



*Healing with heat*

# **HARVIA PLC FINANCIAL STATEMENTS BULLETIN**

**JANUARY–DECEMBER 2023**

**Q4: REVENUE BACK TO GROWTH WITH  
STRONG PROFITABILITY AND CASH FLOW**

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**Matias Järnefelt, CEO**

**Ari Vesterinen, CFO**

**8 FEBRUARY 2024**



# HIGHLIGHTS

## Revenue back to growth in Q4

- Q4 overall revenue increased by 3.4%, organic growth was 5.2%
- Strong growth especially in North America and Asia-Pacific, North American performance visible in growing overall sauna room sales
- Improving performance in Central Europe, where normalizing inventory levels and growing channel confidence supported sales
- In Finland and Scandinavia, tough market conditions visible in declining sales

## Profitability and cash flow on a strong level

- Q4 adjusted operating profit strong at 24.2% of revenue
- Profitability supported by revenue growth, successful actions in pricing and improving efficiency across supply chain, as well as easing inflation pressures for some key materials and components
- Cash flow also very strong, supported by successful further reduction of inventory levels

## Foundations for further growth strengthened

- Biggest growth opportunities seen in North America and Asia-Pacific, but good potential also in Europe
- Raising the ambition level for delivering exciting innovations to the market
- New organizational model, effective from 1 January 2024, supports profitable growth and productivity improvement in entire Harvia Group



## Q4 2023: REVENUE TURNED TO GROWTH

- **Revenue** increased by 3.4% to EUR 39.4 million (38.1) compared to the fourth quarter of 2022. At comparable exchange rates, revenue increased by 5.2% to EUR 40.1 million. Organic revenue growth was 5.2%.
- **Operating profit** was EUR 9.2 (6.6) million, making up 23.4% (17.2) of the revenue.
- **Adjusted operating profit** was EUR 9.5 million (7.9), making up 24.2% (20.8) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 9.8 million (24.5% of the revenue).
- **Earnings per share** were EUR 0.39 (0.22).
- **Operative free cash flow** was EUR 15.5 million (15.1).
- **Net debt** was EUR 37.6 million (54.5) and **leverage** 0.9 (1.3).
- **Equity ratio** was 51.0% (47.3%).



## JANUARY–DECEMBER 2023: STRONG PROFITABILITY AND CASH FLOW



- **Revenue** decreased by 12.7% to EUR 150.5 million (172.4) compared to the previous year. At comparable exchange rates, revenue decreased by 11.7% to EUR 152.2 million. Organic revenue growth was -9.4%.
- **Operating profit** was EUR 33.0 (34.7) million, making up 21.9% (20.1) of the revenue.
- **Adjusted operating profit** was EUR 33.7 million (36.5), making up 22.4% (21.1) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 34.4 million (22.6% of the revenue).
- **Earnings per share** were EUR 1.25 (1.45).
- **Operative free cash flow** was EUR 44.6 million (34.0).
- **Net debt** was EUR 37.6 million (54.5) and **leverage** 0.9 (1.3).
- **Equity ratio** was 51.0% (47.3).

# SYSTEMATIC EXECUTION OF STRATEGY



## Increasing the value of the average purchase

- Once again, strong performance in North America supported overall sauna room sales
- Especially in Central Europe, improving demand and performance also in the professional and premium segments
- Geographical expansion continued to increase the value of the average purchase as many markets outside Europe more high-end

## Geographical expansion

- Strong growth continued in North America and Asia-Pacific
- Actions to drive further growth in Asia-Pacific, especially Japan, in focus and progressing in line with plans
- Introducing new models to markets outside Europe progressing, good sales scale-up in North America

## Productivity improvement

- Overall profitability enhanced by successful actions in sourcing, pricing and operations as a whole
- Inventory levels declined despite growing sales, supporting cash flow
- New organizational model, effective from 1 Jan 2024, will support group-wide profitability development

