

*Relaxing Moments*

**HARVIA**

*Sauna & Spa*

*Natural Wellbeing*



# Harvia Plc Financial Statements Bulletin 2018

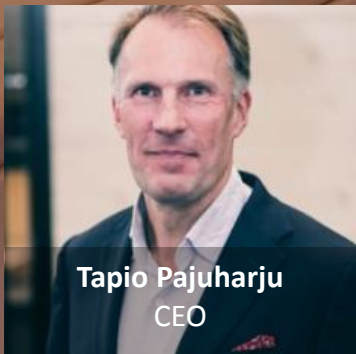
*14 February 2019 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO*





# Content

1. Q4 and January–December 2018 in brief
2. Harvia's strategy
3. Financials





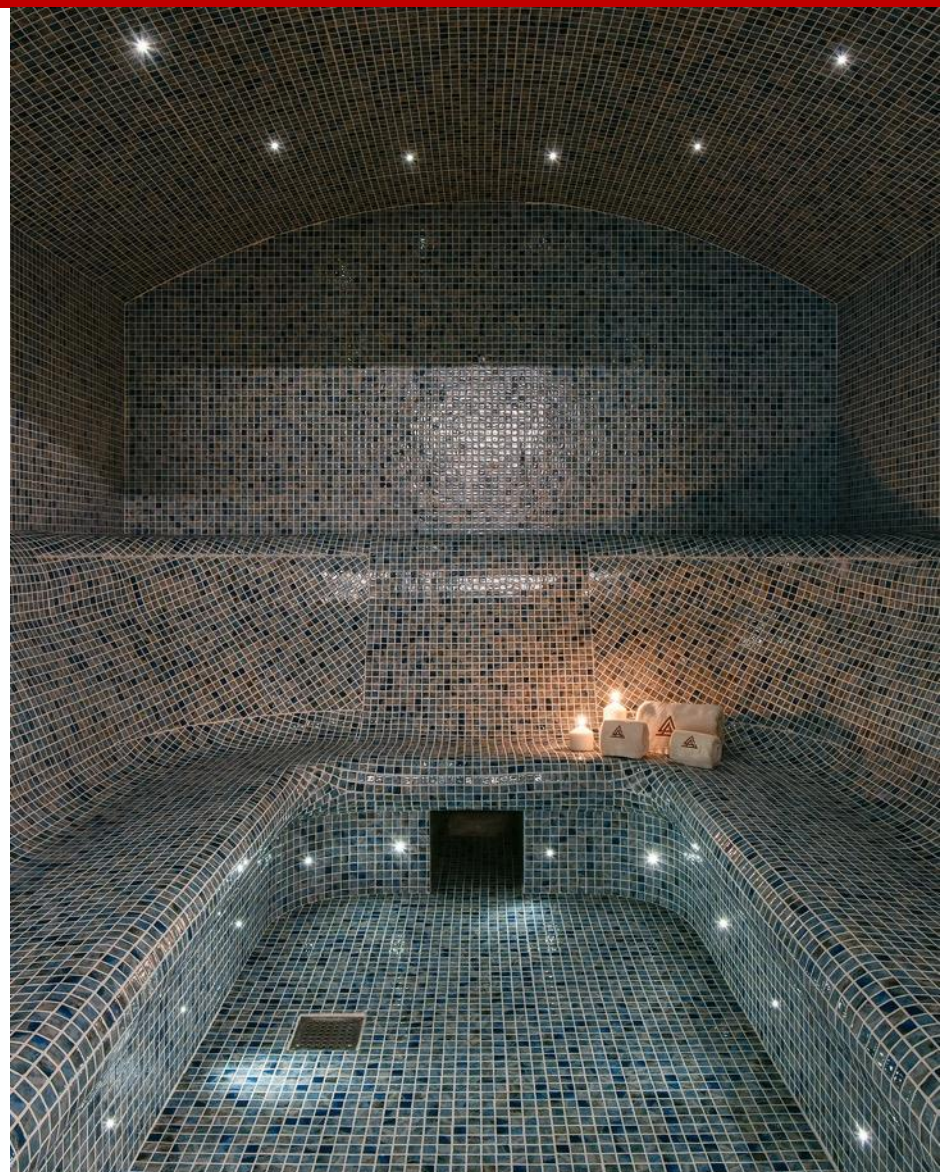
- **Revenue** grew by 3.1% to EUR 61.9 million (60.1). At comparable exchange rates, revenue grew by 4.6%, to EUR 62.9 million.
- **Adjusted operating profit** was EUR 10.9 million (10.7), making up 17.5% (17.8) of the revenue. At comparable exchange rates, growth was 5.2% to EUR 11.3 million (17.9% of the revenue).
- IPO in the first quarter
- New Scandinavian Sales Director and the strengthening of our offering and distribution
- New product launches, SENTIO by Harvia
- Almost Heaven Saunas acquisition
- Productivity in operations and logistics





- **Revenue** grew by 3.1% to EUR 61.9 million (60.1). At comparable exchange rates, revenue grew by 4.6%, to EUR 62.9 million.
- **Adjusted operating profit** was EUR 10.9 million (10.7), making up 17.5% (17.8) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 5.2% and was EUR 11.3 million (17.9% of the revenue).
- **Operating free cash flow** amounted to EUR 10.0 million (9.0).
- Due to the share issue, **equity ratio** increased to 56.3% (16.9).
- **Net debt** decreased by 58.5% to EUR 30.3 million (73.0).

