

Agtira AB

Snowballing with Farming as a Service

Andreas Eriksson | 2022-10-14 08:00

It took less than five months for Agtira to convert the LOI with Greenfood into a firm order of SEK 80m, the first of potentially ten, and the company's Farming as a Service (FaaS) model is now gaining traction. With an increasing dominance for the FaaS-model, at least in Sweden, positive cash flow is pushed into the future due to smaller but recurring revenues building up over time. Along with a macro-driven hike in discount rate, the 14 systems under LOI or construction, plus a rollout of one Complete, one Greens and three InStores per year now support a fair value range of SEK 22-27 (32-46) per share in 12-24 months.

Buzz around Agtira

Since the LOI with Coop was communicated in late August, Agtira has kept busy. In September, Agtira appointed Chief Product Officer Peter Söderback, a garden technician with 35 years of experience, signed an LOI with international blockchain company Hive Blockchain for the usage of excess heat originating from their massive server hall in Boden, signed a first firm deal with Greenfood for the construction of an Agtira Greens, and last but not least, signed an LOI with a Norwegian nationwide wholesaler of fruit and greens. While sparse on details on the Norwegian deal, we view this as the start of a potential international breakthrough, where systems can be sold upfront in bulk, rather than individual deals.

Emphasis on Farming as a Service

As everything points to that Farming as a Service will be the main business model, at least in Sweden, we've made some adjustments to our model. Depending on the system, FaaS will ensure high margin recurring revenues of about SEK 1-8m per year and system. It is however a capital-intensive model, where Agtira is responsible for construction and operation of the system, potentially in collaboration with a partner. Furthermore, we might see a shift in how and where Agtira will look to construct their systems, from direct vicinity to each grocery store towards building bigger, centrally located systems to cut as many transports as possible.

Recurring revenues building up

We now expect that 100% (50%) of systems sold will be as FaaS, pushing positive cash flow into 2024 (2023) which with an emphasis on delivering on the LOI with Greenfood now support our forecast of SEK 72m in recurring revenues by 2024. Norwegian sector colleague Kalera, now double listed in the US and Germany, trades at 6x T12 Sales despite still making losses and is valued at USD 33m (after a 86% drop YTD). With a hike in our model WACC to 20% (12%) and a target multiple of 6x sales'24, the 14 systems Agtira has under LOI today + a rollout of one Complete, one Greens and three InStores per year from 2024 imply a fair value range of SEK 22 - 27 (32-46) per share in 12-24 months. We do however note a further upside, should Agtira find a financing solution that can quicken the rollout pace, where a rollout of three Complete and Greens per year from 2025 and onwards implies a fair value of SEK 42 per share, and an international breakthrough would boost upside even further.

14

systems under LOI
or construction

72

MSEK recurring
revenue in 2024

17

systems operational
by 2024

Agtira

Fair Value, SEK (12-24 m)	22 - 27
Current Price, SEK	17,40
Shares (M)	14,2
Market Cap (MSEK)	248
Net Debt (MSEK)	-20
EV (MSEK)	228
Market	NGM Nordic SME



Financial Summary

MSEK	2020	2021	2022E	2023E	2024E
Revenue	13	24	34	38	72
EBITDA	-19	-14	-11	-17	3
EBIT	-22	-18	-15	-21	0
EPS Adjusted	-1,57	-1,35	-1,04	-1,49	-0,03
Sales Growth, %	51%	89%	41%	13%	90%
EBITDA Margin, %	-148%	-59%	-32%	-45%	4%
EBIT Margin, %	-170%	-76%	-44%	-56%	-1%
EV/Sales	-	9,7	6,9	6,1	3,2
EV/EBITDA	-	-16,4	-21,7	-13,6	72,1
EV/EBIT	-	-12,7	-15,7	-10,9	-615,2
P/E	-	-11,6	-15,1	-10,5	-590,8

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.

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 2024 onwards, low investment needs and a discount rate of 20%, it gives us a total fair value of SEK 22 per share.

DCF Key Assumptions

WACC	20%
Long-term EBITDA-margin	42%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	11x
Total NPV, MSEK	310
NPV per share, SEK	21,8

Source: Emergers

Taking into account the high margins 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 6x sales'24E provides support for a justified value of SEK 27 per share. Overall, we therefore see support for a justified value of the share of SEK 22–27 in 12-24 months' time.

