

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing

Harvia Plc Financial Statements Bulletin 2019

11 February 2020 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO



Content

1. Year 2019 in brief
2. Harvia's strategy
3. Financials





Q4 2019 highlights

Very strong and profitable growth continued

- All product groups and almost all markets grew
- Relative profitability further improved

The US operations continued to develop favorably

- Demand in the market accelerated towards the end of the year in sauna heaters, components and especially in sauna rooms
- Measures taken at the Renick factory to further improve productivity



- **Revenue** grew by 27.8% to EUR 20.7 million (16.2). At comparable exchange rates, revenue grew by 27.0% to EUR 20.6 million.
- **Adjusted operating profit** was EUR 4.2 million (2.9), making up 20.1% (17.6) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 4.0 million (19.6% of the revenue).
- **Earnings per share** were EUR 0.16 (0.11).
- **Operating free cash flow** amounted to EUR 7.0 million (5.1).





Harvia Jan–Dec 2019: A year of strong growth

- **Revenue** grew by 19.6% to EUR 74.1 million (61.9). At comparable exchange rates, revenue grew by 19.0% to EUR 73.7 million.
- **Adjusted operating profit** was EUR 13.9 million (10.9), making up 18.7% (17.5) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 13.3 million (18.0% of the revenue).
- **Earnings per share** were EUR 0.51 (0.41 and calculated based on the number of shares after the listing 0.36).
- **Operating free cash flow** amounted to EUR 15.2 million (10.0).
- **Net debt** amounted to EUR 28.3 million (30.3) and leverage was 1.7 (2.3).
- **Equity ratio** was 56.6% (56.3).





Systematic execution of strategy

Increasing the value of the average purchase

- New products: Glow, Cilindro Plus and Sentio by Harvia products
- Cilindro Plus and wireless Harvia Spot control in the stores
- New Harvia Pro 20 woodburning heater

Geographical expansion

- AHS's product range renewed and distribution network expanded – direct sales grew
- New distribution channels in Scandinavia support growth
- Trade channels developed

Productivity improvement

- Productivity improved in China, US and in the heater and component manufacturing facility in Finland
- Improved warehouse efficiency and delivery reliability
- Procurement process proceeded as planned



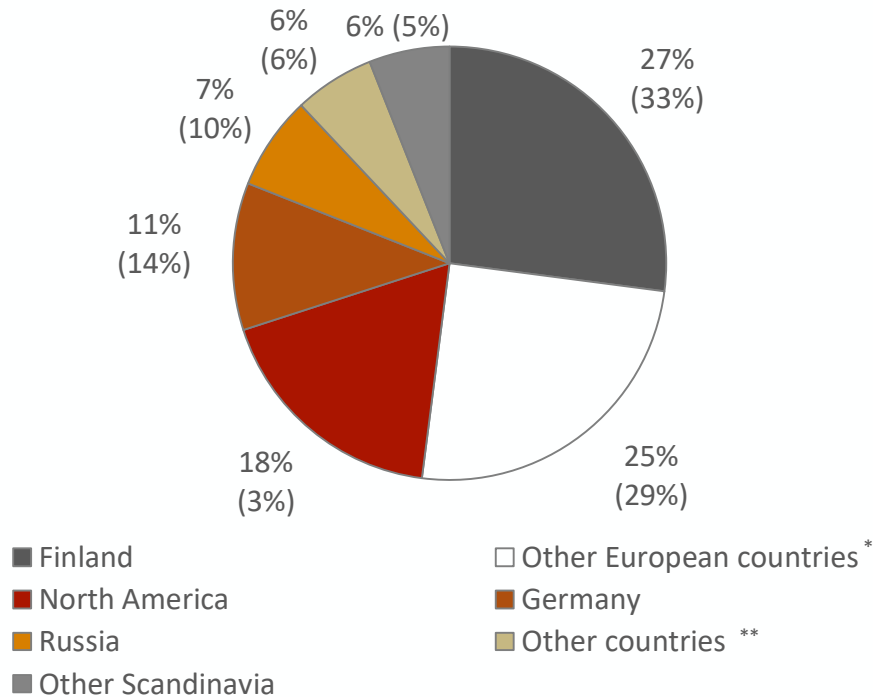
Almost Heaven Saunas in plan and on trend

- AHS's product range has been renewed and production and procurement have been streamlined.
- Sales channels have been increased and own direct sales have developed well
- Improving productivity proceeding well



