**Chapter 1: What is the purpose with NCAB?**

At NCAB, we had two ambitions.

One is to supply high quality printed circuit boards, so that our customers can successfully develop their business.

The second ambition is to create a workplace for us employees, where we can raise our competence and also have some fun. This is the overall meaning with NCAB.

So what about the profit? A good way to think of it, is to see NCAB as a Formula 1 team. It's not only up to the driver – you really need a strong team, and you also need to have leading and reliable technology behind you.

During the race, you need an excellent driver that can make a lot of decisions fast-paced – because you never know what going to happen out there.

If NCAB is a Formula 1 team, one could say that the gasoline is the profit. We cannot do anything without it. But the meaning with Formula 1 is not the gasoline, and the meaning with NCAB is not the profit.

Without gasoline, no driving. Without profit, there is no NCAB.

**Chapter 2: How much profit should we make?**

There is a sweet spot where we get the profits we need, and customers still find our product more valuable than the money we ask for. This sweet spot is a moving target, so once a year we ask our customers if they think we give them value for money. And this is how they answered in 2021:

Out of 100 customers, 24 customers said we have “OK” prices. A few even said we had bad prices. But the vast majority said “Yes! NCAB have good or excellent prices”. So it seems we really have found a price level where most of our customers actually can pay more, for the value we provide.

This is another way to look at customer value. This circle represents how much it costs for our customers to create their product – for example breaking systems for a high-speed train. This little dot shows the price of the PCB. This circle represents how complex our products can be, and this big dot shows the importance of the PCBs for the customer's product to do what it's supposed to do.

This is a huge responsibility. High-speed trains are useless if they can't break properly. Our customers are not just buying PCBs, they are also acquiring our competence, our people, and peace of mind. They want to be able to sleep well at night.

When we stick to our values, we deserve our customers' trust. They notice when we put Quality First, when we value our Relationships with them, when we take Full Responsibility every time. Living after this is not easy, and it's not cheap – we need a healthy profit to make sure that we can honor the promises we make.

And let me remind you: in 2021, the majority of our customers thought our prices were good or excellent — so there’s absolutely no reason to be ashamed of our prices.

Remember: without gasoline, there is no driving. Without profit, there is no NCAB.

**Chapter 3: Three kinds of profit**

These numbers are from our annual report 2020.
The most important number is Revenue. This is what our customers pay us. And in 2020, it was at an all-time high – good job everyone!
The grey column is COGS, Cost Of Goods Sold, which is a fancy and a shorter way of saying “cost of the PCBs landed at the customer's site”.
Next is Gross Profit, the first out of three profits. Unfortunately, we can't keep all this money because…
This light gray column shows our Operating Cost, which is also another way of saying “this is what we paid for everything else”, such as salaries, rent, traveling, etc.
What's left is the Operating Profit, the second kind of profit. This is what we usually mean when we say “profit” or “EBITA”. Unfortunately, we can't keep all this money either, because…
Well, we have to pay taxes! These last numbers in the report also include financial costs or gains.
This is the Profit 2020. This is the real money that we can invest for the future, and pay the shareholders.

If you're not working in finance or sales, you may wonder what this has to do with you. But the truth is that every person in NCAB contributes to our profit. Everyone contributes to our costs by needing salary and an office, traveling to customers, using computers, etc. Everyone also contributes to our incomes by making sure that our customers feel that we are always putting Quality First, that we value our Strong Relationships, and that we take Full Responsibility for the promises we have made as a company.

Making sure that we are profitable is everyone's job.

Without gasoline, there is no driving. Without profit, there is no NCAB.

**Chapter 4: The Math**

Now, we will look more closely at Gross Profit.

Gross Profit is our most important profit at NCAB. Most of our Gross Profit will be spent covering expenses such as salaries, traveling, and office space. Only a small part of the Gross Profit will be left as Operating Profit, or EBITA. That is why it's so important that we keep Gross Profit at a healthy level.

Quoting the right Gross Margin is mathematics, knowing the customers and making them understand our values, and finally being bold. This video is about the math.

To find the Gross Profit, you just take the price that the customer pays, and subtract the Costs Of Goods Sold (COGS).

If we put numbers on it: when the price is 100 000, and the COGS are 70 000, Gross Profit is 30 000.

But the Gross Margin is not quite as straightforward. Gross Margin answers the question: out of the price, what percentage is profit? In this case, of course, this is 30%.

But we usually don't start with the price; we start with the COGS. So here is a trick question: if your COGS are 70 000, how many percent do you need to add to get the price? 30%? No, that's only 21 000. Starting from the COGS, you need to add 43% to get a Gross Margin of 30%.

As seen, this can be a bit difficult, so we need to be careful. Up next, we will practice with a few examples.

And remember, without gasoline, there is no driving. And without profit, there is no NCAB.

**Chapter 5: The professional touch**

We usually use iQuote to do the math for us, which is fine. But iQuote really has no touch – it only looks at our cost and price, and not the value we provide for our customers. It's just a tool, you are the professionals here. You have to add your touch to achieve the right pricing. The math helps us check that we haven’t made a mistake, but it doesn’t decide the price for us.

Let me remind you about the sweet spot where the price we want overlaps with how much value the customer thinks our offer has. This value, in turn, depends on how well our offer fits the customer’s needs – so we have to understand the needs. The value determines the price, not just our cost.

How do we understand the needs? We do our homework, and ask open questions. More about this you can lean in the course Heed the Need.

We can use the math to check that our gross margin is not too low, but the sweet spot is found with the professional touch.

Let's get back to the metaphor of NCAB as a Formula 1 racing car. As a Formula 1 car driver, you need the team, technology, support, and training behind you. But in the end, the decisions on the track are up to you as the driver. No one can predict exactly how the race will play out. The decisions must be made right there with your professional touch.

NCAB depends on you to bring home a healthy gross margin. Remember, without gasoline, there is no driving, and without profit, there is no NCAB. Good luck out there!