



Innofactor Interim Report Q3/2019

October 29, 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

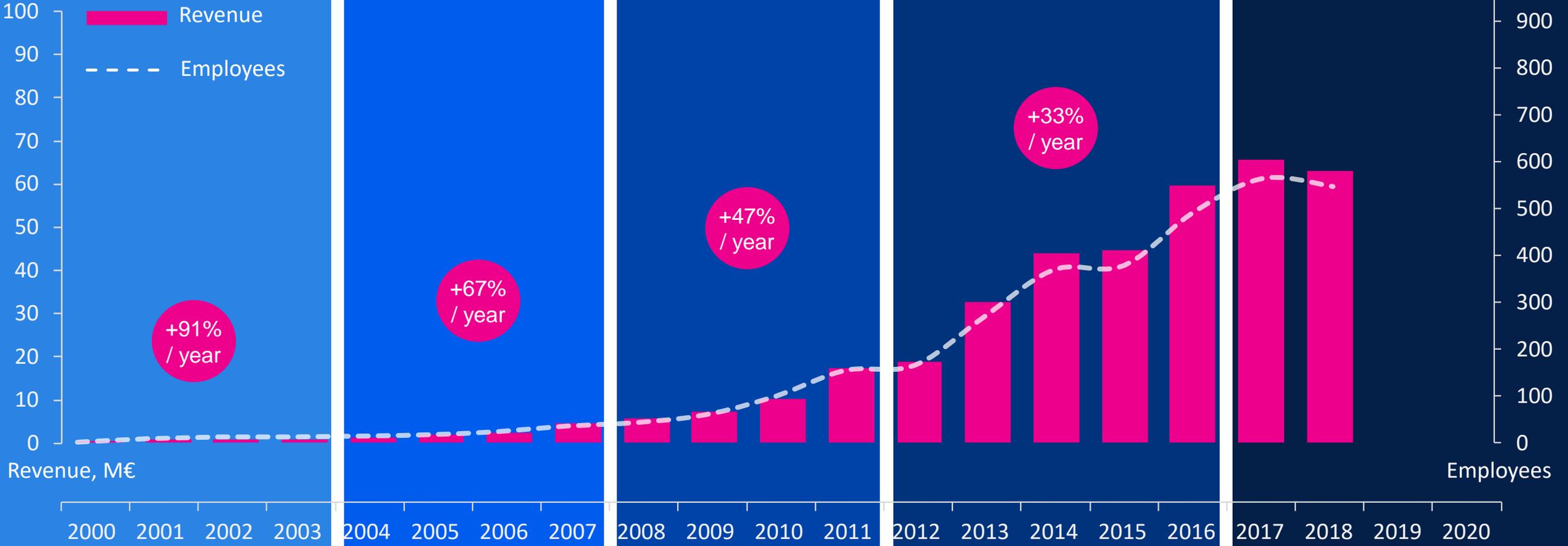
- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

#1 Microsoft-based Provider in the Nordics

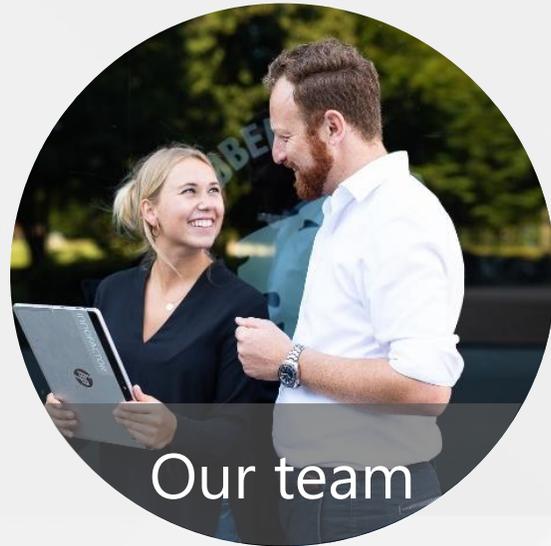
- Cloud transition
- Several acquisitions in the Nordic countries

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

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



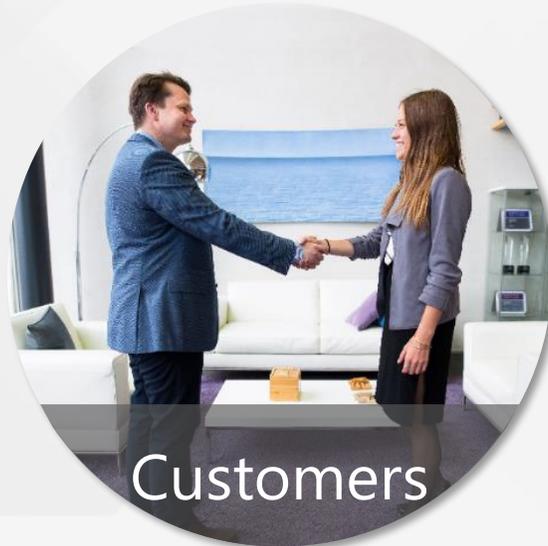
Innofactor – Leading Nordic driver of Modern Digital Organization



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

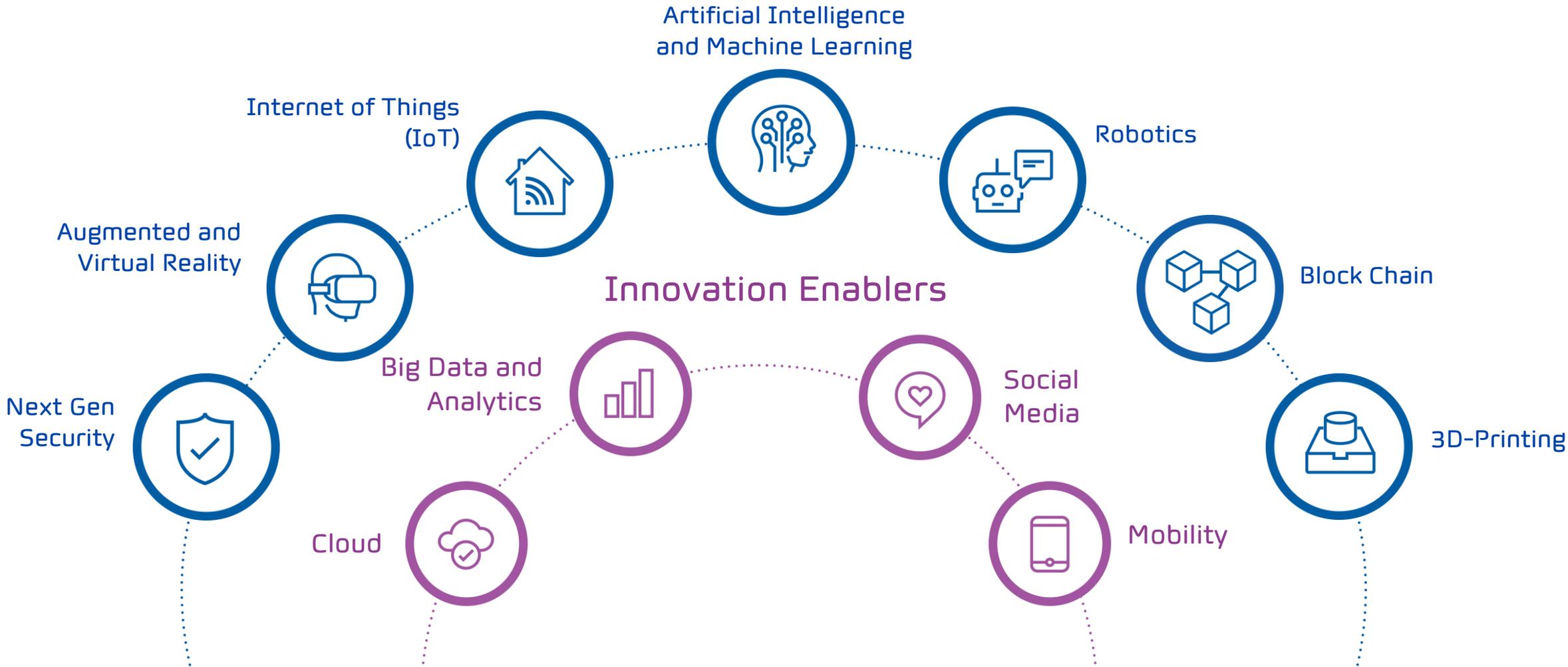
- Revenue 63 MEUR (2018)
- 14 offices in Nordic countries
- Listed in Helsinki Stock Exchange (NASDAQ Helsinki), over 11 000 shareholders

