

Agtira AB

Mixed start to pivotal 2024

Johan Widmark | 2024-05-15 10:00

As announced already in February, capacity utilization and turnover in Q1 were weighed down by the plant disease in Härnösand, with a negative impact of SEK 4m. Agtira has taken measures to improve the crops, and reached a new record productivity for a single greenhouse at the end of the quarter, suggesting a full recovery in Q2. Now focus is set on establishing the production facility for Lidl, along with the ongoing establishment of 3000 sqm ICA Maxi in Haninge, with a planned launch in Nov 2024. With several contracts starting to kick in during 2024-2025 with a steep increase in cultivated area over the coming years, we expect Agtira to soon reach to SEK 100m in ARR, with good prospects for profitability in 2025. The SEK 20m investments in Q1 however, have put a strain on liquidity, reducing cash to SEK 15m and increased pressure on the company to strengthen finances. With the adverse short-term production development and heightened financing risk we now find support for a fair value of SEK 10-13 (14-16) per share, provided a rights issue can be avoided.

Continued adverse impact from plant disease in Q1

Revenue in Q1'24 was the company's second highest for a first quarter, amounting to SEK 7.3m (SEK 11.3m). Agtira's largest facility, Härnösand, had a low capacity utilization of 59% compared to 76% in Q1 2023 due to a plant disease previously communicated. The measures Agtira took to improve cultivation and increase resilience had a positive effect, and company reports that a positive trend was noted at the end of Q1 with the highest productivity ever in a single greenhouse. EBIT in Q1 was SEK -10.6m.

Several significant launches pointing to SEK 100m in ARR

In Q1, Agtira signed a 10-year agreement with the food chain Lidl Sweden, meaning that Agtira will deliver cucumbers to all 200+ Lidl stores in Sweden. Through the Farming-as-a-Service model, Agtira will build and operate a production facility of approximately 10,000 square meters. With an estimated SEK 4m in annual sales per 1,000 sqm this gives a total contract value of SEK 400m over 10 years. Additionally, we now continue to 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. When these are completed we estimate a total annual recurring revenue (ARR) of SEK 97m.

Fair Value of SEK 10-13 provided a rights issue can be avoided

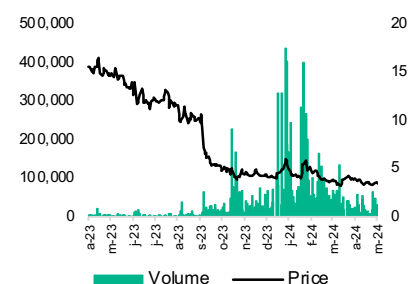
Following the rights issue concluded in Q4'23, we estimated that the SEK 47m net raised meant that operation would be financed until positive cash flow can be reached. In Q1'24 however, Op CF of SEK 12m and investment of SEK 20m pushed Net CF to SEK -32m, leaving liquidity at SEK 15m. We thus note an elevated pressure on the company to strengthen finances through working capital release and increased revenues, which is our main scenario. But a rights issue to fund the forthcoming scale-up cannot be ruled out. All in all, Agtira is poised to make 2024 the year where the growth story truly takes off and we now find support for a fair value range of SEK 10-13 (14-16) per share.

MSEK	2021	2022	2023	2024E	2025E
Revenue	14	26	36	79	126
EBITDA	-14	-27	-24	-2	30
EBIT	-18	-29	-33	-9	25
EPS Adjusted	-1.33	-1.53	-1.26	-0.55	0.59
Sales Growth, %	10%	79%	39%	124%	59%
EBITDA Margin, %	-98%	-107%	-69%	-2%	24%
EBIT Margin, %	-127%	-114%	-94%	-11%	20%
EV/Sales	21.4	12.0	8.6	3.8	2.4
EV/EBITDA	-21.8	-11.2	-12.5	-192.6	10.2
EV/EBIT	-16.9	-10.5	-9.2	-33.7	12.4
P/E	-15.6	-14.1	-3.6	-6.4	5.9

Source: Emergers

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Fair Value, SEK (12-24 m)	10 - 13
Current Price, SEK	3.50
Shares (M)	28.2
Market Cap (MSEK)	99
Net Debt (MSEK)	13
EV (MSEK)	112
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 October 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 September 2023 regarding a 3,000 square meters vertical farming system, yielding SEK 16m per year. Estimated operational start H2'24.

