

*Relaxing Moments*



*Natural Wellbeing*



# Harvia Plc Interim Report

January–September 2019

*8 November 2019 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO*



# Content

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







# Q3 Highlights

## Strong growth with good profitability

- Strong growth in all product groups and on almost all of our key markets
- Profitability of our business operations improved

## Business operations in the US market developed well

- Demand in the market remained strong and revenue grew significantly
- Integration has proceeded according to plan and improving the profitability of operations has even proceeded slightly faster than anticipated

## Systematic implementation of strategy

- Our offering developed favorably
- Improvement of productivity and continuous development of operations
- Distribution in Scandinavia



# Strong growth with good profitability

## Q3 2019

- **Revenue** grew by 22.3% to EUR 17.1 million (14.0). At comparable exchange rates, revenue grew by 21.2% to EUR 17.0 million.
- **Adjusted operating profit** was EUR 2.9 million (2.3) making up 17.2% (16.7) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 2.9 million (16.9% of the revenue).
- **Earnings per share** was EUR 0.11 (0.09).
- **Operating free cash flow** amounted to EUR 4.2 million (2.6).

## January – September 2019

- **Revenue** grew by 16.7% to EUR 53.4 million (45.7). At comparable exchange rates, revenue grew by 16.2% to EUR 53.1 million.
- **Adjusted operating profit** was EUR 9.7 million (8.0) making up 18.2% (17.5) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 9.4 million (17.6% of the revenue).
- **Earnings per share** was EUR 0.36 (0.30 and calculated based on the number of shares after the listing 0.26).
- **Operating free cash flow** amounted to EUR 8.1 million (5.0).
- **Net debt** amounted to EUR 30.2 million (29.7). Leverage was 2.0 (2.3).
- **Equity ratio** was 57.4% (57.5).



# The execution of strategy progressed as planned

## Increasing the value of the average purchase

- Product offering developed favorably
  - Premium products
  - Spare parts
  - Sauna collection
- New product launches: Cilindro Plus Spot and Sentio by Harvia Oube Professional

## Geographical expansion

- New channels for sauna sales in the US
- Expanded customer base and distribution in Scandinavia

## Productivity improvement

- The continuous improvement of productivity has progressed as planned
- Systematic development of operations and logistics in the Muurame factory
- Good procurement efficiency







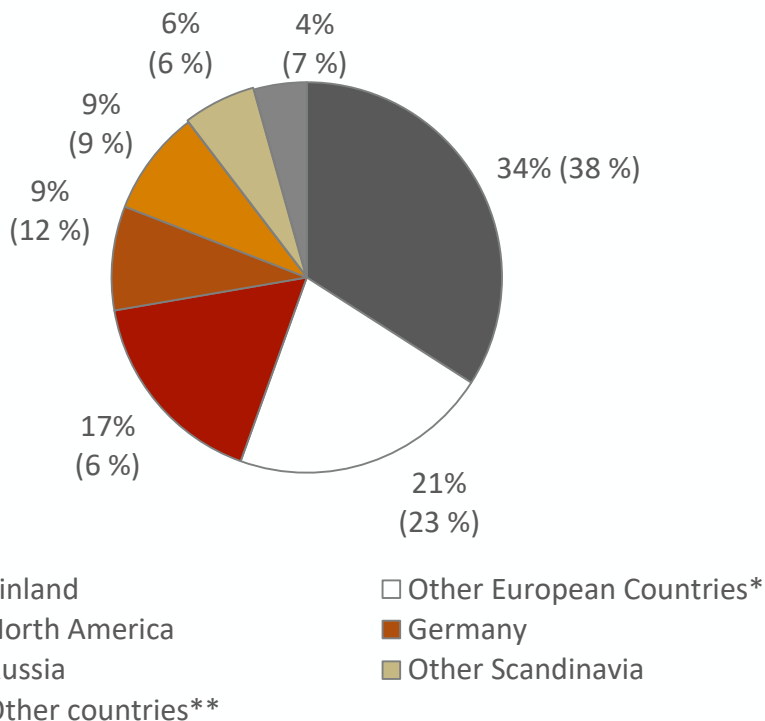
- Integration has proceeded according to plan and improving the profitability of operations has even proceeded slightly faster than anticipated
- Updated product range and new channels for sauna sales
- Success in cross-selling
- Good operational efficiency in sourcing and production





