



# Innofactor Interim Report Q3/2023

October 24, 2023, Sami Ensio, CEO

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# Q3/2023 Results

**Innofactor swam against the current in a challenging market and achieved its highest-ever third quarter net sales and EBITDA in spite of the order backlog decreasing**

Net sales in the third quarter of 2023 amounted to EUR 18.0 million, representing year-on-year growth of 8.0 percent. The operating margin (EBITDA) increased by 10.9 percent year-on-year and was EUR 2.0 million (10.9 percent of net sales). Innofactor's net sales grew in Finland and Norway. EBITDA was positive in Finland but negative in other countries due to the challenging market situation.

Price competition in the markets remained intense in the third quarter, although the weighted average prices of new contracts increased slightly from the preceding quarter. We anticipate prices will continue to rise in the fourth quarter, although we expect the situation to remain challenging until the end of the year. We expect to be able to increase the volume of new sales in Q4.

Revenue

**18.0 M€**

Growth +8.0%  
versus  
Q3/2022

EBITDA

**10.9%**  
**2.0 M€**

Growth +10.9%  
versus  
Q3/2022

Order Backlog

**71.4 M€**

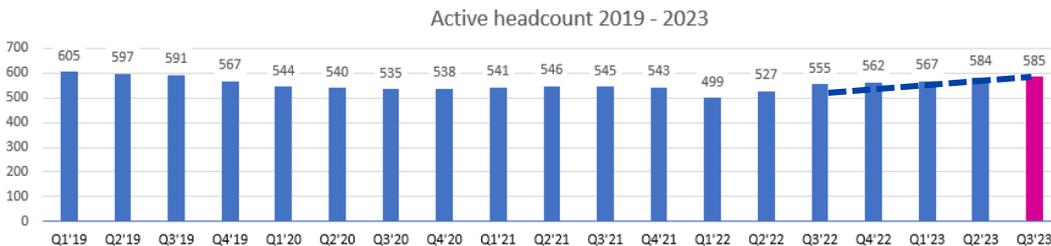
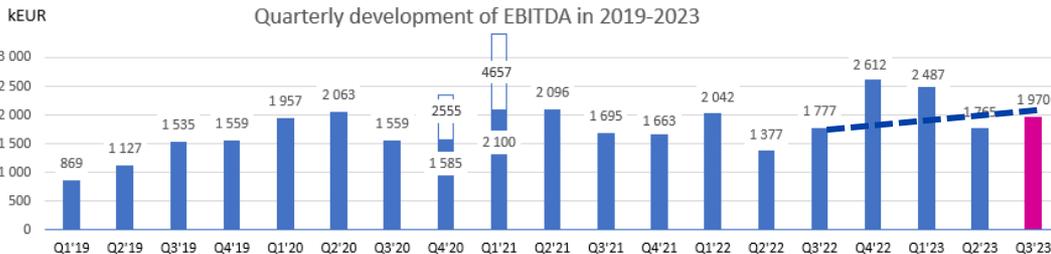
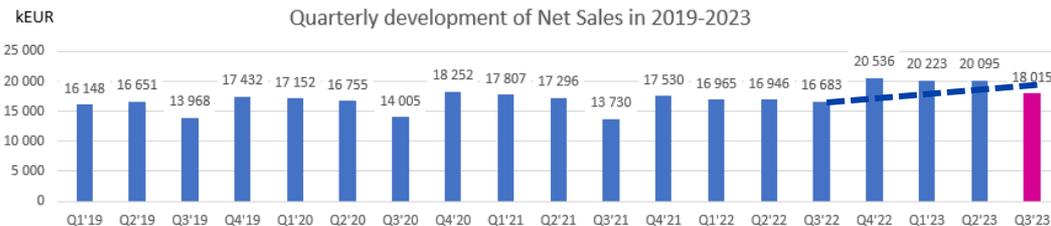
Decrease -7.6%  
versus  
Q3/2022

