

Good start to the year

Innofactor reported Q1 results well in line with our estimates. We expect sales growth to pick up during the year in comparable terms supported by the healthy order backlog and expect to see continued margin improvement. We retain our BUY-rating and TP of EUR 2.2.

Q1 well in line with our estimates

Innofactor reported Q1 results that were well in line with our expectations. Revenue grew 3.8% to EUR 17.8m (Evli EUR 17.9m) while EBITDA amounted to EUR 4.7m (Evli EUR 4.8m). EBITDA included the EUR 2.6m one-off relating to the Prime business divestment and the adj. EBITDA of EUR 2.1m showed growth of 7.3% y/y. The order backlog in Q1 was at a record level of EUR 68.9m (+27.4% y/y), aided by the biggest individual deal in Innofactor's history signed with the Finnish Tax Administration. The report overall did not hold any material negative news in our view. Management comments on the impacts of the COVID-19 pandemic and sales development outside Finland, were sales have been more challenging, were modestly upbeat.

No notable changes to our estimates

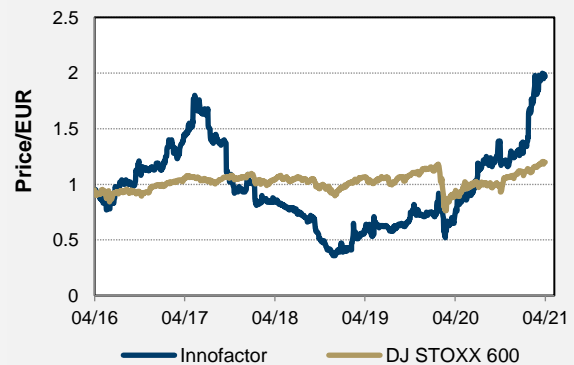
Our estimates remain essentially intact apart from minor adjustments due to lower than estimated acquisition amortizations in Q1. We expect sales in 2021 to grow 3.4% y/y (comparable growth 6.3%) to EUR 68.4m and EBITDA (excl. Prime div.) to amount to EUR 8.7m. In relation to the past years performance our growth assumptions appear unmerited and the company still has quite a lot to prove in terms of growth. With the record-high order backlog and management comments on the impacts of the pandemic and sales development outside Finland, pick-up in sales growth should certainly be within grasp.

BUY with a target price of EUR 2.2

With no major changes to our estimates or the investment case we retain our target price of EUR 2.2 and BUY-rating. Our TP values Innofactor slightly below peers, which we see justified given its track-record in previous years.

Rating

BUY



Share price, EUR (Last trading day's closing price) 1.97

Target price, EUR 2.2

Latest change in recommendation 04-Jun-19

Latest report on company 23-Apr-21

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 74

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 22-Jul-21

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BUY HOLD SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | FCF EURm | EPS EUR | P/E (x) | EV/Sales (x) | EV/EBIT (x) | FCF yield % | DPS EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2019 | 64.2 | 0.8 | 1.2% | 4.4 | 0.01 | 64.6 | 0.7 | 53.8 | 16.3 | 0.00 |
| 2020 | 66.2 | 2.5 | 3.8% | 3.5 | 0.05 | 27.2 | 0.9 | 24.1 | 7.4 | 0.04 |
| 2021E | 68.4 | 8.2 | 12.0% | 6.8 | 0.15 | 12.9 | 1.2 | 9.8 | 9.3 | 0.06 |
| 2022E | 71.1 | 6.8 | 9.5% | 4.7 | 0.13 | 15.4 | 1.1 | 11.6 | 6.4 | 0.06 |
| 2023E | 73.3 | 7.0 | 9.5% | 5.1 | 0.14 | 14.3 | 1.0 | 10.8 | 6.9 | 0.07 |
| Market cap, EURm | 74 | | | Gearing 2021E, % | 25.4 | | | CAGR EPS 2020-23, % | 42.9 | |
| Net debt 2021E, EURm | 7 | | | Price/book 2021E | 2.7 | | | CAGR sales 2020-23, % | 3.5 | |
| Enterprise value, EURm | 81 | | | Dividend yield 2021E, % | 3.0 | | | ROE 2021E, % | 22.3 | |
| Total assets 2021E, EURm | 59 | | | Tax rate 2021E, % | 21.2 | | | ROCE 2021E, % | 20.6 | |
| Goodwill 2021E, EURm | 27 | | | Equity ratio 2021E, % | 46.8 | | | PEG, P/E 21/CAGR | -6.8 | |