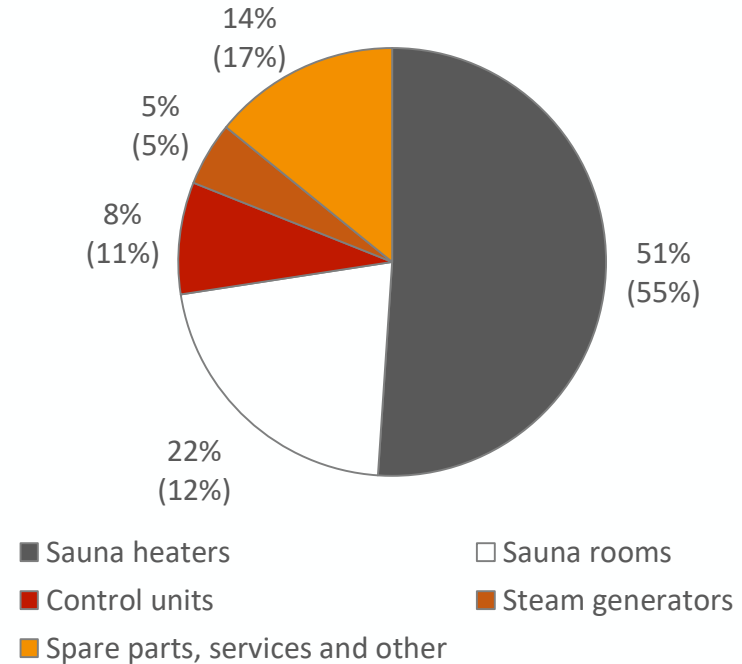
Q4 2019: Internationalization continued

Revenue by market area, %



- Internationalization continued
- Strong growth in the domestic market but relative share decreased

Revenue by product group, %



- Growth in all product groups
- Especially the sales of sauna rooms grew
- Good growth in steam generators

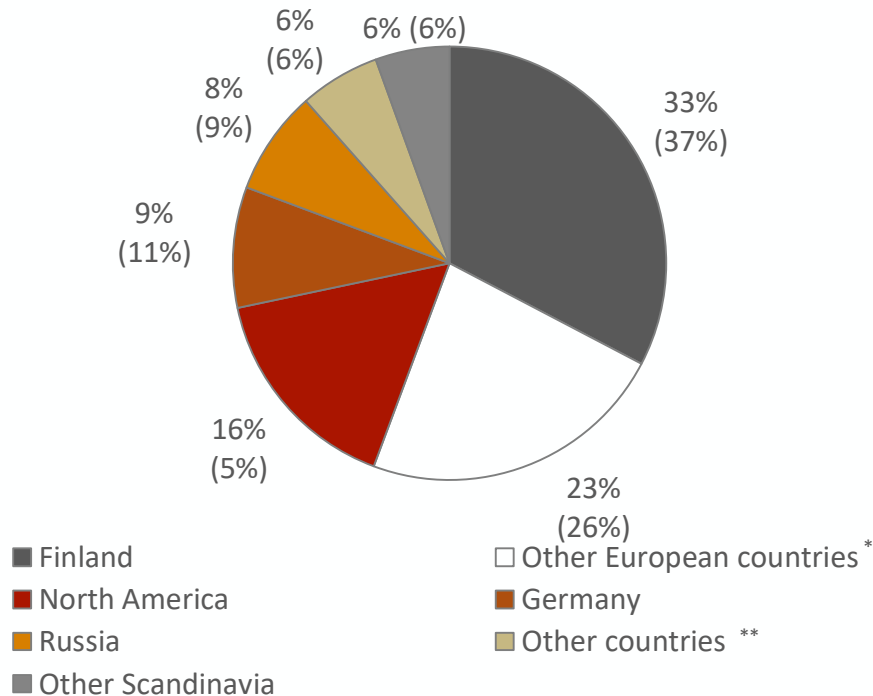
*"Other EU countries" market area has been replaced with "Other European countries" market area.

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



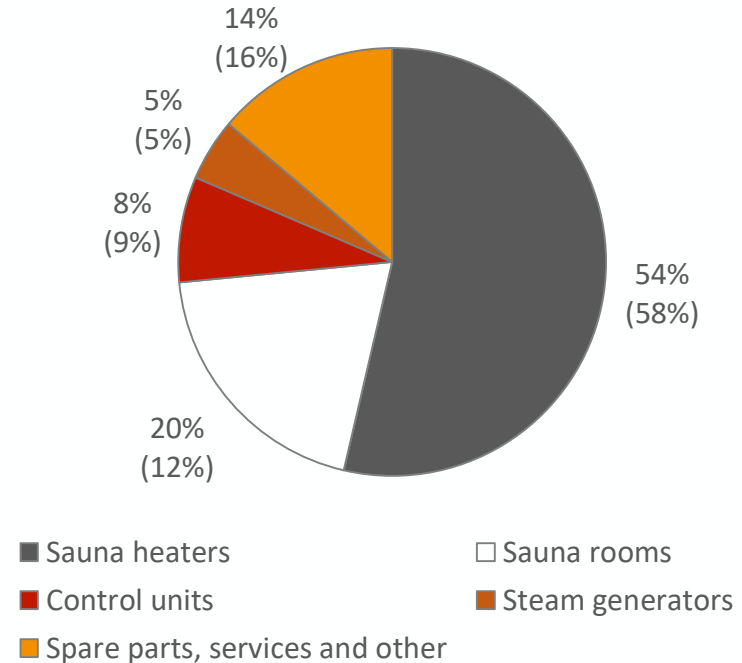
1-12/2019: Growth in almost all key markets and in all product groups

