

Agtira AB

Key pieces in place for scalable growth

Andreas Eriksson | 2023-06-16 12:00

With the framework agreement with Swedish real estate company NP3 Fastigheter in place, Agtira has added another key piece which should enable a faster roll out pace. Through partnering with NP3 and grocery wholesaler Greenfood, and the new CEO Erik Jonuks taking office in H2'23, the outlook for future growth looks strong and we see the investment case now carrying a lower risk, which translates into a new fair value range of SEK 29-35 (27-34) per share, in 12-24 months.

The FaaS business model shows scalability

The framework agreement with NP3 Fastigheter stipulates that NP3 will be responsible for constructing and owning properties, while Agtira will lease them. Initially, the agreement covers establishments equivalent to approximately 7,500 square meters of cultivation area, with an option for an additional equal amount. In total, the framework agreement, including the option, encompasses up to 3 facilities and a total of approximately 15,000 square meters of cultivation area, contingent on the size and design of each individual facility.

The agreement solves one of the major bottlenecks for a rapid scale-up, since Agtira previously faced challenges in financing, constructing, and owning the buildings where their systems would operate. This capital-intensive model significantly impeded the pace of expansion. While we do not suggest that Agtira will install a new system every other month solely due to NP3, the FaaS business model is indeed shaping up as an attractive approach.

Show of strength as foodtech stands tall

It is a show of strength for Agtira to secure an agreement with NP3 during these challenging times, especially considering the state of the real estate market. The foodtech sector has not been immune to the prevailing financial climate, where R&D-intensive companies have been compelled to focus on short-term profitability over growth. Despite these circumstances, we note positive forward-focussed valuations in the sector, exemplified by sector peer Ljusgårda, which boasts a valuation of SEK 1,000m at sales'22 of SEK 12m, in stark contrast to Agtira's SEK 200m market cap.

In H2'23, Erik Jonuks will start as the new CEO of Agtira. Jonuks comes from the position as CEO of Ekobot (Mkt Cap SEK 19m, First North) and his experience in agriculture and commercialisation will hopefully be a catalyst in the expansion ahead.

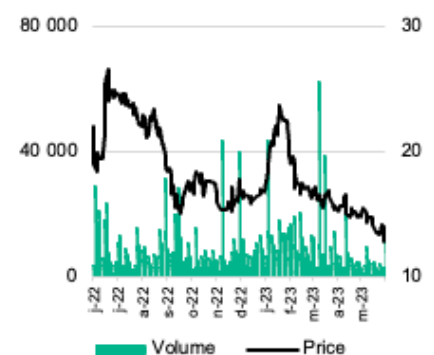
De-risking the investment case bodes for higher fair value

The varying sizes of the Greenfood systems have posed challenges in estimating the contribution of each system in our valuation approach. Previously, we forecasted that 17 systems installed would translate to recurring revenues of SEK 84m in 2024. Of those 17 systems, eight were expected to be InStores (the smallest system). However, it now appears that Agtira has shifted its focus towards the larger systems, Complete and Greens, introducing a higher level of uncertainty to our forecast.

With the NP3 agreement in place, we expect to see the real strength of Agtira's FaaS business model, with high-margin recurring revenues through 10+ year contracts. As a result, we find that the risk in the investment case has been reduced, and therefore find support for a new fair value range of SEK 29-35 (27-34) per share, based on a combined DCF and target multiple approach.

Agtira

Fair Value, SEK (12-24 m)	29 - 35
Current Price, SEK	14,00
Shares (M)	15,5
Market Cap (MSEK)	216
Net Debt (MSEK)	-7
EV (MSEK)	210
Market	First North



Financial Summary

MSEK	2020	2021	2022	2023E	2024E
Revenue	13	14	26	50	84
EBITDA	-19	-14	-27	-20	1
EBIT	-22	-18	-29	-22	-3
EPS Adjusted	-1,57	-1,35	-1,53	-1,42	-0,20
Sales Growth, %	51%	13%	79%	96%	68%
EBITDA Margin, %	-148%	-100%	-107%	-40%	1%
EBIT Margin, %	-170%	-128%	-114%	-44%	-4%
EV/Sales	-	21,4	12,0	6,1	3,6
EV/EBITDA	-	-21,5	-11,2	-15,2	289,8
EV/EBIT	-	-16,6	-10,5	-13,9	-96,9
P/E	-	-15,4	-9,2	-9,9	-68,6

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.

With three different systems:

- **Complete**, a fully aquaponic system of 1200 square meters with cultivation of both fish and greens. Capacity of 100 tonnes of greens and 10 tonnes of fish annually.
- **Greens**, a 1000 square meters vertical farming green house. A capacity of 100 tonnes of greens.
- **InStore**, a vertical farming green house of 100 square meters to be fit inside grocery stores, restaurants or hotels.

The first system was up and running at ICA Maxi Birsta, in Sundsvall in April 2022, and the first Complete system started operations at the end of 2022. By mid 2023 Agtira has three systems operational, two InStores and one Complete, and another 14 waiting to be constructed or under LOI.

