



Overview

Eagle's growth requires more capital

Investment Case

Loudspring is an investment company that aims to invest in and contribute to building profitable and competitive companies that promote more efficient use of natural resources and help to solve global challenges. The company focuses on investments in companies with major market impact and a scalable, capital-efficient business model. The portfolio consists of five core holdings plus a number of smaller holdings.

Eagle Filters

Eagle Filters manufactures high-efficiency gas turbine filters for gas power plants that offer customers large savings with a very short payback period. Following the outbreak of the Covid-19 pandemic in 2020, the company has also adapted its operations to leverage its expertise in filters to also start manufacturing respirator masks. The company reported revenue of EUR 2.5m in 2020, with EBITDA of -1.4m. Loudspring's ownership amounts to 85%.

Enersize

Enersize offers software-based analysis tools for energy saving in compressed air systems. The company reported revenues of EUR 0.4m in 2019, with EBITDA of -1.4m. Enersize is listed on Nasdaq First North, and Loudspring's ownership amounts to 20%.

Nuuka Solutions

Nuuka Solutions offers cloud-based property management solutions to major property managers, cities and retail chains. The addressable market is very large, and the business model is scalable. It reported revenues of EUR 1.3m in 2020, with EBITDA of -1.3m. Loudspring's ownership amounts to 42%. Other shareholders include YIT Ventures.

ResQ Club

ResQ Club is an online marketplace that offers consumers the opportunity to buy food from restaurants and cafes that would otherwise have been discarded. The company is today a leader in Finland, and it is focusing on vertical and geographical expansion. It reported a gross merchandise value (i.e. the value of goods sold through the platform) of 8.9m in 2020, which generated revenue of EUR 1.6m. EBITDA amounted to -0.3m for 2019. Loudspring's ownership amounts to 24%. Other shareholders include Ananda Impact Ventures.

Sofi Filtration

Sofi Filtration specialises in industrial water treatment with a self-cleaning automatic microfiltration system that uses a cross-flow filtration technique for cost-effective filtration of large quantities of water. The company reported revenues of EUR 0.1m in 2020, with EBITDA of -0.6m. Loudspring's ownership amounts to 21%. Other shareholders include Emerald Technology Ventures.

Valuation approach

The fair value per share is calculated at EUR 0.53-0.55 (equivalent to SEK 5.40-5.60), using a sum of the parts model (SOTP) based on Loudspring's communicated targets for the unlisted portfolio companies and with listed holdings valued at market value. We see a medium risk, which is mainly due to the fact that the portfolio companies are still small and have generally not reached stable profitability, meaning that additional financing needs may arise in the companies and also in Loudspring centrally.

The quarter in detail

Eagle Filters recorded a good start to the year for its traditional industrial filter business, while sales of respirator masks were low. The company has insourced the production of industrial filters and has experienced associated delays in production, which together with the strong order intake has led to a greater need for working capital. The capital requirement is estimated by us at EUR 1-2m. Our interpretation is that the company would prefer a borrowing solution within Eagle Filters, but we cannot rule out the need for a rights issue in Loudspring to meet the requirement.

Both we and the company had placed a great deal of hope on sales of respirator masks accelerating once CE approval was received, but this has taken longer than expected and has been dampened by fierce price competition in the sector. Eagle's masks are quality products that should not primarily compete on price, but it is now reviewing production capacity in order to significantly reduce production costs in the future and thus be able to compete at lower price points.

Two signals that growth may pick up during the year are the final phase of negotiations with a large retail chain and that Eagle Filters has recruited a new COO who was previously CEO of Lifa Air, one of the company's biggest competitors in respirator masks. In 2020, Lifa Air received large volume orders from Finnish authorities (for 50-100 million units according to media data), and the new COO's relationship with these authorities is expected to be valuable for Eagle Filters when new orders are being negotiated.

Estimate changes

We are upping our assumption for borrowing in Eagle Filters from EUR 1m to EUR 2m to meet a higher working capital requirement. The EBITDA margin is expected to remain at 20% for 2022e, but the uncertainty surrounding this has increased given the price pressure in the market, and relies on the company significantly growing the volumes of respirators sold while succeeding in reducing production costs as planned.