# Q1–Q3/2023 actuals

## Selected KPIs

	1–9/ 2023	1–9/ 2022	Change (%)	CEO's comment
<b>Net Sales (kEUR)</b>	<b>58,332</b>	<b>50,594</b>	<b>+15.3%</b>	<i>"Innofactor's net sales for the period January 1–September 30, 2023, amounted to EUR 58,332 thousand (2022: 50,594), representing growth of 15.3 percent. Net sales per active employee amounted to approximately EUR 101.1 thousand (2022: 96.0), representing an increase of 5.3 percent."</i>
<b>EBITDA (kEUR)</b>	<b>6,222</b>	<b>5,196</b>	<b>+19.7%</b>	<i>"Innofactor's operating margin (EBITDA) for the period January 1–September 30, 2023, was EUR 6,222 thousand (2022: 5,196), which shows an increase of 19,7 percent. EBITDA represented 10.7 percent of net sales (2022: 10.3%). Innofactor's operating margin was positive in Finland and negative in Sweden, Norway and Denmark."</i>
<b>Order Backlog (kEUR)</b>	<b>71,412</b>	<b>77,251</b>	<b>-7.6%</b>	<i>"Innofactor's order backlog at the end of the review period was EUR 71,412 thousand (2022: 77,251), representing a decrease of 7.6 percent. Innofactor did not receive new large orders that would warrant a stock exchange release during the third quarter due to the challenging market situation."</i>
<b>Equity Ratio (%)</b>	<b>46.3%</b> <b>(49.5%)*</b>	<b>43.7%</b> <b>(46.8%)*</b>	<b>+6.0%</b>	<i>"Innofactor's operating cash flow for the review period January 1–September 30, 2023, amounted to EUR 3.5 million (2022: EUR 3.0 million) and the equity ratio at the end of the review period was 46.3 percent (2022: 43.7 percent). Innofactor's strong operating cash flow supports the company's strategic goal of profitable growth and securing a solid financial standing in all situations."</i>

Increased revenue is typically reflected immediately in EBITDA

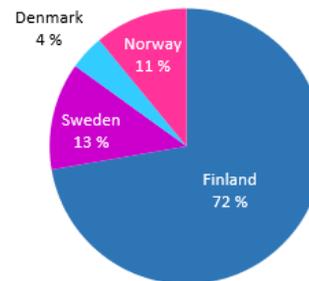
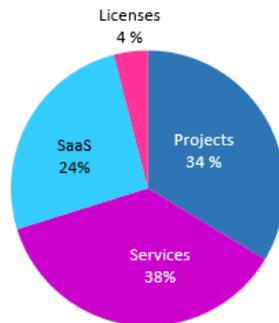
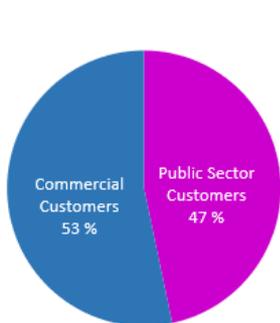


Increased order backlog effects the revenue typically with 1 to 2 quarter delay...

... and also requires the number of employees growing to deliver the new deals received

