



Innofactor Interim Report Q4/2019

February 25, 2020
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

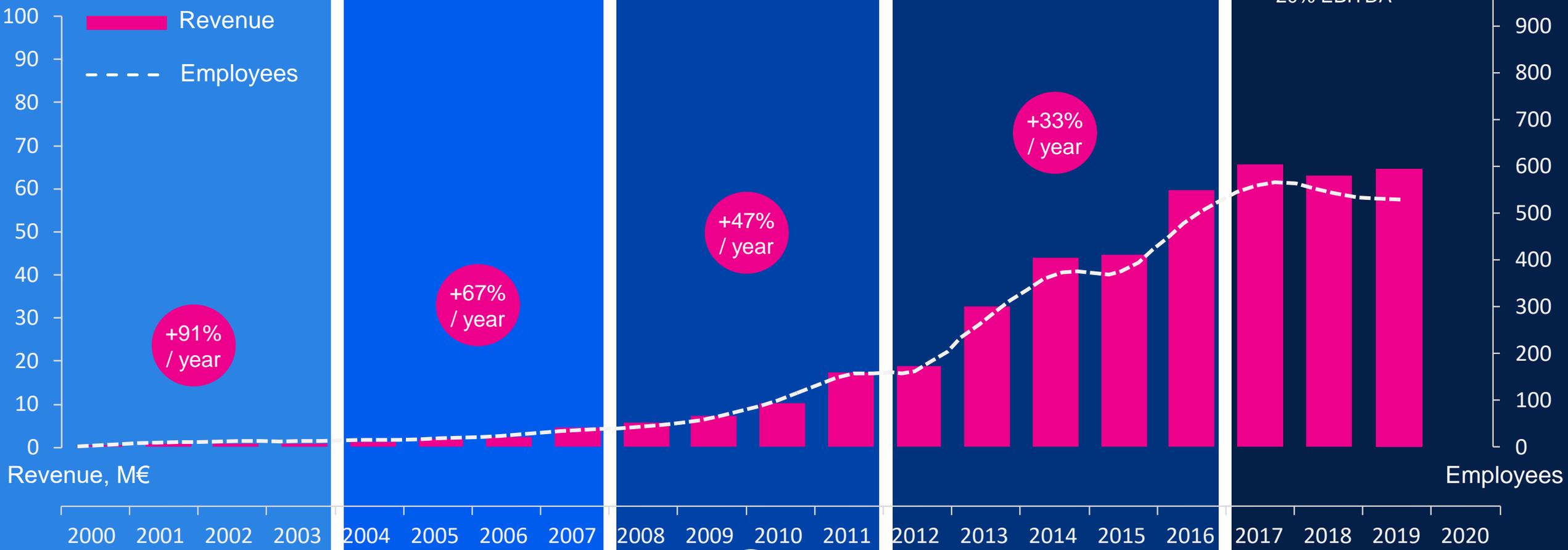
- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

#1 Microsoft-based Provider in the Nordics

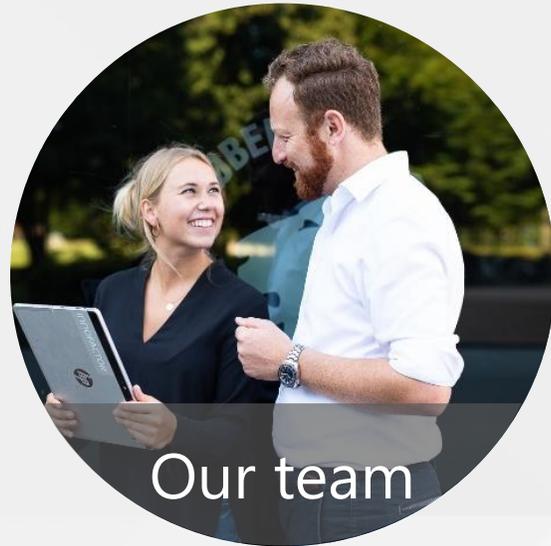
- Cloud transition
- Several acquisitions in the Nordic countries

