

*Relaxing Moments*

**HARVIA**

*Sauna & Spa*

*Natural Wellbeing*

## Harvia Plc Half-year financial review

*January–June 2020*

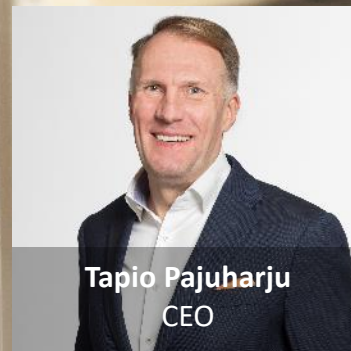
*13 August 2020 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO*





# Content

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



## Very strong and profitable growth continued despite the COVID-19 pandemic

- Revenue and profitability increased significantly in the second quarter in exceptional market conditions
- Revenue increased substantially in the sauna rooms and sauna heater product groups
- Absolute and relative profitability on a very good level, and improved in the first half-year

## Acquisition of EOS Group finalized

- On April 30, 2020, Harvia completed the acquisition of the German EOS Group. The new subsidiaries are consolidated to Harvia Group from the closing time.
- The integration following the acquisition has proceeded with good team spirit, and all areas of the integration are proceeding according to targets and schedule.

## COVID-19 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 full operational capability – the effects of the pandemic were minor during the review period
- Excellent team effort and special thanks to Harvia personnel



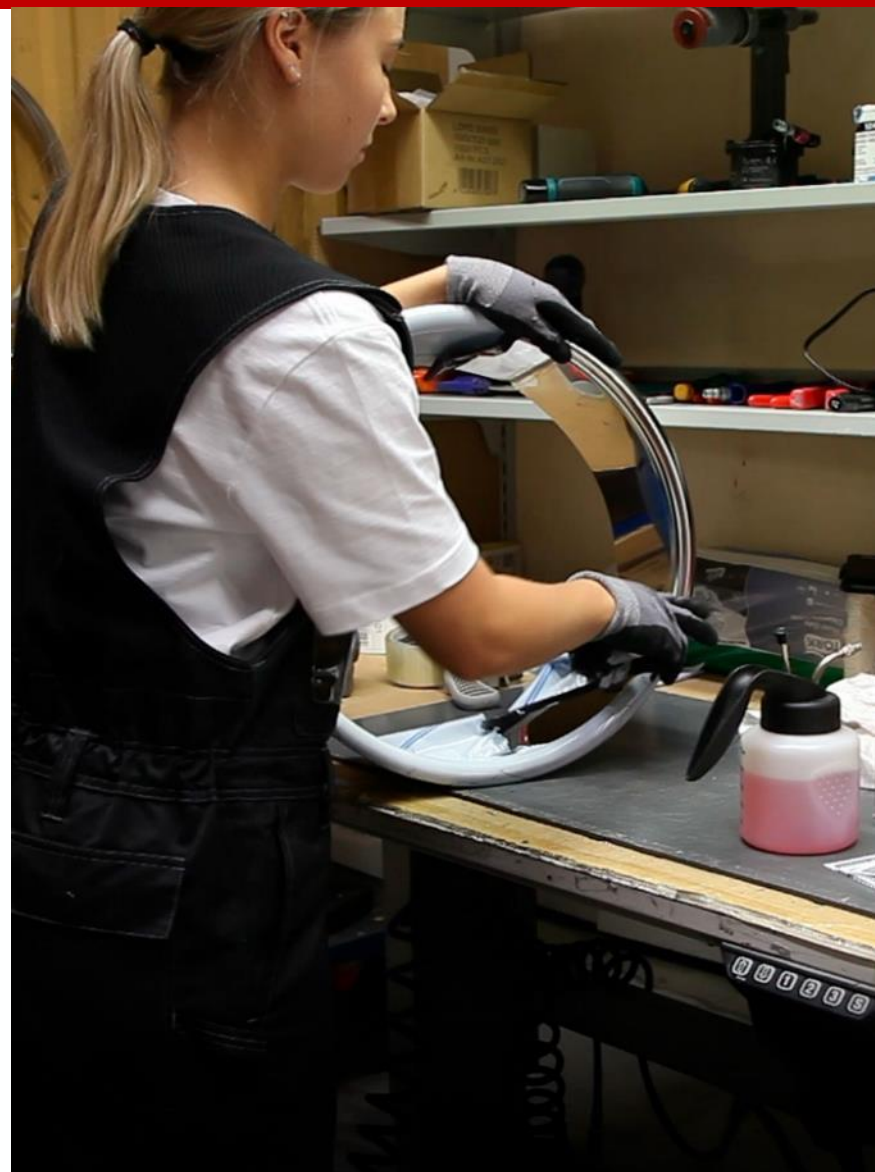
- **Revenue** grew by 26.5% to EUR 45.9 million (36.3). At comparable exchange rates, revenue grew by 26.1% to EUR 45.8 million. Organic revenue growth was 18.1%.
- **Adjusted operating profit** was EUR 9.6 million (6.8), making up 20.9% (18.7) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 9.5 million (20.7% of the revenue).
- **Operating profit** was EUR 7.7 (6.5) million, making up 16.7% (18.0) of the revenue. At comparable exchange rates, the operating profit grew to EUR 7.6 million (16.5% of the revenue). Acquisition-related costs were EUR 1.8 million.
- **Earnings per share** were EUR 0.30 (0.24).
- **Operating free cash flow** amounted to EUR 10.4 million (3.9).
- **Net debt** amounted to EUR 43.6 million (33.9) and leverage was 2.2 (2.3).
- **Equity ratio** was 41.3% (56.0).





