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Focus on stable annual earnings, rather than volatile short-term results

We maintain BUY on Cosmecca Korea, but lower the target price 12% to KRW37,000 in order to reflect a 10% decrease in 2019E EPS. Cosmecca Korea shares have exhibited huge volatility to quarterly earnings over the past year. Given the small size of Cosmecca Korea's domestic/Chinese operations compared to the top two market players, its highly volatile quarterly earnings are not unusual. Englewood Lab's high earnings volatility is also understandable, given that the previously unprofitable subsidiary was acquired only six months ago. We advise investors to focus on Cosmecca Korea's annual earnings, rather than worry about quarterly earnings. Our projections for 2019 are as follows: 1) domestic sales will continue to grow at a stable pace, 2) the Chinese subsidiary will resume the 20%-range growth, and 3) Englewood Lab will sustain an earnings uptrend.

4Q18 OR and OP to miss market consensus by 15% and 54%, respectively; Earnings from domestic operations and Englewood Lab to fall short

We project Cosmecca Korea to turn in 4Q18 OR of KRW82bn (+84% YoY) and OP of KRW2.5bn (+468% YoY), which would fall short of market consensus by 15% and 54%, respectively. Our assumptions are as follows. 1) Stand-alone OR grew 10% YoY, with domestic sales rising only 10% YoY and exports 5% YoY. Stand-alone OPM was sluggish at 2.5% (+1.9p YoY) due to increased labor costs and disrupted production following the relocation of a new factory. 2) OR at Chinese operations fell 10% YoY, but OP swung to a small profit YoY. 3) Englewood Lab (consolidated from 3Q18; 34.7%-owned) chalked up OR of KRW32.4bn and OP of KRW1.5bn (OPM 4.5%). We estimate that the US subsidiary's OR expanded 35% YoY and the Korean subsidiary's OR soared 80% YoY.

Buy maintain

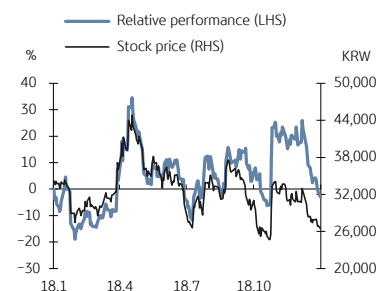
Target Price (lowered)	KRW37,000
Upside/Downside	39.9%
Current price (Jan 21)	KRW26,450
Consensus Target Price	KRW42,455
Market cap	USD250mn

Trading Data	
Free float	58.8%
Avg T/O Val (3M, KRWbn)	2.4
Foreign ownership	13.4%
Major shareholders	Eun-Hui Park and 3 others 39.0%
	Seon-Gi Park and 2 others 6.3%

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-14.1	-11.4	-11.2	-21.7
Relative	-16.8	-5.7	1.0	-1.0

Forecast earnings & valuation

FY-end	2017A	2018E	2019E	2020E
OR (KRWbn)	182	310	405	453
OP (KRWbn)	11	19	24	31
NP to parent (KRWbn)	10	14	15	19
EPS (KRW)	930	1,279	1,378	1,766
EPS Growth (%)	-31.1	37.5	7.7	28.2
PER (x)	34.9	25.4	19.2	15.0
EV/EBITDA (x)	20.9	15.4	10.3	8.2
PBR (x)	3.1	2.7	2.0	1.8
ROE (%)	9.1	11.3	10.8	12.4
Div. Yield (%)	0.3	0.3	0.4	0.4

