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Raise TP by 7% to KRW80,000

Investment highlights: Stable growth, stronger product competitiveness, development of new markets overseas

1Q24 Review: OP above consensus by 6% thanks to robust domestic rental earnings

We maintain BUY on Coway and raise our DCF-based TP by 7% to KRW80,000. Despite solid earnings, shares are undervalued, trading at 8x P/E.

Investment highlights for Coway include: stable growth in revenue and profits, enhancement of product competitiveness via R&D investment, and aggressive overseas expansion. (1) Revenue and OP have grown by an annual average of 7–8% in 2013–2023. Revenue has been on a steady uptrend since 2012. OP has also increased every year except in 2016 (ice water purifier recall) and 2019 (loss in lawsuit with service managers). (2) Market share in the domestic water purifier market turned upward thanks to hit products (e.g., Icon water purifier) developed based on aggressive R&D investment since acquisition by Netmarble. With the launch of the Berex brand, a new growth driver, Coway has been expanding revenue in new categories (i.e., mattress, massage chair, air conditioner). (3) The company has been concentrating on the development of “another Malaysia” market through investments in new markets (e.g., Thailand, Indonesia).

Coway posted record-high consolidated 1Q24 revenue of KRW1tn (+6% YoY) and OP of KRW193.7bn (+10% YoY). While revenue met the market consensus, OP exceeded by 6%.

- (1) **Domestic (standalone)** revenue and OP came in at KRW732.2bn (+12% YoY) and KRW143.5bn (+24% YoY), respectively. Net increase in the number of rental accounts improved sharply on the back of robust sales of water purifiers and Berex products. New rental sales grew 5% YoY and monthly average cancellation rate remained low at 0.5% despite a high number of account expirations (245,000). As a result, the number of rental accounts saw net increase of 63,000 QoQ (+25% YoY).

Buy Maintain

Target Price (Raised)	KRW80,000
Dividend yield*	2.3%
Total return	36.3%
Current price (May 10)	KRW59,700
Consensus target price	KRW74,000
Market capitalization	USD3.2bn

* 12-month forward

Earnings Forecast & Valuation

Fiscal year-end	2023A	2024E	2025E	2026E
Revenue (KRWbn)	3,967	4,181	4,449	4,730
OP (KRWbn)	731	791	841	902
NP to control. int. (KRWbn)	471	535	579	626
EPS (KRW)	6,386	7,249	7,845	8,479
EPS growth (%)	2.9	13.5	8.2	8.1
P/E (x)	9.0	8.2	7.6	7.0
EV/EBITDA (x)	3.8	3.7	3.3	3.0
P/B (x)	1.6	1.4	1.2	1.1
ROE (%)	19.0	18.7	17.5	16.9
Div. yield (%)	2.4	2.5	2.4	2.5

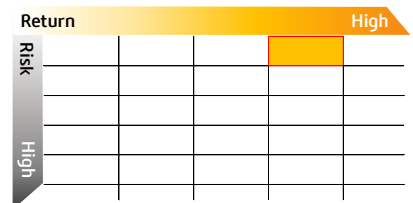
Trading Data

Free float	73.2%
Avg. T/O val. (3m, KRWbn)	7.2
Foreign ownership	61.0%
Major shareholders	Netmarble and 7 others 25.1% National Pension Service 6.4%

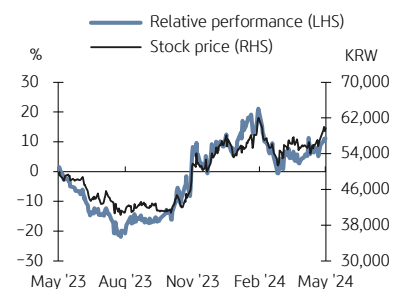
Stock Price Performance (total return)

(%)	1M	3M	6M	12M
Absolute	7.4	-3.7	18.0	24.0
Relative	6.4	-8.2	2.7	11.2

Risk & Total Return (annualized over three years)