Seth Ascetic, Taiwan





- **Revenue** grew by 0.5% to EUR 16.2 million (16.1). At comparable exchange rates, revenue grew by 2.1%, to EUR 16.5 million.
- **Adjusted operating profit** was EUR 2.9 million (2.8), making up 17.6% (17.6) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 1.9% to EUR 2.9 million (17.6% of the revenue).
- **Operating free cash flow** amounted to EUR 5.1 million (5.0).

Seth Ascetic, Taiwan





- Geographical expansion progressed as planned during the review period
  - **In North America**, acquisition of the American Almost Heaven Saunas LLC's business operations at the end of 2018
  - **In the EU countries**, distribution has been strengthened as planned
  - **In Russia**, continued geographical expansion and improvement of distribution and product range
  - **In Sweden**, updated offering and renewed store visibility
  - **In Central and Southern Europe**, increased cooperation current partners and extended co-operation with Fluidra and SCP







# Almost Heaven Saunas – one of the leading US companies specialized in sauna and spa

- Revenue USD 8.7 million, EBIT USD -0.3 million in 2017
- Significant step in developing our business in North America
- Base to build a better and faster service and a more extensive offering for other Key Customers in North America
- Supports the Harvia's US Strategy
- Manufacturing facility in West Virginia, sales office in Michigan
- App. 40 employees
- Outdoor and indoor saunas

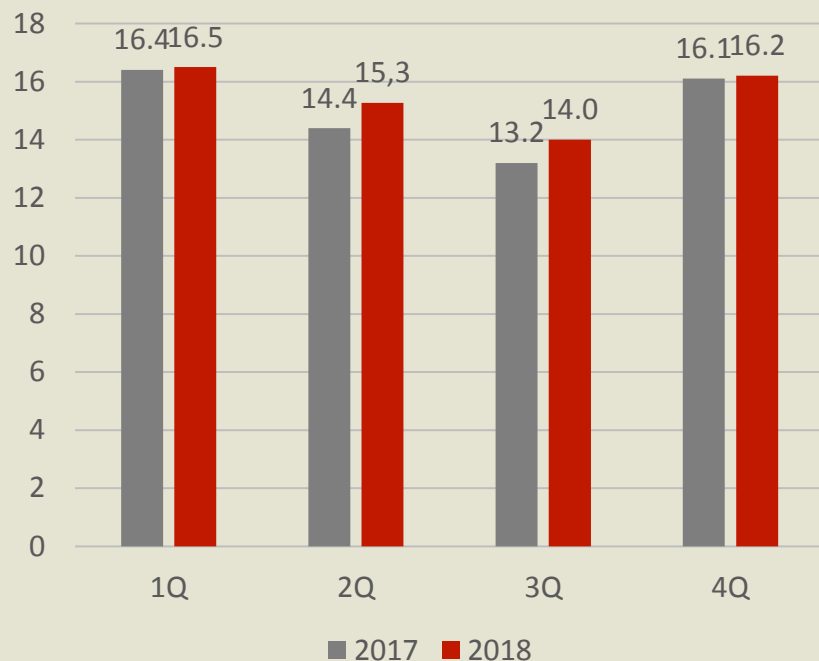




## Q4: Revenue and adjusted operating profit grew slightly

### Revenue

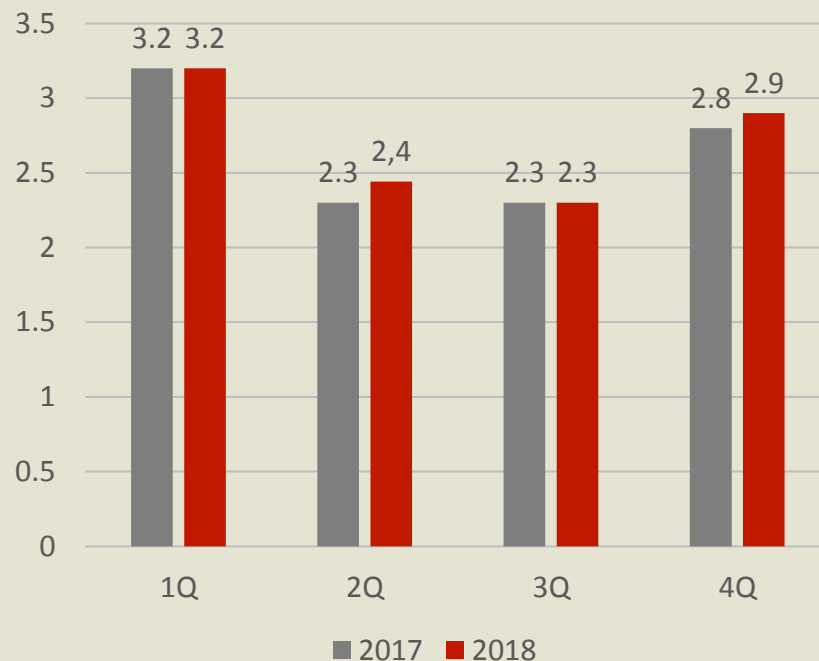
EUR million



- Revenue grew in Finland, other Scandinavian countries and in other countries
- Revenue development reflected the impact of the exceptionally long break during Christmas and New Year on several clients
- At comparable exchange rates, revenue grew by 2.1% to EUR 16.5 million

