

22 February 2024

Commissioned research: Atria – Weak Q4 with a soft guidance for 2024

Marketing material commissioned by Atria

Atria reported Q4 EBIT of EUR 9.4m, 43% (EUR 7.1m) below LSEG Data & Analytics consensus. Q4 net sales of EUR 438m were down 3% y/y and came 2% below consensus. Q4 EBIT miss was driven by Finland, where sales declined in all channels owing to reduced consumer demand. New poultry unit in Nurmo is now fully operational, clearly ahead of our initial thoughts. Denmark & Estonia beat our estimate slightly, while Sweden EBIT remained on the negative territory and missed our estimate. There were EUR 49.2m of items affecting comparability in Q4 of which EUR 40m related to impairments in Sweden and Denmark & Estonia. Operating cash flow was EUR 52m (EUR 74m a year ago). Dividend proposal of EUR 0.60 came below consensus of EUR 0.71. Atria issued a new guidance which expects decline in adjusted EBIT in 2024 (after EUR 49.6m in 2023) while consensus has modelled EUR 58.3m, or 18% increase. Atria expects challenging operating environment to continue in 2024. Although we view 2024 guidance as cautious, we believe consensus to trim its estimates by around 20% for 2024E and less for 2025E. We note the importance of the new poultry unit and believe the company has taken somewhat cautious view due to uncertainties related to the optimization phase of the new facility which likely burdens H1 performance, we believe.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
EURm	Q4 2023	Q4 2023E	vs. actual		Q4 2023E	vs. actual		Q3 2023	q/q	Q4 2022	y/y
Sales	438	441	-2	-1%	446	(8)	-2%	430	2%	451	-3%
Adj. EBIT	9.4	16.4	-7.0	-43%	16.5	(7.1)	-43%	19.4	-52%	16.7	-44%
Adj. EBIT margin	2.1%	3.7%	-1.6pp	-1.6pp	3.7%	-1.5pp		4.5%	-2.4pp	3.7%	-1.6pp
Adj. EPS, EUR	0.15	0.31	-0.16	-51%	0.36	(0.21)	-58%	0.47	-68%	(1.34)	-111%
DPS, EUR	0.60	0.70	-0.10	-14%	0.71	(0.11)	-15%			0.70	-14%
Divisional sales, EURm											
Finland	333.5	340.8	-7	-2%				324	3%	344	-3%
Sweden	80.4	75.1	5	7%				81	0%	86	-7%
Denmark & Estonia	30.6	31.7	-1	-3%				32	-4%	29	4%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-6.5	-7.0	1	-7%				-7	-2%	-9	-27%
Group	438.1	440.6	-2.5	-1%				430	2%	451	-3%
Divisional adj. EBIT, EURm											
Finland	9.4	15.9	-6.5	-41%				19	-51%	20.3	-54%
Sweden	-0.3	0.6	-0.9	-149%				0	n.m.	-0.9	-67%
Denmark & Estonia	1.3	1.1	0.2	19%				1.5	-13%	-0.9	n.m.
Group eliminations	-1.1	-1.2	0.1	-8%				-1.1	0%	-1.8	-39%
Group	9.4	16.4	-7.0	-43%				19.4	-52%	16.7	-44%

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

Q4 was weak, especially due to Finland – new poultry unit fully operational

- Atria Q4 adjusted EBIT missed LSEG Data & Analytics consensus by 43% (EUR 7.1m). There were EUR 49.2m of items affecting comparability in Q4, of which EUR 40m relates to impairments in Sweden and Denmark & Estonia, and EUR 5.7m to reorganisation costs.

- Net sales of EUR 438m were 2% below consensus expectations.
- Adj. EPS stood at EUR 0.15 compared to consensus of EUR 0.36.
- DPS proposal of EUR 0.60 came below consensus of EUR 0.71.
- Operating cash flow of EUR 52m was down from EUR 74 a year ago.

Atria Finland profitability was weak

- Net sales of EUR 334m were down 3% y/y and came 2% below our expectations. Net sales declined in all sales channels. Sales structure weakened due to weak consumer purchasing power.
- Adjusted EBIT was EUR 9.4m, 41% below our estimate of EUR 15.9m. Raw materials, external services and payroll costs increased y/y. Market situation for meat was weak, leading to unprofitable sales of the most valuable parts.
- Atria's supplier share in retail was 26% (26% in Q3). Poultry investment is completed while the company did not disclose the impact of the ramp-up during Q4.
- Atria recorded EUR 3.1m write-downs related to Sahalahti poultry unit closure as well as EUR 2.5m in the write-down of a brand to be discontinued.

Atria Sweden improved market shares in retail trade

- Net sales were EUR 80m, down 3% in local currencies (-7% on reported basis) and 7% above our estimate. Atria's market shares in retail trade improved.
- Adjusted EBIT of EUR -0.3m came below our estimate of EUR 0.6m
- Atria Sweden booked EUR 20m impairment and EUR 2.6m business reorganisation costs in Q4.

