

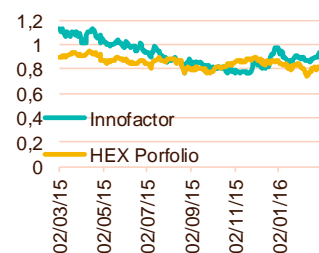
# Innofactor

## Result Comment – 2 March 2016



SHARE	
Company	Innofactor
Price	0,96
Price as of	1.3.2016
High/Low 12m	1.13 / 0.76
COMPANY DATA	
Market Cap. Current	37
EV current	49
No. of shares (out)	33,5
No. of shares (dil)	39,0
SHAREHOLDERS	
Ensio Sami	22 %
Tilman Tuomo	8 %
Laiho Rami	4 %
Linturi Kaija and Risto	4 %
Freefloat	100 %
STOCK DATA	
Bloomberg	IFA1V FH
CALENDAR	
Next report date	26.4.2016
AGM	29.3.2016

### SHARE PRICE



### ANALYST

Aaron Kaartinen  
aaron.kaartinen@fim.com  
+358 9 6134 430  
Fleminginkatu 34  
00510 HELSINKI  
Dealing (09) 6134 3270

### Solid finish to a challenging year

Innofactor finished year 2015 on a solid note and exceeded our profitability estimate and fell only little short of the prior guidance that was revised on 22 December 2015. Considering the extra costs relating to Cinteros acquisition depressing profitability during Q4 and good order book we see positive outlook for 2016.

- Sales growth was inline with our estimate and growth re-accelerated to 2,9% YoY. Profitability was a slight positive surprise with EBITDA of €1,7 million exceeding our estimate by €0,1 million. We consider the underlying profitability to be somewhat higher as Cinteros acquisition costs are not reported as one-off items and Innofactor R&D costs increased to €0,9 million in Q4 (€0,5 million in Q4/14).
- The sales split between commercial and public & third sector clients was at 48% / 52% during 2015 and seems to be gearing towards public sector. Sales split between Finland and Denmark was 82% / 18% implying some stabilization in the Danish operations. Sales split was between integration services (72%), licenses (4%) and recurring services (24%). License sales saw some pick-up in Q4, but remained below last year averages.
- The management misconduct incident in Q3 seems to be under control and a new country head has been appointed in February 2016. We expect that the profitability in Danish operations was somewhat depressed in Q4 and that profitability will pick-up again during 2016.
- Innofactor announced 29 February 2016 the redeeming of €3,2 million hybrid bond with cash and the company had bank loans totaling €11,3 million. Cinteros integration will take some time but we expect the balance sheet to be ready for larger acquisition during 2017.
- Innofactor share is trading at €0,96 per share. Considering the expected dilution from Cinteros acquisition (maximum purchase price) valuation is inline with the Nordic peer group. However, Innofactor has a significant tax asset of €6,7 million (€0,17 per share) that is not reflected in the market multiples. Therefore, Innofactor share has a possibility to overperform if estimates are reached.

Figures in €m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	18,8	32,7	43,8	44,5	58,6	61,5	64,6
Sales growth	9,4 %	73,7 %	34,1 %	1,4 %	31,8 %	5,0 %	5,0 %
EBITDA	1,2	3,9	3,7	3,7	5,6	6,1	6,6
EBITDA margin	6,5 %	12,1 %	8,5 %	8,3 %	9,5 %	9,9 %	10,2 %
EBIT	0,6	2,9	2,3	2,5	4,2	4,6	5,1
EBIT margin	3,3 %	8,9 %	5,3 %	5,7 %	7,1 %	7,5 %	7,8 %
PTP	0,6	2,7	1,7	1,9	3,7	4,1	4,9
EPS	0,02	0,07	0,04	0,05	0,07	0,08	0,10
DPS	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Yield	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,4 %
P/E	31,8	19,2	18,4	21,2	12,8	11,4	9,7
EV/EBIT	24,2	18,8	16,1	17,4	11,7	9,4	8,5
EV/EBITDA	12,4	13,9	10,1	12,0	8,7	7,1	6,5
EV/Sales	0,8	1,7	0,9	1,0	0,8	0,7	0,7
P/B	1,0	2,2	1,1	1,3	1,3	1,2	1,0
ROE	3 %	14 %	6 %	7 %	12 %	13 %	13 %
ROCE	4 %	12 %	7 %	8 %	12 %	13 %	13 %
Net Gearing	5 %	56 %	57 %	47 %	47 %	22 %	17 %
FCF/share	0,00	0,09	-0,01	-0,02	0,06	0,11	0,11

