



*Healing with heat*

# HARVIA PLC INTERIM REPORT

**JANUARY–MARCH 2023**

**STRONG PROFITABILITY IN MIXED  
MARKET ENVIRONMENT**

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Tapio Pajuharju, CEO

Ari Vesterinen, CFO

**4 MAY 2023**





# HIGHLIGHTS

## Mixed market environment reflected in sales performance

- Compared to the all-time-high comparison period, total revenue declined, driven by sales in European markets
- Key markets continued to be mixed: Europe and especially DACH region still soft, but North America and many emerging markets enjoyed solid growth
- Despite declined sales, Harvia continued to gain market share
- While all key product categories declined, sauna room sales was supported by especially North American performance and sales of wood-burning heaters was supported by consumer preferences related to alternative energy sources
- Complete exit from Russia finalized after receiving approvals from Russian officials, impact negative on both sales and profitability

## Strong profitability supported by successful actions

- Q1 adjusted EBIT strong at 22.4%
- Agile actions on pricing, cost structure and rightsizing operations visible in profitability
- High cash flow supported by continuing reduction of net working capital, especially inventories
- No major increase expected to current moderate investment level

## Further measures to drive growth

- Letter of Intent (LOI) signed with Japanese partner Bergman in March to create a joint venture in Japan
- Additional sales efforts made especially outside Europe in many attractive markets
- Actions to further strengthen sales in premium and professional market initiated
- Increasing global awareness of sauna and its health benefits continues to support long-term market growth outlook and potential





## Q1 2023: REVENUE DECLINED FROM RECORD-HIGH COMPARISON PERIOD



- **Revenue** decreased by 18.6% to EUR 41.4 million (50.8) compared to the comparison period. At comparable exchange rates, revenue decreased by 19.4% to EUR 41.0 million. Organic revenue growth was -16.2%.
- **Operating profit** was EUR 9.2 (12.1) million, making up 22.2% (23.8) of the revenue.
- **Adjusted operating profit** was EUR 9.3 million (12.1), making up 22.4% (23.8) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 9.2 million (22.5% of the revenue).
- **Earnings per share** were EUR 0.34 (0.50).
- **Operative free cash flow** was EUR 11.6 million (7.0).
- **Net debt** was EUR 45.8 million (41.3) and **leverage** 1.1 (0.8).
- **Equity ratio** was 49.3% (43.7%).

# SYSTEMATIC EXECUTION OF STRATEGY



## Increasing the value of the average purchase

- Sauna room sales growing outside Europe, especially in North America.
- Overall, newer markets with more high-end demand continued performing better.
- Increased sales efforts in premium and professional segments, supported by recent product launches.

## Geographical expansion

- Growth continued in North America and in several newer sauna markets.
- Letter of Intent signed with Japanese partner Bergman to create a joint venture in Japan.
- Obtained product approvals and strengthened product portfolio supported growth in newer sauna markets.

## Productivity improvement & capacity expansion

- Pricing, cost base and capacity adjusted to current market conditions; productivity on a good level.
- Reduction of net working capital, especially inventories, continued.
- Overall strong operative performance, especially from entire North American organization.







## SALES IN JAPAN BOOSTED BY ESTABLISHING A JOINT VENTURE



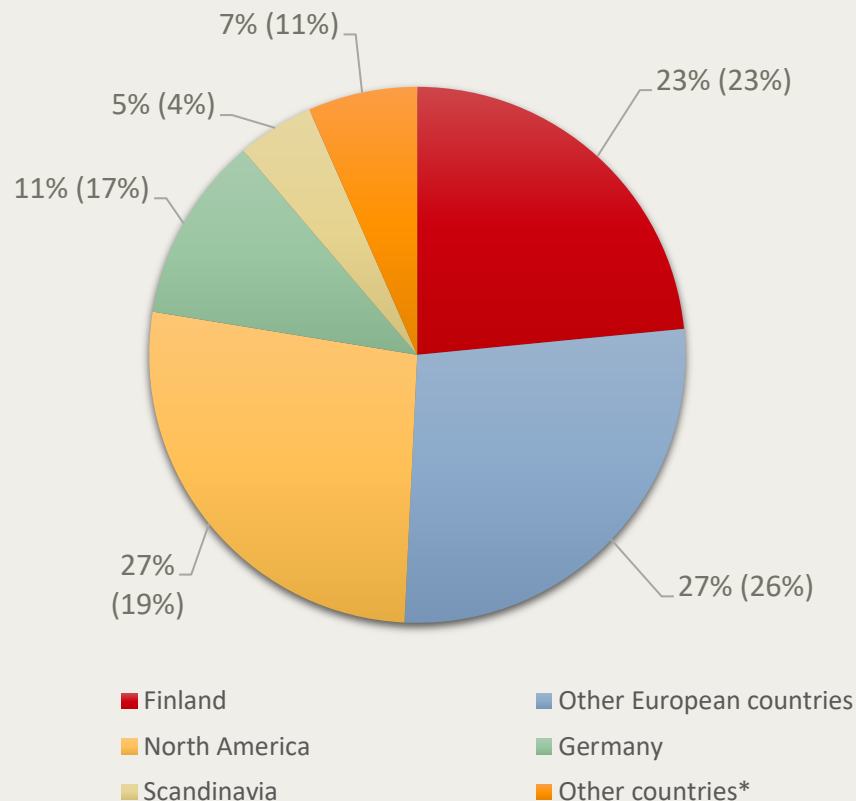
- Harvia Plc and Bergman Ltd signed a letter of intent (LOI) on 7 March 2023 to create a joint venture in Japan with the mission to becoming a substantial local player in the attractive and growing Japanese sauna and spa market.
- The joint venture will focus on sales and marketing of Harvia's sauna and spa offering on the Japanese market, and it is planned to be operational later this year.
- Harvia will own 51% and Bergman 49% of the company.
- Bergman has been Harvia's exclusive distributor in Japan since October 2021. The company has more than 20 years of experience in marketing and selling branded European heating devices in Japan.
- Already before signing the LOI, Harvia's presence in Japan has continuously improved among both professional and consumer customers, and over 20 Harvia Sauna & Spa showrooms have been established. In 2023, the plan is to increase the number of showrooms in Japan to a total of over 40.

