



# Innofactor Interim Report Q3/2022

October 25, 2022, Markku Puolanne, CFO

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Financial Information

INNOFACTOR®

## Q3/2022 Results

### Innofactor made a strong return to the path of profitable growth – highest-ever Q3 net sales, operating margin and order backlog

Net sales in the third quarter of 2022 amounted to EUR 16.7 million, representing year-on-year growth of 21.5 percent, with the rate of organic growth being 13.4 percent.

The operating margin (EBITDA) grew by 4.8 percent year-on-year and came to EUR 1.8 million (10.7 percent of net sales). Innofactor's net sales grew, and operating margin was positive in all countries (Finland, Sweden, Norway and Denmark).

The order backlog increased slightly from the previous quarter and amounted to EUR 77.3 million at the end of the review period, representing year-on-year growth of 7.3 percent.

The integration of Invenco Ltd into Innofactor's operations has progressed according to plan. We have harmonized our operating models and moved to shared office premises. We opened a new office in Oulu. We aim to complete all key aspects of the integration process by the end of the year.

Revenue

**16.7 M€**

Growth +21.5%  
vs.  
Q3/2021

EBITDA

**10.7%**

**1.8 M€**

Growth +4.8%  
vs.  
Q3/2021

Order Backlog

**77.3 M€**

Growth +7.3%  
vs.  
Q3/2021

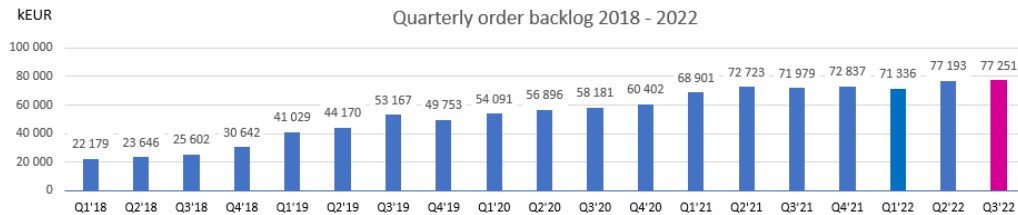
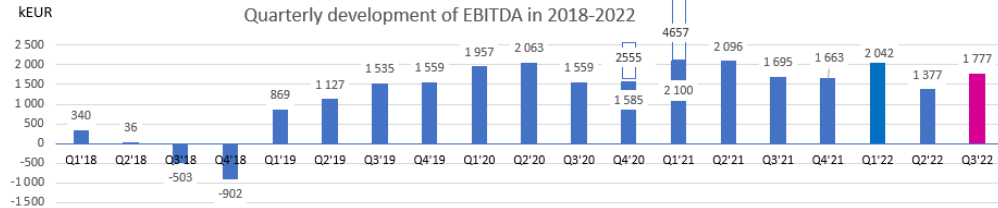
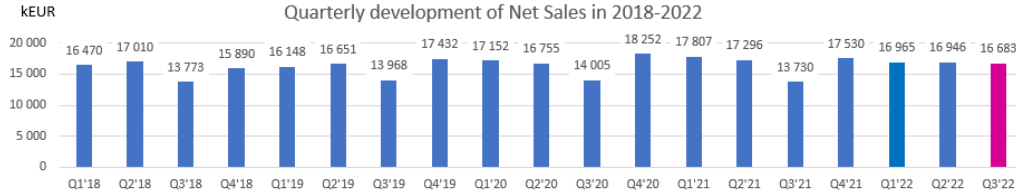
# Q1-Q3/2022 actuals

## Selected KPIs

	YTD9 2022	YTD9 2021	Change (%)	CEO's comment
<b>Net Sales (kEUR)</b>	<b>50,594</b>	<b>48,834</b>	<b>+3.6 %</b>	<i>" Net sales for the first nine months of 2022 amounted to EUR 50.6 million, representing year-on-year growth of 3.6 percent. Excluding the Prime business sold on March 31, 2021, from April 1, 2021, onwards the comparable rate of growth was 4.9 percent. Of the growth, approximately EUR 1.3 million (2.6%) was organic."</i>
<b>EBITDA (kEUR)</b>	<b>5,196</b>	<b>8,448 (5,891)</b>	<b>-38.5% (-11.8%)</b>	<i>"The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin in 2021 would have amounted to EUR 5.9 million and the comparable change in the operating margin would have been a decrease of 11.8 percent."</i>
<b>Order Backlog (kEUR)</b>	<b>77,251</b>	<b>71,979</b>	<b>+7.3 %</b>	<i>" The order backlog increased slightly from the previous quarter and amounted to EUR 77.3 million at the end of the review period, representing year-on-year growth of 7.3 percent."</i>
<b>Equity Ratio (%)</b>	<b>43.7 % (46.8 %)*</b>	<b>52.9 % (56.8%)*</b>	<b>-17.4 %</b>	<i>" Innofactor's operating cash flow for the review period of January 1–September 30, 2022, amounted to EUR 3.0 million and the equity ratio at the end of the review period was 43.7 percent. In connection with the Invenco acquisition, Innofactor took out a bank loan of EUR 2.5 million in June 2022. The bank loan and the effect of consolidating Invenco into Innofactor's balance sheet on June 30, 2022, reduces the equity ratio in 2022."</i>

