



INCAP

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**BUSINESS REVIEW**

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JANUARY-SEPTEMBER 2021

## Incap Group's business review for January–September 2021: Continued strong growth and profitability

### July–September 2021 highlights

- Revenue for the third quarter 2021 amounted to EUR 47.0 million (7–9/2020: EUR 28.1 million), showing an increase of 67.5%.
- Adjusted operating profit (EBIT) grew 118.8%, amounting to EUR 7.9 million (EUR 3.6 million) or 16.9% of revenue (12.9%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.1 million (EUR 0.4 million) and non-recurring costs were EUR 0.0 million (EUR 0.0 million).
- Operating profit (EBIT) grew 139.4%, amounting to EUR 7.8 million (EUR 3.3 million) or 16.6% of revenue (11.6%).
- Net profit for the period was EUR 6.4 million (EUR 2.4 million).
- In September 2021, Incap revised its outlook for 2021. Incap estimated that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) in 2021 will be significantly higher than in 2020.
- In October 2021, Incap specified the outlook and estimates now that revenue in 2021 will be EUR 166–171 million and operating profit (EBIT) EUR 24–26 million.

### January–September 2021 highlights

- Revenue grew 57.9 % and amounted to EUR 118.3 million (1–9/2020: EUR 74.9 million).
- Adjusted operating profit (EBIT) grew 102.0%, amounting to EUR 18.1 million (EUR 9.0 million) or 15.3% of revenue (12.1%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.4 million (EUR 1.5 million) and non-recurring costs were EUR 0.2 million (EUR 0.1 million).
- Operating profit (EBIT) grew 133.9%, amounting to EUR 17.6 million (EUR 7.5 million) or 14.8% of revenue (10.0%).
- Net profit for the period was EUR 14.1 million (EUR 5.1 million).

Unless otherwise stated, the comparison figures refer to the corresponding period in 2020. This business review is unaudited.

## Key figures

EUR million	7-9/21	7-9/20	Change	1-9/21	1-9/20	Change	1-12/20
Revenue	47.0	28.1	67.5%	118.3	74.9	57.9%	106.5
Non-recurring items	0.0			0.2	0.1	292.2%	0.1
Operating profit (EBIT)	7.8	3.3	139.4%	17.6	7.5	133.9%	12.6
EBIT, % of revenue	16.6%	11.6%		14.8%	10.0%		11.8%
Adjusted operating profit (EBIT)*	7.9	3.6	118.8%	18.1	9.0	102.0%	14.6
Adjusted EBIT*, % of revenue	16.9%	12.9%		15.3%	12.1%		13.7%
Net profit for the period	6.4	2.4	167.7%	14.1	5.1	177.3%	9.2

\*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 adjusted for acquisition-related expenses.

## Outlook for 2021

Incap estimates that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) in 2021 will be significantly higher than in 2020. Revenue is estimated to be EUR 166–171 million, and operating profit (EBIT) is estimated to be EUR 24–26 million.

The estimates are given provided that there are no major negative changes in the coronavirus

pandemic situation, currency exchange rates or in component availability and they are based both on improved visibility related to the customers' forecasts and the company's own assessments of the business development.

## CEO's comments

Our result for the third quarter was exceptional: revenue was all-time high. This is mainly due to increased demand and to a backlog from the second quarter, when the Indian factories were closed. The growth was largely enabled through capacity expansions of the Indian factory.

Profitability was on an excellent level. The EBIT was also all-time high, and the EBIT margin was among the highest in Incap's history. The high profitability was related to the high volume and favourable product mix and to some extent supported with synergy effects in common functions such as purchasing.

My heartfelt thanks to the entire Incap team, who quarter after quarter prove their dedication to serving our customers and show great team spirit.

With the improved visibility related to our customers' forecasts, we have been able to further specify our outlook for 2021. We now estimate that our revenue, operating profit (EBIT) and adjusted operating profit (EBIT) will be significantly higher than in 2020. More specifically, we estimate that our full year revenue will be EUR 166–171 million and EBIT EUR 24–26 million.

The health and safety of our employees, suppliers and customers remains our first priority. We continue to take all precautions against the coronavirus at all our sites. As part of our commitment to the safety of our personnel, we have for instance organised vaccination programs for our employees.

To meet the growing demand, we have been increasing the production capacity in India. One

expansion project has already been finalised and the second one is close to being finalised and the third factory project is proceeding as planned.

Component availability situation in the market continues to be challenging, and the emerging energy crisis in China might make the development more difficult to foresee. We are working closely with our suppliers and customers to keep adequate inventory levels to mitigate the risks.

In a longer perspective, we see the strong market growth trend continuing. 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.

Our solid financial position makes it possible for us to continue to actively evaluate potential M&A opportunities. 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.

At this time of the year, I am happy to state that we have been well able to navigate through rough waters and I am confident that with the help of our highly professional employees we will continue to be able to offer our customers the excellent services we are known for.

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

## Financial performance

### July–September 2021

In July–September 2021, revenue grew 67.5 per cent year on year and amounted to EUR 47.0 million (EUR 28.1 million). The strong growth was driven mainly by increased demand and to a backlog from the second quarter.

Third quarter operating profit (EBIT) grew 139.4% year on year and amounted to EUR 7.8 million (EUR 3.3 million). July–September adjusted

operating profit (EBIT) was EUR 7.9 million (EUR 3.6 million). Year-on-year growth was 118.8%. Adjusted operating profit margin was 16.9% (12.9%). Net profit for the period grew 167.7% year on year and totalled EUR 6.4 million (EUR 2.4 million).

### January–September 2021

In January–September 2021, revenue grew 57.9 per cent year on year and amounted to EUR 118.3 million (EUR 74.9 million). The strong growth was driven mainly by increased demand.

January–September operating profit (EBIT) grew 133.9% year on year and amounted to EUR 17.6 million (EUR 7.5 million). Adjusted operating profit (EBIT) was EUR 18.1 million (EUR 9.0 million). Year-on-year growth was 102.0%. Adjusted operating profit margin was 15.3% (12.1 %).

Net profit for the period almost tripled year on year and totalled EUR 14.1 million (EUR 5.1 million).

At the end of September 2021, the Group's financial position remained strong. Equity ratio increased to 51.9% (35.4%), and net gearing was 10.6% (59.8%). The improvement in the financial position was mainly due to solid profitability and a EUR 10 million loan amortisation in December 2020.

The Group's cash position during the reporting period remained healthy considering the strong organic growth. On 30 September 2021, the Group's cash and cash equivalents totalled EUR 3.7 million (EUR 6.9 million) and the company had an unutilised credit line amounting to EUR 3.0 million.

## Significant events after the end of the period

There have been no significant events after the reporting period.

## Financial reporting in 2022

Incap will publish the 2022 financial reporting schedule in December 2021.

In Helsinki, 27 October 2021

**INCAP CORPORATION**

Board of Directors

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