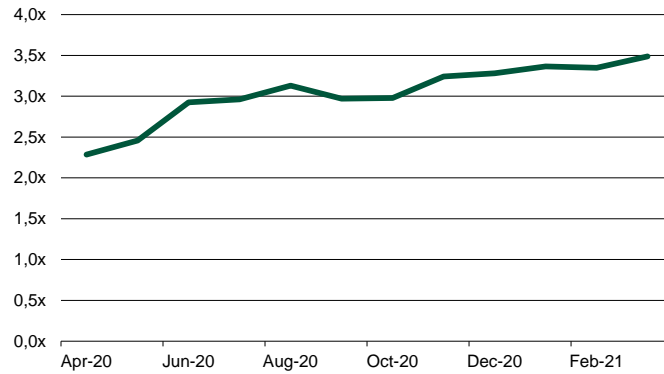
When it comes to Nuuka, we are cutting sales for 2021e to 2.0m (from 2.4) and for 2022e to 2.5m (from 3.0) due to the weak start in 2021.

Our estimates are otherwise unchanged.

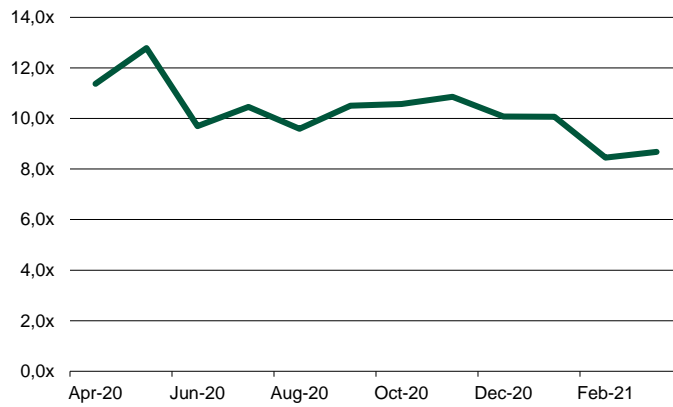
Valuation

We are downwardly adjusting the valuation multiple we apply in the valuation of ResQ Club due to lower valuation levels in the market. The assumed EV/sales multiple is now 8x (10x). For other portfolio companies, the valuation multiples have generally increased in the Eagle Filters comparison group, while Nuuka's group is back at the same levels as a year ago after falling for an extended period. We are not making any upward adjustment to the assumed multiple for Eagle as a result of the increasing uncertainty about its margins.

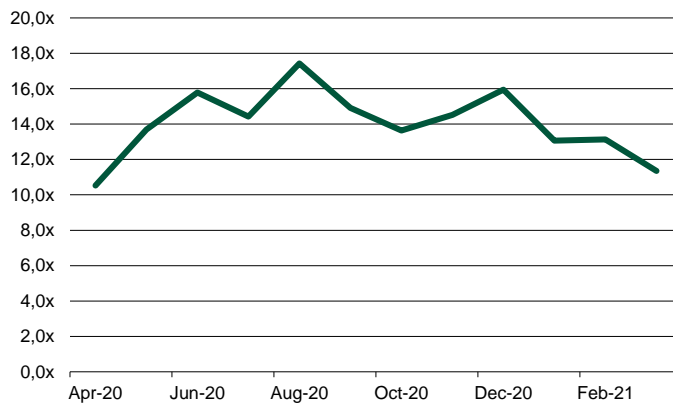
Eagle Filters: EV/Sales LTM for comparable companies during past year



ResQ Club: EV/Sales LTM for comparable companies during past year



Nuuka Solutions: EV/Sales LTM for comparable companies during past year



Source all graphs: FactSet, EPB

In combination with the changes to estimates, the above means that we now see a lower value for Nuuka and ResQ Club, while other portfolio companies have largely unchanged valuations.

To address the capital requirement, we are adding an assumed injection of EUR 1m in Loudspring as we estimate that more equity will be needed if Eagle is to be able to borrow more since the business is not yet profitable. We have also calibrated the required rate of return for the parent company costs so that it matches what we use to value the portfolio companies (i.e. 20%), which means a lower assumed burden for these costs in our SOTP calculation.

In summary, the above results in us downwardly adjusting our fair value to EUR 0.53-0.55 (previously 0.55-0.57), corresponding to SEK 5.40-5.60.