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

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

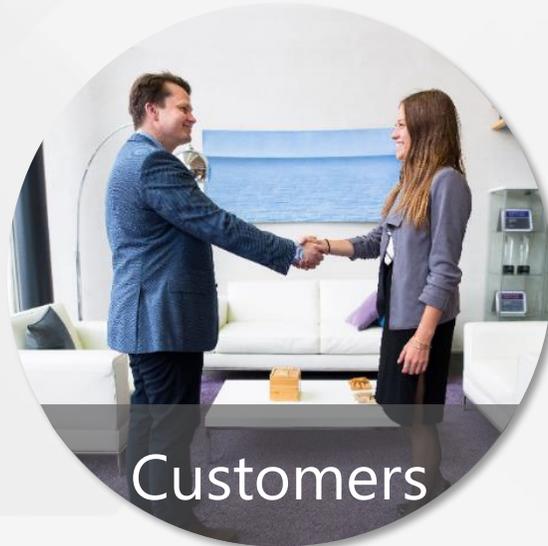


Innofactor – Leading Nordic driver of Modern Digital Organization



Our team

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



Customers

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



Company

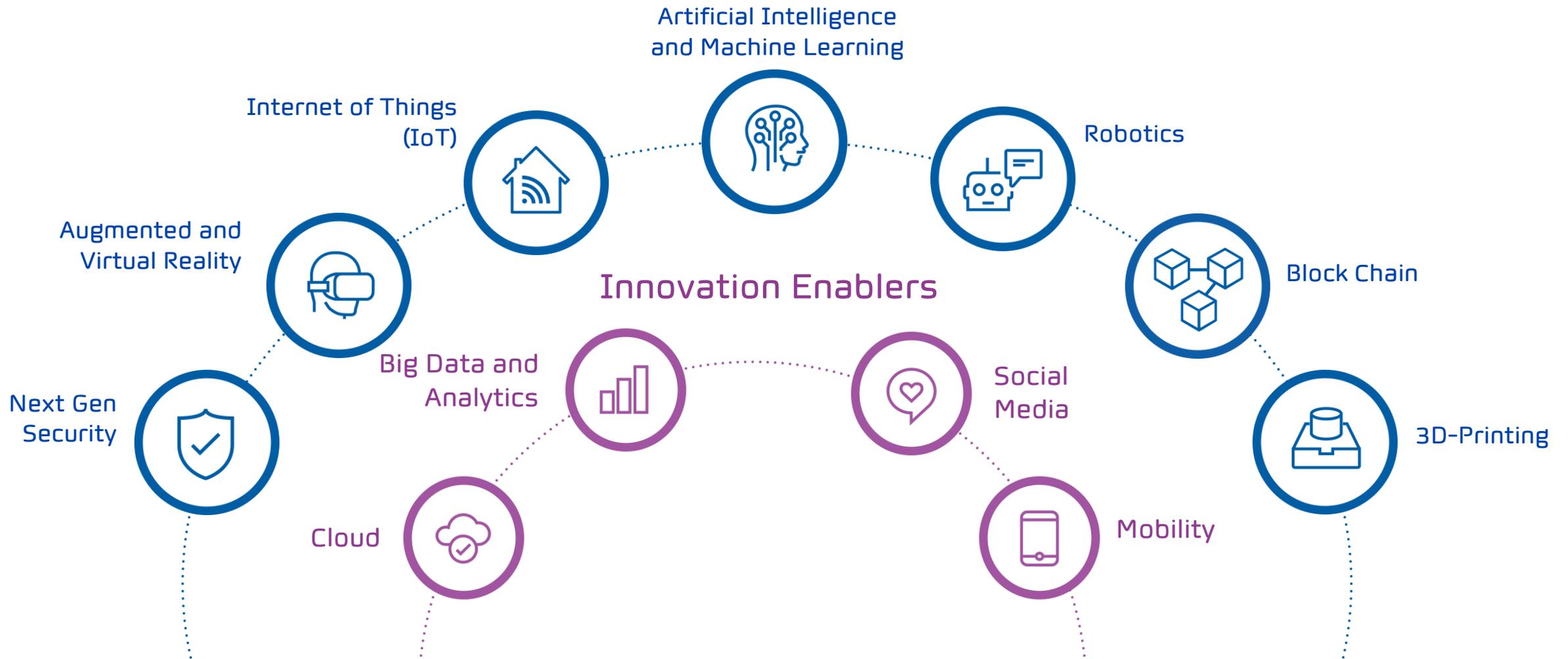
- Revenue 64+ MEUR (2019)
- 14 offices in Nordic countries
- Listed in Helsinki Stock Exchange (NASDAQ Helsinki), 11 000+ shareholders

Microsoft
Partner

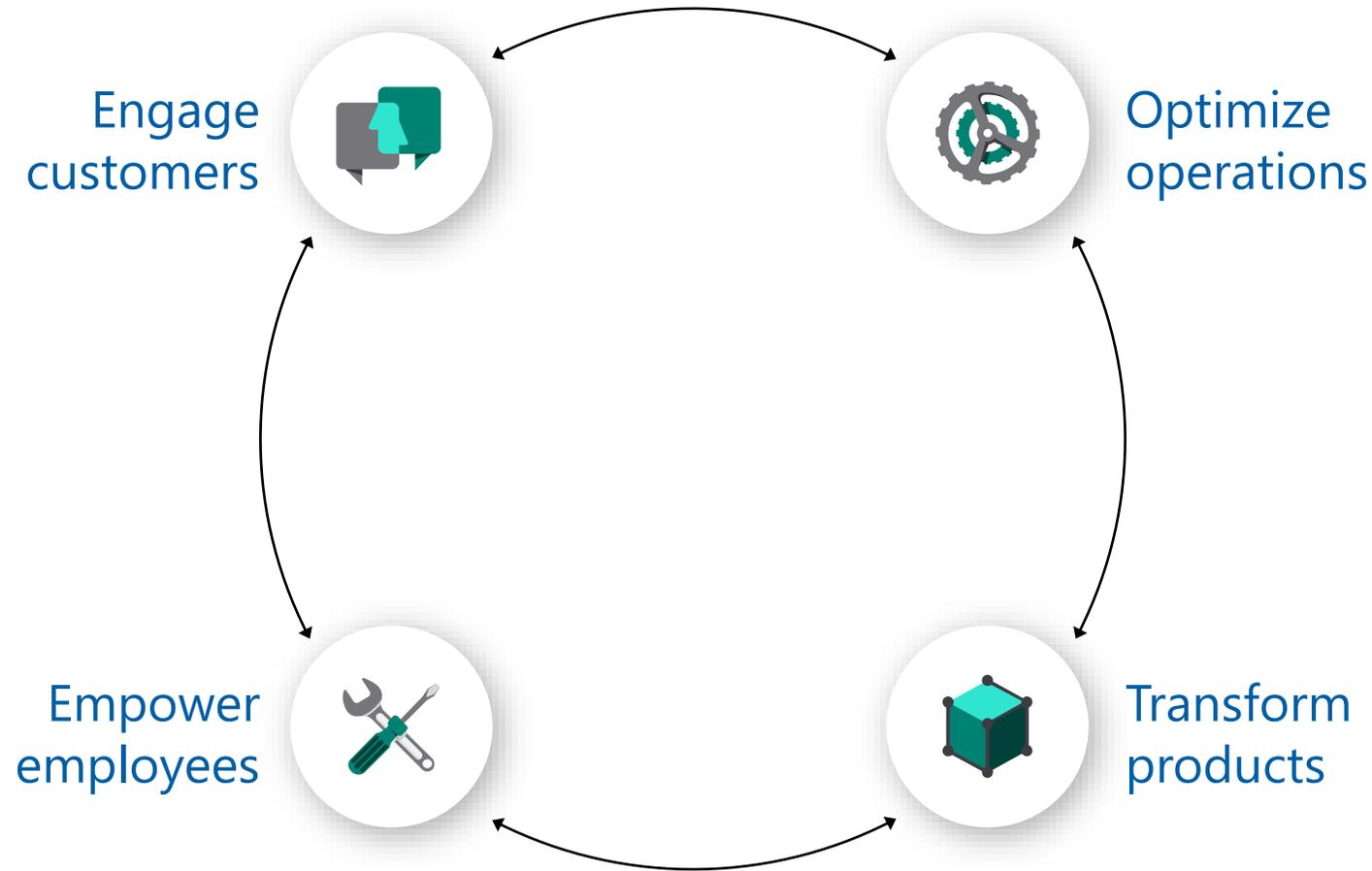


Gold Application Development
Gold Application Integration
Gold Cloud Customer Relationship Management
Gold Cloud Platform
Gold Cloud Productivity
Gold Collaboration and Content
Gold Customer Relationship Management
Gold Data Analytics
Gold Data Platform
Gold Datacenter
Gold Enterprise Mobility Management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