# Quarterly Development of Innofactor Group Financials

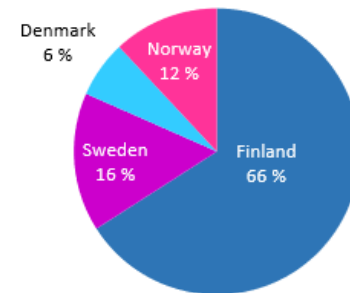
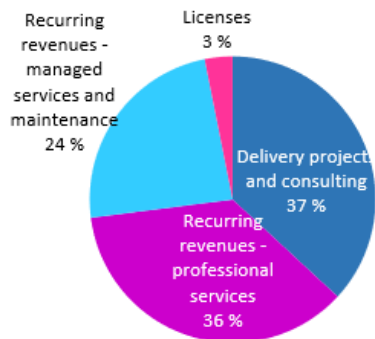
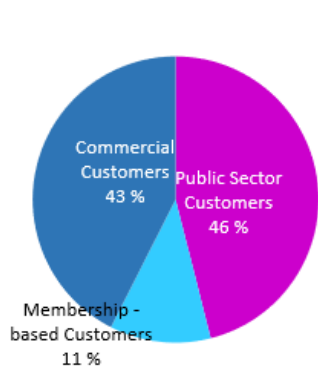
Increased revenue is typically reflected immediately in EBITDA



Increased order backlog effects the revenue typically with 1 to 2 quarter delay

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

Distribution of net sales January 1 to September 30, 2022



- Strong customers in public private and third sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 28% of net sales
- Recurring revenues from service agreements and license sales bring competitive advantage, scalability and stability
- Sales of consultant's work moving increasingly to frame agreements and continuous development
- 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

## Key figures of the group, IFRS

	Jul 1–Sep 30, 2022	Jul 1–Sep 30, 2021	Change	Jan 1–Sep 30, 2022	Jan 1–Sep 30, 2021	Change
Net sales, EUR thousand	16,683	13,730	21.5%	50,594	48,834	3.6%
Growth of net sales	21.5%	-2.0%		3.6%	1.9%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,777	1,695	4.8%	5,196	8,448	-38.5%
percentage of net sales	10.7%	12.3%		10.3%	17.3%	
Operating profit/loss (EBIT), EUR thousand*	959	915	4.9%	2,946	5,996	-50.9%
percentage of net sales	5.8%	6.7%		5.8%	12.3%	
Earnings before taxes, EUR thousand*	759	755	0.5%	2,500	5,400	-53.7%
percentage of net sales	4.6%	5.5%		4.9%	11.1%	
Earnings, EUR thousand*	599	581	3.0%	1,992	4,207	-52.6%
percentage of net sales	3.6%	4.2%		3.9%	8.6%	
Order backlog	77,251	71,979	7.3%	77,251	71,979	7.3%
Net gearing*	56.9%	34.0%		56.9%	34.0%	
Net gearing without IFRS 16	41.8%	21.2%		41.8%	21.2%	
Equity ratio	43.7%	52.9%		43.7%	52.9%	-17.4%
Equity ratio without IFRS 16	46.8%	56.8%		46.8%	56.8%	
Active personnel on average during the review period*	555	508	9.3%	527	493	6.9%
Active personnel at the end of the review period*	554	497	11.5%	554	497	11.5%
Earnings per share (EUR)	0.0164	0.0155	5.3%	0.0544	0.1125	-51.6%