Agtira Complete at ICA Maxi Östersund



Source: Agtira

Changing the definition of locally grown

Agtira's vision is that their aquaponic and vertical farming systems will help the food industry to adapt to the reality of today. Agtira can produce both animalic proteins and greens 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, savings of up to 95% of water consumption is made 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.

Agtira InStore at ICA Maxi Birsta



Source: Agtira

Farming as a Service (FaaS)

Agtira is running a Farming as a Service business model, where Agtira is responsible for the cultivation process with an offtake contract of everything produced at pre-decided inflation hedged terms.

The company has signed important agreements with both ICA and Coop, as well as with grocery wholesaler Greenfood (owner of Picadeli) and with real estate company NP3 Fastigheter.

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.

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 29 SEK per share.

DCF Key Assumptions

WACC	18%
Long-term EBITDA-margin	42%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	11x
Total NPV, MSEK	450
NPV per share, SEK	29,1

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 and 15x EBITDA'25 provides support for a justified value of 35 SEK per share. Overall, we therefore see support for a justified value of the share of 29–35 SEK in 12-24 months' time.

Agtira

Income Statement

MSEK	2020	2021	2022	2023E	2024E	2025E
Sales	12,7	14,3	25,5	50,1	84,2	187,7
Operating Costs	-31,5	-28,6	-52,9	-70,2	-83,1	-114,9
EBITDA	-18,8	-14,2	-27,3	-20,1	1,1	72,8
Depreciation	-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	2,0
EBIT	-21,6	-18,4	-29,2	-21,9	-3,2	65,4
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	-0,8	-0,9	5,6	0,0	0,0	0,0
Pre-tax Result	-22,4	-19,3	-23,6	-21,9	-3,2	65,4
Tax	0,0	0,0	0,0	0,0	0,0	-13,1
Minority Interest	0,0	0,0	0,0	0,0	0,0	2,0
Net Result	-22,4	-19,3	-23,6	-21,9	-3,2	54,3

Capital Expenditure

	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	-	6,3	7,9	22,5	4,2	9,4
As a Pct of Sales	-	43,8	31,1	45,0	5,0	5,0
Depreciation Multiple	-	1,5	4,3	12,3	1,0	1,0

Key Ratios

Share Price: SEK 14,00

	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	-	20,80	14,00	14,00	14,00	14,00
Number of Shares (Millions)	14,25	14,25	15,45	15,45	15,45	15,45
Market Cap	-	296,4	216,3	216,3	216,3	216,3
Enterprise Value	-	305,6	209,6	209,6	209,6	209,6
EPS (Reported)	-1,57	-1,35	-1,53	-1,42	-0,20	3,52
EPS (Adjusted)	-1,57	-1,35	-1,53	-1,42	-0,20	3,52
CEPS	-1,57	-1,35	-1,53	-1,42	-0,20	3,52
P/CEPS	-	n.a.	n.a.	n.a.	n.a.	4,0
Book Value/Share	4,1	4,8	4,2	4,4	4,2	8,9
P/BV	-	4,3	3,3	3,2	3,3	1,6
Dividend	0,00	0,00	0,00	0,00	0,00	2,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	14,3
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	56,9
EV/Sales	-	21,4	12,0	6,1	3,6	1,6
EV/EBITDA	-	-21,5	-11,2	-15,2	289,8	4,2
EV/EBIT	-	-16,6	-10,5	-13,9	-96,9	4,7
P/E (Adjusted)	-	-15,4	-9,2	-9,9	-68,6	4,0
Sales Growth, Y/Y (%)	50,6	12,5	78,6	96,1	68,1	39,8
EBIT Growth, Y/Y (%)	53,6	-14,9	58,8	-24,8	-85,6	121,1
EPS Growth (Adjusted), Y/Y (%)	52,6	-14,2	13,0	-7,1	-85,6	120,1
EBITDA Margin (%)	-147,6	-99,6	-107,0	-40,1	1,3	38,8
EBIT Margin (%)	-169,8	-128,4	-114,2	-43,8	-3,7	34,8
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	-0,2

Financial Position

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

Source: Emergers, Company reports

Disclaimer

General disclaimer and copyright

This material is not intended to be financial advice. This material has been commissioned by the Company in question and prepared and issued by Emergers, in consideration of a fee payable by the Company. Emergers standard fees are SEK 240 000 pa for the production and broad dissemination of a detailed note following by regular update notes. Fees are paid upfront in cash without recourse. Emergers may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained herein represent those of the research analyst at Emergers at the time of publication. The company has been given the opportunity to influence factual statements before publication, but forecasts, conclusions and valuation reasoning are Emergers' own. Forward-looking information or statements contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Emergers shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained in this material.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Emergers's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in this material may not be eligible for sale in all jurisdictions or to certain categories of investors. Investors are encouraged to seek additional information as well as consult a financial advisor prior to any investment decision.

Investment in securities mentioned: Emergers has a restrictive policy relating to personal dealing and conflicts of interest. Emergers does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Emergers may have a position in any or related securities mentioned in this report, subject to Emergers' policies on personal dealing and conflicts of interest.

Copyright: Copyright 2021 Incirrata AB (Emergers)

United Kingdom

This document is prepared and provided by Emergers for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Emergers relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Emergers does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

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