# 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, 2023



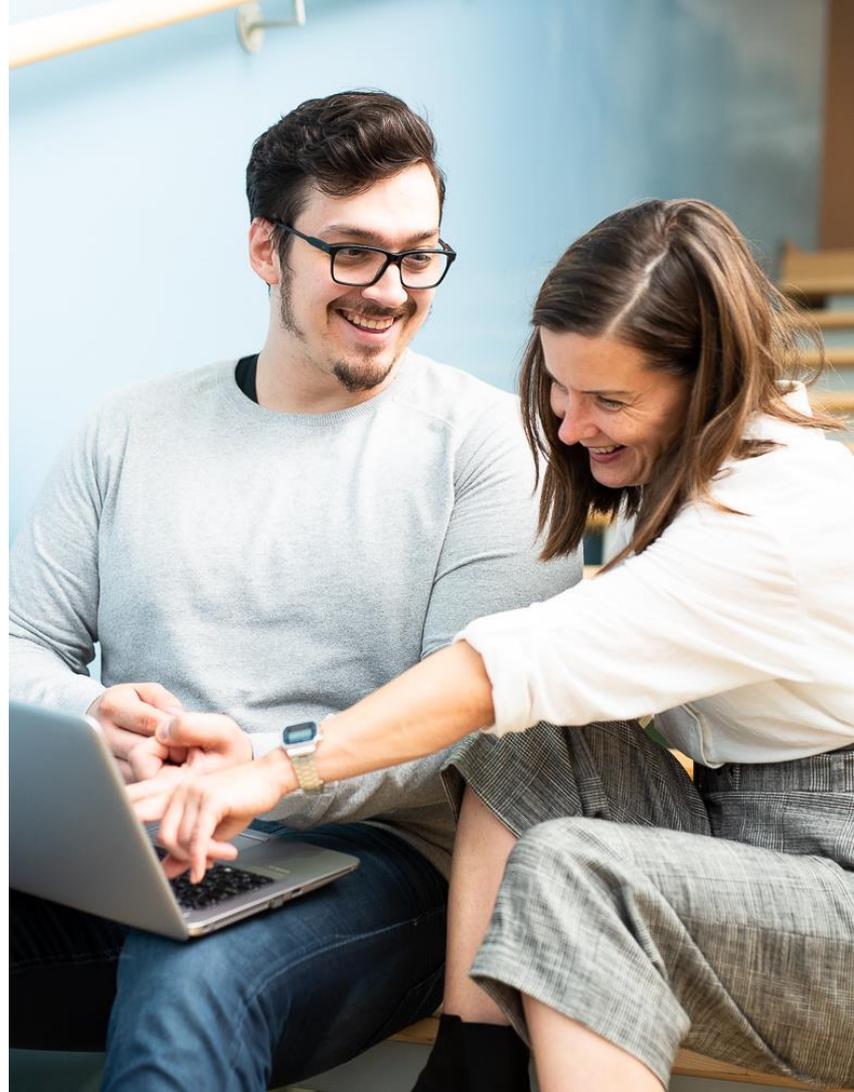
- Strong customers in public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 29% of net sales
- SaaS and license revenue bring competitive advantage, scalability, stability and profitability
- Sales of consultant's work moving increasingly 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

	Jul 1–Sep 30, 2023	Jul 1–Sep 30, 2022	Change	Jan 1–Sep 30, 2023	Jan 1–Sep 30, 2022	Change
Net sales, EUR thousand	18,015	16,683	+8.0%	58,332	50,594	+15.3%
Growth of net sales	8.0%	21.5%		15.3%	3.6%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,970	1,777	+10.9%	6,222	5,196	+19.7%
percentage of net sales	10.9%	10.7%		10.7%	10.3%	
Operating profit/loss (EBIT), EUR thousand*	1,209	959	+26.0%	3,904	2,946	+32.5%
percentage of net sales	6.7%	5.8%		6.7%	5.8%	
Earnings before taxes, EUR thousand*	1,428	759	+88.0%	3,551	2,500	+42.0%
percentage of net sales	7.9%	4.6%		6.1%	4.9%	
Earnings, EUR thousand*	1,064	599	+77.8%	2,560	1,992	+28.5%
percentage of net sales	5.9%	3.6%		4.4%	3.9%	
Order backlog	71,412	77,251	-7.6%	71,412	77,251	-7.6%
Net gearing*	48.6%	56.9%	-14.6%	48.6%	56.9%	-14.6%
Net gearing without IFRS 16	35.0%	41.8%	-16.3%	35.0%	41.8%	-16.3%
Equity ratio	46.3%	43.7%	+6.0%	46.3%	43.7%	+6.0%
Equity ratio without IFRS 16	49.5%	46.8%	+5.8%	49.5%	46.8%	+5.8%
Active personnel on average during the review period*	585	555	+5.4%	577	527	+9.5%
Active personnel at the end of the review period*	594	554	+7.2%	594	554	+7.2%
Earnings per share (EUR)	0.03	0.02	+77.8%	0.07	0.05	+28.5%

\*) The 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.

Our long-term financial goals are annual growth of about 20 percent, approximately 20 percent EBITDA in relation to net sales, and maintaining positive cash flow and a solid financial standing in all situations.



