

20 July 2021

Commissioned research: Atria – Strong Q2 across all operating countries

Marketing material commissioned by Atria

Atria reported strong Q2 adjusted EBIT of EUR 12.6m, +100% versus Nordea. Q2 net sales of EUR 387m were up 6% y/y and came in 6% above our expectations. The 100% EBIT beat in Q2 was mainly attributable to Finland, where retail sales have continued at a high level, while foodservice sales have started to recover. Exports to China have increased while price levels are currently at a lower level. Atria reiterated its now upgraded EUR 41-48m adjusted EBIT guidance for 2021 (EUR 40.5m in 2020). Despite a lower pork export price level, we continue to believe in another guidance upgrade at the latest in conjunction with the Q3 report.

ATRIA: DEVIATION TABLE

EURm	Actual Q2 2021	NDA est. Q2 2021E	Deviation vs. actual		Consensus Q2 2021E	Deviation vs. actual		Actual Q1 2021	Actual Q2 2020	Actual y/y
Sales	387	365	22	6%			361	7%	366	6%
Adj. EBIT	12.6	6.3	6.3	100%			6.5	94%	4.1	207%
Adj. EBIT margin	3.3%	1.7%	1.5pp	1.5pp			1.8%	1.5pp	1.1%	2.1pp
EPS, EUR	(1.25)	(1.14)	-0.11	10%			0.13	-1055%	0.07	-1867%
DPS, EUR	0.50	0.50	0.00	0%						
Divisional sales, EURm										
Finland	277.7	265.6	12	5%			260	7%	263	6%
Sweden	88.0	81.5	7	8%			77	15%	78	12%
Denmark & Estonia	26.7	25.1	2	6%			25	9%	27	-1%
Unallocated	4.6	5.0	0	-8%			10	-54%	10	-55%
Group eliminations	-9.8	-12.1	2	-19%			-10	-3%	-12	-19%
Group	387.2	365	22.1	6%			361	7%	366	6%
Divisional adj. EBIT, EURm										
Finland	11.3	7.6	3.7	48%			9.8	15%	7.3	55%
Sweden	0.3	-0.4	0.7	-178%			-1.2	-125%	-1.6	-119%
Denmark & Estonia	2.0	1.4	0.6	47%			1.9	5%	1.1	82%
Group eliminations	-1.0	-2.3	1.3	-57%			-4.0	-75%	-2.7	-63%
Group	12.6	6.3	6.3	100%			6.5	94%	4.1	207%

Source: Company data, Refinitiv and Nordea estimates

Q2 EBIT well above expectations

Atria Q2 adjusted EBIT of EUR 12.6m beat our expectation by 100% (EUR 6.3m), with sales of EUR 387m, 6% above our expectations. There were EUR -45m of items affecting comparability in Q2, related to divestment of the Russian retail operations. Reported EPS stood at EUR -1.25, compared to our estimate of EUR -1.14.

- Atria Finland net sales were EUR 278m, up 6% y/y and 5% above our expectations. Adjusted EBIT was EUR 11.3m, 48% above our estimate. Atria Finland benefited from high pork exports to China and recovering foodservice sales, while retail sales continued almost at a last year's level. In addition, the company has continued with good cost control.
- Atria Sweden net sales were EUR 88m, up 9% in local currencies. Adjusted EBIT of EUR 0.3m

supported by stable raw material prices, strengthening SEK and improving foodservice sales. Atria will invest EUR 30m in production restructuring in Sweden, which, when completed in 2023, is estimated to generate annual savings of EUR 3.5m.

- Atria Denmark & Estonia net sales were EUR 26.7m, down 1% y/y and 6% above our expectations. Sales to retail increased, while exports were weaker due to COVID-19. Adjusted EBIT was EUR 2.0m, 47% (EUR 0.6m) above our estimate. Lower price level of meat raw material boosted profitability in Q2.

2021 guidance reiterated

Atria reiterated its now upgraded adjusted EBIT guidance for 2021. The company expects EUR 41-48m adjusted EBIT in 2021 (Nordea EUR 48.2m), which we find somewhat conservative given a strong H1, possible easing of restrictions, continuing efficiency improvements and tailwind from the divestment in H2. Despite lower price level in pork exports to China, we think the company could further upgrade, or narrow its guidance in conjunction with the Q3 when the visibility for the remainder of the year should be more clear. Atria H1 adjusted EBIT of EUR 19.1m is clearly above EUR 6.4m in H1 2020, while the lower-end of the guidance indicates flat y/y EBIT development for 2021.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	1,439	1,451	1,504	1,498	1,515	1,543
EBITDA (adj)	74	87	96	105	109	111
EBIT (adj)	28	33	40	48	53	56
EBIT (adj) margin	2.0%	2.3%	2.6%	3.2%	3.5%	3.6%
EPS (adj, EUR)	0.59	0.60	0.91	1.13	1.29	1.36
EPS (adj) growth	-32.5%	2.6%	51.8%	23.7%	14.6%	5.2%
DPS (ord, EUR)	0.40	0.42	0.50	0.50	0.50	0.50
EV/Sales	0.3	0.4	0.3	0.4	0.4	0.4
EV/EBIT (adj)	14.9	15.7	12.3	11.7	11.5	11.3
P/E (adj)	11.2	16.7	10.8	11.0	9.6	9.1
P/BV	0.4	0.7	0.7	0.8	0.7	0.7
Dividend yield (ord)	6.1%	4.2%	5.1%	4.0%	4.0%	4.0%
FCF Yield bef A&D, lease adj	1.5%	14.0%	18.9%	2.2%	-8.7%	0.5%
Net debt	222	223	190	197	242	254
Net debt/EBITDA	3.0	2.6	2.0	3.3	2.2	2.3
ROIC after tax	3.3%	3.8%	4.8%	5.9%	6.0%	5.8%

Source: Company data and Nordea estimates

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Nordea analyst: Joni Sandvall

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