

*Relaxing Moments*



*Natural Wellbeing*

# HARVIA PLC INTERIM REPORT

**JANUARY–MARCH 2022**

**STRONG REVENUE GROWTH AND SOLID  
PROFITABILITY DRIVEN BY SAUNA ROOM SALES**

Tapio Pajuharju, CEO

Ari Vesterinen, CFO

**5 MAY 2022**

*#healingwithheat*

# HIGHLIGHTS

**HARVIA**

Sauna & Spa

## Harvia Q1: Strong growth in all product groups and most market areas

- Revenue development strong in almost all markets, especially in Finland, in the market area other countries, other European countries and North America. Highest growth in other countries, driven mainly by Asian and Arab countries
- All product groups growing but strong growth in sauna rooms
- Some softness especially in entry-level offering in Germany and Central Europe
- At the beginning of March, Harvia suspended its operations in Russia

## Sales mix and challenging environment slightly affecting profitability

- Growing share of sauna room sales decreasing relative profitability
- Very fast and strong increases in raw material prices – these addressed but full impact visible with delay
- Market sentiment taken a turn towards increased uncertainty

## Strong operative performance in challenging conditions

- All production units performing well despite prevailing supply chain challenges
- Firm preparations and buffer stock have helped Harvia to maintain high service level
- Several additional investments in machinery in Muurame, USA, Romania and China
- Kirami and Sauna-Eurox integration proceeding as planned
- EOS continues strong performance





## SOLID GROWTH DURING THE FIRST QUARTER OF 2022



- **Revenue** grew by 28.2% to EUR 50.8 million (39.6) – an all-time high quarterly revenue. At comparable exchange rates, revenue grew by 26.3% to EUR 50.0 million. On top of strong organic revenue growth of 18.1%, Harvia enjoyed revenue growth due to acquisitions.
- **Adjusted operating profit** was EUR 12.1 million (11.1), an improvement of EUR 1.0 million from the previous year. Adjusted operating profit made up 23.8% (28.1) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 11.7 million (23.4% of the revenue).
- **Operating profit** was EUR 12.1 (11.0) million, making up 23.8% (27.9) of the revenue.
- **Earnings per share** were EUR 0.50 (0.44).
- **Operating free cash flow** amounted to EUR 7.0 million (8.1). Net working capital increased compared to year end 2021.
- **Net debt** amounted to EUR 41.3 million (26.9) and **leverage** was 0.8 (0.7).
- **Equity ratio** was 43.7% (44.2).

# SYSTEMATIC EXECUTION OF STRATEGY



## Increasing the value of the average purchase

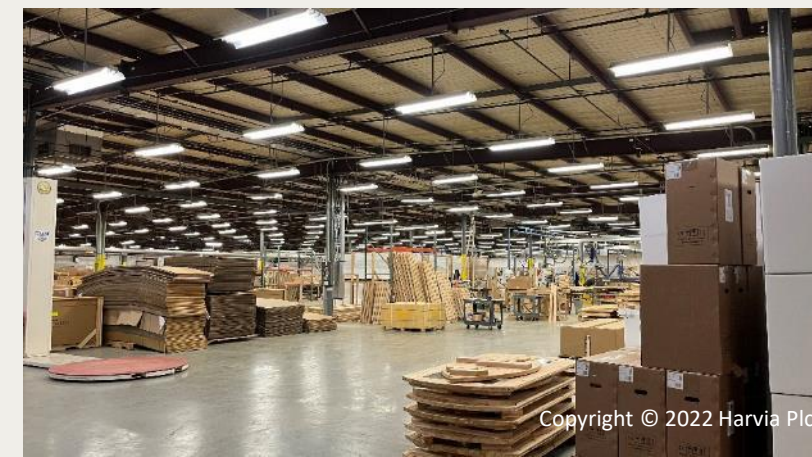
- Sales of sauna rooms drove the sales performance.
- Premium models in heaters and equipment performing strong.
- Professional channel gradually starting to open, even though still sensitive.

## Geographical expansion

- Almost all markets growing, strong growth in USA, in Finland, in the other countries market area, and in other European countries.
- Japan continues systematic expansion and good performance with our partner.
- EOS remains strong and launch is progressing in Finland & Scandinavia, US approval still pending.

## Productivity improvement & capacity expansion

- All production units performing well despite global supply chain issues.
- US Lewisburg production facility beating targets and ramping up incremental capacity.
- Additional productivity improvement investments in machinery in Muurame, USA, Romania and China.





# MERGERS AND ACQUISITIONS



## ACQUISITIONS STRENGTHENED HARVIA'S GROWTH AND STRATEGY IN Q1

- Inorganic revenue growth was EUR 4.0 million (10.1%).