# Q1 2023: SOLID GROWTH IN NORTH AMERICA



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

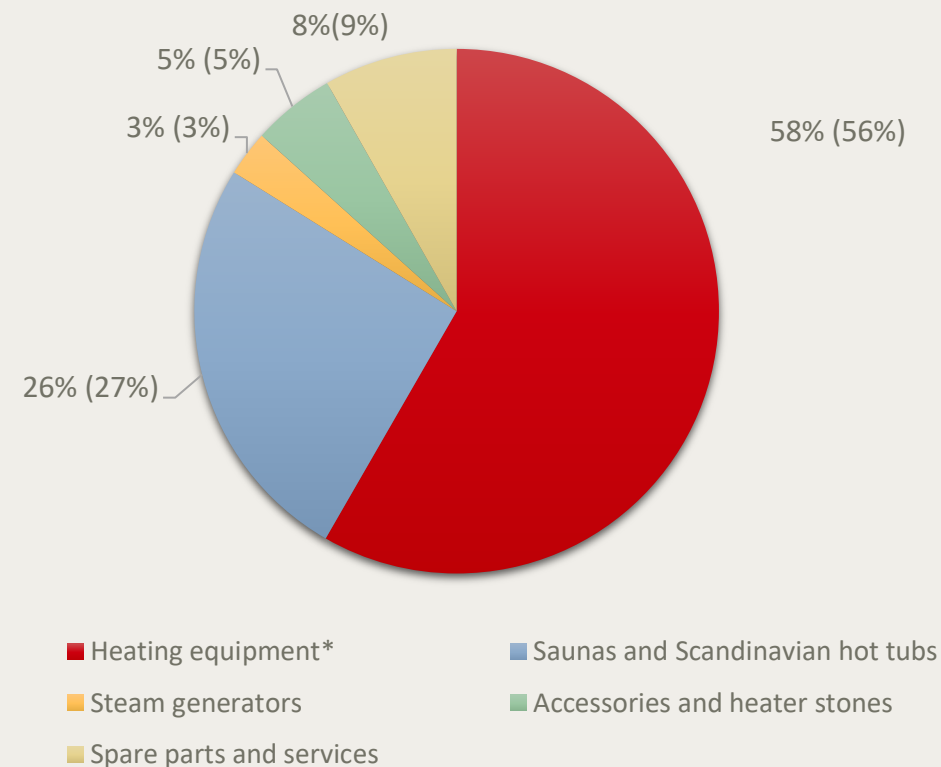
## Revenue by market area, %



- Revenue decreased by 18.6% to EUR 41.4 million (50.8).
- Revenue increased in North America by 15.8%. In all other market areas, sales did not reach the comparison period's level.

\* The largest of which: Arab countries and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 2.3 million in 1–3/2022 and EUR 7.5 million in 2022.

## Revenue by product group, %



- Revenue decreased in all product groups in Q1.
- Sauna room sales continued strong development in North America but decreased in all other market areas.

\* Sauna heaters, control units, IR components

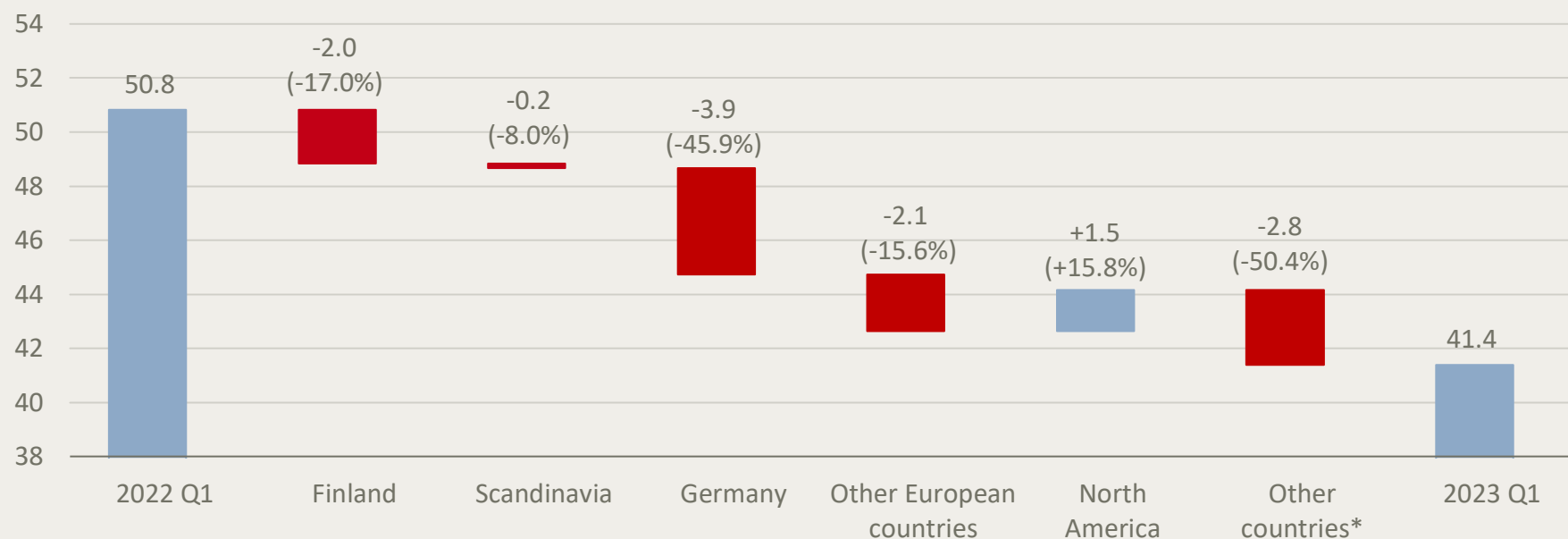
# Q1 2023: REVENUE DECREASED BY 18.6%



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

## Revenue by market area 1–3/2022 vs 1–3/2023

EUR million



- Organic revenue growth was -16.2%.
- Revenue increased in North America by 15.8%.
- Economic uncertainty, elevated inflation and eroded consumer confidence impacted the sales performance in Europe.
- At comparable exchange rates, revenue fell by 19.4% to EUR 41.0 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

\* The largest of which: Arab countries and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 2.3 million in 1–3/2022.

