



# ERIK PENSER BANK

Penser Access | Financial Conglomerates | Finland | 1 September 2020

## Loudspring

### Mixed pandemic impact but strong prospects

#### Stable growth for key holdings

Revenues for core holdings (excl Enersize) decreased by 3% in H1'20 to EUR 2.7m due to a strong pandemic impact on Sofi Filtration, while Eagle, Nuuka and ResQ increased their revenues, by 19%. The big news, was the updated growth targets for 2020 and new ones for 2021, which meant a slight downward adjustment of the figures for 2020 compared with H2'19, but still an expected total minimum growth of 85% in 21.

#### Positive momentum x3

With strong growth in H1'20, digital companies such as Nuuka (+40%) and ResQ (+46%) can be expected to continue to grow even if the pandemic is protracted. The entry of heaviest-weight holding Eagle Filters (62% of NAV) into the market for respiratory protection is a significant growth opportunity, and with the company's "low target" for revenues in 21 of EUR 10m, we see Eagle as the most important value driver for the share.

#### NAV of EUR 0.64 per share offers high potential

Despite a continued need for financing for most of the holdings, the two directed issues during H1'20 totalling EUR 1.5m have reduced the pressure somewhat. With adjusted assumptions, NAV amounts to EUR 22m or EUR 0.64 per share, which can be compared with the current share price of EUR 0.39. With the support of continued momentum in the core holdings during H2'20, we see high potential in the share.

Estimate Changes (EUR)			Estimates (EUR)				Risk and Potential			
	Now	Before	19e	20e	21e	22e	Motivated value	0.64 - 0.67		
EPS, adj 20e	-0.03	-0.05	-32.2%	Sales,m	0	0	0	0	Current price	0.39
EPS, adj 21e	-0.04	-0.04	0.0%	Sales Growth	187.3%	(6.9)%	5.3%	0.0%	Risk level	Medium
EPS, adj 22e	-0.04	-0.04	0.0%	EBITDA, m	(0.8)	(0.8)	(1.1)	(1.1)	Return Potential	High
				EBIT, m	(0.9)	(0.8)	(1.3)	(1.3)		
				EPS, adj	(0.14)	(0.03)	(0.04)	(0.04)		
				EPS Growth	(518.7)%	(7,720.3)%	3,912.8%	0.0%		
				Equity/Share	0.2	0.2	0.2	0.2		
				Dividend	0.00	0.00	0.00	0.00		
				EBIT Marginal	(43,823.5)	(43,473.7)	(65,000.0)	(65,000.0)		
				ROE (%)	0.0%	0.0%	0.0%	0.0%		
				ROCE	0.0%	0.0%	0.0%	0.0%		
				EV/Sales	79.42x	85.27x	81.01x	81.01x		
				EV/EBITDA	(19.5)x	(21.3)x	(14.7)x	(14.7)x		
				EV/EBIT	(18.1)x	(19.6)x	(12.5)x	(12.5)x		
				P/E, adj	(2.8)x	(12.5)x	(9.0)x	(9.0)x		
				P/Equity	1.9x	1.7x	1.7x	1.7x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(29.6)%	(6.1)%	(8.8)%	(8.8)%		
				Net Debt/EBITDA	(3.7)g	(4.7)g	(3.2)g	(3.2)g		

Calendar Events		Key Figures (EURm)				One Year Performance Chart	
Q3 update	30 October 2020	Number of Shares	32.5m	Market cap	13		
		Net Debt	4	EV	16		
		Free Float	100.00%	Avg. No. of Daily Traded Sh.	10.0(k)		
		Reuters/Bloomberg	LOUDS.ST/LOUDS.SS				

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# Overview

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## Mixed pandemic impact but strong prospects

### Investment Case

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In the wake of Covid-19, Loudspring's largest holding Eagle Filters, which manufactures gas turbine filters, has started production of respirators for protection against Covid-19. Assuming 30,000 respirators per day at full production and revenue of EUR 2 per mask, this could correspond to revenue of EUR 14m, which far exceeds last year's revenue from the gas turbine filters of EUR 2.6m. With stable growth for most core holdings in H1 2020, the company expects a minimum growth rate of 85% in 2021. Our estimated NAV now amounts to EUR 22m or EUR 0.64 per share, which can be compared with the current share price of EUR 0.39/3.92 kr. With the support of continued momentum in the most important core holdings during H2 2020, we see high potential in the share.

