



# Innofactor Half-Yearly Report Q2/2018

July 24th, 2018  
Sami Ensio, CEO

INNOFACTOR®

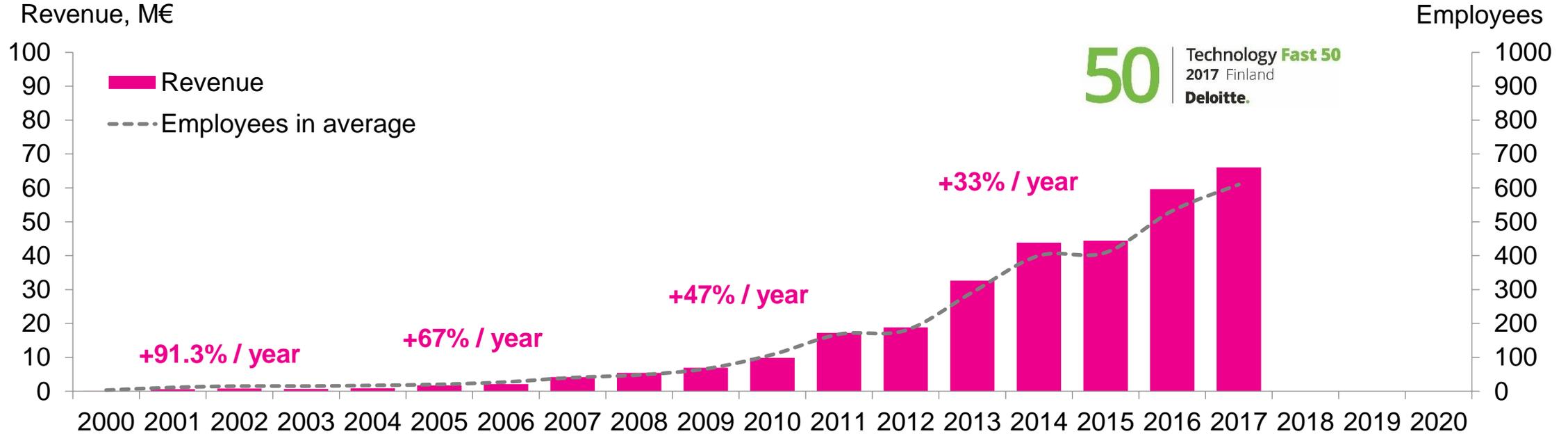


# Innofactor's Business

Leading Provider of Cloud Solutions and  
Digital Transformation in the Nordics

INNOFACTOR®

# Systematic Growth since 2000



## Start Up – Everything for Everyone

- Innofactor founded by Sami Ensio in Jan 2000
- Innofactor's first Microsoft-based product "Prime" released

## #1 in Selected Micro Segments

- Microsoft SharePoint pioneer
- First M&A activities

## #1 Microsoft-based Provider in Finland

- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

## #1 Microsoft-based Provider in the Nordics

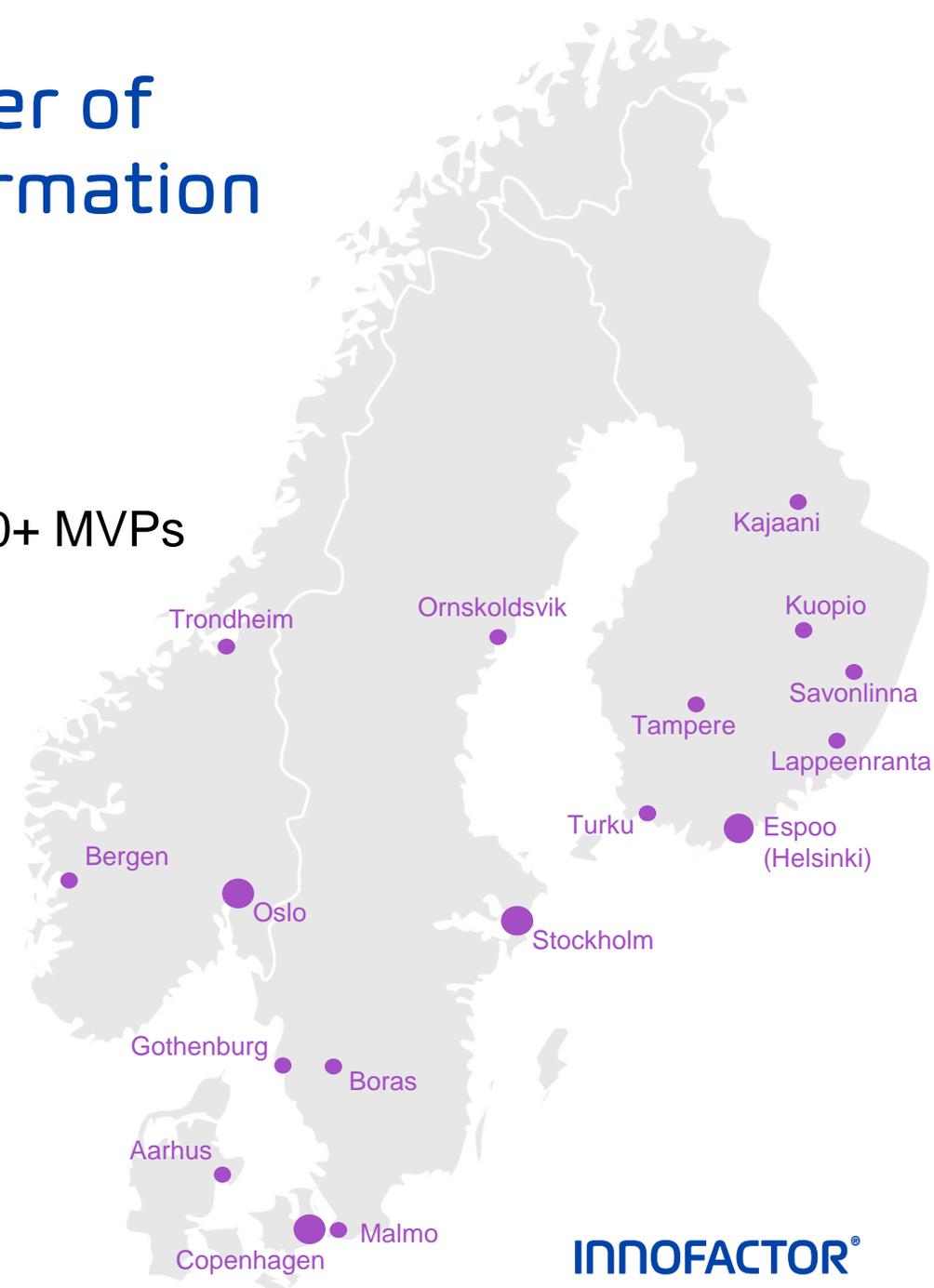
- Cloud transition
- Several acquisitions in the Nordic countries

## #1 Provider of Cloud Solutions and Digital Transformation in the Nordics

- Harmonizing offering across the Nordics
- 20% growth and 20% EBITDA

# Innofactor – Leading Nordic Provider of Cloud Solutions and Digital Transformation

- 1,500+ customers from commercial, public sector and membership-based organizations
- 15 enterprise-level Microsoft Gold Competencies
- Circa 600 professionals, 1,600+ Microsoft certificates, 10+ MVPs
- Revenue EUR 65,7M (2017), growth 20+% and EBITDA 7.5+% (2013 to 2017 CAGR)
- Listed in NASDAQ Helsinki, 12,000+ shareholders



- Gold Application Development
- Gold Application Integration
- Gold Cloud Customer Relationship Management
- Gold Cloud Platform
- Gold Cloud Productivity
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Datacenter
- Gold Enterprise Mobility Management
- Gold Enterprise Resource Planning
- Gold Identity and Access
- Gold Project and Portfolio Management
- Gold Windows and Devices