## Harvia Q2 2020: sales growth accelerated during the second quarter

- **Revenue** grew by 50.1% to EUR 25.5 million (17.0). At comparable exchange rates, revenue grew by 50.8% to EUR 25.6 million. Organic revenue growth was 32.3%.
- **Adjusted operating profit** was EUR 5.4 million (2.8), making up 21.1% (16.5) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 5.3 million (20.9% of the revenue).
- **Operating profit** was EUR 4.6 (2.7) million, making up 17.9% (15.8) of the revenue. At comparable exchange rates, the operating profit grew to EUR 4.5 million (17.7% of the revenue). Acquisition-related costs were EUR 0.8 million.
- **Earnings per share** were EUR 0.17 (0.10).
- **Operating free cash flow** amounted to EUR 4.5 million (2.2).
- **Net debt** amounted to EUR 43.6 million (33.9) and leverage was 2.2 (2.3).
- **Equity ratio** was 41.3% (56.0).





# Systematic execution of strategy

## Increasing the value of the average purchase

- Lower-emission, wood-burning Harvia Legend GreenFlame launched in Finland
- Success in complete sauna room category with upgraded new models and upselling
- EOS premium and professional heaters and components added to the offering

## Geographical expansion

- Continuous improvement and strengthening of the distributor network – new channels in Scandinavia and US
- Improved cross-selling in Central Europe – sauna rooms gaining visibility
- EOS Russia – entry into project business

## Productivity improvement

- Continuous improvement of productivity in all operating units
- Ability to address high volatility in demand with good operational efficiency in whole supply chain
- Investments initiated to increase US Almost Heaven Saunas' capacity and efficiency





# Acquisition of EOS Group finalized



- On April 30, 2020, Harvia completed the acquisition of the majority of the German EOS Group. The financial figures of EOS Group have been consolidated with Harvia's figures starting from the completion of the acquisition.
- EOS is a technology leader for professional and premium sauna and spa products, complementing Harvia's professional and premium sauna offering well.
- The purchase price was EUR 19.7 million and it was based on the debt-free valuation of EUR 25.5 million for the entire EOS Group at the time of the signing of the deal.
- Harvia financed the acquisition by interest-bearing debt and its 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.
- Costs relating to the acquisition during January–June 2020 were EUR 1.8 million. There have so far been no significant integration or post-closing costs.
- 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.
- EOS General manager Rainer Kunz joined Harvia's management team.

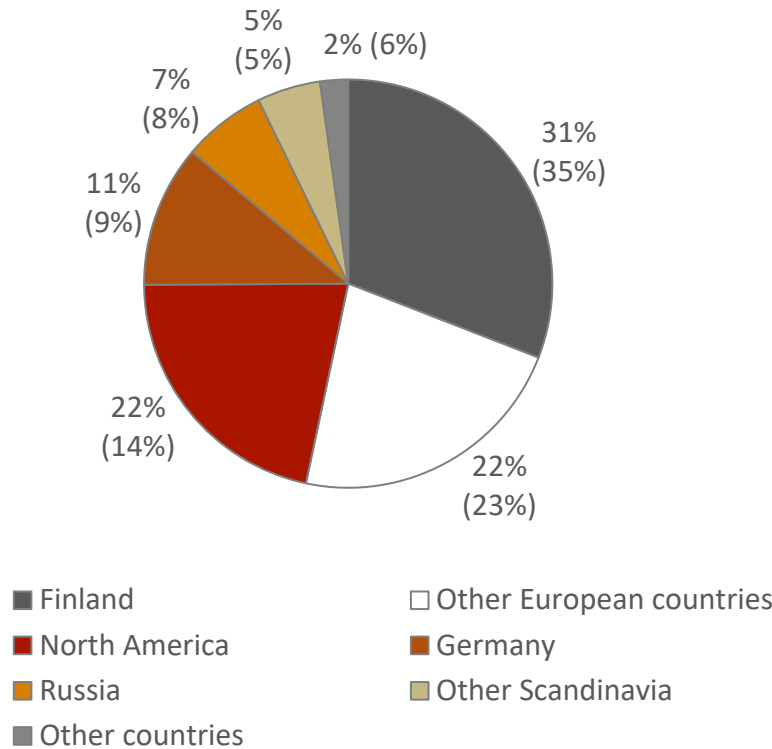


- COVID-19 does not seem to have had a notable impact on the sauna and spa market as a whole.
- Some of Harvia's customers have had to temporarily close down operations in Italy, Spain, France, Russia and the Arab countries. However, a part of the sales has moved online.
- Thanks to the excellent cooperation and commitment of our personnel and partners, Harvia has maintained full operational capability during the COVID-19 outbreak.
- We have invested heavily in health and safety. We have taken special measures in all Harvia units. These special measures have been well adopted and do not have a substantial impact on productivity.
- Availability of components has been reasonably good – some temporary delays in availability and transportation.

