

Agtira AB

Agitra Greens ready for take-off

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The Q2 report was pretty much in line with our expectations, apart from a slight miss on sales due to replanting efforts. The partnership where NP3 Fastigheter will construct and own up to 15,000 square meters of cultivation area, leaving Agtira to scale up its FaaS-model more capital efficient, should shorten the time to profitability. However, short term liquidity continues to be a bottle neck. We expect Agtira will need to raise SEK 40m in the coming 6-9 months. Adjusting for the expected dilution of a rights issue and a slightly lower sales estimate for FY'23 translates to a new fair value of SEK 23-29 (29-35) per share, in 12-24 months.

Strides in right direction despite dip in sales

Despite the quarterly sales amounting to SEK 8.6m, falling short of our initial projection of SEK 11.5m, Q2'23 was marked by significant progress in the right direction. We attribute the lower than expected sales to a temporary decrease in greenhouse utilization due to replanting efforts, which should be one-off in nature.

Alongside the establishment of a framework agreement with real estate company NP3 Fastigheter, the most noteworthy development in Q2 was the building permit approval for the Agtira Greens system, situated in connection with ICA Maxi Haninge. This system is set to yield vegetables for both ICA Maxi Haninge and grocery wholesaler Greenfood, generating annual sales of SEK 4m + SEK 8m. The company anticipates the system to become operational in the first half of 2024.

Strong owners pave the way in difficult times

While certain macro factors, such as soaring food prices, should benefit agtech firms, the challenging financial landscape is taking its toll on some of the most hyped names from the past couple of years. AppHarvest, a US-based indoor farming company once valued at over USD 1b, filed for bankruptcy earlier this month, and Californian plant-based chicken startup Nowadays ceased operations just two years after its launch. Even a sector heavyweight like Beyond Meat is facing difficulties, as it sought an additional USD 200m in capital before summer.

This illustrates why Agtira's recent framework agreement with NP3 Fastigheter is so critical, as well as the importance of how they're backed up in times of need by its biggest owners that see the long-term potential.

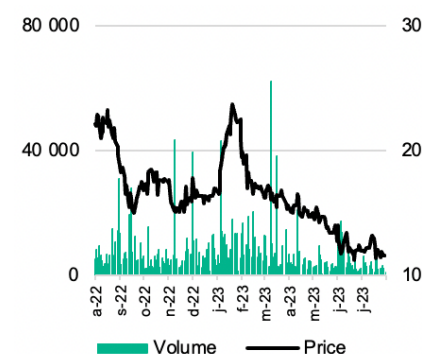
Investment case remains strong despite rights issue

Despite the worrisome macro development, the future for Agtira looks bright, with several important milestones in place (product market fit, real estate partner and a real demand). But short-term liquidity remains an issue. A loan from the biggest shareholders (Poularde AB, Tvättbjörnen Holding AB and Byggbiten i Norrland AB) has temporarily eased the pressure, but we expect financing to be at the top of the agenda for the incoming CEO Erik Jonuks when he takes the helm on September 11th. With a cash balance of SEK 2,4m at the end of Q2'23, plus a SEK 4m loan, we expect to see a rights issue of around SEK 40m in the coming 6-9 months.

We've also lowered our FY'23 sales estimate to SEK 43,9m (SEK 50m), and our combined DCF and target multiple approach now provides support for a fair value range of SEK 23-29 (29-35) per share, which includes the dilution from a SEK 40m rights issue at a 20% discount.

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Fair Value, SEK (12-24 m)	23 - 29
Current Price, SEK	11,35
Shares (M)	15,5
Market Cap (MSEK)	175
Net Debt (MSEK)	28
EV (MSEK)	203
Market	First North



Financial Summary

MSEK	2020	2021	2022	2023E	2024E
Revenue	13	14	26	44	84
EBITDA	-19	-14	-27	-29	-2
EBIT	-22	-18	-29	-31	-6
EPS Adjusted	-1,57	-1,35	-1,53	-2,01	-0,34
Sales Growth, %	51%	13%	79%	72%	92%
EBITDA Margin, %	-148%	-100%	-107%	-67%	-2%
EBIT Margin, %	-170%	-128%	-114%	-71%	-7%
EV/Sales	-	21,4	12,0	7,0	3,6
EV/EBITDA	-	-21,5	-11,2	-10,5	-154,1
EV/EBIT	-	-16,6	-10,5	-9,8	-49,3
P/E	-	-15,4	-7,4	-5,6	-33,5

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.

Agtira InStore at ICA Maxi Birsta



Source: Agtira

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 SEK 23 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	424
NPV per share, SEK	23,2

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 SEK 29 per share. Overall, we therefore see support for a justified value of the share of SEK 23 - 29 in 12-24 months' time, including the dilution from a SEK 40m rights issue.

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Income Statement

MSEK	2020	2021	2022	2023E	2024E	2025E
Sales	12,7	14,3	25,5	43,9	84,2	187,7
Operating Costs	-31,5	-28,6	-52,9	-73,1	-86,2	-118,2
EBITDA	-18,8	-14,2	-27,3	-29,2	-2,0	69,5
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	-31,1	-6,2	62,2
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	-31,1	-6,2	62,2
Tax	0,0	0,0	0,0	0,0	0,0	-12,4
Minority Interest	0,0	0,0	0,0	0,0	0,0	2,0
Net Result	-22,4	-19,3	-23,6	-31,1	-6,2	51,8

Capital Expenditure

	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	-	6,3	7,9	19,8	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	10,8	1,0	1,0

Key Ratios

Share Price: SEK 11,35

	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	-	20,80	11,35	11,35	11,35	11,35
Number of Shares (Millions)	14,25	14,25	15,45	15,45	18,27	18,27
Market Cap	-	296,4	175,4	175,4	207,4	207,4
Enterprise Value	-	305,6	168,6	168,6	200,6	200,6
EPS (Reported)	-1,57	-1,35	-1,53	-2,01	-0,34	2,83
EPS (Adjusted)	-1,57	-1,35	-1,53	-2,01	-0,34	2,83
CEPS	-1,57	-1,35	-1,53	-2,01	-0,34	2,83
P/CEPS	-	n.a.	n.a.	n.a.	n.a.	4,0
Book Value/Share	4,1	4,8	4,2	3,8	5,1	8,8
P/BV	-	4,3	2,7	3,0	2,2	1,3
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	17,6
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	70,6
EV/Sales	-	21,4	12,0	7,0	3,6	1,6
EV/EBITDA	-	-21,5	-11,2	-10,5	-154,1	4,4
EV/EBIT	-	-16,6	-10,5	-9,8	-49,3	4,9
P/E (Adjusted)	-	-15,4	-7,4	-5,6	-33,5	4,0
Sales Growth, Y/Y (%)	50,6	12,5	78,6	71,8	91,8	39,8
EBIT Growth, Y/Y (%)	53,6	-14,9	58,8	6,6	-80,1	135,1
EPS Growth (Adjusted), Y/Y (%)	52,6	-14,2	13,0	31,7	-83,1	133,2
EBITDA Margin (%)	-147,6	-99,6	-107,0	-66,6	-2,4	37,0
EBIT Margin (%)	-169,8	-128,4	-114,2	-70,8	-7,4	33,1
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	0,3	-0,2	-0,6
Equity Ratio	0,6	0,7	0,7	0,6	0,6	0,6
Net Debt/EBITDA	-1,0	-0,6	0,2	0,2	3,4	-0,1

Source: Emergers, Company reports

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