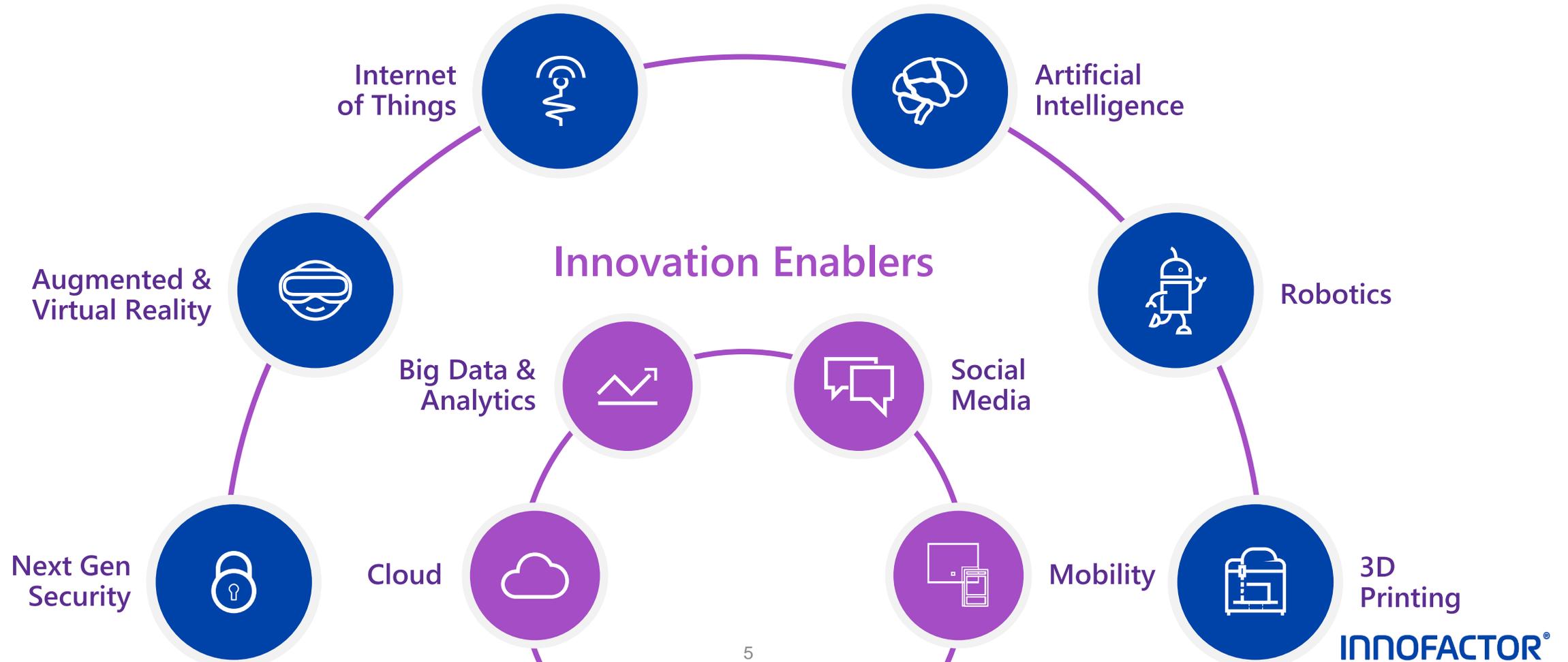


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ISO 13485  
ISO/IEC 27001  
AQAP-2110

