AS APF Holdings

Initiation of Coverage Report

January 29, 2024

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Investment Summary

Laying the Foundation: Barn Eggs – Tomorrow' s Preferred Choice

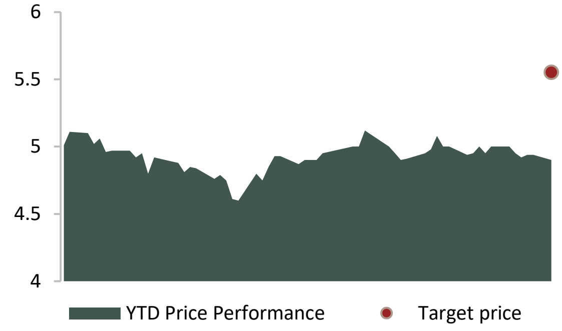
Company overview

- AS APF Holdings (hereafter referred to as "APF" or the "Group") is a vertically integrated egg producer located in Latvia. Since the takeover in 2016, the Group's largest shareholder, Jurijs Adamovics, successfully transformed a financially distressed project into the third largest egg production farm in the Baltics.
- The Group primarily sells shell eggs but also intends to scale up its egg product segment. Presently, the Group can size its flock up to 165 thousand enriched cage hens and 250 thousand barn hens, which produce 115m eggs annually.
- In November 2023, APF concluded a successful IPO, raising c.a. EUR 5.2m to finance its next development phase.
- The investment phase IV intends to add 2 hen houses to accommodate 250 thousand barn hens, which would produce c.a. 65m eggs per year. The Group will expand its sorting facility and install liquid product equipment that will allow it to bring egg product manufacturing in-house.

Sector overview

- The price inelasticity of eggs highlights their robust demand, remaining steady even during economic volatility and price changes.
- The Baltic egg market is saturated with few possibilities to differentiate, yet the sector holds a relatively high entry barrier, with an initial investment for large-scale production amounting to c.a. EUR 20m.
- EU's egg market is gradually transforming to more ethical animal welfare standards, with policymakers and other stakeholders demanding a complete transfer to cage-free eggs. Despite policy drafts showing delays, some of the Baltic's largest retail chains have announced plans to exclude cage eggs from their shelves starting in 2025. In the Baltics, the enriched cage method has an overriding majority, constituting c.a. 69%, 88%, and 80%, of Latvian, Estonian, and Lithuanian egg production, respectively.

Company profile	
Listing market	Nasdaq Riga
Ticker	EGG
Industry	Consumer staples
Website	https://apf.lv/



Share Data (Jan 29, 2024)	
Current price, EUR	4.90
Target price, EUR	5.55
Potential Upside/Downside, %	+13.28
54 week Low/High, EUR	4.35/5.14
Average daily volume	540
Market cap, EURm	28.1
Ordinary shares	5.7

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Key Numbers (EURm)	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Sales (EURm)	3.9	11.2	13.9	16.3	23.8	23.9	24.1	24.2
Sales growth (%)	(18.8)	185.1	23.5	17.8	45.7	0.5	0.5	0.5
EBIT (EURm)	0.7	1.0	1.7	2.2	4.0	4.1	4.2	4.2
Net profit (EURm)	0.1	0.3	1.3	1.7	3.3	3.5	3.4	3.6
Payout per share (EUR)	-	-	-	-	-	0.1	0.3	0.3
Payout yield (%)			-	-	-	2.9	6.1	6.0
P/E (x)			22.2	16.7	8.5	8.1	8.3	7.9
P/B (x)			3.9	3.1	2.3	1.9	1.7	1.5
EV/Sales (x)			2.1	1.8	1.2	1.2	1.2	1.2
EV/EBITDA (x)			14.4	10.3	6.0	5.8	5.8	5.7
ROA (%)	1.2	2.5	8.7	7.5	10.9	11.0	11.0	11.7
ROE (%)	n.a.	n.a.	31.5	20.7	31.2	25.4	21.6	20.4

Source: APF, Signet Bank for estimates. Valuation multiples 2023-2028E are calculated based on the share price EUR 4.90 at January 29, 2024.

- Data shows that in the event of a full transfer in 2025, the Baltic market would form a 363m of barn egg deficit at current production capacity.
- We anticipate that APF's strategic focus on expanding barn egg production will grant the Group a competitive edge and unlock opportunities within both local and export markets. This direction aligns with evolving consumer preferences and market demands, positioning APF favorably to capitalize on these trends and gain a stronger foothold in various markets.

Financials

- We assess APF’s sales targets as broadly attainable. We anticipate APF revenues to grow at a 5Y CAGR of 16.5%, more than doubling compared to 2022, and reach EUR 24.2m at the end of our forecast period.
- The Group’s development strategy, besides other benefits, targets to enhance economies of scale, reducing fixed costs per unit produced. However, we find APF's profitability targets overly optimistic. We anticipate the Group to gradually improve its EBIT margin from 8.5% in 2022 to 17.4% at the end of our forecast period, while net margin is expected to improve from 3.0% to 14.7% in the respective period. We expect net profit to grow at a 5Y CAGR of 19.6%
- Overall, we foresee APF maintaining a robust financial position and sustaining a sound debt level throughout the projected period.

Valuation

- In valuing APF we have used the Discounted Cash Flow model for the income approach and a peer group valuation for the market approach (considering multiples for 2023E-2025E). We find the income approach better suited for APF's valuation; thus, we've allocated a 80% weight to the DCF-based valuation and a 20% weight to peer valuation in the total value.
- Based on our current projections and assumptions, we've set our target price for the Group at EUR 5.55 per share.
- APF plans to initiate dividend payments starting in 2026, with a payout ratio of up to 50% of the last year's profits. Calculated based on the current share price, the Group is anticipated to offer annual dividend yields of c.a. 2.9–6.1% over the period 2026–2028E, with potentially higher levels thereafter.
- The key risk factors we have considered are disease outbreaks in hen flocks, stiff competition, volatile raw material prices, and the high bargaining power of retail chains.

Company Overview

AS APF Holdings (hereafter referred to as “APF” or the “Group”) is a vertically integrated egg producer located in Latvia, Aluksne. The history of the poultry farm reaches over 50 years. Since the takeover in 2016, the Group's largest shareholder, Jurijs Adamovics, successfully transformed a financially distressed project into the third largest egg production farm in the Baltics. Over this period, the Group has undertaken three investment phases totaling c.a. EUR 15m. These strategic investments have played a pivotal role in the significant turnaround and subsequent growth of the enterprise.

Currently, APF operates a 317 thousand square meter farm containing two cage-free hen barns and one enriched cage barn, a feed production plant, a sorting and storage building, and others. The Group values high-industry ethical practices, including accommodating hens in an environment that allows more natural behavior and movement. Currently, the Group can size its flock up to 165 thousand enriched hens and 250 thousand barn hens, which produce 115 million eggs annually. On November 2023, APF concluded a successful IPO, raising c.a. EUR 5.2m to finance its next development phase.

Source: APF

Segments and distribution channels

APF's core business is producing and selling raw chicken shell eggs. The Group sells barn eggs and enriched cage eggs under its own brand "Oluksne" and produces private label eggs (e.g., "Tip Top" for retailer Top! or "Rimi"). APF also sells free-range eggs under its own brand; however, currently, free-range eggs are outsourced from small local farmers.

The Group acts as a wholesaler and sells its eggs to retail chains and B2B partners. APF currently sells its products through retail chains in Latvia, such as Rimi, Top, Citro, Mego, and Lidl. Here, with separate chains, the partnership extends throughout the Baltics. The Top 5 Group's customers accounted for 46% of total sales in 2022. We believe that the largest proportion, if not all, of the top customers are local retail chains. Considering that retail chains are quite concentrated in the region and possess relatively high bargaining power, the associated risk is relatively high. As the Group increases its production capacity, export markets become more prominent. The share of export market sales increased from 12 to 40% y-o-y in 2022. Eggs are exported to Estonia, Finland, Great Britain, France, Belgium, Germany, and other European Union member states. The production was sold both to retail chains as well as processing companies and customers in the HoReCa segment.

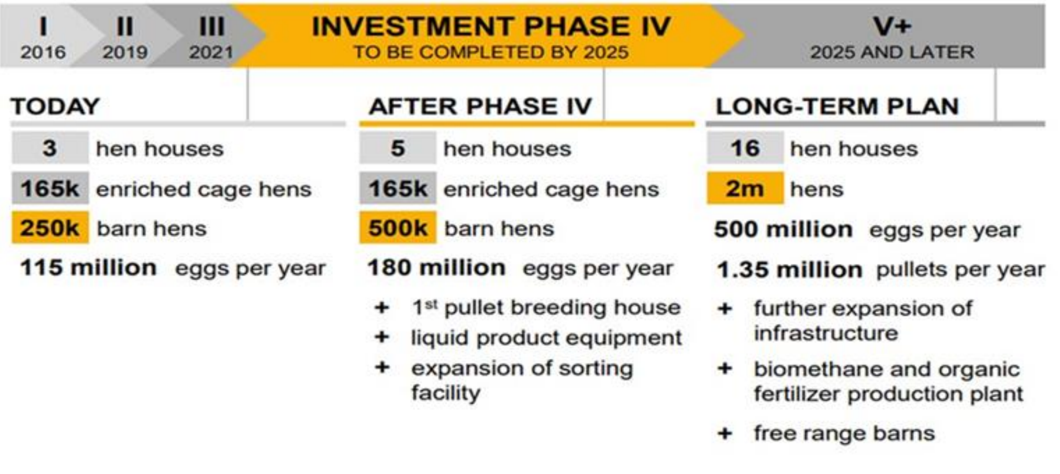
This year in June the Group launched its new product, "Fiteg2", the egg white protein smoothie product line, with a selection of three flavors: mango, orange, and apple-vanilla. Such type of smoothie is a novelty on the Latvian market. Egg white content ranges between 60 to 79%, and protein amount range from 20 to 25g. The shelf life is c.a. 140 days. The Group provides main raw material – eggs but the production itself is carried out by its partner in Finland, Munax Oy. Currently, Fiteg2 smoothies are sold in Latvia exclusively in retail chains such as Rimi, Narvesen, and Stockmann. The Group is actively working on product marketing activities and acquiring retail partners.

In October 2022, APF commenced providing industrial egg products, including egg mass, to clients. Presently, the production is outsourced, while the necessary inputs are internally sourced from the Group. These products are being offered or intended to be offered to retail chains, food production firms, and the HoReCa sector. APF's objective is to bring the manufacturing process in-house in the near future.

