

INCAP

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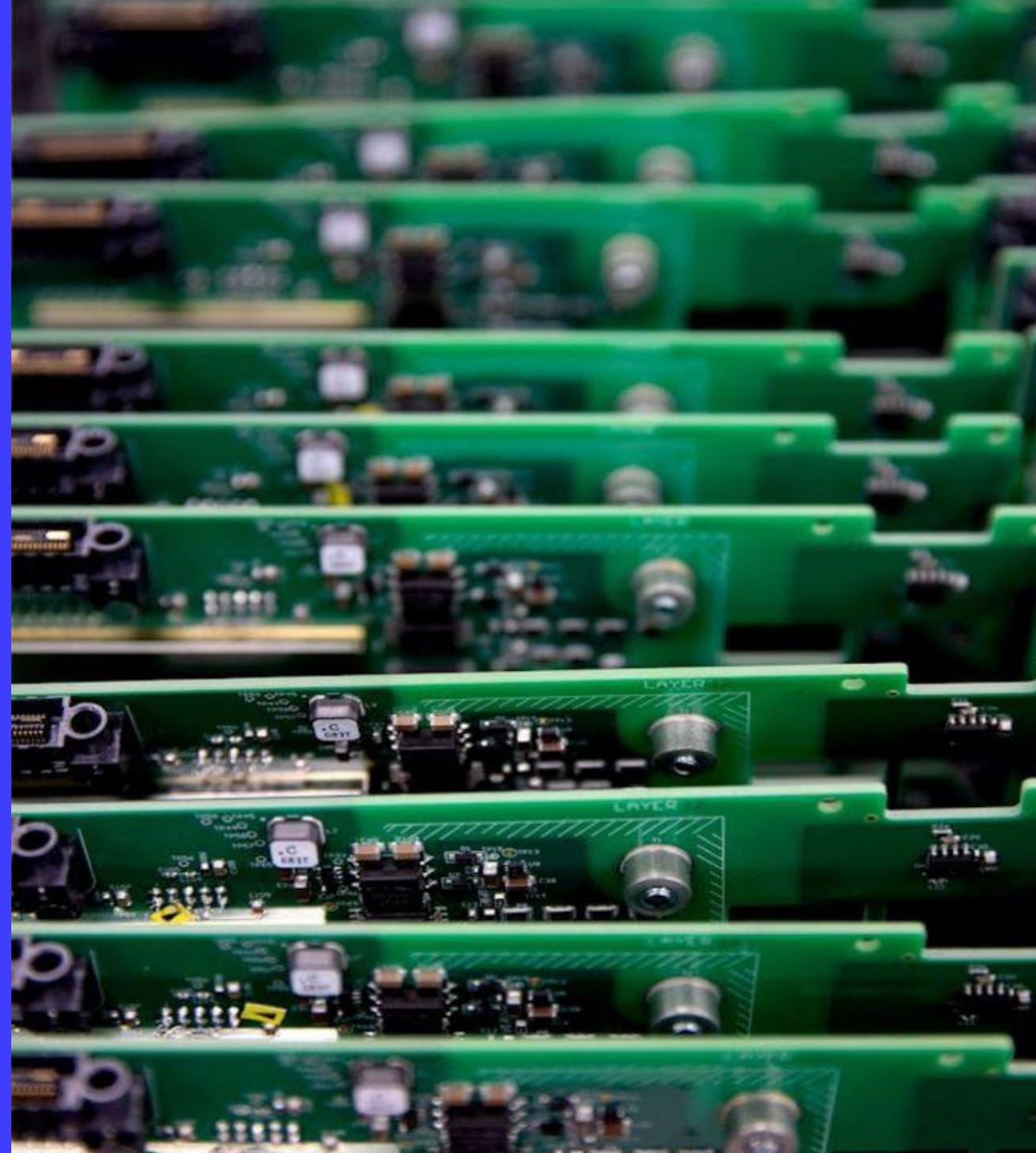
This is a translated version of " Pitkä peli näyttää hyvältä, lyhyt haastavammalta" report, published on 6/22/2025



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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Long game looks good, short one more challenging

Incap's key strength, cost efficiency, has supported the company's excellent profitability in recent years, despite fluctuations in the market situation. We trust that the company will maintain its strengths in the future. There is greater uncertainty associated with creating growth in the short term due to the strained trade and geopolitical situation, while the longer-term outlook is better thanks to the clear growth of the electronics market and the M&A option. In our view, Incap's share is somewhat neutrally priced when viewed against the overall picture with a one-year horizon. Therefore, we reiterate our target price of EUR 12.00 for Incap and downgrade our recommendation to Reduce (was Accumulate) as the short-term upside of the share has narrowed.

Incap is a high-performance contract manufacturer

Incap is an electronics industry contract manufacturer that primarily specializes in high mix / low volume applications. The company creates added value for its customers 1) by allowing more efficient resource allocation for OEMs to core business activities such as product development, sales and marketing, and 2) by bringing flexibility to OEMs through outsourced production both to capacity and cost management. Incap has built a decentralized organizational model, which in turn has led to a lean organization, low overhead costs, fast operational decision-making, and a cost-oriented culture. In addition, a significant share of the company's production is in low-cost countries (particularly India). We believe that these factors are the key strengths of the company. The main risks still include a single large customer (2024: 41% of the company's revenue), fluctuations inherent in investment-driven demand, and potentially intensifying competition.

Strong earnings growth may be delayed until the coming years

Incap's revenue grew rapidly at the beginning of the decade, but in 2023-2024, the inventory correction of the largest customer and the effects of rising interest rates have slowed down growth. In the short term, the impacts of the trade and geopolitical situation on

customers' decisions continue to pressure the growth outlook. The electrification of the world and the resulting increase in electronics, as well as the rising outsourcing rates and shares of industrial equipment manufacturers, are, however, driving up the demand for contract manufacturers in the long run, in line with GDP growth or faster. In addition, Europe's need to increase defense investments may open up growth opportunities for contract manufacturers like Incap, which are capable of rapidly scaling up production. The fragmented structure of the industry, together with Incap's current very strong balance sheet position, forms a solid foundation for growth through acquisitions. In light of the company and industry background, we deem Incap's value creation opportunities good in acquisitions (including the successful AWS and Pennatronics acquisitions). In our baseline scenario, we expect Incap to return to double-digit growth at the latest next year, but due to a weak Q1, increasingly challenging comparables towards the end of the year, and the still unclear trade and geopolitical situation, there is a risk associated with the current year's upward-trending guidance, especially regarding earnings. We estimate profitability to remain exceptionally strong relative to the industry at approximately 13% adjusted EBIT margin, thanks to the aforementioned strengths, but value creation must primarily come through growth.

The valuation picture is already relatively neutral on a one-year horizon

Incap's P/E ratios for 2025 and 2026 based on our estimates are 15x and 13x, while the corresponding EV/EBIT ratios are 9x and 8x. Absolute multiples are justifiably above historical levels, but they fall within our estimated neutral multiple range for the current year. The upside to the share's DCF value is also limited. Therefore, we view the share's risk/reward ratio as relatively neutral for the year, with a 12-month horizon. Upside risks for the share could include favorable acquisitions and stronger earnings development than our forecasts.

Recommendation

Reduce

(was Accumulate)

Target price:

EUR 12.00

(was EUR 12.00)

Share price:

EUR 11.12

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	230	237	266	292
growth-%	4%	3%	12%	10%
EBIT adj.	30.1	30.1	33.8	38.0
EBIT-% adj.	13.1 %	12.7 %	12.7 %	13.0 %
Net income	22.7	21.7	25.4	28.7
EPS (adj.)	0.79	0.75	0.88	0.99
P/E (adj.)	12.9	14.8	12.7	11.2
P/B	2.3	2.1	1.8	1.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	1.8 %
EV/EBIT (adj.)	8.6	9.0	7.5	6.2
EV/EBITDA	7.5	7.7	6.5	5.4
EV/S	1.1	1.1	1.0	0.8

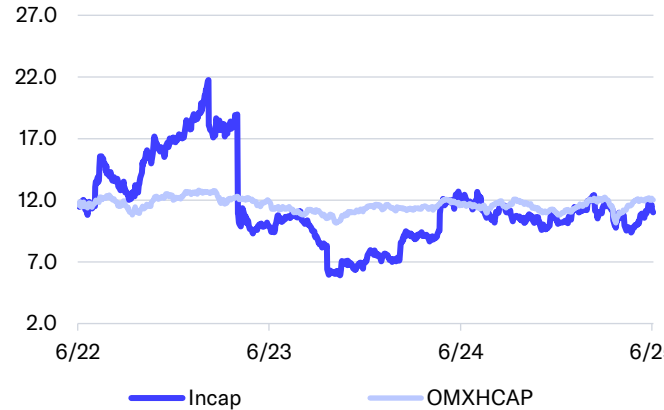
Source: Inderes

Guidance

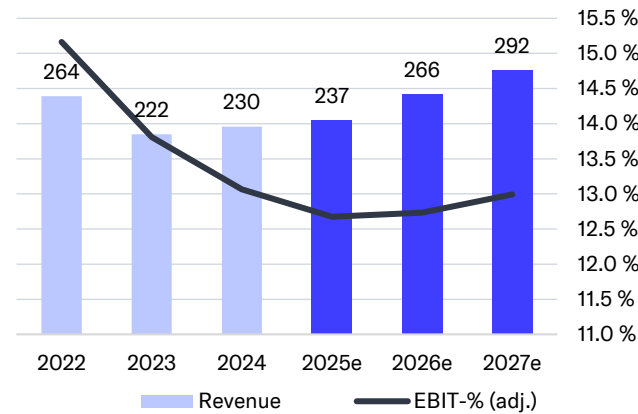
(Unchanged)

Incap estimates that the company's revenue and operating profit (EBIT) in 2025 will be higher than in 2024.

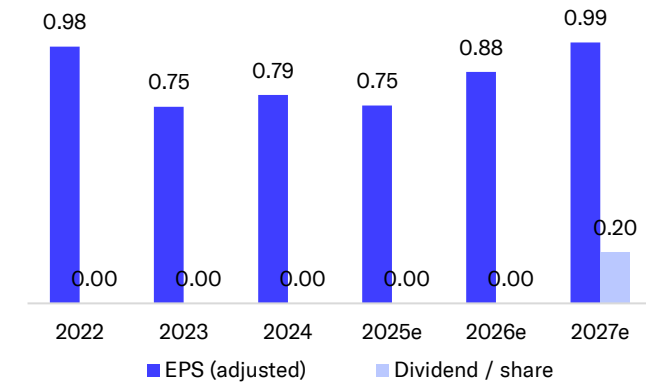
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Organic growth in the electronics market, supported by global megatrends and increased outsourcing rate
- Light organization and cost structure enable a high profitability level
- Quick decision-making supports new customer procurement
- Accelerating growth with acquisitions
- Cross-selling potential created by the Pennatronics acquisition

Risk factors

- Mutually challenging value chain position upholds a brutal competitive situation
- Cyclical or volatile nature of customer industries
- Tightening competitive situation
- Company's cost efficiency deteriorating
- Supply chain disruptions
- Risk related to individual customers still elevated

Valuation	2025e	2026e	2027e
Share price	11.1	11.1	11.1
Number of shares, millions	29.4	29.4	29.4
Market cap	327	327	327
EV	272	255	236
P/E (adj.)	14.8	12.7	11.2
P/E	15.1	12.9	11.4
P/B	2.1	1.8	1.6
P/S	1.4	1.2	1.1
EV/Sales	1.1	1.0	0.8
EV/EBITDA	7.7	6.5	5.4
EV/EBIT (adj.)	9.0	7.5	6.2
Payout ratio (%)	0.0 %	0.0 %	20.0 %
Dividend yield-%	0.0 %	0.0 %	1.8 %

Source: Inderes

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Incap in brief

Incap is a contract manufacturer for the electronics industry, which acts as a strategic partner for global OEM companies with focus on high-tech.

1985

Year of establishment

1997

IPO on the Helsinki Stock Exchange

230 MEUR (+3.8% vs. 2023)

Revenue in 2024

30.1 MEUR (13.1% of revenue)

Adjusted EBIT in 2024

34%

Average ROIC in 2017-2024

2,554 (+47% vs. 2023)

Headcount at the end of 2024



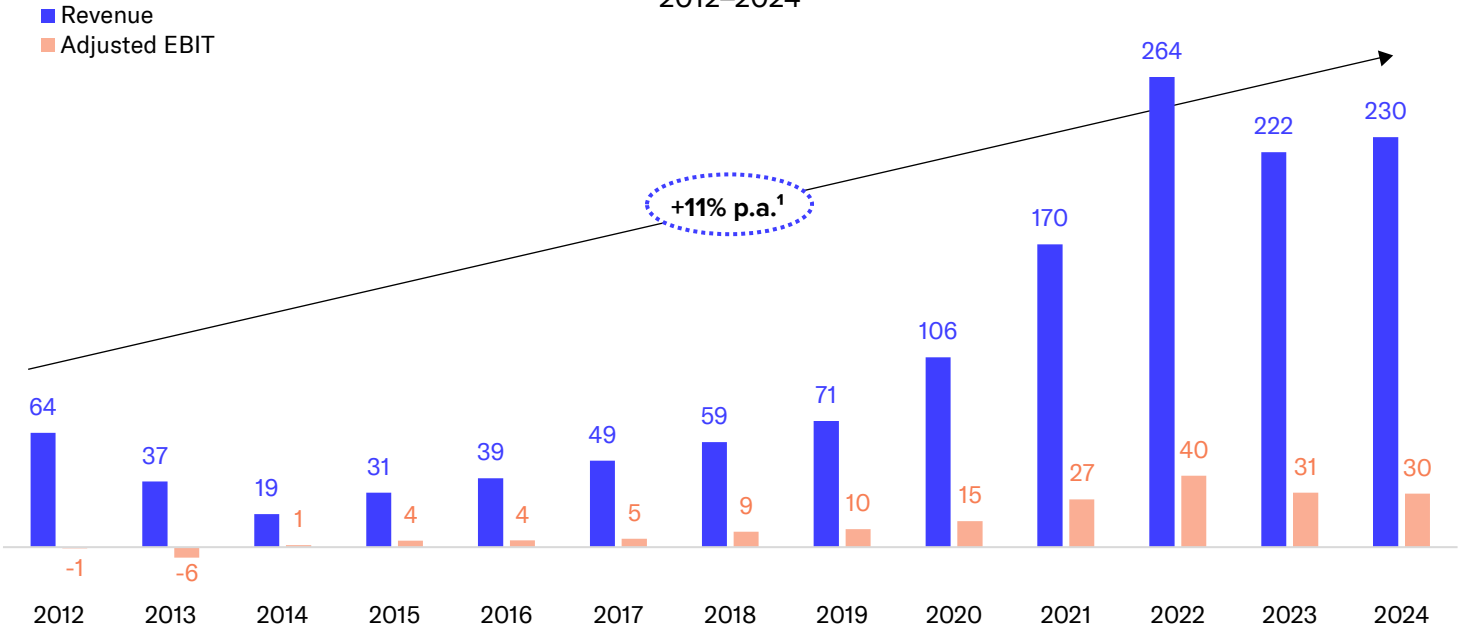
Change in business model 2012-2015

- Large structural arrangements create the base for a sustainable profitability turnaround
- The organizational model is based on decentralized decision-making and the strategy is sharpened
- A kind of business reboot and finding a profitable growth path

Dramatic revenue growth 2016-2024

- Organic growth rate remains excellent on the wing of the largest customer and profitability level rises to the top of the industry
- Organic and inorganic investments in growth
- Revenue and earnings growth unexpectedly falters, particularly due to the largest customer's inventory issues in 2023-2024.

Revenue and profitability development (MEUR)
2012-2024



Source: Incap, Inderes
*Average revenue growth (CAGR)

Company description and business model 1/8

Contract manufacturer in industrial electronics

Incap is an electronics industry contract manufacturer that specializes in manufacturing applications with high technical requirements and small production series (high mix / low volume) for mainly industrial electronics. Within it, the company also has a significant focus on manufacturing technology related to the green transition. For example, taxonomy-eligible products accounted for 100% of revenue in the EU taxonomy classification for green transition. At operations level, this means that Incap has the necessary ability to manufacture the entire product or sub-assembly for the customer, typically OEM companies. Therefore, Incap in practice creates value for its customers through two routes: 1) by allowing more efficient resource allocation for OEMS to core business activities such as product development, sales and marketing, and 2) by bringing flexibility points (incl. responsiveness) through outsourced production to manage both capacity and costs.

Incap's end products include inverters, various control systems and measuring instruments. Although Incap's strategic focus is fundamentally on industrial electronics, we believe that the company is not overlooking the potential of small batch consumer electronics, as long as they are sufficiently attractive. As a concrete example of such opportunities, we see light vehicles such as electric scooters and their charging infrastructure, which we believe has provided the company with excellent business paths in recent years. However, mass-produced consumer products (e.g. phones and computers) are not Incap's focus area.

Europe and large customers

In 2024, Incap's revenue was 230 MEUR and operating profitability (adj. EBIT %), was at an excellent level of 13.1% when lined with the industry context. Geographically, the company's business is dominated by Europe, with around 75% of its business coming from the region last year, based on the end customer locations. The second most significant market is North America with a 20% revenue share, while Asia's share of revenue is 5%. Although the equipment manufacturers we assess as Incap customers are global players, their main markets are primarily within Europe. Based on Incap's production, the revenue mix would be different, as the Indian plants are by far the company's largest production unit. In other words, Incap operates with a strong export-driven business model.

Incap's customer portfolio is concentrated, since the largest customer accounted for 41% of revenue in 2024 (2023: 47%). According to Inderes' estimate based on public sources, the largest customer is Victron Energy, but Incap has not published its customers. The largest customer has also grown significantly faster than the rest of the Group before the stalling due to the overgrowth in inventories in 2023. The four largest customers accounted for 59% of revenue (58% in 2023), so the other large customers are not significant in relation to the size of the Group. It should be noted, however, that in 2024 the growth of the second largest customer accounted for the majority of the Group's growth. The second largest customer operates, in our view, in project-based business, so the annual revenue of that customer is likely to vary.



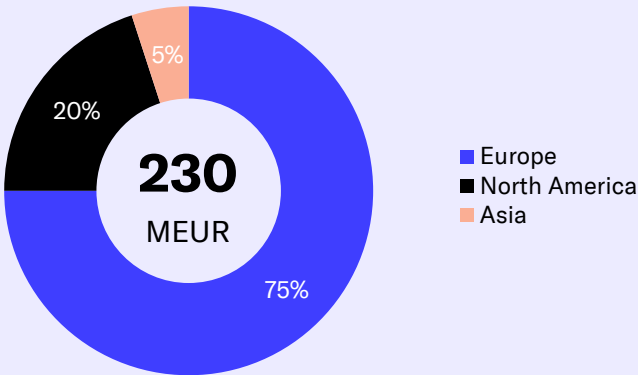
More than 30 years of operational history and high-level technology expertise

Strategic focus on high mix / low volume applications for industrial electronics

Production plants mainly in countries with low cost structures and a light organizational structure increase competitiveness

In addition to efficient PCB assembly, also capabilities for larger comprehensive deliveries

Geographical revenue breakdown (2024)



Company description and business model 2/8

Last year, the company had 33 (26 in 2023) customers who brought in more than 1 MEUR in revenue. Overall, we estimate that the number of customers is several dozen. We estimate that Incap's key accounts are long-term and, in many cases, strategic partnerships. Thus, in principle, there is little customer turnover in the portfolio.