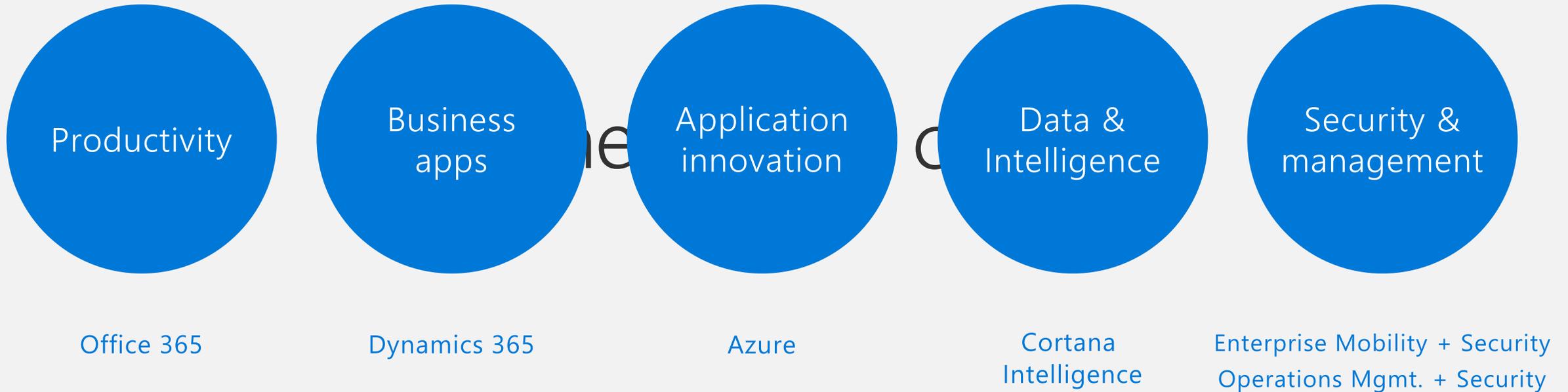


# Digital Transformation Changes Our Society

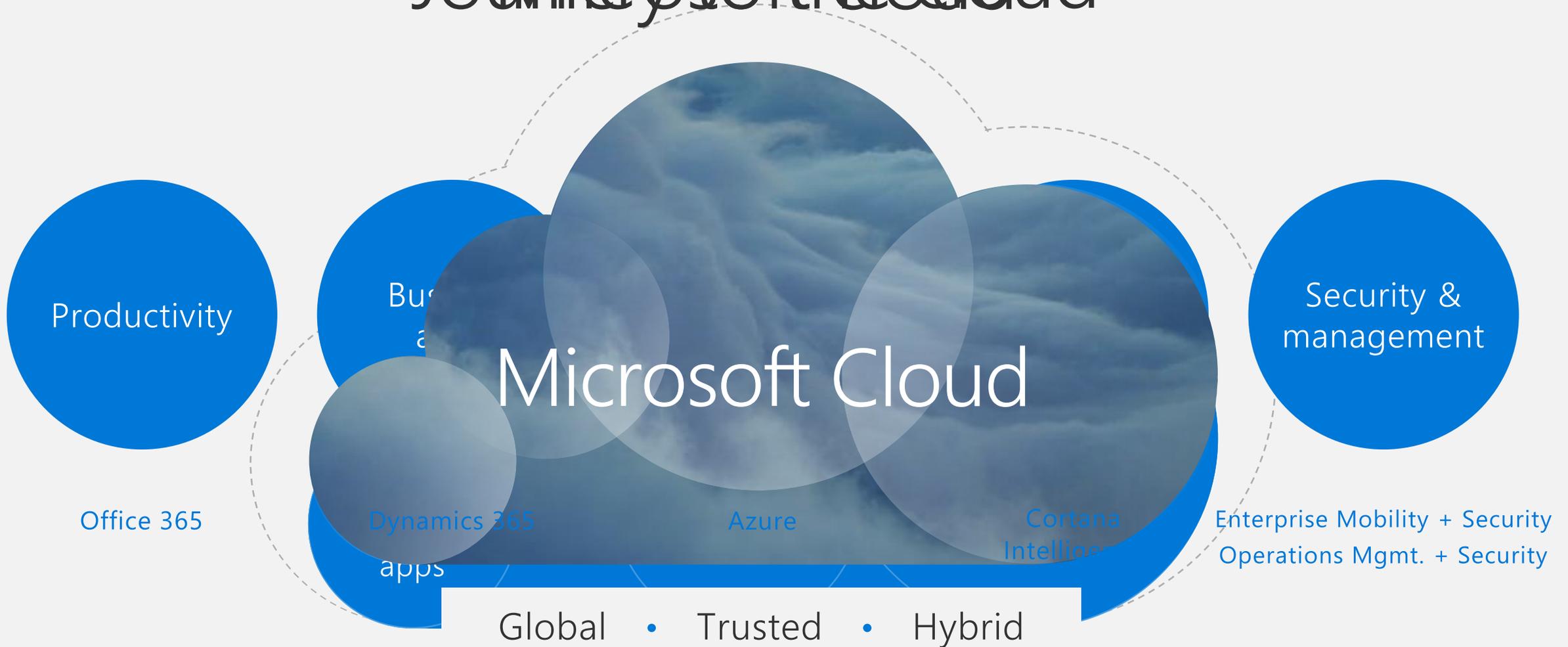
## Key Trends Driving Innovation



# Journey to the cloud



# Journey to the cloud



# Our Solutions for Building a Modern Digital



## Modern Digital Organization



### More Personal Digital Customer Experience

- Service Design
- Websites & Mobile Apps
- Digital Customer Service & Marketing



### Higher Operational Productivity

- Customer Relationship Management (CRM)
- Enterprise Resource Planning (ERP)
- Project & Portfolio Management (PPM)
- Quality & Management Solutions
- Case & Document Management
- HR & Talent Management



### Modern Employee Experience

- Digital Collaboration & Modern Work



## Secure Cloud Platform

- Cloud Infrastructure, Governance, Security & GDPR
- Identity & Access Management
- Enterprise Mobility + Security
- Managed Cloud Services



## Data-driven Business

- Business Intelligence
- Advanced Analytics, Artificial Intelligence & Machine Learning
- Internet of Things (IoT)

# Our Cloud-era Delivery Model Ensures our Solutions are Adopted Effectively and Deliver



# Top Nordic customers: 1500+ Commercial, Public Sector and Membership-based Customers



## Our Mission:

We empower organizations and people to make a difference in the digital world.

## Our Vision:

We are the leading provider of cloud solutions and digital transformation in each of the Nordic Countries.

## Our long-term financial goal is to grow profitably:

- By achieving annual growth of about 20 percent, most of which should be organic
- By achieving about 20 percent EBITDA in relation to the net sales
- By keeping the cash flow positive and securing solid financial standing in all situations

## Our Strategy:



# Microsoft Has the Leading Ecosystem in Innofactor's Strategic Focus Areas

- Microsoft is the leading global provider in Innofactor's strategic focus areas
- By focusing on the Microsoft ecosystem Innofactor can attract the best talent and know-how and have close relations to Microsoft
- If Microsoft were to lose its leading position in some areas Innofactor could transition to other partners in these areas

## Cloud infrastructure\*



## Analytics\*



## CRM\*



## ERP\*\*



# Innofactor Competitive Positioning in the Nordic EUR 10 Billion Microsoft IT Services Market

Nordic IT services market  
25 billion euro\*

**Large companies, in every Nordic Country, all solution areas, and several technologies**  
- E.g. Tieto, CGI, Fujitsu and Accenture

Nordic Microsoft IT-services market  
10 billion euro\*\*

**Mid-sized, not in all Nordic Countries, several technologies**  
- E.g. Siili, Solita, Digia, Netcompany and Precio

**Our Competitive Advantage:**  
- leading know-how in Microsoft-based solutions  
- productized offering

**Our Competitive Advantage:**  
- more skilled local professionals  
- better productized offering  
- more flexible mode of operation

**INNOFACTOR®**

**Our Competitive Advantage:**  
- Trustworthiness of a listed company  
- Established processes  
- Strong customer references.

**Our Competitive Advantage:**  
- leading know-how in Microsoft-based solutions  
- stronger industry focus & knowledge  
- Broader offering

**Mid-sized, in every Nordic Country, focusing on specific solutions**  
- E.g. Atea, HiQ, Knowit and EG

**Small companies, usually only in home market, one solution or one technology**  
- E.g. Sulava, Cloudriven ja Proactive

>+5%

+3–5%

\* Source: IDC, internet

\*\* Estimate Microsoft market share to approx. 40%

# Organization

**Board of Directors**  
Pekka Eloholma (Ch.)   Sami Ensio  
Anna Lindén                      Risto Linturi

**Sami Ensio**  
President and CEO

**Marko Lehtonen**  
CFO

**Sanna Lindner**  
EVP, HR

**Vesa Syrjäkari**  
EVP, Biz Dev and Oper Excellence

**PRODUCTS AND SERVICES**  
**Janne Heikkinen**  
CTO and EVP,  
Products & Services

**FINLAND**  
**Jari Hahl**  
EVP, Country Manager,  
Finland

**SWEDEN**  
**Viktor Lundqvist**  
MD, Country Manager,  
Sweden

**DENMARK**  
**Per Bendix Olsen**  
MD, Country Manager,  
Denmark

**NORWAY**  
**Stig Nerland**  
MD, Country Manager,  
Norway

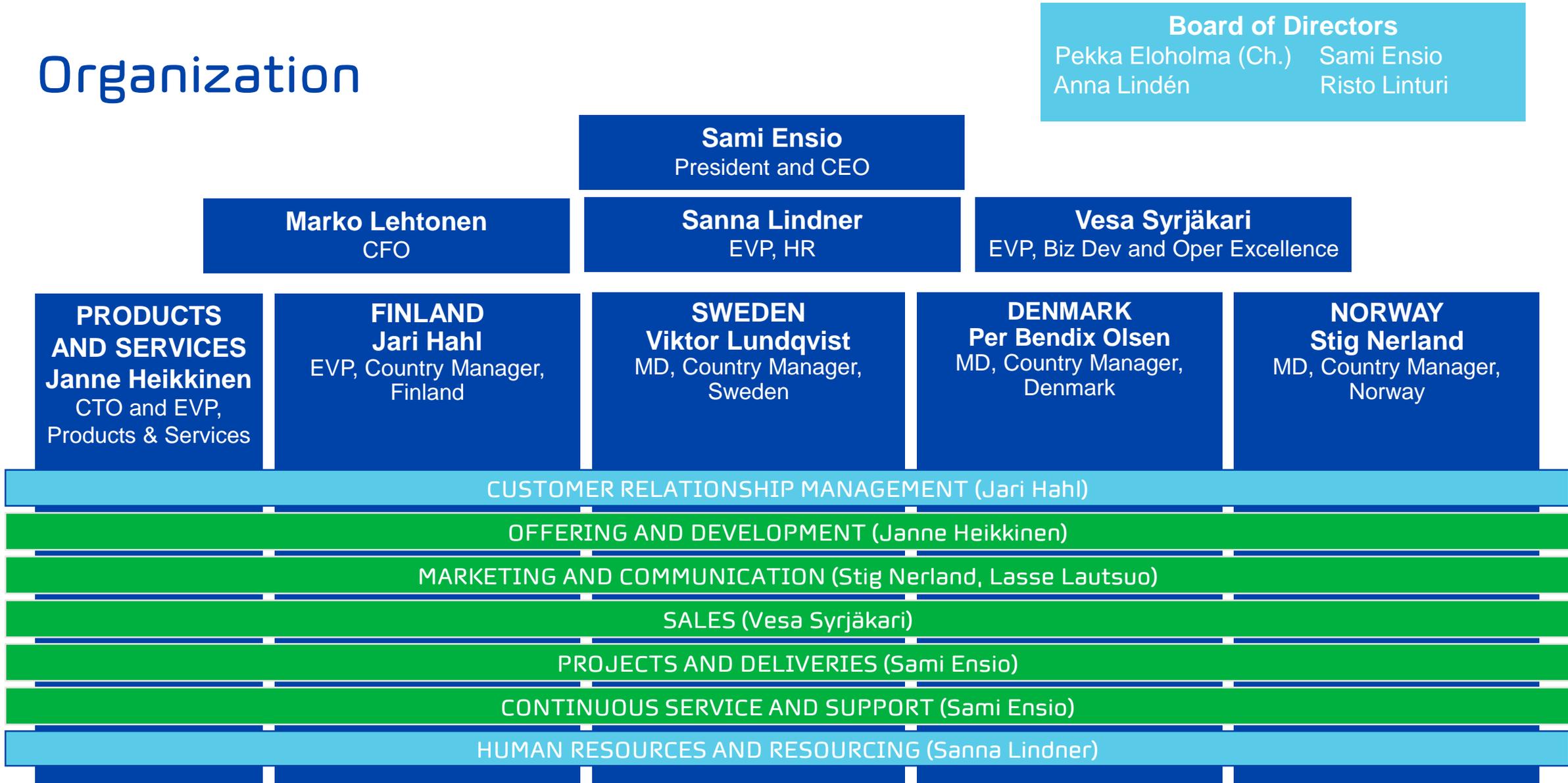
**Digital Experience**  
**Jyrki Vepsäläinen**  
Vice President

