



Innofactor Interim Report Q1/2019

May 15, 2019
Sami Ensio, CEO



Innofactor's Business

Driving the #ModernDigitalOrganization
in the Nordic Countries

INNOFACTOR®

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

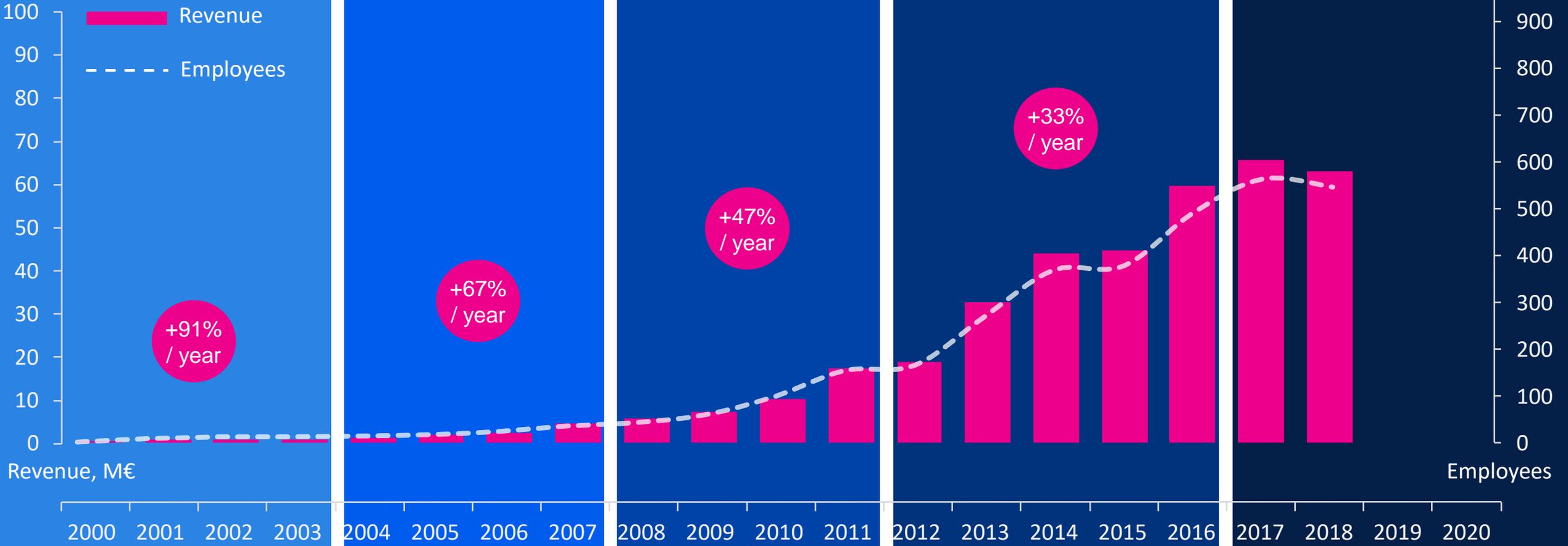
- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

#1 Microsoft-based Provider in the Nordics

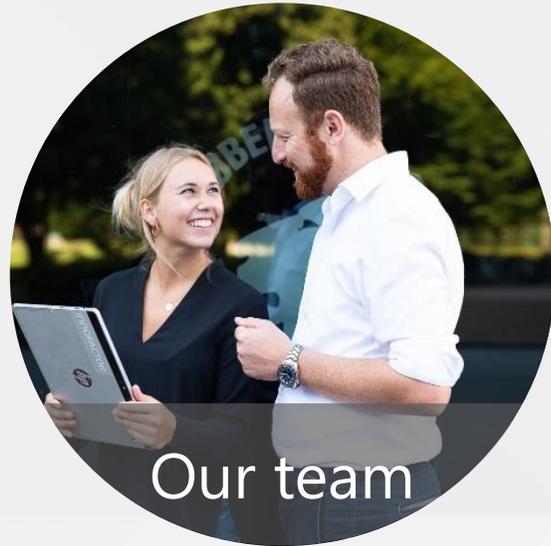
- Cloud transition
- Several acquisitions in the Nordic countries

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

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



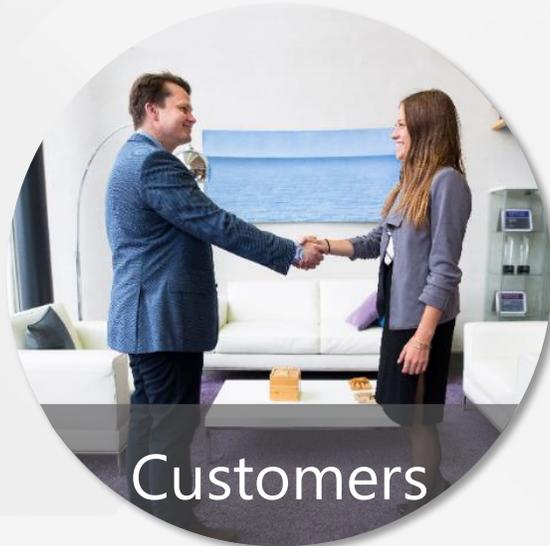
Innofactor – Leading Nordic driver of Modern Digital Organization



Our team

- Circa 600 Nordic professionals
- 15 enterprise level Microsoft Gold competencies and 1,600+ MSFT certificates
- 9 Microsoft Most Valuable Professionals

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Customers

- 1,500 Nordic customers
- Strong industry knowledge in private, public and membership based organizations



Company

- Revenue 63 MEUR (2018)
- 14 offices in Nordic countries
- Listed in Helsinki Stock Exchange (NASDAQ Helsinki), over 11 000 shareholders

Microsoft
Partner



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

Key Trends Driving Innovation

Artificial Intelligence
and Machine Learning

Internet of Things
(IoT)