### Adjusted operating profit

EUR million



- Adjusted operating profit was EUR 2.9 million, i.e. 17.6% of the revenue
- At comparable exchange rates, the adjusted operating profit grew by 1.9% to EUR 2.9 million and was 17.6% of the revenue

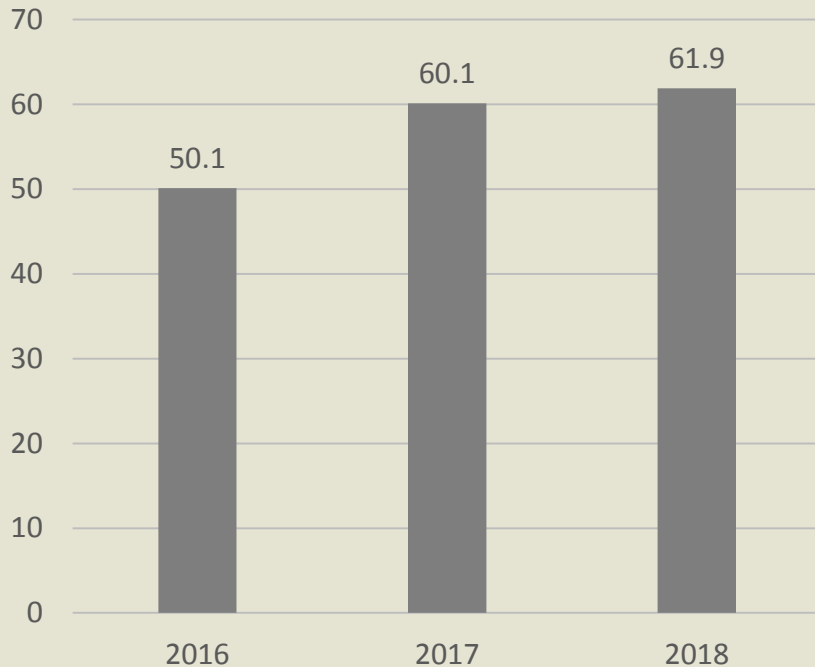




# 2018: Revenue and adjusted operating profit increased from the previous year

## Revenue

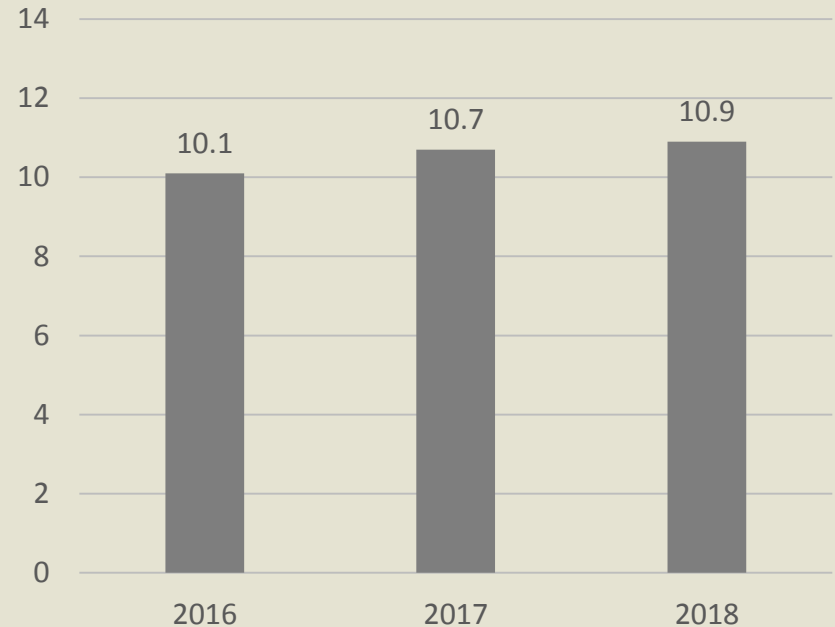
EUR million



- Revenue increased particularly in Finland and in other EU-countries and in other countries
- Sales of sauna heaters and rooms developed well, sales of control units fell behind the previous year
- At comparable exchange rates, revenue grew by 4.6% to EUR 62.9 million

