



## HARVIA PLC FINANCIAL STATEMENTS BULLETIN

JANUARY-DECEMBER 2020

Tapio Pajuharju, CEO

**Ari Vesterinen, CFO** 

**11 FEBRUARY 2021** 



## **HIGHLIGHTS**



# Significant revenue and profitability growth continued, driven by exceptionally positive demand

- Revenue and profitability increased significantly
- Revenue growth in almost all product groups and market areas
- COVID-19 has temporarily boosted the demand of sauna and spa products

## **Investments into increasing production capacity**

- Due to growing demand, Harvia has invested into production machinery in Romania, China and Finland.
- Investments were also made into increasing production capacity of Almost Heaven Saunas factory in the US. The deployment is expected to be completed in Q1 2021.
- As market demand continues strong, Harvia is investigating opportunities for additional investments, especially into the AHS factory in the US and the Muurame factory in Finland.

## Integration of EOS Group progressing according to plan

- 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 according to plan and on schedule, although majority of the post-acquisition integration process has been carried out completely virtually due to travel restrictions.

HARVIA



## **Q4: STRONG REVENUE GROWTH**



- **Revenue** grew by 70.0% to EUR 35.2 million (20.7). At comparable exchange rates, revenue grew by 76.7% to EUR 36.6 million. Organic revenue growth was 39.1%.
- Adjusted operating profit was EUR 8.8 million (4.2), making up 24.9% (20.1) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 9.0 million (24.6% of the revenue).
- Operating profit was EUR 8.7 (3.9) million, making up 24.7% (18.9) of the revenue. Acquisition-related costs were EUR 0.1 million.
- Earnings per share was EUR 0.31 (0.16).
- Operating free cash flow amounted to EUR 10.3 million (7.0).



## **JANUARY-DECEMBER 2020**



- **Revenue** grew by 47.3% to EUR 109.1 million (74.1). At comparable exchange rates, revenue grew by 49.9% to EUR 111.1 million. Organic revenue growth was 28.0%.
- Adjusted operating profit was EUR 24.4 million (13.9), making up 22.4% (18.7) of the revenue. At comparable exchange rates, the adjusted operating profit grew by 78.5% to EUR 24.8 million (22.3% of the revenue).
- Operating profit was EUR 22.4 (13.3) million, making up 20.5% (18.0) of the revenue. Acquisition-related costs amounted to EUR 2.1 million.
- Earnings per share was EUR 0.83 (0.51).
- Operating free cash flow amounted to EUR 28.7 million (15.2).
- Net debt amounted to EUR 31.9 million (28.3) and leverage was 1.1 (1.7).
- Equity ratio was 42.0% (56.6).

## SYSTEMATIC EXECUTION OF STRATEGY



## Increasing the value of the average purchase

- Upselling in heaters, control units and componentry performing well.
- Strong sales of complete sauna rooms is good proof of increasing value of average purchase.
- Solid performance in EOS premium residential and professional offering.

# Geographical expansion

- North America Almost Heaven Saunas:
   Own direct and online sales performance solid capacity limitations impacting availability and lead times.
- Solid sales coverage in Central Europe and excellent performance in DACH market with all brands.
- Continuous improvement in Scandinavia.
- COVID-19 pandemic affecting performance in Asia, Arab countries and Russia.

# **Productivity** improvement

- Excellent agility in ramping up capacity throughout the supply chain.
- Incremental manpower and improved productivity KPIs.
- New machinery installed in Romania.
   USA expansion completed but some machinery arriving later than planned.
- Further expansion and productivity improvement CAPEX underway.









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

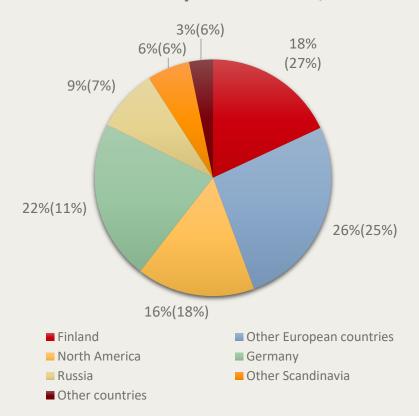


- Due to COVID-19, the sauna and spa market has experienced exceptionally strong demand. Nevertheless, the long-term view remains unchanged. It is estimated that some of the demand is so-called advance demand.
- The total impact of the pandemic on the sauna and spa markets in 2020 were positive, although the challenges brought on by the pandemic to Harvia's business are still evident in Southern Europe, Russia, the Arab countries and Asia. All in all, the sauna and spa industry has not been particularly sensitive to the corona pandemic.
- Harvia has maintained full operative capability during the COVID-19. The strong
  order backlog led to extended delivery times in the fourth quarter, but due to the
  smooth cooperation of our personnel and partners, customer satisfaction remained
  at good level.
- We have focused and succeeded in protecting the health and safety of our personnel, and measures have been well adopted in all Harvia units.

