

*Relaxing Moments*



*Natural Wellbeing*

# HARVIA PLC INTERIM REPORT

JANUARY–SEPTEMBER 2020

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Tapio Pajuharju, CEO

Ari Vesterinen, CFO

5 NOVEMBER 2020





## **Continued revenue and profitability growth under exceptional market conditions**

- Revenue and profitability increased significantly despite the COVID-19 pandemic
- Revenue growth in all product groups and in almost all market areas
- Absolute and relative profitability on a very good level

## **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 its operative and customer service capabilities close to their normal level
- COVID-19 has temporarily boosted the demand of the sauna and spa

## **Integration of EOS Group progressing according to plan – even virtually**

- On April 30, 2020, Harvia completed the acquisition of the German EOS Group. The new subsidiaries are consolidated to Harvia Group from the closing date
- The integration has proceeded well and according to plan, although majority of the post-acquisition integration process has been carried out completely virtually with remote meetings





## Q3: INCREASED REVENUE AND PROFITABILITY



- **Revenue** grew by 63.8% to EUR 28.0 million (17.1). At comparable exchange rates, revenue grew by 68.1% to EUR 28.4 million. Organic revenue growth was 35.6%.
- **Adjusted operating profit** was EUR 6.1 million (2.9), making up 21.8% (17.2) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 6.3 million (22.0% of the revenue).
- **Operating profit** was EUR 6.0 (2.9) million, making up 21.4% (16.9) of the revenue. At comparable exchange rates, the operating profit grew to EUR 6.3 million (22.0% of the revenue). Acquisition-related costs were EUR 0.1 million.
- **Earnings per share** was EUR 0.22 (0.11).
- **Operating free cash flow** amounted to EUR 7.9 million (4.2).





## JANUARY–SEPTEMBER 2020



- **Revenue** grew by 38.4% to EUR 73.9 million (53.4). At comparable exchange rates, revenue grew by 39.1% to EUR 74.2 million. Organic revenue growth was 23.7%.
- **Adjusted operating profit** was EUR 15.7 million (9.7), making up 21.2% (18.2) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 62.3% to EUR 15.8 million (21.1% of the revenue).
- **Operating profit** was EUR 13.7 (9.4) million, making up 18.5% (17.6) of the revenue. At comparable exchange rates, the operating profit grew to EUR 13.8 million (18.6 % of the revenue). Acquisition-related costs were EUR 1.9 million.
- **Earnings per share** was EUR 0.52 (0.36).
- **Operating free cash flow** amounted to EUR 18.3 million (8.1).
- **Net debt** amounted to EUR 36.3 million (30.2) and leverage was 1.5 (2.0).
- **Equity ratio** was 42.2% (57.4).

# SYSTEMATIC EXECUTION OF STRATEGY



## Increasing the value of the average purchase

- Upselling in heaters progressing well, wood burning heaters in high demand and premium electric heaters boosting sales of control units
- Sales of complete sauna rooms the ultimate proof of increasing value of average purchase
- EOS premium offering trending well, despite of COVID-19 situation

## Geographical expansion

- Almost Heaven Saunas: new sales channels progressing well. Insufficient capacity limiting campaign activities
- Good flow of new customers in Scandinavia, both residential and professional
- Strengthened sales force in Asia-Pacific

## Productivity improvement

- High volumes demanding increased direct labour of approximately 40 new employees – good onboarding resulting in continuous improvement in all KPIs
- Excellent agility in whole supply chain to accommodate the extremely volatile demand
- Commissioned investments in USA and Romania at par with plan







# COVID-19 AND ITS IMPACT ON HARVIA'S BUSINESS

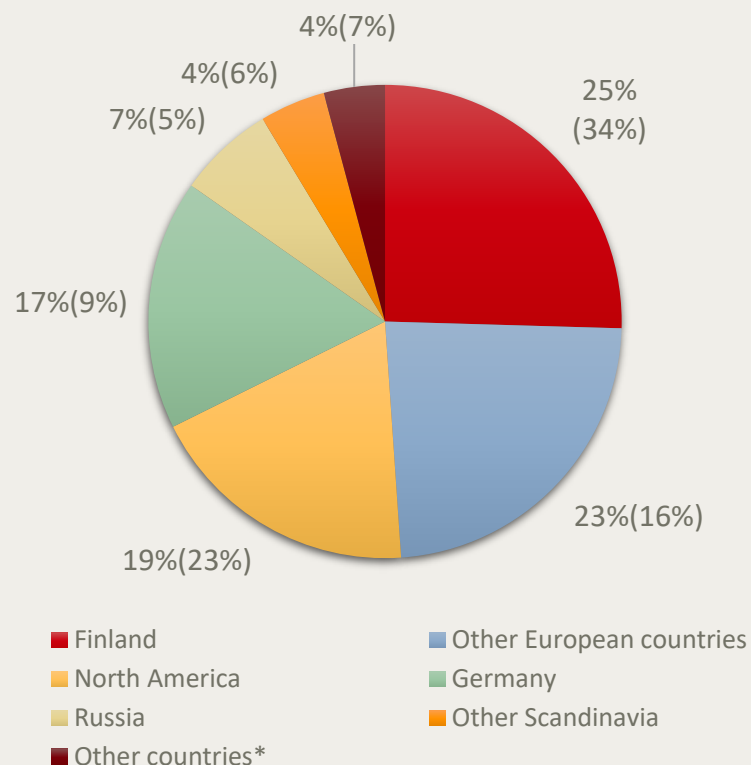


- Due to COVID-19 the sauna and spa market has experienced strong demand. We do not see any reason to change the long-term view on sauna and spa market dynamics. Differences between markets are big and even local.
- Commitment and cooperation of our personnel and partners have been excellent. Harvia has maintained full operative capability during the COVID-19. However, due to the high and volatile demand, we have sometimes been forced to prolong the lead times.
- We have focused on protecting health and safety of our personnel, and measures have been well adopted in all Harvia units. This has not had an impact on productivity in Q3.
- Availability of components has remained on reasonably good level – some temporary delays in availability and transportation. We have been gradually increasing our buffer stocks of critical raw material and componets.

