Scandi Standard

Reason: Post-results comment

Let the (consumer) trend be your friend

- We keep our '24e-25e EBIT largely unchanged
- Another margin uptick in '24 and strong outlook reiterated
- Positive momentum and undemanding valuation: BUY

BUY ● HOLD ○ SELL ○

We keep our '24e-25e EBIT largely unchanged post-Q4

Scandi Standard reported Q4'23 EBIT of SEK 105m, 6% above Bloomberg consensus at SEK 99m (ABGSCe SEK 96m, driven by a better EBIT margin at 3.5% (consensus 3.1%, ABGSCe 3.3%). We were positively surprised by 12% higher volumes y-o-y in Q4, signalling strong consumer demand. Importantly, management stressed that they would not compromise on prices despite increasing volumes, which to us shows that i) RTC margins should continue to increase y-o-y in '24, and ii) Scandi's flexible value chain allows it to swiftly adapt to changing market environment. For RTE, Q4 was described as a trough quarter EBIT-wise, but we are left with an impression of a somewhat slower volume recovery than initially assumed. In sum, though, '24e-25e EBIT is little changed.

Another margin uptick in '24 and strong outlook reiterated

In '23, EBIT margins recovered (3.4% vs. trough at 2.1% in '21), fueled by higher prices and abating cost headwinds, the latter of which should continue to support margins in '24. Coupled with the ongoing turnaround of the Danish RTC business, whose EBIT contribution should be positive in '24 (vs. SEK -81m in '23), and regained momentum in Sweden, a positive margin trend should continue. In general, we are encouraged by how slight price corrections have triggered a highly positive consumer response (in a price-conscious environment), as chicken has increased its relative attractiveness vs. other meats, which is supportive of long-term demand growth.

Positive momentum and undemanding valuation; BUY

Turning our normalised earnings scenario to '26, we lift our TP to SEK 78 (75). SCST is currently trading at a '24e-25e P/E of 14x-11x – undemanding for a company with prospects of an average ROE of ~15% and an EPS CAGR of 20% in the coming five years. We stick to BUY.

Food & Beverages

Estimate changes (%)

	2024e	2025e	2026e
Sales	-2.0	-2.1	0.0
EBIT	0.4	-0.5	0.0
EPS	0.0	0.0	0.0

Source: ABG Sundal Collier

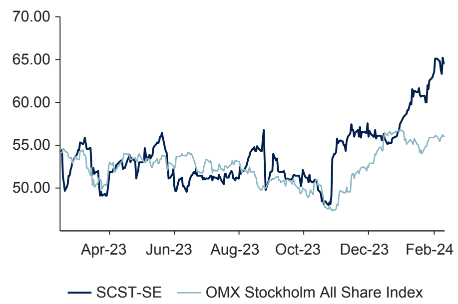
SCST-SE/SCST SS

Share price (SEK)	9/2/2024	64.50
Target price	(75.0)	78.0

MCap (SEKm)	4,261
MCap (EURm)	378
No. of shares (m)	66.1
Free float (%)	59.9
Av. daily volume (k)	267

Next event Q1 Report 3 May 2024

Performance



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SEKm	2022	2023	2024e	2025e	2026e
Sales	12,145	13,060	12,610	13,158	13,780
EBITDA	723	880	926	1,011	1,072
EBITDA margin (%)	6.0	6.7	7.3	7.7	7.8
EBIT adj.	290	457	518	603	664
EBIT adj. margin (%)	2.4	3.5	4.1	4.6	4.8
Pretax profit	187	332	399	488	557
EPS	2.21	4.18	4.80	5.91	6.70
EPS adj.	2.21	4.18	4.80	5.91	6.70
Sales growth (%)	20.0	7.5	-3.4	4.3	4.7
EPS growth (%)	43.1	89.1	14.8	23.1	13.4

Source: ABG Sundal Collier, Company Data

	2024e	2025e	2026e
P/E (x)	13.4	10.9	9.6
P/E adj. (x)	13.4	10.9	9.6
P/BVPS (x)	1.66	1.54	1.43
EV/EBITDA (x)	6.1	5.4	5.0
EV/EBIT adj. (x)	10.9	9.1	8.1
EV/sales (x)	0.45	0.42	0.39
ROE adj. (%)	12.8	14.7	15.4
Dividend yield (%)	4.5	5.5	6.2
FCF yield (%)	3.6	8.0	7.5
Le. adj. FCF yld. (%)	3.6	8.0	7.5
Net IB debt/EBITDA (x)	1.5	1.2	1.1
Le. adj. ND/EBITDA (x)	1.5	1.2	1.1

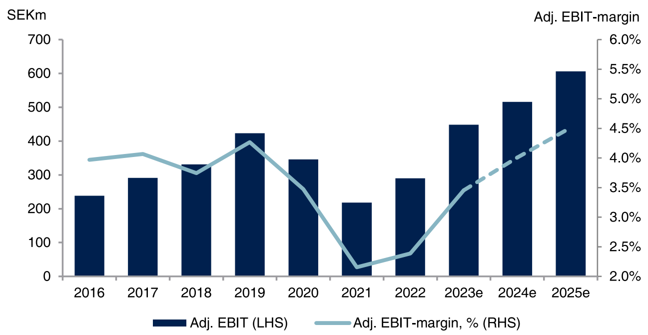
Company description

Scandi Standard is a leading producer of chicken-based food products in the Nordics and Ireland. The company produces, markets and sells ready to eat, chilled and frozen products under well-known consumer brands such as Kronfågel, Danpo, Den Stolte Hane, Manor Farm and Naapurin Maalaiskana, in addition to private label products for key European retailers. Eggs are also produced and sold in Norway. Scandi Standard has approximately 3,200 employees, with annual sales of more than SEK 12bn in 2022.

Risks

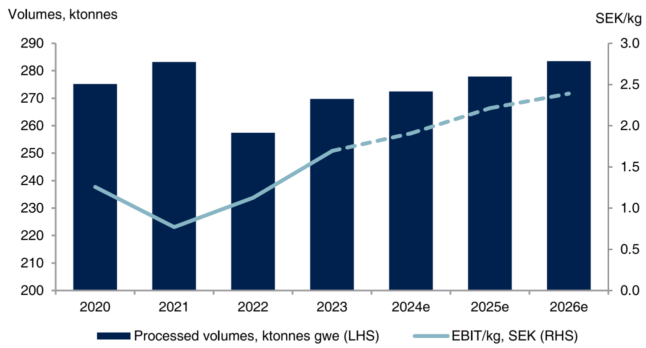
Scandi Standard is subject to a number of risks, including changes in consumer demand, production disruptions, biological risks (i.e., disease outbreaks), political and regulatory risks, FX, increased competition and inability to offset cost increases by increasing prices to end-customers.