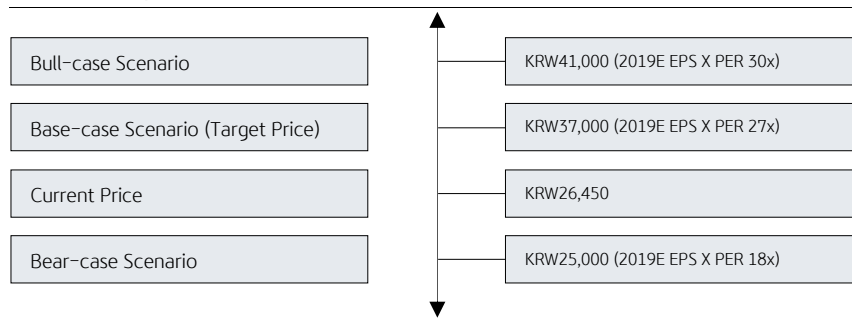


Source: Cosmecca Korea, KB Securities estimates

2019 OR to ascend 31% YoY and OP 28% YoY; All business segments to display solid growth

Cosmecca Korea is forecast to achieve 2019 OR of KRW405.3bn (+31% YoY) and OP of KRW24bn (+28% YoY). In 2019, stand-alone OR is projected to grow 12% YoY, OR at Chinese operations 23% YoY, and Englewood Lab's OR 14% YoY. Production capacity is set to expand across all regions in 2019, driven by the following capacity additions: 1) 158% increase to 310mn units at the No. 2 Eumseong factory (completed in Nov, 2018) in Korea, 2) recent capacity expansion at Englewood Lab's Incheon factory (110mn units), 3) 100% increase to 240mn units following the completion of the Zhejiang factory, and 4) a likely 50-100% increase in the US until the end of this year.

Investment opinion and risks



Base-case Scenario: Catalysts

- 1) Recovery in orders from domestic clients
- 2) Continued high growth of China subsidiary OR

Bull-case Scenario: Upside risks

- 1) Higher-than-expected domestic sales and export growth
- 2) Faster-than-expected increase in OR growth in China

Bear-case Scenario: Downside risks

- 1) Slower-than-expected sales recovery
- 2) Delayed earnings improvement at Englewood Lab

Revised earnings estimates

(KRWbn, %)	Previous		Revised		Change	
	2018E	2019E	2018E	2019E	2018E	2019E
OR	327.8	423.8	310.1	405.3	-5.4	-4.4
OP	21.5	26.2	18.8	24.0	-12.6	-8.3
NP to parent	16.1	16.4	13.7	14.7	-14.9	-10.1

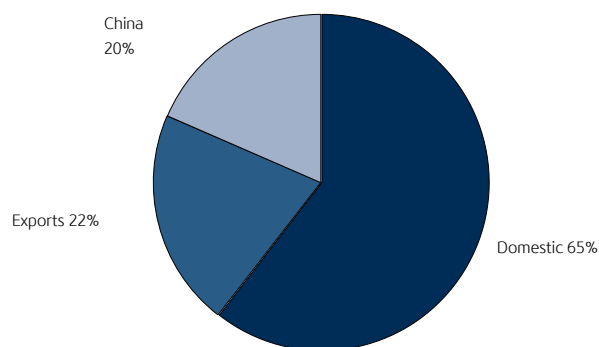
Source: KB Securities estimates

Difference vs. Consensus

(KRWbn, %)	KB est.		Consensus		Difference	
	2018E	2019E	2018E	2019E	2018E	2019E
OR	310.1	405.3	315.3	418.0	-1.6	-3.0
OP	18.8	24.0	20.8	29.1	-9.5	-17.4
NP to parent	13.7	14.7	15.6	19.9	-12.3	-26.0

Source: Wisefn, KB Securities estimates

OR composition (2017, %)



Source: Company data, KB Securities

Valuation and target price calculation

- 1) Valuation method:
PER Valuation
- 2) Target price calculation:
2019E EPS KRW1,378 X PER 27x
- 3) Target price range
KRW41,000 ~ KRW25,000
- 4) Target price valuation
2019E Implied PER 27x

Earnings sensitivity analysis

(%)	EPS change	
	2018E	2019E
1) 1% rise in CPI	+0.19	+0.19
2) 1% rise in GDP	+0.10	+0.10

Peer group comparison

(USDbn, X, %)	Market Cap	PER		PBR		EV/EBITDA		ROE		Dividend Yield	
		2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
L'Oreal	127.0	28.0	26.1	4.2	3.9	17.7	16.3	15.4	15.4	1.9	2.1
Estee Lauder	46.3	26.3	23.7	10.4	9.3	16.0	14.7	38.4	43.2	1.3	1.4
Shiseido	23.1	33.5	27.6	5.3	4.6	15.0	12.6	17.4	19.0	0.7	0.8
Shanghai Jahwa	2.8	36.2	28.4	3.2	3.0	25.3	21.2	8.9	10.5	1.0	1.2

Source: Bloomberg, KB Securities

Table 1. Cosmecca Korea: 4Q18 earnings forecast vs. Consensus (consolidated)