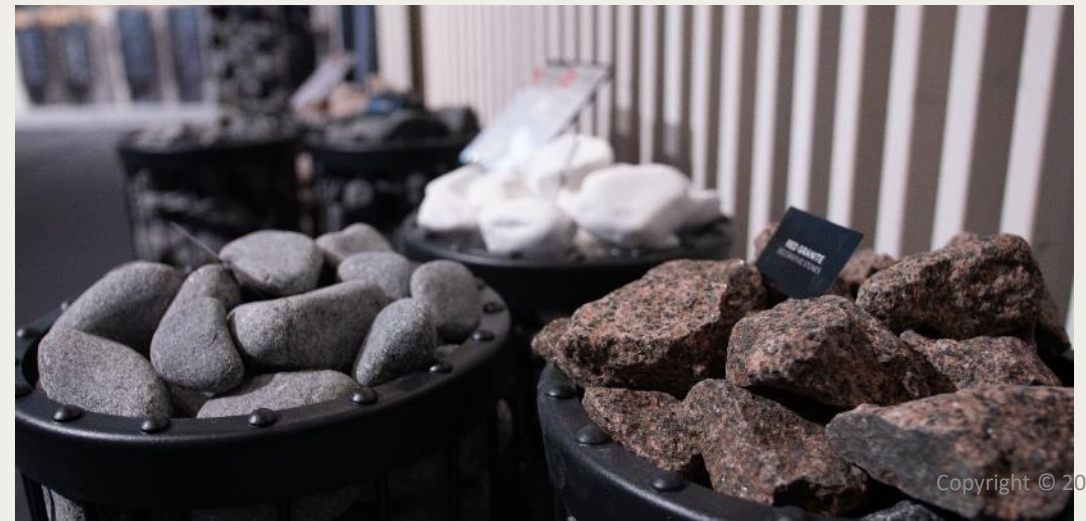
### KIRAMI

- Acquired in May 2021.
- Leading Scandinavian still-water hot tub manufacturer and pioneer in wood-heated hot tubs globally – founded in 2001.



### SAUNA-EUROX

- Acquired in August 2021.
- One of the world's largest suppliers of safe and sustainable sauna stones both for professional and home use.



# IMPACTS OF THE WAR IN UKRAINE

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- The war has impacted the global sauna and spa market in the form of e.g. growing economic uncertainty as well as increased prices and compromised availability of key raw materials.
- The Russian sauna and spa market has witnessed some direct and indirect impacts from the war due to U.S. and EU sanctions and the broader economic development. The impact has been direct and sizeable in Ukraine.
- Harvia suspended its operations in Russia at the beginning of March. EOS Russia is completing the projects where it has not been able to return prepayments.
- Sales in Russia accounted for 6.4 percent of Harvia Group's revenue in 2021 (EUR 11.5 million). In Q1, revenue in Russia decreased by -1.2 percent to EUR 2.34 million.
- Harvia does not have a production facility in Russia, but it has other assets in the country and employs 26 people.
- The company is monitoring the developing situation and the potential effects on Harvia closely.



## IMPACT OF THE PANDEMIC ON HARVIA'S BUSINESS

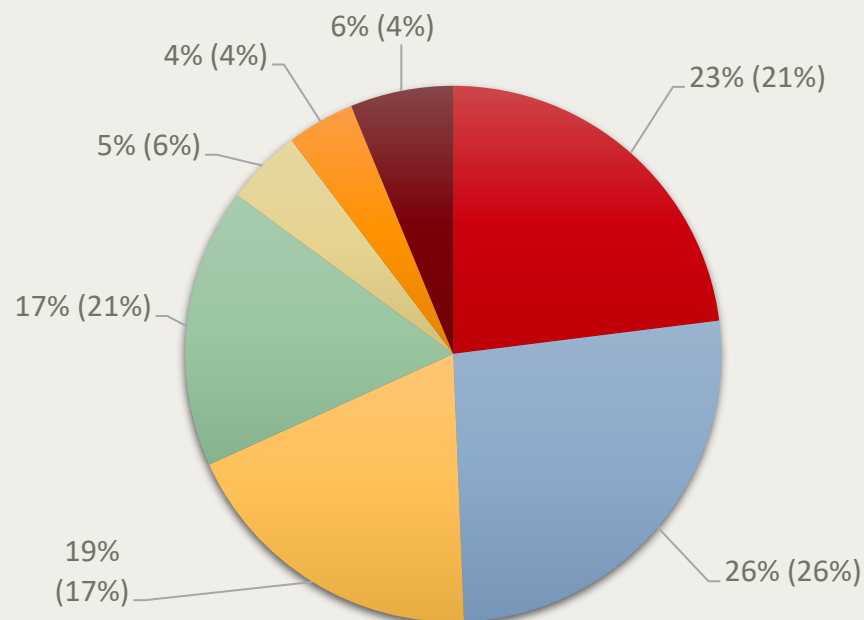


- According to Harvia's estimate, **the total impacts of the COVID-19 pandemic on the sauna and spa market have been favorable.**
- The challenges brought on by the pandemic to Harvia's business are still evident in the Arab countries and Asia.
- Harvia has learnt to **operate well and with full capacity in the exceptional environment** without compromising the safety and well-being of its employees, partners or customers.
- In the difficult sourcing environment partially driven by the pandemic, **Harvia has been forced to actively address its pricing to mitigate the impact of rapid price increases** in key raw materials and components. The full effect of our actions will be transferred to our prices with some delay.