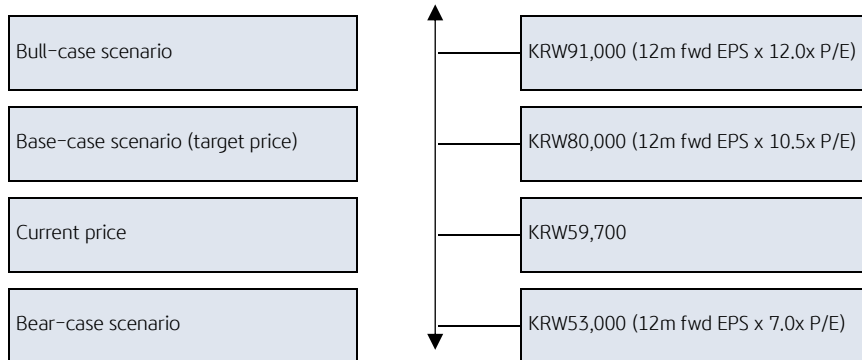


Stock Price & Relative Performance



- (2) **Malaysia** revenue and OP improved 0.5% (4% based on local currency) and 4%, respectively. Amid sales force expansion and water purifier sales recovery, new categories (i.e., air conditioner, massage chair) boosted growth.
- (3) **U.S.** revenue climbed 16% thanks to the low base of comparison. Operating loss narrowed KRW1.5bn YoY to KRW1.3bn.
- (4) **Thailand** revenue rose 36%, returning to a high growth trajectory. OP came in at KRW0.4bn.

Investment Opinion & Risks



Base-case scenario: Catalysts

- 1) 2023–26 domestic revenue CAGR at +6%
- 2) 2023–26 overseas revenue CAGR at +7%

Bull-case scenario: Upside risks

- 1) 2023–26 domestic revenue CAGR above 6%
- 2) 2023–26 overseas revenue CAGR above 7%

Bear-case scenario: Downside risks

- 1) 2023–26 domestic revenue CAGR below 6%
- 2) 2023–26 overseas revenue CAGR below 7%

Revised Earnings Estimates

(KRWbn, %)	Previous		Revised		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,259.1	4,517.0	4,180.5	4,449.4	-1.8	-1.5
OP	777.8	834.9	790.8	841.0	1.7	0.7
NP (to control. int.)	530.1	575.2	535.0	579.0	0.9	0.6

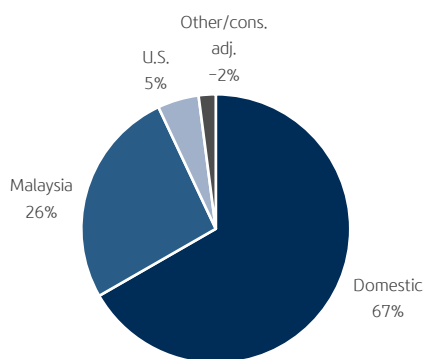
Source(s): KB Securities estimates

KB Estimates vs. Consensus

(KRWbn, %)	KB Estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,180.5	4,449.4	4,178.1	4,402.6	0.1	1.1
OP	790.8	841.0	774.4	824.2	2.1	2.0
NP (to control. int.)	535.0	579.0	539.8	576.6	-0.9	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	4,405.8	8.0	10.8	1.36	17.0	3.7	2.2
Amorepacific	9,990.6	32.5	58.4	2.23	6.9	12.3	55.6
LG H&H	7,278.1	21.9	67.7	1.41	6.4	8.1	8.3

Source(s): KB Securities estimates

Valuation & Target Price Calculation

1) Valuation method:

Discounted cash flow model

2) Target price calculation:

7.92% WACC; 1.50% TGR

3) Target price range:

KRW53,000 – KRW91,000

4) Valuation at target price:

10.5x 12m fwd implied P/E, 1.82x 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. 1Q24 Earnings Review (consolidated)

(KRWbn)	1Q24P	1Q23	YoY (%)	4Q23	QoQ (%)	Consensus	Diff. (%)	KB Est.	Diff. (%)
Revenue	1,001.8	948.3	5.6	1,004.4	-0.3	1,005.6	-0.4	1,042.7	-3.9
OP	193.7	175.6	10.3	166.2	16.6	182.7	6.1	186.1	4.1
EBT	179.1	174.3	2.7	145.6	23.0	178.2	0.5	178.2	0.5
NP	127.7	125.4	1.9	101.7	25.5	126.6	0.9	126.6	0.9
OPM (%)	19.3	18.5		16.5		18.2		17.9	
EBT margin (%)	17.9	18.4		14.5		17.7		17.1	
NPM (%)	12.7	13.2		10.1		12.6		12.1	

