Nordea

Commissioned Equity Research

Flash comment

20 July 2023

Commissioned research: Atria – Adjusted EBIT burdened by ramp up of investments

Marketing material commissioned by Atria

Atria reported Q2 EBIT of EUR 10m, 17% (EUR 2.1m) below Refinitiv consensus. Q2 net sales of EUR 457m were up 6% y/y and came 1% above consensus. Q2 EBIT miss was due to Finland and Sweden, while Denmark & Estonia came slightly ahead of our expectation. Atria's market position has improved clearly in Finland and Estonia. Producer prices have remained above last year level. Q2 EBIT included additional costs related to transfer of production in Sweden (EUR 1.3m in Q1) and ramp up of poultry investment in Finland. Q2 operating cash flow was EUR 44.5m (EUR 22.6m a year ago), supported by lower working capital. Atria maintains its outlook intact and expects adjusted EBIT to decline from 2023 (after EUR 49m in 2022) while Refinitiv consensus has modelled EUR 50m, or 2% increase. We note that Atria issued a similar guidance for 2022 and ended up EUR 0.2m below 2021 level in 2022. However, in 2023, the company will commission a major expansion at its Sköllersta plant in Sweden (transfer completed), and the phased start-up and testing of the new poultry plant in Nurmo has begun. These measures will result in additional costs in 2023. Mathematically, Q2 miss translates into 3-4% downward pressure on consensus EBIT estimates. H1 adjusted EBIT of EUR 20.9m is EUR 4.7m ahead of H1 2022. We have a fair value range of EUR 13.0-15.9 per Atria share.

ATRIA: DEVIATION TABLE

EURm	Actual Q2 2023	NDA est. Q2 2023E	Deviation vs. actual		Consensus Q2 2023E	Deviation vs. actual		Actual Q1 2023	q/q	Actual Q2 2022	y/y
Sales	**457**	**442**	**15**	**3%**	**454**	**3**	**1%**	**428**	**7%**	**432**	**6%**
Adj. EBIT	**10.0**	**14.5**	**-4.5**	**-31%**	**12.1**	**(2.1)**	**-17%**	**10.9**	**-8%**	**13.8**	**-28%**
Adj. EBIT margin	2.2%	3.3%	-1.1pp	-1.1pp	2.7%	-0.5pp		2.5%	-0.4pp	3.2%	-1.0pp
EPS, EUR	**0.13**	**0.32**	**-0.19**	**-59%**	**0.29**	**(0.16)**	**-55%**	**0.23**	-42%	**0.48**	-73%
Divisional sales, EURm											
Finland	345.4	333.1	12	4%				324	7%	320	8%
Sweden	87.8	90.4	-3	-3%				82	7%	95	-8%
Denmark & Estonia	31.4	29.8	2	5%				28	11%	28	11%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-7.4	-11.4	4	-35%				-6	35%	-11	-33%
Group	**457.2**	**441.9**	**15.3**	**3%**				**428**	**7%**	**432**	**6%**
Divisional adj. EBIT, EURm											
Finland	12.7	14.7	-2.0	-14%				14.9	-15%	13.4	-5%
Sweden	-2.1	0.3	-2.4	-830%				-3.3	-36%	0.7	-400%
Denmark & Estonia	0.6	0.5	0.1	31%				-0.5	-220%	0.7	n.m.
Group eliminations	-1.3	-1.0	-0.3	30%				-0.2	550%	-1	30%
Group	**10.0**	**14.5**	**-4.5**	**-31%**				**10.9**	**-8%**	**13.8**	**-28%**

Source: Company data, Refinitiv and Nordea estimates

Strong top line development continued in Q2

Atria Q2 adjusted EBIT missed Refinitiv consensus by 17% (EUR 2.1m). Net sales of EUR 457m were 1% above consensus expectations. EPS stood at EUR 0.13 compared to consensus of EUR 0.29. Atria's Q2 included additional costs related to transfer of production in Sweden (EUR 1.3m in

Q1) and phased ramp up of Nurmo poultry investment in Finland. However, magnitude was not disclosed. Q2 operating cash flow was EUR 44.5m (EUR 22.6m in Q2 2022) driven by lower NWC.

- Atria Finland net sales were EUR 346m, up 8% y/y and 4% above our expectations. EBIT was EUR 12.7m, 14% below our estimate of EUR 14.7m. Net sales were increased by higher sales prices in all channels. 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 26%, up 1.4pp y/y (25.7% in Q1). Poultry investment is progressing and the phased commissioning of the plant begun during Q2.

- Atria Sweden net sales were EUR 88m, up 5% in local currencies and excluding Russia divestment (-8% on reported basis) and 3% below our estimate. EBIT of EUR -2.1m came below our estimate of EUR 0.3m and was burdened high raw-material prices, FX and Sköllersta expansion (transfer from Malmö completed).

- Atria Denmark & Estonia net sales were EUR 31, up 11% y/y and 5% above our expectations. Market share increased in Estonia and declined in Denmark. Adjusted EBIT was EUR 0.6m, above our estimate of EUR 0.5m.

2023 guidance intact

Atria expects adjusted EBIT to decline in 2023 after EUR 49m in 2022. Prior to the Q2 report, Refinitiv consensus was expecting EUR 50m adjusted EBIT in 2023 (Nordea EUR 51.6m), i.e. 2% adjusted EBIT increase 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 maintains uncertainty over development during rest of the year, we believe. H1 EBIT came EUR 4.7m above last year and hence indicates that the company expects weaker development during the rest of the year. However, we note this most likely relates ramp up costs, which have not been disclosed.

Q2 EBIT miss, mathematically, translates into 3-4% negative consensus revisions for 2023E-25E.

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	10.4	9.0
P/E (adj)	10.8	11.9	6.0	9.2	8.3	7.2
P/BV	0.7	0.7	0.6	0.6	0.6	0.6
Dividend yield (ord)	5.1%	5.5%	7.6%	6.7%	7.2%	7.6%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-2.9%	6.7%	16.2%
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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