



Loudspring

Eagle Filters poised for accelerated expansion

H1 22 report indicates a shift for Eagle Filters

Revenue for Loudspring's core holding Eagle Filters was EUR 1.6m in H1 22, corresponding to 5% growth y/y. EBITDA rose to EUR -1.0m (-1.6m). Total revenue and orders for 2022 amounted to EUR 3.9m as of the date the report was released. Eagle Filters has completed the production capacity upgrade and is now ready to handle larger production volumes.

Financing improved

The funding rounds last spring and exits have improved the financial situation for the moment and made it possible for Loudspring to assist Eagle Filters with capital. Loudspring notes that Eagle Filters is currently in negotiations with several high-potential contractual partners. Nuuka Solutions delivered good performance in H1, when it grew SaaS revenue by 18%.

Adjustments

We are adjusting our revenue estimate to reflect Loudspring's new growth targets for Nuuka Solutions and adjusting our growth estimates, including for Eagle Filters. Our SOTP valuation indicates a fair value of EUR 0.14-0.15 per share (EUR 0.19-0.21) and we see a medium risk.

Calendar Events		Estimates (EUR)					Risk and Potential	
Q3'22	2022-10-26		21	22e	23e	24e	Motivated value	0.1 - 0.2
		Sales, mkr	0	0	0	0	Current price	0.1
		Growth	5%	0%	-%	-%	Risk level	Medium
Key Figures (EURm)		EBITDA, mkr	(0.7)	(0.9)	(0.9)	(0.9)	One Year Performance Chart	
Number of shares	77m	EBIT, mkr	(1)	(1)	(1)	(1)		
Market cap	5	EPS, adjusted	(0.0)	(0.0)	(0.0)	(0.0)		
Net debt	3	EPS growth	(9)%	(81)%	133%	6%		
EV	8	Equity/share	0.1	0.2	0.1	0.1		
Free float	76%	Dividend/share	0.0	0.0	0.0	0.0		
Average number of daily traded shares	43(k)	EBIT margin	(65,000.0)%	(65,000.0)%	-%	-%		
Reuters/Bloomberg	LOUDS.ST/LOUDS SS	ROE	(16.4)%	(4.0)%	(11.0)%	(13.1)%		
		ROCE	0.0%	0.0%	-%	-%		
		EV/Sales	45.9x	51.6x	51.6x	51.6x		
		EV/EBITDA	(12.3)x	(8.8)x	(8.8)x	(8.8)x		
		EV/EBIT	(12.3)x	(8.8)x	(8.8)x	(8.8)x		
		P/E, adjusted	(0.2)x	(1.0)x	(0.4)x	(0.4)x		
		P/Equity	0.6x	0.5x	0.5x	0.6x	Analysts	
		Dividend yield	0.0%	0.0%	0.0%	0.0%		
		FCF yield	(8.8)%	(8.8)%	-%	-%		
		Net debt/EBITDA	(7.8)g	(4.5)g	(5.8)g	(7.2)g		



Analysts
hjalmar.jernstrom@penser.se



Overview

Eagle Filters poised for accelerated expansion

Investment Case

Loudspring initiated a strategic transformation in 2021, by which the company transitioned from investment firm focused on green growth companies to one focused around a core in Eagle Filters. As a result, all other assets are subject to sale in order to secure a strong financial position for Eagle Filters. Loudspring owns 100% of Eagle Filters and has minority interests in several other smaller companies.

Eagle Filters

Eagle Filters manufactures high-performance gas turbine filters for gas-fired power plants that deliver large savings to the customer with a very short payback period. Following the outbreak of the Covid-19 pandemic in 2020, the company adapted its operations and leveraged its filter expertise to begin manufacturing respirators. The company reported revenue of EUR 2.9 million in 2021 with EBITDA of EUR -2.4 million. Loudspring's ownership stake is 100%.

Enersize

Enersize offers software-based analysis tools for energy optimisation of compressed air systems. The company reported revenue of EUR 0.2 million in 2021 with EBIT of EUR -1.9 million. Enersize is listed on Nasdaq First North and Loudspring's ownership stake is 4.2%.

Nuuka Solutions

Nuuka Solutions offers cloud-based building performance solutions to large property managers, cities and retail chains. The addressable market is very large and the business model is scalable. The company reported revenue of EUR 1.4 million in 2021 with EBITDA of EUR -1.4 million. Loudspring's ownership stake is 24.2%. Other partners include YIT Ventures.

Sofi Filtration

Sofi Filtration specialises in industrial water purification, offering a self-cleaning automated micro-filtration system that uses a cross-flow filtration technique for cost-effective filtration of large quantities of water. The company reported revenue of EUR 0.1 million in 2021 with EBITDA of EUR -0.4 million. Loudspring's ownership stake is 19.6%. Other partners include Emerald Technology Ventures.

