

Still a lot to prove

Innofactor's Q3 results were below our estimates, mainly on profitability, with EBIT at EUR -1.2m (Evli -0.3m). Focus lies on reorganization and with the measures taken Innofactor expects a positive impact on EBITDA of 2.4m from 2019 onwards. We retain our HOLD rating with a TP of EUR 0.55 (0.70).

Profitability affected by lower sales

Innofactor's Q3 results fell below our estimates. Revenue amounted to EUR 13.8m (Evli 14.2m) while EBIT fell to EUR -1.2m (Evli -0.3m). The low profitability was at least partly due to the lower sales. Innofactor completed cooperation negotiations and combined with reorganizations expects a positive impact on EBITDA of EUR 2.4m from 2019 onwards. Reorganizations are expected to contribute EUR 1.0m, to be achieved through reorganizing tasks, enabling more customer work hours. The Finnish delivery organization is being scaled down from seven to four organizational levels. The Finnish organization will further be reorganized into smaller self-organized teams. To our understanding one key goal is to enhance decision making especially in sales.

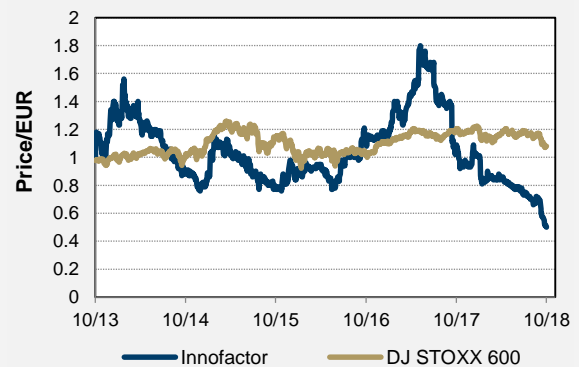
Profitability upside potential, sales growth a question mark

We expect EBITDA to turn positive in Q4, which typically is a stronger quarter for Innofactor. Our 2018 sales and EBITDA estimates are at EUR 65.1m and EUR 0.3m respectively. The organizational actions being taken in our view give prerequisites for improved profitability in 2019. The scaling down of the organization alone should prove beneficial, as the organization has been growing faster than sales. We remain conservative on sales growth in 2019, as we expect the changes to have some negative short-term impact and with the sales track recently Innofactor still has a lot to prove.

HOLD with a target price of EUR 0.55 (0.70)

The reorganization measures, if successful, would provide some breathing room for Innofactor, but pick-up in sales in our view remains a key driver for normalizing profitability. We retain our HOLD-rating with a target price of EUR 0.55 (0.70).

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 0.50

Target price, EUR 0.55

Latest change in recommendation 09-Oct-18

Latest report on company 31-Oct-18

Research paid by issuer: YES

No. of shares outstanding, '000's 36,188

No. of shares fully diluted, '000's 36,188

Market cap, EURm 18

Free float, % 45.0

Exchange rate EUR 0.000

Reuters code IFA1V.HE

Bloomberg code IFA1V.FH

Average daily volume, EURm 0.03

Next interim report 05-Mar-19

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🟢 BUY 🟡 HOLD 🔴 SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | Ptx profit EURm | EPS EUR | P/E (x) | EV/Sales (x) | P/CF (x) | EV/EBIT (x) | DPS EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------------|-------------|----------------|------------|
| 2016 | 60 | 2 | 3.9% | 2 | 0.04 | 25.8 | 0.9 | 11.2 | 23.3 | 0.00 |
| 2017 | 66 | -1 | -2.2% | -2 | -0.03 | -26.9 | 0.7 | 8.2 | -32.4 | 0.00 |
| 2018E | 65 | -2 | -3.7% | -3 | -0.06 | -8.1 | 0.5 | 320.7 | -13.7 | 0.00 |
| 2019E | 65 | 1 | 1.2% | 0 | 0.01 | 67.0 | 0.4 | 3.6 | 35.1 | 0.00 |
| 2020E | 66 | 3 | 4.8% | 3 | 0.06 | 8.0 | 0.4 | 3.4 | 7.7 | 0.00 |
| Market cap, EURm | | | 18 | BV per share 2018E, EUR | | 0.6 | CAGR EPS 2017-20, % | | 0.0 | |
| Net debt 2018E, EURm | | | 15 | Price/book 2018E | | 0.8 | CAGR sales 2017-20, % | | 0.3 | |
| Enterprise value, EURm | | | 33 | Dividend yield 2018E, % | | 0.0 | ROE 2018E, % | | -9.3 | |
| Total assets 2018E, EURm | | | 56 | Tax rate 2018E, % | | 20.1 | ROCE 2018E, % | | -6.1 | |
| Goodwill 2018E, EURm | | | 26 | Equity ratio 2018E, % | | 41.2 | PEG, P/E 18/CAGR | | 0.0 | |

