21 April 2023

Commissioned research: Atria – Decent Q1 expected despite continued cost inflation

Marketing material commissioned by Atria

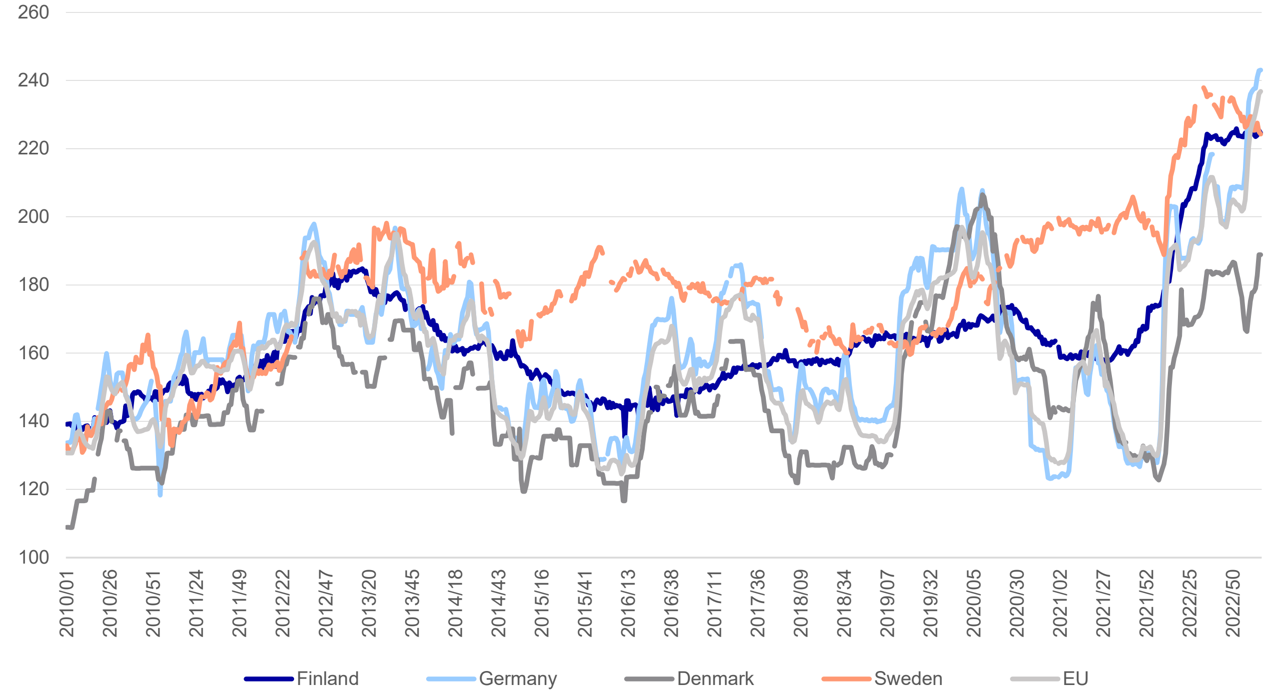
We maintain our estimates intact ahead of Atria's Q1 due on 25 April. Food inflation has continued at an elevated level (e.g. in Finland at around 16%), while we model 10% y/y organic sales growth (+7.5% on reported basis) for Q1, indicating lower volumes. However, meat raw materials in Finland and Sweden have remained fairly stable since beginning of Q4, which should maintain margins at a decent level in Q1. Cost inflation in other raw materials (e.g. packaging) has likely continued and we believe there is pressure on higher logistic costs in Q1. Atria's market position is strong and we do not expect any meaningful pressure on sales prices during H1 as prices have likely been agreed for the period early in Q4. Exports to China have likely continue at a low level due to low pork price levels in the market. However, given continued uptick in European meat raw material prices, we believe the company has been able to continue export business to other destinations with good price levels. For 2023, Atria guides for decline in adjusted EBIT, while we model only 1% y/y decline. We note that Nurmo poultry unit is likely to enter ramp-up phase during 2023 and causes some pressure on profitability (fully operational in 2024). In addition, expansion in Sköllersta in Sweden will cause some temporary cost headwinds for 2023. For Q1E, we are 1% ahead Refinitiv consensus on sales and 29% (EUR 1m) ahead on adjusted EBIT. For 2023E-25E, we are 1-2% below on sales and 3-5% ahead on adjusted EBIT. We have a fair value range of EUR 12.4-15.1 per Atria share.

