



Incap Group's Business Review for January–March 2020: Profitability on a good level despite the impact of the pandemic

January–March 2020 highlights

- Incap Group revenue amounted to EUR 24.3 million, up 31.3% on the corresponding period of the previous year (January–March 2019: EUR 18.5 million).
- Acquisition of AWS Electronics Group with production facilities in the UK and Slovakia was completed in January 2020.
- Due to the pandemic, revenue and profitability were affected by Indian factory closure, restrictions, the availability of employees, minor delays in the supply of materials and rescheduling of orders.
- Excluding revenue from AWS Electronics Group, the revenue decreased organically by 16.6% compared to the exceptionally strong first quarter in 2019.
- The Group's operating profit (EBIT) amounted to EUR 2.2 million, down 23.7% on the corresponding period (EUR 2.8 million).
- AWS Electronics Group acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.5 million and non-recurring costs were EUR 0.1 million.
- Net profit for the period amounted to EUR 1.6 million, down 27.8% on the corresponding period (EUR 2.2 million).

The information in this business review concerns the development of Incap Group in January–March 2020 and in the corresponding period of 2019, unless otherwise stated. The figures are unaudited.

Key figures

EUR million	1–3/2020	1–3/2019	Change	1–12/2019
Revenue	24.3	18.5	31.3%	71.0
Operating profit (EBIT)	2.2	2.8	-23.7%	10.1
EBIT, % of revenue	8.9%	15.3%		14.2%
Net profit for the period	1.6	2.2	-27.8%	6.3

Outlook for 2020

As a result of uncertainty relating to the COVID-19 pandemic, Incap announced on 24 March 2020 the withdrawal of its current guidance for 2020. Incap's outlook, issued in the Financial Statement Release on 26 February 2020 and withdrawn on 24 March 2020, was:

“Incap estimates that following the acquisition of AWS Electronics Group Incap's revenue will be significantly higher than in 2019 and operating profit (EBIT) slightly higher than in 2019 as there will be one-time integration and transaction costs (for example purchase price allocation amortization). The estimates are given provided that there are no major changes in currency exchange rates or in component availability. Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.”

Otto Pukk, President and CEO of Incap Group:

Incap's first quarter in 2020 started well as we completed the acquisition of AWS Electronics Group, with production facilities in the UK and Slovakia. Through the acquisition we are extending our strategic foothold into the UK and Central Europe and further strengthening our position in the USA and South-East Asia. As a result of the acquisition, we are able to broaden our product offering to our existing customers and enter into new market segments. The acquisition also widens our customer portfolio both in numbers and industrial segments and in the long-term, the acquisition is expected to bring synergy benefits in e.g. material purchasing and cross-selling opportunities. In particular, we expect that the acquisition will open new opportunities between our Indian and the UK operations.

After the good beginning for the year, the COVID-19 outbreak and the resulting pandemic started to have an impact on our operating environment. Governments across the world have taken significant steps to contain the COVID-19 pandemic by restricting the movement of people. Due to the lockdown in India, Incap's largest factory was closed at the end of March. As a result of the measures announced by the British government to contain the COVID-19 pandemic in the UK, Incap's factory in Staffordshire continues to operate with reduced capacity. The pandemic has affected our factories in Estonia and Slovakia as well, where the operations have contracted to some extent due to the availability of employees, minor delays in the supply of materials and rescheduling of orders. As we write this report, the restrictions are ongoing and we expect that the impact of the pandemic on our performance will be stronger in the second quarter. While our factory in India remains in partial lockdown, we have started preparations on a small scale to be ready to ramp up to full speed once the lockdown is lifted.

Reduced operations at our factories resulting from the COVID-19 pandemic had a negative impact on both organic growth and profitability. The profitability was further reduced by the AWS acquisition and the related non-recurring costs and purchase price allocation amortisation. Considering the circumstances, we are satisfied with our EBIT-margin of 8.9 percent. Our revenue grew by 31 percent supported with the AWS acquisition. Excluding the AWS acquisition, our revenue was down by around 17 percent. However, we are seeing an increase in customer contacts and interest in moving

electronics manufacturing services closer to our customers' end-users and the electronics design teams. We believe that the COVID-19 pandemic will further strengthen this trend. Despite these exceptional times, we have not experienced any credit losses. Our flexible operational model supports a steady cashflow, which we are naturally monitoring carefully.

As we move forward, we are committed to following the instructions provided by the local governments and health protection agencies at all our factories as the health and safety of our employees, customers, and partners is our highest priority. We have analysed various scenarios and we continue to monitor closely the situation, while also getting prepared for the uplifting of the restrictions. The ramp-up of activities can be done quickly when the situation changes. To meet the expectations of our customers and the potentially increasing demand, we are working hard to secure the supplies at our factories.

During these extraordinary times, I want to thank our team and all employees who have remained dedicated to maintain the business activities on a good level while at the same time adapting to the governmental policies and all the changes in the operating environment. The visibility is still poor, and it is too early to estimate the impact of the pandemic on our financial performance in 2020. Nevertheless, we are increasingly looking beyond the initial crisis and I believe that our hard work and strong financial position will help us through these tough times. The megatrends and the growth drivers of our industry support us and give us continued trust in the long-term prospects of Incap.

Financial performance

The COVID-19 pandemic had a negative impact on Incap's performance in the first quarter of 2020 while the AWS Electronics acquisition finalized in January 2020 supported the revenue growth.

Revenue improved by 31.3 percent compared to the corresponding period a year ago and amounted to EUR 24.3 (18.5) million.

January–March operating profit (EBIT) was EUR 2.2 (2.8) million. The net profit for the period totalled EUR 1.6 (2.2) million. Operating profit (EBIT) decreased by 23.7% and net profit for the period by 27.8%. The operating profit margin decreased from 15.3% to 8.9%.

The operating profit (EBIT) for the first quarter of 2020 was impacted by the COVID-19 pandemic, which resulted in reduced operations especially at the Indian factory due to the lockdown. The purchase price allocation amortisation relating to the AWS acquisition and the acquisition related non-recurring costs amounted to EUR 0.6 (0.0) million.

The company's financial position remained strong. The equity ratio decreased and was at 32.9% (52.6%) at the end of March 2020. The decrease was mainly related to the AWS acquisition related increase in indebtedness.

Financial reporting in 2020

Incap will publish the half-year report for January–June on 26 August and business review for January–September on 25 November.

INCAP CORPORATION

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INCAP IN BRIEF

Incap Corporation is a trusted partner and one-stop-shop in electronics manufacturing services. As a global EMS company Incap supports customers ranging from large multinationals and mid-sized companies to small start-ups in their complete manufacturing value chain. Incap offers state-of-the-art technology backed up by an entrepreneurial culture and highly qualified personnel. The company has operations in Finland, Estonia, India, Slovakia, the UK and Hong Kong and employs approximately 1,300 people. Incap's share has been listed on Nasdaq Helsinki Ltd stock exchange since 1997.