% YoY after removing one-off factors

Woongjin Coway turned in consolidated OR of KRW755.5bn (+11% YoY) and OP of KRW138.2bn (+7% YoY) in 2Q19, posting record-high quarterly OR and OP (in line with market consensus and our estimate). ▲ Standalone OR reached KRW635.2bn (+7% YoY) and OP stood at KRW110.5bn (-8% YoY). One-off factors include KRW3bn in royalty expenses (beginning in 2Q19; 0.5% of standalone OR) and KRW15.4bn in expenses incurred due to lawsuits on retirement benefits for CS Dr. (installation and after-service employees). Excluding these two expenses, standalone OP reached KRW128.9bn (+8% YoY). 1) Domestic rental OR climbed 2%, while financial lease OR surged 66%. Air purifier sales slowed QoQ, but new rental sales reached 417,000 accounts (+7% YoY) thanks to brisk rentals of water purifiers, clothing fresheners and electric stoves.

Buy maintain

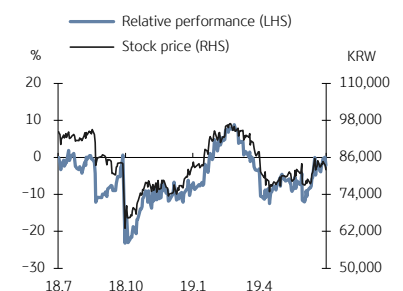
Target Price (maintain)	KRW105,000
Upside/Downside	28.0%
Current price (Jul 30)	KRW82,000
Consensus Target Price	KRW99,833
Market cap	USD5.2bn

Trading Data	
Free float	72.7%
Avg T/O Val (3M, KRWbn)	16.0
Foreign ownership	57.8%
Major shareholders	Woongjin Thinkbig and 8 others
	25.2%
	NPS 9.2%

Share price performance					
(%)	1M	3M	6M	12M	
Absolute	5.9	-6.6	-3.0	-13.0	
Relative	10.7	0.9	5.0	-2.2	

Forecast earnings & valuation

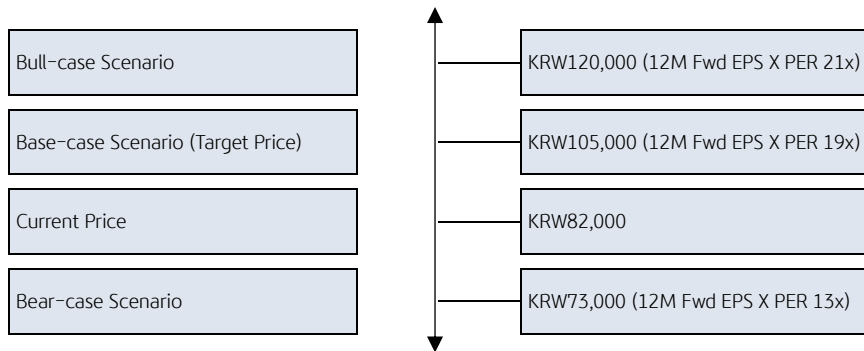
FY-end	2018A	2019E	2020E	2021E
OR (KRWbn)	2,707	3,019	3,271	3,482
OP (KRWbn)	520	552	585	617
NP to parent (KRWbn)	350	399	414	438
EPS (KRW)	4,735	5,411	5,612	5,929
EPS Growth (%)	9.4	14.3	3.7	5.6
PER (x)	15.6	15.2	14.6	13.8
EV/EBITDA (x)	7.8	7.7	7.3	6.9
PBR (x)	5.0	5.3	4.5	4.0
ROE (%)	33.8	35.7	33.4	30.6
Div. Yield (%)	4.9	3.9	4.1	4.4



Source: Woongjin Coway, KB Securities estimates

The churn rate held steady at 1.01%, leading to a net increase in rental sales reaching 108,000 accounts. 2) Lump-sum sales dropped 8%, but sales would have increased 13%, if the impact of a changed sales system is removed. ▲ Four overseas wellness home appliance subsidiaries turned in combined OR of KRW156.6bn (+39% YoY) and combined OP of KRW21.7bn (+43% YoY). 3) The Malaysian subsidiary saw OR and OP increase 39%, respectively, while the number of its accounts increased 44%. 4) The US subsidiary saw OR increase 36% and OP reach KRW400mn (turn black YoY). Sales to Amazon grew 100%, accounting for 32% of US OR in 2Q19.