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

| Innofactor | 2019 | Q1/'20 | Q2/'20 | Q3/'20 | Q4/'20 | 2020 | Q1/'21E | Q2/'21E | Q3/'21E | Q4/'21E | 2021E | 2022E | 2023E |
|--|------|--------|--------|--------|--------|-------|---------|---------|---------|---------|-------|-------|-------|
| Net sales | 64.2 | 17.2 | 16.8 | 14.0 | 18.3 | 66.2 | 17.8 | 17.3 | 14.5 | 18.8 | 68.4 | 71.1 | 73.3 |
| <i>sales growth %</i> | 1.7% | 6.2% | 0.6% | 0.3% | 4.7% | 3.1% | 3.8% | 3.3% | 3.5% | 3.0% | 3.4% | 4.0% | 3.0% |
| EBITDA | 5.1 | 2.0 | 2.0 | 1.6 | 1.6 | 7.2 | 4.7 | 2.2 | 1.8 | 2.8 | 11.3 | 9.6 | 9.9 |
| <i>EBITDA margin</i> | 7.9% | 11.4% | 11.9% | 11.6% | 8.7% | 10.8% | 26.2% | 12.4% | 12.1% | 14.6% | 16.5% | 13.5% | 13.5% |
| Acquisition related depreciation | -2.0 | -0.5 | -0.5 | -0.5 | -0.5 | -1.9 | -0.1 | -0.1 | -0.1 | -0.1 | -0.3 | 0.0 | 0.0 |
| EBIT | 0.8 | 0.8 | 0.9 | 0.4 | 0.4 | 2.5 | 3.8 | 1.4 | 1.0 | 2.0 | 8.2 | 6.8 | 7.0 |
| <i>EBIT margin</i> | 1.2% | 4.8% | 5.3% | 2.8% | 2.2% | 3.8% | 21.4% | 8.1% | 6.9% | 10.6% | 12.0% | 9.5% | 9.5% |
| Adj. EBIT (excl. NRI's and acq. depr.) | 2.8 | 1.3 | 1.4 | 0.9 | 0.9 | 4.4 | 1.3 | 1.5 | 1.1 | 2.1 | 5.9 | 6.8 | 7.0 |
| <i>Adj. EBIT margin</i> | 4.4% | 7.5% | 8.1% | 6.2% | 4.8% | 6.6% | 7.6% | 8.4% | 7.3% | 10.9% | 8.6% | 9.5% | 9.5% |

Source: Innofactor, Evli Research estimates

| INNOFACTOR PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | P/E | | |
|--|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 21 | 22 | 23 | 21 | 22 | 23 | 21 | 22 | 23 |
| TietoEVRY | 3297 | 8.2x | 7.8x | 7.5x | 11.8x | 10.9x | 10.4x | 12.1x | 11.1x | 10.6x |
| Atea | 1732 | 10.3x | 9.4x | 9.3x | 16.7x | 14.7x | 14.1x | 22.4x | 19.5x | 18.1x |
| Knowit | 604 | 12.1x | 11.7x | 11.8x | 14.9x | 14.3x | 14.3x | 19.9x | 19.4x | 19.3x |
| Bouvet | 709 | 16.5x | 15.0x | 13.8x | 20.7x | 18.7x | 16.9x | 27.8x | 25.0x | 22.8x |
| Enea | 540 | 16.2x | 13.4x | 11.9x | 24.3x | 19.2x | 16.4x | 28.0x | 22.5x | 18.9x |
| Gofore | 298 | 16.1x | 14.0x | 12.8x | 21.3x | 17.9x | 16.0x | 26.3x | 22.5x | 20.3x |
| Digia | 214 | 11.1x | 10.3x | 9.8x | 15.6x | 14.4x | 13.6x | 19.2x | 17.6x | 16.5x |
| Siili Solutions | 120 | 8.8x | 7.4x | 7.5x | 14.9x | 11.6x | 10.7x | 15.4x | 12.6x | 12.5x |
| Solteq | 107 | 10.3x | 9.5x | 8.8x | 17.9x | 15.6x | 13.8x | 24.1x | 19.5x | 16.7x |
| Peer Group Average | 847 | 12.2x | 10.9x | 10.4x | 17.6x | 15.2x | 14.0x | 21.7x | 18.9x | 17.3x |
| Peer Group Median | 540 | 11.1x | 10.3x | 9.8x | 16.7x | 14.7x | 14.1x | 22.4x | 19.5x | 18.1x |
| Innofactor (Evli est.) | 74 | 7.1x | 8.1x | 7.7x | 9.8x | 11.6x | 10.8x | 12.9x | 15.4x | 14.3x |
| <i>Innofactor prem./disc. to peer median</i> | | -36% | -21% | -22% | -41% | -21% | -23% | -42% | -21% | -21% |
| Innofactor adj.* (Evli est.) | 74 | 9.3x | 8.1x | 7.7x | 13.7x | 11.6x | 10.8x | 19.1x | 15.4x | 14.3x |
| <i>Innofactor prem./disc. to peer median</i> | | -17% | -21% | -22% | -18% | -21% | -23% | -14% | -21% | -21% |