(KRWbn)	4Q18E KB est.	4Q17	YoY (%)	3Q18	QoQ (%)	4Q18E Cons.	Var (%)	2018E KB est.	YoY (%)	2018E Cons.	Var (%)
OR	82.0	44.6	84.2	95.3	-13.9	97.0	-15.4	310.1	70.1	315.3	-1.6
OP	2.5	0.4	468.0	6.0	-57.5	5.5	-54.1	18.8	71.2	20.8	-9.5
EBT	2.8	-0.2	TB	5.0	-44.5	4.0	-30.3	19.9	86.3	21.0	-5.4
NP (to parent)	1.6	0.9	81.8	2.0	-19.9	3.4	-52.2	13.7	37.5	15.6	-12.3
OP margin (%)	3.1	1.0		6.3		5.7		6.1		6.6	
EBT margin (%)	3.4	-0.5		5.3		4.1		6.4		6.7	
NP margin (to parent, %)	1.9	2.0		2.1		3.5		4.4		4.9	

Source: Company data, FnGuide, KB Securities

Table 1. Cosmecca Korea: Target price valuation

	2016	2017	2018E	2019E	2020E
Consolidated EPS (KRW)	1,077	930	1,279	1,378	1,766
YoY (%)		-13.7	37.5	7.7	28.1
Applied PER (X)				27.0	27.0
Fair Value per Share (KRW)				37,216	47,688
Upside (%)				40.7	80.3
Target Price (KRW)	37,000				
12M Fwd EPS (KRW)				1,378	
Target PER (X)				27.0	
Current Price (KRW)				26,450	(2019.01.21)
Upside (%)				39.9	
Target Price's PER of					
Corresponding Year (X)				26.8	20.9
Current Price's PER of					
Corresponding Year (X)				19.2	15.0

Source: KB Securities estimates

Table 2. Cosmecca Korea: Earnings trend and forecast (consolidated)

