

Agtira AB

Looking to maintain momentum into 2023

Andreas Eriksson | 2023-02-15 12:00

Agtira closed its books for 2022 reaching record high sales of 25.5 MSEK, an 80% increase compared to 2021. While the growth was strong, we look more favorable on the fact that the three systems now up and running provide proof of concept to the company's Farming as a Service (FaaS) business model. After some model revisions following the more attractive Härnösand-deal with Greenfood we find support for a new fair value range of 27-34 (22-27) SEK per share, in 12-24 months.

Solid foundation for continued growth

While full year sales for 2022 came in at a strong 25.5 MSEK, an 80% increase from previous year, costs increased at a similar pace, mostly driven by high energy prices at the facility in Härnösand. We're not too concerned about this, and see the three systems, a number of LOI:s and the traction for the company's FaaS-model as the key takeaways from 2022. We're still waiting for more information regarding the big Greens-system, planned in connection to ICA Maxi Haninge, and the simultaneous construction of Greenfood's first system. In addition, Agtira also has ongoing LOI:s with Coop Nord, Beehive Blockchain and Norwegian Minnesund Näringspark, totalling the number of systems operational, under construction or under LOI to 17 systems.

Deepened relationship with Greenfood

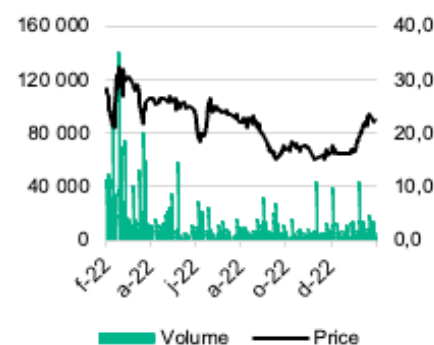
Agtira's relationship with Greenfood has deepened, as the international giant now will bear all costs for production of cucumbers in Agtira's own R&D-center in Härnösand, while the two parties share all profits from it. This deal the company estimates to be worth around 100 MSEK over three years. We believe this kind of relationship, with a bigger partner with international reach, might be exactly what Agtira needs for an expansion to continental Europe as well as over the Atlantic and potentially also to the Middle East in the longer run. Further details regarding either an even deeper relationship (we deem Greenfood a potential financing partner for new systems) or new firm deals will lower the risk of the investment case.

Liquidity the main bottleneck to unleash full potential

All in all, Agtira has over the year proven there's a demand for all of their three systems, Complete, Greens and InStore. And with another 14 waiting to be constructed or under LOI we expect a positive news flow in the upcoming months. The new deal with Greenfood supports an adjustment of our forecast where a total of 17 systems installed by 2024 will generate 84 MSEK in recurring revenue which in our combined DCF- and target multiple approach support a fair value of 27-34 SEK per share, in 12-24 months. Liquidity continues to be the main bottleneck, dampening a quicker rollout as the bigger systems ties a lot of capital. Should Agtira find a solution to this, a more rapid rollout will drive a revaluation of the share, while an international expansion would add even more to the upside potential.

Agtira

Fair Value, SEK (12-24 m)	27 - 34
Current Price, SEK	21,60
Shares (M)	15,5
Market Cap (MSEK)	334
Net Debt (MSEK)	-7
EV (MSEK)	327
Market	First North



Financial Summary

MSEK	2020	2021	2022	2023E	2024E
Revenue	13	14	26	50	84
EBITDA	-19	-14	-27	-19	1
EBIT	-22	-18	-29	-21	-3
EPS Adjusted	-1,57	-1,35	-1,53	-1,00	0,13
Sales Growth, %	51%	13%	79%	96%	68%
EBITDA Margin, %	-148%	-100%	-107%	-38%	1%
EBIT Margin, %	-170%	-128%	-114%	-42%	-4%
EV/Sales	-	21,4	12,0	6,1	3,6
EV/EBITDA	-	-21,5	-11,2	-15,9	422,9
EV/EBIT	-	-16,6	-10,5	-14,5	-87,6
P/E	-	-15,4	-14,1	-21,5	160,7

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. For now, we assume one of the Greenfoods bigger Greens-system to be operational by 2023, and then a rollout of three each year from 2024 and onwards, until the ten systems handled in the LOU are out. Adding to this, an additional Complete and Greens-system are rolled out each year, leaving us at a total number of 17 systems installed by 2024. Decisive for a rollout at a faster pace is when Agtira either makes a rights issue of the bigger sort, or succeeds in attracting partners for financing and the properties in order for the full potential of the FaaS-business 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 onward, a discount rate of 20%, and a rollout of 17 systems by 2024 supports a fair value of 27 SEK per share.

