

Agtira AB

New LOIs propel Agtira towards profitability

Andreas Eriksson | 2023-11-16 09:30

With a third quarter in line with expectations and a cash injection of SEK 70m following a rights issue, Agtira is making significant strides toward becoming THE partner for Swedish grocery food chains. Two new LOIs have been signed, marking Agtira's entry into new territory with LIDL Sverige and ICA Maxi Hälla. While details are currently limited, 2024 is anticipated to be a pivotal year, where we expect the installation of three new systems, projecting the company's ARR to reach SEK 97m. We maintain our forecast and fair value range of SEK 14-16 per share over the next 12-24 months.

Cash injection laying the foundation for continued growth

The Q3 report was largely in line with our expectations. Sales amounted to SEK 9.9m (including other income), OPEX totalling SEK 10.3m, resulting in a better-than-anticipated EBIT of SEK -7.2m. Sales grew by 62% YoY, but the third quarter saw a slight decline in net revenue from SEK 8.6m in Q2 to SEK 7.3m. Historically, sales declines have been attributed to changes in cultivation areas in Agtira's own 11,000 square meters facility in Härnösand, although this is not addressed in the report. The SEK 80m rights issue was subscribed at 61%, leaving 27% in the hands of guarantors, which, in today's conditions, we view as a positive outcome. This means Agtira secured approximately SEK 70m in cash, demonstrating strong support from its owners and setting the stage for a highly interesting 2024.

Two new LOI:s paving the way for an eventful 2024

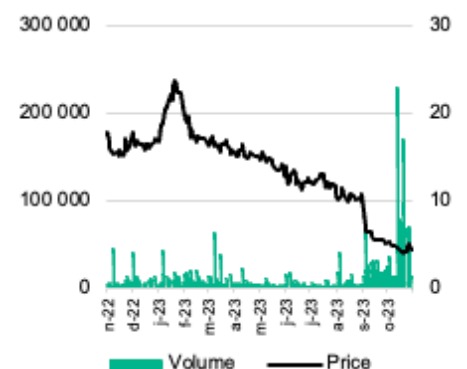
The LOI signed with LIDL Sverige in October aims to make LIDL self-sufficient in Swedish-grown cucumbers. Agtira and LIDL are no strangers to each other, as LIDL has been a retailer of Agtira's cucumbers and tomatoes. The fact that the two parties are now looking to deepen their relationship proves Agtira's value proposition as a "Farmer at Your Service." Another ICA Maxi has chosen to jump aboard the vertical farming train. This time, it's ICA Maxi Hälla in Västerås that has signed an LOI to make the store self-sufficient in cucumbers. Even though no financials have been disclosed, comparing it with the firm deal made with ICA Maxi Haninge would indicate sales of about SEK 4m per year.

Estimating ARR of SEK 96.5m by H2'24

With three systems already operational, we expect an additional three to be installed during 2024: Greenfood in Boden, Greenfood/ICA Maxi in Haninge, and Coop Nord in Umeå. The matter of when these systems become operational will significantly impact the reported annual sales. But once in place, Agtira should have a basis for annual recurring revenues (ARR) of almost SEK 97m. The deals signed so far indicate an annual yield from the produce of SEK 4 - 5.5m per 1,000 sqm of cultivation area. And according to the company, 12,000 sqm are already in operation, with an additional 15,000 sqm covered in customer agreements. Therefore the future looks promising, and our only remaining concern is the question regarding a real estate partner that can keep up with a faster-paced rollout. NP3 Fastigheter is a solid start, but this relationship needs to deepen, or Agtira needs to find additional partners to truly unleash the potential in the Farming as a Service business model. We will keep our forecast for now until more information regarding upcoming systems unveils and continue to see support for a fair value range of SEK 14-16 per share in 12-24 months.

Agtira

Fair Value, SEK (12-24 m)	14 - 16
Current Price, SEK	4,75
Shares (M)	28,2
Market Cap (MSEK)	134
Net Debt (MSEK)	32
EV (MSEK)	166
Market	First North



Financial Summary

MSEK	2020	2021	2022	2023E	2024E
Revenue	13	14	26	40	79
EBITDA	-19	-14	-27	-33	-5
EBIT	-22	-18	-29	-35	-9
EPS Adjusted	-1,57	-1,35	-1,53	-1,23	-0,32
Sales Growth, %	51%	13%	79%	55%	101%
EBITDA Margin, %	-148%	-100%	-107%	-83%	-6%
EBIT Margin, %	-170%	-128%	-114%	-88%	-11%
EV/Sales	-	21,4	12,0	7,7	3,8
EV/EBITDA	-	-21,5	-11,2	-9,3	-60,6
EV/EBIT	-	-16,6	-10,5	-8,8	-33,9
P/E	-	-15,4	-14,1	-4,4	-14,9

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.

Agtira has signed an offtake-agreement with Greenfood regarding 100% of the production from its own facility in Härnösand, systems are up and running at ICA Maxi Östersund, Sundsvall (Birsta) and Skellefteå, and LOI:s have been signed with Greenfood regarding 10 large vertical farming systems, Coop Nord, LIDL Sverige and additional ICA-stores, paving the way for its Farming-as-a-Service (FaaS) business model.

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.

Farming as a Service

Agtira signs agreements with its customers through a Farming as a Service-model. Meaning, Agtira will construct, cultivate and harvest and the counter party commits to buy everything produced. It's a highly scalable business model but with the drawback of being very capital intense through the construction phase.