Incap's concentrated customer structure increases Incap's risk profile relative to its peers, even though 1) the customer portfolio clearly leveled out during 2023-2024, 2) customer concentrations are not significantly unusual in the industry, and 3) losing large customers is rare due to high switching costs. In particular, the direction of the largest customer's (i.e. Victron Energy) business still has a material impact on Incap's direction in the short term. Thus, the risk of fluctuation is still present, even though the partial realization of customer risk and other measures in 2023 have balanced the scales in this respect from the perspective of the share and the business.

We believe that Victron Energy is the largest customer

We estimate that Victron Energy, a Dutch power electronics manufacturer is Incap's largest customer. Incap does not report its customers. The company's products include inverters, chargers, batteries, solar panels, charge controllers and accessories. The company has over 100 employees, of whom a significant share are R&D engineers. The company has grown into a major player in its field and its products are sold globally. Victron Energy's goal is to provide its customers with reliable and sustainable solutions that enable them to generate and use electricity in the most efficient and environmentally friendly way possible. The products are widely used in a variety of applications and are popular with boaters, recreational

vehicle owners, industry, and households.

One of Victron Energy's main growth platforms in recent years has been renewable energy solutions, especially solar panels and photovoltaic power plants. The company has developed several new products, such as smart charge controllers and solar panel optimizers, to help customers maximize the benefits of solar power. Thus, the green transition is likely to continue to be a significant demand driver for Victron Energy. However, we estimate that rising interest rates and falling energy prices were a significant reason for the decline in Victron Energy's revenue in 2023, which in turn revealed the company's oversized inventories.

Victron Energy's growth has been spectacular

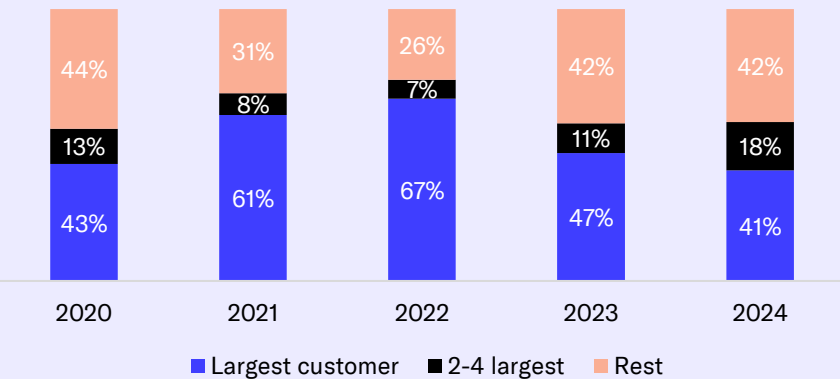
The company's revenue has grown significantly in recent years and it has expanded into several new markets around the world. Victron Energy's revenue has grown from 55 MEUR to 538 MEUR between 2013 and 2023, i.e. about 26% per year (CAGR). Victron Energy appears to be a very competitive player, with excellent profitability despite strong growth. Operational efficiency has been excellent, as the average EBIT margin has been 23-25% in 2013-2022. In 2023, however, the EBIT margin plummeted to 13% due to the slowdown in growth and, in particular, write-downs on inventory. According to our assessment, the company has a strong financial position. At the end of the year, the company has on average had just under 40% of the previous year's revenue in inventories in 2013-2023.

Victron Energy's 2024 financial statement figures are not available to us. However, we understand that the company's revenue has stabilized. We estimate the inventory level has decreased

Potential customers¹



Customer structure Share of revenue (2020–2024)



Source: Incap, companies, Inderes
¹Based on Inderes' estimates of potential customers, Incap does not disclose its customers.

Company description and business model (3/8)

quite clearly at least in absolute terms during the year.

We are confident that Victron Energy's business is on a solid footing in the big picture

Victron Energy's good positioning in the green trend and the company's mainly forcible recent financial history increase confidence in Victron Energy's ability to grow profitably also in the future. Of course, this is also important from the perspective of Incap's growth and profitability. However, as an unlisted company, the transparency of Victron Energy's business development and long-term objectives is very weak and surprises may continue to occur, both good and bad.

Another positive aspect for Incap is that the companies seem to be genuine strategic partners, as while Victron Energy is by far Incap's largest customer, we also believe Incap is Victron Energy's largest manufacturing partner with a share of 40%. In our understanding, Incap has not lost its share of Victron's deliveries in recent years, but has rather won back some production that was temporarily moved elsewhere. Thus, in our view, the interest in developing cooperation should be mutual. Of course, this does not remove the fact that contract manufacturers primarily offer their customers flexibility and efficiency, and ensuring these basic conditions may also require unpleasant actions from Incap's point of view in the short term (cf. the clear reduction of production at least in H2'23-H1'24 to reduce Victron Energy's inventories).

Acquisitions would diversify the customer risk

The AWS acquisition in Q1'20 and the Pennatronics acquisition, which was finalized at the beginning of H2'23, have slightly diversified customer risk in recent years, as they have brought a total of approximately 70 MEUR in

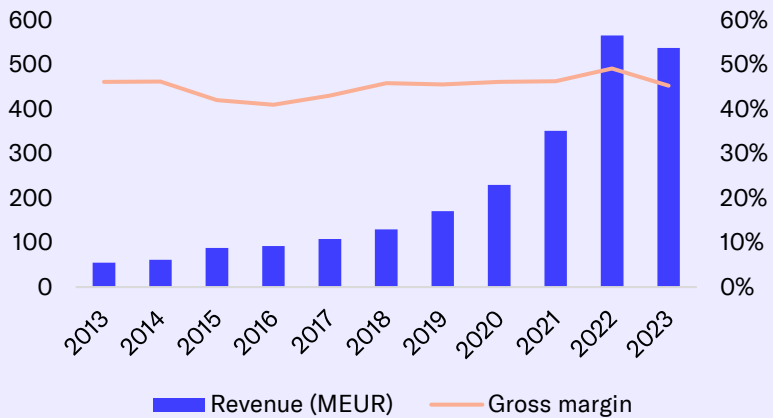
revenue to the Group at the outset. Given Incap's prevailing customer structure, we believe that further diversification of the risk remains high on the company's list of priorities. The quickest way to reduce customer risk would be to continue acquisitions. However, we still believe that investors should be prepared to tolerate somewhat higher than average customer risk in Incap for the time being, as it is difficult to anticipate the timetable for finding good acquisitions.

Long-term cooperation

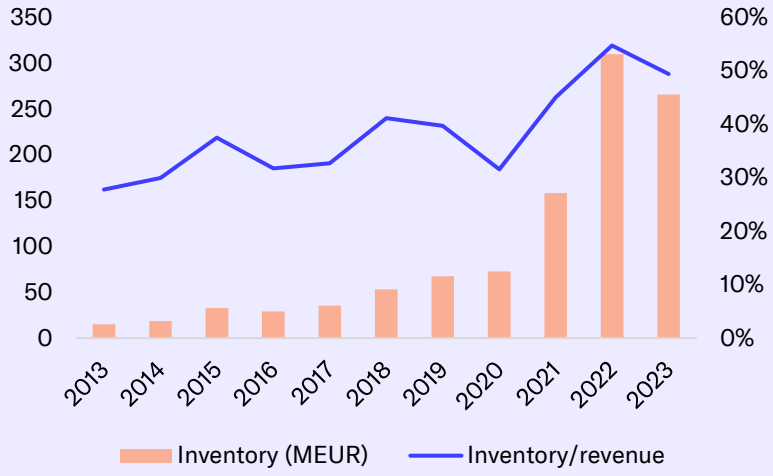
According to our estimates, the company aims at long-term strategic cooperation with its most significant customers, which will enable Incap to exploit its own strengths and increasing order intake, both on volume and value basis. One of the key factors in creating such cooperation is, in our opinion, the customer's trust in the contract manufacturer. The contract manufacturer is responsible for the production activities that are critical for the customer's success. Thus, we believe that trust must be earned through high-quality and secure supply. In addition to strengthened customer relationships, success in these elements also increases the switching costs faced by the customer, in our view, and thus creates a certain competitive advantage for the contract manufacturer. On the other side of the coin, the same factors also slow down the acquisition of new customers.

We feel Incap has succeeded in building strategic partnerships, as customer relationships with key customers have been long-lived and we estimate that in the past few years the company has also managed to win over significant customer-specific market shares. We also believe that the newer customer portfolio that came with AWS and Pennatronics has developed in a similar way.

Victron Energy B.V. revenue and profitability development



Victron Energy B.V. varaston kehitys



Source: Netherlands Trade Register, Inderes

Company description and business model (4/8)

Victron Energy’s 2024 financial statement figures are not available to us. However, we understand that the company’s revenue has stabilized. We estimate that inventory levels have already fallen quite clearly at least in absolute terms during the year. This, together with the enlarged geographical footprint and range of industries, provides Incap with a good basis for strengthening existing customer relationships and establishing new strategic partnerships with competitive operators and realizing the longer-term growth take-offs these generate.

The factories are responsible for the whole

Incap only reports revenue at group level and broken down into geographical areas. Examined by production plant, we believe that the supply from Estonia, Slovakia and India is mainly directed toward Europe, while the Indian, British and US units supply the majority of deliveries to North America and Asia.

However, the production and service selection of all units have, in our opinion, next to actual volume production the ability to manufacture pre-series and prototype products, design support and after-sales services. There are, however, normal differences in the customer and production mix of the units, since we believe that, for example, portfolios in Estonia and Great Britain have many start-ups as customers next to established customers. In India and Slovakia, customers are mostly more mature in their life cycle. The US has both. Of course, due to the specific characteristics of certain applications and the local manufacturing clusters in certain sectors, such as the certificates required to manufacture medical instruments and the automotive cluster in Eastern Europe, there are

natural differences of focus between production units also when examined by industry.

Factories that operate as independent cost centers are responsible for their production planning, customer acquisition, offer calculation, actual production processes and pricing, as set out in the Group Guidelines. In turn, component procurement is mainly organized through local teams within the production operations, although procurement is coordinated at Group level through the Hong Kong supply unit as well. The procurement model worked very well during the component shortages of 2021-2022, as Incap did not experience any visible disruption in revenue and profit from component shortages. Support functions concentrated to the top level are largely limited to IT and financial administration services.

As a result of these choices, Incap’s organizational structure has become very thin (cf. approximately 5 people work in the headquarters). This in turn has led to very low overheads, fast operational responsiveness and excellent cost awareness. We consider these elements, and thus the overall highly efficient operating model, to be Incap's key competitive assets, which together with the very low personnel costs of Indian production enable the company to achieve industry-leading profitability. Noteworthy is, however, that the company managed to maintain strong profitability both in the growth period of 2020–H1’23 and when revenue stagnated in H2’23-H1’24.

Production plant network 1/2



India

Description	Currently three units in Tumkur
Total floor area	34,500 m²
Number of employees	1,780 employees
Special expertise	Highly cost-effective volume production, but also capabilities for pre-series and other support functions
Production portfolio	A broad product portfolio including, among other things, transformers, UPS devices and electronics for refueling terminals



Estonia

Description	The Kuressaare production plant serves established and start-up phase operators whose primary target markets are in Europe.
Total floor area	7,300 m²
Number of employees	127 employees
Special expertise	Efficient ramp-up of new products through special competence in a wide range of services
Production portfolio	Focus on technologically advanced partial or turnkey deliveries

Company description and business model (5/8)

In our view, this is a good indication that the model has a degree of sustainability, although we do not consider it justified to talk about a sustainable source of competitive advantage, given the replicable elements of the model. We also believe that the performance in H2'23 shows that even in factories outside India, profitability is very strong relative to the context of the industry.

Two thirds of deliveries were Box Build assemblies last year

Incap's business model consists of a few core processes and functions with which the company aims to both create and establish its position in the customer's value chain. As typical for contract manufacturers, the core competence of Incap's operations is PCB assembly (PCBA). In PCBA, various electronic components are set up and attached to a circuit board, as the name suggests, in order to achieve a whole that matches the requirements of the end product. We believe that the current lines of Incap's production plants are quite modern, reflecting which we also believe the actual PCB know-how is competitive.

Despite the fundamental nature of PCBA, the added value it creates is not, according to our estimates, that large as an individual or independent function. Considering this, we believe that competitive PCB skills should be seen more as a hygiene factor than an ability that brings a relative advantage, and thus as a basic requirement for operations with higher added value, such as Box Build assembly, lifecycle services for the whole product portfolio and other tailored sub-processes. In Box Build assembly, in particular, Incap's share in the value chain of the end application is wide, as the company is responsible for manufacturing the

entire product (incl. materials acquisition, wiring and harness works, and product testing) and delivering it to the OEMs' distribution channel. Managing a wide value chain segment in turn means not only higher value added but also better customer retention than in PCBA alone and a stronger customer relationship. Last year, 65% of Incap's deliveries were Box Build assemblies, so the company has achieved high value-added deliveries on a significant scale.

Lifecycle and other tailored services include, e.g., support functions for product and production planning, various test operations, and, according to our estimates, repair work on a small scale. Although the actual manufacturing activity is at the core of Incap's business model and the current revenue share of services is estimated to be small, it is logical to have service capability when considering longer-term overall offering. Through services, the company will be able to help both small operators in the early stages of their life cycle and offer larger equipment manufacturers packages that complement manufacturing operations, thereby providing sensible growth paths from early-stage support functions and prototypes to later stage volume production.

The production lines of contract manufacturers are typically standardized, and we do not believe that it is possible to improve relative competitiveness nor obtain a competitive lead through mere equipment investments. Despite reasonable automation levels, Incap's production processes still have a lot of personnel-intensive phases and the people who control these are variable pieces. High labor intensity and the importance of a seamless

Production plant network 2/2



Great Britain

Description	The unit in Newcastle has extensive resources to provide total deliveries
Total floor area	4,400 m²
Number of employees	171 employees
Special expertise	Extensive experience, especially with customers in the defense, security, and aviation sectors, and in prototype series.



Slovakia

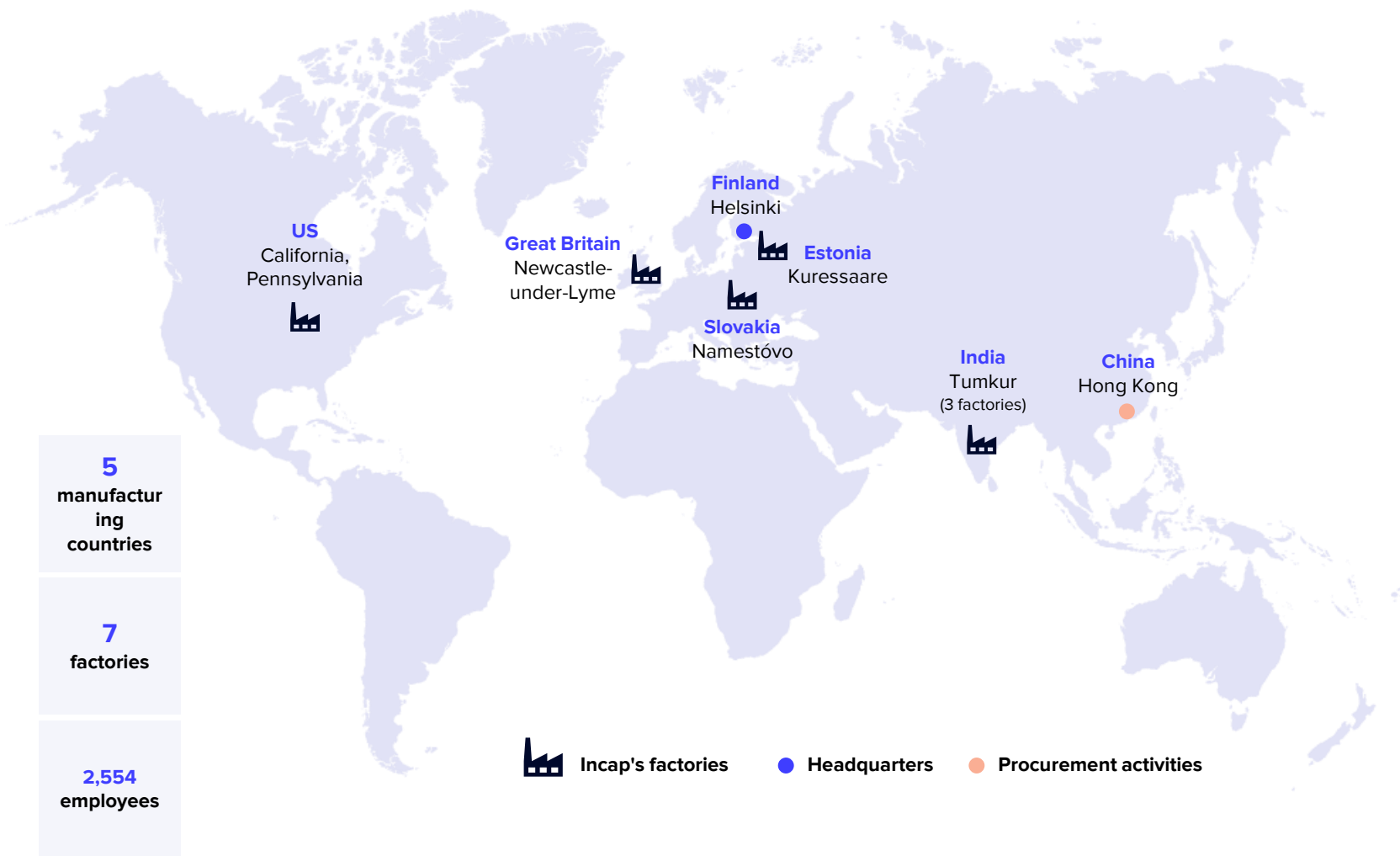
Description	The Namestovo plant is in practice a mirror image of the British unit
Total floor area	6,400 m²
Number of employees	340 employees
Special expertise	A special feature is a hall fully dedicated to serving the automotive industry



US

Description	Production plant from the Pennatronics acquisition
Total floor area	6,500 m²
Number of employees	133 employees
Special expertise	The plant serves North American customers in particular in several industries

Incap operates globally



5

manufacturing countries

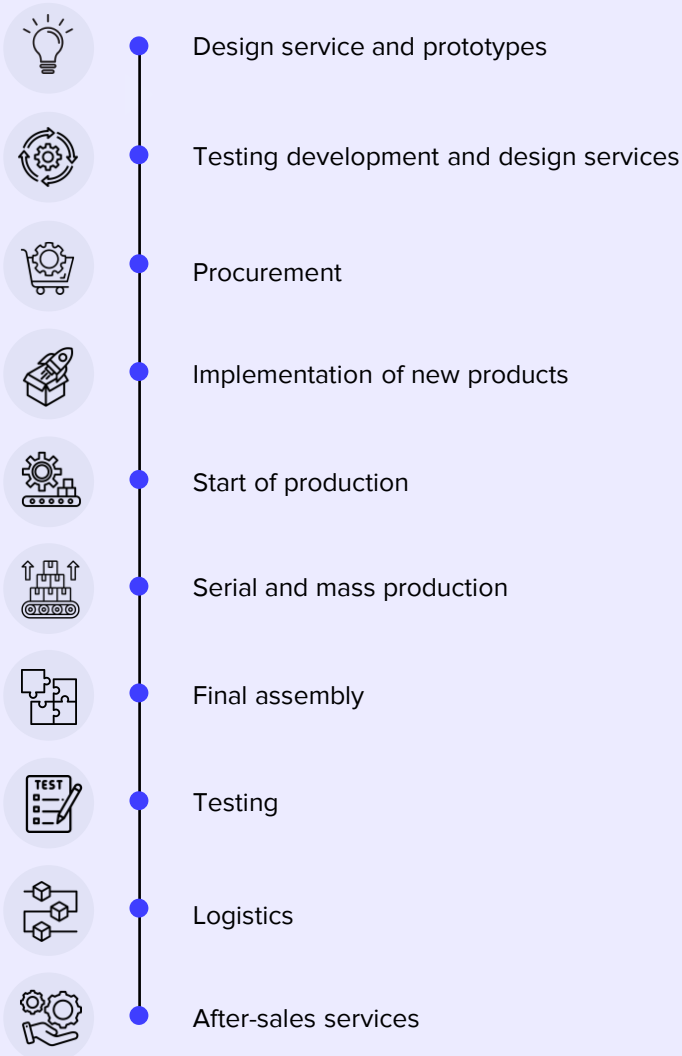
7

factories

2,554

employees

Incap's business in brief



Company description and business model (6/8)

process flow therefore set quite high requirements for the personnel's skill level. Thus, recruiting and retaining staff are important elements in building long-term competitiveness.