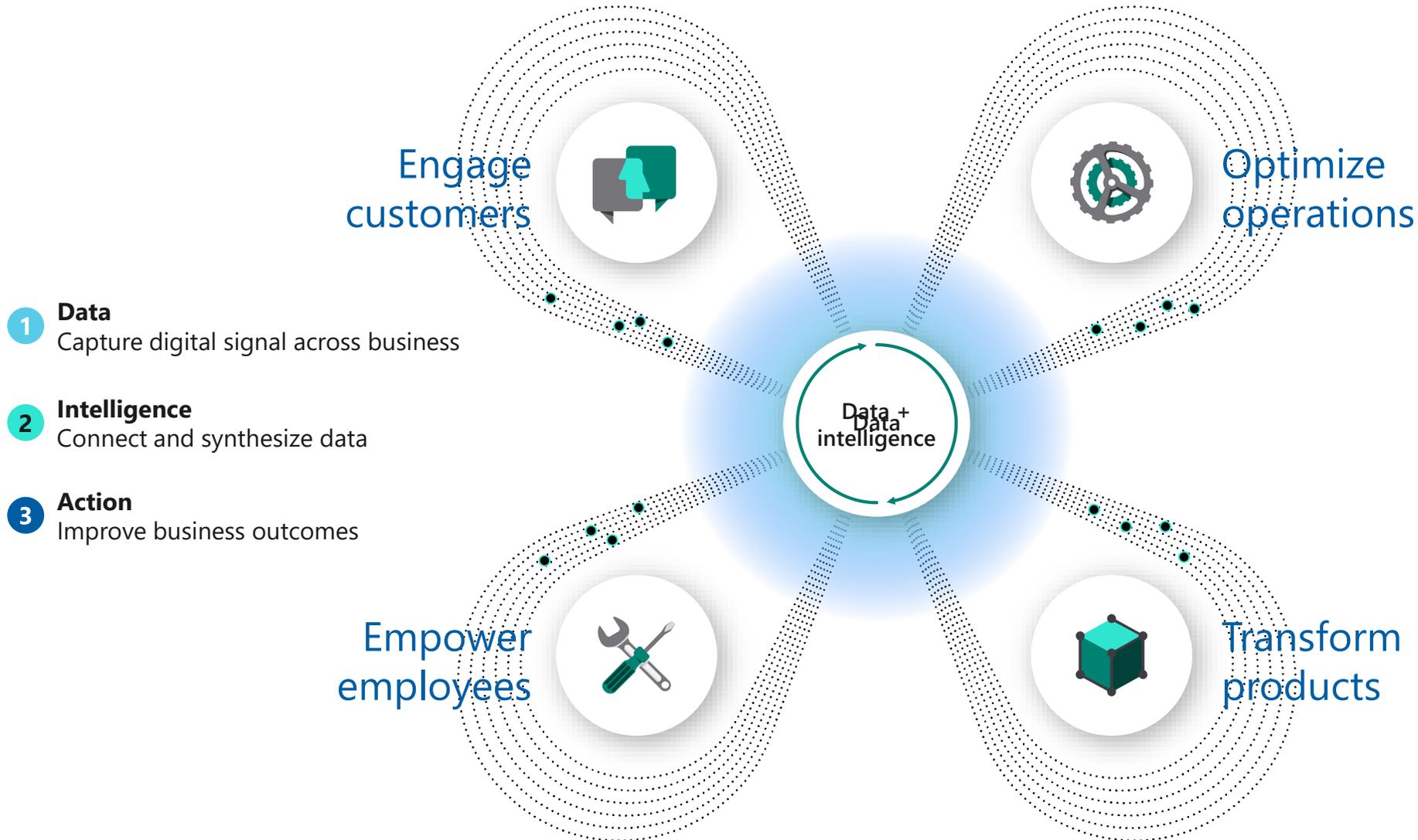
Key Trends Driving Innovation



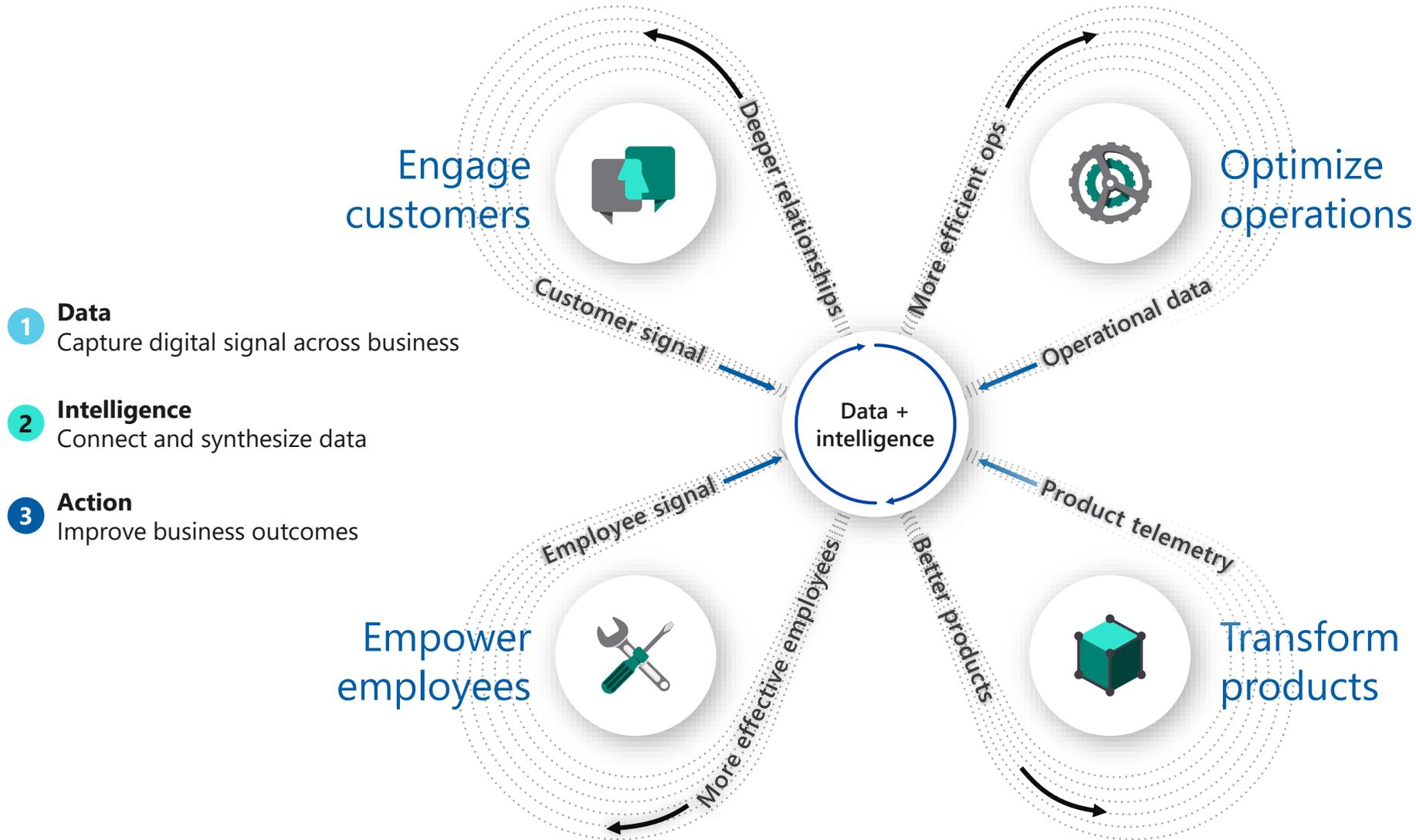
Key Stakeholders of B-to-B Digital Transformation