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

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|-----------------------------|------------------------|--------------------------------|------|
| Current share price | 0.50 PV of Free Cash Flow | 23 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 1.04 PV of Horizon value | 28 WACC, % | 8.4 Market risk premium, % | 5.8 |
| Share price potential, % | 107.8 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 1.2 Marketable securities | 1 Minimum WACC, % | 7.9 Equity beta coefficient | 1.00 |
| Minimum value | 0.9 Debt - dividend | -14 Maximum WACC, % | 8.9 Target debt ratio, % | 20 |
| Horizon value, % | 54.7 Value of stock | 38 Nr of shares, Mn | 36.2 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2017 | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | Horizon |
|-------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net sales | 66 | 65 | 65 | 66 | 68 | 70 | 71 | 73 | 75 | 77 | 78 | 80 |
| <i>Sales growth, %</i> | <i>10.1</i> | <i>-0.9</i> | <i>0.0</i> | <i>2.0</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) | -1 | -2 | 1 | 3 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 |
| <i>EBIT margin, %</i> | <i>-2.2</i> | <i>-3.7</i> | <i>1.2</i> | <i>4.8</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> |
| + Depreciation+amort. | 3 | 3 | 3 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| - Income taxes | 0 | 1 | 0 | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -1 | |
| - Change in NWC | 2 | -2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| <i>NWC / Sales, %</i> | <i>-0.4</i> | <i>2.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | <i>0.2</i> | |
| + Change in other liabs | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Capital Expenditure | -2 | -1 | -1 | -2 | -1 | 0 | -1 | -1 | -1 | -1 | -1 | -1 |
| <i>Investments / Sales, %</i> | <i>2.6</i> | <i>1.4</i> | <i>2.0</i> | <i>2.3</i> | <i>0.9</i> | <i>0.7</i> | <i>1.2</i> | <i>1.4</i> | <i>1.4</i> | <i>1.4</i> | <i>1.4</i> | <i>1.4</i> |
| - Other items | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = Unlevered Free CF (FCF) | 4 | -1 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 58 |
| = Discounted FCF (DFCF) | | -1 | 3 | 3 | 4 | 3 | 3 | 2 | 2 | 2 | 2 | 28 |
| = DFCF min WACC | | -1 | 3 | 3 | 4 | 3 | 3 | 2 | 2 | 2 | 2 | 32 |