Microsoft
Partner

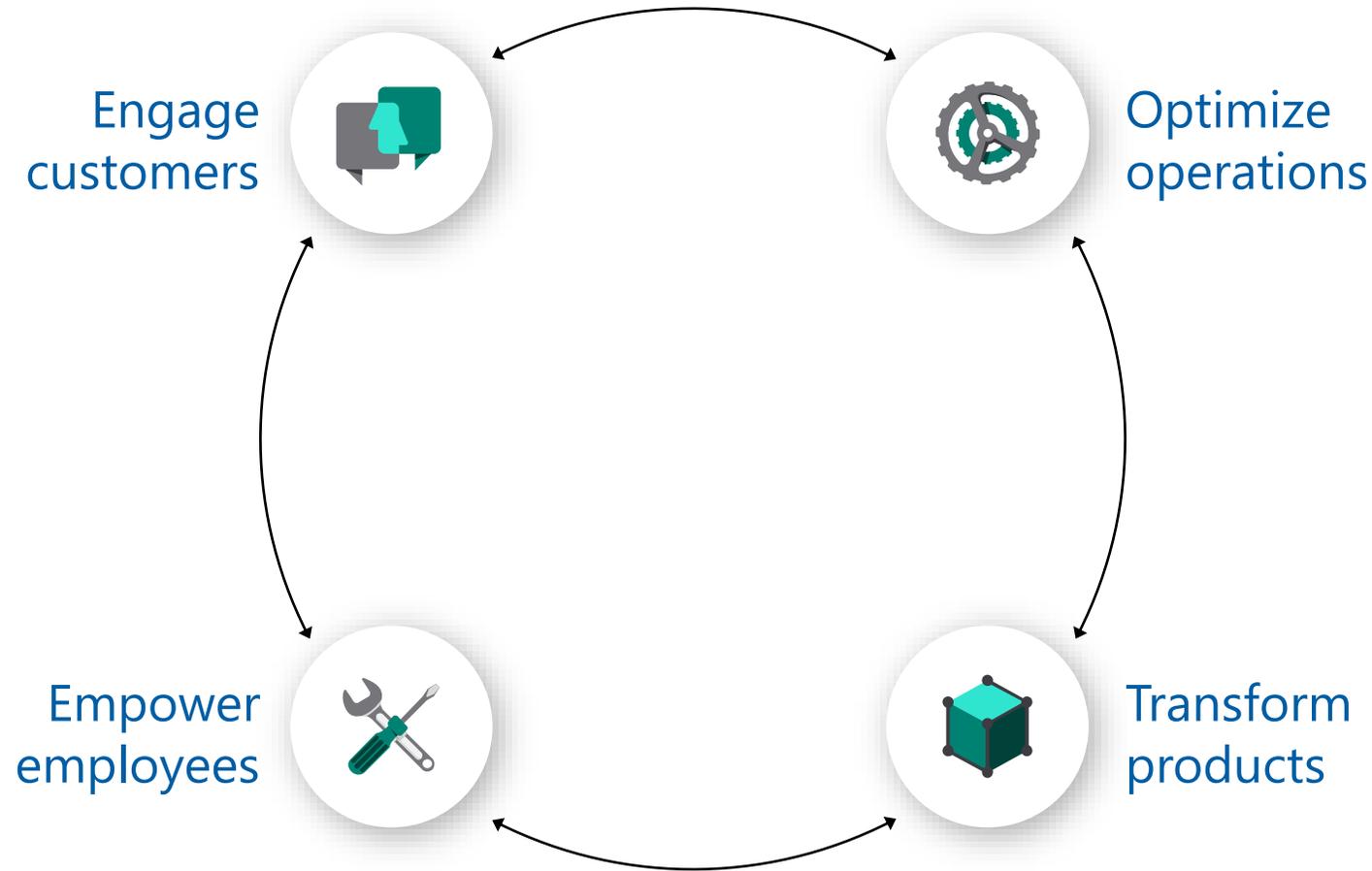


Gold Application Development
Gold Application Integration
Gold Cloud Customer Relationship Management
Gold Cloud Platform
Gold Cloud Productivity
Gold Collaboration and Content
Gold Customer Relationship Management
Gold Data Analytics
Gold Data Platform
Gold Datacenter
Gold Enterprise Mobility Management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