ATRIA: OUR ESTIMATES VS. CONSENSUS

	Nordea estimates					Consensus estimates				Difference %			
EURm	**2022**	**Q1 2023E**	**2023E**	**2024E**	**2025E**	**Q1 2023E**	**2023E**	**2024E**	**2025E**	**Q1 2023E**	**2023E**	**2024E**	**2025E**
Sales	**1,697**	**403**	**1,702**	**1,734**	**1,775**	**398**	**1729**	**1760**	**1794**	**1%**	**-2%**	**-2%**	**-1%**
Adj. EBIT	**49.0**	**4.5**	**48.5**	**55.1**	**59.7**	**3.5**	**47.0**	**52.3**	**57.7**	**29%**	**3%**	**5%**	**3%**
Adj. EBIT margin	2.9%	1.1%	2.8%	3.2%	3.4%	0.9%	2.7%	3.0%	3.2%	0.2pp	0.1pp	0.2pp	0.1pp
Adj. EPS	**1.54**	**0.08**	**1.15**	**1.32**	**1.45**	**0.06**	**1.15**	**1.29**	**1.45**	**37%**	**0%**	**3%**	**1%**

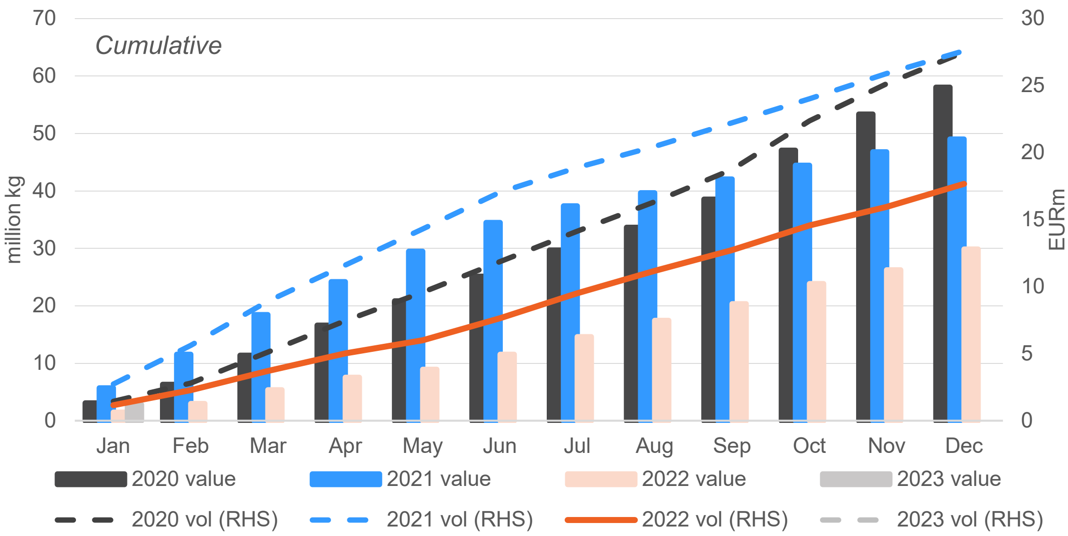
Source: Company data, Refinitiv and Nordea estimates

Pig carcass (class E) prices in Europe (EUR/100kg)



Source: Natural Resources Institute Finland

Exports of pig meat and edible offal from Finland to China



Source: Finnish Customs

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,504	1,540	1,697	1,702	1,734	1,775
EBITDA (adj)	96	106	153	100	110	127
EBIT (adj)	40	49	49	48	55	60
EBIT (adj) margin	2.6%	3.2%	2.9%	2.8%	3.2%	3.4%
EPS (adj, EUR)	0.91	0.97	1.54	1.15	1.32	1.45
EPS (adj) growth	51.8%	6.4%	58.7%	-25.2%	14.6%	10.1%
DPS (ord, EUR)	0.50	0.63	0.70	0.70	0.75	0.80
EV/Sales	0.3	0.3	0.3	0.4	0.4	0.3
EV/EBIT (adj)	12.3	10.0	10.4	12.7	11.1	9.8
P/E (adj)	10.8	11.9	6.0	10.4	9.1	8.3
P/BV	0.7	0.7	0.6	0.7	0.7	0.7
Dividend yield (ord)	5.1%	5.5%	7.6%	5.8%	6.2%	6.7%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-0.8%	6.4%	15.7%
Net debt	190	152	234	256	254	222
Net debt/EBITDA	2.0	2.4	2.2	2.6	2.3	1.7
ROIC after tax	4.8%	6.5%	6.3%	5.4%	5.9%	6.3%

Source: Company data and Nordea estimates

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