

INCAP GROUP

# BUSINESS REVIEW

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JANUARY-SEPTEMBER 2024

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# Incap Group's business review for January–September 2024 (unaudited)

## July–September 2024 highlights

- Revenue for the third quarter of 2024 amounted to EUR 61.8 million (7–9/2023: EUR 50.0 million), an increase of 23.4%. Excluding the impact of company's largest customer, revenue grew 6.1%.
- Revenue grew 7.1% quarter on quarter.
- Adjusted operating profit (EBIT) was EUR 8.1 million (EUR 6.4 million) or 13.1% of revenue (12.7%). Year-on-year increase was 26.9%.
- Operating profit (EBIT) amounted to EUR 7.9 million (EUR 5.7 million) or 12.8% of revenue (11.4%). Year-on-year increase was 37.6%.
- Net profit for the period was EUR 4.9 million (EUR 4.4 million).
- Earnings per share were EUR 0.17 (EUR 0.15).

## January–September 2024 highlights

- Revenue amounted to EUR 170.8 million (1–9/2023: EUR 179.2 million) of which EUR 28.2 million was attributable to US business acquired in July 2023. Year-on-year decrease was 4.7%.
- Excluding the impact of the company's largest customer, revenue grew 23.6%.
- Adjusted operating profit (EBIT) amounted to EUR 21.3 million (EUR 26.2 million) or 12.5% of revenue (14.6%). Year-on-year decrease was 18.7%.
- Operating profit (EBIT) amounted to EUR 20.6 million (EUR 24.5 million) or 12.1% of revenue (13.7%). Year-on-year decrease was 15.9%.
- Net profit for the period was EUR 15.0 million (EUR 18.5 million).
- Earnings per share were EUR 0.51 (EUR 0.63).

Unless otherwise stated, the comparison figures refer to the corresponding period in 2023. This business review is unaudited.

## Key figures

EUR million	7–9/24	7–9/23	Change	4–6/24	Change	1–9/24	1–9/23	Change	1–12/23
Revenue	61.8	50.0	23.4%	57.6	7.1%	170.8	179.2	-4.7%	221.6
Non-recurring items	0.1	0.1	-29.6%	0.1	-6.2%	0.2	0.9	-74.3%	1.1
Operating profit (EBIT)	7.9	5.7	37.6%	6.8	16.5%	20.6	24.5	-15.9%	28.2
EBIT, % of revenue	12.8%	11.4%		11.7%		12.1%	13.7%		12.7%
Adjusted operating profit (EBIT)*	8.1	6.4	26.9%	7.0	15.9%	21.3	26.2	-18.7%	30.6
Adjusted EBIT*, % of revenue	13.1%	12.7%		12.1%		12.5%	14.6%		13.8%
Net profit for the period	4.9	4.4	11.8%	5.1	-2.4%	15.0	18.5	-19.1%	19.8
Equity ratio	63.2%	58.1%		62.9%		63.2%	58.1%		60.6%
Net gearing	-8.4%	4.1%		-5.9%		-8.4%	4.1%		-7.7%

\*Adjusted operating profit (EBIT) is an alternative performance measure. Adjusted EBIT excludes non-recurring items and purchase price allocation amortisation. Adjusted EBIT provides comparable information between different financial years on operating profit.

## Outlook for 2024

Incap estimated 18 July 2024 the revenue in 2024 to be higher than in 2023 and the operating profit (EBIT) in 2024 to be at the same level as in 2023.

Incap specifies 25 October 2024 its guidance and estimates the revenue to be in the range of EUR 227–237 million and the EBIT in the range of EUR 27.5–30.0 million.

## CEO's comments

It was great to see a strong third quarter for Incap despite the challenges in the EMS market. We continued to grow quarter to quarter, as anticipated. In the third quarter, we continued to focus on new customer acquisition, increasing sales to existing ones, and cross-selling opportunities. I am proud of our teams and the good developments in all units.

To bring out some highlights, our unit in India is returning to its higher output, and the team in the US has exceeded our pre-acquisition expectations and is showing excellent results. We had higher order levels and continued to work on driving synergies between our different teams, resulting in additional sales. We also worked on enhancing our processes and improving the management of ESG data in order to comply with the regulation.

Our revenue for the third quarter increased by 23.4% to EUR 61.8 million thanks to solid performance in all units. We also continued with strong profitability in double digits. Our year-on-year increase for EBIT was 37.6%, amounting to EUR 7.9 million.

