



ERIK PENSER BANK

Penser Access | Financial Conglomerates | Finland | 5 May 2022

Loudspring

Undramatic Q1 en route to a new structure

Q1 22 summary published

Loudspring's Q1 22 summary brought no significant news, as the major events in the spring has already been publicised in the company's Q4 report. With reinforced cash reserves and a slimmer company portfolio, Loudspring has improved its financial situation and is in a good position with focus on the core in Eagle Filters.

Financing secured but logistical challenges remain

Loudspring noted that portfolio companies had been affected by logistics problems in late 2021 and that it had observed problems in Q1 22 in markets and related to components. Based on order backlogs and contracts, we believe there are favourable conditions for growth in Loudspring's portfolio companies, as summarised below.

Adjustments

We are making no adjustments to our estimates since our latest published report. We have noted that the company is still having problems with logistics chains, but that companies including Eagle Filters had strong order backlogs at the end of Q1. Our SOTP valuation indicates a new fair value of EUR 0.19-0.21 per share, unchanged from previous publication. We see a medium risk.

Calendar Events		Estimates (EUR)				Risk and Potential		
		21	22e	23e	24e			
H1'22-rapport	2022-08-31					Motivated value	0.2 - 0.2	
		Sales, mkr	0	0	0	0	Current price	0.1
		EBITDA, mkr	(0.7)	(0.5)	(0.5)	(0.5)	Risk level	Medium
		EBIT, mkr	(1)	(1)	(1)	(1)		
		EPS, adjusted	(0.0)	(0.0)	(0.0)	(0.0)		
		EPS growth	(9)%	(64)%	(19)%	0%		
		Equity/share	0.1	0.2	0.1	0.1		
		Dividend/share	0.0	0.0	0.0	0.0		
		Dividend yield	0.0%	0.0%	0.0%	0.0%		
		Net debt/EBITDA	(7.8)g	(5.4)g	(6.9)g	(8.4)g		
Key Figures (EURm)								
Number of shares	77m							
Market cap	8							
Net debt	4							
EV	13							
Free float	76%							
Average number of daily traded shares	43(k)							
Reuters/Bloomberg	LOUDS.ST/LOUDS.SS							
		<h3>One Year Performance Chart</h3>						

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Overview

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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 was reporting combined revenue and order backlog of EUR 2.2m when the update was published. The company also received a four-year order from a utility worth about EUR 0.75m. Overall, we believe Eagle Filters has the capacity to achieve revenue for 2022 of EUR 6.9m, but note that there is an upside if the company receives larger orders in the respirators segment. Nuuka Solutions reported SaaS revenues of EUR 95,000 per month at the end of Q1. Nuuka also raised financing of EUR 1m in Q1.

Estimate changes

We are making no adjustments to our estimates following the publication of Q1 reports. We believe Eagle Filters will be able to report revenues of EUR 6.9m for 2022 (including sales of respirators, which are not included in the company's own targets). We believe Nuuka is capable of reporting revenues of EUR 2.3m for 2023 based on the order backlog and that generally increased energy costs are driving the market.

Current estimates	2022e	2023e	2024e
Eagle Filters: Sales	6,9	8,3	10,0
Eagle Filters: EBITDA	0,7	1,3	2,0
Nuuka Solutions: Sales	2,3	2,7	3,2
Nuuka Solutions: EBITDA	-0,1	0,1	0,2
Sofi Filtration: Sales	1,5	1,6	1,7
Sofi Filtration: EBITDA	0,2	0,2	0,2

Previous estimates	2022e	2023e	2024e
Eagle Filters: Sales	6,9	8,3	10,0
Eagle Filters: EBITDA	0,7	1,3	2,0
Nuuka Solutions: Sales	2,3	2,7	3,2
Nuuka Solutions: EBITDA	-0,1	0,1	0,2
Sofi Filtration: Sales	1,5	1,6	1,7
Sofi Filtration: EBITDA	0,2	0,2	0,2

Changes %	2022e	2023e	2024e
Eagle Filters: Sales	0%	0%	0%
Eagle Filters: EBITDA	0%	0%	0%
Nuuka Solutions: Sales	0%	0%	0%
Nuuka Solutions: EBITDA	0%	0%	0%
Sofi Filtration: Sales	0%	0%	0%
Sofi Filtration: EBITDA	0%	0%	0%

Source: EPB, Loudspring

Valuation

Our valuation approach is summarised below. We apply EV/Sales for 2023 of 2.3x for Eagle Filters, 8x EV/Sales for 2023 for Nuuka Solutions and 6.5x for Sofi Filtration. Taken as a whole, we arrive at a fair value of EUR 0.19-0.21 per share (unchanged).

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

The sensitivity analysis for Eagle Filters is presented below. The table shows how the value of Loudspring is affected by valuation multiples for 2023e.

	EV/Sales (x) Eagle Filters 2023e				
	2,1	2,2	2,3	2,4	2,5
Fair value(EUR)	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: Loudspring, EPB

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: Loudspring, EPB

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: Loudspring, EPB

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