**Business Productivity**  
**Tom Puusola**  
Vice President

**Productized Solutions**  
**Mikko Myllys**  
Vice President

**Sales**  
**Antti Pohjolainen**, Vice President

# Organization



# Innofactor's Founder and CEO

## Sami Ensio, born 1971, M.Sc. (Tech.)

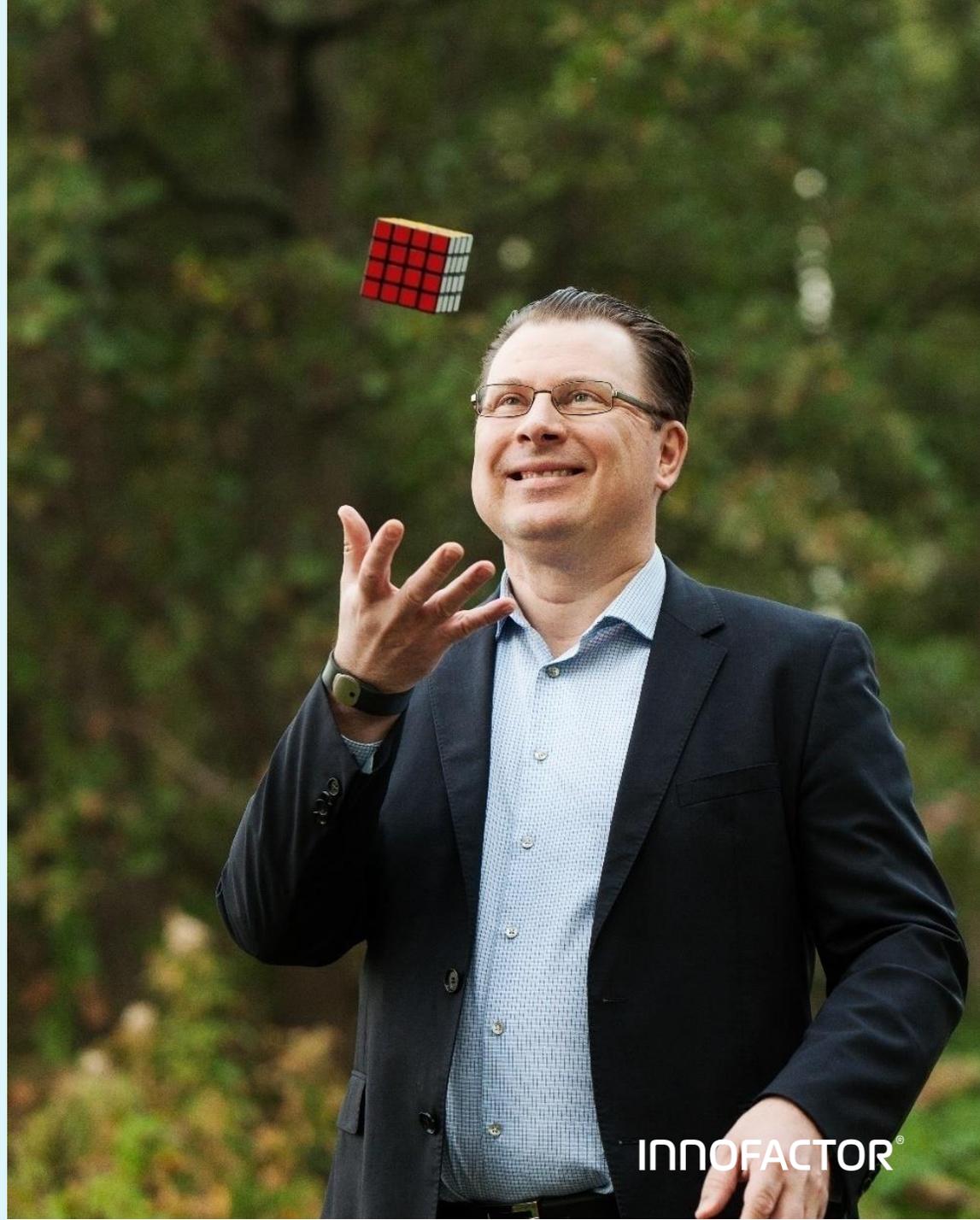
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

Sami Ensio's specialties include solid and comprehensive know-how of the software industry as well as strategic and operational leadership and managing profitable growth. Sami Ensio was, for example, selected Software Entrepreneur of the year by the Finnish Software Entrepreneurs Association.

Education: Master of Science (Technology), technical physics, Helsinki University of Technology (Aalto University), legal studies at the University of Helsinki and general business studies at University of California, Los Angeles UCLA.

Shareholding: about 7.7 million shares (circa 21%)

More information: <https://fi.linkedin.com/in/ensio>



# Other Group Executive Board



**Per Bendix**  
MD (acting), Country Manager, Denmark. Employed by Innofactor since 2017. Born in 1958. Ownership: 11,800 shares.



**Jari Hahl**  
Diploma in Business Information Technology. EVP, Country Manager, Finland. Employed by Innofactor since 2016. Born in 1962. Ownership: 66,793 shares.



**Janne Heikkinen**  
M.Sc. (Tech.) Chief Technology Officer and EVP Products and Services. Employed by Innofactor since 2015. Born in 1974. Ownership: 83,044 shares.



**Marko Lehtonen**  
M.Sc. Chief Finance Officer. Employed by Innofactor since 2018. Born in 1972. Ownership: 200 shares.



**Sanna Lindner**  
M.Sc. (Psychology) EVP, HR. Employed by Innofactor since 2017. Born in 1973. Ownership: 0 shares.



**Viktor Lundqvist**  
M.Sc. (Computer Engineering) MD, Country Manager, Sweden. Employed by Innofactor since 2016. Born in 1982. Ownership 30 000 shares.



**Stig Nerland**  
M.Sc. (Marketing) MD, Country Manager, Norway. Employed by Innofactor since 2016. Born in 1979. Ownership: 0 shares (Earn Out option).



**Vesa Syrjäkäri**  
M.Sc. Executive Vice President, Business Development and Operational Excellence. Employed by Innofactor since 2017. Born in 1960. Ownership: 50,000 shares.

# Board of Directors



**Pekka Eloholma, Chairman**

M.Sc. (Tech.) CEO of Nebula 2014–2017. CEO of Affecto 2006–2013. Former management positions in, for example, Setec, Siemens, FinnetCom, and Helsingin Puhelin (current Elisa). Born in 1960. Ownership: 28,690 shares.