Investment pipeline

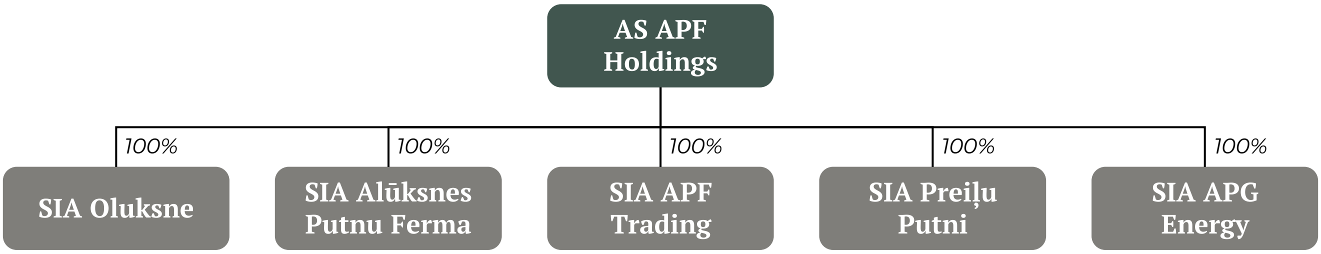
Since the takeover of the SIA "Alūksnes putnu ferma", which owns the production assets and the real estate, APF has invested c.a. EUR 15m throughout 3 investment phases, modernizing the farm, increasing production capacity, and reaching a profitable level of large-scale egg production. The Group's ambitions reach even further. By closing a successful IPO in November 2023, APF has attracted enough equity financing to pursue the next investment phase. The investment phase IV intends to add 2 hen houses to accommodate 250 thousand barn hens, which would produce c.a. 65 million eggs per year. Furthermore, APF targets to extend its vertical integration and develop its first pullet breeding house, which will provide its farm with new flocks and strengthen the security of its supply chain. The annual capacity of the pullet breading operation is anticipated to be 250 thousand grown pullets per year (in 2022, APF purchased 280 thousand pullets). Last but not least, the Group will expand its sorting facility and install liquid product equipment that will allow it to bring egg product manufacturing in-house.

We note that the IPO proceeds are budgeted for investment phase IV; however, we do acknowledge the long-term APF ambitions. Namely, in the long term, the Group sees itself as a Top 2 producer of eggs in the Baltics, holding c.a. 23% market share at current market capacity. Furthermore, the Group targets strengthening its vertical integration and introducing more elements of circular economy, providing itself with clean energy from bird manure and other organic waste that are eventually turned into organic fertilizer.



Source: APF

Group' s structure



Legal entity	Business activity
AS APF Holdings	Holding company activities, management of poultry farming companies, management of hen egg production companies
SIA Oluksne	Operator of the production facilities and employs technical personnel
SIA Alūksnes Putnu Ferma	Poultry and egg production (entity owning production assets and real estate)
SIA APF Trading	Wholesale of chicken eggs
SIA Preiļu Putni	Pullet rearing
SIA APF Energy	Gas and organic fertilizer production (still in development phase)

Shareholders and the management

The updated shareholder composition subsequent to the Initial Public Offering (IPO) will be disclosed upon the release of the 2023 annual report. However, at this moment, we can derive an approximate look at the new shareholding structure guided by insider trades and IPO results. Although the Group offered c.a. 20% stake in APF in its public offering, substantial investment was made by Jurijs Adamovics directly and through his investment entity "J.A. Investment Holdings" in the amount of EUR 1.27m, thus new shareholders constitute 13.65% of the Group. This contribution was pivotal, given that the subscription rate was at 107%, indicating that without Mr. Adamovics' contribution, the IPO would not have attained full subscription. Nevertheless, Mr. Adamovics' consistent injection of capital into the Group over the years underscores his dedication to the advancement of APF.

Lastly, we believe that in January "J.A. Investment Holdings" has exercised part of its call option agreement with Omni Industries B.V. The total call option agreement represents 324 870 shares of which 32 489 were called for the price of EUR 15.39 per share.

In accordance with the Articles of Association, the Management Board consists of three members.

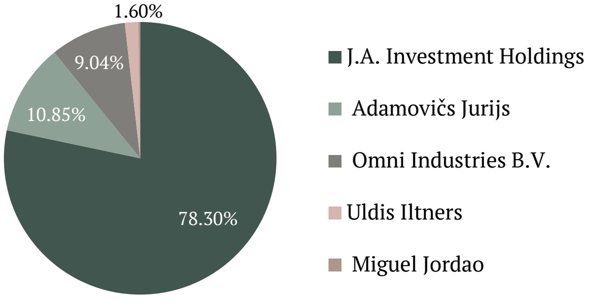
From among these members, the Supervisory Board appoints a chairman and other members of the Management Board.

Jurijs Adamovics (Founder, Chairman of the Management Board): Jurijs Adamovics is an entrepreneur, investor, and internationally renowned bank restructuring and corporate turnaround professional with more than 20 years of experience. Mr. Adamovics is Chairman of the Supervisory Board of AS "Industra Bank" and holds non-executive positions in other various his portfolio companies.

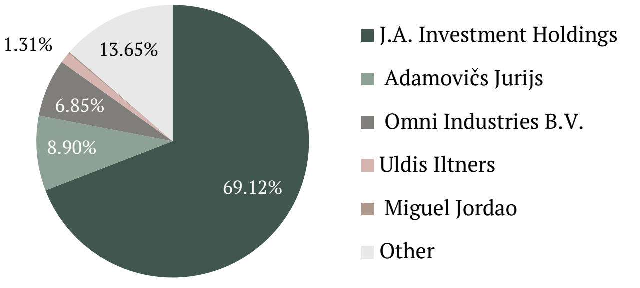
Hermanis Dovgijs (Management Board Member, Chief Executive Officer): Mr Dovgijs has been with the Group since the takeover and has a very extensive experience in company restructuring and systemic transformation processes. Mr Dovgijs had a successful career in banking and asset management in Scandinavia, Eastern Europe and the CIS countries.

Mihails Keziks (Management Board Member, Chief Financial Officer): Mr. Keziks is an experienced manager in finance industry. Before joining the APF team, Mr. Keziks worked as a project director and portfolio manager in large financial institutions.

APF shareholders (Pre-IPO)



APF shareholders (Post-IPO)



Source: APF, Nasdaq Baltic, Signet Bank

ESG considerations

Poultry farming, in comparison to other forms of animal farming such as cattle, typically imposes a relatively smaller environmental footprint. Nonetheless, poultry operations lacking sustainability management can pose significant risks to both the environment and society at large. Several crucial environmental and other aspects require consideration, including waste management, energy sourcing and usage, animal welfare, and the value derived from the end product. Implementing strategies to address these factors is vital for ensuring sustainability and responsible practices within poultry farming operations.

Some of these aspects, like waste management, use of resources, and animal welfare, are regulated at the EU level. Nevertheless, APF has committed to raising the bar and pursuing higher standards of sustainability.

Besides many other things on the APF agenda, we would like to mention three main points where APF already employs and strives to improve sustainability in its operations:

- Biogas and organic fertilizer bioplant: Organic waste occurs in the daily operations of poultry, mostly manure. Improper management of manure can cause environmental damage, such as groundwater contamination; however, manure can also hold value in itself. Livestock manure is a significant source of methane (biogas) when broken down under anaerobic conditions. APF sees the opportunity to generate in-house energy by employing circular economy principles while receiving economic benefits. The residues can be pressed into pellets and used as organic fertilizer in agriculture. Currently the Group already ensures processing of renewable energy sources by delivering produced manure to Latvian local biogas production facilities mostly located in farms, but eventually most added value in respect to circular economy will be granted to full cycle of production at one location. The Group has purchased a land plot near the Group's production plant and has received an approval for biogas and biofertilizer plant construction.
- Barn hens: Throughout animal farming, significant concerns have arisen regarding the welfare and living conditions of livestock. Poultry farming, in particular, has faced criticism due to the confinement of birds within cages, limiting their natural movements. There is an increasing societal and policy-driven focus on addressing these issues, leading to heightened demands for improvements in this domain. The Group does understand the concern very well and already accommodates c.a. 60% of cage-free hens and targets to increase the proportion to 75% by 2025, notably above the current Baltic and EU market levels.
- Value of the product: Eggs are widely consumed and are known as a relatively cheap and nutritious source of protein. APF strives to deliver the product employing sustainable practices and provide various other value-added products made from eggs, e.g., egg smoothies.

Source: APF

For decades, eggs have been quite a substantial component of human diets and are associated with low-cost protein and nutrition. We categorize eggs as a "staple" product, characterized by its price inelasticity, signifying that fluctuations in price have a proportionately limited impact on demand, emphasizing the necessity of the product.

Research conducted by the United States Department of Agriculture in the 1980s revealed an egg price elasticity of -0.1429, indicating a mere 1.4% reduction in consumption for every 10% increase in egg prices. It is also supported by the food and agriculture economist J. Lusk, who states that the commonly used egg price elasticity ratio is -0.15. According to his recent study, the egg price inelasticity for 2022 stood at -0.11.

In the past decade (until 2021), the global supply of eggs recorded a 10Y CAGR of 2.8%, reaching 92.8m tonnes, according to the Food and Agriculture Organization (FAO). Furthermore, FAO data shows that global egg consumption per capita reached 10.4 kg in 2021, recording a 10Y CAGR of 1.6%, thus highlighting the growing popularity of the product. Research conducted by Rabobank foresees this trajectory persisting, projecting an annual egg demand growth rate of 2.4% until 2031, driven by the growing population factor.

Demand/Supply/Trade

In the context of the EU, the latest FOA data shows that until 2021, the domestic supply and consumption per capita of eggs have been quite stable, recording a marginal 10Y CAGR of 0.4% each. Importantly, the EU maintains self-sufficiency, with egg production exceeding the total demand. Research by the European Commission (EC) “EU Market Situation for Eggs” indicates that the EU production of eggs constituted c.a. 105% of the total demand; consequently, market participants have to seek export opportunities or create value-added egg products.

Due to self-sufficiency, quite many Member States are exporting significant amounts of produced eggs, resulting in a deficit and opening opportunities for intra-EU trade. Latvia is one of the few countries with a production surplus; however, Germany, being one of the largest producers of eggs in the EU, forms the largest deficit.

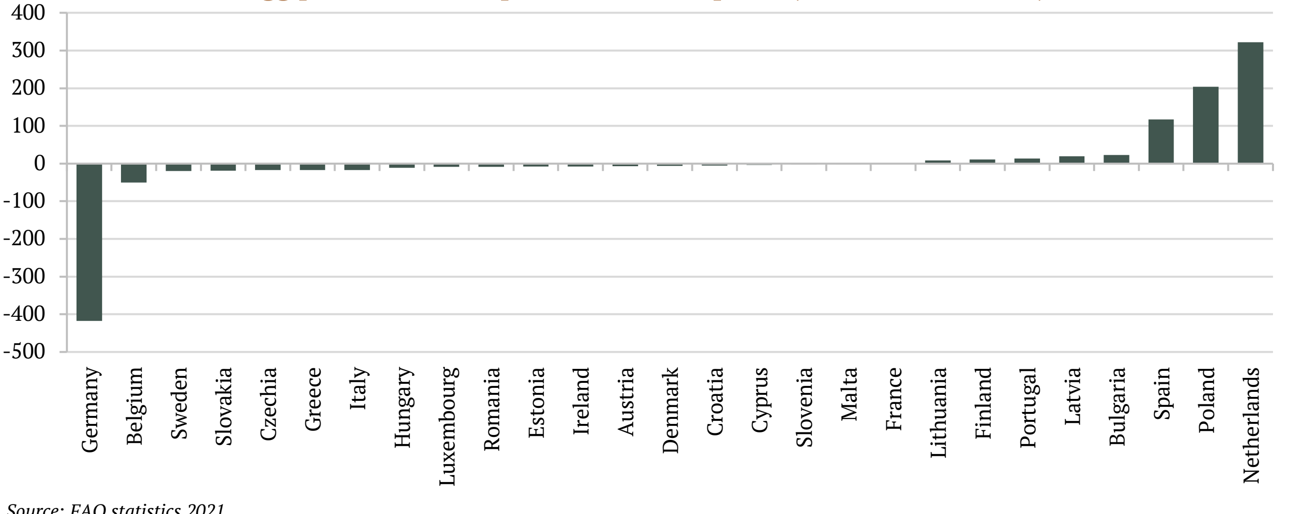
Although no direct data is available for cage free egg consumption, we could assume that the supply and demand is in equilibrium. Consequently, the growing popularity of cage free eggs can be observed by the changes in housing method of laying hens. According to EC data in “EU market situation for Eggs” In 2017 in EU the enriched cage housing method formed 53.0% that has decreased to 39.7% in 2022.