# Q3: GROWTH IN ALL MARKET AREAS AND PRODUCT GROUPS

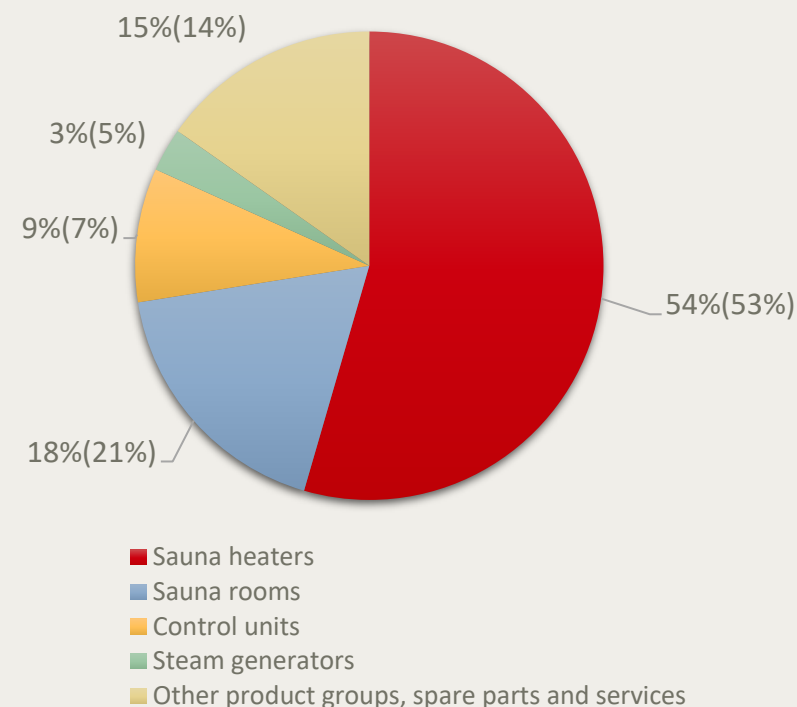


Revenue by market area, %



- Revenue grew by 63.8% to EUR 28.0 million (17.1).
- Strong growth in Germany, North America and Central Europe.
- The acquisition of EOS Group acquisition increased the revenue in Germany and Russia.
- Organic revenue growth was 35.6%.

Revenue by product group, %

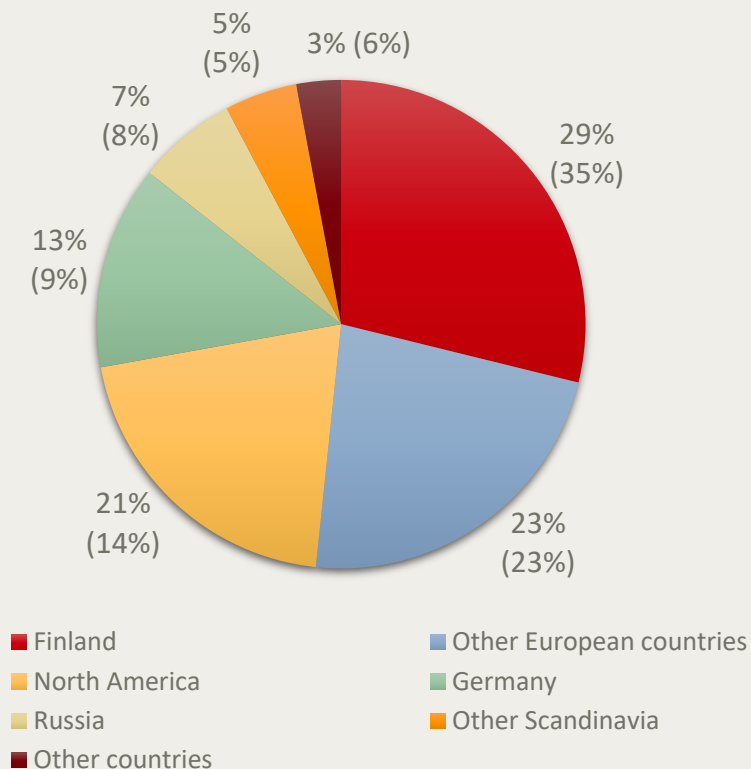


- Strong revenue growth in all product groups.
- Sauna room sales growth continued driven by strong demand in US and Central Europe.
- EOS Group acquisition increased the revenue of heaters and control units.

# JANUARY–SEPTEMBER 2020: STRONG GROWTH CONTINUED

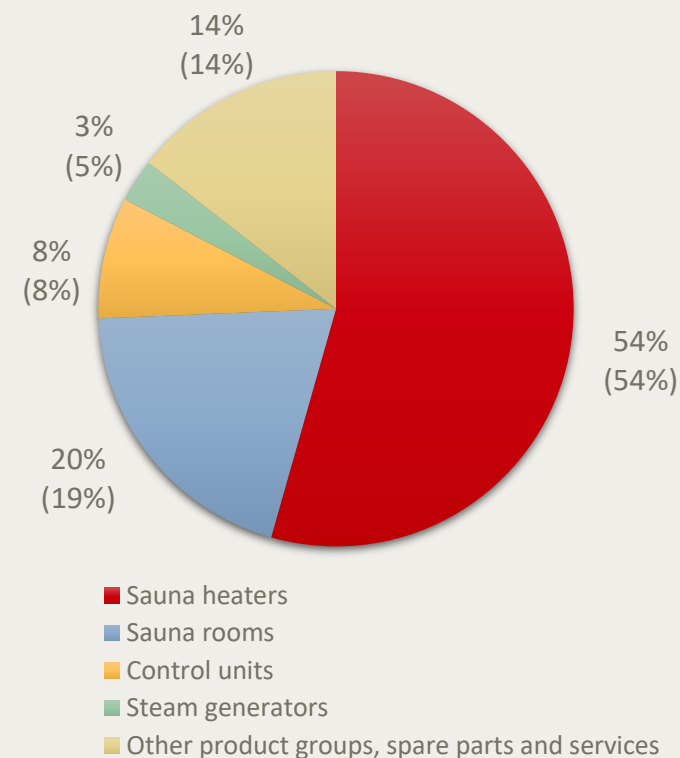


## Revenue by market area, %



- Revenue growth was strong especially in Germany, North America and Central Europe.
- Revenue in Other countries decreased due to the challenges caused by the COVID-19 lockdown in spring.
- Organic revenue growth was 23.7%.