Investment opinion and risks



Base-case Scenario: Catalysts

- 1) Sales at domestic business displays CAGR of 5% over next 2 years
- 2) Combined overseas sales display CAGR of 16% over next 2 years

Bull-case Scenario: Upside risks

- 1) Sales at domestic business displays CAGR of more than 5% over next 2 years
- 2) Combined overseas sales display CAGR of more than 16% over next 2 years

Bear-case Scenario: Downside risks

- 1) Sales at domestic business display CAGR of less than 5% over next 2 years
- 2) Combined overseas sales display CAGR of less than 16% over next 2 years

Revised earnings estimates

(KRWbn, %)	Previous		Revised		Change	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	3,019.0	3,249.5	3,019.2	3,271.1	0.0	0.7
OP	542.6	583.8	551.5	585.3	1.7	0.3
NP to parent	391.9	418.4	399.3	414.1	1.9	-1.0

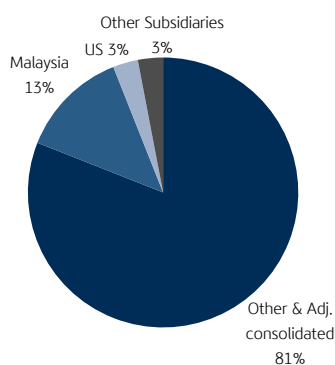
Source: KB Securities estimates

KB estimate vs. Consensus

(KRWbn, %)	KB est.		Consensus		Difference	
	2019E	2020E	2019E	2020E	2019E	2020E
OR	3,019.2	3,271.1	2,958.0	3,195.1	2.1	2.4
OP	551.5	585.3	545.8	590.8	1.0	-0.9
NP to parent	399.3	414.1	381.5	414.4	4.7	-0.1

Source: FnGuide, KB Securities estimates

OR composition (2017, %)



Source: Company data, KB Securities

Peer group comparison

(USDbn, X, %)	Market cap.	PER		PBR		EV/EBITDA		ROE		Dividend Yield	
		2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
Cuckoo Homesys	0.8	15.9	12.5	2.4	2.1	n.a.	n.a.	14.9	16.6	1.5	1.8
Lock & Lock	0.7	24.8	16.9	1.2	1.1	10.9	7.8	4.9	6.7	2.5	2.5
RINNAI CORP	3.5	19.2	17.9	1.3	1.2	6.3	5.4	6.5	6.7	1.2	1.2
Whirlpool	9.5	9.9	8.9	3.4	2.7	7.0	6.5	33.9	30.6	3.5	3.5

Source: Bloomberg, KB Securities

Valuation and target price calculation

- 1) Valuation method: PER valuation
- 2) Target price calculation: Applied 12M Fwd EPS with target PER multiple of 19x (discounted 10% from average of 2013~2018 PER)
- 3) Target price range: KRW120,000 ~ KRW73,000
- 4) Valuation at target price: 2019E Implied PER of 19.0x, PBR of 6.6x

Earnings sensitivity analysis

(%)	EPS change	
	2019E	2020E
1%p rise in interest rate	-0.9	-0.7
1% rise in FX rate	+0.3	+0.3

Table 1. Coway: Consolidated 2Q19 earnings

(KRWbn)	2Q19	2Q18	YoY (%)	1Q19	QoQ (%)	Consensus	Var (%)	KB Securities	Var (%)
OR	755.5	678.1	11.4	709.3	6.5	735.4	2.7	746.5	1.2
OP	138.2	129.3	6.9	135.2	2.3	136.0	1.6	135.4	2.1
EBT	136.8	122.7	11.5	135.5	1.0	128.7	6.3	129.0	6.1
NP (to parent)	101.9	90.8	12.3	100.5	1.4	97.9	4.1	96.8	5.3
OPM (%)	18.3	19.1		19.1		18.5		18.1	
EBT margin (%)	18.1	18.1		19.1		17.5		17.3	
NPM (to parent) (%)	13.5	13.4		14.2		13.3		13.0	