Revenue by market area, %



- The growth was especially strong in Other Scandinavia, Finland, North America and Other countries like e.g. in France, Switzerland, the UK, Benelux, Poland and Arab countries
- The German market improved towards the end of the year but fell short from expectations
- In Russia, we have maintained our market position but volatility continued

Revenue by product group, %



- Growth in all product groups
- Good growth in sauna heaters and steam generators
- Especially sauna rooms grew

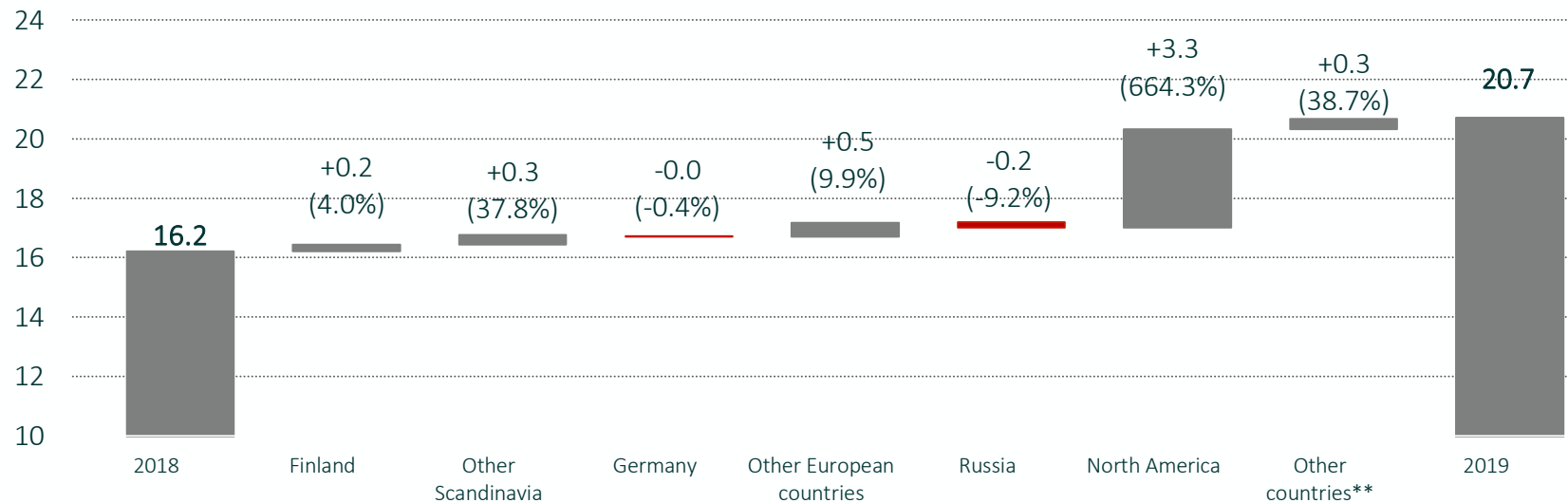
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Q4 2019: Revenue grew by 27.8%

