

March 18, 2020

Harvia strengthens its position in the professional and premium sauna solutions by acquiring a majority stake in EOS Group

Harvia Plc ("Harvia") has signed an agreement to acquire the majority of the German EOS Group ("EOS"), a technology leader for professional and premium sauna & spa products. The acquisition complements Harvia's professional and premium sauna offering well and strengthens Harvia's leading position as a professional global sauna and spa experience brand. The acquisition is expected to create annual synergies of at least EUR 2.2 million.

EOS is a leading brand in the premium and professional channel and the company has more than 75 years of experience in the sauna industry. The company's broad product portfolio consists of professional and premium sauna heaters, gas-powered heaters, control units, steam generators, infrared hardware and accessories related to all of these products. Thanks to its own control unit manufacturer, Spatronic, EOS has strong expertise in electronics. In 2019, EOS had a revenue of EUR 17.3 million, adjusted EBITDA of EUR 3.2 million and adjusted EBIT of EUR 2.8 million. The company employs approximately 150 persons.

The purchase price is EUR 19.7 million and it is based on the debt-free valuation of EUR 25.5 million for the entire EOS Group at the time of signing of the deal. The purchase price will be further specified after the closing. After the closing of the transaction, Harvia will own 78.6% of the Group's German operations and 80.0% of the Russian operations and will have an option to purchase the minority shares in the future (more information in section "Transaction structure"). Harvia will finance the acquisition by interest-bearing debt and own cash funds.

The acquisition is expected to create annual synergies of at least EUR 2.2 million, which are expected to be realized in full by 2024. The identified key sources of synergy comprise cross-selling opportunities, streamlining of product offering, and economies of scale in sourcing. In addition, the optimization of warehousing and logistics as well as the alignment of the sales organization are expected to generate cost savings. One-off integration and post-closing costs are estimated to total EUR 1.4 million over the years 2020 and 2021.

Harvia does not publish its short-term outlook. The transaction will not have an impact on Harvia's long-term targets related to growth, profitability and leverage.

"Harvia is proud to announce the acquisition of a majority stake in EOS Group, the world's leading professional and premium sauna and spa solution manufacturer. The acquisition is perfectly in line with our strategy and supports our aim of increasing the value of average purchase, geographical expansion and improving our productivity. It is also a natural step for Harvia in becoming the leading one-stop-shop in global sauna markets while strengthening especially our spa offering," says Tapio Pajuharju, CEO of Harvia Plc.

"Harvia's balance sheet and financial position are strong. After a thorough financial and risk analysis, we concluded that now is the right time to carry out this transaction, despite the global coronavirus situation," Pajuharju continues. "The acquisition of EOS Group offers a great opportunity to grow Harvia's market share especially in the professional and premium sauna and spa solutions. On top of this, the acquisition supports our profitability. We see the acquisition as creating clear synergy benefits as the product portfolios of Harvia and EOS complement each other well. Both brands will continue as independent

brands. With our current distribution network, we see good opportunities to expand the distribution of EOS products to new markets,” Pajuharju concludes.

“I’m very satisfied with this transaction. Both Harvia and EOS Group are strong companies in their own segments and our professional and premium sauna and spa solutions offerings complement each other well,” says Rainer Kunz, Managing Director of EOS Group. “The financial position of EOS is strong, and we are debt-free. During the past years, we have worked hard to develop our manufacturing, procurement and supply processes. In such an unprecedented time like we are now living with the coronavirus, this work will benefit both us and Harvia. Together with Harvia, we are even more robust and stronger,” Kunz concludes.

Strategic rationale of the clearly synergistic acquisition

The acquisition of a majority stake in EOS is a logical step in Harvia’s strategy implementation and clearly complements Harvia’s professional and premium sauna and spa solutions offering. The acquisition will also increase Harvia’s market share in the global sauna heater and component market from an estimated 11% to 14%.

EOS products are typically used in luxury spas, wellness hotels, fitness clubs and in the premium price range sauna and spa projects of private individuals. The company has a strong distribution network and its loyal customer base consists of renowned European sauna and steam room manufacturers. The distribution network of EOS covers more than 80 countries, and the group is in a leading position in Germany, Austria, Russia and the CIS countries.

The key brands of EOS include EOS sauna heaters and steam generators, Kusatek gas-powered sauna heaters, and Spatronic control units and electronics. All EOS products are developed and manufactured in the company’s modern production plant in Driedorf, Germany.

