고려대학교
KOREA UNIVERSITY

Developing a Long-Term Financial Plan
CJ Freshway



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Business Finance Team 4

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(English translation prepared for portfolio presentation.)

1. Developing a Long-Term Financial Plan: CJ Freshway

1-1) Company Selection and Rationale

Our team selected CJ Freshway. Food distribution and institutional catering are businesses in which growth in sales has a significant impact on merchandise purchases, inventory, accounts receivable, and logistics assets. This made CJ Freshway a suitable company for directly applying what we had learned about the relationship between sales growth, working capital, and the amount of assets required to support growth.

In 2025, CJ Freshway recorded consolidated revenue of KRW 3.4811 trillion and operating profit of KRW 101.7 billion, representing record-high results and year-on-year increases of 7.9% and 8.1%, respectively. Revenue in the first half of 2026 also increased to KRW 1.7571 trillion, while operating profit was approximately KRW 34.6 billion. Second-quarter revenue reached KRW 923.2 billion, up 4.5% year on year, and the company explained that investments to strengthen its online distribution business and platform competitiveness had affected operating profit.

Recent financial figures are as follows.

Item	FY2025	H12026
Revenue	KRW 3.4811 trillion	KRW 1.7571 trillion
Operating Profit	KRW 101.7 billion	KRW 34.6 billion
Net Income	KRW 50.1 billion	KRW 13.3 billion
Total Assets	KRW 1.5891 trillion	KRW 1.6048 trillion
Total Liabilities	KRW 1.1339 trillion	KRW 1.2221 trillion
Total Equity	KRW 455.2 billion	KRW 382.7 billion

The figures above were verified using CJ Freshway's annual and semi-annual reports disclosed through the Financial Supervisory Service's DART system, together with the company's official financial information. Income-statement items are presented on a cumulative basis for each reporting period, while assets, liabilities, and equity are based on figures as of the end of December 2025 and the end of June 2026. All amounts are based on consolidated financial statements and rounded to the nearest KRW 100 million.

1-2) Assumptions for Sales Growth over the Next Three Years

Revenue in the first half of 2026 increased by approximately 4.47% year on year, rounded to 4.5% in the table. Based on this trend, our team estimated 2026 revenue at approximately KRW 3.6366 trillion and assumed annual sales growth of 5% from 2027 to 2029.

	2026E	2027E	2028E	2029E
Sales Growth	Approx. 4.5%	5.0%	5.0%	5.0%
Projected Revenue (KRW)	3.6366 trillion	3.8184 trillion	4.0093 trillion	4.2098 trillion

The 5% figure is not a target, but a baseline assumption for financial planning. Once the

growth rate had been set, we then sought to calculate the amount of assets and financing required to support that level of growth.

1-3) Assets or Investment Required to Support Growth

Dividing CJ Freshway's 2025 total assets of KRW 1.5891 trillion by revenue of KRW 3.4811 trillion gives an asset-to-sales ratio of approximately 45.65%.
(1.5891 ÷ 3.4811 × 100 ≒ 45.65%)

We assumed that the company would continue to generate sales with a broadly similar asset structure. Based on this assumption, the additional assets required to support future sales growth were calculated as follows.

	2027E	2028E	2029E
Projected Revenue (KRW)	3.8184 trillion	4.0093 trillion	4.2098 trillion
Additional Assets Required (KRW)	83.0 billion	87.2 billion	91.5 billion

(Figures are approximate and rounded.)

After calculating the figures directly, we realised that a 5% growth rate carried more weight than it initially appeared to. On a sales forecast, 5% is only a single number, but for the company it can create a need for tens of billions of won in additional assets and financing every year. A growth rate is therefore not simply a target for the sales function; it also represents the amount of funding that the finance function must be able to support.

1-4) Operating Margin and Internal Financing Capacity

CJ Freshway's operating margin was approximately 2.9% in 2025 and declined to approximately 2.0% in the first half of 2026. Our team assumed that the weaker profitability seen in 2026 would not recover immediately, but would gradually return to its previous level over several years. We therefore assumed operating margins of 2.5% in 2027, 2.7% in 2028, and 2.9% in 2029. Under these assumptions, operating profit would be approximately KRW 95.5 billion, KRW 108.3 billion, and KRW 122.1 billion, respectively.

We applied a similar approach to net income. Taking into account the lower net profit margin in the first half of 2026, we applied net profit margins of 1.0% in 2027, 1.1% in 2028, and 1.2% in 2029. This resulted in estimated net income of approximately KRW 38.2 billion, KRW 44.1 billion, and KRW 50.5 billion. Based on the 2025 level, we assumed that approximately 88% of net income would be retained within the company after dividends.