# Realization of the strategy in the review period 2023

- Target 1: Ca 20 percent yearly growth, mainly organic growth
  - Net sales increased by 15.3 percent compared to the previous year. Organic growth was 10.0%, excluding the Invenco business acquired in June 2022
  - Our goal is also to increase the number of chargeable personnel, which is slightly easier than before in the prevailing market situation.
  - We also look for acquisition targets to enable inorganic growth.
- Target 2: Ca 20 percent EBITDA
  - EBITDA was 10.7 percent of revenue, increasing by 19.7 percent. Still some work needed to reach the 20% profitability target.
  - We aim to further enhance our operational performance to improve profitability
- Target 3: Positive cash flow and financial solidity in all situations
  - Innofactor operative cash flow was EUR 3.5 million, increase of 18.9 % and equity ratio at the end of review period was 46.3 percent.
  - Strong operative cash flow and good financial position support the strategic growth target securing solid financial standing in all situations.

# The key actions to be taken to achieve growth of approximately 20 percent and EBITDA of approximately 20 percent

- 1. We will improve the efficiency of our operations and increase our invoicing rate** by five percentage points. This will be achieved by, for example, strengthening sales, improving the management of project and service contracts, enhancing the cross-resourcing of personnel between countries and units, reducing employee turnover and developing our self-organized team models.
- 2. We will increase the share of licenses and SaaS services** to over 33 percent of net sales from the current level of approximately 28 percent. This will be achieved by, for example, developing our offering and by focusing our sales efforts on customers and solution areas with the highest growth potential and that present the best opportunities for scaling our existing offering in each of the Nordic countries.
- 3. We will increase the number of employees engaged in invoiced services.** This will be achieved by, for example, increasing recruitment of new university graduates, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, reducing employee turnover, improving the efficiency of subcontracting and investing in the development of our employer brand.
- 4. We will become an even more proactive player in the Nordic M&A field.** This will be achieved by, for example, through the internal reorganization of operations, emphasizing the role of country directors in actively seeking new potential acquisition targets in their respective countries.



## Dividend Distribution

- According to the policy, the aim of the Board of Directors is
  - to pay a dividend regularly each year
  - to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations and other development needs
- AGM decided that
  - distribute repayment of capital amounting to **EUR 0.06** per share
- In addition AGM decided that
  - To authorize the company's Board of Directors to decide on a potential extra dividend and repayment of capital of maximum EUR 2,459,293 (**EUR 0.06** per share taking into account the share issue authorization proposed to the Board of Directors)



Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2022, during which net sales were EUR 71.1 million and operating margin was EUR 7.8 million.



Other Issues

## Stock Exchange Releases in Q3/2023 1/2

- On September 11, 2023, Innofactor issued a stock exchange release after Protector Forsikring ASA informed Innofactor Plc that its holdings of Innofactor's shares and voting rights exceeded the 5% disclosure limit on September 8, 2023.
- On August 28, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors had appointed Antti Rokala as Innofactor Group's Chief Financial Officer (CFO) and that he will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. As CFO, will become a member of Innofactor's Executive Board and report to CEO Sami Ensio.

## Stock Exchange Releases in Q3/2023 2/2

- On July 20, 2023, Innofactor issued a stock exchange release announcing that, at its meeting on July 19, 2023, 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 600,000 shares, which corresponds to approximately 1.7% 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, 2023, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on July 24, 2023, at the earliest and will end at the latest on March 22, 2024, or at an earlier Annual General Meeting. Innofactor Plc has a total of 36,343,691 shares. The company held no treasury shares on the date of the stock exchange release, July 20, 2023. 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.

## Key points from CEO's review

- Price competition in the markets remained intense in the third quarter, although the weighted average prices of new contracts increased slightly from the preceding quarter. We anticipate prices will continue to rise in the fourth quarter, although we expect the situation to remain challenging until the end of the year. Our strong existing order backlog, framework agreements and other purchases by existing customers enable Innofactor to operate profitably in the short term. We expect to be able to increase the volume of new sales in Q4.
- Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received growing attention in the market. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities for Innofactor, and we have quickly developed new offerings in response to these opportunities. We see Microsoft 365 Copilot as particularly significant. It will become available on November 1, 2023, and we expect it will enable us to grow our business in co-operation with our main partner Microsoft.
- The Board of Directors appointed Antti Rokala, M.Sc. (Econ.) as Innofactor Group's new Chief Financial Officer (CFO). He will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. Antti's experience in Sweden and the other Nordic countries will help Innofactor further develop our business. I want to take this opportunity to extend a warm welcome to Antti.