Source: Bloomberg, S-Bank (FIM)

Note: S-Bank has made an agreement with the company this study concerns according to which it receives compensation for the research service provided. S-Bank does not provide any investment recommendation for the share.

# Innofactor

## Result Comment – 2 March 2016



### Deviation table

Deviation	4Q15	4Q15e	Actual vs.	2016e	2016
	Actual	FIM	FIMe	FIM	Guidance
Sales	12,6	12,6	0 %	58,6	>44,5
EBITDA (adj.)	1,7	1,6	11 %	5,6	>3,7
EBITDA-%	13,8 %	12,5 %	1,3ppt	9,5 %	
EBIT (adj.)	1,5	1,3	15 %	4,2	
EBIT-%	11,7 %	10,1 %	15,4 %	7,1 %	
PTP	1,4	1,1	22 %	3,7	
EPS	0,03	0,03	23 %	0,07	
DPS	0,00	0,00	na	0,00	

Sales was inline with our estimate and EBITDA beat our estimate by € 0.1m. As expected per Innofactor dividend guidance Board of Directors proposes no dividend distribution.

Source: S-Pankki (FIM) Estimates

### Estimate changes after the 4Q15 report

Estimate revisions m€	2016e	2016e	Chg.	2017e	2017e	Chg.
	Old	New	%	Old	New	%
Sales	58,9	58,6	0 %	61,8	61,5	0 %
EBITDA (adjusted)	5,7	5,6	-3 %	6,3	6,1	-3 %
EBITDA-%	9,8 %	9,5 %	-0,2 pp	10,2 %	9,9 %	-0,2 pp
EBIT (adjusted)	4,2	4,2	0 %	4,6	4,6	0 %
EBIT-%	7,1 %	7,1 %	0,0 pp	7,5 %	7,5 %	0,0 pp
PTP (adjusted)	3,67	3,7	0 %	4,1	4,1	0 %
EPS (adjusted)	0,07	0,07	3 %	0,08	0,08	2 %

We have made only slight revisions to our 2016 and 2017 estimates.

Source: S-Pankki (FIM) Estimates

### Guidance for 2016

Guidance for 2016 offers limited information due to Cinteros acquisition boosting net sales and EBITDA. However, it is inline with our estimates

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin (EBITDA) was EUR 3.7 million.

Source: Bloomberg, S-Bank (FIM)

Note: S-Bank has made an agreement with the company this study concerns according to which it receives compensation for the research service provided. S-Bank does not provide any investment recommendation for the share.