Robotics

Augmented and
Virtual Reality

Block Chain

Innovation Enablers

Big Data and
Analytics

Social
Media

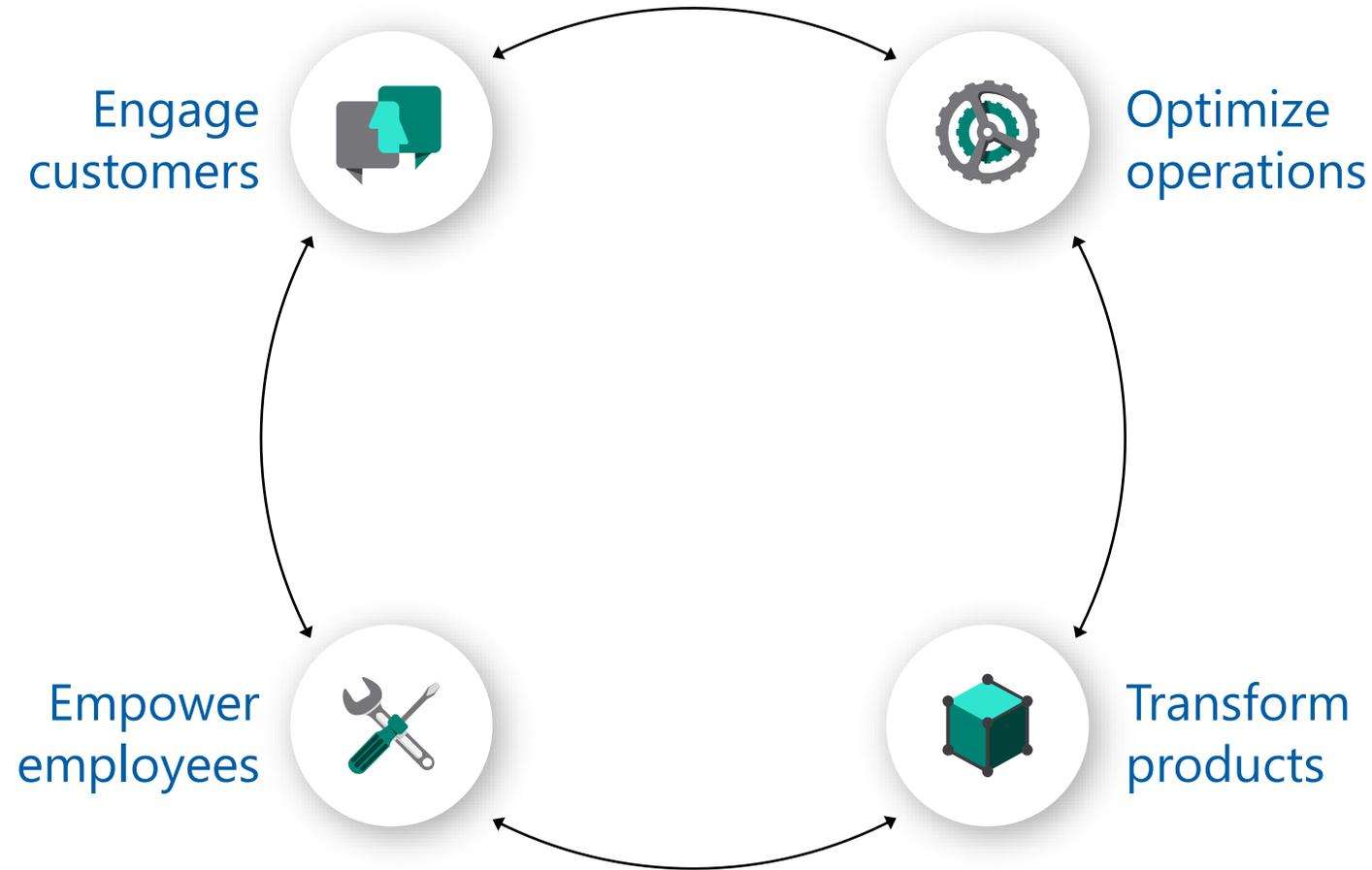
3D-Printing

Next Gen
Security

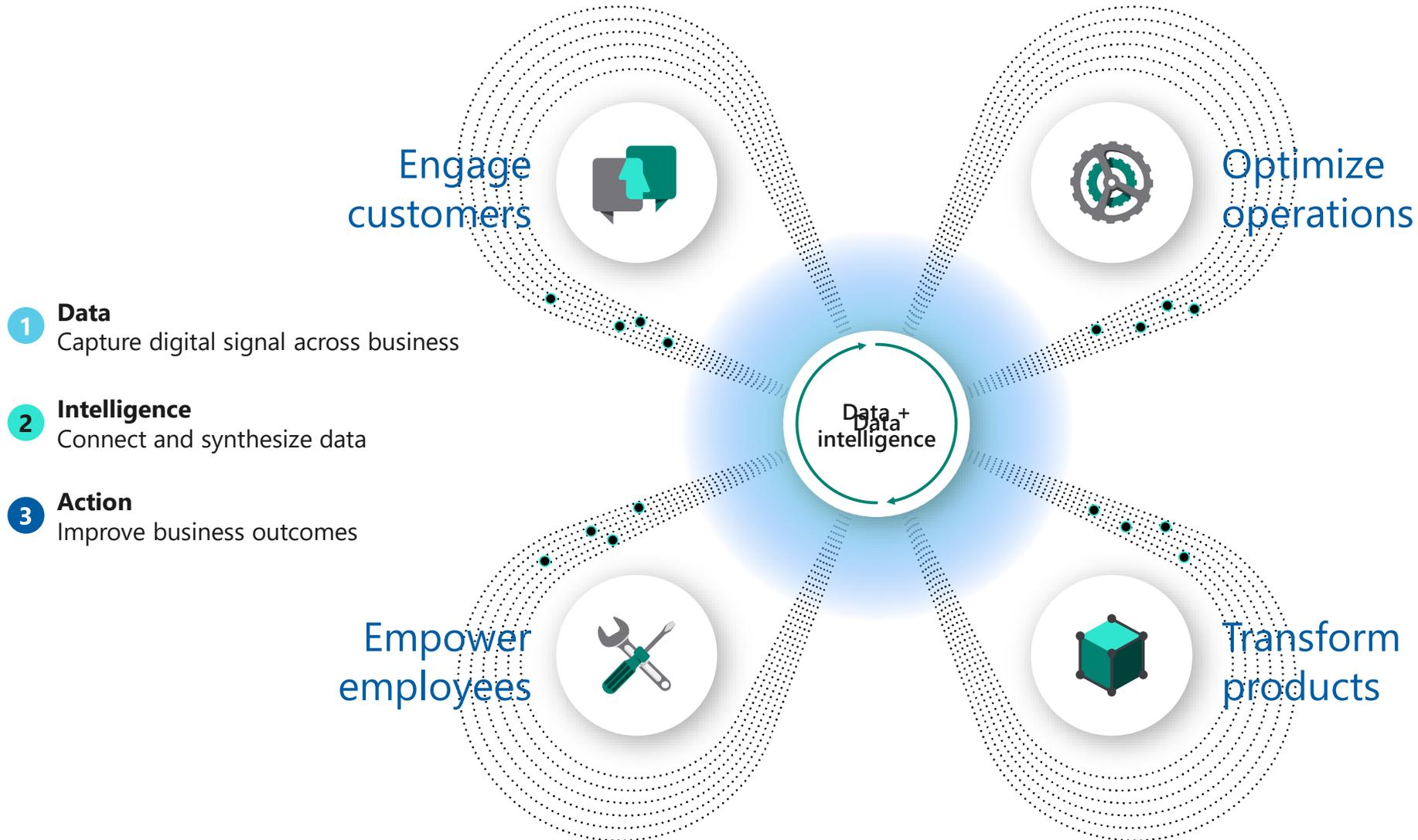
Cloud

Mobility

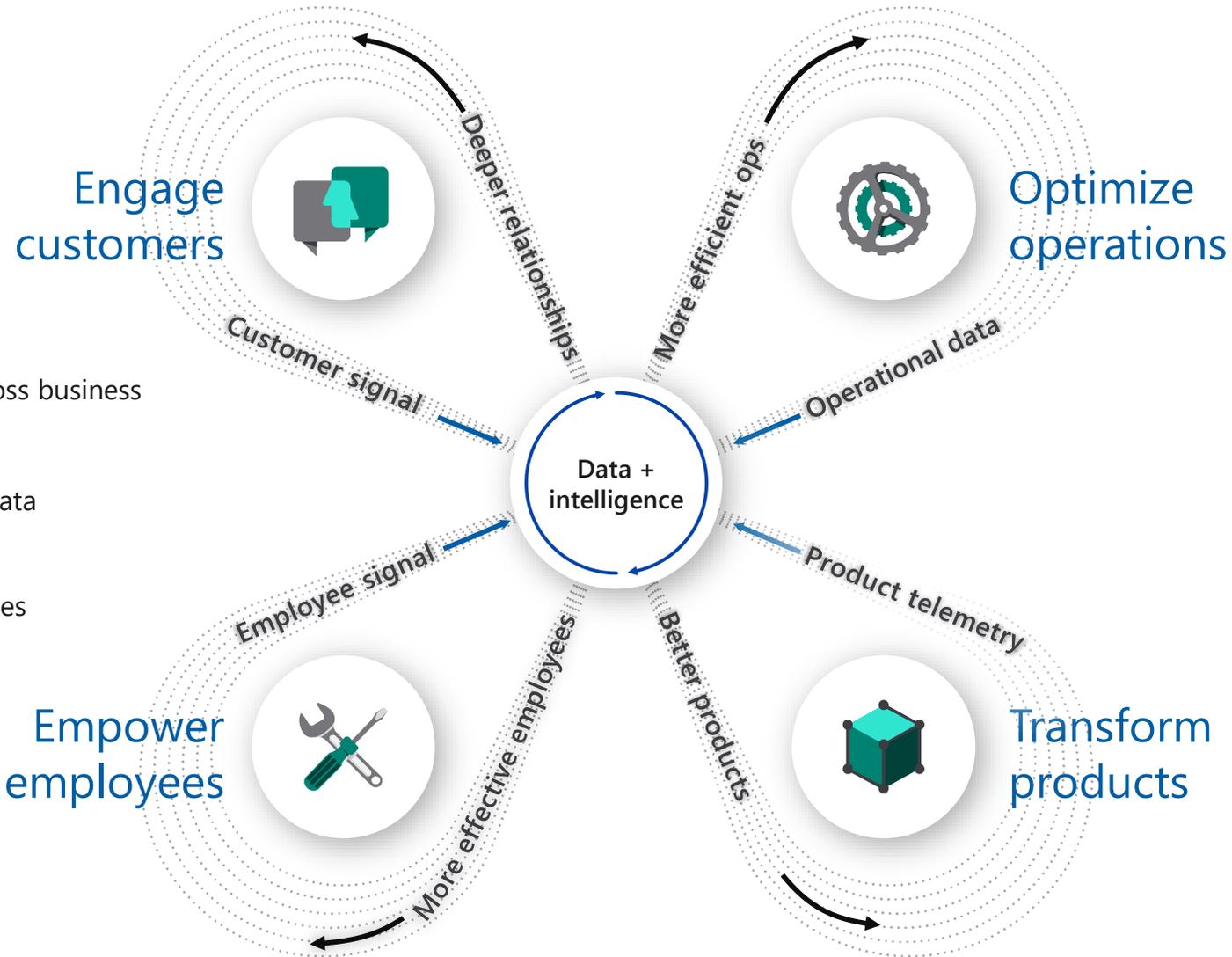
Key Stakeholders of B-to-B Digital Transformation



Digital Feedback Loop



Digital Feedback Loop



- 1 Data**
Capture digital signal across business
- 2 Intelligence**
Connect and synthesize data
- 3 Action**
Improve business outcomes

Our Mission: Driving the #ModernDigitalOrganization



Driving the
#Modern
Digital
Organization



We Fulfill It Every Day by Empowering Our Customers



Engage our customers' customers digitally in a way that's most convenient for them



Build a secure, scalable cloud platform for our customers' organizations



Make better decisions leveraging advanced analytics, AI and machine learning

Driving the #Modern Digital Organization



Create business value, accelerate innovation and increase productivity by digitalizing operations



Make our customers' employees' daily work more meaningful and productive through personal engagement and modern collaboration