EBIT (reported) and EBIT margin



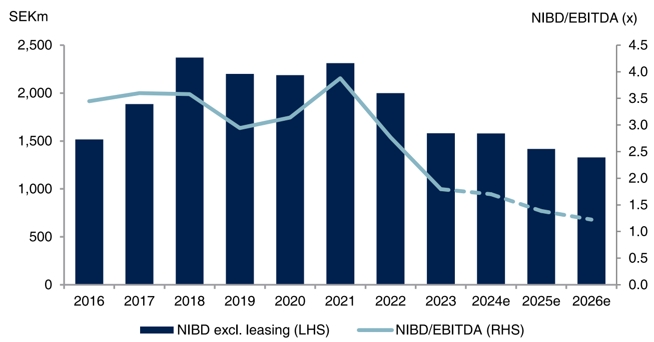
Source: ABG Sundal Collier, company data

Annual processed volumes and EBIT/kg margin



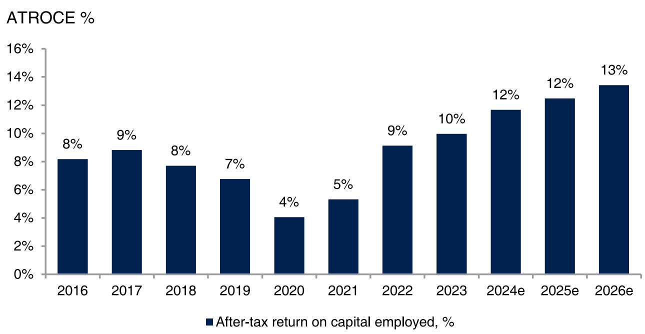
Source: ABG Sundal Collier, company data

NIBD and NIBD/EBITDA



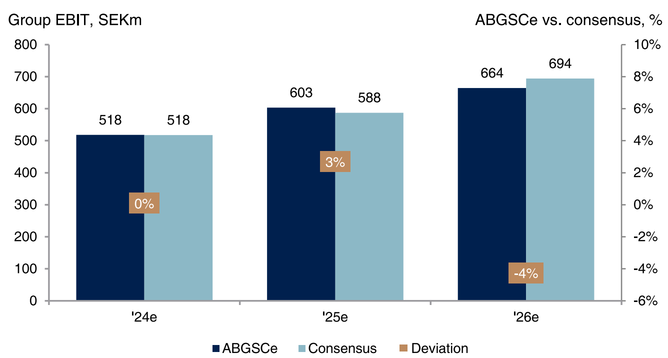
Source: ABG Sundal Collier, company data

After-tax return on capital employed, %



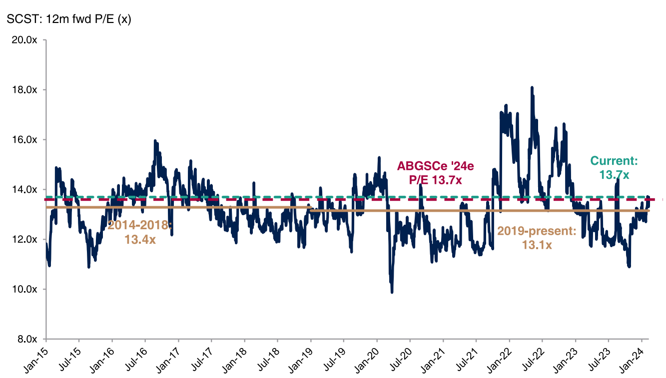
Source: ABG Sundal Collier, company data

ABGSCe vs. consensus, '24e-26e EBIT (SEKm)



Source: ABG Sundal Collier, Bloomberg

SCST: 12m fwd P/E



Source: Factset

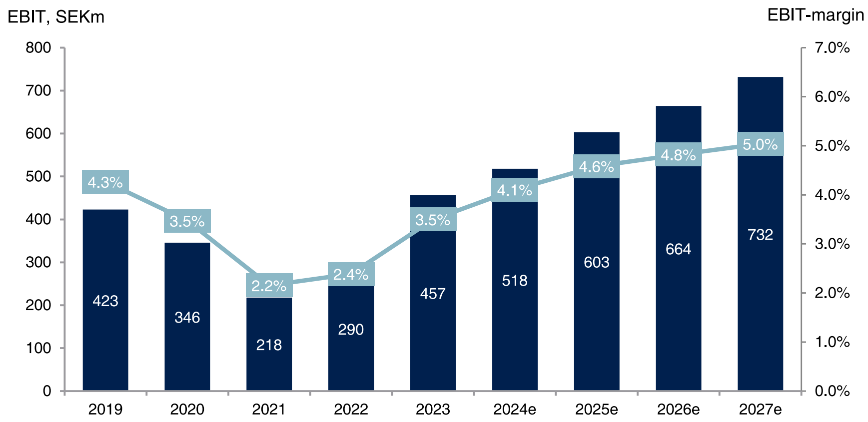
Recap: Our SCST investment case

On 10 January, we initiated coverage on Scandi Standard (SCST), a leading Nordic and Irish producer of chicken-based products, with a BUY recommendation and a target price of SEK 75 (now lifted to 78). The full IOC report can be found here, but below, we sum up our investment case, which we argue is still very much in tact post-Q4, if not further strengthened.

Margin recovery to be succeeded by margin expansion

In our forecast period, we expect material improvements in Scandi Standard's operating margin, particularly related to the RTC (ready-to-cook) segment, boosted by a combination of: i) lower costs given deflating feed costs, ii) operational leverage, and iii) an improved sales mix on increased sales of higher-priced products and a larger share of domestic sales.

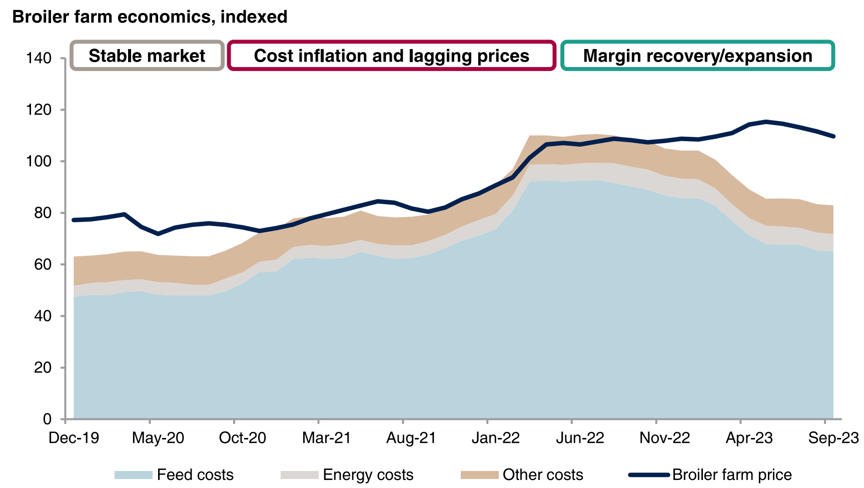
EBIT shortfall in '21-22, recovery in '23 and expansion in '24-27e...



Source: ABG Sundal Collier, comapny data

Following a temporary margin squeeze in '20-22 on soaring costs not fully offset by higher prices, in addition to a failed strategy change in DK, margins have now recovered, as prices of key input factors in chicken production are retracting, lowering total costs. While this could gradually put pressure on contract prices with customers, these changes usually lag costs, meaning that margins should hold up.

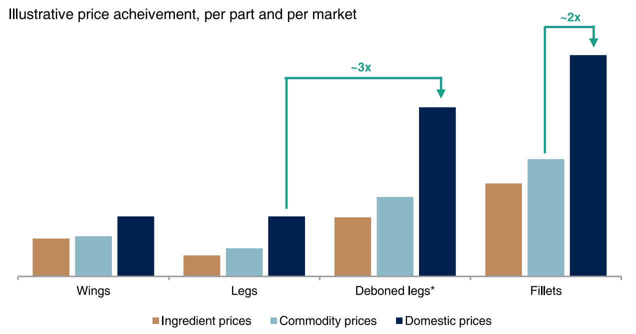
...as cost headwinds have turned to tailwinds; with further upside from...



Source: ABG Sundal Collier, European Commission

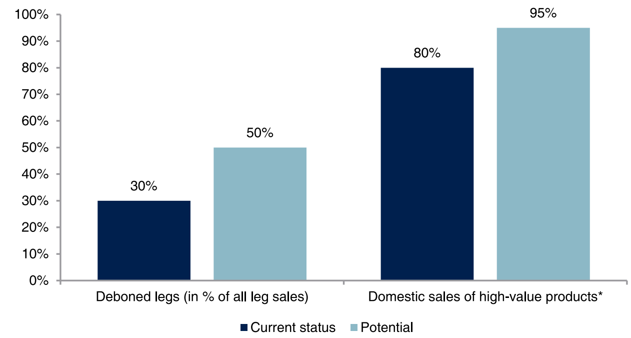
In addition, there should be significant untapped margin potential in realising each part of the chickens' optimal commercial value. If the company is successful in meeting rising demand for more convenient, easy-to-cook chicken products, and allocate these into the highest-paying end-markets, the realised value/kg uplift is material.

