

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing



Harvia Plc Interim Report

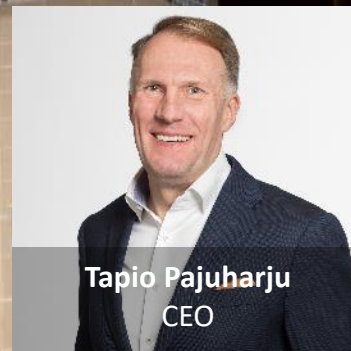
January–March 2020

28.4.2020 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO



Content

1. January–March 2020 in brief
2. Harvia's strategy in brief
3. Financials



Steady and profitable growth continued

- Revenue growth was especially strong in Scandinavian countries, North America and Germany
- Revenue growth was especially good in the sauna room product group
- Relative profitability was solid and on a very good level

Acquisition of the German EOS Group, a technology leader for sauna & spa products

- The acquisition strengthens Harvia's position especially in Central Europe and opens up new opportunities in the US and in Asia
- The transaction is expected to be finalized at the end of April, and the integration process will start after that

COVID-19 and its impact on Harvia's business

- Harvia has taken special measures to ensure the safety of its personnel and the continuity of its production and services
- Harvia has maintained almost full operational capability – the effects of the pandemic were minor during the review period



Harvia Q1 2020: A quarter of profitable growth

- **Revenue** grew by 5.6% to EUR 20.4 million (19.3). At comparable exchange rates, revenue grew by 4.8% to EUR 20.2 million.
- **Adjusted operating profit** was EUR 4.2 million (4.0), making up 20.6% (20.6) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 4.1 million (20.4% of the revenue).
- **The operating profit** was EUR 3.1 (3.8) million, making up 15.3% (19.9) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 3.0 million (15.0% of the revenue). Acquisition related costs were EUR 1.0 million.
- **Earnings per share** were EUR 0.13 (0.14).
- **Operating free cash flow** amounted to EUR 5.9 million (1.7).
- **Net debt** amounted to EUR 24.3 million (31.6) and leverage was 1.4 (2.3).
- **Equity ratio** was 57.1% (55.7).





Systematic execution of strategy

Increasing the value of the average purchase

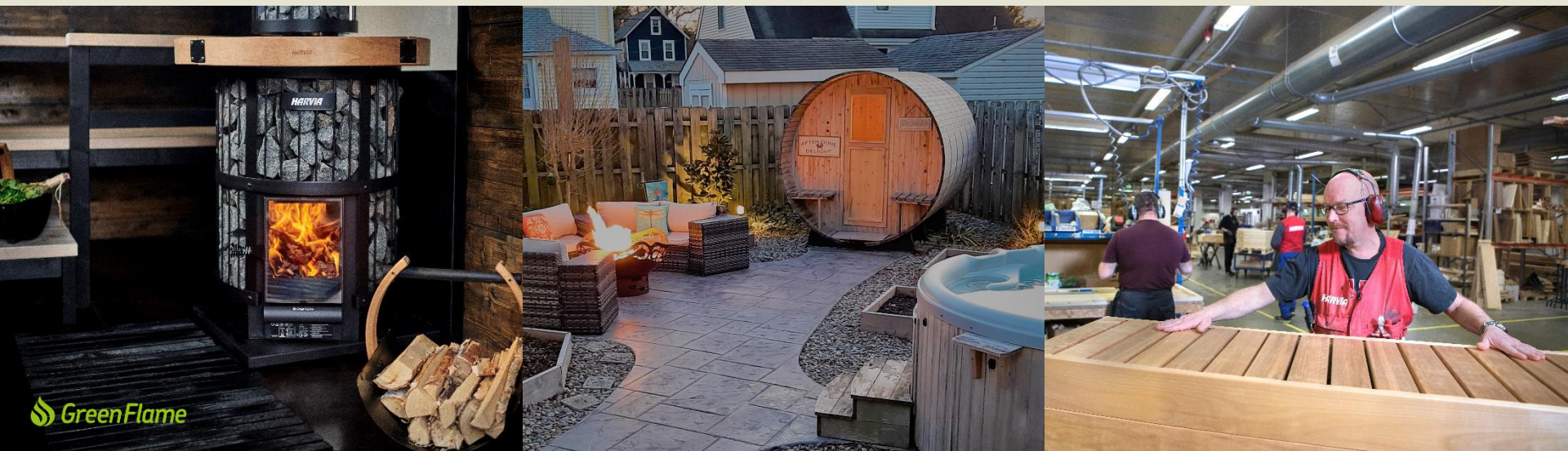
- Product innovations and sauna and spa products with the most advanced features
- Upselling by offering sauna equipment and accessories adding safety and convenience
- Developing the sales of premium products and solutions