Eggs have relatively lengthy shelf life, which allows them to be exported to faraway destinations. For example, in Europe, the “best before” timeline for eggs is 28 days after the day they are laid in the barn. According to the U.S. Department of Agriculture, eggs can be stored for 30 to 45 days, depending on the coding and storage rules. That said, one should note that the egg trade can reach beyond EU borders. EC research shows that in H1 2023, c.a. 75% of EU exports of eggs went to the UK, Japan, and Switzerland. On the import side, the main partners come from Ukraine, Turkey, and the UK, forming over 80% of total imports.

Competition

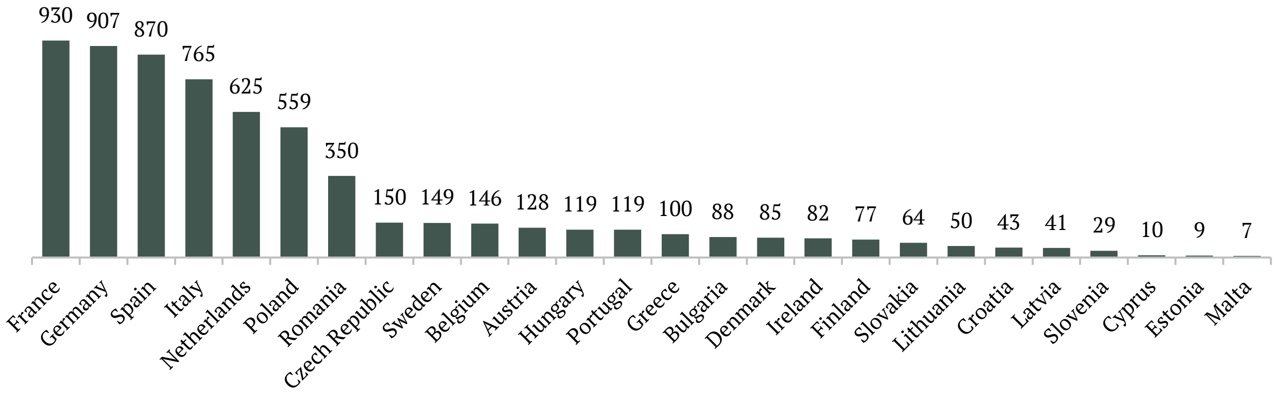
Eggs are commodity goods; thus, the quality may differ slightly, but they are essentially uniform across producers. There is a relatively high entry barrier in chicken egg production, requiring economies of scale. Besides the high capital requirements to reach the break-even point and a seamless production cycle, expertise is imperative to ensure the smooth operation of facilities and the sustained health and productivity of the chicken flock. Following the Group’s historical investments, we would estimate that it requires c.a. EUR 20m investment to reach profitable economies of scale at large-scale production.

Egg production compared to consumption (1,000 tonnes, 2021)



Source: FAO statistics 2021

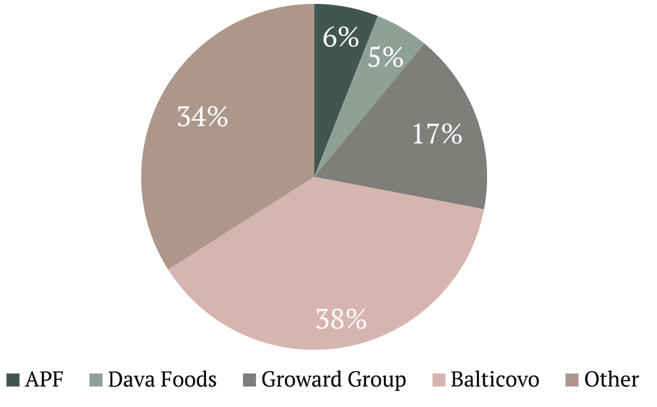
Production of eggs for consumption (in million units)



Source: European Commission, 2022. Eggs Dashboard

2022 Baltic egg production market by producer

Market size: 1,800m eggs



Source: APF

In terms of the Baltic region, there are several large-scale producers constituting c.a. 66% of the total production in the market, but the rest is likely taken by the small-scale local farmers. All in all, the market is saturated and competitive. Due to production surpluses, exports play a vital role for large-scale producers.

As we have discussed, eggs possess a relatively good shelf life, which makes them tradable within Europe and even across world regions; thus, the competitive landscape has to be considered within the EU and outside of it. In the context of third countries, EU import tariffs play quite a major role.

The Wageningen Economic Research Institute has calculated the production costs of shell eggs produced in enriched cages for eight EU countries: the Netherlands, Germany, France, Spain, Italy, Denmark, Poland, and Hungary. Between these main egg-producing countries, the production costs of shell eggs in 2021 ranged from 100.6 eurocents per kg of eggs in Germany to 96.4 in Poland (average: 98.5 eurocents per kg). Compared to the average level within the EU, the cost of production for shell eggs in 2021 was lower in the USA (-21%), Ukraine (-19%), India (-15%), and Argentina (-14%). Within the previous five years, the spread has been quite similar. The latter can be explained by cheaper feed; for example, in the US and Ukraine, the feed is cheaper due to the domestic availability of sizable quantities, and accordingly, the cost of chicks is also lower. One should note that some of the mentioned third countries have lower labor costs compared to the EU, and producers have lower costs because legislation on the environment, food safety, and animal welfare is less stringent than in the EU.

A recent illustration of this is the EU's initiatives to support Ukrainian agriculture by eliminating import quotas and tariffs on agricultural commodities. As the research "EU Market Situation for Eggs" outlined, imports during the first half of 2023 surged by approximately 300% y-o-y. Jānis Gaigals, chairman of the board of the Latvian Poultry Industry Association, observed that the substantial inflow of Ukrainian eggs, attributed to lower production costs, has led to intensified competition, dampening prices and disrupting the market's equilibrium.

Market prices

Rabobank research has observed that, in general, egg prices correlate with the FAO Food Price Index. Various factors contribute to fluctuations in the market price of eggs, including alterations in feed costs or other input expenses (such as energy), shifts in regulations, economic conditions, and incidences of avian influenza outbreaks, among others. These factors can significantly impact the supply and demand dynamics within the egg market.

Warfare in Ukraine has caused quite devastating implications for energy and commodity prices, creating a spiral effect on inflation. The EU average weekly price chart clearly reflects supply chain disruptions and input cost dynamics. Egg prices have more than doubled compared to the pre-pandemic level, and despite eased inflationary pressures on feed and energy prices, egg prices have remained at a relatively high level in H1 2023, with corrections visible in H2 2023. Rabobank Research primal protein analysts have observed that the egg industry can generally count on the following rule: Price peaks tend to lead to similar price drops one to two years later. This is usually caused by producers' response to periods of higher margins. They typically increase hen numbers to try to tap into higher prices, thus creating oversupply.

Ultimately, there might be potential price declines driven by cheaper feed and competition from other market players; however, considering the broader context of inflation, we anticipate that egg prices will likely remain notably elevated compared to pre-war levels.

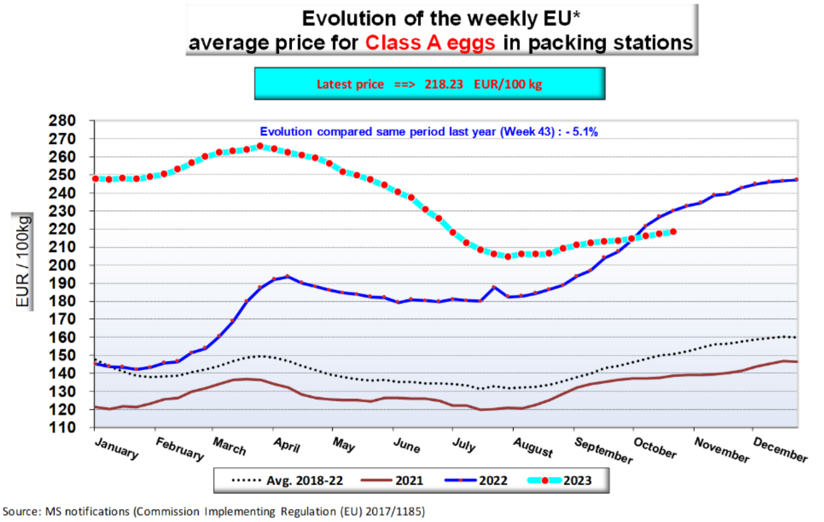
Legislative environment and policy trends

The poultry and egg sectors are governed by a number of EU legislative acts. These span food safety, public and animal health, environmental protection, trade and marketing standards, and animal welfare throughout the production process, including transport and slaughter. Specific legislation lays down minimum rules and specific requirements for the protection of chickens and laying hens. EU chicken and egg producers are supported by the common market organization as part of the common agricultural policy (CAP), which regulates trade, marketing standards, and exceptional support measures in the event of disease outbreaks. The poultry and egg production segment have proven to be very cost-effective, as it can successfully operate without direct subsidies.

Food production in general is a heavily regulated field where different permits have to be obtained to operate. To initiate large-scale egg production, APF has obtained roughly seven permits. Spanning from construction and A-category polluting activity permits to permits from Latvian Food and Veterinary Service overseeing the hen's welfare standards in the production processes.

Policies directed at industries frequently prompt shifts in the business environment, resulting in a necessity for businesses to adapt to the revised standards. One of the most notable recent initiatives has been "End the Cage Age", where c.a. 1.4 million EU citizens requested the cage farming to be banned. With the support of the European Parliament, the EC intends to issue a legislative proposal by the end of 2023 to phase out, and finally prohibit, the use of cage systems for all animals mentioned in the initiative (e.g., chickens). However, despite the EC commitment, it seems that the draft preparation will extend. On October 3, 2023, the Vice President of the EC, Maroš Šefčovič, admitted in a parliamentary hearing that it would require more time due to its complexity; thus, no certain timelines were given. However, we have to note that voluntary initiatives are also playing a role here; for example, the largest retail chains in the Baltics have committed to selling only cage-free eggs as of 2025.

Taking this into context of EU poultry farming, according to EC research "EU market situation for Eggs", in 2021, 45% of the laying hens were kept in enriched cages, while 35.6% were under the barn method, 12.8% were free-range, and 6.6% were organic. In the Baltics, the enriched cage method has an overriding majority.