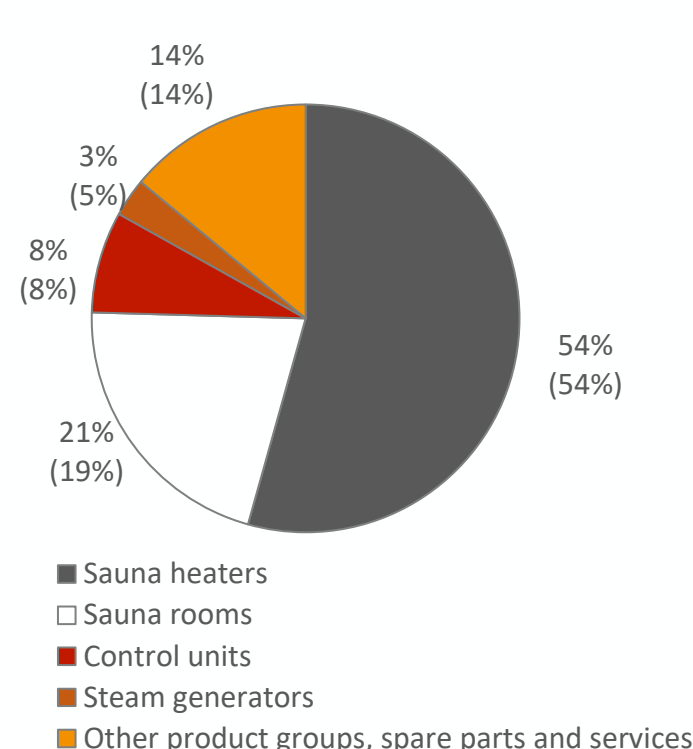


# H1 2020: Growth in North America, Finland and Germany

Revenue by market area, %



Revenue by product group, %

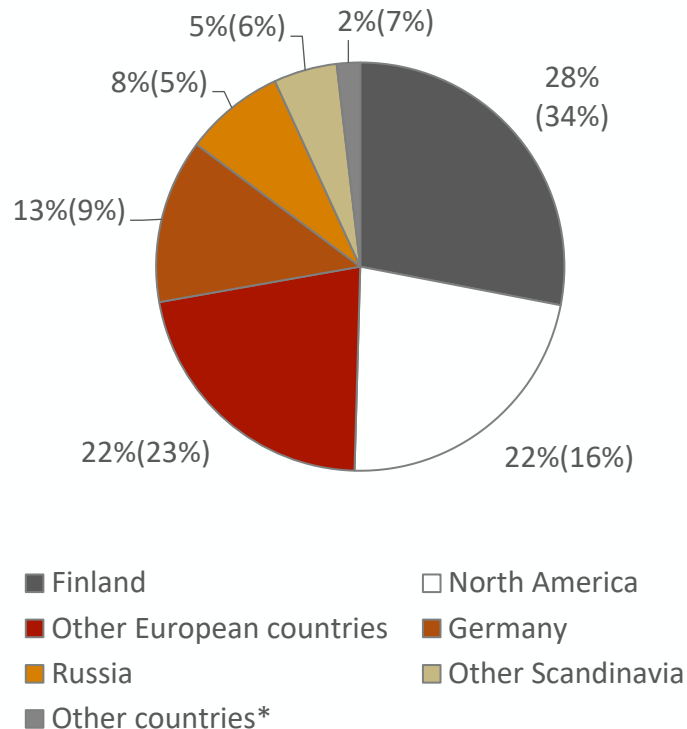


- Revenue growth was strong especially in North America, Finland and Germany
- Revenue in Other countries decreased due to the challenges caused by the COVID-19 lockdown
- Organic revenue growth was 18.1%
- Especially the sales of sauna heaters increased
- Revenue from sauna heaters was increased by the heater sales of EOS Group in May and June
- Steady development of sauna rooms and control units
- Steam generator sales fell behind from previous year due to postponing of projects in the Arab countries, Asia and Russia

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

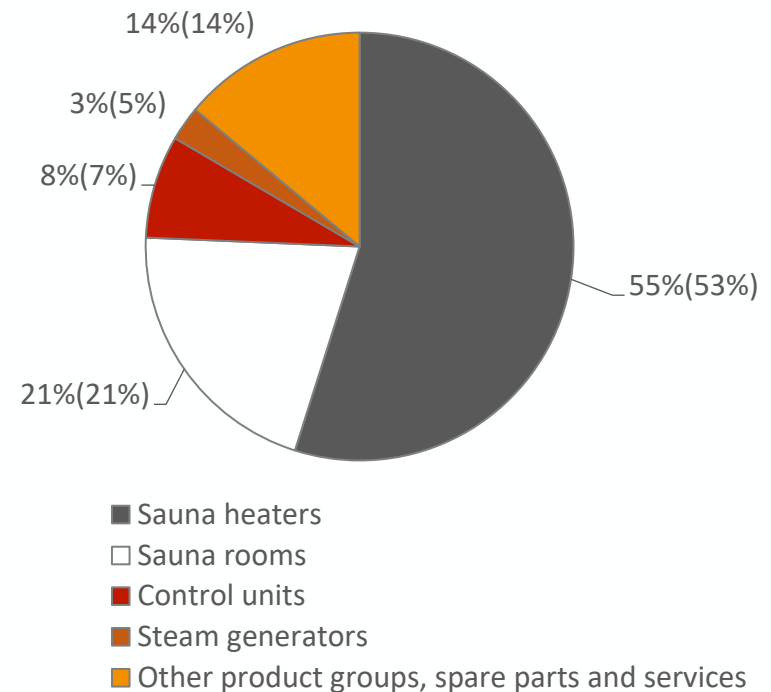
# Q2 2020: Organic growth 32.3%

Revenue by market area, %



- Revenue grew by 50.1% to EUR 25.5 million (17.0).
- Strong organic growth in Finland, North America and Europe.
- The acquisition of EOS Group increased the revenue of Germany and Russia. Especially Germany had positive organic development.