## **Q4: STRONG REVENUE GROWTH CONTINUED**

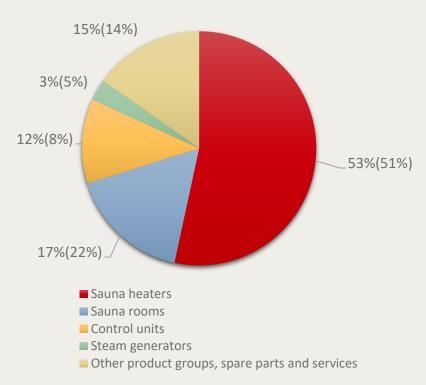


## Revenue by market area, %



- Revenue grew by 70.0% to EUR 35.2 million (20.7).
- Strong growth in all of Harvia's key markets, especially in Germany. Also Russia, Nordic countries and other European countries performed well.
- The acquisition of EOS Group acquisition increased the revenue in Germany, other European countries and Russia.
- Organic revenue growth was 39.1%.

## Revenue by product group, %

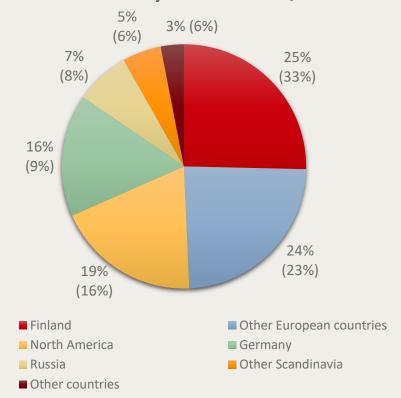


- Revenue growth in all product groups.
- Sauna room sales growth continued driven by strong demand in the US and Central Europe.
- EOS Group acquisition increased the revenue of sauna heaters, control units and steam generators.

## JAN-DEC 2020: A YEAR OF GROWTH IN EXCEPTIONAL CONDITIONS

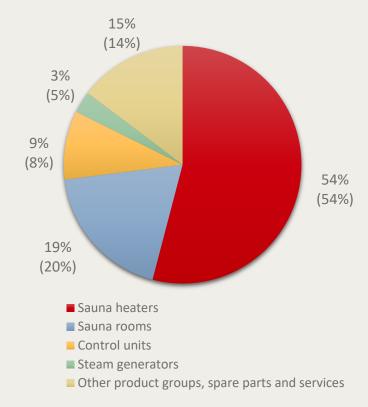


## Revenue by market area, %



- Revenue growth was strong especially in Germany, North America and other European countries.
- Revenue in Other countries decreased due to the negative impact of the COVID-19 pandemic.
- Organic revenue growth was 28.0%.

## Revenue by product group, %

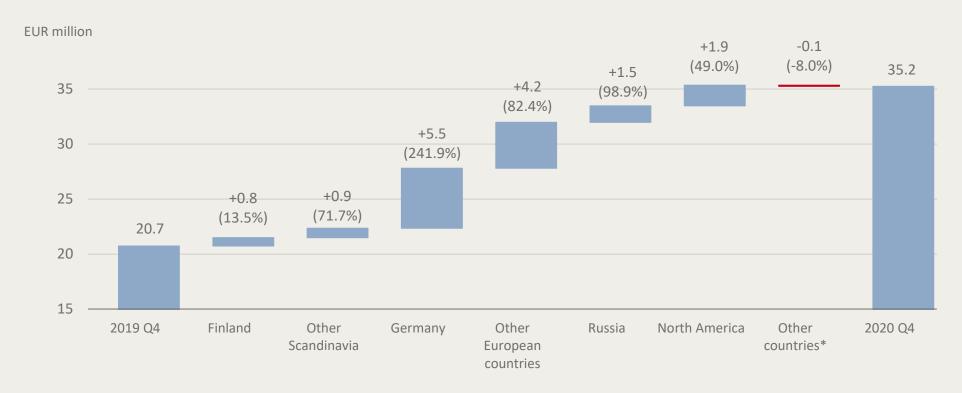


- Strong growth in sauna heater sales.
- Positive development in sales of sauna rooms especially in the US and Central Europe.
- Steam generator sales below previous year due to COVID-19 situation in the Arab countries and Asia in spring.