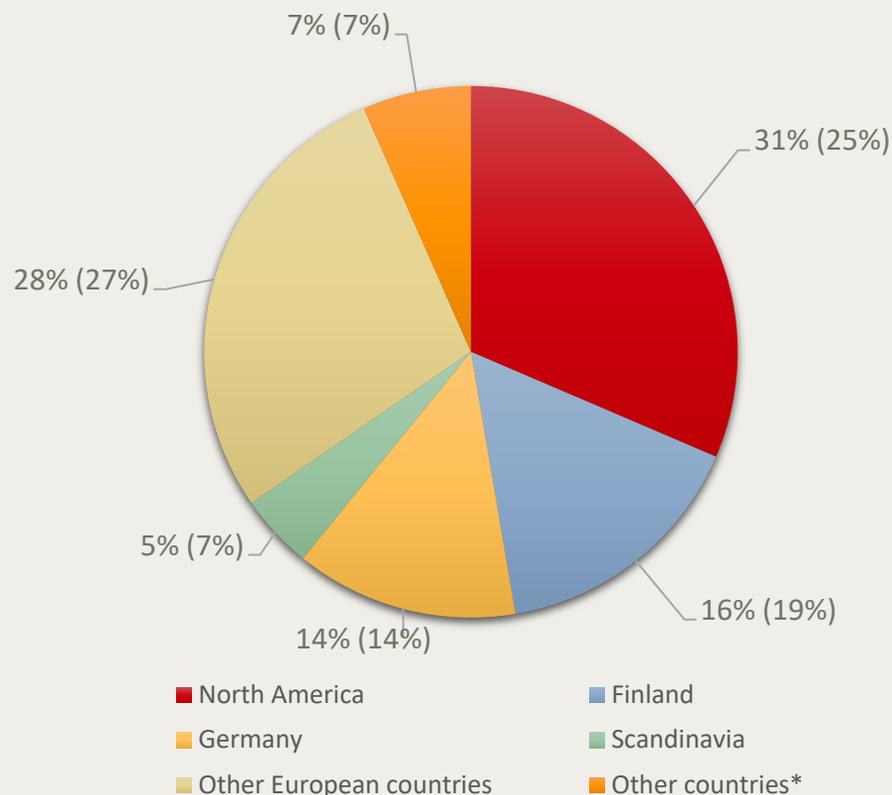


# Q4 2023: STRONG GROWTH IN NORTH AMERICA



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

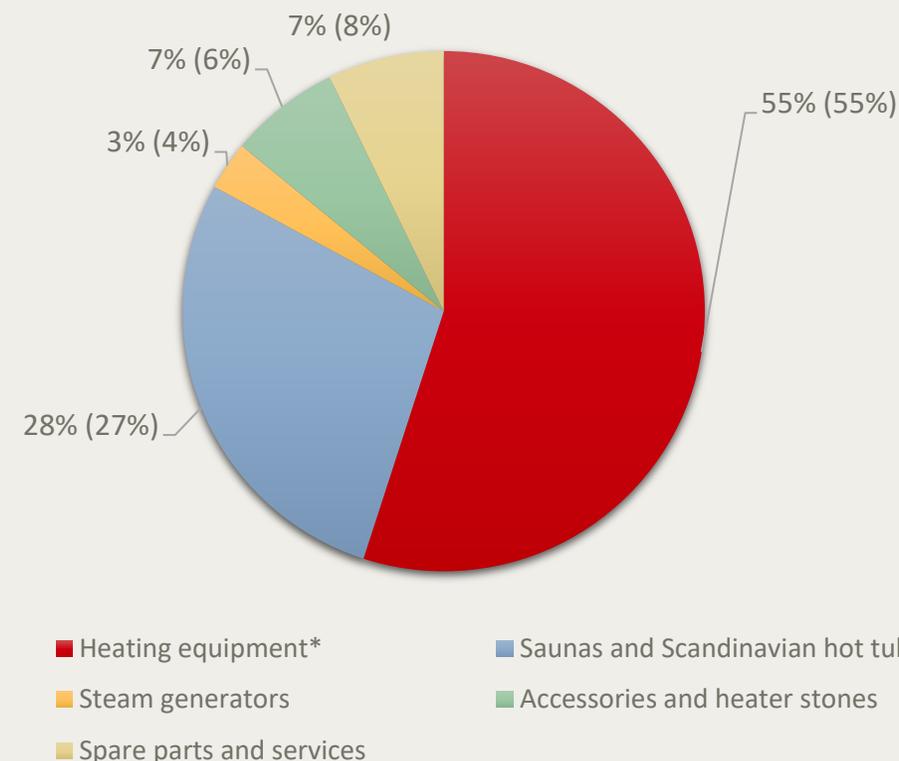
## Revenue by market area, %



- Revenue increased by 3.4% to EUR 39.4 million (38.1).
- Revenue increased in North America by 28.0% and in other European countries by 6.9%. In other key market areas, sales did not reach the comparison period's level.

\* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but its share of the revenue was 2% in Q4 2022.

## Revenue by product group, %



- Revenue increased in heating equipment, saunas and Scandinavian hot tubs and heater stones in Q4.
- Growth in North America supported especially the sales of sauna rooms, which form the majority of sales in North America.

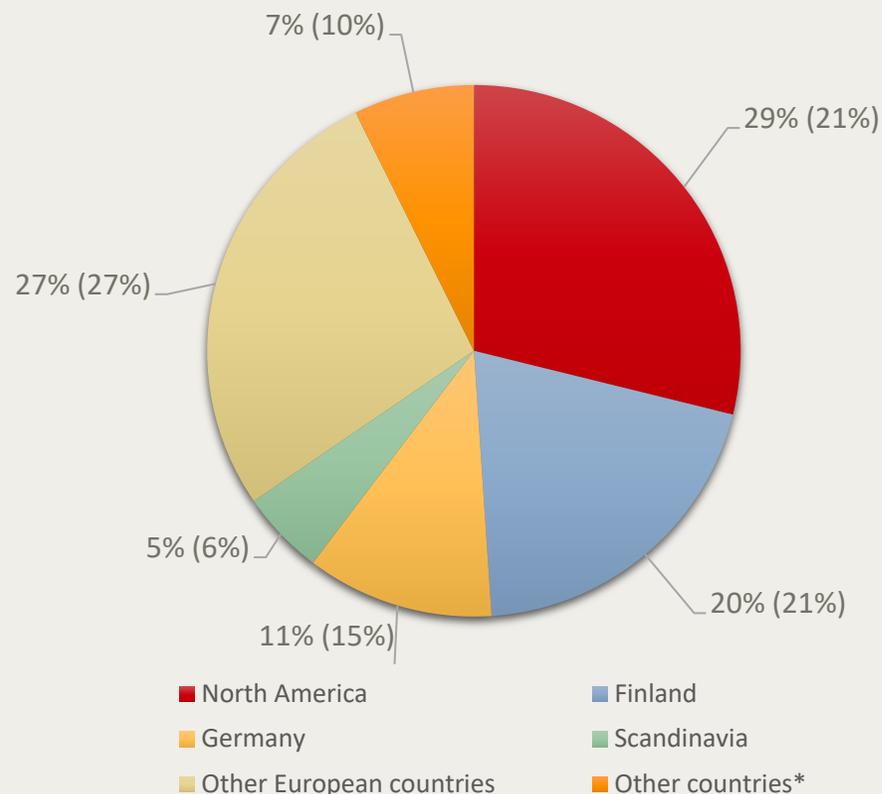
\* Sauna heaters, control units, IR components