To support our growth and maintain our competence and service excellence, we consistently evaluate new technologies and invest in our manufacturing. In the third quarter, our team in the UK worked on installing a modern vertical storage system in the factory. Meanwhile, our team in India implemented the installation of solar panels on the roof of the third and newest factory in Tumkur, improving the carbon footprint in our manufacturing.

We always aim to maintain a good dialogue with our customers and organised various customer and supplier events in Slovakia, as well as a customer day in October in Estonia. Our teams participated in several cooperative events and trade shows, while also placing strong emphasis on numerous internal

events and trainings held for our employees. In August, we brought our Sourcing and HR teams together to focus on creating synergies across various areas, including sourcing, culture and values, ESG, and HR. This collaborative effort aimed to enhance our overall effectiveness. We are committed to continuously driving synergy effects and will continue to work together to achieve our goals.

We worked on finalizing our Double Materiality Assessment on group level with the help across all levels of our organization, laying a strong foundation for further development of our sustainability reporting in accordance with CSRD regulations. In October, we launched internal CSRD reporting to identify any gaps in the new reporting platform and ensure we are aligned with our goals and regulation requirements.

Our outlook for the year remains unchanged. Looking ahead, we must acknowledge the uncertainties in the market. Factors such as the economic slowdown in Europe, US elections, geopolitical tensions in Europe, Middle East and South-East Asia could all impact demand in the short-to-medium term. As expected with the increase in component availability, overall visibility in the market has reduced. However, we remain optimistic about the long-term outlook for electronics and the positive trends in the industry. We feel confident in Incap's ability to tackle these potential changes in the market.

Our financial position remains strong, and we will continue to focus on pursuing M&A, concentrating on companies with a strong cultural fit and good profitability.

**Otto Pukk, President and CEO of Incap Corporation**

## Financial performance

### July–September 2024

In July–September 2024, revenue increased 23.4% year on year and amounted to EUR 61.8 million (EUR 50.0 million). The increase was mainly due to increased volumes in our largest customer.

July–September operating profit (EBIT) increased 37.6% year on year and amounted to EUR 7.9 million (EUR 5.7 million). Adjusted operating profit (EBIT) was EUR 8.1 million (EUR 6.4 million), 26.9% higher year on year. Adjusted operating profit margin was

13.1% (12.7%). In July-September 2024, Incap did not record any material credit losses. Provisions for inventory write-offs amounting to EUR 0.3 million (in July-September 2023, provisions were cancelled EUR 0.3 million).

Net profit for the period increased 11.8% year on year and totalled EUR 4.9 million (EUR 4.4 million). Earnings per share were EUR 0.17 (EUR 0.15).

### January–September 2024

In January–September 2024, revenue decreased 4.7% year on year and amounted to EUR 170.8 million (EUR 179.2 million). Revenue was mainly negatively impacted by lower volumes in Incap's largest customer.

January–September operating profit (EBIT) decreased 15.9% year on year and amounted to EUR 20.6 million (EUR 24.5 million). Adjusted operating profit (EBIT) was EUR 21.3 million (EUR 26.2 million). Year-on-year decrease was 18.7%. Adjusted operating profit margin was 12.5% (14.6%).

In January–September 2024, Incap did not record any material credit losses. Provisions for inventory write-offs amounting to EUR 0.5 million (in January-September 2023, provisions were cancelled EUR 0.3 million)

Net profit for the period decreased 19.1% year on year and totalled EUR 15.0 million (EUR 18.5 million). Earnings per share were EUR 0.51 (EUR 0.63).

## Balance sheet and financing

Total assets in the Group's balance sheet on 30 September 2024 stood at EUR 196.5 million (EUR 191.0 million). The Group's equity at the end of the financial period was EUR 120.8 million (EUR 108.2 million).

Liabilities decreased from the comparison period to EUR 75.6 million (EUR 82.8 million). EUR 32.1 million thereof (EUR 34.6 million) were interest-bearing liabilities. Liabilities decreased from the comparison period due to decrease in loan related to the acquisition and decrease in lease liabilities.

The Group's non-current interest-bearing liabilities amounted to EUR 28.9 million (EUR 32.5 million) and non-current non-interest-bearing liabilities to EUR 2.8 million (EUR 5.7 million). Current interest-bearing liabilities were EUR 3.2 million (EUR 2.2 million). Out of the non-current interest-bearing liabilities, a loan of EUR 21.5 million (EUR 24 million) granted by the company's Finnish bank is related to the acquisition.

The main covenants of the Group's loans include equity ratio and the Group's interest-bearing debt in

relation to EBITDA, and their status is reviewed every six months. On 30 September 2024, the target level of interest-bearing debt in relation to EBITDA was below 3.0 and that of the equity ratio over 30%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 1.1 and the equity ratio 63.2%.