# Innofactor

## Result Comment – 2 March 2016



GROUP (EURm)	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16e	2Q16e	3Q16e	4Q16e	2016e	2017e
Net sales	<b>43,8</b>	11,2	11,4	9,3	12,6	<b>44,5</b>	14,3	14,6	13,0	16,7	<b>58,6</b>	<b>61,5</b>
Grow th, y/y	<b>34,1 %</b>	4,4 %	1,1 %	-3,5 %	2,9 %	<b>1,4 %</b>	27,8 %	28,6 %	39,5 %	32,6 %	<b>31,8 %</b>	<b>5,0 %</b>
Grow th, q/q	<b>0,0 %</b>	-8,5 %	1,5 %	-17,9 %	35,1 %	<b>0,0 %</b>	13,6 %	2,1 %	-11,0 %	28,5 %	<b>0,0 %</b>	<b>0,0 %</b>
Depreciation	<b>-1,4</b>	-0,4	-0,3	-0,2	-0,3	<b>-1,2</b>	-0,4	-0,4	-0,4	-0,4	<b>-1,4</b>	<b>-1,5</b>
EBIT Adjusted	<b>2,3</b>	0,4	0,1	0,6	1,5	<b>2,5</b>	0,8	0,7	0,8	2,0	<b>4,2</b>	<b>4,6</b>
EBIT margin	<b>5,3 %</b>	3,3 %	1,2 %	6,0 %	11,7 %	<b>5,7 %</b>	5,5 %	4,5 %	5,9 %	11,7 %	<b>7,1 %</b>	<b>7,5 %</b>
Net financials	<b>-0,6</b>	-0,1	-0,3	-0,1	-0,1	<b>-0,6</b>	-0,1	-0,1	-0,1	-0,1	<b>-0,5</b>	<b>-0,5</b>
Associates profit	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>
PTP	<b>1,7</b>	0,3	-0,2	0,5	1,4	<b>1,9</b>	0,7	0,5	0,6	1,8	<b>3,7</b>	<b>4,1</b>
Taxes	<b>-0,4</b>	-0,1	0,0	-0,1	-0,3	<b>-0,4</b>	-0,1	-0,1	-0,1	-0,4	<b>-0,8</b>	<b>-0,9</b>
Minority interest	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>
Net profit	<b>1,3</b>	0,2	-0,2	0,4	1,1	<b>1,5</b>	0,5	0,4	0,5	1,5	<b>2,9</b>	<b>3,3</b>
EPS Adjusted	<b>0,04</b>	0,01	0,00	0,01	0,03	<b>0,05</b>	0,01	0,01	0,01	0,04	<b>0,07</b>	<b>0,08</b>
BALANCE SHEET (EURm)												
Intangibles	<b>3,4</b>	3,3	3,2	3,1	2,9	<b>2,9</b>	2,8	2,6	2,5	2,3	<b>2,3</b>	<b>1,7</b>
Goodwill	<b>19,6</b>	19,6	19,6	19,6	19,6	<b>19,6</b>	27,6	27,6	27,6	27,6	<b>27,6</b>	<b>27,6</b>
Tangibles	<b>0,7</b>	0,6	0,6	0,6	0,5	<b>0,5</b>	0,5	0,5	0,5	0,5	<b>0,5</b>	<b>0,4</b>
Inventory	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>
Receivables	<b>15,5</b>	13,0	13,8	14,0	12,7	<b>12,7</b>	16,6	16,9	18,5	16,8	<b>16,8</b>	<b>17,6</b>
Cash	<b>1,0</b>	3,6	1,1	0,5	0,8	<b>0,8</b>	0,9	1,0	0,5	0,4	<b>0,4</b>	<b>1,6</b>
Assets	<b>47,4</b>	47,2	45,5	44,8	44,0	<b>44,0</b>	55,6	55,8	56,6	54,3	<b>54,3</b>	<b>54,8</b>
Equity	<b>22,5</b>	22,7	23,0	24,0	24,5	<b>24,5</b>	21,6	22,0	22,5	24,0	<b>24,0</b>	<b>27,2</b>
Pension liabilities	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>
Long non-ib debt	<b>0,8</b>	0,9	0,9	0,9	0,8	<b>0,8</b>	6,1	6,1	6,1	6,1	<b>6,1</b>	<b>3,5</b>
Long ib debt	<b>7,7</b>	6,8	6,2	5,5	4,8	<b>4,8</b>	7,8	7,8	9,3	7,3	<b>7,3</b>	<b>3,3</b>
Short ib debt	<b>2,9</b>	2,8	3,1	4,2	4,4	<b>4,4</b>	4,4	4,4	4,4	4,4	<b>4,4</b>	<b>4,4</b>
Short non-ib debt	<b>13,5</b>	14,1	12,3	10,3	9,4	<b>9,4</b>	15,7	15,4	14,3	12,5	<b>12,5</b>	<b>13,7</b>
Advances received	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	0,0	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>
Equity and liabilities	<b>47,4</b>	47,2	45,5	44,8	44,0	<b>44,0</b>	55,6	55,8	56,6	54,3	<b>54,3</b>	<b>52,1</b>
Equity Ratio	<b>47,4 %</b>	48,0 %	50,7 %	53,5 %	55,8 %	<b>55,8 %</b>	38,8 %	39,4 %	39,7 %	44,1 %	<b>44,1 %</b>	<b>49,7 %</b>
Net Gearing	<b>57,2 %</b>	40,7 %	49,0 %	51,7 %	47,2 %	<b>47,2 %</b>	52,6 %	51,1 %	58,7 %	47,1 %	<b>47,1 %</b>	<b>22,4 %</b>
Net debt	<b>12,8</b>	9,2	11,3	12,4	11,6	<b>11,6</b>	11,4	11,2	13,2	11,3	<b>11,3</b>	<b>6,1</b>
ROE	<b>6,4 %</b>					<b>6,6 %</b>					<b>12,0 %</b>	<b>12,8 %</b>
ROCE	<b>7,2 %</b>					<b>7,6 %</b>					<b>12,0 %</b>	<b>12,6 %</b>