Revenue by product group 10–12/2018 vs 10–12/2019

EUR million



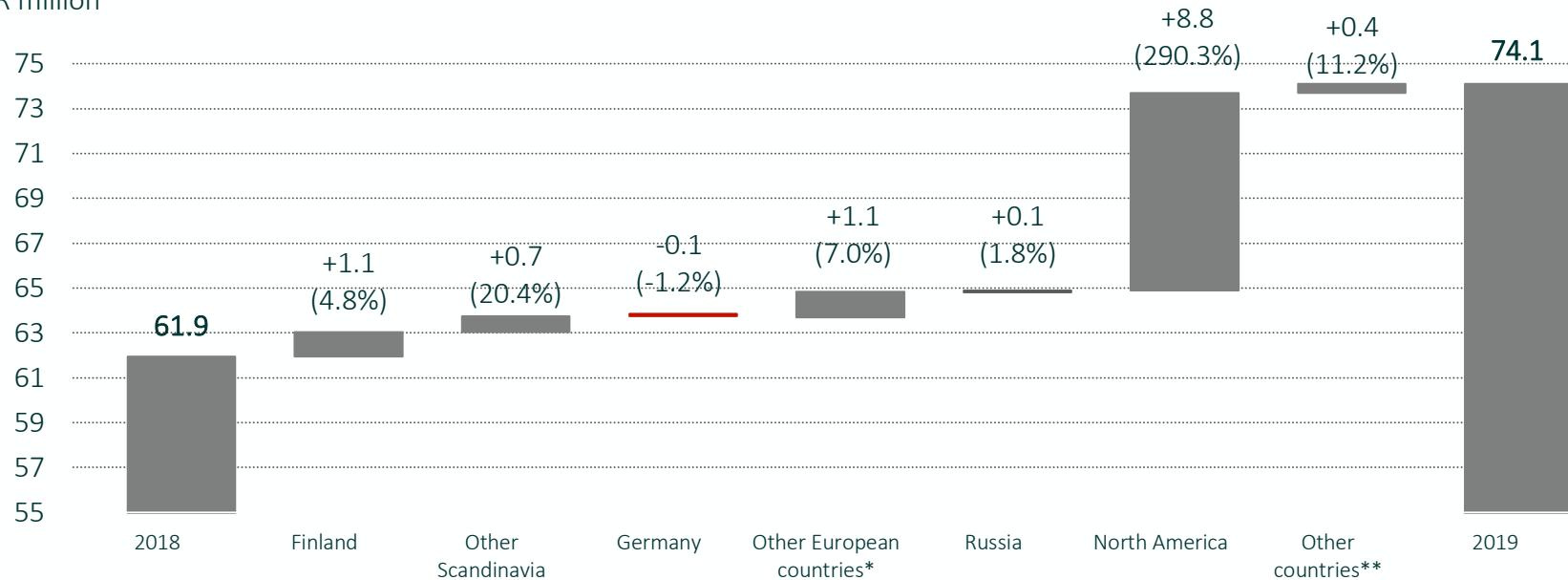
- Internationalization continued
- The growth of domestic sales was strong
- At comparable exchange rates, revenue grew by 27.0% to EUR 20.6 million.

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Revenue by market area 2018 vs 2019

EUR million



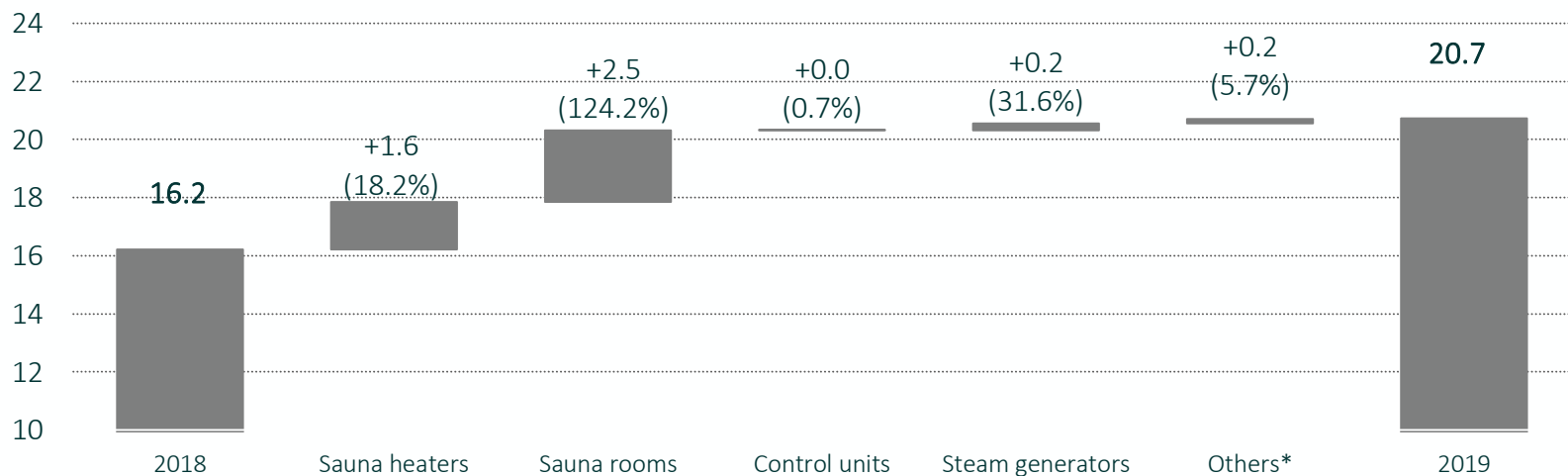
- The growth was especially strong in Other Scandinavia, Finland, North America and Other countries like e.g. in France, Switzerland, the UK, Benelux, Poland and Arab countries
- The German market improved towards the end of the year but fell short from expectations
- In Russia, we have maintained our market position but volatility continued
- At comparable exchange rates, revenue grew by 19.0% to EUR 73.7 million.

