



ERIK PENSER BANK

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# Eagle Filters Group

## Heading into 2023 under favourable conditions

### Wrapping up an eventful 2022

Eagle Filters Group booked revenues of EUR 1.9m for H2 2022 (1.4m for H2 2021), representing 35% growth y/y. Revenues for the full year were thus EUR 3.5m (2.9m). They thus fell short of the company's own target of EUR 4.5–6.0, partly as a consequence of ongoing supply chain challenges. The order book as of year-end 2022 was EUR 3.5m. Moreover, the conditions for Eagle Filters have improved as the reorganisation was completed during 2022 and it gained external financing to help build up working capital.

### Results in the quarter

EBITDA came in at EUR -1.6m (-1.3m) for H2 2022 and at EUR -2.6m (-2.7m) for the full year. Since the close of the quarter, Eagle Filters has adjusted the value of several portfolio companies owing to reduced visibility and greater uncertainty regarding market conditions.

### Adjustments after the quarter

In light of the portfolio adjustments, we revise our fair value, which is based on a sum-of-the-parts valuation of the companies in its portfolio. We adjust our 2023 estimates for Eagle Filters. We likewise adjust our valuation to reflect the portfolio impairments made in 2023. We set a new fair value of EUR 0.11–0.13 per share (0.16–0.17).

Change in estimates			Forecast (€ m)				Value and risk			
	23e	24e	25e	2022	2023e	2024e	2025e	Fair value	EUR 0,11 - 0,13	
Total revenue	N/M	N/M		Revenue growth	-39%	-45%	0%	0%	Share price	EUR 0,08
EBITDA, adj.	N/M	N/M		EBITDA, adj.	-1	-1	-1	-1	Risk level	Medel
EPS, adj.	N/M	N/M		EBIT, adj.	-1	-1	-1	-1		
				EPS, adj.	0,0	0,0	0,0	0,0		
<b>Upcoming events</b>				EPS growth, adj.	N.m.	N.m.	N.m.	N.m.	<b>Price Performance 12 months</b>	
Q1 - report		26 April 2023		BV/share	0,1	0,1	0,1	0,1		
Q2 - report		24 August 2023		Dividend per share	0,0	0,0	0,0	0,0		
<b>Company facts (€ m)</b>				EBIT margin	Neg.	Neg.	Neg.	Neg.		
Number of shares		100m		ROE, adj.	Neg.	Neg.	Neg.	Neg.		
Market capitalization		8,4		ROCE, adj.	Neg.	Neg.	Neg.	Neg.		
Net debt		2,6								
EV		11								
Free float		44%								
Daily trading volume, average		16k								
Bloomberg Ticker	EAGLES SS EQUITY									
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								<b>Conflicts of interest</b>		
									<b>Yes</b>	<b>No</b>
								Liquidity provider		✓
								Certified adviser	✓	
								Transactions 12m		✓

## Investment case

Loudspring (the former parent company of Eagle Filters) undertook a strategic transition during 2021 that led it to change from an investment company focused on environmentally friendly growth companies, to a company that focuses on Eagle Filters. Eagle Filters Group owns 100% of Eagle Filters along with minority stakes in a number of other smaller companies.

Eagle Filters manufactures high-efficiency gas turbine filters for gas power plants, offering customers considerable savings over a very short payback period. After the coronavirus started to spread in 2020, the company adapted its operations to produce respiratory masks using its expertise in filters. Eagle Filters reports its turnover in three segments: Clean Energy, Advanced Materials, and Health & Safety. The company reported revenues of EUR 3.5m for 2022, with EBITDA of EUR -2.6m. Eagle Filters Group's shareholding totals 100%.

## Valuation

We calculate a fair value of EUR 0.11–0.13 per share (0.16–0.17) through a sum-of-the-parts model based on our estimates for Eagle Filters and the book value of Nuuka Solutions. We value the core holding, Eagle Filters, at an EV/Sales of 2.3x for 2024e. The valuation is supported by a DCF.