# Innofactor

## Result Comment – 2 March 2016



### Peer group valuation

Peer	EV/EBITDA				Peer	EV/EBIT				Peer	P/E				Peer	EV/Sales	P/B
	2015	2016e	2017e	2018e		2015	2016e	2017e	2018e		2015	2016e	2017e	2018e		2016e	Latest
Affecto Oyj	5,5 x	5,3 x	4,8 x		Affecto Oyj	8,2 x	5,9 x	5,3 x		Affecto Oyj	11,1 x	8,6 x	7,6 x		Affecto Oyj	0,5 x	1,0 x
Digia	18,5 x	15,4 x	11,8 x	8,7 x	Digia	14,5 x	23,9 x	14,6 x	10,7 x	Digia	22,2 x	34,0 x	19,3 x	12,9 x	Digia	1,0 x	2,8 x
Nixu Oyj	15,2 x	10,6 x	8,6 x	6,9 x	Nixu Oyj	18,9 x	11,0 x	8,8 x	7,0 x	Nixu Oyj	42,2 x	29,0 x	20,0 x	13,2 x	Nixu Oyj	1,3 x	3,7 x
Tieto Oyj	7,3 x	8,3 x	8,0 x	8,1 x	Tieto Oyj	10,9 x	11,5 x	11,0 x	10,8 x	Tieto Oyj	19,7 x	14,6 x	13,9 x	13,2 x	Tieto Oyj	1,2 x	3,7 x
Siili Solutions	15,6 x	7,5 x	6,9 x	6,4 x	Siili Solutions	22,5 x	7,8 x	7,3 x	6,7 x	Siili Solutions	18,1 x	20,1 x	14,4 x	11,5 x	Siili Solutions	0,8 x	3,9 x
Know It Ab	10,1 x	7,1 x	6,6 x	7,0 x	Know It Ab	12,5 x	7,8 x	7,2 x	7,4 x	Know It Ab	13,3 x	10,1 x	9,2 x	9,3 x	Know It Ab	0,6 x	1,5 x
Hiq Intl Ab	16,1 x	11,7 x	11,1 x	10,1 x	Hiq Intl Ab	13,9 x	12,3 x	11,6 x	10,5 x	Hiq Intl Ab	19,1 x	17,0 x	16,1 x	14,5 x	Hiq Intl Ab	1,6 x	3,8 x
Upper quartile	15,8 x	11,2 x	9,8 x	8,6 x	Upper quartile	16,7 x	11,9 x	11,3 x	10,7 x	Upper quartile	20,9 x	24,6 x	17,7 x	13,2 x	Upper quartile	1,2 x	3,7 x
Median	15,2 x	8,3 x	8,0 x	7,5 x	Median	13,9 x	11,0 x	8,8 x	8,9 x	Median	19,1 x	17,0 x	14,4 x	13,0 x	Median	1,0 x	3,7 x
Lower quartile	8,7 x	7,3 x	6,8 x	6,9 x	Lower quartile	11,7 x	7,8 x	7,2 x	7,1 x	Lower quartile	15,7 x	12,4 x	11,6 x	11,9 x	Lower quartile	0,7 x	2,2 x
Innofactor	12,0 x	8,7 x	7,1 x	6,5 x	Innofactor	17,4 x	11,7 x	9,4 x	8,5 x	Innofactor	21,2 x	12,8 x	11,4 x	9,7 x	Innofactor	0,8 x	1,3 x
% to med.	-21 %	5 %	-11 %	-14 %	% to med.	26 %	6 %	7 %	-5 %	% to med.	11 %	-25 %	-21 %	-26 %	% to med.	-20 %	-63 %