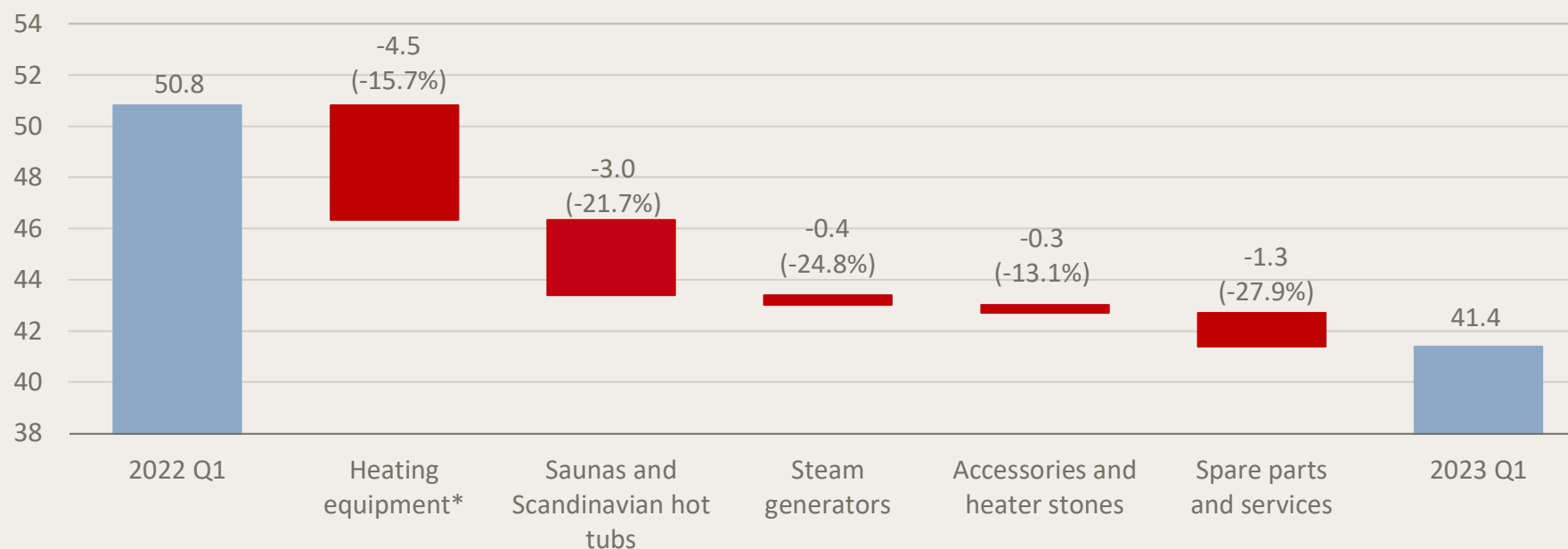
# Q1 2023: REVENUE DECREASED IN ALL PRODUCT GROUPS



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

## Revenue by product group 1–3/2022 vs 1–3/2023

EUR million



- Sauna heater revenue increased in North America but decreased in other market areas, especially in Germany.
- Sauna room revenue grew in North America but decreased in all other market areas.
- The revenue development of steam generators was affected especially by the exit from Russia.
- Sales of spare parts and services declined significantly.