# JANUARY–DECEMBER 2023: NORTH AMERICA BECAME THE LARGEST REPORTED MARKET AREA



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

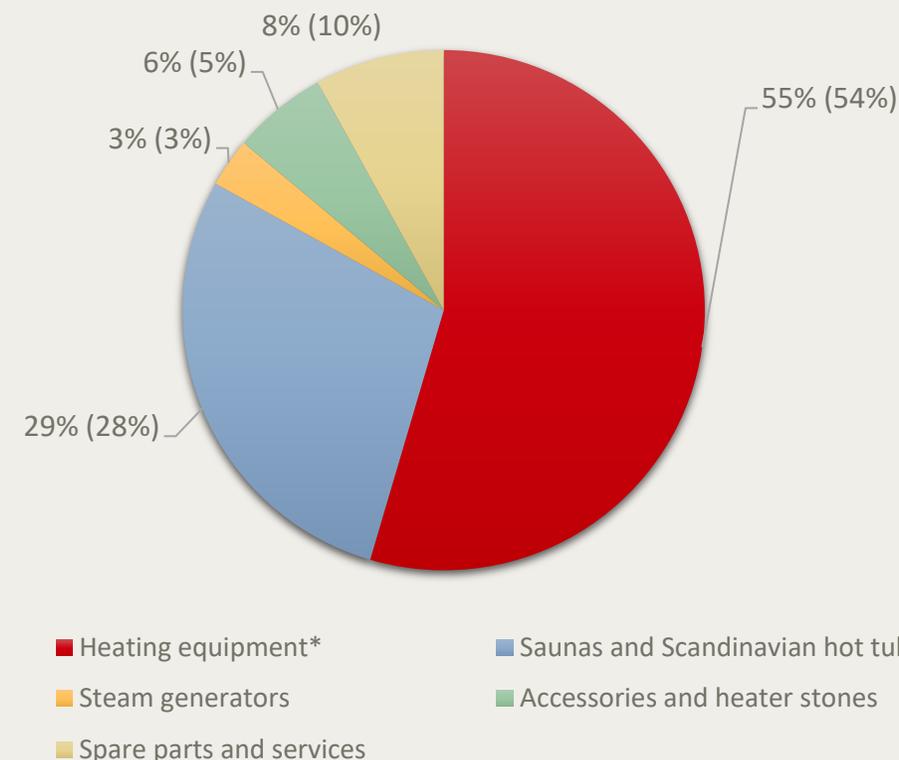
## Revenue by market area, %



- Revenue decreased by 12.7% to EUR 150.5 million (172.4).
- Revenue increased in North America by 20.3% but decreased compared to the previous year in all other market areas, especially in Germany and other countries.

\* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but its share of revenue was 4% in 1-12/2022.

## Revenue by product group, %



- Revenue decreased in all product groups except accessories and heater stones in January–December.

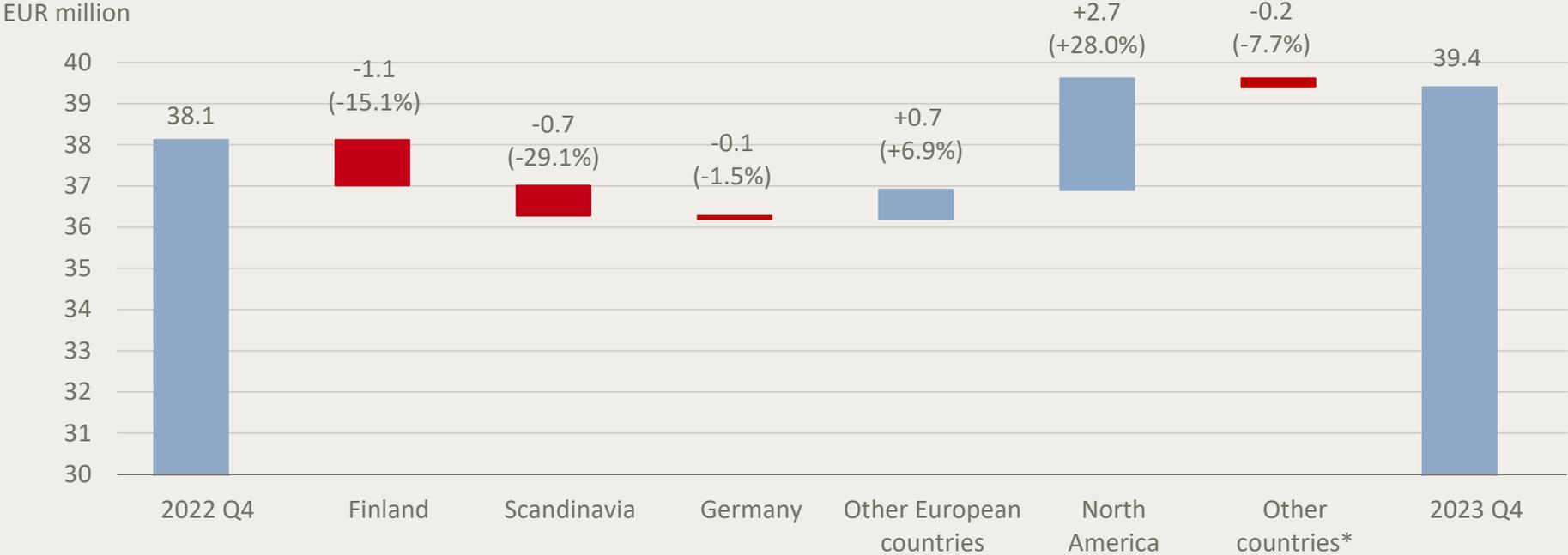
\* Sauna heaters, control units, IR components

# Q4 2023: GROWTH IN NORTH AMERICA AND OTHER EUROPEAN COUNTRIES



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

## Revenue by market area 10–12/2022 vs 10–12/2023



- Organic revenue growth was 5.2%.
- Strong sales growth in North America, growth also in Other European countries.
- Difficult market conditions visible in declining sales in Finland and Scandinavia.
- Revenue in Other countries fell due to the exit from Russia. Excluding Russia, sales growth in the market area was 33%, driven by sales growth in Asia-Pacific.