## **Q4 2020: REVENUE INCREASED BY 70.0%**



## Revenue by market area 10–12/2019 vs 10–12/2020



- Strong growth especially in Germany, as well as in Russia, the Nordic countries and the other European countries.
- Germany, Russia and other European countries had both organic growth as well as positive development due to the aqcuisition of EOS Group.
- At comparable exchange rates, revenue grew by 76.7% to EUR 36.6 million.
- Arab countries and Asia below previous year due to COVID-19 situation

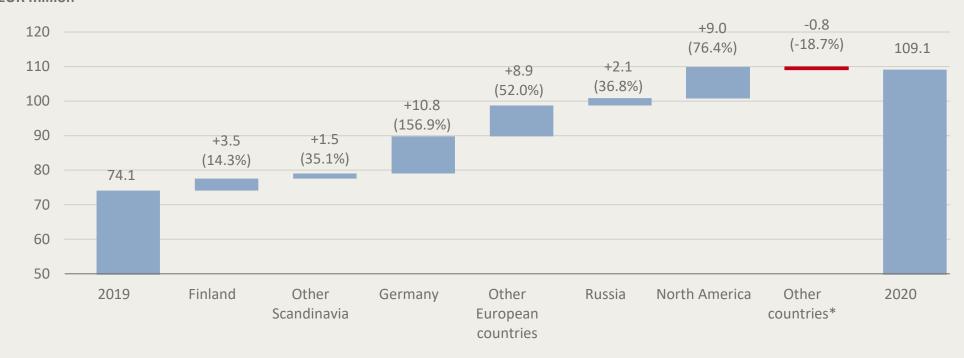
\* The largest of which: Arab countries and Asia. Copyright © 2021 Harvia Plc

## JANUARY-DECEMBER 2020: REVENUE INCREASED BY 47.3%



## Revenue by market area 1-12/2019 vs 1-12/2020

#### **EUR** million



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

- Sales development in Other countries market area was negatively affected by the COVID-19 situation.
- At comparable exchange rates, revenue grew by 49.9% to EUR 111.1 million.

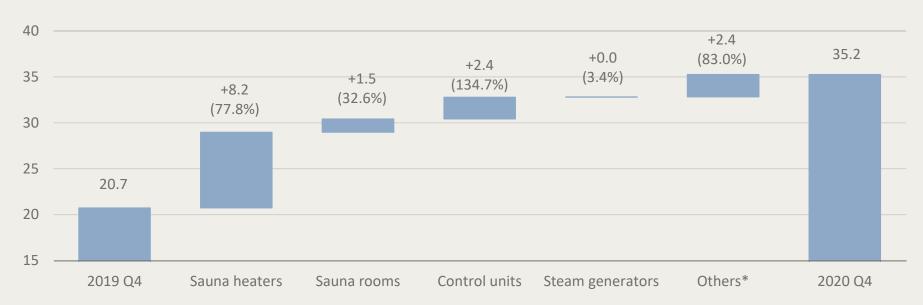
\* The largest of which: Arab countries and Asia. Copyright © 2021 Harvia Plc

## Q4 2020: GROWTH IN ALL PRODUCT GROUPS



## Revenue by product group 10–12/2019 vs 10–12/2020

#### **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, especially in Germany and other European countries.
- Solid growth of sauna rooms especially in North America and Central Europe.

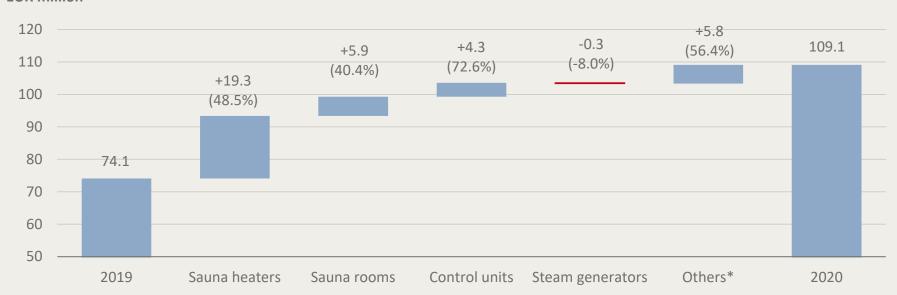
- The acquisition of EOS Group boosted the sales of electric heaters, steam generators and control units in particular.
- Revenue from control units developed favorably particularly in Germany and Central Europe.

