# Oatly cuts losses by 73% in Q1 2025 as Asia drives growth amid Western challenges



Swedish oat milk company Oatly has reported a significant reduction in its financial losses, announcing a 73% decrease in first-quarter losses for 2025, which dropped to $12.5 million. This development comes shortly after the company reaffirmed its aim for profitability within the year, despite ongoing challenges including health misinformation and trade tensions.

In its latest financial report, Oatly noted a slight revenue decline of 0.8%, amounting to $197.5 million. However, the company achieved a 16% increase in gross profit, driven by reduced costs of goods and the closure of its facility in Singapore, resulting in its highest gross margin since its IPO in Summer 2021. Oatly's CEO, Jean-Christophe Flatin, mentioned during the earnings call that various factors such as sales guidance, customer mix, foreign exchange conditions, and tariff developments will influence the company's financial trajectory. "Our plan is to continue to make this progress on our path towards our long-term gross margin target of 35-40%," he stated.

In the Europe and International segment—Oatly's most substantial market—revenue fell by 2.5% to $108 million, although volume increased by 4%, largely attributed to its barista oat milk offerings. The sector overall experienced a retail growth of 4.6%, outperforming both the oat milk category, which grew by 2.8%, and the plant-based milk sector, achieving a 3.5% increase.

The impact of proposed changes to the UK’s soft drinks industry levy remains uncertain for Oatly. This new levy could affect milk drinks and plant-based alternatives with 4g or more of added sugar per 100ml. According to Oatly's product specifications, only its flavoured milks, which contain 3.3% added sugar, would potentially face taxation.

Contrastingly, Oatly experienced a substantial revenue decline in North America, where sales dropped by 11% to $60 million over a 12-week period. This reduction in revenue coincided with shifts in sourcing strategy from its largest customer and a rationalisation of certain frozen products. COO Daniel Ordonez noted that Oatly's performance still outperformed the wider market, with losses in North America at 4.5%, compared to 5.6% for all oat milks and 5.5% for the broader plant-based milk sector.

In Asia, particularly in Greater China, Oatly recorded its only growth, with revenues rising by 38% to $30 million, propelled by new foodservice partnerships and entrance into the retail club segment.

To maintain its competitive edge, Oatly is prioritising cost efficiency, successfully reducing its cost of goods per litre by 15% year-on-year and 6% compared to the previous quarter. Ordonez emphasised that these efforts have resulted in a total cost reduction of $10 million.

Oatly is also committed to enhancing its global presence through a three-pronged strategy. This includes increasing product availability, boosting brand relevance particularly with its barista line, and addressing misconceptions surrounding oat milk. Ordonez highlighted the significance of adapting to evolving coffee trends, as consumer preferences shift from traditional hot beverages to more diverse cold options.

The company aims to tackle misinformation regarding oat milk, particularly in the context of competitive pressures from the dairy industry. In the United States, dairy associations have invested heavily in lobbying efforts, attempting to promote traditional milk as a necessary dietary option. Meanwhile, oat milk has faced scrutiny, with claims surrounding its health effects being widely circulated.

In response to these challenges, Oatly has opted for a strategy focused on collaboration with dietitians and nutritionists, providing them with factual information about oat milk to foster a more balanced public discourse. Ordonez stressed the importance of recruiting advocates for Oatly’s products based on scientific evidence. He noted, "While there’s plenty more to do to ensure that the public is not being misled, our tracking data shows that negative media coverage has declined very significantly compared to last year. So, we’re making progress on ensuring the discussion on our category is balanced and honest."

Source: [Noah Wire Services](https://www.noahwire.com)

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