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

Valuation approach

Fair value per share is calculated at EUR 0.14 using a sum of the parts model (SOTP) based on estimates for the unlisted portfolio companies and with listed holdings measured at market value. We see a medium risk, primarily because the portfolio companies are still small and have generally not achieved stable profitability, which means additional financing needs may arise in the companies and in Loudspring centrally. We note that Loudspring owns only minor stakes in Nuuka Solutions, Sofi Filtration and Enersize. Accordingly, there is no immediate need for Loudspring to assist in connection with capital raises in the subsidiaries, which reduces the risk.

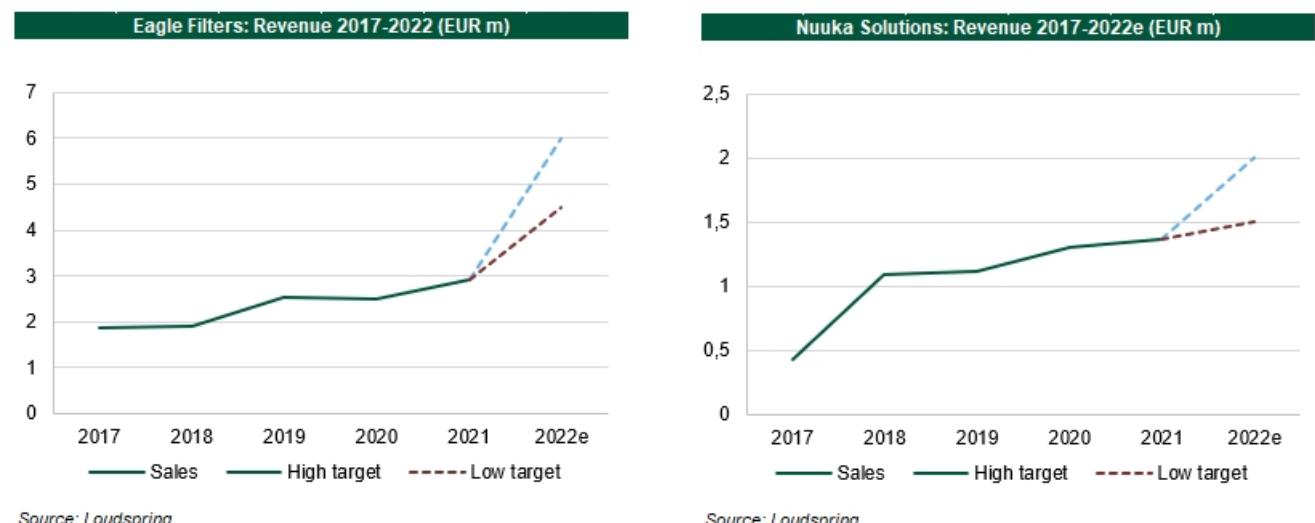
The quarter in detail

Eagle Filters is reporting revenue and orders for 2022 of EUR 3.9 million as of the reporting date. Loudspring indicates strong demand in 2022 and is investing in the production plant to increase capacity by means of the funding rounds last spring. In our estimation, the company can, at its current capacity, manage sales that are significantly higher than the company's own targets for 2022. In addition, Loudspring mentions that the company is in discussions with large counterparties with substantial potential. Eagle Filters' sales of respirators were limited during the quarter.

Eagle Filters was generally constrained in H1 after significant problems in the supply chain. The company has temporarily reduced its dependency on external sellers of components, which reduces supply chain dependency and has determined that the company is ready to manage a growing order book. In summary, the company has increased its production capacity, reduced its dependence on external companies in the supply chain, and is better equipped to manage strong sales growth.

Nuuka Solutions grew SaaS revenues by 18% in H1, accompanied by revenue growth of 26% y/y. EBITDA improved to EUR -0.8m (-1.1). Growth for H1 was below the company's own expectations, primarily driven by the company's reduction of the number of products and services in its offering. The company expects SaaS revenues for H2 to be largely on par with H1. Nuuka's growth target was reduced in conjunction with the report release to EUR 1.5-2.0 million. Among other holdings, Loudspring reduced its stake in Enersize during H1 and now owns 4.2%.

Loudspring's net debt amounted to EUR 2.9 million at the end of H1. We note that all holdings except Eagle Filters could potentially be sold, which may come into play to ensure future funding.



Estimate changes

Our estimate changes are summarised below. The estimates are adjusted to reflect somewhat lower expectations for respirators within Eagle Filters, while we note that the company's negotiations with potential contractual partners could result in strong growth in H2. We are adjusting our revenue estimates downward for Nuuka Solutions and Sofi Filtration to reflect delays in growth. We are also adding capital intake of EUR 1 million in 2023 and EUR 1 million in 2024.