(KRWbn)		1Q18	2Q18	3Q18	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	2017	2018E	2019E	2020E
Consolidated OR (by subsidiary)		53.2	79.6	95.3	82.0	90.8	106.7	107.2	100.6	182.3	310.1	405.3	452.7
Stand-alone		46.2	70.2	48.9	42.6	53.9	64.8	58.4	55.4	158.2	207.9	232.5	256.4
China		8.3	11.3	8.9	8.6	10.0	13.0	11.5	11.2	36.1	37.1	45.7	57.1
Englewood Lab				39.8	32.4	29.7	32.2	40.6	37.0		72.2	139.5	153.1
Other/adj. consolidated		-1.4	-1.9	37.5	30.9	27.0	29.0	37.3	33.9	-12.0	65.1	127.1	139.2
YoY (%)	Consolidated OR	5.1	59.7	155.1	84.2	70.8	34.1	12.5	22.6	10.4	70.1	30.7	11.7
	Stand-alone	4.7	55.7	62.5	9.5	16.5	-7.7	19.3	30.3	4.0	31.4	11.8	10.3
	China	-7.0	33.6	-3.2	-10.0	20.0	15.0	30.0	30.0	61.6	2.7	23.2	25.0
	Englewood Lab							1.9	14.2			93.2	9.7
	Other/adj. consolidated	LC	LC	TB	TB	TB	TB	-0.5	9.8	LC	TB	95.3	9.5
Proportion (%)	Consolidated 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	87.0	88.2	51.4	51.9	59.3	60.7	54.5	55.1	86.8	67.1	57.4	56.6
	China	15.6	14.2	9.3	10.5	11.0	12.1	10.7	11.2	19.8	12.0	11.3	12.6
	Englewood Lab			41.8	39.5	32.7	30.2	37.9	36.8		23.3	34.4	33.8
	Other/adj. consolidated												
Consolidated OR (by Region)		53.2	79.6	95.3	82.0	90.8	106.7	107.2	100.6	182.3	310.1	405.3	452.7
Domestic		39.5	62.2	41.7	34.5	45.5	56.0	50.1	46.6	119.5	178.0	198.1	218.0
Export		6.7	8.0	7.2	8.1	8.4	8.8	8.3	8.9	41.0	30.1	34.5	38.6
China		8.3	11.3	8.9	8.6	10.0	13.0	11.5	11.2	36.1	37.1	45.7	57.1
Englewood Lab				39.8	32.4	29.7	32.2	40.6	37.0		72.2	139.5	153.1
YoY (%)	Consolidated OR	5.1	59.7	155.1	84.2	70.8	34.1	12.5	22.6	10.4	70.1	30.7	11.7
	Domestic	17.6	97.5	81.3	10.0	15.0	-10.0	20.0	35.0	5.5	48.9	11.3	10.0
	Export	-40.0	-45.0	-3.7	5.0	25.0	10.0	15.0	10.0	2.0	-26.7	14.6	12.0
	China	-7.0	33.6	-3.2	-10.0	20.0	15.0	30.0	30.0	61.6	2.7	23.2	25.0
	Englewood Lab							1.9	14.2			93.2	9.7
Proportion (%)	Consolidated 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	74.4	78.2	43.8	42.1	50.1	52.5	46.7	46.3	65.5	57.4	48.9	48.1
	Export	12.7	10.1	7.6	9.8	9.3	8.3	7.8	8.8	22.5	9.7	8.5	8.5
	China	15.6	14.2	9.3	10.5	11.0	12.1	10.7	11.2	19.8	12.0	11.3	12.6
	Englewood Lab			41.8	39.5	32.7	30.2	37.9	36.8		23.3	34.4	33.8
Consolidated GP		9.6	17.3	18.0	12.5	16.5	23.4	20.3	15.4	38.9	57.4	75.6	84.9
YoY (%)		-12.7	39.1	144.9	53.9	71.8	34.7	13.1	23.4	10.8	47.5	31.7	12.3
GP margin (%)		18.1	21.8	18.8	15.2	18.2	21.9	18.9	15.3	21.4	18.5	18.7	18.8
Consolidated OP (by subsidiary)		0.6	9.6	6.0	2.5	4.9	6.9	5.9	6.3	11.0	18.8	24.0	30.8
Stand-alone		0.5	8.9	1.5	1.1	3.0	4.9	3.2	3.9	7.6	11.9	14.9	17.7
China		0.6	1.0	-0.1	0.1	0.2	0.3	0.3	0.3	3.8	1.6	1.1	2.9
Englewood Lab				4.9	1.5	1.9	2.0	2.6	2.3		6.4	8.7	11.1
adj. consolidated		-0.4	-0.2	-0.4	-0.1	-0.2	-0.2	-0.2	-0.2	-0.4	-1.1	-0.7	-1.0
YoY (%)	Consolidated OP	-86.6	84.1	1,145.4	468.0	649.8	-28.4	-0.8	149.3	-16.3	71.2	27.8	27.9
	Stand-alone	-84.7	105.1	TB	355.5	525.9	-45.2	111.6	264.8	-26.6	57.1	25.1	18.9
	China	-63.8	-29.1	TR	TB	-65.7	-74.4	TB	290.0	60.7	-57.7	-28.5	150.2
	Englewood Lab							-47.8	57.6			36.7	27.4
	adj. consolidated	TR	LC	LC	TR	LC	LC	LC	LC	TR	LC	LC	LC
OP margin (%)	Consolidated OP	1.2	12.1	6.3	3.1	5.4	6.5	5.5	6.3	6.0	6.1	5.9	6.8
	Stand-alone	1.0	12.6	3.1	2.5	5.5	7.5	5.5	7.0	4.8	5.7	6.4	6.9
	China	7.0	9.0	-1.0	1.0	2.0	2.0	3.0	3.0	10.4	4.3	2.5	5.0
	Englewood Lab			12.3	4.5	6.2	6.2	6.3	6.3		8.8	6.3	7.3
Consolidated NP		2.1	8.0	4.5	2.2	3.8	5.4	4.6	5.0	9.9	16.8	18.8	24.2
YoY (%)		-41.3	63.5	584.9	153.1	83.5	-32.6	3.4	122.4	-13.7	68.9	11.8	28.9
NP margin (%)		3.9	10.1	4.7	2.7	4.2	5.1	4.3	4.9	5.4	5.4	4.6	5.3