...a significant value/kg uplift potential in upselling RTC volumes...



Source: ABG Sundal Collier

...the realisation of which is a key priorty to Scandi...



Source: ABG Sundal Collier

Our study of price achievement and implied EBIT contribution from various parts of the chicken into various end-markets demonstrates how changes to the product mix and end-market allocation could lift EBIT materially in the coming years. For example, by lifting the share of de-boned chicken legs to ~50% (from 30% currently) and selling 20% of the volumes sold as commodities today into domestic markets, the incremental EBIT would almost double Group '23e EBIT.

EBIT impact from mix improvement vs. '23, SEKm

Chg. in commodity vols sold domestic	Share of legs sold as deboned legs (%)					
	30%	35%	40%	45%	50%	55%
-15%	-111	-80	-11	63	134	205
-10%	-74	-43	26	99	171	242
-5%	-37	-6	63	136	207	278
0%	0	31	100	173	244	315
5%	37	68	137	210	281	352
10%	74	105	174	247	318	389
15%	111	142	211	284	355	426
20%	147	179	247	321	392	463

Source: ABG Sundal Collier

EBIT impact from mix improvement vs. '23, %

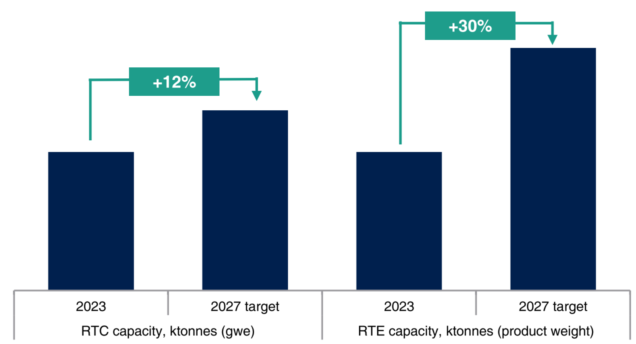
Chg. in commodity vols sold domestic	Share of legs sold as deboned legs (%)					
	30%	35%	40%	45%	50%	55%
-15%	-25%	-18%	-2%	14%	30%	46%
-10%	-16%	-10%	6%	22%	38%	54%
-5%	-8%	-1%	14%	30%	46%	62%
0%	0%	7%	22%	39%	55%	70%
5%	8%	15%	31%	47%	63%	79%
10%	16%	23%	39%	55%	71%	87%
15%	25%	32%	47%	63%	79%	95%
20%	33%	40%	55%	72%	87%	103%

Source: ABG Sundal Collier

Increased capacity to support future volume growth...

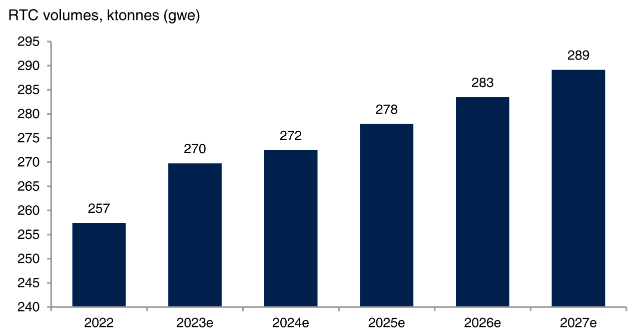
The backbone of Scandi Standard's sales target of 5-7% annual growth is a stable volume increase, into which Scandi is investing SEK 2bn, lifting RTC capacity by 10-15% and capacity in the high-margin RTE (ready-to-eat) segment by 30%.

Investing in increased production capacity...



Source: ABG Sundal Collier, company data

...supporting a stable increase in volumes

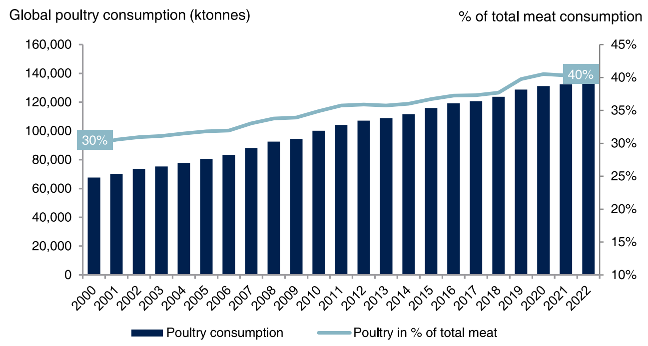


Source: ABG Sundal Collier, company data

...absorbed by high demand amid favourable consumer trends

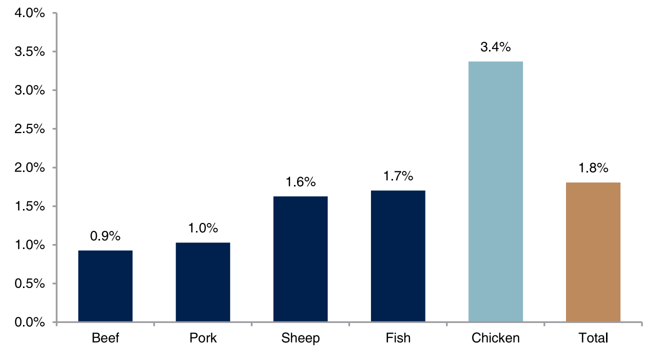
Over recent decades, demand for chicken-based products has materially outpaced demand for other meats, as consumers are embracing chicken as a healthy, convenient, affordable and sustainable product. These strong consumer trends are unlikely to recede, in our view. Scandi mostly operates in balanced markets with strong preferences for domestic products, which makes for a stable and attractive market environment.

Strong consumer trends drive chicken consumption higher...



Source: ABG Sundal Collier, OECD, FAO

...with consumption growth outpacing that of competing proteins



Source: ABG Sundal Collier, OECD, FAO

~20-25% upside to '27e EBIT if company reaches its targets...

While we expect strong sales growth and a significant uptick in EBIT margins, backed by higher production volumes, lower costs from normalised feed/energy costs and an improved sales mix, we still end up shy of the company's ambitious targets set forth at its November 2023 CMD. This suggests that there is upside to our estimates in a scenario in which sales growth and EBIT margin targets are met (~20-25% upside to '27e EBIT).

Scandi Standard: Estimate overview vs. company targets

		Historical record				ABGSC Estimates			Company targets
		2020	2021	2022	2023	2024e	2025e	2026e	
Group	**Total revenue (SEKm)**	**9,961**	**10,118**	**12,145**	**13,060**	**12,610**	**13,158**	**13,780**	
	Revenue growth	*0.5%*	*1.6%*	*20.0%*	*7.5%*	*-3.4%*	*4.3%*	*4.7%*	**5% - 7% annual growth**
	Total EBIT (SEKm)	**346**	**218**	**290**	**457**	**518**	**603**	**664**	
	EBIT margin (%)	*3.5%*	*2.2%*	*2.4%*	*3.5%*	*4.1%*	*4.6%*	*4.8%*	**>6% by 2027**
	EBIT margin (SEK/kg gwe)	*1.3*	*0.8*	*1.1*	*1.7*	*1.9*	*2.2*	*2.3*	**SEK ~3.0/kg by 2027**
EBIT (SEKm)	Ready-to-cook (RTC)	326	110	47	261	386	452	502	
	Ready-to-eat (RTE)	94	138	209	158	152	197	224	
	Other	7	13	76	68	25	20	20	
Investments (SEKm)	Growth capex	460	478	314	374	500	500	500	**SEK 2.0bn in '24-27**
	D&A	350	378	433	417	408	408	408	**SEK 1.6bn in '24-27**
Capital structure	Net debt / EBITDA	3.1x	3.9x	2.8x	1.8x	1.7x	1.4x	1.3x	**NIBD/EBITDA <2.5x**
	Dividends	40%	0%	58%	56%	60%	60%	60%	**~60% of EPS**
	ROCE %	7%	5%	7%	11%	12%	13%	14%	**15% by 2027**

Source: ABG Sundal Collier

....while strong cash flow generation allows for M&A or extraordinary DPS

On our estimates, Scandi Standard could generate a healthy net cash flow of ~SEK 600m in '24e-27e, which would suggest an NIBD/EBITDA of 1.1x, well below its targeted leverage ratio of below 2.5x. For leverage ratios of 2.0x-2.5x, the implied excess capital relative to Scandi's targeted capital structure would be SEK 1.1-1.7bn.