Revenue by product group, %



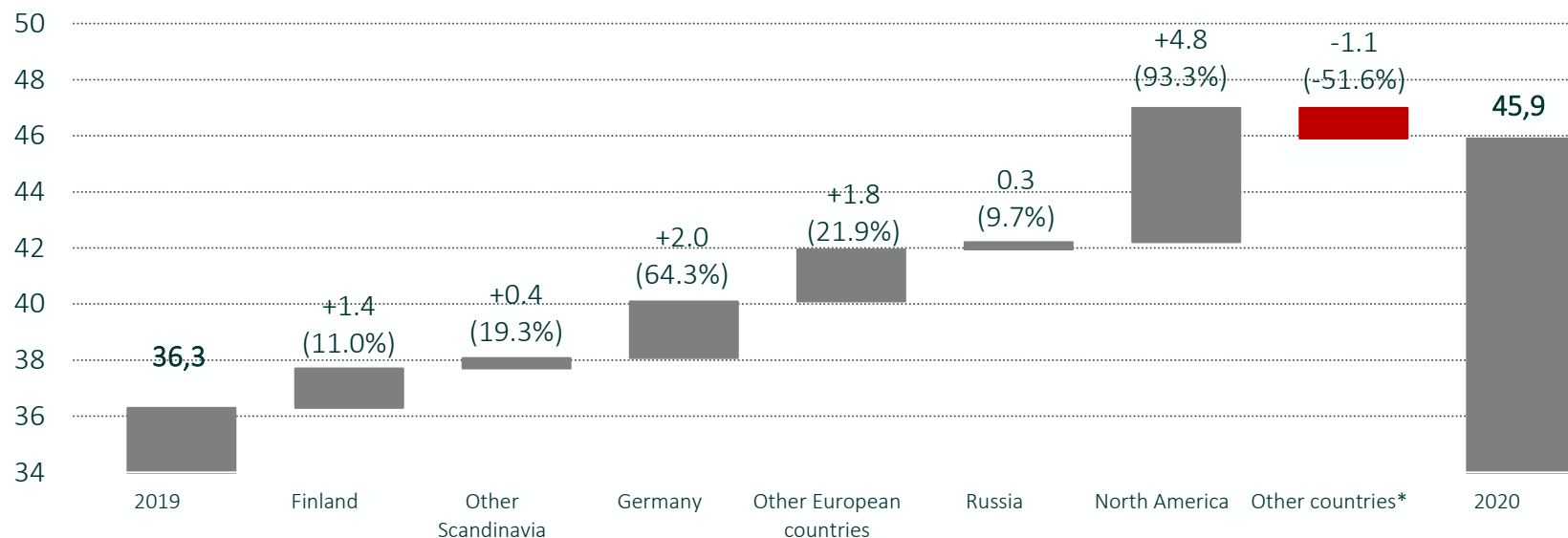
- Sales of sauna heaters, control units and other product groups increased.
- Steady development of sauna room sales
- Steam generator sales fell behind from previous year in the Arab countries, Asia and Russia.



# H1 2020: Revenue increased by 26.5%

## Revenue by market area 1–6/2019 vs 1–6/2020

EUR million

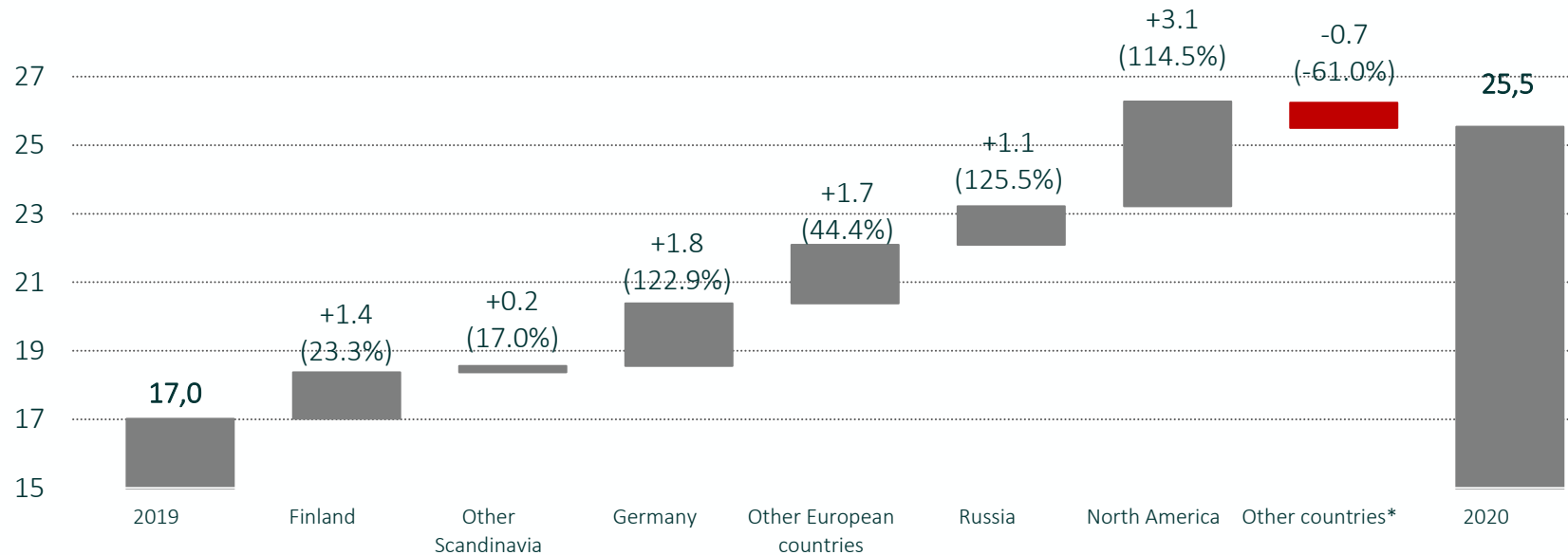


- The growth was driven by very favorable sales development in North America.
- Germany, Russia and other European countries had both organic growth as well as positive development due to the acquisition of EOS Group.
- Other countries' sales decreased due to the Arab countries and Asia.
- At comparable exchange rates, revenue grew by 26.1% to EUR 45.8 million.

