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Keep BUY and raise target price to KRW39,000

We maintain our BUY rating on CJ Freshway, while raising the target price 8.3% to KRW39,000, which was derived by applying a PER of 19.5x (average of global foodstuff distributors) to a 12-month forward EPS of KRW2,024. Even amid unfavorable business conditions (e.g., slowing spending at restaurants, labor cost hikes), CJ Freshway chalked up outstanding earnings and displayed notable structural growth in the industry.

4Q18 OP up 66.9% YoY, posting all-time quarterly high despite low seasonal demand

CJ Freshway turned in 4Q18 OR of KRW719.3bn (+17.4% YoY) and OP of KRW17.6bn (+66.9% YoY, OPM 2.4%). Despite slow seasonal demand, the company achieved all-time high quarterly results, beating expectations by wide margins. We credit the stellar performance to: 1) a larger number of operating days resulting from the Chuseok holidays coming earlier than in 2017, 2) new food catering service orders and growing impact of meal price markups, and 3) the profitability-centric strategy employed by the food materials distribution segment.

2019 OP to grow 11.3% YoY; Solid earnings to be highlighted amid unfavorable business landscape

We project CJ Freshway's 2019 OR at KRW3tr (+6.1% YoY) and OP of KRW56.4bn (+11.3% YoY, OPM 1.9%). Despite additional minimum wage hikes, CJ Freshway's earnings are forecast to improve, as: 1) the food catering service segment will see brisk new orders and price markup effects and 2) the food material distribution unit will also enjoy growth, backed by the reduction of contracts with unprofitable clients, the normalization of contract prices, and benefits from CJ Cheiljedang's robust convenience food sales.

Buy maintain

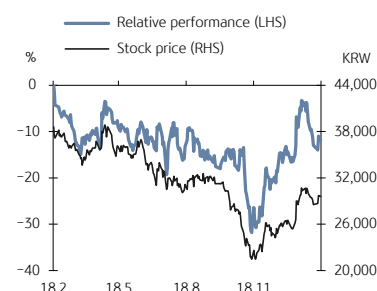
Target Price (raised)	KRW39,000
Upside/Downside	31.8%
Current price (Feb 11)	KRW29,600
Consensus Target Price	KRW36,500
Market cap	USD312mn

Trading Data	
Free float	52.3%
Avg T/O Val (3M, KRWbn)	1.4
Foreign ownership	18.3%
Major shareholders	CJ Corp and 2 others 47.7%
	EFG PRIVATE BANK SA 11.0%

Share price performance				
(%)	1M	3M	6M	12M
Absolute	3.7	38.0	-5.0	-19.7
Relative	-3.0	29.3	1.7	-7.7

Forecast earnings & valuation

FY-end	2017A	2018P	2019E	2020E
OR (KRWbn)	2,504	2,828	3,000	3,270
OP (KRWbn)	44	51	56	64
NP to parent (KRWbn)	-2	14	23	30
EPS (KRW)	-129	1,140	1,956	2,544
EPS Growth (%)	Loss Cont.	TB	71.6	30.1
PER (x)	NA	23.3	15.1	11.6
EV/EBITDA (x)	10.8	8.0	7.8	7.2
PBR (x)	2.6	1.6	1.6	1.4
ROE (%)	-0.8	7.1	11.0	12.9
Div. Yield (%)	0.5	0.8	0.7	0.7

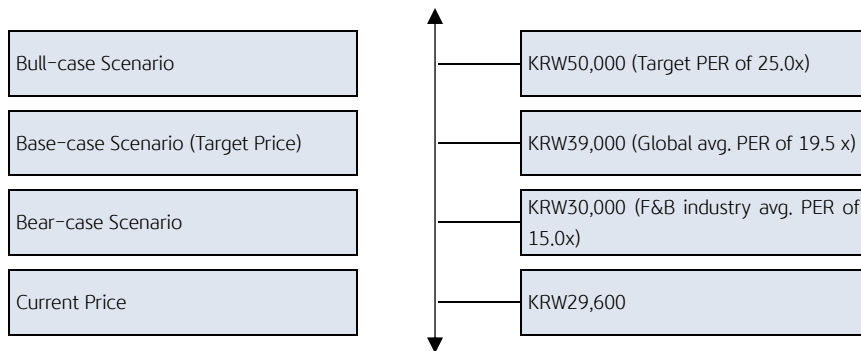


Source: CJ Freshway, KB Securities estimates

Key investment point in 2019: 1)
Growth of food catering services
and 2) Increasing role as foodstuff
distributor in CJ Group

Our first investment point for CJ Freshway in 2019 is the growth of the food catering service business. CJ Freshway led its peers in food catering service orders for two consecutive years, which suggests that the company's food catering service business is riding a virtuous cycle. The diversification of sales channels (e.g., concessions, hospitals) is also positive. We believe the growth of the food catering service segment will offset the low profitability of the food material distribution business. Our second investment point is CJ Freshway's growing role as a food material distributor in CJ Group. CJ Freshway handles the group's foodstuff distribution duties, which is divided into fresh food wholesale and food material distributions. In 2018, sales from the foodstuff distribution business stood at KRW708.9bn. Brisk convenience food sales have turned the spotlight on CJ Freshway's sales to CJ Cheiljedang, which shot up from KRW120bn in 2017 to KRW200bn in 2018. In 2019, CJ Freshway will expand its product mix to: 1) secure growth momentum, 2) strengthen purchasing power, 3) gain cost competitiveness, and 4) boost its production capabilities of its central kitchen facilities.

