

APF Holdings IPO



APF plans to go public to finance its next investment phase, which will boost its production by 60% and quadruple the profitability by 2025

About Alūksnes Putnu Ferma

- Alūksnes Putnu Ferma (APF) is No. 2 hen egg producer in Latvia and No. 3 in the Baltics with its history dating back to 1961.
- The Group's 3 egg farms are located in Alūksne, North-East of Latvia – 2 for barn-laid and 1 for cage-laid egg production. Total current production capacity is 115m eggs per year with a flock of 415 thousand laying hens.
- Since 2017, the Group has undergone significant development, investing over EUR 15m in three investment stages.
- APF product portfolio includes enriched cage-laid, barn-laid, and free-range eggs, with predominant focus on barn-laid eggs. This aligns well with the industry trends towards cage-free egg production.
- APF is administered by a seasoned management board, led by the majority shareholder Jurijs Adamovičs, who brings over 20 years of experience in banking, M&A and business development.

Business overview

- Global demand for egg protein has consistently outpaced the growth in demand for other protein sources. The market is projected to continue growing at a CAGR of 6.7% by 2032², mainly due to rising incomes in emerging markets, population growth, and shifting dietary preferences favouring egg-based protein.
- With rising public concern for animal welfare, the demand for cage-free eggs, particularly, barn-eggs has grown significantly, while the supply has been lagging. Rimi, Maxima and Lidl have committed to phasing out cage-laid eggs by 2025, contributing to further rise in demand for barn-eggs.
- Due to scarcity of barn eggs in the Baltics, each market is currently dominated by a single major player (Balticovo in LV, Groward Group in LT, and DAVA Foods in EE), without significant mid-sized players. This presents a necessity for another large producer on the market.
- APF directly supplies the largest Baltic retailers and utilizes distributors for export markets. The Group offers products under its own brands, as well as private-label products (e.g. Rimi). In 2022, its largest customers were Rimi, Top!, Citro, and Mego (c. 40% of revenue). Increased production capacity enables APF to expand its partner network, including with retailers like Lidl and Coop.
- In 2022, APF generated 60% of revenue in the Latvian market and the remaining 40% from EU exports. Also, the Group increased its local market share to c. 20%. Notably, the Baltic egg market is heavily dominated by private-label products, with APF being a key supplier to major retail chains.
- With an expanding production capacity of cage-free eggs, APF aims to benefit from the ongoing shift to cage-free eggs, as the region's largest retailers have announced their plans to stop selling cage eggs, starting from 2025. Additionally, the Group plans to boost its export sales, with a particular focus on the Estonian market, driven by the region's proximity and favourable supply-demand dynamics.

Financial highlights

- Three new hen houses were launched: first in 2017, another in early 2020 and the third at the end of 2021. These expansions significantly boosted the Group's revenue. In 2022, revenue reached EUR 11.2m, a 185% YoY increase, driven by a twofold rise in egg sales due to doubled production capacity.
- Launch of the third hen house marked a turning point, allowing the Group to stabilize the production cycle and achieve net profitability. In 2022, the Group generated EBITDA of EUR 2.1m, while the net profit amounted to EUR 0.3m. During the first 6 months of 2023, the EBITDA had already reached EUR 1.8m.
- Expanding production by 60% will enable APF to double its revenue by FY 2025 and improve margins through economies of scale.
- Better financial performance has reduced leverage (Net Debt / EBITDA of 1.7x as of 6M'23) and the IPO will further strengthen the Group's capital base and optimise its financing structure.
- APF's long-term vision includes becoming a leading poultry agriholding with circular economy and no-waste production. Future plans include construction of additional barns (including free-range barns) and a biomethane and organic fertilizer production plant.

Key investment highlights

- Top 3 egg producer in the Baltics** – APF has managed to push through the high barriers to entry and achieve a notable market position
- Favourable industry trends** – with a significant share of barn eggs, APF is well-positioned in the industry shift towards responsible production
- Strong and growing local brand** – different polls show that Baltic customers strongly prefer consuming products from local brands
- Earnings growth potential** – the IPO will enable APF to further increase egg production volume by 60%, double its revenue by FY 2025 and boost its profitability due to scale effects

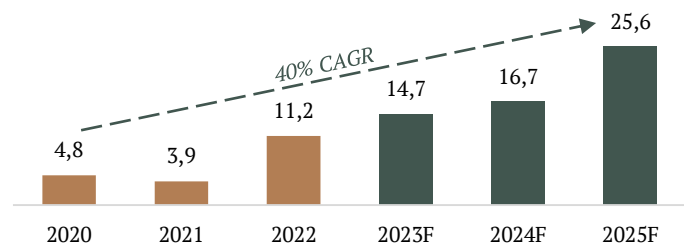
Key share data (post-IPO)¹

Share price	EUR 6.81
Market capitalization	EUR 39.0m
Net debt	EUR -0.4m
Enterprise Value	EUR 38.6m
Market	Nasdaq Riga First North
Ticker	EGG
Number of shares	5.7m

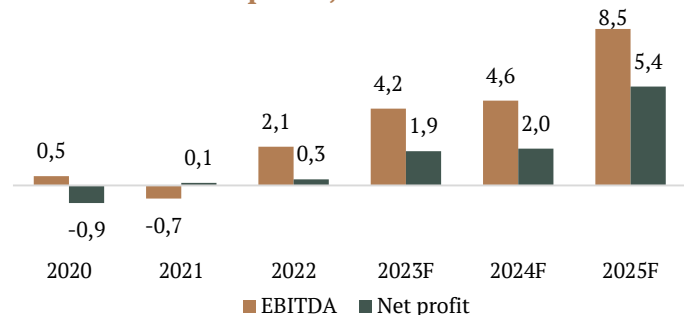
Financial highlights³, EUR m

	FY 2020	FY 2021	FY 2022	FY 2023F	FY 2024F	FY 2025F
Revenue	4.8	3.9	11.2	14.7	16.7	25.6
EBITDA⁴	0.5	-0.7	2.1	4.2	4.6	8.5
EBITDA margin	10%	-18%	19%	28%	27%	33%
Net profit	-0.9	0.1	0.3	1.9	2.0	5.4
Total assets	9.0	12.8	13.2	13.3	n/a	n/a