Our Solutions and Services for Building a Modern Digital Organization and Drive Customers' Growth

Driving the #Modern Digital Organization



- More Personal Digital Customer Experience**
 - Service Design
 - Websites & Mobile Apps
 - Digital Customer Service & Marketing Automation
- Higher Operational Productivity**
 - Customer Relationship Management
 - Enterprise Resource Planning
 - HR & Talent Management
 - Quality & Management Solutions
 - Information & Case Management
- Modern Employee Experience**
 - Digital Collaboration & Modern Work
- Secure Cloud Platform**
 - Cloud Infrastructure
 - Governance, Security & GDPR
 - Identity Management
 - Managed Cloud Services
- Data-driven Business**
 - Business Intelligence
 - Advanced Analytics
 - Machine Learning
 - Internet of Things (IoT)

Our Delivery Model for Successful Design, Implementation and Adoption of Cloud Solutions to Maximize Customer Lifetime Value



We Create Innovations with Our Leading Customers

1,500+ Commercial, Public Sector and Membership-based Customers



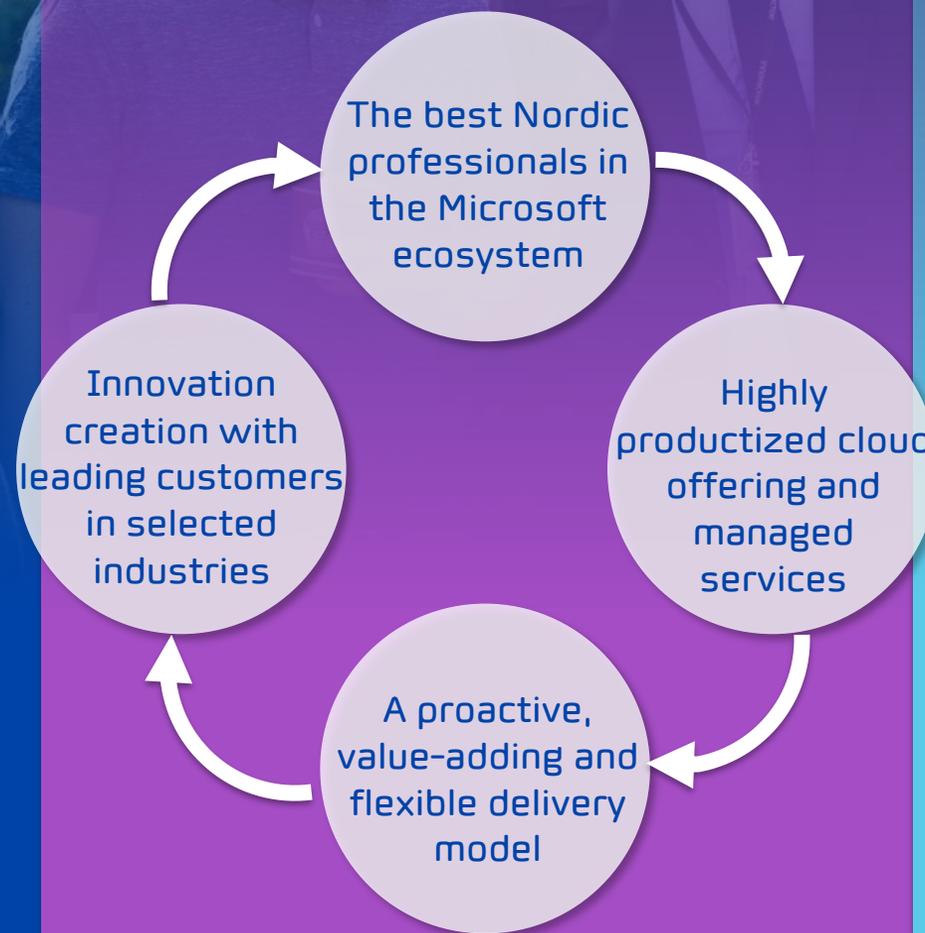
Our Mission:

Driving the
#ModernDigitalOrganization

Our Vision:

The leading provider of
organizations' digital
transformation in each of the
Nordic countries

Our Strategy:



Our long-term financial goal is to grow profitably:

By achieving annual growth of about 20 percent, of which majority is intended to be achieved by organic growth

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

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

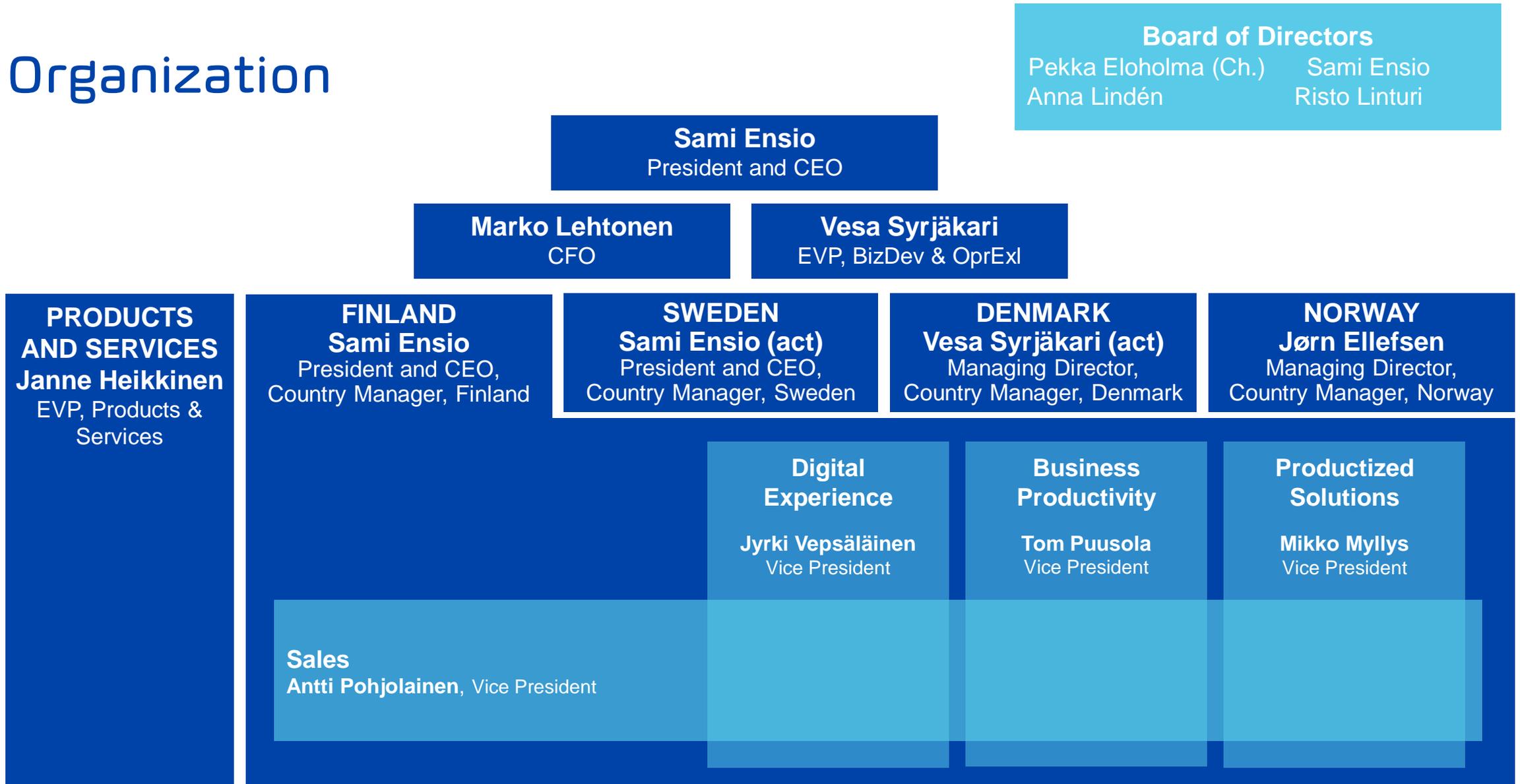
>+5%

+3–5%

* Source: IDC, internet

** Estimate Microsoft market share to approx. 40%

Organization



Board of Directors



Sami Ensio

Born in 1971, 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. Ownership with related parties: 7,716,173 shares.

Anna Lindén

Born in 1973, M. Pol.Sc.

COO of Nokia's Mobile Networks business group until early 2019. Several management positions at Nokia since 1998. Extensive background in business leadership and information technology. Ownership with related parties: 21,200 shares.

Risto Linturi

Born in 1957, M.Sc. (Tech.)

Chairman of the Board of Sovelto. Programme Director of Aalto University's Radical innovations program 2004–2014. Previously Technology Director of Helsingin Puhelin (current Elisa). One of Finland's most prominent futurists. Ownership with related parties: 1,256,411 shares.

Pekka Eloholma, Chairman

Born in 1960, 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). Chairman of the Board in LeaseGreen Group and Sitowise. Ownership: 31,109 shares.

