

# CEO's review

*Tapio Pajuharju, CEO*





## **MISSION**

Healing with Heat.

Our passion is to share the relaxing healing effects of sauna with the world.

## **VISION**

We aim to be the global leader in the sauna & spa industry with complete offerings for professionals and consumers.

We are known for our profound insight into the sauna experience across all sauna types and cultures. Our passion is to be the innovation and sustainability leader of our industry, and an active participant in industry consolidation.



# HEALING WITH HEAT

**HARVIA**

Sauna & Spa

## THE EFFECTS OF SAUNA CAN BE SEEN IN THE BODY: <sup>1</sup>

- lowers blood pressure
- maintains flexibility of blood vessels
- impacts functioning of the arteries
- reduces blood fats
- reduces inflammation



**“Taking a sauna regularly is associated with a lower risk of heart disease, sudden heart-related death, hypertension and memory loss diseases.”**

JARI LAUKKANEN AND TANJANIINA LAUKKANEN:  
SAUNA, KEHO JA MIELI (DOCENDO 2020)



**TAKING A SAUNA INCREASES THE HEART RATE AND IS COMPARABLE TO EXERCISE. <sup>1</sup>**

## TAKING A SAUNA 4 TO 7 TIMES A WEEK REDUCES: <sup>1</sup>



risk of heart-related death by **50%**  
risk of dementia by **64%**  
risk of Alzheimer's disease by **65%**  
risk of high blood pressure by **47%**  
risk of pulmonary diseases by **41%**  
risk of stroke by **62%**



In addition to medicine, treatments and physical activity, should doctors prescribe sauna to prevent and treat illnesses?

PROFESSOR HANS HÄGGLUND

**APPROXIMATELY 500 PUBLISHED STUDIES ON THE HEALTH IMPACTS OF SAUNA <sup>1</sup>**



## SAUNA SUPPORTS BRAIN HEALTH: <sup>2</sup>

- warming up of the body
- blood circulation
- reduced inflammation
- endorphins
- improved sleep
- social interaction

KNEKT, JÄRVINEN, RISSANEN, HELIÖVAARA, AROMAA 2020

**83% OF STUDY PARTICIPANTS SLEPT BETTER AFTER A SAUNA**

HUSSAIN, GREAVES & COHEN 2019

**Sauna and heat release endorphins, oxytocin and serotonin, which improves mood and increases sense of well-being. <sup>1</sup>**

**TAKING A SAUNA REDUCES ANXIETY AND IMPROVES CONCENTRATION**

KUUSINEN & HEINONEN 1972

<sup>1</sup> Professor Hans Hägglund, Uppsala University. Lecture on December 16, 2020.  
Based on publications of several researchers (Laukkanen, Zaccardi and Knutsen).

<sup>2</sup> Cognitive neuroscientist Katri Saarikivi, Helsinki University. Lecture on December 16, 2020.

# Harvia's four sustainability areas



## CODE OF CONDUCT

- Ethical and responsible operations
- Anti-corruption
- Good and transparent governance
- Information security and data protection

## PERSONNEL

- Well-being and job satisfaction
- Attracting and retaining talent
- Respecting the human rights of personnel
- Occupational health and safety

## ENVIRONMENTAL IMPACTS OF PRODUCTION

- Environmental program
- Efficient use of resources and materials in production
- Energy consumption and energy sources
- CO2 emissions
- Production quality and efficiency

## PRODUCTS

### Purchases

- Origin of raw materials and certifications
- Ethical and responsible purchases, quality and security of supply

### Customers

- Customer satisfaction
- Instructions on the correct use of products
- Safety

### Products

- Durable and recyclable products
- Choice of raw materials
- Product safety
- Health impacts of products



# Sustainability is a part of everyday life at Harvia



Harvia is a pioneer in cleaner burning. The Harvia GreenFlame fire chamber enables the wood to burn more efficiently, producing less fine particulate emissions.



The Muurame factory only uses emission-free electricity produced by 100% renewable energy forms.