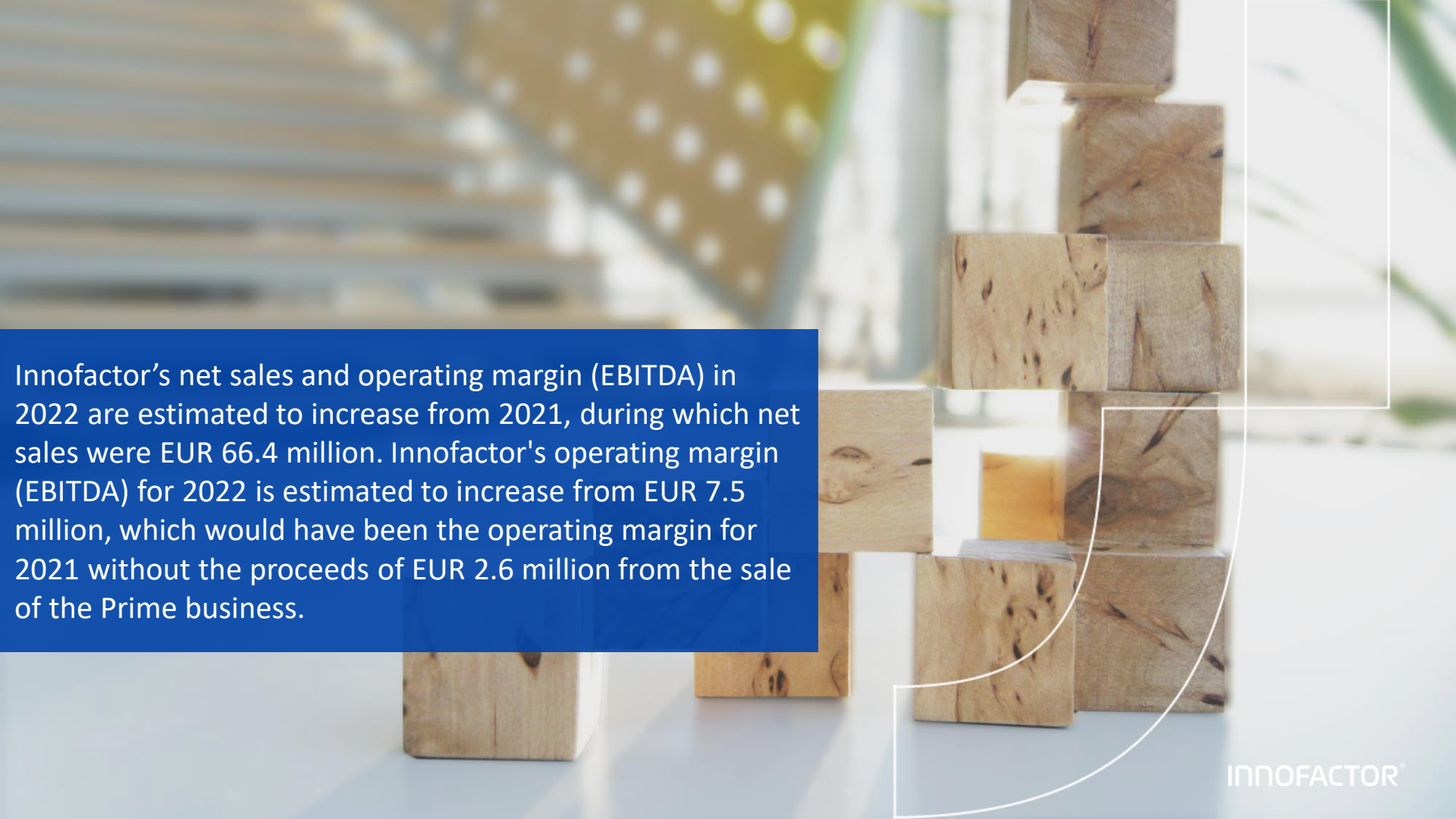
\*) Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on leave for more than 3 months.



# Realization of the strategy in the review period Q1-Q3 2022

- Target 1: Ca 20 percent yearly growth, mainly organic growth
  - Net sales increased by 3.6 percent compared to the previous year. Without the Prime business sold in the first quarter of 2021, the comparable change would have been an increase of 4.9 percent.
  - The EUR 77.2 million order backlog supports the revenue growth target.
  - The acquisition of Invenco will bring us unorganic growth. We have initiated measures to improve our performance in Finland and Sweden, and these measures will continue throughout the second half of the year.
- Target 2: Ca 20 percent EBITDA
  - EBITDA was 10.7 percent of revenue, decreasing by 38,5 percent. The EBITDA Q1 2021 included a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the decrease would have been 11.8 percent
  - Still some work needed to reach the 20% profitability target.
  - Actions to improve our performance and revenue will also increase our EBITDA
- Target 3: Positive cash flow and financial solidity in all situations
  - Innofactor operative cash flow was EUR 3.0 million, decrease of 51.9 % and equity ratio at the end of review period was 43.3 percent (decrease 17.4%).
  - In connection with the Invenco acquisition, Innofactor took out a bank loan of EUR 2.5 million. The bank loan and the effect of consolidating Invenco into Innofactor's balance sheet on June 30, 2022, reduced the equity ratio.
  - Strong operative cash flow and good financial position support the strategic growth target securing solid financial standing in all situations.





