

SVENSKA AEROGEL HOLDING AB (PUBL)

<https://aerogel.se/>

Sector: Industrial materials

Listing: Nasdaq First North Stockholm

Market cap per 2024-06-20: SEK 134m

Share price, latest: SEK 0.14

New pilot orders and improved finances

Svenska Aerogel Holding AB ("Svenska Aerogel" or the "Company") has recently shared several important updates about its financing and business development. Carlsquare Equity Research has analysed the global aerogel market and identified several factors that favour Svenska Aerogel's prospects.

In terms of financing, the Company has made significant advances towards a stronger financial position by converting a previous SEK 4.5 million loan from the Swedish Energy Agency into a grant. This grant reduces the financial costs. Additionally, Svenska Aerogel has renegotiated the repayment terms for other loans, halving the amortisation requirements on some outstanding loans for the coming year. These improvements bolster the company's ongoing efficiency program, initially designed to reduce costs by SEK 10 million over 12 months.

Operationally, Svenska Aerogel has received a pilot order for 360 kg of Quartzene® from a European insulation materials manufacturer. This order reflects a growing trend of larger customer projects entering the pilot phase with Quartzene®. The customer has reported positive results from laboratory tests where Quartzene® was integrated into their advanced insulation material. This significantly larger-than-usual pilot order allows the customer to verify these results in a production environment.

Furthermore, Svenska Aerogel recently shipped a container order of 1.4 tons of Quartzene® to its Asian partner Rayoung, advancing two new customer projects. Of this shipment, 1.2 tons will be used for a construction and real estate project, while the remaining 0.2 tons of hydrophobic quality will be used in a process industry project. This order signifies an exciting development in the partnership and confirms Quartzene®'s potential in thermal insulation.

Share Price Development (SEK)



Source: Infront and Carlsquare

The global aerogel market is growing

Aerogel is an ultra-light, porous, and fire-resistant material characterised by low thermal conductivity and, in some cases, high transparency. Its density varies depending on the material and manufacturing method, but it can be as low as 3-5% that of water. Comprising approximately 99% air-filled voids with diameters down to a few nanometers, aerogel's high porosity contributes to its extremely low thermal conductivity, making it an excellent thermal insulator. Despite its lightweight and porous structure, aerogel is fire-resistant and can withstand high temperatures, which makes it suitable for fire protection applications. Additionally, certain types of aerogel are transparent, rendering them useful in optical applications.

Aerogel is an attractive material for a wide range of applications and industries, including:

- **Automotive Industry:** Aerogels can make vehicles lighter, more energy-efficient, and comfortable. The primary benefit, however, is battery safety, as aerogels provide fire protection to prevent thermal runaway.
- **Aerospace Industry:** Aerogels are used to insulate aeroplanes, improving fuel efficiency and providing fire protection.
- **Marine Industry:** Aerogels serve as fire protection and insulation for ships and platforms, reducing energy consumption and enhancing safety.
- **Construction Industry:** Aerogels are used for building insulation, resulting in energy savings and an improved indoor environment.
- **Oil and Gas Industry:** Aerogel filters are used to insulate pipelines, reducing costs and enhancing compression resistance.

Several factors are expected to drive the growth of the global aerogel market in the coming years, including:

- **Increasing Demand for Energy-Efficient Materials:** The global push for energy efficiency in building and construction, automotive, and other sectors is boosting demand for materials like aerogel that can reduce energy consumption.
- **Stricter Environmental Regulations:** Stricter environmental regulations and a greater focus on sustainability are driving demand for environmentally friendly materials such as aerogels, which can help reduce carbon emissions.
- **Technological Advances:** Ongoing advancements in aerogel manufacturing technology are lowering production costs and enhancing performance characteristics, making the material more attractive for a wider range of applications.

The Company's product, Quartzene®, is an aerogel with several advantages over traditional aerogels:

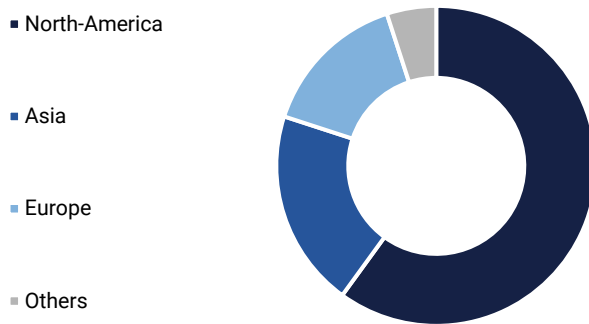
- **Sustainability:** Its manufacturing process requires less energy and resources.
- **Cost-Effectiveness:** Efficient production makes Quartzene® a more affordable option for many applications.
- **Flexibility:** The material can be adapted for various applications and uses.
- **Scalability:** Production capacity can be easily scaled up to meet increasing demand, including on-site modules at customer locations.

The flexibility, cost-effectiveness, and scalability of Quartzene® enable the Company to expand into larger and more diverse markets beyond the aerogel market. This potential is demonstrated by projects like SeaQare and the Toothcare project in the UK. By 2028, the addressable market is expected to grow to approximately USD 15–17 billion, representing an annual growth rate of 8–10% (CAGR).

North American market is the largest, but Europe the most relevant

Geographically, North America was the largest market in 2022, accounting for approximately 60-65% of the global market. This was followed by the Asian market at about 18% and the European market at around 16%. For Svenska Aerogel, the European market is currently the most important due to favourable conditions and fewer logistical challenges compared to other regions. These favourable conditions are due to comprehensive trade agreements within the EU, which benefit companies from EU member states, and the EU's focus on energy efficiency and safety in buildings. In addition to Europe, Svenska Aerogel collaborates with several American global companies, making the United States an increasingly important market.

Global Aerogel Market, Geographical Breakdown



Source: Company information

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