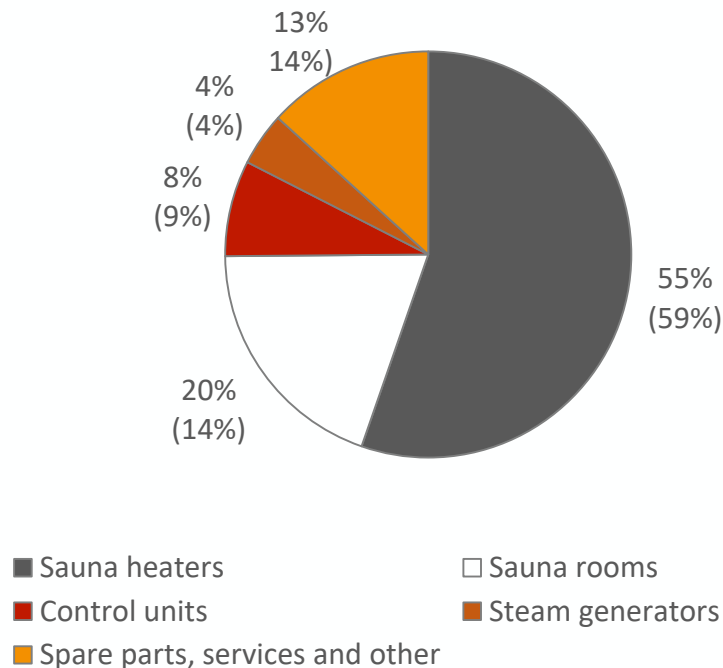
# Q3 2019: North America and sauna rooms grew

Revenue by market area, %



- The revenue grew mainly due to the good development in Finland and the United States
- Also Other European countries and Russia developed positively
- Revenue decreased from the comparison period in Germany

Revenue by product group, %



- Growth in all product groups, especially strong in sauna rooms, sauna heaters and steam generators
- 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.

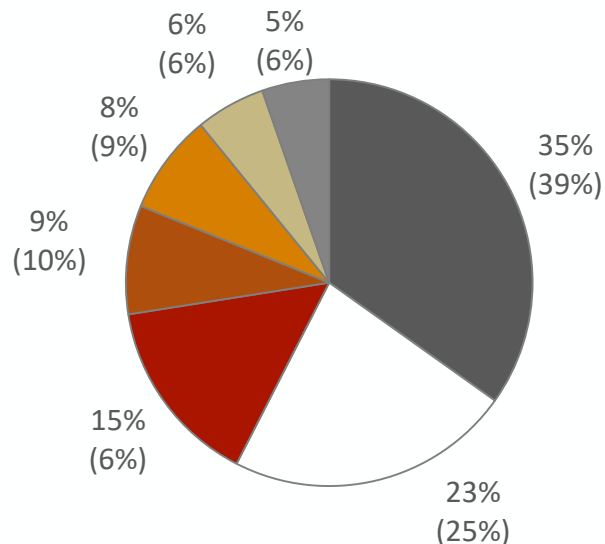
\*\* The largest of which: Arab countries and Asia.





# January–September 2019: North America and sauna rooms grew

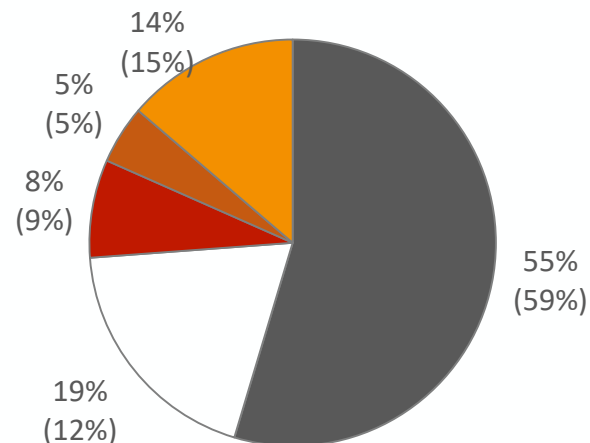
Revenue by market area, %



- Finland
- North America
- Russia
- Other countries\*\*
- Other European countries\*
- Germany
- Other Scandinavia

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

Revenue by product group, %



- Sauna heaters
- Control units
- Spare parts, services and other
- Sauna rooms
- Steam generators

- Growth in all product groups, especially in sauna rooms
- Sauna heater sales increased by 8.7% year on year