Source FactSet, Evli Research. *Excl. purchase price amortization and Prime div.

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|------------------------|--------------------------------|------|
| Current share price | 1.97 PV of Free Cash Flow | 58 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 3.22 PV of Horizon value | 76 WACC, % | 7.9 Market risk premium, % | 5.8 |
| Share price potential, % | 63.4 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 3.5 Marketable securities | 3 Minimum WACC, % | 7.4 Equity beta coefficient | 1.00 |
| Minimum value | 2.9 Debt - dividend | -17 Maximum WACC, % | 8.4 Target debt ratio, % | 30 |
| Horizon value, % | 56.7 Value of stock | 120 Nr of shares, Mn | 37.4 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | Horizon |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 66 | 68 | 71 | 73 | 75 | 77 | 79 | 81 | 83 | 85 | 87 | 88 |
| <i>Sales growth, %</i> | <i>3.1</i> | <i>3.4</i> | <i>4.0</i> | <i>3.0</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> | <i>2.0</i> | <i>2.0</i> |
| Operating income (EBIT) | 3 | 8 | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| <i>Operating income margin, %</i> | <i>3.8</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> | <i>9.5</i> |
| + Depreciation+amort. | 5 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| EBITDA | 7 | 11 | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 12 | |
| - Paid taxes | 0 | -1 | -1 | -1 | -1 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| - Change in NWC | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>NWC / Sales, %</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> | <i>-2.7</i> |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Operative CAPEX | 0 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| <i>opCAPEX / Sales, %</i> | <i>2.2</i> | <i>4.2</i> | <i>4.2</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> | <i>4.1</i> |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Other items | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = FCFF | 5 | 10 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 158 |
| = Discounted FCFF | | 9 | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 4 | 76 |
| = DFCF min WACC | | 9 | 7 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 87 |
| = DFCF max WACC | | 9 | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 4 | 4 | 67 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2020Q1 | 2020Q2 | 2020Q3 | 2020Q4 | 2020 | 2021Q1 | 2021Q2E | 2021Q3E | 2021Q4E | 2021E | 2022E | 2023E |
|--------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 17.2 | 16.8 | 14.0 | 18.3 | 66.2 | 17.8 | 17.3 | 14.5 | 18.8 | 68.4 | 71.1 | 73.3 |