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

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

Revenue by product group 10–12/2018 vs 10–12/2019

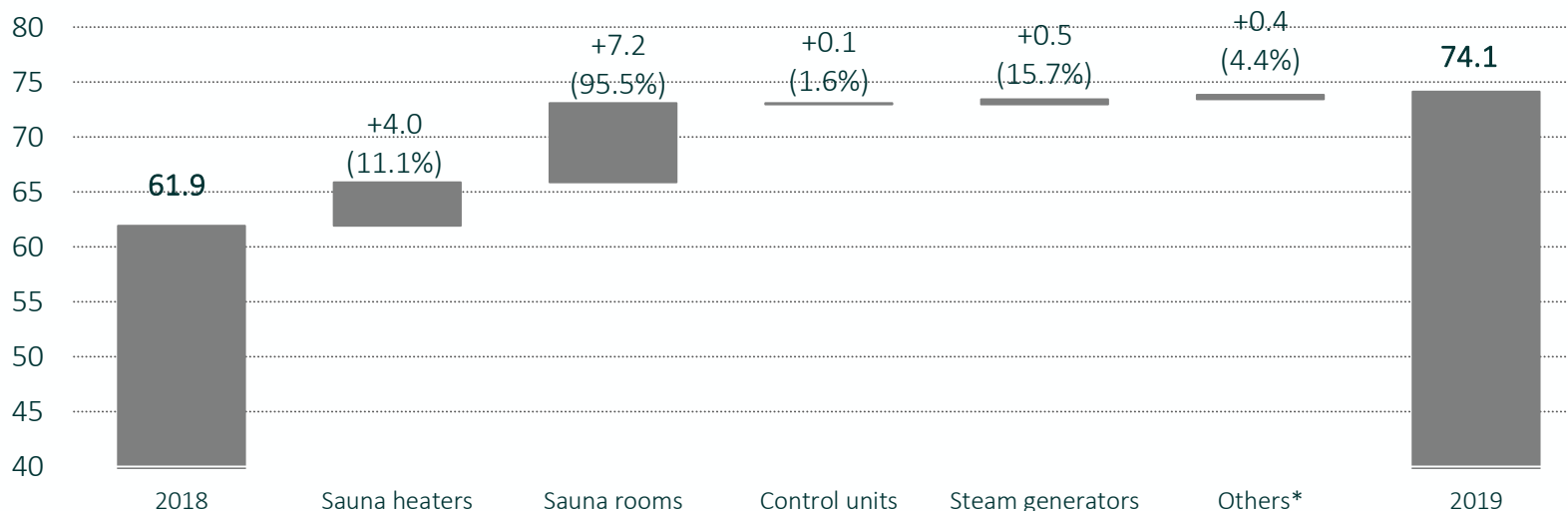
EUR million



- Growth in all product groups
- Especially the sales of sauna rooms grew
- Good growth in steam generators

Revenue by product group 2018 vs 2019

EUR million

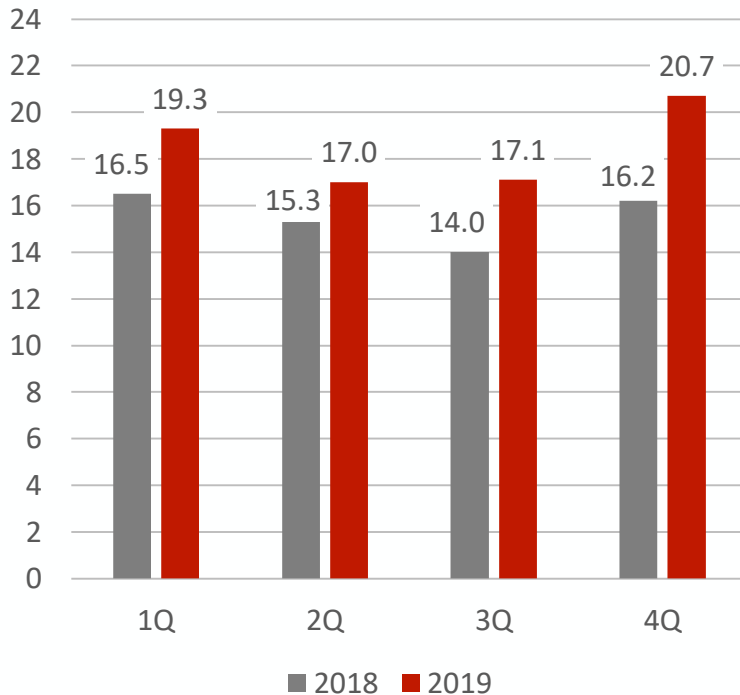


- Growth in all product groups
- Good growth in sauna heaters and steam generators
- Especially sauna rooms grew

Revenue and adjusted operating profit increased from the previous year in every quarter