Source: Company, Fnguide, KB Securities

Table 1. Coway: PER valuation

	2016	2017	2018	2019E	2020E	2021E
Consolidated EPS (KRW)	3,324	4,521	4,852	5,532	5,738	6,062
Applied PER (X)				19.0	19.0	19.0
Value per share (KRW)				105,000	109,000	115,000
Upside (%)				28.2	32.9	40.4
TP (KRW)	105,000					
2019E EPS (KRW)				5,651		
Target PER (X)				19.0		
Current price (KRW)				82,000		(2019.07.30)
Upside (%)				28.0		
Applied PER of TP (X)				19.0	18.3	17.3
PER of current price (X)				14.8	14.3	13.5

Source: KB Securities estimates

Note: Target price is calculated by applying 10% discount to average PER (2013~2018) of 21x

Table 3. Coway: Revised earnings estimates

(KRWbn)	Before			After			Change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
OR	3,019.0	3,249.5	3,457.9	3,019.2	3,271.1	3,482.2	0.0	0.7	0.7
OP	542.6	583.8	619.6	551.5	585.3	616.8	1.7	0.3	-0.5
EBT	523.7	557.3	593.0	538.1	559.1	590.7	2.8	0.3	-0.4
NP (to parent)	391.9	418.4	445.2	399.3	414.1	437.5	1.9	-1.0	-1.7
EPS (KRW)	5,310.3	5,669.1	6,168.2	5,410.6	5,611.7	6,061.5	1.9	-1.0	-1.7
YoY (%)									
OR	11.5	7.6	6.4	11.5	8.3	6.5			
OP	4.4	7.6	6.1	6.1	6.1	5.4			
EBT	11.8	6.4	6.4	14.8	3.9	5.6			
NP (to parent)	11.9	6.8	6.4	14.0	3.7	5.6			
EPS	11.9	6.8	8.8	14.0	3.7	8.0			
OPM (%)	18.0	18.0	17.9	18.3	17.9	17.7			
EBT margin (%)	17.3	17.1	17.2	17.8	17.1	17.0			
NPM (to parent, %)	13.0	12.9	12.9	13.2	12.7	12.6			

Source: Company data, KB Securities estimates

Note: Based on changes relative to 2019 May 2 estimates

Table 4. Coway: Earnings trend and estimates (consolidated)