With regards to the loans granted by the Indian bank, the company is committed to follow ordinary covenants and the bank's general loan conditions.

At the end of September 2024, the company's financial position remained strong. Equity ratio increased to 63.2% (58.1%). Net gearing was -8.6% (4.1%).

The Group's cash position during the reporting period was good. On 30 September 2024, the Group's cash and cash equivalents totalled EUR 42.2 million (EUR 30.2 million) and the company had unutilised credit lines amounting to EUR 7.8 million (EUR 8.0 million). Change in inventories had a positive impact in cash position.

The Group's quick ratio was 2.3 (1.4), and current ratio was 3.5 (3.2).

Inventory at end of September 2024 totalled EUR 63.9 million (EUR 83.6 million). Inventory decreased during the first nine months of the year, which was mainly due to improved material availability and

therefore improved planning of material utilization. Increase on trade receivables was mainly due to higher volumes compared to previous year and slight decrease of trade payable was in line with the normal business fluctuation.

## Management and organisation

At the end of September 2024, Incap's Management Team consisted of President & CEO, Otto Pukk; Director of Operations, India and Sales APAC, Murthy Munipalli; Director of Operations, Estonia, Margus Jakobson; Director of Operations, Slovakia, Miroslav Michalik;

Director of Operations, U.K., Jamie Maughan; Director of Operations, U.S., David Spehar and CFO Antti Pynnönen.

## Significant events after the end of the reporting period

There were no significant events after the reporting period.

## Financial reporting in 2025

Incap will publish its financial reporting schedule for 2025 in December 2024.

In Helsinki, 25 October 2024

**INCAP CORPORATION**  
Board of Directors

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## Accounting principles for the business review

This business review has been prepared in accordance with IFRS recognition and measurement principles, although not all requirements of the IAS 34 Interim Financial Reporting standard have been followed. When preparing the review, the same

principles have been used as in the 2023 financial statements. Unless otherwise stated, the comparison figures refer to the same period in the previous year. This business review is unaudited.

## Consolidated statement of comprehensive income

(EUR thousands)	1-9/2024	1-9/2023	1-12/2023
<b>REVENUE</b>	<b>170,769</b>	<b>179,161</b>	<b>221,591</b>
Other operating income	1,166	407	423
Change in inventories of finished goods and work in progress	-3,613	-4,666	-5,148
Raw materials and consumables used	-110,881	-121,290	-148,029
Personnel expenses	-23,429	-16,630	-24,029
Depreciation and amortisation	-4,192	-3,194	-4,623
Other operating expenses	-9,193	-9,262	-11,969
<b>OPERATING PROFIT</b>	<b>20,627</b>	<b>24,527</b>	<b>28,216</b>
Financial income	1,315	1,574	944
Financial expenses	-2,363	-2,034	-2,738
<b>PROFIT BEFORE TAX</b>	<b>19,578</b>	<b>24,067</b>	<b>26,422</b>
Income tax	-4,625	-5,587	-6,602
<b>PROFIT FOR THE PERIOD</b>	<b>14,954</b>	<b>18,479</b>	<b>19,820</b>
Earnings per share, EUR	0.51	0.63	0.68
<b>OTHER COMPREHENSIVE INCOME</b>	<b>1-9/2024</b>	<b>1-9/2023</b>	<b>1-12/2023</b>
Items that will not be transferred to P&L (revaluation of employee benefits)	-1	-26	-23
Items that may be recognised in profit or loss at a later date:			
Translation differences from foreign units	-1,212	455	-2,344
Other comprehensive income, net	-1,213	429	-2,367
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>13,741</b>	<b>18,908</b>	<b>17,453</b>
Attributable to:			
Shareholders of the parent company	13,741	18,908	17,453



