

*Relaxing Moments*

**HARVIA**

*Sauna & Spa*

*Natural Wellbeing*



# Harvia Plc Half-year financial review

January–June 2019

*16 August 2019 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO*



# Content

1. January–June 2019 in brief
2. Harvia's strategy
3. Financials





- **Revenue** grew by 14.3% to EUR 36.3 million (31.8). At comparable exchange rates, revenue grew by 13.9% to EUR 36.2 million.
- **Adjusted operating profit** was EUR 6.8 million (5.7) making up 18.7% (17.8) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 15.6% to EUR 6.5 million (18.1% of the revenue).
- **Earnings per share** was EUR 0.24 (0.22 and calculated based on the number of shares after the listing 0.17).
- **Operating free cash flow** amounted to EUR 3.9 million (2.3).
- **Net debt** amounted to EUR 33.9 million (31.0) and leverage was 2.3 (2.4).
- **Equity ratio** increased to 56.0% (54.9).





## Harvia Q2 2019: Profitable growth continued in the second quarter

- **Revenue** grew by 11.4% to EUR 17.0 million (15.3). At comparable exchange rates, revenue grew by 11.0% to EUR 16.9 million.
- **Adjusted operating profit** was EUR 2.8 million (2.4) making up 16.5% (16.0) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 9.4% to EUR 2.7 million (15.8% of the revenue).
- **Earnings per share** was EUR 0.10 (0.08).
- **Operating free cash flow** amounted to EUR 2.2 million (0.4).





# The execution of strategy progressed as planned

## Increasing the value of the average purchase

- New product launches progressing: Glow, Cilindro Plus and Sentio by Harvia products. The Wall Combi heater also tested by the magazine Tekniikan Maailma.
- Cilindro Plus and wireless Harvia Spot control in the stores. Campaign later in the autumn.
- New Harvia Pro 20 woodburning heater will gradually replace the old version.



## Geographical expansion

- AHS's product range has been renewed and distribution network have been expanded.
- Distribution channels expanded also in Scandinavia.
- Harvia's pilot shop in China.

## Productivity improvement

- Continuous productivity improvement in China, US and in the heater and component manufacturing facility in Finland.
- Improved warehouse efficiency and delivery reliability.
- Procurement process proceeded as planned.







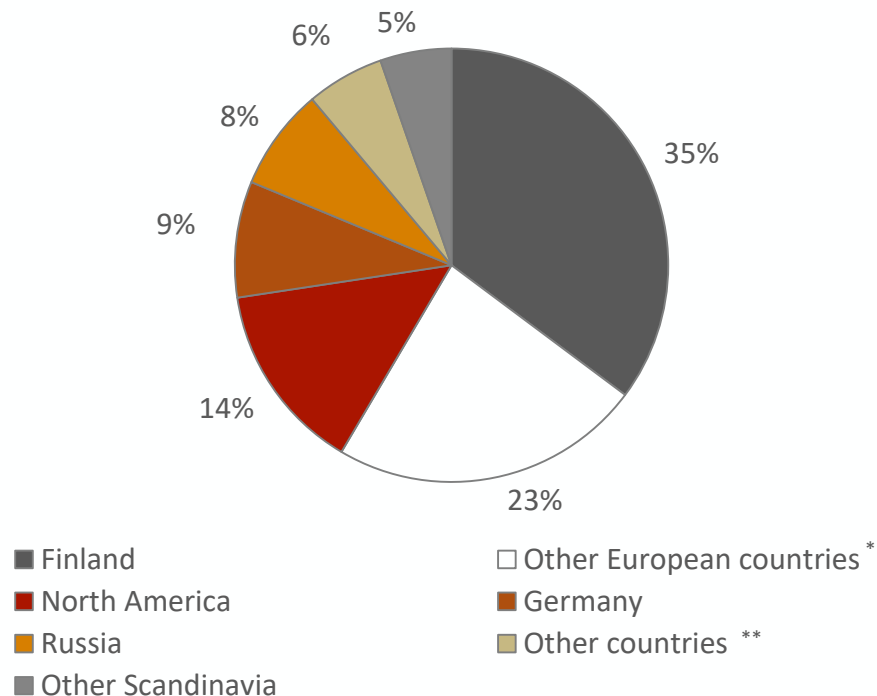
# Taking over the operations of Almost Heaven Saunas proceeding as planned

- AHS's product range has been renewed and production and procurement have been streamlined.
- Increased stock levels and good customer service level.
- In April Harvia acquired a production and warehouse facility from the previous owners of Almost Heaven Saunas LLC.
- New production manager and smaller machinery investments.