Revenue

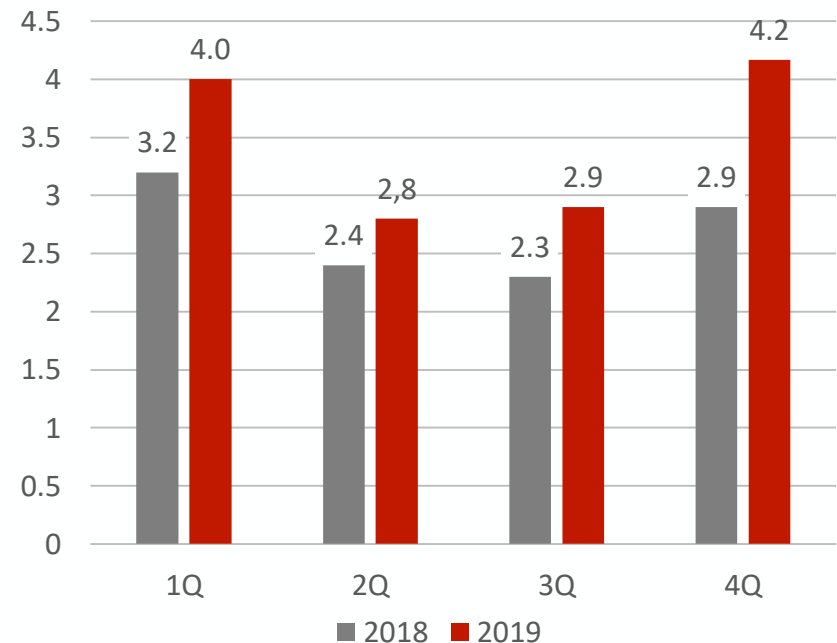
EUR million



- In the last quarter, the revenue growth was strongest in North America, Scandinavia and other countries
- At comparable exchange rates, revenue grew by 27% and was EUR 20.6 million in the last quarter

Adjusted operating profit

EUR million




- Adjusted operating profit developed positively and grew to EUR 4.2 (2.9), making up 20.1% (17.6) of the revenue in the last quarter.



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





Increasing the value of
the average purchase

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



Geographical expansion



Productivity improvement

The background image shows a modern building with large glass windows and doors, illuminated from within. The building is situated on a hillside with greenery. In the foreground, there are two large wooden saunas. The sauna on the right has a person sitting on the bench. The overall scene is set at dusk or night, with mountains visible in the background.

Financials

Ari Vesterinen, CFO



Harvia's key figures in the reporting period

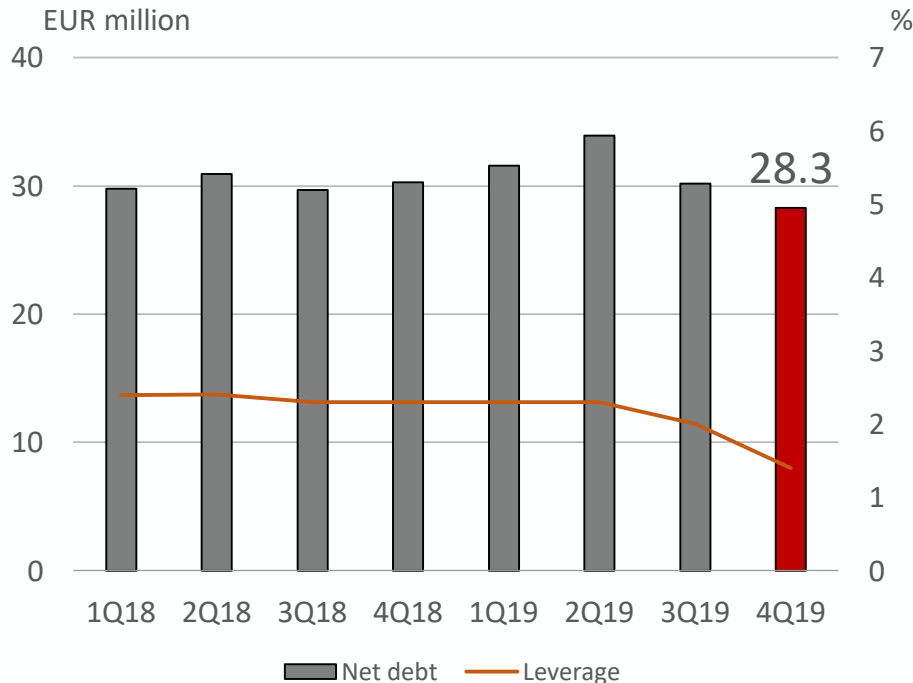
Million EUR	10-12/2019	10-12/2018	Change, %	2019	2018	Change, %
Revenue	20.7	16.2	27.8%	74.1	61.9	19.6%
Adjusted EBITDA*	5.0	3,4	44.9%	17.0	13.0	30.6%
% of revenue	23.9%	21.1%		22.9%	21.0%	
Adjusted operating profit*	4.2	2,9	46.0%	13.9	10.9	27.9%
% of revenue	20.1%	17.6%		18.7%	17.5%	
Basic EPS (EUR)**	0.16	0.11	49.9%	0.51	0.41	26.3%
Operating free cash flow	7.0	5.1	38.7%	15.2	10.0	51.4%
Investments in tangible and intangible assets	-0.4	-0.4	-10.4%	-1.8	-1.6	11.8%
Net debt	28.3	30.3	-6.5%	28.3	30.3	-6.5%
Leverage	1.7	2.3		1.7	2.3	
Net working capital	16.8	17.5	-3.8%	16.8	17.5	-3.8%
Adjusted return on capital employed (ROCE)	38.2%	31.6%		38.2%	31.6%	
Equity ratio	56.6%	56.3%		56.6%	56.3%	
Number of employees at end of period	395	400	-1.3%	395	400	-1.3%

* Adjusted by items affecting comparability.