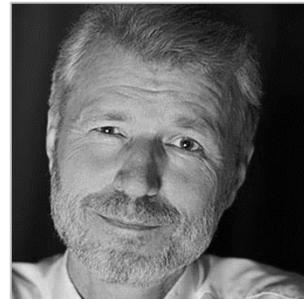
**Sami Ensio**

M.Sc. (Tech.) Innofactor's founder and CEO since 2000. Member of the Microsoft Corporation's Partner Advisory Council since 2014. Several positions of trust in the Federation of Finnish Technology Industries and the Confederation of Finnish Industries since 2013. Born in 1971. Ownership with related parties: 7,716,173 shares.



**Anna Lindén**

M.A. COO of the Nokia Mobile Networks business group. Several positions at Nokia since 1998. Born in 1973. Ownership with related parties: 21,200 shares.



**Risto Linturi**

M.Sc. (Tech.) Chairman of the Board of Sovelto. Director of Aalto University's Radical innovations program 2004–2014. Previously CTO of Helsingin Puhelin (current Elisa). One of Finland's most acknowledged researchers of future and has drawn up reports, for example, for the Finnish Parliament. Born in 1957. Ownership with related parties: 1,256,411 shares.

# How to Achieve Long-term Financial Goals

## 20% Organic Growth:

Focus on industries that provide the highest growth opportunities and allow us best to scale existing offering in the Nordics, e.g. healthcare

Focus on current customers and cross sales getting bigger share of wallet of customer's digital transformation budget

Improving modern digital marketing and sales skill to achieve better and more cost-effective sales results

Focus on competence planning, recruiting and resource optimization across Nordics

## 20% EBITDA:

Shifting revenues from projects and professional services toward products, IP-based and continuously managed services

Getting increasing hour price because of the best Nordic professionals (seniors and juniors) and leading offering

Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

Drive Operational Excellence to improve Financial Quarterly Accountability (FQA), internal information systems and predictability



# Q2/2018 Results

Revenue has returned almost to the same level as in the comparison period

Corrective actions to improve profitability have been made and are expected to have a positive effect in the third quarter.

We have progressed significantly with completing the ERP project and unification of the Nordic operating models and brands. These projects are central in ensuring future profitability and Nordic growth strategy.

Revenue

**17,0 M€**

-0,8% vs.  
Q2/2017

EBITDA

**0,2 %**  
**0,04 M€**

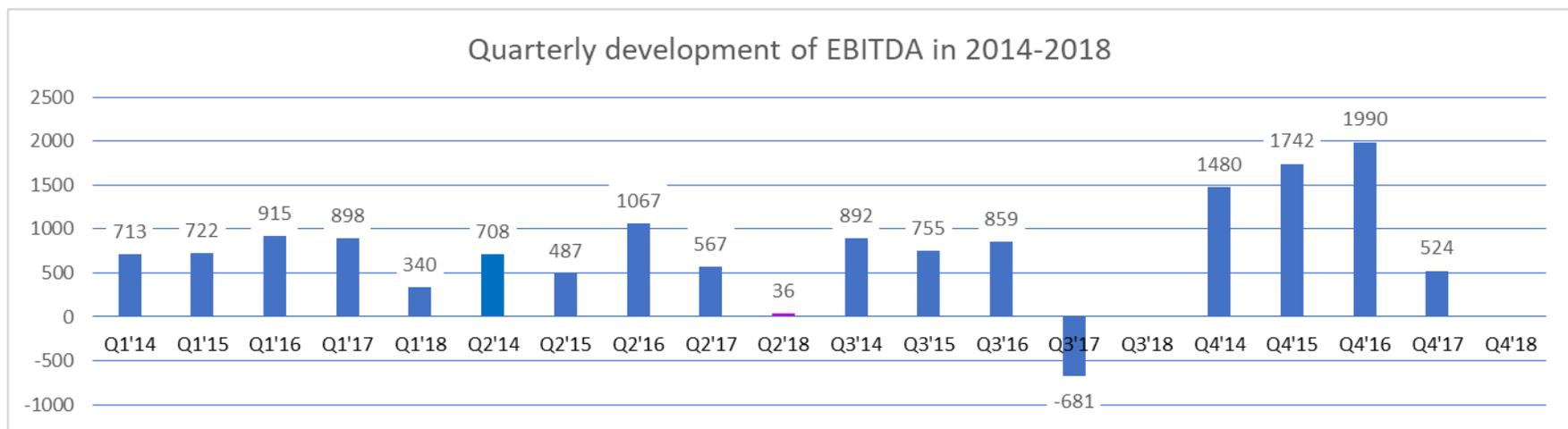
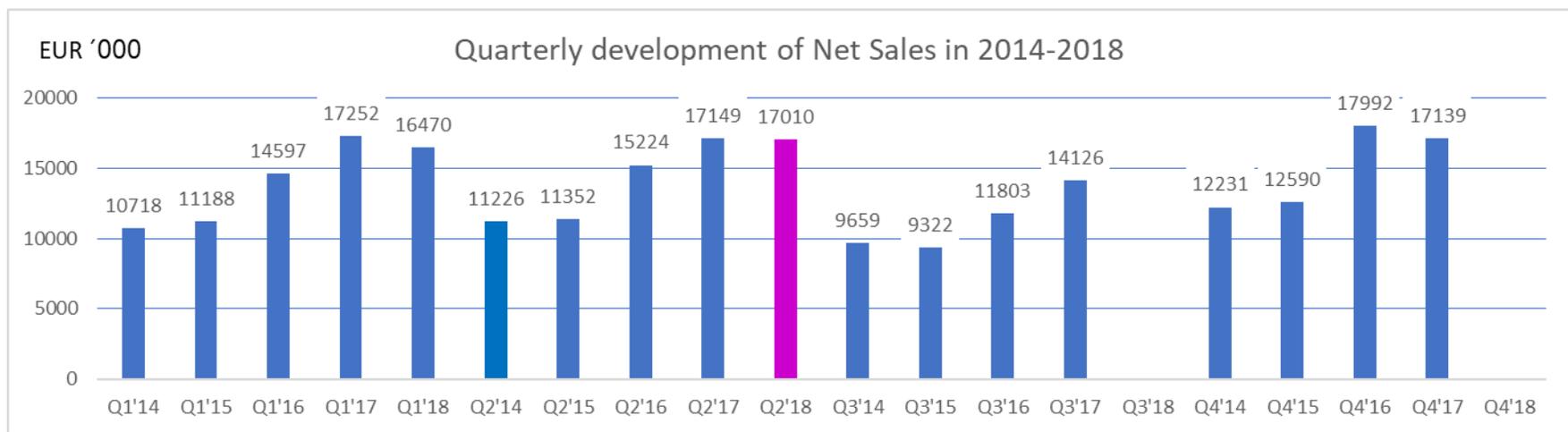
-93,7%  
vs.  
Q2/2017