Atria Denmark & Estonia supported by Estonia

- Net sales were EUR 31m up 4% y/y and 3% below our expectations. Sales increased in Estonia by nearly 15% while those declined in Denmark due to lower foodservice and retail volumes.
- Adjusted EBIT was EUR 1.3m, 19% above our estimate of EUR 1.1m. In Estonia, market volumes (+4%) and value (+9%) increased, while lower feed prices started to decrease the costs of pork from Atria's own farms. In Denmark, EBIT declined due to sales decline.

2024 guidance expects decline in adjusted EBIT which we view cautious

Atria issued a new guidance and expects adjusted EBIT to decline in 2024 after EUR 49.6m in 2023. Prior to the Q4 report, LSEG Data & Analytics consensus expected EUR 58.3m adjusted EBIT in 2024 (Nordea EUR 59.5m), i.e. 18% adjusted EBIT increase in 2024. Atria expects challenging operating environment in 2024 due to consumer behaviour. Efficiency targets for the new poultry unit will have an impact on the year's result.

We believe the company has taken a cautious view on its 2024 guidance due to weak Q4. We note Atria raised its guidance for 2023 on September and expected improving adjusted EBIT (from previously "declining adjusted EBIT"), indicating clearly weaker-than-expected Q4 profitability. However, given the earlier commissioning of the new poultry unit, we believe the company is well positioned for strong H2 2024 performance. Optimisation of the new unit could burden H1 2024 profitability, we believe. Initially, we expect consensus to cut estimates around 20% for 2024 and less for 2025.

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	10.2	9.6	8.6
P/E (adj)	10.8	11.9	6.0	9.4	8.7	7.8
P/BV	0.7	0.7	0.6	0.7	0.6	0.6
Dividend yield (ord)	5.1%	5.5%	7.6%	6.5%	7.0%	7.6%
FCF Yield bef A&D, lease adj	18.9%	7.2%	-33.8%	-1.0%	10.5%	15.1%
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

Completion date: 22/02/2024 08:06:59 CET

Nordea analyst: Joni Sandvall

Joni Sandvall

Analyst, Consumer Goods and Retail, Food and Beverages, Healthcare, Investment companies

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI, Finland

Write to me: Fleminginkatu 27, 00020 Nordea, Finland

Tel: +358 9 5300 5484 | Mob: +358 445460855

E-mail: joni.sandvall@nordea.com

Web: nordeamarkets.com

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

Nordea Investment Banking & Equities is the name of the Investment Banking & Equities departments of Nordea Bank Abp.

The information provided herein is intended for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Investment Banking & Equities as of the date of this document and are subject to change without notice. The views have been provided solely based on the information made available to Nordea Investment Banking & Equities and for the purposes of presenting the services made available by Nordea Investment Banking & Equities. This notice does not substitute the judgement of the recipient.

Nordea Investment Banking & Equities is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. Relevant professional advice should always be obtained before making any investment or credit decision. This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Investment Banking & Equities.

Web: [For disclosures and disclaimers, please click this link](#)

Disclaimer and legal disclosures

Origin of the report

This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their units Nordea Markets and Equity Sales & Research.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

Content of report

This report has been prepared solely by Nordea Markets or Equity Sales & Research.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision.

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

Validity of the report

All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

No individual investment or tax advice

The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets or Equity Sales & Research as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources

This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets or Equity Sales & Research ("External Information"), Nordea Markets or Equity Sales & Research has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

Risk information

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest

Readers of this document should note that Nordea Markets or Equity Sales & Research has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Please find a list of all recommendations disseminated by Nordea Equities during the preceding 12-month period here: <https://research.nordea.com/compliance>

Distribution restrictions

The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US or to customers in any other jurisdiction where restrictions may apply.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

Nordea Bank Abp ("Nordea") research is not "globally branded" research. Nordea research reports are intended for distribution in the United States solely to "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Any transactions in securities discussed within the research reports will be chaperoned by Nordea Securities LLC ("Nordea Securities"), an affiliate of Nordea and a SEC registered broker dealer and member of FINRA. Nordea Securities does not employ research analysts and has no contractual relationship with Nordea that is reasonably likely to inform the content of Nordea research reports. Nordea makes all research content determinations without any input from Nordea Securities.

The research analyst(s) named on this report are not registered/qualified as research analysts with FINRA. Such research analyst(s) are also not registered with Nordea Securities and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

This report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Fair value and sensitivity

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive.

It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Marketing material

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Market-making obligations and other significant financial interest

Nordea has no market-making obligations in Atria.

Investment banking transactions

In view of Nordea's position in its markets readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies