

Harvia Plc Half-year financial review | January–June 2024

**HARVIA Q2 2024:**  
**SIGNIFICANT SALES GROWTH**  
**AND STRONG PROFITABILITY**

Matias Järnefelt, CEO | Ari Vesterinen, CFO

8 August 2024

# Welcome!

## Agenda for today



### Matias Järnefelt, CEO

- Highlights of Q2/2024 business and financial performance
- Strategy implementation and ThermaSol acquisition



### Ari Vesterinen, CFO

- Financial performance details in Q2/2024

# Q2 2024 highlights



## Revenue growth in all sales regions

- Revenue increased by 20.7% to EUR 43.2 million
- Growth in all sales regions; North America and APAC & MEA strong while market conditions and sales performance gradually improving in Continental Europe and Northern Europe
- Revenue growth partly boosted by some deliveries from Finland that were postponed from the first to the second quarter due to the strikes in Finland in March

## Strong profitability maintained

- Robust operative performance with adjusted operating profit of EUR 9.4 million, or 21.8% of revenue
- Maintained strong profitability while simultaneously increasing investments aiming to drive growth, especially in commercial organization and portfolio development

## Updated strategy and financial targets reflect increased growth ambition

- Harvia updated its long-term financial targets and strategy in May, when the company held its first Capital Markets Day
- Harvia sees plenty of growth opportunities – both organic and through acquisitions as an active market consolidator
- Announcement after the reporting period: Acquisition of the U.S. steam solutions provider ThermaSol



# Q2 2024 key figures

## Revenue

**43.2**

(35.8)  
EUR million

**+20.7%**

YoY growth

Organic revenue growth: **20.1%**  
Growth at comparable exchange rates: **20.3%**

## Adjusted operating profit

**9.4**

(8.0)  
EUR million

**21.8%**

(22.3%)  
of net sales

## Operating free cash flow

**5.5**

(9.1)  
EUR million

**50.0%**

(96.1%)  
cash conversion



# H1 2024 key figures

## Revenue

**85.5**

(77.2)  
EUR million

## Adjusted operating profit

**19.5**

(17.3)  
EUR million

## Operating free cash flow

**16.6**

(20.8)  
EUR million

**+10.9%**

YoY growth

**22.8%**

(22.4%)  
of net sales

**73.2%**

(102.2%)  
cash conversion

Organic revenue growth: **10.4%**  
Growth at comparable exchange rates: **10.8%**

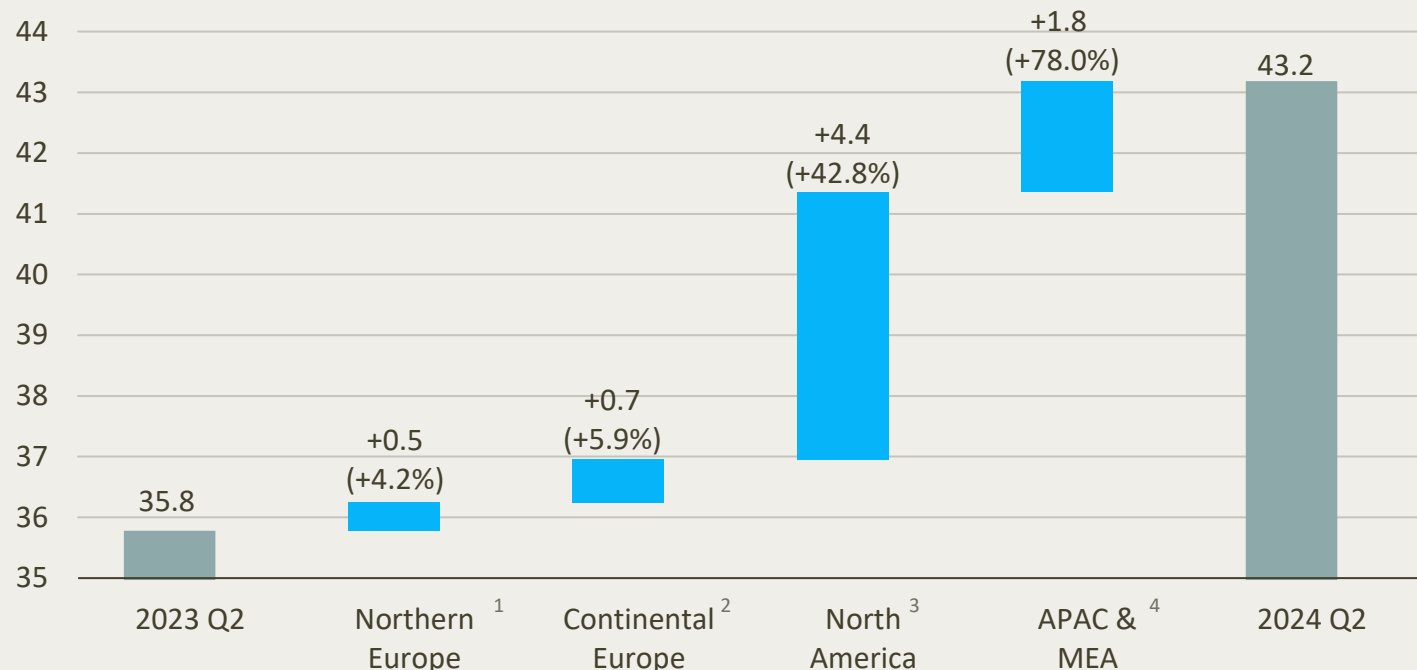
# Q2 2024: Growth in all regions, especially outside Europe



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2024, Harvia reports its revenue as presented below.

## Revenue by sales region 4–6/2023 vs 4–6/2024

EUR million



- Total revenue in Q2/2024 grew by 20.7% to EUR 43.2 million
- Revenue increased in all regions, but was driven especially by the strong growth in North America and APAC & MEA
- Gradually improving market conditions and successful sales efforts visible in growing sales in Europe, although full recovery has not been reached yet

1) Finland, Sweden, Denmark, Norway, Iceland, Estonia, Latvia, Lithuania

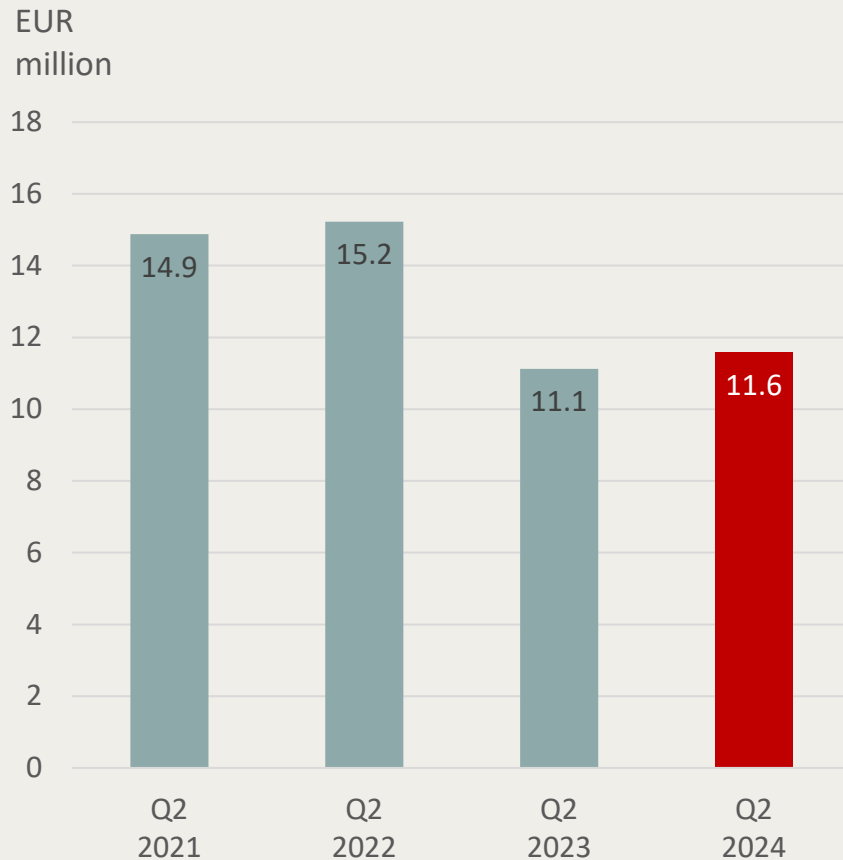
2) Europe excluding countries specified as Northern Europe

3) The United States and Canada

4) The region Asia-Pacific, Middle East, Africa, and all other countries excluding above

# Northern Europe: Growth after two years of decline

## Q2 revenue in Northern Europe, 2021–2024



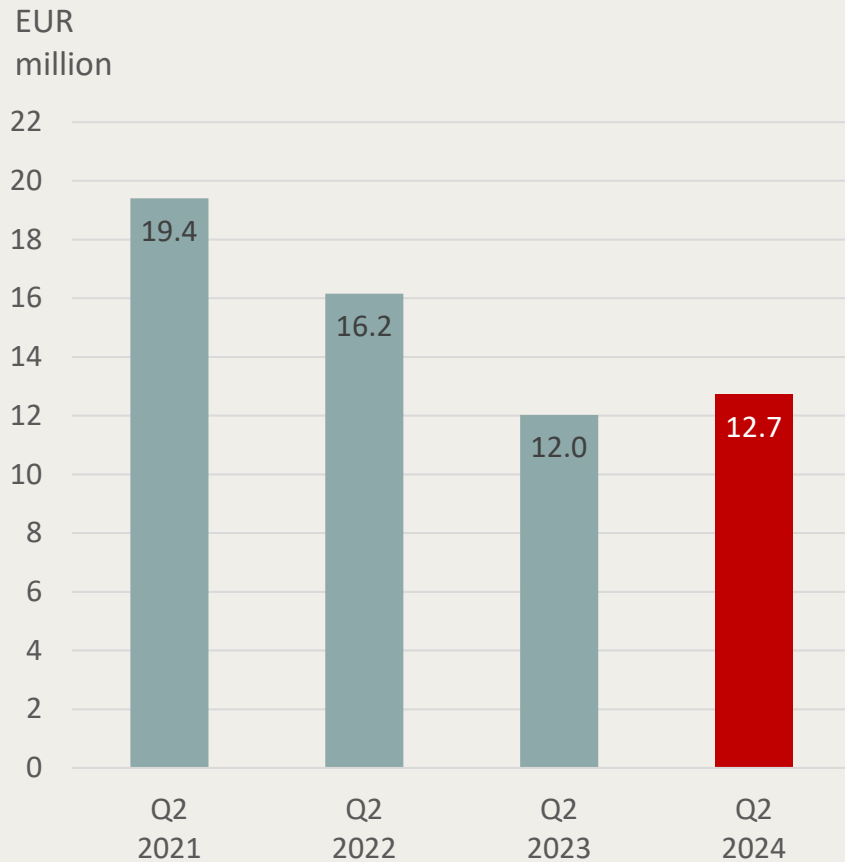
**27%**  
(31%)  
Share of Harvia's  
total revenue

- Revenue in Q2 grew by 4.2% to EUR 11.6 million
- First quarter with revenue growth in the region for two years
- Market conditions in the region have been difficult for a long time, but some early signs of stabilization are visible