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:

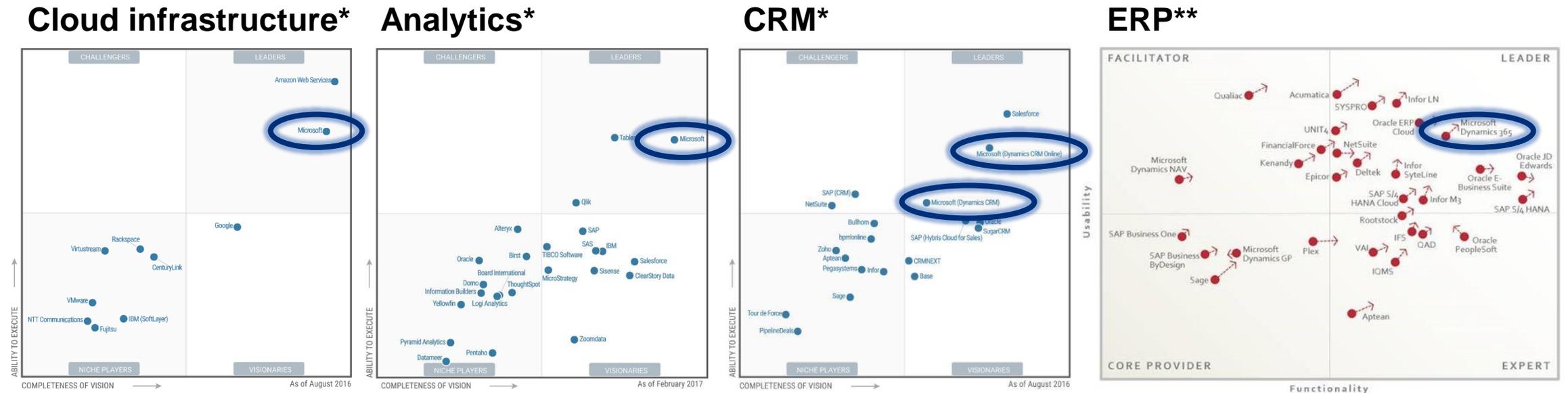
By achieving annual growth of about 20 percent, of which majority is intended to be achieved by organic growth

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. TietoEvry, 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

Markku Puolanne
 CFO

Vesa Syrjäkari
 EVP, Biz Dev and Oper Excellence

Jufo Peltomaa
 CTO

PRODUCTS AND SERVICES
Janne Heikkinen
 EVP, Products & Services

FINLAND
Sami Ensio
 President and CEO,
 Country Manager, Finland

SWEDEN
Marcus Hasselblad
 Managing Director,
 Country Manager, Sweden

DENMARK
Jørn Ellefsen
 Managing Director,
 Country Manager, Denmark

NORWAY
Jørn Ellefsen
 Managing Director,
 Country Manager, Norway

Digital Experience
Heikki-Harri Kukkonen
 Vice President

Business Productivity
Tom Puusola
 Vice President

Productized Solutions
Mikko Myllys
 Vice President

Customers
Jarkko Lindroos, Vice President

Sales
Jyrki Vepsäläinen, Vice President

HR
Satu Hilli, Director

Board of Directors



Anna Lindén
proposed as the
Chairman

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.



Heikki Nikku (proposed new board member)

Underg. in B.A. Mr. Nikku has more than 30 years of experience in the information technology industry. He has a wide range of experience in business and operational management as well as a proven sales and marketing track record. His most recent position was the President of CGI, Northern Europe Operations, in 2017-2019, leading an organization of 10,000 members. Mr. Nikku started at CGI in 2012 as BU Leader and Country Manager in Finland and Estonia, after which he led CGI's operations in the Nordic countries, Lithuania and Estonia in 2015-2017. Previously, Mr. Nikku held the Country Manager position at Logica Finland in 2008-2012. He has also held several Board memberships. Mr. Nikku is a successful business leader and has achieved great operational results in the Northern European market. Thanks to his experience, he is very knowledgeable about IT industry trends, especially in Innofactor's area of operation in the Nordic countries. Mr. Nikku is independent of the company and its main shareholders. Ownership: 0 shares.

