MIRABAUD
ASSET MANAGEMENT

AGRITECH IN 2025

POSITIONED FOR GROWTH

The US market led last year's resurgence in agritech investment and momentum looks on track for more of the same in 2025. As agriculture shifts from a peripheral consideration to the central lens of climate adaptation, we expect to see ongoing expansion in agrochemical development, the role of AI becoming more precise, and impact-focused VCs stepping up on climate change.

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Pundits are saying private equity is back for 2025 – is this true?

Well, from our perspective, it never went away! But taking stock at the end of January, we believe that the private equity environment is healthier now than it has been for years. Venture capital markets, in particular, are positioned for growth, driven by advancements in AI and digital tools, a rebound in IPO, and favourable regulatory developments.

Dealmaking activity is also set to pick up with improving macro conditions, most notably in the US. A continuation of interest rate cuts should be particularly supportive for deal flow, and there is a huge amount of dry powder waiting on the sidelines.

What about agritech more specifically?

Agriculture is no longer a peripheral consideration of tech innovation but the central lens of climate adaptation. Venture capital investment into agritech increased for the second consecutive quarter in Q3 2024. According to newly released PitchBook data, agritech saw USD1.6 billion invested across 159 deals in Q3 2024, with a 15% increase vs. Q2 in deal value. This resurgence in investment underscores growing investor confidence in the sector's potential to address critical challenges in agriculture and climate change.

In Q3 2024, the agritech sector demonstrated a strong focus on sustainability, carbon removal, and technological innovation, with several key developments highlighting these trends. According to PitchBook data, the long-term outlook for agritech remains positive, with the global market projected to reach USD43.3 billion by 2029, growing at a compound annual growth rate of 16.6%.

The US agritech market is recovering faster than other markets – what's driving this?

All the major agrochemical companies, including Bayer, Corteva, Syngenta and BASF, now have departments dedicated to biologicals*, and have collectively made many acquisitions in the space over the last decade. This expansion beyond – or as a complement to – chemicals is one of the key factors driving the market globally, particularly in the US, which is not only one of the largest markets but is where regulation on agriculture bio-tech is also more open to innovation. Typically, the US authorisation process lasts 3–4 years, compared to 6–7 years in Europe.

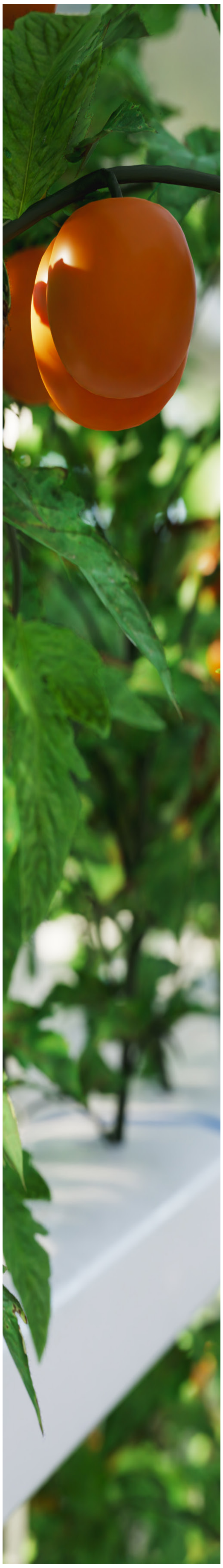
Gene editing and AI sectors also saw notable advancements in the US. Pairwise's USD40 million Series C funding raise in September, as well as its joint venture with Corteva, highlight the growing importance of gene editing in developing climate-resilient crops, particularly for major 'row crops', such as corn and soya beans.

What exposure does Mirabaud Regenerative Growth I have to US agritech?

Half of the portfolio is currently tied to the US market through three positions.

The first is **Pachama,** a world-first AI-powered carbon credits platform dedicated to nature-based carbon removal using remote sensing (satellite images, LiDAR, drones) and machine learning to validate the carbon captures.

The second exposure is **AgroSpheres**, which is developing an encapsulation technology for agricultural biologicals and active ingredients leveraging other modes of action, such as proteins and RNAi. It has the potential to reduce pesticide



* Innovative nature-based technologies that can serve as an important part of many integrated crop management systems – often in the form of biocontrols and biostimulants.

THE BACKLOG OF USD10-15BN OF POTENTIAL FUNDING NEEDED HAS FORCED COMPANIES TO DECREASE VALUATION EXPECTATIONS, CREATING 'THE GREAT RESET' AND PROMISING POTENTIAL OPPORTUNITIES FOR NEW INVESTMENT FUNDS.

use and avoid damage to biodiversity.

