Press Release
06 September 2022 08:00:00 CEST

Equity Research | AGTIRA: Another grocery giant in the books

With a newly signed LOI for an Agtira Greens with Coop Nord, part of Sweden's second largest grocery group, Agtira can add another grocery giant to the order book. With multiple deliveries on their way to ICA and a high-value LOI signed with Greenfood earlier this year, the Agtira Farming-as-a-Service business model is starting to unfold and rollout is going according to plan. The stage is now set for further expansion, with details about a long-term financing solution and new deals as the main triggers for a revaluation, and we continue to see support for a fair value of SEK 32-46 per share in 12-24 months.

Potential catalyst and door opener

As Coop differs from ICA in how each individual store is run, where individual ICA store owners have a lot of freedom in how to run their store, Coop is a centrally run organization. This means that with the newly signed LOI with Coop, the biggest value is perhaps not the additional SEK 4-5m of sales each year, but the fact that Agtira has managed to get their foot into Coop as an organisation. These two combined account for about 70% of total grocery sales in Sweden. Since all the previous LOI:s with ICA have been converted into firm orders we believe it is likely this will be the case also with Coop. Once a big system like Agtira Greens is operational, the pace at which Coop can order additional ones should be higher than for ICA.

Timeline for positive cash flow hinging on business model

When Agtira transformed into the foodtech company we see today, the initial business model was to be a supplier of systems, with a recurring revenue based on the AI-software PICS installed in all Agtira systems. But due to the somewhat high entry barriers this creates for the company's clients, Agtira developed a Farming as a Service (FaaS) business model, where Agtira owns and operates the system, while the end customer undertakes to buy all goods produced for the contracted period. The latter option enables larger recurring revenue while Agtira has to finance the construction themselves, which in a large-scale rollout puts a lot of pressure on the company's liquidity. We therefore see a financing partner as the next crucial step, which would speed up the future rollout significantly. As for now, we estimate a 50/50 distribution between FaaS and direct sales, which would result in positive EBITDA by the end of 2023. However, a shift towards a higher share of FaaS-systems would push EBITDA breakeven further into the future.

Eventful H2'22 with several triggers ahead

As Agtira now have one system (InStore) operational, two soon to be up and running (InStore in Skellefteå and Complete in Östersund), and an additional 12 in the pipeline, the recurring revenues from the FaaS-model will have an impact most likely already next year. We especially look forward to seeing the Agtira Complete in Östersund, which will give Agtira the first real life proof of concept of their aquaponic system, estimated to yield SEK 4m annually. Besides finding a financing partner, we believe news and details concerning the sites for the construction of 10 Agtira Greens from the LOI with Greenfood will be the most important triggers ahead. Combined with the strong macro trends concerning food security and the recent money flows into the foodtech sector, is now Agtira in a strong position to move forward. With a combined DCF and target multiple valuation approach, we continue to see support for a fair value of SEK 32-46 per share in 12-24 months.

Read full report here: https://www.emergers.se/agtira_i/

Contact

Andreas Eriksson
andreas@emergers.se

About Emergers

This is a press release from Emergers.

DISCLAIMER
Information provided here or on Emergers' website emergers.se is not intended to be financial advice. Emergers receives compensation for writing about the company in question. The company has been given the opportunity to influence factual statements before publication, but forecasts, conclusions and valuation reasoning are Emergers' own. Articles of analysis shall not be construed as a recommendation or solicitation to invest in the companies described. Emergers cannot guarantee that the conclusions presented in the analysis will be met. Emergers cannot be held liable for either direct or indirect damages caused by decisions made on the basis of information in this analysis. Investors are encouraged to seek additional information as well as consult a financial advisor prior to any investment decision.

For more information and complete terms, please see emergers.se.

Attachments

Equity Research | AGTIRA: Another grocery giant in the books