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		4,259.1	4,517.0	4,801.1	4,180.5	4,449.4	4,730.4	-1.8	-1.5	-1.5
OP		777.8	834.9	941.8	790.8	841.0	901.9	1.7	0.7	-4.2
EBT		745.9	809.4	920.8	752.1	814.6	880.5	0.8	0.6	-4.4
NP (to control. int.)		530.1	575.2	616.3	535.0	579.0	625.8	0.9	0.6	1.5
EPS (KRW)		7,305	7,927	8,494	7,372	7,979	8,624	0.9	0.6	1.5
YoY (%)	Revenue	5.3	6.1	6.3	3.3	6.4	6.3			
	OP	7.3	7.3	12.8	9.1	6.3	7.2			
	EBT	11.6	8.5	13.8	12.5	8.3	8.1			
	NP (to control. int.)	11.7	8.5	7.1	12.7	8.2	8.1			
	EPS	11.7	8.5	7.1	12.7	8.2	8.1			
OPM (%)		18.3	18.5	19.6	18.9	18.9	19.1			
EBT margin (%)		17.5	17.9	19.2	18.0	18.3	18.6			
NPM (to control. int.) (%)		12.4	12.7	12.8	12.8	13.0	13.2			

Source(s): Company data, KB Securities estimates

Note: Previous estimates based on data as of Feb 13, 2024

Table 3. Earnings & Estimates (consolidated)