## JANUARY-DECEMBER 2020: STRONG GROWTH IN SAUNA HEATERS



## Revenue by product group 1–12/2019 vs 1–12/2020

#### **EUR** million



- Revenue grew strongly in the sauna heater product group.
- EOS acquisition increased the sales of sauna heaters, control units and Others product group.
- Revenue from sauna rooms increased, driven by positive development of sauna room sales especially in North America and Central Europe.
- Steam generator sales were affected by the COVID-19 situation in the Arab countries and Asia.

## **REVENUE AND ADJUSTED OPERATING PROFIT**



#### Revenue



- In Q4 strong growth especially in Germany, Russia, the Nordic countries and other European countries.
- At comparable exchange rates, revenue grew by 76.7% and was EUR 36.6 million.
- Pro forma with EOS: EUR 25.2 million in Q1 2020, EUR 26.9 million in Q2 2020

## Adjusted operating profit

#### **EUR** million



- Adjusted operating profit grew to EUR 8.8 million (4.2), making up 24.9% (20.1) of the revenue in the fourth quarter.
- Pro forma with EOS: EUR 5.2 million in Q1 2020 and EUR 5.1 million in Q2 2020









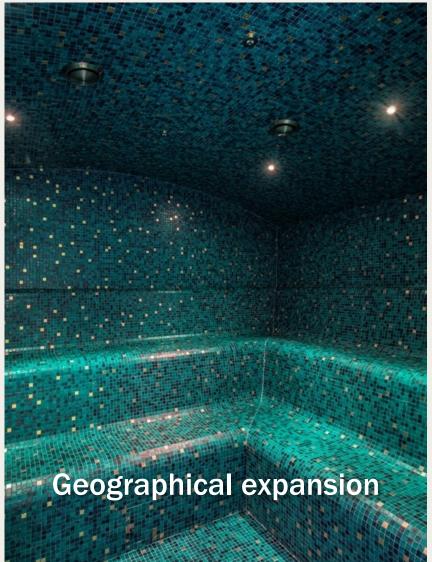
Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.



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











## HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



Million EUR	10-12/2020	10-12/2019	Change, %	2020	2019	Change, %
Revenue	35.2	20.7	70.0%	109.1	74.1	47.3%
Adjusted EBITDA*	9.9	5.0	100.7%	28.8	17.0	69.4%
% of revenue	28.2%	23.9%		26.4%	22.9%	
Adjusted operating profit*	8.8	4.2	110.3%	24.4	13.9	76.2%
% of revenue	24.9%	20.1%		22.4%	18.7%	
Basic EPS (EUR)	0.31	0.16	98.4%	0.83	0.51	61.3%
Operating free cash flow	10.3	7.0	47.2%	28.7	15.2	89.1%
Investments in tangible and intangible assets	-0.8	-0.4	117.8%	-2.6	-1.8	42.1%
Net debt	31.9	28.3	12.7%	31.9	28.3	12.7%
Leverage	1.1	1.7		1.1	1.7	
Net working capital	18.1	16.8	7.7%	18.1	16.8	7.7%
Adjusted return on capital employed (ROCE)	73.3%	38.2%		73.3%	38.2%	
Equity ratio	42.0%	56.6%		42.0%	56.6%	
Number of employees at end of period	617**	395	56.2%	617**	395	56.2%

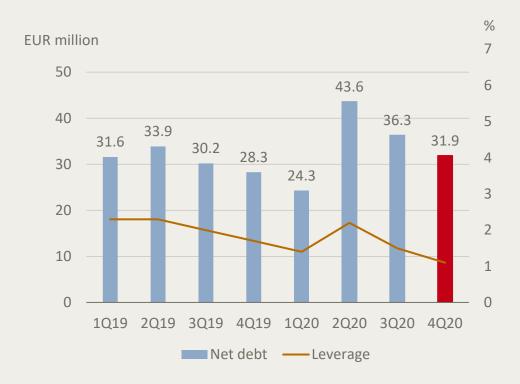
<sup>\*</sup> Adjusted by items affecting comparability.

<sup>\*\*</sup> Includes the personnel of EOS Group, totaling 160 employees on December 31, 2020.