| EBITDA | 2.0 | 2.0 | 1.6 | 1.6 | 7.2 | 4.7 | 2.2 | 1.8 | 2.8 | 11.3 | 9.6 | 9.9 |
| <i>EBITDA margin (%)</i> | <i>11.4</i> | <i>11.9</i> | <i>11.6</i> | <i>8.7</i> | <i>10.8</i> | <i>26.2</i> | <i>12.4</i> | <i>12.1</i> | <i>14.6</i> | <i>16.5</i> | <i>13.5</i> | <i>13.5</i> |
| EBIT | 0.8 | 0.9 | 0.4 | 0.4 | 2.5 | 3.8 | 1.4 | 1.0 | 2.0 | 8.2 | 6.8 | 7.0 |
| <i>EBIT margin (%)</i> | <i>4.8</i> | <i>5.3</i> | <i>2.8</i> | <i>2.2</i> | <i>3.8</i> | <i>21.4</i> | <i>8.1</i> | <i>6.9</i> | <i>10.6</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> |
| Net financial items | -0.9 | 0.3 | -0.4 | 0.5 | -0.5 | -0.5 | -0.2 | -0.2 | -0.2 | -1.0 | -0.7 | -0.5 |
| Pre-tax profit | -0.1 | 1.2 | 0.0 | 1.0 | 2.1 | 3.4 | 1.2 | 0.8 | 1.8 | 7.2 | 6.0 | 6.5 |
| Tax | 0.3 | 0.1 | 0.0 | -0.7 | -0.3 | -0.7 | -0.3 | -0.2 | -0.4 | -1.5 | -1.3 | -1.4 |
| <i>Tax rate (%)</i> | <i>263.7</i> | <i>-6.5</i> | <i>0.0</i> | <i>72.9</i> | <i>14.0</i> | <i>21.5</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.2</i> | <i>21.0</i> | <i>21.0</i> |
| Net profit | 0.2 | 1.3 | 0.0 | 0.3 | 1.8 | 2.6 | 1.0 | 0.6 | 1.4 | 5.7 | 4.8 | 5.1 |
| EPS | 0.01 | 0.03 | 0.00 | 0.01 | 0.05 | 0.07 | 0.03 | 0.02 | 0.04 | 0.15 | 0.13 | 0.14 |
| EPS adjusted (diluted no. of shares) | 0.03 | 0.02 | 0.01 | 0.01 | 0.05 | 0.07 | 0.03 | 0.02 | 0.04 | 0.15 | 0.13 | 0.14 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.06 | 0.07 |
| SALES, EURm | | | | | | | | | | | | |
| Innofactor | 17.2 | 16.8 | 14.0 | 18.3 | 66.2 | 17.8 | 17.3 | 14.5 | 18.8 | 68.4 | 71.1 | 73.3 |
| Total | 17.2 | 16.8 | 14.0 | 18.3 | 66.2 | 17.8 | 17.3 | 14.5 | 18.8 | 68.4 | 71.1 | 73.3 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Innofactor</i> | <i>6.2</i> | <i>0.6</i> | <i>0.3</i> | <i>4.7</i> | <i>3.1</i> | <i>3.8</i> | <i>3.3</i> | <i>3.5</i> | <i>3.0</i> | <i>3.4</i> | <i>4.0</i> | <i>3.0</i> |
| <i>Total</i> | <i>6.2</i> | <i>0.6</i> | <i>0.3</i> | <i>4.7</i> | <i>3.1</i> | <i>3.8</i> | <i>3.3</i> | <i>3.5</i> | <i>3.0</i> | <i>3.4</i> | <i>4.0</i> | <i>3.0</i> |
| EBIT, EURm | | | | | | | | | | | | |
| Innofactor | 0.8 | 0.9 | 0.4 | 0.4 | 2.5 | 3.8 | 1.4 | 1.0 | 2.0 | 8.2 | 6.8 | 7.0 |
| Total | 0.8 | 0.9 | 0.4 | 0.4 | 2.5 | 3.8 | 1.4 | 1.0 | 2.0 | 8.2 | 6.8 | 7.0 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Innofactor</i> | <i>4.8</i> | <i>5.3</i> | <i>2.8</i> | <i>2.2</i> | <i>3.8</i> | <i>21.4</i> | <i>8.1</i> | <i>6.9</i> | <i>10.6</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> |
| <i>Total</i> | <i>4.8</i> | <i>5.3</i> | <i>2.8</i> | <i>2.2</i> | <i>3.8</i> | <i>21.4</i> | <i>8.1</i> | <i>6.9</i> | <i>10.6</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> |