Source: Company data, KB Securities estimates

Table 3. Englewood Lab: Earnings trend and forecast

(KRWbn)		1Q18	2Q18	3Q18	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	2016	2017	2018E	2019E	2020E
Consolidated OR		24.1	25.7	39.8	32.4	29.7	32.2	40.6	37.0	79.2	87.1	121.9	139.5	153.1
Stand-alone (US)		20.9	20.8	34.1	27.5	25.1	27.0	35.1	31.6	79.0	78.2	103.4	118.9	130.8
Korean subsidiary, etc		3.1	4.9	5.7	4.9	4.6	5.2	5.5	5.4	0.2	8.9	18.6	20.6	22.3
YoY (%)	Consolidated OR	18.7	12.6	96.3	36.8	23.5	25.6	1.9	14.2	32.7	10.0	39.9	14.4	9.7
	Stand-alone (US)	3.8	4.8	92.3	35.0	20.0	30.0	3.0	15.0	32.4	-1.0	32.2	15.1	10.0
	Korean subsidiary, etc	3,381.6	65.3	124.6	48.3	47.3	7.0	-4.7	10.0		4,558.4	107.8	10.9	8.0
Consolidated GP		4.4	3.0	9.1						20.1	12.5			
Stand-alone (US)		4.6	3.6	8.0						19.6	13.0			
Korean subsidiary, etc		-0.1	-0.6	1.2						0.4	-0.6			
YoY (%)	Consolidated GP	-20.5	6.8	203.1						39.9	-37.8			
	Stand-alone (US)	-17.1	27.8	147.2						36.8	-33.6			
	Korean subsidiary, etc	TR	TR	TB							TR			
GPM (%)	Consolidated GP	18.5	11.9	22.9						25.3	14.3			
	Stand-alone (US)	21.9	17.5	23.3						24.8	16.7			
	Korean subsidiary, etc	-4.4	-12.2	20.3						233.4	-6.2			
Consolidated OP		-0.9	-2.7	4.9	1.5	1.9	2.0	2.6	2.3	7.0	-8.9	2.9	8.7	11.1
Stand-alone (US)		0.5	-0.6	4.8	1.4	1.8	1.9	2.5	2.2	7.3	-4.5	6.1	8.3	10.5
Korean subsidiary, etc		-1.4	-2.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.3	-4.4	-3.2	0.4	0.7
YoY (%)	Consolidated OP	TR	LC	TB	TB	TB	TB	-47.8	57.6	13.7	TR	TB	205.2	27.4
	Stand-alone (US)	-73.6	LC	TB		247.4	TB	-48.6	61.0	17.8	TR	TB	36.8	25.7
	Korean subsidiary, etc	LC	LC	TB		TB	TB	-19.7	10.0		LC	LC	TB	62.0
OPM (%)	Consolidated OP	-3.6	-10.4	12.3	4.5	6.2	6.2	6.3	6.3	8.9	-10.2	2.3	6.3	7.3
	Stand-alone (US)	2.4	-2.8	14.0	5.0	7.0	7.0	7.0	7.0	9.2	-5.8	5.9	7.0	8.0
	Korean subsidiary, etc	-43.8	-43.0	2.4	2.0	2.0	2.0	2.0	2.0	-132.7	-48.9	-17.3	2.0	3.0
Consolidated NP		-0.9	-3.0	3.8	1.0	1.3	1.4	1.9	1.7	-0.3	-13.9	0.8	6.2	8.1
Stand-alone (US)		0.6	-3.1	3.8						-0.1	-15.7			
Korean subsidiary, etc		-1.5	-2.3	-1.5						-0.2	1.8			
YoY (%)	Consolidated NP	TR	LC	TB	TB	TB	TB	-51.1	72.4	TR	LC	TB	639.0	31.8
	Stand-alone (US)	-57.7	LC	TB						TR	LC			
	Korean subsidiary, etc	LC	LC	LC							TB			
NPM (%)	Consolidated NP	-3.7	-11.9	9.6	3.0	4.3	4.3	4.6	4.5	-0.4	-15.9	0.7	4.4	5.3
	Stand-alone (US)	2.8	-15.1	11.2						-0.1	-20.1			
	Korean subsidiary, etc	-47.3	-47.8	-25.8						-97.2	20.1			
Consolidated net profit * share ratio of 34.7%				1.3	0.3	0.4	0.5	0.6	0.6			1.7	2.1	2.8

Source: Englewood Lab, KB Securities estimates

Note: Acquired 100% share of subsidiary "Englewood Lab Korea"