Innofactor's Founder and CEO

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

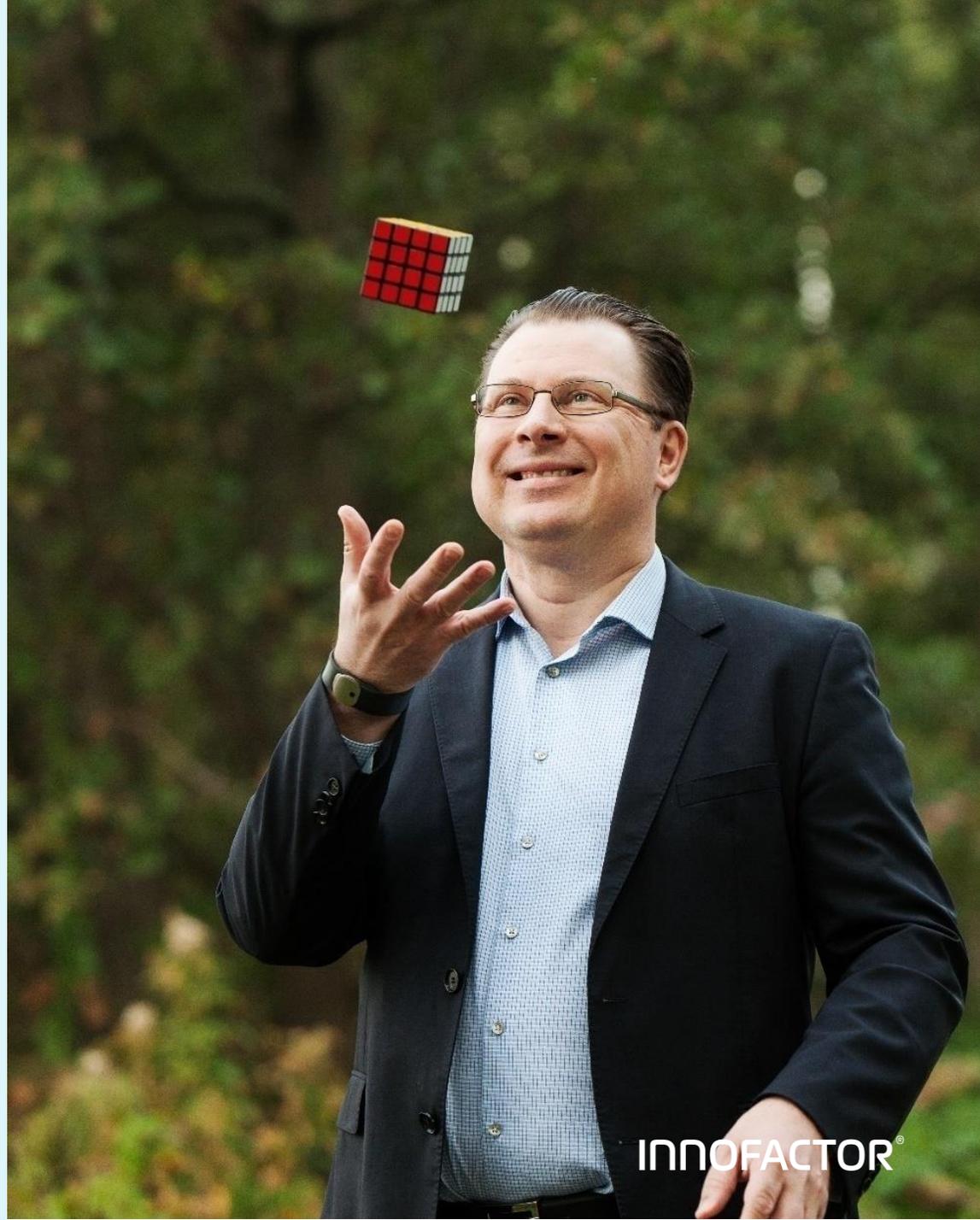
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

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>



Group Executive Board



Sami Ensio

M. Sc. (Tech.) President and CEO, Country Manager, Finland, and acting Country Manager, Sweden. Born in 1971. Ownership with related parties: 7,716,173 shares.



Jørn Ellefsen

MBA. Managing Director, Country Manager, Norway. Employed by Innofactor since 2019. Born in 1971. Ownership: 0 shares.



Janne Heikkinen

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



Marko Lehtonen

M. Sc. (Econ.) CFO. Employed by Innofactor since 2018. Born in 1972. Ownership: 200 shares.



Vesa Syrjäkari

M. Sc. (Econ.) EVP, Business Development and Operational Excellence, and acting Country Manager, Denmark. Employed by Innofactor since 2017. Born in 1960. Ownership: 60,000 shares.

Q1/2019 Results

Profitability and order backlog improved significantly in the first quarter

The improvement in the EBITDA was especially due to the measures in the last quarter of 2018 for reorganizing operation and making it more efficient, cost-cutting, and the changes in handling lease liabilities due to IFRS 16, which had an effect of EUR 0.3 million in the operating margin.

In the first quarter, the Order Backlog grew to a record-breaking amount and was EUR 41.0 million at the end of the quarter, which shows an increase of 85% compared to the same time in the previous year.

Revenue

16.1 M€

-2,0% vs.
Q1/2018

EBITDA

5,4%
0.9 M€

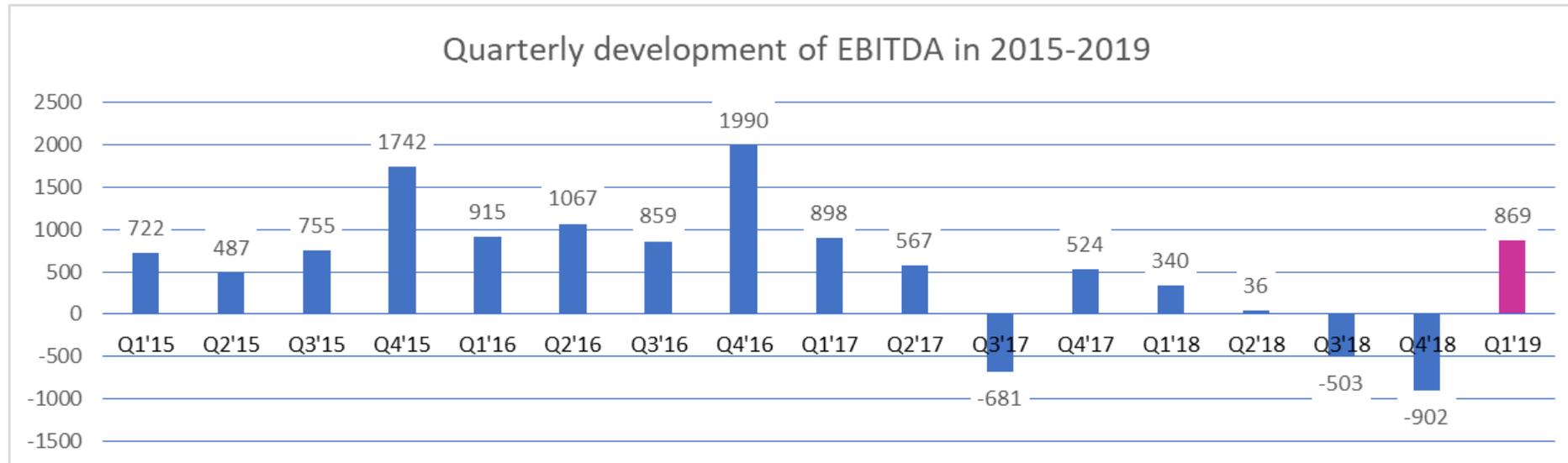
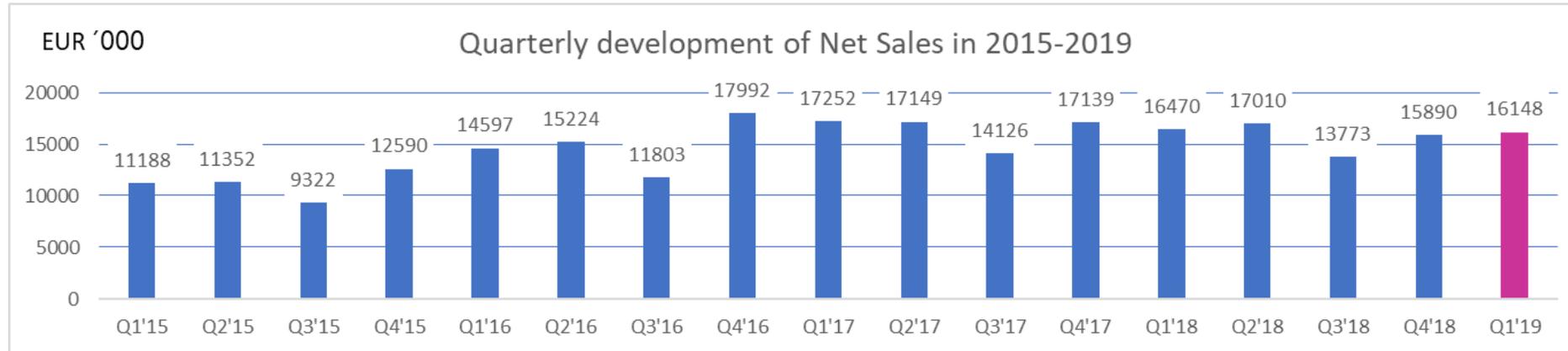
+155%
vs.
Q1/2018