| = DFCF max WACC | | -1 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 25 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2017Q1 | 2017Q2 | 2017Q3 | 2017Q4 | 2017 | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4E | 2018E | 2019E | 2020E |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 17 | 17 | 14 | 17 | 66 | 16 | 17 | 14 | 18 | 65 | 65 | 66 |
| EBITDA | 1 | 1 | -1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 3 | 6 |
| <i>EBITDA margin (%)</i> | <i>5.2</i> | <i>3.3</i> | <i>-4.8</i> | <i>3.1</i> | <i>2.0</i> | <i>2.1</i> | <i>0.2</i> | <i>-3.6</i> | <i>2.7</i> | <i>0.5</i> | <i>5.2</i> | <i>8.5</i> |
| EBIT | 0 | 0 | -1 | 0 | -1 | 0 | -1 | -1 | 0 | -2 | 1 | 3 |
| <i>EBIT margin (%)</i> | <i>1.3</i> | <i>-0.6</i> | <i>-9.5</i> | <i>-1.4</i> | <i>-2.2</i> | <i>-2.2</i> | <i>-3.7</i> | <i>-8.6</i> | <i>-1.1</i> | <i>-3.7</i> | <i>1.2</i> | <i>4.8</i> |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 0 | 0 | -1 | 0 | -2 | 0 | -1 | -1 | 0 | -3 | 0 | 3 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | -1 |
| <i>Tax rate (%)</i> | <i>19.8</i> | <i>19.9</i> | <i>20.0</i> | <i>25.0</i> | <i>20.0</i> | <i>19.9</i> | <i>20.1</i> | <i>20.0</i> | <i>21.0</i> | <i>20.1</i> | <i>21.0</i> | <i>21.0</i> |
| Net profit | 0 | 0 | -1 | 0 | -1 | 0 | -1 | -1 | 0 | -2 | 0 | 2 |
| EPS | 0.00 | -0.01 | -0.03 | 0.00 | -0.03 | -0.01 | -0.02 | -0.03 | -0.01 | -0.06 | 0.01 | 0.06 |
| EPS adjusted (diluted no. of shares) | 0.00 | -0.01 | -0.03 | 0.00 | -0.03 | -0.01 | -0.02 | -0.03 | -0.01 | -0.06 | 0.01 | 0.06 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SALES, EURm | | | | | | | | | | | | |
| Innofactor | 17 | 17 | 14 | 17 | 66 | 16 | 17 | 14 | 18 | 65 | 65 | 66 |
| Total | 17 | 17 | 14 | 17 | 66 | 16 | 17 | 14 | 18 | 65 | 65 | 66 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Innofactor | 18.2 | 12.6 | 19.7 | -4.7 | 10.1 | -4.5 | -0.8 | -2.5 | 3.9 | -0.9 | 0.0 | 2.0 |
| Total | 18.2 | 12.6 | 19.7 | -4.7 | 10.1 | -4.5 | -0.8 | -2.5 | 3.9 | -0.9 | 0.0 | 2.0 |
| EBIT, EURm | | | | | | | | | | | | |
| Innofactor | 0 | 0 | -1 | 0 | -1 | 0 | -1 | -1 | 0 | -2 | 1 | 3 |
| Total | 0 | 0 | -1 | 0 | -1 | 0 | -1 | -1 | 0 | -2 | 1 | 3 |
| EBIT margin, % | | | | | | | | | | | | |
| Innofactor | 1.3 | -0.6 | -9.5 | -1.4 | -2.2 | -2.2 | -3.7 | -8.6 | -1.1 | -3.7 | 1.2 | 4.8 |
| Total | 1.3 | -0.6 | -9.5 | -1.4 | -2.2 | -2.2 | -3.7 | -8.6 | -1.1 | -3.7 | 1.2 | 4.8 |