(KRWbn)		1Q23	2Q23	3Q23	4Q23	1Q24P	2Q24E	3Q24E	4Q24E	2022	2023	2024E	2025E	2026E
Revenue		948.3	1,006.2	1,007.7	1,004.4	1,001.8	1,056.7	1,060.9	1,061.0	3,856.1	3,966.5	4,180.5	4,449.4	4,730.4
Standalone		653.8	678.8	710.4	716.1	732.2	730.8	742.0	748.0	2,813.5	2,759.0	2,953.1	3,109.2	3,293.2
Malaysia		268.2	285.6	269.8	263.5	269.6	291.3	280.6	274.0	1,091.5	1,087.1	1,115.5	1,193.6	1,253.3
U.S.		38.8	61.1	53.2	52.2	44.9	51.9	55.3	55.3	199.8	205.3	207.5	217.9	228.8
Other subsidiaries		59.5	65.4	76.9	79.4	69.6	80.8	81.6	82.2	244.4	281.2	314.1	368.8	422.9
Cons. adj.		-72.0	-84.7	-102.6	-106.8	-114.5	-98.2	-98.6	-98.6	-493.1	-366.1	-409.8	-440.1	-467.8
YoY (%)	Revenue	2.2	2.9	3.9	2.5	5.6	5.0	5.3	5.6	5.2	2.9	5.4	6.4	6.3
	Standalone	-7.9	-3.0	-1.5	5.0	12.0	7.7	4.5	4.5	-0.0	-1.9	7.0	5.3	5.9
	Malaysia	2.1	4.0	-2.4	-5.0	0.5	2.0	4.0	4.0	11.4	-0.4	2.6	7.0	5.0
	U.S.	-15.3	13.8	4.9	5.2	15.7	-15.0	4.0	6.0	17.7	2.8	1.1	5.0	5.0
	Other subsidiaries	18.8	0.2	28.2	15.1	17.0	23.6	6.1	3.5	43.9	15.1	11.7	17.4	14.7
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	73.1	69.2	69.9	70.5	73.0	69.6	70.6	69.9	69.6
	Malaysia	28.3	28.4	26.8	26.2	26.9	27.6	26.4	25.8	28.3	27.4	26.7	26.8	26.5
	U.S.	4.1	6.1	5.3	5.2	4.5	4.9	5.2	5.2	5.2	5.2	5.0	4.9	4.8
	Other subsidiaries	6.3	6.5	7.6	7.9	6.9	7.6	7.7	7.7	6.3	7.1	7.5	8.3	8.9
Consolidation Adjustment (%)		-7.1	-7.8	-9.2	-9.6	-10.3	-8.5	-8.5	-8.5	-11.3	-8.4	-8.9	-9.0	-9.0
Operating profit		175.6	194.2	195.3	166.2	193.7	203.8	207.2	186.1	677.4	731.3	790.8	841.0	901.9
Standalone		115.6	143.4	144.9	91.7	143.5	152.0	154.3	134.6	514.7	495.6	584.5	617.7	654.2
Malaysia		45.1	46.7	35.0	59.8	46.7	49.5	47.7	46.6	202.0	186.6	190.5	202.9	219.3
U.S.		-2.8	10.2	1.7	0.5	-1.3	-0.8	2.2	2.2	6.6	9.6	2.3	8.7	10.3
Other subsidiaries		-6.3	-2.3	-1.7	-4.9	0.0	0.0	-0.1	-0.1	-25.9	-15.2	-0.2	3.3	9.1
Cons. adj.		24.0	-3.8	15.4	19.1	4.8	3.0	3.1	2.8	-20.1	54.7	13.7	8.3	8.9
YoY (%)	OP	1.7	10.3	18.3	1.5	10.3	5.0	6.1	12.0	5.8	8.0	8.1	6.3	7.2
	Standalone	-19.2	16.2	7.0	-18.7	24.2	6.0	6.5	46.9	14.0	-3.7	17.9	5.7	5.9
	Malaysia	-16.0	-7.3	-29.3	23.6	3.5	6.0	36.3	-22.1	1.3	-7.6	2.1	6.5	8.1
	U.S.	TTR	22.9	TTB	TTB	RR	TTR	30.2	342.7	-15.4	45.5	-75.5	271.3	18.1
	Other subsidiaries	RR	RR	RR	RR	-100.0	TTB	RR	RR	RR	RR	RR	TTB	172.5
OPM (%)	OP	18.5	19.3	19.4	16.5	19.3	19.3	19.5	17.5	17.6	18.4	18.9	18.9	19.1
	Standalone	17.7	21.1	20.4	12.8	19.6	20.8	20.8	18.0	18.3	18.0	19.8	19.9	19.9
	Malaysia	16.8	16.4	13.0	22.7	17.3	17.0	17.0	17.0	18.5	17.2	17.1	17.0	17.5
	U.S.	-7.2	16.7	3.2	1.0	-2.9	-1.5	4.0	4.0	3.3	4.7	1.1	4.0	4.5
	Other subsidiaries	-10.6	-3.5	-2.2	-6.2	0.0	0.0	-0.2	-0.1	-10.6	-5.4	-0.1	0.9	2.2
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	55.2	74.1	74.6	74.5	72.4	76.0	67.8	73.9	73.4	72.5
	Malaysia	25.7	24.1	17.9	36.0	24.1	24.3	23.0	25.0	29.8	25.5	24.1	24.1	24.3
	U.S.	-1.6	5.3	0.9	0.3	-0.7	-0.4	1.1	1.2	1.0	1.3	0.3	1.0	1.1
	Other subsidiaries	-3.6	-1.2	-0.9	-2.9	0.0	0.0	-0.1	-0.1	-3.8	-2.1	-0.0	0.4	1.0
Consolidation Adjustment (%)		15.8	-1.9	8.5	13.0	2.6	1.5	1.5	1.5	-2.9	8.1	1.8	1.0	1.0
Gross profit		612.1	645.9	658.7	654.7	654.1	679.5	694.6	692.7	2,486.5	2,571.5	2,720.9	2,891.5	3,069.3
EBT		174.3	153.4	187.2	145.6	179.1	195.8	199.2	178.1	683.3	660.6	752.1	814.6	880.5
NP (to control. int.)		125.3	107.2	137.0	101.7	127.7	139.2	141.5	126.6	458.2	471.3	535.0	579.0	625.8
EBITDA		288.6	305.3	302.4	273.2	295.5	305.5	308.9	287.8	1,160.3	1,169.5	1,197.7	1,220.4	1,262.5
YoY (%)	Gross profit	2.1	3.1	7.5	1.1	6.9	5.2	5.4	5.8	4.1	3.4	5.8	6.3	6.2
	EBT	-9.1	-21.0	-3.4	40.7	2.7	27.6	6.4	22.3	3.8	-3.3	13.9	8.3	8.1
	NP (to control. int.)	-7.2	-19.2	20.2	33.0	1.9	29.8	3.3	24.4	-1.6	2.9	13.5	8.2	8.1
	EBITDA	-3.2	2.6	6.2	-2.4	2.4	0.1	2.2	5.3	-0.2	0.8	2.4	1.9	3.4
GPM (%)		64.5	64.2	65.4	65.2	65.3	64.3	65.5	65.3	64.5	64.8	65.1	65.0	64.9
EBT margin (%)		18.4	15.3	18.6	14.5	17.9	18.5	18.8	16.8	17.7	16.7	18.0	18.3	18.6
NPM (to control. int.) (%)		13.2	10.7	13.6	10.1	12.7	13.2	13.3	11.9	11.9	11.9	12.8	13.0	13.2
EBITDA margin (%)		30.4	30.3	30.0	27.2	29.5	28.9	29.1	27.1	30.1	29.5	28.6	27.4	26.7

Source(s): Company data, KB Securities estimates

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

Table 4. Earnings & Estimates (standalone)