Geographical expansion

- Continuous improvement and strengthening of the distributor network
- Improving the availability and visibility of the core offering
- Leveraging new sales channels and cross-selling opportunities

Productivity improvement

- Improving operational efficiency by optimizing processes and selecting optimal location of operations
- Enhancing the efficiency of purchasing and logistics
- Investments and increasing automation





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



- In March 2020, Harvia signed an agreement to acquire the majority of the German EOS Group
- EOS is a technology leader for professional and premium sauna and 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 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 the deal
- 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
- One-off integration and post-closing costs are estimated to total EUR 1.4 million over the years 2020 and 2021
- Acquisition related costs in January–March 2020 were EUR 1.0 million. Integration and post-closing costs have not yet accumulated.
- In 2019, EOS had 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.
- EOS General manager Rainer Kunz will join Harvia's management team
- The transaction is expected to be finalized at the end of April 2020

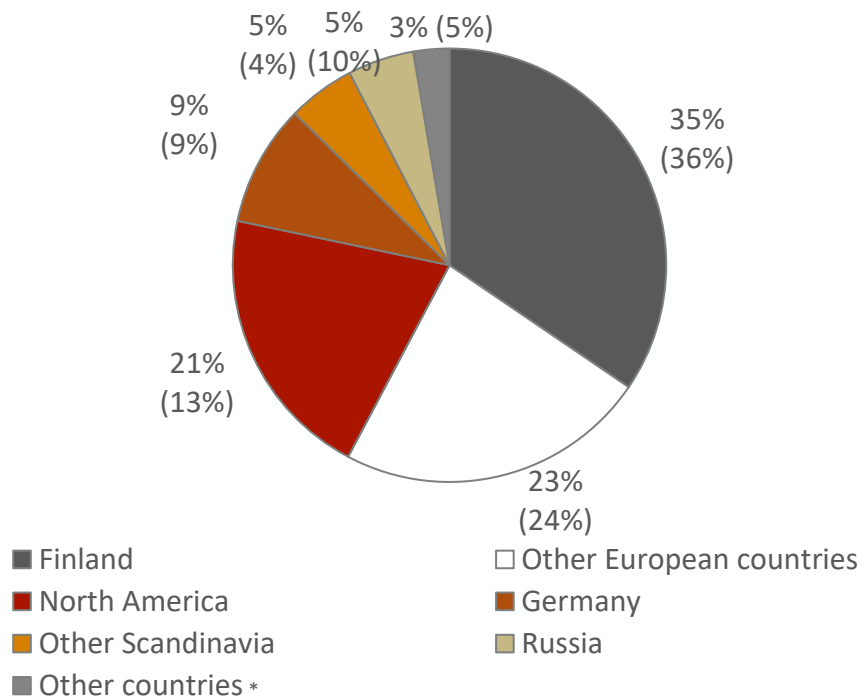


- Due to the relatively large share of the replacement business, it seems that the sauna and spa market is not overly sensitive to the pandemic.
- Some of Harvia's customers have had to close temporarily down operations in Italy, Spain, France, Russia, Arab countries and China. However, a part of the sales has moved online.
- Thanks to the excellent cooperation and commitment of our personnel and partners, Harvia has maintained almost full operational capability during the coronavirus outbreak.
- We have invested heavily in health and safety. We have taken special measures in all Harvia units. These special measures have slightly slowed down the continuous improvement of productivity.
- Availability of components has been fairly good – only temporary delays and shortage of componentry.