Investment opinion and risks



Base-case Scenario: Catalysts

- 1) Client additions at major business divisions
- 2) Improved profitability of food materials distribution business

Bull-case Scenario: Upside risks

- 1) Economy-of-scale effects due to OR growth
- 2) Increased OP contribution by FreshOne and Songlim Food

Bear-case Scenario: Downside risks

- 1) Changes in business conditions, such as minimum wage hike and 52-hour work week
- 2) Confidence in company one-off expenses

Revised earnings estimates

(KRWbn, %)	Previous		Revised		Change	
	2018E	2019E	2018P	2019E	2018P	2019E
OR	2,808	2,929	2,828	3,000	0.7	2.4
OP	46	50	51	56	11.1	13.0
NP to parent	13	20	14	23	7.5	14.8

Source: KB Securities estimates

Note: 2018 earnings are based on preliminary data provided by the company

Difference vs. Consensus

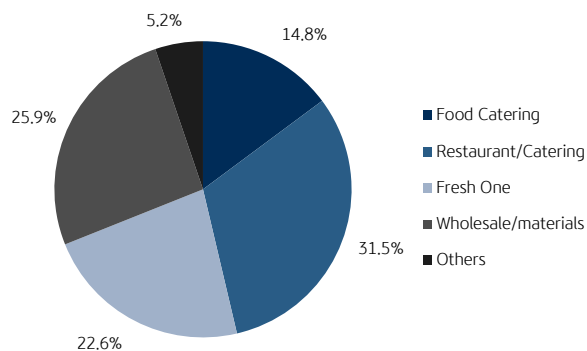
(KRWbn, %)	KB est.		Consensus		Difference	
	2018P	2019E	2018E	2019E	2018P	2019E
OR	2,828	3,000	2,795	3,008	1.2	-0.3
OP	51	56	45	51	13.1	10.4
NP to parent	14	23	12	20	17.1	14.8

Source: FnGuide, KB Securities estimates

Valuation and target price calculation

- 1) Valuation method:
PER Valuation
- 2) Target price calculation:
12M fwd expected EPS X PER of 19.5x applied, Target PE is avg. of Global food material industry
- 3) Target price range
KRW50,000 ~ KRW30,000
- 4) Target price valuation
12M fwd expected PER of 19.5x, PBR of 2.1x

OR composition (2019E, %)



Source: KB Securities estimates

Earnings sensitivity analysis

(%)	EPS change	
	2018E	2019E
1% rise in FX rate	-1.9	-1.5
1%p rise in interest rate	-8.7	-7.1

Peer group comparison

(USDmn, X, %)	Market cap.	PER		PBR		ROA		ROE		Dividend Yield	
		2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
Costco	91,512	26.9	24.8	6.2	5.3	14.4	13.4	24.2	22.7	1.1	1.2
SYSCO	33,991	19.4	17.5	13.9	11.6	12.0	11.2	66.9	68.6	2.3	2.5
Aramark	7,877	13.6	12.2	2.3	2.0	8.9	8.4	23.4	16.1	1.4	1.4
MARR	1,531	20.7	19.7	4.2	3.9	12.5	12.1	21.4	21.3	3.8	4.0

Source: Bloomberg, KB Securities

Table 1. 4Q18 earnings Summary

KRW100mn, %	4Q17	1Q18	2Q18	3Q18	4Q18P			Change (% , %p)		Diff.	
					Announced	KB est.	Cons.	YoY	QoQ	KB est.	Cons.
OR	6,129	6,758	7,286	7,043	7,193	7,457	6,829	17.4	2.1	-3.5	5.3
OP	105	60	138	133	176	139	120	66.9	32.8	26.6	46.7
EBT	20	22	77	69	100	83	58	392.0	45.3	20.7	72.1
NP	9	17	33	50	67	66	53	641.7	32.9	1.0	26.4
OP margin	1.7	0.9	1.9	1.9	2.4	1.9	1.8	0.7	0.6	0.6	0.7
EBT margin	0.3	0.3	1.1	1.0	1.4	1.1	0.9	1.1	0.4	0.3	0.5
NP margin	0.1	0.3	0.5	0.7	0.9	0.9	0.8	0.8	0.2	0.0	0.2

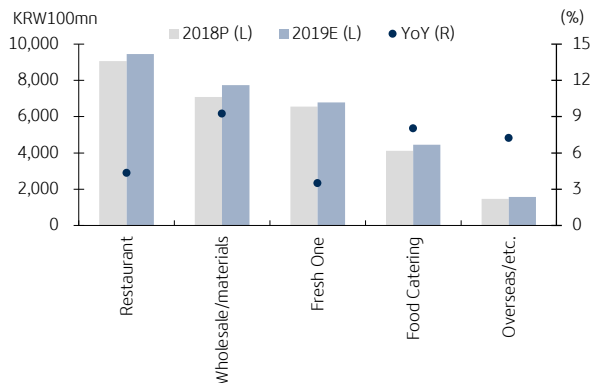
Source: FnGuide, Company data, KB Securities estimates