| INCOME STATEMENT, EURm | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|--|-------------|-------------|------------|-------------|-------------|-------------|------------|------------|
| Sales | 33 | 44 | 44 | 60 | 66 | 65 | 65 | 66 |
| <i>Sales growth (%)</i> | <i>73.7</i> | <i>34.1</i> | <i>1.4</i> | <i>34.1</i> | <i>10.1</i> | <i>-0.9</i> | <i>0.0</i> | <i>2.0</i> |
| Costs | -29 | -40 | -41 | -55 | -64 | -65 | -62 | -61 |
| Reported EBITDA | 3 | 4 | 4 | 5 | 1 | 0 | 3 | 6 |
| Extraordinary items in EBITDA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>EBITDA margin (%)</i> | <i>10.0</i> | <i>8.7</i> | <i>8.3</i> | <i>8.1</i> | <i>2.0</i> | <i>0.5</i> | <i>5.2</i> | <i>8.5</i> |
| Depreciation | -1 | -1 | -1 | -2 | -3 | -3 | -3 | -2 |
| EBITA | 2 | 2 | 3 | 2 | -1 | -2 | 1 | 3 |
| Goodwill amortization / writedown | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported EBIT | 2 | 2 | 3 | 2 | -1 | -2 | 1 | 3 |
| <i>EBIT margin (%)</i> | <i>6.9</i> | <i>5.5</i> | <i>5.7</i> | <i>3.9</i> | <i>-2.2</i> | <i>-3.7</i> | <i>1.2</i> | <i>4.8</i> |
| Net financials | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 2 | 2 | 2 | 2 | -2 | -3 | 0 | 3 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes | 0 | 0 | 0 | 0 | 0 | 1 | 0 | -1 |
| Minority shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | 1 | 1 | 1 | 1 | -1 | -2 | 0 | 2 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 5 | 4 | 4 | 10 | 8 | 7 | 5 | 5 |
| <i>% of sales</i> | <i>15</i> | <i>9</i> | <i>8</i> | <i>16</i> | <i>13</i> | <i>10</i> | <i>8</i> | <i>7</i> |
| Goodwill | 19 | 20 | 20 | 28 | 26 | 26 | 26 | 26 |
| <i>% of sales</i> | <i>59</i> | <i>45</i> | <i>44</i> | <i>46</i> | <i>40</i> | <i>41</i> | <i>41</i> | <i>40</i> |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% of sales</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Receivables | 14 | 16 | 13 | 19 | 17 | 17 | 17 | 17 |
| <i>% of sales</i> | <i>43</i> | <i>36</i> | <i>30</i> | <i>33</i> | <i>26</i> | <i>26</i> | <i>26</i> | <i>26</i> |
| Liquid funds | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| <i>% of sales</i> | <i>3</i> | <i>2</i> | <i>2</i> | <i>2</i> | <i>1</i> | <i>1</i> | <i>3</i> | <i>3</i> |
| Total assets | 47 | 48 | 44 | 64 | 59 | 56 | 54 | 54 |
| Liabilities | | | | | | | | |
| Equity | 16 | 20 | 21 | 23 | 25 | 23 | 24 | 27 |
| <i>% of sales</i> | <i>50</i> | <i>45</i> | <i>48</i> | <i>38</i> | <i>38</i> | <i>35</i> | <i>37</i> | <i>40</i> |
| Deferred taxes | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 1 |
| <i>% of sales</i> | <i>3</i> | <i>2</i> | <i>2</i> | <i>4</i> | <i>3</i> | <i>3</i> | <i>2</i> | <i>2</i> |
| Interest bearing debt | 15 | 14 | 12 | 17 | 14 | 15 | 12 | 9 |
| <i>% of sales</i> | <i>46</i> | <i>32</i> | <i>28</i> | <i>28</i> | <i>22</i> | <i>24</i> | <i>18</i> | <i>13</i> |
| Non-interest bearing current liabilities | 14 | 13 | 9 | 22 | 17 | 16 | 17 | 17 |
| <i>% of sales</i> | <i>43</i> | <i>31</i> | <i>21</i> | <i>37</i> | <i>27</i> | <i>24</i> | <i>26</i> | <i>26</i> |
| Other interest free debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% of sales</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Total liabilities | 47 | 48 | 44 | 64 | 59 | 56 | 54 | 54 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 3 | 4 | 4 | 5 | 1 | 0 | 3 | 6 |
| - Net financial items | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 0 |
| - Taxes | 0 | 0 | 0 | 2 | 0 | 1 | 0 | 0 |
| - Increase in Net Working Capital | -1 | -1 | 1 | -1 | 2 | -2 | 1 | 0 |
| +/- Other | -1 | 0 | 0 | -2 | 1 | 0 | 0 | 0 |
| = Cash flow from operations | 1 | 2 | 4 | 3 | 4 | -1 | 4 | 5 |
| - Capex | 0 | -1 | 0 | -1 | -2 | -1 | -1 | -2 |
| - Acquisitions | -2 | 0 | -2 | -6 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Net cash flow | -1 | 2 | 2 | -4 | 2 | -2 | 3 | 3 |
| +/- Change in interest-bearing debt | 14 | -1 | -1 | 4 | -2 | 1 | -4 | -3 |
| +/- New issues/buybacks | 1 | 2 | 1 | 0 | 4 | 0 | 1 | 0 |
| - Paid dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| +/- Change in loan receivables | 0 | 0 | 0 | 1 | 2 | 0 | 0 | 0 |
| Change in cash | 14 | 2 | 1 | 1 | 5 | -1 | 0 | 0 |