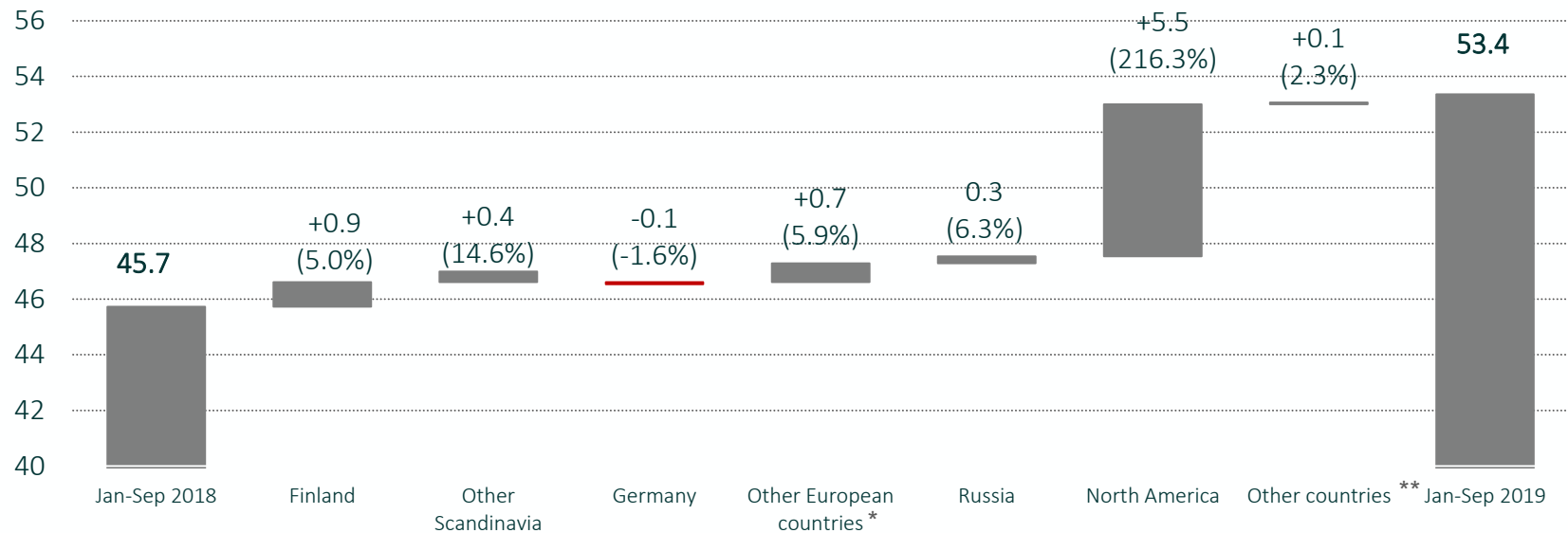
\*"Other EU countries" market area has been replaced with "Other European countries" market area.

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

# January–September 2019: Revenue grew by 16.7%

## Revenue by market area Jan-Sep 2018 vs Jan-Sep 2019

EUR million



- The revenue increase was mainly due to good development of the business operations in Finland and United States
- Revenue in Other European countries also showed positive development
- At comparable exchange rates, revenue grew by 16.2% to EUR 53.1 million.