\* Sauna heaters, control units, IR components

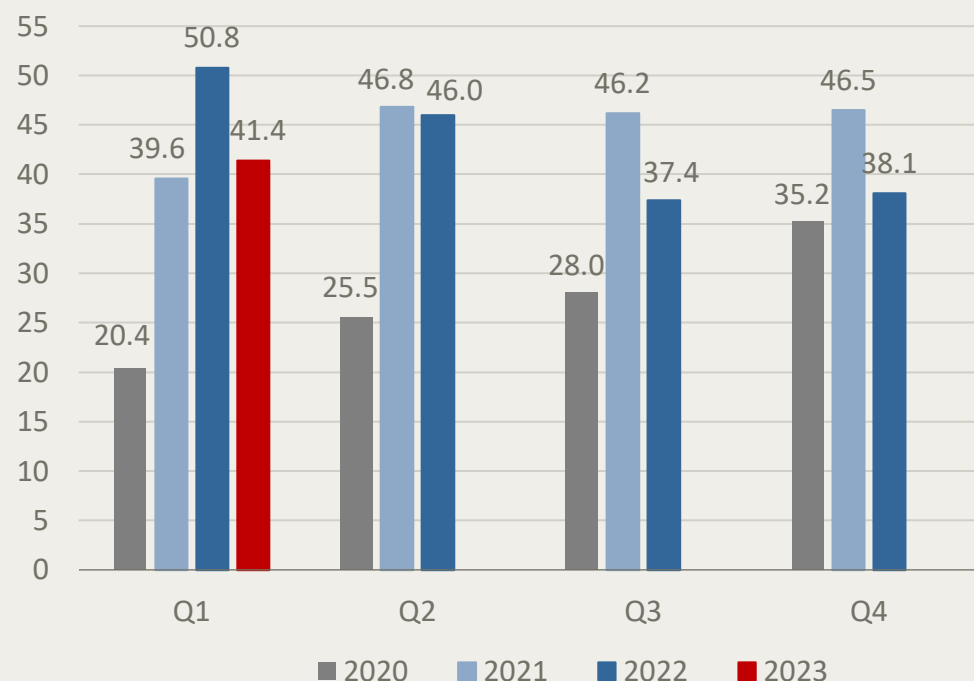


# REVENUE AND ADJUSTED OPERATING PROFIT



## Revenue

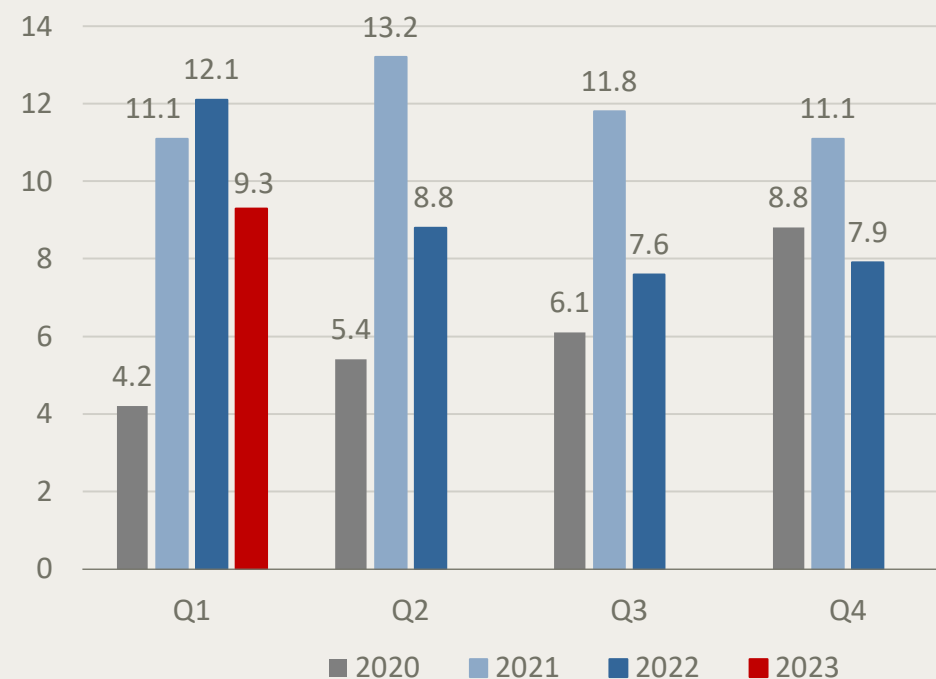
EUR million



- At comparable exchange rates, revenue decreased by 19.4% and was EUR 41.0 million in Q1.
- It is noteworthy that revenue in Q1/2023 was above Q1/2021 level and that the revenue in Q1/2022 was all-time high.

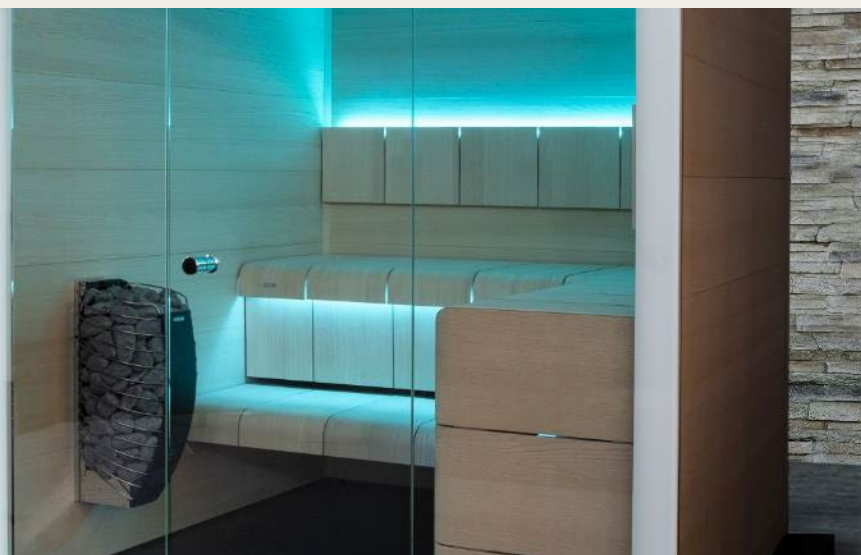
## Adjusted operating profit

EUR million



- Adjusted operating profit decreased to EUR 9.3 million (12.1), making up 22.4% (23.8) of the revenue in the first quarter.