(KRWbn)		1Q18	2Q18	3Q18	4Q18	1Q19	2Q19E	3Q19E	4Q19E	2017	2018	2019E	2020E
Consolidated OR		647.8	678.1	669.8	711.7	709.3	755.5	751.9	802.6	2,516.8	2,707.3	3,019.2	3,271.1
Stand-alone		571.5	595.8	595.4	632.7	606.6	635.2	631.5	674.3	2,320.5	2,395.5	2,547.6	2,692.7
Malaysia		65.7	91.6	92.3	103.8	112.5	127.6	124.6	134.9	207.5	353.4	499.6	599.6
U.S.		17.6	17.4	21.1	24.4	20.9	23.6	24.3	28.1	65.0	80.5	96.8	107.8
Other subsidiaries		22.7	25.1	20.6	20.1	16.7	27.4	23.8	21.1	64.5	88.5	89.0	98.4
Adjust.		-30.0	-51.8	-59.7	-69.4	-47.4	-58.4	-52.3	-55.8	-141.4	-210.8	-213.9	-227.4
YoY (%)	Consol. OR	6.2	8.8	6.4	8.9	9.5	11.4	12.3	12.8	5.9	7.6	11.5	8.3
	Stand-alone	-0.1	3.6	1.1	8.2	6.1	6.6	6.1	6.6	5.3	3.2	6.4	5.7
	Malaysia	50.6	86.8	67.7	73.7	71.1	39.3	35.0	30.0	45.1	70.4	41.4	20.0
	U.S.	15.4	11.4	35.4	31.0	19.1	35.6	15.0	15.0	8.0	23.7	20.3	11.3
	Other subsidiaries	80.6	27.5	81.9	-3.8	-26.5	9.2	15.4	5.0	15.4	37.3	0.5	10.6
	Revised	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC
	Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Stand-alone	88.2	87.9	88.9	88.9	85.5	84.1	84.0	84.0	92.2	88.5	84.4	82.3
	Malaysia	10.1	13.5	13.8	14.6	15.9	16.9	16.6	16.8	8.2	13.1	16.5	18.3
	U.S.	2.7	2.6	3.2	3.4	2.9	3.1	3.2	3.5	2.6	3.0	3.2	3.3
	Other subsidiaries	3.5	3.7	3.1	2.8	2.4	3.6	3.2	2.6	2.6	3.3	2.9	3.0
	Revised	-4.6	-7.6	-8.9	-9.7	-6.7	-7.7	-7.0	-7.0	-5.6	-7.8	-7.1	-7.0
Consolidated OP		131.3	129.3	130.4	128.8	135.2	138.2	141.5	136.6	472.7	519.8	551.5	585.3
Stand-alone		123.1	119.9	120.6	113.7	122.4	110.5	123.1	116.0	478.4	477.2	472.0	496.3
Malaysia		9.2	15.9	17.0	20.2	19.1	22.1	21.8	23.6	17.5	62.3	86.6	98.9
U.S.		0.6	-0.1	1.3	1.3	0.8	0.4	1.3	1.6	0.5	3.1	4.1	5.0
Other subsidiaries		-2.4	-1.2	-1.5	-3.1	-2.8	1.3	-0.4	-0.3	-3.7	-8.2	-2.2	0.0
Adjust.		0.8	-5.2	-7.0	-3.2	-4.3	3.9	-4.4	-4.2	-20.0	-14.6	-9.0	-15.0
YoY (%)	Consol. OR	8.6	7.2	5.0	20.3	2.9	6.9	8.6	6.0	39.5	10.0	6.1	6.1