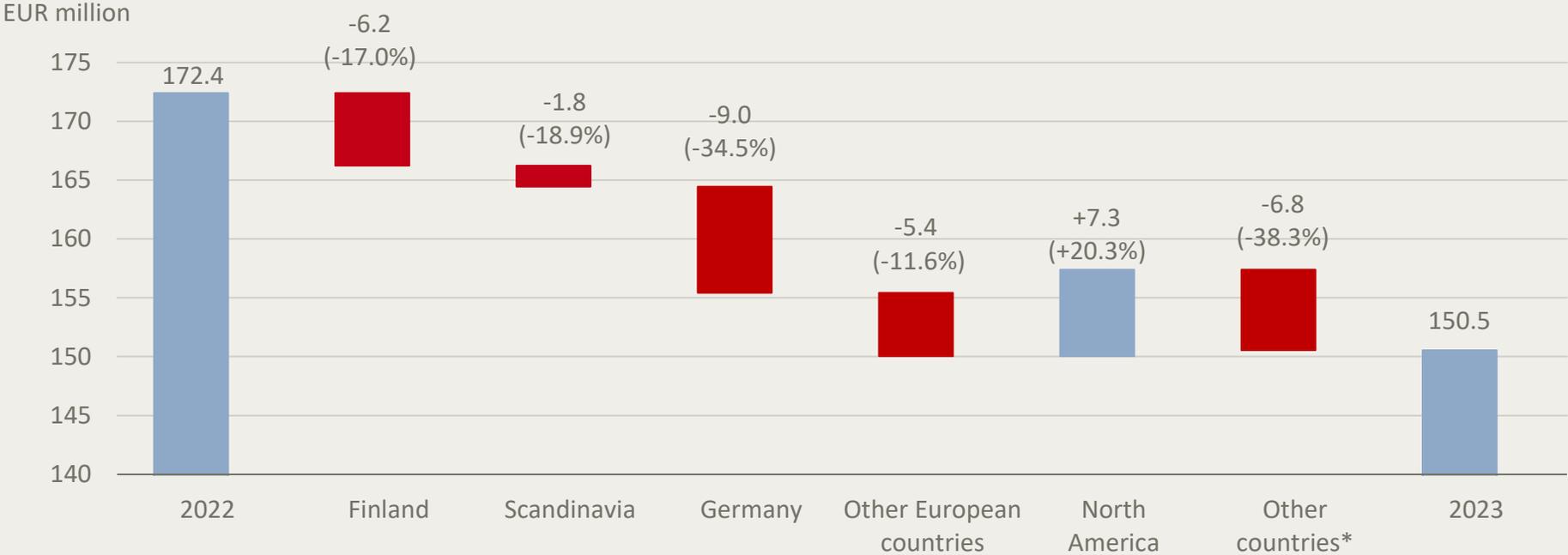
\* The largest of which: Asia and Middle East and Africa . Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 0.9 million in 10–12/2022.

# JANUARY–DECEMBER 2023: GROWTH IN NORTH AMERICA WHILE DECLINE IN OTHER REPORTED MARKET AREAS



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

## Revenue by market area 1–12/2022 vs 1–12/2023



- Organic revenue growth was -9.4%.
- Revenue increased in North America by 20.3%.
- Difficult market conditions visible in sales in Europe, especially Germany.
- Revenue in Other countries fell by 38.3%, driven especially by the exit from Russia in 2022.

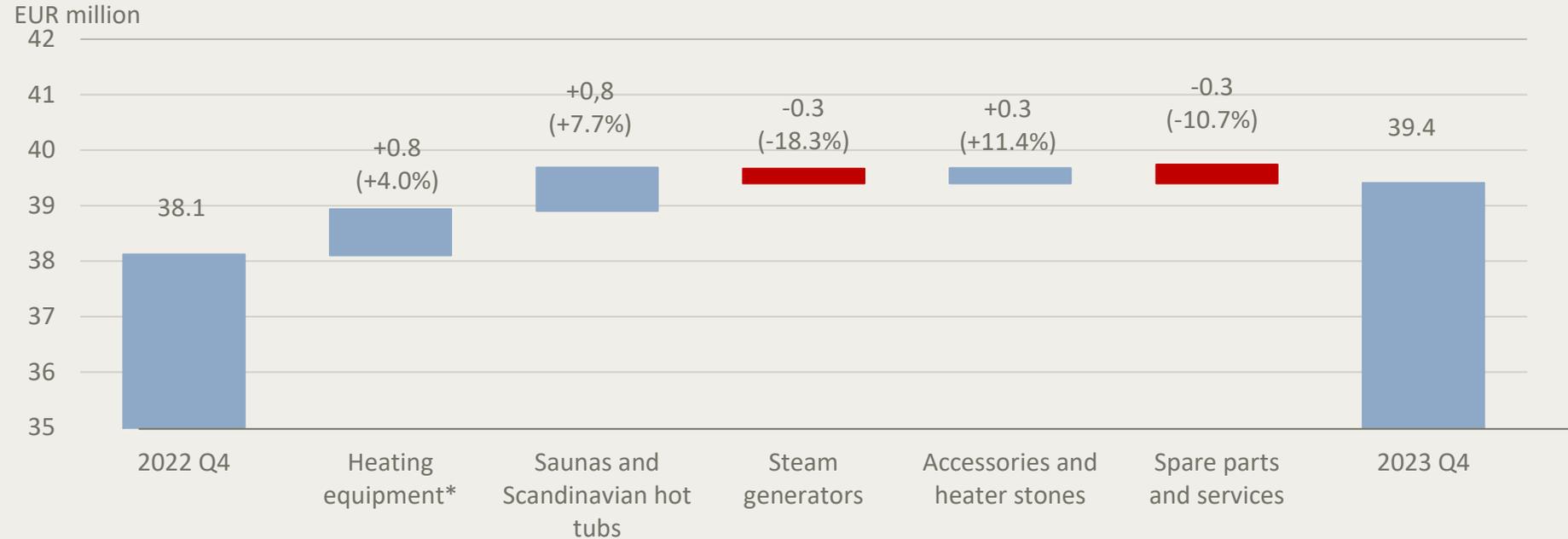
\* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 7.5 million in 1–12/2022.

# Q4 2023: GROWTH IN SEVERAL 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 10–12/2022 vs 10–12/2023



- Revenue grew in heating equipment, saunas and Scandinavian hot tubs as well as in accessories and heater stones.
- North American performance supported the sales of sauna rooms, which form majority of sales in North America.
- The decline in the sales of spare parts and services was driven by the exit from Russia in 2022.