Q1/2019 Actuals

Selected Key Figures

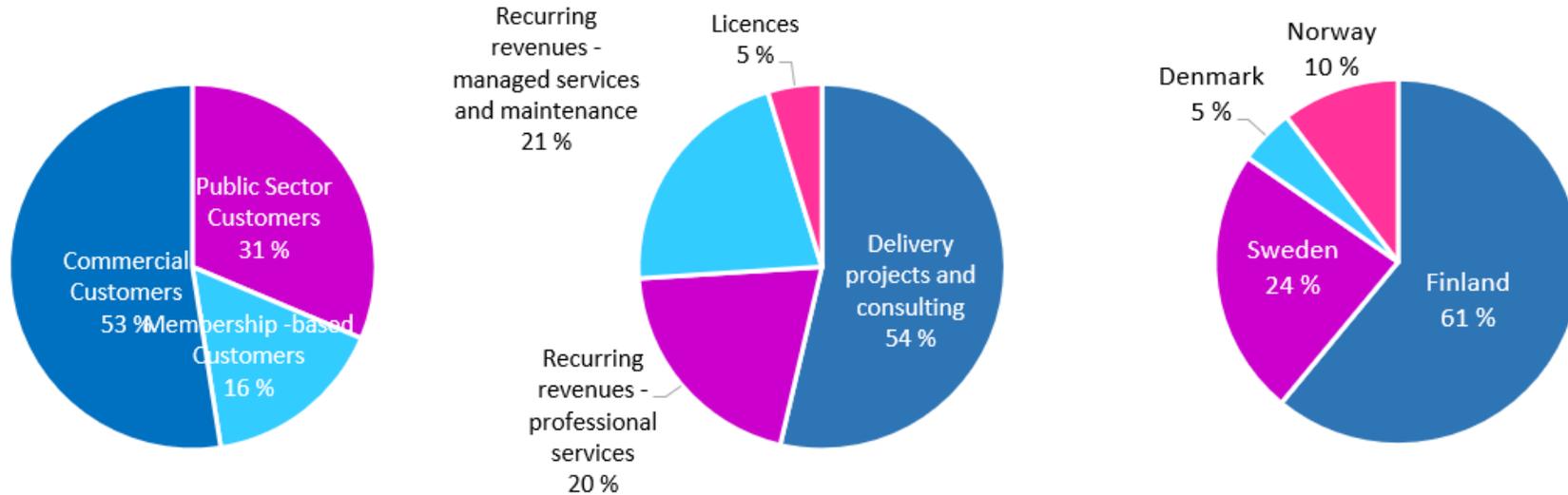
	Q1 /2019	Q1 /2018	Change (%)	CEO's comment
Net Sales (kEUR)	16 148	16 470	-2,0%	<i>"The corrective measures had the planned effect – the profitability of the first half of the year improved and the order backlog grew into record-breaking amounts. The net sales grew in Finland and Norway, but decreased in Sweden and Denmark. The weaker than expected net sales were partly due to the lower exchange rates of Swedish krona and Norwegian krone in relation to euro. This had an effect of approximately EUR 0.2 million. Despite the decreased net sales, the net sales per employee grew 9,2% from the previous year."</i>
EBITDA (kEUR)	869	341	+155,1%	<i>"The improvement in the EBITDA was especially due to the measures in the last quarter of 2018 for reorganizing operation and making it more efficient, cost-cutting, and the changes in handling lease liabilities due to IFRS 16, which had an effect of EUR 0.3 million in the operating margin".</i>
Equity Ratio (%)	40,0%	44,1%		<i>"Innofactor's operating cash flow improved significantly from the previous Year and it was EUR 1.6 million (2018: EUR 0.6 million). The handling of lease liabilities in a new way in accordance with IFRS 16 had a positive effect of approximately EUR 0,3 million in the operating cash flow and approximately 4.3 percentage point negative effect in the equity ratio."</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 January 1 to March 31, 2019



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 24% 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

	Jan 1–Mar 31, 2019	Jan 1–Mar 31, 2018	Change
Net sales, EUR thousand	16,148	16,470	-2.0%
Growth of net sales	-2.0%	-4.5%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand***	869	341	155.1%
percentage of net sales	5.4%	2.1%	
Operating profit/loss (EBIT), EUR thousand*	-90	-364	75.3%
percentage of net sales*	-0.6%	-2.2%	
Earnings before taxes, EUR thousand*	-197	-477	58.8%
percentage of net sales*	-1.2%	-2.9%	
Earnings, EUR thousand*	-88	-382	77.0%
percentage of net sales*	-0.5%	-2.3%	
Order backlog***	41,029	22,179	85.0%
Net gearing*	65.6%	53.2%	
Equity ratio****	40.0%	44.1%	
Active personnel on average during the review period**	544	605	-10.1%
Earnings per share (EUR)	-0.0024	-0.0105	77.0%

*) In accordance with IFRS 3, the operating result for January 1–March 31, 2019, includes EUR 507 thousand (2018: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. The implementation of the IFRS 16 standard affects extensively different figures for 2019. Additional information on the standard's implementation and effects can be found in the "Accounting policies" section of "Financial statement summary and appendices January 1–March 19, 2019 (IFRS)."