This excess capital can either be deployed into M&A activity, where applying a purchase EV/ EBITDA of 6.0x (a slight discount to current valuation) would add SEK 200-300m in EBITDA. Alternatively, it could be paid out to shareholders as extraordinary dividends (beyond the 60% payout ratio we consider ordinary dividend). This would increase the shareholder distribution by SEK 17-26/share, i.e., up to ~50% of the current market cap (70% including ordinary dividend), over the coming four-year period.

Significant M&A capacity or room for extraordinary DPS

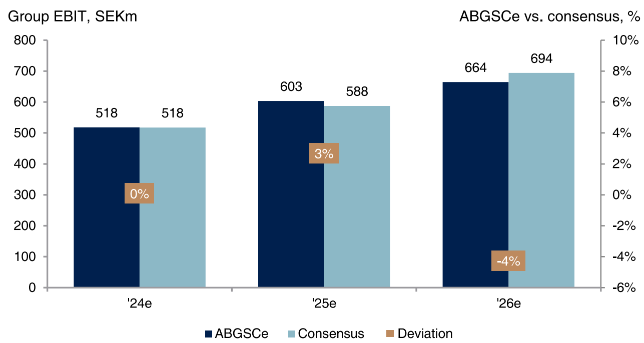
Scandi Standard: '24-27e excess capital M&A firepower/distribution potential		
'27e EBITDA	1,188	
'27e NIBD	1,268	
'27e NIBD/EBITDA	1.1x	
Target NIBD/EBITDA (x)	2.0x	2.5x
Excess capital to target capital structure, SEKm	**1,109**	**1,703**
Alternative 1: M&A		
Purchase EV/EBITDA	6.0x	6.0x
Additional EBITDA, SEKm	**185**	**284**
Additional EBITDA %	**16%**	**24%**
Alternative 2: Extraordinary DPS		
Extraordinary DPS potential, '24-27e	17	26
- as a % of current market cap	*29%*	*45%*
Total pot. shareholder repatriation (DPS, incl. ordinary dividends), '24-27e	**30**	**39**
- as a % of current market cap	*52%*	*67%*

Source: ABG Sundal Collier

We are 0-3% above consensus on '24e-25e EBIT

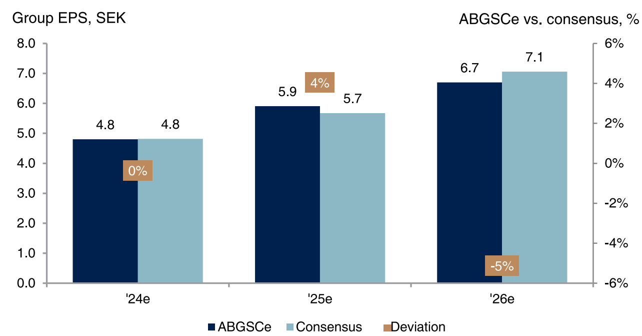
Looking at our '24e-25e EBIT vs. Bloomberg consensus, we are 0-3% above. For EPS, we are 0-4% above for '24e-'25e. On '26 estimates we suspect are not updated (recently), we are 4% below on EBIT and 5% below on EPS.

ABGSCe vs. consensus, '24e-26e EBIT (SEKm)



Source: ABG Sundal Collier, Bloomberg

ABGSCe vs. consensus, '24e-26e EPS (SEK)



Source: ABG Sundal Collier, Bloomberg

Estimate changes

All in all, our estimates for '24-25e EBIT are largely unchanged following the Q4'23 report.

We have lifted our processed volumes in RTC for '24e-25e by 2% due to base effects from '23, as FY'23 was higher than expected (due to 12% growth y-o-y in Q4'23). However, we have slightly lowered our sales price/kg assumptions, which makes the net effect largely unchanged.

In RTE, we have lowered our EBIT by 11%, as we take an (even) more cautious view on the ramp-up of volumes during '24, to replace the lost volumes following the contract loss in H2'23. Lower volumes also impact our margins somewhat (negatively). A lower base also takes down our '25e EBIT for RTE by 7%.

For Other/HQ/Eliminations, we lift '24-25e EBIT by 35% and 18%, respectively, following what seems to be overly conservative assumptions on HQ costs and intra-group eliminations.

Scandi Standard: Estimate changes, SEKm

Scandi Standard	2024e			2025e			2026e		
SEKm	Old	New	%	Old	New	%	Old	New	%
Net sales	12,869	12,610	-2	13,436	13,158	-2		13,780	N.a
EBIT	516	518	0	606	603	0		664	N.a
EPS	4.80	4.80	0	5.90	5.91	0		6.70	N.a
Total									
Revenues	12,869	12,610	-2	13,436	13,158	-2		13,780	N.a
EBIT	516	518	0	606	603	0		664	N.a
EBIT %	4.0%	4.1%	3	4.5%	4.6%	2		4.8%	N.a
Processed volume (ktonnes)	372	378	2	380	386	2		394	N.a
All incl. EBIT/kg	1.39	1.37	-1	1.60	1.56	-2		1.69	N.a
Ready-to-cook									
Revenues	9,237	9,235	0	9,610	9,608	0		10,045	N.a
EBIT	391	386	-1	452	452	0		502	N.a
EBIT %	4.2%	4.2%	-1	4.7%	4.7%	0			
Processed volume (ktonnes)	372	378	2	380	386	2		394	N.a
EBIT/kg	1.05	1.02	-3	1.19	1.17	-2		1.28	N.a
Ready-to-eat									
Revenues	3,034	2,812	-7	3,216	2,980	-7		3,159	N.a
EBIT	171	152	-11	212	197	-7		224	N.a
EBIT %	5.6%	5.4%	-4	6.6%	6.6%	0		7.1%	N.a
Other									
Revenues	598	564	-6	610	569	-7		575	N.a
EBIT	24	25	6	21	20	-7		20	N.a
EBIT %	4.0%	4.5%	13	3.5%	3.5%	0		3.5%	N.a
H&Q/Elim.									
EBIT	-71	-46	35	-79	-65	18		-82	N.a