Innofactor's net sales and operating margin (EBITDA) in 2022 are estimated to increase from 2021, during which net sales were EUR 66.4 million. Innofactor's operating margin (EBITDA) for 2022 is estimated to increase from EUR 7.5 million, which would have been the operating margin for 2021 without the proceeds of EUR 2.6 million from the sale of the Prime business.



Other Issues

## Stock Exchange Releases in Q3/2022 (1/2)

- On August 3, 2022, Innofactor announced in a stock exchange release that the **Legal Register Centre** has selected Innofactor to continue the development and maintenance work of the ERP and document management system for administrative courts and special courts (HAIPA project). The system is based on Innofactor's Dynasty product family. The total value of the procurement (excluding VAT) stated by the Legal Register Centre in the procurement decision is approximately **EUR 4.0 million**. The contract period is two years, in addition to which there are two one-year options, which will be decided on separately.
- On August 9, 2022, Innofactor announced in a stock exchange release that the **Aalto University Foundation** has selected Innofactor in a public procurement competition as part of a **consortium formed with Invenco Ltd** to develop and maintain Aalto University's centralized data warehouse. The tender was submitted as a consortium with Invenco Ltd, with Innofactor subsequently issuing a stock exchange release on June 20, 2022, to announce the acquisition of the share capital of Invenco Ltd. The acquisition was completed on June 30, 2022, after which Invenco Ltd is part of Innofactor Group. The estimated total value (excluding VAT) stated by the Aalto University Foundation in the public procurement decision for a contract period of four years is approximately **EUR 5.0 million**.

## Stock Exchange Releases in Q3/2022 (2/2)

- On September 28, 2022, Innofactor issued a stock exchange release announcing that, at its meeting on September 27, 2022, the Board of Directors of Innofactor Plc had decided to commence **the acquisition of the company's own shares** for the purpose of developing the company's capital structure. The company will acquire a **maximum of 800,000 shares**, which corresponds to approximately 2.1% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,000,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 31, 2022, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on September 28, 2022, at the earliest and will end at the latest on March 24, 2023, or at an earlier Annual General Meeting. Innofactor Plc has a total of 37,388,225 shares, of which the company currently owns 741,410 (approximately 2.0%). The company's own shares will be acquired at the current market price in public trading arranged by NASDAQ Helsinki Ltd using the company's unrestricted equity.

# Stock Exchange Releases after Q3/2022

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

## Key points from CEO's review

- **Net sales:** Net sales in the third quarter of 2022 amounted to EUR 16.7 million, representing year-on-year growth of 21.5 percent, with the rate of organic growth being 13.4 percent.
- **EBITDA:** The operating margin (EBITDA) grew by 4.8 percent year-on-year and came to EUR 1.8 million (10.7 percent of net sales). Innofactor's net sales grew, and operating margin was positive in all countries (Finland, Sweden, Norway and Denmark).
- **Order backlog:** The order backlog increased slightly from the previous quarter and amounted to EUR 77.3 million at the end of the review period, representing year-on-year growth of 7.3 percent.
- **Acquisition:** The integration of Invenco Ltd into Innofactor's operations has progressed according to plan. Invenco Ltd was acquired by Innofactor in June 2022. We have harmonized our operating models and moved to shared office premises. We opened a new office in Oulu at the end of September, which we hope will also support the recruitment of new professionals in the Oulu region. We aim to complete all key aspects of the integration process by the end of the year.

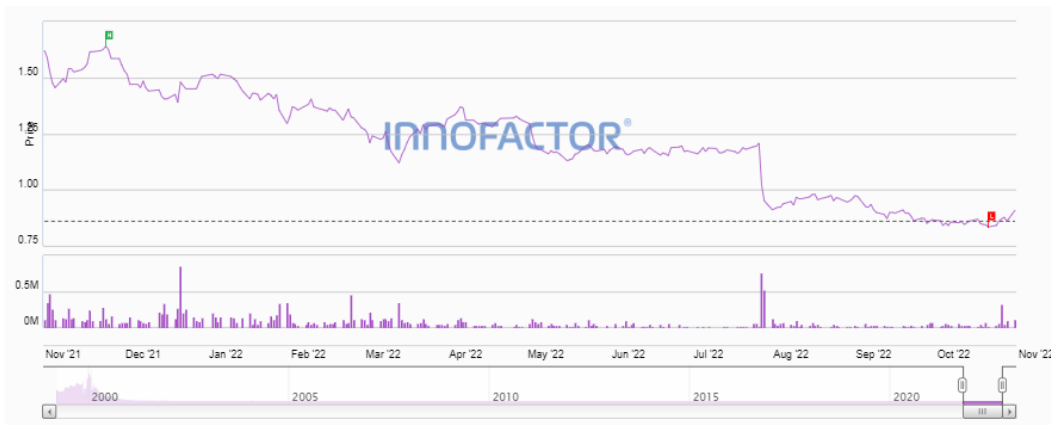
# Largest shareholders September 30, 2022