# Continental Europe: Gradually improving market conditions and revenue growth

## Q2 revenue in Continental Europe, 2021–2024



**29%**  
(34%)  
Share of Harvia's  
total revenue

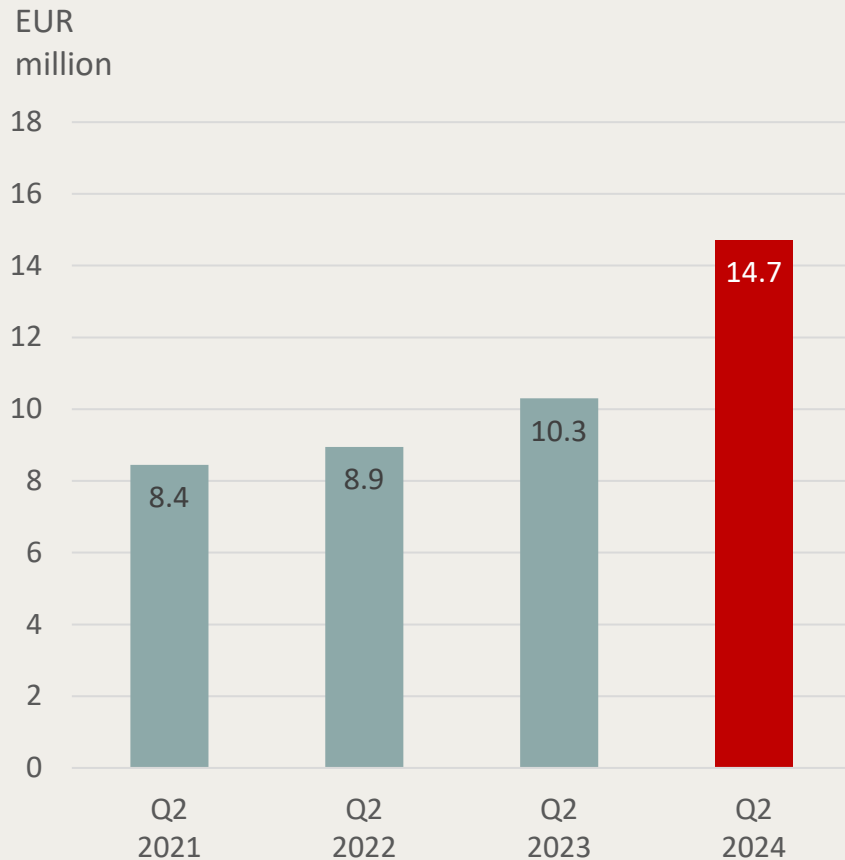
- Revenue in Q2 grew by 5.9% to EUR 12.7 million
- Market conditions have been gradually improving since late 2023, development continued during the quarter
- Stronger growth outside Europe has reduced Continental Europe's share of Harvia's total revenue





# North America: High market demand driving revenue in Q2 2024

## Q2 revenue in North America, 2021–2024



**34%**

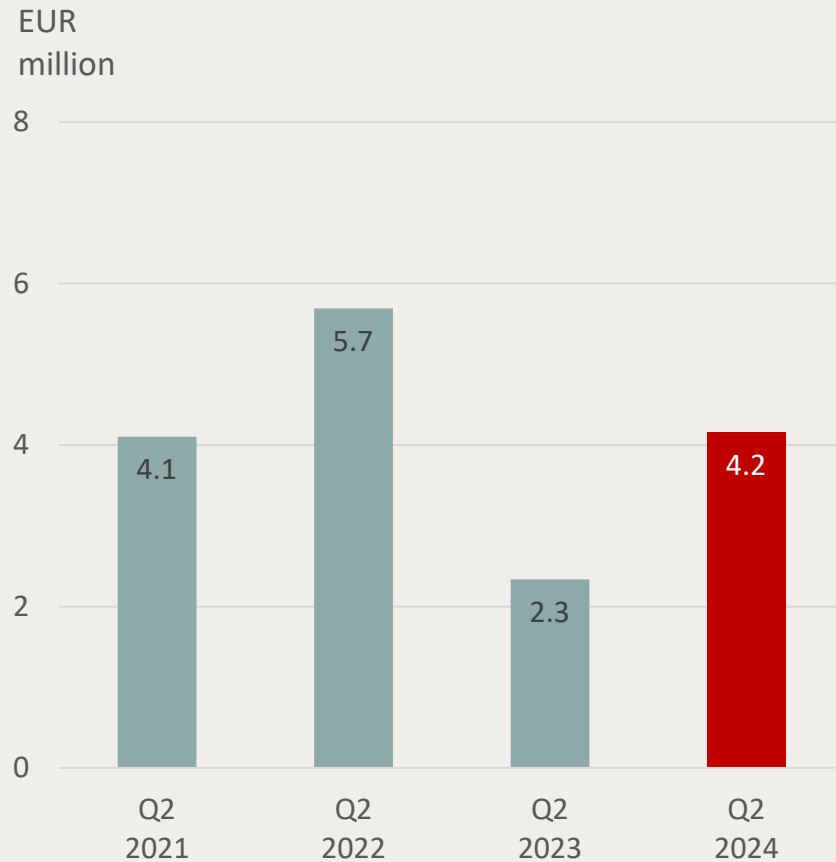
(29%)  
Share of Harvia's  
total revenue

