

# Agtira AB

## Another grocery giant in the books

Andreas Eriksson | 2022-09-06 08:00

**With a newly signed LOI for an Agtira Greens with Coop Nord, part of Sweden's second largest grocery group, Agtira can add another grocery giant to the order book. With multiple deliveries on their way to ICA and a high-value LOI signed with Greenfood earlier this year, the Agtira Farming-as-a-Service business model is starting to unfold and rollout is going according to plan. The stage is now set for further expansion, with details about a long-term financing solution and new deals as the main triggers for a revaluation, and we continue to see support for a fair value of SEK 32-46 per share in 12-24 months.**

### Potential catalyst and door opener

As Coop differs from ICA in how each individual store is run, where individual ICA store owners have a lot of freedom in how to run their store, Coop is a centrally run organization. This means that with the newly signed LOI with Coop, the biggest value is perhaps not the additional SEK 4-5m of sales each year, but the fact that Agtira has managed to get their foot into Coop as an organisation. These two combined account for about 70% of total grocery sales in Sweden. Since all the previous LOI:s with ICA have been converted into firm orders we believe it is likely this will be the case also with Coop. Once a big system like Agtira Greens is operational, the pace at which Coop can order additional ones should be higher than for ICA.

### Timeline for positive cash flow hinging on business model

When Agtira transformed into the foodtech company we see today, the initial business model was to be a supplier of systems, with a recurring revenue based on the AI-software PICS installed in all Agtira systems. But due to the somewhat high entry barriers this creates for the company's clients, Agtira developed a Farming as a Service (FaaS) business model, where Agtira owns and operates the system, while the end customer undertakes to buy all goods produced for the contracted period. The latter option enables larger recurring revenue while Agtira has to finance the construction themselves, which in a large-scale rollout puts a lot of pressure on the company's liquidity. We therefore see a financing partner as the next crucial step, which would speed up the future rollout significantly. As for now, we estimate a 50/50 distribution between FaaS and direct sales, which would result in positive EBITDA by the end of 2023. However, a shift towards a higher share of FaaS-systems would push EBITDA breakeven further into the future.

### Eventful H2'22 with several triggers ahead

As Agtira now have one system (InStore) operational, two soon to be up and running (InStore in Skellefteå and Complete in Östersund), and an additional 12 in the pipeline, the recurring revenues from the FaaS-model will have an impact most likely already next year. We especially look forward to seeing the Agtira Complete in Östersund, which will give Agtira the first real life proof of concept of their aquaponic system, estimated to yield SEK 4m annually. Besides finding a financing partner, we believe news and details concerning the sites for the construction of 10 Agtira Greens from the LOI with Greenfood will be the most important triggers ahead. Combined with the strong macro trends concerning food security and the recent money flows into the foodtech sector, is now Agtira in a strong position to move forward. With a combined DCF and target multiple valuation approach, we continue to see support for a fair value of SEK 32-46 per share in 12-24 months.

# 14

systems under LOI  
or construction

# 60

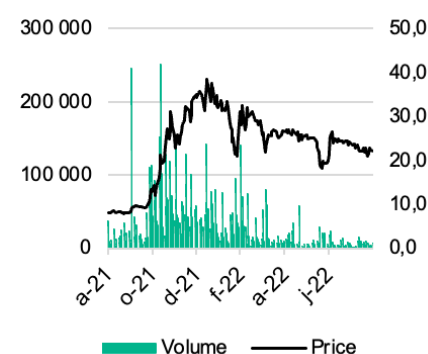
MSEK SALES  
in 2023

# 15

systems operational  
by 2024

### Agtira

<b>Fair Value, SEK (12-24 m)</b>	<b>32 - 46</b>
Current Price, SEK	21,20
Shares (M)	14,2
Market Capitalisation (MSEK)	302
Net Debt (MSEK)	44
Enterprise Value (MSEK)	346
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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