

Oatly's Conundrum: Future Outlook vs. Troubling Earnings

Oatly (OTLY) has been traded on the NASDAQ since its IPO in May of 2021. Starting at a \$17 per share, the stock has seen a decline across the past three years to its current price of around \$1 per share. The company released its 2023 Quarter 4 earnings report on Feb. 15, 2024, which left some mixed sentiment from financial analysts. Revenue saw growth of 4.6% compared to Q4 of 2022 and was driven by EMEA and American regions. These two regions grew 16.9% and 2.4% respectively while Asia saw a decrease of 18.9%. (Oatly, 2024) This decrease was due to, “the discontinuation of certain lower-margin products across retail and e-commerce channels”. Gross margin for Q4 was, “23.4% which is a 7.5 percentage points increase compared to the prior year period and a 6.0 percentage points compared to the third quarter.” (Oatly, 2024) This mismatch of positive and negative figures from the brand's past quarter led some financial analysts to have a positive outlook on the future of Oatly while others were left less optimistic.

Oatly's continual advancements and dominance in the Oat-based milk market have led to a positive outlook in the eyes of some experts. Ian Cooper of Investor Place identified Oatly to be one of “The 3 most Undervalued Plant-Based food stocks to buy in March 2024.” Cooper discussed how based on the recent earnings report, “earnings and guidance were nothing to write home about.” While, “the company did manage to beat revenue but it's still struggling on the bottom line,” as revenues fell nearly 19%. Despite this unfavorable earnings report, “analysts anticipate steady growth. At the end of the current fiscal year, they projected sales to reach \$831.26 million,” reflecting a, “growth rate of 6.1%.” (Cooper, 2024) These projected figures along with the growth in popularity and consumption of oat milk, have made Oatly a stock to watch and buy. TipRanks also delivered a favorable view on Oatly citing it as a “High-Growth Beverage Stock Analysts Love” as it is, “a strong buy according to analysts with three Buys and one Hold assigned in the past three months.” (TipRanks, 2024) Large financial holders have also taken notice of Oatly's growth potential as shortly after earnings were released Integrated Wealth Concepts LLC, Investment Research Advisors Inc, Toroso Investments LLC, Prospera Financial Services Inc, and Vanguard have all acquired more stock in the company ranging in value from \$27,000-\$59,000

(MarketBeat, 2024). From institutional investors to financial analysts, Oatly has shown that despite some lackluster earnings, there is a large potential for growth within the company and this potential makes it a stock to buy, especially considering its low price.

However, some analysts have mixed emotions toward Oatly based on Q4 earnings. Analyst Arun Sundaram said the numbers were “solid” but that the sales outlook was overshadowed by the EBITDA loss guidance (Linnane, 2024). Instead of looking at Oatly’s growth potential, which is decidedly high due to cultural shifts towards plant-based milk, investors are looking at previous earnings, making them wary of the stock. Jeremy Bowman of the Motley Fool discussed the stock dip after the report’s release, as, “The oat milk company disappointed investors.” Analysts from the publication found that the revenue growth was “sluggish,” and guidance, “didn’t give investors much confidence in a recovery.” With these facts taken into account, it was deduced that, “Until the company turns a profit or growth accelerates, Oatly continues to look like a stock best avoided.” (Bowman, 2024)

When looking across business media, there are mixed reviews on whether to hold, buy, or sell Oatly stock because of misaligned earnings and outlook toward the future. Positive sentiment seems to be mostly informed by future forecasting and greater societal and market trends, while negative sentiment looks more toward past earnings and evidence that is not as favorable toward the company. This creates a place of uncertainty for current and possible investors in the brand when evaluating the stock and its earnings potential, and time will tell whether Oatly will move toward higher profits and margins in the coming years.

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