

Agtira AB

Bulking up for an eventful 2024

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With the upcoming 88% guaranteed SEK 80m rights issue, plus SEK 23m in credit, Agtira is gearing up to accelerate roll-out in 2024. Several high value firm deals are on track to be operational by H2'24, indicating ARR of SEK 97m. This suggests that next year will be crucial for testing the profitability of the company's Farming-as-a-Service business model on a large scale. While the future looks bright, the dilution from the upcoming rights issue affects our fair value range, and we now find support post a fully subscribed issue for a range of SEK 14-16 per share (SEK 23-29).

SEK 80m rights issue + SEK 23m in credit

As we had anticipated, Agtira will proceed with a rights issue to secure funding for the construction of the Agtira Greens facility in Haninge, investments in its own facility in Härnösand, debt settlement, and to bolster its working capital. Of the SEK 80 million, SEK 70 million (88%) has already been guaranteed, with SEK 29 million guaranteed by existing owners and board members. The total of SEK 103 million exceeds our initial expectations, but is justified given the substantial CAPEX requirements associated with capturing the growth prospects ahead, and should give new CEO Erik Jonuks room to operate.

High value deals underway

Agtira has renewed its LOI with Coop Nord, regarding a 3000 square metres Greens-system in Umeå, with an associated Farming as a Service-agreement, valuing the deal to SEK 160m over 10 years. A suitable property is already in place, and the target is to finalize the deal before year end and to harvest the first cucumbers in H2'24. Combining the firm deals from Coop Nord in Umeå, Greenfood in Boden, Greenfood/ICA Maxi in Haninge, the Greenfood off-take agreement from Härnösand and already operating systems, our model shows that Agtira will generate about SEK 97m in annual recurring revenues from H2'24 and onwards. Adding to this, the framework agreement signed with NP3 Fastigheter regarding up to 15 000 square metres of cultivation area, will speed up the establishment of future deals.

Ready for a pivotal 2024

As the fully subscribed rights issue of SEK 80 million at SEK 5.5 per share is set to introduce 14.5 million new shares, it will result in a 48.5% dilution for non-participating shareholders. Additionally, another 2.7 million shares will be issued in 2024 if associated warrants are exercised at a strike price of 70% of the volume-weighted average trading price during the period 2/9-24 through 13/9-24. As we slightly lower our sales estimate for FY'23 to SEK 40m (SEK 44m) due to a weaker Q2 and factoring in the dilution from the upcoming rights issue, our combined DCF and target multiple approach now supports a fair value range of SEK 14-16 per share (SEK 23-29) in 12-24 months. Nonetheless, we find Agtira to be in a promising position, boasting robust financials, with LOIs encompassing an additional 8 systems beyond those who already have been concretized, a real estate partnership with NP3 Fastigheter, and strong ownership commitment demonstrated through active participation in the rights issue.

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Fair Value, SEK (12-24 m)	14 - 16
Current Price, SEK	6,70
Shares (M)	15,5
Market Cap (MSEK)	104
Net Debt (MSEK)	28
EV (MSEK)	132
Market	First North



Financial Summary

MSEK	2020	2021	2022	2023E	2024E
Revenue	13	14	26	40	84
EBITDA	-19	-14	-27	-33	-2
EBIT	-22	-18	-29	-35	-6
EPS Adjusted	-1,57	-1,35	-1,53	-1,17	-0,21
Sales Growth, %	51%	13%	79%	56%	111%
EBITDA Margin, %	-148%	-100%	-107%	-83%	-2%
EBIT Margin, %	-170%	-128%	-114%	-88%	-7%
EV/Sales	-	21,4	12,0	7,7	3,6
EV/EBITDA	-	-21,5	-11,2	-9,2	-154,1
EV/EBIT	-	-16,6	-10,5	-8,7	-49,3
P/E	-	-15,4	-14,1	-5,6	-31,5

