

Equity Research | Agtira: Mixed start to pivotal 2024

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

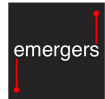
Revenue in Q1'24 was the company's second highest for a first quarter, amounting to SEK 7.3m (SEK 11.3m). Agtira's largest facility, Härnösand, had a low capacity utilization of 59% compared to 76% in Q1 2023 due to a plant disease previously communicated. The measures Agtira took to improve cultivation 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.



Read the full report here: https://www.emergers.se/agtira_u24/

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