# Q1: STRONG GROWTH CONTINUED IN ALL PRODUCT GROUPS



Revenue by market area, %

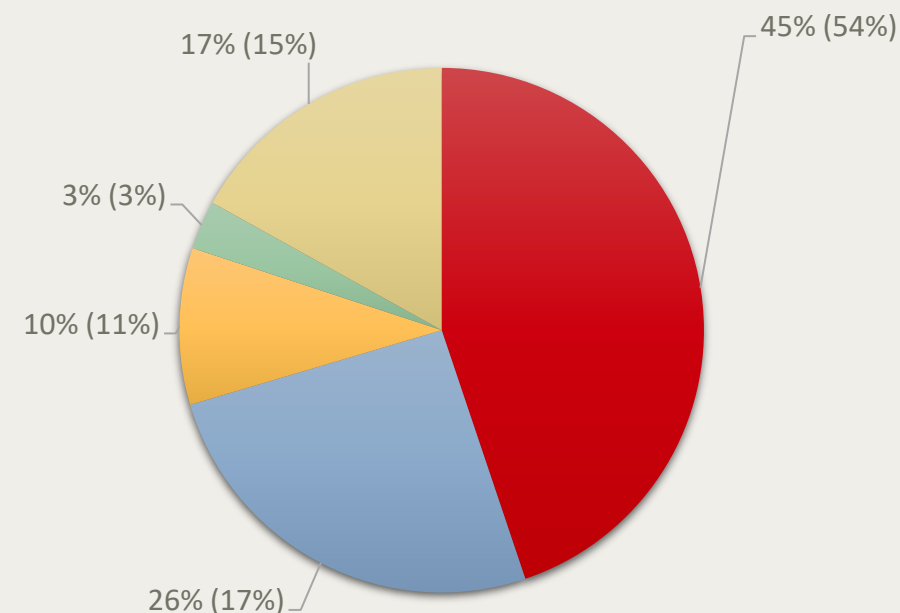


- Finland
- North America
- Russia
- Other countries\*
- Other European countries
- Germany
- Scandinavia

- Revenue grew by 28.2% to EUR 50.8 million (39.6).
- Strong growth especially in Finland, in the other countries market area, North America, and other European countries.

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

Revenue by product group, %



- Sauna heaters
- Sauna rooms & Scandinavian hot tubs
- Control units
- Steam generators
- Other product groups, spare parts and services

- Revenue growth in all product groups.
- Substantial sauna room sales growth continued, driven by strong demand in the US and Central Europe.

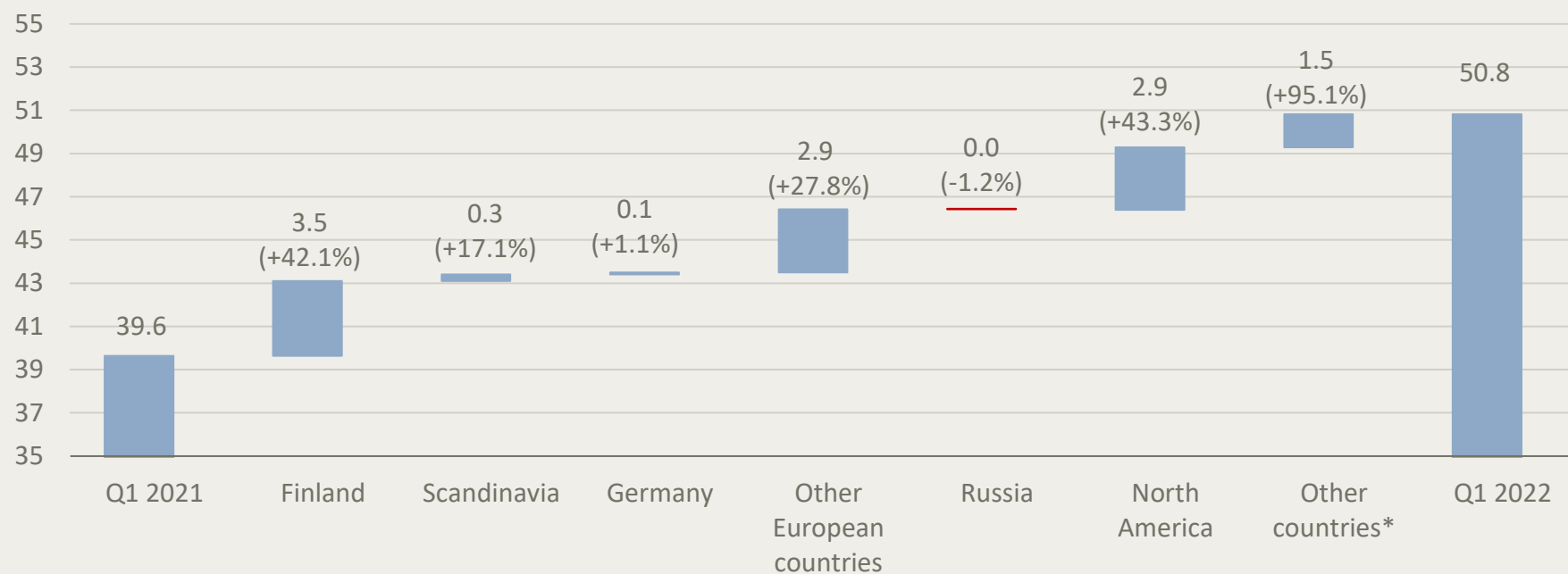


# Q1 2022: REVENUE INCREASED BY 28.2%



## Revenue by market area 1–3/2021 vs 1–3/2022

EUR million



- Organic revenue growth was 18.1%.
- Strong growth especially in Finland, in the other countries market area, in other European countries, and in North America.
- At comparable exchange rates, revenue grew by 26.3% to EUR 50.0 million.
- The growth in other countries was driven mainly by Asian and Arab countries.

