

Loudspring Strengthening financials to capture 10-fold growth opportunity

Andreas Eriksson | 2022-03-04 12:00 | This commissioned research is for information purposes only. It is not an investment recommendation or investment advice. For more information, please see disclaimer.

Loudspring is transforming from cleantech oriented investment group to full-blooded industrial, and with capital injections from an exit from Nuuka and an ongoing rights issue, Loudspring will now give undivided focus on its fully owned subsidiary Eagle Filters. Offering considerable emissions reductions and lower energy consumption to some of the world's largest CO2 emitters, Eagle has potential to grow 10-fold just with existing customer base, while the new vertical of filter material production adds a near term opportunity.

Crucial efficiency improvement for energy transformation

As the fundamental transformation of Loudspring continues, with a strategic shift towards becoming an industrial company, Loudspring now seek attractive exits for its other portfolio holdings, to allocate all resources and focus to Eagle Filters. With an advanced filter technology for gas turbines Eagle Filters help some of the world's largest CO2 emitters to reduce their energy consumption and cut emissions.

Industrial filters for gas turbines is a growing industry that covers more than 23% of the world's energy production. Gas powered generation has also come into focus lately with the shift from fossil fuels into the renewable energy sources. Even though the carbon footprint of natural gas is significantly higher than solar and wind power there is a need for a stable energy source when the sun is not shining and the wind is not blowing. Therefore Eagle can play a big role in this energy transformation as the excess from solar hours can be converted into hydrogen, which can then be burned in the gas turbines where Eagle's filters help make them more efficient.

Following a rise in material costs during the pandemic, Eagle looked for new ways to manufacture their industrial filters. Through combining different materials available, Eagle started to manufacture their own filter components in a very cost efficient way, which resulted in new filter material. The new material has a very large area of use such as ventilation in real estate. This opens the door to brand new markets where the sales cycle is considerably shorter than for industrial gas turbines, while also giving Eagle an edge as a material science company.

Financial muscles base for accelerating growth

At the end of February, Loudspring announced the sale of a 18,1% stake in Nuuka Solutions (Loudspring previously held 42,3% ownership), a provider of AI software to real estate owners, for 2 MEUR. Loudspring will retain a 24,2% ownership after the transaction. The sale underscores Loudspring's strategy to become a pure industrial.

To strengthen its financial muscles further, Loudspring has announced a rights issue of 2,5 MEUR (of which 52% is guaranteed) where existing shareholders gained one subscription right for each share held on the 24th of February 2022, and two subscription rights entitles the subscription of one new share.

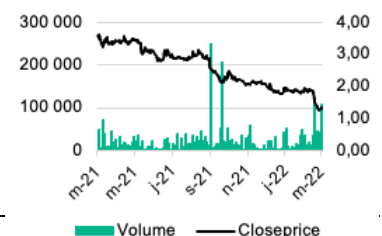
The proceeds from the Nuuka sale and the ongoing rights issue should give Loudspring enough financial muscles to materialize the potential in Eagle. With a strategy covering continuous improvement of R&D, further additions of key personnel and streamlining of the entire organization, Loudspring seek

Full focus on Eagle
to maximize return
for both
shareholders and the
climate

https://www.emergers.se/loudspring_en/

Loudspring

Current Price, SEK	1,28
Shares (M)	47,8
Market Capitalisation (MSEK)	61
Net Debt (MSEK)	37
Enterprise Value (MSEK)	98
Market	First North



to grow Eagle's business with 30% annually to reach an EBITDA-margin of 20% in the medium to long term.

High potential with merely existing customer base

Another aspect of the transformation to an industrial company is that the multiples are far more generous compared to those of investment companies. Comparable peers such as 3M and Donaldson are valued in a range of 2,3-2,7x Sales and 10-14x EBITDA. Applying the same multiples to our projection for Eagle, at 8 MEUR in sales and an EBITDA margin of 20% in 2024, this supports a fair value range at 16 – 20 MEUR (160 - 200 MSEK), while there is still a lot of potential on the upside should Eagle's existing customer base convert all their gas turbines to using Eagles' filter, which would instead translate to 10-fold growth for Eagle.

Summary financials

MSEK	2021	2022E	2023E	2024E
Revenue	30	50	60	80
EBITDA	-3	-1	6	16
Sales Growth, %	-	67%	20%	33%
EBITDA Margin, %	-8%	-2%	10%	20%
EV/Sales	3,3	2,0	1,6	1,2
EV/EBITDA	-39,2	-98,0	16,3	6,1

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