Table 2. Earnings trend and forecast by division

KRW100mn, %	2016					2017					2018P					2019E				
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	4QP	Annual p	1QE	2QE	3QE	4QE	Annual E
OR	5,358	5,971	6,065	5,886	23,280	5,948	6,346	6,620	6,129	25,044	6,758	7,286	7,043	7,193	28,280	7,188	7,671	7,504	7,634	29,996
Food catering	678	822	839	826	3,165	753	904	941	880	3,478	846	1,056	1,133	1,081	4,116	996	1,131	1,174	1,146	4,447
Food materials distribution	4,519	4,934	5,072	4,842	19,366	4,879	5,087	5,295	4,864	20,125	5,542	5,852	5,517	5,790	22,701	5,813	6,143	5,900	6,124	23,980
Restaurant/Catering	2,153	2,404	2,374	2,356	9,288	2,366	2,535	2,455	1,465	8,821	2,099	2,321	2,290	2,346	9,055	2,256	2,402	2,387	2,405	9,450
Fresh One	1,319	1,467	1,539	1,559	5,884	1,484	1,573	1,726	1,715	6,498	1,611	1,668	1,691	1,588	6,557	1,587	1,701	1,784	1,715	6,786
Wholesale/material	1,046	1,062	1,158	927	4,193	1,029	979	1,114	1,684	4,807	1,833	1,863	1,537	1,856	7,089	1,970	2,040	1,729	2,004	7,744
Overseas/etc.	162	215	154	218	749	316	356	384	385	1,440	370	378	393	323	1,464	379	397	430	363	1,569
YoY	14.7	15.3	12.1	7.7	12.3	11.0	6.3	9.2	4.1	7.6	13.6	14.8	6.4	17.4	12.9	6.4	5.3	6.5	6.1	6.1
Food catering	14.9	17.9	19.2	16.2	17.2	11.1	10.0	12.2	6.6	9.9	12.4	16.8	20.4	22.8	18.3	17.7	7.1	3.6	6.1	8.0
Food materials distribution	13.3	13.2	10.6	5.6	10.6	8.0	3.1	4.4	0.5	3.9	13.6	15.0	4.2	19.0	12.8	4.9	5.0	6.9	5.8	5.6
Restaurant/Catering	9.4	7.0	-0.5	3.8	4.7	9.9	5.4	3.4	-37.8	-5.0	-11.3	-8.4	-6.7	60.1	2.7	7.5	3.5	4.3	2.5	4.4
Fresh One	17.7	16.3	23.4	19.9	19.4	12.5	7.2	12.1	10.0	10.4	8.5	6.1	-2.0	-7.4	0.9	-1.5	2.0	5.5	8.0	3.5
Wholesale/material	16.4	25.3	21.9	-8.7	13.0	-1.7	-7.8	-3.8	81.7	14.6	78.1	90.2	38.0	10.2	47.5	7.5	9.5	12.5	8.0	9.2
Overseas/etc.	72.7	74.3	26.8	28.3	47.3	95.4	65.1	149.3	76.4	92.3	17.0	6.4	2.3	-16.1	1.6	2.5	5.0	9.5	12.5	7.2
OP	32	91	83	5	210	45	140	149	105	439	60	138	133	176	506	70	160	161	173	564
OPM	0.6	1.5	1.4	0.1	0.9	0.8	2.2	2.2	1.7	1.8	0.9	1.9	1.9	2.4	1.8	1.0	2.1	2.1	2.3	1.9
YoY	-3.7	-23.4	-19.4	-92.2	-33.2	38.5	54.3	79.9	2,126.0	108.6	35.1	-1.7	-10.8	66.9	15.4	16.5	16.0	21.6	-1.9	11.3
Food catering	10	49	46	5	110	2	63	71	37	172	-4	76	68	69	210	1	83	74	75	233
OPM	1.5	6.0	5.5	0.6	3.5	0.2	7.0	7.5	4.2	5.0	-0.4	7.2	6.0	6.4	5.1	0.1	7.3	6.3	6.5	5.2
YoY	-25.4	-4.7	2.9	-90.4	-30.7	-83.7	28.9	54.6	686.4	57.3	TR	20.4	-3.2	89.0	22.1	TB	8.6	8.7	7.7	10.5
Food materials distribution/etc.	22	42	37	0	101	43	77	78	69	266	64	62	64	107	296	69	77	87	98	331
OPM	0.5	0.8	0.7	0.0	0.5	0.8	1.4	1.4	1.3	1.2	1.1	1.0	1.1	1.7	1.2	1.1	1.2	1.4	1.5	1.3
YoY	11.2	-37.8	-36.4	-99.4	-35.7	94.4	84.1	111.4	-	164.4	48.6	-19.9	-17.8	55.2	11.1	8.7	25.3	35.4	-8.2	11.8
EBT	4	43	24	-121	-50	7	87	-101	20	13	22	77	69	100	268	21	86	81	153	341
EBT margin	0.1	0.7	0.4	-2.1	-0.2	0.1	1.4	-1.5	0.3	0.0	0.3	1.1	1.0	1.4	0.9	0.3	1.1	1.1	2.0	1.1
YoY	-21.6	-53.8	-48.6	LC	TR	72.2	100.0	TR	TB	TB	226.3	-10.9	TB	392.0	2,044.9	-2.5	10.7	17.0	52.8	27.0
NP	4	28	13	-103	-58	6	70	-72	9	12	17	33	50	67	167	16	65	61	116	258
NP margin	0.1	0.5	0.2	-1.8	-0.3	0.1	1.1	-1.1	0.1	0.0	0.3	0.5	0.7	0.9	0.6	0.2	0.8	0.8	1.5	0.9
YoY	35.4	-59.8	-53.8	LC	TR	71.3	144.2	TR	TB	TB	182.2	-52.5	TB	641.7	1,280.3	-6.7	96.7	21.8	73.9	54.4