Source: ABG Sundal Collier

Quarterly estimates

P&L (SCST)																
	2021				2022				2023				2024e			
NOKm	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	**2,475**	**2,567**	**2,636**	**2,440**	**2,796**	**3,069**	**3,205**	**3,075**	**3,287**	**3,427**	**3,326**	**3,020**	**3,049**	**3,246**	**3,303**	**3,013**
Operating cost	-2,295	-2,400	-2,512	-2,315	-2,659	-2,897	-2,993	-2,873	-3,091	-3,197	-3,078	-2,813	-2,837	-3,013	-3,046	-2,788
EBITDA	180	167	124	125	137	172	212	202	196	230	248	207	212	233	256	225
Depreciation/Impairments	-93	-92	-96	-97	-99	-130	-100	-104	-103	-109	-109	-102	-102	-102	-102	-102
EBIT (reported)	**87**	**75**	**28**	**28**	**38**	**42**	**112**	**98**	**93**	**121**	**139**	**105**	**110**	**131**	**154**	**123**
Associated income	0	0	0	2	0	0	0	2	0	0	0	1	0	0	0	0
Net financials	-16	-24	-20	-22	-21	-24	-28	-32	-32	-33	-32	-29	-32	-32	-27	-27
Pretax profit	**-16**	**-24**	**-20**	**-20**	**-21**	**-24**	**-28**	**-30**	**-32**	**-33**	**-32**	**-28**	**-32**	**-32**	**-27**	**-27**
Tax	-17	-10	-6	-3	-7	-11	-18	-12	-17	-14	-17	-11	-16	-20	-26	-20
Net profit	**54**	**41**	**2**	**5**	**10**	**7**	**66**	**56**	**44**	**74**	**90**	**66**	**62**	**78**	**101**	**76**
EPS (core)	0.8	0.6	0.0	0.1	0.1	0.1	1.0	0.9	0.8	1.1	1.2	1.0	0.9	1.2	1.5	1.2

Business areas (SCST)																
	2021				2022				2023				2024e			
Segments	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total																
Revenue	2,469	2,564	2,632	2,435	2,793	3,056	3,202	3,069	3,284	3,411	3,308	3,011	3,049	3,246	3,303	3,013
EBIT	88	79	43	3	37	42	112	99	93	121	139	105	110	131	154	123
EBIT %	3.5%	3.1%	1.6%	0.1%	1.3%	1.4%	3.5%	3.2%	2.8%	3.5%	4.2%	3.5%	3.6%	4.0%	4.7%	4.1%
Processed chicken, gwe tonnes	69	72	74	68	68	64	64	61	65	67	69	68	91	94	97	96
All incl. EBIT/kg	**1.27**	**1.09**	**0.58**	**0.04**	**0.54**	**0.65**	**1.75**	**1.62**	**1.42**	**1.80**	**2.00**	**1.54**	**1.20**	**1.39**	**1.59**	**1.28**
Ready-to-cook																
Revenue	1,938	1,943	1,942	1,789	2,046	2,199	2,265	2,164	2,373	2,495	2,431	2,278	2,253	2,369	2,382	2,232
EBIT	69	65	7	-32	-2	-16	34	31	31	48	105	77	86	99	112	89
EBIT %	3.6%	3.3%	0.4%	-1.8%	-0.1%	-0.7%	1.5%	1.4%	1.3%	1.9%	4.3%	3.4%	3.8%	4.2%	4.7%	4.0%
Processed chicken, gwe tonnes	69	72	74	68	68	64	64	61	65	67	69	68	91	94	97	96
EBIT/kg	**1.01**	**0.90**	**0.10**	**-0.47**	**-0.02**	**-0.25**	**0.52**	**0.50**	**0.47**	**0.72**	**1.52**	**1.13**	**0.94**	**1.06**	**1.15**	**0.93**
Ready-to-eat																
Revenue	444	536	589	543	643	748	802	756	765	774	734	600	651	735	778	648
EBIT	26	35	46	31	35	51	70	53	45	59	32	22	27	39	49	38
EBIT %	5.9%	6.5%	7.8%	5.8%	5.5%	6.8%	8.8%	7.0%	5.9%	7.7%	4.3%	3.7%	4.2%	5.3%	6.3%	5.8%
Other																
Revenue	88	85	102	103	104	109	135	149	146	142	143	134	146	142	143	134
EBIT	-2	-1	5	11	10	18	22	25	24	24	11	10	7	6	6	6
EBIT %	-2.0%	-1.0%	4.5%	10.3%	9.4%	16.9%	16.6%	17.0%	16.2%	17.1%	7.5%	7.3%	4.5%	4.5%	4.5%	4.5%
Overhead/HQ																
Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	-6	-20	-15	-7	-6	-12	-14	-10	-6	-11	-9	-4	-10	-14	-13	-10

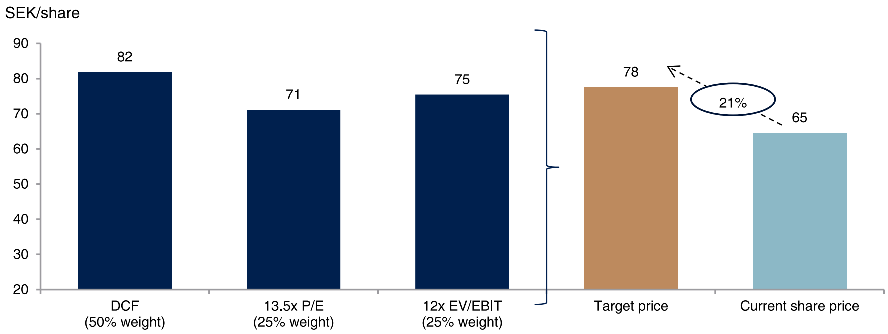
Source: ABG Sundal Collier, company data

Valuation

Valuation summary: BUY, TP of SEK 78 (75)

Our DCF returns a fair value of SEK 82 per share, while a multiples approach (P/E and EV/EBIT) using normalised earnings in the medium term gives a value of SEK 73 per share. A weighted average of the two approaches (50% DCF, 25% fair EV/EBIT and 25% fair P/E) gives a fair value of SEK 78 (75) per share, which is also our updated target price.

Target price methodology, Scandi Standard



Source: ABG Sundal Collier

A 5-year shareholder return of >150% is plausible

On our estimates, we believe that shareholders could expect significant returns over the next five-year period. Assuming a '27e EPS of SEK 8.0, if we apply a P/E of 13x (in line with avg. since listing), we get to a fair share price in '27 of SEK 104. Adding the SEK 39 in potential dividends, we get to SEK 143, which would suggest a total return of ~150% over the next five years.

DCF valuation

Our DCF valuation points to a fair value of SEK 82/share. The assumptions are outlined in more detail in the estimates section on the previous page, but the key drivers are:

- We assume processed volumes to growth by 2% p.a., reaching ~300 ktonnes by '32
- We assume an EBIT margin of ~5.0% in '27 (SEK 2.7 in EBIT/kg), and ~5.4% in '29 (SEK 3.0), at which point the margin stabilises.
- We estimate CAPEX of SEK 2bn in '24-27.
- We discount our cash flow estimates by a WACC of 9.2%

DCF summary

SEK(m)	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TV
EBITDA	880	926	1,011	1,072	1,140	1,181	1,224	1,241	1,258	1,275	
Paid tax	-54	-59	-82	-98	-115	-133	-143	-154	-159	-165	
Change in WC	229	-96	29	-50	-15	-22	-8	-13	-11	-12	
Operating cash flow	1,055	771	958	925	1,010	1,026	1,074	1,074	1,088	1,097	
CAPEX fixed assets	-374	-500	-500	-500	-500	-410	-415	-418	-420	-422	
Free cash flow	681	271	458	425	510	617	658	656	668	675	8,106
Present value of FCF	688	251	388	330	363	402	393	358	334	309	3,715

Enterprise value	6,842
NIBD YE '23 + dividend	1,429
Equity value	5,414
Shares outstanding	66
Value per share	**82**
Fair value, SCST	**82**
Current share price	65
Upside to DCF fair value	27%
WACC	9.2%
RONIC	12.0%

Terminal growth \ WACC	8.7%	9.0%	9.2%	9.5%	9.7%
1.0%	88	85	81	78	75
1.5%	89	85	81	78	75
2.0%	89	85	82	78	75
2.5%	90	86	82	78	75
3.0%	91	87	83	79	75
3.5%	93	88	83	79	75
4.0%	95	89	84	80	76

Source: ABG Sundal Collier

Multiples approach – fair EV/EBIT and fair P/E

In our valuation framework using valuation multiples, we estimate a normalised earnings level and apply what we deem as fair P/E and EV/EBIT multiples. For Scandi Standard, we use a fair P/E of 13.5x and fair EV/EBIT of 12.0x in our normalised approach. This is roughly in line with SCST's most relevant, European protein peers (such as LDC, Cranswick and Atria), with which SCST tends to be valued in line. That being said, the applied multiples are well below the multiples at which larger, global protein peers (such as Tyson Foods, Hormel Foods and JBS) are trading, which we argue is warranted given SCST's size, history, and share liquidity, and on the basis of much less product/geographical diversification.