(KRWbn)	1Q23	2Q23	3Q23	4Q23	1Q24P	2Q24E	3Q24E	4Q24E	2022	2023	2024E	2025E	2026E	
Revenue	653.8	678.8	710.4	716.1	732.2	730.8	742.0	748.0	2,813.5	2,759.0	2,953.1	3,109.2	3,293.2	
Domestic home appliance	580.4	590.4	601.1	601.6	612.3	622.5	633.3	634.1	2,277.0	2,373.5	2,502.2	2,624.9	2,772.2	
Operating Lease	333.4	329.7	340.6	317.2	308.6	309.2	320.3	291.8	1,418.9	1,320.9	1,230.0	1,171.5	1,135.0	
Finance Lease	215.6	230.0	229.8	253.2	272.1	283.0	282.7	311.4	727.5	928.7	1,149.2	1,333.1	1,519.7	
Membership	22.8	22.3	22.2	22.4	22.3	22.3	21.9	22.2	89.3	89.7	88.7	87.6	85.9	
Lump-sum payment	5.0	5.0	4.4	4.4	4.9	3.8	4.2	4.2	27.2	18.8	17.0	15.0	13.6	
Other	3.6	3.3	4.2	4.4	4.5	4.2	4.2	4.4	14.0	15.4	17.3	17.7	18.0	
Exports	67.1	82.2	103.4	109.3	114.3	102.8	103.4	109.3	501.5	362.1	429.9	464.3	501.4	
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	12.0	7.7	4.5	4.5	-0.0	-1.9	7.0	5.3	5.9
	Domestic HA	3.7	2.9	5.2	5.1	5.5	5.4	5.4	5.4	1.4	4.2	5.4	4.9	5.6
	Operating Lease	-8.7	-8.8	-2.5	-7.6	-7.4	-6.2	-6.0	-8.0	-8.0	-6.9	-6.9	-4.8	-3.1
	Finance Lease	34.8	27.6	21.4	27.8	26.2	23.0	23.0	23.0	34.0	27.6	23.7	16.0	14.0
	Membership	0.5	0.5	-0.7	1.1	-2.3	0.2	-1.1	-1.1	-4.4	0.4	-1.1	-1.2	-2.0
	Lump-sum	-41.2	-20.4	-35.2	-21.3	-3.4	-24.0	-5.0	-5.0	-49.4	-30.8	-9.7	-11.7	-9.8
	Other	13.9	-7.4	10.7	23.7	25.7	25.0	2.0	2.0	9.4	10.0	12.5	2.0	2.0
	Exports	-52.6	-29.7	-27.0	7.9	70.3	25.0	0.0	0.0	-4.7	-27.8	18.7	8.0	8.0
	Cosmetics	-31.6	-34.6	-29.3	-37.4	-10.1	-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	83.6	85.2	85.4	84.8	80.9	86.0	84.7	84.4	84.2
	Operating Lease	51.0	48.6	47.9	44.3	42.1	42.3	43.2	39.0	50.4	47.9	41.6	37.7	34.5
	Finance Lease	33.0	33.9	32.4	35.4	37.2	38.7	38.1	41.6	25.9	33.7	38.9	42.9	46.1
	Membership	3.5	3.3	3.1	3.1	3.0	3.1	3.0	3.0	3.2	3.3	3.0	2.8	2.6
	Lump-sum	0.8	0.7	0.6	0.6	0.7	0.5	0.6	0.6	1.0	0.7	0.6	0.5	0.4
	Other	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5
	Export	10.3	12.1	14.6	15.3	15.6	14.1	13.9	14.6	17.8	13.1	14.6	14.9	15.2
	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	91.7	143.5	152.0	154.3	134.6	514.7	495.6	584.5	617.7	654.2
YoY (%)		-19.2	16.2	7.0	-18.7	24.2	6.0	6.5	46.9	14.0	-3.7	17.9	5.7	5.9
OPM (%)		17.7	21.1	20.4	12.8	19.6	20.8	20.8	18.0	18.3	18.0	19.8	19.9	19.9
Key rental assumptions														
Total accounts ('000)	6,206.8	6,258.5	6,302.1	6,349.0	6,412.5	6,454.0	6,500.3	6,553.0	6,155.8	6,349.0	6,553.0	6,925.4	7,336.2	
New ('000)	393.4	394.6	353.2	360.3	414.3	418.3	374.4	381.9	1,381.5	1,501.5	1,588.9	1,636.6	1,669.3	
Churn ('000)	125.4	110.9	105.6	98.4	105.9	105.8	106.5	107.3	498.1	440.3	425.4	456.1	482.8	
Expiries ('000)	217.0	232.0	204.0	215.0	245.0	271.0	221.6	222.0	746.0	868.0	959.6	808.1	775.7	
Monthly ARPU (KRW)	29,605	29,936	30,276	30,059	30,336	30,684	31,035	30,811	29,385	29,983	30,734	30,970	31,024	
Monthly avg. churn (%)	0.68	0.60	0.56	0.52	0.56	0.55	0.55	0.55	0.69	0.60	0.56	0.58	0.58	
Expiries (%)	57.5	59.7	63.4	59.4	60.0	65.0	57.0	62.0	54.0	59.9	61.0	59.7	58.5	
Key membership assumptions														
Total accounts ('000)	446.6	441.8	440.7	437.6	440.0	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	16.9	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	8.6	7.9	7.7	7.1	40.8	33.2	31.3	29.1	27.1	
ARPU ('000 KRW)	590.0	507.1	571.0	619.5	565.2	481.7	542.5	588.6	666.7	567.1	543.7	516.6	501.1	
Obsolescence (cons.; KRWbn)	11.8	11.4	11.3	9.5	9.2	10.7	10.8	10.7	53.1	44.1	41.4	41.1	43.8	