<https://www.linkedin.com/in/heikki-nikku-648826134/>

Innofactor's Founder and CEO

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

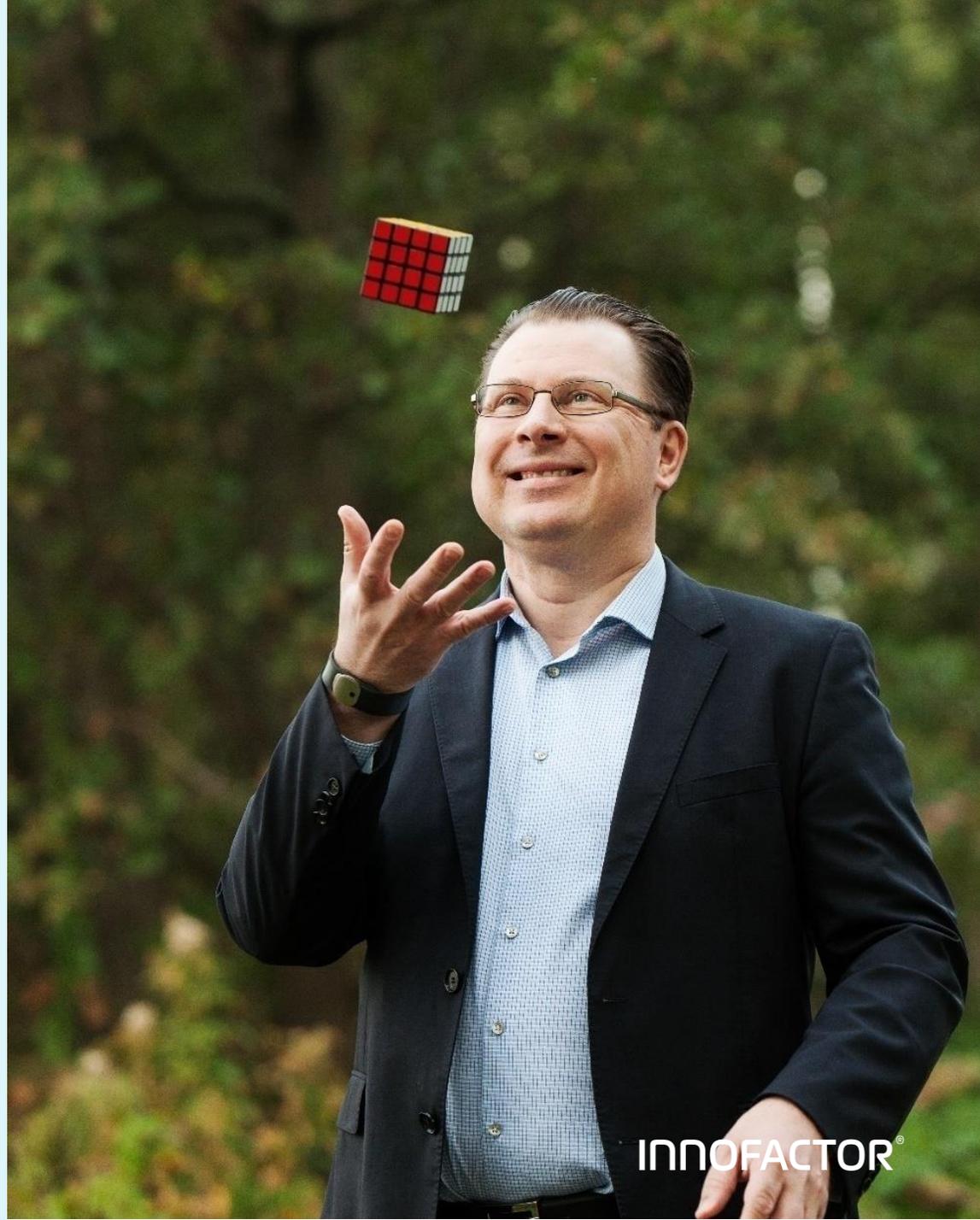
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

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.) Founder, President and CEO, Country Manager, Finland, and board member. Born in 1971. Ownership with related parties: 7,880,237 shares.



Jørn Ellefsen

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



Marcus Hasselblad

M.Sc. (Tech.) Managing Director, Country Manager. Employed by Innofactor since 2020. Born in 1968. Ownership: 0 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, 2019. Born in 1971. Ownership: 0 shares.



Markku Puolanne

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



Vesa Syrjäkari

M.Sc. EVP, Business Development and Operational Excellence. Employed by Innofactor since 2017. Born in 1960. Ownership: 60,000 shares.

Q4/2019 Results

Innofactor's revenue, EBITDA and order backlog increased significantly from comparison period

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 0.4 million in the operating margin.

In the third quarter, the order backlog grew to a record-breaking amount and was EUR 49.8 million at the end of the quarter, which shows an increase of 62% compared to the same time in the previous year.

Revenue

17.4 M€

9.7% vs.
Q4/2018

EBITDA

8.9%
1.6 M€

+2.5 M€
(+272%) vs.
Q4/2018

Order Backlog

49.8 M€

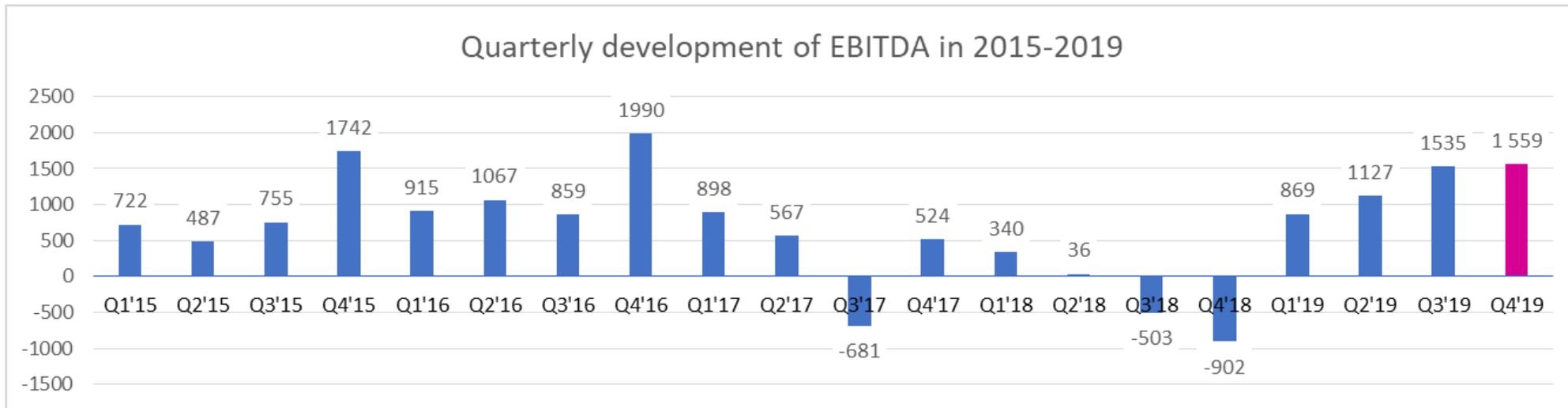
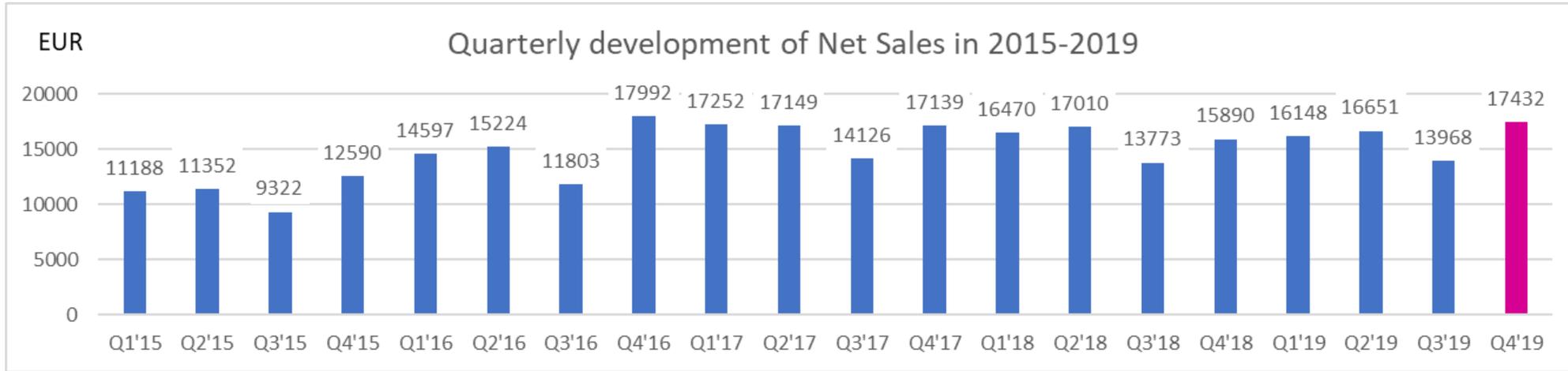
+62% vs.
Q4/2018