Harvia's sustainable products are designed to be safe, durable and repairable.



Harvia uses certified wood in its saunas.



Special attention is paid to health and safety due to the COVID-19 pandemic.







# Harvia Group Management Team



TAPIO PAJUHARJU  
CEO

At Harvia since 2016



ARI VESTERINEN  
Chief Financial Officer

At Harvia since 2014



DAVID AHONEN  
Export Director

At Harvia since 1996



ANSSI PELKONEN  
Sales Director, Finland

At Harvia since 2000



MIKA SUOJA  
Vice President,  
Operations & Sourcing

At Harvia since 2016



MARKUS WÖRMANSEDER  
Sales Director,  
Central Europe

At Harvia since 2016



TOMAS HJÄLMEBY  
Sales Director,  
Scandinavia

At Harvia since 2018



TIMO HARVIA  
Director, Research &  
Development and Quality

At Harvia since 2004



PÄIVI JUOLAHTI  
Vice President, Marketing

At Harvia since 2020



RAINER KUNZ  
Managing Director of EOS  
Group

At Harvia since 2020

A woman in a striped swimsuit is captured mid-jump from a wooden deck into a calm lake. Her arms are outstretched, and her hair is flying. The deck has a metal railing and a set of stairs leading down to the water. To the right, a wooden building with a large glass door is visible. The background shows a vast lake under a clear sky with distant hills.

# Highlights of 2020



# Harvia celebrated a work-filled 70-year anniversary





# HIGHLIGHTS OF 2020

**HARVIA**

Sauna & Spa

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

- Revenue and profitability increased significantly despite the COVID-19 pandemic.
- 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 Almost Heaven Saunas 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 most of the post-acquisition integration process has been carried out completely virtually due to travel restrictions.



# Significant revenue and profitability growth continued in 2020, driven by exceptionally positive demand

**HARVIA**

Sauna & Spa

REVENUE

**109.1**

(74.1)

EUR million

REVENUE GROWTH

**47.3%**

(19.6)

ADJUSTED  
OPERATING PROFIT

**24.4**

(13.9)

EUR million (+76.2%)

EARNINGS  
PER SHARE

**0.83**

(0.51)