# Q2 2020: Revenue increased by 50.1%

## Revenue by market area 4–6/2019 vs 4–6/2020

EUR million



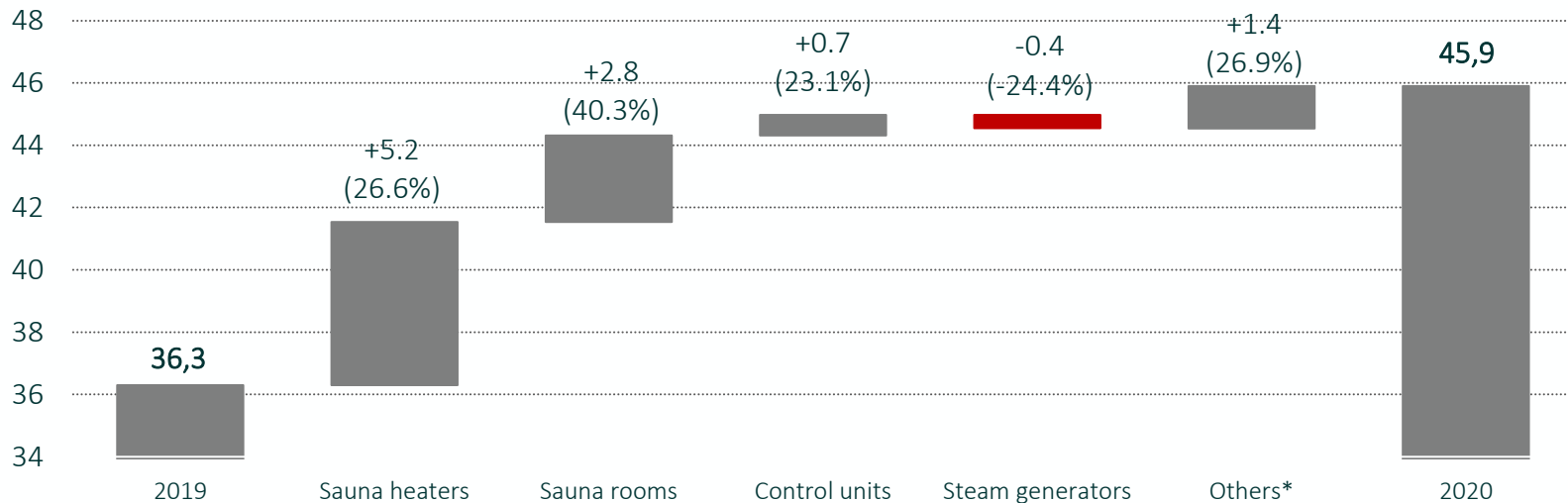
- The growth was driven by very favorable sales development in North America and Finland.
- Germany, Russia and other European countries had both organic growth as well as positive development due to the acquisition of EOS Group.
- Other countries' sales decreased due to the Arab countries and Asia.
- At comparable exchange rates, revenue grew by 50.8% to EUR 25.6 million



# H1 2020: Strong growth in sauna heaters

## Revenue by product group 1–6/2019 vs 1–6/2020

EUR million

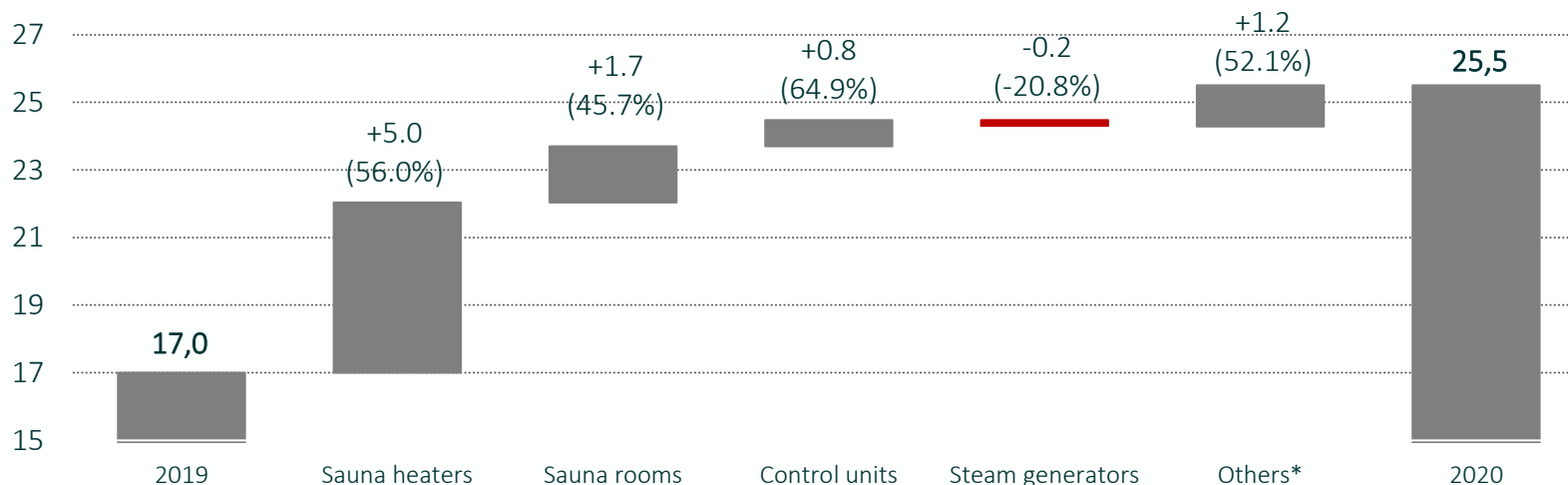


- Revenue increased particularly in the sauna heater product group, in both electric and wood-burning heaters.
- In the sauna heater product group, Harvia's good development has been complemented with the strong heater sales figures of EOS, which have been included for May and June.
- The sales of sauna rooms increased – development of sales of sauna rooms was favorable especially in Germany, North America and other European countries.
- Steam generator sales fell behind from previous year especially in the Arab countries, Russia and Asia.
- The sales of other product groups grew especially due to the acquisition of EOS Group.