Source(s): Company data, KB Securities estimates

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

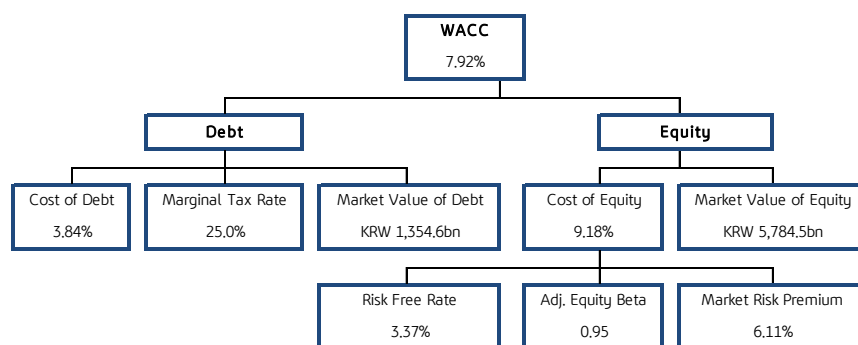
Table 5. Target Price Calculation: Discounted Cash Flow Model

(KRWbn)		2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash flow estimates									
OP	a	731.3	790.8	841.0	901.9	939.6	967.8	996.9	1,026.8
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	593.1	630.7	676.4	704.7	725.9	747.6	770.1
D&A	d	438.2	406.9	379.5	360.7	339.0	318.7	299.6	281.6
Total cash flow	$E=C+d$	986.7	1,000.0	1,010.2	1,037.1	1,043.7	1,044.5	1,047.2	1,051.7
Total investment	$F=g+h$	-866.3	-600.0	-434.8	-458.6	-680.0	-680.0	-690.0	-690.0
Change in working capital	g	-610.4	-330.0	-164.8	-188.6	-400.0	-400.0	-400.0	-400.0
Capex	h	-255.8	-270.0	-270.0	-270.0	-280.0	-280.0	-290.0	-290.0
FCFF	$I=E+F$	120.4	400.0	575.4	578.5	363.7	364.5	357.2	361.7
PV of cash flows									
Discount rate				5.1%	13.4%	22.4%	32.1%	42.5%	
PV of FCFF				351.1	510.1	297.3	276.1	250.6	
Total PV of FCFF (2025E-29E)	j		1,685.2						
Terminal growth rate (%)			1.50%		30y KTB yield				
Terminal value (2030E)			5,636.5		2030E FCFF / (WACC - TGR)				
PV of terminal value	k		3,955.1		7.92% WACC (3.37% risk-free rate; 6.11% market risk premium)				
Valuation									
Total cash flow (PV)	$L=j+k$		5,640.3						
Net cash	m		113.2		12m fwd				
Investments in non-consolidated affiliates	n		28.9		End-4Q23				
Non-controlling interests	o		-2.1		End-4Q23				
Fair value	$P=L+(m+n+o)$		5,784.5						
No. of shares ('000)	q		72,564						
Target price (KRW)	$R=P/q$		80,000						
Current price (KRW)			59,700		May 10, 2024				
Upside (%)			34.0						
12m fwd implied P/E (x)			10.5						
12m fwd implied P/B (x)			1.82						