***) 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.

****) Before implementing the common ERP system in two stages in Sweden on July 1, 2018, and October 1, 2018, the figures there are partly based on management estimates.

*****) The handling of lease liabilities in a new way in accordance with IFRS 16 had an effect of approximately EUR 300 thousand in the operating margin (EBITDA) and 4.3 percentage point negative effect in the equity ratio.



Innofactor's net sales and EBITDA in 2019 is estimated to increase from 2018, during which the net sales were EUR 63.1 million and EBITDA was EUR -1.0 million.



Other Issues

Stock Exchange Releases Q1

- On January 25, 2019, Innofactor lowered its estimate on the net sales and operating margin (EBITDA) for 2018.
- On February 14, 2019, Innofactor announced in a stock exchange release that a Swedish organization selected Innofactor to implement their membership management project, the value of the procurement being approximately EUR 1.3 million, which is estimated to be registered for 2019.
- On February 15, 2019, Innofactor announced in a stock exchange release that Traficom selected Innofactor as the development and maintenance provider for their technical platform for digital services (VISA), the value of the procurement being approximately EUR 5.0 million within 5–7 years, starting from spring 2019.
- On March 8, 2019, Innofactor announced in a stock exchange release that the City of Espoo selected Innofactor as the provider of a decision-making system, the value of the procurement being approximately EUR 1.5 million, which is estimated to be registered for 2019 and 2020.
- On March 14, 2019, Innofactor announced in a stock exchange release that Innofactor Plc's CFO Marko Lehtonen has decided to assume responsibilities with another employer and has resigned from his position on March 13, 2019.

Stock Exchange Releases after Q1

- On May 14, 2019, Innofactor published a stock exchange release about a directed share issue of 1.2 million shares for the personnel.
- On May 14, 2019, Innofactor announced in a stock exchange release that Innofactor Plc's General Counsel Anna-Maria Palmroos has decided to assume responsibilities with another employer and has resigned from his position.

There are no other significant events in Innofactor after the review period.

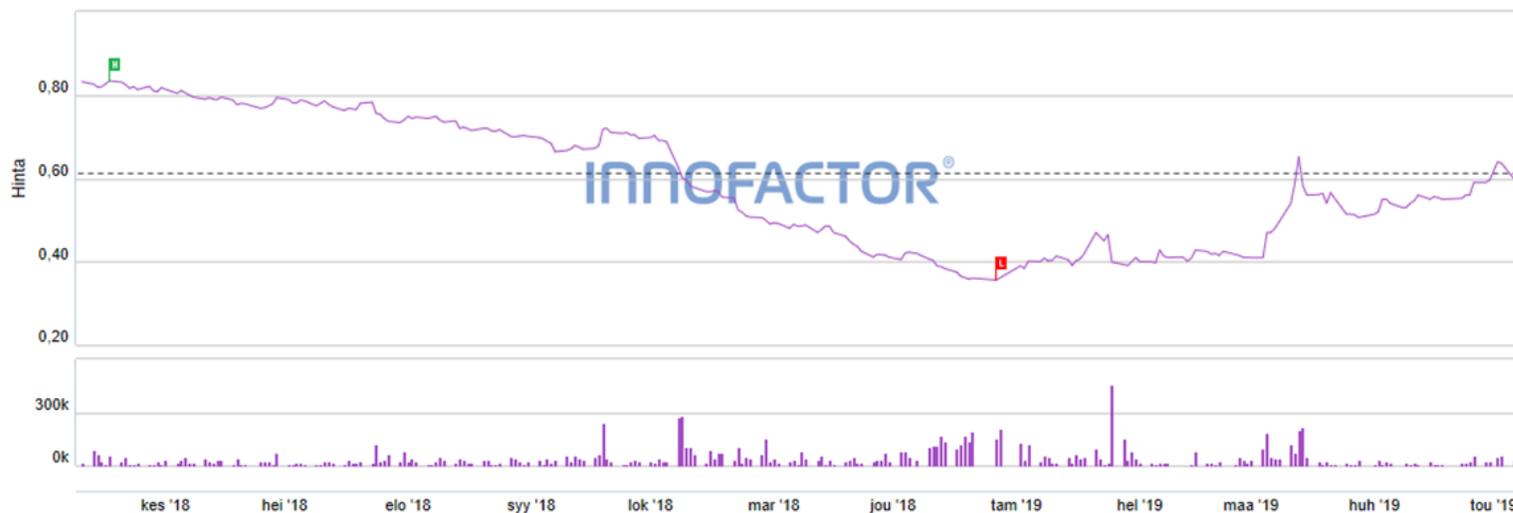
Key points from CEO's review

- **Net sales:** Net sales grew in Finland and Norway but declined in Sweden and Denmark. Net sales per employee grew 9.2% compared to previous Year. First time during Innofactor nine years' history in Stock Exchange, first quarter net sales grew organically compared to previous Year last quarter (growth 1.6%), when it typically has been on average 10% lower.
- **EBITDA:** Compared to Q4 2018 EBITDA improved with 1.8M€ (Q4/2018: -0,9M€). Historically Innofactor EBITDA has improved in quarters towards end of the Year.
- **Order backlog:** In the first quarter, the order backlog grew to a record-breaking amount and was EUR 41.0 million (2018: 22,2) at the end of the quarter, which shows an increase of 85% compared to the same time in the previous year.
- **Organization:** Sami Ensio will assume Sweden country manager responsibility and Vesa Syrjäkari Denmark country manager responsibility for the time being. Our goal is to turn net sales in Sweden and in Denmark to growth path latest during last quarter in 2019. I believe, that directed share issue at the personnel will further improve the commitment of our brilliant employees to being part of Innofactor's success.

Largest shareholders March 31, 2019

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	1,465,437	4.05%
4. Svalroma Invest AB	1,357,062	3.75%
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. Laiho Rami Tapani	1,255,159	3.47%
7. Ärje Matias Juhanpoika	882,065	2.44%
8. Mäki Antti-Jussi	877,192	2.42%
9. Muukkonen Teemu Heikki	522,230	1.44%
10. Ingman Finance Oy Ab	500,000	1.38%
11. Järvenpää Janne-Olli	315,211	0.87%
12. Saarelainen Mika-Pekka	296,633	0.82%
13. Kukkonen Heikki-Harri	276,931	0.77%
14. Rausanne Oy	272,545	0.75%
15. Anttila Mikko Matias	254,150	0.70%
16. Hellen Stefan Andreas	250,000	0.69%
17. Laiho Jari Olavi	235,000	0.65%
18. Audit-Lex Oy	170,000	0.47%
19. Mäkinen Antti Vilho Juhani	164,000	0.45%
20. Heikki Tervonen Oy	153,000	0.42%