Revenue (historical and forecast), EUR m



EBITDA and Net profit, EUR m



Source: APF financial reports and management forecast; Signet Bank estimates

¹ Assuming fully subscribed IPO; Signet Bank estimates

² Future market insights market research, 2022

³ Signet Bank estimates for FY 2023-2025 based on APF published forecasts

⁴ EBITDA before non-recurring income and costs, received aids, etc.

APF Holdings IPO



Planned share offering and use of proceeds

- APF plans to raise up to EUR 7 million to finance its fourth investment phase: construct 2 additional hen houses for barn-laid eggs, its own pullet rearing house, introduce liquid production line and expand the sorting and warehouse facilities.
- Only newly issued shares will be offered during the IPO, as all proceeds from IPO (net of fees) will be directed towards further development of the Group.
- Total capital expenditure programme amounts to EUR 16.7m, of which the remaining part will be financed with bank debt, grant from Latvia Rural Support Service, and internal cash flows.
- APF will list the shares on Nasdaq First North, with expected post-IPO free float of 18%.

APF results and valuation by 2025

- With expected post-IPO market capitalization of EUR 39m, APF will trade with a significant valuation discount to comparable Egg producer companies, indicating a potential upside in share price.
- The production, business volume and subsequently Net profit and EBITDA of APF will substantially increase with the realization of the fourth investment phase, which puts the Group at more attractive future valuation than its peers based on 2025 multiples.
- APF valuation multiples in FY 2025, after the completion of fourth investment phase, are notably below European food producer peers.

Valuation multiples of peers from selected industries

Industry and peers	Market Cap, EUR m	P/E			EV / EBITDA		
		FY 2023	FY 2024	FY 2025	FY 2023	FY 2024	FY 2025
Cal-Maine Foods Inc	2 289	19.7	26.5	26.5	32.0	18.7	11.5
Vital Farms Inc	453	26.9	20.8	14.7	11.1	8.5	6.2
Egg producers median	1 371	23.3	23.7	20.6	21.5	13.6	8.9
AUGA Group AB	78	neg.	neg.	neg.	9.2	8.6	8.2
Linus Agro AB	198	10.3	7.7	6.8	6.9	6.2	7.1
Baltic peers median¹	74	11.8*	7.7	6.8	7.8*	7.4	7.7
Dairy & dairy products	4 111	13.4	12.5	11.8	9.8	8.9	8.0
Other food producers	805	13.9	12.0	9.1	6.7	5.8	5.4
European food producers median²	885	13.7	12.0	9.6	6.9	5.9	5.4
APF Holdings	39	20.9	19.5	7.3	9.3	10.1	4.7
APF discount to Egg producers		-10%	-18%	-65%	-57%	-26%	-47%

- The list of peers includes selected European and US food production companies, operating in segments that have similar characteristics to egg production, such as fish farming and processing, dairy production, meat and poultry production, egg production, and other non-diversified food producers. For full list of peers included in each of the categories, please, reach out to Signet Bank.

- There are very few listed egg producers – we have identified two US producers and one Ukrainian producer (Ovostar, listed in Warsaw) that has been excluded from the comparison due to the depressed valuations due to war in Ukraine.

- Baltic agriculture and food production companies have very limited availability of future forecasts, therefore, forward valuation multiples are not included due to limited sample size.

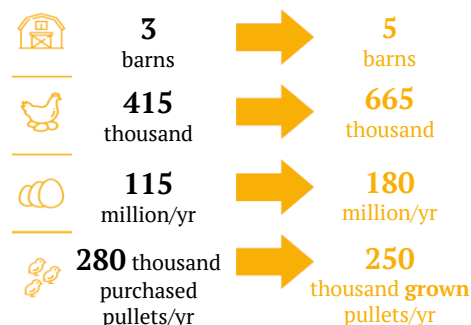
- Data has been obtained from Bloomberg (Bloomberg consensus estimates) and Nasdaq Baltic.

* Where no forward multiples were available for FY 2023, 12 month trailing data was used.

APF production facilities & products



APF: now and by 2025



Timetable of the IPO

Start of the Offer Period	13.10.2023
End of the Offer Period	30.10.2023
Announcement of results of the Offering and Allocation	31.10.2023
Settlement of the Offering	On or about 02.11.2023
First trading day on Nasdaq Riga	On or about 03.11.2023

¹ FY 2023 data for Baltic peers include: AUGA Group, Linus Agro, Pieno Zvaigzdes, Rokiskio Suris, Vilkyskiu Pienine, Zemaitijos Pienas

² European food producers include: Mowi, Salmar, Bakkafrøst, Leroy Seafood Group, Austevoll Seafood, Grieg Seafood, Icelandic Salmon, Maasoeval, Ice Fish Farm, Emmi Ag-reg, Savencia, Glanbia, L.D.C., Cranswick, Bell Food Group Ag – Reg, Hilton Food Group, Scandi Standard, Atria, HKScan, Gradus, Gobarto, Banvit Bandirma Vitaminli Yem Sanayii, Aak, Suedzucker, Jde Peet's, Ebro Foods, Dole, Agrana Beteiligungs, Bonduelle, Greenyard, Mhp, Forfarmers

Source: Data from Bloomberg and Nasdaq Baltic, as of 27.09.2023

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