To offset the high capital expenditure, Agtira signed an agreement in June 2023 with NP3 Fastigheter for an expansion of up to 15,000 square meters of cultivation area. Meaning NP3 will construct, own and rent a facility where Agtira runs its vertical farming.

Current commitments

Greenfood Offtake: Agtira and Greenfood signed an offtake-agreement in January 2023 regarding all of the production from the R&D-facility in Härnösand, expected to yield SEK 33m per year.

ICA Maxi Birsta: The first ever Agtira vertical farming system was installed at ICA Maxi Birsta in Sundsvall in April 2022. A smaller vertical farming system called InStore, yielding about SEK 0.8m per year.

ICA Maxi Skellefteå: The second InStore, operational in December 2022, yielding about SEK 0.9m per year.

ICA Maxi Östersund: The first Agtira Complete, a fully aquaponic system has been up and running in January 2023. A 1,200 square meters greenhouse for vertical farming, with the option to add cultivation of fish in the future. Estimated to yield SEK 5m per year fully implemented.

Concretized LOIs

ICA Maxi Haninge/Greenfood: Agtira signed a LOI with ICA Maxi Haninge in July 2022 regarding an Agtira Greens, a large vertical farming system. Expected to yield SEK 4m per year. Through a LOI with Greenfood, regarding an even larger vertical farming system expected to yield SEK 8m per year, the system will be built as one large facility which will provide for both ICA and Greenfood. Expected to be up and running by H2'24.

Greenfood in Boden: The second out of the ten systems handled by the LOI with Greenfood is to be constructed in Boden. A system estimated to yield SEK 28.5m per year. This was communicated in March 2023 and the goal was to be up and running early 2024, and we believe the agreement with NP3 Fastigheter will come in handy here.

Coop Nord in Umeå: Not yet fully concretized, but a renewed LOI was signed in in September 2023 regarding a 3,000 square meters vertical farming system, yielding SEK 16m per year. Estimated operational start H2'24.

Current LOIs

Greenfood: A total number of 10 systems was handled in the original LOI signed in March 2022. So far this has led to firm deals regarding two systems described above.

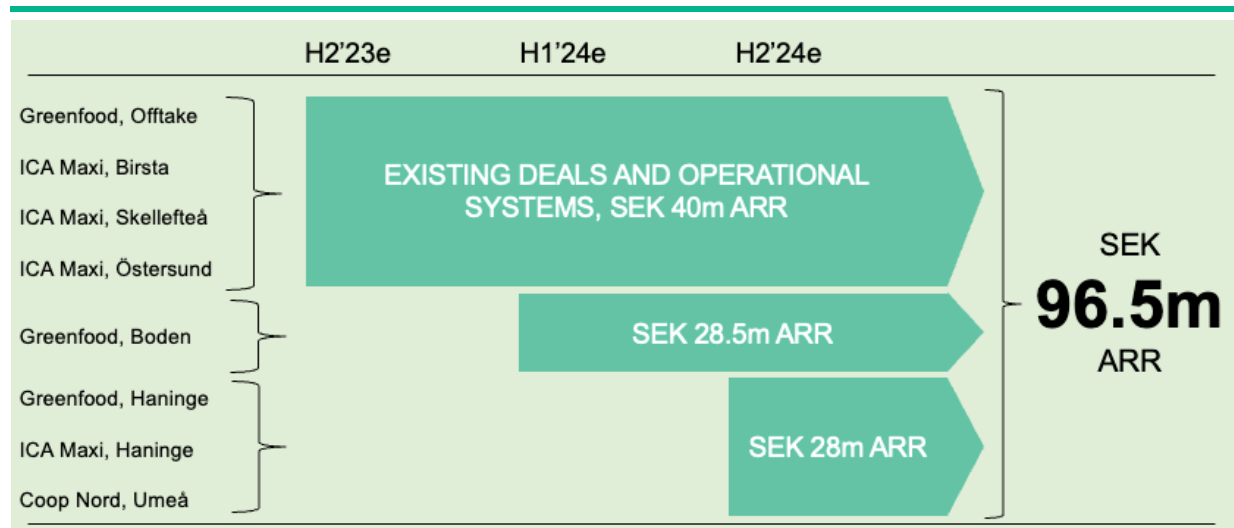
Norwegian distributor of fruit and greens: Communicated in September 2022.

Hive Blockchain Technologies: Regarding using the excess heat from their server hall for an upcoming vertical farming system. Making the farming process even more sustainable.

LIDL Sverige: LIDL has for a long time been a retailer of Agtiras cucumbers and tomatoes. The parties signed an LOI in Oktober 2023 aiming for making all of LIDLs 205 stores self-sufficient on Swedish grown cucumber. Agtira and LIDL are finalizing the deal.

ICA Maxi Hälla: ICA Maxi Hälla in Västerås is the third largest ICA store in Sweden. The two parties are finilizing the deal for a commercial agreement.

Expected rollout plan upcoming 12 months



Source: Agtira projections, Emergers

Valuation

With regards to large recurring revenue, when the FaaS-agreements are written on 7-20 years, and the fact the high scalability with high margins, we see a basis for high valuation multiples. Through a combined DCF and target multiple valuation approach, with last row black figures from 2025 onward, a discount rate of 18%, an EV/Sales multiple of 6x and estimated sales of SEK 79m in 2024E, we find support for a fair value of SEK 14-16 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

Agtira

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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