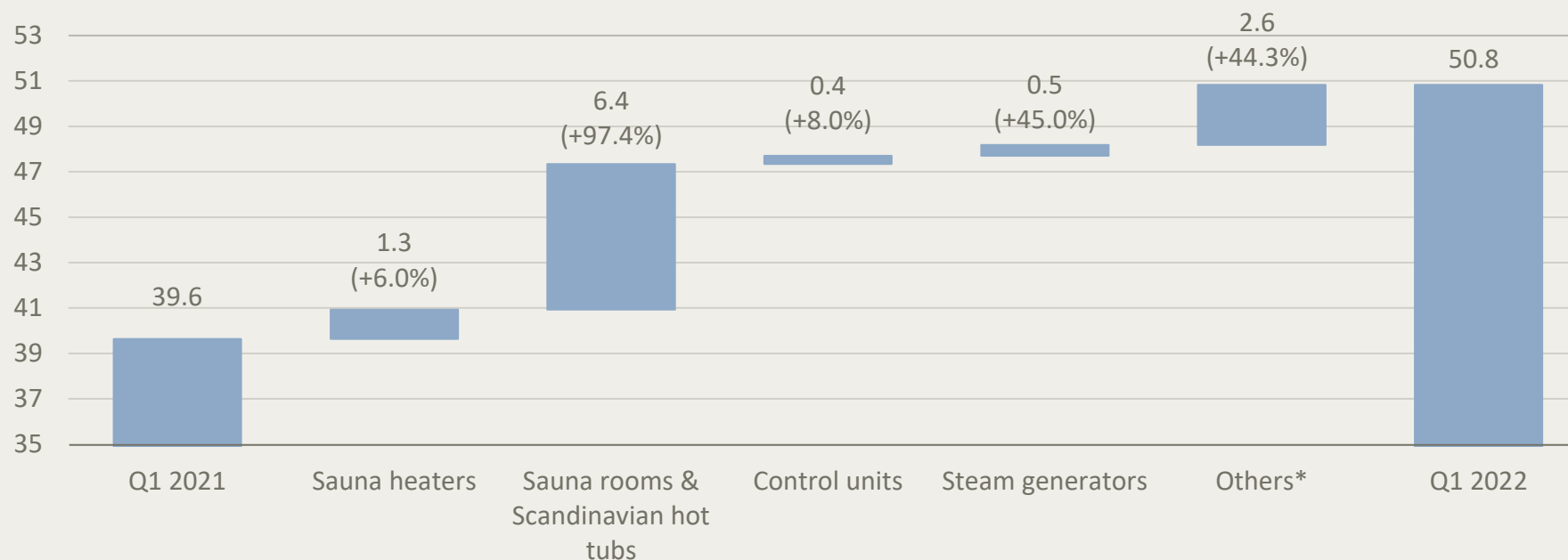
\* The largest of which: Arab countries and Asia.

# JANUARY–MARCH 2022: SAUNA HEATER SALES AT THE LEVEL OF LONG-TERM MARKET GROWTH



## Revenue by product group 1–3/2021 vs 1–3/2022

EUR million



- Revenue growth was especially strong in sauna rooms & Scandinavian hot tubs.
- Sauna heater sales improved especially in Finland.
- Sales of other product groups developed very well, with heater stones, spare parts and accessories driving the growth.

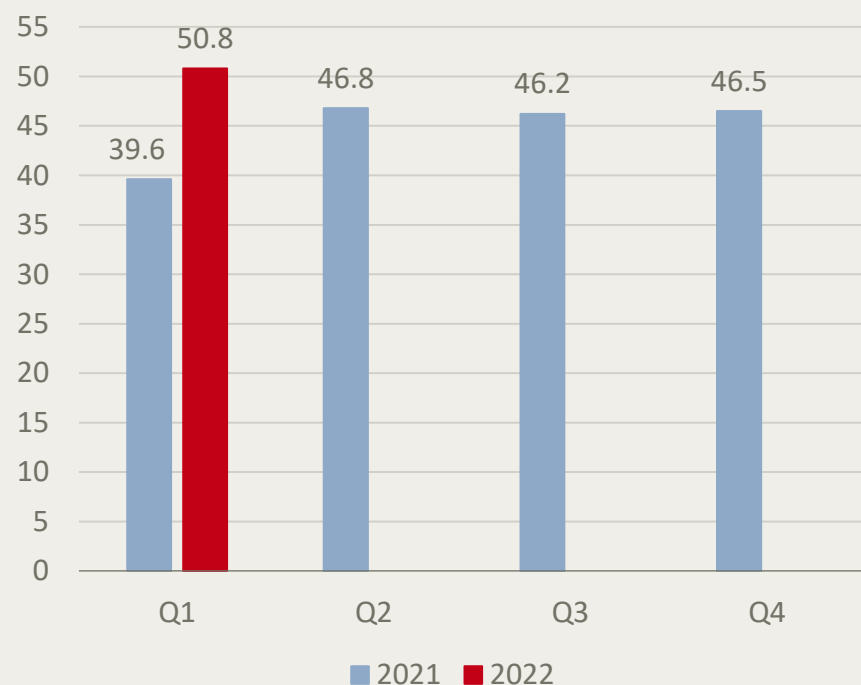
\* Includes among others, spa components, infrared radiators, services and sauna equipment.