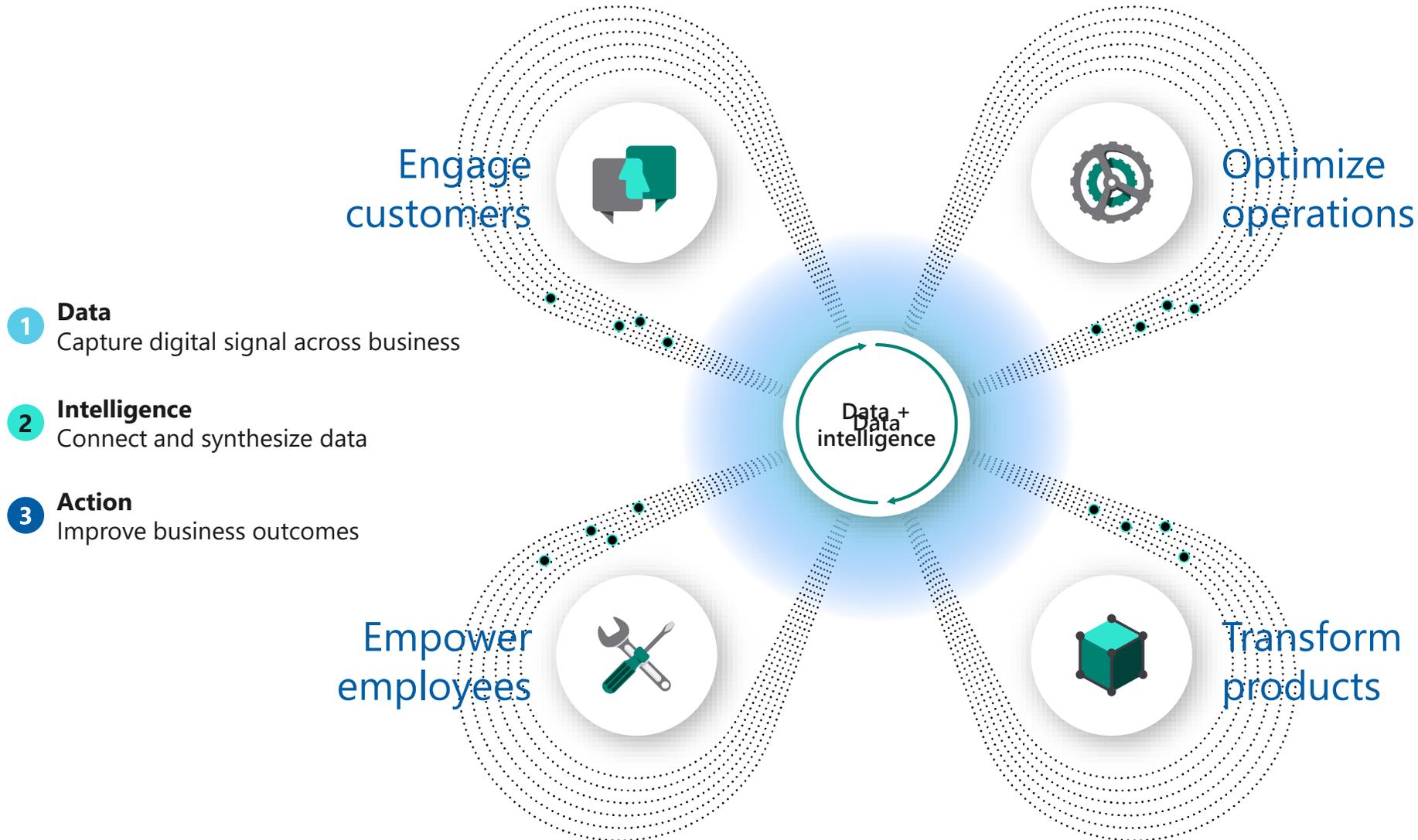
Key Trends Driving Innovation



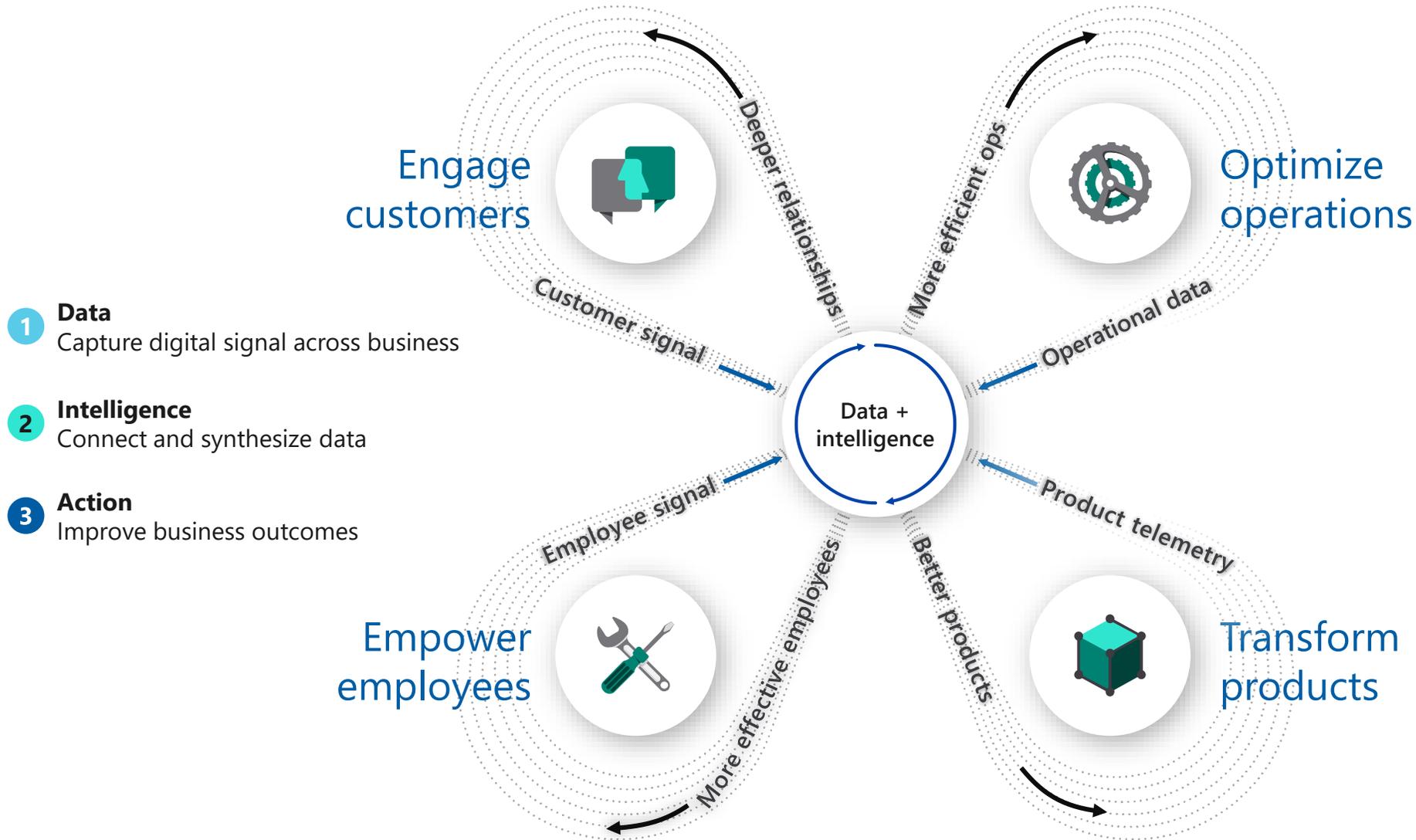
Key Stakeholders of B-to-B Digital Transformation