** Earnings per share (EPS) in January–December 2018 was EUR 0.36, calculated based on the number of shares after the listing.

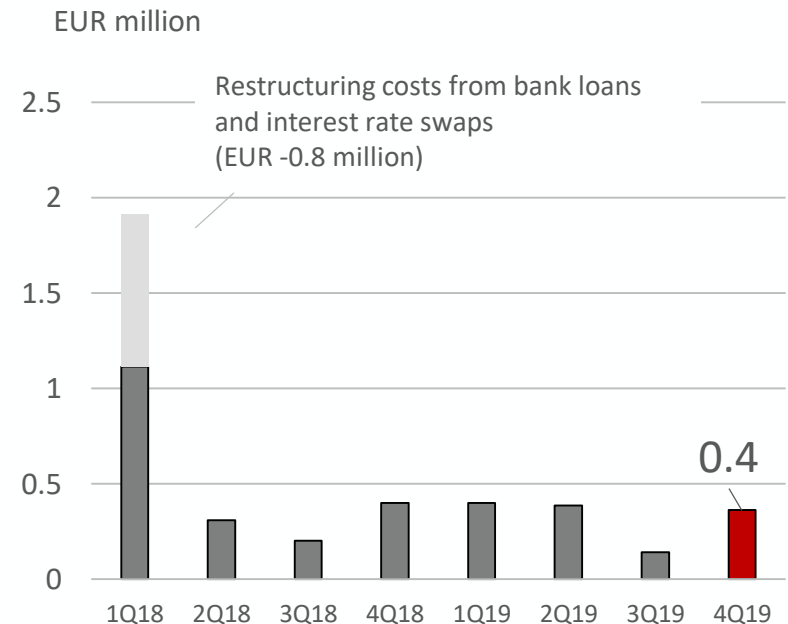
Net finance costs decreased significantly

Net debt (EUR million) and leverage (%)



- At the end of December 2019, the company's net debt amounted to EUR 28.3 million (30.3), of which EUR 38.7 million (36.4) consisted of long-term liabilities.
- Leverage was 1.7 (2.3)