# Consolidated balance sheet

(EUR thousands)	30 Sep 2024	30 Sep 2023	31 Dec 2023
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	21,297	22,444	21,625
Right-of-use assets	7,195	8,463	8,089
Goodwill	8,478	8,328	8,237
Other intangible assets	5,454	5,750	5,503
Other financial assets	4	4	4
Deferred tax assets	958	980	1,012
Other receivables	397	813	443
<b>TOTAL NON-CURRENT ASSETS</b>	<b>43,783</b>	<b>46,782</b>	<b>44,914</b>
<b>CURRENT ASSETS</b>			
Inventories	63,876	83,600	71,022
Trade and other receivables	46,637	30,426	23,864
Cash and cash equivalents	42,166	30,192	42,550
<b>TOTAL CURRENT ASSETS</b>	<b>152,679</b>	<b>144,218</b>	<b>137,435</b>
<b>TOTAL ASSETS</b>	<b>196,462</b>	<b>191,000</b>	<b>182,349</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital	1,000	1,000	1,000
Reserve for invested unrestricted equity	23,724	23,812	23,745
Exchange differences	-9,043	-5,033	-7,831
Retained earnings	105,144	88,419	89,846
<b>TOTAL EQUITY</b>	<b>120,825</b>	<b>108,198</b>	<b>106,760</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	22,029	24,595	23,643
Lease liabilities	6,588	7,589	6,556
Deferred tax liabilities	1,178	1,492	1,302
Employee benefit obligations	295	293	261
Other liabilities	1,619	4,171	1,619
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>31,709</b>	<b>38,141</b>	<b>33,381</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	40,246	41,983	37,789
Borrowings	2,253	1,251	2,271
Lease liabilities	907	917	1,603
Employee benefit obligations	53	57	54

Other liabilities	468	453	491
<b>TOTAL CURRENT LIABILITIES</b>	<b>43,927</b>	<b>44,661</b>	<b>42,208</b>
<b>TOTAL LIABILITIES</b>	<b>75,637</b>	<b>82,802</b>	<b>75,589</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>196,462</b>	<b>191,000</b>	<b>182,349</b>

## Consolidated cash flow statement

(EUR thousands)	1–9/2024	1–9/2023	1–12/2023
<b>Cash flow from operating activities</b>			
Operating profit	20,627	24,527	28,216
Adjustments to operating profit	4,795	3,789	5,107
Change in working capital			
Change in current receivables	-22,084	12,453	17,928
Change in inventories	6,395	17,340	25,911
Change in current liabilities	5,441	-18,810	-23,184
Interest and charges paid	-1,849	-852	-1,109
Interest received	543	51	162
Paid tax and tax refund	-5,383	-6,432	-8,382
<b>Cash flow from operating activities</b>	<b>8,485</b>	<b>32,065</b>	<b>44,650</b>
<b>Cash flow from investing activities</b>			
Capital expenditure on tangible and intangible assets	-2,905	-6,604	-6,875
Proceeds from sales of tangible and intangible assets	3	45	52
Acquisition of a subsidiary less cash acquired	-2,680	-12,982	-12,478
<b>Cash flow from investing activities</b>	<b>-5,582</b>	<b>-19,541</b>	<b>-19,301</b>
<b>Cash flow from financing activities</b>			
Drawdown of loans	0	27,308	27,445
Repayments of borrowings	-1,734	-15,943	-15,853
Right-of-use asset payments	-1,188	-1,119	-1,506
<b>Cash flow from financing activities</b>	<b>-2,922</b>	<b>10,247</b>	<b>10,086</b>
<b>Change in cash and cash equivalents</b>	<b>-19</b>	<b>22,771</b>	<b>35,435</b>
Cash and cash equivalents at beginning of reporting period	42,550	7,559	7,559
Effect of changes in exchange rates	-365	-138	-443
<b>Cash and cash equivalents at end of reporting period</b>	<b>42,166</b>	<b>30,192</b>	<b>42,550</b>

## Consolidated statement of changes in equity

(EUR thousands)	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
<b>Equity on 1 January 2024</b>	<b>1,000</b>	<b>23,745</b>	<b>-7,831</b>	<b>89,846</b>	<b>106,760</b>
Profit for the period				14,954	14,954
Other comprehensive income			-1,212	-1	-1,213
<b>Total comprehensive income</b>			<b>-1,212</b>	<b>14,953</b>	<b>13,741</b>
<b>Transactions with the owners</b>					
Capital investments		-20			-20
Employee share schemes – value of employee services				345	345
<b>Equity on 30 September 2024</b>	<b>1,000</b>	<b>23,724</b>	<b>-9,043</b>	<b>105,144</b>	<b>120,825</b>
<b>Equity on 1 January 2023</b>	<b>1,000</b>	<b>22,184</b>	<b>-5,487</b>	<b>69,728</b>	<b>87,426</b>
Profit for the period				18,479	18,479
Other comprehensive income			455	-26	429
<b>Total comprehensive income</b>			<b>455</b>	<b>18,454</b>	<b>18,908</b>
Other changes				23	23
<b>Transactions with the owners</b>					
Capital investments		1,627			1,627
Employee share schemes – value of employee services				214	214
<b>Equity on 30 September 2023</b>	<b>1,000</b>	<b>23,812</b>	<b>-5,033</b>	<b>88,419</b>	<b>108,198</b>

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