Digital Feedback Loop



Digital Feedback Loop



Everything Goes to Cloud

Intelligent business applications

 Microsoft Office 365

 Microsoft Dynamics 365

Productivity and collaboration

Open, flexible, enterprise-grade cloud computing platform

 Microsoft Azure

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 Driving Customers' Growth



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



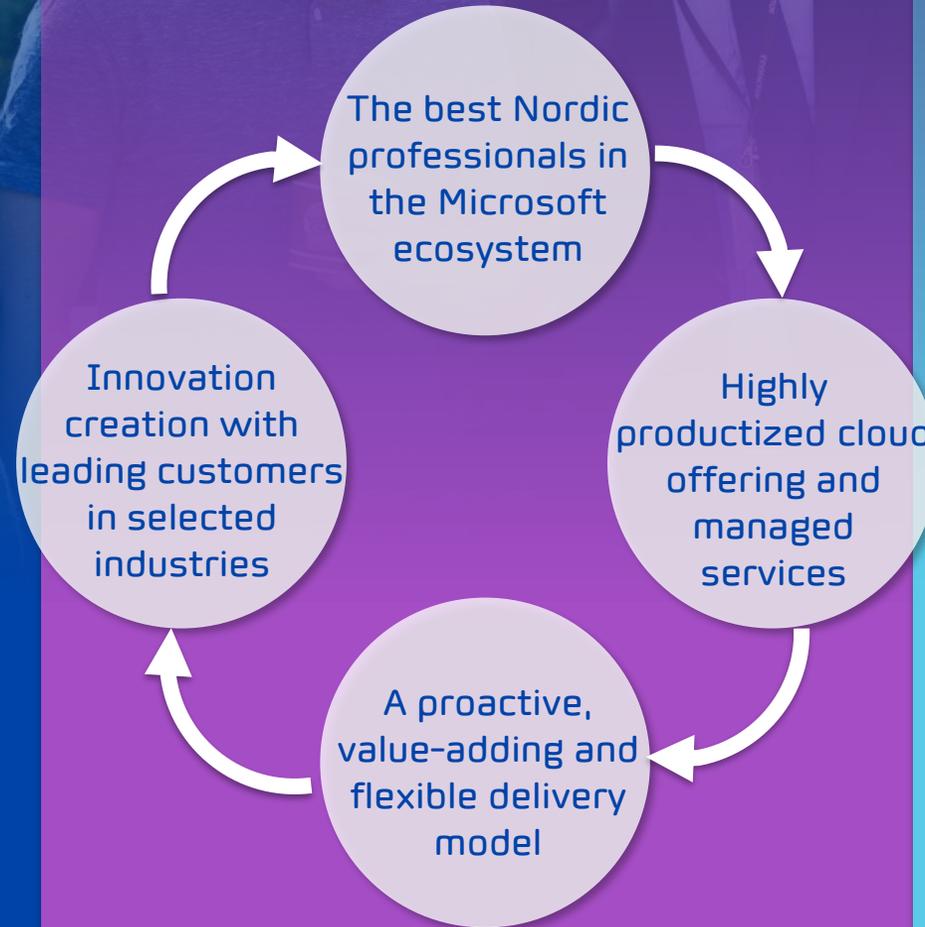
Our Mission:

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:

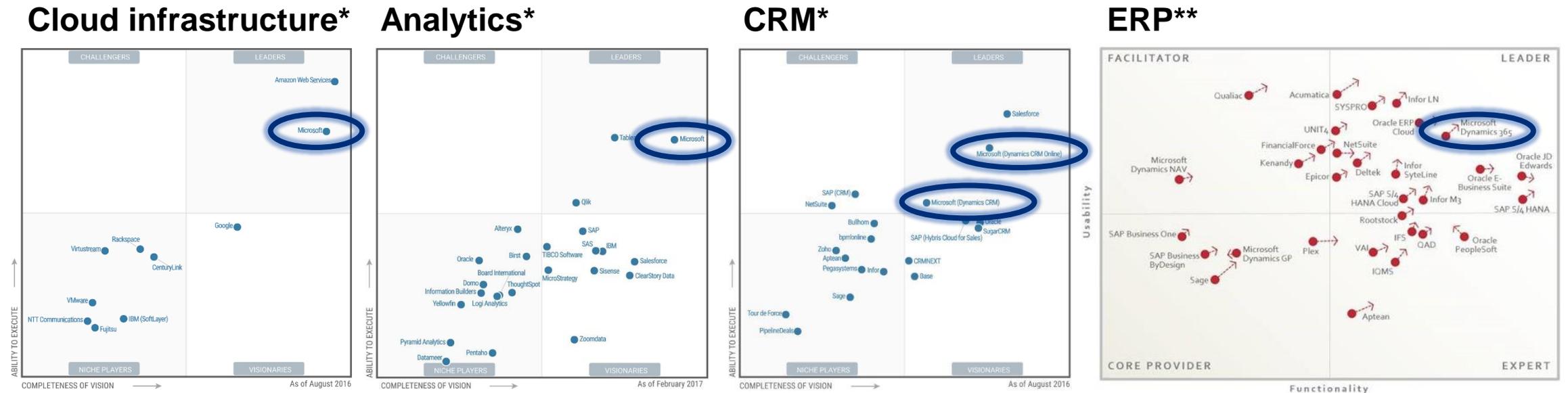
By achieving annual growth of about 20 percent, of which majority is intended to be achieved by organic growth

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



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

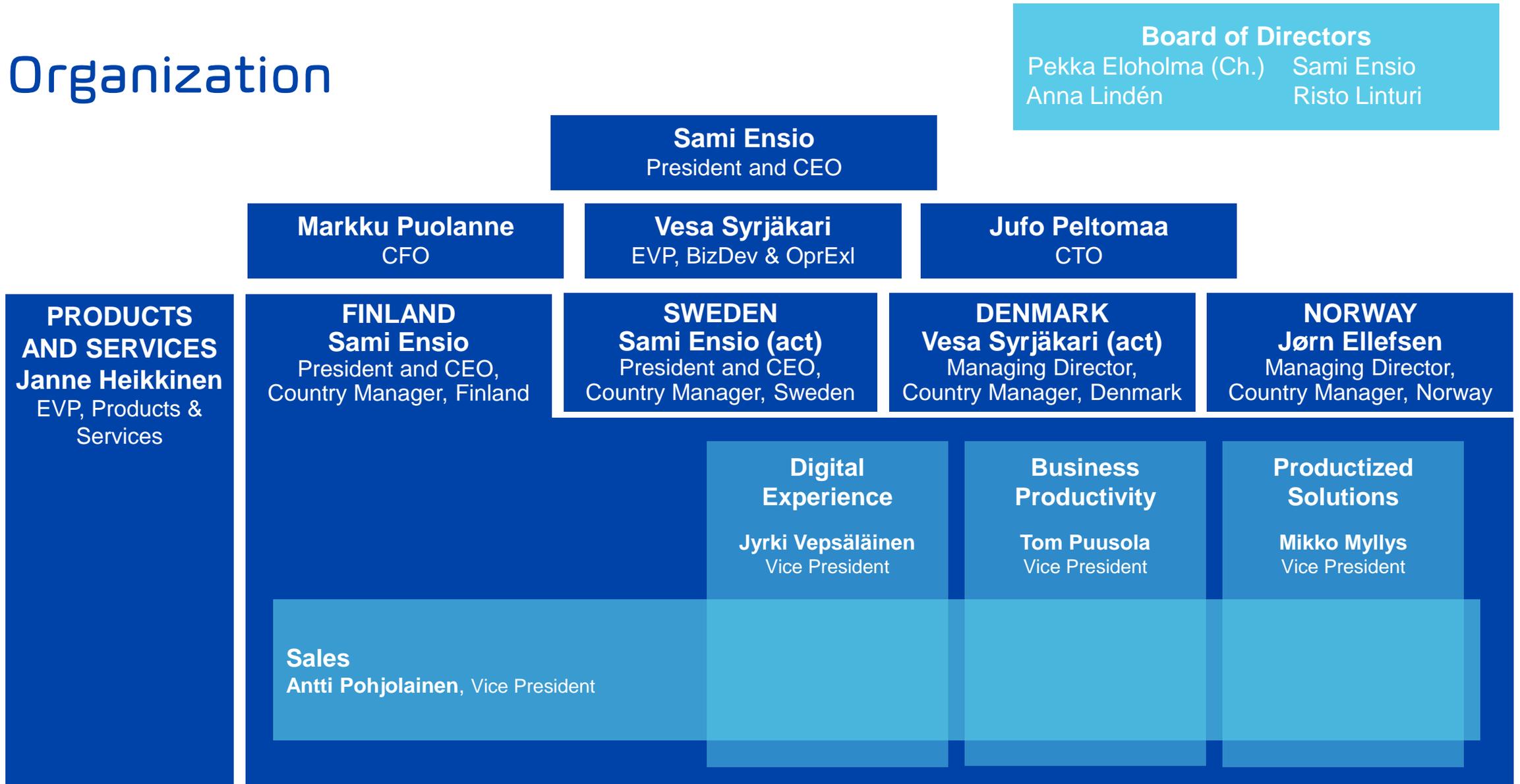
>+5%

+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: 7,880,237 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: 41,500 shares.