Loudspring SOTP (EURm)

Core holdings	EV/Sales 2022e	Equity value 100%	Loudspring stake	Value to Loudspring
Eagle Filters	2,8x	19,1	85%	16,3
Enersize	n/a	5,8	20%	1,1
Nuuka Solutions	10,0x	18,4	42%	7,8
ResQ Club	8,0x	18,8	24%	4,5
Sofi Filtration	7,0x	7,7	21%	1,6
Sub-total				31,3
Other holdings				1,0
Gross asset value				32,3
Net (debt) / cash + Additional capital requirement				(4,3)
Holding company costs*				(4,8)
Net asset value				23,2
Outstanding shares (million)				43,3
NAV per share (EUR)				0,54

*Perpetual @ 20% discount rate. Implied NAV discount of 17%

Income statement (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net sales	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other revenue	0,0	0,1	0,2	0,2	0,2	0,2	0,2	0,2
Cost of goods sold	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gross profit	0,0	0,1	0,2	0,2	0,2	0,2	0,2	0,2
Selling expenses								
Administrative expenses								
Research and development expenses	-1,2	-1,7	-1,0	-1,0	-1,0	-1,0	-1,0	-1,0
Other operating income and expenses								
EBITDA	-1,1	-1,7	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8
Depreciation and amortization	-0,2	-0,2	-0,1	0,0	0,0	0,0	0,0	0,0
EBIT (adjusted)	-1,3	-1,8	-0,9	-0,8	-0,8	-0,8	-0,8	-0,8
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-1,3	-1,8	-0,9	-0,8	-0,8	-0,8	-0,8	-0,8
Financial income	0,3	0,3	0,1	0,3	0,2	0,2	0,2	0,2
Financial expenses	-0,6	-2,0	-3,3	-0,9	-0,2	-0,2	-0,2	-0,2
Earnings before tax	-1,6	-3,5	-4,2	-1,4	-0,8	-0,8	-0,8	-0,8
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net earnings (reported)	-1,6	-3,5	-4,2	-1,4	-0,8	-0,8	-0,8	-0,8
Net earnings (adjusted)	-1,6	-3,5	-4,2	-1,4	-0,8	-0,8	-0,8	-0,8

Balance sheet (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
ASSETS								
Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other intangible assets	0,3	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Tangible assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Investments in shares and other participations	20,0	10,8	8,0	13,4	13,4	13,4	13,4	13,4
Other non-current assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total non-current assets	20,3	10,9	8,1	13,4	13,4	13,4	13,4	13,4
Inventory	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Accounts receivable	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other current assets	1,0	1,6	2,0	0,3	0,3	0,3	0,3	0,3
Cash and cash equivalents	3,6	0,1	0,5	0,7	0,8	1,0	1,2	0,4
Total current assets	4,6	1,6	2,4	0,9	1,1	1,3	1,5	0,7
TOTAL ASSETS	24,9	12,6	10,5	14,3	14,5	14,7	14,9	14,1
EQUITY AND LIABILITIES								
Shareholders' equity	22,7	10,9	6,6	10,2	10,4	10,6	10,8	10,0
Non-controlling interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total equity	22,7	10,9	6,6	10,2	10,4	10,6	10,8	10,0
Non-current debt	0,0	1,0	3,0	2,9	2,9	2,9	2,9	2,9
Provisions for post-employment benefits	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions for deferred taxes	1,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other non-current liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total non-current liabilities	1,5	1,0	3,0	2,9	2,9	2,9	2,9	2,9
Current debt	0,3	0,5	0,5	1,0	1,0	1,0	1,0	1,0
Trade payables	0,3	0,1	0,1	0,0	0,0	0,0	0,0	0,0
Tax liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other current liabilities	0,1	0,2	0,4	0,2	0,2	0,2	0,2	0,2
Total current liabilities	0,6	0,7	0,9	1,2	1,2	1,2	1,2	1,2
TOTAL EQUITY AND LIABILITIES	24,9	12,6	10,5	14,3	14,5	14,7	14,9	14,1

Cash flow statement (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net earnings (reported)	-1,6	-3,5	-4,2	-1,4	-0,8	-0,8	-0,8	-0,8
Adjustment for non-cash items	0,4	1,8	3,2	0,5	0,0	0,0	0,0	0,0
Changes in working capital	0,1	-0,2	-0,1	0,1	0,0	0,0	0,0	0,0
Cash flow from operating activities	-1,0	-1,9	-1,0	-0,8	-0,8	-0,8	-0,8	-0,8
Investments	-1,1	-3,6	-1,6	-4,4	0,0	0,0	0,0	0,0
Divestments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Free cash flow	-2,1	-5,5	-2,6	-5,1	-0,8	-0,8	-0,8	-0,8
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share issues / Share buybacks	5,0	0,0	1,0	4,9	1,0	1,0	1,0	0,0
Acquisitions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net borrowings and other adjustments	0,3	2,0	2,0	0,4	0,0	0,0	0,0	0,0
Cash flow for the period	3,1	-3,5	0,4	0,2	0,2	0,2	0,2	-0,8
Translation difference in cash and cash equivalents	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net debt	-3,3	1,4	3,1	3,3	3,1	2,9	2,7	3,5