# Innofactor

## Result Comment – 2 March 2016



### DISCLAIMER

This report has been made by S-Bank Ltd (S-Bank). The information in this report is based on publicly available data and information from various sources deemed reliable, but has not been independently verified by S-Bank and/or its affiliate(s), (herein referred collectively to as S-Bank), which therefore does not guarantee that the information is comprehensive and accurate.

All views expressed herein are those of the author(s) at the time of writing and may change without notice. S-Bank holds no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein changes or subsequently becomes inaccurate.

The research material produced by S-Bank is informative in nature, and should not be interpreted as a recommendation to take, or not to take, any particular investment action. This research does not represent an offer or an invitation to buy, sell or subscribe for shares in the company(-ies) under analysis.

This report does not take into regard the specific investment objectives, financial situation or the knowledge or experience of any specific person who may receive this report. Before making an investment decision, recipients are urged to seek expert advice and get well acquainted with the investment market and different investment alternatives. Any loss arising from the use of the information or opinions expressed in this report shall be the sole and exclusive responsibility of the investor. S-Bank accepts no liability for any possible losses or other consequences arising from decisions based on information or opinions expressed in this report or on information acquired from the S-Bank websites.

There are always financial risks related to investment activities, such as the risk of no yield or the risk of losing the capital invested. Past performance does not indicate nor guarantee future performance of an investment. Some investments discussed by S-Bank have high volatility and may therefore experience sudden and large changes in value that may cause losses. It should further be noted that international investing includes risks related to political and economic uncertainties as well as currency risk.

S-Bank is organized with procedures to prevent and avoid any conflict of interest. This includes inter alia routines regarding the secure handling of insider information. In addition Chinese Wall procedures are in place between the research analysts and employees involved in securities trading for the account of S-Bank or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

The research reports and other information received from S-Bank are meant for private use only. The materials may not be copied, quoted or distributed, in part or in whole, without written permission from S-Bank.

The author of this report may be compensated with a bonus based on his/her personal performance and the overall financial performance of S-Bank.

This report is a brief summary and does not purport to contain all available information on the subjects covered.

Regulators:

S-Bank: The Financial Supervisory Authority of Finland ([www.finanssivalvonta.fi](http://www.finanssivalvonta.fi))

### UNITED STATES

This report or copies of it must not be distributed in the United States or to recipients who are citizens of the United States against restrictions stated in the United States legislation. Distributing the report in the United States might be seen as a breach of these laws.

### CANADA

The information provided in this publication is not intended to be distributed or circulated in any manner in Canada and therefore should not be construed as any kind of financial recommendation or advice provided within the meaning of Canadian securities laws.

### OTHER COUNTRIES

Laws and regulations of other countries may also restrict the distribution of this report.

For further information relating to research recommendations and conflict of interest management see: [www.s-pankki.fi](http://www.s-pankki.fi) and [www.fim.com](http://www.fim.com).

# Innofactor

## Result Comment – 2 March 2016



### Contact information

#### Sales

Hans Segercrantz	+358 9 439 01 422
Richard Johansson	+358 9 613 46 202
Kari Lappalainen	+358 9 439 01 425
Sami Listola	+358 9 613 46 234
Jussi Matinlompola	+358 9 613 46 428
Antti Pajukka	+358 9 613 46 321
Thomas Pirker	+358 9 613 46 222

#### FIM Direct, Order Routing

Janne Siik	+358 9 613 46 206
Anna Zayas	+358 9 613 46 492
Janne Virtanen	+358 9 613 46 362

#### Clearing, Settlement and Custody Services

Heli Sirkiä	+358 9 613 46 335
-------------	-------------------

#### Research

Kim Gorschnik	+358 9 613 46 422
Mika Metsälä	+358 9 613 46 304
Aaron Kaartinen	+358 9 613 46 430