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

Chairman of the Board of Sovolto. 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 Sitowise Oy as of August 15, 2019. CEO of Nebula 2014–2017 and 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. Ownership: 70,106 shares.

Innofactor's Founder and CEO

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

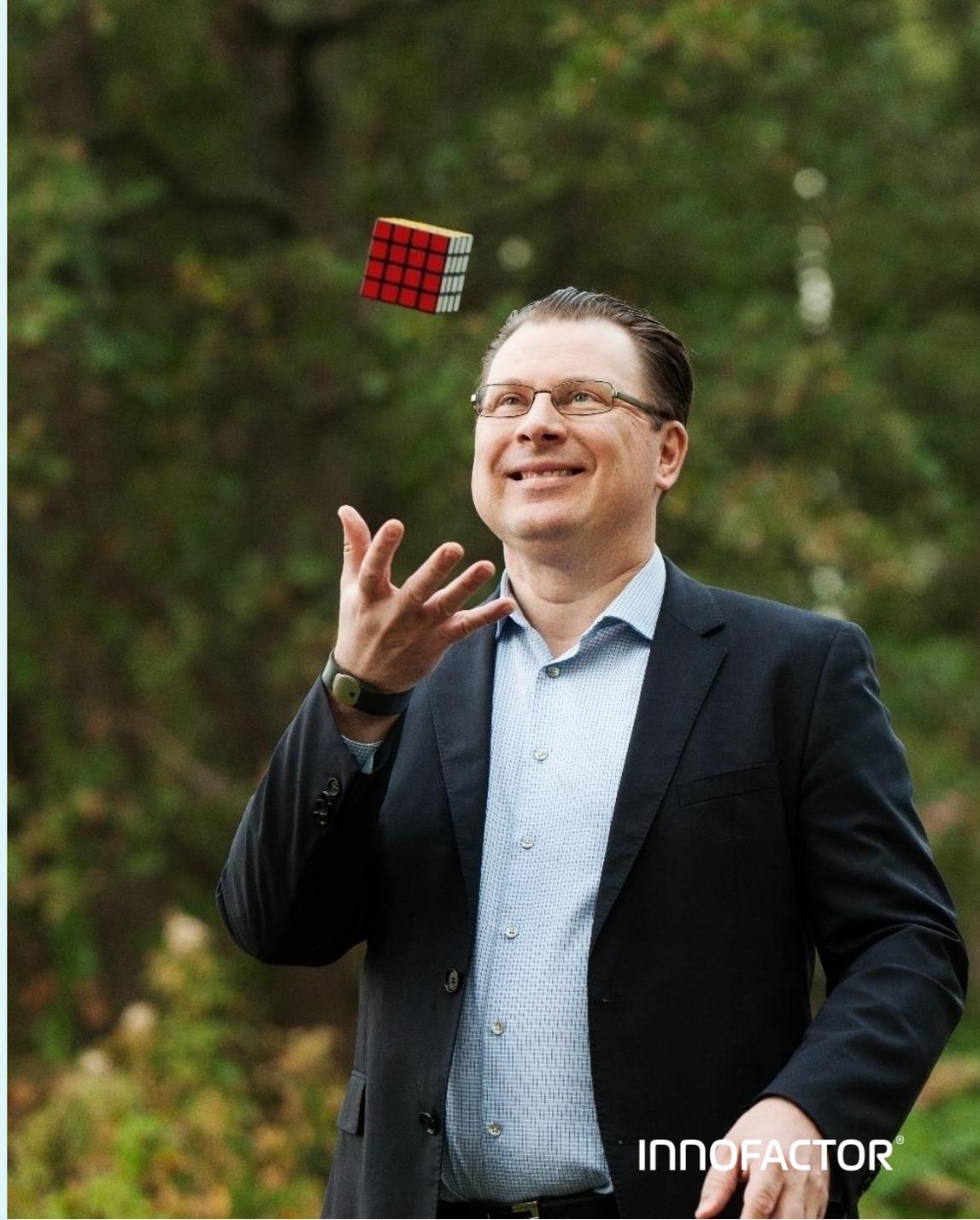
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

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 7.9 million shares (circa 21%)

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



Group Executive Board



Sami Ensio, CEO

M. Sc. (Tech.) President and CEO, Country Manager, Finland, and Sweden (acting). Born in 1971. Ownership with related parties: 7,880,237 shares.



Jørn Ellefsen

MBA. Managing Director, Country Manager, Norway. Employed by Innofactor since 2019. Born in 1971. Ownership: 75,000 shares.



Janne Heikkinen

M. Sc. (Tech.) EVP, Products and Services. Employed by Innofactor since 2015. Born in 1974. Ownership: 123,044 shares.



Jufo Peltomaa

CTO as of October 28, 2019. Born in 1971. Ownership: 0 shares.



Markku Puolanne

B. Sc. CFO. Employed by Innofactor since August 2019. Born in 1973. Ownership: 10,000 shares.



Vesa Syrjäkäri

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

Q3/2019 Results

Innofactor's revenue and EBITDA increased from comparison period, order backlog all time high

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 0.6 million in the operating margin.

In the third quarter, the order backlog grew to a record-breaking amount and was EUR 53.2 million at the end of the quarter, which shows an increase of 107% compared to the same time in the previous year.