Hard order book is short

Fluctuations in contract manufacturer demand can be strong, as customers typically use contract manufacturers as buffers for variations in their own end-use demand. We estimate that Incap received both actual orders and non-binding demand forecasts for a period of approximately 3-6 months under normal conditions that prevailed before the COVID pandemic (i.e. typical component delivery times). In the component shortage, the window stretched to 12-24 months, but since the component shortage alleviated in 2023, visibility has, in our view, reduced to a horizon of some 6 months.

However, the range of so-called hard orders in this pile is

only a few weeks, which makes the order backlog structurally relatively short. Consequently, Incap's visibility on business development is quite short, although we believe that the businesses of customers at the more mature end of the customer portfolio,

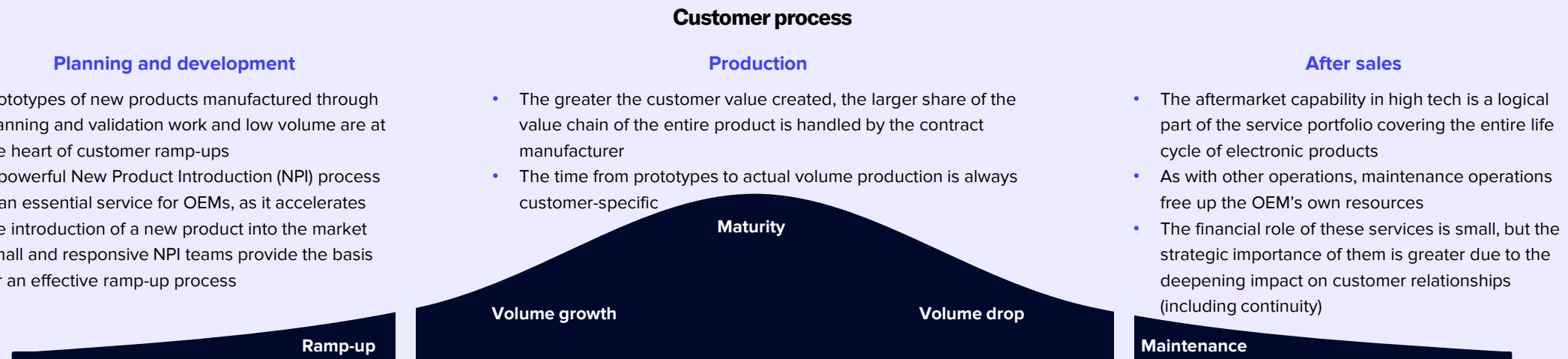
in particular, are reasonably predictable, with the exception of exceptional circumstances such as in recent years.

Regardless of the structure of the hard order backlog, required components are acquired in a frontloaded manner before the forecasts are converted to orders. However, Incap does not take any real risk in its component procurement, as customers are in principle committed to buying the components purchased at cost price if they cancel the product order after the component order has been placed. Due to occasional problems in the availability of components (e.g. the situation in 2022), their market prices can fluctuate sharply. However, the cost-based pricing model applied by Incap and typical for contract

manufacturers enables fast transfer of increased material costs to customers. This should not, however, be classified as actual pricing power, since, as the pricing model works both ways, drops in material costs are also transferred to benefit the customers.

For Incap, it is therefore important to have a sufficient and preferably stable margin after materials, so that after reducing the costs that are purely in the company's own hands, a margin in line with the targets can be reached. However, fluctuations in component prices may affect the company's working capital level in the short term.

In addition, the short structure of the order book may to some extent make it difficult to manage the order/supply chain in circumstances where confirmed hard orders deviate significantly from the demand forecasts given. This is based on the fact that in the short term, capacity flexibility is limited, especially when hard orders are below demand forecasts. Conversely, capacity flexibility,



Company description and business model (7/8)

in our view, is quite good under certain conditions, as production shifts can, for example, be added. It is therefore important to maintain and create operational flexibility points within the current business model.

Cost structure limits the scaling of growth, but enables a high margin

The share of fixed costs in Incap's expense structure is very small, as due to the basic nature of electronics manufacturing and also the company's operating culture, most costs are variable material costs. We estimate that about 85-90% of total company costs are variable, while fixed costs account for about 10-15%. The low level of fixed costs is explained by two factors in particular: 1) the company does not have a conventional matrix organization, but a very light organization structure based on local decision-making, and 2) contrary to OEMs, the operating model of contract manufacturers does not require large R&D resources, fixed-salary personnel they tie up nor other fixed cost clusters. Because the company's operating culture is highly cost-conscious and this has been maintained even at high growth rates, we believe that the cost structure can remain similar for a relatively long time. As a result of the light cost structure, Incap's realizable economies of scale are limited, with little scaling of revenue growth beyond a certain base level. The product mix can fluctuate quarterly profitability by 1-2%.

With a light cost structure and fast responsiveness, the company has flexibility against declining volume levels, as seen in H2'23. We feel the light cost structure and sensible flexibility points create an excellent base for Incap to reach a high margin level even in a declining revenue

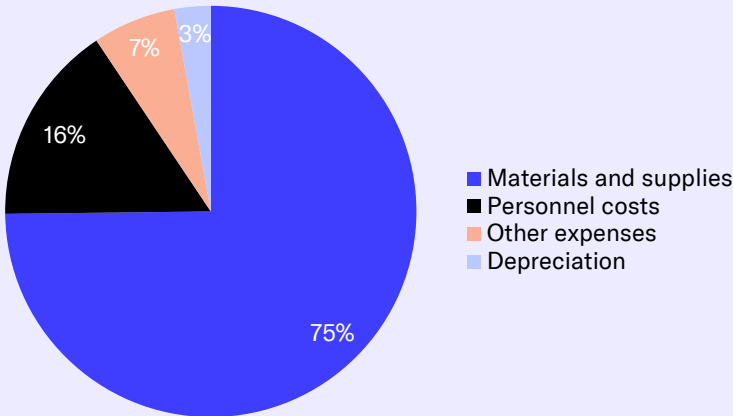
environment. This, in turn, is favorable for the overall risk profile.

Limited capital requirements

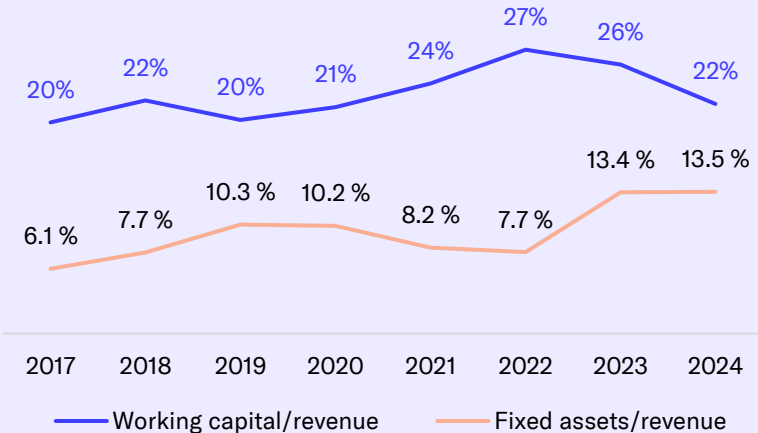
In 2023, fixed capital (incl. IFRS 16 assets) accounted for around 13% of revenue, which can be considered a moderate level. Relative to the balance sheet total, the share of fixed capital is, in turn, 14%. This also indicates the capital requirement of the business that can be classified as low. The low fixed capital requirement is explained in particular by the nature of contract manufacturing, which is personnel intensive and clearly lighter in terms of equipment than, e.g., process industry. Reflecting this, fixed investment in equipment in the industry has typically been able to keep pace with growing demand in a fairly linear fashion, if only the wall and floor space of the factories allow for this. Correspondingly, this gives contract manufacturers certain leeway in capacity investments relative to the relevant demand outlook (cf. front-loaded investments in the process industry). The dynamics have therefore both improved the use of capital by contract manufacturers and helped companies to avoid unfortunate and margin-hurting overcapacity situations.

The net working capital typically committed to Incap's operations is 20-25% of revenue. In recent years, the term of maturity of the company's trade receivables and trade payables were optimal (trade receivables < trade payables). This is an excellent performance given the overall challenging value chain position of contract manufacturers. Overall, however, the working capital ratio has been slightly increasing.

Cost structure breakdown (2024)



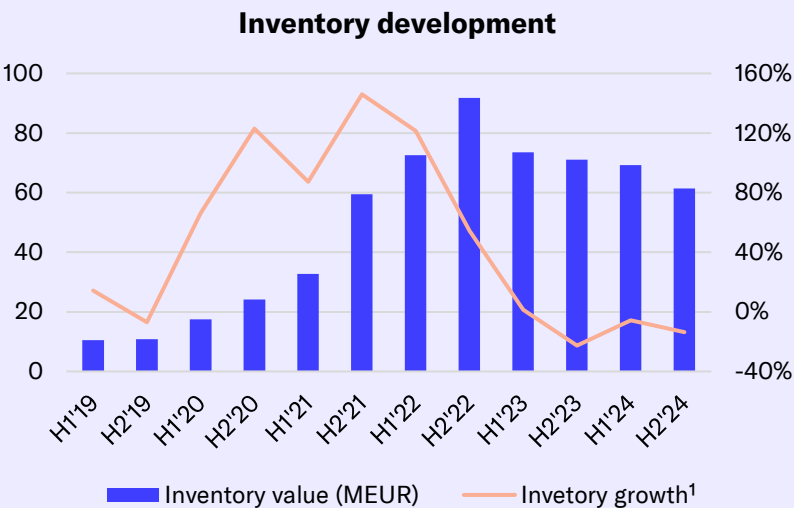
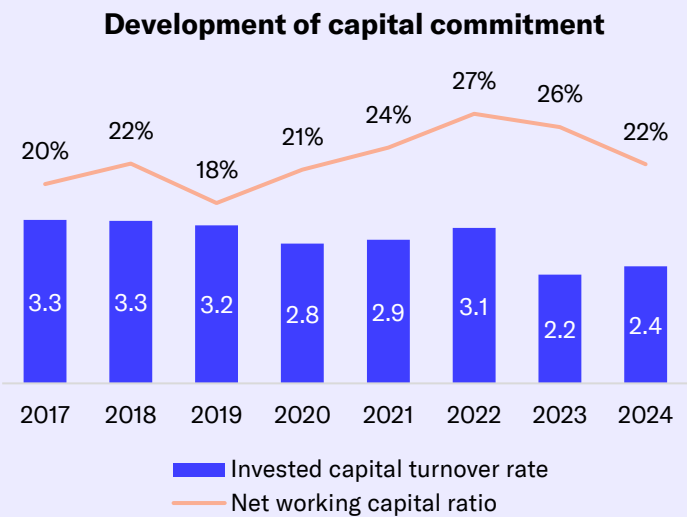
Capital commitment



Company description and business model (8/8)

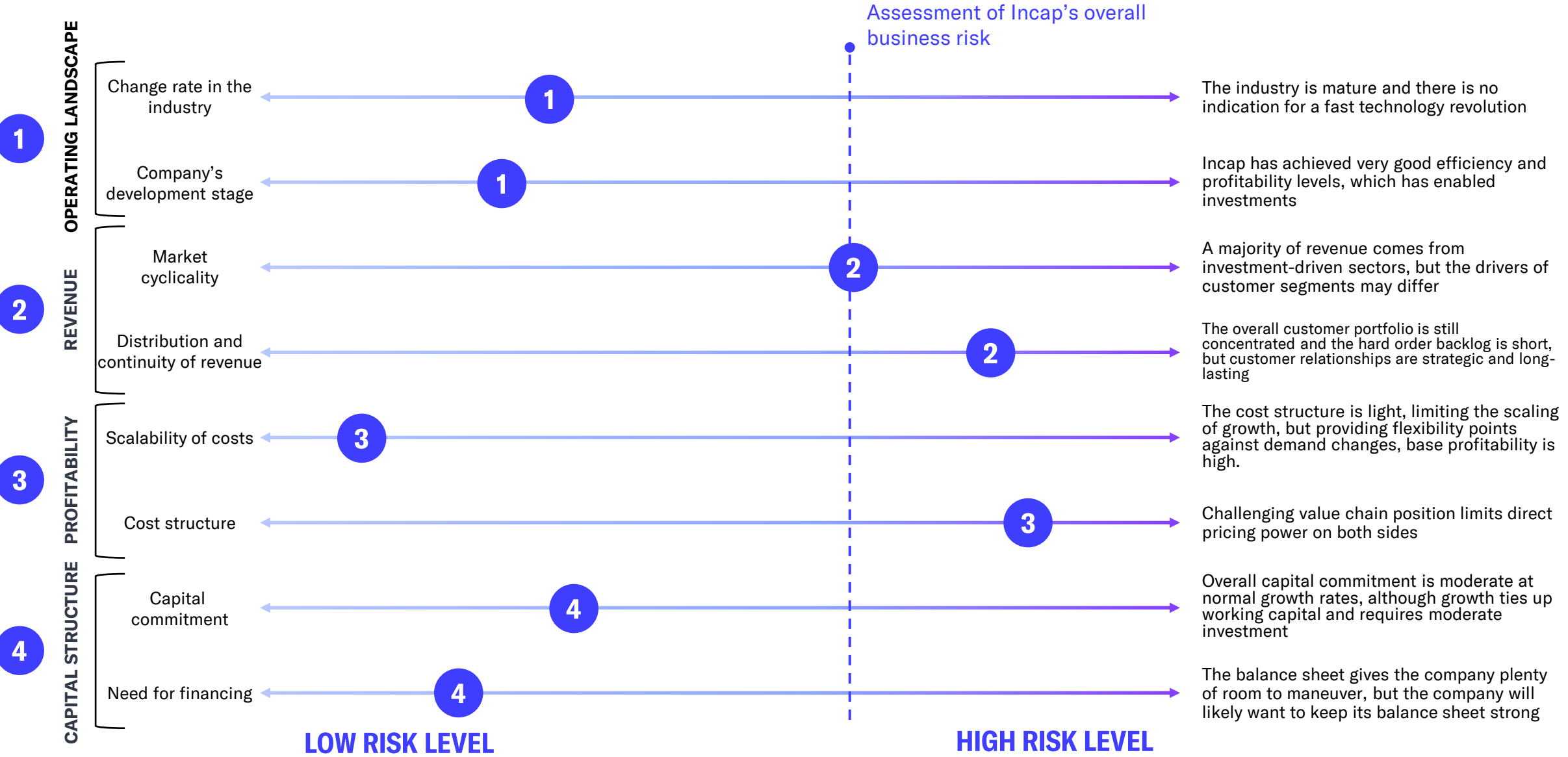
We estimate that the increase in the revenue share of the Indian plant over time may have a slight tendency to tie up working capital when large quantities are shipped from India to Europe. However, the company has managed to normalize its inventories from the exceptionally high levels seen during the COVID period. Incap's operations are working capital intensive because with the actual figures of the last few years, Incap has in a simplified calculation gained an EBITDA of around 0.15 MEUR from 1 MEUR revenue growth and the corresponding working capital commitment has been some 0.25 MEUR. Thus, during Incap's particularly strong organic growth in 2021-2022, the company has not generated much cash flow from operations, despite a very strong result as the result has been tied up in inventories. However, the silver lining of the decrease in volume between 2023 and 2024 was that cash flow improved clearly. In the short term, earnings and cash flow can continue to tell different stories, but we would not be too worried about this.

Overall, in a normal growth environment, moderate capital commitment is a positive factor, as capital efficiency provides an excellent basis for a high return on invested capital and hence for creating shareholder value.



Source: Incap, Inderes
¹Year-on-year growth

Risk profile of the business model



Industry and competitive landscape 1/5

Huge overall market

According to estimates by various research companies, the combined revenue of the global electronics industry in 2022 will be around USD 2,200 billion. We do not believe that the total market will grow radically in 2023-2024, considering the economic turbulence. The whole market can be divided into four parts based on the business models of the companies operating in it: equipment manufacturers (OEMs), outsourced design and manufacturing (ODMs), contract manufacturers (EMSs) and component distributors (technical wholesalers and resellers). These operating models differ in the types of underlying value chains and who owns the intellectual property rights of the end product. Since Incap itself is a contract manufacturer, the company does not have independent and fully customer-independent product development. Thus, the company does not own the rights to the products it manufactures. However, different operating models, excluding distributors, compete to some extent with each other (e.g., manufacture / buy decision), which is why we believe that it makes sense to look at the entire electronics market as the relevant starting point for Incap's target market.

The contract manufacturing market is estimated to be worth good 550 BNUSD. Even though Incap is not present in all market segments, the playing field is huge relative to Incap's own size. Therefore, we do not believe it limits the company's growth potential.

Asia reigns supreme in size

Geographically, Asia is the number one market. The largest Asian companies in the industry, such as Hon Hai (Foxconn), Pegatron and Compal, account for around half of the global industry's revenue. The market for European

electronics manufacturers is much smaller and more fragmented, with the 30 largest European companies accounting for only around 2-3% of total industry revenue. Asia's share is driven by the historically lower cost level of the region than in developed economies which has attracted equipment manufacturers and their subcontracting chains to the region to maintain their cost competitiveness. Within Asia, however, the cost dynamic has been shifting over the last decade, since strong cost increases, particularly in China, have resulted in new production and relocation of old production to more advantageous regions, like India and Vietnam. In addition to rising cost levels, this shift has been fueled by trade and geopolitical tensions in China, the risks of concentration in supply chains brought to the surface by the COVID pandemic, and increased awareness among equipment manufacturers of the total cost of supply chains. In Eastern Europe, labor costs are roughly 30-40% less than in Western regions, although wage inflation has also been high there.

With the personnel intensity of operations and constant price pressure, we believe that actual volume production will continue to focus on low-cost areas. In line with this, we believe the primary role of Western production plants is to focus on narrower and higher requirement level niche segments, fast deliveries and product development series. On the other hand, production chains moving progressively closer to equipment manufacturers' product development and end markets, the need for decentralization of production chains and the continuous development of production technologies (e.g. automation) should support the strategic roles and competitiveness of Western units, also in view of volume production.