| KEY FIGURES | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| M-cap | 25 | 33 | 38 | 34 | 18 | 18 | 18 |
| Net debt | 13 | 12 | 16 | 13 | 15 | 10 | 7 |
| Enterprise value | 38 | 44 | 54 | 47 | 33 | 28 | 25 |
| Sales | 44 | 44 | 60 | 66 | 65 | 65 | 66 |
| EBITDA | 4 | 4 | 5 | 1 | 0 | 3 | 6 |
| EBIT | 2 | 3 | 2 | -1 | -2 | 1 | 3 |
| Pre-tax | 2 | 2 | 2 | -2 | -3 | 0 | 3 |
| Earnings | 1 | 1 | 1 | -1 | -2 | 0 | 2 |
| Book value | 20 | 21 | 23 | 25 | 23 | 24 | 27 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.9 | 1.0 | 0.9 | 0.7 | 0.5 | 0.4 | 0.4 |
| EV/EBITDA | 9.9 | 12.0 | 11.2 | 36.2 | 92.7 | 8.3 | 4.4 |
| EV/EBITA | 15.6 | 17.4 | 23.3 | -32.4 | -13.7 | 35.1 | 7.7 |
| EV/EBIT | 15.6 | 17.4 | 23.3 | -32.4 | -13.7 | 35.1 | 7.7 |
| EV/operating cash flow | 16.3 | 11.3 | 15.8 | 11.4 | 578.2 | 5.6 | 4.6 |
| EV/cash earnings | 11.5 | 14.0 | 8.5 | 37.1 | 23.1 | 8.5 | 4.9 |
| P/E | 21.9 | 26.0 | 25.8 | -26.9 | -8.1 | 67.0 | 8.0 |
| P/E excl. goodwill | 21.9 | 26.0 | 25.8 | -26.9 | -8.1 | 67.0 | 8.0 |
| P/B | 1.3 | 1.5 | 1.7 | 1.4 | 0.8 | 0.7 | 0.7 |
| P/sales | 0.6 | 0.7 | 0.6 | 0.5 | 0.3 | 0.3 | 0.3 |
| P/CF | 10.8 | 8.3 | 11.2 | 8.2 | 320.7 | 3.6 | 3.4 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | -14.5 | 37.4 | 8.3 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | -9.0 | 73.7 | 8.8 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.8 | 0.7 |
| Per share measures | | | | | | | |
| Number of shares | 32,154 | 33,454 | 33,454 | 36,188 | 36,188 | 36,188 | 36,188 |
| Number of shares (diluted) | 32,154 | 33,454 | 33,454 | 36,188 | 36,188 | 36,188 | 36,188 |
| EPS | 0.04 | 0.04 | 0.04 | -0.03 | -0.06 | 0.01 | 0.06 |
| EPS excl. goodwill | 0.04 | 0.04 | 0.04 | -0.03 | -0.06 | 0.01 | 0.06 |
| Cash EPS | 0.10 | 0.10 | 0.19 | 0.04 | 0.04 | 0.09 | 0.14 |
| Operating cash flow per share | 0.07 | 0.12 | 0.10 | 0.12 | 0.00 | 0.14 | 0.15 |
| Capital employed per share | 1.01 | 0.98 | 1.14 | 1.06 | 1.03 | 0.95 | 0.91 |
| Book value per share | 0.61 | 0.64 | 0.67 | 0.69 | 0.63 | 0.67 | 0.73 |
| Book value excl. goodwill | 0.00 | 0.05 | -0.16 | -0.04 | -0.10 | -0.06 | 0.00 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend payout ratio, % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend yield, % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Efficiency measures | | | | | | | |
| ROE | 6.7 | 6.2 | 6.8 | -5.3 | -9.3 | 1.1 | 8.8 |
| ROCE | 7.4 | 7.6 | 6.4 | -3.7 | -6.1 | 2.2 | 9.0 |
| Financial ratios | | | | | | | |
| Capex/sales, % | 1.6 | 4.9 | 12.3 | 2.6 | 1.4 | 2.0 | 2.3 |
| Capex/depreciation excl. goodwill,% | 31.8 | 185.9 | -31.5 | 107.6 | 34.0 | 49.9 | 63.3 |
| Net debt/EBITDA, book-weighted | 3.4 | 3.1 | 3.3 | 10.2 | 41.3 | 2.9 | 1.2 |
| Debt/equity, market-weighted | 0.6 | 0.4 | 0.4 | 0.4 | 0.8 | 0.6 | 0.5 |
| Equity ratio, book-weighted | 41.0 | 48.5 | 35.4 | 42.8 | 41.2 | 44.7 | 49.6 |
| Gearing | 0.66 | 0.54 | 0.70 | 0.53 | 0.64 | 0.41 | 0.25 |
| Number of employees, average | 421 | 409 | 591 | 601 | 615 | 630 | 649 |
| Sales per employee, EUR | 104,119 | 108,685 | 100,873 | 109,261 | 105,777 | 103,259 | 102,256 |
| EBIT per employee, EUR | 5,717 | 6,218 | 3,946 | -2,431 | -3,865 | 1,270 | 4,931 |