## Adjusted operating profit

EUR million

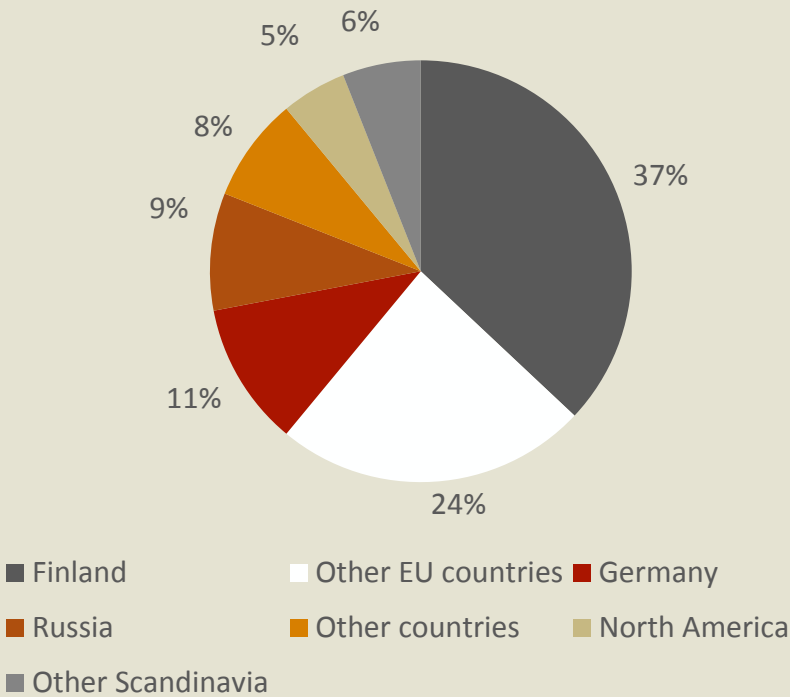


- Adjusted operating profit EUR 10.9 million, i.e. 17.5% of the revenue
- At comparable exchange rates, the adjusted operating profit grew by 5.2% and was EUR 11.3 million (17.9% of the revenue)



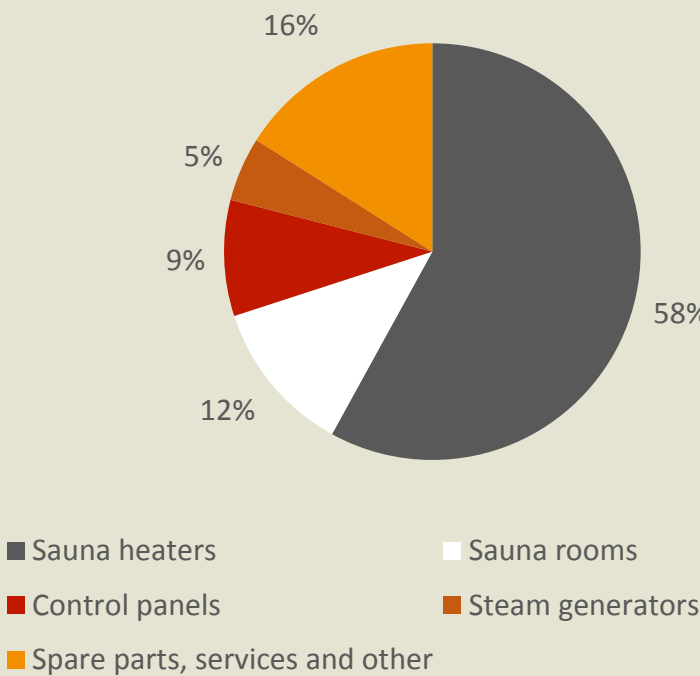
# 2018: Geographical split almost the same

Revenue by market area, %



- Harvia sells its products to over 80 countries
- In 2018, the biggest relative growth was in other countries e.g. Asia and in the Arab countries
- Exchange rate impact in Russia and in the US

Revenue by product group, %



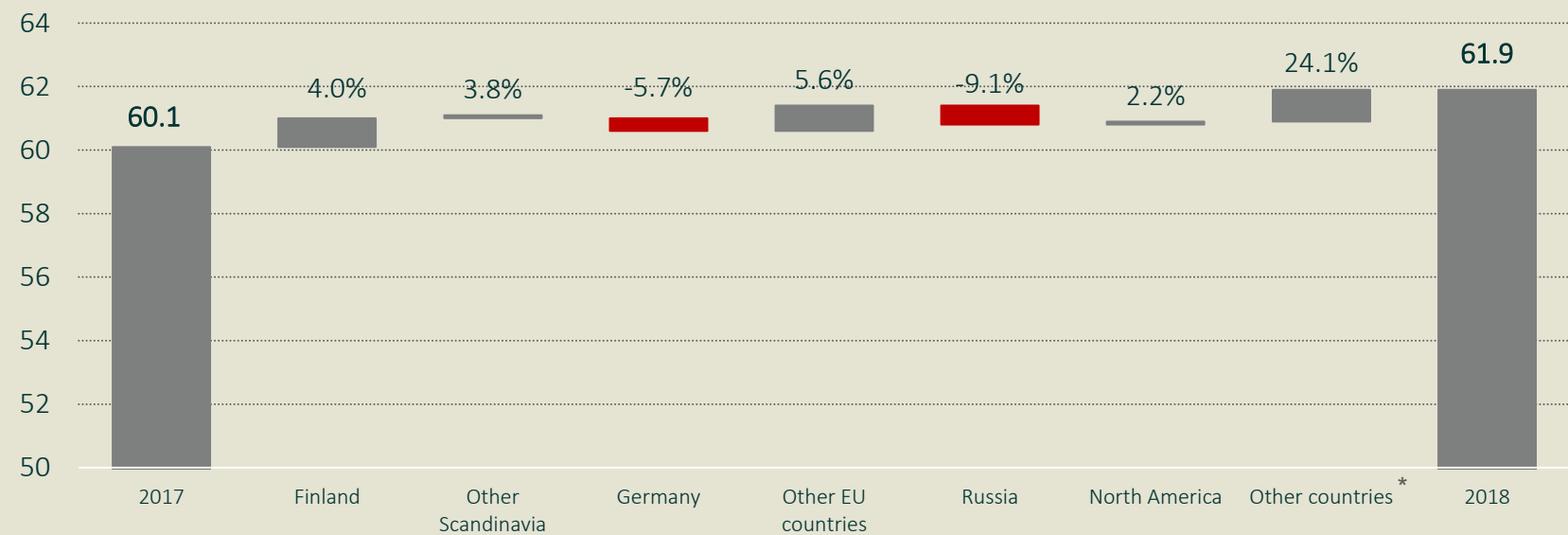
- Solid growth in electric heaters, stronger fluctuations in wood burning heaters due to weather and Russia
- Sauna components have slightly better relative profitability compared to sauna rooms
- Control units important in export markets