	Stand-alone	0.1	-4.3	-5.0	10.1	-0.6	-7.8	2.1	2.0	29.8	-0.2	-1.1	5.1
	Malaysia	300.0	396.9	240.0	188.6	107.6	39.0	28.3	16.9	161.2	256.0	39.0	14.2
	U.S.	200.0	N/A	225.0	TB	33.3	TB	2.7	23.0	N/A	520.0	33.4	22.2
	Other subsidiaries	LC	LC	LC	TR	LC	TB	LC	LC	LC	LC	LC	TB
	Revised	TB	LC	LC	LC	TR	TB	LC	LC	LC	LC	LC	LC
	OPM (%)	Consol. OR	20.3	19.1	19.5	18.1	19.1	18.3	18.8	17.0	18.8	19.2	18.3
	Stand-alone	21.5	20.1	20.3	18.0	20.2	17.4	19.5	17.2	20.6	19.9	18.5	18.4
	Malaysia	14.0	17.4	18.4	19.5	17.0	17.3	17.5	17.5	8.4	17.6	17.3	16.5
	U.S.	3.4	-0.6	6.2	5.3	3.8	1.7	5.5	5.7	0.8	3.9	4.3	4.7
	Other subsidiaries	-10.6	-4.8	-7.3	-15.4	-16.8	4.7	-1.6	-1.6	-5.7	-9.3	-2.5	0.0
	Revised	-2.7	9.9	11.8	4.6	9.1	-6.7	8.4	7.6	14.1	6.9	4.2	6.6
Proportion (%)	Consol. OR	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Stand-alone	93.7	92.7	92.5	88.2	90.5	80.0	87.0	84.9	101.2	91.8	85.6	84.8
	Malaysia	7.0	12.3	13.0	15.7	14.1	16.0	15.4	17.3	3.7	12.0	15.7	16.9
	U.S.	0.5	-0.1	1.0	1.0	0.6	0.3	0.9	1.2	0.1	0.6	0.7	0.9
	Other subsidiaries	-1.8	-0.9	-1.2	-2.4	-2.1	0.9	-0.3	-0.2	-0.8	-1.6	-0.4	0.0
		Revised											
GP		446.0	460.0	455.8	467.3	476.4	506.4	451.5	462.8	1,718.3	1,829.1	1,897.1	2,046.2
EBT		127.8	122.7	118.2	99.9	135.5	136.8	135.1	130.6	439.9	468.6	538.1	559.1
NP		95.3	90.8	94.3	69.8	100.5	101.9	100.1	96.7	326.1	350.2	399.3	414.1
NP to parent		192.8	192.2	194.9	195.5	206.3	210.0	211.9	205.0	708.3	775.4	833.2	871.0
EBITDA		6.9	7.4	4.9	6.7	6.8	10.1	-0.9	-1.0	9.9	6.4	3.7	7.9
YoY (%)	GP	27.0	-2.6	-4.8	12.2	6.1	11.5	14.4	30.7	35.9	6.5	14.8	3.9
	EBT	26.2	-4.7	0.9	13.0	5.4	12.3	6.1	38.6	33.8	7.4	14.0	3.7
	NP	7.7	7.4	6.3	17.0	7.0	9.3	8.8	4.8	23.8	9.5	7.5	4.5
	NP to parent	68.8	67.8	68.0	65.7	67.2	67.0	60.0	57.7	68.3	67.6	62.8	62.6
	EBITDA	19.7	18.1	17.6	14.0	19.1	18.1	18.0	16.3	17.5	17.3	17.8	17.1
NPM to parent (%)		14.7	13.4	14.1	9.8	14.2	13.5	13.3	12.1	13.0	12.9	13.2	12.7
EBITDA Margin (%)		29.8	28.3	29.1	27.5	29.1	27.8	28.2	25.5	28.1	28.6	27.6	26.6