## The quarter in detail

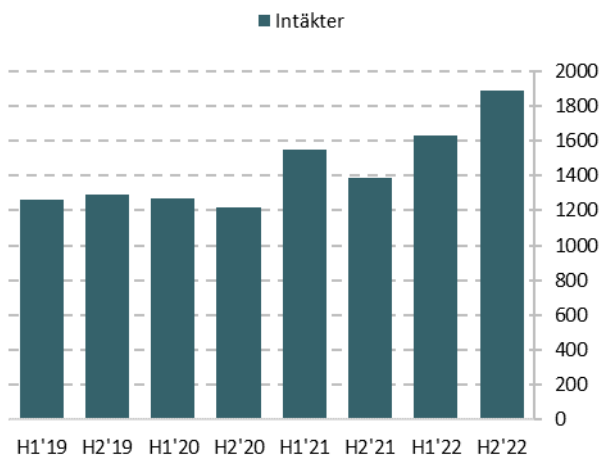
Eagle Filters saw revenues of EUR 3.5m for 2022, implying good growth of 20% y/y. Clean Energy again performed well, but was somewhat squeezed by production-related bottlenecks. The company improved production capacity, however, and achieved a total production value of EUR 0.6m a month in January and February.

Sales in Health & Safety remained limited, and the company is negotiating with major counterparties but the sales uncertainty remains considerable. Advanced Materials' sales are slightly delayed, although Eagle Filters Group anticipates an increase in H1 2023. Eagle Filters' total order book was EUR 3.5m as of year-end 2022.

Since the close of the quarter, Eagle Filters has adjusted the value of several portfolio companies owing to reduced visibility and greater uncertainty regarding market conditions. The book value of the holdings in Sofi Filtration, Sansox, Clean Future Fund, and Enersize were impaired fully and thus hold no book value. Nuuka Solutions' was adjusted down but has an assigned value of EUR 1.3m.

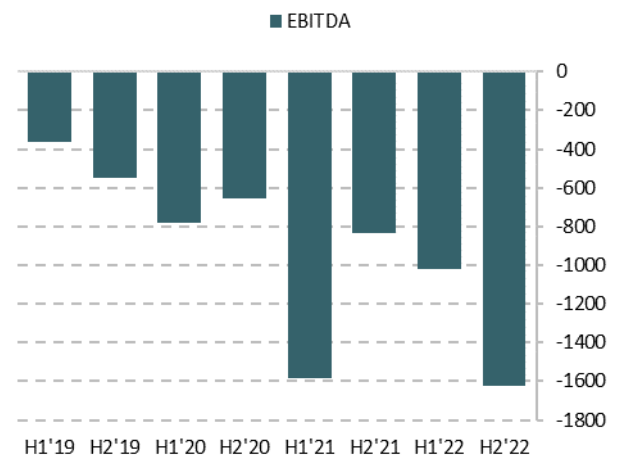
Net debt at the end of Q4 2022 was EUR 2.6m, and operating cash flows for H2 2022 were EUR -0.6m. Revenues fell short of the company's own targets for 2022 of EUR 4.5-6.0m. The company has undertaken several initiatives during 2022 to position itself better in the future, and so 2022 should be considered a transition year. Eagle Filters Group announced a target of reaching sustained growth of at least 30% in the long term. Overall, we still see Eagle Filters as well positioned to continue reporting growth from the current levels.

Chart 1: 2019-2022 revenues for Eagle Filters



Source: Company reports

Chart 2: 2019-2022 EBITDA for Eagle Filters



Source: Company reports

## Estimate changes

Following the quarter, we only make changes to our estimates for the Eagles Filters core holding. Our valuation is thus based on Eagle Filters and the book value of Nuuka Solutions (around EUR 1.3m as of March 2023). After Q4, we no longer include any sales of respiratory masks in our forecasts for Eagle Filters, based on our assessment of the market and due to the company's communicated expectations. We still note that business in the segment can continue, but we judge the outcome as quite binary in nature.

We consider the long-term growth potential in Eagle Filters to be some 20% per year. We forecast the increased production capacity and solid order book can drive healthy growth in 2023, providing revenues for Eagle Filters Group of approximately EUR 6.7m. We expect a long-term EBITDA margin unchanged at around 20% for Eagles Filters.

Table 1: Estimate changes

<b>Current estimates</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Eagle Filters: Turnover	6,7	8,0	9,6
Eagle Filters: EBITDA	1,0	1,6	1,9
<b>Previous estimates</b>	<b>7,7</b>	<b>9,2</b>	<b>2025e</b>
Eagle Filters: Turnover	7,3	8,7	
Eagle Filters: EBITDA	1,2	1,8	
<b>% change</b>	<b>7,7</b>	<b>9,2</b>	<b>2025e</b>
Eagle Filters: Turnover	-8%	-8%	N/A
Eagle Filters: EBITDA	-16%	-11%	N/A

Source: EPB

## Valuation

Below, we summarise our valuation methodology. We apply an EV/Sales for Eagle Filters of 2.2x for 2024e (unchanged). We also choose to value Nuuka Solutions at book value as of March 2023. In addition to this, there are large corrections stemming from the company's impairment of its portfolio companies in 2023, which after Q3 represented around 19% of our SOTP valuation on a debt-free basis. Our SOTP valuation suggests a value of EUR 0.13 per share.