# 2018: Revenue grew by 3.1%

## Revenue by market area 2017–2018

EUR million



- Revenue increased particularly in Finland, in other EU countries and in other countries
- The development of revenue in Germany was slightly positive, when eliminating the effect of discontinued private label sales
- Revenue in Russia behind last year, mainly due to weakening of the Russian ruble

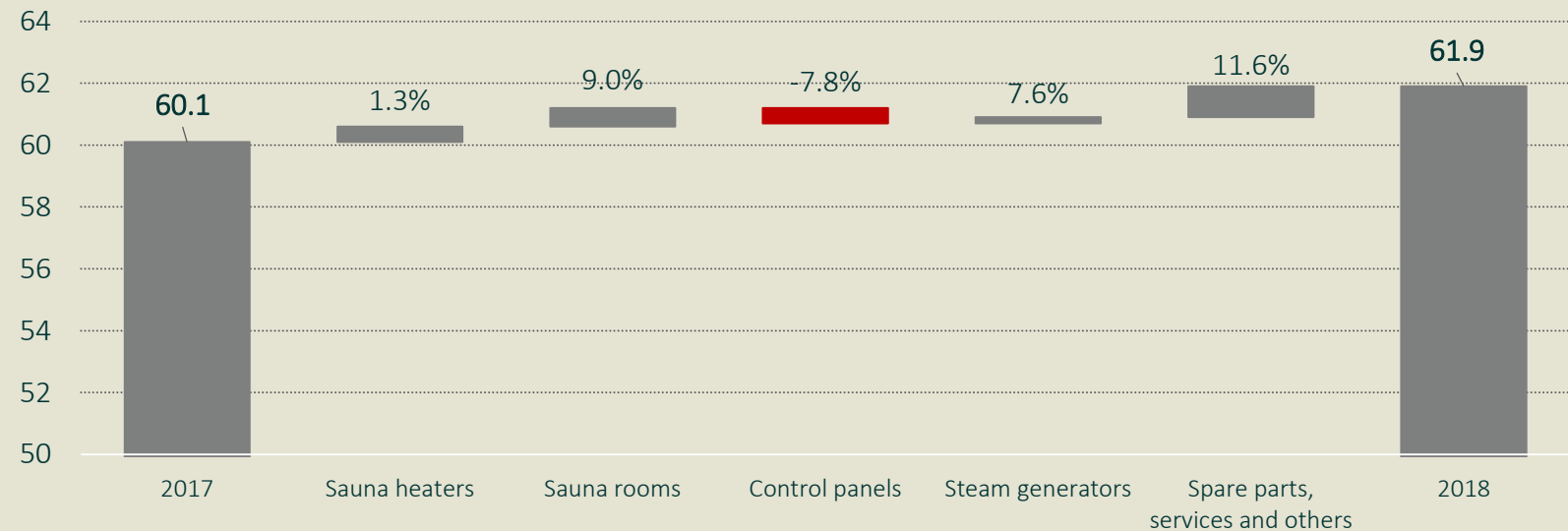
\*The largest of which: Arab countries, Asia and the rest of Europe



# 2018: Growth in most product groups

## Revenue by product group 2017–2018

EUR. million

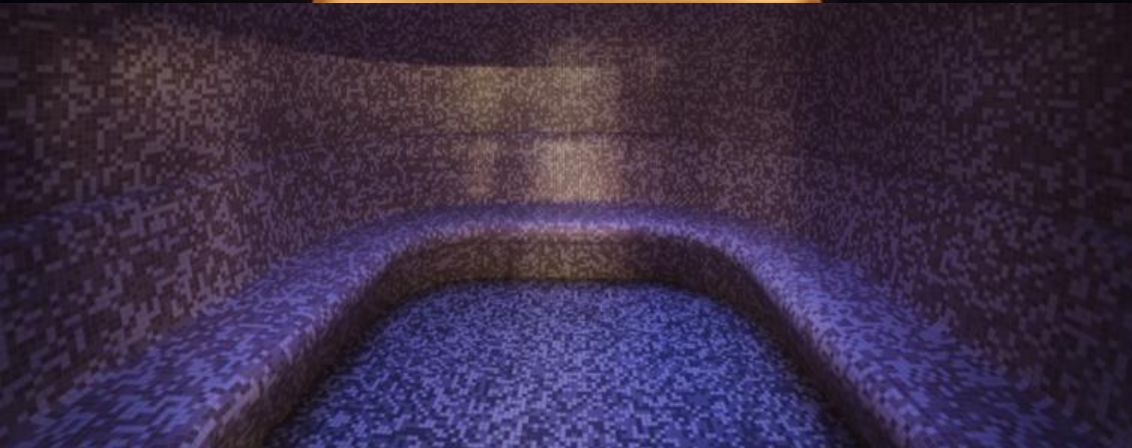


- Growth in all product groups, when taking into consideration the discontinued private label sales in Central Europe in the control units' revenue
- Especially sauna rooms, steam generators as well as spare parts, services and others product group grew
- Sauna heater sales increased by 1.3% from the comparison period, solid growth in electric heaters