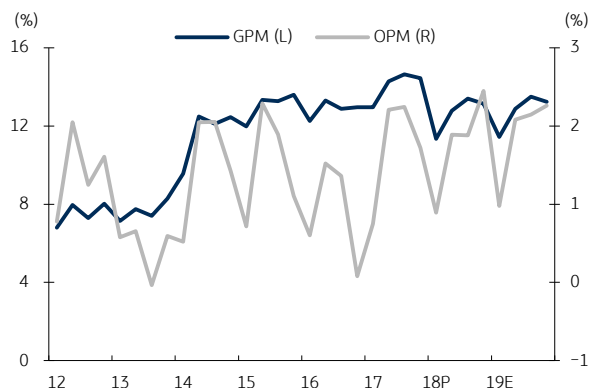
Source: Company data, KB Securities estimates

Fig 1. Sales estimates by business segment



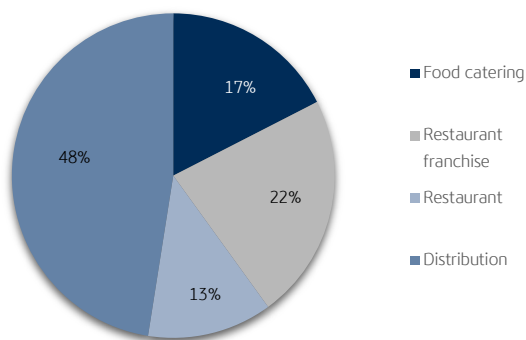
Source: Company data, KB Securities estimates

Fig 2. K-IFRS consolidated GPM and OPM trend



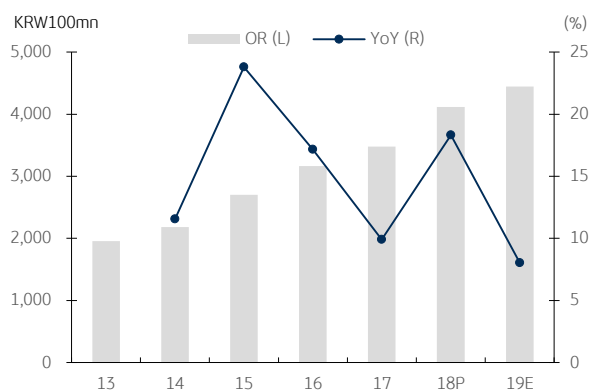
Source: Company data, KB Securities estimates

Fig 3. OR proportion of restaurant/food catering/distribution businesses



Source: Company data, KB Securities estimates

Fig 4. Food catering business's top-line



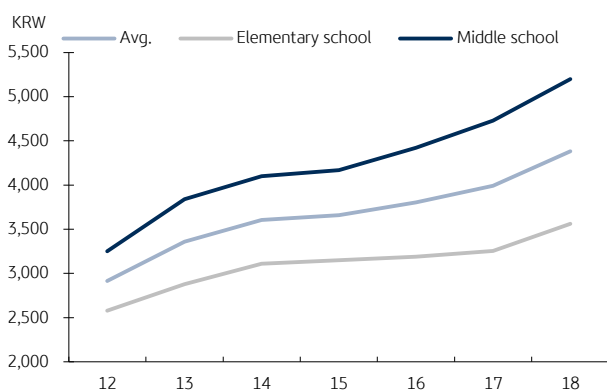
Source: Company data, KB Securities estimates

Note 1: Concession business earnings reflected from 2Q18

Note 2: 2017 CJ Foodville earnings estimation: OR USD23.5bn, OP USD1bn.

Note 3: OR increased 20.4% YoY in 3Q18 to reach record high

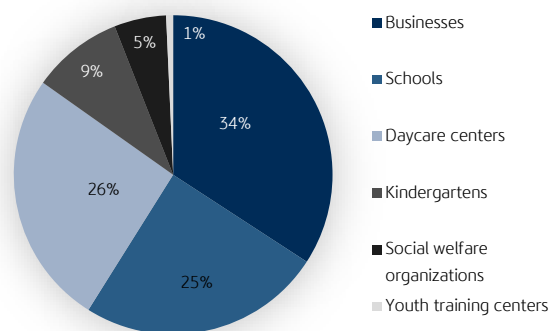
Fig 5. Meal prices of food catering services to Seoul Metropolitan Office of Education