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

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	-13%	-13%	-13%
Eagle Filters: EBITDA	-14%	-16%	-13%
Nuuka Solutions: Sales	-22%	-22%	-22%
Nuuka Solutions: EBITDA	0%	0%	0%
Sofi Filtration: Sales	-60%	-58%	-56%
Sofi Filtration: EBITDA	-100%	-79%	-56%

Source: EPB, Loundspring

Valuation

Our valuation approach is summarised below. We apply EV/Sales for 2024 of 1.9x for Eagle Filters (2.3x) based on lower risk after the company reduced the problems related to the supply chain and production. We apply EV/Sales for 2024 of 6x for Nuuka Solutions and 6.5x for Sofi Filtration. All aspects considered, we arrive at a fair value of EUR 0.14-0.15 per share (0.19-0.21).

Core holdings	EV/Sales 2024e	Equity value 100%	Loudspring stake	Value to Loudspring
Eagle Filters	1,9x	14,4	100%	14,4
Enersize (@ mkt cap)	n/a	1,6	4%	0,1
Nuuka Solutions	6,0x	17,5	24%	3,7
Sofi Filtration	6,5x	2,4	20%	0,6
Sub-total				18,6
Other holdings				0,4
Gross asset value				19,0
Net (debt) / cash + Additional capital requirement				(2,9)
Holding company costs*				(4,8)
Net asset value				11,4
Outstanding shares (million)				77,5
NAV per share (EUR)				0,15

*Calculated as 5x annualized OPEX

Below is a summary of our DCF model. Key assumptions include a portfolio exit after 2025 and a discount rate of 13.1%. The discount rate is set based on risk-free interest of 2.5%, a risk premium of 5.5% and an additional risk premium of 6%. Loudspring and Eagle Filters have relatively high recurring revenue ratios, which reduces the risk of revenue churn. However, the market risk is related to factors including the company's potential to generate new capital injections, should such be on the cards in the future. Overall, we see a discount rate of 13.1%.

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	16 201,5	Risk free nominal rate	2,5%
PV of terminal value (perpetuity formula)	0	Risk premium	5,5%
Enterprise value	16 202	Extra risk premium	6,0%
Latest net debt	2 884	Beta	1,0
Minority interests & other	0	Cost of equity	14,0%
Equity value	13 318	Cost of debt (pre-tax)	3,0%
No. of shares outstanding (millions)	77	Tax rate	22%
Equity value per share (SEK)	0,17	Target debt/(debt + equity)	8%
Source: EPB		WACC	13,1%
Terminal value assumptions			
Long term growth rate		3,0%	
Long term EBIT margin		9,0%	
Depreciation (% of sales)		2,0%	
Capex (% of sales)		2,0%	
Working cap. (% of sales)		-2,6%	
Tax rate		22%	

Sensitivity analysis

		Long-term growth rate				
		2,0%	2,5%	3,0%	3,5%	4,0%
WACC	12,1%	0,18	0,18	0,18	0,18	0,18
	12,6%	0,18	0,18	0,18	0,18	0,18
	13,1%	0,17	0,17	0,17	0,17	0,17
	13,6%	0,17	0,17	0,17	0,17	0,17
	14,1%	0,17	0,17	0,17	0,17	0,17
		Long-term EBIT margin				
WACC		4,0%	6,5%	9,0%	11,5%	14,0%
	12,1%	0,18	0,18	0,18	0,18	0,18
	12,6%	0,17	0,17	0,18	0,18	0,18
	13,1%	0,17	0,17	0,17	0,17	0,17
	13,6%	0,17	0,17	0,17	0,17	0,17
	14,1%	0,17	0,17	0,17	0,17	0,17

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	-1,2	-1,7	-1,0	-1,0	-0,8	-1,1	-1,1	-1,1
Research and development expenses								
Other operating income and expenses								
EBITDA	-1,1	-1,7	-0,8	-0,8	-0,7	-0,9	-0,9	-0,9
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	-0,9	-0,9	-0,9
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	-0,9	-0,9	-0,9
Financial expenses, net	-0,3	-1,7	-3,2	-0,6	-0,9	0,5	-0,3	-0,3
Earnings before tax	-1,6	-3,5	-4,2	-1,4	-1,6	-0,4	-1,2	-1,3
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	-0,4	-1,2	-1,3
Net earnings (adjusted)	-1,6	-3,5	-4,2	-1,4	-1,6	-0,4	-1,2	-1,3

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

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	-0,4	-1,2	-1,3
Adjustment for non-cash items	0,4	1,8	3,2	0,5	0,6	-0,8	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	-1,3	-1,2	-1,3
Investments	-1,1	-3,6	-1,6	-4,4	-1,5	-0,5	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	-1,8	-1,2	-1,3
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	2,6	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	-0,1	2,0	0,0
Cash flow for the period	3,1	-3,5	0,4	0,2	-0,6	0,6	0,8	-1,3
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	4,3	5,5	6,7

Source: EPB, Company reports

Price & fair value



This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient's investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company's future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

General

The Bank's consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a-16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company's securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority's Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank's Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank's profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company's share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se