

Agtira AB

Solid ending to 2023 before scaleup in 2024

Johan Widmark | 2024-02-15 08:00

emergers

After several commercial contracts signed in 2023, Agtira ended the year with a strong cash position and only a few passing weaknesses in the report for Q4'23. Along with the contract with Swedish LIDL signed last month, worth some SEK 400m over 10 years, we now look forward to a scaleup in 2024. With a steep increase in cultivated area over the coming years, we expect Agtira to reach close to SEK 100m in ARR by the end of the year, with good prospects for profitability in 2025. Overall, we continue to find support for a fair value of SEK 14-16 per share.

Slightly lower capacity utilization in Q4

Due to replanting necessitated by a plant disease at the facility in Härnösand, the capacity utilization amounted to 69%, which can be compared to 87% the year before. This resulted in revenues that were slightly lower than we had anticipated, with full year sales at SEK 35.5m as opposed to our forecast of SEK 39.6. EBIT amounted to a loss of SEK -33m, slightly stronger than our estimate at SEK -35m. Following the rights issue concluded in Q4'23, cash position is now at SEK 47m (net cash SEK 33m) meaning that the company should be financed until positive cash flow can be reached.

Several significant launches in the coming two years

We now look forward to the establishment of three new production facilities, the ICA Maxi in Haninge, the Greenfood system in Boden, and the Coop Nord system in Umeå. Should these three be completed in 2024 that would mean a basis of almost SEK 97m in annual recurring revenue (ARR) towards the end of the year. This would then be followed by the establishment of a 10,000 square meter production facility for LIDL Sverige's all 205 stores, which would add another estimated SEK 40m in annual sales (Est 4m in sales / 1,000 sqm equals SEK 400m in revenue of the 10-year contract length).

Strong outlook in the Nordics

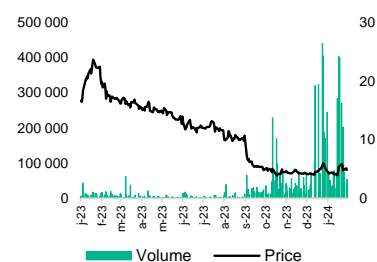
Although the Swedish market alone holds the potential to propel Agtira into the realm of a billion SEK company, the company is strategically looking towards long-term expansion into the Nordic countries. An initial LOI with a Norwegian retailer was signed in 2022. With robust ownership backing, Agtira is poised to make 2024 the year where the growth story truly takes off. All in all, we continue to find support for a fair value range of SEK 14-16 per share.

MSEK	2021	2022	2023E	2024E	2025E
Revenue	14	26	36	79	126
EBITDA	-14	-27	-24	-2	30
EBIT	-18	-29	-33	-6	25
EPS Adjusted	-1,33	-1,53	-1,26	-0,28	0,67
Sales Growth, %	10%	79%	39%	124%	59%
EBITDA Margin, %	-98%	-107%	-69%	-2%	24%
EBIT Margin, %	-127%	-114%	-94%	-7%	20%
EV/Sales	21,4	12,0	8,6	3,8	2,4
EV/EBITDA	-21,8	-11,2	-12,5	-181,4	10,1
EV/EBIT	-16,9	-10,5	-9,2	-54,0	12,3
P/E	-15,6	-14,1	-3,6	-17,1	7,1

Source: Emergers

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Fair Value, SEK (18-24 m)	14 - 16
Current Price, SEK	4,8
Shares (M)	28,2
Mkt Cap (MSEK)	134
Net Debt (MSEK)	13
EV (MSEK)	147
Market	First North



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, a FaaS agreement with Lidl, 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, 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.**

LIDL Sverige: LIDL has for a long time been a retailer of Agtira's 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. This has now been advanced to a firm FaaS deal aiming to supply Lidl from a new 10,000 sqm production facility.