# 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.

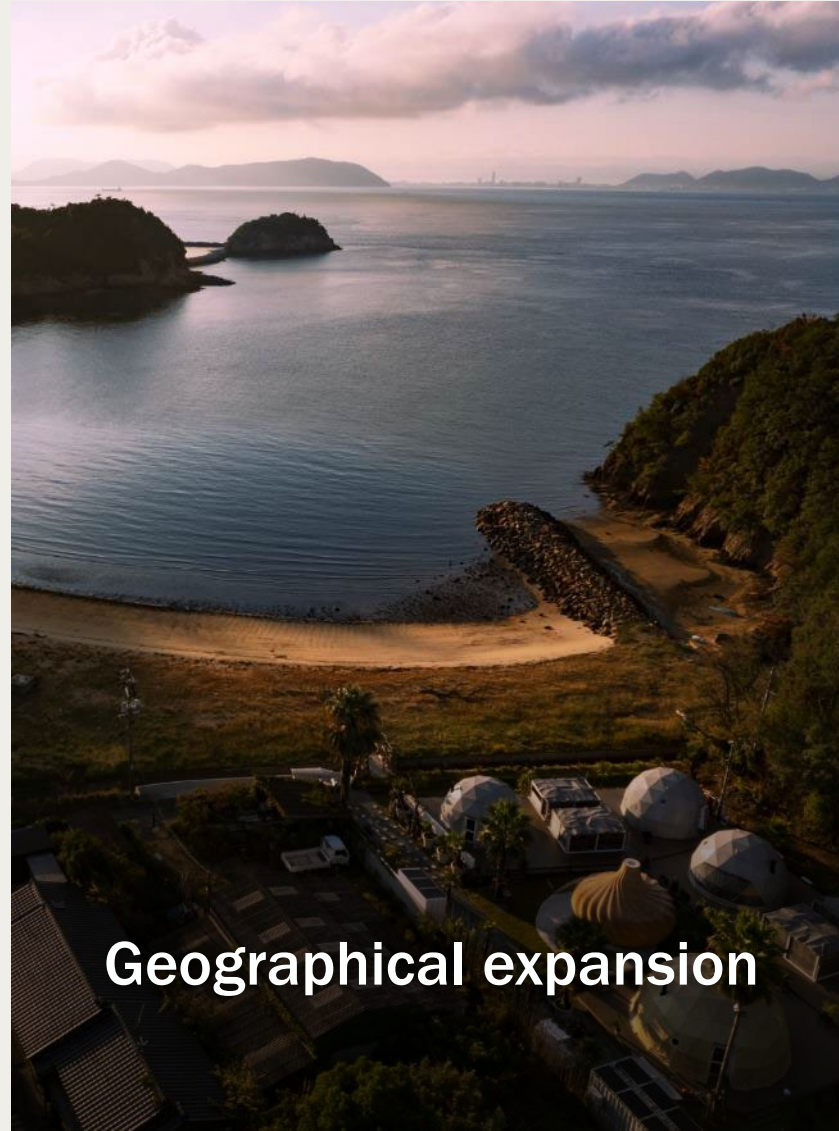




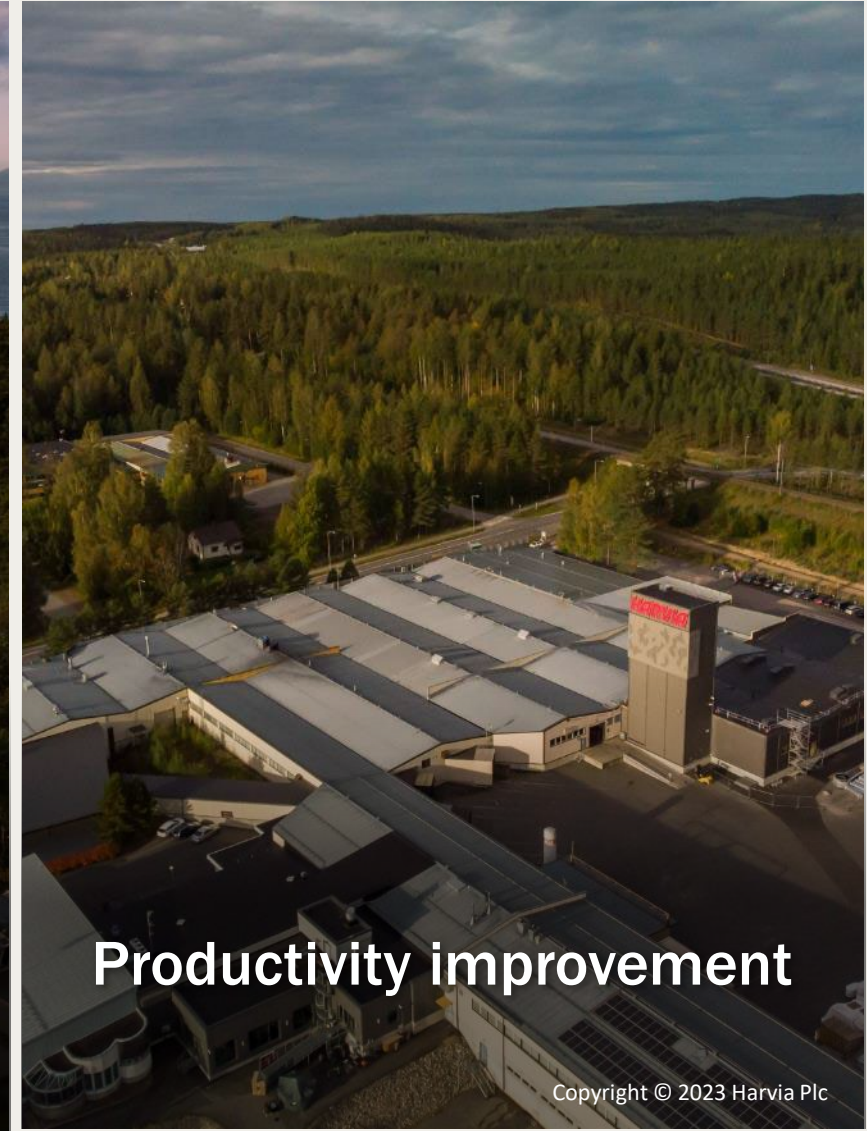
# HARVIA AIMS TO BE THE LEADING PLAYER IN THE SAUNA AND SPA MARKET



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	1-3/2023	1-3/2022	Change, %	1-12/2022
Revenue	41.4	50.8	-18.6%	172.4
Adjusted EBITDA*	10.8	13.7	-21.0%	42.9
% of revenue	26.2%	27.0%		24.9%
Adjusted operating profit*	9.3	12.1	-23.2%	36.5
% of revenue	22.4%	23.8%		21.1%
Basic EPS (EUR)	0.34	0.50	-32.6%	1.45
Operating free cash flow	11.6	7.0	66.8%	34.0
Investments in tangible and intangible assets	-0.3	-0.9	-68.7%	-3.6
Net debt	45.8	41.3	10.9%	54.5
Leverage	1.1	0.8		1.3
Net working capital	43.6	47.8	-8.9%	45.3
Adjusted return on capital employed (ROCE)*	49.3%	102.8%		54.5%
Equity ratio	49.3%	43.7%		47.3%
Number of employees at end of period	624	834	-25.2%	633

