

Firstfarms A/S (FFARMS)



Pigs, Cows, Crops: A Trifecta of Returns

FirstFarms A/S (“FirstFarms” or “the Company”) is a Danish investment company in the agriculture sector primarily focused on milk, crops and pigs. The Company owns and operates farms in the Czech Republic, Slovakia, Hungary and Romania. FirstFarms sees refinement potential in continuous acquisitions and integration of smaller farms by utilising existing expertise within the Company to increase productivity and decrease costs by economy of scale, thereby increasing profit margins. The war in Ukraine has inflated commodity prices into the upper ends of their historical price range, benefiting FirstFarms. Analyst Group projects the inflated prices to impact the fiscal year 2023 positively. Applying the target EV/EBIT multiple of 12.6x to the 2023 estimated EBIT of DKK 114m, a potential share price of DKK 100.4 is motivated.

Outperforming Market Productivity

Capitalising on existing competence within FirstFarms and refining acquired juvenile farms in the portfolio has been a long-standing strategy for the Company to increase efficiency. As of 2022, the global average weaned piglets produced per sow amounted to 28 a year while FirstFarms Hungarian farms averaged 38, resulting in an estimated 2023 net profit margin of 9.0% compared to the peer average of 3.6%. By utilising and implementing the superior farming practice to the less mature farms in Slovakia, the Slovakian division is estimated to increase weaned piglets produced per sow with a CAGR of 5.2% from 2022-2025. Furthermore, milk produced per cow has increased with a CAGR of 4.1% from 2017-2021 company-wide due to improved farming practices. Analyst Group assumes this trend to continue at a CAGR of 1.4% from 2022-2025 as the animals are nearing their biological thresholds.

Construction of a New Stable in Hungary

FirstFarms are currently constructing a new stable with a capacity of 2 000 sows, adding to their existing 4 700. The stable is set to be operational in Q4-2023 and increase revenue generated from the pig segment by 14.6% from 2023 to 2024. The pig segment is estimated to constitute 36.6% of the revenue in 2023 and 44.7% of the revenue in 2024.

War in Ukraine Inflates Commodity Prices

As of 2022, 21% of FirstFarms revenue stemmed from wheat and rapeseed. Ukraine was the world’s seventh-largest wheat producer and sixth-largest rapeseed producer prior to the war, but due to the war disrupting the Ukraine supply chain, European wheat prices rose by 43.6% and rapeseed prices by 35.7% over two months. The price has reverted most of the increase but is assumed to remain historically high until Ukraine’s grain industry operates at pre-war levels.

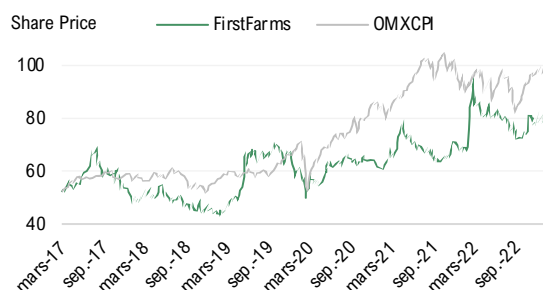
VALUATION RANGE

Bear	Base	Bull
DKK 64.6	DKK 100.4	DKK 154.8

KEY INFORMATION

Share Price (2023-03-30)	87.0
Shares Outstanding	9 460 277
Market Cap (DKKm)	823.0
Net cash(-)/debt(+) (DKKm)	455.8
Enterprise Value (DKKm)	1 278.8
List	Nasdaq Copenhagen A/S
Quarterly report 1 2023	2023-05-17

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: FIRSTFARMS)

Henrik Hougaard	21.8%
Bendt Wedell	14.0%
Olav W. Hansen	11.7%
Claus Ewers	2.1%
Anders H. Nørgaard	1.3%

Estimates (DKKm)	2022	2023E	2024E	2025E
Revenue	541	611	677	717
COGS	-233	-266	-299	-314
Gross Profit	308	346	378	403
Gross Margin	56.9%	56.6%	55.9%	56.2%
Operating Costs	-212	-232	-256	-283
EBITDA	147	168	183	188
EBITDA Margin	27.1%	27.5%	27.0%	26.2%
P/S	1.3x	1.3x	1.2x	1.1x
EV/S	2.2x	2.1x	1.9x	1.8x
EV/EBITDA	8.1x	7.6x	6.9x	6.8x
EV/EBIT	12.4x	11.2x	10.4x	10.6x

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Other

The Principal, **FirstFarms** (furthermore" the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

The parts that the Company has been able to influence are the parts that are purely factual and objective.

The analyst does not own shares in the Company.

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