Nordea

Commissioned Equity Research

Flash comment

19 February 2024

Commissioned research: Atria – Largely in line with consensus ahead of Q4 – guidance and price levels in focus

Marketing material commissioned by Atria

Ahead of Atria's Q4, due on 22 February, we maintain our estimates intact. We model -2% y/y sales growth in Q4, driven by Sweden and Finland. We expect virtually flat y/y adjusted EBIT at EUR 16.4m, taking 2023E adjusted EBIT to EUR 56.6m after EUR 49m in 2022. For Q4E, we are in line with LSEG Data & Analytics on adjusted EBIT with 2% lower sales. We expect flat EUR 0.70 dividend proposal for 2023E, slightly below consensus at EUR 0.71. We believe the focus in Q4 will be in the guidance for 2024 and any indications related to sales price development. We have anticipated flattish sales growth for 2024E with 20bp improvement in adjusted EBIT margin, driven by a turnaround in Sweden after investments and profit-improvement programme. In Finland, we have anticipated additional costs related to ramp-up of the new poultry unit. However, we note the company has been running ahead of the initial plan with the ramp-up and hence there could be some upside to our Finland estimates, depending of the ramp-up schedule and costs. Given easing inflation, we believe there is a growing pressure on price levels from grocery chains. On cost side, meat raw material prices have remained at an elevated level, although below peak prices seen during spring/summer of 2023. We view volume outlook for 2024 as stable. Atria should be well positioned going forward with the current investment phase nearing its end with no material refinancing needs in 2024-25. We have a fair value range of EUR 13.1-16.0 per Atria share.

ATRIA: OUR ESTIMATES VS. CONSENSUS

	Nordea estimates					Consensus estimates				Difference %			
EURm	**2022**	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**
Sales	**1,697**	**441**	**1,755**	**1,764**	**1,819**	**448**	**1763**	**1802**	**1844**	**-2%**	**0%**	**-2%**	**-1%**
Adj. EBIT	**49.0**	**16.4**	**56.6**	**59.5**	**64.2**	**16.4**	**56.7**	**58.3**	**63.0**	**0%**	**0%**	**2%**	**2%**
Adj. EBIT margin	2.9%	3.7%	3.2%	3.4%	3.5%	3.7%	3.2%	3.2%	3.4%	0.1pp	0.0pp	0.1pp	0.1pp
Adj. EPS	**1.54**	**0.31**	**1.14**	**1.23**	**1.37**	**0.36**	**1.17**	**1.25**	**1.41**	**-15%**	**-3%**	**-2%**	**-3%**
DPS	**0.70**		**0.70**	**0.75**	**0.82**		**0.71**	**0.74**	**0.76**		**-1%**	**2%**	**7%**

Source: Company data, LSEG Data & Analytics and Nordea estimates

Main events during the Q4

- On 15 November, Atria announced measures to improve competitiveness and performance in Sweden. High raw material costs, inflation, weak SEK and tough pricing negotiations with the trade are affecting Atria Sweden's performance. The company aims to layoff approximately 35 employees and targets EUR 2.5m annual cost savings that would start to materialise during Q2 2024

- On 23 November, Atria hosted its annual CMD event. You can take a look on our key takes from flash comment published on 24 November.

- On 20 December, Atria announced EUR 40m goodwill impairment. Impairment did not come as a big surprise and we were expecting impairment especially in Denmark due to higher interest rates and somewhat soft performance. Impairments will not have cash flow impact and Atria's equity ratio remains at a healthy level. In Q3 2023, equity ratio was 43.6% and we calculate 2.3 pp negative impact from the impairment. Following the impairment, Atria has some EUR 15m of goodwill in Denmark and some EUR 37m in Sweden.

Grocery channel meat sales increased 1.2% y/y in Q4 in Finland

According to Finnish Grocery trade association, grocery sales increased 3.9% y/y with 0.1% y/y volume increase. Food stuff sales were up 3.1% y/y with 1.1% higher volumes in Q4. Meat product sales were up 1.3% y/y with volumes up 1.6%, taking average sale price down 0.4% y/y. We expect volume development to be stable in 2024, while price levels might come under pressure on next pricing window (from the beginning of April).

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	1,504	1,540	1,697	1,755	1,764	1,819
EBITDA (adj)	96	106	153	114	127	131
EBIT (adj)	40	49	49	57	60	64
EBIT (adj) margin	2.6%	3.2%	2.9%	3.2%	3.4%	3.5%
EPS (adj, EUR)	0.91	0.97	1.54	1.14	1.23	1.37
EPS (adj) growth	51.8%	6.4%	58.7%	-26.3%	8.0%	11.5%
DPS (ord, EUR)	0.50	0.63	0.70	0.70	0.75	0.82
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.3
EV/EBIT (adj)	12.3	10.0	10.4	10.1	9.5	8.5
P/E (adj)	10.8	11.9	6.0	9.1	8.5	7.6
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%	7.9%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-1.0%	10.8%	15.6%
Net debt	190	152	234	257	245	220
Net debt/EBITDA	2.0	2.4	2.2	2.3	1.9	1.7
ROIC after tax	4.8%	6.5%	6.3%	6.4%	6.4%	6.8%

Source: Company data and Nordea estimates

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