## Revenue by product group, %



- Strong growth in heater sales.
- Steady development of sauna rooms and control unit sales.
- Steam generator sales were behind from previous year due to COVID-19 situation in the Arab countries and Asia in spring.

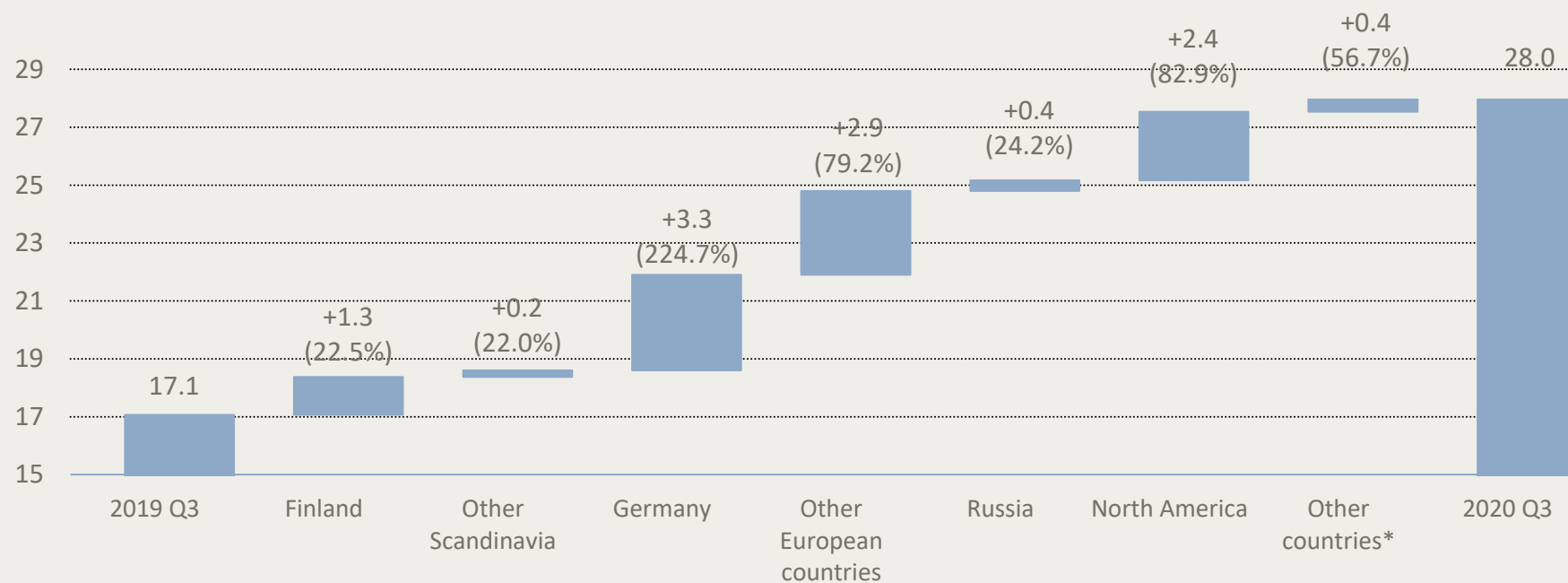


# Q3 2020: REVENUE INCREASED BY 63.8%



## Revenue by market area 7–9/2019 vs 7–9/2020

EUR million



- Strong growth especially in Germany, North America and in Other European countries.
- Germany, Russia and other European countries had both organic growth as well as positive development due to the acquisition of EOS Group.
- At comparable exchange rates, revenue grew by 68.1% to EUR 28.4 million.

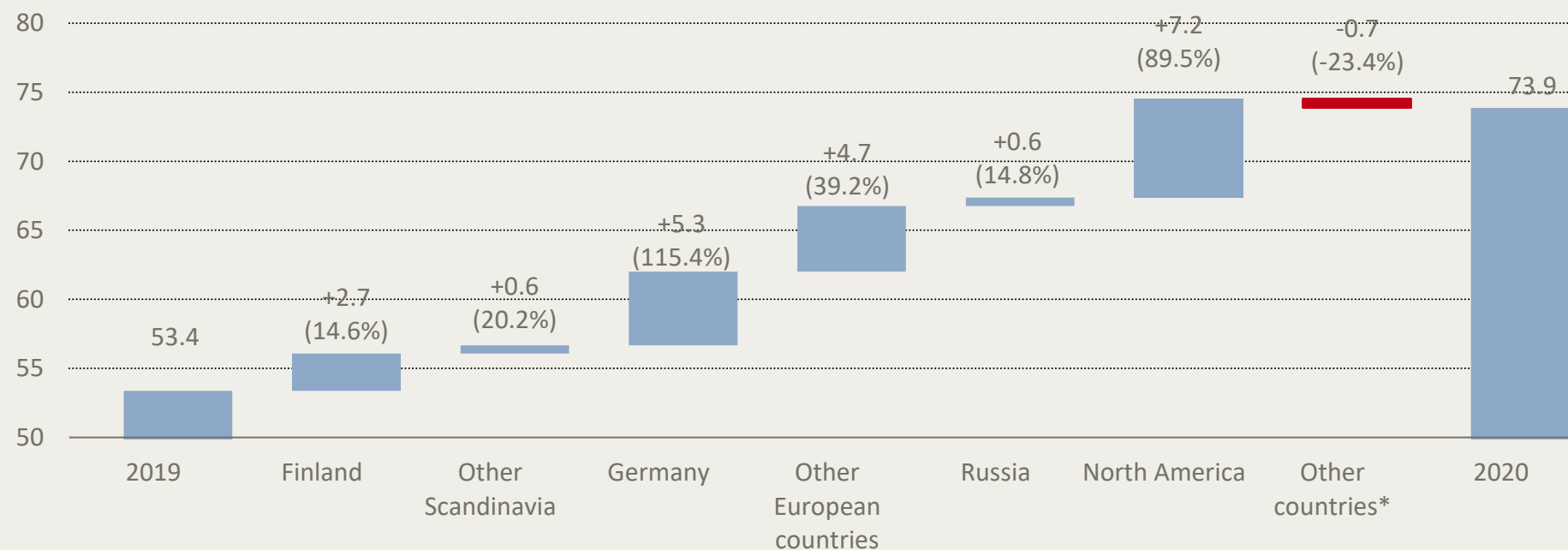
\* The largest of which: Arab countries and Asia.

