17 July 2023

Commissioned research: Atria – We are ahead of consensus for Q2 – growth investments likely to continue with the new CEO

Marketing material commissioned by Atria

Ahead of Atria's Q2, due on 20 July, we keep our estimates intact. We model 2% y/y sales growth in Q2, burdened by weak SEK. Sales growth is likely driven by sales price increases, while sales mix could burden sales growth in Q2. To our understanding, private label share of groceries' sales has continued to increase across operating countries, while the company faces tough operating environment especially in Sweden due to FX and higher share of meat raw material sourcing from EU countries. There is likely some additional costs related to transfer of production from Malmö to Sköllersta in Sweden, although we expect these costs to be lower than seen in Q1 (EUR 1.3m). In Finland, operations have likely continued in a solid manner, while we expect to hear more about the timeline of ramp-up of the new poultry unit in Nurmo (fully operational during 2024). Atria guides for decline in adjusted EBIT in 2023, while we and consensus expect a slight improvement from 2022 level of EUR 49m. We believe the main uncertainties relate to Sweden and the ramp-up phase of the new poultry unit. In addition, we note that there is likely increasing price pressure from grocery chains that have been struggling with their volume development during H1. The new CEO, Kai Gyllström took the helm at the beginning of June and while we do not expect any material changes to the strategy, the company could seek growth outside of Finland, we believe. For Q2E, we are 3% below Refinitiv consensus on top line, while we are 13% ahead on adjusted EBIT. We model adjusted EBIT to improve y/y only in Finland, while we note uncertainties related to, especially, Sweden due to FX and meat raw material sourcing. We have a DCF- and multiples-based fair value range of EUR 13.0-15.9 per Atria share.

ATRIA: OUR ESTIMATES VS. CONSENSUS

	Nordea estimates					Consensus estimates				Difference %			
EURm	**2022**	**Q2 2023E**	**2023E**	**2024E**	**2025E**	**Q2 2023E**	**2023E**	**2024E**	**2025E**	**Q2 2023E**	**2023E**	**2024E**	**2025E**
Sales	**1,697**	**442**	**1,739**	**1,771**	**1,813**	**454**	**1793**	**1826**	**1862**	**-3%**	**-3%**	**-3%**	**-3%**
Adj. EBIT	**49.0**	**14.5**	**51.6**	**55.5**	**61.4**	**12.8**	**50.0**	**55.3**	**61.3**	**13%**	**3%**	**0%**	**0%**
Adj. EBIT margin	2.9%	3.3%	3.0%	3.1%	3.4%	2.8%	2.8%	3.0%	3.3%	0.5pp	0.2pp	0.1pp	0.1pp
Adj. EPS	**1.54**	**0.32**	**1.14**	**1.26**	**1.45**	**0.29**	**1.14**	**1.30**	**1.50**	**11%**	**0%**	**-3%**	**-3%**
DPS	**0.70**		**0.70**	**0.75**	**0.80**		**0.71**	**0.74**	**0.77**		**-1%**	**2%**	**4%**

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,504	1,540	1,697	1,739	1,771	1,813
EBITDA (adj)	96	106	153	104	112	130
EBIT (adj)	40	49	49	52	56	61
EBIT (adj) margin	2.6%	3.2%	2.9%	3.0%	3.1%	3.4%
EPS (adj, EUR)	0.91	0.97	1.54	1.14	1.26	1.45
EPS (adj) growth	51.8%	6.4%	58.7%	-26.0%	10.9%	14.5%
DPS (ord, EUR)	0.50	0.63	0.70	0.70	0.75	0.80
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.3
EV/EBIT (adj)	12.3	10.0	10.4	11.2	10.5	9.1
P/E (adj)	10.8	11.9	6.0	9.3	8.4	7.3
P/BV	0.7	0.7	0.6	0.6	0.6	0.6
Dividend yield (ord)	5.1%	5.5%	7.6%	6.6%	7.1%	7.5%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-2.9%	6.6%	16.1%
Net debt	190	152	234	263	262	235
Net debt/EBITDA	2.0	2.4	2.2	2.5	2.3	1.8
ROIC after tax	4.8%	6.5%	6.3%	5.9%	6.0%	6.6%

Source: Company data and Nordea estimates

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