Key financials EOS Group

The key financials of EOS Group are presented below (EUR million):

	2019	2018	2017
Pro forma revenue	17.3	17.5	17.2
Revenue growth	-1.5%	+2.1%	
Pro forma adjusted EBITDA	3.2	3.0	2.4
Pro forma adjusted EBITDA margin	18.5%	17.3%	13.8%
Pro forma adjusted EBIT	2.8	2.7	2.0
Pro forma adjusted EBIT margin	16.5%	15.5%	12.1%

EOS Group comprises two entities Kunz & Meis Holding GmbH (holding company for German entities) and OOO EOS-Premium Spa (Russian operative entity), which have been consolidated to present pro forma figures. In addition, selected one-off items have been adjusted to present adjusted EBITDA and EBIT figures. The reported unadjusted figures for 2019 are: EBITDA EUR 2.9 million (16.7%) and EBIT EUR 2.5 million (14.7%).

The total assets of EOS Group amounted to EUR 10.8 million at the end of 2019. Net debt totaled EUR 1.3 million.

As a result of the transaction, Harvia's net debt will increase from EUR 28.3 million at the end of 2019 to EUR 49.6 million and long-term liabilities from EUR 38.7 million to EUR 61.1 million. After the transaction, Harvia's equity ratio is expected to be 46.0% (56.6% at the end of 2019.)

Illustrative combined revenue of Harvia for the financial year 2019, after the EOS Group acquisition, amounts to EUR 91.6 million and adjusted EBITDA to EUR 20.2 million.

Transaction structure

The acquisition concerns Kunz & Meis Holding GmbH and its operative subsidiaries EOS Saunatechnik GmbH, Kusatek GmbH and Spatronic GmbH as well as OOO EOS-Premium Spa operating in Russia. The transaction also covers a real estate property that is purchased from M. & K. Immobilien GbR and is used by EOS Group.

The sellers in the transaction are General Managers Rainer Kunz and Michael Meis, currently owning 100% of Kunz & Meis Holding GmbH, 50% of OOO EOS-Premium Spa and 100% of M. & K. Immobilien GbR, and Vasilij Sosenkov, currently owning 50% of OOO EOS-Premium Spa.

At the closing of the transaction, Harvia will own 78.6% of Kunz & Meis Holding GmbH and 80.0% of OOO EOS-Premium Spa. Rainer Kunz will remain as a minority shareholder in Kunz & Meis Holding GmbH with a 21.4% holding and Vasilij Sosenkov as a minority shareholder in OOO EOS-Premium Spa with a 20.0% holding. The sellers have put options to sell the remainder of their shares after certain conditions have been met. Harvia has an option to purchase the minority shares within the next eight years.

The purchase price of the shares and real estate under consideration amounts to EUR 19.7 million and will be further specified based on the net debt and net working capital at the time of closing of the deal. The acquisition price will be financed with a new long-term financing of EUR 20.0 million. The value of the minority shares will be recognized as a long-term liability in Harvia's balance sheet and the values will be reviewed annually.

As part of the transaction, Mr. Rainer Kunz will become a shareholder and a management team member of Harvia and he will continue in a management role in EOS Group after the closing. Vasilij Sosenkov will continue in a management position in EOS Russia.

The transaction is subject to customary closing conditions and is expected to be finalized in March–April 2020.

Harvia is advised by Aventus Partners Oy as the financial advisor, Borenus Attorneys Ltd and Noerr LLP as the legal advisors as well as Hill+Knowlton Strategies as the communications advisor.

Webcast for analysts, investors and media

Harvia will hold a webcast in English for analysts, investors and media on March 18, 2020 at 11.00 EET. Harvia Plc's CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event.

A live webcast of the conference is available at: <https://harvia.videosync.fi/2020-03-18-press-conference>

The dial-in details are:

PIN: 38822842#

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A recording of the webcast will be available on Harvia's website after the event.

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About Harvia

Harvia is one of the leading companies operating in the sauna and spa market globally, as measured by revenue. Harvia's brands and product portfolio are well known in the market, and the company's comprehensive product portfolio strives to meet the needs of the international sauna and spa market of both private and professional customers.

Harvia's revenue totaled EUR 74.1 million in 2019, its operating profit was EUR 13.3 million and adjusted operating profit EUR 13.9 million during the same period. The company employs some 400 professionals in Finland, China and Hong Kong, Romania, Austria, United States, Germany and Estonia. The company is headquartered in Muurame, Finland, adjacent to its largest sauna and sauna component manufacturing facility.