Firm 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

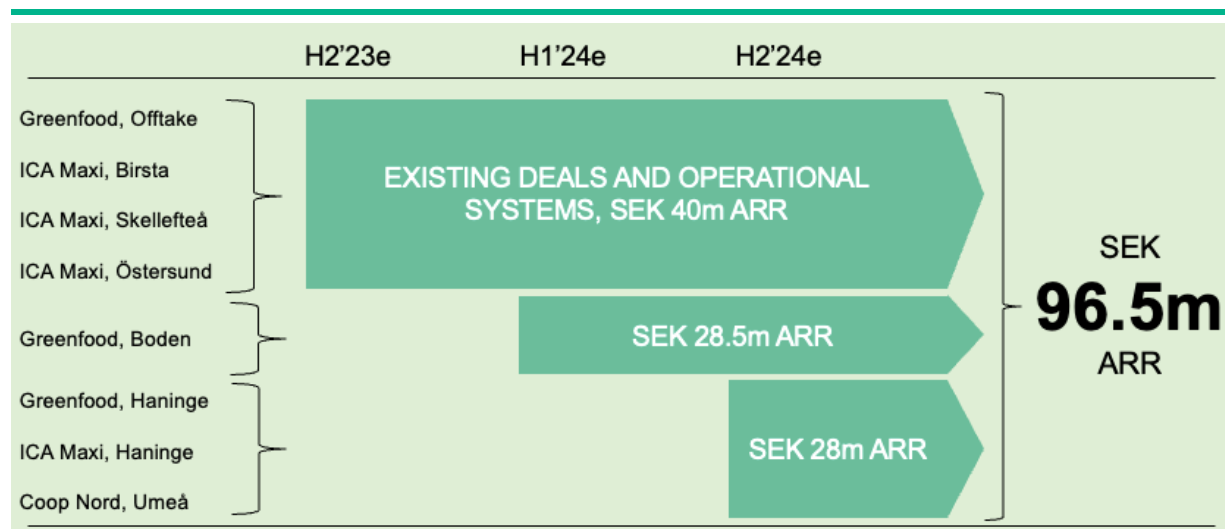
Greenfood: A total number of 10 systems was handled in the original LOI signed in March 2022. So far this has led to firm deals regarding two systems described above.

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.

ICA Maxi Hälla: ICA Maxi Hälla in Västerås is the third largest ICA store in Sweden. The two parties are finalizing 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

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Income Statement

MSEK	2021	2022	2023E	2024E	2025E	2026E
Sales	14,3	25,5	35,5	79,4	125,9	172,4
Operating Costs	-28,3	-52,9	-60,0	-81,1	-95,8	-110,5
EBITDA	-14,0	-27,3	-24,4	-1,7	30,1	61,9
Depreciation	-4,1	-1,8	-8,9	-4,0	-6,3	-8,6
Amortisation of Goodwill	0,0	0,0	0,0	0,0	1,0	2,0
EBIT	-18,1	-29,2	-33,4	-5,7	24,8	55,3
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	-0,9	5,6	-2,2	-2,2	-2,2	-2,2
Pre-tax Result	-19,0	-23,6	-35,5	-7,8	22,6	53,1
Tax	0,0	0,0	0,0	0,0	-4,9	-11,0
Minority Interest	0,0	0,0	0,0	0,0	1,0	2,0
Net Result	-19,0	-23,6	-35,5	-7,8	18,7	44,1

Capital Expenditure

	2021	2022	2023E	2024E	2025E	2026E
Capital Expenditure, Absolute	6,3	7,9	15,4	4,0	6,3	8,6
As a Pct of Sales	43,8	31,1	43,4	5,0	5,0	5,0
Depreciation Multiple	1,5	4,3	1,7	1,0	1,0	1,0

Key Ratios

Share Price: SEK 4,75

	2021	2022	2023E	2024E	2025E	2026E
Share Price at 31 Dec	20,80	21,60	4,52	4,75	4,75	4,75
Number of Shares (Millions)	14,25	15,45	28,18	28,18	28,18	28,18
Market Cap	296,4	333,7	127,4	133,8	133,8	133,8
Enterprise Value	305,6	327,0	120,6	127,1	127,1	127,1
EPS (Reported)	-1,33	-1,53	-1,26	-0,28	0,67	1,57
EPS (Adjusted)	-1,33	-1,53	-1,26	-0,28	0,67	1,57
CEPS	-1,33	-1,53	-1,26	-0,28	0,67	1,57
P/CEPS	n.a.	n.a.	n.a.	n.a.	7,1	3,0
Book Value/Share	4,8	4,2	3,1	2,8	3,4	4,8
P/BV	4,3	5,1	1,5	1,7	1,4	1,0
Dividend	0,00	0,00	0,00	0,00	1,00	2,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	21,1	42,1
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	150,3	127,8
EV/Sales	21,4	12,0	8,6	3,8	2,4	1,8
EV/EBITDA	-21,8	-11,2	-12,5	-181,4	10,1	4,9
EV/EBIT	-16,9	-10,5	-9,2	-54,0	12,3	5,5
P/E (Adjusted)	-15,6	-14,1	-3,6	-17,1	7,1	3,0
Sales Growth, Y/Y (%)	10,0	78,6	39,1	123,5	58,6	36,9
EBITDA Margin (%)	-97,9	-107,0	-68,8	-2,1	23,9	35,9
EBIT Margin (%)	-126,6	-114,2	-93,9	-7,1	19,7	32,0
Tax Rate (%)	0,0	0,0	0,0	0,0	-0,2	-0,2

Financial Position

	2021	2022	2023E	2024E	2025E	2026E
Interest-Bearing Net Debt	9	-7	-7	-7	-7	-7
Net Debt/Equity	0,1	-0,1	-0,4	-0,3	-0,3	-0,5
Equity Ratio	0,7	0,7	0,6	0,6	0,6	0,6
Net Debt/EBITDA	-0,7	0,2	0,3	4,0	-0,2	-0,1

Source: Emergers, Company reports

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