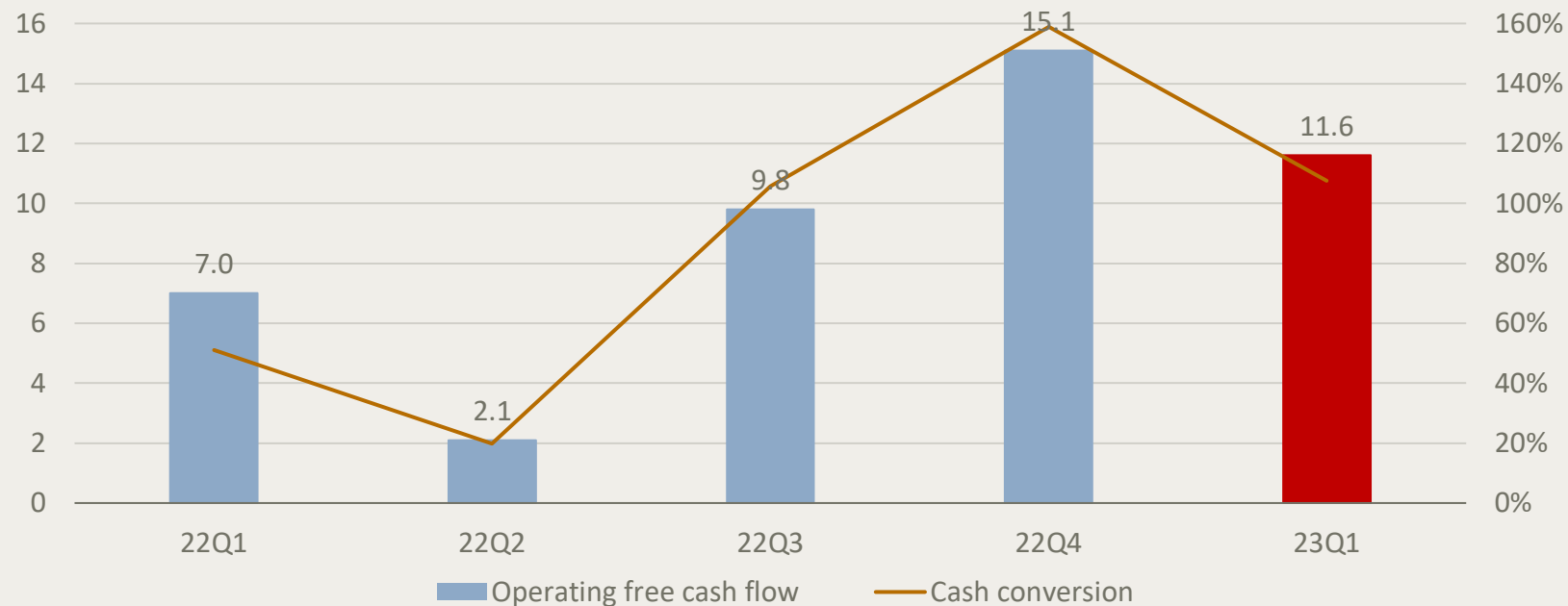
\* Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

# OPERATING FREE CASH FLOW AND CASH CONVERSION ON A VERY HIGH LEVEL



## Operating free cash flow and cash conversion\*

EUR million



- In the review period, the company's operating free cash flow was EUR 11.6 million (7.0) and cash conversion 107.6% (51.0). The increase of free cash flow was driven by decrease in net working capital and low level of investments after the high level of investments in 2021.

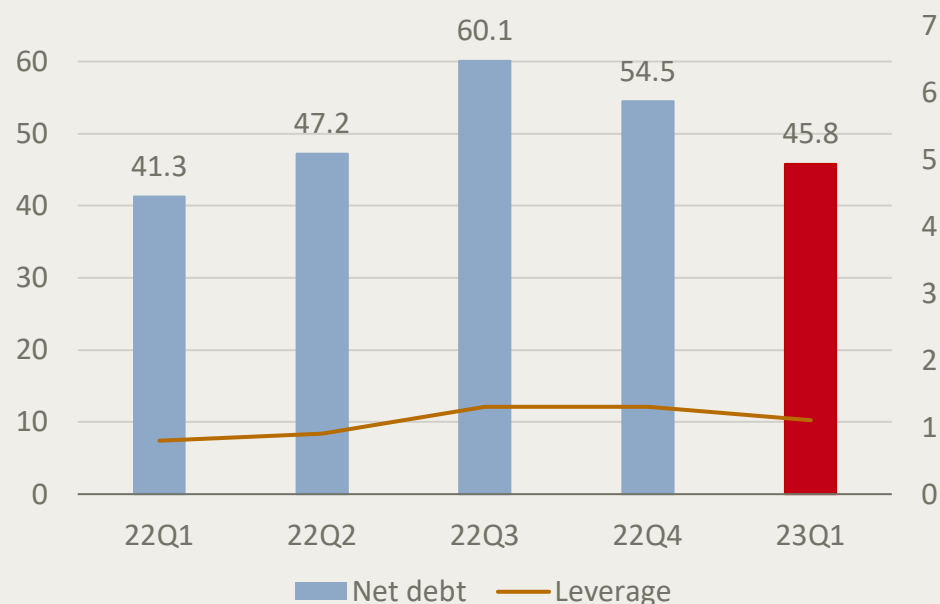
\* Cash conversion defined as operating free cash flow divided by adjusted EBITDA



