Press Release
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Equity Research | AGTIRA: Key pieces in place for scalable growth

With the framework agreement with Swedish real estate company NP3 Fastigheter in place, Agtira has added another key piece which should enable a faster roll out pace. Through partnering with NP3 and grocery wholesaler Greenfood, and the new CEO Erik Jonuks taking office in H2'23, the outlook for future growth looks strong and we see the investment case now carrying a lower risk, which translates into a new fair value range of SEK 29-35 (27-34) per share, in 12-24 months.

The FaaS business model shows scalability

The framework agreement with NP3 Fastigheter stipulates that NP3 will be responsible for constructing and owning properties, while Agtira will lease them. Initially, the agreement covers establishments equivalent to approximately 7,500 square meters of cultivation area, with an option for an additional equal amount. In total, the framework agreement, including the option, encompasses up to 3 facilities and a total of approximately 15,000 square meters of cultivation area, contingent on the size and design of each individual facility.

The agreement solves one of the major bottlenecks for a rapid scale-up, since Agtira previously faced challenges in financing, constructing, and owning the buildings where their systems would operate. This capital-intensive model significantly impeded the pace of expansion. While we do not suggest that Agtira will install a new system every other month solely due to NP3, the FaaS business model is indeed shaping up as an attractive approach.

Show of strength as foodtech stands tall

It is a show of strength for Agtira to secure an agreement with NP3 during these challenging times, especially considering the state of the real estate market. The foodtech sector has not been immune to the prevailing financial climate, where R&D-intensive companies have been compelled to focus on short-term profitability over growth. Despite these circumstances, we note positive forward-focussed valuations in the sector, exemplified by sector peer Ljusgårda, which boasts a valuation of SEK 1,000m at sales'22 of SEK 12m, in stark contrast to Agtira's SEK 200m market cap.

In H2'23, Erik Jonuks will start as the new CEO of Agtira. Jonuks comes from the position as CEO of Ekobot (Mkt Cap SEK 19m, First North) and his experience in agriculture and commercialisation will hopefully be a catalyst in the expansion ahead.

De-risking the investment case bodes for higher fair value

The varying sizes of the Greenfood systems have posed chanllenges in estimating the contribution of each system in our valuation approach. Previously, we forecasted that 17 systems installed would translate to recurring revenues of SEK 84m in 2024. Of those 17 systems, eight were expected to be InStores (the smallest system). However, it now appears that Agtira has shifted its focus towards the larger systems, Complete and Greens, introducing a higher level of uncertainty to our forecast.

With the NP3 agreement in place, we expect to see the real strength of Agtira's FaaS business model, with high-margin recurring revenues through 10+ year contracts. As a result, we find that the risk in the investment case has been reduced, and therefore find support for a new fair value range of SEK 29-35 (27-34) per share, based on a combined DCF and target multiple approach.

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

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