



## ERIK PENSER BANK

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# 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

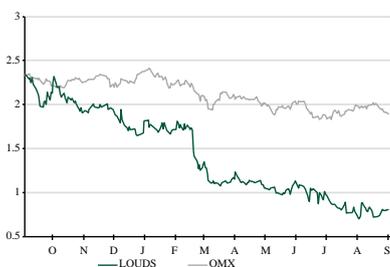
The funding rounds last spring and exits have improved the financial situation for the moment and made it possible for Loudspring to assist Eagle Filters with capital. Loudspring notes that Eagle Filters is currently in negotiations with several high-potential contractual partners. Nuuka Solutions delivered 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	
		EBITDA, mkr	(0.7)	(0.9)	(0.9)	(0.9)			
		EBIT, mkr	(1)	(1)	(1)	(1)			
		EPS, adjusted	(0.0)	(0.0)	(0.0)	(0.0)			
		EPS growth	(9)%	(81)%	133%	6%			
		Equity/share	0.1	0.2	0.1	0.1			
		Dividend/share	0.0	0.0	0.0	0.0			
		EBIT margin	(65,000.0)%	(65,000.0)%	-%	-%			
		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			
		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			
		Number of shares	77m						
		Market cap	5						
		Net debt	3						
		EV	8						
		Free float	76%						
		Average number of daily traded shares	43(k)						
		Reuters/Bloomberg	LOUDS.ST/LOUDS.SS						

### One Year Performance Chart



### Analysts

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# Overview

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## Eagle Filters poised for accelerated expansion

### Investment Case

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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

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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.

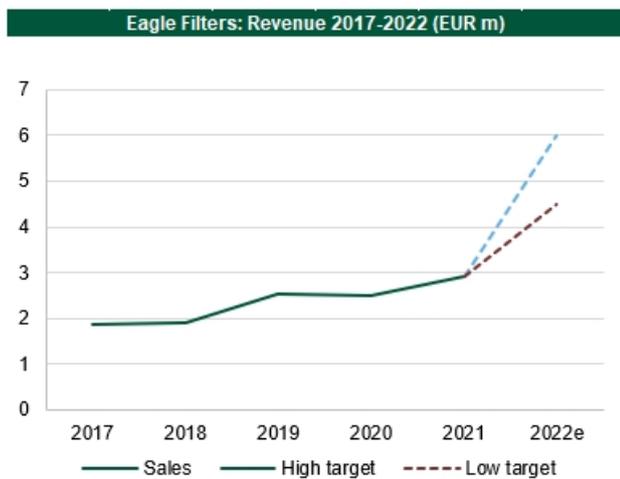
## The quarter in detail

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.

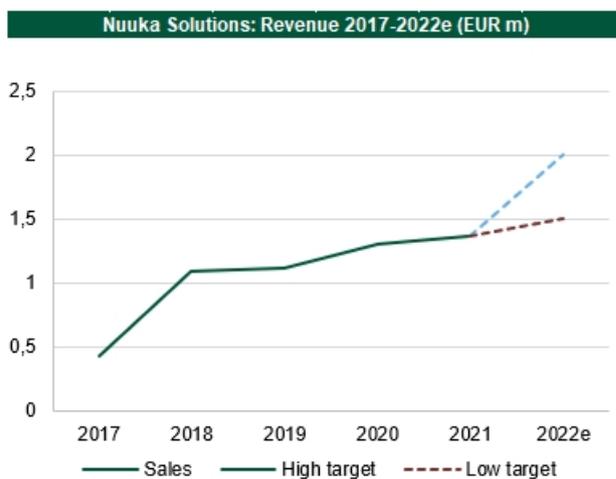
Eagle Filters was generally constrained in H1 after significant problems in the supply chain. The company has temporarily reduced its dependency on external sellers of components, which reduces supply chain dependency and has determined that the company is ready to manage a growing order book. In summary,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



Source: Loudspring



Source: Loudspring

## Estimate changes

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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.

<b>Current estimates</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
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

<b>Previous estimates</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
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

<b>Changes %</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
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, Loudspring*

## 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
<b>Sub-total</b>				<b>18,6</b>
<b>Other holdings</b>				<b>0,4</b>
<b>Gross asset value</b>				<b>19,0</b>
Net (debt) / cash + Additional capital requirement				(2,9)
Holding company costs*				(4,8)
<b>Net asset value</b>				<b>11,4</b>
Outstanding shares (million)				77,5
<b>NAV per share (EUR)</b>				<b>0,15</b>