**Table 2: SOTP valuation**

	EV/Sales	Share value	Loudspring's	Value to
Core holding	2024e	100%	share	Loudspring
Eagle Filters	2,2x	13,9	100%	13,9
Nuuka Solutions				1,3
<b>Subtotal</b>				<b>15,2</b>
<b>Other holdings</b>				<b>0,0</b>
<b>Gross asset value</b>				<b>15,2</b>
Net cash / (debt) + Additional capital requirement				2,6
Parent company costs				(4,8)
<b>Net asset value</b>				<b>13,0</b>
<b>Shares outstanding (millions)</b>				<b>100,2</b>
<b>NAV per share (EUR)</b>				<b>0,13</b>

\*Calculated at 5x annual operating costs

Source: EPB

Our DCF model indicates a fair value of EUR 0.12 per share (0.19), while our SOTP valuation suggests a value of EUR 0.13. Together, we see a fair value of EUR 0.11–0.13 per share (0.16–0.17).

We summarise our DCF model below. Key assumptions include a divestment of the portfolio after 2025 and a discount rate of 13.1%. The discount rate is based on a risk-free rate of 2.5%, a risk premium of 5.5%, and an extra risk premium of 6%. Among other things, we see a financing risk related to future potential financing, but we also note Eagle Filters' exposure to an appealing underlying market possessing robust long-term drivers. We thus set a discount rate of 13.1%.

Valuation output	
Sum of PV of FCF (explicit period)	14 696,7
PV of terminal value (perpetuity formula)	0
<b>Enterprise value</b>	<b>14 697</b>
Latest net debt	2 634
Minority interests & other	0
<b>Equity value</b>	<b>12 063</b>
No. of shares outstanding (millions)	100
<b>Equity value per share (EUR)</b>	<b>0,12</b>

Source: EPB

WACC assumptions	
Risk-free nominal rate	2,5%
Risk premium	5,5%
Extra risk premium	6,0%
Beta	1,0
Cost of equity	14,0%
Cost of debt (pre-tax)	3,0%
Tax rate	22%
Target debt/(debt + equity)	8%
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%

Below, we summarise the sensitivity analysis for our SOTP valuation and DCF model.

Sensitivity analysis						
		Long-term growth rate				
		2,0%	2,5%	3,0%	3,5%	4,0%
WACC	12,1%	0,123	0,123	0,123	0,123	0,123
	12,6%	0,121	0,121	0,121	0,121	0,121
	13,1%	0,120	0,120	<b>0,120</b>	0,120	0,120
	13,6%	0,119	0,119	0,119	0,119	0,119
	14,1%	0,118	0,118	0,118	0,118	0,118
		Long-term EBIT margin				
		4,0%	6,5%	9,0%	11,5%	14,0%
WACC	12,1%	0,123	0,123	0,123	0,123	0,123
	12,6%	0,121	0,121	0,121	0,121	0,121
	13,1%	0,120	0,120	<b>0,120</b>	0,120	0,120
	13,6%	0,119	0,119	0,119	0,119	0,119
	14,1%	0,118	0,118	0,118	0,118	0,118

Figure 1: Sensitivity analysis: SOTP

	EV/Sales Eagle Filters (x)				
	1,8	2	2,2	2,4	2,6
Motiverat värde per aktie Eagle Filters Group (EUR)	0,11	0,12	0,13	0,14	0,15

## Income statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Other Operating Expenses	-1	-2	-1	-1	-1	-1	-1	-1	-1
<b>EBITDA</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>EBITDA, adjusted</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>EBITA, adjusted</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>EBIT</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>EBIT, adjusted</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Net Financial Items	0	-2	-3	-1	-1	0	0	0	0
<b>Profit before tax</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Profit before tax, adjusted</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Net income</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Net income, adjusted</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Sales Growth	-	>100%	>100%	-9%	-3%	-39%	-45%	0%	0%
Gross Margin	Neg.	Neg.	61,1%	93,5%	58,3%	>100%	>100%	>100%	>100%
EBIT Margin, Adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EPS, Adjusted	-0,06	-0,14	-0,16	-0,04	-0,04	-0,02	-0,01	-0,01	-0,01
EPS Growth, Adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.