Source: Seoul Metropolitan Office of Education, KB Securities

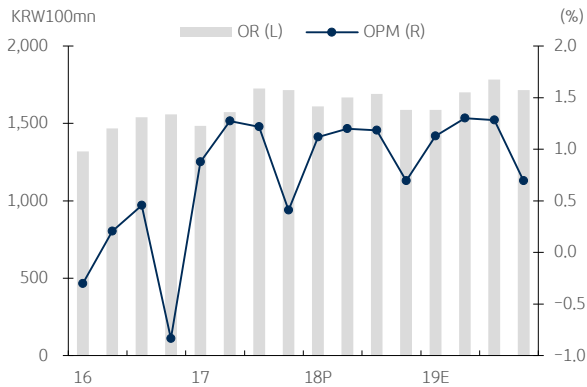
Note: Unit price of food catering service for 2017~2018 is up 4.9% and 9.7% YoY

Fig 6. Breakdown of food catering service business by client type



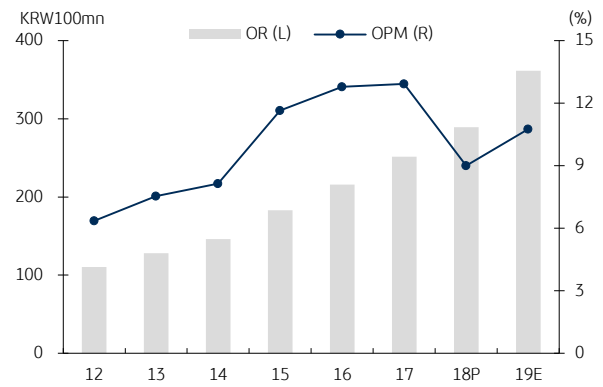
Source: Media reports, KB Securities

Fig 7. Fresh One's earnings performance



Source: Company data, KB Securities estimates

Fig 8. Songlim Food's earnings performance

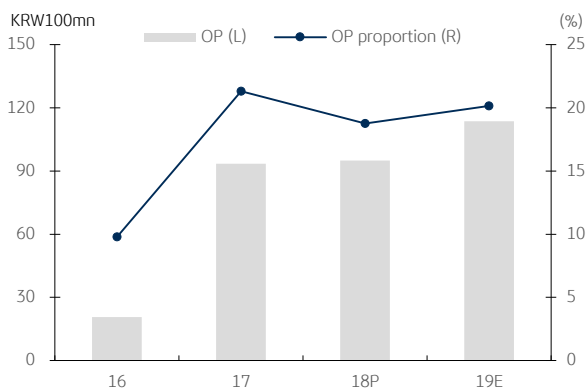


Source: Company data, KB Securities estimates

Note 1: Songlim Food posted OR of USD25.1bn and OP of USD3.3bn in 2017

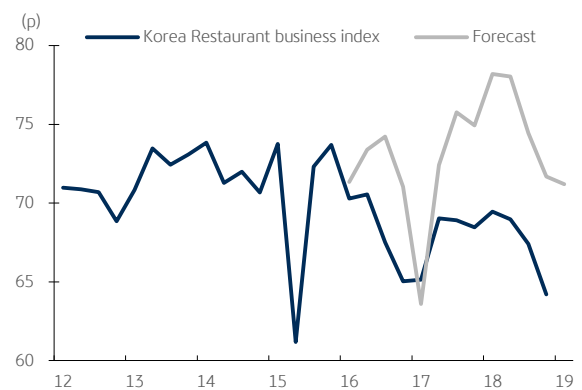
Note 2: OP estimate of Songlim Food: 1Q17 KRW0.8bn→1Q18 KRW0.5bn→2Q18 KRW0.5bn→3Q18 KRW0.4bn. Profitability worsened due to routine maintenance at No. 1 Factory (to be finished by end-2018) and delayed sales of some new products

Fig 9. Fresh One and Songlim Food's OP proportions



Source: Company data, KB Securities estimates

Fig 10. Korea restaurant business index



Source: aT, KB Securities

Note: 2Q18 Korea restaurant business index of 68.98p (-0.06p YoY, -0.47p QoQ)

Table 3. Target price calculation

KRW, x, %	Details	Note
EPS	2,024	12M Fwd
2017	-129	
2018P	1,140	
2019E	1,956	
2020E	2,544	
PER	19.5	Applied Global food distribution industry avg. PER
F&B	15.0	
Global avg.	19.5	Global food distribution industry avg. PER
Historical avg.	36.9	2010~2018 avg.
Fair price	39,431	
Target price	39,000	8.3% up from previous target price
Current price	29,600	2/11 Closing price
Upside potential	31.8	Buy