\*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%
<b>Enterprise value</b>	<b>16 202</b>	Extra risk premium	6,0%
Latest net debt	2 884	Beta	1,0
Minority interests & other	0	Cost of equity	14,0%
<b>Equity value</b>	<b>13 318</b>	Cost of debt (pre-tax)	3,0%
No. of shares outstanding (millions)	77	Tax rate	22%
<b>Equity value per share (SEK)</b>	<b>0,17</b>	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	<b>0,17</b>	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				
		4,0%	6,5%	9,0%	11,5%	14,0%
WACC	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	<b>0,17</b>	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
<b>Net sales</b>	<b>0,0</b>							
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
<b>Gross profit</b>	<b>0,0</b>	<b>0,1</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>
Selling expenses								
Administrative expenses								
Research and development expenses	-1,2	-1,7	-1,0	-1,0	-0,8	-1,1	-1,1	-1,1
Other operating income and expenses								
<b>EBITDA</b>	<b>-1,1</b>	<b>-1,7</b>	<b>-0,8</b>	<b>-0,8</b>	<b>-0,7</b>	<b>-0,9</b>	<b>-0,9</b>	<b>-0,9</b>
Depreciation and amortization	-0,2	-0,2	-0,1	0,0	0,0	0,0	0,0	0,0
<b>EBIT (adjusted)</b>	<b>-1,3</b>	<b>-1,8</b>	<b>-0,9</b>	<b>-0,8</b>	<b>-0,7</b>	<b>-0,9</b>	<b>-0,9</b>	<b>-0,9</b>
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>EBIT</b>	<b>-1,3</b>	<b>-1,8</b>	<b>-0,9</b>	<b>-0,8</b>	<b>-0,7</b>	<b>-0,9</b>	<b>-0,9</b>	<b>-0,9</b>
Financial expenses, net	-0,3	-1,7	-3,2	-0,6	-0,9	0,5	-0,3	-0,3
<b>Earnings before tax</b>	<b>-1,6</b>	<b>-3,5</b>	<b>-4,2</b>	<b>-1,4</b>	<b>-1,6</b>	<b>-0,4</b>	<b>-1,2</b>	<b>-1,3</b>
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net earnings (reported)</b>	<b>-1,6</b>	<b>-3,5</b>	<b>-4,2</b>	<b>-1,4</b>	<b>-1,6</b>	<b>-0,4</b>	<b>-1,2</b>	<b>-1,3</b>
<b>Net earnings (adjusted)</b>	<b>-1,6</b>	<b>-3,5</b>	<b>-4,2</b>	<b>-1,4</b>	<b>-1,6</b>	<b>-0,4</b>	<b>-1,2</b>	<b>-1,3</b>

Source: EPB, Company reports

## Balance Sheet

	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>ASSETS</b>								
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
<b>Total non-current assets</b>	<b>20,3</b>	<b>10,9</b>	<b>8,1</b>	<b>13,4</b>	<b>11,6</b>	<b>9,9</b>	<b>9,9</b>	<b>9,9</b>
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
<b>Total current assets</b>	<b>4,6</b>	<b>1,6</b>	<b>2,4</b>	<b>0,9</b>	<b>3,8</b>	<b>7,0</b>	<b>7,8</b>	<b>6,6</b>
<b>TOTAL ASSETS</b>	<b>24,9</b>	<b>12,6</b>	<b>10,5</b>	<b>14,3</b>	<b>15,4</b>	<b>16,9</b>	<b>17,7</b>	<b>16,4</b>
<b>EQUITY AND LIABILITIES</b>								
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
<b>Total equity</b>	<b>22,7</b>	<b>10,9</b>	<b>6,6</b>	<b>10,2</b>	<b>9,5</b>	<b>11,6</b>	<b>10,4</b>	<b>9,1</b>
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
<b>Total non-current liabilities</b>	<b>1,5</b>	<b>1,0</b>	<b>3,0</b>	<b>2,9</b>	<b>3,6</b>	<b>4,2</b>	<b>6,2</b>	<b>6,2</b>
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
<b>Total current liabilities</b>	<b>0,6</b>	<b>0,7</b>	<b>0,9</b>	<b>1,2</b>	<b>2,4</b>	<b>1,0</b>	<b>1,0</b>	<b>1,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,9</b>	<b>12,6</b>	<b>10,5</b>	<b>14,3</b>	<b>15,4</b>	<b>16,9</b>	<b>17,7</b>	<b>16,4</b>

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
<b>Cash flow from operating activities</b>	<b>-1,0</b>	<b>-1,9</b>	<b>-1,0</b>	<b>-0,8</b>	<b>-0,9</b>	<b>-1,3</b>	<b>-1,2</b>	<b>-1,3</b>
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
<b>Free cash flow</b>	<b>-2,1</b>	<b>-5,5</b>	<b>-2,6</b>	<b>-5,1</b>	<b>-2,5</b>	<b>-1,8</b>	<b>-1,2</b>	<b>-1,3</b>
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
<b>Cash flow for the period</b>	<b>3,1</b>	<b>-3,5</b>	<b>0,4</b>	<b>0,2</b>	<b>-0,6</b>	<b>0,6</b>	<b>0,8</b>	<b>-1,3</b>
Translation difference in cash and cash equivalents	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net debt</b>	<b>-3,3</b>	<b>1,4</b>	<b>3,1</b>	<b>3,3</b>	<b>5,2</b>	<b>4,3</b>	<b>5,5</b>	<b>6,7</b>

Source: EPB, Company reports

## Price & fair value



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