Source: Eagle Filters Group, EPB

## Cash flow statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EBIT	-1	-2	-1	-1	-1	-1	-1	-1	-1
Other Cash flow Items	0	-2	-3	-1	-1	0	0	0	0
<b>Cash flow from operating activities</b>	<b>-1</b>	<b>-4</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Investments in intangible fixed assets	-1	-3	0	-4	0	0	0	0	0
Other Cash flow from investments	0	0	-1	0	-2	-1	0	0	0
<b>Cash Flow From Investments</b>	<b>-1</b>	<b>-4</b>	<b>-2</b>	<b>-4</b>	<b>-2</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Free cash flow</b>	<b>-2</b>	<b>-7</b>	<b>-6</b>	<b>-6</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
New share issue / repurchase	5	0	1	5	1	6	0	0	0
Change in liabilities	0	2	2	0	1	-3	2	0	2
<b>Cash flow from financing</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Cash flow</b>	<b>3</b>	<b>-5</b>	<b>-3</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>-1</b>	<b>1</b>
<b>Net debt</b>	<b>-3</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>

Source: Eagle Filters Group, EPB

## Balance sheet

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>ASSETS</b>									
Financial assets	0	1	2	5	6	6	6	6	6
Shares in associated companies	20	10	5	7	5	1	1	1	1
Other fixed assets	0	0	1	1	0	0	0	0	0
<b>Total fixed assets</b>	<b>20</b>	<b>11</b>	<b>8</b>	<b>13</b>	<b>12</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Other current assets	1	2	2	0	4	9	9	9	9
Cash and cash equivalents	4	0	0	1	0	1	1	0	2
<b>Total current assets</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>10</b>
<b>TOTAL ASSETS</b>	<b>25</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>18</b>
<b>EQUITY AND LIABILITIES</b>									
Equity	23	11	7	10	9	13	12	11	10
<b>Total equity</b>	<b>23</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>13</b>	<b>12</b>	<b>11</b>	<b>10</b>
Long-term interest-bearing liabilities	0	1	3	3	4	4	6	6	8
Other long-term liabilities	2	0	0	0	0	0	0	0	0
<b>Total long-term liabilities</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>8</b>
Short-term interest-bearing liabilities	0	1	1	1	2	0	0	0	0
Other current liabilities	0	0	0	0	1	0	0	0	0
<b>Total current liabilities</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>18</b>

Source: Eagle Filters Group, EPB

## Growth and margins

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenue growth	-	>100%	>100%	-9%	-3%	-39%	-45%	0%	0%
EBITDA growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.
EBIT growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.
EPS growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.
Gross margin	Neg.	Neg.	61,1%	93,5%	58,3%	>100%	>100%	>100%	>100%
EBITDA margin	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EBITDA margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profit margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Source: Eagle Filters Group, EPB

## Return

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
ROCE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
ROIC, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Source: Eagle Filters Group, EPB



## Capital efficiency

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Accounts payable / COGS	>100%	58%	63%	>100%	24%	-500%	-207%	-207%	-207%
Total short-term liabilities / total cost	54%	42%	89%	>100%	>100%	48%	58%	58%	58%
Working capital / total revenue	>100%	>100%	>100%	25%	>100%	>100%	>100%	>100%	>100%

Source: Eagle Filters Group, EPB

## Financial position

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net debt	-3	1	3	3	5	4	5	6	6
Equity ratio	91%	86%	63%	71%	61%	74%	66%	64%	56%
Net debt / EBITDA	2,9x	-0,9x	-3,7x	-4,1x	-7,8x	-4,3x	-6,4x	-7,8x	-8,5x

Source: Eagle Filters Group, EPB

## Per share data

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EPS	-0,06	-0,14	-0,16	-0,04	-0,04	-0,02	-0,01	-0,01	-0,01
EPS, adjusted	-0,06	-0,14	-0,16	-0,04	-0,04	-0,02	-0,01	-0,01	-0,01
FCF per share	-0,10	-0,27	-0,21	-0,17	-0,07	-0,03	-0,01	-0,01	-0,01
Book value per share	0,90	0,41	0,25	0,28	0,18	0,13	0,12	0,11	0,10
Number of shares, m	25,3	26,7	26,7	36,9	52,7	100	100	100	100
Number of shares after dilution, average	24,2	26,0	26,7	31,8	44,8	76,5	100	100	100

