22 February 2023

Commissioned research: Atria – Strong Q4 driven by Finland, dividend proposal above expectations

Marketing material commissioned by Atria

Atria reported Q4 adjusted EBIT of EUR 16.7m, 39% above our estimate (no quality consensus available). Q4 net sales of EUR 451m were up 12% y/y and came in line with our estimate. Adjusted EBIT beat was fully driven by Finland, while other segments came below our estimates. Atria's market position has improved in Finland, Sweden and Estonia, while it has lost some market shares in Denmark during 2022. Producer prices have remained significantly above last year level. Q4 reported EBIT included EUR -51.1m of items affecting comparability, related to impairments in Sweden. Q4 operating cash flow was EUR 74m (EUR 46.3m a year ago). Dividend proposal stands at EUR 0.70 versus consensus of EUR 0.63. Atria's outlook for 2023 expects adjusted EBIT to decline from 2023 (after EUR 49m in 2022) while we have modelled EUR 48.7m or 1% decline (Refinitiv consensus EUR 47m, or 4% decline). We note that Atria issued a similar guidance for 2022 and ended up EUR 0.2m below 2021 level in 2022. During 2023, the company will commission a major expansion at its Sköllersta plant in Sweden, and the phased start-up and testing of the new poultry plant in Nurmo will begin. These measures will result in additional costs in 2023. We believe consensus revisions to be muted while we note dividend proposal that came above expectations. We have a fair value range of EUR 12.2-14.9 per Atria share.

ATRIA: DEVIATION TABLE

EURm	Actual Q4 2022	NDA est. Q4 2022E	Deviation vs. actual		Consensus Q4 2022E	Deviation vs. actual		Actual Q3 2022	q/q	Actual Q4 2021	y/y
Sales	**451**	**453**	**-2**	**0%**	**432**	**20**	**5%**	**439**	**3%**	**403**	**12%**
Adj. EBIT	**16.7**	**12.0**	**4.7**	**39%**	**(14.0)**	**30.7**	**-219%**	**16.2**	**3%**	**10.3**	**62%**
Adj. EBIT margin	3.7%	2.7%	1.0pp	1.0pp	-3.2%	6.9pp		3.7%	0.0pp	2.6%	1.1pp
EPS, EUR	**(1.34)**	**(1.49)**	**0.15**	**-10%**	**0.37**	**(1.71)**	**n.m.**	**0.58**	-330%	**0.34**	-495%
Divisional sales, EURm											
Finland	344.4	346.0	-2	0%				327	5%	293	17%
Sweden	86.3	89.0	-3	-3%				93	-7%	93	-7%
Denmark & Estonia	29.4	28.2	1	4%				29	1%	26	11%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-8.9	-10.0	1	-11%				-10	-12%	-9	0%
Group	**451.2**	**453.2**	**-2.0**	**0%**				**439**	**3%**	**403**	**12%**
Divisional adj. EBIT, EURm											
Finland	20.3	11.6	8.7	76%				12.7	60%	10.6	92%
Sweden	-0.9	1.0	-1.9	-187%				3.4	-126%	0.6	-250%
Denmark & Estonia	-0.9	0.4	-1.3	-301%				0.7	-229%	0	#DIV/0!
Group eliminations	-1.8	-1.0	-0.8	80%				-0.6	200%	-0.9	100%
Group	**16.7**	**12.0**	**4.7**	**39%**				**16.2**	**3%**	**10.3**	**62%**

Source: Company data, Refinitiv and Nordea estimates

Q4 adjusted EBIT driven by Finland

Atria Q4 adjusted EBIT came clearly above our estimates (no quality consensus available). Net sales of EUR 451m were in line with our expectations. Adjusted EPS stood at EUR 0.36 compared to our estimate of EUR 0.32. Atria recorded -51.1m of items affecting comparability in Q4 linked to impairments in Sweden (announced in December). Q4 operating cash flow was EUR 74m (after EUR 46.3m in Q4 2021). Dividend proposal of EUR 0.70 came above our and consensus expectation of EUR 0.63.

- Atria Finland net sales were EUR 344m, up 17% y/y and in line with our expectations. Adjusted EBIT was EUR 20.3m, 76% above our estimate of EUR 11.6m. Net sales increased in all channels except exports. Meat producer prices paid by Atria were significantly higher y/y. Among commodities, energy costs in particular increased. Atria's supplier share in retail was 25.1%, up ~1 pp y/y (24.9% in Q3). EUR 155m poultry investment is progressing according to the plan and the company will start phased start-up testing in 2023.

- Atria Sweden net sales were EUR 86m, up 13% in local currencies and excluding Russia divestment (-7% on reported basis) and 3% below our estimate. Adjusted EBIT of EUR -0.9m came below our estimate of EUR 1.0m and was burdened by constantly high raw-materials, transport and energy costs while selling price increases were not high enough to mitigate the impact. Sköllersta plant expansion will be commissioned in 2023.

- Atria Denmark & Estonia net sales were EUR 29m, up 11% y/y and 4% above our expectations. Sales increased roughly 24% y/y in Estonia driven by price and volume increases while Denmark sales were up slightly driven by sales price increases. Adjusted EBIT was EUR -0.9m, below our estimate of EUR 0.4m. Q4 EBIT was burdened by a sharp increase in energy and raw material costs, while the transfer of cold cuts production from Malmö to the Horsens plant resulted in additional costs.

2023 guidance expects adjusted EBIT to decline in 2022

Atria expects adjusted EBIT to decline in 2023 after EUR 49m in 2022. There is no quality consensus available, while prior to the Q4 report, Refinitiv consensus was expecting EUR 47m adjusted EBIT in 2023 (Nordea EUR 48.7m), i.e. 4% adjusted EBIT decline in 2023. We note that Atria issued a similar guidance for 2022 and ended up EUR 0.2m below 2021 level in 2022. There are additional costs related to Sköllersta expansion and phased start-up and testing of the new poultry plant in Nurmo in 2023. Hence, we expect to see muted consensus revisions for 2023E-24E while we note dividend proposal that stands above expectations.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,451	1,504	1,540	1,699	1,696	1,727
EBITDA (adj)	87	96	106	96	100	108
EBIT (adj)	33	40	49	44	49	54
EBIT (adj) margin	2.3%	2.6%	3.2%	2.6%	2.9%	3.1%
EPS (adj, EUR)	0.60	0.91	0.97	1.38	1.21	1.35
EPS (adj) growth	2.6%	51.8%	6.4%	42.5%	-12.5%	11.4%
DPS (ord, EUR)	0.42	0.50	0.63	0.63	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	12.2	11.8	10.7
P/E (adj)	16.7	10.8	11.9	7.8	9.0	8.0
P/BV	0.7	0.7	0.7	0.7	0.7	0.7
Dividend yield (ord)	4.2%	5.1%	5.5%	5.8%	6.0%	6.5%
FCF Yield bef A&D, lease adj	14.0%	18.9%	7.2%	-21.7%	-3.3%	4.0%
Net debt	223	190	152	222	250	256
Net debt/EBITDA	2.6	2.0	2.4	4.6	2.5	2.4
ROIC after tax	3.8%	4.8%	6.4%	6.3%	6.0%	6.3%

Source: Company data and Nordea estimates

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