

24 October 2022

Commissioned research: Atria – Volume development in focus following the high inflation

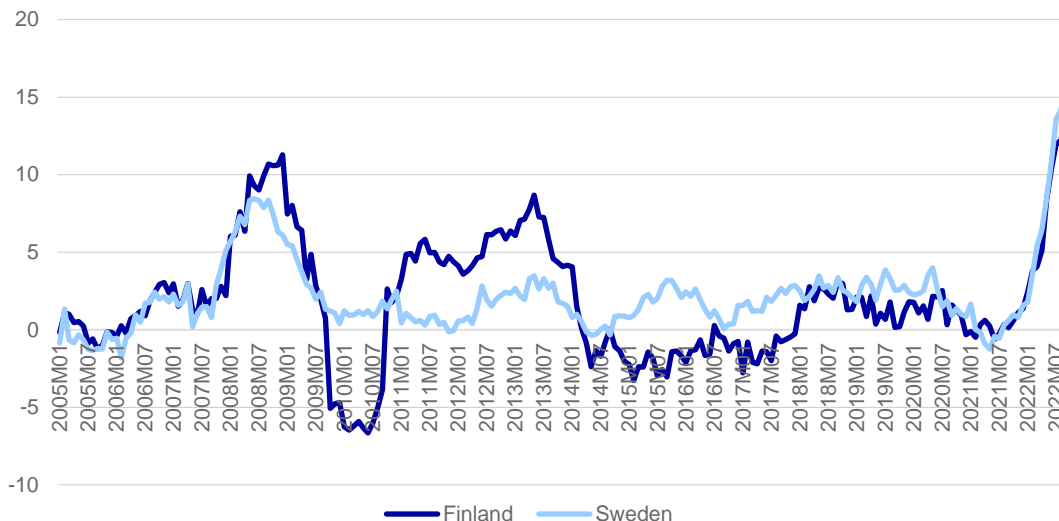
Marketing material commissioned by Atria

Atria will report its Q3 on 26 October. Following the sharp food inflation, we are 5% above Refinitiv consensus on top line and 10% above on adjusted EBIT for Q3. We believe the company has been able to mitigate cost inflation with price increases, leaving the key focus on volume development. In addition to grocery trade, strong foodservice recovery should support development in Q3, while sales mix might be burdened by lower sale of higher price point items. However, we note the importance of volume development, which we believe has remained solid in Q3. Exports to China have most likely remained low, although price levels of pork in China have improved clearly since spring, which could support development going forward. To our understanding, investments in Finland and Sweden are proceeding according to the plans. We even believe the Finnish poultry investment (EUR 155m) could be slightly ahead of the original plan and the company could start to ramp-up the facility already during 2023.

Food inflation continues to creep higher

We model 12% y/y top line growth in Q3 (+12% in Q2), driven by price increases. We note increasing food inflation in Finland and Sweden during Q3. We believe Atria has been able to push higher raw material costs into prices already during Q2, while there might be need for smaller sale price increases to cover increasing energy and logistics costs going forward. The key issue for Q3 and going forward is volume development and possible trade down effects. In general, consumers might prefer private label products that usually command slightly lower margins, while in Sweden we note possibility that consumer are shifting back to frozen, imported poultry products.

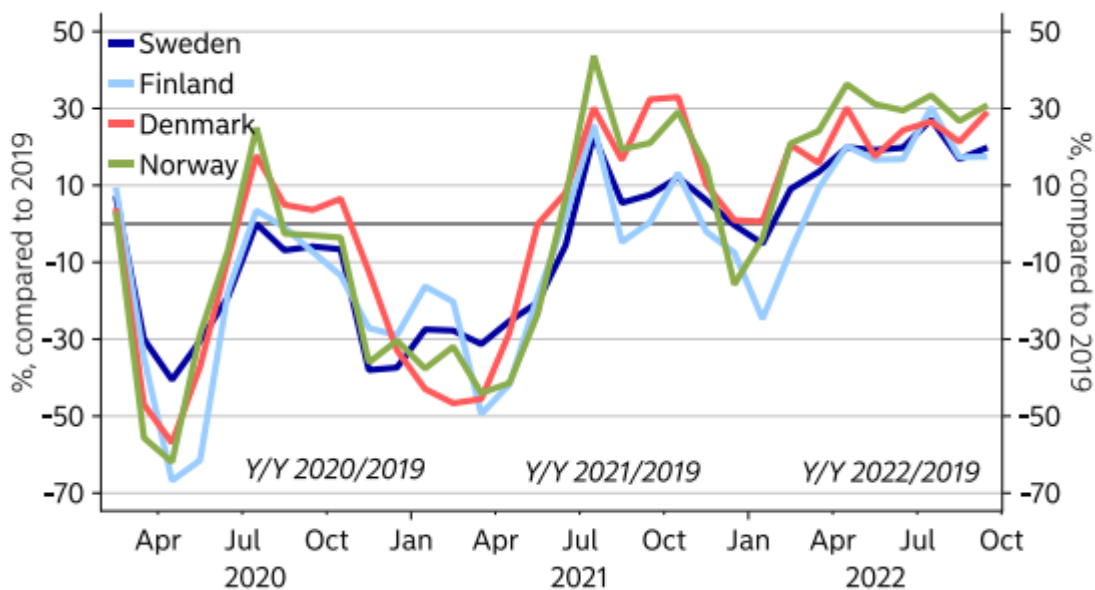
Food inflation in Finland and Sweden, 2005-2022 (y/y, %)



Source: Statistics Finland and Statistics Sweden

In addition to grocery trade, strong recovery in foodservice could support development in Q3. We note strong restaurant sales across the Nordics even during the slow season. Based on restaurant companies comments (e.g. NoHo Partners and S-Group in Finland), Q4 is expected to be solid based on good reservation levels for high season.