| INCOME STATEMENT, EURm | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| Sales | 59.6 | 65.7 | 63.1 | 64.2 | 66.2 | 68.4 | 71.1 | 73.3 |
| <i>Sales growth (%)</i> | <i>34.1</i> | <i>10.1</i> | <i>-3.8</i> | <i>1.7</i> | <i>3.1</i> | <i>3.4</i> | <i>4.0</i> | <i>3.0</i> |
| EBITDA | 4.8 | 1.3 | -1.1 | 5.1 | 7.2 | 11.3 | 9.6 | 9.9 |
| <i>EBITDA margin (%)</i> | <i>8.1</i> | <i>2.0</i> | <i>-1.7</i> | <i>7.9</i> | <i>10.8</i> | <i>16.5</i> | <i>13.5</i> | <i>13.5</i> |
| Depreciation | -2.5 | -2.8 | -2.8 | -4.3 | -4.7 | -3.1 | -2.8 | -2.9 |
| EBITA | 2.3 | -1.5 | -3.9 | 0.8 | 2.5 | 8.2 | 6.8 | 7.0 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 2.3 | -1.5 | -3.9 | 0.8 | 2.5 | 8.2 | 6.8 | 7.0 |
| <i>EBIT margin (%)</i> | <i>3.9</i> | <i>-2.2</i> | <i>-6.1</i> | <i>1.2</i> | <i>3.8</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> |
| Reported EBIT | 2.3 | -1.5 | -3.9 | 0.8 | 2.5 | 8.2 | 6.8 | 7.0 |
| <i>EBIT margin (reported) (%)</i> | <i>3.9</i> | <i>-2.2</i> | <i>-6.1</i> | <i>1.2</i> | <i>3.8</i> | <i>12.0</i> | <i>9.5</i> | <i>9.5</i> |
| Net financials | -0.4 | -0.1 | 0.1 | -0.8 | -0.5 | -1.0 | -0.7 | -0.5 |
| Pre-tax profit | 1.9 | -1.6 | -3.8 | 0.0 | 2.1 | 7.2 | 6.0 | 6.5 |
| Taxes | -0.4 | 0.3 | 0.6 | 0.4 | -0.3 | -1.5 | -1.3 | -1.4 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 1.5 | -1.3 | -3.2 | 0.4 | 1.8 | 5.7 | 4.8 | 5.1 |
| Cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 10 | 8 | 7 | 4 | 2 | 2 | 2 | 2 |
| Goodwill | 28 | 26 | 26 | 26 | 27 | 27 | 27 | 27 |
| Right of use assets | 0 | 0 | 5 | 5 | 4 | 4 | 4 | 4 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 19 | 17 | 13 | 14 | 14 | 15 | 15 | 16 |
| Liquid funds | 1 | 1 | 0 | 1 | 3 | 6 | 3 | 3 |
| Total assets | 64 | 58 | 57 | 56 | 57 | 59 | 57 | 58 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 23 | 25 | 21 | 22 | 23 | 28 | 30 | 33 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 5 | 5 | 4 | 4 | 4 | 4 |
| Deferred taxes | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |
| Interest bearing debt | 17 | 14 | 15 | 12 | 11 | 9 | 4 | 1 |
| Non-interest bearing current liabilities | 22 | 17 | 14 | 16 | 16 | 16 | 17 | 18 |
| Other interest-free debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 64 | 58 | 57 | 56 | 57 | 59 | 57 | 58 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 5 | 1 | -1 | 5 | 7 | 11 | 10 | 10 |
| - Net financial items | 0 | 0 | 0 | -1 | 0 | -1 | -1 | 0 |
| - Taxes | 2 | 0 | 0 | 0 | 0 | -1 | -1 | -1 |
| - Increase in Net Working Capital | -1 | 2 | 1 | 2 | -1 | 0 | 0 | 0 |
| +/- Other | -2 | 1 | -1 | 0 | -1 | 0 | 0 | 0 |
| = Cash flow from operations | 3 | 4 | -1 | 6 | 5 | 10 | 8 | 8 |
| - Capex | -1 | -2 | -1 | -2 | -1 | -3 | -3 | -3 |
| - Acquisitions | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -4 | 2 | -2 | 4 | 4 | 7 | 5 | 5 |
| +/- New issues/buybacks | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Paid dividend | 0 | 0 | 0 | 0 | 0 | -1 | -2 | -2 |
| +/- Other | 5 | -6 | 1 | -4 | -1 | -2 | -5 | -3 |
| Change in cash | 0 | 0 | -1 | 1 | 2 | 3 | -3 | 0 |