# REVENUE AND ADJUSTED OPERATING PROFIT



## Revenue

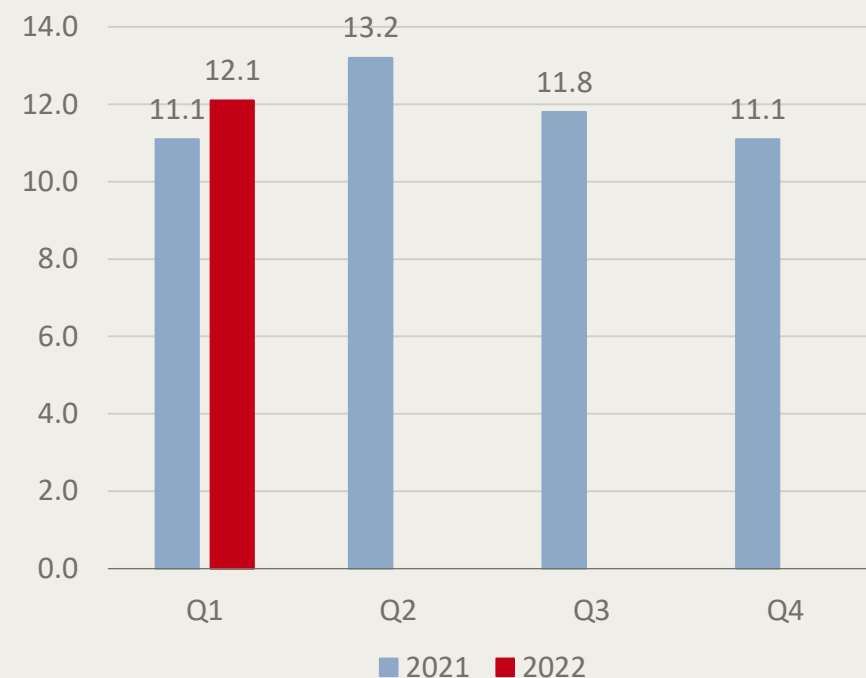
EUR million



- In Q1, strong growth especially in Finland, in the other countries market area, other European countries, and North America.
- At comparable exchange rates, revenue grew by 26.3% and was EUR 50.0 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit grew to EUR 12.1 million (11.1), making up 23.8% (28.1) of the revenue in the first quarter.

The financial figures of Kirami have been consolidated with Harvia's figures starting from 28 May 2021 and Sauna-Eurox from 31 August 2021.



# PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



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

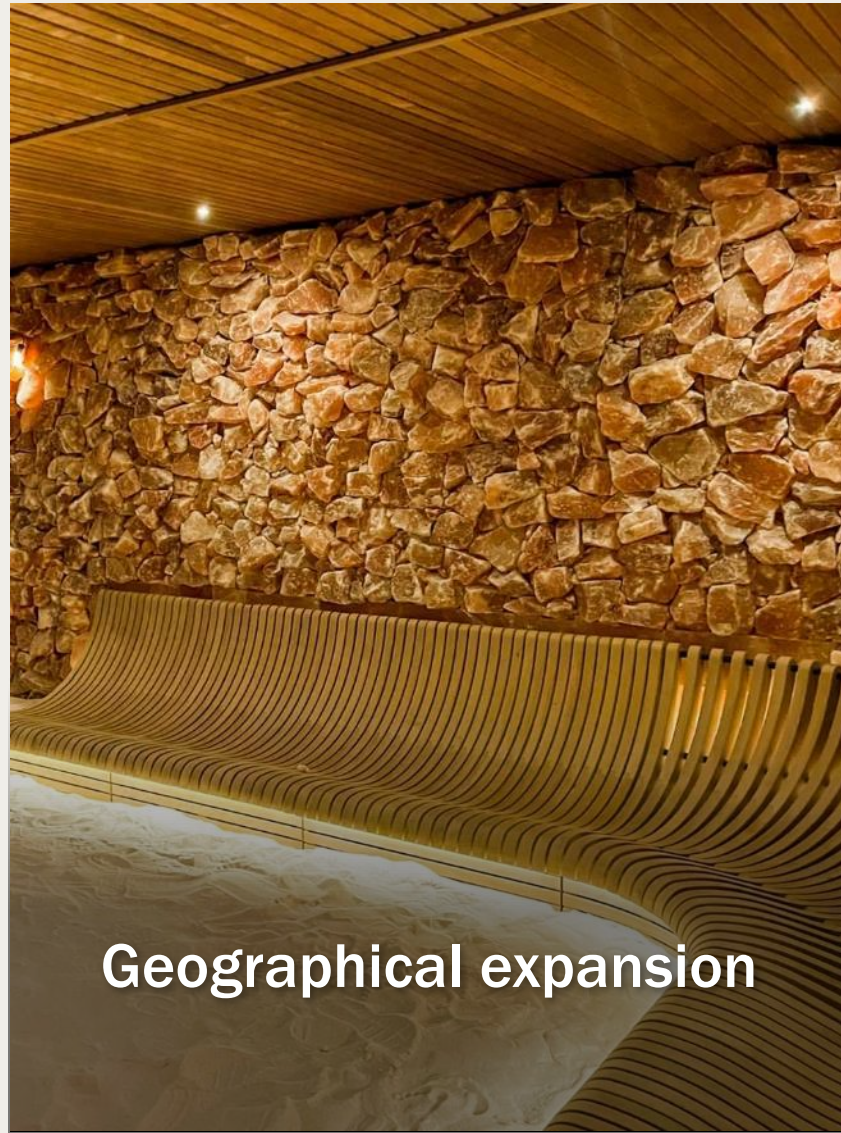




# HARVIA AIMS TO BE THE LEADING PLAYER IN THE SAUNA AND SPA MARKET



Increasing the value of the average purchase



Geographical expansion



Productivity improvement



# FINANCIALS

ARI VESTERINEN, CFO



# HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



EUR million	1-3/2022	1-3/2021	Change,%	1-12/2021
Revenue	50.8	39.6	28.2%	179.1
Adjusted EBITDA*	13.7	12.3	11.0%	53.1
% of revenue	27.0%	31.1%		29.7%
Adjusted operating profit*	12.1	11.1	8.7%	47.3
% of revenue	23.8%	28.1%		26.4%
Basic EPS (EUR)	0.50	0.44	13.0%	1.8
Operating free cash flow	7.0	8.1	-14.3%	20.4
Investments in tangible and intangible assets	-0.9	-1.5	-35.1%	-11.8
Net debt	41.3	26.9	53.9%	43.8
Leverage	0.8	0.7		0.8
Net working capital	47.8	21.0	127.9%	41.9
Adjusted return on capital employed (ROCE)	102.8%	91.0%		112.6%
Equity ratio	43.7%	44.2%		42.4%
Number of employees at end of period	834**	686	21.6%	824**

\* Adjusted by items affecting comparability.

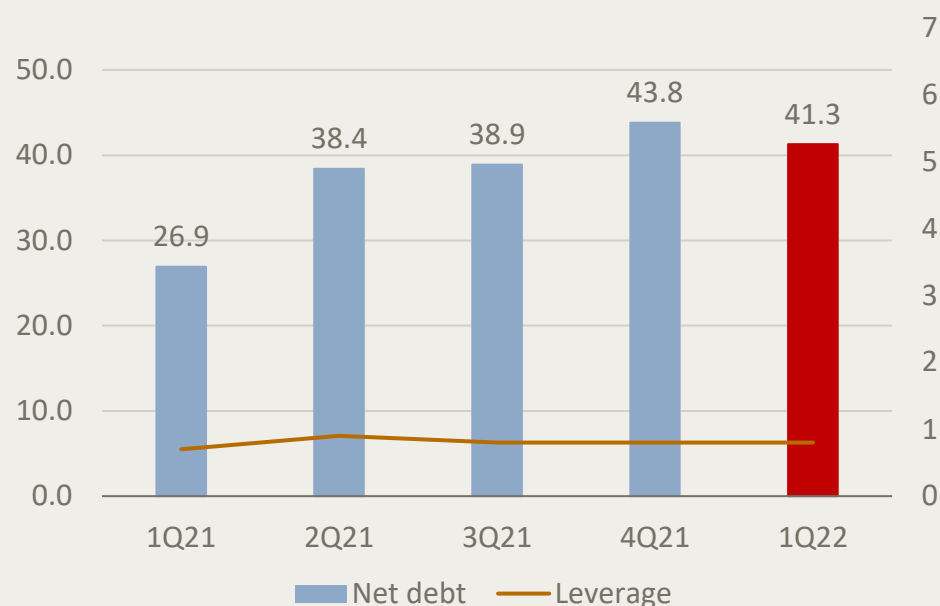
\*\* Includes the personnel of Kirami & Sauna-Eurox, totaling 69 employees on 31 March 2022.

# NET FINANCIAL COSTS DECREASED



## Net debt and leverage

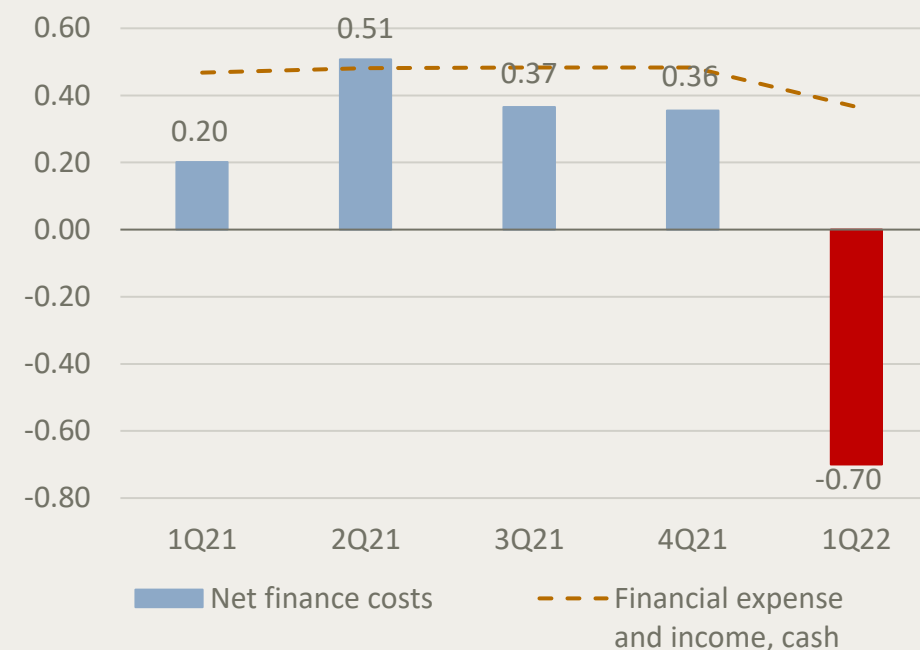
EUR million



- At the end of March 2022, the net debt amounted to EUR 41.3 million (26.9). Interest-bearing bank liabilities were EUR 56.4 million (56.4) and lease liabilities EUR 2.8 million (3.0). Cash and cash equivalents were EUR 17.8 million (32.5).
- Leverage was 0.8 (0.7).
- Net debt does not include minority redemption liabilities and purchase price liabilities resulting from acquisitions, EUR 22.2 million. If they would have been included in the net debt, the leverage would have been 1.2 on 31 March 2022.