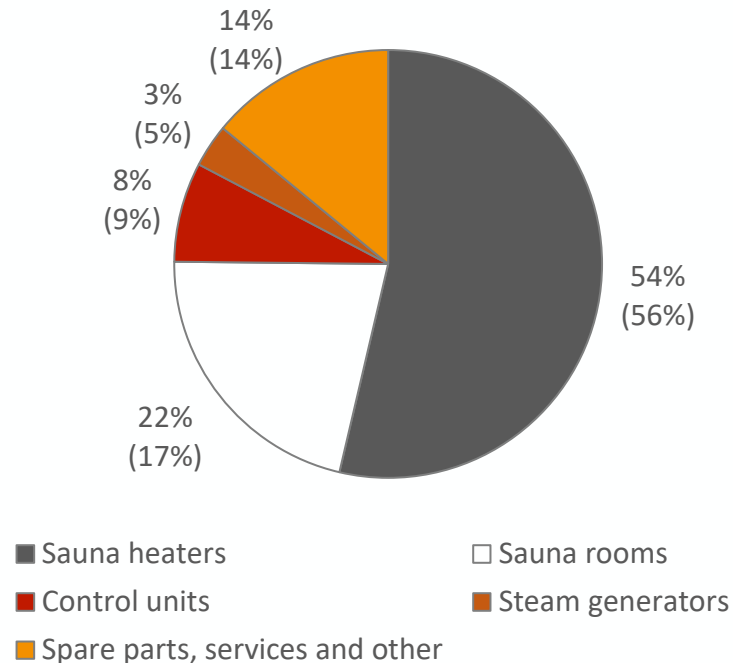
Q1 2020: Growth in Scandinavia, North America and Germany

Revenue by market area, %



- Strong growth in Scandinavia, North America, other European countries and Germany
- The revenue in Russia decreased due to the weakening of ruble, the challenges caused by the coronavirus lockdown and the timing of the deliveries

