

## Continued good profitability

Innofactor's Q2 results were above our expectations and profitability remained at a good level. The net sales in Q2 amounted to EUR 16.8m (Evli EUR 16.6m), while EBITDA amounted to EUR 2.1m (Evli EUR 1.1m). Guidance remains intact. The impact of the coronavirus pandemic was limited but EBITDA in Sweden, Norway and Denmark fell in the red due to lowered sales.

- Net sales in Q2 amounted to EUR 16.8m (EUR 16.7m in Q2/19), in line with our estimates (Evli EUR 16.6m). Net sales in Q2 grew 0.6% y/y.
- EBITDA in Q2 was EUR 2.1m (EUR 1.1m in Q2/19), clearly above our estimates (Evli EUR 1.1m), at a margin of 12.3%. EBITDA was clearly positive in Finland but somewhat negative in the other countries due to smaller than expected net sales due to the coronavirus pandemic.
- Operating profit in Q2 amounted to EUR 0.9m (EUR 0.2m in Q2/19), clearly above our estimates (Evli EUR 0.0m), at a margin of 5.3%.
- Order backlog at EUR 56.9m, up 28.8% y/y. Innofactor received several significant orders during the quarter and the order backlog improved q/q.
- Guidance intact: Innofactor's net sales and EBITDA in 2020 are estimated to increase compared to 2019.
- The impact of the coronavirus pandemic on the second quarter was smaller than the company had previously expected. The pandemic lowered sales in Sweden, Norway and Denmark in the second quarter. Impact of the pandemic on Group net sales and profitability expected to be small during the rest of 2020. The company estimates a possibility that it will not achieve comparable net sales growth in Q3 as in Q1 and Q2.

**Rating** + BUY

Q2/20	Actual	Evli	Year ago	Q1/20
Net sales	16.8	16.6	16.7	16.6
EBITDA	2.1	1.1	1.1	1.1
EBIT	0.9	0.0	0.2	0.0

Deviation	Actual	Evli	Year ago	Q1/20
Net sales		1%	1%	1%
EBITDA		92%	86%	92%
EBIT		-	>100%	-

 Share price, EUR (Last trading day's closing price) 1.08

 Target price, EUR 0.95

Latest change in recommendation	06-Jun-19
Latest report on company	06-May-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	37,388
No. of shares fully diluted, '000's	37,388
Market cap, EURm	40
Free float, %	47.0
Exchange rate EUR	0.000
Reuters code	IFA1V.HE
Bloomberg code	IFA1V FH
Average daily volume, EURm	0.04
Next interim report	28-Jul-20
Web site	www.innofactor.com

Analyst	Jerker Salokivi
E-mail	jerker.salokivi@evli.com
Telephone	+358 9 4766 9149

+ BUY □ HOLD - SELL

### PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	63.1	-3.9	-6.1%	-1.7	-0.09	-4.1	0.5	-8.7	-13.2	0.00
2019	64.2	0.8	1.2%	4.4	0.01	64.6	0.7	53.8	16.3	0.00
2020E	65.1	1.5	2.3%	2.2	0.01	114.4	0.8	35.7	5.4	0.00
2021E	67.1	3.3	4.9%	2.9	0.06	18.1	0.8	15.5	7.1	0.00
2022E	68.7	4.6	6.7%	2.9	0.09	12.1	0.7	10.5	7.1	0.00

Market cap, EURm	40	BV per share 2020E, EUR	60.9	CAGR EPS 2019-22, %	99.8
Net debt 2020E, EURm	14	Price/book 2020E	1.8	CAGR sales 2019-22, %	2.3
Enterprise value, EURm	54	Dividend yield 2020E, %	0.0	ROE 2020E, %	1.6
Total assets 2020E, EURm	54	Tax rate 2020E, %	-435.0	ROCE 2020E, %	4.0
Goodwill 2020E, EURm	26	Equity ratio 2020E, %	41.3	PEG, P/E 20/CAGR	1.0

All the important disclosures can be found on the last pages of this report.

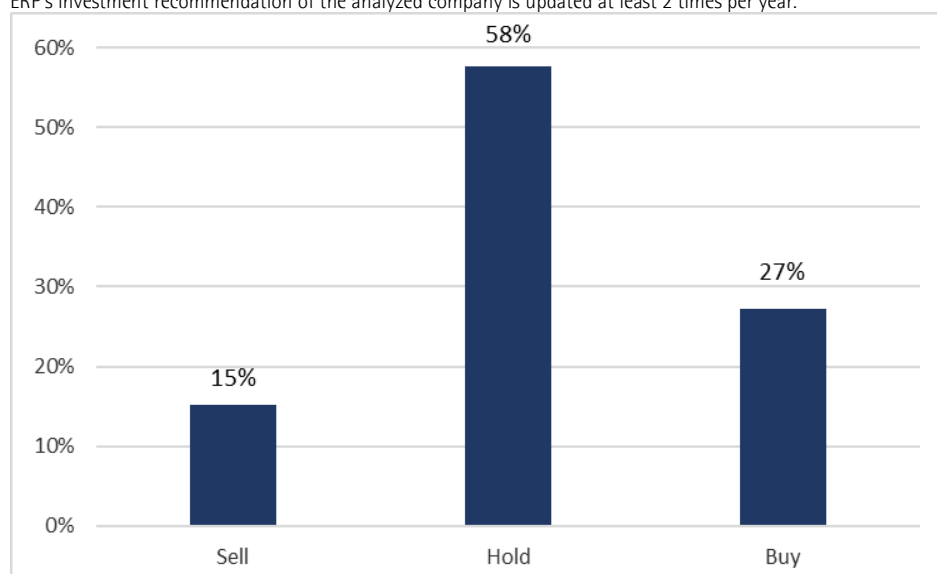
## Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Salokivi

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 6.5.2020, 8:30. This report has been published on 28.7.2020, 9:30.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP may pursue an assignment from the issuer(s) of the financial instruments mentioned in the recommendation or this report. These assignments may have a limited economic or financial impact on ERP and/or Evli. Under such assignments ERP may perform services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information**

**SALES, TRADING AND RESEARCH**

**Equity Sales**

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**ETFs and Derivatives**

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001