Table 4. Global peer valuation

KRW100mn, USDmn, %, x		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Costco	OR	64,400	72,483	71,422	77,946	88,915	99,137	105,156	112,640	116,199	118,719	129,025	141,576	152,973	162,988
	YoY	7.1	12.6	-1.5	9.1	14.1	11.5	6.1	7.1	3.2	2.2	8.7	9.7	8.0	6.5
	OP	1,622	1,969	1,777	2,077	2,439	2,759	3,053	3,220	3,624	3,672	4,111	4,480	4,520	4,941
	OPM	2.5	2.7	2.5	2.7	2.7	2.8	2.9	2.9	3.1	3.1	3.2	3.2	3.0	3.0
	YoY	-0.5	21.4	-9.8	16.9	17.4	13.1	10.7	5.5	12.5	1.3	12.0	9.0	0.9	9.3
	PER	23.5	22.6	20.9	19.2	23.4	24.8	24.9	26.0	26.1	30.8	27.2	32.9	26.9	24.8
	PBR	3.1	3.2	2.3	2.2	2.8	3.4	4.5	4.3	5.8	5.9	6.4	8.0	6.2	5.3
	PSR	0.4	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.5	0.7	0.6	0.6
	ROE	12.2	14.4	11.3	12.5	12.8	14.0	17.6	17.8	20.7	20.7	23.4	26.6	24.2	22.7
SYSCO	OR	35,042	37,522	36,853	37,243	39,323	42,381	44,411	46,517	48,681	50,367	55,371	58,727	60,576	62,920
	YoY	7.4	7.1	-1.8	1.1	5.6	7.8	4.8	4.7	4.7	3.5	9.9	6.1	3.1	3.9
	OP	1,708	1,880	1,872	1,976	1,932	1,891	1,658	1,587	1,229	1,851	2,053	2,329	2,683	2,941
	OPM	4.9	5.0	5.1	5.3	4.9	4.5	3.7	3.4	2.5	3.7	3.7	4.0	4.4	4.7
	YoY	14.3	10.0	-0.4	5.5	-2.2	-2.1	-12.3	-4.3	-22.5	50.5	11.0	13.4	15.2	9.6
	PER	20.6	15.6	13.0	14.2	15.2	14.0	16.0	22.0	22.5	24.9	21.3	21.8	19.4	17.5
	PBR	6.2	5.0	3.9	4.3	3.9	3.7	3.9	4.2	4.3	8.2	11.2	14.2	13.9	11.6
	PSR	0.6	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.5
	ROE	31.6	33.1	30.8	32.4	27.0	23.9	20.1	17.8	13.0	21.7	39.0	58.5	64.9	63.6
Compass group	OR	20,221	22,551	20,838	22,558	25,423	26,650	27,415	27,921	27,177	27,920	28,599	30,900	32,258	33,768
	YoY	9.3	11.5	-7.6	8.3	12.7	4.8	2.9	1.8	-2.7	2.7	2.4	8.0	4.4	4.7
	OP	1,034	1,291	1,348	1,533	1,622	1,337	1,237	1,961	1,888	1,951	2,057	2,207	2,432	2,566
	OPM	5.1	5.7	6.5	6.8	6.4	5.0	4.5	7.0	6.9	7.0	7.2	7.1	7.5	7.6
	YoY	26.2	24.9	4.4	13.7	5.8	-17.6	-7.5	58.6	-3.7	3.3	5.4	7.3	10.2	5.5
	PER	20.1	16.5	13.0	15.0	14.3	21.3	36.5	20.4	20.1	24.8	22.2	24.0	20.8	19.5
	PBR	2.7	2.9	2.8	3.3	2.8	3.9	5.5	9.1	9.0	9.9	12.0	10.4	8.3	7.6
	PSR	0.6	0.6	0.5	0.7	0.6	0.8	0.9	1.0	1.0	1.3	1.1	1.2	1.1	1.1
	ROE	23.1	20.4	24.8	24.1	22.2	18.0	14.3	37.4	46.0	44.7	50.4	47.7	44.0	40.3
Sodexo	OR	17,690	20,420	19,867	20,886	22,291	23,811	24,069	24,519	23,043	22,497	22,753	24,331	24,288	25,088
	YoY	12.6	15.4	-2.7	5.1	6.7	6.8	1.1	1.9	-6.0	-2.4	1.1	6.9	-0.2	3.3
	OP	846	1,035	1,010	1,056	1,185	1,285	1,065	1,270	1,321	1,210	1,302	1,184	1,374	1,457
	OPM	4.8	5.1	5.1	5.1	5.3	5.4	4.4	5.2	5.7	5.4	5.7	4.9	5.7	5.8
	YoY	13.9	22.4	-2.5	4.6	12.3	8.4	-17.1	19.2	4.0	-8.4	7.6	-9.0	16.1	6.0
	PER	21.8	19.1	15.8	17.2	17.6	18.1	22.9	23.2	17.1	24.7	20.2	20.4	18.0	16.7
	PBR	3.3	3.3	2.7	2.6	3.1	3.1	3.4	3.6	3.2	4.3	4.1	4.0	3.8	3.4
	PSR	0.6	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.8	0.7	0.7	0.6	0.6
	ROE	15.7	17.0	17.8	16.4	17.2	18.9	14.7	16.0	20.3	17.3	20.1	19.1	22.0	21.9
Aramark	OR	-	-	-	12,419	13,082	13,505	13,946	14,833	14,329	14,416	14,604	15,790	16,257	16,757
	YoY	-	-	-	-	5.3	3.2	3.3	6.4	-3.4	0.6	1.3	8.1	3.0	3.1
	OP	-	-	-	477	547	582	514	565	628	746	808	826	1,142	1,208
	OPM	-	-	-	3.8	4.2	4.3	3.7	3.8	4.4	5.2	5.5	5.2	7.0	7.2
	YoY	-	-	-	-	14.6	6.3	-11.6	9.7	11.2	18.9	8.3	2.2	38.2	5.8
	PER	-	-	-	-	-	-	-	32.2	26.8	29.1	26.0	23.7	13.6	12.2
	PBR	-	-	-	-	-	-	-	3.6	3.9	4.3	4.1	3.5	2.3	2.0
	PSR	-	-	-	-	-	-	-	0.4	0.5	0.6	0.7	0.7	0.5	0.5
	ROE	-	-	-	-	-	11.6	7.6	11.4	13.1	14.2	16.2	20.7	21.7	17.1
MARR	OR	1,429	1,598	1,555	1,548	1,698	1,580	1,769	1,867	1,599	1,663	1,791	1,893	1,956	2,021
	YoY	19.1	11.8	-2.7	-0.5	9.7	-7.0	12.0	5.5	-14.4	4.0	7.7	5.7	3.3	3.3
	OP	82	90	88	94	110	99	104	114	99	101	110	114	119	124
	OPM	5.8	5.6	5.7	6.1	6.5	6.3	5.9	6.1	6.2	6.1	6.1	6.0	6.1	6.1
	YoY	22.3	8.9	-1.6	7.0	17.1	-10.4	5.0	9.6	-13.2	2.7	8.0	3.6	4.9	4.3
	PER	15.9	11.3	10.3	12.6	8.6	10.8	17.0	19.1	21.9	19.7	22.0	20.1	19.2	18.5
	PBR	2.6	2.0	2.0	2.8	1.9	2.3	3.3	3.9	4.7	4.0	4.7	4.1	3.8	3.6
	PSR	0.4	0.3	0.4	0.5	0.3	0.4	0.6	0.7	0.9	0.8	0.9	0.8	0.8	0.7
	ROE	16.5	17.5	20.4	22.7	22.8	21.4	19.8	20.6	22.1	21.0	22.2	21.4	21.3	20.8

