Nordea

Commissioned Equity Research

Flash comment

23 April 2024

Commissioned research: Atria – Solid Q1 despite ramp-up of the new poultry unit

Marketing material commissioned by Atria

Atria reported Q1 adjusted EBIT of EUR 8.0m, 114% (EUR 4.3m) above LSEG Data & Analytics consensus. Q1 net sales of EUR 417m were down 3% y/y and came 1% above consensus. Q1 EBIT beat to our estimates came from all divisions. In Finland, sales declined due to lower feed sales prices and sluggish export and foodservice sales, while the company notes oversupply of red meat in the market. New poultry unit ramp-up burdened profitability. Sweden profitability turned positive driven by centralisation of production last year. Fierce price competition in Denmark has continue, while the company was able to improve EBIT owing to efficiency improvement programme. Operating cash flow was EUR -17m (EUR -13m a year ago). Atria reiterated its guidance which expects decline in adjusted EBIT in 2024 (after EUR 49.6m in 2023). Consensus has modelled EUR 48.3m, or 3% decline. Atria expects challenging operating environment to continue in 2024. We view reiterated guidance as conservative, especially after Q1 EBIT beat as the company should benefit clearly from ramp-up of the new poultry unit and closure of Sahalahti plant in H2. However, due to reiterated guidance, we expect consensus to make only minor revisions.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q1 2024**	**Q1 2024E**	**vs. actual**		**Q1 2024E**	**vs. actual**		**Q4 2023**	**q/q**	**Q1 2023**	**y/y**
Sales	**417**	**404**	**13**	**3%**	**411**	**5**	**1%**	**438**	**-5%**	**428**	**-3%**
Adj. EBIT	**8.0**	**0.5**	**7.5**	**1407%**	**3.7**	**4.3**	**114%**	**9.3**	**-14%**	**10.9**	**-27%**
Adj. EBIT margin	1.9%	0.1%	1.8pp	1.8pp	0.9%	1.0pp		2.1%	-0.2pp	2.5%	-0.6pp
Adj. EPS, EUR	**0.10**	**(0.10)**	**0.20**	**-200%**	**(0.01)**	**0.11**	**-850%**	**(1.53)**	-107%	**0.23**	-56%
Divisional sales, EURm											
Finland	309.8	302.5	7	2%				334	-7%	324	-4%
Sweden	82.1	79.6	3	3%				80	2%	82	0%
Denmark & Estonia	30.7	28.7	2	7%				31	0%	28	9%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-5.8	-6.6	1	-12%				-7	-11%	-6	5%
Group	**416.8**	**404.2**	**12.6**	**3%**				**438**	**-5%**	**428**	**-3%**
Divisional adj. EBIT, EURm											
Finland	7.2	3.4	3.8	112%				9.4	-23%	14.9	-52%
Sweden	0.0	-2.1	2.1	-100%				-0.3	-100%	-3.3	-100%
Denmark & Estonia	1.4	-0.2	1.6	-950%				1.3	8%	-0.5	n.m.
Group eliminations	-0.6	-0.6	0.0	0%				-1.1	-45%	-0.2	200%
Group	**8.0**	**0.5**	**7.5**	**1407%**				**9.3**	**-14%**	**10.9**	**-27%**

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

Q1 was strong when considering the ramp-up of the new poultry unit

- Atria Q1 adjusted EBIT beat LSEG Data & Analytics consensus by 114% (EUR 4.3m).
- Net sales of EUR 417m were 1% above consensus expectations.

- EPS stood at EUR 0.10 compared to consensus of EUR -0.01.
- Operating cash flow of EUR -17m was down from EUR -13m a year ago. Leverage was at 2.9x at the end of Q1 (2.5x a year ago).

Atria Finland profitability above our expectations

- Finland net sales of EUR 310m were down 4% y/y and came 2% above our expectations. Net sales declined due to lower feed sale prices and sluggish export and foodservice sales. Retail sales increased slightly.
- Adjusted EBIT was EUR 7.2m, 112% above our estimate of EUR 3.4m. The cost of supplies, external services and payroll costs increased y/y. Market situation for red meat continues to be weak and there is oversupply in the market. Poultry unit ramp-up burdened margins, while the company did not disclose the amount.
- Atria's supplier share in retail was 24% (flat y/y, 26% in Q4).

Atria Sweden improved market shares in growing retail trade

- Sweden net sales were EUR 82m, flat y/y and 3% above our estimate. Atria's market shares in retail trade improved in a growing market.
- Adjusted EBIT of EUR 0.0m came well above our estimate of EUR -2.1m.
- Atria Sweden started to benefit from the centralisation of production at the Sköllersta and the streamlining of the organisational structure.

Atria Denmark & Estonia EBIT up due to higher sales and efficiency programme

- Denmark & Estonia net sales were EUR 31m up 9% y/y and 7% above our expectations. In Denmark, sales were supported by export sales while in Estonia, the company continued to improve its market share.
- Adjusted EBIT was EUR 1.4m, well above our estimate of EUR -0.2m. Atria benefitted from efficiency programme in Denmark and higher sales and lower raw material prices in Estonia.
- After recent acquisition in Estonia, Atria's self-sufficiency of port is around 70% and the company aims ensure the supply of domestic pork in the future.

2024 guidance appears conservative

Atria reiterated its guidance and expects adjusted EBIT to decline in 2024 after EUR 49.6m in 2023. Prior to the Q1 report, LSEG Data & Analytics consensus expected EUR 48.3m adjusted EBIT in 2024 (Nordea EUR 49.2m), i.e. 3% adjusted EBIT decline 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 continue to believe the company has taken a cautious view on its 2024 guidance. Given the commissioning of the new poultry unit, we believe the company is well positioned for strong H2 2024 performance. Taking into consideration the Q1 EBIT beat, we believe the company could revise its guidance in conjunction with Q2 report. However, given reiterated guidance, we expect consensus to make only minor estimate revisions.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	1,540	1,697	1,753	1,755	1,815	1,858
EBITDA (adj)	106	102	109	116	126	133
EBIT (adj)	49	49	50	49	60	65
EBIT (adj) margin	3.2%	2.9%	2.8%	2.8%	3.3%	3.5%
EPS (adj, EUR)	0.97	1.54	1.04	0.93	1.24	1.43
EPS (adj) growth	6.4%	58.7%	-32.5%	-10.2%	33.0%	15.3%
DPS (ord, EUR)	0.63	0.70	0.60	0.65	0.72	0.77
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.3
EV/EBIT (adj)	10.0	10.4	12.0	12.1	9.5	8.3
P/E (adj)	11.9	6.0	10.1	11.0	8.3	7.2
P/BV	0.7	0.6	0.8	0.7	0.7	0.7
Dividend yield (ord)	5.5%	7.6%	5.7%	6.3%	7.0%	7.5%
FCF Yield bef A&D, lease adj	7.2%	-31.1%	-8.4%	7.3%	18.0%	17.5%
Net debt	152	234	273	277	243	212
Net debt/EBITDA	2.4	2.2	2.7	2.4	1.9	1.6
ROIC after tax	6.4%	6.3%	5.7%	5.6%	6.8%	7.5%

Source: Company data and Nordea estimates

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