# JANUARY–SEPTEMBER 2020: REVENUE INCREASED BY 38.4%



## Revenue by market area 1–9/2019 vs 1–9/2020

EUR million



- Sales growth was strong in Germany, North America and Other European countries.
- EOS acquisition increased the revenue in Germany, Russia and other European countries.

- Other countries' sales growth was affected by the COVID-19 situation in the Arab countries and Asia in spring.
- At comparable exchange rates, revenue grew by 39.1% to EUR 74.2 million.

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

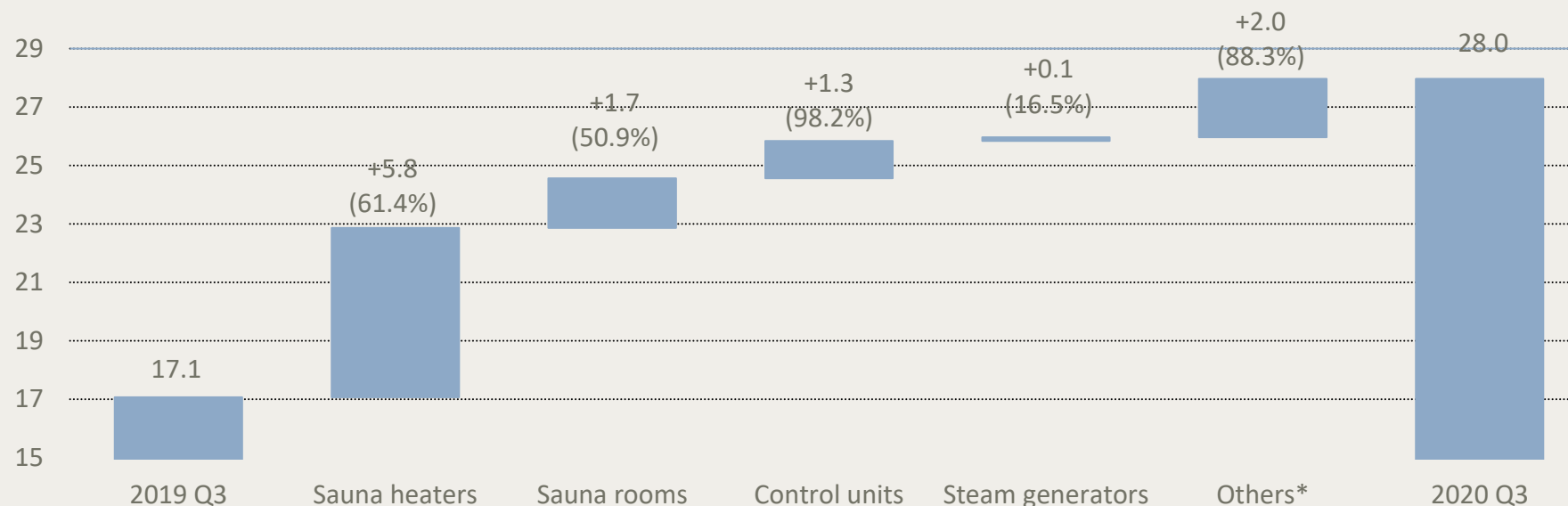


# Q3 2020: GROWTH IN ALL PRODUCT GROUPS



## Revenue by product group 7–9/2019 vs 7–9/2020

EUR million



- Revenue growth was especially strong in the sauna heater product group and in control units.
- Sauna heater sales improved in both electric and wood burning heaters.
- Solid growth of sauna rooms especially due to the positive development of the sauna market in the United States. Demand for sauna rooms was strong also in Central Europe.
- The sales of steam generators and control units grew especially due to the acquisition of EOS Group.
- The revenue from control units developed favorably particularly in Germany and in the Central Europe.