Revenue by product group, %

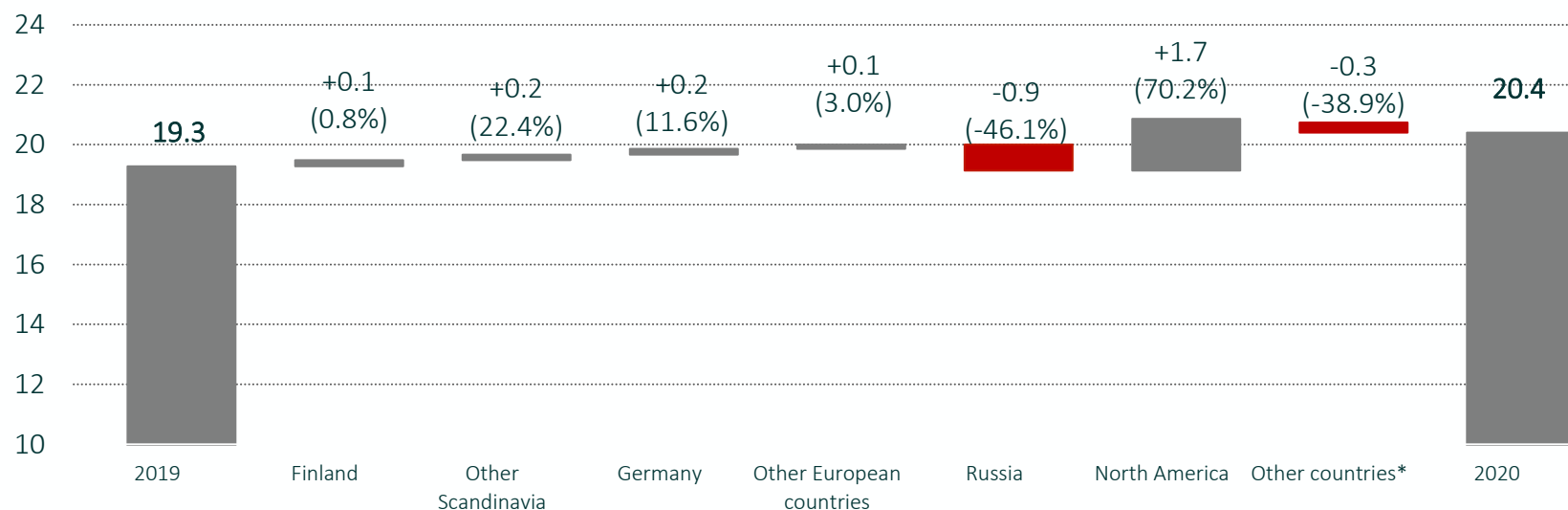


- Especially the sales of sauna rooms increased
- Steady development of heater sales
- Steam generators sales fell behind from previous year in Arab countries, Russia and in Asia

Q1 2020: Revenue increased by 5.6%

Revenue by product group 1–3/2019 vs 1–3/2020

EUR million

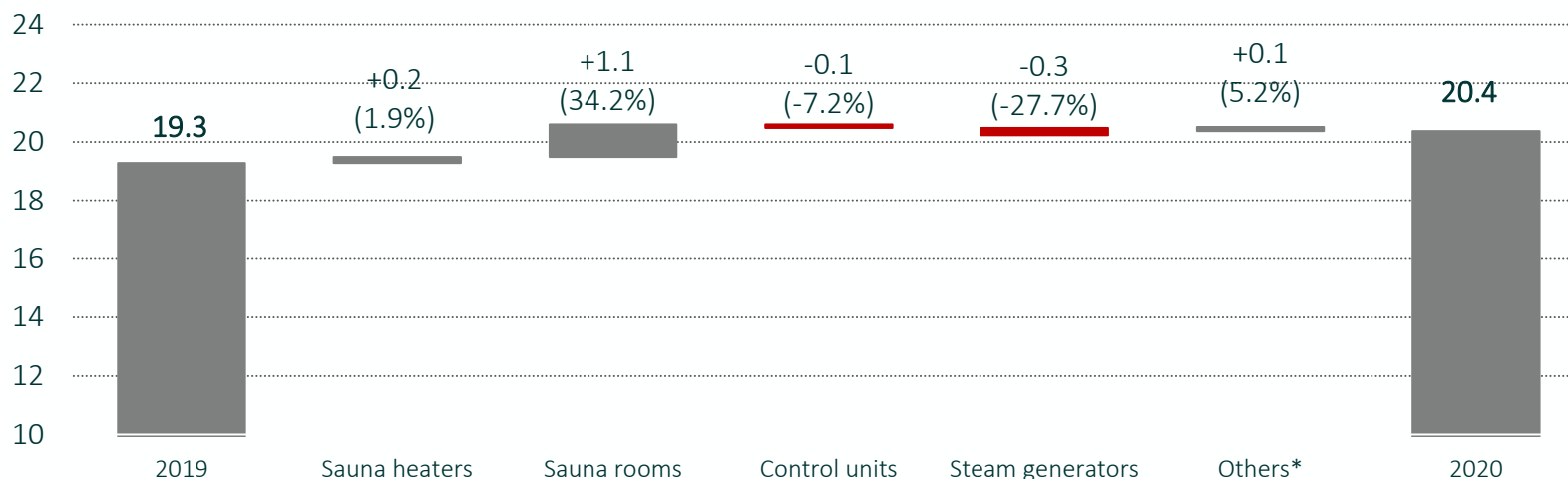


- The growth was driven by very favorable sales development in North America
- German market and revenue in Other Scandinavia developed favorably
- Other countries sales decreased due to Arab countries and Asia
- At comparable exchange rates, revenue grew by 4.8% to EUR 20.2 million