The third exposure is **Micropep**, which is a French company largely operating in the US. It has developed a micropeptides-based solution to modulate existing plant gene expression through RNA. The start-up currently focuses on active ingredients for herbicides and fungicides.

What about agritech in Europe vs. the US?

In Europe, regulatory consistency fosters greater resilience for agritech investment. In contrast, the US offers both greater potential and higher volatility. The US market's size, coupled with its innovation-driven ecosystem, positions it for a more robust recovery if favourable policies emerge. Regulatory frameworks focused on climate change, along with trade agreements and incentives for sustainable agriculture, could potentially hasten this recovery, creating an environment conducive to more efficient funding flows to innovative companies. However, this recovery is highly sensitive to political shifts. A shift in priorities away from climate policy or the adoption of more protectionist trade policies could hinder the recovery in the US.

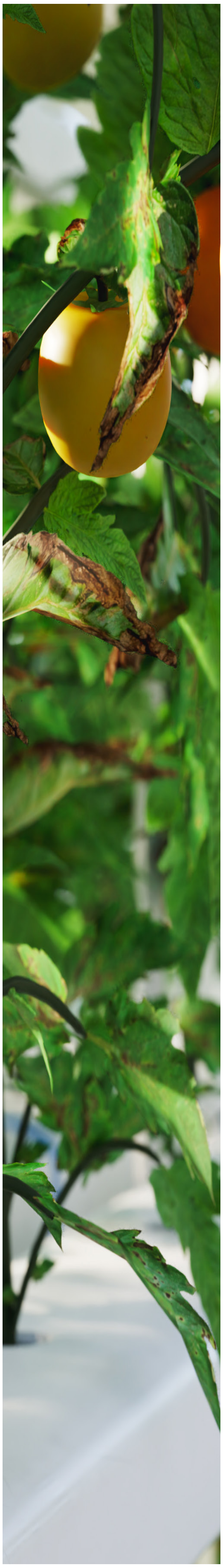
In contrast, Europe, while not as dynamic as the US, offers consistent progress driven by its long-term commitment to sustainability and its strict regulatory frameworks.

What are the major challenges in agritech this year?

The agritech sector is expected to grow this year, but its expansion will be closely tied to the economy, both in the US and on a global view. Tariffs, supply chain issues, and inflation are still big challenges, but a lot of the sector's growth will depend on what new US and European governments decide. Policies about climate initiatives, subsidies, and agricultural trade deals will either make it easier to invest or make the market more uncertain.

Funding is another one. According to research by Cascadia Capital, approximately 30% of agritech start-ups are potentially in need of financing, with USD10-15bn in funding at stake. The backlog of USD10-15bn of potential funding needed has forced companies to decrease valuation expectations, creating "The Great Reset" and promising potential opportunities for new investment funds.

The financial challenges faced by major agrochemical companies suggest that large-scale acquisitions in the agritech space will remain slow in 2025. Many of the industry's biggest companies are focused on controlling costs and improving how they operate, leaving them with little desire to make major deals. This pause in acquisitions is likely to continue



for the next couple of years as these companies manage their financial performances and recover from ongoing market pressures. This may create more opportunities for smaller companies and private equity firms. Smaller companies with capital to invest could buy assets or technologies at favourable price points. This could fuel momentum around company buy-ups.

Can you summarise your outlook for agritech in 2025?

First, the landscape of investors in the agritech sector is evolving. Many venture funds have encountered difficulties securing substantial exits, which makes it unlikely that they will raise new rounds of funding. In light of these challenges, impact-focused and climate-centric VCs are stepping in to meet the need to address climate change and its critical ties to agriculture. Food and agriculture will be key components of this climate change focus. These investors prioritise sustainability, measurable results, and long-term viability.

Second, the role of AI and big data computing in agriculture is rapidly evolving, with its practical applications poised to become more evident in 2025. We expect investment to shift from broad AI promises to resolving specific, high-value problems. Companies that leverage AI in specific areas, such as plant breeding and gene editing, soil health monitoring, crop disease prediction, supply chain management, and biological innovation, should be well-positioned to attract funding.

Third, we foresee a scenario in which companies with time-sensitive investors may be compelled to divest at lower valuations, thereby creating opportunities for strategic consolidations at a fraction of the value. We are very cautious regarding valuations, recognising that high valuations don't necessarily equate to success, and noting that market-released valuations may not fully reflect actual financial performance. Instead, we advise focusing on commercial traction and product testing as primary metrics. We are demanding clearer proof points, tighter unit economics, and scalable business models that can pass more intense scrutiny. This shift may favour younger start-ups still in early growth stages, while later-stage companies that have yet to demonstrate financial viability could face significant hurdles.

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