Revenue

14.0 M€

1.4% vs.
Q3/2018

EBITDA

11.0%
1.5 M€

+405% vs.
Q3/2018

Order Backlog

53.2 M€

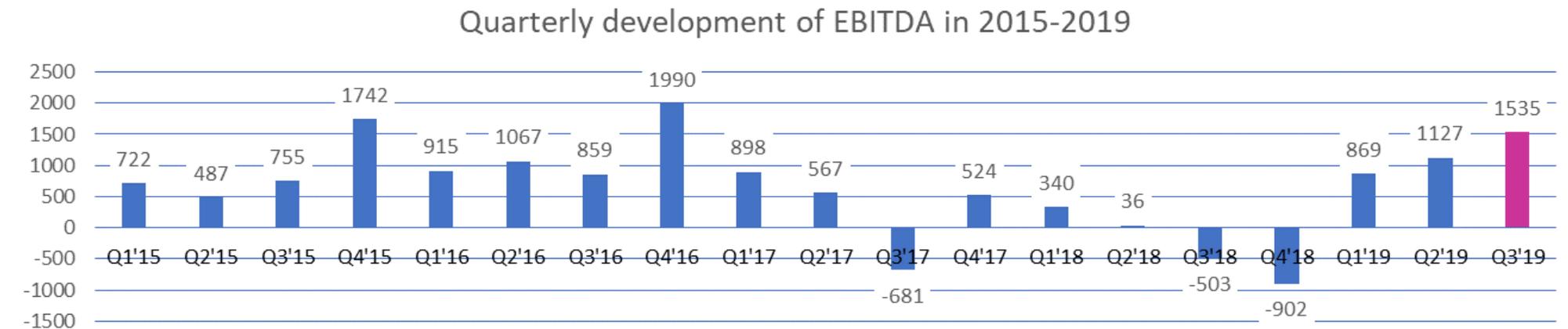
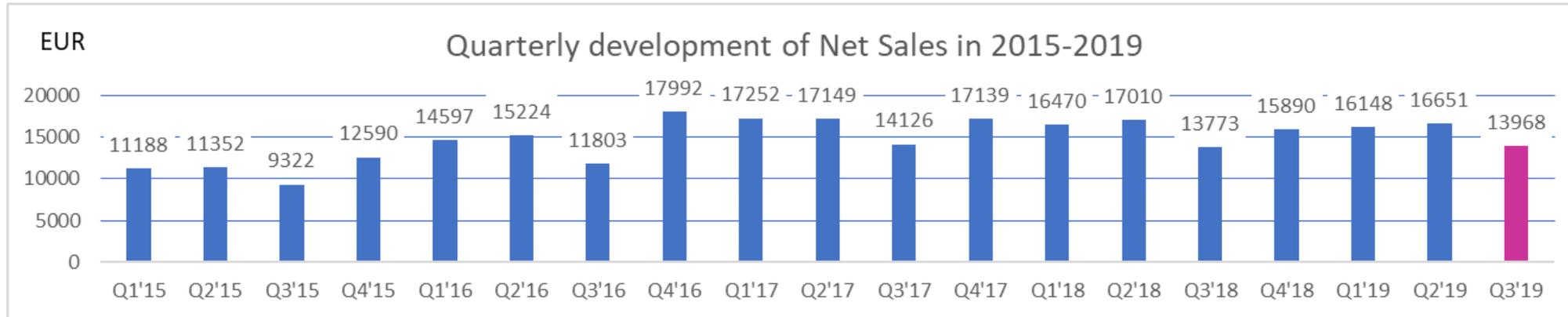
+107% vs.
Q3/2018

Q1–Q3/2019 Actuals

Selected Key Figures

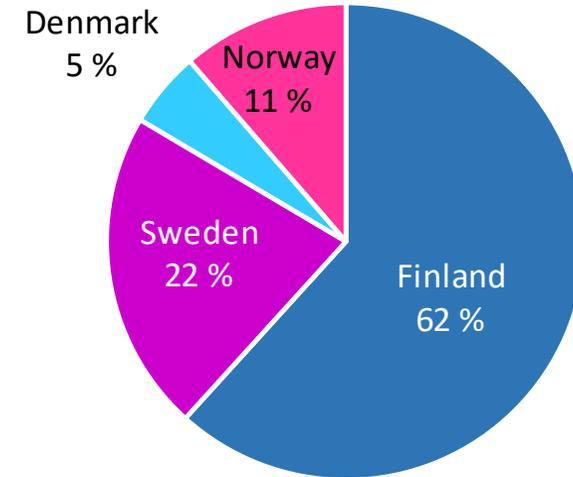
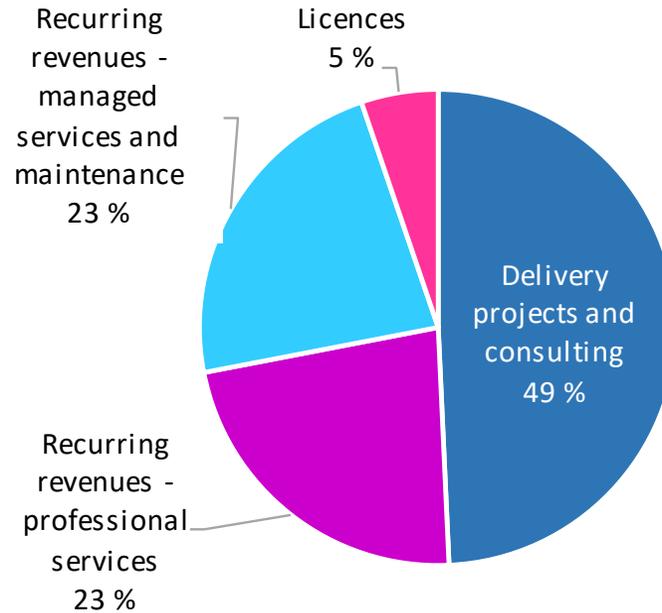
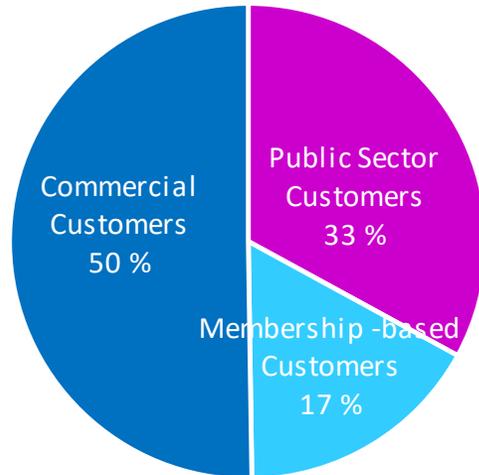
	Q1-Q3 /2019	Q1-Q3 /2018	Change (%)	CEO's comment
Net Sales (kEUR)	46 767	47 253	-1.0%	<i>"The corrective measures had the planned effect – the profitability of the first nine months of the year improved and the order backlog grew into record-breaking amounts. The net sales grew in Q3 in Finland, Norway and Denmark, but decreased in Sweden. 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 0.3 million. Despite the decreased net sales, the net sales per employee grew 10.6% from the previous year."</i>
EBITDA (kEUR)	3 532	-124	+2938.7%	<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 1.3 million in the operating margin".</i>
Equity Ratio (%)	40.2% (44.6%)	41.2%		<i>"Innofactor's operating cash flow improved significantly from the previous year and it was EUR 3.4 million (2018: EUR -1.9 million). The handling of lease liabilities in a new way in accordance with IFRS 16 had a positive effect of approximately EUR 1.3 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
Jan 1 to September 30, 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

	Apr 1–Jun 30, 2019	Apr 1–Jun 30, 2018	Change	Jan 1–Jun 30, 2019	Jan 1–Jun 30, 2018	Change
Net sales, EUR thousand	13,968	13,773	1.4%	46,767	47,253	-1.0%
Growth of net sales	1.4%	-2.5%		-1.0%	-2.6%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,535	-503	405.2%	3,532	-124	2,938.7%
percentage of net sales*	11.0%	-3.7%		7.6%	-0.3%	
Operating profit/loss (EBIT), EUR thousand*	252	-1,186	121.3%	315	-2,177	114.5%
percentage of net sales*	1.8%	-8.6%		0.7%	-4.6%	
Earnings before taxes, EUR thousand*	42	-1,223	103.4%	-259	-2,480	89.6%
percentage of net sales*	0.3%	-8.9%		-0.6%	-5.2%	
Earnings, EUR thousand*	93	-763	112.2%	-183	-2,227	91.8%
percentage of net sales*	0.7%	-5.5%		-0.4%	-4.7%	
Order backlog***	53,167	25,602	107.1%	53,167	25,602	107.1%
Net gearing*	84.6%			84.6%		
Net gearing without IFRS 16	60.5%	71.4%		60.5%	71.4%	
Equity ratio*	40.2%			40.2%		
Equity ratio without IFRS 16	44.6%	41.2%		44.6%	41.2%	
Active personnel on average during the review period**	535	591	-9.5%	535	598	-10.5%
Active personnel at the end of the review period**	542	588	-7.8%	542	588	-7.8%
Earnings per share (EUR)	0.0036	-0.0271	113.5%	0.0013	-0.0548	102.3%

*) In accordance with IFRS 3, the operating result for July 1–September 30, 2019, includes EUR 507 thousand (2018: 507) and the result for January 1–September 9, 2019, EUR 1,522 thousand (2018: 1,522) 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. The handling of lease liabilities in a new way in accordance with IFRS 16 had the following effects: on July 1–September 30, 2019, EUR 645 and on January 1–September 30, 2019, EUR 1,265 thousand in the operating margin (EBITDA). Additional information on the standard's implementation and effects can be found in the "Accounting policies" section of "Financial statement summary and appendixes January 1–September 30, 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.