Q1 2020: Strong growth in sauna rooms

Revenue by product group 1–3/2019 vs 1–3/2020

EUR million

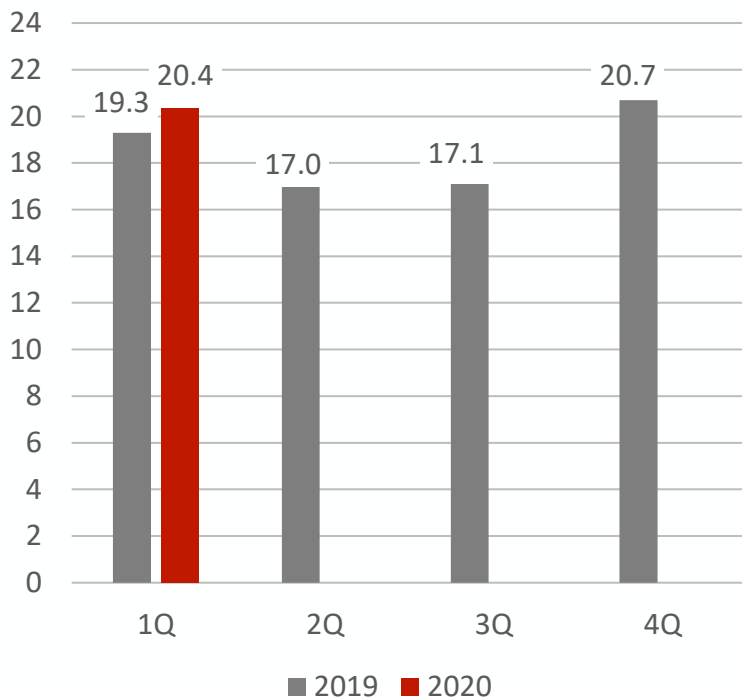


- Especially the sales of sauna rooms increased – development of sales of sauna rooms was favorable especially in Germany, North America and other European countries
- Steam generators sales fell behind from previous year especially Arab countries, Russia and Asia
- Sales of control units decreased in Russia and in Arab countries

Revenue and adjusted operating profit

Revenue

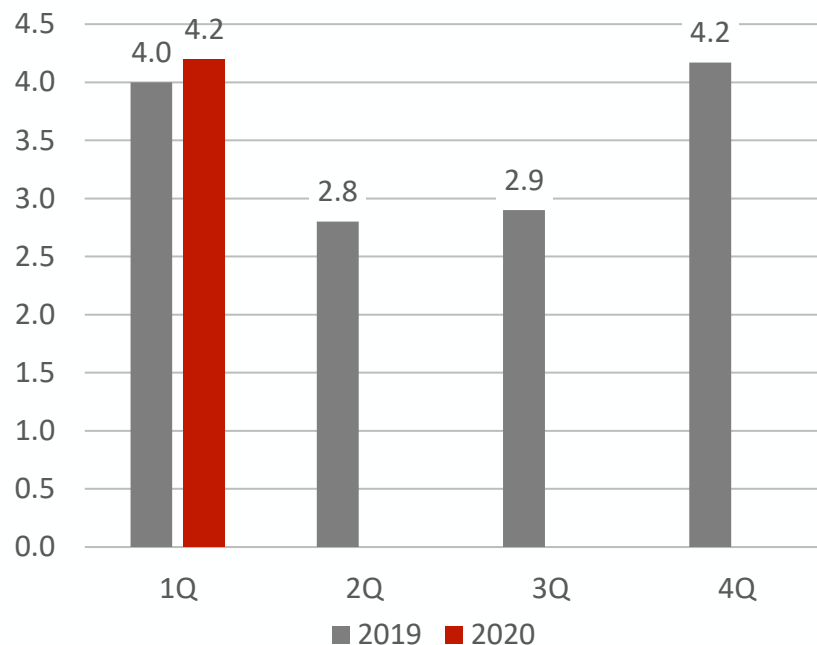
EUR million



- In the first quarter, the revenue growth was strongest in North America, Scandinavia and Germany
- At comparable exchange rates, revenue grew by 4,8% and was EUR 20.2 million

Adjusted operating profit

EUR million




- Adjusted operating profit developed favorably and grew to EUR 4.2 (4.0), making up 20.6% (20.6) of the revenue in the first 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 of the slide is a photograph of a Harvia fire basket. It is a dome-shaped metal cage with vertical bars, filled with dark, irregular pieces of wood or charcoal. The basket sits on a wooden surface. In the background, there is a blurred interior setting with a lamp and some shelves.

