Equity Research | AGTIRA: Agtira Greens ready for take-off

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 11.5 m, 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.

Read the full report here https://www.emergers.se/agtira_o/

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