## Net finance costs

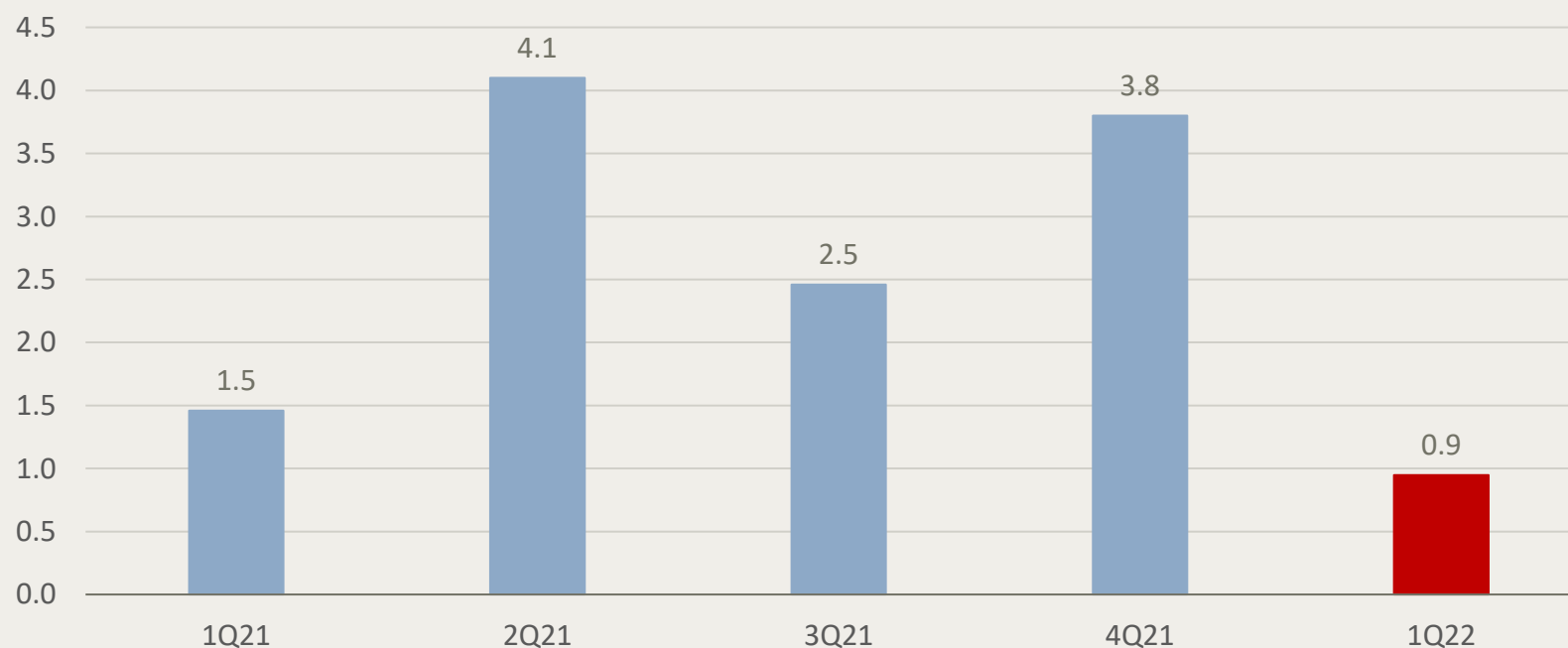
EUR million



- Net finance costs were negative due to change in the fair value of Harvia's interest rate swap. Interest rates were going up on the market during Q1 2022, which increased the fair value of the interest rate swap derivative.
- Net financial expenses paid in cash decreased in the review period: Harvia renegotiated the terms of its term loan and revolving credit limit at the end of 2021.