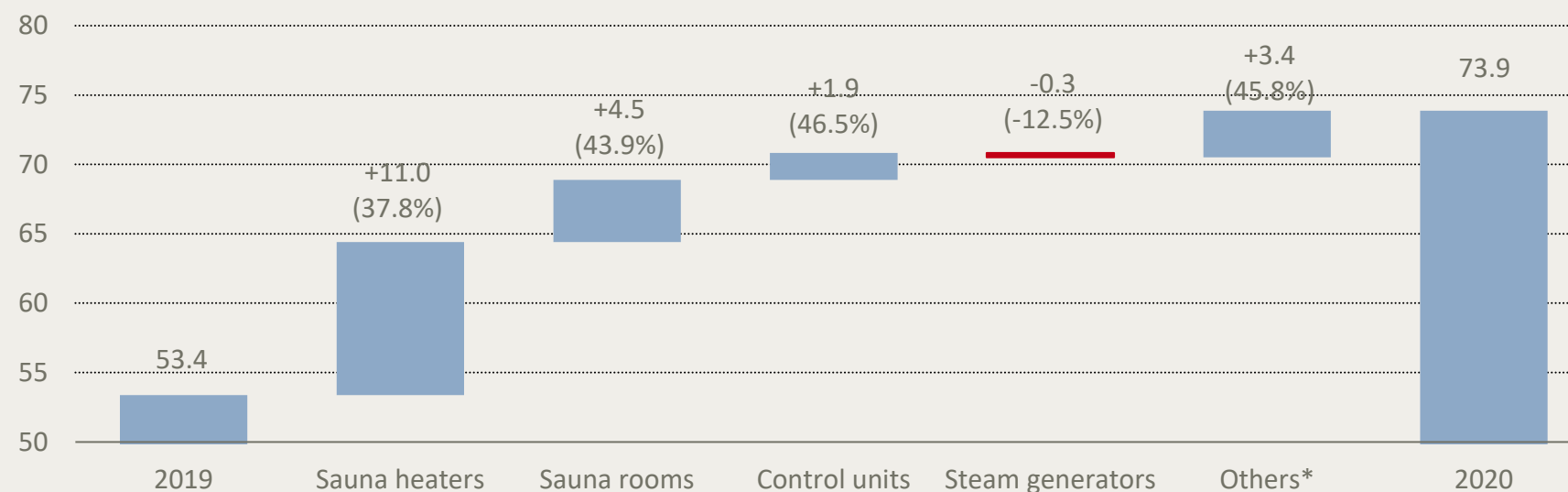
\* Includes among others, spa components, infrared radiators, services and sauna equipment.

# JANUARY–SEPTEMBER 2020: STRONG GROWTH IN SAUNA HEATERS



## Revenue by product group 1–9/2019 vs 1–9/2020

EUR million



- Revenue grew strongly in the sauna heater product group and in control units.
- EOS acquisition increased the sauna heater, control unit and other product group sales.
- The sales of sauna rooms increased – development of sales of sauna rooms was favorable especially in North America and Central Europe.
- Steam generator sales were behind from previous year especially in the Arab countries, Russia and Asia.

\* Includes among others, spa components, infrared radiators, services and sauna equipment.

