21 October 2021

Commissioned research: Atria – Strong Q3 with recovering foodservice market, cost inflation started to materialise at the end of Q3

Marketing material commissioned by Atria

After a guidance upgrade on 18 October, Atria reported a strong Q3 adjusted EBIT of EUR 19.7m, +16% / +18% versus Refinitiv consensus and Nordea, respectively. Q3 net sales of EUR 388m were up 1% y/y (+4% organic growth) and came 1% above consensus (+3% versus Nordea). 16% EBIT beat in Q3 was mainly attributable to Finland, where retail sales have continued at a last year level, while foodservice sales have started to recover. Exports to China have decreased and profitability of exports deteriorated due to current low price level in Chinese pork market. Atria reiterated its upgraded (18 October) EUR 47-54m adjusted EBIT guidance for 2021 (EUR 40.5m in 2020). Guidance mid-point indicates EUR 11.6m adjusted EBIT for Q4, while consensus is currently expecting EUR 13.6m EBIT for Q4 (Nordea EUR 11.8m). Despite strong Q3, we expect limited consensus revisions for 2022E-23E and note uncertainty due to volatile exports to China and cost inflation that became material for Atria in the latter part of Q3. We currently model EUR 50m adjusted EBIT for 2022E, while Atria's 2021 adjusted EBIT guidance mid-point is EUR 50.5m.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q3 2021**	**Q3 2021E**	**vs. actual**		**Q3 2021E**	**vs. actual**		**Q2 2021**	**q/q**	**Q3 2020**	**y/y**
Sales	**388**	**378**	**10**	**3%**	**383**	**6**	**1%**	**387**	**0%**	**382**	**1%**
Adj. EBIT	**19.7**	**16.7**	**3.0**	**18%**	**17.0**	**2.8**	**16%**	**12.5**	**58%**	**19.0**	**4%**
Adj. EBIT margin	5.1%	4.4%	0.6pp	0.6pp	4.4%	0.6pp		3.2%	1.8pp	5.0%	0.1pp
EPS, EUR	**0.53**	**0.42**	**0.11**	**26%**	**0.41**	**0.12**	**29%**	**(1.24)**	-143%	**0.51**	4%
Divisional sales, EURm											
Finland	274.6	267.4	7	3%				278	-1%	266	3%
Sweden	94.3	94.1	0	0%				88	7%	91	4%
Denmark & Estonia	27.3	26.1	1	5%				27	2%	27	1%
Unallocated	0.2	0.0	0	n.m.				5	-96%	14	-99%
Group eliminations	-8.3	-10.0	2	-17%				-10	-15%	-15	-46%
Group	**388.0**	**378**	**10.4**	**3%**				**387**	**0%**	**382**	**1%**
Divisional adj. EBIT, EURm											
Finland	16.4	13.4	3.0	23%				11.3	45%	15.2	8%
Sweden	3.0	2.9	0.1	2%				0.3	900%	3	0%
Denmark & Estonia	1.2	1.9	-0.7	-37%				2	-40%	2.1	-43%
Group eliminations	-0.9	-1.5	0.6	-40%				-1.1	-18%	-1.3	-31%
Group	**19.7**	**16.7**	**3.0**	**18%**				**12.5**	**58%**	**19**	**4%**

Source: Company data, Refinitiv and Nordea estimates

Q3 EBIT well above expectations with solid top line development

Atria Q3 adjusted EBIT of EUR 19.7m beat Refinitiv and our expectation by 16% and 18%, respectively, with sales of EUR 388m, 1% / 3% above consensus and our expectations, respectively. There were no items affecting comparability in Q3. Reported EPS stood at EUR 0.53, compared to consensus estimate of EUR 0.41 (Nordea EUR 0.42).

- Atria Finland net sales were EUR 275m, up 3% y/y and 3% above our expectations. Adjusted EBIT was EUR 16.4m, 23% above our estimate of EUR 13.4m. Atria Finland benefited from recovering foodservice sales, while retail sales continued at a last year's level. Export to China decreased, in line with our expectations, and profitability decreased. Sales mix has improved, while general cost inflation has increased at the end of the review period.

- Atria Sweden net sales were EUR 94m, up 3% in local currencies (+4% on reported basis). Adjusted EBIT of EUR 3m came 2% below our estimate of EUR 2.9m and was supported by improving fast food and foodservice sales. Increased feed, transport and energy costs brought down EBIT growth during Q3.

- Atria Denmark & Estonia net sales were EUR 27m, up 1% y/y and 5% above our expectations. Sales in Estonian retail increased and Atria's market share strengthened to approximately 17%. In Denmark, foodservice sales improved while retail sales are returning to pre-COVID levels. EBIT was burdened by cost inflation in Estonia, while Denmark has seen continued low pork price levels. Adjusted EBIT was EUR 1.2m, 37% (EUR 0.7m) below our estimate.

2021 guidance reiterated after guidance upgrade on 18 October

Atria reiterated its now upgraded adjusted EBIT guidance for 2021. The company expects EUR 47-54m adjusted EBIT in 2021 (Nordea EUR 47.5m), which we find strong despite possible easing of restrictions, continuing efficiency improvements and tailwind from the divestment in H2. Atria's January-September adjusted EBIT of EUR 38.9m implies EUR 8.1-15.1m adjusted EBIT for Q4 (EUR 15.1m in Q4 2020). Refinitiv consensus expects EUR 13.6m EBIT for Q4 (Nordea EUR 11.8m), while we note low quality of consensus. We think the wide guidance range reflects uncertainty related to exports to China and raw material headwinds (e.g. logistics, meat raw material, electricity and packaging). We expect only limited consensus estimate revisions for 2022-23. We are modelling EUR 50m adjusted EBIT for 2022E, while Atria's 2021 adjusted EBIT guidance mid-point is EUR 50.5m

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	1,439	1,451	1,504	1,516	1,538	1,567
EBITDA (adj)	74	87	96	104	106	110
EBIT (adj)	28	33	40	48	50	54
EBIT (adj) margin	2.0%	2.3%	2.6%	3.1%	3.2%	3.4%
EPS (adj, EUR)	0.59	0.60	0.91	0.87	1.24	1.35
EPS (adj) growth	-32.5%	2.6%	51.8%	-4.4%	41.9%	8.7%
DPS (ord, EUR)	0.40	0.42	0.50	0.50	0.50	0.50
EV/Sales	0.3	0.4	0.3	0.3	0.4	0.4
EV/EBIT (adj)	14.9	15.7	12.3	10.8	11.3	10.8
P/E (adj)	11.2	16.7	10.8	13.1	9.2	8.5
P/BV	0.4	0.7	0.7	0.7	0.7	0.7
Dividend yield (ord)	6.1%	4.2%	5.1%	4.4%	4.4%	4.4%
FCF Yield bef A&D, lease adj	1.5%	14.0%	18.9%	-0.5%	-10.2%	0.1%
Net debt	222	223	190	174	221	235
Net debt/EBITDA	3.0	2.6	2.0	2.9	2.1	2.1
ROIC after tax	3.3%	3.8%	4.8%	6.2%	6.1%	6.0%

Source: Company data and Nordea estimates

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