Selected contract manufacturers



Contract manufacturers operating with high production and financial resources with a strong presence in consumer electronics



Strong players with resources for large service packages and focus almost entirely on industrial electronics applications



Companies with a slightly narrower service offering or geographical coverage that are flexible and agile

Industry and competitive landscape 2/5

Four segments on the market

The market can be divided into four segments: consumer electronics, industrial electronics, electronic components, and public sector electronics (e.g. defense). In consumer electronics, the technical requirements for applications are generally not very high, but the delivery volumes are large (low mix / high volume). The successful contract manufacturers in this segment are huge in size and have vast production resources. In consumer electronics, the product cycles are also short – about 2-3 years – and competition is price-driven and harrowing.

Incap is positioned in the industrial electronics sector, where product specifications are generally high and delivery volumes are on average much smaller than in consumer electronics (high mix / low volume). In industrial electronics, product cycles can be up to 20-30 years, making the contract manufacturer a strategically important partner for the OEM and highlighting the role of own product development expertise and after-sales customer service. This in turn makes the competition in industrial electronics healthier and creates attractive business opportunities also for smaller players. However, a challenge in a business that breaks down into smaller entities may be a greater susceptibility to tie up working capital. The dynamics of public-sector electronics are broadly similar to the industrial sector. Incap is not involved in components

Although volumes are mainly lower in industrial electronics and higher in consumer electronics, there are exceptions within segments. Incap also has some consumer products in its portfolio and their potential should not be overlooked.

The growth profile is excellent over time

The growth of the market is driven particularly by the electrification of the world. This in turn will be driven by rising living standards, digitalization, an aging population, and the green transition. Supported by these factors, the total market has grown by some 4-5% per year according to different research companies. The growth rate is expected to remain healthy in the coming years, supported by strong drivers, although a weakening general economy typically eats into the prerequisites for short-term growth (cf. e.g. 2024). The green transition, and thus the longer-term growth in investments, can be a potential driver after a temporary leveling off. Geographically, growth is estimated to be fastest in Asia, which is expected to reach 4-6% annual growth. In Europe and North America, however, market growth is estimated to remain at 2-3%, in line with the slower development of the general economy.

The strongest growth outlook for the next few years is especially in the defense sector in Western countries, where an annual growth potential of up to 20% has been mentioned for the coming years as Europe strengthens its military capacity. However, defense is not yet a particularly significant customer segment for Incap, considering the overall scale, but we believe that the company will try to strengthen its position in the sector in the coming years.

In addition to global drivers, increasing outsourcing among OEMs has been a market driver in recent years. The industrial logic of this is clear: production outsourcing frees up OEMs' resources for their core operations while generating cost savings. Outsourced production enables OEMs to better manage their capacity and cash flow as

investments can be transferred and growing demand met by utilizing contract manufacturers' resources. In addition, reflecting this dynamic, OEMs can achieve certain cost-related flexibility in their typically rather fixed cost structures. As a result, the growth of contract manufacturers has increased more rapidly in recent years than in the electronics market as a whole. We believe that the situation will continue as is, reflecting the overall benefits mentioned above.

In industrial electronics, the degree of outsourcing has typically been well below consumer electronics, as smaller and more demanding deliveries raise the threshold for larger outsourcing. However, we estimate that, with the benefits offered by contract manufacturers, reducing own manufacturing resources will become more popular among industrial electronics OEMs and especially among new companies entering the market (i.e. no large-scale production investments). Considering this we believe that growing demand will increasingly be directed toward competitive contracting manufacturers. We believe that the outsourcing rate of industrial electronics is only around 35%, indicating that even a small increase in the outsourcing rate would offer contract manufacturers a substantial amount of additional sales in an absolute large market. In the defense sector, the rapid need to increase production capacity may also increase outsourcing rates.

Industry and competitive landscape 3/5

Incap has a strong position

Considering the long-term growth and profitability potential of industrial electronics, we consider Incap's positioning sensible. In addition, Incap is a small player relative to the total market and is, therefore, not dependent on the growth rate at market level, although the company does not operate in a vacuum either. Thus, as the overall market grows, larger players than Incap may leave very attractive niche segments in their fringe areas. Of course, a slowdown in market growth would most likely result from hiccups in the general economy and would have some effect on Incap's own production volumes and thus on the result lines through the business challenges faced by customers .

We believe that Incap's production plant network is well structured, as it can provide its global and potential global customers with a logical route from prototypes produced close to product development, to cost-effective volume production located next to the end market on several continents. In particular, the company's Indian production facilities, located in the world's largest democracy, are significant assets due to the massive local market, favorable location (i.e., benefiting from rising China risks) and strong price competitiveness. In addition, the company also offers local production in the United States, which in our view is a strength due to the tightening of global trade policy, even though, overall, significant tariffs and their retaliatory tariffs would be a negative thing for Incap as well. In view of these factors, the existing ability to invest and the operating model that allows for comprehensive deliveries, we feel Incap's position relative to the target market and the forces that shape it can justifiably be seen

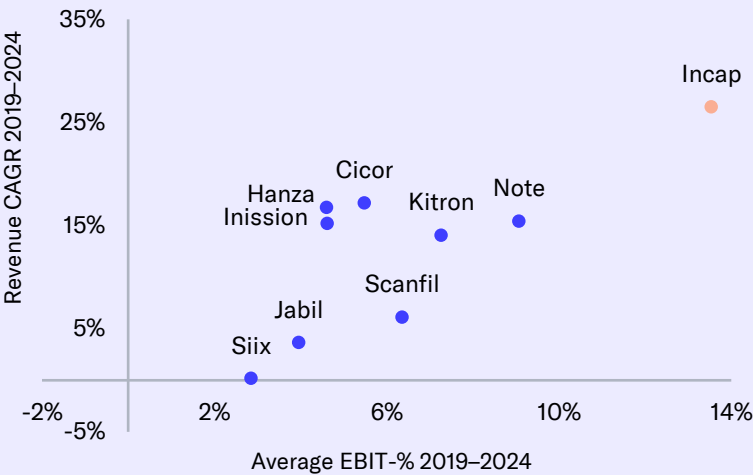
as strong.

Plenty of competition

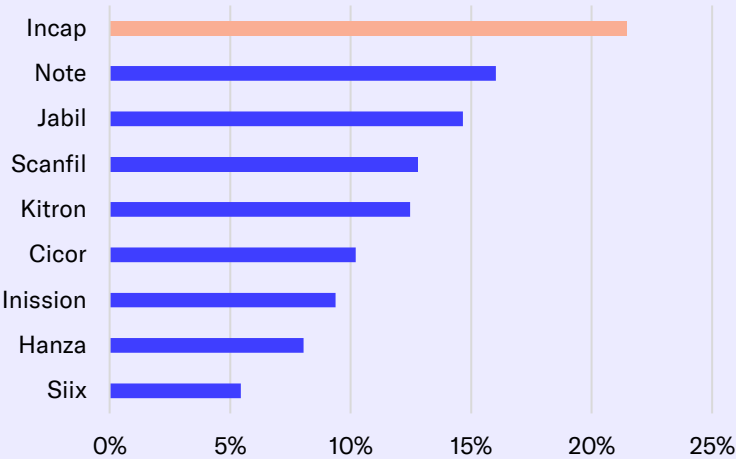
Due to the earnings logic of the industry, contract manufacturers' value chain positions and thus limited pricing power, the basic nature of the competitive landscape is harsh. Despite this, customer retention has typically been good in the industry. We believe this is particularly supported by the fact that the costs of switching contract manufacturers can be high, so customers try to stick to the same suppliers. Indeed, equipment manufacturers only change their contract manufacturers for serious reasons, such as quality problems, constantly stretching delivery times and a loss of permanent price competitiveness. High switching costs also have a downside, as they make new customer acquisition more difficult.

Despite the global structure of operations, the local nature of customer relationships has remained strong. We, therefore, estimate that Incap has a large number of customers from northern Europe, Great Britain, the US and the Baltic States, while the customer portfolios of, e.g., Central European manufacturers consist more clearly of local target market players. Thus, Incap's competitive landscape varies regionally and battles are typically fought with different companies in Europe, North America and Asia. In our view, Incap, however, quite rarely competes with its Nordic peers, as Incap has no production in Scandinavia at all. In addition to regional factors, the competitive situation is also influenced by the underlying industry (i.e. the positioning of competitors) and the size and solution needs of the customer.

Financial development of listed players



Average ROIC-% (2019-2024)



Source: Bloomberg, Inderes

Industry and competitive landscape 4/5

Three-tiered battle

Contract manufacturers are typically divided into three groups based on revenue. The largest companies (revenue > 1,000 MEUR) operate extensively across the electronics industry segments, and another common denominator for these players is massive production resources, especially in low-cost regions. Due to their large size, these players have typically operated in the low mix/high volume segments and are thus not very relevant competitors to Incap. However, these companies cannot be completely ignored, as their large-scale operations inevitably extend to customer sectors that are important to Incap. Within their financial resources, large companies have a strong investment capacity and thus the potential to change the prevailing dynamics of the competitive landscape, but we do not see this as an acute threat to Incap.

The annual revenue of the second-tier companies is 200-1,000 MEUR. These companies typically operate with global operating models but concentrate on one or more market segments. Mass production of consumer electronics is largely outside the capabilities of these players, but flexibility and agility are still sufficient to bring competitiveness to smaller manufacturing batches and tailor-made customer service. We believe that a large part of the main competitors come from this segment. We feel the current or future competitors worth mentioning among medium-sized companies are, e.g., Finnish Scanfil, Norwegian Kitron, German BMK Electronics and Katek, Swedish Note and Hanza, and Swiss Enics and Cicor.

The third tier includes players with annual revenue of under 200 MEUR. The resources of companies in this size-

class are somewhat narrower than those of medium-sized manufacturers, which means that their service offering may also be smaller. In addition, the share of the biggest customers of the entire portfolio of these companies can be extremely high. The main competitive advantages of the smaller-end companies focus on agility and flexibility, specialized products, and fast lead times. Among these companies Incap competes, e.g., with Swedish Inission, French Lacroix, Finnish Kyrel and Darekon, and British JJS Manufacturing and SMS Electronics. Incap also competes with a number of small local operators specialized in prototype and small series production and with OEMs' own productions.

Consolidation shapes the competitive landscape

The industry as a whole is very fragmented, with over 2,000 contract manufacturers in Europe alone. The number is even higher in Asia, although in terms of revenue, the sector is more concentrated in Asia with large players. In recent years, the large number of players and efforts to improve value chain positions have driven the consolidation of the sector. We expect this will continue to affect the structure of the competitive landscape reflecting the industrial logic of the underlying drivers (e.g. the pursuit of economies of scale in purchasing). For Incap, the structure of the industry is favorable, as it provides ample opportunities for M&A transactions.

Incap is among the leaders in the industry

Incap's profitability level is among the highest in the industry, which we believe is a tangible reflection of both its successful strategic positioning and its focus on its core strengths, and also of the tailwind from the largest

customer's strong growth on average. However, the high profitability does not derive from relative pricing, as Incap's gross margin is at a normal level for the industry. Therefore, maintaining the correct positioning and, especially, maintaining the operational efficiency is a necessary measure in an environment characterized by constant price pressure. Against this background, we do not consider it likely that Incap could substantially increase its margin level (> 2 percentage points) in the next few years, but maintaining the achieved 13-15% would already be a really good performance.

Due to the low capital intensity of the industry, it is possible to generate higher returns than the COE requirement with relatively thin profit margins. With better profitability than its competitors and efficient use of capital, Incap's ROI has been excellent in recent years and quite clearly higher than for its competitors. Thus, based on the figures, we believe Incap is one of the highest quality players in the industry.

Industry and competitive landscape 5/5

Current competitive situation (significant*)

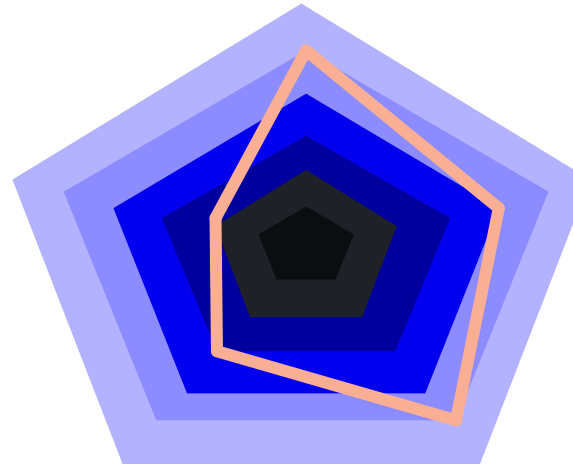
- The number of manufacturers is huge globally and value chain positions are chronically challenging
- Cost structures of OEMs are reasonably rigid, increasing their price sensitivity and partially tightening competition
- A healthy long-term growth picture lowers the tightness of competition

Threat of substituting products (minor*)

- Contract manufacturers do not have own products and the threat of substituting products manifests through customer portfolios
- We do not believe that a drop in the degree of outsourcing is a concrete threat, considering the overall benefits offered by contract manufacturers
- There are also no change catalysts in sight that would replace existing production technologies

Threat of new competitors (low*)

- Ramp-up of operations does not require massively heavy capital investment, the industry growth picture is healthy
- Due to the switching costs for OEMs and the operating dynamics new customer procurement is slow, which reduces the risk of completely new competitors
- Achieving competitive technology and process expertise requires a sufficient scale



Negotiating power of suppliers (moderate*)

- Component production is rather concentrated, which limits the bargaining power of distributors and, consequently, contract manufacturers
- The supply chains of contract manufacturers are decentralized and dependence on a single supplier is moderate
- There is a risk of further integration of component suppliers, and this has also been realized in recent years

Buyers' bargaining power (significant*)

- OEMs supply chains are typically more decentralized than contract manufacturers' customer portfolios (i.e. the OEM is more important for contract manufacturers than vice versa)
- There is a low risk of contract manufacturers' forward integration, while OEMs also have own production
- Contract manufacturers' differentiation capacity is thin and limited to service level, but the cost of switching can be high
- In industrial electronics, the price sensitivity of OEMs is lower than in consumer electronics

Strategy 1/5

Value proposition in quality and supply reliability

We believe that Incap's long operational history has created a reputation as a reliable contract manufacturer. We do not believe that it is possible to build a long operational history and good reputation without creating lasting customer value by consistently delivering on the value promise. We believe that the value proposition of Incap's strategy is to be both a reliable and competitive manufacturing partner with high-quality and secure supply.

Cost-efficiency is key

Reflecting Incap's operating model and results of recent years, we believe it is clear that high cost efficiency is key to implementing the strategy. Through cost-efficiency, Incap is able to improve its overall competitiveness and open up important parts of value chains for strategic partnerships. At the same time, cost-efficiency creates a strong basis for making excellent profitability and creating shareholder value.

Cost efficiency, and especially maintaining it, also plays a key role in terms of competitive dynamic. Incap's current level of efficiency enables the company to maintain a good level of profitability in an environment of chronic price pressure, even if sales prices have to be cut slightly in certain situations (i.e. the ability to withstand price competition is better than that of less profitable competitors). Due to the nature of the industry, sufficient price competitiveness is an essential hygiene factor, which means that continuous focus on efficiency will be a key strategic and, to some level, tactical priority for the company in the future as well. However, it is not necessary to seek the label of the lowest-priced manufacturer in the

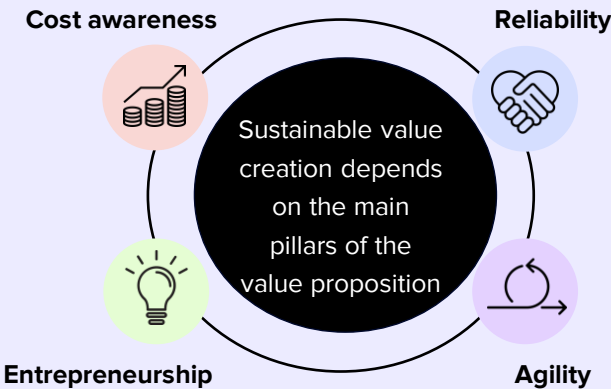
competitive landscape, nor do we expect the company to do this.

Strategic partners are sought

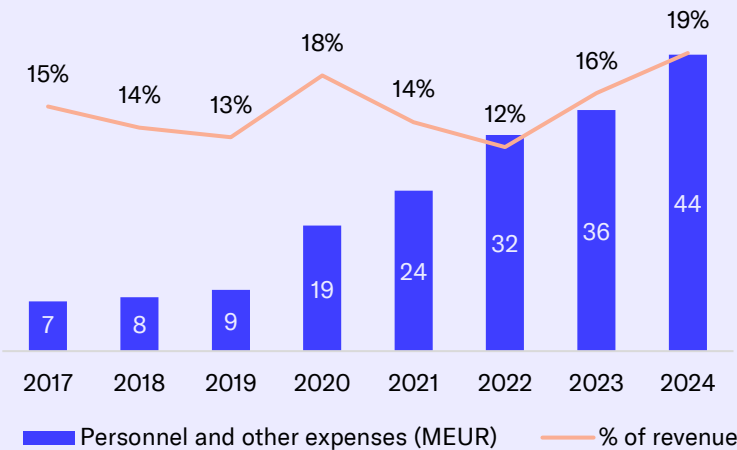
We estimate that with high cost efficiency and awareness Incap aims to build a platform for long-term customer relationships and thus for establishing strategic partnerships. This is logical, as we estimate that long customer relationships have typically led to 1) a higher customer-specific outsourcing rate and/or a higher share of the customer's outsourced production activities, 2) entirely new applications, and 3) the sum of these leading to higher order volumes. Thus, investing in and succeeding with long-term customer relationships is an important fuel for growing the business in the longer term.

By entering into strategic partnerships, Incap aims to position itself as an important production resource for the customer and, as mentioned above, to control as large a part of the value chain of the end product as possible. In addition, the industrial logic behind strategic partnerships is to increase the cost of switching from one contract manufacturer to another and to strengthen one's own competitive advantage. We believe that in the big picture the euro-denominated starting level of the strategic partnership is not a key issue for Incap, we believe that the expected longer-term growth potential of the customer relationship and possible reference points are more important for the company. Reflecting this, we estimate that the company considers a customer with smaller initial order flow but from a completely new industry and/or

The core of the strategy



Personnel and other expenses



Strategy 2/5

attractive in terms of growth potential to be strategically more important than a somewhat larger player in a more mature market and development phase, and potentially extremely price-conscious. In addition, it is also essential to avoid investing in small customers who do not have the capacity to grow and scale up.

In line with the structure of Incap's customer portfolio, the establishment of new strategic partnerships also has a risk management function. However, due to the logic of the industry (e.g. time span from prototypes to volume production), new strategic partnerships are the result of very long-term work and we estimate that the progress of new customer relationships to a size class that affects the structure of the portfolio can take years. Of course, this dynamic is not universal and in the right circumstances (e.g. rapid development of the customer's business) new strategically important customers can become economically relevant relatively quickly.