Normalised earnings suggest fair value per share of SEK 71-75...

In our normalised earnings approach, whose characteristics admittedly are similar to those we apply in our Seafood coverage, we use 283 ktonnes in production volumes (equivalent to the volumes in 2026) and an EBIT/kg margin of SEK 2.3, resulting in an EBIT of SEK 652m and an EPS of SEK 6.5. Applying our fair P/E of 13.5x and EV/EBIT of 12.0x, we arrive at fair share price of SEK 71-75/share using the multiples approach.

Normalised earnings, P/E and EV/EBIT

Normalised earnings	
Processed volumes (ktonnes gwe)	283
EBIT/kg, SEK	2.3
Group EBIT, SEKm	**652**
Net financials, SEKm	-107
Tax, SEKm	-115
Net income, SEKm	**430**
# of shares	66
EPS	**6.5**
Current share price	65.0
Current P/E (normalised)	**10.0x**

Fair valuation using P/E	
Fair P/E multiple	13.5x
Normalised EPS	6.5
Fair share price in 2 years	88
Fair share price today*	**71**
Current share price	65
Upside	9%

Fair valuation using EV/EBIT	
Fair EV/EBIT multiple	12.0x
Normalised EBIT, SEKm	652
Fair EV in 2 years, SEKm	7,824
Fair EV today, SEKm*	**6,564**
-NIBD, SEKm	-1,580
Equity value today, SEKm	**4,984**
Equity value today, SEK per share	**75**
Current share price	65.0
Upside	16%

**discounted by 2 years*

Source: ABG Sundal Collier

Below, we derive different fair values per share applying various assumptions for EBIT/kg-margins and different multiples (P/E and EV/EBIT).

Fair value per share sensitivities (P/E)

Fair P/E (x)	'25 EBIT/kg (SEK) 2.1	2.2	2.3	2.4	2.5	2.6
11.5x	53	57	61	65	69	73
12.5x	57	62	66	70	75	79
13.5x	62	66	**71**	76	81	85
14.5x	66	71	76	81	86	92
15.5x	71	76	82	87	92	98

Source: ABG Sundal Collier

Fair value per share (EV/EBIT) sensitivities

Fair EV/EBIT (x)	'25 EBIT/kg (SEK) 2.1	2.2	2.3	2.4	2.5	2.6
10.0x	52	55	59	62	66	70
11.0x	59	63	67	71	75	79
12.0x	67	71	**75**	80	84	88
13.0x	74	79	84	88	93	98
14.0x	82	87	92	97	102	107

Source: ABG Sundal Collier

...but applying company targets, fair value is closer to SEK ~95-96/share

If we instead apply Scandi Standard's own targets into the earnings framework, i.e., increase the processed volumes of ~287 ktonnes (in line with assumed market growth), and lift our (all-included) EBIT/kg assumption to SEK 3.0, Group EBIT would instead be SEK 861m, with an EPS of SEK 9.7 Using the same multiples, but discounting the fair values by three years (as the earnings scenario correspond to SCST's '27 targets), we get a fair value per share of SEK 95-96.

Normalised earnings (company targets), P/E and EV/EBIT

Normalised earnings	
Processed volumes (ktonnes gwe)	287
EBIT/kg, SEK	3.0
Group EBIT, SEKm	**861**
Net financials, SEKm	-107
Tax, SEKm	-115
Net income, SEKm	**639**
# of shares	66
EPS	**9.7**
Current share price	65.0
Current P/E (normalised)	**6.7x**

Fair valuation using P/E	
Fair P/E multiple	13.5x
Normalised EPS	9.7
Fair share price in 3 years	131
Fair share price today**	**95**
Current share price	65
Upside	46%

Fair valuation using EV/EBIT	
Fair EV/EBIT multiple	12.0x
Normalised EBIT, SEKm	861
Fair EV in 3 years, SEKm	10,332
Fair EV today, SEKm*	**7,939**
-NIBD, SEKm	-1,580
Equity value today, SEKm	**6,359**
Equity value today, SEKm	**96**
Current share price	65.0
Upside	48%

**discounted by 3 years*

Source: ABG Sundal Collier

Below, we derive different fair values per share applying various assumptions for EBIT/kg margins and different multiples (P/E and EV/EBIT).

Fair value per share (P/E) sensitivities

Fair P/E (x)	'27 EBIT/kg (SEK) 2.8	2.9	3.0	3.1	3.2	3.3
11.5x	74	77	81	85	88	92
12.5x	80	84	88	92	96	100
13.5x	87	91	**95**	99	104	108
14.5x	93	98	102	107	111	116
15.5x	99	104	109	114	119	124

Source: ABG Sundal Collier

Fair value per share (EV/EBIT) sensitivities

Fair EV/EBIT (x)	'27 EBIT/kg (SEK) 2.8	2.9	3.0	3.1	3.2	3.3
10.0x	70	73	76	80	83	86
11.0x	79	83	86	90	94	97
12.0x	88	92	**96**	100	104	108
13.0x	98	102	106	111	115	119
14.0x	107	112	116	121	126	130