Innofactor's net sales in 2019 are estimated to increase from 2018, during which the net sales were EUR 63.1 million, and the operating margin (EBITDA) in 2019 is estimated to grow to EUR 4–6 million, while the operating margin in 2018 was EUR -1.0 million.



Other Issues

Stock Exchange Releases Q3

- On August 15, 2019, Innofactor announced in a stock exchange release that Epiroc Rock Drills AB has selected Innofactor as the provider of directory services. The services will be delivered in co-operation with Innofactor business units in Finland, Sweden and Norway. The system delivery is planned to be implemented during 2019–2021. The estimated total value (excluding VAT) of the procurement is EUR 650,000.
- On August 26, 2019, Innofactor announced in a stock exchange release that the Tax administration has selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of cloud specialists. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 10–20 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 48 months after the expiration of the framework agreement.

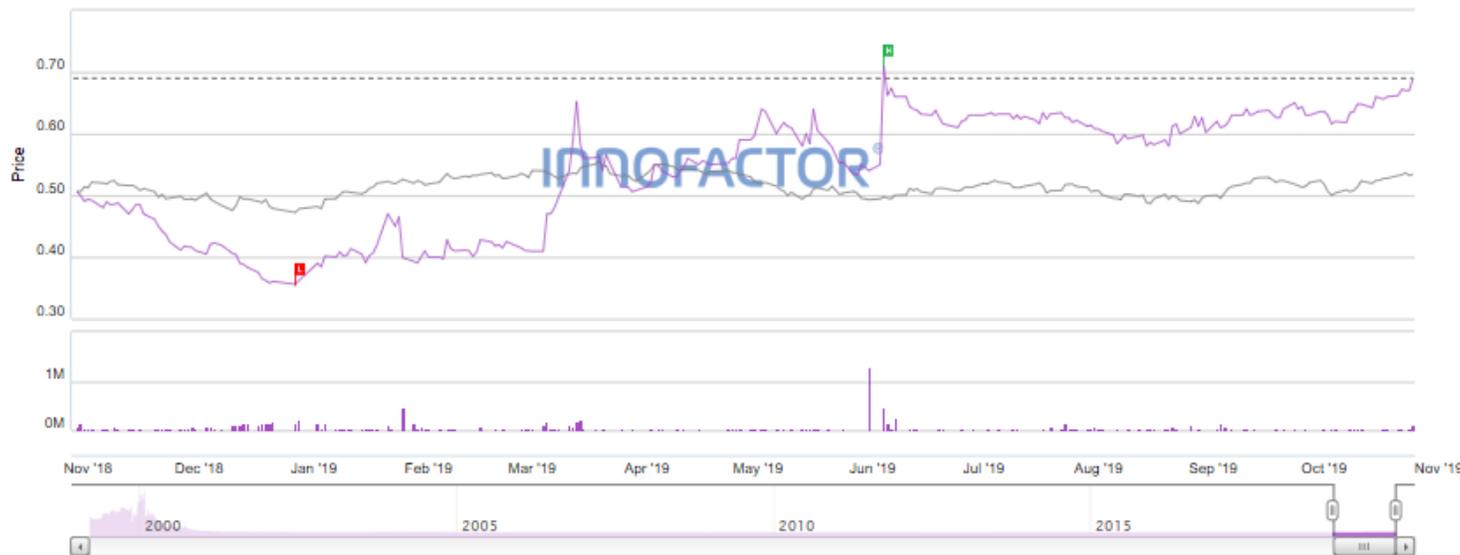
Key points from CEO's review

- **Net sales:** Net sales grew in Finland, Norway and Denmark but declined in Sweden. As regards Sweden, measures aiming at increasing net sales have already been started. Our goal is to turn the net sales in the countries into growth in the last quarter of 2019 at the latest. Net sales per employee grew 12.0% compared to previous Year.
- **EBITDA:** Compared to the third quarter of 2018, the operating margin improved by EUR 2.0 million totaling EUR 1.5 million (11.0% of revenue). Historically Innofactor EBITDA has improved in quarters towards end of the Year.
- **Order backlog:** In the third quarter, the order backlog again grew to a record-breaking amount and was EUR 53.2 million at the end of the quarter (2018: 25.6), which shows an increase of 107% compared to the same time in the previous year.
- **Organization:** In Sweden, the search for the new Country Manager for Sweden is in progress, but we were not able to select one in the third quarter as we had planned. Our new goal is to select the new Country Manager by the end of November. Innofactor has hired a new Chief Technology Officer, Jufo Peltomaa, and he started on October 28, 2019.

Largest shareholders September 2019

Name	Number of shares	% of share capital
1. Ensio Sami	7 880 237	21,08 %
<i>Ensio Sami</i>	5 706 477	15,26 %
<i>Minor under guardianship</i>	724 588	1,94 %
<i>Minor under guardianship</i>	724 586	1,94 %
<i>Minor under guardianship</i>	724 586	1,94 %
2. Ilmarinen Mutual Pension Insurance Company	1 800 000	4,81 %
3. Hallikainen Jyrki	1 471 009	3,93 %
4. Tilman Tuomo Tapani	1 265 437	3,38 %
5. Laiho Rami Tapani	1 265 159	3,38 %
6. Linturi Kaija ja Risto	1 256 411	3,36 %
<i>R. Linturi Oyj</i>	489 107	1,31 %
<i>Linturi Kaija Anneli</i>	430 000	1,15 %
<i>Linturi Risto Erkki Olavi</i>	337 304	0,90 %
7. Ärje Matias Juhanpoika	882 065	2,36 %
8. Mäki Antti-Jussi	877 192	2,35 %
9. Saarelainen Mika Pekka	678 649	1,82 %
10. Muukkonen Teemu Heikki	522 230	1,40 %
11. Ingman Finance Oy Ab	500 000	1,34 %
12. Järvenpää Janne-Olli	315 211	0,84 %
13. Kukkonen Heikki-Harri	301 931	0,81 %
14. Rausanne Oy	272 545	0,73 %
15. Hellen Stefan Andreas	250 000	0,67 %
16. Laiho Jari Olavi	235 000	0,63 %
17. Essel Ari Markku	177 030	0,47 %
18. Heino Petri Juhani	165 000	0,44 %
19. Mäkinen Antti Vilho Juhani	164 000	0,44 %
20. Anttila Mikko Matias	153 858	0,41 %
20 Largest total	210 432 964	54,65%
Nominee registered total	2 224 706	5,95%
Number of shares total	37 388 225	100,00%