**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

A close-up, low-angle shot of a wooden sauna interior. The walls and benches are made of light-colored wood slats. A small, dark, rectangular object is visible on a bench in the background.

Increasing the value of the average purchase

A view from inside a modern sauna. The walls are dark wood, and the benches are light wood. A large window or screen at the far end shows a city skyline across a body of water. Small, round, recessed lights are visible in the side walls.

Geographical expansion

An aerial photograph of a large industrial facility, likely a Harvia factory. The complex consists of several large, interconnected buildings with light-colored roofs. There are extensive parking lots with many cars, and the facility is surrounded by green trees and a road.

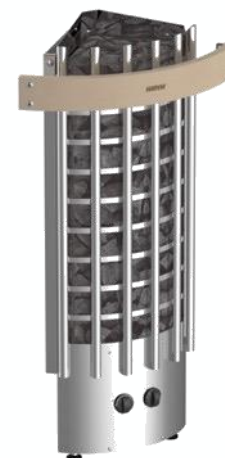
Productivity improvement





# Increasing the value of the average purchase continued in Q4

- The implementation of Harvia's "one-stop shop" strategy in the sauna and spa business continued as planned
- The positive development in sales of infrared saunas, steam generators and spare parts are increasing the value of the average purchase
- The launching of new more premium products supports the increasing of the value of the average purchase
  - SENTIO by Harvia
  - The Wall -heater
  - Harvia Cilindro Plus
  - Harvia Glow Corner
  - Harvia HGD





The background image shows a modern bathroom. On the left, there is a glass-enclosed sauna with wooden slatted walls and benches. To the right is a long white double vanity with two sinks, chrome faucets, and two bottles of soap. A white towel is draped over the side of the vanity. The walls are covered in large, light-colored stone tiles, and the floor is made of dark grey tiles.

# Financials

Ari Vesterinen, CFO



EUR million	10-12/18	10-12/17	Change,%	2018	2017	Change,%
Revenue	16.2	16.1	0.5%	61.9	60.1	3.1%
Adjusted EBITDA*	3.4	3.3	2.7%	13.0	12.6	3.1%
% of revenue	21.1%	20.6%		21.0%	21.0%	
Adjusted operating profit**	2.9	2.8	0.4%	10.9	10.7	1.5%
% of revenue	17.6%	17.6%		17.5%	17.8%	
Basic EPS (EUR)	0.11	0.00	2,651.0%	0.41	0.30	34.1%
Operating free cash flow	5.1	5.0	1.7%	10.0	9.0	10.9%
Investments in tangible and intangible assets	-0.4	-0.4	12.8%	-1.6	-1.2	35.2%
Net debt	30.3	73.0	-58.5%	30.3	73.0	-58.5%
Leverage	2.3	5.8		2.3	5.8	
Net working capital	17.5	17.3	1.4%	17.5	17.3	1.4%
Adjusted return on capital employed (ROCE)	31.6%	32.7%		31.6%	32.7%	
Equity ratio	56.3%	16.9%		56.3%	16.9%	
Number of employees at end of period	400	365	9.6%	400	365	9.6%

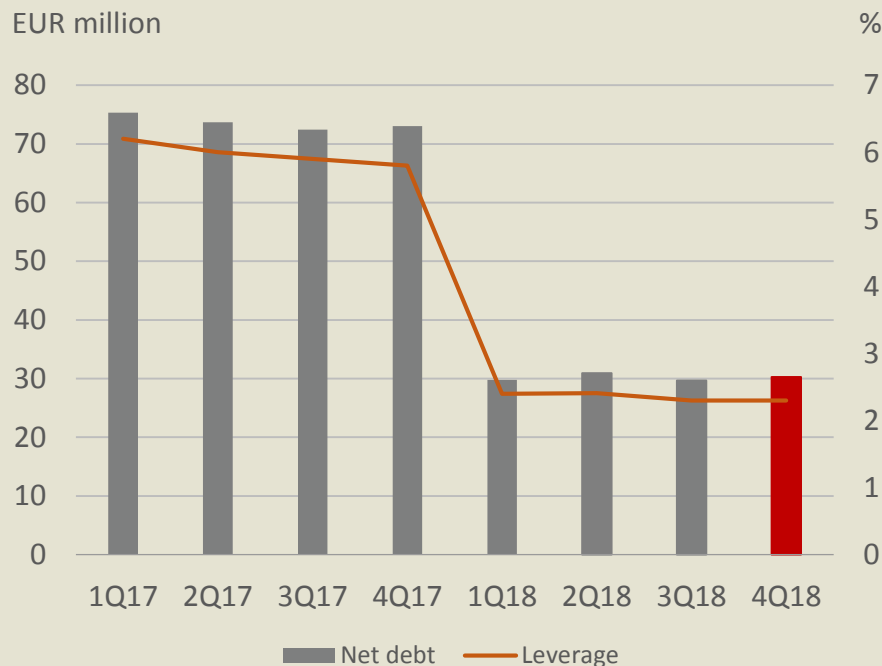
\* Consists of items outside the ordinary course of business that are related to Group's strategic development projects, the listing, acquisitions and loss on sale of fixed assets and affect comparability.