# Q2 2020: Growth in almost all product groups

## Revenue by product group 4–6/2019 vs 4–6/2020

EUR million



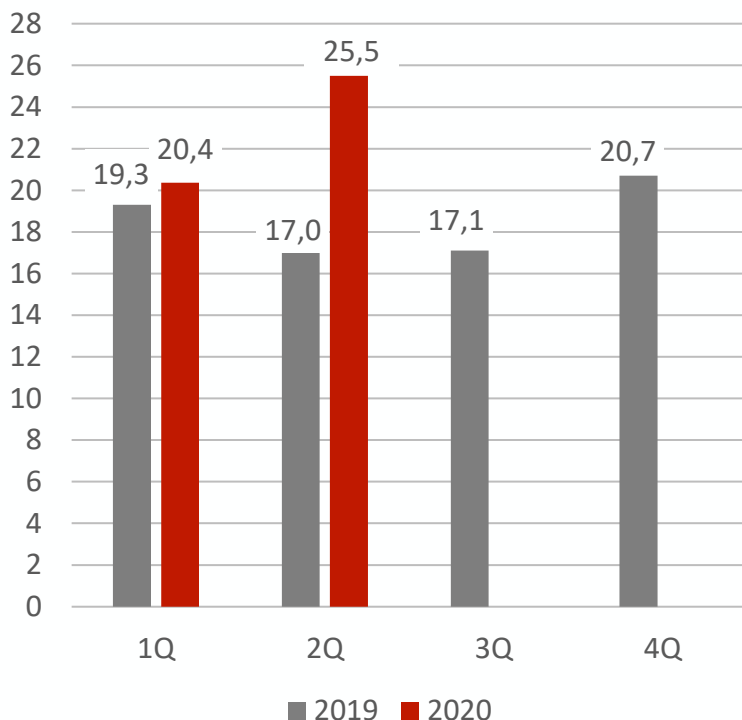
- Revenue from sauna heaters grew by 56.0%.
- Sales of sauna rooms increased – development of sales of sauna rooms was favorable especially in Germany, North America and other European countries.
- Steam generator sales fell behind from previous year especially in the Arab countries, Russia and Asia.
- The sales of other product groups grew especially due to the acquisition of EOS Group.



# Revenue and adjusted operating profit

## Revenue

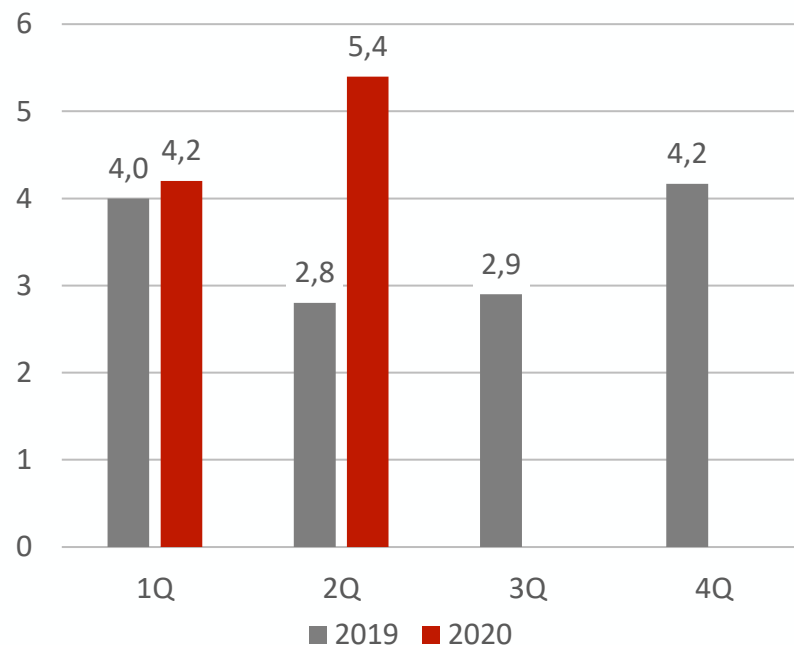
EUR million



- During the first half-year, revenue growth was particularly strong in Finland, North America and Germany.
- At comparable exchange rates, revenue grew by 50.8% and was EUR 25.6 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit developed favorably and grew to EUR 5.4 (2.8), making up 21.1% (16.5) of the revenue in the second 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 the interior of a modern sauna. The walls and ceiling are covered in light-colored, square tiles. The floor is also tiled. There are several built-in wooden benches with dark, polished tops. The lighting is soft and even.

# Financials

Ari Vesterinen, CFO



# Harvia's key figures in the reporting period

Million EUR	4-6/2020	4-6/2019	Change, %	1-6/2020	1-6/2019	Change, %	2019
Revenue	25.5	17.0	50.1%	45.9	36.3	26.5%	74.1
Adjusted EBITDA*	6.4	3.6	78.8%	11.5	8.3	37.5%	17.0
% of revenue	25.2%	21.1%		24.9%	22.9%		22.9%
Adjusted operating profit*	5.4	2.8	91.6%	9.6	6.8	41.3%	13.9
% of revenue	21.1%	16.5%		20.9%	18.7%		18.7%
Basic EPS (EUR)	0.17	0.10	66.9%	0.30	0.24	23.5%	0.51
Operating free cash flow	4.5	2.2	103.6%	10.4	3.9	164.5%	15.2
Investments in tangible and intangible assets	-0.4	-0.6	-36.6%	-0.7	-1.1	-35.4%	-1.8
Net debt	43.6	33.9	28.7%	43.6	33.9	28.7%	28.3
Leverage	2.2	2.3		2.2	2.3		1.7
Net working capital	22.3	20.5	9.0%	22.3	20.5	9.0%	16.8
Adjusted return on capital employed (ROCE)	43.4%	30.6%		43.4%	30.6%		38.2%
Equity ratio	41.3%	56.0%		41.3%	56.0%		56.6%
Number of employees at end of period	563**	404	39.4%	563**	404	39.4	395

\* Adjusted by items affecting comparability.

