Nordea

Commissioned Equity Research

Flash comment

25 April 2023

Commissioned research: Atria – Strong Q1 driven by Finland

Marketing material commissioned by Atria

Atria reported Q1 EBIT of EUR 10.9m, 244% (EUR 7.7m) above Refinitiv consensus and 142% above our estimate. Q1 net sales of EUR 428m were up 14% y/y and came 7% above consensus and 6% above our estimate. Q1 EBIT beat was fully driven by Finland, while other segments came below our estimates. Atria's market position has improved clearly in Finland and Estonia. Producer prices have remained above last year level. Q1 EBIT included EUR 1.3m additional costs related to transfer of production in Sweden. Q1 operating cash flow was EUR -13m (EUR -35m a year ago), supported by lower working capital. Despite strong Q1, Atria's maintains its outlook intact and expects adjusted EBIT to decline from 2023 (after EUR 49m in 2022) while we have modelled EUR 48.5m 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. Mathematically, Q1 beat translates into 13-16% upward pressure on consensus EBIT estimates, while we believe revisions to be more muted due to unchanged guidance (Q1 EBIT EUR 8.6m above Q1 2022). We have a fair value range of EUR 12.4-15.1 per Atria share.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q1 2023**	**Q1 2023E**	**vs. actual**		**Q1 2023E**	**vs. actual**		**Q4 2022**	**q/q**	**Q1 2022**	**y/y**
Sales	**428**	**403**	**25**	**6%**	**398**	**30**	**7%**	**451**	**-5%**	**375**	**14%**
Adj. EBIT	**10.9**	**4.5**	**6.4**	**142%**	**3.2**	**7.7**	**244%**	**16.7**	**-35%**	**2.3**	**374%**
Adj. EBIT margin	2.5%	1.1%	1.4pp	1.4pp	0.8%	1.8pp		3.7%	-1.2pp	0.6%	1.9pp
EPS, EUR	**0.23**	**0.08**	**0.15**	**196%**	**0.05**	**0.18**	**360%**	**(1.34)**	-117%	**0.09**	164%
Divisional sales, EURm											
Finland	323.5	304.5	19	6%				344	-6%	274	18%
Sweden	81.8	79.2	3	3%				86	-5%	82	0%
Denmark & Estonia	28.2	27.3	1	3%				29	-4%	26	8%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-5.5	-8.2	3	-33%				-9	-38%	-8	-28%
Group	**428.0**	**402.8**	**25.2**	**6%**				**451**	**-5%**	**375**	**14%**
Divisional adj. EBIT, EURm											
Finland	14.9	6.0	8.9	147%				20.3	-27%	3	397%
Sweden	-3.3	-0.9	-2.4	280%				-0.9	267%	-0.9	267%
Denmark & Estonia	-0.5	0.3	-0.8	-249%				-0.9	-44%	0.8	n.m.
Group eliminations	-0.2	-1.0	0.8	-80%				-1.8	-89%	-0.6	-67%
Group	**10.9**	**4.5**	**6.4**	**142%**				**16.7**	**-35%**	**2.3**	**374%**

Source: Company data, Refinitiv and Nordea estimates

Strong top line development in Q1

Atria Q1 adjusted EBIT beat Refinitiv consensus by 244% (EUR 7.7m). Net sales of EUR 428m were 7% above consensus expectations. EPS stood at EUR 0.23 compared to consensus of EUR 0.05. Atria's Q1 included EUR 1.3m additional costs related to transfer of production in Sweden. Q1 operating cash flow was EUR -13m (EUR -35m in Q1 2022).

- Atria Finland net sales were EUR 324m, up 18% y/y and in 6% above our expectations. EBIT was EUR 14.9m, 147% above our estimate of EUR 6.0m. Net sales increased in all channels except exports. Meat producer prices paid by Atria were significantly higher y/y. Raw materials, supplies, commodities and external services were still significantly higher y/y. Atria's supplier share in retail was 25.7%, up 1.4pp y/y (25.1% in Q4). Poultry investment is progressing according and first process equipment installations have begun during Q1. We note that total investment has increased to EUR 160m (EUR 155m earlier).

- Atria Sweden net sales were EUR 82m, up 16% in local currencies and excluding Russia divestment (flat on reported basis) and 3% above our estimate. EBIT of EUR -3.3m came below our estimate of EUR -0.9m and was burdened by very high raw-materials. EU pork prices started to increase towards end of the period, which combined with weakening SEK had negative impact on profitability. In addition, transfer of production caused EUR 1.3m additional costs.

- Atria Denmark & Estonia net sales were EUR 28m, up 8% y/y and 3% above our expectations. Sales increased roughly 20% y/y in Estonia driven by price increases while Denmark sales were burdened by lower volumes despite price increases. Adjusted EBIT was EUR -0.5m, below our estimate of EUR 0.3m. Atria Denmark has started efficiency programme including centralisation of production to two plants and lower personnel expenses. Q1 EBIT included EUR 0.3m additional costs related to the efficiency programme.

2023 guidance intact despite strong beat in Q1

Atria expects adjusted EBIT to decline in 2023 after EUR 49m in 2022. Prior to the Q1 report, Refinitiv consensus was expecting EUR 47m adjusted EBIT in 2023 (Nordea EUR 48.5m), 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.

Unchanged guidance creates some uncertainty over development during rest of the year, we believe. Q1 EBIT came EUR 8.6m above last year and hence indicates that the company expects weaker development during the rest of the year. However, we note uncertainty in the market which could maintain company somewhat conservative ahead of more important H2. In addition, we note that the company is changing CEO from the beginning of June.

Although Q1 EBIT beat, mathematically, translates into 13-16% positive consensus revisions for 2023E-25E, we expect consensus to make only slightly positive EBIT revisions for 2023 due to reiterated guidance.

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	12.8	11.2	9.9
P/E (adj)	10.8	11.9	6.0	10.6	9.2	8.4
P/BV	0.7	0.7	0.6	0.7	0.7	0.7
Dividend yield (ord)	5.1%	5.5%	7.6%	5.7%	6.1%	6.6%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-0.7%	6.3%	15.5%
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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