26 October 2022

Commissioned research: Atria – A solid Q3 driven by successful price negotiations

Marketing material commissioned by Atria

Atria reported Q3 adjusted EBIT of EUR 16.2m in line with our estimate (Refinitiv consensus EUR 14.8m). Q3 net sales of EUR 439m were up 13% y/y and came 1% above our estimate (+6% versus consensus). Adjusted EBIT increased in Sweden and declined in Finland, and Denmark & Estonia. The company has seen good development in foodservice channel while retail sales have levelled off with some business lines and product groups showing downward trend. Producer prices paid by Atria have increased some 30% y/y and the company has adapted to changing operating environment well. The Finnish poultry investment is progressing according to the planned schedule. Q3 reported EBIT included EUR +0.3m of items affecting comparability, related to refund of pension contribution in Sweden. Q3 operating cash flow was EUR 7.6m (EUR 22.6m a year ago) and continued to be burdened by 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 45m (consensus EUR 44m). We believe Q3 report warrants slightly positive consensus revisions while we note uncertainty over volume development in important Q4 due to high inflation.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q3 2022**	**Q3 2022E**	**vs. actual**		**Q3 2022E**	**vs. actual**		**Q2 2022**	**q/q**	**Q3 2021**	**y/y**
Sales	**439**	**433**	**6**	**1%**	**413**	**26**	**6%**	**432**	**2%**	**388**	**13%**
Adj. EBIT	**16.2**	**16.2**	**0.0**	**0%**	**14.8**	**1.5**	**10%**	**13.8**	**17%**	**19.7**	**-18%**
Adj. EBIT margin	3.7%	3.7%	-0.1pp	-0.1pp	3.6%	0.1pp		3.2%	0.5pp	5.1%	-1.4pp
EPS, EUR	**0.58**	**0.43**	**0.15**	**35%**	**0.38**	**0.20**	**n.m.**	**0.48**	21%	**0.52**	12%
Divisional sales, EURm											
Finland	327.2	310.3	17	5%				320	2%	275	19%
Sweden	92.7	102.3	-10	-9%				95	-3%	94	-2%
Denmark & Estonia	29.1	29.5	0	-1%				28	2%	27	7%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	#DIV/0!
Group eliminations	-10.1	-9.0	-1	12%				-11	-9%	-8	22%
Group	**438.8**	**433.1**	**5.7**	**1%**				**432**	**2%**	**388**	**13%**
Divisional adj. EBIT, EURm											
Finland	12.7	13.9	-1.2	-8%				13.4	-5%	16.4	-23%
Sweden	3.4	2.6	0.8	30%				0.7	386%	3	13%
Denmark & Estonia	0.7	0.7	0.0	-3%				0.7	n.m.	1.2	-42%
Group eliminations	-0.6	-1.0	0.4	-40%				-1.0	-40%	-0.9	-33%
Group	**16.2**	**16.2**	**0.0**	**0%**				**13.8**	**17%**	**19.7**	**-18%**

Source: Company data, Refinitiv and Nordea estimates

Q3 EBIT in line with our expectations

Atria Q3 came bang in line with our estimates. Adjusted EBIT of EUR 16.2m beat consensus expectations by 10% with 6% higher sales. Net sales were boosted by price increases and foodservice while retail sales have levelled off. Reported EPS stood at EUR 0.58, compared to our estimate of EUR 0.43 (consensus EUR 0.38). Atria recorded +0.3m non-recurring items in Q3 linked to pension refunds in Sweden. Q3 operating cash flow was burdened by higher working capital and was EUR 7.6m (after EUR 22.6m in Q3 2021).

- Atria Finland net sales were EUR 328m, up 19% y/y and 5% above our expectations. Adjusted EBIT was EUR 12.7m, 8% below our estimate of EUR 13.9m. Net sales increased in all channels. Meat producer prices paid by Atria were 30% higher y/y (+30% in Q2). Cost inflation is mainly driven by electricity and logistics. Atria's supplier share in retail was 24.9%, flat y/y. EUR 155m poultry investment is progressing according to the plan and within the budget.

- Atria Sweden net sales were EUR 93m, up 2% in local currencies (-2% on reported basis) and 9% below our estimate. Adjusted EBIT of EUR 3.4m came above our estimate of EUR 2.6m and was supported by improving retail sales. Constantly high raw material costs burdened EBIT during Q3.

- Atria Denmark & Estonia net sales were EUR 29m, up 7% y/y and 1% below our expectations. Sales increased roughly 15% y/y in Estonia driven by price increases while Denmark was on par with slightly increasing export sales and decline in retail sales. Adjusted EBIT was EUR 0.7m, in line with our estimate.

2022 guidance reiterated

Atria expects adjusted EBIT to decline in 2022 after EUR 49.2m in 2021. YTD Atria is EUR 6.6m below last year on adjusted EBIT. There is no quality consensus available, while prior to the Q3 report, Refinitiv consensus was expecting EUR 44m adjusted EBIT in 2022 (Nordea EUR 45.2m), i.e. 11% adjusted EBIT decline in 2022 (EUR 49.2m adjusted EBIT in 2021). We expect to see slightly positive consensus revisions driven by 10% adjusted EBIT beat in Q3.

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

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