Current LOIs

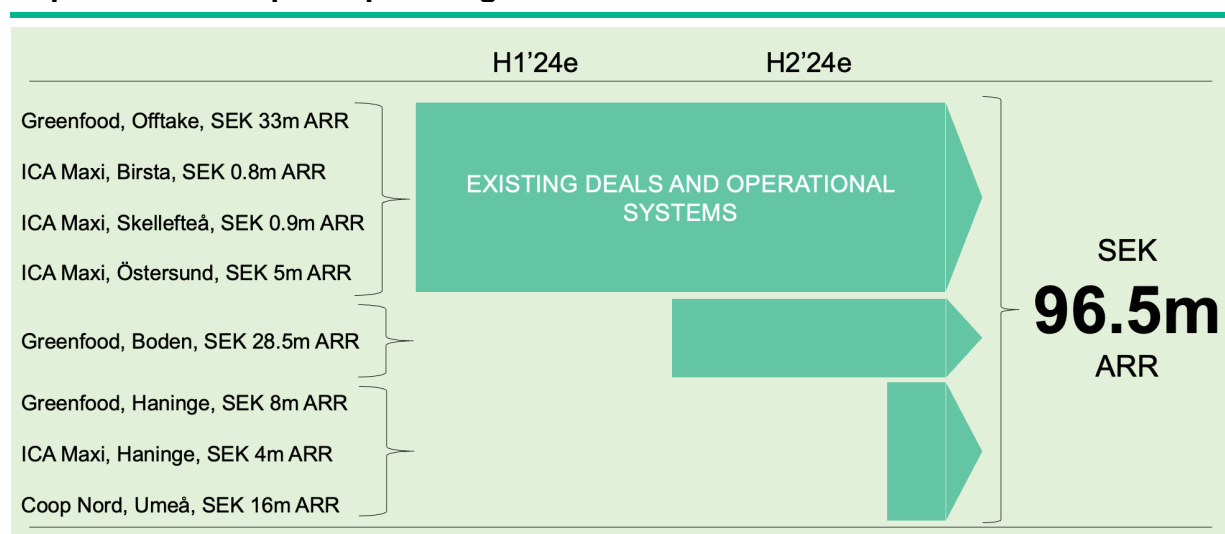
Greenfood: A total number of 10 systems was handled in the original LOI signed in March 2022. So far this has led to firm deals regarding two systems described above.

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 net profit from 2025 onward, a discount rate of 18%, an EV/EBITDA-multiple of 10x and estimated sales of SEK 79m in 2024E, we now find support for a fair value of SEK 10-13 (14-16) per share.

DCF Key Assumptions

WACC	18%
Long-term EBITDA-margin	36%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	6x
Total NPV, MSEK	362
NPV per share, SEK	12.8

Source: Emergers

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Income Statement

MSEK	2021	2022	2023	2024E	2025E	2026E
Sales	14.3	25.5	35.5	79.4	125.9	172.4
Operating Costs	-28.3	-52.9	-60.0	-81.0	-95.9	-113.0
EBITDA	-14.0	-27.3	-24.4	-1.6	30.0	59.4
Depreciation	-4.1	-1.8	-8.9	-7.5	-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	-9.1	24.7	52.8
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	-4.2	-4.2	-4.2
Pre-tax Result	-19.0	-23.6	-35.5	-13.2	20.5	48.6
Tax	0.0	0.0	0.0	-2.1	-4.9	-10.5
Minority Interest	0.0	0.0	0.0	0.0	1.0	2.0
Net Result	-19.0	-23.6	-35.5	-15.4	16.6	40.1

Capital Expenditure

	2021	2022	2023	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	0.5	1.0	1.0

Key Ratios

Share Price: SEK 3.50

	2021	2022	2023	2024E	2025E	2026E
Share Price at 31 Dec	20.80	21.60	4.52	3.50	3.50	3.50
Number of Shares (Millions)	14.25	15.45	28.18	28.18	28.18	28.18
Market Cap	296.4	333.7	127.4	98.6	98.6	98.6
Enterprise Value	305.6	327.0	120.6	91.9	91.9	91.9
EPS (Reported)	-1.33	-1.53	-1.26	-0.55	0.59	1.42
EPS (Adjusted)	-1.33	-1.53	-1.26	-0.55	0.59	1.42
CEPS	-1.33	-1.53	-1.26	-0.55	0.59	1.42
P/CEPS	n.a.	n.a.	n.a.	n.a.	5.9	2.5
Book Value/Share	4.8	4.2	3.1	2.5	3.1	4.3
P/BV	4.3	5.1	1.5	1.4	1.1	0.8
Dividend	0.00	0.00	0.00	0.00	1.00	2.00
Dividend Yield (%)	0.0	0.0	0.0	0.0	28.6	57.1
Dividend Payout Ratio (%)	0.0	0.0	0.0	0.0	169.4	140.4
EV/Sales	21.4	12.0	8.6	3.8	2.4	1.8
EV/EBITDA	-21.8	-11.2	-12.5	-192.6	10.2	5.1
EV/EBIT	-16.9	-10.5	-9.2	-33.7	12.4	5.8
P/E (Adjusted)	-15.6	-14.1	-3.6	-6.4	5.9	2.5
Sales Growth, Y/Y (%)	10.0	78.6	39.1	123.5	58.6	36.9
EBITDA Margin (%)	-97.9	-107.0	-68.8	-2.0	23.8	34.5
EBIT Margin (%)	-126.6	-114.2	-93.9	-11.4	19.6	30.6
Tax Rate (%)	0.0	0.0	0.0	0.2	-0.2	-0.2

Financial Position

	2021	2022	2023	2024E	2025E	2026E
Interest-Bearing Net Debt	9	-7	-7	-7	-7	-7
Net Debt/Equity	0.1	-0.1	-0.4	-0.2	-0.3	-0.4
Equity Ratio	0.7	0.7	0.6	0.5	0.6	0.6
Net Debt/EBITDA	-0.7	0.2	0.3	4.3	-0.2	-0.1

Source: Emergers, Company reports

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