Source: ABG Sundal Collier

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	-	-	9,915	9,961	10,118	12,145	13,060	12,610	13,158	13,780
COGS	-	-	-9,167	-9,265	-9,522	-11,422	-12,180	-11,684	-12,147	-12,707
Gross profit	0	0	748	696	596	723	880	926	1,011	1,072
Other operating items	0	0	0	0	0	0	0	-0	-0	-0
EBITDA	**0**	**0**	**748**	**696**	**596**	**723**	**880**	**926**	**1,011**	**1,072**
Depreciation and amortisation	0	0	-325	-350	-378	-433	-423	-408	-408	-408
of which leasing depreciation	-	-	0	0	0	0	0	0	0	0
EBITA	**0**	**0**	**423**	**346**	**218**	**290**	**457**	**518**	**603**	**664**
EO Items	-	-	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	**-**	**-**	**423**	**346**	**218**	**290**	**457**	**518**	**603**	**664**
Net financial items	0	0	-112	-92	-82	-105	-126	-119	-116	-107
Pretax profit	**0**	**0**	**312**	**256**	**138**	**187**	**332**	**399**	**488**	**557**
Tax	0	0	-75	-53	-36	-48	-59	-82	-98	-115
Net profit	**0**	**0**	**237**	**203**	**102**	**139**	**273**	**317**	**390**	**443**
Minority interest	-	-	1	-4	0	7	3	0	0	0
Net profit discontinued	-	-	0	0	0	0	0	0	0	0
Net profit to shareholders	**0**	**0**	**238**	**199**	**102**	**146**	**276**	**317**	**390**	**443**
EPS	-	-	3.60	3.01	1.54	2.21	4.18	4.80	5.91	6.70
EPS adj.	-	-	3.60	3.01	1.54	2.21	4.18	4.80	5.91	6.70
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	--	--	*24.0*	*20.7*	*26.1*	*25.7*	*17.8*	*20.6*	*20.0*	*20.6*
Gross margin (%)	--	--	*7.5*	*7.0*	*5.9*	*6.0*	*6.7*	*7.3*	*7.7*	*7.8*
EBITDA margin (%)	--	--	*7.5*	*7.0*	*5.9*	*6.0*	*6.7*	*7.3*	*7.7*	*7.8*
EBITA margin (%)	--	--	*4.3*	*3.5*	*2.2*	*2.4*	*3.5*	*4.1*	*4.6*	*4.8*
EBIT margin (%)	--	--	*4.3*	*3.5*	*2.2*	*2.4*	*3.5*	*4.1*	*4.6*	*4.8*
Pre-tax margin (%)	--	--	*3.1*	*2.6*	*1.4*	*1.5*	*2.5*	*3.2*	*3.7*	*4.0*
Net margin (%)	--	--	*2.4*	*2.0*	*1.0*	*1.1*	*2.1*	*2.5*	*3.0*	*3.2*
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	--	--	--	*0.5*	*1.6*	*20.0*	*7.5*	*-3.4*	*4.3*	*4.7*
EBITDA growth (%)	--	--	--	*-7.0*	*-14.4*	*21.3*	*21.7*	*5.2*	*9.2*	*6.0*
EBITA growth (%)	--	--	--	*-18.2*	*-37.0*	*33.0*	*57.6*	*13.3*	*16.5*	*10.1*
EBIT growth (%)	--	--	--	*-18.2*	*-37.0*	*33.0*	*57.6*	*13.3*	*16.5*	*10.1*
Net profit growth (%)	--	--	--	*-14.3*	*-49.8*	*36.3*	*96.5*	*16.1*	*23.1*	*13.4*
EPS growth (%)	--	--	--	*-16.4*	*-48.7*	*43.1*	*89.1*	*14.8*	*23.1*	*13.4*
Profitability	-	-	-	-	-	-	-	-	-	-
ROE (%)	--	--	*27.4*	*11.0*	*5.3*	*6.8*	*11.7*	*12.8*	*14.7*	*15.4*
ROE adj. (%)	--	--	*27.4*	*11.0*	*5.3*	*6.8*	*11.7*	*12.8*	*14.7*	*15.4*
ROCE (%)	--	--	*20.4*	*8.3*	*5.2*	*6.8*	*11.0*	*12.4*	*13.4*	*14.1*
ROCE adj. (%)	--	--	*20.4*	*8.3*	*5.2*	*6.8*	*11.0*	*12.4*	*13.4*	*14.1*
ROIC (%)	--	--	*16.7*	*7.2*	*4.3*	*5.5*	*9.6*	*10.7*	*12.2*	*13.0*
ROIC adj. (%)	--	--	*16.7*	*7.2*	*4.3*	*5.5*	*9.6*	*10.7*	*12.2*	*13.0*
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	*0*	*0*	*748*	*696*	*596*	*723*	*880*	*926*	*1,011*	*1,072*
EBITDA adj. margin (%)	--	--	*7.5*	*7.0*	*5.9*	*6.0*	*6.7*	*7.3*	*7.7*	*7.8*
EBITDA lease adj.	0	0	748	696	596	723	880	926	1,011	1,072
EBITDA lease adj. margin (%)	--	--	*7.5*	*7.0*	*5.9*	*6.0*	*6.7*	*7.3*	*7.7*	*7.8*
EBITA adj.	0	0	423	346	218	290	457	518	603	664
EBITA adj. margin (%)	--	--	*4.3*	*3.5*	*2.2*	*2.4*	*3.5*	*4.1*	*4.6*	*4.8*
EBIT adj.	0	0	423	346	218	290	457	518	603	664
EBIT adj. margin (%)	--	--	*4.3*	*3.5*	*2.2*	*2.4*	*3.5*	*4.1*	*4.6*	*4.8*
Pretax profit Adj.	0	0	312	256	138	187	332	399	488	557
Net profit Adj.	0	0	237	203	102	139	273	317	390	443
Net profit to shareholders adj.	0	0	238	199	102	146	276	317	390	443
Net adj. margin (%)	--	--	*2.4*	*2.0*	*1.0*	*1.1*	*2.1*	*2.5*	*3.0*	*3.2*

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	0	0	748	696	596	723	880	926	1,011	1,072
Net financial items	0	0	-112	-92	-82	-105	-126	-119	-116	-107
Paid tax	-	-	-75	-53	-36	-48	-59	-82	-98	-115
Non-cash items	0	0	471	77	129	54	-62	23	15	17
Cash flow before change in WC	0	0	1,032	628	607	624	633	748	813	868
Change in working capital	0	0	-112	175	5	-179	292	-96	29	-50

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	**-**	**-**	**920**	**803**	**612**	**445**	**925**	**652**	**842**	**818**
Capex tangible fixed assets	-	-	-421	-356	-307	-314	-374	-500	-500	-500
Capex intangible fixed assets	-	-	0	0	0	0	0	0	0	0
Acquisitions and Disposals	0	0	-133	-104	-171	0	0	0	0	0
Free cash flow	**0**	**0**	**367**	**343**	**134**	**131**	**551**	**152**	**342**	**318**
Dividend paid	-	-	-131	0	-81	-5	-75	-152	-190	-234
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	-	-	0	0	0	0	5	0	0	0
Other non-cash items	0	0	-2,678	0	-35	-97	-66	-23	-15	-17
Balance Sheet (SEKm)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Goodwill	-	-	940	888	921	971	950	950	950	950
Other intangible assets	0	0	957	878	876	915	933	933	933	933
Tangible fixed assets	-	-	2,175	2,272	2,304	2,388	2,331	2,423	2,515	2,607
Right-of-use asset	-	-	0	0	0	0	0	0	0	0
Total other fixed assets	0	0	96	85	148	245	208	208	208	208
Fixed assets	0	0	4,168	4,123	4,249	4,519	4,422	4,514	4,606	4,698
Inventories	-	-	826	816	888	1,040	936	983	995	1,049
Receivables	-	-	901	818	811	1,095	1,044	1,057	1,095	1,151
Other current assets	-	-	184	215	196	308	245	245	245	245
Cash and liquid assets	-	-	194	413	350	3	4	255	407	491
Total assets	**0**	**0**	**6,273**	**6,385**	**6,494**	**6,965**	**6,652**	**7,055**	**7,348**	**7,635**
Shareholders equity	0	0	1,739	1,875	1,952	2,331	2,397	2,562	2,762	2,970
Minority	-	-	3	1	0	2	0	0	0	0
Total equity	**0**	**0**	**1,742**	**1,876**	**1,952**	**2,333**	**2,397**	**2,562**	**2,762**	**2,970**
Long-term debt	-	-	2,306	2,264	2,251	1,928	1,509	1,759	1,759	1,759
Pension debt	-	-	26	8	3	3	3	3	3	3
Convertible debt	-	-	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	0	0	327	252	257	294	261	284	300	317
Short-term debt	-	-	73	73	68	75	76	76	76	76
Accounts payable	-	-	1,117	1,163	1,291	1,619	1,620	1,584	1,662	1,723
Other current liabilities	0	0	682	749	672	713	786	786	786	786
Total liabilities and equity	**0**	**0**	**6,273**	**6,385**	**6,494**	**6,965**	**6,652**	**7,055**	**7,348**	**7,635**
Net IB debt	0	0	2,115	1,847	1,824	1,758	1,376	1,375	1,223	1,139
Net IB debt excl. pension debt	0	0	2,089	1,839	1,821	1,755	1,373	1,372	1,220	1,136
Net IB debt excl. leasing	0	0	2,115	1,847	1,824	1,758	1,376	1,375	1,223	1,139
Capital employed	0	0	4,147	4,221	4,274	4,339	3,985	4,400	4,600	4,808
Capital invested	0	0	3,857	3,723	3,776	4,091	3,772	3,937	3,985	4,109
Working capital	0	0	112	-63	-68	111	-181	-85	-113	-64
EV breakdown	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Market cap. diluted (m)	0	0	4,261	4,261	4,261	4,261	4,261	4,261	4,261	4,261
Net IB debt adj.	0	0	2,115	1,847	1,824	1,758	1,376	1,375	1,223	1,139
Market value of minority	0	0	3	1	0	2	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	**0**	**0**	**6,379**	**6,109**	**6,085**	**6,021**	**5,636**	**5,636**	**5,484**	**5,400**
Total assets turnover (%)	--	--	316.1	157.4	157.1	180.5	191.8	184.0	182.7	183.9
Working capital/sales (%)	--	--	0.6	0.2	-0.6	0.2	-0.3	-1.1	-0.8	-0.6
Financial risk and debt service	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net debt/equity (%)	--	--	121.4	98.5	93.4	75.4	57.4	53.7	44.3	38.3
Net debt / market cap (%)	--	--	49.6	43.3	42.8	41.3	32.3	32.3	28.7	26.7
Equity ratio (%)	--	--	27.8	29.4	30.1	33.5	36.0	36.3	37.6	38.9
Net IB debt adj. / equity (%)	--	--	121.4	98.5	93.4	75.4	57.4	53.7	44.3	38.3
Current ratio	--	--	1.12	1.14	1.11	1.02	0.90	1.04	1.09	1.14
EBITDA/net interest	--	--	6.7	7.6	7.3	6.9	7.0	7.8	8.7	10.0
Net IB debt/EBITDA (x)	--	--	2.8	2.7	3.1	2.4	1.6	1.5	1.2	1.1
Net IB debt/EBITDA lease adj. (x)	--	--	2.8	2.7	3.1	2.4	1.6	1.5	1.2	1.1
Interest coverage	--	--	3.8	3.8	2.7	2.8	3.6	4.4	5.2	6.2