Table 4. Cosmecca Korea: Revised earnings estimates

(KRWbn)		Prior			Adjusted			Change(%)		
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
OR		327.8	423.8	472.0	310.1	405.3	452.7	-5.4	-4.4	-4.1
OP		21.5	26.2	33.5	18.8	24.0	30.8	-12.6	-8.3	-8.2
EBT		22.9	25.6	33.0	19.9	23.4	30.2	-13.2	-8.3	-8.5
NP (to parent)		16.1	16.4	21.1	13.7	14.7	18.9	-14.9	-10.1	-10.4
EPS (KRW)		1,503	1,534	1,972	1,279	1,378	1,766	-14.9	-10.1	-10.4
YoY (%)	OR	79.8	29.3	11.4	70.1	30.7	11.7			
	OP	96.0	21.7	27.9	71.2	27.8	27.9			
	EBT	114.6	11.7	29.2	86.3	17.9	28.9			
	NP (to parent)	61.6	2.0	28.6	37.5	7.7	28.1			
	EPS	-19.2	2.0	28.6	-31.2	7.7	28.1			
OP margin (%)		6.6	6.2	7.1	6.1	5.9	6.8			
EBt margin (%)		7.0	6.0	7.0	6.4	5.8	6.7			
NP margin (to parent, %)		4.9	3.9	4.5	4.4	3.6	4.2			

Source: Company data, KB Securities estimates

Note: Change rel. to Nov 16, 2018

Profit & Loss (KRWbn) (Reporting standard)	2016A (IFRS-C)	2017A (IFRS-C)	2018E (IFRS-C)	2019E (IFRS-C)	2020E (IFRS-C)
Operating revenue	165	182	310	405	453
Cost of sales	130	143	253	330	368
Gross profit	35	39	57	76	85
SG&A expenses	22	28	39	52	54
Operating profit	13	11	19	24	31
EBITDA	16	15	26	33	41
Non-operating accounts	0	0	1	-1	-1
Interest income	0	0	0	0	1
Interest expenses	0	0	1	2	2
Profit on equity method	0	0	0	0	0
Net other non-operating income	0	0	2	1	1
Profit before tax	13	11	20	23	30
Income tax expense	2	1	3	5	6
Net profit	12	10	17	19	24
NP to parent	12	10	14	15	19
Adj. net profit	12	10	14	15	19

Operating Statistics & Ratios (%)	2016A	2017A	2018E	2019E	2020E
OR growth	66.6	10.4	70.1	30.7	11.7
OP growth	105.5	-16.3	71.3	27.8	27.9
EBITDA growth	79.5	-6.9	77.8	26.6	23.5
NP growth of parent	128.6	-13.7	37.6	7.8	28.1
GP margin	21.3	21.4	18.5	18.7	18.8
OP margin	8.0	6.0	6.1	5.9	6.8
EBITDA margin	9.6	8.1	8.5	8.2	9.1
EBT margin	8.1	5.9	6.4	5.8	6.7
NP margin	7.0	5.5	5.4	4.6	5.3

Cash Flow (KRWbn)	2016A	2017A	2018E	2019E	2020E
Cash flow from operating activities	4	10	58	26	32
Net profit	12	10	17	19	24
Depreciation & amortization	3	4	7	9	10
Other non-cash adjustments	4	2	6	5	6
Investments in working capital	-14	-4	30	-2	-2
Decrease(Increase) in Receivables	-9	-1	12	-3	-4
Decrease(Increase) in Inventories	-6	-1	32	-2	-2
Increase(Decrease) in Payables	3	-1	-10	2	3
Other operating cash flow	0	-1	-2	-5	-6
Cash flow from investing activities	-13	-22	-93	-25	-20
Capital expenditure	-13	-20	-35	-25	-20
Investments in intangibles	0	-3	0	0	0
Changes in investment assets	0	0	-58	0	0
Other investment cash flow	0	0	0	0	0
Cash flow from financing activities	56	0	31	-1	0
Proceeds from (repayments of) debt	-15	0	32	0	0
Changes in equity	72	0	0	0	0
Dividends paid	0	0	-1	-1	-1
Other financing cash flow	-2	0	0	0	1
Other cash flow	0	0	-1	0	0
Increase/decrease in cash	47	-12	-5	0	12
Cash and cash equivalents at FYE	50	38	35	35	46
Free cash flow	-8	-9	23	1	12
Net cash flow	63	-12	-53	0	12
Net cash (net debt)	50	38	-15	-15	-4