Source(s): Company data, KB Securities estimates

Fig 1. WACC Calculation

- (1) Cost of debt is 3.84% (YTD return of Coway's 1y KRW-based bonds); market value of debt based on total financial liabilities as of end-4Q23
- (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 (Feb 13, 2024)	Revised (May 13, 2024)	Notes
Cost of equity	A = B + C x D	9.28	9.18	
Risk-free rate	B	3.47	3.37	Avg. 1y MSB yield (last three months)
Adj. beta	C	0.95	0.95	52w adj. beta
Raw beta		0.52	0.75	
R ²		0.10	0.19	
Risk premium	D = E - F	6.11	6.11	
Market return	E	9.41	9.41	2001-23 annual avg. WMI500 total return
Risk-free rate	F	3.30	3.30	2001-23 annual avg. 1y MSB total return
Cost of debt	G	3.85	3.84	YTD yield of KRW-based 1y bonds
Fair shareholder value (KRWbn)		5,462.5	5,784.5	Value of outstanding shares based on TP
Debt (KRWbn)		1,352.6	1,354.6	Total financial liabilities as of end-4Q23
Weight of equity	H	80.0	80.0	
Weight of debt	I	20.0	20.0	
WACC	J = (A x H) + (G x I)	8.00	7.92	

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	6.92%	86,442	88,529	90,765	93,167	95,752	98,543	101,566
	7.12%	83,873	85,809	87,878	90,095	92,475	95,038	97,805
	7.32%	81,463	83,263	85,182	87,234	89,431	91,791	94,332
	7.52%	79,199	80,875	82,659	84,562	86,596	88,774	91,114
	7.72%	77,066	78,631	80,293	82,061	83,948	85,964	88,124
	7.92%	75,055	76,517	78,068	80,000	81,470	83,340	85,338
	8.12%	73,154	74,524	75,974	77,511	79,145	80,883	82,738
	8.32%	71,356	72,640	73,998	75,436	76,960	78,579	80,303
	8.52%	69,651	70,858	72,131	73,477	74,903	76,414	78,020
	8.72%	68,033	69,168	70,364	71,627	72,962	74,375	75,873
8.92%	66,495	67,564	68,690	69,876	71,128	72,451	73,852	

Source(s): Company data, KB Securities estimates

Income Statement					
(KRWbn)	2022A	2023A	2024E	2025E	2026E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Revenue	3,856	3,967	4,181	4,449	4,730
Cost of revenue	1,370	1,395	1,460	1,558	1,661
Gross profit	2,486	2,571	2,721	2,891	3,069
SG&A expenses	1,809	1,840	1,930	2,051	2,167
Operating profit	677	731	791	841	902
EBITDA	1,160	1,169	1,198	1,220	1,263
Non-operating accounts	6	-71	-59	-26	-21
Interest income	3	6	6	7	8
Interest expenses	33	54	52	47	43
Profit on equity method	-6	-4	-6	-6	-6
Net other non-operating income	42	-18	13	20	20
Profit before tax	683	661	752	815	880
Income tax expense	226	190	218	236	255
Net profit	458	471	535	578	625
NP attributable to controlling interests	458	471	535	579	626
Adj. net profit	458	471	535	579	626

Operating Statistics & Ratios					
(%)	2022A	2023A	2024E	2025E	2026E
Revenue growth	5.2	2.9	5.4	6.4	6.3
OP growth	5.8	8.0	8.1	6.3	7.2
EBITDA growth	-0.2	0.8	2.4	1.9	3.5
NP growth of parent	-1.6	2.9	13.5	8.2	8.1
GP margin	64.5	64.8	65.1	65.0	64.9
OP margin	17.6	18.4	18.9	18.9	19.1
EBITDA margin	30.1	29.5	28.7	27.4	26.7
EBT margin	17.7	16.7	18.0	18.3	18.6
NP margin of parent	11.9	11.9	12.8	13.0	13.2

Statement of Cash Flows					
(KRWbn)	2022A	2023A	2024E	2025E	2026E
Cash flow from operating activities	164	449	617	799	803
Net profit	458	471	535	578	625
Depreciation & amortization	483	438	407	379	361
Other non-cash adjustments	304	338	224	242	261
Investments in working capital	-788	-610	-330	-165	-189
Decrease(Increase) in receivables	25	38	-51	-30	-34
Decrease(Increase) in inventory	-18	51	-59	-77	-100
Increase(Decrease) in payables	-35	-7	5	6	6
Investments in other working capital	-759	-693	-225	-63	-61
Other operating cash flow	-293	-187	-218	-236	-255
Cash flow from investing activities	-282	-272	-363	-371	-330
Capital expenditure	-269	-255	-270	-270	-270
Investments in intangibles	-16	-8	-10	-10	-10
Changes in investment assets	-8	-20	0	0	0
Other investment cash flow	10	11	-83	-91	-50
Cash flow from financing activities	161	-32	-264	-239	-386
Proceeds from (repayment of) debt	272	108	-160	-132	-65
Changes in equity	0	0	0	0	0
Dividends paid	-91	-94	-98	-102	-210
Other financing cash flow	-21	-46	-6	-6	-111
Other cash flow	0	0	0	0	0
Increase/decrease in cash	43	144	-9	189	87
Cash and cash equivalents at FYE	116	260	251	440	527
Free cash flow	-104	194	347	529	533
Net cash flow	-70	135	202	412	202
Net cash (net debt)	-371	-236	-35	377	579