Source: Bloomberg, KB Securities

Profit & Loss					
(KRWbn)	2017A	2018E	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Operating revenue	2,504	2,828	3,000	3,270	3,564
Cost of sales	2,151	2,470	2,616	2,851	3,108
Gross profit	353	359	383	419	456
SG&A expenses	309	308	327	355	387
Operating profit	44	51	56	64	70
EBITDA	71	80	85	92	98
Non-operating accounts	-43	-24	-22	-20	-10
Interest income	1	1	1	1	1
Interest expenses	7	8	8	8	8
Profit on equity method	0	0	0	0	0
Net other non-operating income	-36	-13	-12	-10	0
Profit before tax	1	27	34	44	60
Income tax expense	0	10	8	11	17
Net profit	1	17	26	34	43
NP to parent	-2	14	23	30	39
Adj. net profit	-2	14	23	30	39

Operating Statistics & Ratios					
(%)	2017A	2018E	2019E	2020E	2021E
OR growth	7.6	12.9	6.1	9.0	9.0
OP growth	108.7	15.5	11.3	13.4	9.0
EBITDA growth	59.8	13.0	6.9	7.6	6.3
NP growth of parent	Loss Tont.	TB	71.6	30.1	27.6
GP margin	14.1	12.7	12.8	12.8	12.8
OP margin	1.8	1.8	1.9	2.0	2.0
EBITDA margin	2.8	2.8	2.9	2.8	2.7
EBT margin	0.1	1.0	1.1	1.4	1.7
NP margin	0.1	0.6	0.9	1.0	1.2

Cash Flow					
(KRWbn)	2017A	2018E	2019E	2020E	2021E
Cash flow from operating activities	23	49	46	49	59
Net profit	1	17	26	34	43
Depreciation & amortization	27	29	29	28	28
Other non-cash adjustments	40	8	8	11	17
Investments in working capital	-42	5	-9	-12	-12
Decrease(Increase) in Receivables	-44	-16	-13	-12	-28
Decrease(Increase) in Inventories	29	-3	-8	-8	-16
Increase(Decrease) in Payables	-4	2	8	7	25
Other operating cash flow	-2	0	-8	-11	-17
Cash flow from investing activities	-34	-36	-33	-36	-1
Capital expenditure	-25	-34	-28	-30	0
Investments in intangibles	-4	-4	-3	-3	0
Changes in investment assets	-6	-9	-1	-2	0
Other investment cash flow	0	-4	0	0	0
Cash flow from financing activities	53	-41	-6	1	21
Proceeds from (repayments of) debt	67	-34	-6	2	20
Changes in equity	0	26	0	0	0
Dividends paid	-5	-4	-2	-2	-2
Other financing cash flow	-8	-29	2	1	3
Other cash flow	-1	0	0	0	0
Increase/decrease in cash	42	-28	6	14	79
Cash and cash equivalents at FYE	55	26	33	47	126
Free cash flow	-2	16	18	19	59
Net cash flow	-21	-30	13	13	60
Net cash (net debt)	-240	-270	-257	-244	-184

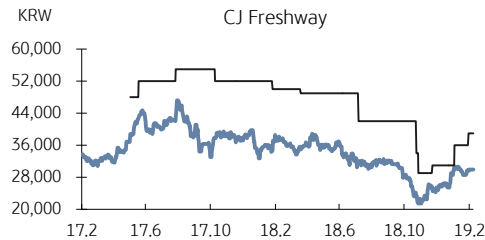
Source: CJ Freshway, KB Securities estimates