# Q1-Q2/2018 Actuals

## Selected Key Figures

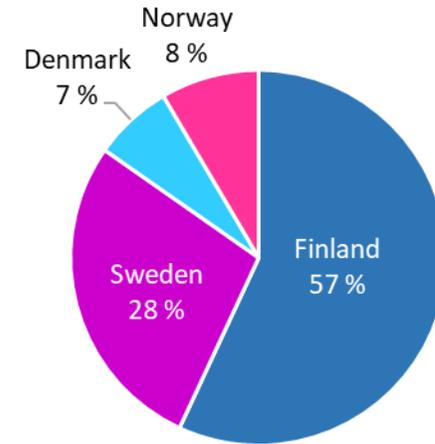
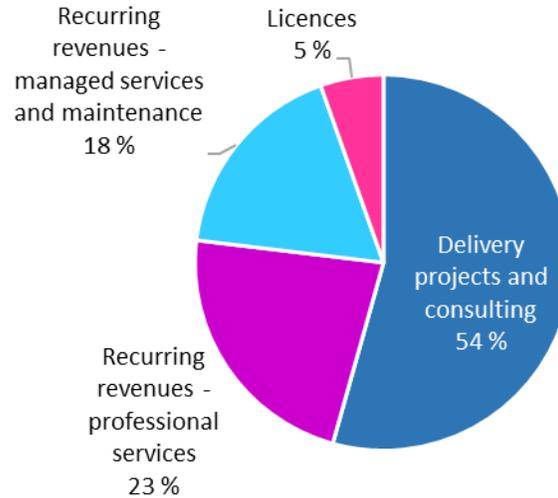
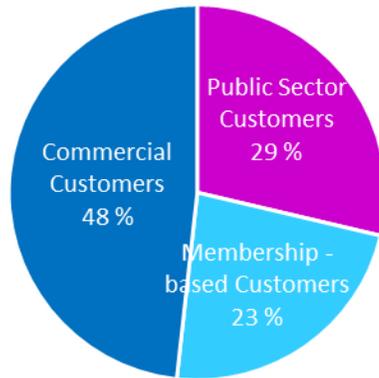
	Q1-Q2 /2018	Q1-Q2 /2017	Change (%)	CEO's comment
<b>Net Sales (kEUR)</b>	<b>33 480</b>	<b>34 401</b>	<b>-2,7%</b>	<i>"Revenue has returned almost to the same level as in the comparison period, though it was below our target. We received several significant orders, as for example Legal Register Centre ca. 2,0 million euros and Kommunal ca.2,8-5,2 million euros. New orders are estimated to have positive impact in revenue development in future"</i>
<b>EBITDA (kEUR)</b>	<b>376</b>	<b>1465</b>	<b>-74,3%</b>	<i>"EBITDA has been significantly below our targets. We estimate that a turn in the business took place during the second quarter, and this should manifest itself as improved profitability in the third quarter"</i>
<b>Equity Ratio (%)</b>	<b>42,6%</b>	<b>43,3%</b>		<i>"The cash flow from business activities remained satisfactory despite challenging EBITDA level. The payment of the remaining purchase price for the Cinteros acquisition, 0,2 million euros, was carried out in May."</i>

# Quarterly Development of Innofactor Group Financials



# Broad Customer Base, Long-term Contracts and Business Footprint in Nordic Countries Bring Stability

Distribution of net sales Jan 1 to June 30, 2018



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 27% of net sales
- Recurring revenues from service agreements and license sales bring competitive advantage and business stability
- Sales of labor moving increasingly to frame agreements and continuous maintenance work
- Sweden, Denmark and Norway represented a significant portion of Innofactor's revenues.
- Innofactor's objective is to create a strong position in all Nordic countries

# Innofactor Key Financials, IFRS

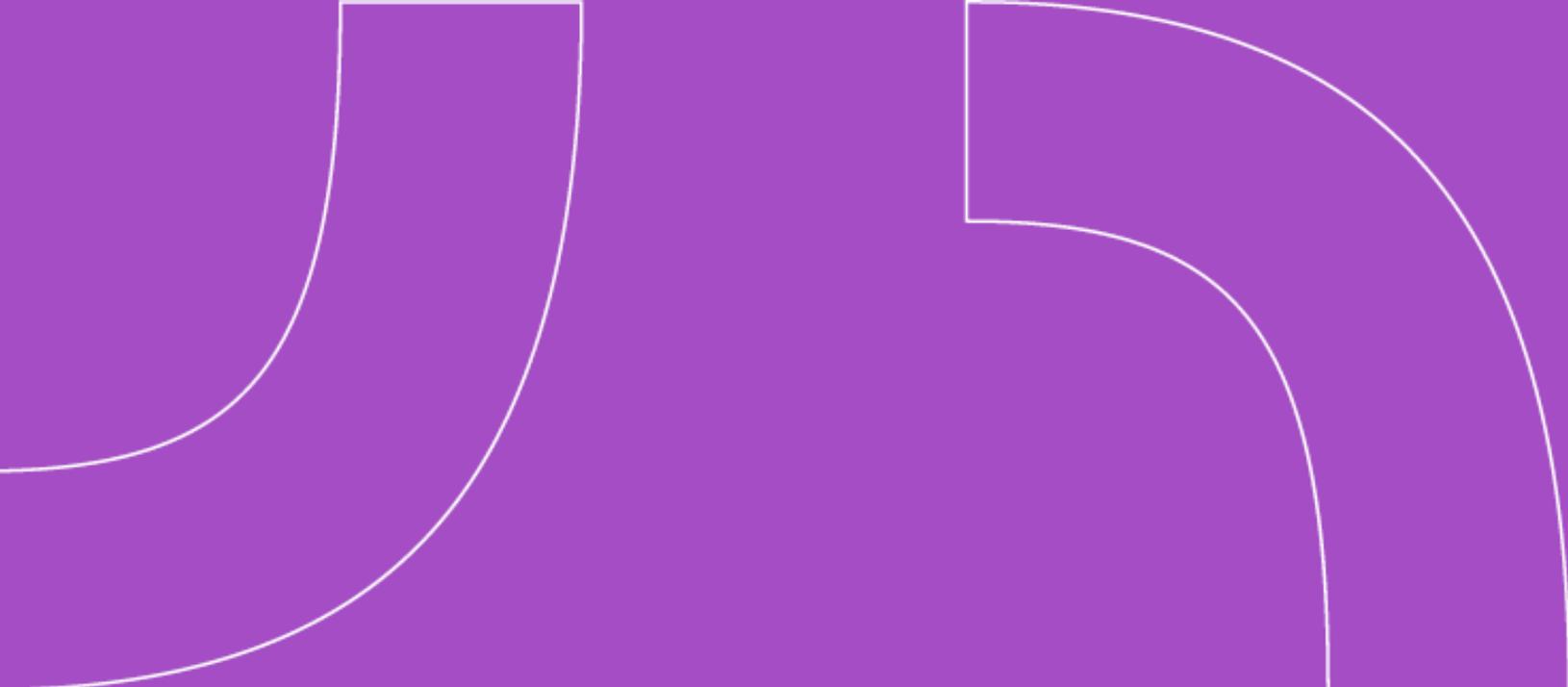
	Apr 1– Jun 30, 2018	Apr 1– Jun 30, 2017	Change	Jan 1–Jun 30, 2018	Jan 1–Jun 30, 2017	Change	Jan 1–Dec 31, 2017
Net sales, EUR thousand	17,010	17,149	-0.8%	33,480	34,401	-2.7%	65,666
Growth of net sales	-0.8%	12.6%		-2.7%	15.4%		10.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	36	567	-93.7%	376	1,465	-74.3%	1,308
percentage of net sales*	0.2%	3.3%		1.1%	4.3%		2.0%
Operating profit/loss (EBIT), EUR thousand*	-630	-103	-511.7%	-994	119	-935.3%	-1,461
percentage of net sales*	-3.7%	-0.6%		-3.0%	0.3%		-2.2%
Earnings before taxes, EUR thousand*	-782	-231	-238.5%	-1,259	-150	-739.3%	-1,579
percentage of net sales*	-4.6%	-1.3%		-3.8%	-0.4%		-2.4%
Earnings, EUR thousand*	-768	-185	-315.1%	-1,467	-435	-237.2%	-2,007
percentage of net sales*	-4.5%	-1.1%		-4.4%	-1.3%		-3.1%
Net gearing	58.0%	49.4%		58.0%	49.4%		53.8%
Equity ratio	42.6%	43.3%		42.6%	43.3%		43.4%
Active personnel on average during the review period**	597	609	-2.0%	597	602	-0.8%	610
Earnings per share (EUR)	-0.0278	-0.0035	-699.6%	-0.0278	-0.0035	-699.6%	-0.0357

\*) In accordance with IFRS 3, the operating result for April 1–June 30, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. In accordance with IFRS 3, the operating result for January 1–June 30, 2018, includes EUR 1,015 thousand (2017: 1,015) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets.