Source: MS notifications (Commission Implementing Regulation (EU) 2017/1185)

In Latvia, Estonia, and Lithuania, enriched cage hens formed c.a. 69%, 88%, and 80%, respectively. The envisaged change will certainly require new investment and time to adapt the barns, which are likely the reasons why the proposal to end cage eggs is advanced very carefully. Based on Eurostat, Latvian Statistics Bureau and Nielsen IQ, data shows that in case of full transfer to barn-laid eggs in 2025, the Baltic market would form a 363 million of egg deficit at current local production capacities.

With an estimated proportion of cage eggs of only c.a. 20% by 2025, the Group will be well positioned to benefit from these industry shifts. Furthermore, it is likely to create opportunities, especially in the Baltics, where the cage egg share is noticeably more dominant than the EU average.

Risks

Disease outbreaks

One of the major risks in the sector with extensive damage is an outbreak of livestock diseases such as bird flu or salmonella. In the event of an outbreak, the Group' s ability to operate is severely disrupted, affecting sales volumes. Consequences are the destruction of the flock and restrictions on exporting until no risks are detected. However, outbreaks in other locations create supply shortages, increasing prices and presenting a favorable opportunity for the Group to benefit.

The Group's insurance does not fully cover all potential financial losses resulting from bird sickness. In the event of a forced culling of birds, producers have a legal basis to request partial government compensation for the loss of business volume in accordance with Cabinet Regulation No. 127, "Procedures for Liquidation and Prevention of Danger of Epizootic Outbreaks" of Latvia.

Besides the permits that are required to ensure safe food production, APF has obtained a Food Safety Certification Scheme certificate based on the existing internationally recognized standard, Food Safety System Certification 22000 (FSSC 22000). Receiving the respective certificate indicates that the food safety management system is maintained at the highest level and that the products meet internationally recognized standard quality requirements.

Input prices

Feed grain costs constitute the greater part of total costs (for APF, nearly 70%), which makes the fluctuations in feed prices relevant to profitability if the egg prices cannot be adjusted simultaneously and to such an extent. The main components used in feed are wheat, soy, and corn, whose yields and prices can vary due to weather, crop diseases, demand and supply, agricultural policies, and other uncontrollable factors. Currently, the Group holds relatively small inventories in its production facilities and does not hold any future contracts for the supply of raw materials.

Macroeconomic risk

Naturally, across the business sectors, economic welfare is a major risk for product demand. Some products and services tend to be more influenced by economic turbulence and some less. As we were discussing at the very beginning of the section, eggs are classified as "staple' goods that have relatively little impact on the changing environment.

Competition and clients

In general, the inability to differentiate the product (eggs) makes the competitive landscape quite tough. Furthermore, the main customers—grocery retail chains—are quite concentrated in the Baltic market, thus possessing high bargaining power.

Financing risk

All of the Group's loan facilities may be repayable on demand in case of breach of the contract and there can be no guarantee that the Group will not be required to repay such facilities in the future with limited advance notice and when not provided for in the Group's budgets. Any such failure may lead to the default under the Group's credit facilities and could result in the Group's creditors proceedings against the collateral securing its indebtedness. It could also require the Group to dedicate a substantial portion of its cash flow to payments on the debt, increasing vulnerability to a downturn in business or general economic conditions. Any such action could have a significant and negative impact on the Group's operations, financial situation, competitiveness and future development plans.

In November 2023, the Group conducted a successful initial public offering (IPO) of its shares with decent investor activity and attracted 107% of the investment target (overallotment not issued). APF raised EUR 5.25m in gross proceeds (estimated net proceeds c.a. EUR 4.8m) from the IPO. Primarily, funds are allocated to the expansion of the production facilities. Additionally, APF seeks to extend its vertical integration by raising pullets for hen flock substitution, which are currently outsourced. Lastly, the Group plans to expand its sorting plant and purchase egg product manufacturing equipment. Despite the surprising pivot during the subscription period where c.a. 25% discount was applied to the offer price, APF has raised enough funds to cover all envisaged investments. This was possible as the Group, within the IPO process, qualified for EUR 2m (equal to the IPO offer discount) funding for its development plans from the Rural Support Service.

We acknowledge that the Group has quite ambitious expansion plans post-investment phase IV, has launched its egg product line, and pursues circular economy principles by developing biogas plant. However, the next investment phase lacks a certain execution plan, and its future profit dynamics would be hard to predict and quantify at this stage, although it is likely to present a notable upside to the APF's future sales and profits in the long term. Considering the latter, we have decided to exclude investment phase V and biogas plant from our estimates, but for the egg product segment, to remain conservative for the time being.

All in all, we believe APF will be able to successfully realize its production both in local markets and export markets. Importantly, as cage eggs are set to be eradicated in the EU in the long term, diversification, or rather, transfer to cage-free eggs, becomes increasingly relevant. APF's strategic focus on barn eggs in a timely manner positions the Group to gain a competitive edge and unlock fresh opportunities within the markets. This concentration aligns with evolving consumer preferences and market demands, potentially enabling APF to capture market share and capitalize on emerging trends.

Keeping in mind the operational guidance, indications from the Group´s management, and APF's strengthened capital base from the IPO, we have prepared the financial projections and the valuation for the Group based on the following principal assumptions:

- We assume that the Baltics' macroeconomic background remains rather favorable and in line with the latest forecast of the European Commission.
- Investment phase IV will proceed as scheduled.
- We consider that the egg prices will remain relatively stable.
- Following the IPO, the Group has a sufficient capital base to implement its development strategy.

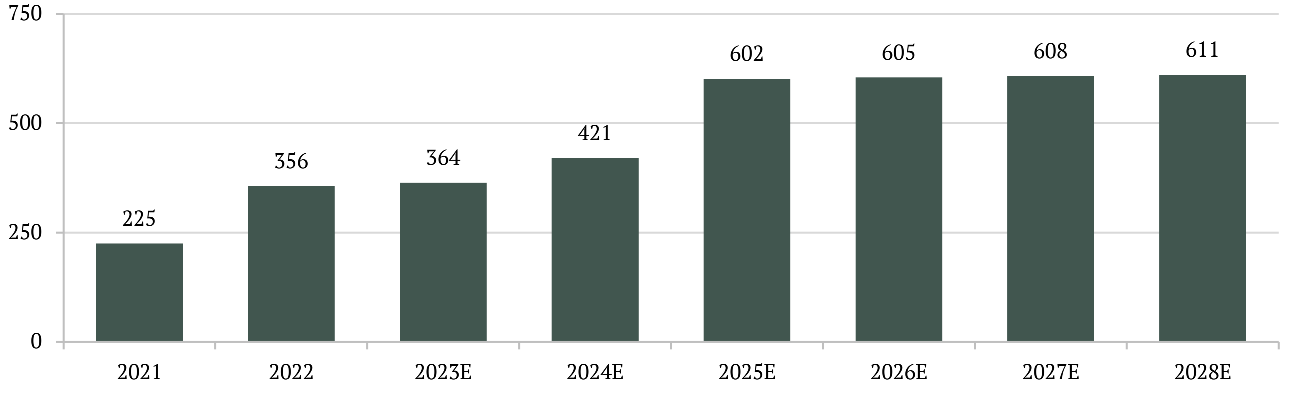
Expansion plans and Capex

Expansion of the hen flock and production of eggs is a major growth driver for APF going forward. Understandably, hens need accommodations in barns. Currently, the existing three barns do not hold enough capacity to accommodate the planned addition of chickens; thus, two additional barns are necessary. The expansion is particularly targeted for barn eggs, which seem to gradually prevail over enriched cage eggs; thus, the Group is adjusting its business model in a timely manner, which could give APF a competitive advantage in the medium to long term.

Management's guidance	2022 actual	2024 target	2025 target
Barns	3	5	5
Laying hens (th)	415	665*	665
Eggs annually (m)	115	119	180
Pullets grown annually (th)	0	0	250
Revenue (EURm)	11	17	26
EBITDA (EURm)	2.1	4.6	8.5
EBITDA margin	18.7%	27.5%	33.2%

*Source: APF. *The number reflects the maximum capacity, due to estimated completion at end of 2024 the average volumes are anticipated to be lower.*

Average number of birds (in thousands)



Source: APF for historicals. Signet Bank for estimates

Guiding from the APF management indications, the Group has initiated the procurement process for the two barns, with the planned start of the first barn operations in Q4 2023, while the second barn is set to be launched in Q1 2025. Each barn is capable of accommodating around 125 thousand chickens, which will allow the Group to increase its flock to 665m birds, or 60%. Keeping in mind that the bird flocks are substituted rather regularly, we have estimated the average number of birds to be c.a. 90% of the total capacity, as indicated in the operating results for 2022 and H1 2023.

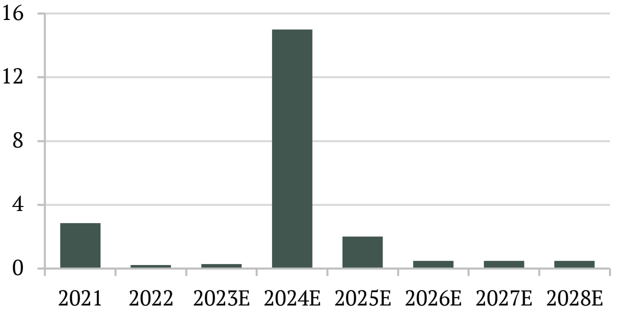
The management of APF has disclosed quite detailed list of expansion Capex, totaling EUR 16.7m. Notably, contracts for the sorting facility and egg processing facility have been secured, solidifying cost estimations for these positions. While procurement for barn construction is ongoing, considering the construction cost index of Latvia, we do not anticipate notable deviations. Consequently, we deem the management's guidance as provided to be well-grounded and credible.

Capex management guidance	EUR
4th hen barn	5.6m
5th hen barn	5.6m
1st pullet house	1.7m
Expansion of sorting facility	2.9m
Egg product equipment	0.8m

Source: APF

In projecting Capex dynamics, we've factored in the development plan timeline, outlined costs, and routine maintenance, encompassing both expansion and replacement of the flock. We remind that completion of the sorting and egg processing facilities is targeted for H1 2024, while barns are anticipated to be built in H2 2024. Consequently, the bulk of the total Capex, estimated at EUR 12.3m, is anticipated to be allocated in 2024. After the construction of the pullet breeding house, scheduled for 2025, it is expected that Capex levels will normalize to meet maintenance requirements and maintain a relatively stable trajectory thereafter.