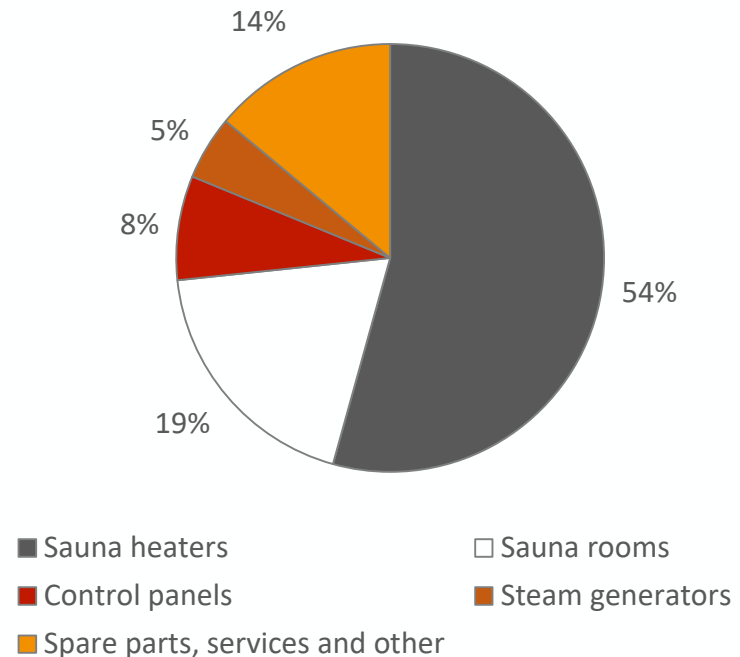
# H1 2019: North America and sauna rooms grew

Revenue by market area, %



- The revenue increase was mainly due to the acquisition of the business operations of Almost Heaven Saunas in the United States and the good development of the business operations in Finland

Revenue by product group, %



- Growth in all product groups
- Sauna components have slightly better relative profitability compared to sauna rooms
- Control units important in export markets

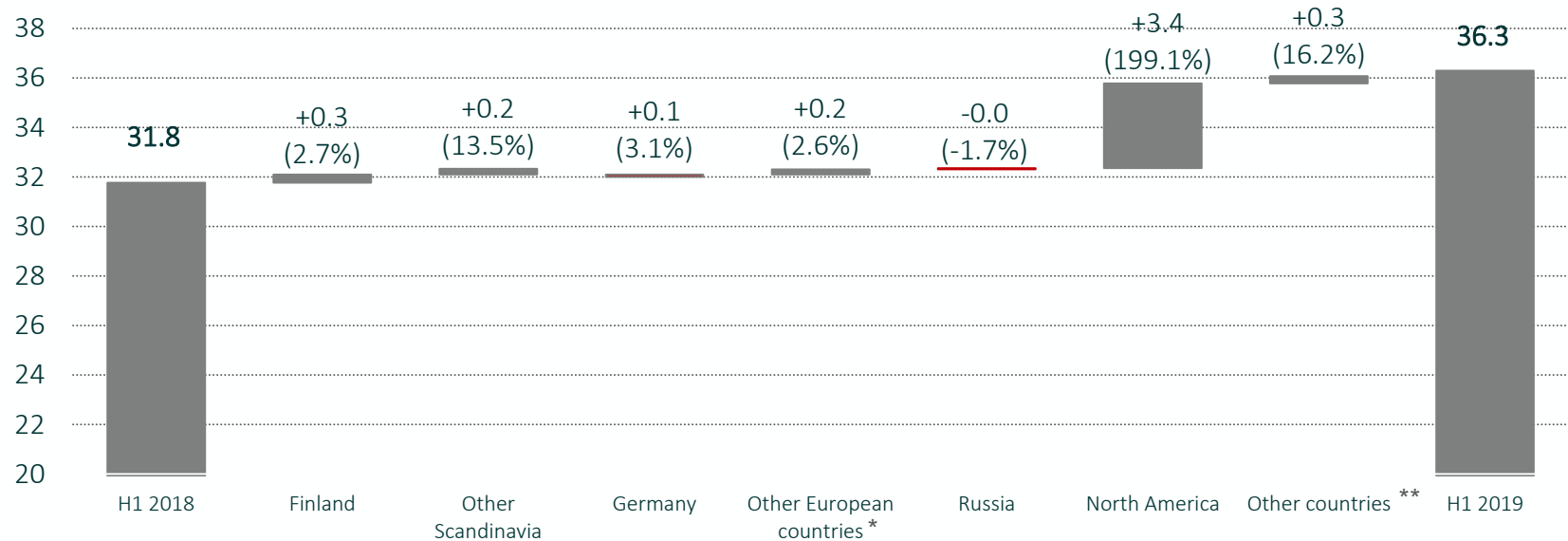
\* "Other EU countries" market area has been replaced with "Other European countries" market area.

