

Profitability beats expectations

Innofactor's Q3 results were better than we had expected. The net sales in Q3 amounted to EUR 14.0m (Evli EUR 14.1m), while EBITDA amounted to EUR 1.5m (Evli EUR 0.7m). Innofactor reiterated its 2019 guidance, with net sales expected to increase from 2018 and EBITDA to be in between EUR 4.0–6.0m.

- Net sales in Q3 were EUR 14.0m (EUR 13.8m in Q3/18), in line with our estimates (Evli EUR 14.1m). Net sales in Q3 grew 1.4 % y/y. Sales per employee has improved by 12.0% since the previous year.
- Operating profit in Q3 amounted to EUR 0.3m (EUR -1.2m in Q3/18), above our estimates (Evli EUR -0.2m), at a margin of 1.8 %. Profitability has been supported by the measures taken during the end of 2018 to improve profitability.
- EBITDA in Q3 was EUR 1.5m (EUR -0.5m in Q3/18), above our estimates (Evli EUR 0.7m), at an EBITDA-margin of 11.0 %.
- Order backlog at EUR 53.2m, up 107% y/y, aided by several significant orders signed.
- Guidance reiterated: Innofactor's net sales in 2019 is estimated to increase from 2018 and EBITDA is estimated to grow up to EUR 4.0–6.0 million

Rating				BUY
Q3/19	Actual	Evli	Year ago	Q2/19
Net sales	14.0	14.1	13.8	16.7
EBITDA	1.5	0.7	-0.5	1.1
EBIT	0.3	-0.2	-1.2	0.2
Deviation	Actual	Evli	Year ago	Q2/19
Net sales		-1%	1%	-16%
EBITDA		>100%	-	36%
EBIT		-	-	65%
Share price, EUR (Last trading day's closing price)				0.69
Target price, EUR				0.8
Latest change in recommendation				05-Jun-19
Latest report on company				24-Jul-19
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				26
Free float, %				54.0
Exchange rate EUR				0.000
Reuters code				IFA1V.HE
Bloomberg code				IFA1V FH
Average daily volume, EURm				0.03
Next interim report				29-Oct-19
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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
2017	65.7	-1.5	-2.2%	2.4	-0.03	-26.9	0.7	-32.4	7.0	0.00
2018	63.1	-3.9	-6.1%	-6.6	-0.09	-4.1	0.5	-8.7	-51.0	0.00
2019E	64.0	1.0	1.5%	5.1	0.01	59.2	0.6	42.2	19.7	0.00
2020E	65.6	1.8	2.7%	2.6	0.03	25.9	0.6	21.2	9.9	0.00
2021E	67.2	3.4	5.0%	2.6	0.06	11.2	0.5	10.6	9.9	0.00
Market cap, EURm	26		BV per share 2019E, EUR		66.6		CAGR EPS 2018-21, %		0.0	
Net debt 2019E, EURm	15		Price/book 2019E		1.2		CAGR sales 2018-21, %		2.1	
Enterprise value, EURm	41		Dividend yield 2019E, %		0.0		ROE 2019E, %		2.0	
Total assets 2019E, EURm	57		Tax rate 2019E, %		-21.3		ROCE 2019E, %		2.4	
Goodwill 2019E, EURm	26		Equity ratio 2019E, %		39.4		PEG, P/E 19/CAGR		0.7	

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

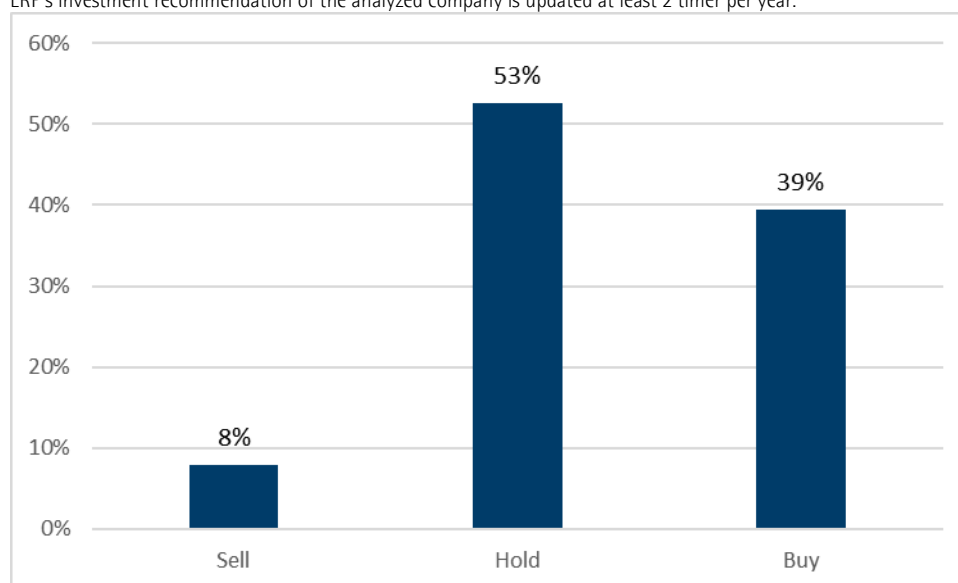
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Investment recommendations are defined as follows:

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 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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