Growth in sight

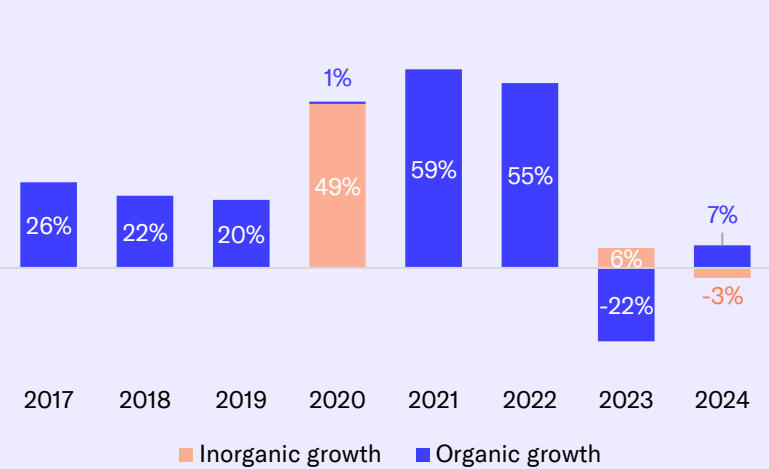
By implementing its strategy, Incap unsurprisingly targets profitable business growth (RONIC > WACC). We believe the cornerstones of this work are the preservation and strengthening of long-term customer relationships, progressing new customer procurement, maintenance of efficiency levels and M&A transactions. In recent years, the company has established a strong operational performance. As far as we know, the company has not encountered any negative surprises in the integration of AWS and Pennatronics, and there are no significant development projects underway for a company of its size. Considering this, Incap should have full capacity to focus

on implementing its strategy and creating shareholder value.

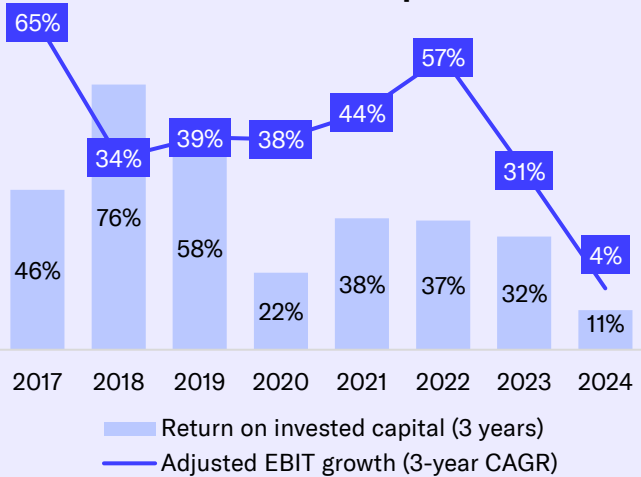
Incap is targeting organic growth through both established and new customers in its current customer segments, and in the future also in the defense sector. We estimate that the key customers in Incap's portfolio are competitive companies in their respective operations, which together with Incap's own strengths provides a solid basis for growing with these customers. Own core strengths, the expanded plant network through the AWS and Pennatronics acquisitions and the relatively small size on a global scale (i.e. we estimate that the share of the largest customers' production chain is still relatively small) also create reasonable conditions for customer-specific market share gains. Such gains can also be a small risk-management success if they mean, for example, entering into entirely new applications within the customer. In addition, the two-way and interesting cross-selling potential, especially related to the United States, is likely still at least partially untapped.

Incap also has many small companies in early stages of development in its portfolio. With the right positioning and innovative solutions, the businesses of such companies can grow rapidly. Considering the strong service ability created by the operating model that allows for large comprehensive deliveries and fast decision making, we believe Incap's position in realizing the longer-term opportunities these customers bring is good. However, in the short term, the direction of the delivery flows is dominated by progression of the larger customers due to the concentrated structure of the customer portfolio.

Revenue growth breakdown



Return on new capital²



Source: Incap, Inderes
¹Capital invested and EBIT growth over the last 3 years

Strategy 3/5

In terms of new customer acquisition, we expect the focus to be on strategic partnerships. In addition to the time typically taken by volume-production ramp-up, one should also consider the switching costs faced by OEMs when discussing new customers. Since these costs can rise to a relatively high level, OEMs restructure their production and supply chains relatively rarely. Thus, success in customer acquisition does not directly guarantee visible organic growth in the short term but will be more clearly visible only in the medium and long term.

Acquisitions as complementary elements

Incap tries to boost organic growth through acquisitions. In its current form, Incap has made two acquisitions: the AWS acquisition in 2020 and the Pennatronics acquisition in 2023. Strategically both acquisitions were significant, as they resulted in Incap's geographical footprint expanding into new areas, and strengthening both the production plant network and total offering. With the Pennatronics acquisition, Incap strategically expanded into the US market, where the strategic importance of local production was further increased by the tightening trade policy situation seen in the spring of 2024. Both arrangements also smoothed Incap's customer risks from the date of the arrangements.

At least the cultural fit between AWS and Pennatronics has been excellent, as evidenced by the smoothly executed integration work without major difficulties, realized cost synergies, and certain cross-selling successes. Even though the sensibility of future acquisitions is always case-specific and affected, e.g., by the price and the nature of the acquired business, our view of Incap's desire to grow

inorganically is positive in principle. Our view is supported by the following factors:

Cash flow profiles for acquisitions are positive from the start and the arrangements will result in significantly faster results than organic investments.

Acquisitions automatically expand the customer base while opening up new geographic/industrial areas. In addition, these extensions and openings can bring different cross-selling opportunities. Acquisitions can also be seen as strategic measures to gradually reduce the overall risk level.

Cheap acquisitions i.e. acquisitions with valuation multiples lower than the company's own multiples can generate shareholder value in the short term, which also results in good long-term value creation potential. Moreover, arrangements made at low deal prices provide a safety margin against the weaker-than-expected development of the acquired business and/or possible deterioration.

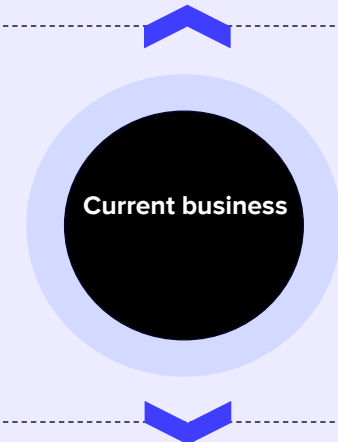
The structure of the industry is very fragmented. This provides Incap with a large critical mass to implement the acquisition driven strategy.

In our view, acquisitions do not offer massive cost synergies in the industry, mainly due to the moderate weight of fixed costs in the portfolio. The logic of the M&A must therefore be based on something other than the achievement of large spending synergies.

Anatomy of organic growth

Current customers

- For long-term growth, winning new product generations for existing customer applications is very important (i.e. focus on high retention)
- Growth in customer-specific market shares is most valuable when the value chain position expands (PCBA → Box Build)
- The combination of good customer relationships and own competitiveness also provides the basis for winning new applications



New customers

- We believe the aim of new customer acquisition is to scale different industry expertise
- Small early-stage customer relationships must have viable longer-term growth potential
- We believe companies operating in applications nearing the end of their life cycle/shrinking business operations are not, in principle, optimal new customers for Incap

Strategy 4/5

The approach is quality-oriented

We expect the company to follow a conservative model in terms of gauging potential targets, and we do not see Incap as being interested in turnaround companies operating at a loss or with very low profitability. We believe that such a quality-oriented approach is justified considering the usual risks associated with M&A transactions and their management. In AWS and Pennatronics, Incap has likely also managed to significantly improve the profitability of the factories, even though both companies were already profitable.

In addition to the actual quality of the business, we believe that the company is very meticulous in screening the acquisition targets when it comes cultural fit. Incap's independent production units are managed in an entrepreneurial way, which means that the top level of the organization structure is light and decision-making is mainly at local level. Thus, we estimate that Incap is particularly interested in operators that already operate following the company's own principles and have personnel capable of taking responsibility. In addition to lowering integration risks, we believe that such selectivity is also sensible in terms of efficiency since buying players with heavier administrative operations and centralized decision-making would inevitably result in rigidity in Incap's own structures and their personnel would not manage without structure.

In our view, Incap aims to independently seek out as many potential targets as possible and to build long-term relationships with potential acquisition targets, while correspondingly avoiding publicly known bidding wars. The latter are primarily carried out by private equity investors,

who seek to maximize the price obtainable from their company quickly and in full. In contrast, by proactively finding targets and building relationships with them, the company may more easily achieve a 'good market price' in negotiations and optimize the timing of transactions from a risk-return perspective, even though there will likely be a reasonable supply for players like Incap, who have publicly expressed M&A enthusiasm, even by passively waiting. Therefore, we consider the activity justified, even though it ties up management's time and resources.

Geographically, we believe the focus is on North America, Central Europe and also Asia outside China. These are huge blocks in absolute size, where the outsourcing rate has clear room for improvement. Reflecting these factors, we estimate that there are a reasonable number of targets in all areas that meet Incap's criteria and are of sufficient size (revenue > 25 MEUR).

We do not expect the company to make major factory investments

We do not expect the company to build a new production facility anywhere, considering the capacity and capacity potential of its current production facility network (e.g., the possibility to acquire more factory space through lease arrangements). The company could easily afford a greenfield plant but such a plant would initially rely solely on existing customers, which would mean that the time gap between the investment and positive cash flow would be far too long.

Acquisitions

1

Cultural fit

- The company to be purchased must fit perfectly to Incap's entrepreneurial and flexible operating culture (e.g. independently operating production units and their personnel)
- Recognizing cultural suitability requires time, but investing in assessment and especially in nurturing reduces the risks associated with the integration phase
- The company can also successfully avoid bidding wars in culturally compatible targets

2

Financial performance

- Incap's resources for various turnaround exercises or seeking considerable operational synergies are limited, so the company to be acquired must operate at a healthy earnings level
- An approach that fosters operational quality can lead to higher valuation multiples but on the other hand, the risks of the acquisition strategy are lower than in the opposite situation

3

Strategic logic

- For smaller transactions, we estimate that the underlying logic relies on quick but limited synergies (e.g. procurement and capacity).
- In larger ones, the logic is to gain access to new industries and their customers
- We feel the common strategic denominator of different sized M&A transactions is the strengthening of the geographical footprint and construction of cross-selling routes.

Strategy and financial targets 5/5 - SWOT



Strengths

- An operating model that is highly cost-effective and enables fast decision-making
- A global and high-performance production plant network
- High basic profitability and return on capital
- Strong balance sheet



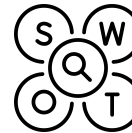
Weaknesses

- Under normal conditions, the order backlog structure is short
- Dependency on the largest customer, in particular, is still elevated
- Direct pricing power is limited and the value chain position is challenging
- New customer wins are slowly reflected in the current size class



Opportunities

- Long-term growth drivers are healthy as the world electrifies
- The degree of outsourcing in industrial electronics is low
- A strong balance sheet and industry structure enable value-creating acquisitions
- OEMs reducing their China risk and transferring supply chains closer to the end customer (i.e. localization)



Threats

- Loss of a key customer / customer's own business challenges
- Cost-efficiency erosion and decision-making becoming more rigid
- Failure in acquisitions
- In the longer term, structural changes in the competitive field

Financial position

Balance sheet offers leeway

At the end of Q1'25, Incap had an equity ratio of 66% and a net gearing of -23%. Thus the company's balance sheet is very strong. The company had 61 MEUR in cash assets. As such, the company even has liquidity on its account for acquisitions, although, of course, continuing to grow the business would again start to tie up cash in working capital. In our view, there are no material write-down risks on the balance sheet on Incap's scale, as the amount of goodwill is very small and the clearest risk areas for inventories are already behind.

A strong capital structure and a good profitability and growth profile underpin Incap's structural debt capacity and financial flexibility. However, we would not be surprised if, in the eyes of external lenders, the still concentrated customer structure partly limits the benefits of these strengths. Considering the M&A branch of the company's growth strategy, we believe that Incap is interested in running its machinery with more leverage than at present, but with a capital structure that maintains a sufficient sense of overall security. We estimate that such a balance sheet, in terms of net gearing, could mean a level of around 20-40%, or a 1x-2x range in the net debt/ EBITDA ratio. At these levels, we believe the company would have reasonable leverage to improve its return on equity.

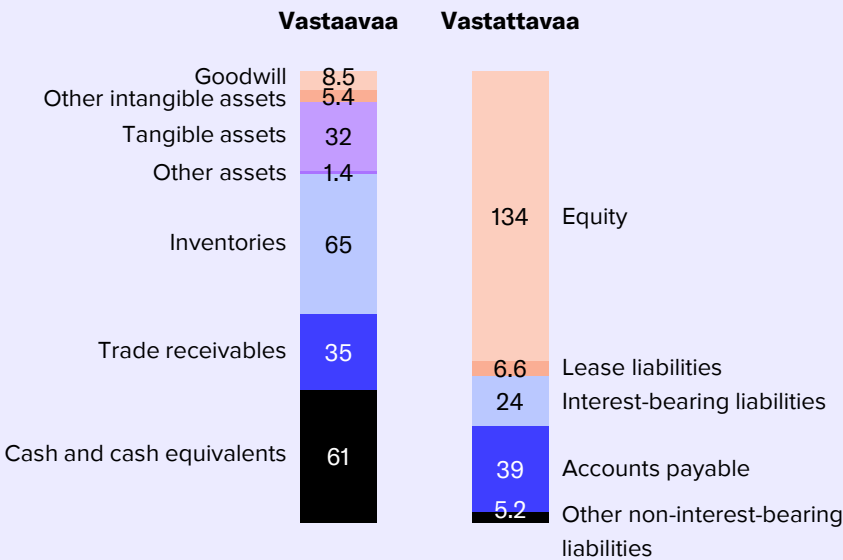
Reflecting the balance sheet at the end of Q1'25 and the debt parameters we consider comfortable, we estimate that Incap would have over 100 MEUR of debt capacity for inorganic growth within the limits of its balance sheet position, if organic growth does not significantly exceed our forecasts for the coming years. By applying the 6x-8x

EV/EBITDA ratio that we find somewhat typical for an unlisted contract manufacturer, this would mean the ability to purchase operational earnings growth of about 12-17 MEUR (or 35-50 %) with debt financing alone. Although the valuation of acquisition targets that meet the criteria set by Incap has slightly decreased during 2023-2024, we expect the company to patiently wait for an appropriate opportunity to advance on the inorganic front with a reasonable risk/reward ratio. In addition, the completion of deals also requires sellers to be willing to sell. However, in the medium term, acquisitions are quite likely. The company is also ready for swift moves, as the majority of Incap's cash reserves are in a bank account and not, for example, in low-risk money market investments.

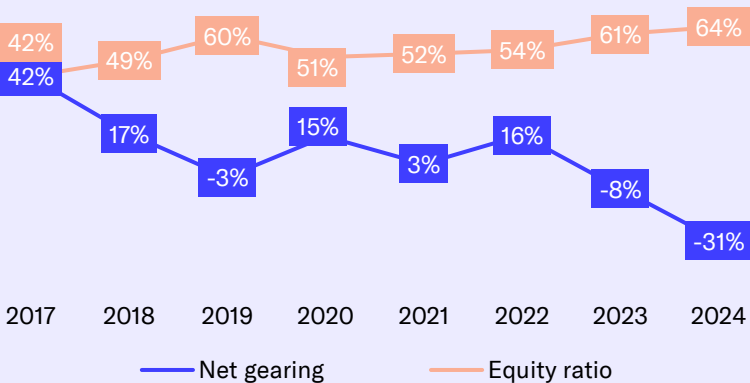
Cash flow is normally lower than the result

Considering Incap's organic growth picture and the working capital needs it requires, the cash flow ratio (cash flow from operations/EBITDA) is generally under 100%. However, this is normal for contract manufacturers and Incap's cash-flow profile is in no way different from normal. In our opinion, the fixed investment need in coming years is moderate, which, together with high operational profitability, should provide building blocks for generating good free cash flow in the coming years. Looking further ahead, good cash flow is also a prerequisite for profit distribution, although, as mentioned earlier, we hope that the dividend will continue to play a small supporting role in Incap's capital allocation.

Simplified balance sheet structure Q1'25 (MEUR)



Gearing and equity ratio



Estimates 1/4

Estimate model

We estimate Incap's revenue development in the short and medium term based on underlying market growth, estimated customer-specific market share changes, and new customer acquisition based on relative competitiveness. Our longer-term estimates, in turn, are largely based on the combination of the expected growth of the electronics industry and Incap's own core strengths. We model short- and medium-term profitability line by line for different cost items. In the long term, we forecast profitability through the margin levels we consider sustainable, taking into account both the nature of the industry and the company's strengths and weaknesses.

We have not included M&A transactions that we find likely in the medium term at the latest in our estimates. This is because it is impractical to assess the exact timing, size and other characteristics of the transactions (e.g. purchase price, financial structure and quality of the company being acquired).

The company guided for earnings growth this year

Incap entered 2025 from a reasonable starting point, as the inventory correction of the largest customer (we estimate it to be Victron Energy) was behind, inflation had been brought under control, and interest rates were falling, and economic growth expectations were also positive. However, the tightening of global trade policies, especially driven by President Trump, and the unpredictable geopolitical situation cast a shadow over the outlook. The uncertainty related to these factors was undermining investment-driven demand, as customers were in no hurry to proceed with their investment decisions.

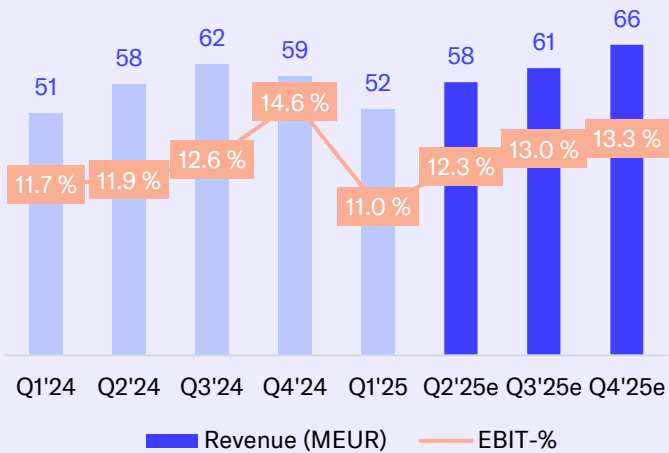
Reflecting a cautiously positive overall picture at the beginning of the year, in February Incap issued guidance for the current year, according to which the company's revenue and operating profit (EBIT) in 2025 will be higher than in 2024. Considering the percentage limits behind Incap's verbal guidance, this practically implies a 0-20% growth in both revenue and EBIT compared to the previous year. So in practice the company expects revenue of 230-276 MEUR and adjusted EBIT of 29.2-35.0 MEUR (incl. PPA depreciation and non-recurring items) for this year.