Financials

Ari Vesterinen, CFO



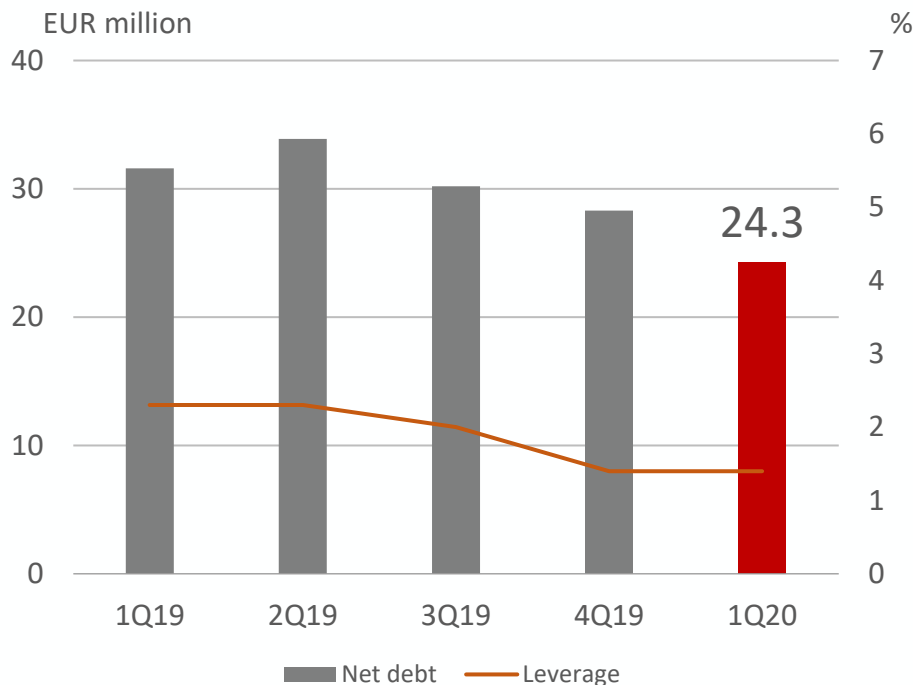
Harvia's key figures in the reporting period

Million EUR	1-3/2020	1-3/2019	Change, %	2019
Revenue	20.4	19.3	5.6%	74.1
Adjusted EBITDA*	5.0	4.7	6.2%	17.0
% of revenue	24.7%	24.5%		22.9%
Adjusted operating profit*	4.2	4.0	5.8%	13.9
% of revenue	20.6%	20.6%		18.7%
Basic EPS (EUR)	0.13	0.14	-8.7%	0.51
Operating free cash flow	5.9	1.7	243.9%	15.2
Investments in tangible and intangible assets	-0.3	-0.5	-33.9%	-1.8
Net debt	24.3	31.6	-23.1%	28.3
Leverage	1.4	2.3		1.7
Net working capital	15.2	20.2	-24.4%	16.8
Adjusted return on capital employed (ROCE)	37.7%	30.9%		38.2%
Equity ratio	57.1%	55.7%		56.6%
Number of employees at end of period	399	390	2.3%	395

* Adjusted by items affecting comparability.

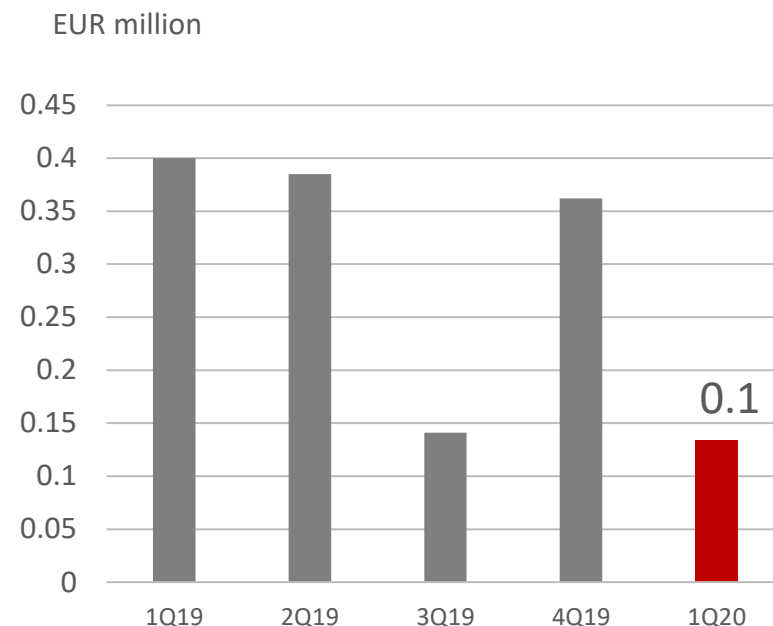
Net finance costs decreased by the fair value valuation of the interest rate swap