	2027E	2028E	2029E
Projected Operating Margin	2.5%	2.7%	2.9%
Projected Operating Profit (KRW)	95.5bn	108.3bn	122.1bn
Projected Net Profit Margin	1.0%	1.1%	1.2%
Projected Net Income (KRW)	38.2bn	44.1bn	50.5bn

Retention Ratio	88%	88%	88%
Retained Earnings (KRW)	33.6bn	38.8bn	44.5bn

(Figures are approximate and rounded.)

The most important item to manage here is working capital. If the company sells more food products but collects payment more slowly, accounts receivable will accumulate. Likewise, if the company purchases large quantities of inventory in anticipation of demand that does not materialise, cash will become tied up in inventory. Even if sales increase by 5%, the company's actual cash position may deteriorate if accounts receivable and inventory grow at a faster rate.

For a company such as CJ Freshway, where food distribution accounts for a significant portion of the business, it is therefore not enough to look only at how much sales increase. It is also necessary to examine how quickly those sales are converted back into cash. Stable receivables collection and inventory turnover are essential if the company is to generate internal funds for its next round of investment.

1-5) Additional External Financing Required

As sales increase, the company also requires additional assets to support that growth. Assuming that the 2025 asset-to-sales ratio remains broadly unchanged, we estimated that CJ Freshway would require approximately KRW 83.0 billion in additional assets in 2027, KRW 87.2 billion in 2028, and KRW 91.5 billion in 2029.

However, the company does not need to raise all of this amount externally. As sales increase, accounts payable may also rise naturally, while retained earnings generated from net income can be used as an internal source of funds. We therefore calculated External Financing Needed (EFN) as follows.

	2027E	2028E	2029E
Additional Assets Required (KRW)	83.0bn	87.2bn	91.5bn
Spontaneous Increase in Accounts Payable (KRW)	21.6bn	22.7bn	23.8bn
Retained Earnings (KRW)	33.6bn	38.8bn	44.5bn
External Financing Needed (KRW)	**27.8bn**	**25.6bn**	**23.2bn**

[External Financing Needed (EFN) = Additional Assets Required − Spontaneous Increase in Accounts Payable − Retained Earnings]

Accounts payable represented approximately 11.89% of CJ Freshway's sales in 2025, while the retention ratio was approximately 88%. We assumed that these two ratios would remain broadly similar in the future. Based on these assumptions, external financing needs were estimated at approximately KRW 27.8 billion in 2027, KRW 25.6 billion in 2028, and KRW 23.2 billion in 2029.

Taking 2027 as an example, approximately KRW 83.0 billion in additional assets would be required to support growth. However, the company would not need to raise the entire amount

externally. Approximately KRW 21.6 billion could be supported by the natural increase in accounts payable associated with higher sales, while approximately KRW 33.6 billion could be financed through retained earnings. After deducting these amounts, the remaining approximately KRW 27.8 billion was treated as the external financing requirement. The same methodology was applied to the following two years.

(※ All calculations were performed using unrounded figures and then rounded to the nearest KRW 100 million.)

1-6) Appropriate Financing Methods if External Funding Is Required

Our team did not choose to finance the entire amount through short-term borrowing. As the assigned article showed, continued reliance on short-maturity funding can create significant pressure all at once when operating performance deteriorates.

CJ Freshway issued a total of KRW 94 billion in unsecured corporate bonds in April 2026. Of this amount, KRW 31 billion matures in October 2027 and KRW 63 billion matures in April 2028. Given that the company already has experience accessing the medium-term corporate bond market, we concluded that logistics facilities and other long-lived assets should be financed through long-term borrowings or corporate bonds. If an asset is expected to be used for five or ten years while the debt used to finance it matures within only a few months, the financing structure is mismatched from the outset.

Before raising additional external funding, however, the company should first release cash already tied up within the business. Shortening the collection period for accounts receivable and improving inventory turnover could free up part of the required funding without additional borrowing. Our team therefore established a clear financing principle: cash should first be released from working capital, and any remaining funding required for long-term investment should be raised through longer-maturity financing.

1-7) Adjustments if Sales Fall Below Expectations

In the previous sections, we assumed annual sales growth of 5% from 2027 to 2029. If actual growth falls below that level, the originally planned scale of assets and investment should be adjusted. For example, if growth is limited to around 2-3%, the approximately KRW 83.0 billion in additional assets projected for 2027 would need to be recalculated, as lower sales would reduce funding needs for inventory, accounts receivable, and logistics facilities.

In that case, we would first adjust the timing of new logistics facilities and platform investments. Delaying projects that have not yet begun would preserve cash more effectively than reversing investments already underway. If sales weaken while inventory and accounts receivable continue to rise, purchasing volumes and customer collection terms should also be reviewed. Divestment or withdrawal should be considered for non-core businesses with weak profitability.

At the same time, we would avoid cutting core businesses indiscriminately. Reducing businesses with future cash-generation potential may protect short-term liquidity but weaken long-term growth. The company should therefore distinguish between what to reduce and what to protect, then recalculate its funding needs.