\*\* Adjusted by items affecting comparability.



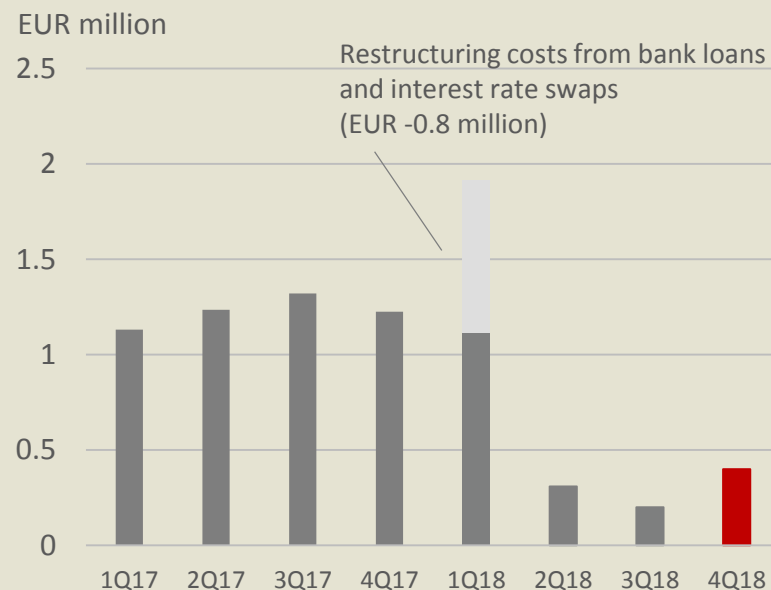
# Net finance costs decreased significantly during 2018

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



- The repayment of shareholder loans and restructuring of bank loans significantly reduced the Group's indebtedness in 2018

## Net finance costs, EUR million

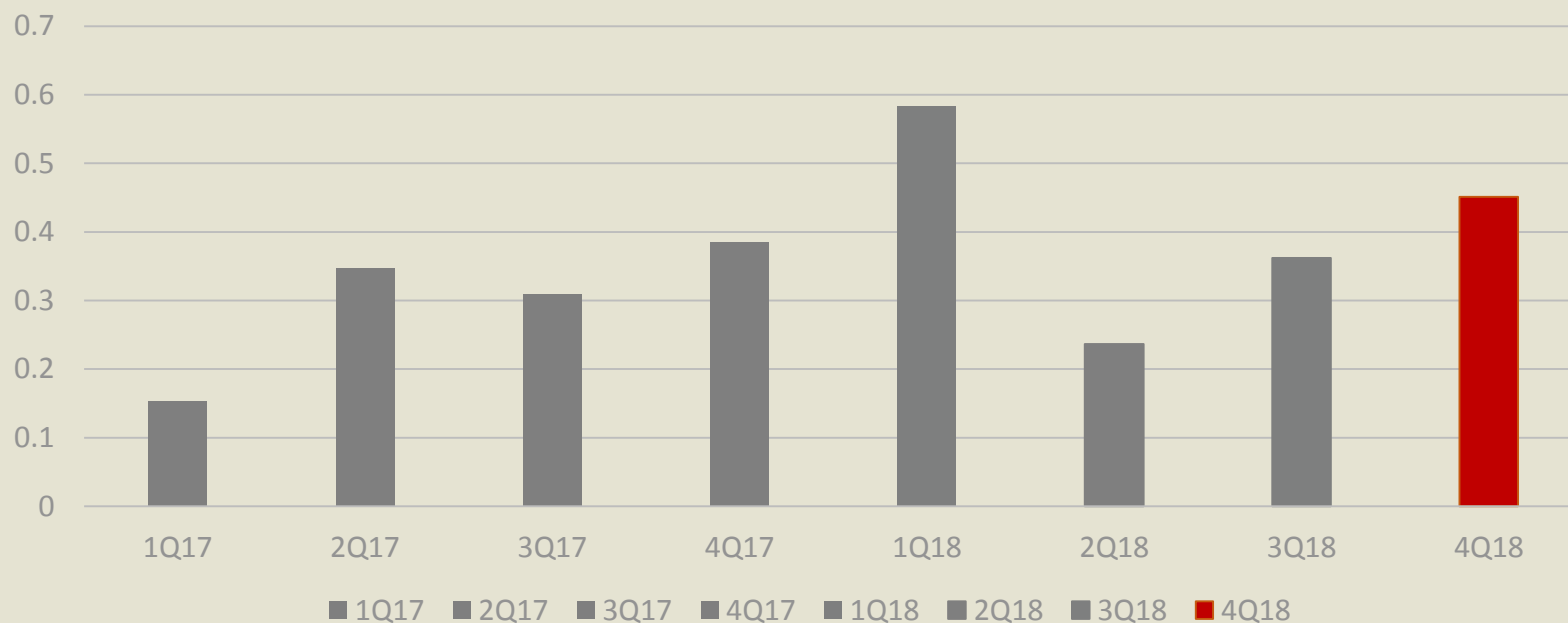


- The share issue, the repayment of shareholder loans and restructuring of bank loans reduced the net finance costs