APF Capex (EURm)

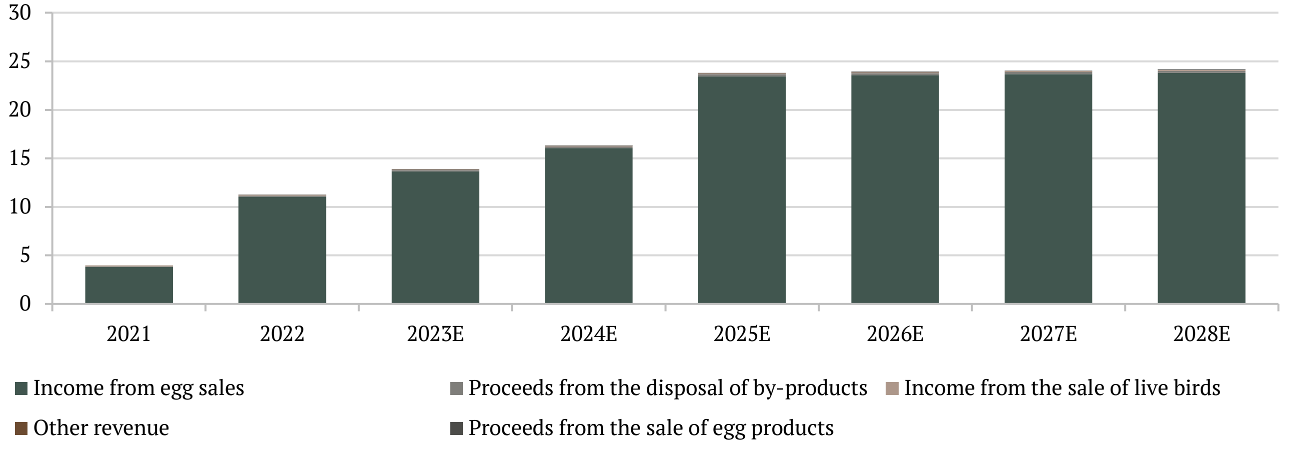


Source: APF, Signet Bank for estimates

Revenues

In normal conditions, a major growth driver for APF is the increase in production capacity. The Group recorded a significant increase in revenues in 2022 (+185.1% y-o-y) by adding a third barn to its operations with a capacity of 125 hens (+43% y-o-y). Quite visibly, the relative change in revenues exceeds the change in hen flock, driven by the increase in average yield per chicken (eggs per hen annually: +21.4% y-o-y) and the increase in price per egg sold (+43.2% y-o-y). Accordingly, we have set our revenue estimates as a function of hen flock size, hen productivity, and the market price of eggs. We have already disclosed our estimates for the hen flock, which is expected to reach its full capacity of 665 thousand in H1 2025. The yield of laying hens is likely to fluctuate y-o-y being dependent on health, nutrition, genetics, and flock management, but as a base estimate, we have taken 300 eggs per hen annually, which is the U.S. 2022 average laying rate according to Egg Industry Center and USADA NASS data. The noteworthy improvements observed in hen yield during 2022 can be attributed to production cycle changes in 2021, which effectively lowered the average yield during that period.

APF Revenues



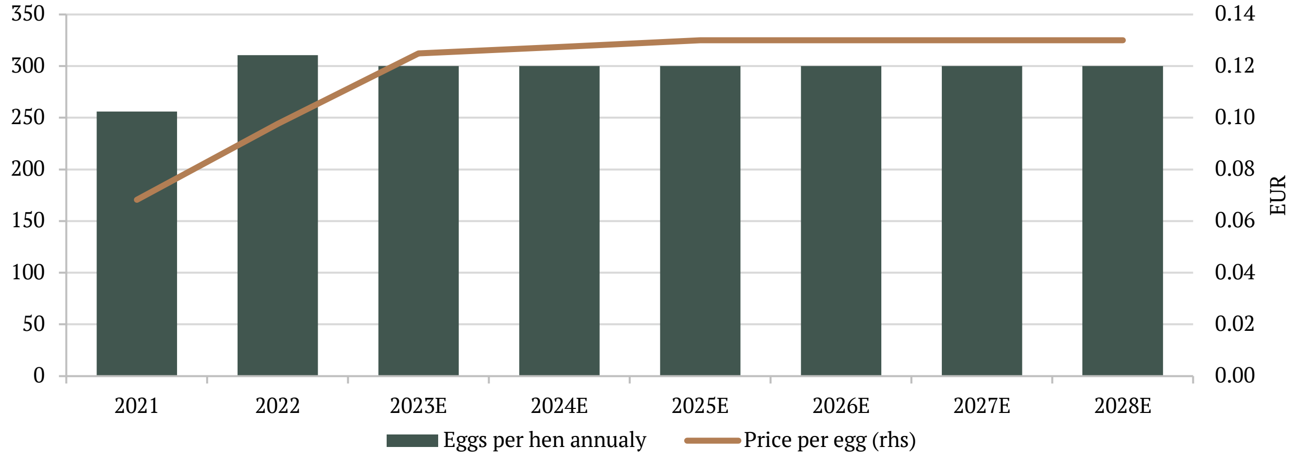
Source: APF, Signet Bank for estimates

Less production cycles in 2022 likely influenced the baseline comparison for 2022, resulting in a more apparent increase in yield compared to the previous year. In response to the volatile landscape of diseases and the uncertainty surrounding supply chains of feed inputs, we have decided to keep egg market prices stable. Despite this, it's noteworthy that cage-free (barn) eggs within the wholesale market typically carry c.a. 5% markup compared to cage eggs. Consequently, we've factored in this proportional change in the average price per egg sold for APF. We anticipate the income from live birds and proceeds from sale of by-products to move in line with the relative increase in flock size, but overall, constitute a tiny portion of the total sales. In the context of egg products, we conservatively anticipate sales to constitute a marginal share of total sales, or EUR 0.03m in 2023 and reach EUR 0.05m in 2028.

However, one should note that the Group has initiated sales of egg mass in Q4/23 and is planning to produce industrial (e.g., egg mass) products in-house in mid-2024 while smoothies will remain outsourced. Industrial products could potentially constitute a significantly larger business segment than smoothies.

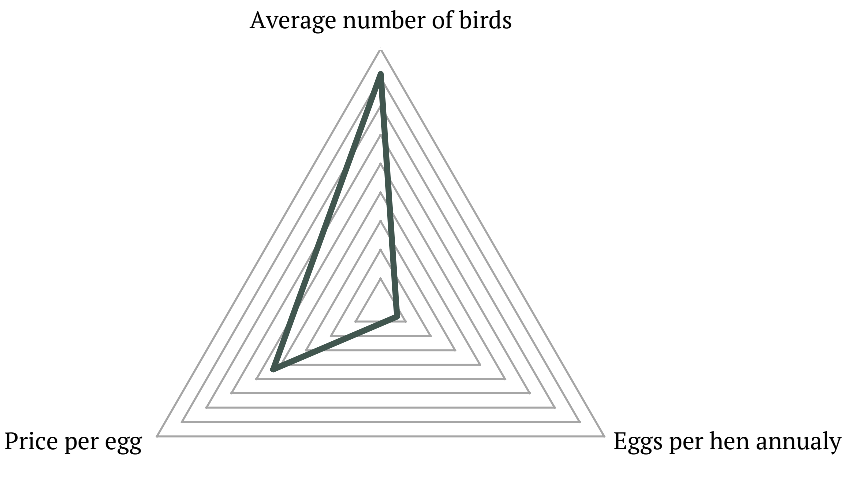
All in all, we have estimated the Group's revenues to reach EUR 24.2m at the end of our forecast period, more than doubling compared to 2022, and entering the stable growth stage already in 2025. The estimated 5Y CAGR stands at an impressive 16.5%. But one should remember that for the time being our revenue forecast does not consider post IV investment phase potential.

Egg production and price



Source: APF, Signet Bank for estimates

Sales drivers (2022 to 2028E)



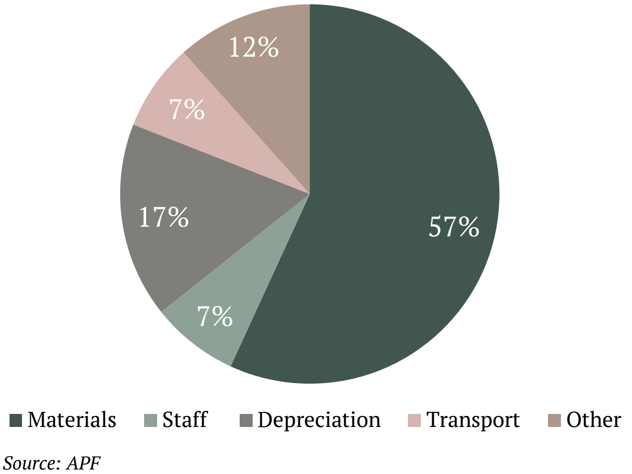
Source: Signet Bank

Costs and profitability

The primary cost position driving total costs within egg production is the costs of goods sold, predominantly comprised of raw materials such as chicken feed and depreciation related to the flock, barns, and equipment. Currently, the Group can stock a relatively low level of feed, and the absence of long-term supplier agreements leaves the Group vulnerable to fluctuations in feed costs, largely influenced by factors beyond its control. Failure to adjust egg sales prices accordingly in response to these fluctuations may unfavorably impact APF profitability. APF has indicated that the expansion would not require a significant increase in personnel as the technological advancement of the barns is high and the capacity of workers has yet to reach its optimal level. Considering the latter, the cost of goods sold is estimated to grow at a 5Y CAGR of 14.6%, mainly driven by feed expenses, nourishing a larger flock.

In terms of OpEx, administrative costs and distribution costs in 2022 formed equal parts of the total OpEx, i.e., c.a. 50/50. Along with increasing production capacity and APF adding new export markets, distribution costs have increased its prominence. In order to proceed with its strategic development plans, APF has expanded its administrative team and hired independent consultants, contributing to the increase in administrative costs. In H1 2023, administrative and distribution costs increased by 81.2% and 16.0% y-o-y, respectively. Considering the Group's development plans and growing export markets, we anticipate distribution and administrative costs to record 5Y CAGR of 10.5%. We note that administrative costs are expected to record a quite steep increase in 2023, followed by a sideways trend due to necessary additions made already in H1 2023, but distribution costs to correlate with the production and sales dynamics. Measuring OpEx as a percentage of sales, we estimate distribution and administrative costs to gradually stabilize at 6% of the sales from 2025 and going forward, compared to 7.9% in 2022.

APF's cost breakdown (2022)



Source: APF

The Group's development strategy, besides other benefits, targets enhancing economies of scale by reducing fixed costs per unit produced. APF has reached the critical threshold of three barns that effectively reduces the fluctuation in average chicken yield between the production cycles and enhances profitability. Despite barn eggs possessing a higher sales price compared to enriched cage eggs while feed costs remain the same, a cage-free barn accommodates fewer hens, so we do not anticipate significant changes in profitability connected to the higher proportion of barn eggs sold.

The available data shows that the Group reached a decent profitability level in 2022, compared to a loss-making year in 2021, mainly driven by increased production volumes and egg price adjustments. One should note that in 2021, the Group operating with 2 barns (vs 3 in 2022) could not effectively maintain such average production yield, consequently pressuring the profitability. We also note that operating profit was positively impacted in the amount of EUR 2m by the revenues from the creditor's waiver of claims from the Group' s ultimate beneficial owner; thus, one should look at the adjusted profits to get a better look at the Group's performance.

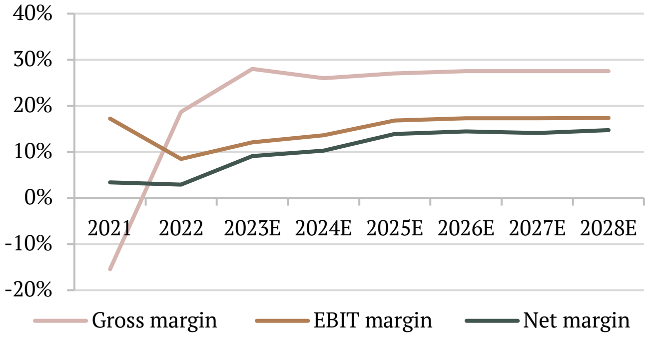
The geopolitical events, specifically Russia's invasion of Ukraine, severely disrupted food commodity supply chains, resulting in significant volatility and escalation in the prices of food commodities integral to chicken feed. In 2022, the proportion of feed costs within the total costs escalated by 10 pp y-o-y, reaching 68%. The impact of a more gradual adjustment in egg prices to accommodate feed price volatility is evident in the 2022 gross margin. In H1 2022, the gross margin amounted to 9%; however, there was a notable recovery in H2, with the gross margin rebounding to 26%.