## NET FINANCE COSTS INCREASED DUE TO EOS ACQUISITION

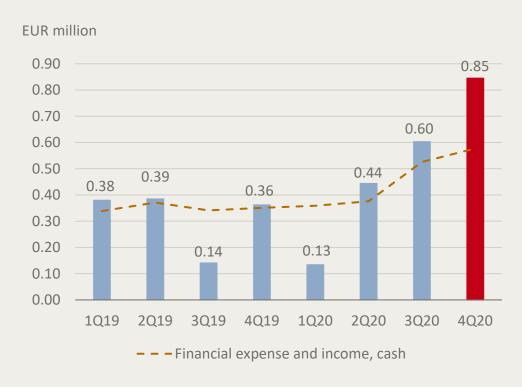


## Net debt (EUR million) and leverage (%)



- At the end of December 2020, the company's net debt amounted to EUR 31.9 million (28.3). Long-term liabilities were EUR 58.8 million (38.7). Cash and cash equivalents were EUR 27.3 million (10.9).
- Leverage was 1.1 (1.7).

### Net finance costs, EUR million

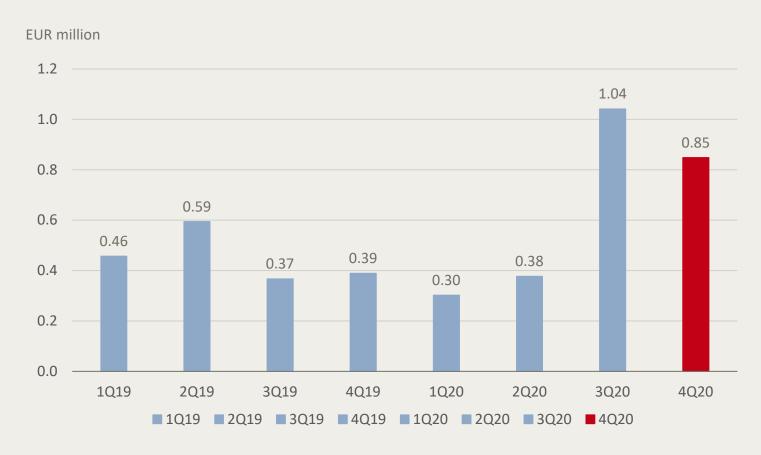


The net finance costs were higher due to the EUR 20 million additional loan relating to EOS acquisition. Other changes are related to fair valuation of financial instruments or calculatory costs, related to IFRS accounting

## **INVESTMENTS**



## Investments in tangible and intangible assets, EUR million



• Due to increased demand, Harvia has invested in production machinery in US, Romania, China and Finland.

# FURTHER INVESTMENTS INTO GROWTH: ACQUISITION OF NEW PRODUCTION FACILITY IN WEST VIRGINIA, USA IN 2021

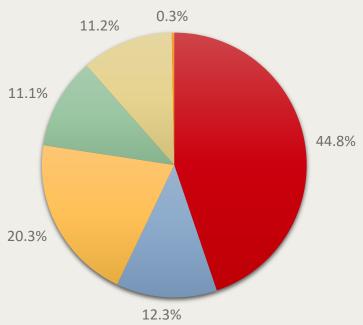




## HARVIA'S SHAREHOLDERS (31 DECEMBER 2020)







- Nominee registered and outside Finland
- Onvest Oy
- Households
- Banks and insurance companies
- Private corporations
- Harvia Oyj's own shares

#### **Number of Shareholders**



- At the end of December 2020, the number of shareholders totaled 13,551 (including nominee registers).
- Harvia completed the repurchase of own shares on December 14, 2020, after which Harvia holds 50,000 own shares, corresponding to 0.27% of total number of shares.
- The shareholding of Board of Directors, management and personnel was 6.1%.

## HARVIA'S LONG-TERM FINANCIAL TARGETS



**GROWTH** 

>5%

Average annual revenue growth

**PROFITABILITY** 

>20%

Adjusted operating profit margin<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 group net income in total

<sup>1)</sup> Adjusted operating profit is operating profit before items affecting comparability.

<sup>2)</sup> Excluding the future impacts of changes in IFRS reporting standards.

## **DIVIDEND PROPOSAL**

Harvia's Board of Directors proposes to the Annual General Meeting that after the Annual General Meeting in April 2021, the company distributes a dividend of EUR 0.20 per share for the financial period ended December 31, 2020 and an additional dividend of EUR 0.12 per share to celebrate Harvia's 70-year anniversary.

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 October 2021.

Based on the Board of Directors' proposal, the dividend distributed by Harvia Plc for the financial period 2020 would amount to a maximum of EUR 0.51 per share, i.e. a maximum of EUR 9,570,600 in total.

The proposed dividend is 60.0% of the Group's profit for the financial period 2020.

