

## Agtira AB

# Capitalizing on rising global focus on food tech

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**Agtira continues to build momentum in its roll-out. The LOI with Greenfood now has turned into a framework agreement for the construction of at least ten vegetable systems over three years, with an indicative order value of SEK 50-100m, and the first InStore has now been up and running at ICA Maxi Sundsvall for almost two months. In addition, the orders of three Agtira Herbs systems we believe will both lower the threshold for new firm orders and open doors into new markets. With an eventful second half of 2022 ahead, with a financing solution and new orders as primary triggers, we continue to see support for a fair value of SEK 32-46 per share in 12-24 months.**

### City Greens – urban farming from Agtira and Greenfood

It has been an eventful first six months where a LOI and later a framework agreement was signed with Greenfood regarding a minimum of ten Agtira Greens with an estimated revenue for Agtira of SEK 50-100m annually, based on the company's Farming as a Service-model. There are many synergies between the two companies, where Greenfood gets a supplier of greens, and Agtira gets a buyer of their products. We believe this to be a perfect match for Agtira considering Greenfood's vast distribution network. Also, construction sites are probably easier to find, compared to building on existing parking lots outside supermarkets. The agreement also covers co-branding the produce with the new brand "City Greens".

### Macro trends shines new light on food security

Ever since the Covid pandemic grabbed a hold of the world, and major supply chain disruptions became part of the everyday life, the importance of food security has grown. The war in Ukraine has created new long-term challenges as we've seen a surge in fertilizer and soft commodity prices. In stark contrast to the general market slowdown in the past six months, investments in agtech companies increased 16% in Q1'22, where global agtech companies collected USD 3.3 billion across 222 deals. According to a new report by PitchBook this is mainly driven by concerns over food security, data-driven productivity gains and environmentally friendly agricultural techniques. Agtira checks all of these boxes as the company's systems can produce both greens and proteins in a circular way using 95% less water compared to traditional farming, without pesticides or fertilizers.

### Several triggers base for revaluation

With the first system now operational, and the branding opportunities of In Store-farming that comes with it, we believe it will be easier for Agtira to land additional firm orders. We expect that the recurring revenue from InStore will be notable during H2'22, but that it will take Agtira at least one more year to report black figures on EBITDA-level, with SEK 4m in 2023e and SEK 19m in 2024e, although this will depend somewhat on what business model Agtira will use going forward. While Norwegian sector colleague Kalera, a vertical farming company operational in the US, trades at a multiple of 45x Sales, Agtira trades at around 9x Sales 2022e, suggesting there is room for a considerable revaluation. As both macro trends and money flows speak in Agtira's favour, we expect an eventful H2'22 where we believe a solution to financing and new firm orders to be the primary triggers. All in all, we continue to see support for a fair value of SEK 32 – 46 per share in 12-24 months.

### Agtira

Fair Value, SEK (12-24 m)	32 - 46
Current Price, SEK	19,95
Shares (M)	14,2
Market Capitalisation (MSEK)	284
Net Debt (MSEK)	44
Enterprise Value (MSEK)	329
Market	NGM Nordic SME



## Financial Summary

MSEK	2020	2021	2022E	2023E	2024E
Revenue	13	24	33	60	89
EBITDA	-19	-14	-7	4	19
EBIT	-22	-18	-11	0	15
EPS Adjusted	-1,57	-1,35	-0,83	-0,05	0,75
Sales Growth, %	51%	89%	36%	83%	50%
EBITDA Margin, %	-148%	-59%	-21%	7%	21%
EBIT Margin, %	-170%	-76%	-33%	0%	16%
EV/Sales	-	12,2	9,0	4,9	3,3
EV/EBITDA	-	-20,6	-43,0	67,5	15,4
EV/EBIT	-	-16,0	-26,9	1226,4	20,2
P/E	-	-14,8	-24,0	-403,0	26,7

Source: Emergers

## Agtira in short

25 years ago, Pecka Nygård realized the environmental problems his fish farming in the sea brought with it. Agtira, formerly Peckas Naturodlingar, has since developed both a unique system for both aquaponics and vertical cultivation. The aquaponic facility consists of a pool for breeding freshwater fish connected to biobeds for vegetable growing. In this way, a closed cycle culture of both protein and vegetables free of antibiotics, hormones and pesticides has been created.

Until the summer of 2021, the company had primarily been a producer of fish and vegetables produced in its own facility in Härnösand to local players, primarily in Västernorrland County, but the products can also be found in LIDL stores throughout Sweden. In the autumn of 2020, the company decided to shift its focus to instead selling system solutions in the form of its module-based aquaponic and vertical cultivation facilities bearing the names Agtira Complete, Greens and InStore.

## Agtira Complete



Source: Agtira

## Agtira's aquaponics: no environmental damage

Agtira's vision is that their aquaponic and vertical farming systems will help the food industry to adapt. In their facilities, which can be set up in urban

environments, fish and vegetables can be produced on an industrial scale, without any pesticides, emissions and with minimal water supply. The system works simplified according to the following principle:

- a) Pools where fish are raised and grown, feed is added to the fish.
- b) The dirty but nutritious water with manure from the fish is removed from the basins into gravel beds where vegetables are grown. Bacteria in the gravel filter and purify the water at the same time as the nutrients from the manure are taken up by the vegetable plants.
- c) The purified water is returned to the fish tank.

As it is a closed cycle, you can make savings of up to 95% of water consumption compared to traditional cultivation. The bacterial flora that exists in the patented biobeds acts as an immune system against harmful microorganisms and the risk of external infections thus becomes non-existent.