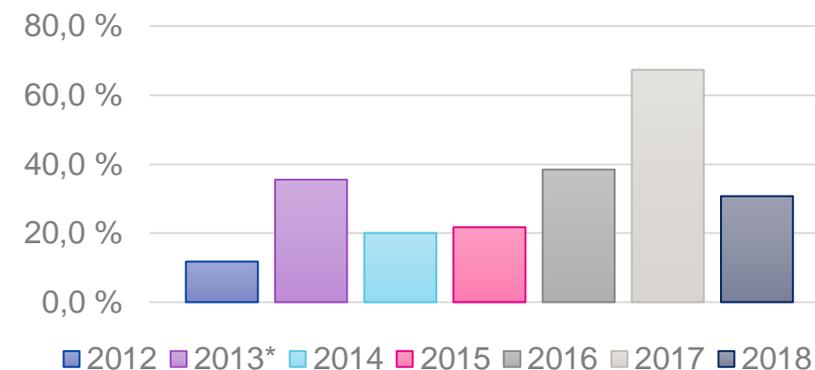
Innofactor Share Price Development and Turnover (Closing March 31st, 2019 at €0.51)



Share Price Development

Beginning of 2019	+65,75%	Year highest	0,70EUR
1 year change	-29,58%	Year lowest	0,36EUR
3 year change	-33,33%		
5 year change	-49,15%		

Turnover in % compared total amount of shares



* 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.

In public trading on January 1– March 31, 2019, a total of 3 141 978 shares were traded (2018: 3 245 441 shares), which corresponds to 8,7 percent (2018: 9,0) of the average number of shares on the said period. The share trading decreased by 39,7 percent compared to the corresponding period in 2018.

Additional Information

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

Sami Ensio

CEO

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Innofactor sijoituskohteena

Vuosikertomuksemme 2017 on julkaistu!

[INNFACTOR OYJ:N VUOSIKERTOMUS 2017](#)

Johtava pilviratkaisujen ja digitalisaation toteuttaja Pohjoismaissa

€ 0,85

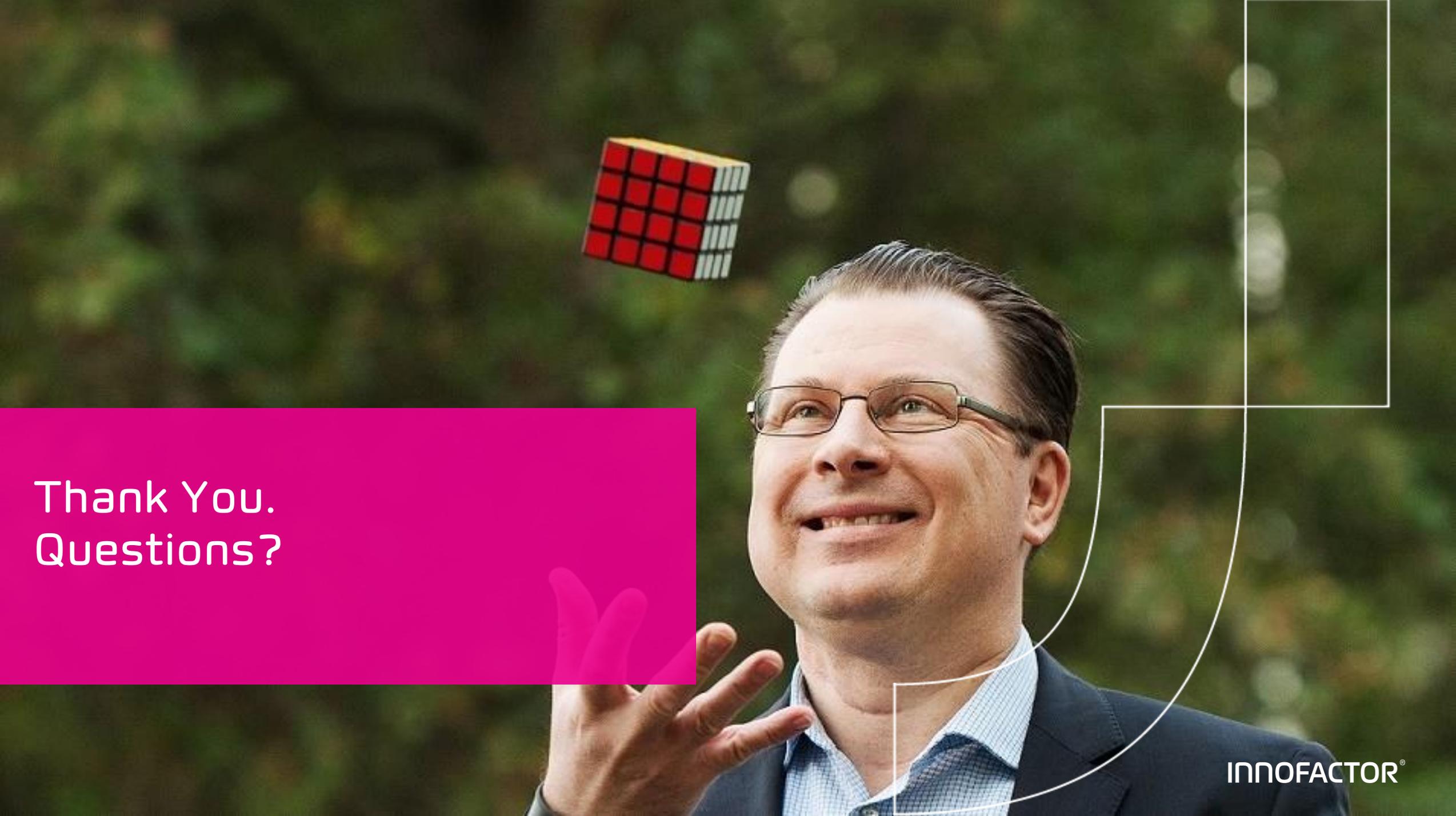
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Muutos	%	Ylin	Alin
€ +0,00	+0,12%	€ 0,85	€ 0,85

Innofactor on johtava digitalisaation ja pilviratkaisujen toteuttaja Pohjoismaissa. Meillä on Pohjoismaiden laajin Microsoft-ekosysteemin ratkaisutarjonta, johtava osaaminen ja yli 600 innostunutta ja motivoitunutta huippuasiantuntijaa Suomessa, Ruotsissa, Tanskassa ja Norjassa. Asiakkainamme on yli 1 500 yritystä, julkishallinnon ja kolmannen sektorin organisaatiota. Vuosina 2013–2017 liikevaihtomme vuotuinen kasvu on ollut keskimäärin yli 20 %. Innofactor Oyj:n osake on noteerattu NASDAQ Helsinki Oy:n päälistalla toimialalla teknologia.

Uusimmat pörssitiedotteet

<p>24.04.2018</p> <p>Innofactorin tammi-maaliskuun 2018 osavuosisikatsauksen julkaiseminen</p>	<p>04.04.2018</p> <p>Innofactor Oyj: Johtohenkilöiden liiketoimet – Per Bendix Olsen</p>	<p>04.04.2018</p> <p>Innofactor Oyj:n uusi hallitus ja järjestäytymiskokous</p> <p>LUE LISÄÄ</p>
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Thank You.
Questions?

INNOFACTOR®