

# Equity Research | AGTIRA: Snowballing with Farming as a Service

**It took less than five months for Agtira to convert the LOI with Greenfood into a firm order of SEK 80m, the first of potentially ten, and the company's Farming as a Service (FaaS) model is now gaining traction. With an increasing dominance for the FaaS-model, at least in Sweden, positive cash flow is pushed into the future due to smaller but recurring revenues building up over time. Along with a macro-driven hike in discount rate, the 14 systems under LOI or construction, plus a rollout of one Complete, one Greens and three InStores per year now support a fair value range of SEK 22-27 (32-46) per share in 12-24 months.**

## Buzz around Agtira

Since the LOI with Coop was communicated in late August, Agtira has kept busy. In September, Agtira appointed Chief Product Officer Peter Söderback, a garden technician with 35 years of experience, signed an LOI with international blockchain company Hive Blockchain for the usage of excess heat originating from their massive server hall in Boden, signed a first firm deal with Greenfood for the construction of an Agtira Greens, and last but not least, signed an LOI with a Norwegian nationwide wholesaler of fruit and greens. While sparse on details on the Norwegian deal, we view this as the start of a potential international breakthrough, where systems can be sold upfront in bulk, rather than individual deals.

## Emphasis on Farming as a Service

As everything points to that Farming as a Service will be the main business model, at least in Sweden, we've made some adjustments to our model. Depending on the system, FaaS will ensure high margin recurring revenues of about SEK 1-8m per year and system. It is however a capital-intensive model, where Agtira is responsible for construction and operation of the system, potentially in collaboration with a partner. Furthermore, we might see a shift in how and where Agtira will look to construct their systems, from direct vicinity to each grocery store towards building bigger, centrally located systems to cut as many transports as possible.

## Recurring revenues building up

We now expect that 100% (50%) of systems sold will be as FaaS, pushing positive cash flow into 2024 (2023) which with an emphasis on delivering on the LOI with Greenfood now support our forecast of SEK 72m in recurring revenues by 2024. Norwegian sector colleague Kalera, now double listed in the US and Germany, trades at 6x T12 Sales despite still making losses and is valued at USD 33m (after a 86% drop YTD). With a hike in our model WACC to 20% (12%) and a target multiple of 6x sales'24, the 14 systems Agtira has under LOI today + a rollout of one Complete, one Greens and three InStores per year from 2024 imply a fair value range of SEK 22 – 27 (32-46) per share in 12-24 months. We do however note a further upside, should Agtira find a financing solution that can quicken the rollout pace, where a rollout of three Complete and Greens per year from 2025 and onwards implies a fair value of SEK 42 per share, and an international breakthrough would boost upside even further.



Read full report here: [https://www.emergers.se/agtira\\_j/](https://www.emergers.se/agtira_j/)

## Contact

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**Andreas Eriksson**  
[andreas@emergers.se](mailto:andreas@emergers.se)

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