



ERIK PENSER BANK

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Overview

New focus with a fresh capital injection

Investment Case

In 2021, Loudspring initiated a strategic transformation to shift it from an investment company focused on environmentally friendly growth companies to specialising around a core in Eagle Filters. This means that all other assets are being considered for sale to ensure a solid financial position for Eagle Filters. For the time being, however, the company has four core holdings and a number of smaller holdings, see below.

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 start manufacturing respirator masks. The company reported revenue of EUR 2.9m in 2021, with EBITDA of -2.4m. Loudspring's ownership amounts to 100%.

Enersize

Enersize offers software-based analysis tools for energy saving in compressed air systems. The company reported revenues of EUR 0.2m in 2021, with EBIT of -1.9m. Enersize is listed on Nasdaq First North, and Loudspring's ownership amounts to 13%.

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 1.4m in 2021, with EBITDA of -1.4m. Loudspring's ownership amounts to 24.2%. Other shareholders include YIT 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 2021, with EBITDA of -0.4m. Loudspring's ownership amounts to 19.6%. Other shareholders include Emerald Technology Ventures.

Other smaller holdings include Aurelia Turbines, Metgen, Sansox and Swap.com.

Valuation approach

The fair value per share is calculated to be EUR 0.19-0.21 (corresponding to about SEK 2-2.17), using a sum of the parts model (SOTP) based on estimates 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 reported sales for 2021 of EUR 2.9m (2.3m), representing y/y growth of 27%. Loudspring mentions that availability of materials and delivery delays had a negative impact on revenues for 2021. Revenues fell short of our estimates for the top line, amounting to 3.5m for the industrial arm. The company also had non-recurring costs related to scaling up its own production, amounting to approximately EUR 1m. EBITDA was EUR -2.4m.

For 2022, Eagle Filters has indicated an order book and revenue of EUR 2.1m between the start of the year and the date of the report. Eagle Filters has also received an order that extends over four years and will bring in a total of EUR 0.75m. Loudspring also communicated that Eagle Filters has a significantly larger order backlog than in the same period last year. Loudspring said that Eagle Filters has a revenue estimate for 2022 of EUR 4.5-6m.

Nuuka Solutions reported sales of EUR 1.4m (1.3m), corresponding to growth of 5% y/y. Sales were hampered by Nuuka's realignment, with the company choosing to de-prioritize the market with high customer churn. SaaS revenue grew 23% y/y to EUR 1m. Our estimate for 2021 2021 was EUR 2.0. EBITDA for the period amounted to EUR -1.4m. The financial targets for 2022 set sales at EUR 2-2.5m and recurring revenue at EUR 1.6m.

At the beginning of 2022, Loudspring sold parts of its holding in Nuuka Solutions. The deal comprised 18% of the company, which was sold for a sum of EUR 2m. The transaction is expected to have a positive impact on earnings of appr EUR 1m.

In November, Loudspring executed a directed share issue of EUR 0.8m at a price of EUR 0.20 per share. In February, the company announced a rights issue of EUR 2.5m, which further strengthened the capital. In March 2022, it was announced that the issue was oversubscribed (124%). In connection with the rights issue, the company also resolved on a directed share issue, which meant that issues during 2022 would raise EUR 3.1m.

Estimate changes

We have adjusted our estimates for 2022-2024, see below. We estimate that Eagle Filters will be able to report revenue for 2022 of EUR 6.9m. This includes sales from respirator masks, which are not included in the company's own targets. We estimate that Nuuka will be able to report revenues of EUR 2.3m, based on the order book and that the market is being driven by higher energy costs.

Current estimates	2021	2022e	2023e	2024e
Eagle Filters: Sales	2.9	6.9	8.3	10.0
Eagle Filters: EBITDA	-2.4	0.7	1.3	2.0
Nuuka Solutions: Sales	1.4	2.3	2.7	3.2
Nuuka Solutions: EBITDA	-1.4	-0.1	0.1	0.2
Sofi Filtration: Sales	0.3	1.5	1.6	1.7
Sofi Filtration: EBITDA	-0.4	0.2	0.2	0.2

Previous estimates	2021	2022e	2023e	2024e
Eagle Filters: Sales	3.5	9.0		
Eagle Filters: EBITDA	0.0	1.6		
Nuuka Solutions: Sales	2.0	2.5		
Nuuka Solutions: EBITDA	-0.8	0.0		
Sofi Filtration: Sales	0.5	1.5		
Sofi Filtration: EBITDA	0.1	0.3		

Changes %	2021	2022e	2023e	2024e
Eagle Filters: Sales	-16%	-23%		
Eagle Filters: EBITDA	N/A	-56%		
Nuuka Solutions: Sales	-32%	-10%		
Nuuka Solutions: EBITDA	NEG	N/A		
Sofi Filtration: Sales	-40%	0%		
Sofi Filtration: EBITDA	N/A	-50%		

Source: EPB, Loudspring

Valuation

Below is a summary of our valuation approach. The valuation is adjusted to reflect the dilution, the capital injection, sales of parts of the holdings, and our estimate adjustments for the portfolio companies. We apply EV/Sales for 2023 of 2.3x for Eagle Filters, and 8x EV/Sales for 2023 for Nuuka Solutions.