| KEY FIGURES | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 34 | 13 | 27 | 48 | 74 | 74 | 74 |
| Net debt (excl. convertibles) | 13 | 20 | 16 | 12 | 7 | 5 | 2 |
| Enterprise value | 47 | 33 | 43 | 60 | 81 | 78 | 76 |
| Sales | 66 | 63 | 64 | 66 | 68 | 71 | 73 |
| EBITDA | 1 | -1 | 5 | 7 | 11 | 10 | 10 |
| EBIT | -1 | -4 | 1 | 3 | 8 | 7 | 7 |
| Pre-tax | -2 | -4 | 0 | 2 | 7 | 6 | 7 |
| Earnings | -1 | -3 | 0 | 2 | 6 | 5 | 5 |
| Equity book value (excl. minorities) | 25 | 21 | 22 | 23 | 28 | 30 | 33 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.7 | 0.5 | 0.7 | 0.9 | 1.2 | 1.1 | 1.0 |
| EV/EBITDA | 36.2 | -30.4 | 8.4 | 8.4 | 7.1 | 8.1 | 7.7 |
| EV/EBITA | -32.4 | -8.7 | 53.8 | 24.1 | 9.8 | 11.6 | 10.8 |
| EV/EBIT | -32.4 | -8.7 | 53.8 | 24.1 | 9.8 | 11.6 | 10.8 |
| EV/OCF | 11.4 | -57.7 | 6.9 | 12.0 | 8.4 | 10.2 | 9.3 |
| EV/FCFF | 17.1 | -17.9 | 6.9 | 11.3 | 8.3 | 10.4 | 9.8 |
| P/FCFE | 13.7 | -7.6 | 6.1 | 13.5 | 10.8 | 15.6 | 14.5 |
| P/E | -26.9 | -4.1 | 64.6 | 27.2 | 12.9 | 15.4 | 14.3 |
| P/B | 1.4 | 0.6 | 1.2 | 2.0 | 2.7 | 2.4 | 2.2 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 7.9 | 9.0 | 8.5 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 | 12.8 | 12.1 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 13.1 | 18.4 | 16.6 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 | 2.7 | 2.5 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 14.5 | 17.3 | 16.0 |
| Per share measures | | | | | | | |
| Number of shares | 36,188 | 36,188 | 37,388 | 37,388 | 37,388 | 37,388 | 37,388 |
| Number of shares (diluted) | 36,188 | 36,188 | 37,388 | 37,388 | 37,388 | 37,388 | 37,388 |
| EPS | -0.03 | -0.09 | 0.01 | 0.05 | 0.15 | 0.13 | 0.14 |
| Operating cash flow per share | 0.12 | -0.02 | 0.17 | 0.13 | 0.26 | 0.21 | 0.22 |
| Free cash flow per share | 0.07 | -0.05 | 0.12 | 0.09 | 0.18 | 0.13 | 0.14 |
| Book value per share | 0.68 | 0.59 | 0.59 | 0.63 | 0.74 | 0.81 | 0.88 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.04 | 0.06 | 0.06 | 0.07 |
| Dividend payout ratio, % | 0.0 | 0.0 | 0.0 | 84.9 | 39.4 | 50.0 | 50.0 |
| Dividend yield, % | 0.0 | 0.0 | 0.0 | 3.1 | 3.0 | 3.2 | 3.5 |
| FCF yield, % | 7.3 | -13.2 | 16.3 | 7.4 | 9.3 | 6.4 | 6.9 |
| Efficiency measures | | | | | | | |
| ROE | -5.3 | -13.8 | 1.9 | 7.7 | 22.3 | 16.5 | 16.3 |
| ROCE | -3.7 | -9.6 | 2.0 | 6.4 | 20.6 | 17.2 | 18.3 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables as % of sales | 25.6 | 20.9 | 21.9 | 21.4 | 21.4 | 21.4 | 21.4 |
| Non-interest bearing liabilities as % of sales | 26.6 | 22.1 | 24.8 | 24.1 | 24.1 | 24.1 | 24.1 |
| NWC/sales, % | -1.0 | -1.2 | -2.9 | -2.7 | -2.7 | -2.7 | -2.7 |
| Operative CAPEX/sales, % | 2.6 | 1.8 | 2.8 | 2.2 | 4.2 | 4.2 | 4.1 |
| CAPEX/sales (incl. acquisitions), % | 2.6 | 1.8 | 2.8 | 2.2 | 4.2 | 4.2 | 4.1 |
| FCFF/EBITDA | 2.1 | 1.7 | 1.2 | 0.7 | 0.9 | 0.8 | 0.8 |
| Net debt/EBITDA, book-weighted | 10.2 | -18.6 | 3.1 | 1.7 | 0.6 | 0.5 | 0.2 |
| Debt/equity, market-weighted | 0.4 | 1.2 | 0.4 | 0.2 | 0.1 | 0.0 | 0.0 |
| Equity ratio, book-weighted | 42.5 | 37.3 | 39.7 | 41.4 | 46.8 | 52.9 | 57.1 |
| Gearing, % | 53.8 | 96.1 | 71.8 | 52.6 | 25.4 | 15.1 | 5.7 |