EUR

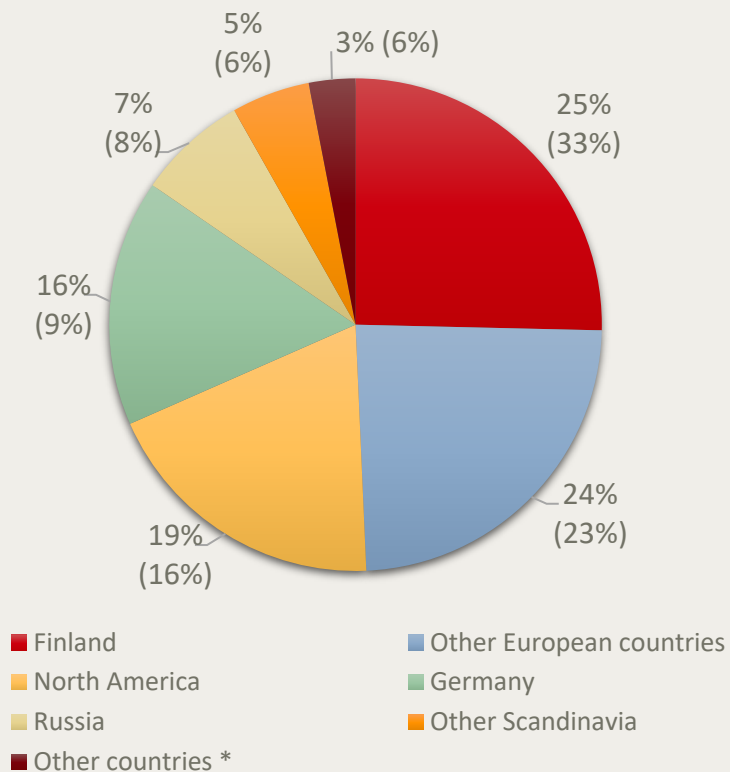
**HARVIA**



# Growth in exceptional conditions

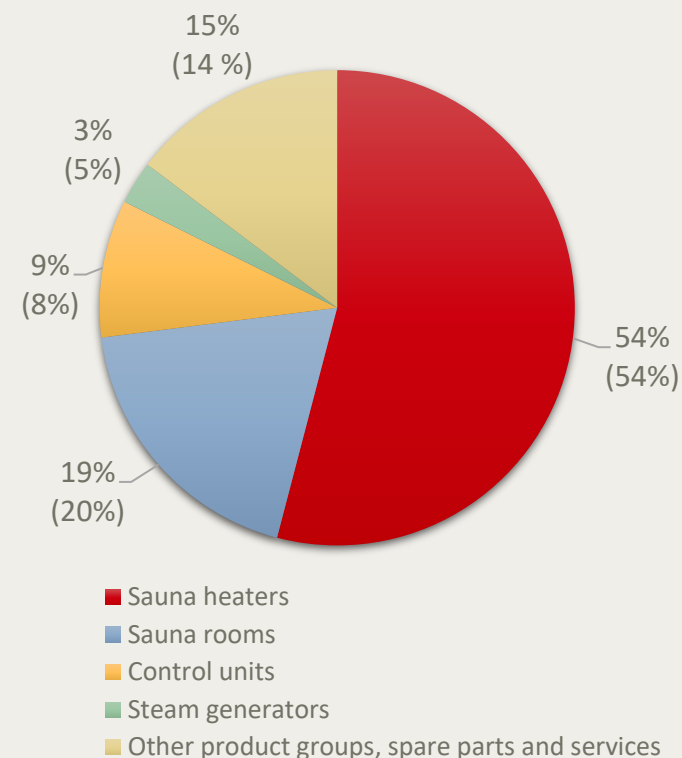


## Revenue by market area, %



- 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.
- Decreased revenue in the Arab countries and Asia in spring due to COVID-19 situation.