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

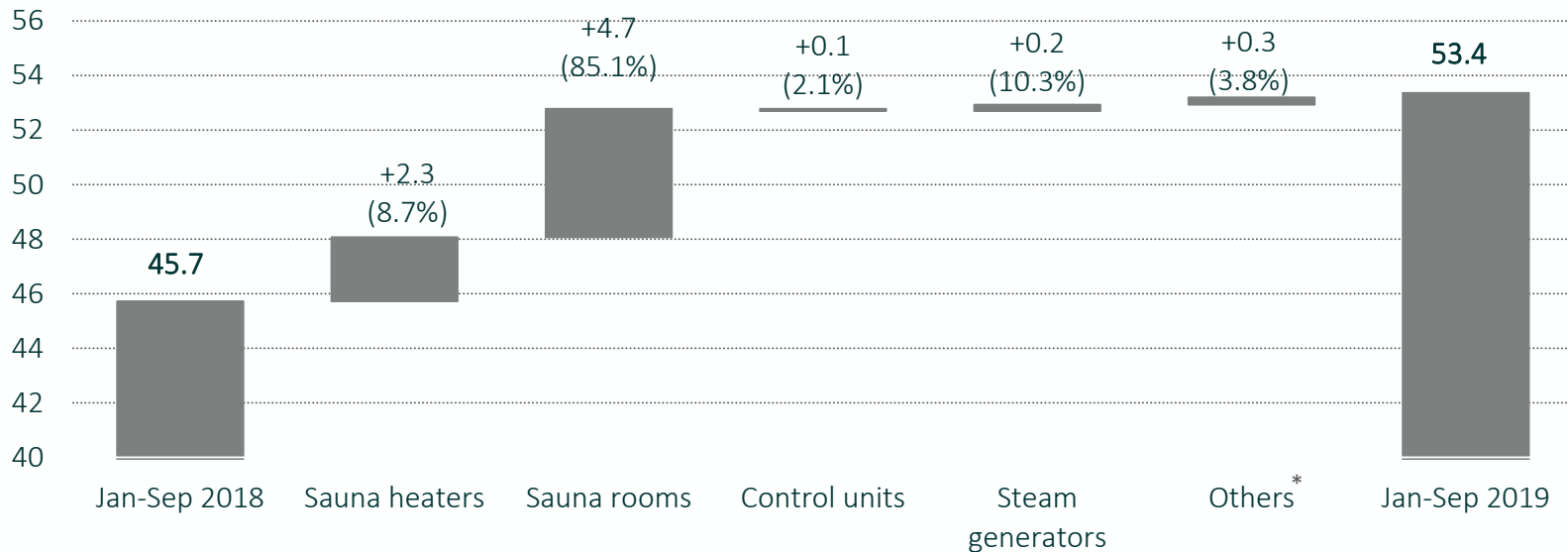
\*\* The largest of which: Arab countries and Asia.



# January–September 2019: Growth throughout product groups

## Revenue by product group Jan-Sep 2018 vs Jan-Sep 2019

EUR million



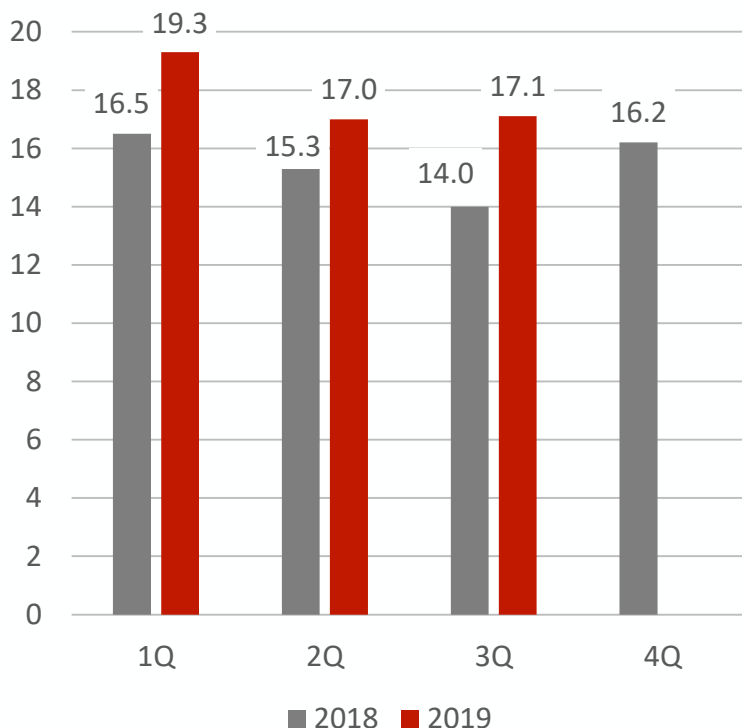
- Harvia's revenue increased especially in sauna rooms, steam generators and sauna heaters
- Revenue grew above the target level in sauna heaters and steam generators