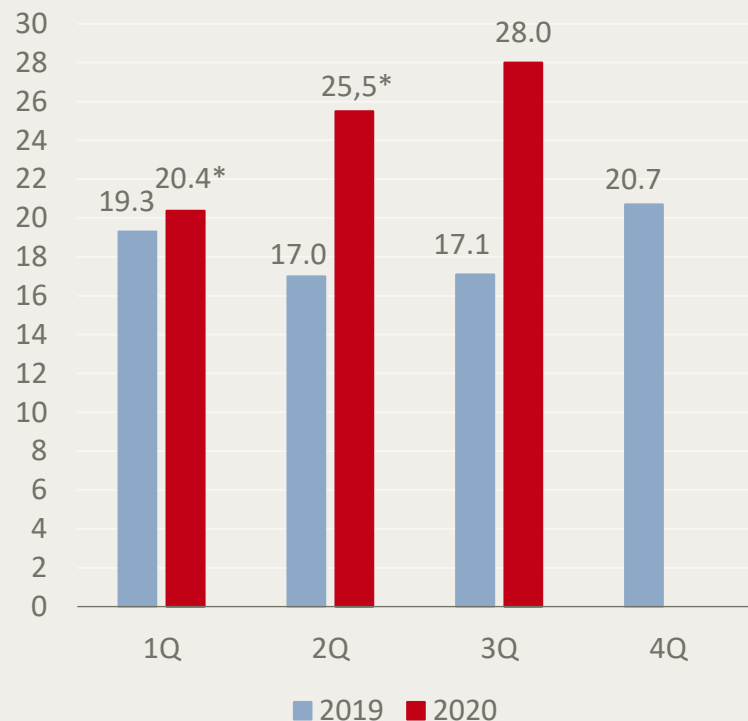


# REVENUE AND ADJUSTED OPERATING PROFIT



## Revenue

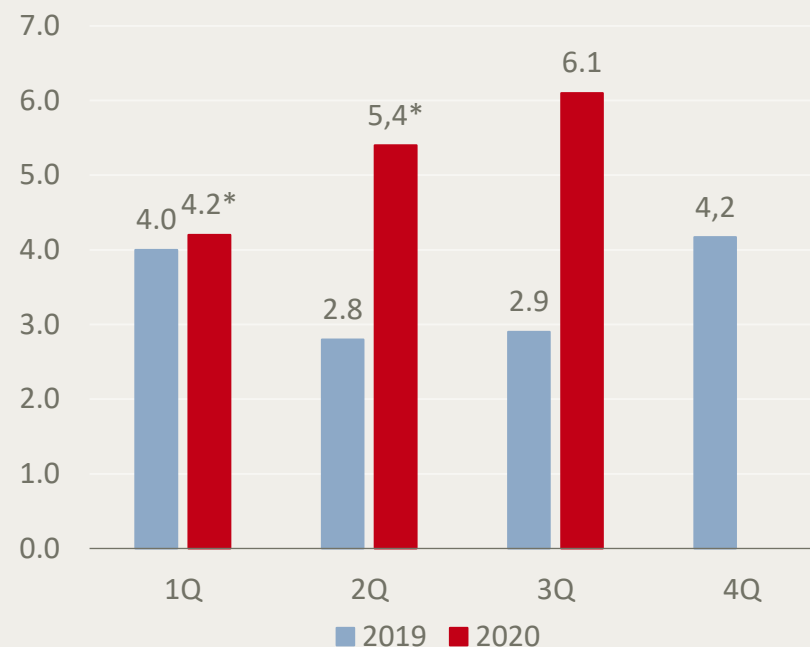
EUR million



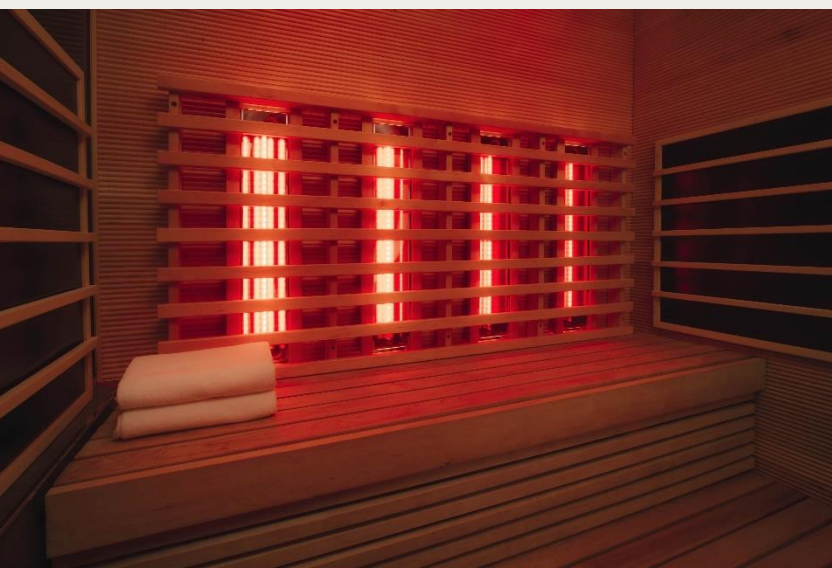
- In Q3 strong growth especially in Germany, North America and in Other European countries.
- At comparable exchange rates, revenue grew by 68.1% and was EUR 28.4 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit developed favorably and grew to EUR 6.1 (2.9), making up 21.8% (17.2) of the revenue in the third quarter.



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

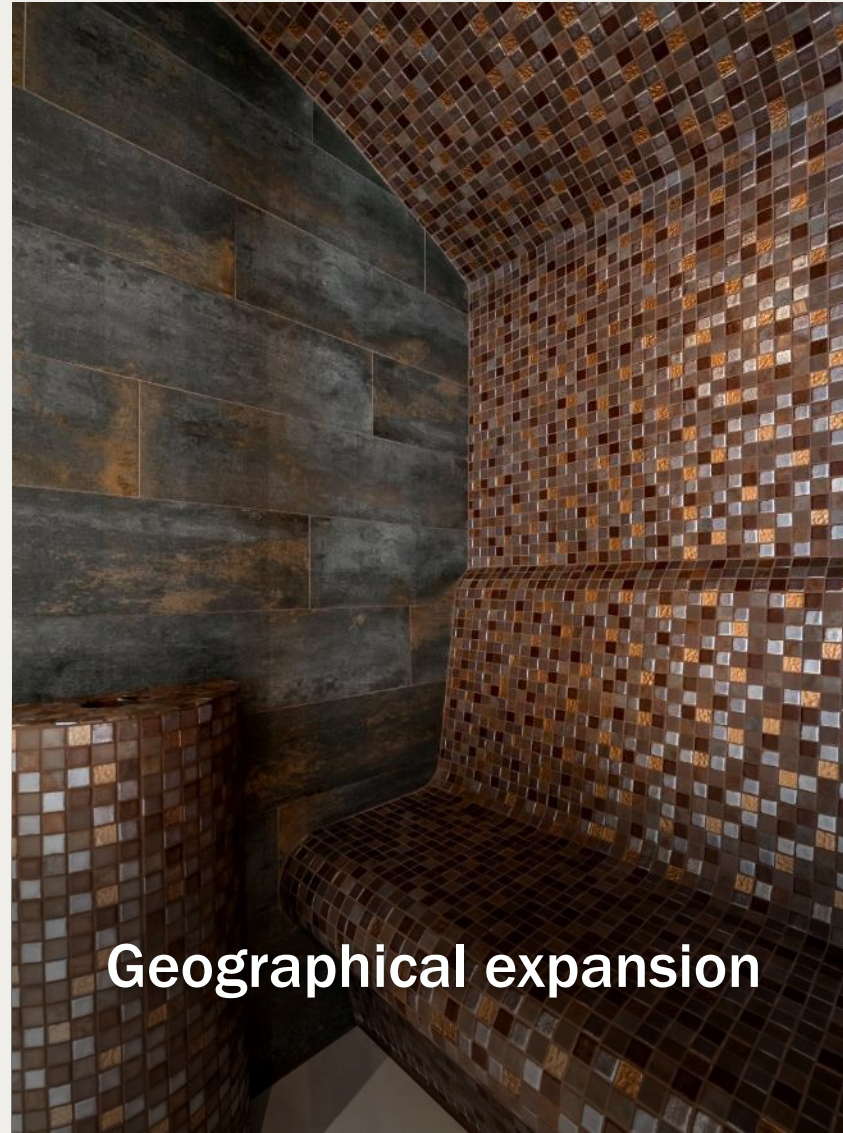




# HARVIA AIMS TO BE THE LEADING PLAYER IN THE SAUNA AND SPA MARKET



Increasing the value of the  
average purchase



Geographical expansion



Productivity improvement



The Harvia logo is a red square with the word "HARVIA" in white, bold, sans-serif capital letters.