\*\* The largest of which: Arab countries and Asia.

# H1 2019: Revenue grew by 14.3%

## Revenue by market area H1 2018 vs H1 2019

EUR million



- The revenue increase was mainly due to good development of the business operations in the United States and in Finland
- Revenue in Germany also showed positive development
- At comparable exchange rates, revenue grew by 13.9% to EUR 36.2 million.

\* "Other EU countries" market area has been replaced with "Other European countries" market area.

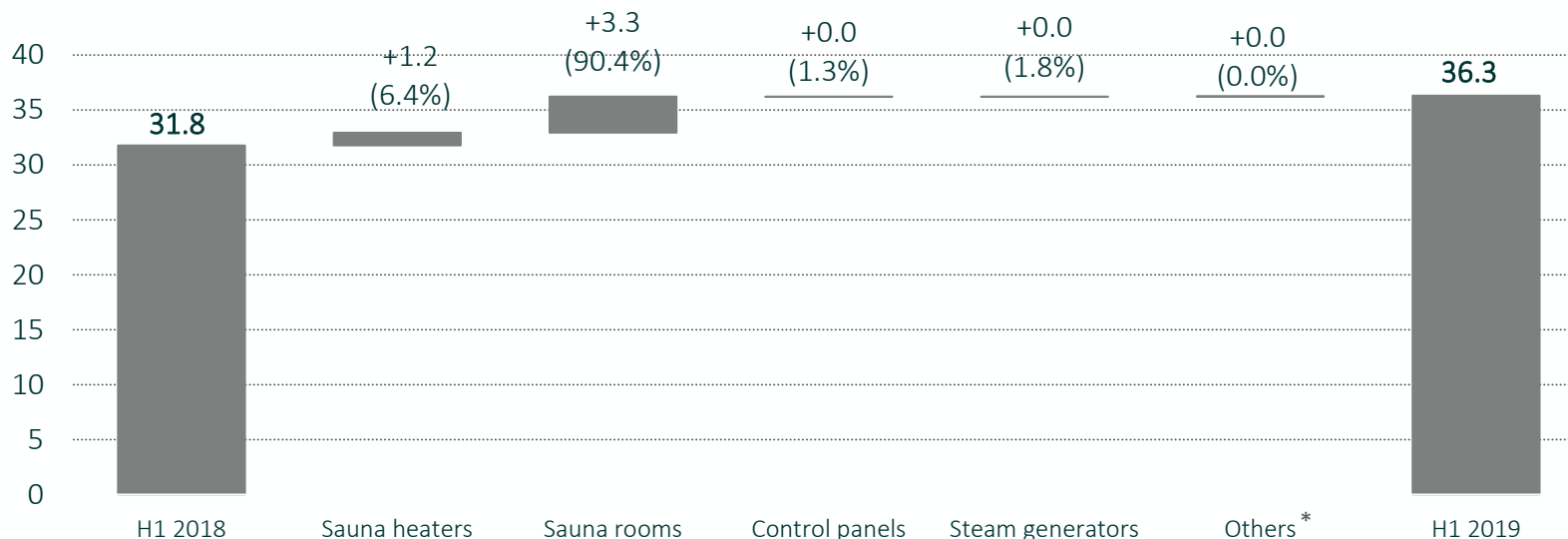
\*\* The largest of which: Arab countries and Asia.