Growth and margins

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Sales growth	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT growth (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EPS growth (adjusted)	24%	116%	10%	-76%	-54%	-6%	-6%	-3%
Gross margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBITDA margin (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT margin (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%

Financial position (EURm)

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net debt	-3,3	1,4	3,1	3,3	3,1	2,9	2,7	3,5
Equity ratio	91%	87%	63%	71%	72%	72%	72%	71%
Net debt / Equity	-15%	13%	46%	32%	29%	27%	25%	35%
Net debt / EBITDA (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Capital efficiency ratios

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
ROE, adjusted	-7%	-21%	-48%	-16%	-8%	-8%	-8%	-8%
ROCE, adjusted	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ROIC	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Investments	1,1	3,6	1,6	4,4	0,0	0,0	0,0	0,0
Investments / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Selling and Administrative expenses / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Inventory / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Accounts receivable / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trade payables / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Working capital / Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital turnover	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Data per share (EUR)

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
EPS, reported	-0,07	-0,15	-0,16	-0,04	-0,02	-0,02	-0,02	-0,02
EPS, adjusted	-0,07	-0,15	-0,16	-0,04	-0,02	-0,02	-0,02	-0,02
FCF per share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend per share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Equity per share	0,95	0,45	0,24	0,24	0,22	0,21	0,21	0,19
Shares outstanding after dilution at period end (million)	23,9	24,2	27,5	43,3	46,3	49,4	52,5	52,5

Valuation multiples

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
P/E, adjusted	neg	neg	neg	neg	neg	neg	neg	neg
P/BV	2,7x	0,7x	1,4x	1,9x	1,5x	1,5x	1,6x	1,7x
P/FCF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Dividend payout ratio, adjusted	0%	0%	0%	0%	0%	0%	0%	0%
EV/Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/EBITDA (adj)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/EBIT (adj)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Share price, end of period (EUR)	2,55	0,34	0,33	0,46	0,33	0,33	0,33	0,33
EV, end of period (EURm)	57,8	9,5	12,2	23,0	18,2	19,0	19,8	20,6

Semi-annual data (EURm)

	H1 '17	H2 '17	H1 '18	H2 '18	H1 '19	H2 '19	H1 '20	H2 '20
Net sales	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other revenue	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1
Cost of goods sold	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gross profit	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1
Selling expenses								
Administrative expenses	-0,5	-0,6	-0,8	-1,0	-0,6	-0,4	-0,5	-0,5
Research and development expenses								
Other operating income and expenses								
EBITDA	-0,5	-0,6	-0,7	-0,9	-0,5	-0,4	-0,4	-0,4
Depreciation and amortization	-0,1	-0,1	-0,1	-0,1	-0,1	0,0	0,0	0,0
EBIT (adjusted)	-0,6	-0,7	-0,8	-1,0	-0,6	-0,4	-0,4	-0,4
Items affecting comparability	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT	-0,6	-0,7	-0,8	-1,0	-0,6	-0,4	-0,4	-0,4
Financial income	0,1	0,2	0,1	0,2	0,0	0,0	0,0	0,3
Financial expenses	-0,2	-0,4	-0,3	-1,7	-0,1	-3,2	-0,1	-0,8
Earnings before tax	-0,7	-0,9	-1,0	-2,5	-0,6	-3,5	-0,5	-0,9
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net earnings (reported)	-0,7	-0,9	-1,0	-2,5	-0,6	-3,5	-0,5	-0,9
Net earnings (adjusted)	-0,7	-0,9	-1,0	-2,5	-0,6	-3,5	-0,5	-0,9
	H1 '17	H2 '17	H1 '18	H2 '18	H1 '19	H2 '19	H1 '20	H2 '20
Sales growth	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT growth (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gross margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBITDA margin (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBIT margin (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tax rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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