Sauna & Spa

# FINANCIALS

## ARI VESTERINEN, CFO



# HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



Million EUR	7-9/2020	7-9/2019	Change, %	1-9/2020	1-9/2019	Change, %	2019
<b>Revenue</b>	28.0	17.1	63.8%	73.9	53.4	38.4%	74.1
<b>Adjusted EBITDA*</b>	7.4	3.7	98.9%	18.8	12.0	56.5%	17.0
<b>% of revenue</b>	26.4%	21.7%		25.5%	22.6%		22.9%
<b>Adjusted operating profit*</b>	6.1	2.9	108.2%	15.7	9.7	61.5%	13.9
<b>% of revenue</b>	21.8%	17.2%		21.2%	18.2%		18.7%
<b>Basic EPS (EUR)</b>	0.22	0.11	90.3	0.52	0.36	44.8%	0.51
<b>Operating free cash flow</b>	7.9	4.2	88.4%	18.3	8.1	125.4%	15.2
<b>Investments in tangible and intangible assets</b>	-1.0	-0.4	183.6%	-1.7	-1.4	21.3%	-1.8
<b>Net debt</b>	36.3	30.2	20.3%	36.3	30.2	20.3%	28.3
<b>Leverage</b>	1.5	2.0		1.5	2.0		1.7
<b>Net working capital</b>	19.7	19.6	0.8%	19.7	19.6	0.8%	16.8
<b>Adjusted return on capital employed (ROCE)</b>	54.9%	32.5%		54.9%	32.5%		38.2%
<b>Equity ratio</b>	42.2%	57.4%		42.2%	57.4%		56.6%
<b>Number of employees at end of period</b>	587**	389	50.9%	587**	389	50.9%	395

\* Adjusted by items affecting comparability.

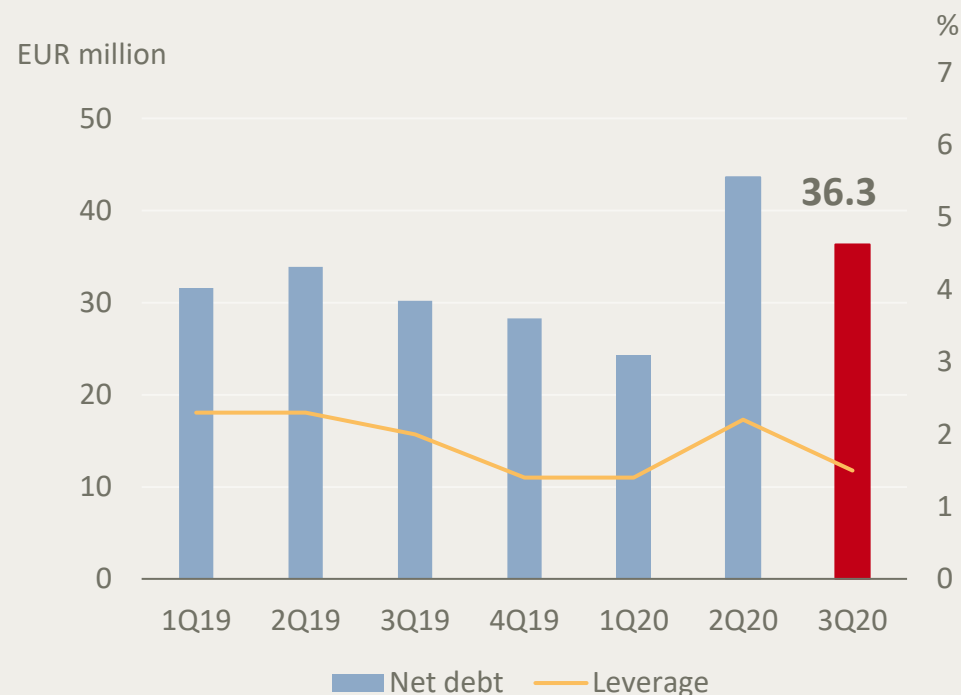
\*\* Includes the personnel of EOS Group, totaling 158 employees on September 30, 2020.



# NET FINANCE COSTS INCREASED DUE TO EOS ACQUISITION

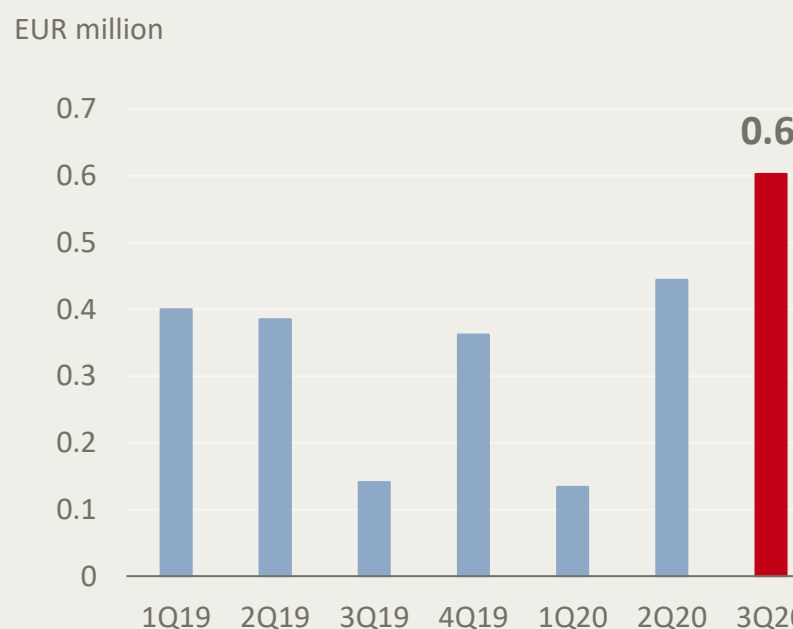


## Net debt (EUR million) and leverage (%)



- At the end of September 2020, the company's net debt amounted to EUR 36.3 million (30.2). Long-term liabilities were EUR 58.8 million (38.5). Cash and cash equivalents were EUR 22.9 million (9.2).
- Leverage was 1.5 (2.0).

