

Loudspring

Eagle Filters enables substantial efficiency increase to drive ongoing energy transition

Andreas Eriksson | 2022-03-11 13:00 | This commissioned research is for information purposes only. It is not an investment recommendation or investment advice. For more information, please see disclaimer.

Eagle's industrial filters are today most commonly used in turbines for natural gas power production, where the same gas turbines also can be used to burn green hydrogen to support the output and reliability of renewable energy sources. With its high-performance turbine filters Eagle help customers increase energy production by 9%, improve fuel efficiency by 2.5%, which makes tremendous difference on large scale, and increase overall lifespan significantly. With an ongoing rights issue Loudspring looks to strengthen the financials in order to fully capitalize on the underlying potential of Eagle Filters.

Green hydrogen – a key player in the energy transition

Hydrogen is a topic that has received a lot of attention in the last few years, and is pointed out to play a key role in the energy transition. The number of countries with policies that directly support investment in hydrogen technology is increasing and it is the *green hydrogen* that is creating the most buzz, i.e. the prospect of procuring hydrogen from renewable sources such as solar and wind, which can then be used to mitigate the biggest drawback of renewables today – their reliability. Hydrogen is one of the leading options for storing energy from renewables and looks promising to be a low-cost option to store electricity over time. This energy can also be transported from regions with excess solar and wind resources to energy-hungry cities thousands of kilometres away.

Filters for gas turbines, today and in the future

For Eagle, it makes little difference where the underlying trend is heading. Their filters are as applicable to gas turbines no matter if they are burning natural gas, or if they are burning hydrogen to support the output and usability of renewables. No matter the end customer, Eagle contribute to 9% higher energy production, improve fuel efficiency by 2.5% and increases the lifespan as well as lowering the need for service and maintenance. While these single digit numbers might seem small, they make tremendous difference on the large scale on which these industries operate. Today, the industrial filter market is dominated by filters of lower quality which leads to dirt breaking down the rotor blades and thus poorer performance and suboptimal production.

Underlying drivers supports accelerated growth

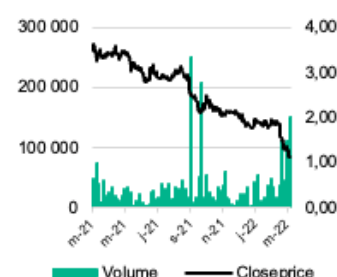
Eagle holds a relatively small market share of the approximately 10,000 gas turbines around the world that can use the filters, so there is plenty of room to grow even with today's customers. And with the increased electrification, there's reason to believe that numbers will increase. The importance of output efficiency has been a growing trend in line with various climate accords, and especially in light of the past few weeks' events in Ukraine and the massive sanctions against Russia. With the US ban on Russian oil and gas, and the EU's ambition to drastically reduce their dependence on Russia, energy prices has skyrocketed. This should benefit suppliers of components that can increase local energy production. Loudspring now target revenues of 4.5 – 6.0 MEUR in 2022. With our estimated revenue of 8 MEUR by 2024 with an EBITDA-margin of 20%, we see a fair value range between 16 – 20 MEUR (160 – 200 MSEK), while there is still further upside potential should Eagle's existing customer base convert all their gas turbines to using Eagles' filter, which would translate to 10-fold growth for Eagle.

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

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

Loudspring

Current Price, SEK	1,10
Shares (M)	47,8
Market Capitalisation (MSEK)	54
Net Debt (MSEK)	37
Enterprise Value (MSEK)	91
Market	First North



Summary financials

MEUR	2021	2022E	2023E	2024E
Revenue	3	5	6	8
EBITDA	-0,3	-0,1	1	2
Sales Growth, %	-	67%	20%	33%
EBITDA Margin, %	-10%	-2%	10%	20%
EV/Sales	30,3	18,2	15,2	11,4
EV/EBITDA	-303,3	-910,0	151,7	56,9

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