In H1 2023, profitability ratios have continued to show improvements, with gross margin reaching 31.4% (+22.1 pp y-o-y; +5.1% compared to H2 2022). The subsequent restoration and adjustments of supply chains in 2023 have eased some of the input cost pressures and volatility. From our perspective, the combination of relatively elevated egg prices and the retreat of feed costs has notably elevated the gross margin level in the first half of 2023.

In general, despite decline in commodity prices, egg prices showed relative stability in H1 2023. This stability potentially created favorable market conditions, contributing to an improvement in the gross margin. Furthermore, acknowledging the competitive threat from Ukraine, we must consider its potential to further squeeze margins. We project a normalization of the gross margin to reach 26% by 2024, with an incremental upside anticipated from the economies of scale, ultimately aiming for 27.5% in 2026 and beyond. All in all, we expect that the addition of staff necessary for the execution of the growth strategy have been added in H1 2023 and should remain rather stable throughout the forecast period.

As a result, we anticipate a gradual increase in the Group's operating margin, progressing from 8.5% in 2022 to 17.3% in 2026 and beyond. However, it's expected that the net margin will range between 14% to 15% once the Group achieves its planned operational capacities. With that said, we perceive the Group's financial targets for profitability levels to be overly optimistic. Our analysis suggests that this assertion finds validation through a comparison with the closest peer's profitability trends over the past six years. Balticovo's gross margin exhibited fluctuations ranging between 10% to 28% from 2017 to 2022. While theoretically Balticovo should enjoy substantial economies of scale compared to APF, the disparities in business segments and potentially in effectiveness of the operations could restrict Balticovo to reach the full profitability potential.

APF profit margins (%)



Source: APF, Signet Bank for estimates

Capital structure

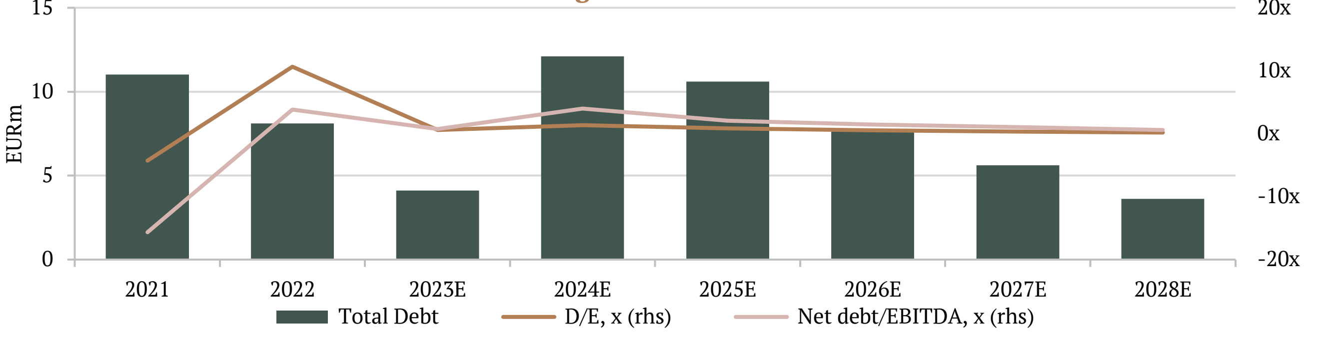
A vast majority of APF's assets are formed by barns and technical equipment. Mostly, the Group has relied on debt financing; however, one should note that a notable share of the total debt historically has been sourced from the Group' s largest shareholder, J.A. Investment Holdings SIA, owned by Mr. Adamovics. Part of the provided loans were later capitalized, increasing share capital by EUR 0.7m in 2021 and EUR 3m in 2022.

We also note that the Group's beneficiary, Mr. Adamovics, waived his claim of right against the Group in the amount of EUR 2m in 2021, which was accounted in other operating income, effectively contributing to the equity base. Shareholder loans are recorded under other debt and, at the end of H1 2023, amounted to EUR 1.9m. The annual interest rate for shareholder loans is set at 3.5%, loan maturity dates are January 2025 and January 2028. By the end of H1 2023, bank and other loans (excluding shareholder loans) totaled EUR 5.5m, primarily structured with floating rates. Our assessment indicates an average annual interest rate of nearly 7.8% at the end of H1 2023. However, the average annual interest rate on total debt stood slightly lower at 6.7% during the same period. Given the Group's prior distressed state, we anticipate the potential for accessing more cost-effective loans in the future. This could enable a gradual reduction in the annual average interest rate, in our view, reaching 4.6% by the conclusion of our forecast period. This expectation reflects improved financial stability and the likelihood of securing more favorable lending terms over time, furthermore, it seems that the normalization of Euribor rate in 2024 is becoming more evident.

APF has outlined that the ongoing investment phase IV will be funded through a blend of equity and debt, targeting an LTV ratio of approximately 60%. To recap, the projected investment for phase IV stands at EUR 16.7m. Of this amount, EUR 4.8m will be sourced from our projected net proceeds following the IPO, while EUR 2m is anticipated from subsidies provided by the Rural Development Agency. The remaining portion, around EUR 10m, is expected to be acquired through banking channels. Management has reported positive discussions, though non-binding, with several potential lenders expressing a willingness to fund up to EUR 11m.

In line with the investment pipeline, the total debt is forecasted to increase to EUR 12.1m by 2024, with the D/E ratio reaching 1.4x and the Net debt/EBITDA ratio at 4.0x. Given the Group's anticipated swift transition to a stable growth phase post-barn completion, we expect a gradual reduction in debt levels moving forward. Our estimations suggest a decline to approximately EUR 3.6m in total debt by the end of the forecast period, corresponding to a D/E ratio of 0.2x and a Net debt/EBITDA ratio of 0.6x. Overall, we foresee APF maintaining a robust financial position and sustaining a sound debt level throughout the projected period.

Leverage indicators



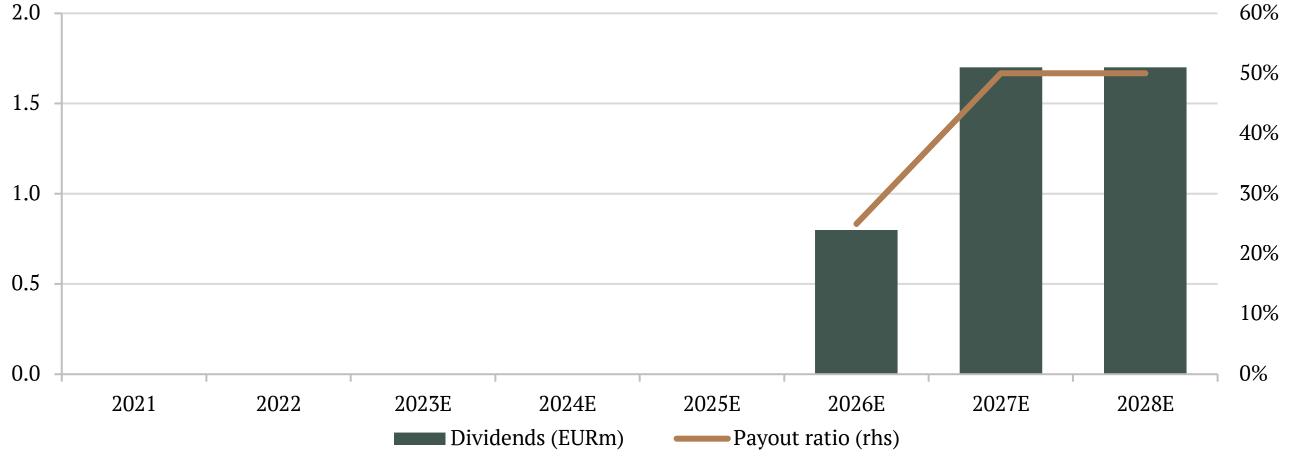
Source: APF, Signet Bank for estimates

Dividend Policy

The Group has been actively expanding its production capacity, and understandably, no dividend payments have been recorded in the past. According to the approved dividend policy, APF aims to distribute to the shareholders up to 50% of the previous year's net profit, starting in 2026, namely, following the envisaged completion of investment phase IV. Although the Group is currently reaching solid financial results, the cash flow necessity of reducing the debt level might initially limit the Groups payout ratio. Keeping in mind the latter, we estimate the payout ratio to stand at 25% in 2026, increasing to 50% by 2027, and remaining stable further on.

We would also point out that APF has indicated very ambitious plans beyond investment phase IV; thus, depending on the market circumstances, the availability of financing, and the pace of potential development going further, we would consider the payout ratio level rather uncertain at this point. However, alternatively we believe that the interest of the ultimate beneficiary, Mr. Adamovics, is to yield returns across multiple investment rounds prior to APF' s IPO.

APF Dividends and Payout Ratio



Source: APF, Signet Bank for estimates

Valuation

Valuation summary

We have approached the valuation of APF using DCF and the peer group analysis. Considering the Group's promising long-term growth prospects and the scarcity of comparable listed peers, we believe that the income approach better suits APF's valuation. Hence, we allocated 80% to the income-based valuation using the discounted cash flow (DCF) method, while the remaining 20% is attributed to peer valuation. Overall, based on our current estimates for APF and other assumptions, we set our target price for the Group at EUR 5.55 per share.

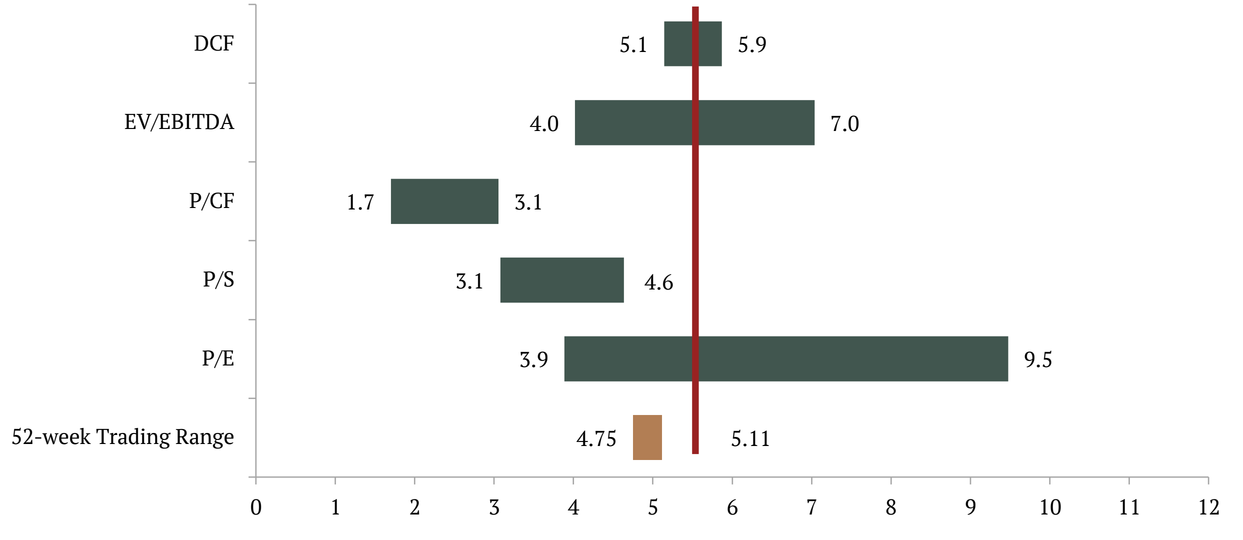
Being one of the largest egg producers in Baltics, APF is ready to take next step by considerably expanding its production capacity and strengthening its supply chain. Capital injections from IPO and granted subsidies presents a promising trajectory for the Group's ambitious growth plans. Demand for eggs has demonstrated to be quite resilient, giving positive outlook for the market going forward. We see APF strategy in line with the ongoing industry transformation, furthermore, expanding in export markets is likely to reduce the dependency on Baltic retail chains possessing relatively high bargaining power.