# EQUITY RATIO INCREASED TO 49.3%

## Net debt and leverage

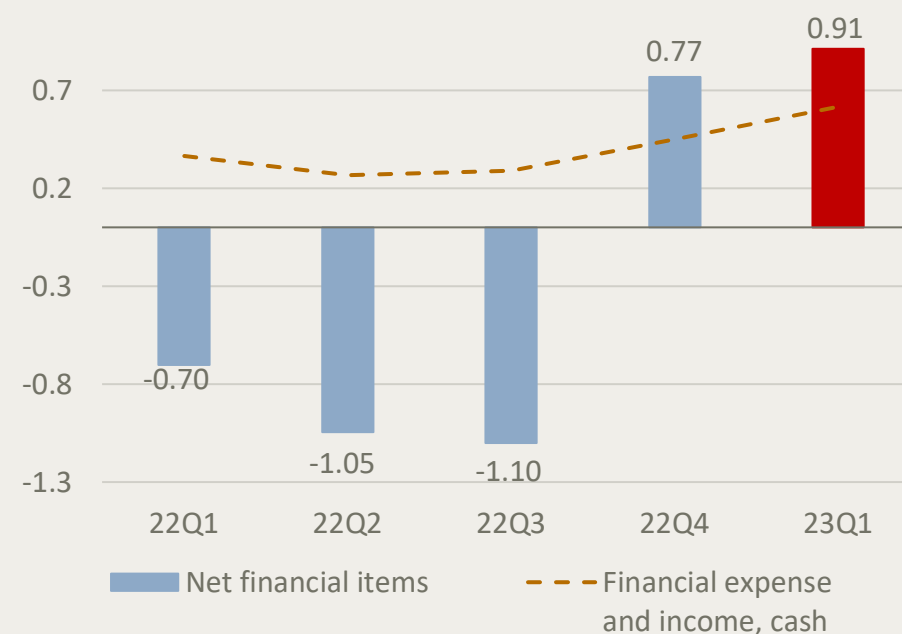
EUR million



- At the end of March 2023, the company's net debt amounted to EUR 45.8 million (41.3). Loans from credit institutions were EUR 75.4 million (56.4), and lease liabilities were EUR 2.3 million (2.8). Cash and cash equivalents were EUR 31.9 million (17.8).
- Leverage was 1.1 (0.8).
- Increase in net debt in Q3 2022 was due to financing the acquisition of the minority share of EOS Group's German operations.

## Net financial items

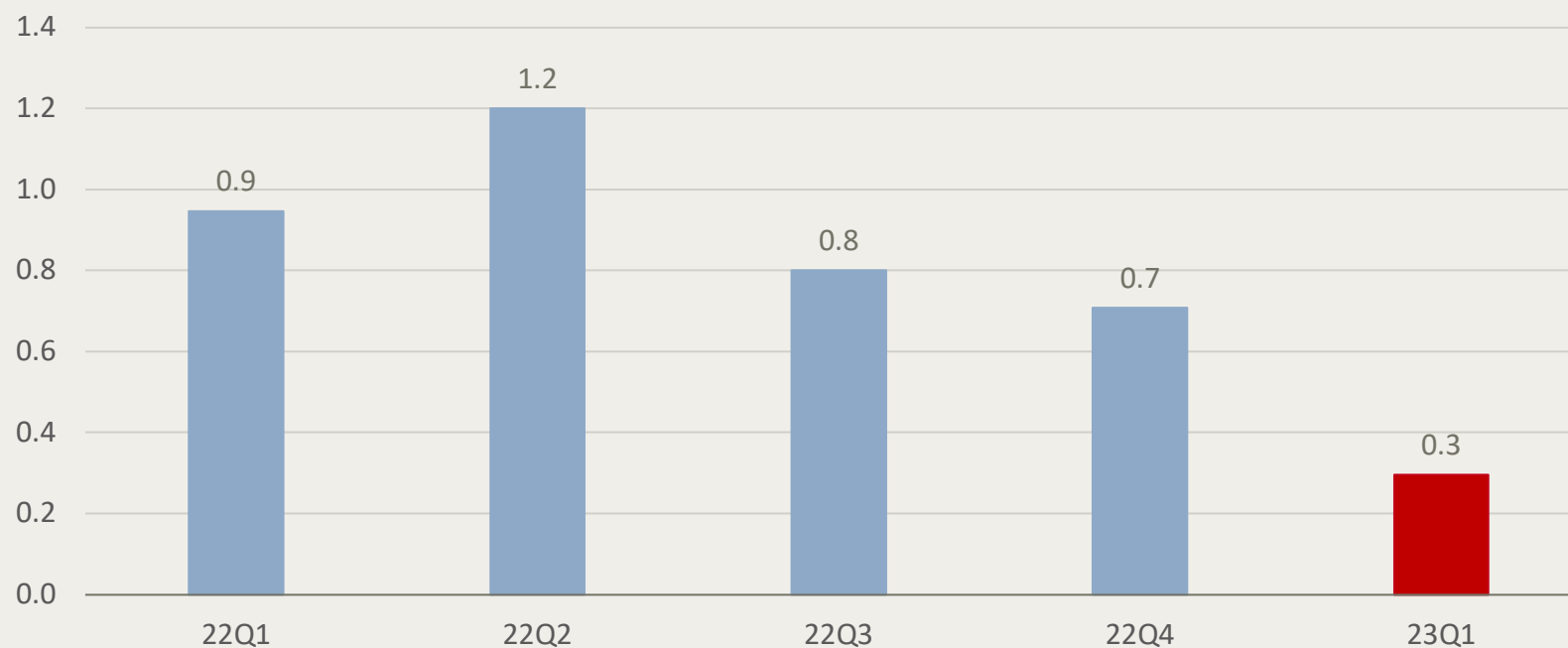
EUR million



- Fluctuation of net financial items is due to change in the fair value of Harvia's interest rate swap. Interest rates went up in 2022, which increased the fair value of the interest rate swap derivative.
- Net financial expenses paid in cash have increased due to a new loan drawn in Q3 2022 amounting to EUR 19 million and higher interest rates.