Q1–Q4/2019 Actuals

Selected Key Figures

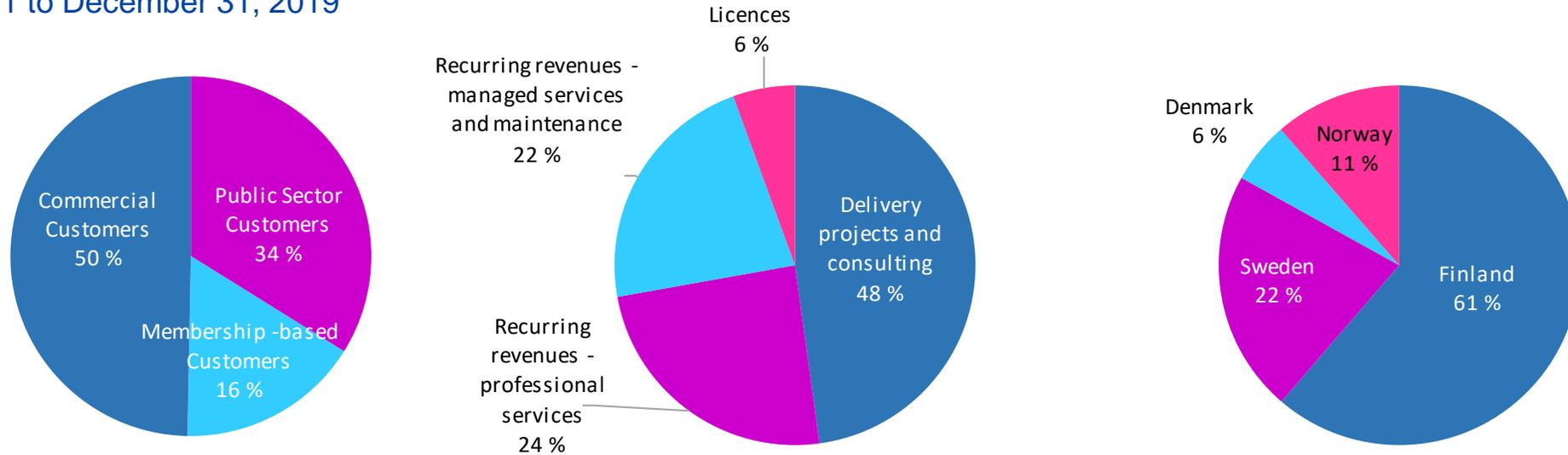
	Q1-Q4 /2019	Q1-Q4 /2018	Change (%)	CEO's comment
Net Sales (kEUR)	64 198	63 144	+1,7 %	<i>"The year 2019 offered a significant positive turning point for our business, operating margin and order backlog improved significantly from the previous year – also the net sales started to grow again after the dip in 2018. The net sales in the local currency grew in all countries compared to the previous year. The low exchange rates of the Swedish krona and Norwegian krone affected the net sales in euros by EUR -0.2 million. The net sales per employee grew 15.6% from the previous year."</i>
EBITDA (kEUR)	5 089	-1 029	+594,5 %	<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 1.7 million in the operating margin".</i>
Equity Ratio (%)	40.2% (44.0%)	41.2%		<i>"Innofactor's operating cash flow improved significantly from the previous year and it was EUR 6.2 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 1.5 million in the operating cash flow and approximately 3.9 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 December 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

	Oct 1–Dec 31, 2019	Oct 1–Dec 31, 2018	Change	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018	Change
Net sales, EUR thousand	17,432	15,890	9.7%	64,198	63,144	1.7%
Growth of net sales	9.7%	-7.3%		1.7%	-3.8%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,559	-902	272.9%	5,089	-1,029	594.5%
percentage of net sales*	8.9%	-5.7%		7.9%	-1.6%	
Operating profit/loss (EBIT), EUR thousand*	480	-1,693	128.4%	795	-3,872	120.5%
percentage of net sales*	2.8%	-10.7%		1.2%	-6.1%	
Earnings before taxes, EUR thousand*	271	-1,329	120.4%	12	-3,811	100.3%
percentage of net sales*	1.6%	-8.4%		0.0%	-6.0%	
Earnings, EUR thousand*	372	-1,200	130.9%	418	-3,186	113.1%
percentage of net sales*	2.1%	-7.6%		0.7%	-5.0%	
Order backlog**	49,753	30,642	62.4%	49,753	30,642	62.4%
Net gearing*	71.8%	71.2%		71.8%	71.2%	
Net gearing without IFRS 16	49.9%			49.9%		
Equity ratio*	40.2%	41.2%		40.2%	41.2%	
Equity ratio without IFRS 16	44.0%	41.2%		44.0%	41.2%	
Active personnel on average during the review period**	538	567	-5.1%	534	591	-9.7%
Active personnel at the end of the review period**	538	550	-2.2%	538	550	-2.2%
Earnings per share (EUR)	0.0100	-0.0332	129.9%	0.0113	-0.0880	112.9%

*) In accordance with IFRS 3, the operating result for July 1–December 31, 2019, includes EUR 507 thousand (2018: 507) and the result for January 1–December 31, 2019, EUR 2,030 thousand (2018: 2,030) 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 October 1–December 31, 2019, EUR 411 and on January 1–December 31, 2019, EUR 1,676 thousand thousands 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–December 31, 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.



