



INCAP

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**BUSINESS REVIEW**

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JANUARY-SEPTEMBER 2022

## Incap Group's business review for January–September 2022 (unaudited): Solid performance continued in the third quarter

### July–September 2022 highlights

- Revenue grew 50.0% and amounted to EUR 70.6 million (7–9/2021: EUR 47.0 million).
- Adjusted operating profit (EBIT) increased by 41.7%, amounting to EUR 11.2 million (EUR 7.9 million) or 15.9% of revenue (16.9%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.1 million (EUR 0.1 million) and non-recurring costs were EUR 0.2 million (EUR 0.0 million).
- Operating profit (EBIT) increased by 40.2%, amounting to EUR 10.9 million (EUR 7.8 million) or 15.5% of revenue (16.6%).
- Net profit for the period was EUR 7.7 million (EUR 6.4 million).
- In October 2022, Incap specified the outlook and estimates now that revenue in 2022 will be EUR 262–270 million and operating profit (EBIT) EUR 38–42 million.

### January–September 2022 highlights

- Revenue increased 56.4% and amounted to EUR 185.1 million (1–9/2021: EUR 118.3 million).
- Adjusted operating profit (EBIT) increased by 49.2%, amounting to EUR 27.1 million (EUR 18.1 million) or 14.6% of revenue (15.3%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.3 million (EUR 0.4 million) and non-recurring costs were EUR 0.4 million (EUR 0.2 million).
- Operating profit (EBIT) increased by 49.7%, amounting to EUR 26.3 million (EUR 17.6 million) or 14.2% of revenue (14.8%).
- Net profit for the period was EUR 18.9 million (EUR 14.1 million).
- Earnings per share were EUR 0.65 (EUR 0.48).

Unless otherwise stated, the comparison figures refer to the corresponding period in 2021. This business review is unaudited.

## Key figures

EUR million	7–9/22	7–9/21	Change	1–9/22	1–9/21	Change	1–12/21
Revenue	70.6	47.0	50.0%	185.1	118.3	56.4%	169.8
Non-recurring items	0.2	0.0	774.1%	0.4	0.2	117.0%	0.3
Operating profit (EBIT)	10.9	7.8	40.2%	26.3	17.6	49.7%	26.0
EBIT, % of revenue	15.5%	16.6%		14.2%	14.8%		15.3%
Adjusted operating profit (EBIT)*	11.2	7.9	41.7%	27.1	18.1	49.2%	26.8
Adjusted EBIT*, % of revenue	15.9%	16.9%		14.6%	15.3%		15.8%
Net profit for the period	7.7	6.4	21.6%	18.9	14.1	34.1%	21.1

\*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 on operating profit between different financial years.

## Outlook for 2022

Incap estimates that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) for 2022 will be significantly higher than in 2021. Revenue is estimated to be EUR 262–270 million, and operating profit (EBIT) is estimated to be EUR 38–42 million.

The estimates are given provided that unexpected events impacting Incap's business environment do not occur, for example, in the availability of components.

## CEO's comments

I would like to start with thanking our entire Incap team all over the world. Again, we have reached an all-time high result and again our fantastic people have made it happen and delivered.

We continue to see a growing demand in several segments from existing and new customers. This contributed to the growth of our revenue in the third quarter to EUR 70.6 million. In particular, we see growth in industrial electronics, green energy and green mobility. Our efficient and cost effective decentralized operational model increased our profitability to the highest level we have seen in Incap's history.

The material availability situation is still difficult, and our sourcing teams work hard together with our customers to find different solutions and alternatives to secure deliveries. That said, we are now starting to see the market situation slowly improving, giving confidence for the coming year.

There are still many disturbances in the market caused by the pandemic, the ongoing war in Europe and the tensions in trade relations between USA and China. Many markets are now in recession, and inflation is rising and putting pressure on salaries. We have seen energy and raw material prices increasing in all units. Any significant changes in our cost structure are per our agreements passed on to our customers. I would like to emphasize that this applies to both increases and decreases.

Our engineers work hard every day to find ways to optimize our production and to make it more efficient and cost effective, and to find better and more competitively priced components and materials. We remain committed in delivering our services to the highest standard and work closely with our customers to create the best value for them as long-term partners.

Throughout the year, we have kept investing in our factories in Europe and India. In our European units we have continued to invest in production capabilities and capacity, and we begin to see positive effects of these investments. The third factory project in India is scheduled for completion by the end of the year, and currently we estimate it will be ready as planned despite recent challenging weather conditions in the region.

Our financial position remains solid, and we are well placed to actively pursue growth through M&A in addition to our continued organic growth. We are concentrating in companies with a strong cultural fit and good profitability. We look for opportunities for geographical expansion in markets with a well-functioning operating environment such as, but not exclusively, Germany and USA.