Statement of financial position					
(KRWbn)	2017A	2018E	2019E	2020E	2021E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	903	945	977	1,021	1,118
Current assets	507	497	526	562	688
Cash and cash equivalents	55	26	33	47	126
Current financial assets	8	8	9	10	11
Trade receivables	269	283	295	307	335
Inventories	154	158	166	174	190
Other current assets	21	21	22	23	25
Non-current assets	396	449	452	458	430
Investment assets	39	40	40	43	43
Property, plant and equipment	254	302	311	323	304
Intangible assets	96	91	83	76	67
Other non-current assets	2	7	7	7	7
Total liabilities	667	687	696	708	765
Current liabilities	513	581	588	599	653
Trade payables	252	261	269	276	300
Short-term financial liabilities	177	230	225	227	247
Other current liabilities	83	90	94	96	105
Non-current liabilities	154	106	108	109	112
Non-current financial liabilities	125	74	74	74	74
Other non-current liabilities	10	11	12	13	14
Total equity	235	258	281	313	353
Issued capital	12	12	12	12	12
Share premium	92	89	89	89	89
Other equity interest	22	22	22	22	22
Accumulated other comprehensive income	20	34	34	34	34
Retained earnings	34	43	64	92	128
Equity attributable to owners of parent	180	200	221	249	285
Non-controlling Interests	55	58	60	64	68

Key Ratio					
(X, %, KRW)	2017A	2018E	2019E	2020E	2021E
Multiples					
PER	NA	23.3	15.1	11.6	NA
PBR	2.6	1.6	1.6	1.4	NA
PSR	0.2	0.1	0.1	0.1	NA
EV/EBITDA	10.8	8.0	7.8	7.2	6.2
EV/EBIT	17.5	12.7	11.9	10.3	8.7
Dividend yield, ordinary (%)	0.5	0.8	0.7	0.7	0.0
EPS	-129	1,140	1,956	2,544	0
BPS	15,181	16,867	18,623	20,968	0
SPS	210,958	238,226	252,671	275,411	0
DPS (Annual, Ordrry.)	200	200	200	200	0
Cash dividends payout ratio (%)	0.0	17.6	10.2	7.9	0.0
Operating performance					
ROE	-0.8	7.1	11.0	12.9	14.4
ROA	0.1	1.8	2.7	3.4	4.0
ROIC	7.5	7.3	8.5	9.3	9.7
Financial structure (%)					
Total liab./equity	283.3	266.3	247.1	226.4	216.6
Net debt/equity	101.7	104.5	91.2	77.9	52.1
Current Ratio	1.0	0.9	0.9	0.9	1.1
Interest coverage (x)	6.0	6.4	7.2	8.1	8.9
Activity ratios					
Asset turnover (x)	2.9	3.1	3.1	3.3	3.3
Receivables turnover (x)	9.6	10.3	10.4	10.9	11.1
Inventory turnover (x)	14.8	18.1	18.5	19.2	19.6

Disclosures

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



CJ Freshway (051500)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
17-05-15	Buy	48,000	-15.64	-11.25
17-05-31	Buy	52,000	-20.34	-14.04
17-08-09	Buy	55,000	-27.97	-14.09
17-10-22	Buy	52,000	-28.26	-23.46
18-02-07	Buy	50,000	-27.61	-22.80
18-04-01	Buy	49,000	-28.32	-20.71
18-07-19	Buy	42,000	-28.00	-22.50
18-11-05	Buy	34,000	-34.36	-31.32
18-11-09	Buy	29,000	-18.10	-9.66
18-12-05	Buy	31,000	-15.26	-3.71
19-01-16	Buy	36,000	-17.26	-14.86
19-02-11	Buy	39,000		

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

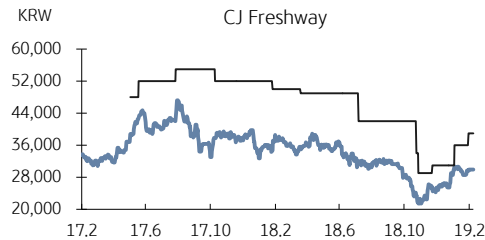
Notes: The industry rating system of KB Securities has shifted from (Overweight, Neutral, Underweight) to (Positive, Neutral, Negative) as of Jun 28, 2017

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



CJ Freshway (051500)

Date	Rating	Target Price (KRW)	Differential (%)	
			Avg.	Max/Min
17-05-15	Buy	48,000	-15.64	-11.25
17-05-31	Buy	52,000	-20.34	-14.04
17-08-09	Buy	55,000	-27.97	-14.09
17-10-22	Buy	52,000	-28.26	-23.46
18-02-07	Buy	50,000	-27.61	-22.80
18-04-01	Buy	49,000	-28.32	-20.71
18-07-19	Buy	42,000	-28.00	-22.50
18-11-05	Buy	34,000	-34.36	-31.32
18-11-09	Buy	29,000	-18.10	-9.66
18-12-05	Buy	31,000	-15.26	-3.71
19-01-16	Buy	36,000	-17.26	-14.86
19-02-11	Buy	39,000		

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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

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