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

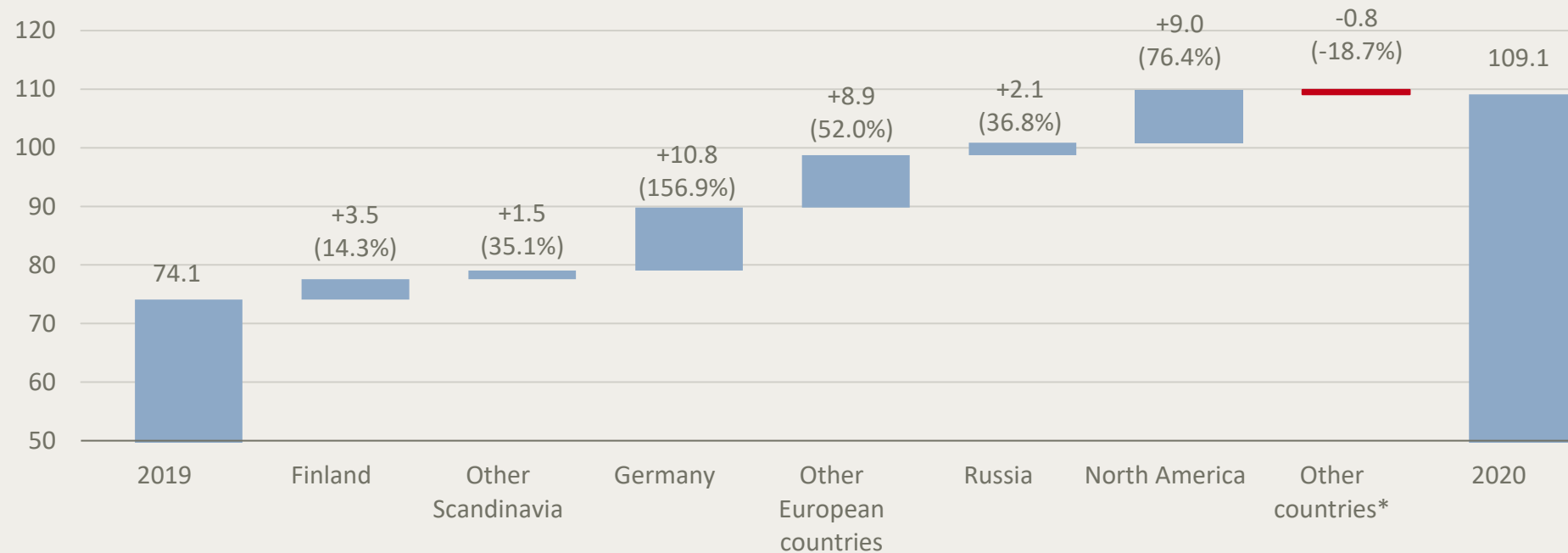


# 2020: Revenue increased by 47.3%



## 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.

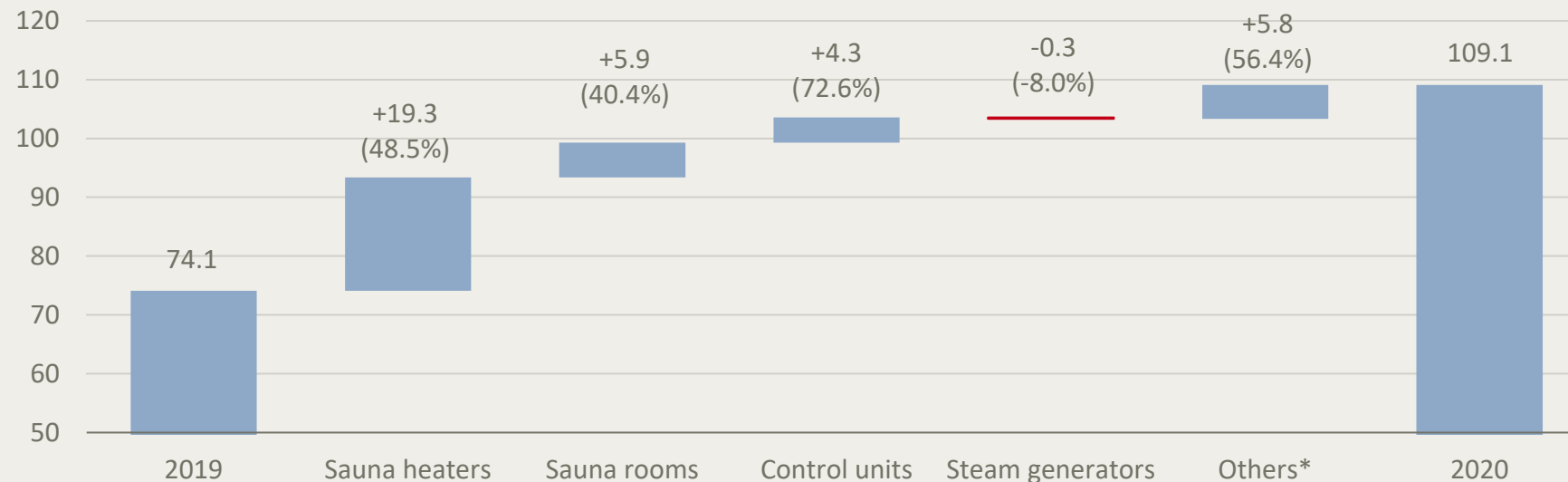


# 2020: Strong growth in almost all product groups



## 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.

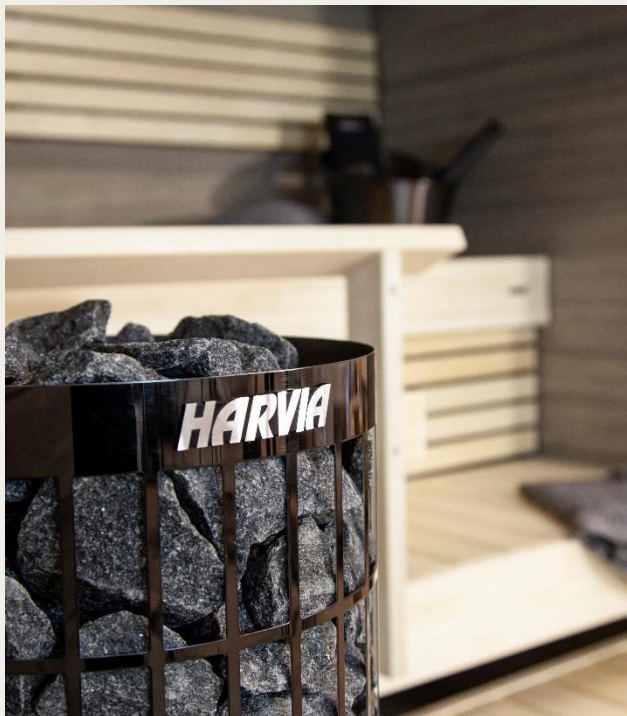
\* Includes among others, spa components, infrared radiators, services and sauna equipment.



# Product launches in 2020



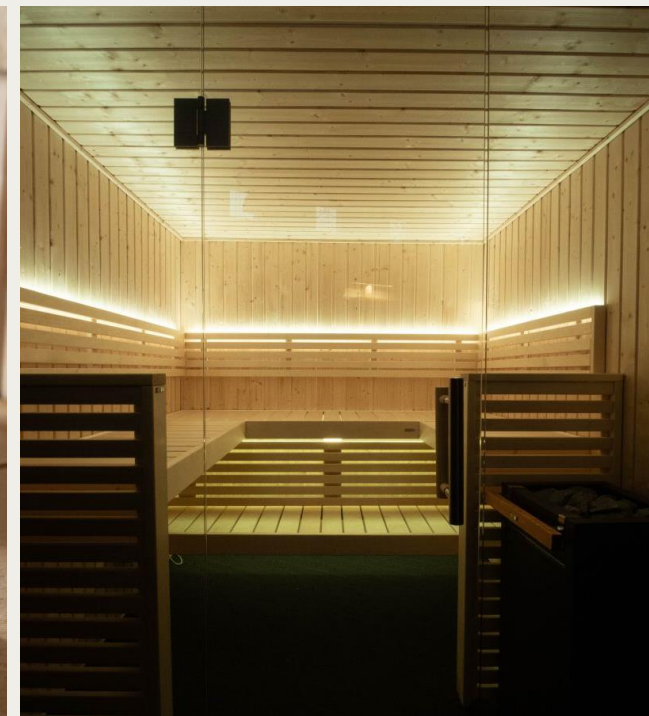
The heart of the **Harvia Legend GreenFlame 240** heater is the completely renewed GreenFlame 20 fire chamber, which has been developed with a focus on clean burning.



The **Harvia BlackSteel heater range** consists of the popular Cilindro and The Wall heaters, which are available with a modern black finish.



The **Harvia C170VKK control unit** designed for professional use takes controlling communal saunas and spas to a new level.



The **Harvia Variant View** sauna was launched in Europe and two new premium sauna models, the **Timberline outdoor sauna** and the **Olympus indoor sauna**, in the United States.