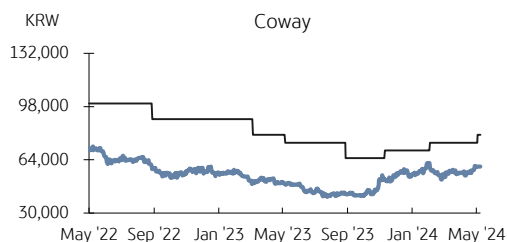
Source(s): Company data, KB Securities estimates

Statement of Financial Position					
(KRWbn)	2022A	2023A	2024E	2025E	2026E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	4,365	4,851	4,924	5,226	5,433
Current assets	1,375	1,592	1,791	2,193	2,480
Cash and cash equivalents	116	260	251	440	527
Current financial assets	688	826	908	999	1,049
Trade receivables	255	254	305	335	369
Inventory	254	198	257	334	435
Other current assets	62	54	70	84	101
Non-current assets	2,991	3,259	3,132	3,033	2,952
Investment assets	64	59	59	59	59
Property, plant and equipment	1,051	1,019	891	791	710
Intangible assets	195	188	189	190	191
Other non-current assets	1,680	1,993	1,993	1,993	1,993
Total liabilities	2,053	2,213	1,849	1,675	1,572
Current liabilities	1,130	1,509	1,165	1,009	926
Trade payables	83	108	113	119	125
Short-term financial liabilities	307	670	562	449	405
Other current liabilities	740	731	490	441	397
Non-current liabilities	923	704	685	665	646
Non-current financial liabilities	869	652	632	612	592
Other non-current liabilities	54	52	52	53	53
Total equity	2,312	2,638	3,074	3,551	3,861
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	11	-4	-4	-4	-4
Retained earnings	2,161	2,503	2,940	3,418	3,728
Controlling interests	2,314	2,640	3,077	3,554	3,864
Non-controlling interests	-2	-2	-3	-3	-4

Key Ratios					
(x, %, KRW)	2022A	2023A	2024E	2025E	2026E
Multiples					
P/E	9.0	9.0	8.2	7.6	7.0
P/B	1.8	1.6	1.4	1.2	1.1
P/S	1.1	1.1	1.1	1.0	0.9
EV/EBITDA	3.9	3.8	3.7	3.3	3.0
EV/EBIT	6.6	6.1	5.6	4.8	4.2
Dividend yield, ordinary (%)	2.3	2.4	2.3	2.4	2.5
EPS	6,208	6,386	7,249	7,845	8,479
BVPS	31,353	35,771	41,693	48,161	52,363
SPS	52,251	53,747	56,647	60,291	64,097
DPS (annual, ordinary)	1,300	1,350	1,400	1,450	1,500
Cash dividends payout ratio (%)	20.6	20.8	19.0	18.2	17.4
Operating performance					
ROE	21.7	19.0	18.7	17.5	16.9
ROA	11.2	10.2	10.9	11.4	11.7
ROIC	15.7	14.1	14.3	14.1	14.1
Financial structure (%)					
Total liab./equity	88.8	83.9	60.2	47.2	40.7
Net debt/equity	16.1	9.0	1.1	Net Cash	Net Cash
Current ratio	1.2	1.1	1.5	2.2	2.7
Interest coverage (x)	20.5	13.5	15.1	17.8	20.9
Activity ratios					
Asset turnover (x)	0.9	0.9	0.9	0.9	0.9
Receivables turnover (x)	15.2	15.6	15.0	13.9	13.5
Payables turnover (x)	43.9	41.4	37.8	38.3	38.8
Inventory turnover (x)	15.8	17.6	18.4	15.0	12.3

Disclosures

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



Coway (021240)

Date	Rating	Analyst	TP Differential (%)		
			(KRW)	Avg.	Max/Min
Feb-17-2022	Buy	Shinay Park	100,000	-33.47	
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	-25.48	-20.00
May-13-2024	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

Ratings Distribution (as of March 31, 2024)

Buy	Hold	Sell
87.6	12.4	-

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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