# H1 2019: Growth throughout product groups

## Revenue by product group H1 2018 vs H1 2019

EUR million

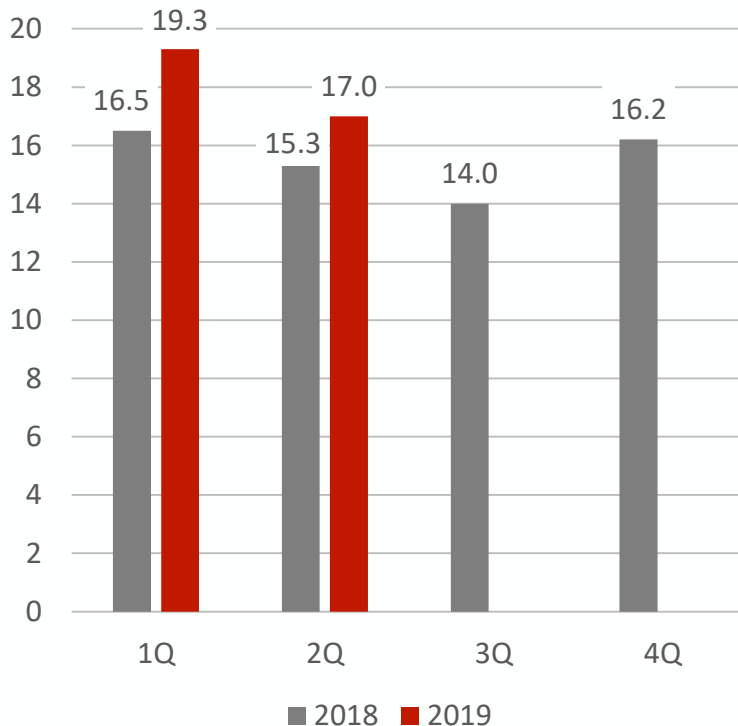


- Harvia's revenue increased especially in Sauna heaters and Sauna rooms
- Revenue in sauna rooms increased especially due to the business operations in the United States
- Revenue grew above the target level in sauna heaters, in both electric and wood-burning heaters

# Revenue and adjusted operating profit increased in second quarter from previous year

## Revenue

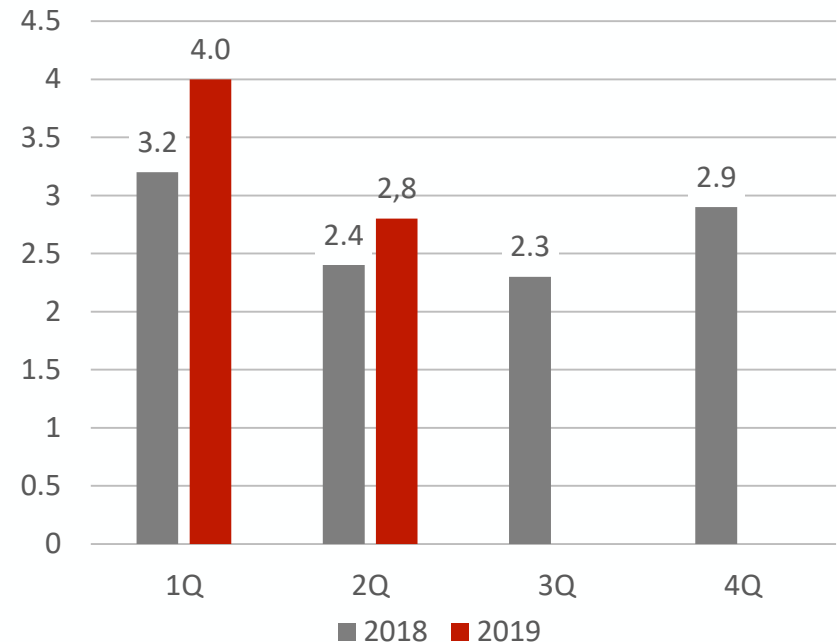
EUR million



- The revenue growth was strongest in North America, Scandinavia, France, UK and Germany.
- At comparable exchange rates, revenue grew by 11.0% to EUR 16.9 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit developed positively and grew to EUR 2.8 (2.4), making up 16.5% (16.0) of the revenue.



**Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers**





Harvia aims to be the leading player in the sauna and spa market

Increasing the value of the average purchase

Geographical expansion

Productivity improvement



# Financials

Ari Vesterinen, CFO



# Harvia's key figures in H1 2019

EUR million	4-6/19	4-6/18	Change, %	1-6/19	1-6/18	Change, %	2018
Revenue	17.0	15.3	11.4%	36.3	31.8	14.3%	61.9
Adjusted EBITDA*	3.6	3.0	19.9%	8.3	6.7	24.2%	13.0
% of revenue	21.1%	19.6%		22.9%	21.1%		21.0%
Adjusted operating profit*	2.8	2.4	14.9%	6.8	5.7	19.8%	10.9
% of revenue	16.5%	16.0%		18.7%	17.8%		17.5%
Basic EPS (EUR)**	0.10	0.08	22.6%	0.24	0.22	10.1%	0.41
Operating free cash flow	2.2	0.4	532.3%	3.9	2.3	68.6%	10.0
Investments in tangible and intangible assets	-0.6	-0.2	151.3%	-1.1	-0.8	28.2%	-1.6
Net debt	33.9	31.0	9.4%	33.9	31.0	9.4%	30.3
Leverage	2.3	2.4		2.3	2.4		2.3
Net working capital	20.5	20.4	0.3%	20.5	20.4	0.3%	17.5
Adjusted return on capital employed (ROCE)	30.6%	30.8%		30.6%	30.8%		31.6%
Equity ratio	56.0%	54.9%		56.0%	54.9%		56.3%
Number of employees at end of period	404	381	6.0%	404	381	6.0%	400

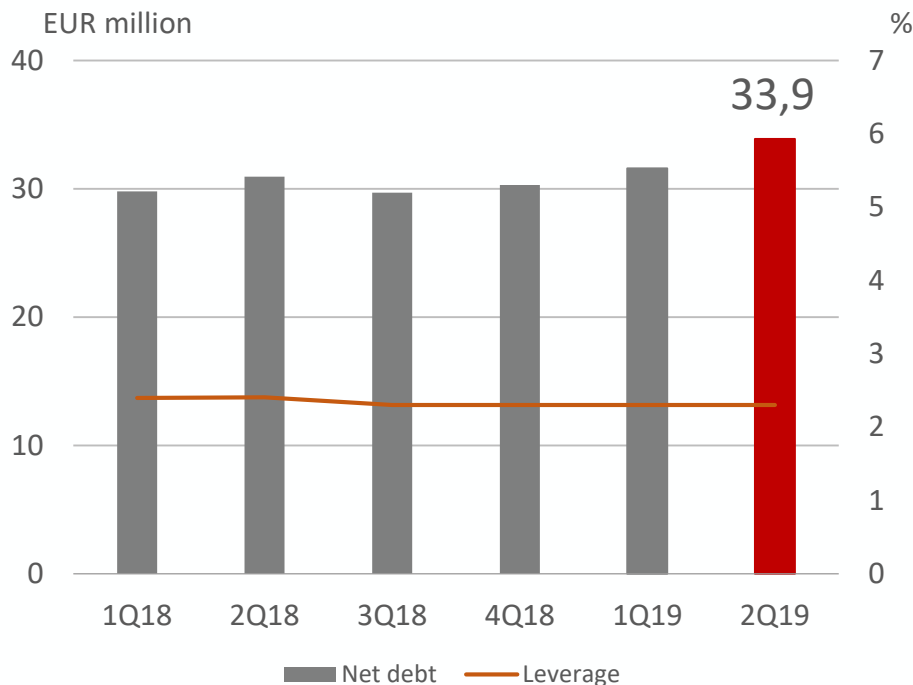
\* Adjusted by items affecting comparability.

\*\* Earnings per share (EPS) in January–June 2019 was EUR 0.17, calculated based on the number of shares after the listing.