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

## Revenue

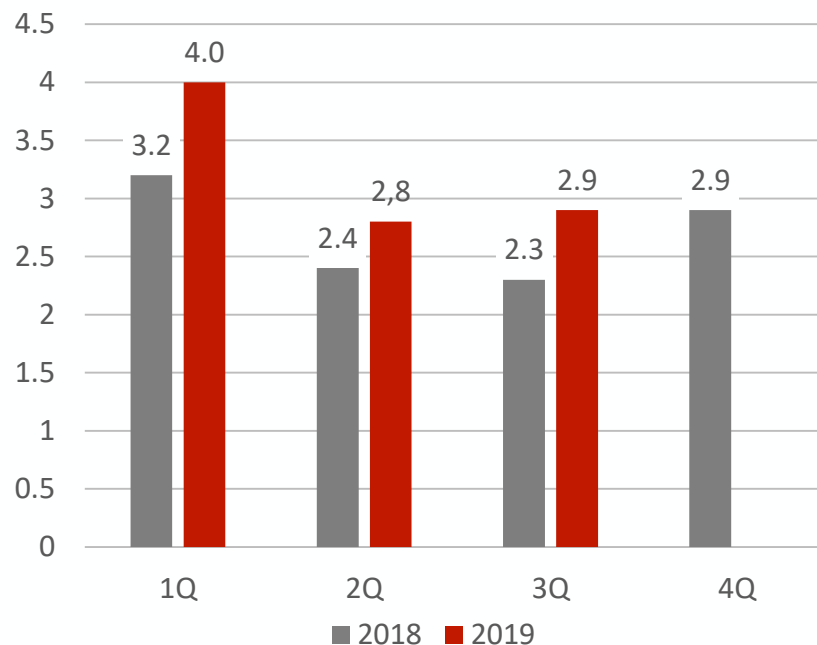
EUR million



- The revenue growth was strong especially in Finland, North America, Other European countries and Russia.
- At comparable exchange rates, revenue grew by 21.2% to EUR 17.0 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit developed positively and grew to EUR 2.9 (2.3), making up 17.2% (16.7) 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 January–September 2019

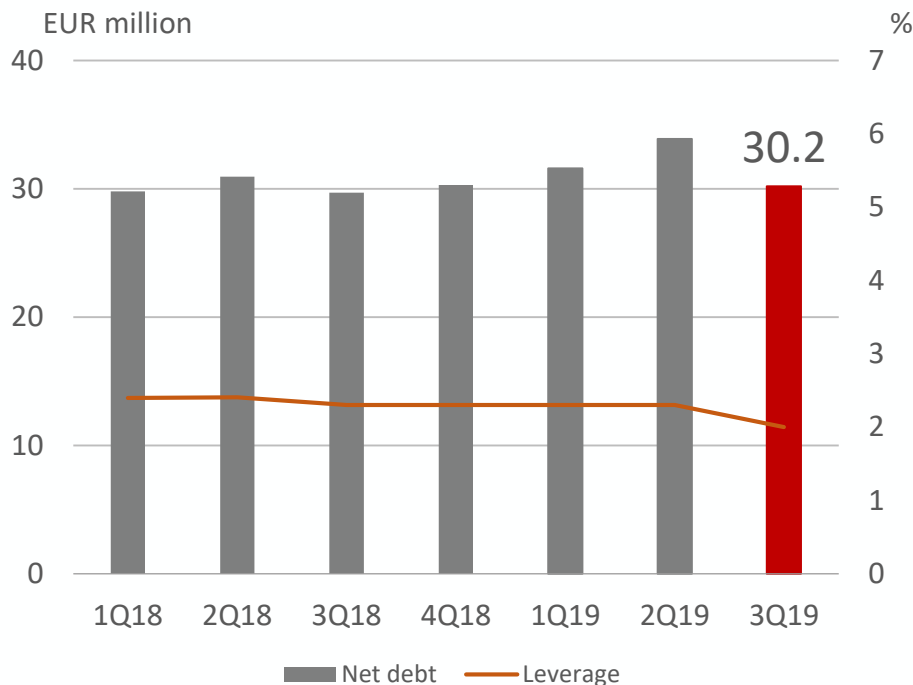
Milj. euroa	7-9/2019	7-9/2018	Change, %	1-9/19	1-9/18	Change, %	2018
Revenue	17.1	14.0	22.3%	53.4	45.7	16.7%	61.9
Adjusted EBITDA*	3.7	2.9	28.6%	12.0	9.6	25.5%	13.0
% of revenue	21.7%	20.7%		22.6%	21.0%		21.0%
Adjusted operating profit*	2.9	2.3	25.2%	9.7	8.0	21.4%	10.9
% of revenue	17.2%	16.7%		18.2%	17.5%		17.5%
Basic EPS (EUR)**	0.11	0.09	33.4%	0.36	0.30	18.3%	0.41
Operating free cash flow	4.2	2.6	60.6%	8.1	5.0	64.4%	10.0
Investments in tangible and intangible assets	-0.4	-0.4	1.2%	-1.4	-1.2	19.9%	-1.6
Net debt	30.2	29.7	1.7%	30.2	29.7	1.7%	30.3
Leverage	2.0	2.3		2.0	2.3		2.3
Net working capital	19.6	20.8	-5.9%	19.6	20.8	-5.9%	17.5
Adjusted return on capital employed (ROCE)	32.5%	30.9%		32.5%	30.9%		31.6%
Equity ratio	57.4%	57.5%		57.4%	57.5%		56.3%
Number of employees at end of period	389	376	3.5%	389	376	3.5%	400