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	-	-	66	66	66	66	66	66	66	66
Actual shares outstanding (avg)	0	0	66	66	66	66	66	66	66	66

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	-	-	0	0	0	0	0	0	0	0
Issue month	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	-	-	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	-	-	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	-	-	0	0	0	0	0	0	0	0
No. of warrants	-	-	0	0	0	0	0	0	0	0
Market value per warrant	-	-	0	0	0	0	0	0	0	0
Dilution from warrants	-	-	0	0	0	0	0	0	0	0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	-	-	0.00	1.25	0.00	1.15	2.30	2.88	3.54	4.02
Reported earnings per share	-	-	-	-	-	-	-	-	-	-

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	0	0	66	66	66	66	66	66	66	66
Diluted shares adj.	0	0	66	66	66	66	66	66	66	66
EPS	-	-	3.60	3.01	1.54	2.21	4.18	4.80	5.91	6.70
Dividend per share	-	-	0.00	1.25	0.00	1.15	2.30	2.88	3.54	4.02
EPS adj.	-	-	3.60	3.01	1.54	2.21	4.18	4.80	5.91	6.70
BVPS	-	-	26.32	28.38	29.55	35.29	36.28	38.78	41.81	44.97
BVPS adj.	-	-	-2.39	1.65	2.35	6.74	7.78	10.28	13.31	16.46
Net IB debt/share	-	-	32.02	27.96	27.61	26.61	20.82	20.82	18.52	17.24
Share price	64.50	64.50	64.50	64.50	64.50	64.50	64.50	64.50	64.50	64.50
Market cap. (m)	0	0	4,261	4,261	4,261	4,261	4,261	4,261	4,261	4,261
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	--	--	17.9	21.4	41.8	29.2	15.4	13.4	10.9	9.6
EV/sales (x)	--	--	0.64	0.61	0.60	0.50	0.43	0.45	0.42	0.39
EV/EBITDA (x)	--	--	8.5	8.8	10.2	8.3	6.4	6.1	5.4	5.0
EV/EBITA (x)	--	--	15.1	17.7	27.9	20.8	12.3	10.9	9.1	8.1
EV/EBIT (x)	--	--	15.1	17.7	27.9	20.8	12.3	10.9	9.1	8.1
Dividend yield (%)	0.0	0.0	0.0	1.9	0.0	1.8	3.6	4.5	5.5	6.2
FCF yield (%)	0.0	0.0	8.6	8.0	3.1	3.1	12.9	3.6	8.0	7.5
Le. adj. FCF yld. (%)	0.0	0.0	8.6	8.0	3.1	3.1	13.1	3.6	8.0	7.5
P/BVPS (x)	--	--	2.45	2.27	2.18	1.83	1.78	1.66	1.54	1.43
P/BVPS adj. (x)	64.50	64.50	-26.97	39.09	27.49	9.58	8.29	6.27	4.85	3.92
P/E adj. (x)	--	--	17.9	21.4	41.8	29.2	15.4	13.4	10.9	9.6
EV/EBITDA adj. (x)	--	--	8.5	8.8	10.2	8.3	6.4	6.1	5.4	5.0
EV/EBITA adj. (x)	--	--	15.1	17.7	27.9	20.8	12.3	10.9	9.1	8.1
EV/EBIT adj. (x)	--	--	15.1	17.7	27.9	20.8	12.3	10.9	9.1	8.1
EV/CE (x)	--	--	1.5	1.4	1.4	1.4	1.4	1.3	1.2	1.1
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	--	--	4.2	3.6	3.0	2.6	2.9	4.0	3.8	3.6
Capex/depreciation	--	--	1.3	1.0	0.8	0.7	0.9	1.2	1.2	1.2
Capex tangibles / tangible fixed assets	--	--	19.3	15.7	13.3	13.1	16.0	20.6	19.9	19.2
Capex intangibles / definite intangibles	--	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation on intang / def. intang	--	--	0	0	0	0	0	0	0	0
Depreciation on tangibles / tangibles	--	--	14.94	15.40	16.41	18.13	18.15	16.84	16.22	15.65

Source: ABG Sundal Collier, Company Data

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SELL	6.82%	0%	0.00%

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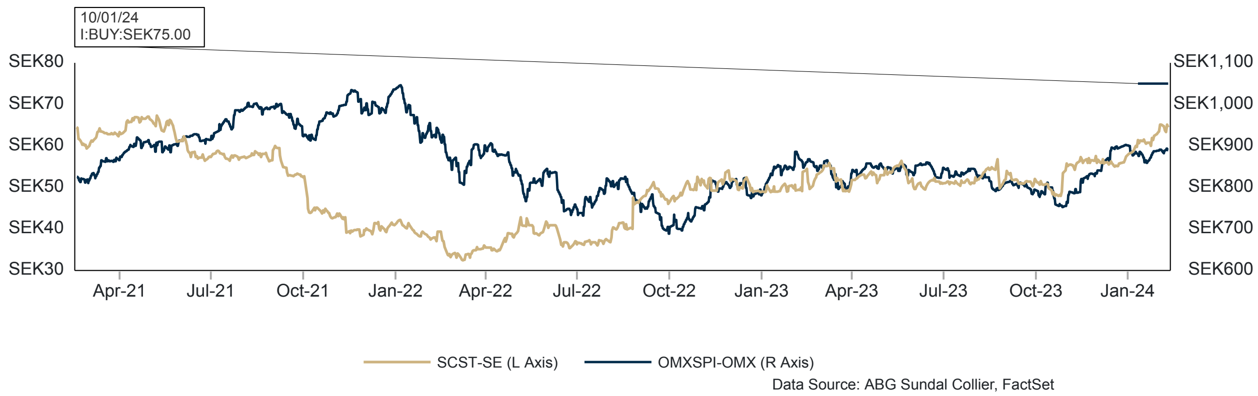
Company: Scandi Standard **Currency:** SEK **Current Recommandation:** BUY

Date: 9/2/2024 **Current Target price:** 78.0

Current Share price: 64.50



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