Name	Number of shares	% of share capital
1. Ensio Sami	7,895,773	21.12%
<i>Ensio Sami</i>	5,722,013	15.30%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Ensio Iiris</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. R. Linturi Oyj (under control of)	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%
4. Laiho Rami Tapani	1,123,010	3.00%
5. Ärje Matias Juhanoika	854,253	2.28%
6. Mäki Antti-Jussi	613,725	1.64%
7. Tilman Tuomo Tapani	563,538	1.51%
8. Hellen Stefan Andreas	486,000	1.30%
9. Ingman Finance Oy Ab	450,000	1.20%
10. Muukkonen Teemu Heikki	410,357	1.10%
11. Järvenpää Janne-Olli	266,397	0.71%
12. Rausanne Oy	230,000	0.62%
13. Mandatum Life Insurance Company Limited	223,590	0.60%
14. Kukkonen Heikki-Harri	218,606	0.58%
15. Puolakka Petri Yrjö Emil	202,511	0.54%
16. Laiho Jari Olavi	200,371	0.54%
17. Kannisto Jaakko Mikael	193,281	0.52%
18. Varsio Jussi Ilari	190,000	0.51%
19. Mäkinen Antti Vilho Juhani	168,000	0.45%
20. Saarnio Mikko Markus	138,000	0.37%
<b>Total</b>	<b>17,483,823</b>	<b>46.76%</b>





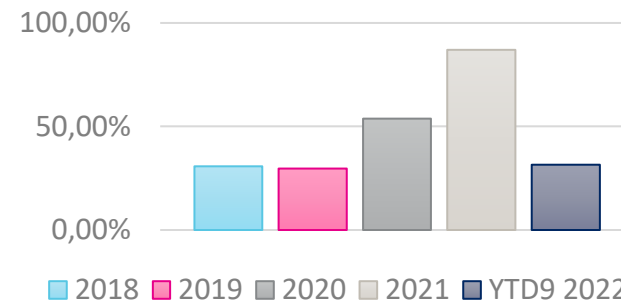
# Innofactor Share Price Development and Turnover (Closing Oct 24th, 2022 at €0.91)



## Share Price Development

Beginning of 2022	-40.07%	Year highest 2022	1.54 EUR
1 year change	-44.29%	Year lowest 2022	0.83 EUR
3 year change	+35.52%		
5 year change	-15.14%	Target price Inderes	1.00 EUR
10 year change	+101.78%	Target price Evli	1.25 EUR

## Turnover in % compared total amount of shares



In public trading during the period of January 1–September 30, 2022, a total of 11,542,508 shares were traded (2021: 22,767,409), which corresponds to 31.5 percent (2021: 60.9%) of the average number of shares in the period in question. During the period January 1–September 30, 2022, the average number of shares was 37,388,225 (2021: 37,388,225). The share trading volume decreased by 49.3 percent compared to the corresponding period in 2021.

# Additional Information

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

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## Innofactor as an Investment

Innofactor Plc will publish its Interim Report for January–September 2020 on October 27, 2020. A video conference call for media, investors and analysts will be held in English on the same day beginning at 12:00 Finnish time.

PUBLISHING OF INNOFACTOR'S INTERIM REPORT JANUARY–SEPTEMBER 2020

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

€ 1.39

28.10.2020 09:58 AM CET

Change	%	High	Low
€ +0.03	+2.58%	€ 1.42	€ 1.36

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 over 500 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. In 2015–2019, the annual growth of Innofactor's net sales has been approximately 10%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Oy. #ModernDigitalOrganization #PeopleFirst #CreatingSmiles

Latest Stock Exchange Releases

A man with glasses and a dark suit over a light blue shirt is smiling and looking upwards. He is juggling a Rubik's cube, which is captured in mid-air above his head. The background is a blurred green, suggesting an outdoor setting. A white outline of a large question mark is visible on the right side of the image. A pink rectangular box is overlaid on the left side, containing the text 'Thank You. Questions?'.

Thank You.  
Questions?

INNOFACTOR®