## Prognosis

As the company embarks on unbroken ground, all forecasts of deliveries are associated with high uncertainty. The company itself has previously communicated that today it has capacity for three Complete or Green systems per year, however, the size of the InStore systems enables a rollout at a higher rate. Considering the latest employment rate it's also rumoured that Agtira is now ready to scale up the rollout for real. Decisive for a rollout at a faster pace is when Agtira has succeeded in attracting partners for financing and the properties in order for the full potential of the FaaS model to be realized.

## Two business models for different needs

The initial idea when Agtira changed its business idea to go from vegetable grower to system supplier was that the systems would be sold upfront, and then recurring revenue from PICS would roll in. When the first agreements have been signed with ICA Maxi stores, a new business model has taken shape, where Agtira operates the systems according to a FaaS model and where the store undertakes to buy everything that is produced.

## Valuation

With regards to large recurring income, when the agreements according to the FaaS model are written on 7-20 years, a DCF valuation is suitable. With black figures at EBITDA level from 2023 or 2024 onwards, low investment needs and a discount rate of 12%, it gives us a total justified value of SEK 46 per share.

### DCF Key Assumptions

WACC	12%
Long-term EBITDA-margin	36%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	10x
Total NPV, MSEK	649
NPV per share, SEK	45,6

Source: Emergers

Taking into account the good margin on the recurring income, that an agreement on the Complete and Greens systems is written for at least ten years, and in terms of comparable listed companies, we see a basis for high valuation multiples. A combined target multiple of 8x sales and 32x EBITDA 2024E (and an uncertainty discount of 20%) provides support for a justified value of SEK 32 per share. Overall, we therefore see support for a justified value of the share of SEK 32–46 in 18-24 months' time.



## Agtira

### Income Statement

MSEK	2019	2020	2021	2022E	2023E	2024E
Sales	8,4	12,7	24,0	32,7	59,7	89,4
Operating Costs	-20,4	-31,5	-38,3	-39,5	-55,3	-70,3
EBITDA	-12,0	-18,8	-14,2	-6,8	4,4	19,0
Depreciation	-2,0	-2,8	-4,1	-4,1	-4,1	-4,5
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-14,1	-21,6	-18,4	-10,9	0,2	14,5
Non-recurring Items	0,0	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0	0,0
Net Financial Items	-0,6	-0,8	-0,9	-0,9	-0,9	-0,9
<b>Pre-tax Result</b>	<b>-14,7</b>	<b>-22,4</b>	<b>-19,3</b>	<b>-11,8</b>	<b>-0,7</b>	<b>13,6</b>
Tax	0,0	0,0	0,0	0,0	0,0	-3,0
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net Result</b>	<b>-14,7</b>	<b>-22,4</b>	<b>-19,3</b>	<b>-11,8</b>	<b>-0,7</b>	<b>10,7</b>

### Capital Expenditure

	2019	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	-	-	6,3	2,3	3,0	4,5
As a Pct of Sales	-	-	26,1	6,9	5,0	5,0
Depreciation Multiple	-	-	1,5	0,6	0,7	1,0

### Key Ratios

Share Price: SEK 19,95

	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	-	19,95	19,95	19,95	19,95
Number of Shares (Millions)	14,25	14,25	14,25	14,25	14,25	14,25
Market Cap	-	-	284,3	284,3	284,3	284,3
Enterprise Value	-	-	293,5	326,1	357,4	391,4
EPS (Reported)	-1,03	-1,57	-1,35	-0,83	-0,05	0,75
EPS (Adjusted)	-1,03	-1,57	-1,35	-0,83	-0,05	0,75
CEPS	-1,03	-1,57	-1,35	-0,83	-0,05	0,75
P/CEPS	-	-	n.a.	n.a.	n.a.	26,7
Book Value/Share	2,9	4,1	4,8	3,3	3,2	4,0
P/BV	-	-	4,1	6,1	6,2	5,0
Dividend	0,00	0,00	0,00	0,00	0,00	0,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0
EV/Sales	-	-	12,2	9,0	4,9	3,3
EV/EBITDA	-	-	-20,6	-43,0	67,5	15,4
EV/EBIT	-	-	-16,0	-26,9	1226,4	20,2
P/E (Adjusted)	-	-	-14,8	-24,0	-403,0	26,7
Sales Growth, Y/Y (%)	122,6	50,6	89,2	36,0	82,6	49,7
EBIT Growth, Y/Y (%)	97,0	53,6	-14,9	-40,5	-102,2	5976,6
EPS Growth (Adjusted), Y/Y (%)	98,2	52,6	-14,2	-38,6	-94,0	-1610,2
EBITDA Margin (%)	-142,3	-147,6	-59,3	-20,9	7,3	21,3
EBIT Margin (%)	-166,5	-169,8	-76,4	-33,4	0,4	16,3
Return on Equity (%)	-45,2	-30,4	1,8	-50,6	-1,5	20,7
Tax Rate (%)	0,0	0,0	0,0	0,0	0,1	-0,2

### Financial Position

	2019	2020	2021	2022E	2023E	2024E
Interest-Bearing Net Debt	10	18	9	42	73	107
Net Debt/Equity	0,2	0,3	0,1	0,9	1,6	1,9
Equity Ratio	0,6	0,6	0,7	0,6	0,6	0,6
Net Debt/EBITDA	-0,8	-1,0	-0,6	-6,1	16,8	5,6

Source: Emergers, Company reports

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