\*\*\*) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.



Innofactor's revenue and EBITDA in 2018 is estimated to increase from 2017, during which the revenue was EUR 65,7 million and EBITDA was EUR 1,3 million.



## Other Issues

Innofactor received several significant orders during the first quarter of the year

# The Most Significant Stock Exchange Releases Q2

- On April 4, 2018, Innofactor announced in a stock exchange release about managers' transactions concerning the buying of Innofactor Plc shares for Per Bendix Olsen.
- On May 9, 2018, Innofactor announced in a stock exchange release about managers' transactions concerning the buying of Innofactor Plc shares for Viktor Lundqvist.
- On May 18, 2018, Innofactor announced in a stock exchange release about managers' transactions concerning the buying of Innofactor Plc shares for Pekka Eloholma and Sami Ensio as a fee for their work in the Board of Directors as decided by the General Meeting.
- On May 22, 2018, Innofactor announced in a stock exchange release about managers' transactions concerning the buying of Innofactor Plc shares for Anna Lindén as a fee for her work in the Board of Directors as decided by the General Meeting.
- On June 29, 2018, Innofactor announced in a stock exchange release that the Swedish trade union Kommunal has renewed and expanded its continuous services and support agreement with Innofactor as partner for maintenance and further development of their membership system and related services. The value of the of the agreement is approximately EUR 2.8 million at the minimum and approximately EUR 5.2 million at the maximum in the years 2018–2021.

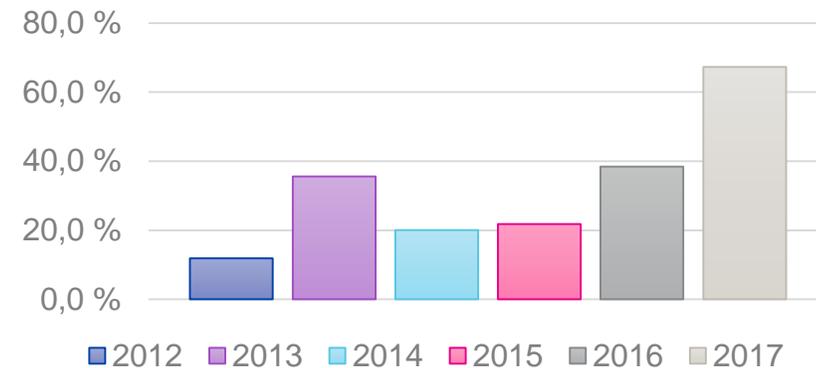
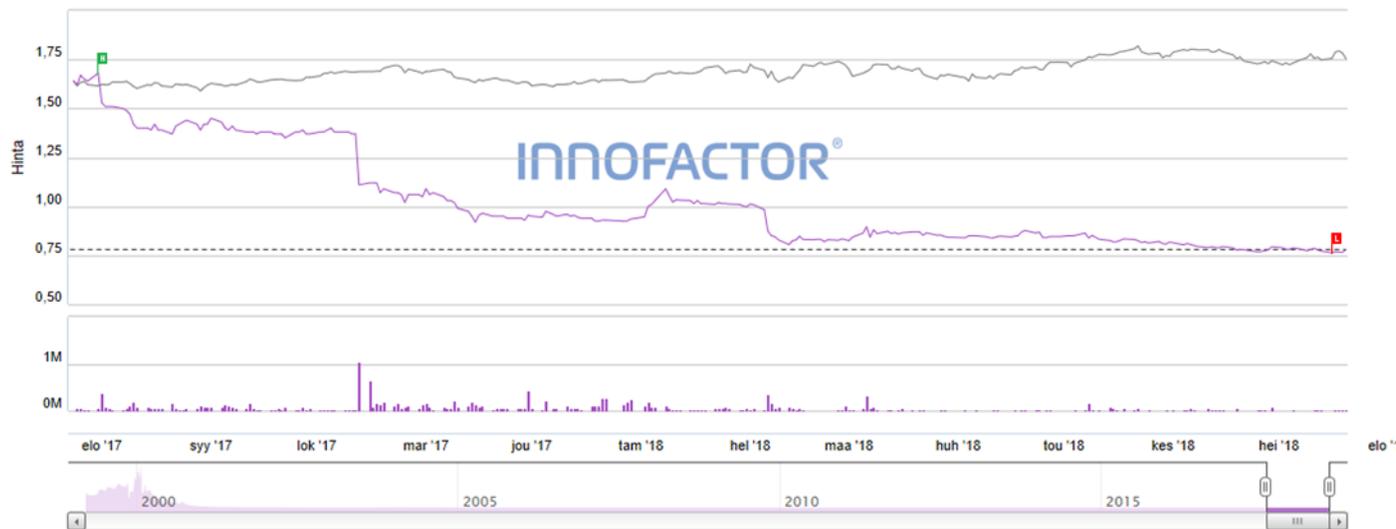
# The Most Significant Stock Exchange Releases after Q2

- No significant Stock Exchange releases

# Largest shareholders June 30, 2018

Name	Number of shares	% of share capital
1. Ensio Sami	7,716,173	21.32%
<i>Ensio Sami</i>	5,542,413	15.32%
<i>Minor under guardianship</i>	724,588	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.97%
3. Tilman Tuomo Tapani	1,653,416	4.57%
4. Laiho Rami Tapani	1,268,159	3.50%
5. Linturi Kaija and Risto	1,256,411	3.47%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Ärje Matias Juhanpoika	882,065	2.44%
7. Mäki Antti-Jussi	877,192	2.42%
8. Muukkonen Teemu Heikki	522,230	1.44%
9. Ingman Finance Oy Ab	500,000	1.38%
10. Järvenpää Janne-Olli	315,211	0.87%
11. Kukkonen Heikki-Harri	286,931	0.79%
12. Rausanne Oy	273,040	0.75%
13. Hellen Stefan Andreas	250,000	0.69%
14. Laiho Jari Olavi	235,000	0.65%
15. Mäkinen Antti Vilho Juhani	153,000	0.42%
16. Heikki Tervonen Oy	153,000	0.42%
17. Salmela Alpo Jalmari	128,500	0.36%
18. Muurinen Hannu Olavi	125,750	0.35%
19. Mandatum Life	123,752	0.34%
20. Harju Petteri	120,000	0.33%

# Innofactor Share Price Development and Turnover (Closing July 20th, 2018 at €0.78)



\* The high turnover in 2013 is due to the atBusiness acquisition and an option relating to this where Innofactor purchased approx. 4.7 million of its own shares. This constitutes approx. 29 percent of the share turnover in 2013.

## Share Price Development

Beginning of 2018	-17,63%		
1 year change	-53.11%	Year highest	1.13EUR
3 year change	-15.03%	Year lowest	0.75EUR
5 year change	-12,61%		

In public trading on April 1–June 30, 2018, a total of 1 497 941 shares were traded (2017: 7 986 133 shares), which corresponds to 4,1 percent (2017: 22,1%) of the average number of shares on the said period. The share trading decreased by 81,2 percent compared to the corresponding period in 2017.