\* Sauna heaters, control units, IR components

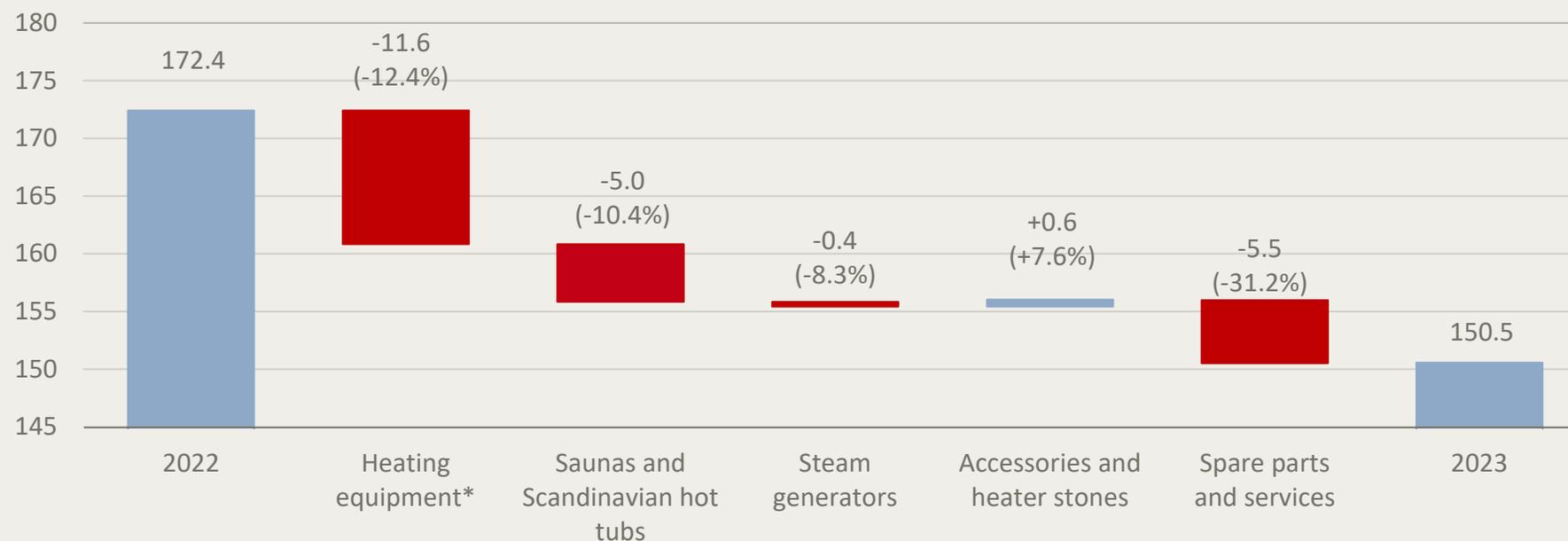
# JANUARY–DECEMBER 2023: CHALLENGING MARKET CONDITIONS VISIBLE IN DECLINE IN MOST PRODUCT GROUPS



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

## Revenue by product group 1–12/2022 vs 1–12/2023

EUR million



- Sales declined in all product groups except in accessories and heater stones.
- Sales of spare parts and services decreased significantly alongside the general market demand, but also due to the exit from Russia in 2022.

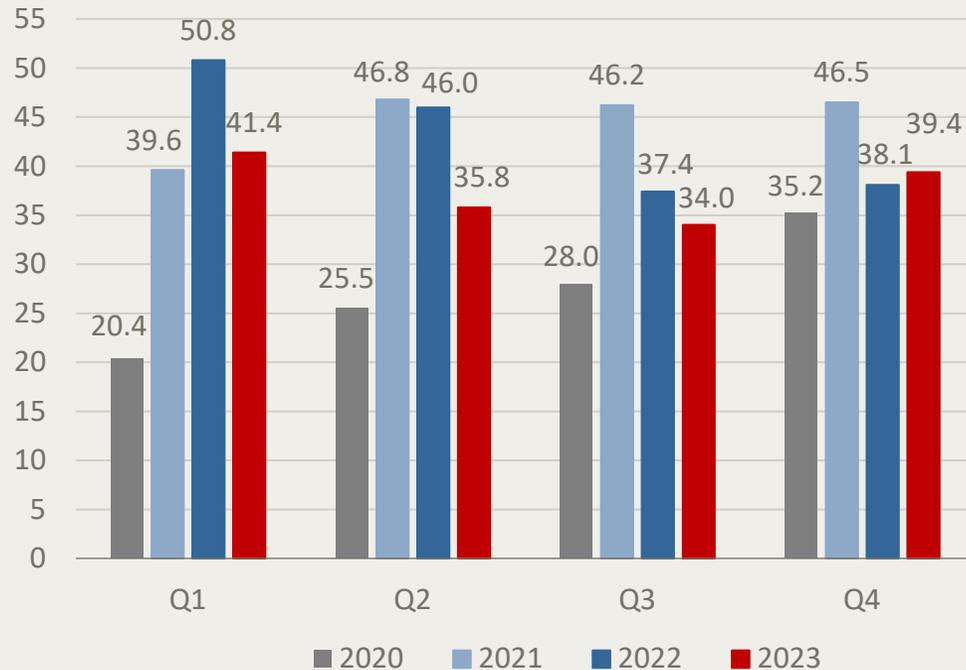
\* Sauna heaters, control units, IR components