COMPANY DESCRIPTION: Innofactor provides software products and solutions to commercial, public sector, and membership-based organizations in the Nordic countries. It specializes in Microsoft-based cloud solutions and digital transformation. Innofactor has operations in Finland, Sweden, Denmark, and Norway.

INVESTMENT CASE: Innofactor has been showing recovery from a few years of subpar performance, caused primarily by integration issues relating to its pan-Nordic platform. Focus in the near-term should still remain on actions to improve margins and sorting out challenges relating to international operations. Good traction for Microsoft's enterprise solutions supports growth outlook going forward.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|--------|-------|
| Ensio Sami | 7,880,237 | 15.524 | 21.1% |
| Ilmarinen Mutual Pension Insurance Company | 1,800,000 | 3.546 | 4.8% |
| Linturi Kaija and Risto | 1,256,411 | 2.475 | 3.4% |
| Laiho Rami Tapani | 1,158,694 | 2.283 | 3.1% |
| Jyrki Hallikainen | 1,129,821 | 2.226 | 3.0% |
| Ärje Matias Juhanpoika | 882,065 | 1.738 | 2.4% |
| Mäki Antti Jussi | 745,020 | 1.468 | 2.0% |
| Tilman Tuomo Tapani | 703,397 | 1.386 | 1.9% |
| Hellen Stefan Andreas | 486,000 | 0.957 | 1.3% |
| Ingman Finance | 450,000 | 0.887 | 1.2% |
| Ten largest | 16,491,645 | 32.489 | 44% |
| Residual | 20,896,580 | 41.166 | 56% |
| Total | 37,388,225 | 73.655 | 100% |

EARNINGS CALENDAR

July 22, 2021

Q2 report

October 28, 2021

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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CFO: Markku Puolanne

Tel: +358 (0)10 272 9000

IR:

DEFINITIONS

| | | | |
|-----------------------|--|---------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | DPS | Dividend for the financial period per share |
| Market cap | Price per share * Number of shares | OCF (Operating cash flow) | EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | FCF (Free cash flow) | Operating cash flow – operative CAPEX – acquisitions + divestments |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | FCF yield, % | $\frac{\text{Free cash flow}}{\text{Market cap}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$ | Operative CAPEX/sales | $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Net working capital | Current assets – current liabilities |
| Net debt | Interest bearing debt – financial assets | Capital employed/Share | $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$ |
| Total assets | Balance sheet total | Gearing | $\frac{\text{Net debt}}{\text{Equity}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

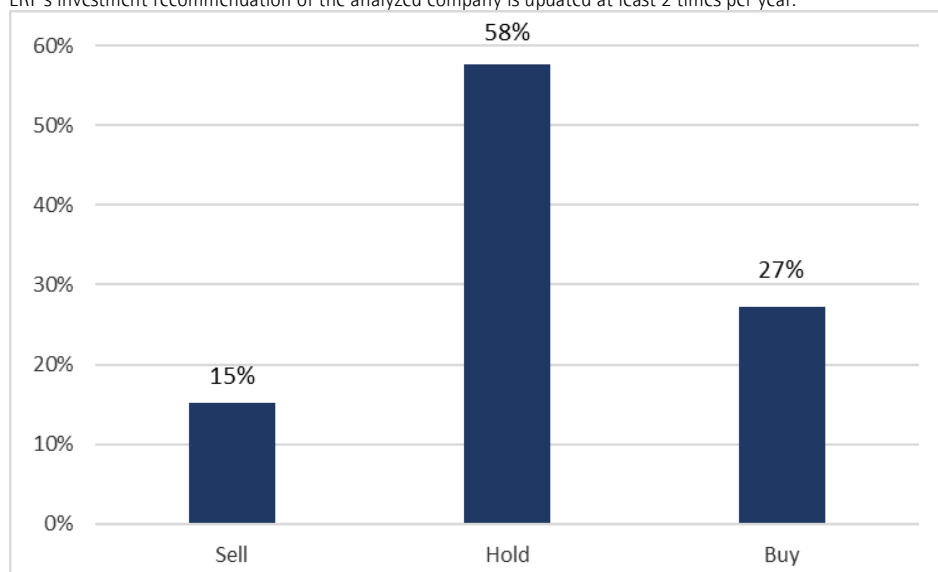
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| Target price compared to share price | Recommendation |
|--------------------------------------|----------------|
| < -10 % | SELL |
| -10 – (+10) % | HOLD |
| > 10 % | BUY |

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

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