## Investments in tangible and intangible assets, EUR million

EUR. million



- The Group's investments in January–December amounted to EUR 1.6 million (1.2)
- A new layout for warehousing and shipping was carried out at the Muurame factory, and machine purchases were made
- Product development projects completed





## Harvia's ten largest shareholders (31 December 2018)\*

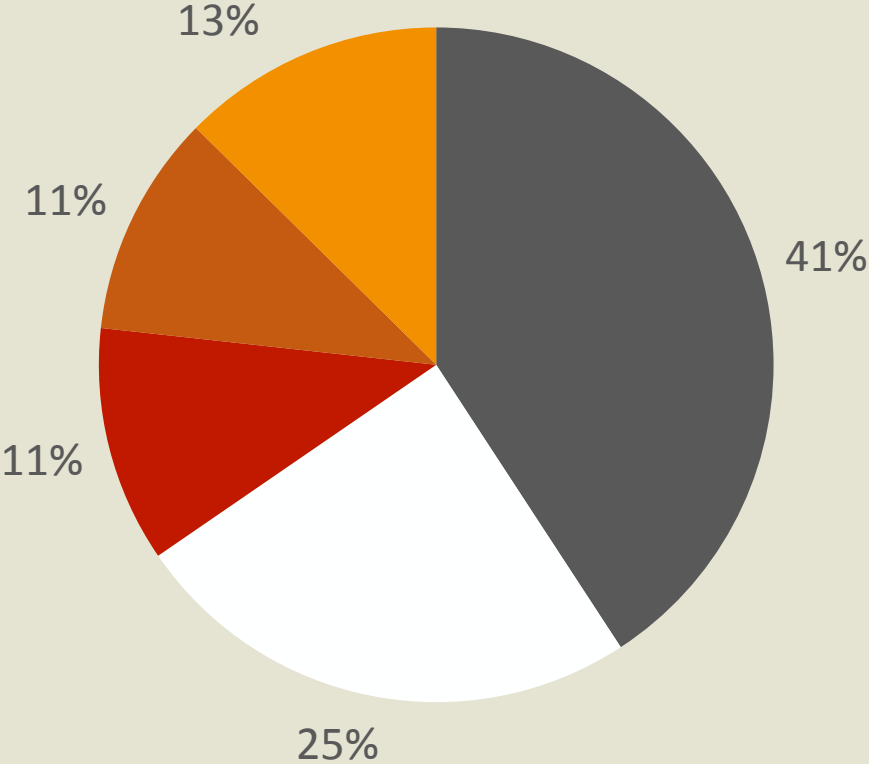
		Number of shares	% of shares
1.	CAPMAN BUYOUT X FUND A L.P.	3,247,590	17.37
2.	CAPMAN BUYOUT X FUND B Ky	1,358,089	7.27
3.	OP-FINLAND SMALL FIRMS FUND	552,031	2.95
4.	ODIN FINLAND	474,460	2.54
5.	TIIPETI OY – PERTTI HARVIA	429,290	2.30
6.	SIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	370,000	1.98
7.	VERITAS PENSION INSURANCE COMPANY LTD.	347,500	1.86
8.	ILMARINEN MUTUAL PENSION INSURANCE COMPANY	323,708	1.73
9.	SIJOITUSRAHASTO TAALERITEHDAS MIKRO MARKKA	303,000	1.62
10.	KTR-INVEST OY – RISTO HARVIA	287 625	1,54
	<b>TOTAL</b>	<b>7 693 293</b>	<b>41,15</b>

\* Does not include nominee registered shareholders





# The distribution of Harvia's shareholders by segment, 31 December 2018



- Nominee registered and outside Finland
- CapMan funds
- Banks and insurance companies
- Private corporations
- Households

- In the IPO, Harvia gained approximately 2,000 new shareholders.
- At the end of 2018, the number of shareholders totaled in 3,248 (including nominee registered)





## Profit distribution EUR 0.37 per share

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

The Board of Directors of Harvia Plc proposes to the Annual General Meeting that a dividend of **EUR 0.18 per share be distributed after the Annual General Meeting in April 2019** for the financial period that ended on December 31, 2018.

In addition, the Board of Directors of Harvia Plc requests the Annual General Meeting to authorize the Board to distribute a dividend amounting to a maximum of **EUR 0.19 per share in autumn 2019**.

Thus, the dividends distributed by Harvia for 2018 based on the Board of Director's proposal would amount to a maximum of EUR 0.37 per share, or a maximum of **EUR 6,916,867.32 in total**. The unrestricted equity of Harvia Plc amounts to EUR 63,238,441.27, of which the result for the financial period 2018 amounts to EUR 7,860,902.59.





# 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





Thank you!