## Investments in tangible and intangible assets

EUR million

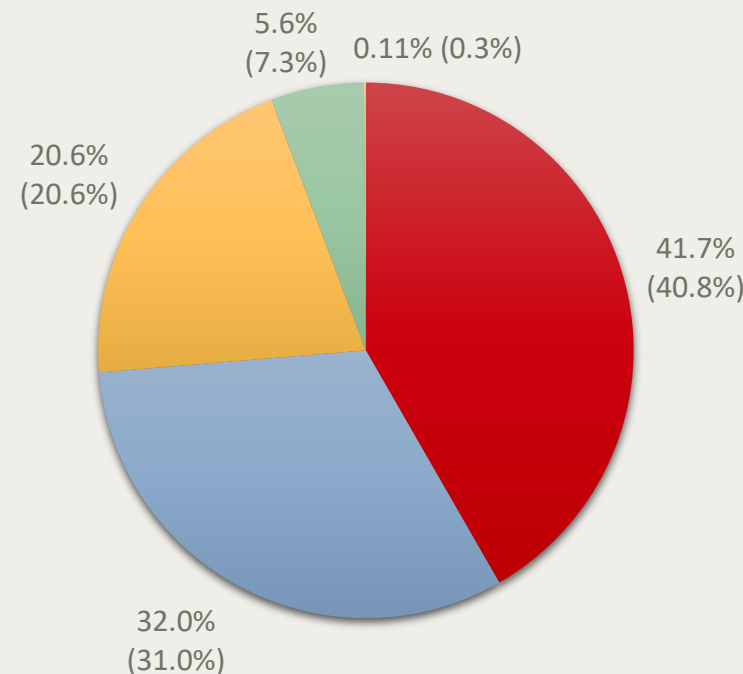


- During the review period, Harvia made minor investments in production machinery and facilities.
- In 2023, Harvia will focus on its strategic priorities: increasing the value of the average purchase by launching new products especially in the saunas and premium segment, expanding geographically by getting approvals for its products in new markets, and improving productivity by focusing on quality, increasing automation and improving efficiency of productions processes.

# HARVIA'S SHAREHOLDERS (31 MARCH 2023)

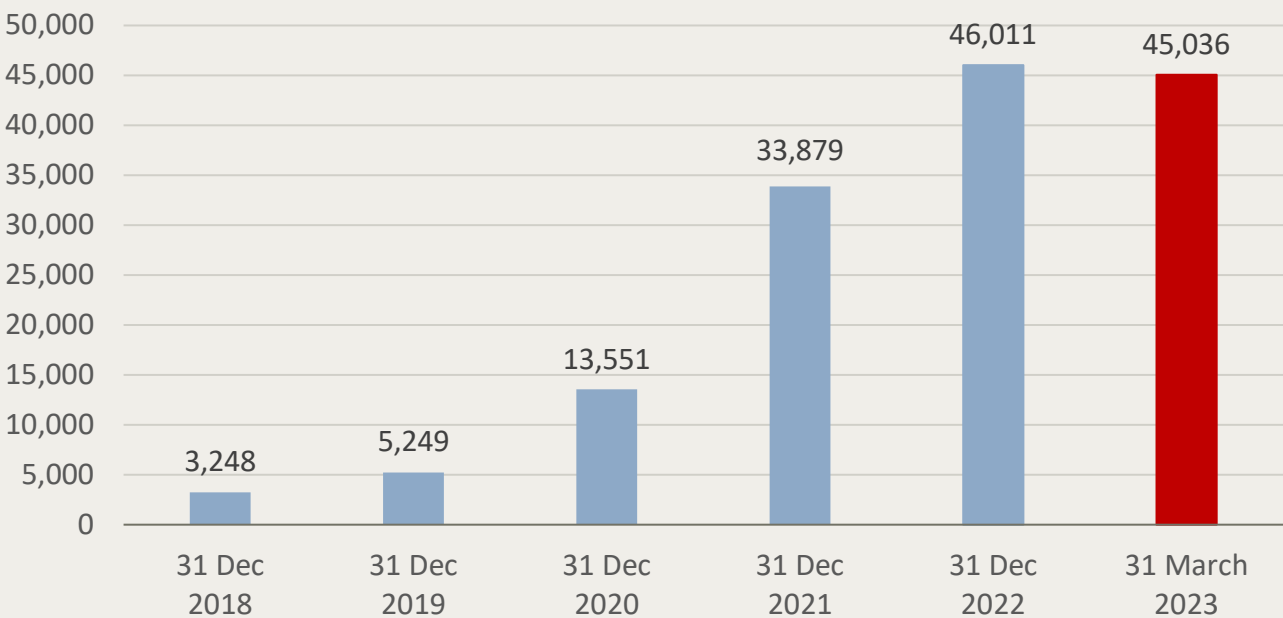


Distribution by Segment



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

Number of Shareholders



- On 31 March 2023, the number of shareholders totaled 45,036 (including nominee registers).
- Harvia held a total of 21,074 own shares related to the share-based incentive program. The shares correspond to 0.11% of the total number of shares.
- The shareholding of the Board of Directors, management and personnel was 5.5%.
- The market value of Harvia's share capital on 31 March 2023 was EUR 409.8 million (679.5).



# 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 0.64 PER SHARE

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- The Annual General Meeting held on 20 April 2023 approved the Board of Directors' proposal that EUR 0.64 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 installments.
- The first installment, EUR 0.32 per share, was paid on 2 May 2023 to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of the dividend of 24 April 2023.
- The second installment, EUR 0.32 per share, will be paid in October 2023.



## HARVIA'S CEO TO CHANGE



- The Board of Directors of Harvia Plc has appointed Matias Järnefelt (M.Sc. Industrial Engineering and Management) as Harvia's CEO.
- Matias Järnefelt has significant experience in demanding international management positions. He has worked several years at Hilti, most recently as the Managing Director for Northern Europe and Great Britain. Prior to joining Hilti, he worked for Nokia in various leadership roles, for example, as the global Head of Sales for Nokia's phone accessory business. Järnefelt is joining Harvia from 9Lives Oy, where he acts as the CEO.
- Järnefelt will start in his position on 1 June 2023.
- Harvia's CEO Tapio Pajuharju resigned from his position in November 2022 but will continue to serve the company until 31 May 2023. Pajuharju has been leading Harvia since 2016.







A photograph of a modern sauna interior. The walls are constructed from stacked, irregular stones in shades of tan and brown. The ceiling is made of horizontal wooden planks. A curved wooden bench with vertical slats is positioned along the right wall. The floor is covered in a layer of white, textured material, possibly snow or salt. A red rectangular box is overlaid in the center, containing the Harvia logo and the text 'Sauna & Spa'. Below this box, the phrase 'Healing with heat' is written in a white, italicized font. In the bottom right corner, there is a small copyright notice.

**HARVIA**

*Sauna & Spa*

*Healing with heat*