# Reporting Extension

- Based on feedback from shareholders and analysts, we have decided to expand our reporting starting from the financial statements for the year 2023
- Reporting key figures separately for our four solution areas: The reportable solution areas are as follows: 1) Digital services, 2) Business solutions, 3) Information and case management, and 4) Secure AI, data and cloud platform.
- The following key figures will be reported for each solution area:
  - net sales and the distribution of net sales
  - EBITDA and EBITDA margin
  - order backlog
  - the amount of product development
- The key figures will be presented for the reporting period and the comparison period, and the percentage change for each key figure will be indicated

# Largest shareholders September 30, 2023

Name	Number of shares	% of share capital
1. Ensio Sami (under control of)	7,925,397	21.81%
<i>Sami Ensio</i>	5,751,637	15.83%
<i>Minor under guardianship</i>	724,588	1.99%
<i>liris Ensio</i>	724,586	1.99%
<i>Minor under guardianship</i>	724,586	1.99%
Ilmarinen Mutual Pension Insurance		
2. Company	1,800,000	4.95%
3. R. Linturi Oyj (under control of)	1,256,411	3.46%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.18%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
4. Mäki Antti-Jussi	500,000	1.38%
5. Hellen Stefan Andreas	486,000	1.34%
6. Laiho Rami Tapani	485,983	1.34%
7. Ingman Finance Oy Ab	450,000	1.24%
8. Muukkonen Teemu Heikki	410,357	1.13%
9. Tilman Tuomo Tapani	385,538	1.06%
10. Mandatum Life Insurance Company Limited	253,366	0.70%
11. Kannisto Jaakko Mikael	226,533	0.62%
12. Kukkonen Heikki-Harri	213,606	0.59%
13. Järvenpää Janne-Olli	213,079	0.59%
14. Varsio Jussi Ilari	190,000	0.52%
15. Laiho Jari Olavi	174,900	0.48%
16. Mäkinen Antti Vilho Juhani	168,000	0.46%
17. Ärje Matias Juhanoika	155,800	0.43%
18. Saarnio Mikko Markus	138,000	0.38%
19. Heikkinen Janne Mikael	136,543	0.38%
20. Pesonen Tuomo Sakari	126,000	0.35%
<b>Total</b>	<b>15,695,513</b>	<b>43.19%</b>



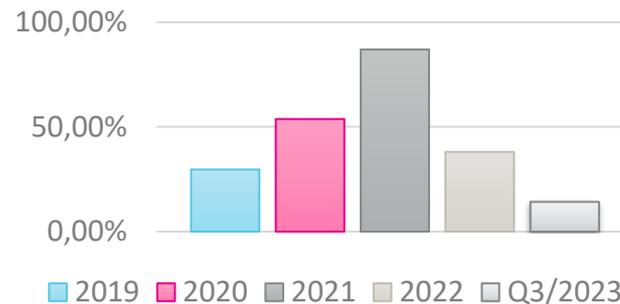
# Innofactor Share Price Development and Turnover (Closing October 20th, 2023 at EUR 1.085)



## Share Price Development

Beginning of 2023	+3.14%	Year highest 2023	1.340 EUR
1 year change	+23.84%	Year lowest 2023	1.025 EUR
3 year change	-21.40%		
5 year change	+103.24%	Target price Inderes	1.35 EUR
10 year change	-14.11%	Target price Evli	1.50 EUR

## Turnover in % compared total amount of shares



In public trading during the period January 1–September 31, 2023, a total of 6,251,577 shares were traded (2022: 11,542,508), which corresponds to 14.2 percent (2022: 31.5%) of the average number of shares in the said period. During the period January 1–September 30, 2023, the average number of shares was 36,834,223 (2022: 37,388,225). The share trading volume decreased by 54.6 percent when compared to the corresponding period in 2022.

# 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

20.10.2020 09:55 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 landscape. A white outline of a large question mark is superimposed on the right side of the image. A solid pink rectangular box is on the left side, containing the text 'Thank You. Questions?'.

Thank You.  
Questions?

INNOFACTOR®