We believe that the core attraction of APF is the strategic focus on the cage-free eggs and improving profitability resulting from economies of scale.

Indicated by the Group, it has set quite ambitious expansion plans post investment phase IV. While we believe that in long-term it could potentially hold considerable upside to APF's value, however, due to absence of execution schedule and other important details, we limit our estimates and valuation at investment phase IV. We anticipate the Group's initiation of dividend payouts subsequent to the current investment phase, expected to commence from 2026. In our projections, the anticipated payout ratio stands at 25% for 2026, gradually escalating to 50% by 2028. This trajectory implies a dividend yield ranging between 3.0% and 6.1%. The key risk factors we have considered are disease outbreak in hen flocks, stiff competition, volatile raw material prices and high bargaining power of retail chains.

Weighted Value Per Share, EUR	Period weights			Period weighted value	Weights	Contribution to value
	2023E	2024E	2025E			
Method	20%	30%	50%			
DCF				5.5	80.0%	4.4
P/E	3.9	5.6	9.5	7.2	7.5%	0.5
EV/EBITDA	4.0	5.8	7.0	6.1	7.5%	0.5
P/S	3.1	3.5	4.6	4.0	2.5%	0.1
P/CF	1.7	2.1	3.1	2.5	2.5%	0.1
Total weighted value per share						**5.55**

Source: Signet Bank



Source: Signet Bank

DCF

Valuing the equity of APF we are applying the free cash flow to the firm. We consider that two-step DCF model, which includes 5-year forecast period, followed by terminal value, is suitable as the Group is expected to enter stable growth phase already in 2026.

Our DCF model assumes 10.1% cost of capital. Considering the relatively small size of the Group, low liquidity of its shares, and highly competitive operating environment involving strong pressure from the market players, we applied company-specific risk premium of 4.0% besides other cost of capital assumptions.

Based on these assumptions, we calculated a DCF-based value of the Group at EUR 5.49 per share. Considering the sensitivity of DCF analysis to long-term growth rate and the cost of capital, we have provided a sensitivity table.

Peer valuation

We have compiled a list of different companies operating in different agricultural sectors e.g., egg producers, dairy, meat, and other peers. While we recognize the potential for significant differences in average trading multiples across various global regions, we find that a broader range of peers contributes to better market diversification.

Among the selected peers, the business model most closely resembling APF are "Vital Farms" the leading U.S. brand of pasture-raised eggs by retail dollar sales and "Cal-Maine Foods" the largest producer and distributor of shell eggs in the United States. Despite the substantial disparity in size and operational scale between the companies and APF, we believe it offers valuable insights into the global valuation of a similar operating model. In our analysis, we've noted a higher-level valuation multiples of egg producers compared to their peers. Given the significant similarity between these egg producers and APF, we've made the deliberate choice to split the peers into two groups, attaching 50% weight to each group's valuation.

We decided to use the peer group median values as a basis for the comparative analysis of APF. In order to have a wide selection of market multiples for broader comparison, we focused on four different multiples, including, P/E, P/CF, P/S and EV/EBITDA. Unfortunately, the P/CF multiples are not available for egg producers, thus we have used P/S multiples for the respective Group. Taking into account the anticipated relatively strong expansion rates of the Group's operating volumes and profits in the coming years, we decided to apply different time weightings to the implied equity values derived from the peer group data, giving only 20% weight to 2023, 30% to 2024 and 50% to 2025 estimated values.

DCF Assumptions:	
Risk free rate	2.5%
Market risk premium	5.1%
Levered Beta	1.42
Country Risk Premium	1.8%
Add. comp. risk premium	4.0%
Share of debt	63.8%
Terminal sales growth	2.0%
Terminal EBIT margin	17.4%
Cost of equity	15.6%
Cost of debt	7.0%
WACC	10.1%

Source: Signet Bank

DCF valuation, EURm	2024E	2025E	2026E	2027E	2028E	Term
EBIT	2.2	4.0	4.1	4.2	4.2	
Taxes	0.0	0.0	(0.2)	(0.4)	(0.4)	
Non-cash charges	0.7	0.9	1.0	1.0	1.0	
Capex	(15.0)	(2.0)	(0.5)	(0.5)	(0.5)	
Change in NWC	(0.2)	(1.0)	0.0	0.0	0.0	
FCFF	**(12.4)**	**1.9**	**4.4**	**4.2**	**4.2**	
Discounted FCFF	(11.8)	1.7	3.5	3.0	2.7	33.9
EV						33.0
Net debt + adjustments						1.5
Equity value						**31.5**
Equity value per share (EUR)						**5.49**

Source: Signet Bank

Sensitivity of DCF value to changes in assumptions (EUR)

		WACC						
		8.6%	**9.1%**	**9.6%**	**10.1%**	**10.6%**	**11.1%**	**11.6%**
Terminal growth rate	**1.1%**	5.31	5.17	5.03	4.90	4.77	4.64	4.52
	1.4%	5.50	5.36	5.22	5.08	4.95	4.82	4.69
	1.7%	5.71	5.57	5.42	5.28	5.14	5.01	4.88
	2.0%	5.94	5.79	5.64	5.49	5.35	5.21	5.08
	2.3%	6.18	6.02	5.87	5.72	5.57	5.43	5.29
	2.6%	6.44	6.28	6.12	5.97	5.81	5.67	5.52
	2.9%	6.73	6.56	6.39	6.23	6.08	5.92	5.77

Source: Signet Bank

Peer comparison table

Sector	Company Group 1	Country	Market Cap EURm	P/E (x) 2023E	P/E (x) 2024E	P/E (x) 2025E	P/S (x) 2023E	P/S (x) 2024E	P/S (x) 2025E	EV/EBITDA (x) 2023E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E
Egg producers	Cal-maine Foods Inc	United States	2,541	20.4	37.3	33.3	1.4	1.5	1.4	23.3	27.4	14.7
	Vital Farms Inc	United States	588	25.9	19.4	14.4	1.2	1.0	0.9	10.7	8.5	6.4
	Median			**23.1**	**28.3**	**23.9**	**1.3**	**1.2**	**1.1**	**17.0**	**17.9**	**10.5**
	Average			23.1	28.3	23.9	1.3	1.2	1.1	17.0	17.9	10.5
	Harmonic Mean			22.8	25.5	20.1	1.3	1.2	1.1	14.6	12.9	8.9
	Quartile 1			21.8	23.8	19.2	1.2	1.1	1.0	13.8	13.2	8.5
	Quartile 3			24.5	32.8	28.6	1.3	1.3	1.2	20.2	22.6	12.6
	Multiplier			1.3	1.7	3.3	13.9	16.3	23.8	2.1	2.9	4.9
	Equity Value (EURm)			29.3	47.7	79.0	17.6	20.2	26.5	35.0	51.6	52.1
	Equity Value Per Share			**5.1**	**8.3**	**13.8**	**3.1**	**3.5**	**4.6**	**6.1**	**9.0**	**9.1**

Sector	Company Group 2	Country	Market Cap EURm	P/E (x) 2023E	P/E (x) 2024E	P/E (x) 2025E	P/CF (x) 2023E	P/CF (x) 2024E	P/CF (x) 2025E	EV/EBITDA (x) 2023E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E
Fish	Mowi Asa	Norway	8,430	11.8	11.1	9.3	7.7	7.6	6.7	7.8	7.5	11.1
	Salmar Asa	Norway	6,632	15.9	14.9	16.2	15.2	12.4		8.8	8.3	9.8
	Bakkafrost P/F	Faroe Islands	2,741	16.3	14.0		11.8	6.8	7.5	9.2	8.2	11.0
	Leroy Seafood Group Asa	Norway	2,216	10.2	8.9	8.4	6.6	6.1	5.4	5.9	5.4	5.2
	Austevoll Seafood Asa	Norway	1,340	7.4	6.8		4.9	2.9		5.3	4.9	5.0
	Grieg Seafood Asa	Norway	690	9.6	7.7	8.9	6.6	5.5	4.7	5.4	4.6	4.9
	Icelandic Salmon As	Norway	385	17.7	10.3					10.0	6.6	
	Maasoeval As	Norway	281	9.8	8.1		5.7	5.8		6.0	5.5	
	Ice Fish Farm As	Norway	263	13.3	7.8	6.6				8.2	5.8	5.3
Dairy	Emmi Ag-reg	Switzerland	5,174	21.0			12.8	12.0	12.7	12.5	12.0	11.3
	Savencia Sa	France	769	6.6	5.6		2.0	1.8		3.6	3.4	
	Glanbia Plc	Ireland	3,958	12.2	11.5	10.8	9.5	9.0		9.4	9.0	8.4
Meat & meat producers	L.D.C. Sa	France	2,460	8.6	8.8	8.4	4.5	4.4	4.1	3.3	3.3	3.1
	Cranswick Plc	Britain	2,389	17.3	16.3	15.3	9.8	8.9	9.0	9.0	8.6	8.2
	Bell Food Group Ag - Reg	Switzerland	1,712	12.1	11.2		5.0	5.0		7.1	6.8	
	Hilton Food Group Plc	Britain	804	13.0	12.3	10.1	5.9	5.8		7.3	7.0	6.5
	Scandi Standard Ab	Sweden	340	11.8	10.0	8.1	5.8	5.4	5.5	5.9	5.5	5.8
	Atria Oyj	Finland	300	8.6	7.6	7.0	2.8			5.1	4.8	4.7
Other	Aak Ab	Sweden	5,246	20.4			15.9	15.3		12.6	12.0	12.3
	Suedzucker Ag	Germany	2,918	5.3	6.9	8.4	3.0	3.5	3.6	4.9	5.6	6.1
	Jde Peet's Nv	Netherlands	11,981	13.1	12.3	11.5	9.8	9.1	7.9	10.3	9.7	9.2
	Ebro Foods Sa	Spain	2,410	13.5	12.9	12.4	8.7	8.2		8.3	7.9	7.8
	Dole Plc	Ireland	1,079	9.6	8.6	8.3	5.5	4.9		6.0	5.7	5.6
	Agrana Beteiligungs Ag	Austria	906	9.7	9.7	9.3	7.9	3.5	3.3	6.1	6.1	6.0
	Bonduelle Sca	France	353	8.7	6.4	5.5	3.0	2.7	2.5	4.8	4.3	4.1
	Greenyard Nv	Belgium	307	16.6	10.3	9.0	1.7	2.6	2.4	4.8	4.5	4.3
	Median (excl. outliers)			**12.0**	**9.7**	**8.9**	**6.3**	**5.8**	**5.4**	**6.1**	**5.8**	**6.1**
	Average			12.3	10.0	9.6	7.2	6.5	5.8	7.2	6.6	7.1
	Harmonic Mean			11.0	9.3	9.0	5.1	4.9	4.6	6.4	6.0	6.2
	Quartile 1			9.6	7.9	8.3	4.8	3.9	3.7	5.3	5.2	5.1
	Quartile 3			16.1	12.3	11.7	9.6	8.6	7.8	8.9	8.1	9.0
	Multiplier			1.3	1.7	3.3	1.6	2.1	3.2	2.1	2.9	4.9
	Equity Value (EURm)			15.2	16.4	29.5	9.7	12.0	17.5	11.0	15.1	28.5
	Equity Value Per Share			**2.6**	**2.9**	**5.2**	**1.7**	**2.1**	**3.1**	**1.9**	**2.6**	**5.0**

