15 February 2022

Commissioned research: Atria – Q4 misses on higher costs, adjusted EBIT is expected to decline in 2022

Marketing material commissioned by Atria

Atria reported Q4 adjusted EBIT of EUR 10.3m, -19% / -13% versus Refinitiv consensus and Nordea, respectively. Q4 net sales of EUR 404m were up 1% y/y and came 3% above consensus (+2% versus Nordea). Adjusted EBIT declined in all segments due to higher costs. Exports to China declined due to deteriorated market situation towards year end. The Finnish poultry investment is progressing according to the planned schedule and should be operational in 2024. Dividend proposal stands well above expectations at EUR 0.63 (consensus EUR 0.51 after EUR 0.50 in 2020). Atria expects adjusted EBIT to decline in 2022 (consensus EUR 45.5m after EUR 49.2m in 2021). As a first take, we expect consensus to cut 2022 EBIT estimate by around 5% due to uncertainties over cost inflation and export level to China.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q4 2021**	**Q4 2021E**	**vs. actual**		**Q4 2021E**	**vs. actual**		**Q3 2021**	**q/q**	**Q4 2020**	**y/y**
Sales	**404**	**396**	**8**	**2%**	**394**	**10**	**3%**	**388**	**4%**	**399**	**1%**
Adj. EBIT	**10.3**	**11.8**	**-1.5**	**-13%**	**12.8**	**(2.5)**	**-19%**	**19.7**	**-48%**	**15.1**	**-32%**
Adj. EBIT margin	2.6%	3.0%	-0.4pp	-0.4pp	3.2%	-0.7pp		5.1%	-2.5pp	3.8%	-1.2pp
EPS, EUR	**0.34**	**0.29**	**0.05**	**19%**	**0.32**	**0.02**	**6%**	**0.52**	-35%	**0.22**	58%
DPS, EUR	**0.63**	**0.50**	**0.13**	**26%**	**0.52**	**0.11**	**21%**			**0.50**	26%
Divisional sales, EURm											
Finland	293.2	287.3	6	2%				275	7%	285	3%
Sweden	92.7	92.1	1	1%				94	-2%	85	9%
Denmark & Estonia	26.4	27.1	-1	-3%				27	-3%	27	-1%
Unallocated	0.2	0.0	0	n.m.				0	n.m.	14	-99%
Group eliminations	-8.9	-11.0	2	-19%				-8	7%	-12	-23%
Group	**403.6**	**396**	**8.0**	**2%**				**388**	**4%**	**399**	**1%**
Divisional adj. EBIT, EURm											
Finland	10.6	11.6	-1.0	-8%				16.4	-35%	14.4	-26%
Sweden	0.6	1.1	-0.5	-47%				3	-80%	1.2	-50%
Denmark & Estonia	0.0	1.1	-1.1	-100%				1.2	-100%	1.7	-100%
Group eliminations	-0.9	-2.0	1.1	-55%				-0.9	0%	-2.2	-59%
Group	**10.3**	**11.8**	**-1.5**	**-13%**				**19.7**	**-48%**	**15.1**	**-32%**

Source: Company data, Refinitiv and Nordea estimates

Atria Q4 adjusted EBIT of EUR 10.3m missed Refinitiv and our expectation by 19% and 13%, respectively. Net sales of EUR 404m came 3% and 2% above consensus and our expectations, respectively. There were EUR 2.3m positive impact to reported EBIT from items affecting comparability in Q4 (refund of an employment pension contribution in Sweden). Reported EPS stood at EUR 0.34, compared to consensus estimate of EUR 0.32 (Nordea EUR 0.29).

- Atria Finland net sales were EUR 293m, up 3% y/y and 2% above our expectations. Adjusted EBIT was EUR 10.6m, 8% below our estimate of EUR 11.6m. Atria Finland benefited from increased foodservice and feed customer sales, while retail sales continued at a last year's level. Export to China decreased, in line with our expectations. Profitability was burdened by higher costs.

- Atria Sweden net sales were EUR 93m, up 7% in local currencies (+9% on reported basis) and 1% above our estimate. Adjusted EBIT of EUR 0.6m came 47% below our estimate of EUR 1.1m and was supported by improving fast food and foodservice sales. Sales to retail were flat y/y. Increased feed, transport and energy costs brought down EBIT growth during Q4. Atria Sweden reported EBIT was EUR 2.9m, supported by a non-recurring EUR 2.3m refund of an employment pension contribution.

- Atria Denmark & Estonia net sales were EUR 26m, down 1% y/y and 3% below our expectations. Sales in Estonia increased by nearly 5% due to market share gains and favourable sales structure. Atria's market share strengthened to 14.8% (14.1% a year ago) in Estonian retail. In Denmark, foodservice and export sales improved while retail sales were sluggish. EBIT was burdened by wide based cost inflation and higher feed costs in Estonia. Adjusted EBIT was EUR 0.0m, below our estimate of EUR 1.1m.

- After the review period, Atria received an export license for poultry products to South Korea and expects to export first product patch during February-March 2022.

2022 guidance introduced

Atria expects adjusted EBIT to decline in 2022 after EUR 49.2m in 2021. Prior to the Q4 report, Refinitiv consensus was expecting EUR 45.5m adjusted EBIT in 2022 (Nordea EUR 45.7m), i.e. 8% adjusted EBIT decline in 2022. We expect consensus to cut 2022 estimates around 5% due to uncertainties over cost inflation and export level to China, while we note higher-than-expected dividend proposal.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	1,439	1,451	1,504	1,532	1,568	1,598
EBITDA (adj)	74	87	96	108	103	111
EBIT (adj)	28	33	40	50	46	54
EBIT (adj) margin	2.0%	2.3%	2.6%	3.3%	2.9%	3.4%
EPS (adj, EUR)	0.59	0.60	0.91	0.97	1.13	1.35
EPS (adj) growth	-32.5%	2.6%	51.8%	6.4%	16.6%	18.9%
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	9.7	12.0	10.7
P/E (adj)	11.2	16.7	10.8	11.6	10.0	8.4
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%	6.7%	-14.2%	-2.7%
Net debt	222	223	190	151	211	234
Net debt/EBITDA	3.0	2.6	2.0	2.4	2.0	2.1
ROIC after tax	3.3%	3.8%	4.8%	6.6%	5.7%	6.1%

Source: Company data and Nordea estimates

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