

03 May 2022

Commissioned research: Atria – Strong top line development secured positive EBIT for Q1

Marketing material commissioned by Atria

Atria reported Q1 adjusted EBIT of EUR 2.3m versus Refinitiv consensus at EUR -0.6m and Nordea at EUR -0.4m. Q1 net sales of EUR 375m were up 4% y/y and came 4% above consensus (+3% versus Nordea). Adjusted EBIT declined in all segments due to higher costs, while group costs beat our expectations. The Finnish poultry investment is progressing according to the planned schedule and within the EUR 155m budget, while EUR 30m investment to Sweden will increase slightly due to increase in material costs. Atria expects that the exit from the Russian fast food business to take place in Q2. Atria maintained its outlook intact and expects adjusted EBIT to decline in 2022 (consensus EUR 32.5m after EUR 49.2m in 2021). Initially, we expect consensus to hike 2022-23 EBIT estimates by at least 5% as it appears that the company has successfully increased sale prices, although not to fully extent at the moment.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
EURm	Q1 2022	Q1 2022E	vs. actual		Q1 2022E	vs. actual		Q4 2021	q/q	Q1 2021	y/y
Sales	375	365	10	3%	362	13	4%	403	-7%	361	4%
Adj. EBIT	2.3	(0.4)	2.7	-687%	(0.6)	2.9	-518%	10.3	-78%	6.5	-65%
Adj. EBIT margin	0.6%	-0.1%	0.7pp	0.7pp	-0.2%	0.8pp		2.6%	-1.9pp	1.8%	-1.2pp
EPS, EUR	0.09	(0.13)	0.22	-170%	-	0.09	n.m.	0.34	-73%	0.13	-31%
Divisional sales, EURm											
Finland	274.3	268.0	6	2%				293	-6%	260	5%
Sweden	82.1	79.6	3	3%				93	-11%	77	7%
Denmark & Estonia	26.0	26.7	-1	-3%				26	-2%	25	6%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	10	-100%
Group eliminations	-7.6	-9.0	1	-16%				-9	-15%	-10	-25%
Group	374.8	365	9.5	3%				403	-7%	361	4%
Divisional adj. EBIT, EURm											
Finland	3.0	2.7	0.3	12%				10.6	-72%	9.8	-69%
Sweden	-0.9	-2.0	1.1	-56%				0.6	-250%	-1.2	-25%
Denmark & Estonia	0.8	0.0	0.8	5812%				0	n.m.	1.9	-58%
Group eliminations	-0.6	-1.1	0.5	-43%				-0.9	-33%	-4	-85%
Group	2.3	-0.4	2.7	-687%				10.3	-78%	6.5	-65%

Source: Company data, Refinitiv and Nordea estimates

Q1 EBIT above expectations with a strong top line development

Atria Q1 adjusted EBIT of EUR 2.3m beat Refinitiv and our expectation of EUR -0.6m and EUR -0.4m, respectively. Net sales of EUR 375m came 4% and 3% above consensus and our expectations, respectively. Reported EPS stood at EUR 0.09, compared to consensus estimate of EUR 0.00 (Nordea EUR -0.13). We had anticipated EUR 3m write-down related to Sibylla exit from Russia, while the company did not make any write-downs in Q1. The company expects Russian exit to take place in the second quarter. Russian fast food net sales have been around 1.5% of the

group's total net sales, the EBIT has been positive and the value of the company's net assets at the end of Q1 were EUR 4.8m.

- Atria Finland net sales were EUR 274m, up 5% y/y and 2% above our expectations. Adjusted EBIT was EUR 3.0m, 12% above our estimate of EUR 2.7m. Increase in net sales is due to increased sales of feed and foodservice products. Sales to retail were in line with Q1 2021, while export were lower y/y. Sale prices increased slightly in retail and Foodservice channel, although not in the same magnitude than costs. During Q1, personnel costs were higher due to sick leaves. Retail market in Atria's product groups declined by 0.5% in Q1, while foodservice market grew by approximately 8% y/y. Atria's supplier share in retail was 24.3%, on par with Q1 2021. EUR 155m poultry investment is progressing according to the plan and within the budget.
- Atria Sweden net sales were EUR 82m, up 11% in local currencies (+7% on reported basis) and 3% above our estimate. Adjusted EBIT of EUR -0.9m came 56% above our estimate of EUR -2.0m and was supported by improving fast food and foodservice sales. Sales to retail were flat y/y. Increased raw material, transport and energy costs brought down EBIT during Q1. The increase in costs was partly mitigated by price increased and improved production efficiency. Atria Sweden reported EBIT was EUR -0.9m.
- Atria Denmark & Estonia net sales were EUR 26m, up 6% y/y and 3% below our expectations. Sales in Estonia increased by over 8% y/y due to market share gains. In Denmark, retail, foodservice and export sales improved. Sales prices were higher y/y in Denmark. EBIT was burdened by wide based cost inflation. Adjusted EBIT was EUR 0.8m, above our estimate of EUR 0.0m.

2022 guidance reiterated

Atria expects adjusted EBIT to decline in 2022 after EUR 49.2m in 2021. Prior to the Q1 report, Refinitiv consensus was expecting EUR 32.5m adjusted EBIT in 2022 (Nordea EUR 33.3m), i.e. 34% adjusted EBIT decline in 2022. Given the stronger-than-expected Q1, we expect consensus to hike 2022-23 estimates by at least 5%.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,451	1,504	1,540	1,583	1,612	1,642
EBITDA (adj)	87	96	106	90	103	109
EBIT (adj)	33	40	49	33	47	51
EBIT (adj) margin	2.3%	2.6%	3.2%	2.1%	2.9%	3.1%
EPS (adj, EUR)	0.60	0.91	0.97	0.82	1.11	1.26
EPS (adj) growth	2.6%	51.8%	6.4%	-15.6%	34.9%	13.5%
DPS (ord, EUR)	0.42	0.50	0.63	0.55	0.60	0.65
EV/Sales	0.4	0.3	0.3	0.3	0.4	0.4
EV/EBIT (adj)	15.7	12.3	10.0	16.6	12.5	11.7
P/E (adj)	16.7	10.8	11.9	13.4	9.9	8.7
P/BV	0.7	0.7	0.7	0.7	0.7	0.6
Dividend yield (ord)	4.2%	5.1%	5.5%	5.0%	5.5%	5.9%
FCF Yield bef A&D, lease adj	14.0%	18.9%	7.2%	-19.3%	-5.4%	4.7%
Net debt	223	190	152	230	262	264
Net debt/EBITDA	2.6	2.0	2.4	2.7	2.5	2.4
ROIC after tax	3.8%	4.8%	6.4%	4.1%	5.3%	5.4%

Source: Company data and Nordea estimates

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