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 at ICA Maxi Östersund



Source: Agtira

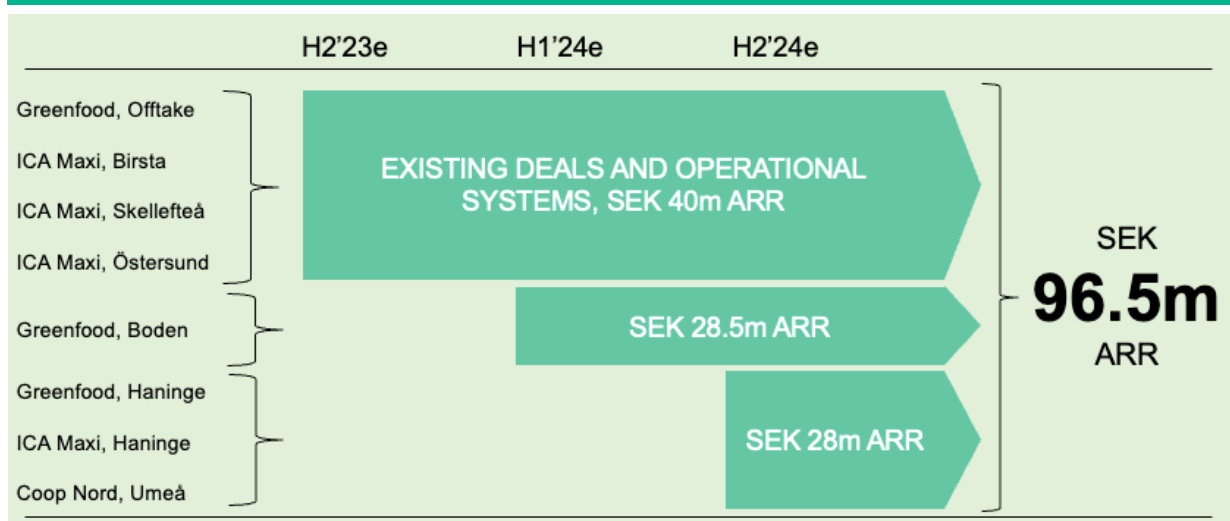
Agtira's systems: no environmental damage

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.

Expected rollout plan upcoming 12 months



Source: Agtira projections, Emergers

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 LOI are out.

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 18%, and sales of SEK 84m in 2024E supports a fair value of SEK 14 per share.

DCF Key Assumptions

WACC	18%
Long-term EBITDA-margin	41%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	11x
Total NPV, MSEK	420
NPV per share, SEK	14,0

Source: Emergers

Taking into account the high margins on the recurring income, that an agreement on the 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 16 per share. Overall, we therefore see support for a fair value range of SEK 14 – 16 per share in 12-24 months' time, including the dilution from the upcoming rights issue.

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Income Statement

MSEK	2020	2021	2022	2023E	2024E	2025E
Sales	12,7	14,3	25,5	39,9	84,2	134,3
Operating Costs	-31,5	-28,6	-52,9	-73,1	-86,2	-102,1
EBITDA	-18,8	-14,2	-27,3	-33,2	-2,0	32,2
Depreciation	-2,8	-4,1	-1,8	-1,8	-4,2	-6,7
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	1,0
EBIT	-21,6	-18,4	-29,2	-35,1	-6,2	26,4
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	-35,1	-6,2	26,4
Tax	0,0	0,0	0,0	0,0	0,0	-5,2
Minority Interest	0,0	0,0	0,0	0,0	0,0	1,0
Net Result	-22,4	-19,3	-23,6	-35,1	-6,2	22,2

Capital Expenditure

	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	-	6,3	7,9	19,8	4,2	6,7
As a Pct of Sales	-	43,8	31,1	49,5	5,0	5,0
Depreciation Multiple	-	1,5	4,3	10,8	1,0	1,0

Key Ratios

Share Price: SEK 6,70

	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	-	20,80	21,60	6,70	6,70	6,70
Number of Shares (Millions)	14,25	14,25	15,45	30,00	30,00	30,00
Market Cap	-	296,4	333,7	201,0	201,0	201,0
Enterprise Value	-	305,6	327,0	194,2	194,2	194,2
EPS (Reported)	-1,57	-1,35	-1,53	-1,17	-0,21	0,74
EPS (Adjusted)	-1,57	-1,35	-1,53	-1,17	-0,21	0,74
CEPS	-1,57	-1,35	-1,53	-1,17	-0,21	0,74
P/CEPS	-	n.a.	n.a.	n.a.	n.a.	9,1
Book Value/Share	4,1	4,8	4,2	4,7	4,5	5,2
P/BV	-	4,3	5,1	1,4	1,5	1,3
Dividend	0,00	0,00	0,00	0,00	0,00	1,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	14,9
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	135,1
EV/Sales	-	21,4	12,0	7,7	3,6	2,3
EV/EBITDA	-	-21,5	-11,2	-9,2	-154,1	9,5
EV/EBIT	-	-16,6	-10,5	-8,7	-49,3	11,6
P/E (Adjusted)	-	-15,4	-14,1	-5,7	-32,4	9,1
Sales Growth, Y/Y (%)	50,6	12,5	78,6	56,2	111,0	59,5
EBIT Growth, Y/Y (%)	53,6	-14,9	58,8	20,3	-82,3	-526,8
EPS Growth (Adjusted), Y/Y (%)	52,6	-14,2	13,0	-23,4	-82,3	-458,4
EBITDA Margin (%)	-147,6	-99,6	-107,0	-83,3	-2,4	23,9
EBIT Margin (%)	-169,8	-128,4	-114,2	-87,9	-7,4	19,7
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	-0,5	-0,5	-0,6
Equity Ratio	0,6	0,7	0,7	0,8	0,7	0,6
Net Debt/EBITDA	-1,0	-0,6	0,2	0,2	3,4	-0,2

Source: Emergers, Company reports

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