Restaurants



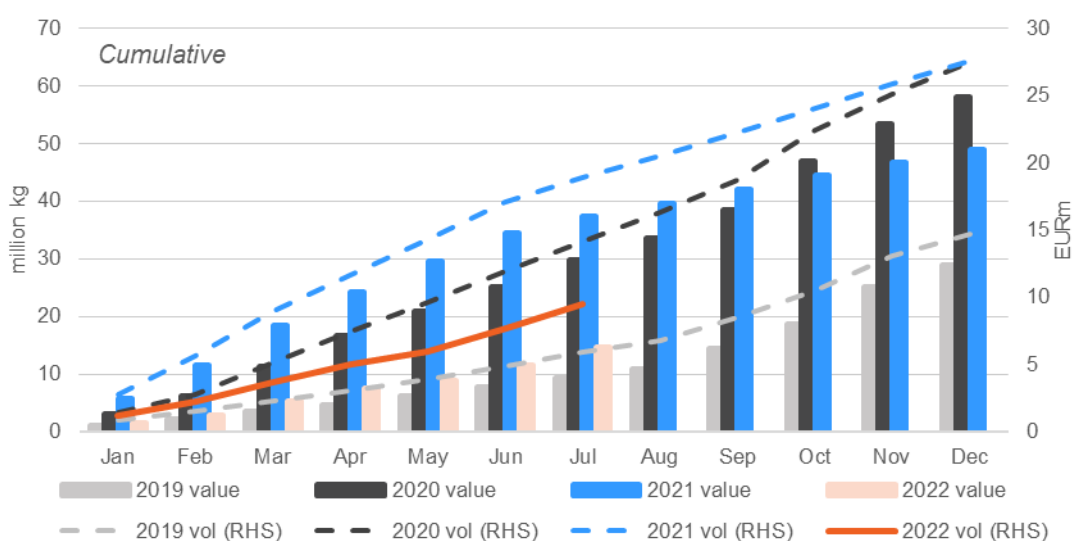
Source: Nordea and Macrobond

Exports to China still at a low level

After positive development in exports to China until autumn of 2021, export volumes declined heavily following clear decline in pork market prices in China. We note that prices have improved from CNY ~15 per kilogram in H1 2021-H1 2022, to currently CNY ~25 per kilogram. We believe the current price level could increase exports to China, which could support price development going forward. However, it is good to keep in mind that Atria has been able to find new export

channels why we do not expect near term boost to sales from possibly higher export to China, at least in near term.

Cumulative pork export to China from Finland



Source: Finnish customs

We are ahead of consensus on adjusted EBIT for Q3E, in line for 2022E

For Q3, we are 5% ahead Refinitiv consensus on sales and 10% ahead on adjusted EBIT. On full year basis, we are 2% ahead on sales and in line with adjusted EBIT. For 2023E-24E, we are 2% ahead on sales and 5-6% ahead on adjusted EBIT. We have anticipated new Finnish poultry facility to become operational in 2024, while we note possibility that the company could be slightly ahead of our thinking. This could add some cost pressure for 2023E earnings, we note. We expect to get an update regarding investments in Q3 on Wednesday.

ATRIA: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates					Consensus estimates				Difference %			
	2021	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E
Sales	1,540	433	1,685	1,707	1,739	413	1648	1671	1699	5%	2%	2%	2%
Adj. EBIT	49.2	16.2	45.2	49.6	54.6	14.8	45.0	47.5	51.5	10%	0%	5%	6%
Adj. EBIT margin	3.2%	3.7%	2.7%	2.9%	3.1%	3.6%	2.7%	2.8%	3.0%	0.2pp	-0.1pp	0.1pp	0.1pp
Adj. EPS	0.97	0.43	1.23	1.26	1.42	0.38	1.29	1.16	1.26	13%	-5%	9%	13%

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,451	1,504	1,540	1,685	1,707	1,739
EBITDA (adj)	87	96	106	98	103	109
EBIT (adj)	33	40	49	45	50	55
EBIT (adj) margin	2.3%	2.6%	3.2%	2.7%	2.9%	3.1%
EPS (adj, EUR)	0.60	0.91	0.97	1.23	1.26	1.42
EPS (adj) growth	2.6%	51.8%	6.4%	26.2%	2.7%	12.6%
DPS (ord, EUR)	0.42	0.50	0.63	0.60	0.65	0.70
EV/Sales	0.4	0.3	0.3	0.3	0.3	0.3
EV/EBIT (adj)	15.7	12.3	10.0	10.8	10.6	9.7
P/E (adj)	16.7	10.8	11.9	7.4	7.2	6.4
P/BV	0.7	0.7	0.7	0.6	0.5	0.5
Dividend yield (ord)	4.2%	5.1%	5.5%	6.6%	7.1%	7.7%
FCF Yield bef A&D, lease adj	14.0%	18.9%	7.2%	-23.3%	-6.6%	5.5%
Net debt	223	190	152	215	249	254
Net debt/EBITDA	2.6	2.0	2.4	2.1	2.4	2.3
ROIC after tax	3.8%	4.8%	6.4%	6.1%	5.9%	6.1%

Source: Company data and Nordea estimates

Completion date: 24 Oct 2022, 08:58 CET

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