DCF Key Assumptions

WACC	20%
Long-term EBITDA-margin	41%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	11x
Total NPV, MSEK	410
NPV per share, SEK	26,5

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 34 SEK per share. Overall, we therefore see support for a justified value of the share of 27-34 SEK in 12-24 months' time.

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Income Statement

MSEK	2019	2020	2021	2022	2023E	2024E	2025E
Sales	8,4	12,7	14,3	25,5	50,1	84,2	187,7
Operating Costs	-20,4	-31,5	-28,6	-52,9	-69,3	-83,5	-118,0
EBITDA	-12,0	-18,8	-14,2	-27,3	-19,2	0,7	69,7
Depreciation	-2,0	-2,8	-4,1	-1,8	-1,8	-4,2	-9,4
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	2,0
EBIT	-14,1	-21,6	-18,4	-29,2	-21,1	-3,5	62,3
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	5,6	5,6	5,6	5,6
Pre-tax Result	-14,7	-22,4	-19,3	-23,6	-15,5	2,1	67,8
Tax	0,0	0,0	0,0	0,0	0,0	0,0	-12,4
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	2,0
Net Result	-14,7	-22,4	-19,3	-23,6	-15,5	2,1	57,4

Capital Expenditure

	2019	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	-	-	6,3	7,9	20,0	4,2	9,4
As a Pct of Sales	-	-	43,8	31,1	39,9	5,0	5,0
Depreciation Multiple	-	-	1,5	4,3	10,9	1,0	1,0

Key Ratios

Share Price: SEK 20,80

	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	-	-	20,80	20,80	20,80	20,80	20,80
Number of Shares (Millions)	14,25	14,25	14,25	15,45	15,45	15,45	15,45
Market Cap	-	-	296,4	321,4	321,4	321,4	321,4
Enterprise Value	-	-	305,6	314,6	314,6	314,6	314,6
EPS (Reported)	-1,03	-1,57	-1,35	-1,53	-1,00	0,13	3,72
EPS (Adjusted)	-1,03	-1,57	-1,35	-1,53	-1,00	0,13	3,72
CEPS	-1,03	-1,57	-1,35	-1,53	-1,00	0,13	3,72
P/CEPS	-	-	n.a.	n.a.	n.a.	154,8	5,6
Book Value/Share	2,9	4,1	4,8	4,2	4,8	5,0	10,2
P/BV	-	-	4,3	4,9	4,3	4,2	2,0
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	9,6
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0	53,8
EV/Sales	-	-	21,4	12,0	6,1	3,6	1,6
EV/EBITDA	-	-	-21,5	-11,2	-15,9	422,9	4,4
EV/EBIT	-	-	-16,6	-10,5	-14,5	-87,6	4,9
P/E (Adjusted)	-	-	-15,4	-13,6	-20,7	154,8	5,6
Sales Growth, Y/Y (%)	122,6	50,6	12,5	78,6	96,1	68,1	39,8
EBIT Growth, Y/Y (%)	97,0	53,6	-14,9	58,8	-27,7	-83,5	123,3
EPS Growth (Adjusted), Y/Y (%)	98,2	52,6	-14,2	13,0	-34,3	-113,4	98,6
EBITDA Margin (%)	-142,3	-147,6	-99,6	-107,0	-38,4	0,9	37,1
EBIT Margin (%)	-166,5	-169,8	-128,4	-114,2	-42,1	-4,1	33,2
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	0,0	-0,2

Financial Position

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

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