The start to the year was sluggish, and achieving the guidance is already uncertain

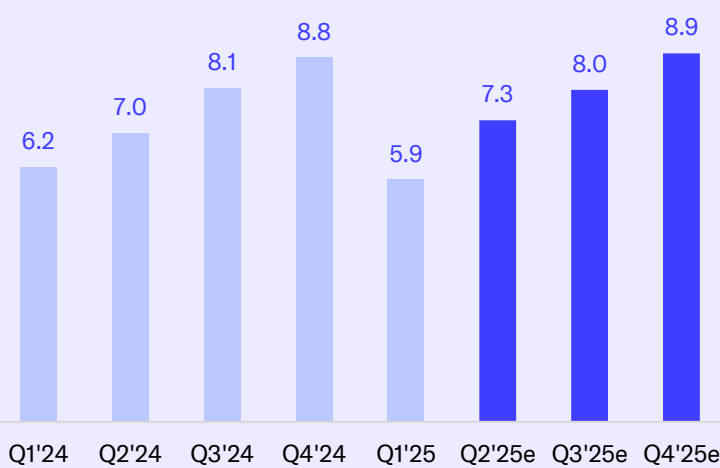
Incap's revenue grew by 2% to 52 MEUR in Q1 from a weak comparison figure colored by its largest customer's inventory correction. The company did warn already in conjunction with the financial statement that the beginning of the year would be quiet as customers were holding back their orders due to trade and geopolitical uncertainties, and this was particularly evident in Europe. Incap's adjusted EBIT decreased by 5% to 5.5 MEUR in Q1. The adjusted EBIT margin was again at an excellent level of 11.3% in the industry context, but this time the profitability remained at the lower end of Incap's usual range and also decreased from the comparison period. Thus, the start to the year was quite sluggish, considering that Q1 had the easiest comparison figures of the year.

In addition, global trade policy only escalated in early Q2. Although tariff levels have so far been mainly tolerable as the USA and other countries negotiate trade terms, there are risks associated with this for the end of the year, and economic growth forecasts have already been lowered.

Revenue and profitability per quarter



Adjusted EBIT per quarter (MEUR)



Estimates 2/4

Therefore, the market improvement in the second half of the year, which was the basis for Incap's guidance, is something to be really concerned about, and achieving the guidance is by no means certain. We believe that the biggest trade policy-related risks for Incap come indirectly through economic impacts, while its own production in the USA helps to tackle direct impacts quite well.

Profitability may be reversed already this year

In our baseline scenario, the escalation of the trade war is avoided, and tariffs remain at approximately their current levels. In this scenario, the global economy would have the potential to recover slightly towards the end of the year. Further interest rate cuts could also support both consumption- and investment-driven demand through lower financing costs and increased confidence. However, we would like to emphasize that predictability is currently exceptionally weak due to the highly volatile trade policy and the unpredictability of geopolitics.

Considering this overall picture, we expect Incap's revenue to grow by 3% this year to 237 MEUR. We expect the company to improve toward the end of the year quarter by quarter as volumes increase in virtually all significant customer groups with improving demand. Our forecast is thus slightly above the bottom of Incap's revenue guidance range. We haven't made any adjustments to our reforecasts for this year.

We estimate that Incap's EBIT adjusted for non-recurring items and small PPA depreciation will be 30.1 MEUR this year and the reported EBIT that serves as a benchmark for guidance is 29.6 MEUR. So our forecast is just barely above the guidance. Even in the best-case scenario, achieving the

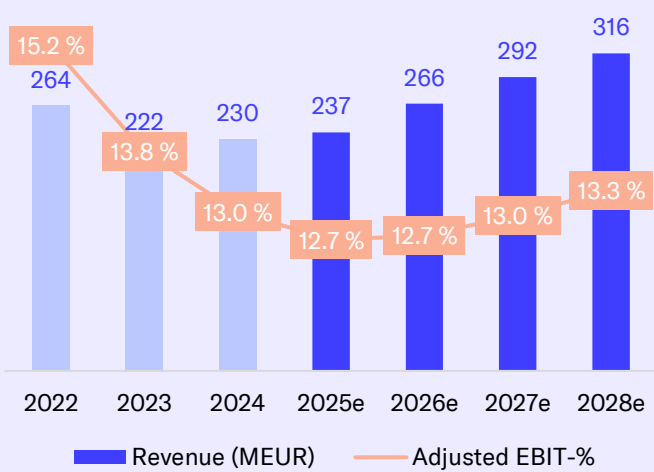
guidance will probably be uncertain until the end of the year, and a lowered guidance cannot be ruled out, considering the uncertainty related to the operating environment and the expectation of improved demand included in the guidance. We haven't made any adjustments to our earnings forecasts for this year.

After low financing costs and a normal tax rate of around 25%, we expect Incap to achieve adjusted EPS of 0.75 this year. We expect Incap to tie up some working capital this year, driven by slight growth. While the investment needs are probably still quite moderate and investments are limited to improvements of individual factory lines, we estimate Incap's free cash flow after lease liabilities to be approximately 13 MEUR. Incap's balance sheet will be very strong at the end of the current year (net cash of ~40 MEUR), unless there are any acquisitions before that.

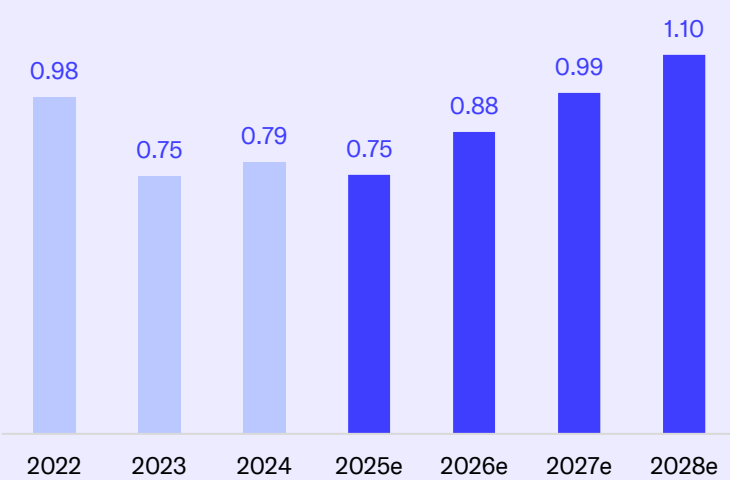
We expect growth to accelerate in the coming years

Our forecasts for 2026-2028 are based on a scenario where global macroeconomic growth remains stable and Incap's main European market also returns to low GDP growth rate of 1-2% typical for the 2010s after the weak 2022-2023. We estimate that the interest rate cuts by Western central banks will end, but at least in Europe, interest rates at around 2% should not limit investment demand. We also expect the green transition to continue to progress in the medium term, although the slope of the trend may partly depend on interest rate levels and the economic situation. In addition, Europe's significant defense investment needs are opening up

Revenue and profitability



Adjusted EPS



Estimates 3/4

new business opportunities in the forecast period for contract manufacturers able to ramp up production fairly quickly. This cautiously positive and upward-trending outlook also involves risks, as the global trade and geopolitical situation are unpredictable on many fronts.

For Incap's largest customer, our forecasts are based on an estimate that Victron Energy's revenue will grow significantly slower in 2026-2028 than in the early 2020s, reflecting a mature stage of the business. We forecast that Incap's other customers will continue to grow in 2026-2028, but this is of course somewhat subject to general economic development. In addition, we estimate that Incap will also open some new customers in the medium term thanks to its strengths, which supports the growth outlook for the second half of the decade in our forecast. Reflecting this baseline scenario, we expect Incap to grow organically by 8-12% in 2026-2028.

We forecast that Incap will reach an adjusted EBIT margin of approximately 13% in 2026-2028, as volume growth, the increase in the revenue share of efficient production facilities in India, and a cost structure that remains very low but rises slightly in absolute terms with growth, bring profitability close to the company's recent historical level and potential. On the lower lines of the income statement, we expect financing costs to be low and the tax rate to remain stable at around 25%. We also made no changes to our medium-term forecasts. In our forecasts, Incap's EPS will exceed the 2022 level and grow on average by 9% (CAGR) by the end of 2027 from the 2024 level.

We expect cash flow from operations to remain slightly below earnings as growth continues to tie up some working

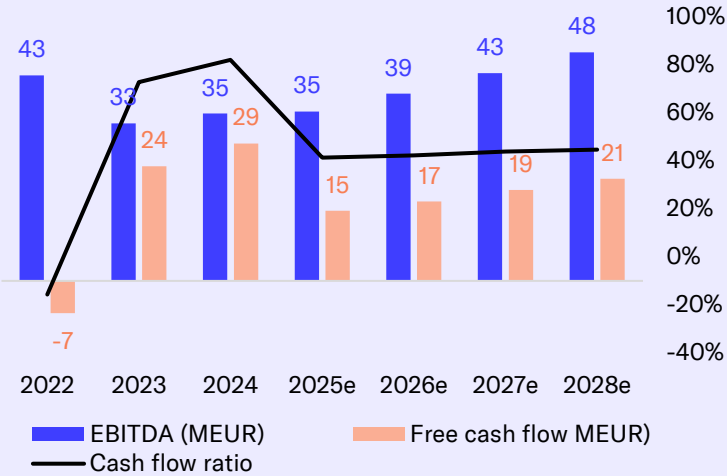
capital, but with a more moderate growth rate in 2020-2022, Incap's cash flow will be significantly stronger than in these years. In terms of organic investment needs, we estimate that the next few years will see moderate purchases of individual production lines for various factories until the full capacity completed in India in 2023 is sold.

The net profit and the clearly positive free cash flow also strengthen the company's balance sheet and push net debt into heavily negative territory. In practice, however, we do not believe that the balance sheet will strengthen to the levels we have predicted, as acquisitions are already very likely in the medium term. The debt capacity will increase toward the end of the period and in 2028 it would already be very significant if no acquisitions are carried out before that. In addition to debt capacity, Incap could naturally use equity and own shares to finance acquisitions, which would further improve the firepower. We do not expect Incap to pay dividends but believe the company will save capital for acquisitions. In our view, if no acquisitions are announced, the company would have to consider its capital allocation more seriously, and we would have to adjust our dividend forecasts accordingly.

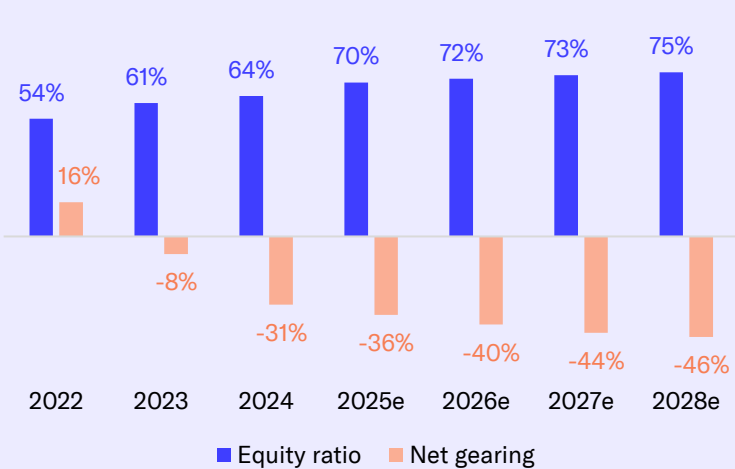
The long-term outlook is also positive

We expect Incap to implement its growth strategy in a consistent and value-creating manner even after 2028. In our longer-term estimate, we expect the company to continue to grow in a healthy way thanks to the forces that support existing customers, the entire electronics industry and contract manufacturers' businesses.

Cash flow development



Development of key balance sheet figures

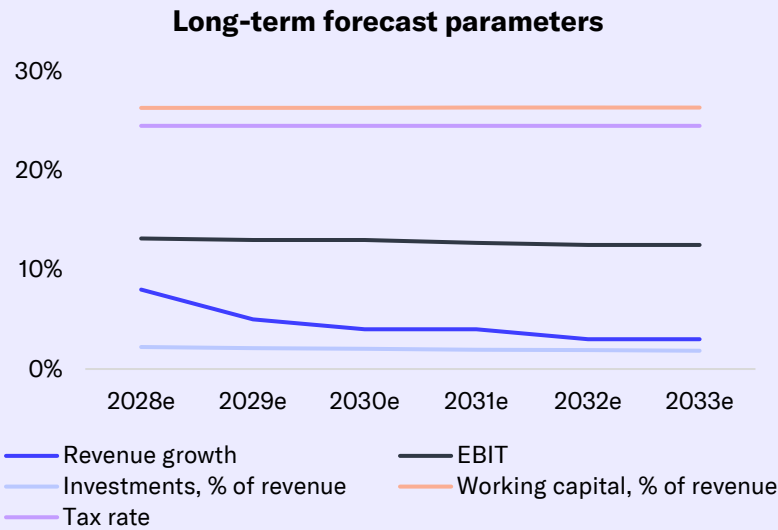
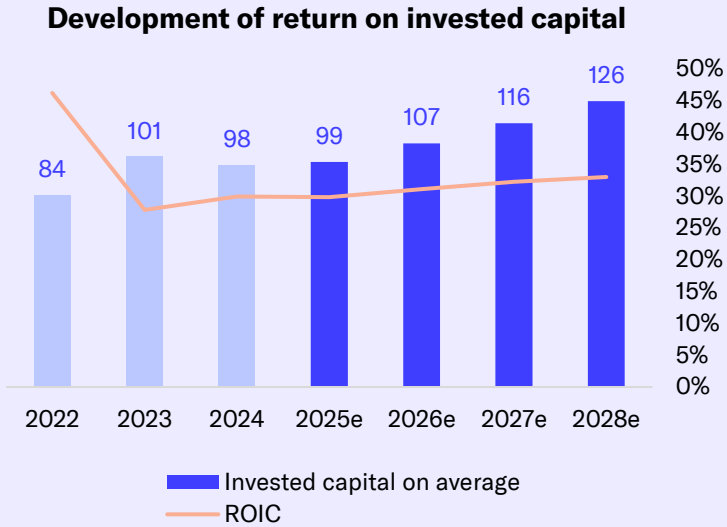


Estimates 4/4

Considering this overall picture, we expect the company's revenue to grow by some 2-5% per year in the long term, which is in line with the estimated growth of the global electronics industry over the same period. Considering our organic growth forecasts, the share of the largest customer of Incap's revenue will not decline significantly over the entire forecast horizon, so without acquisitions, the customer risk is elevated also in the long term. Thus, our forecasts are still partly subordinate to continued growth in the largest customer's own businesses. We believe it would be difficult for Incap to grow substantially faster than the market in the long term with the current structure without growth of the customer in question.

In the long term, we expect Incap's adjusted EBIT margin to remain at a strong level of 12.5-13.0 %. The key long-term profitability drivers are revenue growth, a gradually improving product mix, mild economies of scale, for example in procurement, and a low cost structure. The main risks relate to the largest customer base and the success in maintaining the efficiency of the operating model and allocating capital. However, we estimate that with our current forecasts, Incap will not even grow to such a large size in the terminal (2034e: revenue 388 MEUR) that the size class would force the company to change its operating model. We note that there is some tail risk, especially for the terminal period, as Incap's profitability at the terminal is significantly above the industry average. We believe that the company's strengths are sustainable, which is why we are ready to tolerate this risk in our forecasts.

We made no changes to our long-term or terminal forecasts for Incap.



Income statement and estimate revisions

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	222	51.4	57.6	61.8	59.3	230	52.2	58.0	61.0	66.0	237	266	292	316
Incap	222	51.4	57.6	61.8	59.3	230	52.2	58.0	61.0	66.0	237	266	292	316
EBITDA	32.8	7.4	8.3	9.3	9.9	34.9	7.2	8.6	9.3	10.2	35.3	39.0	43.3	47.6
Depreciation	-4.6	-1.4	-1.4	-1.4	-1.4	-5.6	-1.5	-1.4	-1.4	-1.4	-5.7	-5.7	-5.8	-6.1
EBIT (excl. NRI)	30.6	6.2	7.0	8.1	8.8	30.1	5.9	7.3	8.0	8.9	30.1	33.8	38.0	42.0
EBIT	28.2	6.0	6.8	7.9	8.5	29.2	5.7	7.2	7.9	8.8	29.6	33.3	37.5	41.5
NRIs	-2.4	-0.2	-0.2	-0.2	-0.3	-0.8	-0.1	-0.2	-0.2	-0.2	-0.6	-0.5	-0.5	-0.5
Net financial items	-1.8	0.3	-0.3	-1.1	1.9	0.9	-0.7	-0.2	0.0	0.1	-0.8	0.4	0.6	0.6
PTP	26.4	6.4	6.6	6.8	10.4	30.1	5.0	7.0	7.9	8.9	28.8	33.7	38.1	42.1
Taxes	-6.6	-1.4	-1.4	-1.8	-2.7	-7.4	-1.2	-1.7	-1.9	-2.2	-7.0	-8.3	-9.3	-10.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	19.8	5.0	5.1	5.0	7.7	22.7	3.8	5.3	6.0	6.7	21.7	25.4	28.7	31.8
EPS (adj.)	0.75	0.17	0.18	0.17	0.27	0.80	0.13	0.18	0.21	0.23	0.75	0.88	0.99	1.09
EPS (rep.)	0.68	0.17	0.17	0.17	0.26	0.77	0.13	0.18	0.20	0.23	0.74	0.86	0.98	1.08

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	-16.0 %	-29.3 %	2.1 %	23.4 %	39.7 %	3.8 %	1.6 %	0.6 %	-1.2 %	11.3 %	3.1 %	12.0 %	10.0 %	8.0 %
Adjusted EBIT growth-%	-23.5 %	-45.9 %	-16.6 %	26.3 %	99.6 %	-1.8 %	-5.2 %	4.1 %	-0.9 %	1.4 %	0.0 %	12.5 %	12.3 %	10.7 %
EBITDA-%	14.8 %	14.4 %	14.3 %	15.1 %	16.7 %	15.2 %	13.7 %	14.8 %	15.3 %	15.5 %	14.9 %	14.7 %	14.8 %	15.1 %
Adjusted EBIT-%	13.8 %	12.0 %	12.1 %	13.1 %	14.8 %	13.1 %	11.2 %	12.6 %	13.2 %	13.5 %	12.7 %	12.7 %	13.0 %	13.3 %
Net earnings-%	8.9 %	9.7 %	8.9 %	8.1 %	12.9 %	9.9 %	7.3 %	9.1 %	9.8 %	10.2 %	9.2 %	9.6 %	9.8 %	10.1 %

Lähde: Inderes

The full-year EPS was calculated using the number of shares at the end of the year.

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	39	46	47	47	48
Goodwill	8	9	9	9	9
Intangible assets	0	6	5	5	4
Tangible assets	30	31	32	32	34
Associated companies	0	0	0	0	0
Other investments	0	0	0	0	0
Other non-current assets	0	0	0	0	0
Deferred tax assets	1	1	1	1	1
Current assets	137	168	191	216	250
Inventories	71	61	65	73	80
Other current assets	0	0	0	0	0
Receivables	24	35	40	46	53
Cash and equivalents	43	72	85	97	116
Balance sheet total	182	215	238	264	298

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	107	133	155	180	209
Share capital	1	1	1	1	1
Retained earnings	90	113	135	160	189
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	16	19	19	19	19
Minorities	0	0	0	0	0
Non-current liabilities	33	32	30	25	25
Deferred tax liabilities	1	2	2	2	2
Provisions	0	0	0	0	0
Interest bearing debt	30	27	25	20	20
Convertibles	0	0	0	0	0
Other long-term liabilities	2	3	3	3	3
Current liabilities	42	50	53	59	64
Interest bearing debt	4	4	5	5	5
Payables	38	45	47	53	58
Other current liabilities	1	1	1	1	1
Balance sheet total	182	215	238	264	298

Valuation and recommendation 1/4

Earnings-based multiples work best

We favor earnings-based multiples in examining Incap's pricing and valuation. In our opinion, the most usable earnings multiples are the net earnings-based P/E ratio, and EV/EBITDA and EV/EBIT ratios that take the company's balance sheet structure better into consideration. As absolute multiples we apply the estimated neural multiples that are based on our view of the company's growth and profitability levels, the ability to generate capital and the risk profile, as well as partly on the company's actual pricing on the stock market. In addition to the absolute multiples, we have utilized the framework of a relatively extensive peer group consisting of companies with similar business models. We examine Incap's pricing mainly for the first two estimate years. In addition, we utilize the DCF model that considers the long term.