COMPANY DESCRIPTION: Innofactor provides software products and solutions. It specializes in Microsoft-based cloud solutions and digital transformation. The company offers process innovation, digital business, flexible collaboration, business productivity, and intelligent cloud solutions to commercial, public sector, and membership-based organizations in the Nordic countries.

INVESTMENT CASE:

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|--------|-------|
| Ensio Sami | 7,716,173 | 3.858 | 21.3% |
| Ilmarinen Mutual Pension Insurance Company | 1,800,000 | 0.900 | 5.0% |
| Tilman Tuomo Tapani | 1,530,437 | 0.765 | 4.2% |
| Linturi Kaija and Risto | 1,256,411 | 0.628 | 3.5% |
| Laiho Rami Tapani | 1,255,159 | 0.628 | 3.5% |
| Orje Matias Juhanpoika | 882,065 | 0.441 | 2.4% |
| Miki Antti Jussi | 877,192 | 0.439 | 2.4% |
| Muukkonen Teemu Heikki | 522,230 | 0.261 | 1.4% |
| Ingman Finance Oy Ab | 500,000 | 0.250 | 1.4% |
| Jarvenpaa Janne-Olli | 315,211 | 0.158 | 0.9% |
| Ten largest | 16,654,878 | 8.327 | 46% |
| Residual | 19,533,347 | 9.767 | 54% |
| Total | 36,188,225 | 18.094 | 100% |

EARNINGS CALENDAR

| | |
|------------------|-----------------|
| March 05, 2019 | FY 2018 Results |
| May 14, 2019 | Q1 report |
| July 23, 2019 | Q2 report |
| October 29, 2019 | Q3 report |

OTHER EVENTS

| | |
|----------------|-----|
| April 02, 2019 | AGM |
|----------------|-----|

COMPANY MISCELLANEOUS

| | |
|---------------------|------------------------------|
| CEO: Sami Ensio | Keilaranta 9, FI-02150 Espoo |
| CFO: Marko Lehtonen | Tel: +358 (0)10 272 9000 |
| IR: | |

DEFINITIONS

| | | | |
|-----------------------|--|------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/Sales | $\frac{\text{Market cap}}{\text{Sales}}$ | DPS | Dividend for the financial period per share |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | CEPS | $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$ |
| P/CF | $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$ | EV/Share | $\frac{\text{Enterprise value}}{\text{Number of shares}}$ |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | Sales/Share | $\frac{\text{Sales}}{\text{Number of shares}}$ |
| Net debt | Interest bearing debt – financial assets | EBITDA/Share | $\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$ |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | EBIT/Share | $\frac{\text{Operating profit}}{\text{Number of shares}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$ | EAFI/Share | $\frac{\text{Pretax profit}}{\text{Number of shares}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Capital employed/Share | $\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Total assets | Balance sheet total |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Interest coverage (x) | $\frac{\text{Operating profit}}{\text{Financial items}}$ |
| Net cash/Share | $\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$ | Asset turnover (x) | $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$ |
| ROA, % | $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$ |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |

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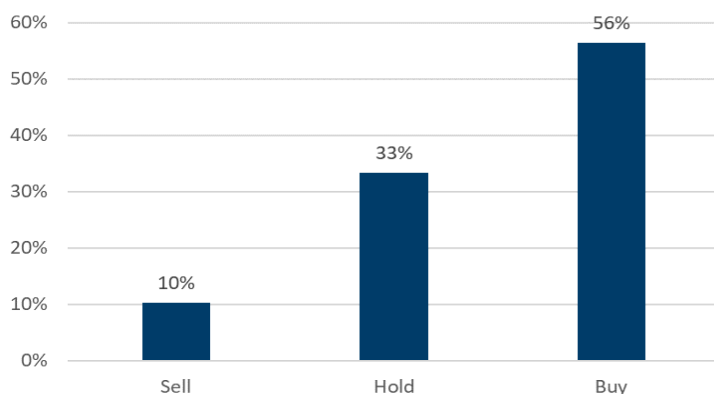
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

<http://research.evli.com>

Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

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

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