

## Agtira AB

## Another Greenfood deal to drive growth

Andreas Eriksson | 2023-04-11 10:00

**In line with its ambitious growth plan, Agtira is now expanding its engagement with grocery producer and distributor Greenfood in a SEK 285m cucumber offtake deal, contingent on Greenfood signing resale deals for 80% of the volume produced in the first five years. With the rising importance of food tech and the company's strong momentum from 2022 carrying over into 2023, we expect a continued positive news flow and maintain our fair value range at SEK 27-34 per share, in 12-24 months.**

### Increasing production by 65% with new Greenfood deal

The LOI signed with Greenfood in 2022 covered up to 10 Greens systems, of which two have now started to take shape. One Greens system will be constructed in connection to ICA Maxi Haninge, whereas the recently announced cucumber deal refers to a system using excess heat from a server hall in Boden, which should strengthen the environmental profile even further. The larger size of the Greens-system in Boden will also mean an increase of Agtira's production capacity by 65%.

While we still miss some of the pieces to fully incorporate this into our model, such as location and permits that have yet to be sorted out, we are encouraged by the forward movement from LOI towards establishing systems. The deal confirms Agtira's Farming-as-a-Service business model as an attractive setup for major grocery companies.

### The growing importance of food tech

Food tech continues to rise on the agenda world-wide, as evidenced by a recent article by the [BBC](#) which talks about the many benefits of urban farming, what crops can be grown and also raises the question if we could even shift to completely soil-free farming someday. Today however, the only commercially viable options using this technique, are high value crops that grows quickly, such as leafy salads, smaller vegetables and fruits like tomatoes and strawberries.

With a continued supportive macro backdrop in favour of smarter agricultural solutions, food tech companies offering solutions for a more streamlined farming, like Agtira, stand to benefit. Offering a complete farming system that reduces the area needed, requires no pesticides and 95% less water, Agtira clearly has a place in the farming of the future.

### Positive news flow to drive revaluation

In our valuation approach we have assumed a fixed contribution per InStore, Greens and Complete system, based on a pre-decided size and production capacity. But as the systems built under the Greenfood offtake deal will vary in size, we now find a higher degree of uncertainty in our forecast of 17 systems installed by 2024 translating to recurring revenues of SEK 84m.

We now await more information about the Greenfood systems and maintain our fair value range intact at SEK 27-34 per share in 12-24 months, with a continuous positive news flow and new deals signed as important catalysts. Other news to look for is progress on the ICA/Greenfood Greens system being built in Haninge, as well as a more viable financing model to support a high momentum in the rollout, which remains one of the company's most important bottlenecks.

## Agtira

<b>Fair Value, SEK (12-24 m)</b>	<b>27 - 34</b>
Current Price, SEK	16,40
Shares (M)	15,5
Market Cap (MSEK)	253
Net Debt (MSEK)	-7
EV (MSEK)	247
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	-15,2	113,8

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.

## Forecast

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<sup>24E</sup> 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.

## Agtira

### 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
<b>Pre-tax Result</b>	<b>-14,7</b>	<b>-22,4</b>	<b>-19,3</b>	<b>-23,6</b>	<b>-15,5</b>	<b>2,1</b>	<b>67,8</b>
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
<b>Net Result</b>	<b>-14,7</b>	<b>-22,4</b>	<b>-19,3</b>	<b>-23,6</b>	<b>-15,5</b>	<b>2,1</b>	<b>57,4</b>

### 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 15,30

	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	-	-	20,80	15,30	15,30	15,30	15,30
Number of Shares (Millions)	14,25	14,25	14,25	15,45	15,45	15,45	15,45
Market Cap	-	-	296,4	236,4	236,4	236,4	236,4
Enterprise Value	-	-	305,6	229,6	229,6	229,6	229,6
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.	113,8	4,1
Book Value/Share	2,9	4,1	4,8	4,2	4,8	5,0	10,2
P/BV	-	-	4,3	3,6	3,2	3,1	1,5
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	13,1
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	-10,0	-15,2	113,8	4,1
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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