Net debt (EUR million) and leverage (%)



- At the end of March 2020, the company's net debt amounted to EUR 24.3 million (31.6). Long-term liabilities were EUR 38.6 million (38.9). Cash and cash equivalents were EUR 14.8 million (8.9).
- Leverage was 1.4 (2.3)

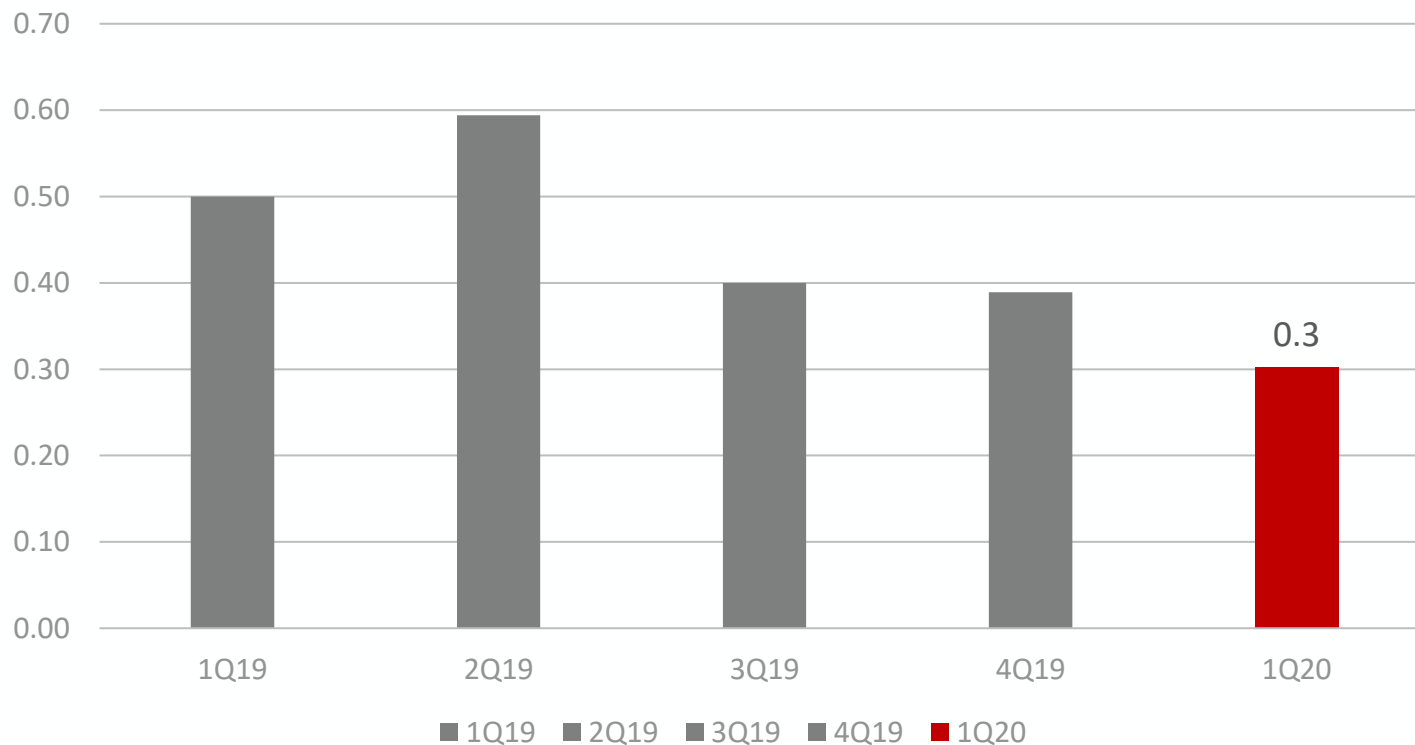
Net finance costs, EUR million



- The fair value valuation of the interest rate swap decreased the financing expenses in the first quarter.

