23 October 2024

Commissioned research: Atria - Another strong quarter driven by mix and efficiency measures

Marketing material commissioned by Atria

Atria reported Q3 adjusted EBIT of EUR 25.8m, 35% (EUR 6.6m) above LSEG Data & Analytics consensus. Q3 net sales of EUR 439m were up 2% y/y and came in line with consensus. Q3 EBIT beat to our estimates came from Finland and Sweden while Denmark & Estonia came slightly below our expectation. In Finland, sales declined due to lower feed sales and foodservice sales, while Q3 benefited from a successful barbeque season. Sweden profitability continued to improve clearly, driven by centralization of production last year and higher sales in retail and foodservice. Fierce price competition in Denmark has continue while Estonia sales increased and profitability improved. Operating cash flow was EUR 31m (EUR 10m a year ago). Atria reiterated its guidance and expects 2024 adjusted EBITA to increase from EUR 49.6m in 2023. Consensus has modelled EUR 59.7m, or 20% increase. Initially, driven by strong performance in Q3, we expect consensus to raise 2024 EBIT estimates by some 5-10% with more muted revisions for 2025E-26E. We note strong earnings momentum without any clear signs of easing with new poultry unit fully operational.

ATRIA: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q3 2024**	**Q3 2024E**	**vs. actual**		**Q3 2024E**	**vs. actual**		**Q2 2024**	**q/q**	**Q3 2023**	**y/y**
Sales	**439**	**438**	**1**	**0%**	**440**	**(1)**	**0%**	**454**	**-3%**	**430**	**2%**
Adj. EBIT	**25.8**	**18.1**	**7.7**	**42%**	**19.2**	**6.6**	**35%**	**18.5**	**39%**	**19.4**	**33%**
Adj. EBIT margin	5.9%	4.1%	1.7pp	1.7pp	4.4%	1.5pp		4.1%	1.8pp	4.5%	1.4pp
Adj. EPS, EUR	**0.62**	**0.36**	**0.26**	**70%**	**0.41**	**0.21**	**51%**	**0.39**	59%	**0.47**	33%
Divisional sales, EURm											
Finland	318.8	322.0	-3	-1%				336	-5%	324	-1%
Sweden	95.0	90.2	5	5%				94	1%	81	18%
Denmark & Estonia	32.4	32.3	0	0%				32	1%	32	1%
Unallocated	0.0	0.0	0	n.m.				0	n.m.	0	n.m.
Group eliminations	-7.2	-6.6	-1	9%				-8	-6%	-7	9%
Group	**439.0**	**437.9**	**1.1**	**0%**				**454**	**-3%**	**430**	**2%**
Divisional adj. EBIT, EURm											
Finland	23.3	15.7	7.6	48%				17.1	36%	19	23%
Sweden	2.4	2.0	0.4	19%				1.6		0	#DIV/0!
Denmark & Estonia	1.2	1.7	-0.5	-29%				1.5	-20%	1.5	n.m.
Group eliminations	-1.1	-1.3	0.2	-15%				-1.7	-35%	-1.1	0%
Group	**25.8**	**18.1**	**7.7**	**42%**				**18.5**	**39%**	**19.4**	**33%**

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

Q3 beat driven by mix – cash flow improved clearly y/y

- Atria Q3 adjusted EBIT of EUR 25.8m beat LSEG Data & Analytics consensus by 35% (EUR 6.6m). Finland EBIT includes EUR 1m positive one-off from the sale of fixed assets related to closure of the Sahalahti plant and the reversal of a provision.
- Net sales of EUR 439m were in line with consensus expectations.
- Adjusted EPS stood at EUR 0.62 compared to consensus of EUR 0.41.

- Operating cash flow of EUR 31m was up from EUR 10m a year ago. Leverage was at 2.3x at the end of Q3 (2.6x in Q2 and 2.6x a year ago).

Atria Finland strong performance continued in Q3

- Finland net sales of EUR 319m were down 1% y/y and came 1% below our expectations. Net sales declined due to lower feed and foodservice sales while export sales improved. Barbeque season was successful, supporting mix.
- Adjusted EBIT was EUR 23.3m, 48% above our estimate of EUR 15.7m. Atria Finland benefited from favourable sales structure and successful barbeque season. Process optimisation in new Nurmo poultry unit continues and we expect this to support 2025 earnings.
- Atria's supplier share remained stable (-0.1% YTD).

Atria Sweden sales up clearly y/y

- Sweden net sales were EUR 95m, up 18% y/y and 5% above our estimate, supported by Gooh! acquisition and growth in retail and foodservice. Atria's market share improved in foodservice.
- Adjusted EBIT of EUR 2.4m came above our estimate of EUR 2.0m.
- In addition to higher sales, Atria Sweden benefited from the centralisation of production at the Sköllersta and the streamlining of the organisational structure.

Atria Denmark & Estonia remains a mixed bag

- Denmark & Estonia net sales were EUR 32m up 1% y/y, in line with our expectations. In Denmark, sales were weighted down by lower volumes to retail while export sales were up y/y. In Estonia, the company continued to grow sales to retail by almost 5% y/y.
- Adjusted EBIT was EUR 1.2m, 29% below our estimate. Atria Estonia profitability improved, while in Denmark, the company is investing in a new production line which caused additional depreciation of fixed assets. Atria's performance in Estonia appears to be solid while Denmark continues to struggle with a tight market.

2024 guidance intact – consensus likely to hike 2024E EBIT by some 5-10%

Atria maintained its guidance intact and expects adjusted EBIT to increase in 2024 after EUR 49.6m in 2023. Prior to the Q3 report, LSEG Data & Analytics consensus expected EUR 59.7m adjusted EBIT in 2024, i.e. 20% adjusted EBIT increase in 2024.

We expect consensus to make positive revisions to the tune of 5-10% for 2024E with more muted revisions for 2025E-26E. We note positive earnings momentum, while new poultry unit should have positive delta going into 2025, we believe.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	1,540	1,697	1,753	1,763	1,815	1,851
EBITDA (adj)	106	102	109	123	130	135
EBIT (adj)	49	49	50	60	65	69
EBIT (adj) margin	3.2%	2.9%	2.8%	3.4%	3.6%	3.8%
EPS (adj, EUR)	0.97	1.54	1.04	1.15	1.33	1.50
EPS (adj) growth	6.4%	58.7%	-32.5%	10.4%	16.2%	12.2%
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	9.6	8.4	7.6
P/E (adj)	11.9	6.0	10.1	9.0	7.8	6.9
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%	7.4%
FCF Yield bef A&D, lease adj	7.2%	-31.1%	-8.4%	13.7%	18.5%	15.8%
Net debt	152	234	273	258	222	196
Net debt/EBITDA	2.4	2.2	2.7	2.1	1.7	1.5
ROIC after tax	6.4%	6.3%	5.7%	6.8%	7.5%	8.0%

Source: Company data and Nordea estimates

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