Innofactor's net sales and operating margin (EBITDA) in 2020 is estimated to increase from 2019, during which the net sales were EUR 64.2 million and operating margin was EUR 5.1 million.



Other Issues

Stock Exchange Releases after Q4 (1/2)

- On January 30, 2020, Innofactor announced in a stock exchange release that it will deliver a financial management system for a Finnish trading company. The value of the procurement is approximately EUR 0.65 million, which is estimated to be registered for 2020.
- On February 12, 2020, Innofactor announced in a stock exchange release that the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider of architectural and system development, maintenance and other services related to the Health Village services for a maximum amount of EUR 2,000,000. The services are estimated to be provided during years 2020 and 2021.
- On February 13, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor as the provider of the further development stage of the HAIPA project, which is the ERP and document management system for administrative courts and special courts. The procurement consists of the specialist work related to the project as well as the implementation in the different agencies in cooperation with the customer. The procurement may also include maintenance services related to the system. The contract period is estimated to start in March 2020 and it will last until the end of 2020. Additionally, the customer reserves the right to two options for 2021 and 2022, which will be agreed on separately. The estimated total value (excluding VAT) stated by the customer in the procurement decision is EUR 2,157,000.

Stock Exchange Releases after Q4 (2/2)

- On February 13, 2020, Innofactor announced in a stock exchange release that Ullensaker municipality in Norway has selected Innofactor as the provider of ICT consultancy services related to comprehensive public cloud journey including infrastructure, identity and access, security and modern employee experience. The consultancy services include architectural and system development, maintenance and other services for an estimated total amount of NOK 10,000,000 (approximately EUR 1,000,000), which are estimated to be provided during years 2020 and 2021. There is also an option of extension of additional two years.
- There are no other significant events in Innofactor after the review period.

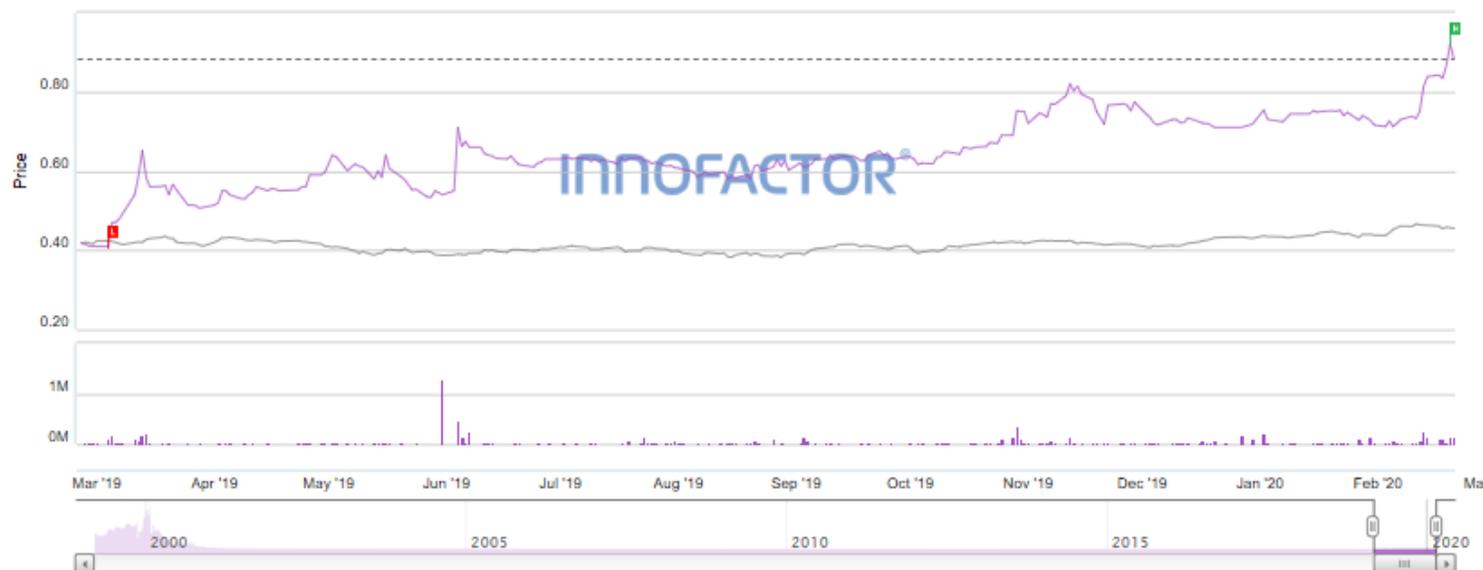
Key points from CEO's review

- **Net sales:** Q4 net sales in the local currency grew in all countries compared to the previous year. The low exchange rates of the Swedish krona and Norwegian krone affected the net sales in euros by EUR -0.2 million. The net sales per employee grew 15.6% from the previous year.
- **EBITDA:** Q4 operating margin (EBITDA) improved by EUR 2.5 million from the previous year and was EUR 1.6 million (8.9 percent of the net sales), in which the effect of changes in handling lease costs due to the IFRS 16 standard were EUR 0.4 million.
- **Order backlog:** The order backlog remained good and was at the end of the review period EUR 49.8 million (2018: 30.6), which shows an increase of 62% compared to the same time in the previous year.
- **Organization:** We hired a new Country Manager in Sweden, **Marcus Hasselblad**, who started in his position on February 5, 2020. I am convinced that he will lead our business in Sweden to strong growth in the coming years. The net sales in Sweden, measured in the local currency, already grew slightly in the last quarter of 2019 and the operating margin was positive. In January 2020, we appointed the Country Manager in Norway, **Jørn Ellefsen**, to also be responsible for the business in Denmark as the Country Manager. Jørn Ellefsen has done great work in Norway, and I believe that under his control, also the business in Denmark will undergo significant growth.