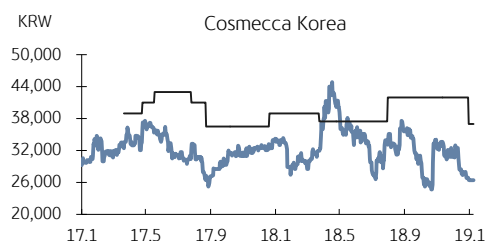
Statement of financial position (KRWbn) (Reporting standard)	2016A (IFRS-C)	2017A (IFRS-C)	2018E (IFRS-C)	2019E (IFRS-C)	2020E (IFRS-C)
Total assets	143	151	263	285	313
Current assets	101	91	92	98	116
Cash and cash equivalents	50	38	35	35	46
Current financial assets	3	2	2	3	3
Trade receivables	31	32	35	38	42
Inventories	15	15	17	19	21
Other current assets	3	3	4	4	4
Non-current assets	42	61	171	187	197
Investment assets	2	2	2	2	2
Property, plant and equipment	38	53	123	139	149
Intangible assets	1	3	44	44	44
Other non-current assets	1	1	2	2	2
Total liabilities	38	38	93	97	101
Current liabilities	36	35	38	42	46
Trade payables	23	22	24	26	29
Short-term financial liabilities	2	2	2	3	3
Other current liabilities	11	10	11	12	14
Non-current liabilities	2	3	54	55	55
Non-current financial liabilities	0	0	50	50	50
Other non-current liabilities	0	0	0	0	0
Total equity	105	113	171	188	212
Issued capital	3	3	5	5	5
Share premium	70	70	72	72	72
Other equity interest	0	0	0	0	0
Accumulated other comprehensive income	0	-1	-1	-1	-1
Retained earnings	32	41	54	68	85
Equity attributable to owners of parent	105	113	129	143	161
Non-controlling interests	0	0	41	45	51

Key Ratio (X, %, KRW)	2016A	2017A	2018E	2019E	2020E
Multiples					
PER	20.8	34.9	25.4	19.2	15.0
PBR	2.9	3.1	2.7	2.0	1.8
PSR	1.4	1.9	1.1	0.7	0.6
EV/EBITDA	15.7	20.9	15.4	10.3	8.2
EV/EBIT	18.9	28.1	21.4	14.3	10.9
Dividend yield, ordinary (%)	NA	0.3	0.3	0.4	0.4
EPS	1,349	930	1,279	1,378	1,766
BPS	9,816	10,624	12,123	13,401	15,067
SPS	19,370	17,072	29,036	37,946	42,388
DPS (Annual, Ordnry.)	0	100	100	100	100
Cash dividends payout ratio (%)	0.0	10.8	7.8	7.3	5.7
Operating performance					
ROE	18.0	9.1	11.3	10.8	12.4
ROA	10.8	6.8	8.1	6.8	8.1
ROIC	25.8	15.8	12.1	9.8	11.6
Financial structure (%)					
Total liab./equity	36.4	33.1	54.3	51.3	47.9
Net debt/equity	Net Cash	Net Cash	8.8	8.0	1.7
Current Ratio	2.8	2.6	2.4	2.3	2.5
Interest coverage (x)	32.2	113.0	17.4	11.5	14.7
Activity ratios					
Asset turnover (x)	1.6	1.2	1.5	1.5	1.5
Receivables turnover (x)	6.1	5.9	9.4	11.1	11.3
Inventory turnover (x)	13.2	11.9	19.2	22.8	23.1

Source: Cosmecca Korea, KB Securities estimates

Disclosures

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



Cosmecca Korea (241710)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
17-04-12	Buy	39,000	-12.76	-6.92
17-05-17	Buy	41,000	-10.43	-8.29
17-06-09	Buy	43,000	-24.64	-15.23
17-08-17	Buy	41,000	-25.97	-18.90
17-09-14	Buy	36,500	-15.49	-9.04
18-01-11	Buy	39,000	-19.52	-11.92
18-04-15	Buy	37,500	-6.58	19.60
18-08-22	Buy	42,000	-25.89	-10.48
19-01-21	Buy	37,000		

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Proportion of investment rating (as of December 31, 2018)

Buy	Hold	Sell
70.6	29.4	-

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