### Valuation approach

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We have analysed the outlooks for the portfolio companies in the medium term to determine an estimated value at 2021e. That value is based on our assumption of each company's market value in a future sale if the company develops as expected. We subsequently discounted the estimated market value to present value. As Loudspring's portfolio companies are all in one early phase or another, their risk level is higher than for mature small companies with proven business models and stable revenues and profits. Based on this higher risk, we have consequently applied a discount rate that is normally used for early development companies, and which is higher than that normally used for listed, more mature companies. The specific level of the discount rate is determined by our view of the company's maturity level and of the risks. To materialise our expected development, we estimate an additional capital requirement in nearly all cases. This is reflected in our NAV calculation of the hypothetical dilution by which Loudspring would be diluted if it chose not to inject additional capital into the companies. Although this method may be somewhat confusing, we chose it because it is the most suitable in conjunction with NAV calculations of portfolios containing early development companies.

## Model

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Loudspring's objective is to invest in and contribute to building profitable and competitive companies that promote more efficient use of natural resources and contribute to solving global challenges. Loudspring invests early, but as the company has been active for several years, the portfolio now consists of companies in various phases of development. Some already have annual revenues of several million euros and strong growth, while others are preparing their market launch. Loudspring focuses on investments in companies with major market impact and a scalable, capital-efficient business model.

## Five core holdings are crucial to the portfolio

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Loudspring's portfolio consists of ten companies, five of which are regarded as core holdings. We estimate that these make up the absolute majority of assets in the portfolio. Eagle Filters manufactures gas turbine filters for gas power plants. Although the company's product is highly efficient and offers customers substantial savings with a very short payback period, growth slowed in 2018 due to misaligned initiatives in the sales organisation. However, with successful recruitment in sales and marketing, the company should be able to come close to its target of EUR 10m in sales at 2021e. Loudspring owns an 80% interest in Eagle, which is its largest holding in terms of both value and ownership.

Nuuka Solutions offers cloud-based property management solutions to major property managers, cities and retail chains. We see high potential in Nuuka and relatively low risk, as it has successfully commercialised a highly scalable product. The company has a target of growing SaaS revenues by 100% annually between 2019 and 2022. Nuuka is Loudspring's second-largest holding in terms of ownership.

ResQ Club is an online marketplace for selling food that would otherwise have been discarded by restaurants and cafés to consumers at a discounted price. The company is focusing on vertical and geographical expansion. ResQ Club is cash flow-positive in some months and could be financially self-sufficient if it stopped investing in aggressive growth.

Sofi Filtration specialises in industrial water treatment with a self-cleaning automatic microfiltration system that uses a cross-flow filtration technique for cost-effective filtration of large quantities of water. The company showed a high growth rate in 2018 (144%) and 2019 (70%). It was also the only company in Loudspring's portfolio to show a profit at the EBITDA level in 2018 and 2019, and we estimate the chances are good for continued growth and profitability in the future. During the spring pandemic, however, sales slowed abruptly. However, due to Loudspring's 24.7% ownership interest, Sofi has only a limited impact on Loudspring's portfolio.

## The rest of the portfolio

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Alongside the five core holdings, Loudspring has a further five holdings in which it is not considered to have significant influence or capacity to defend its ownership interests. Swap.com, the largest holding in terms of value, was previously included in Loudspring's core holdings but was excluded partly because Loudspring does not expect to be able to participate in future issues pro rata (6.7%) and partly because it is such a small owner that it cannot exert shareholder influence and governance to the same extent as in other companies.