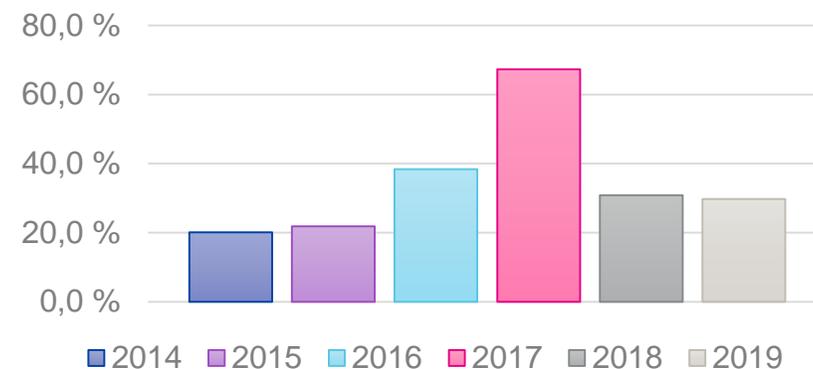
Largest shareholders December 2019

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. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1 800 000	4,81 %
3. Hallikainen Jyrki	1 471 009	3,93 %
4. Laiho Rami Tapani	1 262 159	3,38 %
5. 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 %
6. Tilman Tuomo Tapani	1 020 397	2,73 %
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. Rausanne Oy	302 545	0,81 %
14. Kukkonen Heikki-Harri	301 931	0,81 %
15. Hellen Stefan Andreas	250 000	0,67 %
16. Laiho Jari Olavi	235 000	0,63 %
17. Essel Ari Markku	183 214	0,49 %
18. Mäkinen Antti Vilho Juhani	164 000	0,44 %
19. Anttila Mikko Matias	153 000	0,41 %
20. Heino Petri Juhani	139 808	0,37 %
20 Largest total	20 195 058	54,01 %
Nominee registered total	2434967	6,51 %
Number of shares total	37 388 225	100,00 %

Innofactor Share Price Development and Turnover (Closing December 31, 2019 at €0.718)



Turnover in % compared total amount of shares



In public trading in January 1–December 31, 2019, a total of 10,909,321 shares were traded (2018: 11,142,838 shares), which corresponds to 29.7 percent (2018: 30.8%) of the average number of shares on the said period. On January 1–December 31, 2019, there were 38,808,307 shares on the average (2018: 36,188,225). The share trading increased by 2 percent compared to the corresponding period in 2018.

Share Price Development

1-year change	+98.34%	Year highest	EUR 0.844
3-year change	-37.57%	Year lowest	EUR 0.362
5-year change	-6.14%		
10-year change	-28.20%		

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

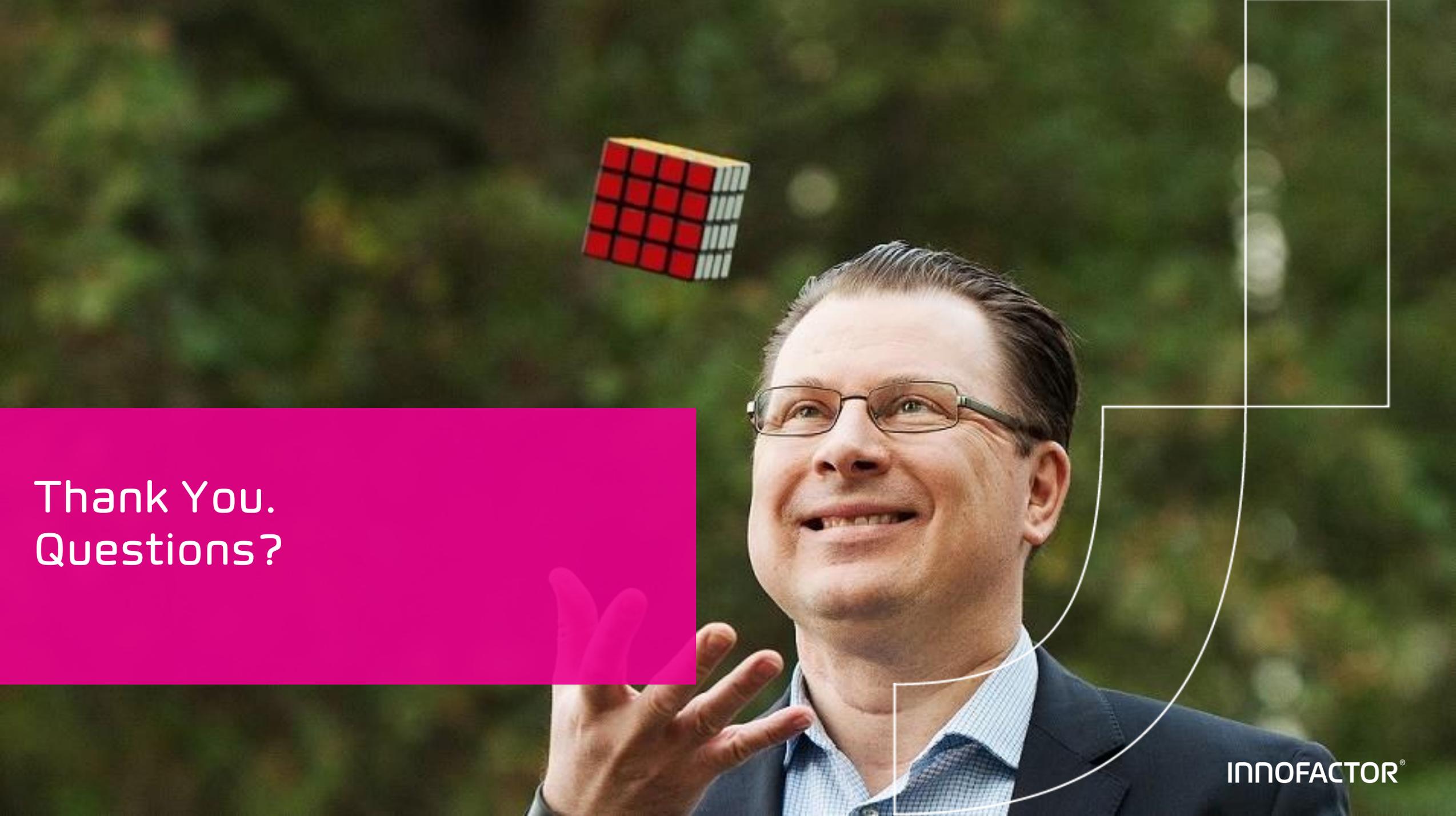
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Change	%	High	Low
€+0.01	+1.45%	€ 0.74	€ 0.69

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 bracket or shape is visible on the right side of the image. A pink rectangular area is on the left side, containing the text.

Thank You.
Questions?

INNOFACTOR®