18 July 2024

Commissioned research: Atria – Strong Q2 profitability driven by all divisions

Marketing material commissioned by Atria

Atria reported Q2 adjusted EBIT of EUR 18.4m, 47% (EUR 5.9m) above LSEG Data & Analytics consensus. Q2 net sales of EUR 454m were down 1% y/y and came 1% above consensus. Q2 EBIT beat to our estimates came from Finland and Sweden while Denmark & Estonia was largely in line. In Finland, sales declined due to lower feed sales and foodservice sales, while Q2 benefited from sales shift of export sales from Q1. Sweden profitability continued to improve, driven by centralization of production last year and streamlining of organizational structure. Fierce price competition in Denmark has continue while Estonia sales increased and profitability improved. Operating cash flow was EUR 47m (EUR 45m a year ago). Atria raised its guidance on 12 July and now expects 2024 adjusted EBITA to increase from EUR 49.6m in 2023 (earlier: “to decline”). Consensus has modelled EUR 52.7m, or 6% decline. The company notes risks related to potential increase in tariffs for food exports to China. Initially, driven by strong performance in Q2, we expect consensus to raise 2024 EBIT estimates by some 5-10% with slightly more muted revisions for 2025E-26E.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q2 2024**	**Q2 2024E**	**vs. actual**		**Q2 2024E**	**vs. actual**		**Q1 2024**	**q/q**	**Q2 2023**	**y/y**
Sales	**454**	**452**	**2**	**0%**	**450**	**4**	**1%**	**417**	**9%**	**457**	**-1%**
Adj. EBIT	**18.4**	**14.3**	**4.1**	**28%**	**12.5**	**5.9**	**47%**	**8.0**	**130%**	**9.9**	**86%**
Adj. EBIT margin	4.1%	3.2%	0.9pp	0.9pp	2.8%	1.3pp		1.9%	2.1pp	2.2%	1.9pp
Adj. EPS, EUR	**0.39**	**0.26**	**0.13**	**52%**	**0.23**	**0.16**	**72%**	**0.10**	294%	**0.13**	190%
Divisional sales, EURm											
Finland	336.1	338.5	-2	-1%				310	8%	345	-3%
Sweden	93.8	88.2	6	6%				82	14%	88	7%
Denmark & Estonia	32.1	32.3	0	-1%				31	5%	31	2%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-7.7	-6.6	-1	17%				-6	33%	-7	4%
Group	**454.3**	**452.4**	**1.9**	**0%**				**417**	**9%**	**457**	**-1%**
Divisional adj. EBIT, EURm											
Finland	17.1	12.9	4.2	32%				7.2	138%	12.7	35%
Sweden	1.6	1.1	0.5	42%				0	#DIV/0!	-2.1	-176%
Denmark & Estonia	1.5	1.5	0.0	1%				1.4	7%	0.6	n.m.
Group eliminations	-1.7	-1.2	-0.5	42%				-0.6	183%	-1.3	31%
Group	**18.4**	**14.3**	**4.1**	**28%**				**8**	**130%**	**9.9**	**86%**

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

Strong profitability despite poultry ramp-up

- Atria Q2 adjusted EBIT of EUR 18.4m beat LSEG Data & Analytics consensus by 47% (EUR 5.9m).
- Net sales of EUR 454m were 1% above consensus expectations.
- EPS stood at EUR 0.39 compared to consensus of EUR 0.23.
- Operating cash flow of EUR 47m was up from EUR 45m a year ago. Leverage was at 2.6x at the end of Q2 (2.9x in Q1 and 2.7x a year ago).

Atria Finland profitability clearly above our expectations

- Finland net sales of EUR 336m were down 3% y/y and came 1% below our expectations. Net sales declined due to lower feed and foodservice sales while export sales increased due to sales shift from Q1.
- Adjusted EBIT was EUR 17.1m, 32% above our estimate of EUR 12.9m. Atria Finland benefited from favourable sales structure, good start to the summer season, savings and efficiency programmes. In addition, closure of old poultry unit in Sahalahti supported earnings.
- Atria's supplier share remained stable.

Atria Sweden back to growth mode – profitability above our expectations

- Sweden net sales were EUR 94m, up 7% y/y and 6% above our estimate. Atria's market shares remained stable.
- Adjusted EBIT of EUR 1.6m came well above our estimate of EUR 1.1m.
- Atria Sweden benefited from the centralisation of production at the Sköllersta and the streamlining of the organisational structure.

Atria Denmark & Estonia EBIT in line with our expectations

- Denmark & Estonia net sales were EUR 32m up 2% y/y and 1% below our expectations. In Denmark, sales were weighted down by lower volumes to retail. In Estonia, the company continued to improve its market share with increasing sales to retail customers.
- Adjusted EBIT was EUR 1.5m, in line with our estimate.

2024 guidance was raised ahead of the report

Atria raised its guidance on 12 July and expects adjusted EBIT to increase in 2024 after EUR 49.6m in 2023 (earlier: "to decline"). Prior to the Q2 report, LSEG Data & Analytics consensus expected EUR 52.7m adjusted EBIT in 2024 (Nordea EUR 55.3m), i.e. 6% adjusted EBIT increase in 2024. We note comments around risks related to Chinese exports which could weaken profitability on Finnish operations if increased tariffs would be assigned.

We expect consensus to make positive revisions to the tune of 5-10% for 2024E with slightly more muted revisions for 2025E-26E.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	1,540	1,697	1,753	1,767	1,826	1,862
EBITDA (adj)	106	102	109	120	128	134
EBIT (adj)	49	49	50	55	62	67
EBIT (adj) margin	3.2%	2.9%	2.8%	3.1%	3.4%	3.6%
EPS (adj, EUR)	0.97	1.54	1.04	1.04	1.26	1.45
EPS (adj) growth	6.4%	58.7%	-32.5%	-0.3%	21.5%	14.9%
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	10.5	8.9	7.9
P/E (adj)	11.9	6.0	10.1	9.7	8.0	7.0
P/BV	0.7	0.6	0.8	0.7	0.7	0.7
Dividend yield (ord)	5.5%	7.6%	5.7%	6.4%	7.1%	7.6%
FCF Yield bef A&D, lease adj	7.2%	-31.1%	-8.4%	10.0%	18.8%	18.1%
Net debt	152	234	273	269	234	203
Net debt/EBITDA	2.4	2.2	2.7	2.2	1.8	1.5
ROIC after tax	6.4%	6.3%	5.7%	6.2%	7.0%	7.7%

Source: Company data and Nordea estimates

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