## Investments in tangible and intangible assets

EUR million



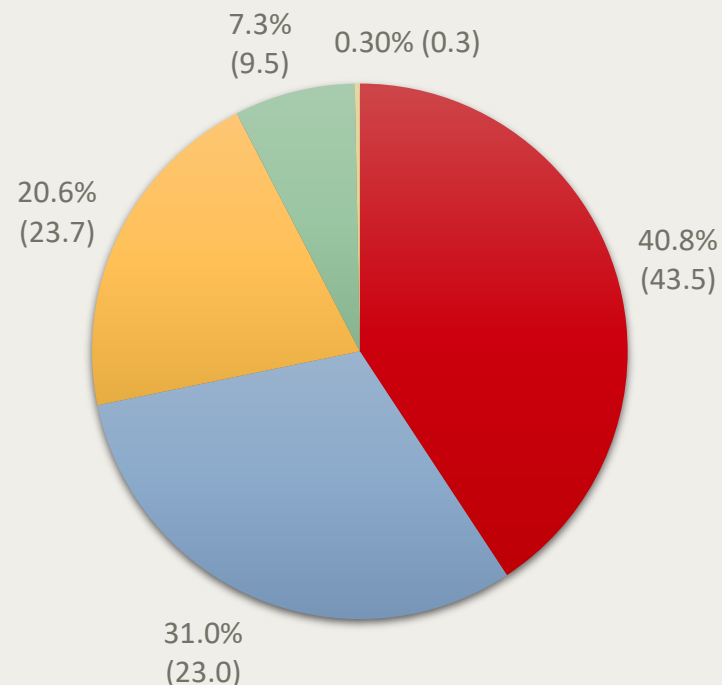
- During the review period, Harvia made several additional investments in production machinery in Finland, North America, China and Romania.
- In 2021, Harvia opened a new sauna factory in Lewisburg, West Virginia, USA, expanded and upgraded capabilities at the Muurame factory, expanded capacity at the Romanian sauna factory and the capabilities in the China factory, expanded the warehousing and logistics capacity at Kirami, and upgraded the EOS Driedorf machinery and capacity.



# HARVIA'S SHAREHOLDERS (31 MARCH 2022)

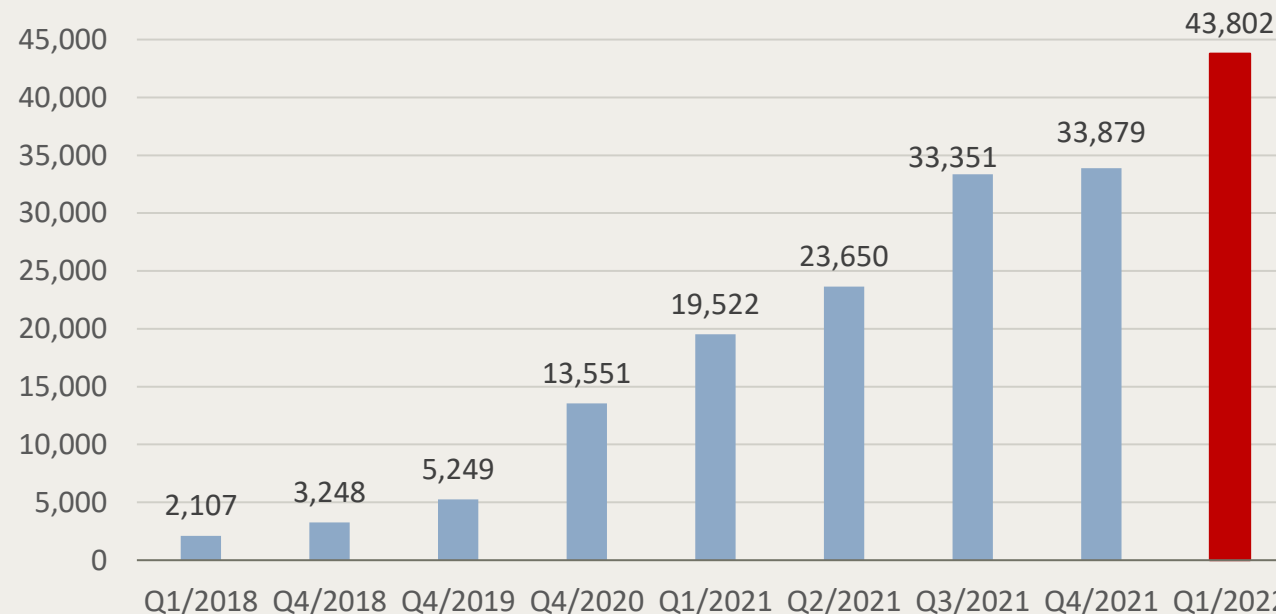


## Distribution by Segment



- Nominee registered and outside Finland
- Households
- Corporations
- Banks and insurance companies
- Harvia Plc's own shares

## Number of Shareholders



- At the end of March 2022, the number of shareholders totaled 43,802 (including nominee registers).
- Harvia holds a total of 51,057 own shares related to the share-based incentive program. The shares correspond to 0.3% of the total number of shares.
- The shareholding of the Board of Directors, management and personnel was 5.4%.
- The market value of Harvia's share capital on 31 March 2022 was EUR 679.5 million (575.8).

# HARVIA'S LONG-TERM FINANCIAL TARGETS



## GROWTH

**>5%**

Average annual revenue  
growth

## PROFITABILITY

**>20%**

Adjusted operating profit  
margin\*

## LEVERAGE

**1.5x–2.5x**

Net debt/adjusted EBITDA\*\*

Harvia does not publish a short-term outlook.

## HARVIA'S DIVIDEND POLICY

- Regularly increasing dividend
- Bi-annual payout

\* Adjusted operating profit is operating profit before items affecting comparability.

\*\* Excluding the future impacts of changes in IFRS reporting standards.

## DISTRIBUTION OF DIVIDEND EUR 0.60 PER SHARE

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The Annual General Meeting held in April 2022 approved the Board of Directors' proposal that EUR 0.60 per share be paid as dividend and that the remainder of the distributable funds be transferred to shareholders' equity.

The dividend is paid in two instalments.

The first instalment, EUR 0.30 per share, was paid on 20 April 2022 to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of the dividend of 11 April 2022.

The second instalment, EUR 0.30 per share, will be paid in October 2022.



# Q&A



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