Nordea

Commissioned Equity Research

Flash comment

19 July 2022

Commissioned research: Atria – Strong Q2 with successful pricing actions

Marketing material commissioned by Atria

Atria reported Q2 adjusted EBIT of EUR 13.8m versus our estimate of EUR 2.7m (Refinitiv consensus EUR 10.6m). Q2 net sales of EUR 432m were up 12% y/y and came 5% above our estimate. Adjusted EBIT increased in Finland and Sweden. The company has been successful in pricing actions and sales structure has been more favourable with recovery of foodservice channel. Export sales declined y/y. Producer prices paid by Atria have increased some 30% y/y and the company has done more price increases after the review period. The Finnish poultry investment is progressing according to the planned schedule. Q2 reported EBIT included EUR 12.8m capital gains and EUR 10.7m translation loss related to exit from Russian fast-food business. H1 operating cash flow was EUR -12.6m (EUR 19.3m a year ago) due to increase in working capital. Atria maintained its outlook intact and expects adjusted EBIT to decline in 2022 (after EUR 49.2m in 2021) while we have modelled EUR 33m. We view strong Q2 results positively while we note higher expectations for H2 as we have expected price increases to take full effect in H2, while it appears that the company has been very successful with its pricing actions already in Q2.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q2 2022**	**Q2 2022E**	**vs. actual**		**Q2 2022E**	**vs. actual**		**Q1 2022**	**q/q**	**Q2 2021**	**y/y**
Sales	**432**	**412**	**20**	**5%**	**410**	**22**	**5%**	**375**	**15%**	**387**	**12%**
Adj. EBIT	**13.8**	**2.7**	**11.1**	**419%**	**10.6**	**3.2**	**30%**	**2.3**	**500%**	**12.5**	**10%**
Adj. EBIT margin	3.2%	0.6%	2.6pp	2.6pp	2.6%	0.6pp		0.6%	2.6pp	3.2%	0.0pp
EPS, EUR	**0.49**	**0.25**	**0.24**	**92%**	**-**	**0.49**	**n.m.**	**0.09**	463%	**(1.24)**	-139%
Divisional sales, EURm											
Finland	319.5	302.7	17	6%				274	16%	278	15%
Sweden	95.1	89.7	5	6%				82	16%	88	8%
Denmark & Estonia	28.4	28.8	0	-1%				26	9%	27	6%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	5	-100%
Group eliminations	-11.1	-9.0	-2	23%				-8	46%	-10	13%
Group	**431.9**	**412**	**19.7**	**5%**				**375**	**15%**	**387**	**12%**
Divisional adj. EBIT, EURm											
Finland	13.4	3.9	9.5	245%				3	347%	11.3	19%
Sweden	0.7	-1.1	1.8	-164%				-0.9	-178%	0.3	133%
Denmark & Estonia	0.7	0.9	-0.2	-20%				0.8	n.m.	2	-65%
Group eliminations	-1.0	-1.0	0.0	0%				-0.6	67%	-1.1	-9%
Group	**13.8**	**2.7**	**11.1**	**419%**				**2.3**	**500%**	**12.5**	**10%**

Source: Company data, Refinitiv and Nordea estimates

Q2 EBIT clearly above our expectations with a strong top line development

Atria Q2 adjusted EBIT of EUR 13.8m beat our expectation of EUR 2.7m. Low quality Refinitiv consensus was expecting EUR 10.6m. Net sales of EUR 432m came 5% above our expectations, driven by strong price development. Net sales increased in retail and foodservice. Reported EPS stood at EUR 0.49, compared to our estimate of EUR 0.25. Atria recorded 12.8m non-recurring capital gains from the divestment of industrial facility in Malmö and non-recurring refund of an employment pension contribution. In addition, the company recognised EUR -10.7m translation difference from exit of Russian fast-food business, which does not have impact on cash flow or equity. H1 operating cash flow was burdened by higher working capital and was EUR -12.6m (after EUR 19.3m in H1 2021).

- Atria Finland net sales were EUR 319.5m, up 15% y/y and 6% above our expectations. Adjusted EBIT was EUR 13.4m, 245% above our estimate of EUR 3.9m. Net sales increased in the retail and foodservice channels, and also to feed customers. In addition, Easter had a positive impact. Meat producer prices paid by Atria were 30% higher y/y and the company has continued to increase prices. Cost inflation continued to be strong, although absences were substantially lower when comparing to Q1. Atria's supplier share in retail was 24.5%, up 0.4 pp from Q2 2021. EUR 155m poultry investment is progressing according to the plan and within the budget.

- Atria Sweden net sales were EUR 95.1m, up 11% in local currencies (+8% on reported basis) and 6% above our estimate. Adjusted EBIT of EUR 0.7m came above our estimate of EUR -1.1m and was supported by improving retail and foodservice sales. Increased cost burdened EBIT during Q2 as price increases were not sufficient to cover higher costs. Atria Sweden reported EBIT was EUR 11.6m, supported by EUR 9.9m capital gain and EUR 1m refund of an employment pension contribution.

- Atria Denmark & Estonia net sales were EUR 28.4m, up 6% y/y and 1% below our expectations. Sales prices increases drove sales growth in Denmark and Estonia. EBIT was burdened by increased energy and raw material costs. Adjusted EBIT was EUR 0.7m, slightly below our estimate of EUR 0.9m.

2022 guidance reiterated

Atria expects adjusted EBIT to decline in 2022 after EUR 49.2m in 2021. There is no quality consensus available, while prior to the Q1 report, Refinitiv consensus was expecting EUR 41m adjusted EBIT in 2022 (Nordea EUR 33.0m), i.e. 17% adjusted EBIT decline in 2022.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,451	1,504	1,540	1,658	1,695	1,726
EBITDA (adj)	87	96	106	89	102	109
EBIT (adj)	33	40	49	33	46	51
EBIT (adj) margin	2.3%	2.6%	3.2%	2.0%	2.7%	3.0%
EPS (adj, EUR)	0.60	0.91	0.97	0.79	1.13	1.30
EPS (adj) growth	2.6%	51.8%	6.4%	-18.6%	42.7%	15.4%
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	0.3	0.3
EV/EBIT (adj)	15.7	12.3	10.0	14.0	10.8	9.9
P/E (adj)	16.7	10.8	11.9	10.7	7.5	6.5
P/BV	0.7	0.7	0.7	0.5	0.5	0.5
Dividend yield (ord)	4.2%	5.1%	5.5%	6.5%	7.1%	7.7%
FCF Yield bef A&D, lease adj	14.0%	18.9%	7.2%	-26.3%	-7.4%	5.9%
Net debt	223	190	152	210	244	246
Net debt/EBITDA	2.6	2.0	2.4	2.2	2.4	2.3
ROIC after tax	3.8%	4.8%	6.4%	4.4%	5.5%	5.8%

Source: Company data and Nordea estimates

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