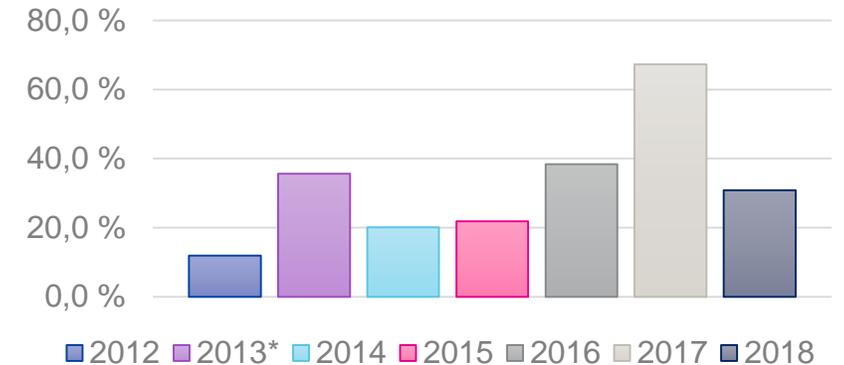
Innofactor Share Price Development and Turnover (Closing October 28, 2019 at €0.690)



Share Price Development

Beginning of 2019	+90.61%		
1-year change	+36.09%	Year highest	EUR 0.74
3-year change	-37.27%	Year lowest	EUR 0.36
5-year change	-31.00%		

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 in January 1–September 30, 2019, a total of 8,135,687 shares were traded (2018: 6,774,976 shares), which corresponds to 22.2 percent (2018: 18.7%) of the average number of shares on the said period. On January 1–September 30, 2019, there were 36,610,203 shares on the average (2018: 36,188,225). The share trading increased by 20. percent compared to the corresponding period in 2018.

Additional Information

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

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Innofactor as an Investment

We will publish our Interim Report for January–September 2019 on Tuesday, October 29, 2019, at approximately 9:00 am Finnish time.

🔗 PUBLISHING OF INNOFACTOR'S INTERIM REPORT JANUARY–SEPTEMBER 2019

The Leading Driver of the Modern Digital Organization in the Nordic Countries

€ 0.70

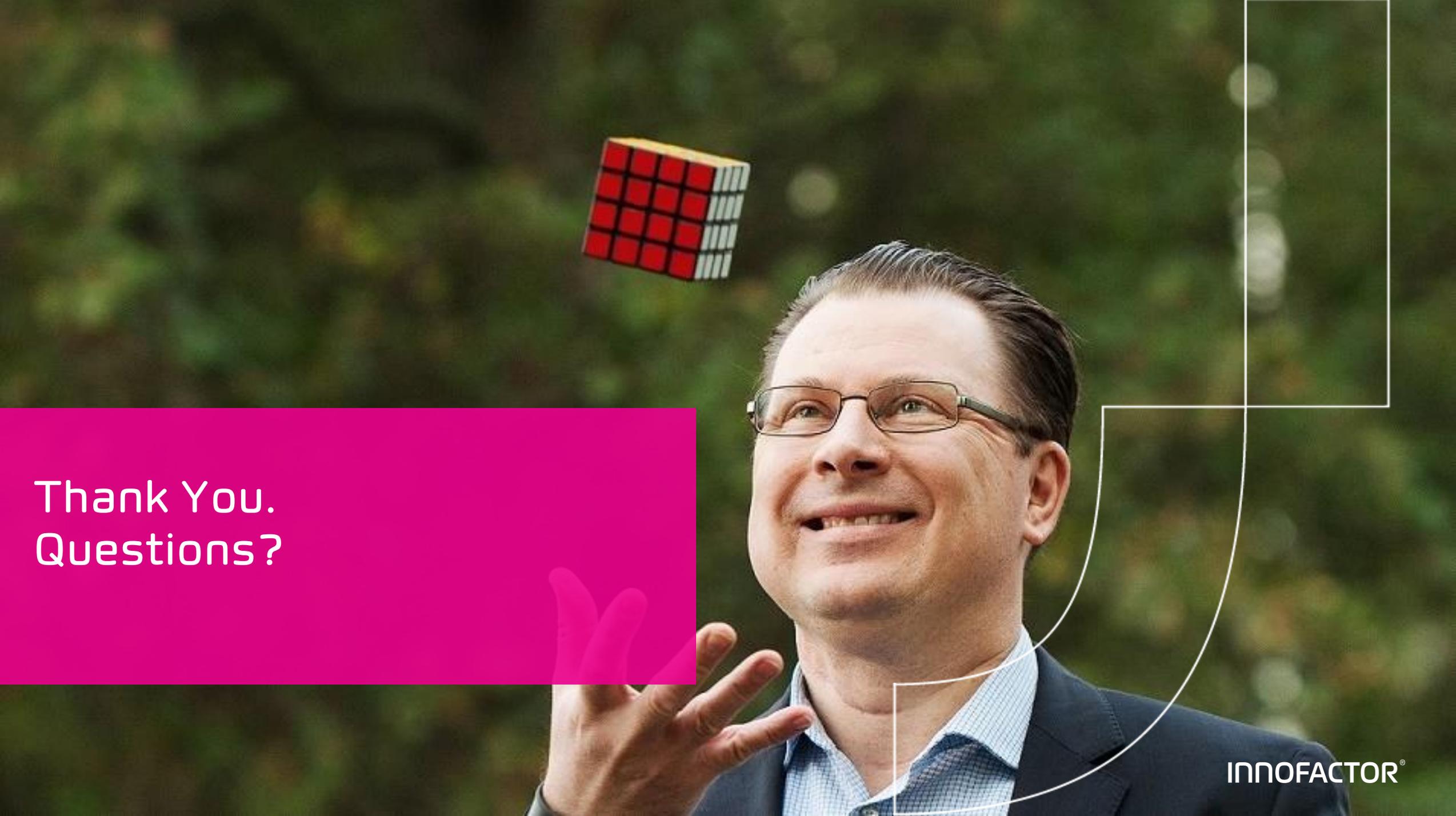
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Change	%	High	Low
€ +0.01	+1.45%	€ 0.74	€ 0.69

Innofactor is the leading driver of the modern digital organization in the Nordic Countries for its over 1,500 customers in commercial, public and third sector. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordics. Innofactor has approximately 600 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. In 2014–2018, the annual growth of Innofactor's net sales has been approximately over 14%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Oy. #ModernDigitalOrganization

Latest Stock Exchange Releases

<p>15.10.2019</p> <p>Publishing of Innofactor's Interim Report January–September 2019</p> <p>🔗 READ MORE</p>	<p>26.08.2019</p> <p>Tax administration selects Innofactor as the primary provider of IT...</p> <p>🔗 READ MORE</p>	<p>15.08.2019</p> <p>Innofactor selected by Epiroc Rock Drills AB as service provider fo...</p> <p>🔗 READ MORE</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 outdoor setting. A white outline of a large letter 'U' is visible on the right side of the image. A pink rectangular area is on the left side, containing the text 'Thank You. Questions?'.

Thank You.
Questions?

INNOFACTOR®