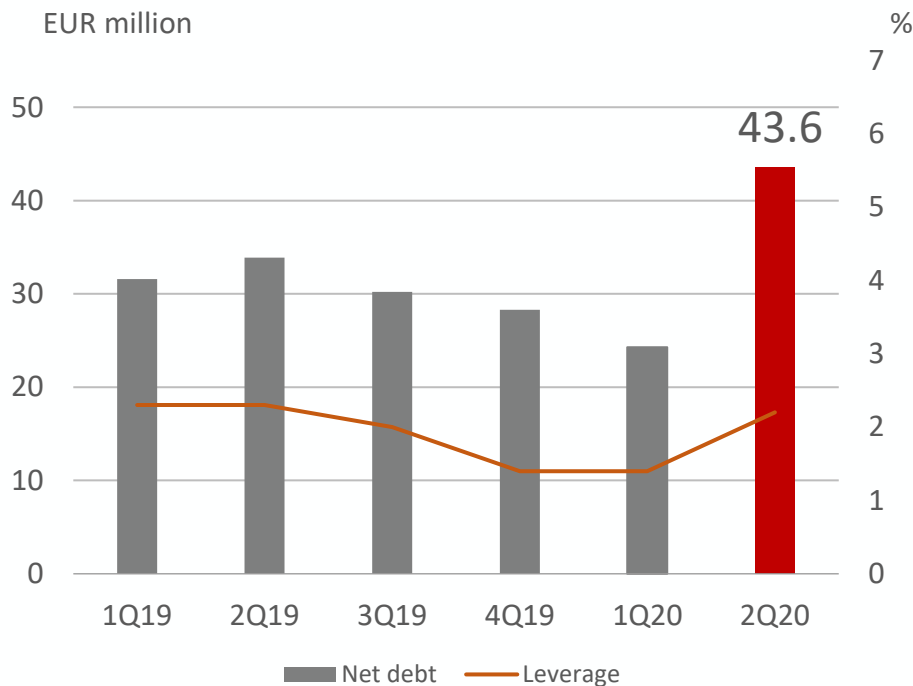
\*\* Includes the personnel of EOS Group, totaling 150 employees on June 30, 2020.



- The purchase price was EUR 19.7 million.
- The acquisition of EOS Group included EUR 2.6 million of non-current assets, EUR 3.6 million of net working capital items, EUR 1.7 million in cash and cash equivalents as well as pension liabilities amounting to EUR 3.0 million.
- The preliminary purchase price allocation pertaining to the acquisition includes intangible assets amounting to EUR 7.0 million with annual amortization of approximately EUR 1.2 million. Valuation of inventory to fair value increased inventory by EUR 1.3 million, which is amortized in calculations in 12 months.
- Goodwill resulting from the preliminary purchase allocation was EUR 10.8 million.
- Pertaining to the acquisition, a non-controlling interests' redemption liability amounting to EUR 9.5 million was entered as liability and decrease in shareholders' equity. The liability is included in non-interest-bearing liabilities.
- Bookings are according to IFRS practices

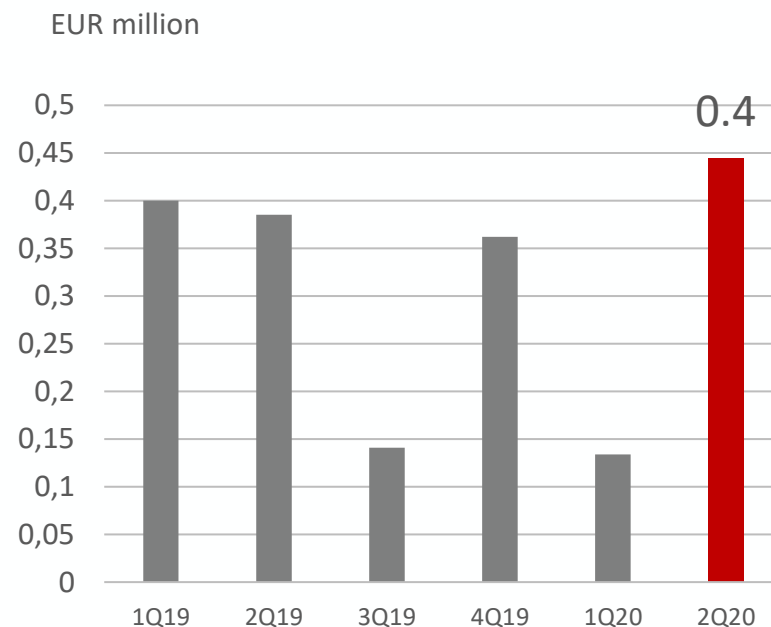
# Net finance costs increased due to new financing

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



- At the end of June 2020, the company's net debt amounted to EUR 43.6 million (33.9). Long-term liabilities were EUR 58.8 million (38.6). Cash and cash equivalents were EUR 15.7 million (6.2).
- Leverage was 2.2 (2.3).