Source: Bloomberg, Signet Bank

Balance Sheet (EURm)	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Assets								
Intangible assets	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Fixed assets	10.5	10.3	10.2	24.5	25.6	25.1	24.6	24.1
Immovable properties	4.3	4.2	-	-	-	-	-	-
Leasehold improvements	-	0.0	-	-	-	-	-	-
Technological equipment and machinery	6.0	5.8	-	-	-	-	-	-
Other fixed assets	0.2	0.2	-	-	-	-	-	-
Fixed assets under development	0.1	0.2	-	-	-	-	-	-
Advances for fixed assets	-	-	-	-	-	-	-	-
Non-current financial investments	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-current assets	**10.5**	**10.4**	**10.2**	**24.6**	**25.6**	**25.2**	**24.7**	**24.2**
Inventories	1.8	1.7	1.9	2.3	3.3	3.3	3.3	3.3
Raw materials and consumables	0.2	0.3	-	-	-	-	-	-
Finished goods and goods for sale	0.0	0.0	-	-	-	-	-	-
Advances for inventories	-	0.3	-	-	-	-	-	-
Fauna and flora	1.6	1.1	-	-	-	-	-	-
Account receivable	0.4	1.1	1.3	1.6	2.3	2.3	2.3	2.3
Trade receivables	0.4	0.9	-	-	-	-	-	-
Other receivables	0.0	0.1	-	-	-	-	-	-
Deferred expenses	0.0	0.1	-	-	-	-	-	-
Cash and bank	0.0	0.1	2.6	0.7	0.4	0.3	0.3	0.5
Total current assets	**2.3**	**2.9**	**5.8**	**4.5**	**6.0**	**5.8**	**5.8**	**6.0**
Total assets	**12.8**	**13.2**	**16.0**	**29.1**	**31.6**	**31.0**	**30.5**	**30.2**
Equity and liabilities								
Equity								
Share capital	1.7	4.7	10.0	10.0	10.0	10.0	10.0	10.0
Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brought forward from previous year	(4.4)	(4.3)	(3.9)	(2.7)	(1.0)	1.5	3.2	4.9
Current year profit or losses	0.1	0.3	1.3	1.7	3.3	3.5	3.4	3.6
Total equity	**(2.6)**	**0.8**	**7.3**	**9.0**	**12.3**	**14.9**	**16.6**	**18.4**
Liabilities								
Borrowings	10.9	5.6	2.6	10.6	7.6	5.6	4.6	2.6
Advances from customers	-	-	-	-	-	-	-	-
Deferred income	2.6	2.5	2.7	5.8	5.7	5.5	5.4	5.3
Total non-current liabilities	**13.5**	**8.1**	**5.3**	**16.4**	**13.3**	**11.1**	**10.0**	**7.9**
Borrowings	0.2	2.6	1.6	1.6	3.1	2.1	1.1	1.1
Advances from customers	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Trade payables	1.1	1.2	1.3	1.5	2.1	2.0	2.0	2.0
Taxes and state social insurance payments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other creditors	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Deferred income	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Accrued liabilities	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Total current liabilities	**1.9**	**4.4**	**3.4**	**3.7**	**6.0**	**5.0**	**4.0**	**3.9**
Total liabilities	**15.3**	**12.4**	**8.7**	**20.1**	**19.3**	**16.1**	**13.9**	**11.8**
Total equity and liabilities	**12.8**	**13.2**	**16.0**	**29.1**	**31.6**	**31.0**	**30.5**	**30.2**

Source: APF for historicals, Signet Bank for estimates

Report tables

Income Statement (EURm)	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	3.9	11.2	13.9	16.3	23.8	23.9	24.1	24.2
Production costs	(4.5)	(9.1)	(10.0)	(12.1)	(17.4)	(17.3)	(17.4)	(17.5)
Gross profit	**(0.6)**	**2.1**	**3.9**	**4.2**	**6.4**	**6.6**	**6.6**	**6.6**
Distribution expenses	(0.4)	(0.9)	(1.0)	(1.1)	(1.4)	(1.4)	(1.4)	(1.5)
Administrative expenses	(0.6)	(0.9)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Other operating income	2.3	0.7	0.2	0.5	0.5	0.5	0.5	0.5
Other operating expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operating profit	**0.7**	**1.0**	**1.7**	**2.2**	**4.0**	**4.1**	**4.2**	**4.2**
Depreciation & Amortization	1.4	(1.1)	(0.4)	(0.7)	(0.9)	(1.0)	(1.0)	(1.0)
EBITDA	(0.7)	2.1	2.1	2.9	4.9	5.1	5.1	5.2
Net financial expenses	(0.5)	(0.6)	(0.4)	(0.5)	(0.7)	(0.5)	(0.3)	(0.2)
Pre-tax profit	**0.1**	**0.3**	**1.3**	**1.7**	**3.3**	**3.7**	**3.8**	**4.0**
Income tax	(0.0)	(0.0)	-	-	-	(0.2)	(0.4)	(0.4)
Deferred income tax	-	-	-	-	-	-	-	-
Net profit	0.1	0.3	1.3	1.7	3.3	3.5	3.4	3.6

Nr of shares (m)				5.73	5.73	5.73	5.73	5.73
EPS				0.29	0.58	0.60	0.59	0.62
Dividends paid	-	-	-	-	-	0.83	1.73	1.70
DPS				-	-	0.14	0.30	0.30

Cash Flow Statement Summary (EURm)	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Operating Activities								
Profit or losses before corporate income tax	0.1	0.3	1.3	1.7	3.3	3.7	3.8	4.0
Adjustments for:								
depreciation and impairment	0.3	0.4	0.4	0.7	0.9	1.0	1.0	1.0
change in receivables	(0.1)	(0.7)	(0.3)	(0.2)	(0.7)	(0.0)	(0.0)	(0.0)
change in inventory	(1.1)	0.1	(0.2)	(0.4)	(1.0)	0.0	(0.0)	(0.0)
change in payables	(1.9)	(0.1)	0.3	0.4	0.7	(0.3)	(0.1)	(0.1)
Corporate income tax	(0.0)	(0.0)	-	-	-	(0.2)	(0.4)	(0.4)
Net operating cash flow	(2.6)	0.1	1.6	2.1	3.2	4.1	4.2	4.4
Investing Activities								
Purchase of PPE and intangibles	(2.9)	(0.2)	(0.3)	(15.0)	(2.0)	(0.5)	(0.5)	(0.5)
Net change in loans	(0.0)	(0.4)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net investing cash flow	(2.9)	(0.7)	(0.3)	(15.0)	(2.0)	(0.5)	(0.5)	(0.5)
Financing Activities								
Net proceeds/redemtion of debt and leases	5.2	0.0	(4.0)	8.0	(1.5)	(3.0)	(2.0)	(2.0)
Dividends paid	-	-	-	-	-	(0.8)	(1.7)	(1.7)
Change in capital	0.0	-	5.3	-	-	-	-	-
Net other financing items	0.2	0.6	-	3.0	-	-	-	-
Net financing cash flow	5.4	0.6	1.3	11.0	(1.5)	(3.8)	(3.7)	(3.7)

Total change in cash	(0.0)	0.0	2.5	(1.9)	(0.3)	(0.2)	(0.0)	0.2
Cash & equivalents at beginning of the year	0.1	0.0	0.1	2.6	0.7	0.4	0.3	0.3
Cash & equivalents at end of the year	0.0	0.1	2.6	0.7	0.4	0.3	0.3	0.5

Source: APF for historicals, Signet Bank for estimates

Report tables

Main Ratios	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Growth, %								
Sales growth	(18.8)	185.1	23.5	17.8	45.7	0.5	0.5	0.5
Gross profit growth	n.a.	(445.4)	84.8	9.4	51.3	2.4	0.5	0.5
EBITDA growth	n.a.	(399.2)	(1.9)	39.7	71.6	3.2	0.8	0.7
Operating profit growth	n.a.	40.2	75.8	32.9	79.7	3.7	0.7	0.7
Net profit growth	n.a.	144.7	282.7	33.0	96.5	4.3	(1.7)	5.0
Margins and profitability, %								
Gross margin	(15.4)	18.7	28.0	26.0	27.0	27.5	27.5	27.5
EBITDA margin	(17.8)	18.7	14.9	17.6	20.7	21.3	21.4	21.4
Operating margin	17.2	8.5	12.1	13.6	16.8	17.3	17.3	17.4
Net margin	3.4	2.9	9.1	10.3	13.9	14.4	14.1	14.7
Return Ratios								
Capital Employed (EUR m)	8.5	8.9	11.4	21.1	22.9	22.5	22.2	22.0
ROCE (%)	10.1	11.0	16.5	13.7	18.2	18.2	18.7	19.0
ROE (%)	n.a.	n.a.	31.5	20.7	31.2	25.4	21.6	20.4
ROA (%)	1.2	2.5	8.7	7.5	10.9	11.0	11.0	11.7
Leverage								
Debt, EURm	11.0	8.1	4.1	12.1	10.6	7.6	5.6	3.6
Debt/Equity ratio, x	(4.3)	10.6	0.6	1.4	0.9	0.5	0.3	0.2
Net debt, EURm	11.0	8.1	1.5	11.4	10.2	7.4	5.4	3.2
Net gearing, x	(4.3)	10.5	0.2	1.3	0.8	0.5	0.3	0.2
Net debt/EBITDA, x	(15.7)	3.8	0.7	4.0	2.1	1.4	1.0	0.6
Valuation								
EV/Revenue, x			2.1	1.8	1.2	1.2	1.2	1.2
EV/EBITDA, x			14.4	10.3	6.0	5.8	5.8	5.7
P/E, x			22.2	16.7	8.5	8.1	8.3	7.9
P/BV, x			3.9	3.1	2.3	1.9	1.7	1.5
P/CF, x			18.1	13.4	8.7	6.8	6.7	6.4
Dividend Yield (%)			-	-	-	2.9	6.1	6.0

Source: APF, Signet Bank for estimates. Valuation multiples 2023-2028E are calculated based on the share price EUR 4.90 at January 29, 2024.

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Sign-off time: January 29, 2024, 18:00

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