# For more information

<https://www.innofactor.com/invest-in-us/innofactor-as-an-investment/>

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**A Leading Nordic Provider of Digitalization and Cloud Solutions**

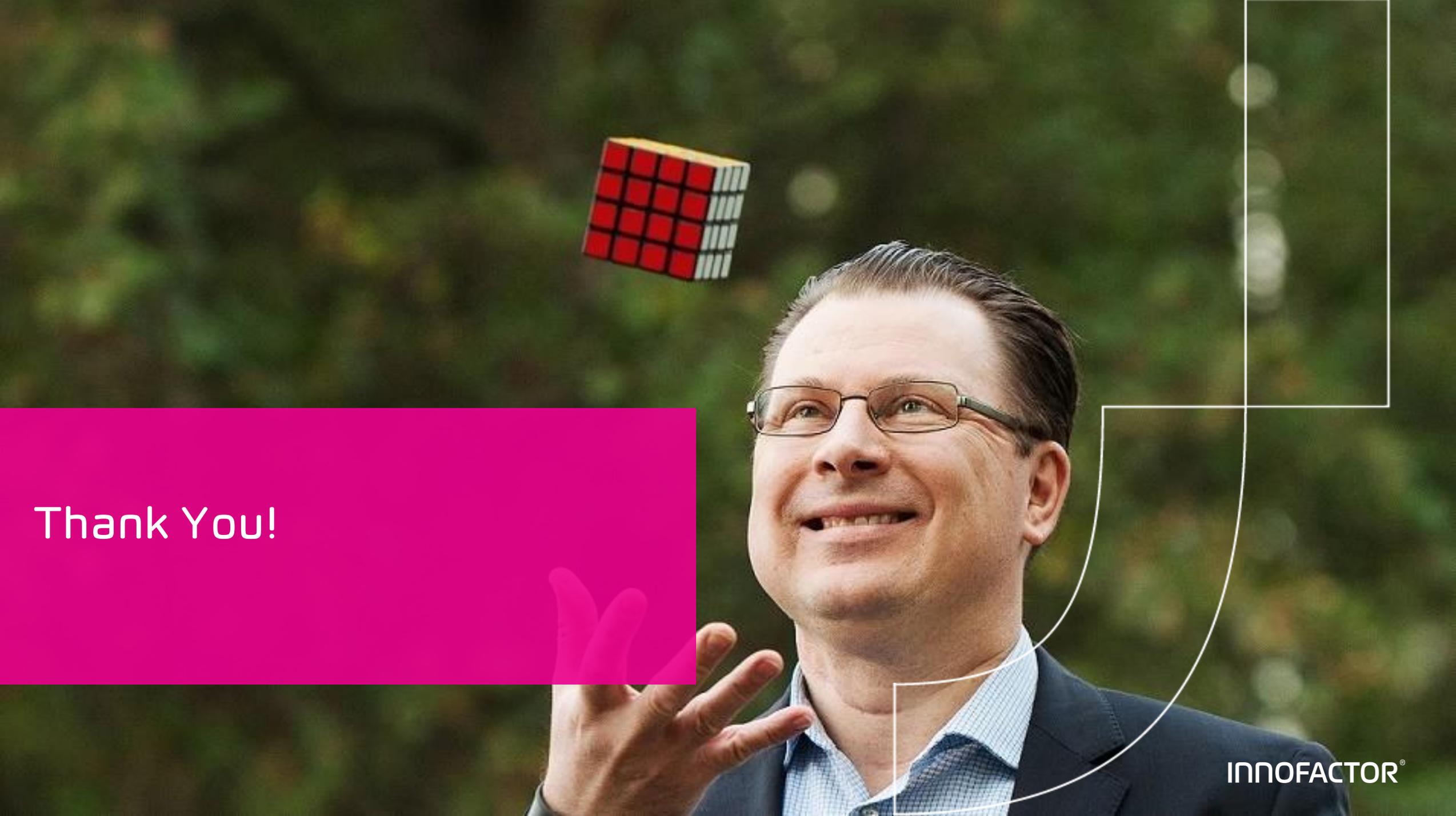
**€ 0.85**  
04.08.2018 09:18 pm EET

Change	%	High	Low
€ +0.00	+0.12%	€ 0.85	€ 0.85

Innofactor is a leading Nordic provider of digitalization and cloud solutions. We have Microsoft Ecosystem's leading expertise, the most comprehensive offering in the Nordics, and over 600 eager and motivated top professionals in Finland, Sweden, Denmark and Norway. We serve over 1,500 commercial, public, and third sector organizations. In 2013 to 2017, the annual growth of our net sales has been approximately over 20%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Ltd.

### Latest Stock Exchange Releases

<p>07.03.2018</p> <p><b>Innofactor publishes new financial figures for 2017 adjusted for th...</b></p>	<p>24.04.2018</p> <p><b>Publishing of Innofactor's Interim Report January -March 2018</b></p>	<p>04.04.2018</p> <p><b>Innofactor Plc: Managers' Transactions - Per Bendix Olsen</b></p>
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A man with glasses, wearing a dark suit jacket over a light blue checkered shirt, is smiling and looking upwards. He is juggling a Rubik's cube. The background is a blurred green forest. A white outline of a large letter 'U' is overlaid on the right side of the image. A pink rectangular box is on the left side, containing the text 'Thank You!'.

Thank You!

INNOFACTOR®



# Appendix 1: Customer References

# Hospital District of Helsinki and Uusimaa

## Digital Channels in Hospitals – the Health Village Brings Technology to People

“The aim of developing virtual and electronic services that are closely intertwined with patients’ service paths is to design customer-focused and multi-channel services, enhance the prevention of illnesses and the efficiency of care, facilitate customers’ timely access to treatment and increase the effectiveness of remote appointments. The use of eHealth services makes it possible to allocate human resources to more demanding service areas in which patient counseling and care requires a broader range of competencies.”

**Sirpa Arvonen**

Project Director, HUS Virtual Hospital Project



# Finnish Red Cross

## My Red Cross – digital tools for volunteering

“The Finnish Red Cross has taken an energetic approach to solving the equation of digitality, volunteering and NGO activity. The success of this project can have a significant impact on Finnish society and the people in Finland. Our development strategy is focused on making volunteering easy. As our local activities are reliant on volunteers, the second key point of the strategy is to build digital services for local key volunteers to make organizing and leadership easier. The starting point for our digital program has been to identify which services are important from the users’ perspective. This has helped us establish the foundation on which we are now building together with Innofactor.”

**Ilpo Kiiskinen**

Communications Manager, Finnish Red Cross



# Mitsubishi Motors

## Better and more personal customer service with Microsoft Dynamics CRM

“We have had the pleasure to work with Innofactor in this business-critical project. It's a major initiative, that will strengthen our customer relationships and dialogue, building lasting and profitable relations between our customers, retailers and garages. Taking into account the significance of the investment, it feels particularly good to be able to trust Innofactor's experience and knowhow.”

**Karl-Thomas Albinsson**  
CRM Manager  
Mitsubishi Motors Sweden



# Kommunal

## Better and More Personalized Services and Communications for Members

“We chose Innofactor because they genuinely understood our needs. They offered a ready-to-use solution customized to the needs of this membership-based organization. We also found that their Microsoft Dynamics CRM expertise was the most comprehensive in all of Sweden.”

### **Hanna Stenholm**

Head of Membership Administration, Kommunal



# Linco Food Systems A/S

Innofactor QualityFirst helps with updating and sharing the organization's quality documentation

“We chose Innofactor QualityFirst because it met with our requirements, and did not need any further development. The solution was adapted directly into our current process management model”

**Mogens From Winther**  
Quality Manager  
Linco Food System A/S



# Sparebanken Vest

## Using Microsoft Azure to manage growth and operating expenses

“The local infrastructure has now been moved to the cloud. This was made possible by Innofactor’s specialists, who have a strong understanding of the big picture as well as in-depth expertise. We had used Innofactor’s consultants before, so it was an easy decision to turn to them for assistance and advice. Our cooperation with Innofactor has become even stronger after we selected Microsoft Azure as our solution. Innofactor knows Azure inside and out!”

**Jørn Torsvik**

CIO

Sparebanken Vest