## Net finance costs, EUR million

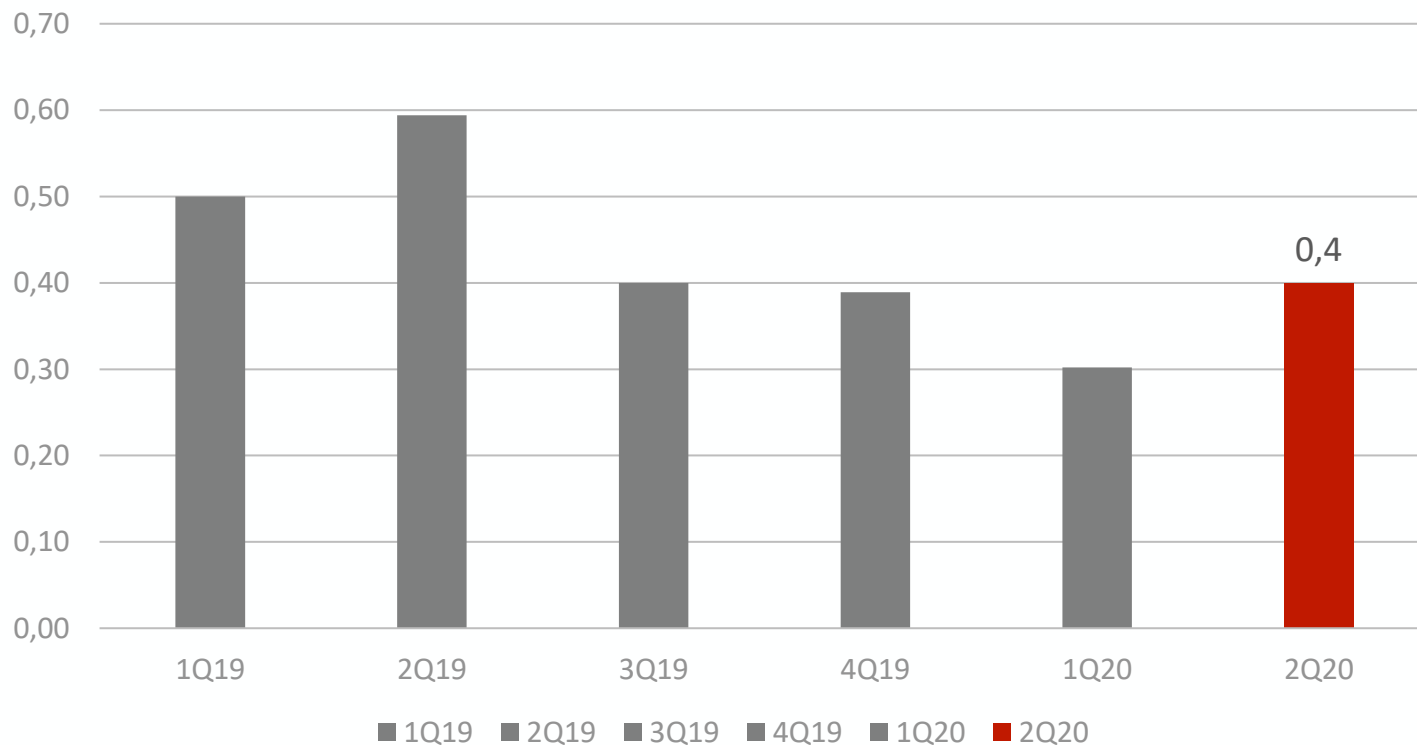


- The fair value valuation of the interest rate swap decreased the financing expenses in the first quarter.



## Investments in tangible and intangible assets, EUR million

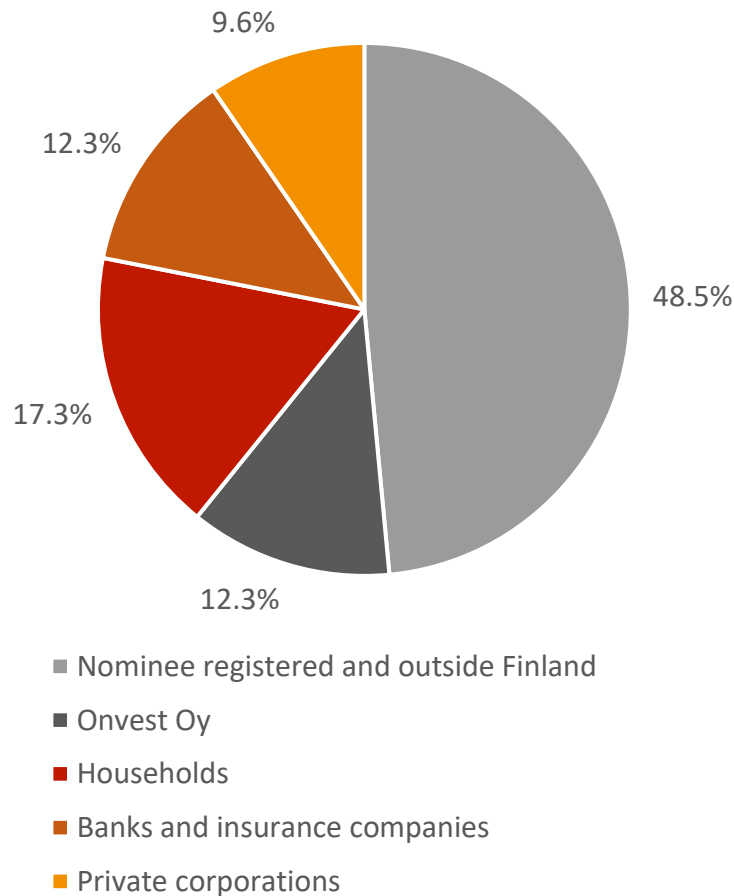
EUR million



- During the first half-year 2020, Harvia invested in production machinery mainly 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 (30 June 2020)



- At the end of December 2019, the number of shareholders totaled 5,249 and after the IPO, approximately 2,000.
- At the end of June 2020, the number of shareholders totaled 7,779 (including nominee registers).
- The shareholding of Board of Directors, management and personnel was 9.3%.



# Harvia's long-term financial targets

## GROWTH

**>5%**

Average annual revenue growth

## PROFITABILITY

**20%**

Adjusted operating profit<sup>1</sup>

## LEVERAGE

**1,5x-2,5x**

Net debt/adjusted EBITDA<sup>2</sup>

Harvia does not publish a short-term outlook.

## 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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