Source: Eagle Filters Group, EPB

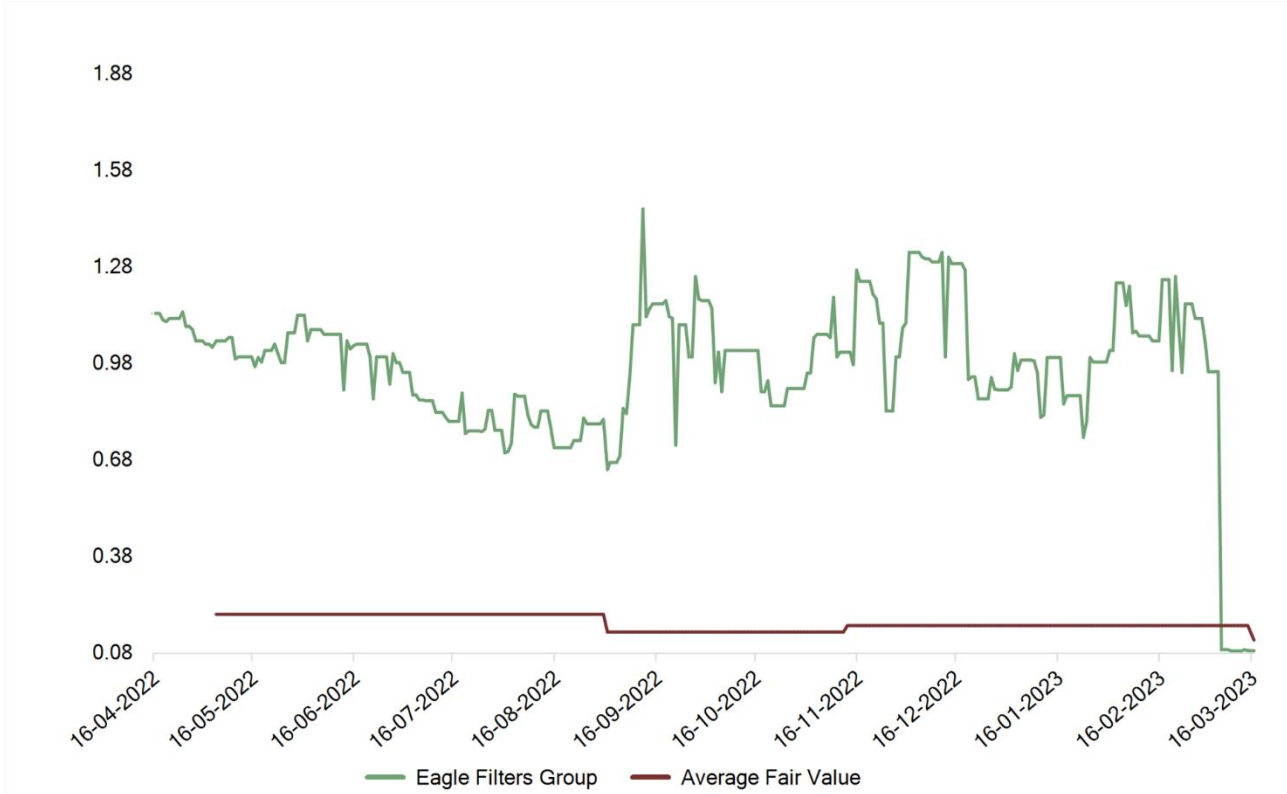
## Valuation

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
P/E, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
P/BV	2,6x	0,8x	1,2x	1,5x	0,9x	0,6x	0,1x	0,1x	0,1x
P/FCF	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
FCF-yield	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	1 995,7x	141,0x	54,7x	124,5x	78,9x	106,2x	56,9x	56,9x	56,9x
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EV/EBIT, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EV	58	10	11	23	14	12	3	3	3
Share price, year end	2,3	0,3	0,3	0,4	0,2	0,1	0,0	0,0	0,0

Source: Eagle Filters Group, EPB

## Share Price and Fair Value Chart

### Eagle Filters Group (EAGLES SS EQUITY)



Source: EPB, IDC

## Disclosure

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