

SCANDI STANDARD

Sweden

Consumer Products– Agricultural Producers

BUY

August 4, 2016

Company description

With a history dating back to 1950, **Scandi Standard AB** (formed in June 2013 after the merging of PKA Cardinal Foods, Kronfågelgruppen and Danpa) has established a strong position as the leading supplier of chicken-based food products in the Scandinavian market. Scandi Standard AB slaughters, produces, develops, processes, and sells chicken products in Sweden, Denmark, and Norway. It offers fresh and frozen products, including whole chickens; and value-added products, such as cuts, and flavoured and pre-cooked products, as well as further processed products and meal solutions. The company offers its products under the Kronfågel, Danpa, Ivars, Kronfågel Stinas, Chicky World, Den Stolte Hane, and Vestfold Fugl brands. The company is also involved in the rearing, production, and hatching of day-old chicks; processing of slaughterhouse byproducts for use in pet food; packing and selling eggs; and handling and selling turkey and ducks. It serves retail trade and food service sectors. The company also exports its products to approximately 40 countries. The Company has approximately 1'700 employees.

Recent developments

May 10, 2016: The Company released mixed results for the first quarter. Q1 EBIT was around 2% below consensus. Sweden once again surprised on the upside, both in terms of top-line growth and margin improvement, while Denmark saw a much more sluggish performance with a dip in revenues year-on-year and a disappointing margin. Norway revealed a promising top-line trend (+32% in local currency), but lagged behind on the EBIT margin. Finland is still loss-making, but in line with the consensus expectations and the guidance.

Upcoming events:

August 24, 2016: Interim report for Q2 2016.
November 3, 2016: Interim report for Q3 2016.

Investment conclusion

The global animal protein market is growing, and the chicken market is expected to show higher growth than other meat products; Poultry consumption is indeed likely to outgrow beef and pork due to its low cost, short production cycle, and acceptance by all major religions. Moreover Scandi Standard should benefit from the fact that major Asian players have struggled with health issues and consumers increasingly prefer local production.

We highlight the strong market growth and solid performance in Sweden as well as the recovery of market in Norway with strong improvement in net sales. We can also mention the acquisitions in Denmark in line with the Company's strategy to broaden the product portfolio and expand in the premium segment in this region; nevertheless the danish market will likely continue to be very competitive given price pressure in both local market and on export markets.

Performance



| | 1m | 3m | 12 m |
|-----------------------------|------|------|--------|
| Absolute perf. | 2.0% | 8.2% | 25.8% |
| DMX Stockholm 30 Index perf | 3.0% | 3.5% | -15.3% |

Market data

| | |
|---------------------------------------|--------------|
| Share price (SEK), as of Aug 4, 2016: | 62.5 |
| 52-wk range: | 41.5–65.25 |
| Mkt cap (SEK m): | 3'903 |
| Nb of shares issued: | 60m |
| Bloomberg ticker: | SCST:SS |
| Isin: | SE0005999760 |

Financial summary (In mio SEK) & Valuation

| | 2014 | 2015 | 2016e | 2017e |
|----------------|-------|-------|-------|-------|
| Revenues | 5'267 | 5'423 | 5'781 | 6'144 |
| Pretax inc. | 76.3 | 215.5 | 284.3 | 372.7 |
| Net income | 56.1 | 163.9 | 229.7 | 294.7 |
| EPS | 1.02 | 2.73 | 3.68 | 4.81 |
| DPS | 1.3 | 1.8 | 2.3 | 2.9 |
| Div. yield (%) | 2.7% | 3.3% | 3.6% | 4.5% |
| P/E (x) | 47.3 | 19.9 | 17.5 | 13.4 |

Source: Bloomberg

Equity rating—Bloomberg consensus

| | | Nb of analysts |
|-------|-------|----------------|
| Buy | 33.3% | 1 |
| Holds | 66.7% | 2 |
| Sells | 0% | 0 |