Core holdings	EV/Sales 2023e	Equity value 100%	Loudspring stake	Value to Loudspring
Eagle Filters	2,4x	13,7	100%	16,1
Enersize (@ mkt cap)	n/a	3,3	13%	0,3
Nuuka Solutions	8,0x	22,5	24%	5,1
Sofi Filtration	6,5x	5,9	20%	1,2
Sub-total				22,8
Other holdings				0,4
Gross asset value				23,2
Net (debt) / cash + Additional capital requirement				(1,8)
Holding company costs*				(4,8)
Net asset value				16,6
Outstanding shares (million)				77,5
NAV per share (EUR)				0,21

*Calculated as 5x annualized OPEX

Source: EPB

Table below shows sensitivity analysis for Eagle Filters. The table displays how the value of Loudsprings holding is affected by EV/Sales multiples for 2023e.

Fair value(EUR)	EV/Sales (x) Eagle Filters 2023e				
	2,1	2,2	2,3	2,4	2,5
	0,19	0,20	0,21	0,22	0,23

Source: EPB

Income statement

	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net sales	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	-0,8	-0,7	-0,7	-0,7
Other operating income and expenses								
EBITDA	-1,1	-1,7	-0,8	-0,8	-0,7	-0,5	-0,5	-0,5
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	-0,7	-0,5	-0,5	-0,5
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	-0,7	-0,5	-0,5	-0,5
Financial expenses, net	-0,3	-1,7	-3,2	-0,6	-0,9	-0,3	-0,3	-0,3
Earnings before tax	-1,6	-3,5	-4,2	-1,4	-1,6	-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	-1,6	-0,8	-0,8	-0,8
Net earnings (adjusted)	-1,6	-3,5	-4,2	-1,4	-1,6	-0,8	-0,8	-0,8

Source: EPB, company reports

Balance sheet

	2017	2018	2019	2020	2021	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	11,6	11,6	11,6	11,6
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	11,6	11,6	11,6	11,6
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	3,8	3,8	3,8	3,8
Cash and cash equivalents	3,6	0,1	0,5	0,7	0,0	2,3	1,6	0,8
Total current assets	4,6	1,6	2,4	0,9	3,8	6,1	5,3	4,5
TOTAL ASSETS	24,9	12,6	10,5	14,3	15,4	17,7	17,0	16,2
EQUITY AND LIABILITIES								
Shareholders' equity	22,7	10,9	6,6	10,2	9,5	11,8	11,0	10,2
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	9,5	11,8	11,0	10,2
Non-current debt	0,0	1,0	3,0	2,9	3,6	3,6	3,6	3,6
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	3,6	3,6	3,6	3,6
Current debt	0,3	0,5	0,5	1,0	1,6	1,6	1,6	1,6
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	0,7	0,7	0,7	0,7
Total current liabilities	0,6	0,7	0,9	1,2	2,4	2,4	2,4	2,4
TOTAL EQUITY AND LIABILITIES	24,9	12,6	10,5	14,3	15,4	17,7	17,0	16,2

Source: EPB, company reports

Cash flow statement

	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net earnings (reported)	-1,6	-3,5	-4,2	-1,4	-1,6	-0,8	-0,8	-0,8
Adjustment for non-cash items	0,4	1,8	3,2	0,5	0,6	0,0	0,0	0,0
Changes in working capital	0,1	-0,2	-0,1	0,1	0,1	0,0	0,0	0,0
Cash flow from operating activities	-1,0	-1,9	-1,0	-0,8	-0,9	-0,8	-0,8	-0,8
Investments	-1,1	-3,6	-1,6	-4,4	-1,5	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	-2,5	-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	0,8	3,1	0,0	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	1,0	0,0	0,0	0,0
Cash flow for the period	3,1	-3,5	0,4	0,2	-0,6	2,3	-0,8	-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	5,2	2,9	3,7	4,5

Source: EPB, company reports

Data per share

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
EPS, reported	-0,07	-0,15	-0,16	-0,04	-0,04	-0,01	-0,01	-0,01
EPS, adjusted	-0,07	-0,15	-0,16	-0,04	-0,04	-0,01	-0,01	-0,01
FCF per share	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	0,20	0,15	0,14	0,13
Shares outstanding after dilution at period end (million)	23,9	24,2	27,5	43,3	47,8	77,5	77,5	77,5

Source: EPB, company reports

Financial position

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net debt	-3,3	1,4	3,1	3,3	5,2	2,9	3,7	4,5
Equity ratio	91%	87%	63%	71%	61%	66%	65%	63%
Net debt / Equity	-15%	13%	46%	32%	55%	25%	33%	44%
Net debt / EBITDA (adjusted)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: EPB, company reports

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