Agtira

Income Statement

MSEK	2019	2020	2021	2022E	2023E	2024E	2025E
Sales	8,4	12,7	24,0	33,8	38,1	72,2	172,4
Operating Costs	-20,4	-31,5	-38,3	-44,6	-55,3	-69,0	-102,6
EBITDA	-12,0	-18,8	-14,2	-10,8	-17,2	3,2	69,8
Depreciation	-2,0	-2,8	-4,1	-4,1	-4,1	-3,6	-8,6
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	2,0
EBIT	-14,1	-21,6	-18,4	-14,9	-21,3	-0,4	63,2
Non-recurring Items	0,0	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	0,0
Net Financial Items	-0,6	-0,8	-0,9	0,0	0,0	0,0	0,0
Pre-tax Result	-14,7	-22,4	-19,3	-14,9	-21,3	-0,4	63,2
Tax	0,0	0,0	0,0	0,0	0,0	0,0	-12,6
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	2,0
Net Result	-14,7	-22,4	-19,3	-14,9	-21,3	-0,4	52,6

Capital Expenditure

	2019	2020	2021	2022E	2023E	2024E	2025E
Capital Expenditure, Absolute	-	-	6,3	2,4	1,9	3,6	8,6
As a Pct of Sales	-	-	26,1	7,0	5,0	5,0	5,0
Depreciation Multiple	-	-	1,5	0,6	0,5	1,0	1,0

Key Ratios

Share Price: SEK 17,40

	2019	2020	2021	2022E	2023E	2024E	2025E
Share Price at 31 Dec	-	-	17,40	17,40	17,40	17,40	17,40
Number of Shares (Millions)	14,25	14,25	14,25	14,25	14,25	14,25	14,25
Market Cap	-	-	247,9	247,9	247,9	247,9	247,9
Enterprise Value	-	-	257,2	227,9	227,9	227,9	227,9
EPS (Reported)	-1,03	-1,57	-1,35	-1,04	-1,49	-0,03	3,69
EPS (Adjusted)	-1,03	-1,57	-1,35	-1,04	-1,49	-0,03	3,69
CEPS	-1,03	-1,57	-1,35	-1,04	-1,49	-0,03	3,69
P/CEPS	-	-	n.a.	n.a.	n.a.	n.a.	4,7
Book Value/Share	2,9	4,1	4,8	5,7	4,3	4,2	9,3
P/BV	-	-	3,6	3,0	4,1	4,1	1,9
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	2,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	0,0	11,5
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0	54,2
EV/Sales	-	-	10,7	7,6	6,8	3,6	1,5
EV/EBITDA	-	-	-18,1	-23,9	-15,0	79,6	3,7
EV/EBIT	-	-	-14,0	-17,3	-12,1	-679,1	4,1
P/E (Adjusted)	-	-	-12,9	-16,7	-11,7	-654,7	4,7
Sales Growth, Y/Y (%)	122,6	50,6	89,2	40,6	12,7	89,5	41,0
EBIT Growth, Y/Y (%)	97,0	53,6	-14,9	-19,0	43,2	-98,2	100,9
EPS Growth (Adjusted), Y/Y (%)	98,2	52,6	-14,2	-22,8	43,2	-98,2	100,9
EBITDA Margin (%)	-142,3	-147,6	-59,3	-31,8	-45,1	4,5	40,5
EBIT Margin (%)	-166,5	-169,8	-76,4	-44,0	-55,9	-0,5	36,7
Return on Equity (%)	-45,2	-30,4	1,8	-36,3	-29,9	-0,6	44,7
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	0,0	-0,2

Financial Position

	2019	2020	2021	2022E	2023E	2024E	2025E
Interest-Bearing Net Debt	10	18	9	-20	-20	-20	-20
Net Debt/Equity	0,2	0,3	0,1	-0,2	0,0	0,2	-0,4
Equity Ratio	0,6	0,6	0,7	0,7	0,6	0,5	0,6
Net Debt/EBITDA	-0,8	-1,0	-0,6	1,9	1,2	-6,2	-0,3

Source: Emergers, Company reports

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Johan Widmark | Tel: +46739196641 | Mail: johan@emergers.se
Andreas Eriksson | Tel: +46737307335 | Mail: andreas@emergers.se

Emergers
Incirrata AB
Enbacken 16
187 44 Täby
Sweden

Phone: 0739 – 19 66 41
Email: johan@emergers.se
Corp reg no: 556815-7837