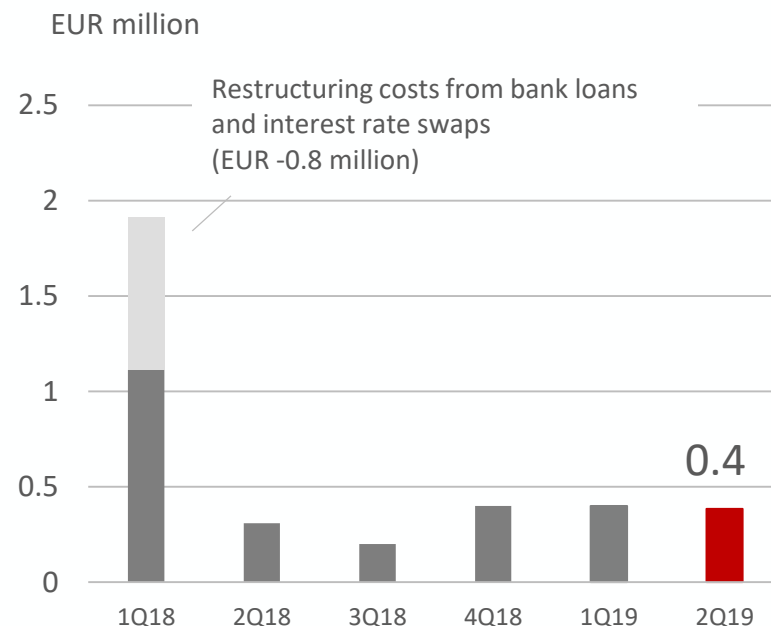
# Net finance costs decreased significantly

Net debt (EUR million) and leverage (%)



- At the end of June 2019, the company's net debt amounted to EUR 33.9 million (31.0), of which EUR 38.6 million (39.4) consisted of long-term liabilities.