# REVENUE AND ADJUSTED OPERATING PROFIT



## Revenue

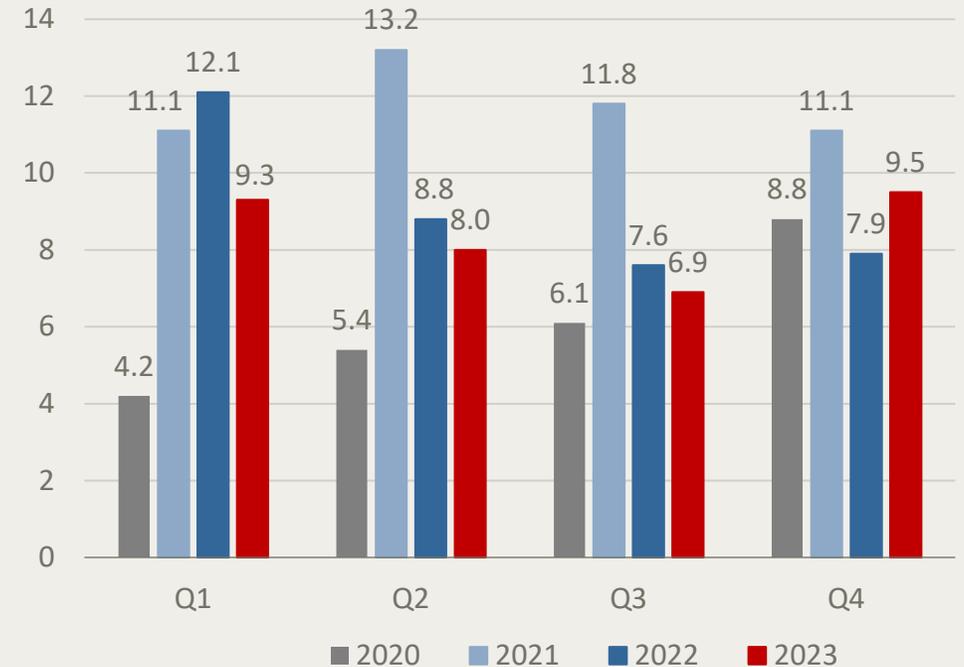
EUR million



- The Group's revenue decreased in January–December by 12.7% to EUR 150.5 million (172.4).
- At comparable exchange rates, Q4 revenue increased by 5.2% and was EUR 40.1 million.

## Adjusted operating profit

EUR million



- Adjusted operating profit increased to EUR 9.5 million (7.9), making up 24.2% (20.8) of the revenue in the fourth quarter.
- In January–December, adjusted operating profit decreased to EUR 33.7 million (36.5) and the adjusted operating profit margin was 22.4% (21.1).

# PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



*Traditional sauna*



*Steam*



*Infrared*

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 average purchase value**



**Geographical expansion**



**Productivity improvement**



# FINANCIALS

## ARI VESTERINEN, CFO

# HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



Million EUR	10-12/2023	10-12/2022	Change	1-12/2023	1-12/2022	Change
<b>Revenue</b>	39.4	38.1	3.4%	150.5	172.4	-12.7%
<b>Adjusted EBITDA*</b>	11.1	9.5	16.9%	39.9	42.9	-7.0%
<b>% of revenue</b>	28.3%	25.0%		26.5%	24.9%	
<b>Adjusted operating profit*</b>	9.5	7.9	20.1%	33.7	36.5	-7.6%
<b>% of revenue</b>	24.2%	20.8%		22.4%	21.1%	
<b>Basic EPS (EUR)</b>	0.39	0.22	76.9%	1.25	1.45	-14.3%
<b>Operating free cash flow</b>	15.5	15.1	2.2%	44.6	34.0	31.2%
<b>Investments in tangible and intangible assets</b>	-1.4	-0.7	104.2%	-3.1	-3.6	-12.9%
<b>Net debt</b>	37.6	54.5	-31.1%	37.6	54.5	-31.1%
<b>Leverage</b>	0.9	1.3		0.9	1.3	
<b>Net working capital</b>	36.1	45.3	-20.3%	36.1	45.3	-20.3%
<b>Adjusted return on capital employed (ROCE)</b>	44.2%	54.5%		44.2%	54.5%	
<b>Equity ratio</b>	51.0%	47.3%		51.0%	47.3%	
<b>Number of employees at end of period</b>	605	633	-4.4%	605	633	-4.4%

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

# OPERATING FREE CASH FLOW AND CASH CONVERSION ON A STRONG LEVEL



## Operating free cash flow and cash conversion\*

EUR million



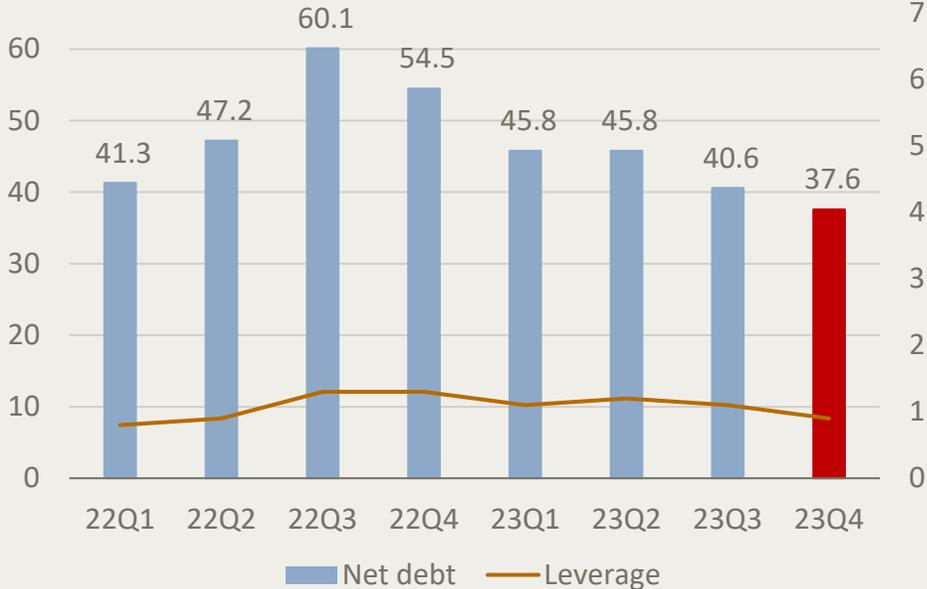
- In the review period, the company’s operating free cash flow was EUR 15.5 million (15.1) and cash conversion 138.9% (158.9).
- The increase in free cash flow in previous quarters was driven by decrease in net working capital and low level of investments.