## Net finance costs, EUR million

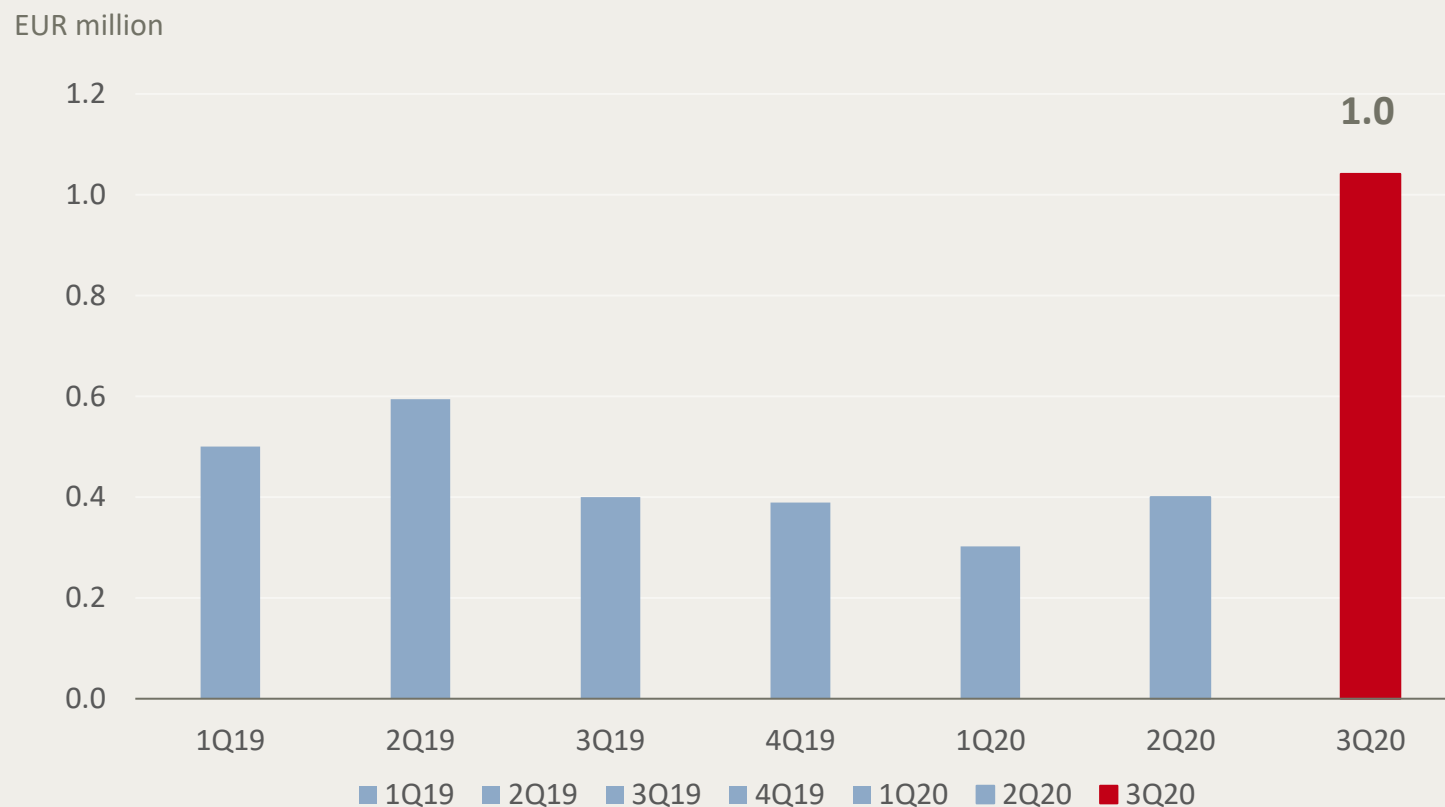


- The net finance costs were higher due to the EUR 20 million additional loan relating to EOS acquisition.

# INVESTMENTS

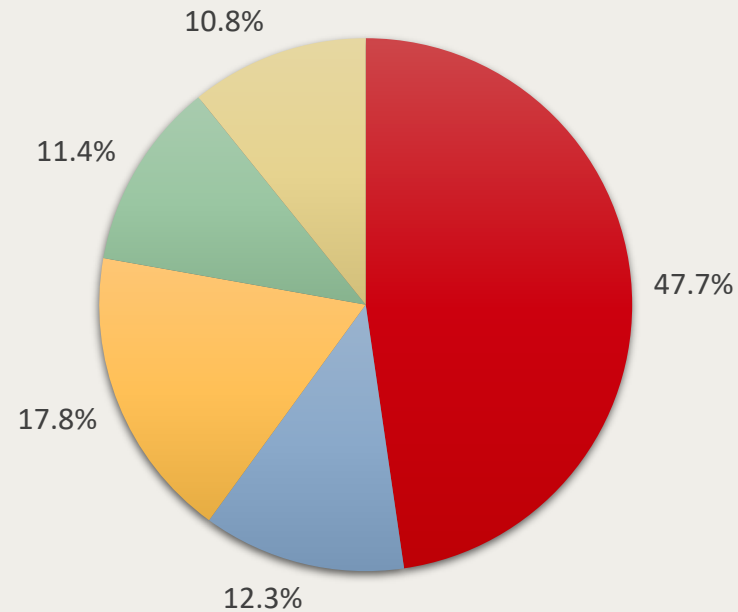


## Investments in tangible and intangible assets, EUR million



- Due to the increased demand, Harvia has invested in production machinery in Romania, US and Finland during Q3 2020.
- Investment into Harvia US factory building is ongoing and expected to be in full use by the end of the year 2020.

# THE DISTRIBUTION OF HARVIA'S SHAREHOLDERS BY SEGMENT (30 SEPTEMBER 2020)



- Nominee registered and outside Finland
- Onvest Oy
- Households
- Banks and insurance companies
- Private corporations

- At the end of December 2019, the number of shareholders totaled 5,249 and after the IPO, approximately 2,000.
- At the end of September 2020, the number of shareholders totaled 9,212 (including nominee registers).
- The shareholding of Board of Directors, management and personnel was 6.4%.



# 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

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The Annual General Meeting decided on a dividend of EUR 0.19 per share. 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 decided on the payment of the extra dividend of EUR 0.19 per share at its meeting on 16 October 2020. The dividend was paid on 27 October 2020.

# Q&A

**HARVIA**

Sauna & Spa



# THANK YOU

**HARVIA**

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RELAXING MOMENTS  
& NATURAL WELLBEING