On 17 November, we will organise our first Capital Markets Day in Helsinki, Finland. The event will be held in conjunction with the Slush event, and we welcome our investors to join us live or participate in the webcast. For further information, please follow our releases and webpage.

Overall, the times have been challenging and will most likely remain so moving forward. Even if we see some things improving, other challenges are adding up. However, the long-term outlook for our industry remains positive and we see that the growth in electronics will continue. I am confident in our team and our business model, and I am sure we will continue to deliver our excellent services to our customers also in the future.

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

## Business environment

The overall demand and market activity in the electronics manufacturing services (EMS) industry continued at a good level despite the war in Ukraine and lock-downs in China which continued to affect global business environment. The rising general inflation and cost of manufacturing as well as constrained component availability continued. Incap works closely with the suppliers and customers to keep adequate inventory levels to mitigate the risks.

In the electronics manufacturing services industry, customers continue to be very price-conscious and expect that their manufacturing partners continuously increase their efficiency and stay competitive. Incap sees that the ability to quickly adapt to changes is a key success factor in the electronics industry today and in the future. That ability is necessary in developing and

implementing new products, production methods and ideas. The company estimates that long-term market development will be positive because electronics is increasingly used in new types of products such as light vehicles and other everyday items.

In the longer term, the growth in electronics manufacturing services is driven by the growing use of electronics supported with megatrends such as digitalisation. The increasing need for sustainable energy solutions, medical equipment, emerging 5G and IoT ecosystems and the proliferation of electric vehicles contribute to the demand growth. Population growth and aging population will also create opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

## Financial performance

### July–September 2022

In July–September 2022, revenue grew 50.0% year on year and amounted to EUR 70.6 million (EUR 47.0 million). The strong growth was supported by high demand for electronics and an all-time-high order book.

Third quarter operating profit (EBIT) grew 40.2% year on year and amounted to EUR 10.9 million (EUR 7.8 million). Adjusted operating profit (EBIT) was EUR 11.2 million (EUR 7.9 million). Year-on-

year growth was 41.7%. Adjusted operating profit margin was 15.9% (16.9%). Net profit for the period grew 21.6% year on year and totalled EUR 7.7 million (EUR 6.4 million). Incap recorded provisions for inventory write-offs in July–September amounting to EUR 0.6 million (EUR 0.2 million).

### January–September 2022

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January–September operating profit (EBIT) grew 49.7% year on year and amounted to EUR 26.3

million (EUR 17.6 million). Adjusted operating profit (EBIT) was EUR 27.1 million (EUR 18.1 million). Year-on-year growth was 49.2%. Adjusted operating profit margin was 14.6% (15.3%). Incap recorded provisions for inventory write-offs in January–September amounting to EUR 1.1 million (EUR 0.2 million).

Net profit for the period grew 34.1% year on year and totalled EUR 18.9 million (EUR 14.1 million).

At the end of September 2022, the company's financial position remained strong. Equity ratio increased to 53.6% (51.9%). Net gearing was 17.3% (10.6%).

The Group's cash position during the reporting period was good despite the investments in our factories and the increasing net working capital. On 30 September 2022, the Group's cash and cash

equivalents totalled EUR 4.3 million (EUR 3.7 million) and the company had an unutilised bank facility and credit line amounting to EUR 6.9 million (EUR 3.0 million).

Inventory at the end of September 2022 totalled EUR 90.3 million (EUR 42.6 million). The growth in inventory was mainly caused by growth in business.

## Significant events after the end of the period

On 18 October 2022, Incap updated its outlook for 2022. Incap estimates that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) for 2022 will be significantly higher than in 2021. The increase in the revenue and operating profit estimate is driven by improved visibility related to the customers' forecasts and the company's own assessment of the business development.

The estimates are given provided that unexpected events impacting Incap's business environment do not occur, for example, in the availability of components.

Previously Incap estimated that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) for 2022 would be clearly higher than in 2021.

## Financial reporting in 2023

Incap will publish its financial reporting schedule for 2023 in December 2022.

## Webcast

The company will hold a webcast on Thursday, 27 October 2022 at 10:15 a.m. EEST. The result will be presented by Otto Pukk, CEO, and Antti Pynnönen, CFO, Incap Corporation. Additionally, Greg Grace, Director, Operations Estonia, will present Incap's Estonian operations.

The live webcast can be followed at <https://incap.videosync.fi/q3-2022-results>. During

the webcast, the public can ask questions in the chat room at the address mentioned above. The recording of the broadcast will be available on the company's website at <https://incapcorp.com/reports-and-presentations/> later that day.

The event is targeted for analysts, portfolio managers and the media.

In Helsinki, 27 October 2022

**INCAP CORPORATION**  
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