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

# HARVIA'S CASH POSITION WAS VERY STRONG, EUR 40.6 MILLION

## Net debt and leverage

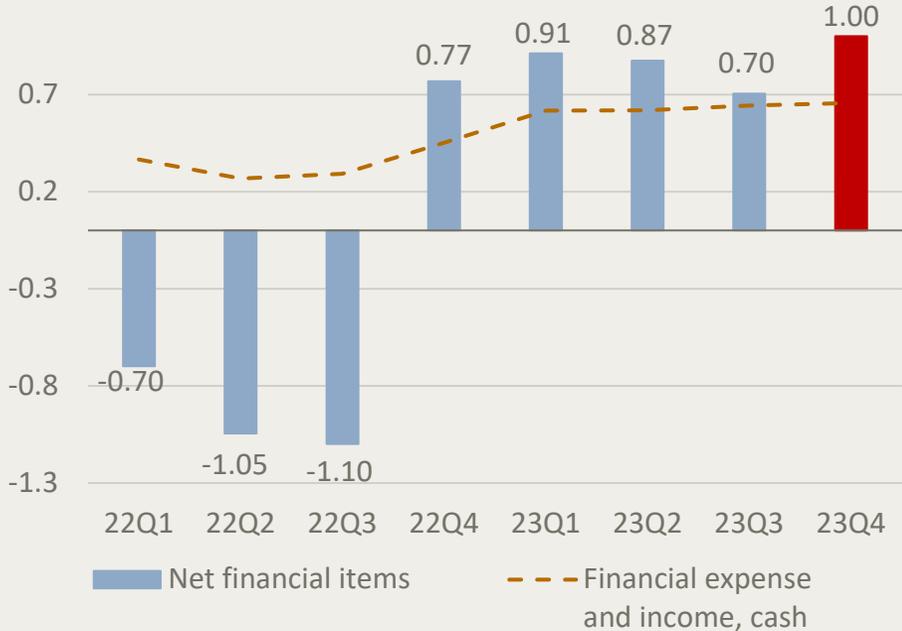
EUR million



- At the end of December 2023, the company's net debt amounted to EUR 37.6 million (54.5). Loans from credit institutions were EUR 75.4 million (77.4), and lease liabilities were EUR 2.7 million (2.4). Cash and cash equivalents were EUR 40.6 million (25.3).
- Leverage was 0.9 (1.3).

## Net financial items

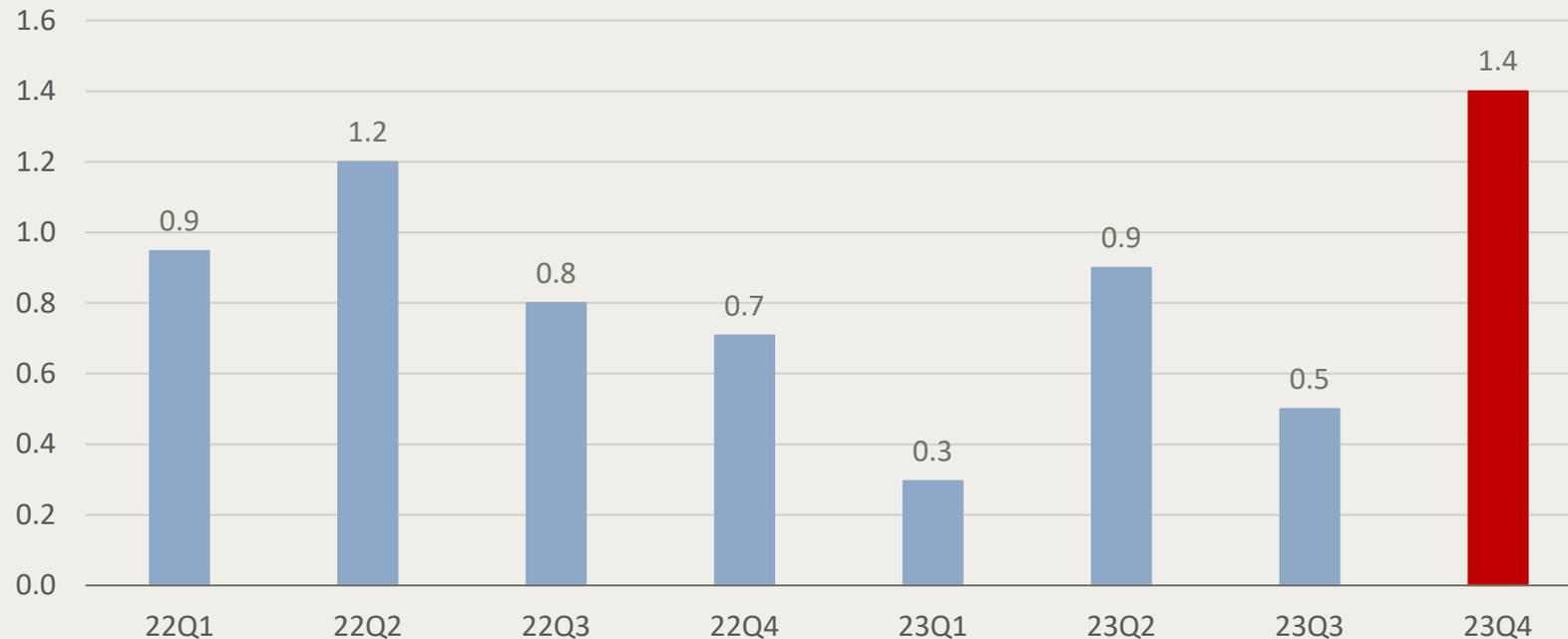
EUR million



- Fluctuation in the net financial items is due to changes in the fair value of Harvia's interest rate swap. Changes in fair value of the swap have no cash flow impact.