Source: Company data, KB Securities estimates

Table 5. Coway: Earnings trend and estimates (stand-alone)

(KRWbn)	1Q18	2Q18	3Q18	4Q18	1Q19E	2Q19E	3Q19E	4Q19E	2017	2018	2019E	2020E
Stand-alone OR	571.5	595.8	595.4	632.7	606.6	635.2	631.5	674.3	2,320.5	2,395.5	2,547.6	2,692.7
Domestic home appliance	496.6	505.4	498.0	517.5	517.6	532.7	521.2	545.0	1,981.0	2,017.5	2,116.5	2,214.3
Rental	378.7	382.7	382.2	384.0	384.7	391.7	393.1	407.7	1,506.0	1,527.7	1,577.1	1,651.2
Home care	38.6	40.9	45.2	60.5	56.3	67.6	63.2	66.5	122.8	185.1	253.7	279.1
Membership	32.2	31.1	29.4	28.4	27.9	27.0	25.2	24.4	144.7	121.2	104.4	96.4
One-off payment	43.9	47.3	38.2	41.4	45.6	43.5	36.9	43.3	192.2	170.8	169.3	176.1
Etc.	3.2	3.4	3.0	3.2	3.0	2.9	2.9	3.1	15.2	12.8	11.9	11.5
Export	54.3	71.8	79.9	96.4	70.1	83.8	93.1	110.9	259.7	302.5	357.9	403.6
Cosmetics	20.6	18.6	17.5	18.8	18.9	18.8	17.2	18.4	79.7	75.5	73.3	74.7
YoY (%)												
Stand-alone OR	-0.1	3.6	1.1	8.2	6.1	6.6	6.1	6.6	5.3	3.2	6.4	5.7
Domestic home appliance	2.8	0.9	-0.6	4.3	4.2	5.4	4.7	5.3	3.6	1.8	4.9	4.6
Rental	2.5	0.9	1.0	1.5	1.6	2.3	2.9	6.2	0.9	1.4	3.2	4.7
Home care	49.3	35.3	28.7	91.1	45.9	65.5	40.0	10.0	16.5	50.7	37.1	10.0
Membership	-14.9	-15.4	-18.0	-17.0	-13.5	-13.3	-14.5	-14.2	-13.6	-16.3	-13.8	-7.7
One-off payment	-4.5	-6.2	-19.2	-14.8	4.0	-7.9	-3.6	4.5	-1.8	-11.2	-0.9	4.0
Etc.	-17.5	-12.8	-25.2	-6.3	-6.0	-14.8	-3.0	-3.0	-18.6	-15.8	-6.9	-3.0
Export	-20.1	29.3	16.5	42.7	29.1	16.6	16.5	15.0	19.7	16.5	18.3	12.8
Cosmetics	-1.6	-0.7	-9.6	-9.2	-8.1	1.0	-2.0	-2.0	7.4	-5.3	-2.9	2.0
Proportion (%)												
Stand-alone OR	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 home appliance	86.9	84.8	83.6	81.8	85.3	83.9	82.5	80.8	85.4	84.2	83.1	82.2
Rental	66.3	64.2	64.2	60.7	63.4	61.7	62.2	60.5	64.9	63.8	61.9	61.3
Home care	6.8	6.9	7.6	9.6	9.3	10.6	10.0	9.9	5.3	7.7	10.0	10.4
Membership	5.6	5.2	4.9	4.5	4.6	4.2	4.0	3.6	6.2	5.1	4.1	3.6
One-off payment	7.7	7.9	6.4	6.5	7.5	6.9	5.8	6.4	8.3	7.1	6.6	6.5
Etc.	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.7	0.5	0.5	0.4
Export	9.5	12.1	13.4	15.2	11.6	13.2	14.7	16.4	11.2	12.6	14.0	15.0
Cosmetics	3.6	3.1	2.9	3.0	3.1	3.0	2.7	2.7	3.4	3.2	2.9	2.8
Stand-alone OP	123.1	119.9	120.6	113.7	122.4	110.5	123.1	116.0	478.4	477.2	472.0	496.3
YoY (%)	0.1	-4.3	-5.0	10.1	-0.6	-7.8	2.1	2.0	29.8	-0.2	-1.1	5.1
OPM (%)	21.5	20.1	20.3	18.0	20.2	17.4	19.5	17.2	20.6	19.9	18.5	18.4
Key assumption of rental												
Total account ('000)	5,032.3	5,106.3	5,154.1	5,229.8	5,349.8	5,458.3	5,508.4	5,580.5	4,969.9	5,229.8	5,580.5	5,826.4
New sales ('000)	377.1	388.8	321.9	362.2	408.3	416.9	341.2	376.7	1,381.7	1,450.0	1,543.1	1,595.5
Cancellation ('000)	152.1	166.9	156.0	169.5	159.5	162.7	163.7	165.3	625.4	644.5	651.1	684.1
Arrival of due date ('000)	162.6	147.9	118.1	117.0	128.8	145.7	127.4	139.3	635.9	545.7	541.2	665.7
ARPU (Monthly avg.) (KRW)	27,817	27,854	27,766	28,539	27,792	28,331	27,738	28,510	27,646	27,988	28,227	28,203
Cancellation proportion (Monthly avg.) (%)	1.0	1.1	1.0	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.0
Arrival of due date proportion (%)	51.1	49.6	45.9	40.1	40.7	39.3	41.0	42.0	52.2	46.8	40.7	47.3
Key assumption of membership												
Total account ('000)	752.1	735.9	693.8	670.3	644.9	628.4	596.6	576.4	778.4	670.3	576.4	536.1
ARPU (Monthly avg.) (KRW)	14,030	13,927	13,726	13,901	14,130	14,116	13,699	13,873	14,776	13,941	13,959	14,442
Key assumption of one-off payment												
New sales ('000)	49.1	54.4	44.2	49.5	58.8	49.3	42.0	50.9	250.6	197.2	201.1	207.1
ARPU (KRW)	893,867	868,986	863,873	837,092	776,074	882,868	876,831	849,649	767,223	866,032	841,964	850,384
Obsolescence loss (Consolidated) (KRWbn)	10.9	13.0	13.4	11.5	10.4	11.1	12.1	12.5	43.5	48.8	46.1	52.2