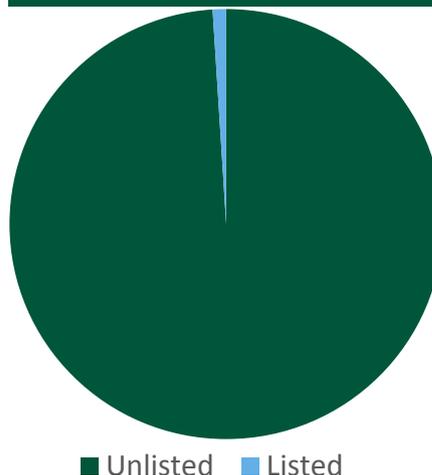
## Loudspring NAV

EURm	Estimate market value in 2021e	Discount rate	Present value	Ownership share	Dilution to 2021e	NPV for Loudspring
<b>Core Holdings</b>						
Eagle Filters	23	25%	18,8	80,1%	10%	13,5
Enersize	-	-	8,0	19,8%	-	1,5
Nuuka Solutions	14	20%	11,6	42,3%	25%	3,7
ResQ Club	21	25%	17,2	25,3%	30%	3,0
Sofi Filtration	8	30%	5,9	24,7%	50%	0,7
<b>Other</b>						
Aurelia	8	40%	5,7	0,6%	40%	0,0
Metgen	7	40%	5,0	2,4%	40%	0,1
Sansox	6	40%	4,3	9,6%	30%	0,3
Swap.com	70	30%	53,8	6,8%	30%	2,6
Watty	5	40%	3,6	3,2%	30%	0,1
<b>Sum of the parts</b>			<b>133,9</b>			<b>25,5</b>
Net cash (+) / debt (-)			-3,7			-3,7
Net asset value						21,8
NAV per share						0,64
Price Loudspring per share (EUR)						0,39
Price Loudspring per share (SEK)						3,92

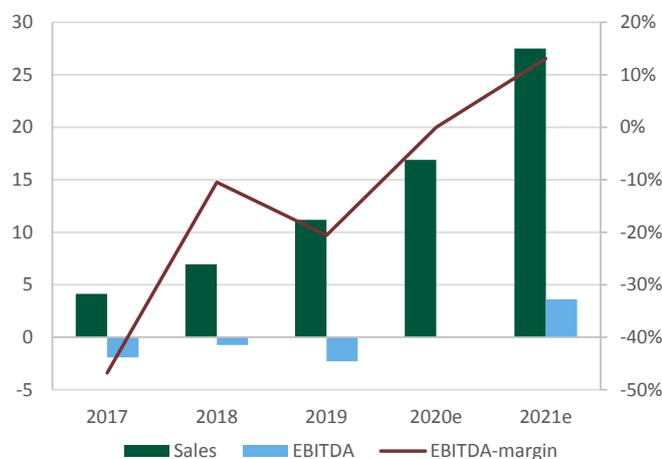
## Portfolio

Core holdings	Ownership share	Business
Eagle Filters	80,1%	Gas turbine filters for gas power plants
Enersize	19,8%	Efficiency improvement for compressed air systems
Nuuka Solutions	42,3%	Cloud-based property management solution
ResQ Club	25,3%	Online marketplace for leftover food
Sofi Filtration	24,7%	Industrial water treatment
<b>Other</b>		
Aurelia	0,6%	Ultra-efficient microturbines
Metgen	2,4%	Enzymes used for energy efficiency in pulp and paper
Sansox	9,6%	Replacement solution for water oxidation pools
Swap.com	6,8%	Online second-hand consignment store
Watty	3,2%	Energy monitoring of home appliances

## Revenue distribution



## Core Holdings accumulated Sales & EBITDA



## Ownership data

Major shareholders	Votes	Shares
Prilla Oy, Lassi Noponen	23,3%	5,8%
Linnainmaa Timo Petteri	18,4%	4,1%
Teppo Tarja Kaarina	15,7%	3,8%
Thorkel Invest, Jarkko Joki-Tokola	9,6%	9,1%
Others	33,0%	77,2%
Chairman		Matti Vuoria
CEO		Jarkko Joki-Tokola
CFO		Timo Linnainmaa
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