## Investments in tangible and intangible assets

EUR million

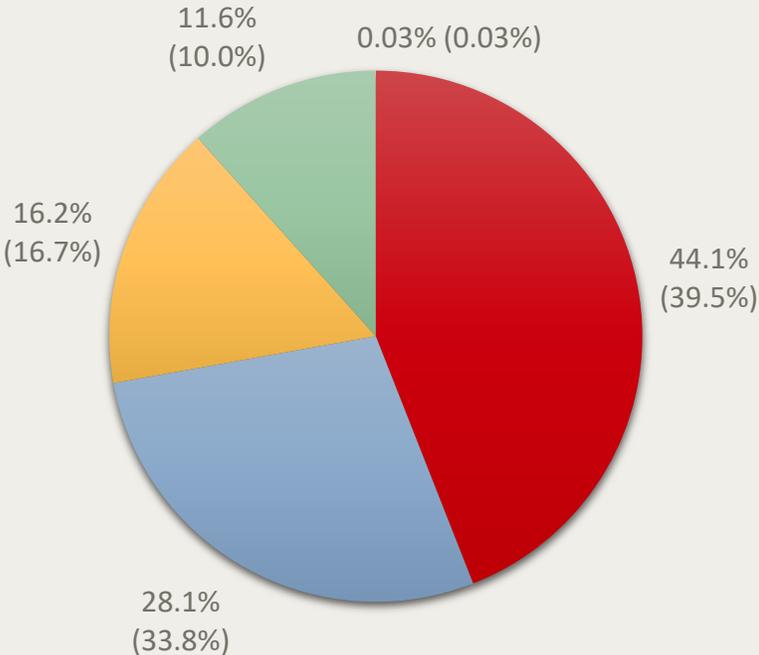


- Harvia continued to improve its energy efficiency in several factories and increased automation in its factories in the USA and Germany. In addition, Harvia optimized its production processes with layout changes at the Muurame factory and continued to upgrade air conditioning and lighting to improve working conditions at the factories in Muurame and the USA. In addition, a production line for wood burning heater frames was completed in Muurame.
- In 2023, Harvia continued to focus on its strategic priorities, one of which is productivity improvement. There, focus is set on quality, increasing automation and improving efficiency of production processes.

# HARVIA'S SHAREHOLDERS (31 DECEMBER 2023)

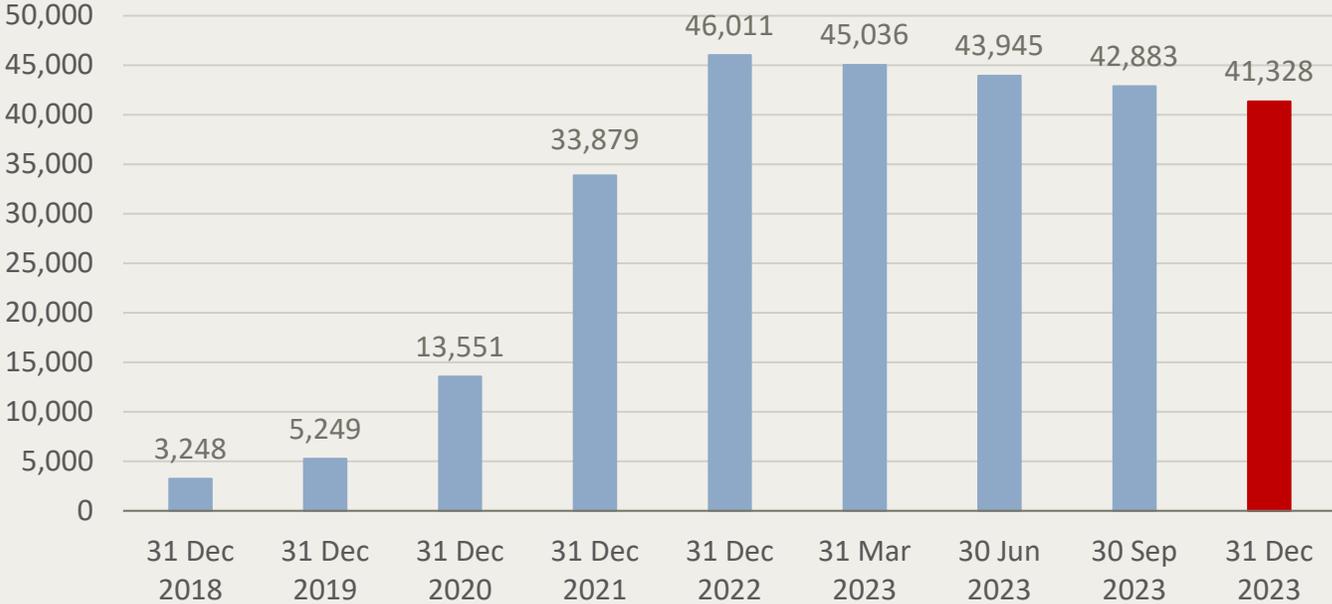


## Distribution by Segment



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

## Number of Shareholders



- On 31 December 2023, the number of shareholders totaled 41,328 (including nominee registers).
- Harvia held a total of 5,072 own shares. The shares correspond to 0.03% of the total number of shares.
- The shareholding of the Board of Directors, management and personnel was 3.2%.
- The market value of Harvia's share capital on 31 December 2023 was EUR 508.5 million (330.5).

# 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.



## ORGANIZATIONAL AND MANAGEMENT CHANGES



- Harvia has made changes to its organizational structure and Group Management Team with the aim to increase Harvia's customer and market orientation and to drive innovation and organic growth. The target is also to allow leveraging Group synergies better and to offer a platform for inorganic growth.
- The new organization structure consists of four geographical sales regions, five Group functions and EOS Brands and Products.
- During Q4, Harvia implemented the new organizational structure, effective from 1 January 2024.
- Harvia announced on 26 January 2024 a key recruitment to the new organization by appointing Jennifer Thayer as Head of Region, North America and a member of Harvia's Management Team. She started in the position on 1 February 2024.



## DIVIDEND PROPOSAL



- Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.68 (0.64) per share, EUR 12,712,080 in total, for the financial period ended 31 December 2023.
- The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.34 in May 2024 and EUR 0.34 in October 2024.

# Q & A



#healing



A close-up photograph of a Harvia sauna heater. The heater is a dark, cylindrical unit with a glowing yellow LED light strip along its top edge. Below the heater, a metal basket filled with dark, jagged sauna stones is visible. A small black tag with the Harvia logo is attached to the basket. The background is a light-colored wall.

**HARVIA**

Sauna & Spa

*Healing with heat*

**HARVIA**