Investments in tangible and intangible assets, EUR million

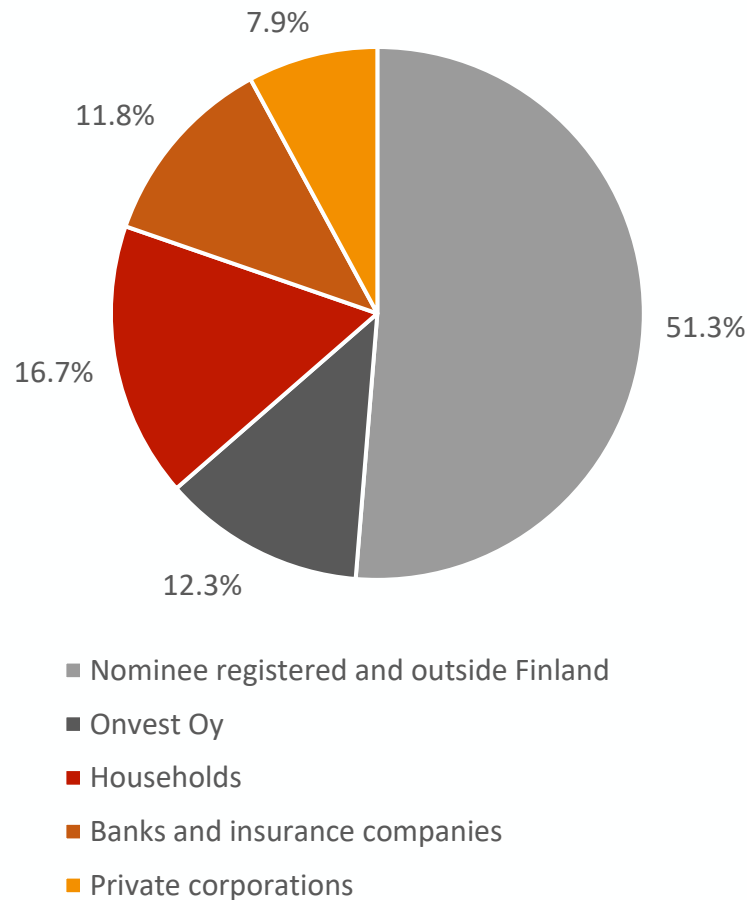
EUR million



- During the first quarter 2020 Harvia invested in production machinery in Finland and in China.
- In the second quarter of 2019 Harvia acquired a production and warehouse facility in US.



The distribution of Harvia's shareholders by segment (31 March 2020)



- In the March 2018 IPO, Harvia gained approximately 2,000 new shareholders.
- At the end of December 2019 the number of shareholders totaled in 5,249.
- At the end of March 2020, the number of shareholders totaled in 6,844 (including nominee registers).
- The shareholding of Board of Directors, management and personnel was 9.1%



Harvia's long-term financial targets

GROWTH

>5%

Average annual revenue growth

PROFITABILITY

20%

Adjusted operating profit¹

LEVERAGE

1,5x-2,5x

Net debt/adjusted EBITDA²

HARVIA'S DIVIDEND POLICY

- Regularly increasing dividend
- Bi-annual payout
- At least 60% of net income in total

1) Adjusted operating profit is operating profit before items affecting comparability.

2) Excluding the future impacts of changes in IFRS reporting standards.



Distribution of dividend EUR 0.38 per share

The Annual General Meeting decided on a dividend of EUR 0.19 per share that was paid to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of 6 April 2020. The dividend was paid on 15 April 2020.

The Annual General Meeting authorized the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than 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 approximately on 16 October 2020.

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