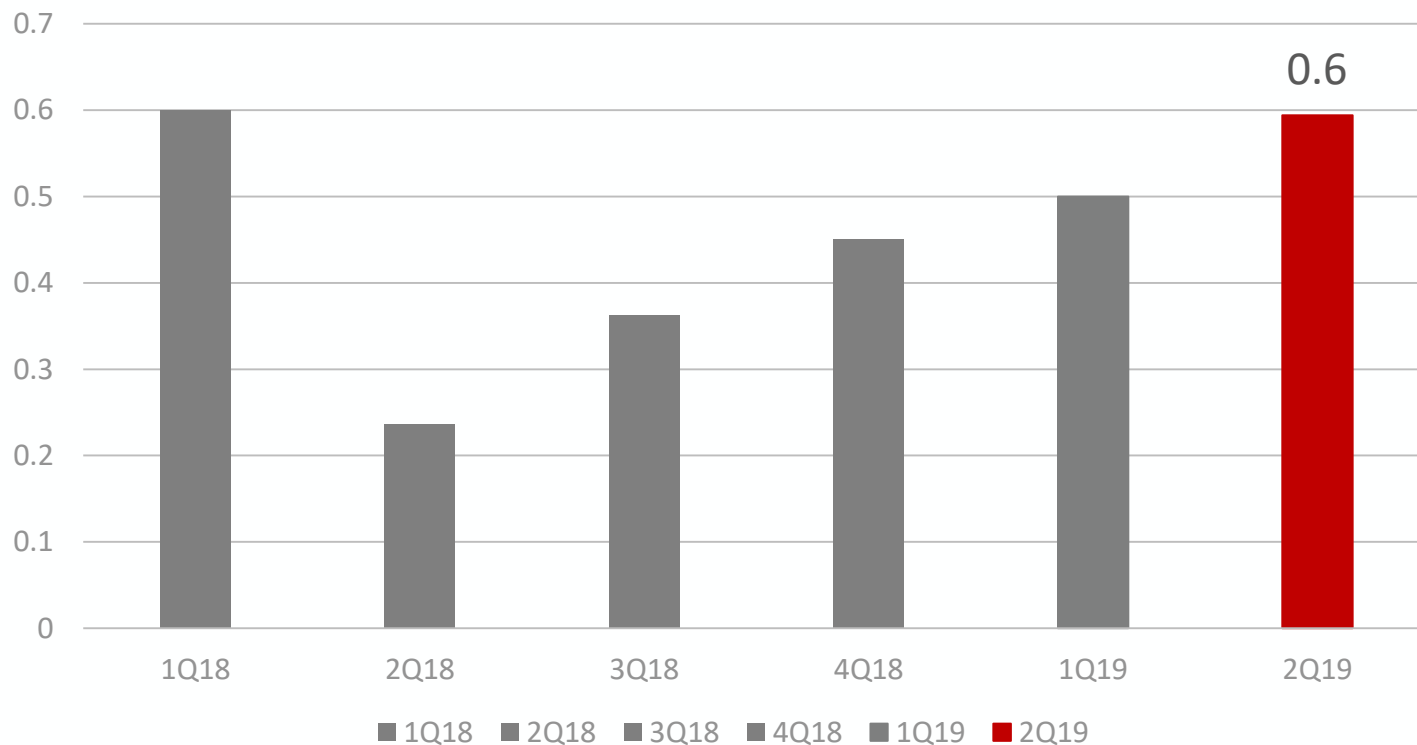
Net finance costs, EUR million



- The decrease in financing expenses resulted from the restructuring of financing in conjunction with the listing in March 2018.

## Investments in tangible and intangible assets, EUR million

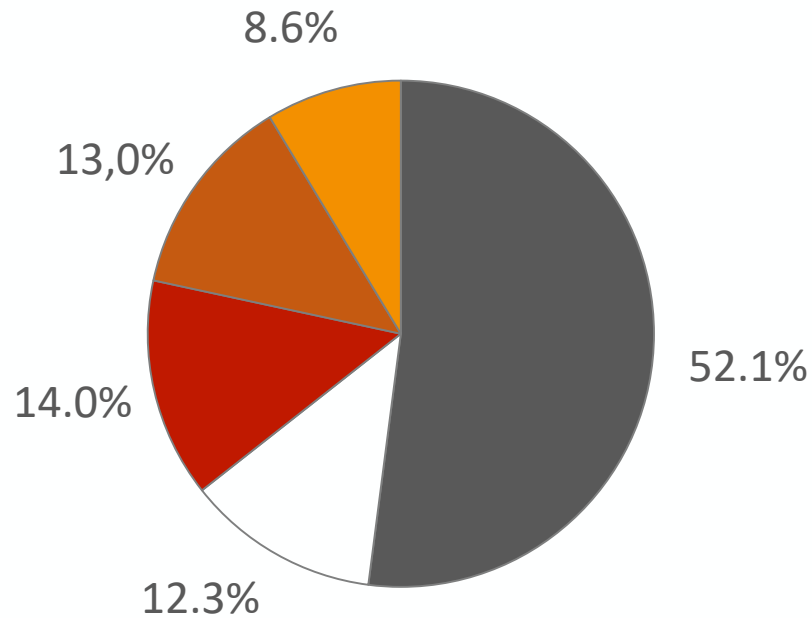
EUR million



- In April Harvia acquired a production and warehouse facility in US, the cash flow effect of the acquisition was EUR 0.2 million in the second quarter. In addition other investments and improvements.



# The distribution of Harvia's shareholders by segment (30 June 2019)



■ Nominee registered and outside Finland

□ CapMan funds

■ Households

■ Banks and insurance companies

■ Private corporations

- In the March 2018 IPO, Harvia gained approximately 2,000 new shareholders.
- At the end of June, the number of shareholders totaled in 4,092 (including nominee registers).





## Dividend proposal

**Harvia targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 percent of net income, in total.**

Based on the proposal by the Board of Directors, Harvia Plc's Annual General Meeting resolved on April 4, 2019 that a dividend of EUR 0.18 per share (totaling EUR 3,364,962.48) be distributed based on the approved Financial Statements for 2018. The dividend was paid to shareholders registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend's date of record, April 8, 2019. The dividend was paid on April 15, 2019.

The Annual General Meeting decided to authorize the Board of Directors to resolve, at its discretion, on distributing an extra dividend amounting to a maximum of EUR 0.19 per share. The Board of Directors expects to decide on the payment of the extra dividend at its meeting scheduled to be held on 17 October 2019.



# Financial targets and outlook

## Growth:

Annual revenue growth above five per cent on average

## Profitability:

Adjusted operating profit margin of 20 per cent<sup>(1)</sup>

## Leverage ratio:

Net debt per adjusted EBITDA in the range of 1.5x–2.5x<sup>(2)</sup>

Harvia does not publish short-term outlook.

1) Operating profit before items affecting comparability

2) Not accounting for the future effects of changes in IFRS standards



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