# Megatrends supporting the sauna and spa business



LONGER LIVES –  
LONGER ENJOYMENT



ENVIRONMENTAL CONSCIOUSNESS  
GUIDES CONSUMER CHOICES



THE GROWING MIDDLE CLASS  
HAS PURCHASING POWER



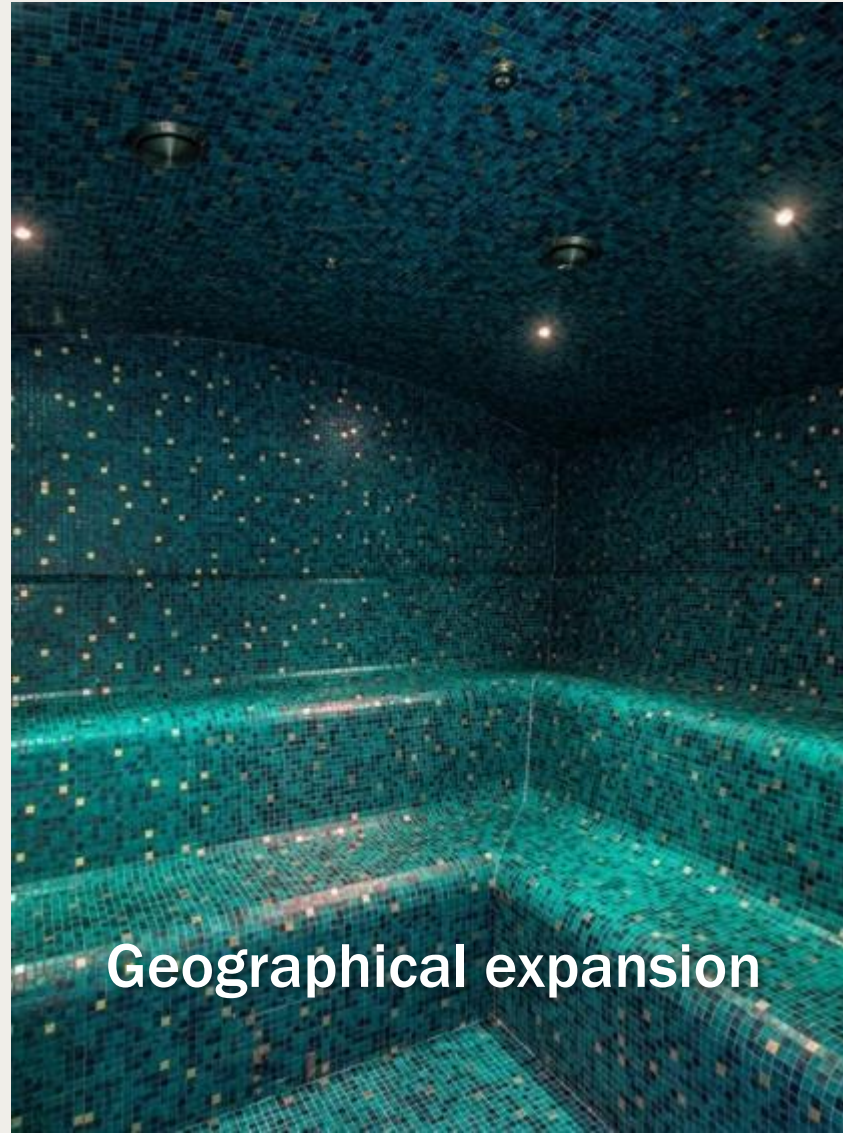
DIGITALIZATION  
AFFECTS ALSO SAUNAS



# Harvia aims to be the leading player in the sauna and spa market



Increasing the value of the  
average purchase



Geographical expansion



Productivity improvement



# 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 during Q1. USA expansion completed but some machinery arrived later than planned.
- Further expansion and productivity improvement CAPEX underway.







## Harvia continues investments in increasing production capacity



- In early 2021, Harvia acquired a production facility in Lewisburg, West Virginia, USA for approximately EUR 2.1 million to increase the production capacity of Almost Heaven Saunas by approximately one third, thanks to a new layout and production lines, as well as improved production processes.
- Harvia announced an investment of approximately EUR 2.5 million in increasing the production capacity of its Muurame factory by expanding the factory and acquiring new machinery.



# Financial targets and outlook



## 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.**

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

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



A cylindrical wooden sauna is the central focus, situated in a garden at night. The sauna's door is open, revealing a warm, glowing interior with wooden benches. The exterior is made of light-colored wood planks. To the left, a small table and chairs are visible in a garden area with some plants. To the right, there is a large, leafy tree. The overall atmosphere is peaceful and relaxing.

*Relaxing Moments*

**HARVIA**

*Sauna & Spa*

*Natural Wellbeing*