Source: Company data, KB Securities estimates

Profit & Loss					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,517	2,707	3,019	3,271	3,482
Cost of sales	798	878	1,122	1,225	1,308
Gross profit	1,718	1,829	1,897	2,046	2,175
SG&A expenses	1,246	1,309	1,346	1,461	1,558
Operating profit	473	520	552	585	617
EBITDA	708	775	853	871	906
Non-operating accounts	-33	-51	-13	-26	-26
Interest income	1	1	2	2	3
Interest expenses	12	18	20	20	21
Profit on equity method	0	0	0	0	0
Net other non-operating income	-22	-35	4	-8	-8
Profit before tax	440	469	538	559	591
Income tax expense	114	119	139	145	154
Net profit	326	350	399	414	437
NP to parent	326	350	399	414	438
Adj. net profit	326	350	399	414	438

Operating Statistics & Ratios					
(%)	2017A	2018A	2019E	2020E	2021E
OR growth	5.9	7.6	11.5	8.3	6.5
OP growth	39.5	10.0	6.1	6.1	5.4
EBITDA growth	23.8	9.5	7.5	4.5	4.0
NP growth of parent	33.8	7.4	14.0	3.7	5.7
GP margin	68.3	67.6	62.8	62.6	62.5
OP margin	18.8	19.2	18.3	17.9	17.7
EBITDA margin	28.1	28.6	27.6	26.6	26.0
EBT margin	17.5	17.3	17.8	17.1	17.0
NP margin	12.9	12.9	13.2	12.7	12.6

Cash Flow					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
Cash flow from operating activities	554	539	539	515	538
Net profit	326	350	399	414	437
Depreciation & amortization	236	256	282	286	289
Other non-cash adjustments	241	286	178	145	154
Investments in working capital	-148	-237	-183	-184	-187
Decrease(Increase) in Receivables	-59	20	12	-30	-33
Decrease(Increase) in Inventories	-6	-26	-11	-11	-12
Increase(Decrease) in Payables	21	-3	-4	2	2
Other operating cash flow	-100	-116	-137	-145	-154
Cash flow from investing activities	-290	-394	-306	-326	-328
Capital expenditure	-323	-388	-297	-300	-300
Investments in intangibles	-8	-6	-10	-10	-10
Changes in investment assets	-1	-1	0	0	0
Other investment cash flow	1	2	0	0	0
Cash flow from financing activities	-218	-187	-64	-134	-130
Proceeds from (repayments of) debt	330	59	9	13	15
Changes in equity	-127	3	1	0	0
Dividends paid	-409	-231	-202	-173	-188
Other financing cash flow	-12	-18	128	26	42
Other cash flow	-2	0	1	0	0
Increase/decrease in cash	44	-41	170	55	81
Cash and cash equivalents at FYE	110	69	239	294	374
Free cash flow	250	152	242	215	238
Net cash flow	-303	-54	189	58	83
Net cash (net debt)	-513	-567	-378	-320	-238

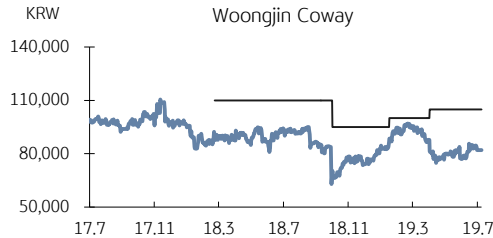
Statement of financial position					
(KRWbn)	2017A	2018A	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	2,159	2,379	2,691	2,840	3,018
Current assets	791	844	1,084	1,209	1,366
Cash and cash equivalents	110	69	239	294	374
Current financial assets	60	107	160	176	194
Trade receivables	315	302	296	325	358
Inventories	75	103	113	125	137
Other current assets	232	255	267	281	295
Non-current assets	1,367	1,535	1,607	1,631	1,652
Investment assets	89	82	42	42	42
Property, plant and equipment	712	781	821	845	865
Intangible assets	184	160	160	161	161
Other non-current assets	381	506	549	549	549
Total liabilities	1,177	1,291	1,541	1,508	1,495
Current liabilities	1,125	1,234	1,456	1,441	1,428
Trade payables	54	62	64	66	68
Short-term financial liabilities	670	732	754	769	784
Other current liabilities	361	440	638	606	576
Non-current liabilities	52	57	85	67	67
Non-current financial liabilities	13	11	24	22	22
Other non-current liabilities	21	30	26	26	26
Total equity	982	1,088	1,149	1,332	1,523
Issued capital	41	41	41	41	41
Share premium	129	130	132	132	132
Other equity interest	-146	-45	-52	-52	-52
Accumulated other comprehensive income	-5	-4	1	1	1
Retained earnings	963	967	1,028	1,212	1,403
Equity attributable to owners of parent	982	1,088	1,150	1,333	1,525
Non-controlling Interests	0	0	-1	-1	-2