\* Adjusted by items affecting comparability.

\*\* Earnings per share (EPS) in January–September 2019 was EUR 0.26, calculated based on the number of shares after the listing.

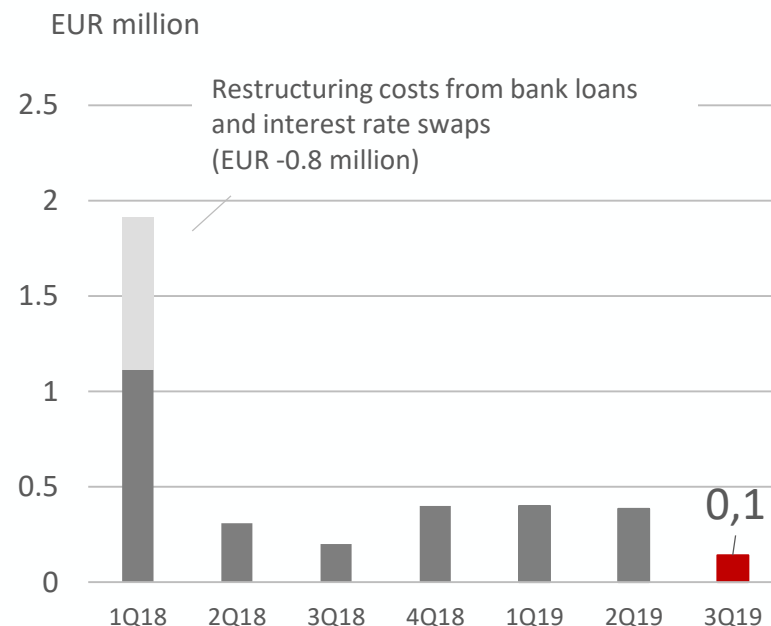
# Net finance costs decreased significantly

## Net debt (EUR million) and leverage (%)



- At the end of September 2019, the company's net debt amounted to EUR 30.2 million (29.7), of which EUR 38.5 million (36,4) consisted of long-term liabilities.