Factors to be considered in valuation

We believe the following factors affect Incap's valuation:

The cost-effective operating model is almost unparalleled and the company's profitability level is among the highest in the industry. Cost-efficiency, and especially maintaining it, is also a fundamental pillar of strong relative competitiveness.

Track record of profitable organic growth and maintaining efficiency levels is primarily strong and the company's longer-term growth outlook is also good.

Long-term organic growth potential is good thanks to electrification, digitalization, rising outsourcing rates and strong own competitiveness. Reflecting Incap's high return on invested capital, and in particular its RONIC, success in

organic growth creates a lot of value.

We believe **acquisitions** can be value-creating tools in the industry, both in terms of accelerating growth and balancing customer risks. Currently, Incap has borrowing power to carry out a relatively large acquisition. The company's two most recent acquisitions have been successful, which leads us to see acquisitions more as an opportunity than a risk.

The largest customer has a significant impact on Incap's direction in the short and probably also medium term, which raises the risk profile of the stock. Thus, the risk of fluctuation is ever-present, even though the decline in the revenue share of the largest customer in 2023-2024 and the share price have balanced the risk embedded in the stock. We are not afraid as such that Incap will lose the customer, but it is still problematic for investors that Incap's growth and result still largely depend on a single and poorly predictable driver.

Business **demand drivers are investment-driven**, which exposes Incap to cyclical fluctuations in the economy. However, the customer portfolio consists of companies operating in various industrial sectors and at different stages of development, which creates some kind of stability / cyclic resilience in demand.

The challenging value chain position between material suppliers and end customers makes the price pressure chronic. Competition is also fierce and can likewise intensify, once the post-pandemic component issue is behind us and the strong demand has also cooled down.

Valuation	2025e	2026e	2027e
Share price	11.1	11.1	11.1
Number of shares, millions	29.4	29.4	29.4
Market cap	327	327	327
EV	272	255	236
P/E (adj.)	14.8	12.7	11.2
P/E	15.1	12.9	11.4
P/B	2.1	1.8	1.6
P/S	1.4	1.2	1.1
EV/Sales	1.1	1.0	0.8
EV/EBITDA	7.7	6.5	5.4
EV/EBIT (adj.)	9.0	7.5	6.2
Payout ratio (%)	0.0 %	0.0 %	20.0 %
Dividend yield-%	0.0 %	0.0 %	1.8 %

Source: Inderes

Valuation and recommendation 2/4

Short-term guidance risk undermines the short-term return-risk profile and weighs on valuation.

In our opinion, considering the factors supporting and weighing on an acceptable valuation, Incap should be priced in the market with a P/E ratio of 12x-15x and an EV/EBIT multiple of 9x-12x in the current equity market environment with a positive nominal interest rate level and expectation. We haven't made any changes to the ranges. The bottom end of these ranges is also roughly in line with Incap's median levels for the past five years. Over time, these levels are not fixed, but have flexibility to consider both operational and strategic development steps and changes in risk levels (e.g. possible expansion/concentration of the customer base). The earnings growth rate and the level of interest rate expectations play a significant role in determining Incap's acceptable valuation.

Absolute multiples are modest

Incap's adjusted P/E ratios for 2024 and 2025 based on our estimates are 15x and 13x, while the corresponding EV/EBIT ratios are 9x and 7x. Current year's multiples are slightly above Incap's low 5-year medians, and next year's multiples are at that level on a P/E basis and below on an EV basis. Similarly, the company's P/E multiples are within our accepted ranges, while its EV/EBIT multiples are below them. On a P/E basis, it appears relatively more expensive than on an EV basis, which is mainly due to the currently 'overly strong' balance sheet, stemming from the company's decision to retain and accumulate a war chest for acquisitions.

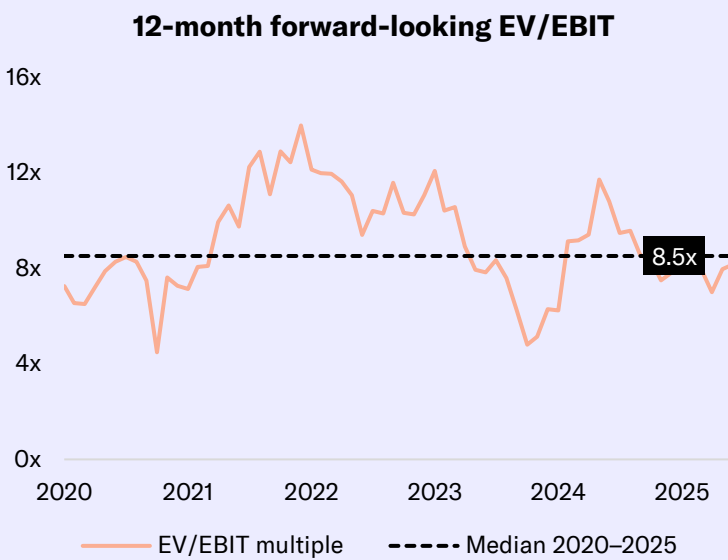
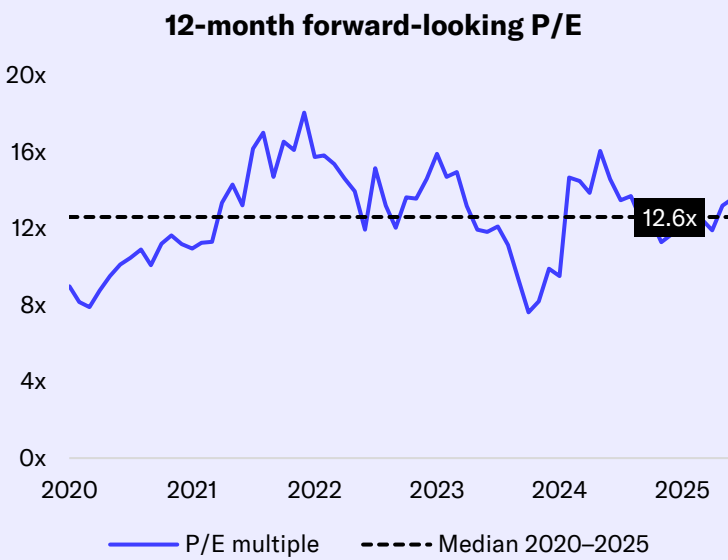
In our view, this is a rather neutral starting point, when, in addition to forecast risks, we consider that the customer

structure is currently and, in light of our forecasts, also in the coming years clearly more diversified than the average of the last 5 years. The company has also demonstrated the ability to maintain high profitability even when revenue declines. However, we do not see clear upside in the valuation (Q1'25 LTM P/E 13x), as organic earnings growth may still be challenging for the company in the coming quarters, and on the other hand, there is significant uncertainty regarding the timing of potential acquisitions. Investors are thus left with the option that the P/E-based valuation would decrease by a double-digit percentage looking forward, if Incap were to succeed in putting its balance sheet to work with a good debt-financed acquisition.

We estimate Incap's dividend yields for the next few years to be zero, as the company is, in our view justifiably, saving its capital to implement the inorganic part of its growth strategy. Therefore, investors' return will come from changes in value, and the dividend will not support short-term return expectations.

There could be grounds for a premium, but the peer group is already quite expensive

The number of listed contract manufacturers is large, so a large group of similar companies to Incap in terms of business models and value chain positions are available for relative examination of the valuation level. However, it is worth noting that the peer group is not perfect, as some of the companies are very large contract manufacturers. In addition, the profitability profiles, business structures, strategic positions and risk levels of the companies are not fully comparable. Some of the relevant peers are also unlisted companies,



Valuation and recommendation 3/4

(e.g. JJS Manufacturing) and not all companies have public forecasts. Despite these points, we find the relative valuation to be sufficiently useful, although we only apply it as a secondary support to the other methods we use.

Some of the peers we have chosen are significantly larger manufacturers than Incap, but the majority are relevant to the size of the company. In particular, we consider Nordic contract manufacturers to be solid indicators, because similar geographical and industrial positions mean that they are also often direct competitors to each other, in our opinion. In addition, acquisitions are central to the strategies of all Nordic manufacturers, which we believe indicates that there is some competition also on the front of potential acquisition targets.

Compared to its peer group, Incap is valued at a clear earnings-based discount on this year's and also next year's multiples, especially on an EV-basis. When compared to the peer group, Incap's strong track record and even superior basic profitability would, in our opinion, support a premium. A customer structure more concentrated than its peers is a contrasting driver, but strong profitability track record from H2'23-H1'24 and a quarterly turnaround in the business could justify a moderate premium. Therefore, we view the share's relative earnings-based valuation as fundamentally attractive. However, the peer group is already highly valued. Incap has also historically followed its own path compared to its peer group. These factors do not encourage placing a particularly high weight on relative valuation.

On a volume basis (EV/S), Incap is priced dozens of percentage points higher than its peer group, and its P/B is

at a moderate premium. In our view, these are justified when viewed in the context of the company's industry due to its high underlying profitability. However, we note that maintaining the volume-based premium at its current scale requires the company to achieve double-digit EBIT margins going forward, and there could be clear downside in the share if profitability were to disappoint even temporarily to the single-digit level typical for the industry.

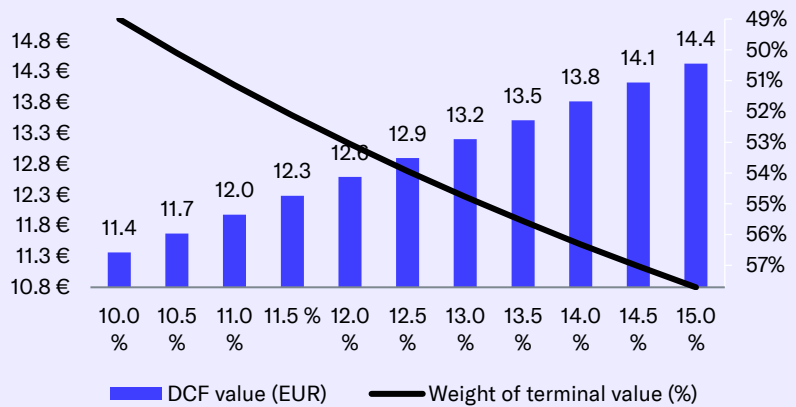
Cash flow based valuation

We also give weight to the cash flow-based model (DCF) in our valuation despite it being rather sensitive especially to the required return and the variables of the terminal period. In light of this we feel the model provides sufficiently relevant support for other methods used, and in particular for examining the longer-term potential for value creation. Our DCF model indicates a share value of just under EUR 13. The DCF, therefore, still provides a positive signal of the share's valuation.

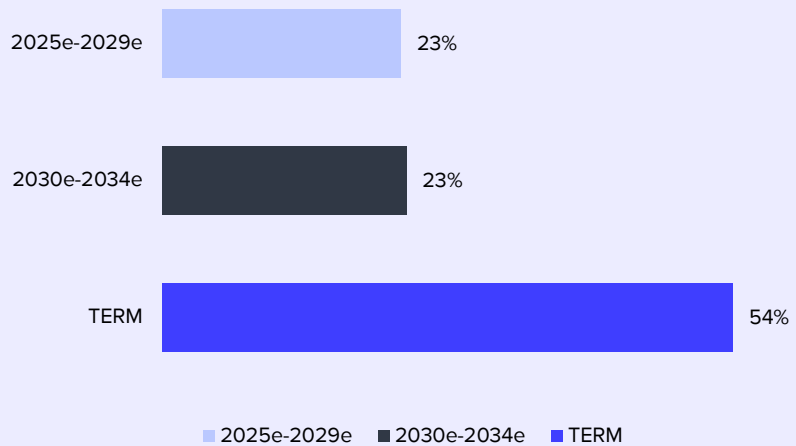
In our forecast model, the company's revenue growth will level off at 2.0% in the long term, while we expect operating profitability to stabilize at a strong level of approximately 12.5%, reflecting the dynamics of the industry. Therefore, the model has some tail risk, especially in terms of profitability. In our model, the weight of the terminal period is still at a reasonable level of good 50%.

The average cost of capital (WACC) used is 10.5% and the cost of equity is 9.8%. We have not made any changes to our required return for now.

Sensitivity of DCF to changes in the terminal EBIT margin



Cash flow distribution



Valuation and recommendation 4/4

In the DCF, there could still be slight upside potential through a decrease in the required rate of return, if the company could balance its customer risks in the longer term and/or the stabilization of the general operating environment would more broadly lower risk premiums. However, a more significant increase in DCF value would require an improvement in cash flow outlook. We have applied a risk-free interest rate of 2.5% and similarly a market risk premium of 4.75%.

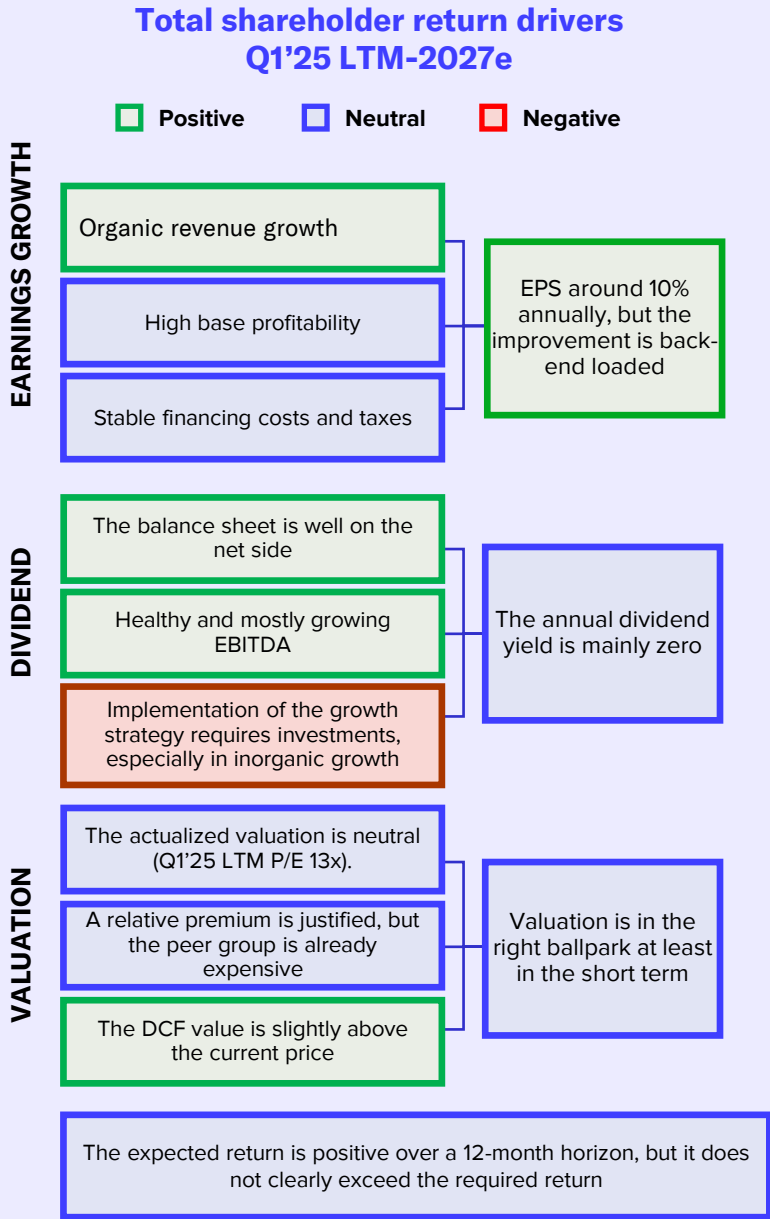
The expected return is roughly at the level of the required return in the short term

Based on the realized earnings, Incap's valuation is, in our view, quite neutral (Q1'25 LTM P/E 13x), particularly when considering that earnings growth will be challenging due to the still difficult market and hardening comparables before the first half of next year. As a result, neither earnings growth nor upside in multiples constitutes a clear positive short-term driver for the stock, even if the brightening outlook we forecast for 2026 were to start being priced into the stock in the coming quarters. We do not expect dividend yield to support the expected return, as we predict that Incap will (sensibly) save its capital for inorganic growth. Therefore, we estimate the share's expected return to remain approximately at the level of the required rate of return over a 12-month horizon.

In the medium term, we expect Incap's earnings growth to continue. We forecast approximately 10% earnings growth for Incap in Q1'25 LTM–2027 at the adjusted EPS level, which provides a good basis for the medium-term expected return. Should earnings growth materialize, Incap's valuation multiples could also have upside in the medium

term. In our opinion, however, the mid-term return outlook remains back-loaded due to the timing of earnings growth expectations. This organically limits the urgency to act on the stock, even though we still see a fairly good opportunity in Incap for an adequate medium-term return expectation. Based on our forecasts, the valuation multiples we accept for the company, relative valuation and the DCF model, we estimate the fair value of Incap's share to be approximately EUR 11-15 per share. Due to clear drivers and short-term risks (incl. current year's guidance and the prolongation of the tightened trade policy situation), we believe it is advisable to seek reference points from the lower end with a 12-month horizon. In light of this, we no longer consider additional share purchases justified right now, but in our opinion, longer-term investors can still comfortably continue to own the company.

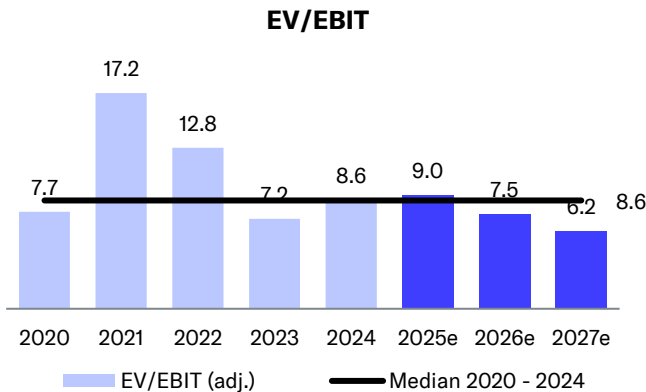
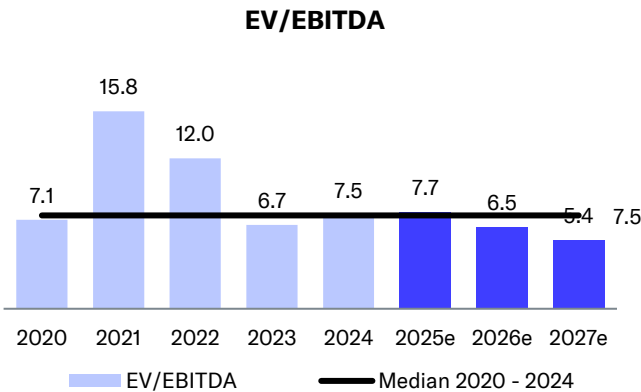
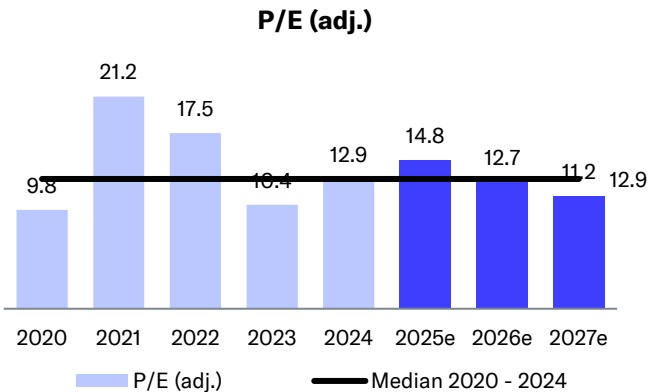
A positive risk for the share, even in the short term, could be M&A transactions, if Incap could put its balance sheet to work on a target that is reasonably priced, of sufficient quality, even slightly synergistic, and especially one that lowers customer risk exposure. Successful AWS and Pennatronics transactions, as well as a patient approach to acquisitions, have supported confidence in the company's M&A strategy. However, we do not specifically base our view on the materialization of a positive M&A option, particularly within a one-year horizon. Another positive risk would naturally also be exceeding our forecasts in the coming quarters, as the stock's current valuation would not prevent upside with clear earnings growth.



Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	3.69	15.70	17.10	7.75	10.24	11.12	11.12	11.12	11.12
Number of shares, millions	29.1	29.2	29.3	29.3	29.4	29.4	29.4	29.4	29.4
Market cap	107	459	500	228	301	327	327	327	327
EV	113	461	514	220	260	272	255	236	220
P/E (adj.)	9.8	21.2	17.5	10.4	12.9	14.8	12.7	11.2	10.2
P/E	11.6	21.8	18.1	11.5	13.2	15.1	12.9	11.4	10.3
P/B	2.8	7.3	5.7	2.1	2.3	2.1	1.8	1.6	1.4
P/S	1.0	2.7	1.9	1.0	1.3	1.4	1.2	1.1	1.0
EV/Sales	1.1	2.7	1.9	1.0	1.1	1.1	1.0	0.8	0.7
EV/EBITDA	7.1	15.8	12.0	6.7	7.5	7.7	6.5	5.4	4.6
EV/EBIT (adj.)	7.7	17.2	12.8	7.2	8.6	9.0	7.5	6.2	5.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	20.0 %	30.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.8 %	2.9 %

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Cicor Technologies	705	757	16.4	14.0	10.6	9.1	1.3	1.1	21.8	18.2			3.8
Data Modul	80	76	34.4	11.0	7.4	5.1	0.3	0.3	134.1	20.9	0.5	0.5	0.5
Hanza	329	474	6.5	5.3	5.8	4.9	0.6	0.6	10.8	9.7	1.4	2.2	1.9
Kitron	1014	1120	12.6	9.0	5.0	4.3	0.4	0.4	25.7	19.0	1.5	2.1	1.1
Lacroix Group SA	38	145	19.6	5.7	5.8	3.6	0.3	0.3	4.6	3.0		6.8	
Jabil	19156	20343	15.1	13.6	10.2	9.4	0.8	0.8	22.1	19.0	0.2	0.2	14.3
Note AB	439	448	12.8	11.4	9.6	8.6	1.3	1.2	17.4	14.9	2.8	1.1	2.8
Scanfil	591	607	10.8	10.0	7.6	7.0	0.7	0.7	14.0	12.8	2.7	2.9	1.9
Fabrinet	8297	7457	24.4	21.2	20.9	18.2	2.5	2.2	26.2	22.9			4.9
Hana Microelectronics	412	149	3.7	3.2	1.8	1.6	0.2	0.2	11.7	10.1	4.8	5.8	0.5
SVI	364	374	14.3	12.2	8.9	8.5	0.7	0.6	13.0	12.3	2.9	3.4	1.6
TT Electronics	215	328	9.8	7.6	5.8	5.0	0.6	0.5	9.0	6.7	4.3	5.1	0.8
Katek	309	394	7.5	7.7	5.1	5.2	0.4	0.4	9.4	9.8			1.6
AQ Group AB	1506	1485	19.4	17.4	14.0	12.3	1.8	1.7	25.1	22.1	1.0	1.1	3.6
Celestica	13718	14300	21.0	17.6	17.7	15.0	1.5	1.3	26.9	22.2			8.0
Incap (Inderes)	327	272	9.0	7.5	7.7	6.5	1.1	1.0	14.8	12.7	0.0	0.0	2.1
Average			15.2	11.1	9.1	7.9	0.9	0.8	24.8	14.9	2.2	2.8	3.4
Median			14.3	11.0	7.6	7.4	0.7	0.6	17.4	14.9	2.1	2.2	1.9
Diff-% to median			-37%	-31%	2%	-11%	76%	50%	-15%	-15%	-100%	-100%	12%

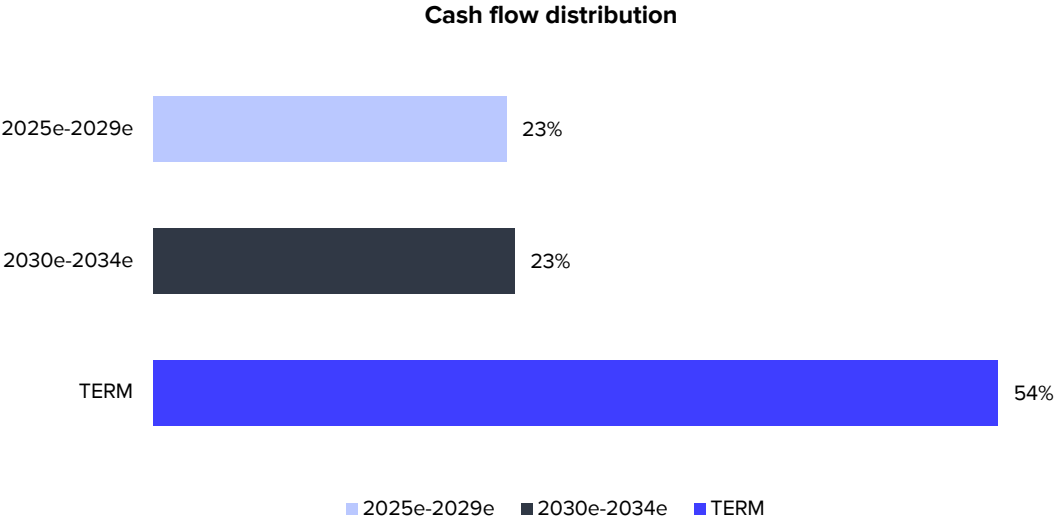
Source: Refinitiv / Inderes

DCF calculation

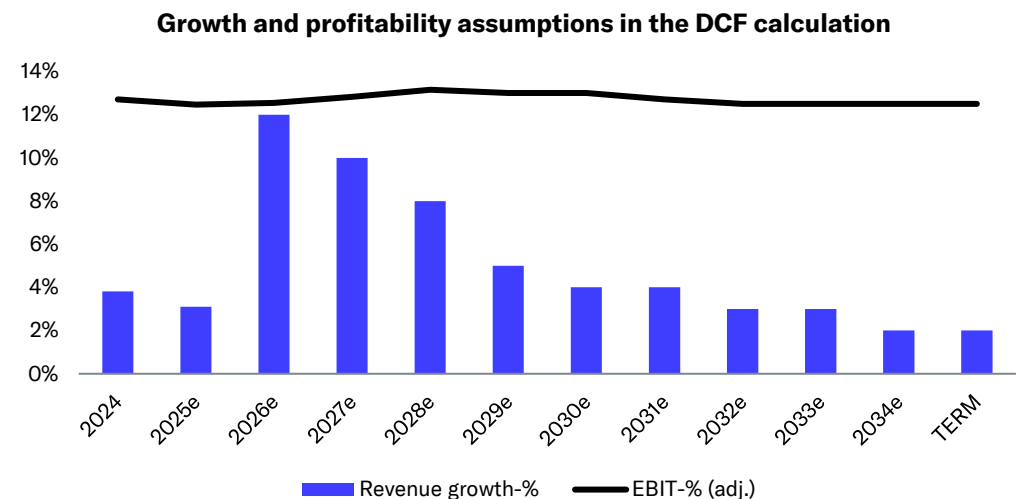
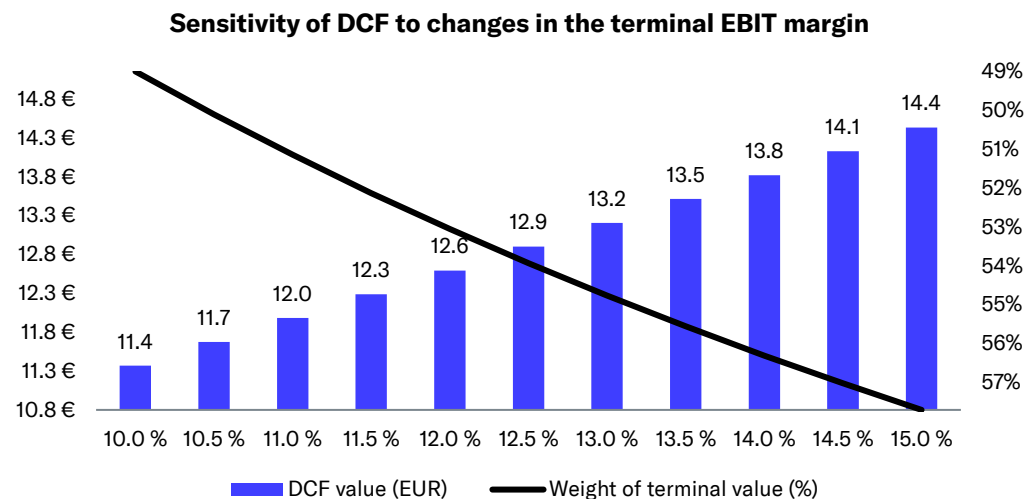
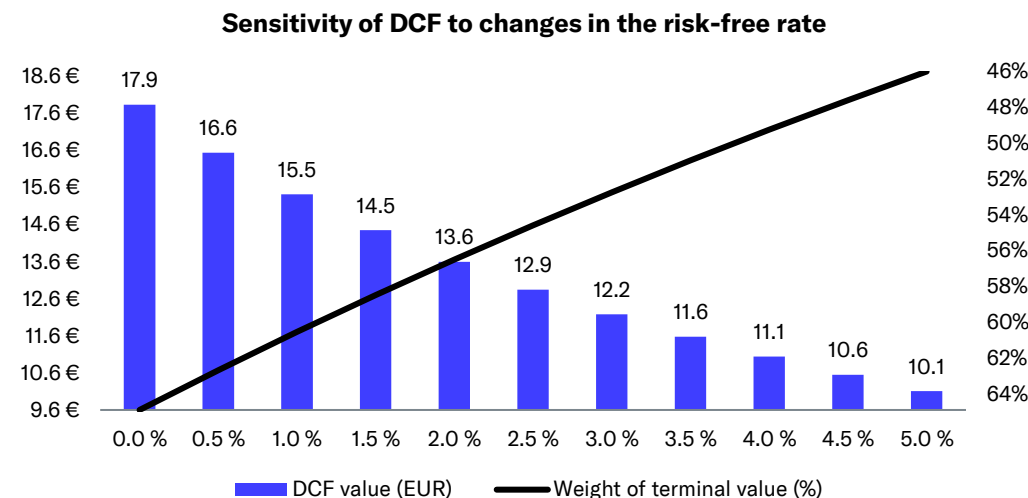
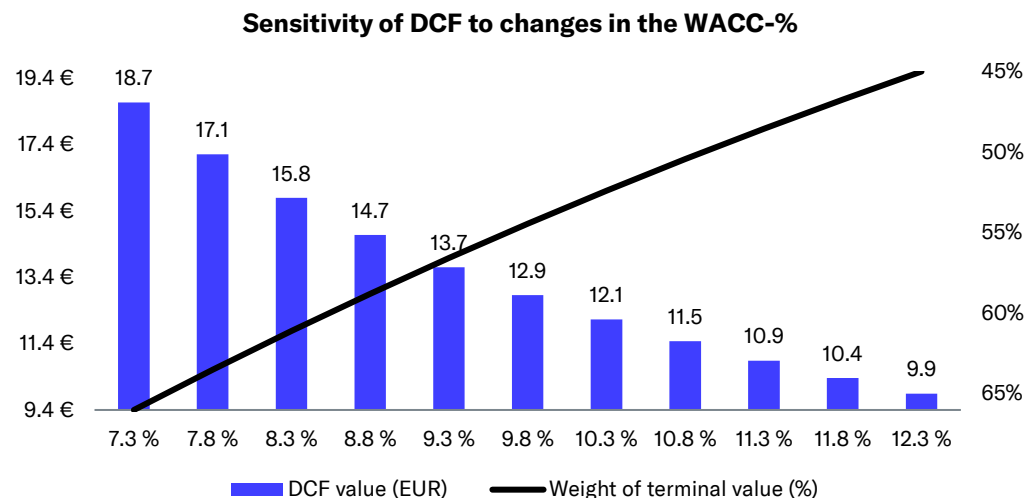
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	3.8 %	3.1 %	12.0 %	10.0 %	8.0 %	5.0 %	4.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-% (adj.)	12.7 %	12.5 %	12.5 %	12.8 %	13.2 %	13.0 %	13.0 %	12.7 %	12.5 %	12.5 %	12.5 %	12.5 %
EBIT (operating profit)	29.2	29.6	33.3	37.5	41.5	43.1	44.8	45.5	46.2	47.5	48.5	
+ Depreciation	5.6	5.7	5.7	5.8	6.1	6.4	6.5	6.5	6.6	6.6	6.7	
- Paid taxes	-6.9	-7.0	-8.3	-9.3	-10.3	-10.8	-11.3	-11.5	-11.7	-12.1	-12.4	
- Tax, financial expenses	0.0	-0.5	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.2	0.3	0.3	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.8	
- Change in working capital	6.5	-7.4	-8.3	-8.1	-9.1	-4.2	-3.5	-3.7	-2.8	-2.9	-2.0	
Operating cash flow	34.6	20.6	22.5	26.0	28.3	34.7	36.8	37.3	38.6	39.6	41.3	
+ Change in other long-term liabilities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.2	-6.0	-6.0	-7.0	-7.0	-7.0	-7.0	-7.0	-7.0	-7.0	-6.8	
Free operating cash flow	28.6	14.6	16.5	19.0	21.3	27.7	29.8	30.2	31.6	32.6	34.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	28.6	14.6	16.5	19.0	21.3	27.7	29.8	30.2	31.6	32.6	34.5	448
Discounted FCFF		13.9	14.3	15.0	15.3	18.1	17.7	16.4	15.6	14.6	14.1	183
Sum of FCFF present value		338	324	310	295	280	261	244	227	212	197	183
Enterprise value DCF		338										
- Interest bearing debt		-30.9										
+ Cash and cash equivalents		72.2										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		379										
Equity value DCF per share		12.9										

WACC	
Tax-% (WACC)	25%
Target debt ratio (D/(D+E))	10%
Cost of debt	5.0 %
Equity Beta	1.7
Market risk premium	4.75%
Liquidity premium	0.0 %
Risk free interest rate	2.5 %
Cost of equity	10.5 %
Weighted average cost of capital (WACC)	9.8 %

Source: Inderes



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Climate target and taxonomy analysis

The taxonomy eligibility of Incap’s business is assessed based on the end product

Incap’s customer delivery can also be part of the customer’s larger product range. Incap assesses the taxonomy eligibility of its business based on the end product for which Incap provides a specific solution. Therefore, Incap’s business is largely so-called enabling functions. These include the manufacturing of renewable electricity and electronic devices, the manufacturing of energy technologies, the manufacturing of low-carbon transport technologies, the manufacturing of automotive and transport components, electricity transmission and distribution, the construction, expansion and operation of wastewater collection and treatment systems, the installation, maintenance and repair of energy efficiency equipment, the installation, maintenance and repair of instruments used for measuring, regulating and controlling the energy efficiency of buildings, data processing, server space rental and related activities. Therefore, Incap does not have taxonomy-eligible activities.

Reporting practices related to Incap’s activities may also change. We do not believe that the current taxonomy rate puts immediate upward pressure on, e.g. Incap's cost or availability of financing, or results in other business challenges. Incap also has one very significant customer, whose size class has varied in 2023-2024 and 2000 and may continue to vary. Therefore, the change in the revenue share of this customer may fluctuate the taxonomy rates of the group as a whole, especially in terms of revenue and expenses.

There are no significant environmental policy issues related to Incap

We believe the direct environmental policy elements related to Incap’s business are relatively small, as the company’s business is assembly industry with very light energy intensity that also does not use any hazardous substances. Incap also manufactures products for its customers that mitigate climate change, such as green energy technology. Therefore, we do not see any greater risks or threats to Incap from regulation in the foreseeable future.

We do not expect significant investment needs to reduce climate emissions

Incap does not yet have official climate targets, although the company reports on the environmental measures it has taken and included in its strategy quite extensively, especially in its annual report. Most of the energy consumed by Incap is used to heat and cool production plants and to run production machinery. In addition to the energy consumption of the production plants, Incap also generates carbon dioxide emissions from logistics, business trips and purchased equipment and services. The company’s efforts to reduce energy consumption include the use of modern technology and energy-efficient equipment, LED lighting, intelligent material flows and logistics. For example, the company installed solar panels in its factories in 2024.

We believe the key role for Incap's overall emissions is especially Scope3 emissions, which the company has limited direct influence on. In light of current data, we estimate that lowering climate emissions will not impose significant and surprising additional short-term costs for Incap but we await further information on this. We also do not expect future investment needs to rise significantly based on the measures.

Taxonomy eligibility	2023	2024
Revenue	67%	100%
OPEX	61%	91%
CAPEX	65%	56%

Taxonomy alignment	2023	2024
Revenue	0%	0%
OPEX	0%	0%
CAPEX	0%	0%

Climate		
Climate target	No	No
Target according to the Paris Agreement (1.5°C warming scenario)	No	No

We are starting to increase the visibility of sustainability assessments by looking at the climate target and taxonomy impacts because we believe that they are currently, on average, most significant in the company’s value formation. Visibility to other factors will be gradually increased. The analyst considers the impact of all sustainability factors on the company’s growth and profitability potential and risk (i.e. the required return) when forming the investment view.

NB! Taxonomy eligibility % is shown in the table without taxonomy-aligned activities.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/28/2022	Accumulate	16.00 €	14.66 €
10/19/2022	Accumulate	17.00 €	15.08 €
10/28/2022	Reduce	17.00 €	16.06 €
11/18/2022	Reduce	17.00 €	16.18 €
2/23/2023	Reduce	17.00 €	18.04 €
4/19/2023	Accumulate	12.00 €	10.92 €
4/27/2023	Accumulate	12.00 €	10.36 €
6/15/2023	Accumulate	12.00 €	9.96 €
7/4/2023	Accumulate	12.00 €	10.76 €
7/31/2023	Accumulate	12.00 €	10.72 €
10/9/2023	Accumulate	8.00 €	6.40 €
10/26/2023	Accumulate	8.00 €	6.19 €
2/23/2024	Accumulate	9.00 €	7.94 €
5/10/2024	Accumulate	12.50 €	10.92 €
6/24/2024	Accumulate	13.50 €	12.12 €
7/29/2024	Accumulate	13.50 €	11.29 €
10/25/2024	Buy	13.00 €	10.85 €
3/3/2025	Buy	13.00 €	11.14 €
4/28/2025	Accumulate	12.00 €	9.95 €
6/23/2025	Reduce	12.00 €	11.12 €



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