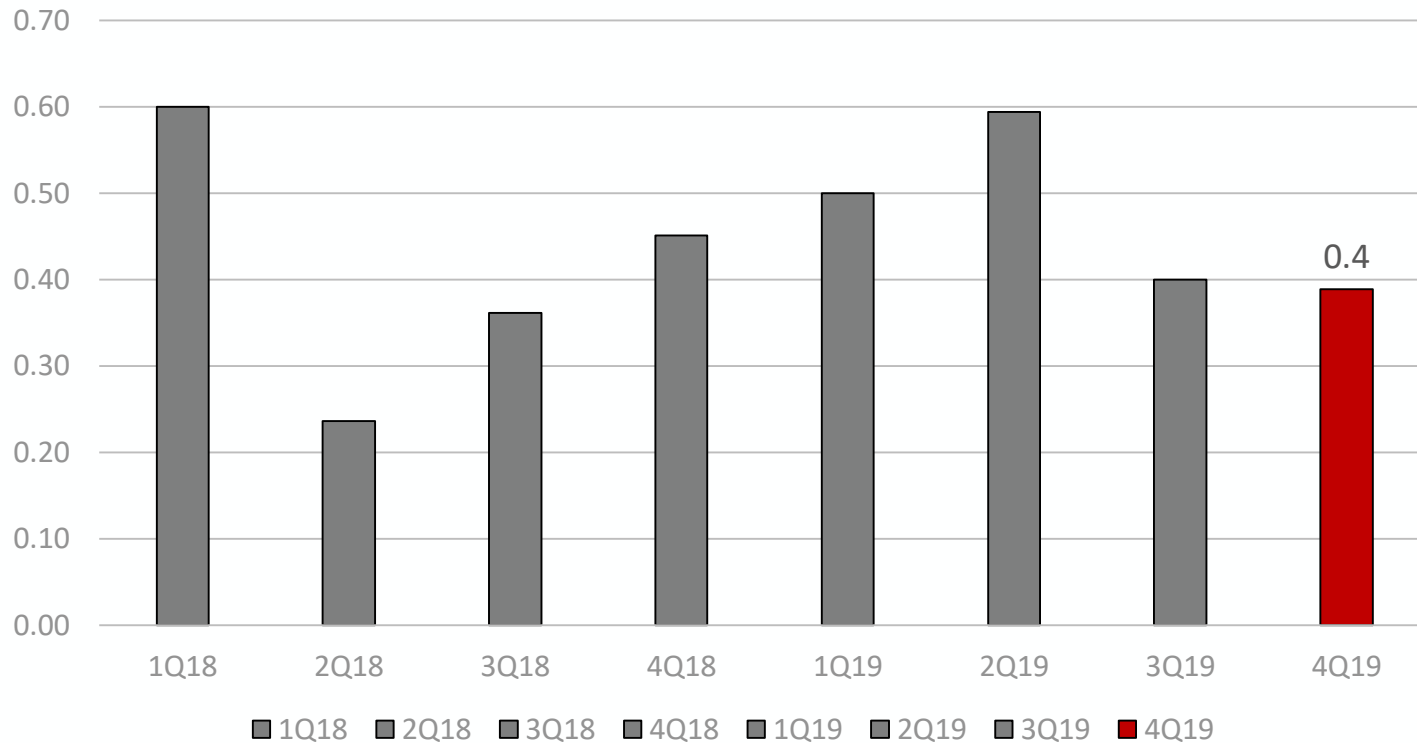
Net finance costs, EUR million



- 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

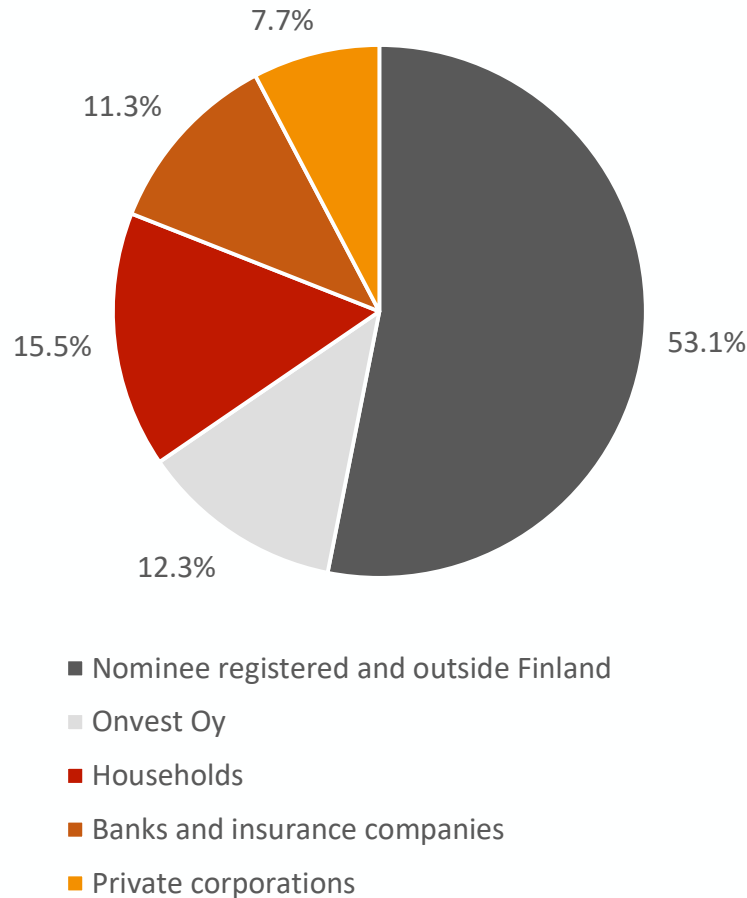
EUR million



- In April Harvia acquired a production and warehouse facility in US. In addition other investments to production machinery.



The distribution of Harvia's shareholders by segment (31 December 2019)



- In the March 2018 IPO, Harvia gained approximately 2,000 new shareholders. At the end of December 2018 there were 3,248 shareholders.
- At the end of December 2019, the number of shareholders totaled in 5,249 (including nominee registers).
- The shareholding of Board of Directors, management and personnel was 9.1%



Dividend proposal

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

Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of **EUR 0.19 per share for the period 2019 after the Annual General Meeting in April 2020.**

In addition, the Board of Directors requests that the Annual General Meeting authorizes the Board to distribute **a maximum dividend of EUR 0.19 per share in autumn 2020.**

Therefore, based on the Board of Directors' proposal, the dividend distributed by Harvia Plc for the financial period 2019 would amount to a maximum of **EUR 0.38 per share**, i.e. **EUR 7,103,809.68** in total. Harvia Plc's total unrestricted equity amounts to EUR 62,853,073.24 in total, of which profit for the period accounts for EUR 6,531,499.29.

The proposed dividend is 74.0% of the Group's profit for the period 2019.



Financial targets and outlook

Growth:

Annual revenue growth above five per cent on average

Profitability:

Adjusted operating profit margin of 20 per cent⁽¹⁾

Leverage ratio:

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

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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