

Fared well in challenging quarter

Innofactor's Q3 results were slightly above our expectations and figures were fairly good given the expected COVID-19 related weakness in the quarter. The net sales amounted to EUR 14.0m (Evli EUR 13.8m), while EBITDA amounted to EUR 1.6m (Evli EUR 1.3m). Guidance remains intact. The impact of the pandemic on Q3 was in line with company expectations.

- Net sales in Q3 amounted to EUR 14.0m (EUR 14.0m in Q3/19), slightly above our estimates (Evli EUR 13.8m). Net sales in Q3 grew 0.3% y/y. Net sales grew in Finland but declined in the other Nordic countries.
- EBITDA in Q3 was EUR 1.6m (EUR 1.5m in Q3/19), above our estimates (Evli EUR 1.3m), at a margin of 11.1%. EBITDA was clearly positive in Finland and somewhat negative in the other countries due to smaller than expected net sales due to the coronavirus pandemic.
- Operating profit in Q3 amounted to EUR 0.4m (EUR 0.3m in Q2/19), above our estimates (Evli EUR 0.2m), at a margin of 2.8%.
- Order backlog at EUR 58.2m, up 9.4% 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 third quarter was in line with company expectations. On a monthly level August was weaker than anticipated but September instead better than expected and the trend is expected to strengthen during the end of the year.
- Innofactor updated its strategy during Q3, with no major changes being made. The updated dividend policy was confirmed, and financial targets remain the same.

Rating + BUY

Q3/20	Actual	Evli	Year ago	Q2/20
Net sales	14.0	13.8	14.0	16.8
EBITDA	1.6	1.3	1.5	2.1
EBIT	0.4	0.2	0.3	0.9
Deviation	Actual	Evli	Year ago	Q2/20
Net sales		1%	0%	-16%
EBITDA		23%	4%	-22%
EBIT		100%	59%	-55%

Share price, EUR (Last trading day's closing price) 1.39

Target price, EUR 1.35

Latest change in recommendation	06-Jun-19
Latest report on company	29-Jul-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	52
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	27-Oct-20
Web site	www.innofactor.com

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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
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	65.2	2.7	4.1%	3.4	0.05	18.2	1.0	23.9	6.5	0.00
2021E	67.8	4.7	6.9%	3.6	0.09	15.9	0.9	13.0	6.9	0.00
2022E	69.8	5.7	8.2%	4.0	0.11	12.5	0.8	10.0	7.7	0.03
Market cap, EURm	52	BV per share 2020E, EUR	51.8	CAGR EPS 2019-22, %	115.3					
Net debt 2020E, EURm	13	Price/book 2020E	2.2	CAGR sales 2019-22, %	2.9					
Enterprise value, EURm	64	Dividend yield 2020E, %	0.0	ROE 2020E, %	8.6					
Total assets 2020E, EURm	60	Tax rate 2020E, %	-15.4	ROCE 2020E, %	6.7					
Goodwill 2020E, EURm	26	Equity ratio 2020E, %	40.5	PEG, P/E 20/CAGR	2.0					

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

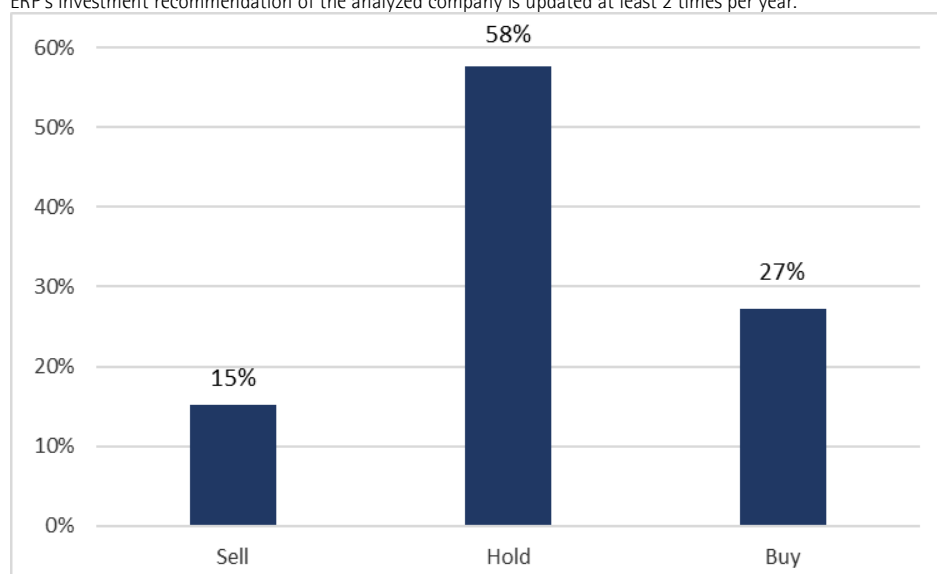
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Investment recommendations are defined as follows:

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

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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

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