Key Ratio					
(X, %, KRW)	2017A	2018A	2019E	2020E	2021E
Multiples					
PER	22.6	15.6	15.2	14.6	13.8
PBR	7.4	5.0	5.3	4.5	4.0
PSR	2.9	2.0	2.0	1.9	1.7
EV/EBITDA	11.0	7.8	7.7	7.3	6.9
EV/EBIT	16.5	11.6	11.7	10.9	10.2
Dividend yield, ordinary (%)	3.3	4.9	3.9	4.1	4.4
EPS	4,328	4,735	5,411	5,612	5,929
BPS	13,128	14,744	15,584	18,064	20,665
SPS	33,402	36,604	40,911	44,324	47,184
DPS (Annual, Ordnrly.)	3,200	3,600	3,200	3,400	3,600
Cash dividends payout ratio (%)	71.2	74.2	57.9	59.3	59.4
Operating performance					
ROE	30.1	33.8	35.7	33.4	30.6
ROA	15.8	15.4	15.7	15.0	14.9
ROIC	25.6	26.0	26.9	28.3	27.9
Financial structure (%)					
Total liab./equity	119.8	118.7	134.1	113.2	98.1
Net debt/equity	52.2	52.1	32.9	24.1	15.6
Current Ratio	0.7	0.7	0.7	0.8	1.0
Interest coverage (x)	38.3	29.2	27.9	28.7	29.7
Activity ratios					
Asset turnover (x)	1.2	1.2	1.2	1.2	1.2
Receivables turnover (x)	8.3	8.8	10.1	10.5	10.2
Inventory turnover (x)	34.7	30.5	27.9	27.5	26.6

Source: Woongjin Coway, KB Securities estimates

Disclosures

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



Woongjin Coway (021240)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
18-03-21	Buy	110,000	-17.91	-13.64
18-09-21	6 month later	110,000	-25.26	-21.09
18-10-31	Buy	95,000	-19.55	-8.95
19-02-15	Buy	100,000	-7.45	-3.00
19-05-02	Buy	105,000		

KB Securities is an issuer and a liquidity provider of Equity Linked Warrants (ELW) which has the stock of [Woongjin Coway] as the underlier as of the date of this report.

KB Securities has not provided any material in this research to institutional investors or third parties in advance of publishing this report. The research analysts responsible for the preparation of this report do not have any beneficial interest in any security or issuer covered in this report and they certify that all the analysis was made in good faith and the views accurately reflect his or her personal opinion, without any undue influence or intervention.

Proportion of investment rating (as of June 30, 2019)

Buy	Hold	Sell
74.8	25.2	-

* Note: Based on reports presented with investment ratings over the past one year

Classification and Standards for Investment Rating

Investment Rating for Company

(based on estimation of six-month absolute returns)

Buy: +15% or beyond	Hold: Between 15% and -15%	Sell: -15% or beyond
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Note: KB Securities's classification of investment ratings has shifted from four stages (Strong BUY, BUY, Marketperform, Underperform) to three stages (Buy, Hold, Sell) based on Korean reports since February 23, 2017.

Investment Rating for Industry

(based on estimation of six-month absolute returns)

Positive:	Neutral:	Negative:
To outperform market	To match market performance	To underperform market

Notes: The industry rating system of KB Securities has shifted from (Overweight, Neutral, Underweight) to (Positive, Neutral, Negative) as of Jun 28, 2017

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