## Net finance costs, EUR million

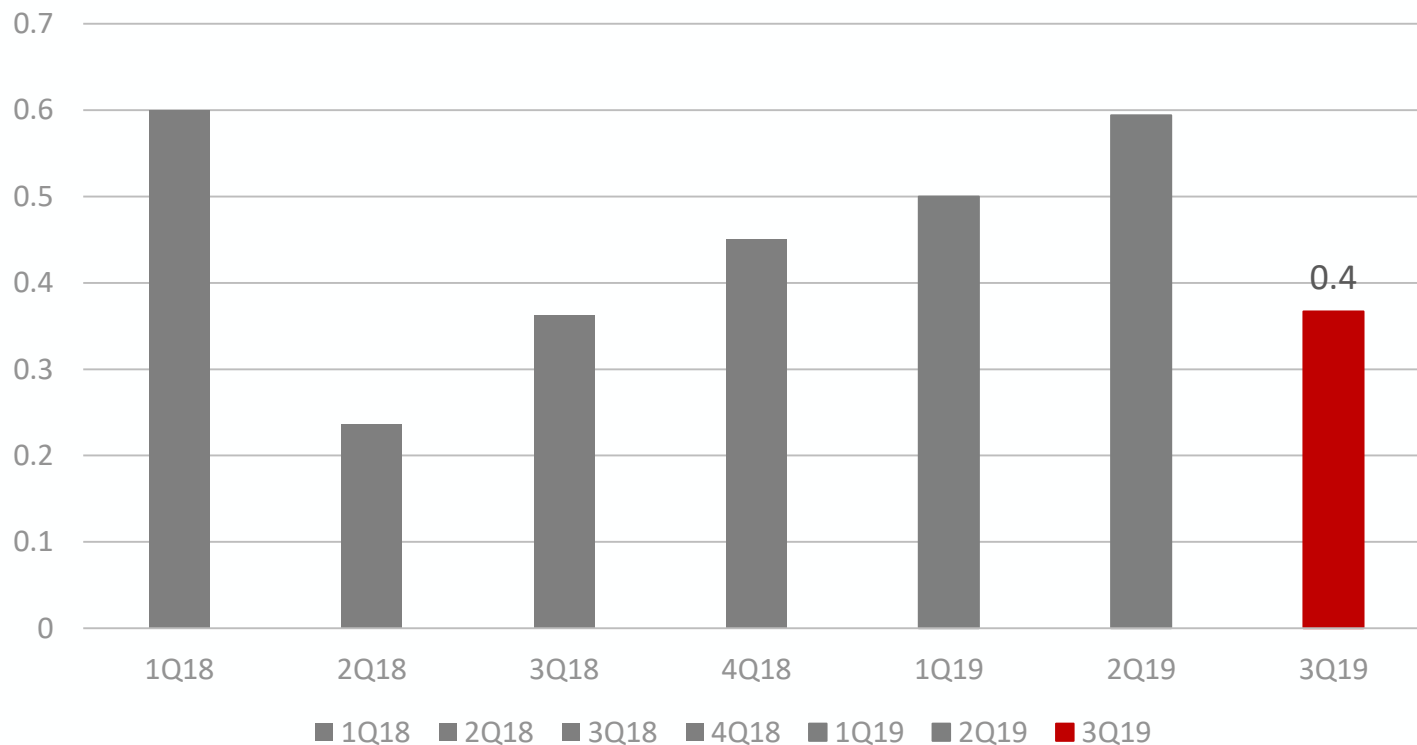


- The decrease in financing expenses resulted from the restructuring of financing in conjunction with the listing in March 2018.



## Investments in tangible and intangible assets, EUR million

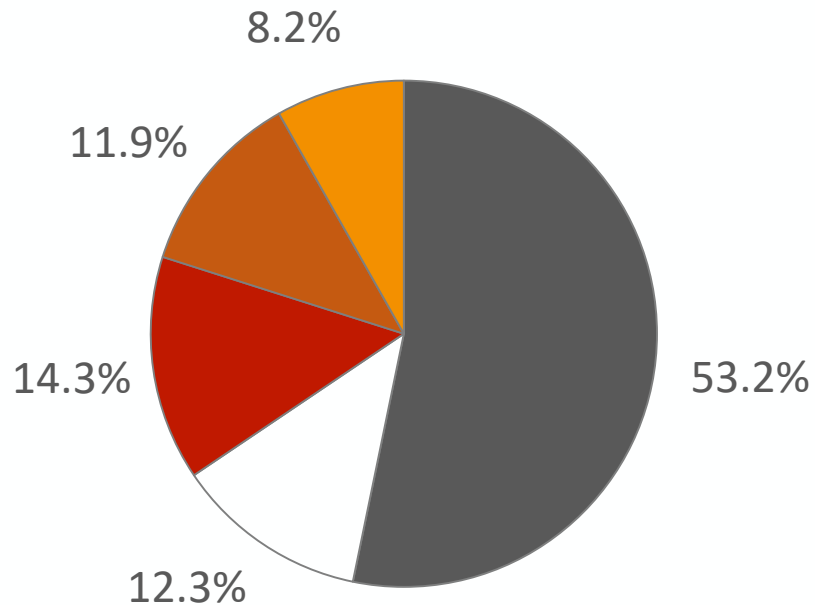
EUR million



- In April, Harvia acquired a production and warehouse facility in the 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 (September 30, 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 September, the number of shareholders totaled 4,466 (including nominee registers).



## Dividend payment

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

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. The dividend was paid to the shareholders on April 15, 2019.

The Board of Directors decided based on the authorization given by the Annual General Meeting that an extra dividend will be distributed. The extra dividend of EUR 0.19 per share (EUR 3,551,904.84 in total) was paid to shareholders on October 28, 2019.





# Financial targets and outlook

## Growth:

Annual revenue growth above five percent on average

## Profitability:

Adjusted operating profit margin of 20 percent<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 its short-term outlook.

1) Operating profit before items affecting comparability

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



*Relaxing Moments*

**HARVIA**

Sauna & Spa

*Natural Wellbeing*