- Revenue in Q2 grew by 42.8% to EUR 14.7 million, strong growth in both full solutions and equipment sales
- Sales growth was driven by continuing strong market conditions, some support from increasing capacity and reducing order backlog during the quarter
- Several investments and improvements in operational and organizational capabilities and efficiency



# APAC & MEA: Rapid growth during the quarter

## Q2 revenue in APAC & MEA, 2021–2024



**10%**  
(7%)  
Share of Harvia's  
total revenue

- Revenue in Q2 grew by 78.0% to EUR 4.2 million
- Revenue growth reflects the good and systematic work done, but was also supported by the timing of some major deliveries
- Region's share of Harvia's total revenue increased, exit from Russia visible especially in Q2 2023 revenue\*



\* Revenue from Russia was EUR 2.6 million in Q2/2022, but there was no revenue from Russia in Q2/2023



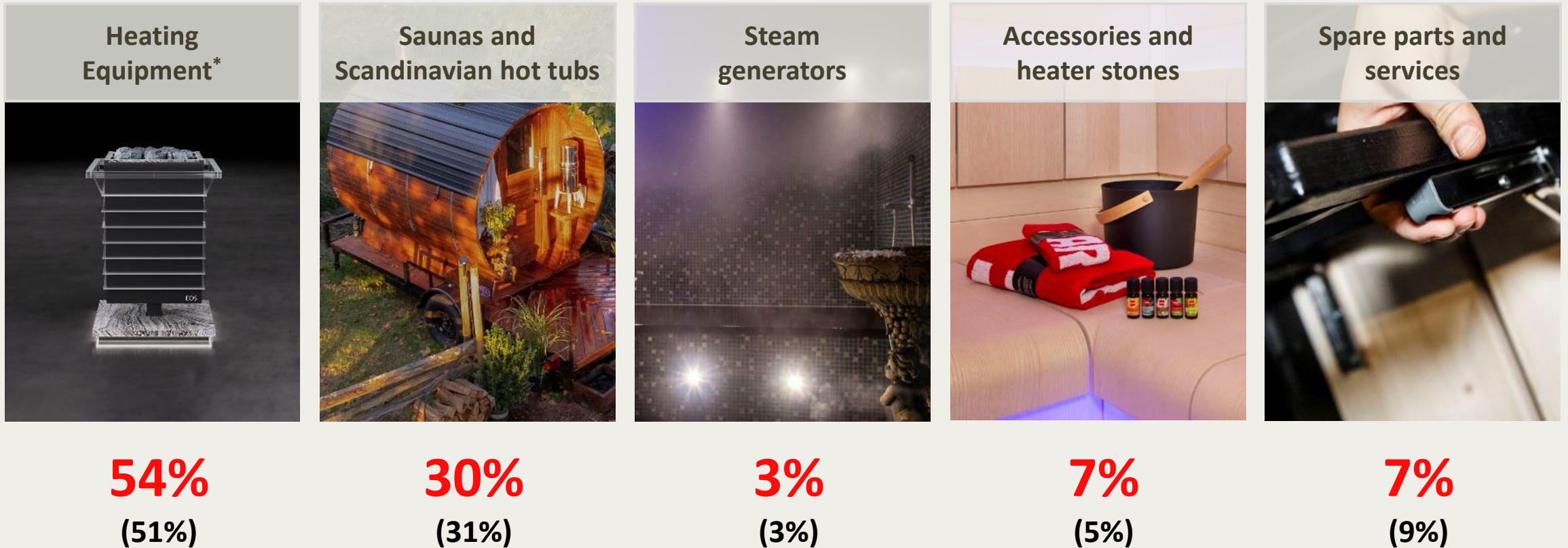
# Harvia offers products and solutions for all sauna types and cultures, for both private and professional customers



# Heating equipment and saunas and Scandinavian hot tubs are Harvia's largest reported product groups

Harvia has adjusted its revenue reporting. Starting from the first quarter of 2024, Harvia reports its revenue as presented below.

## Share of Group's total revenue in Q2 2024



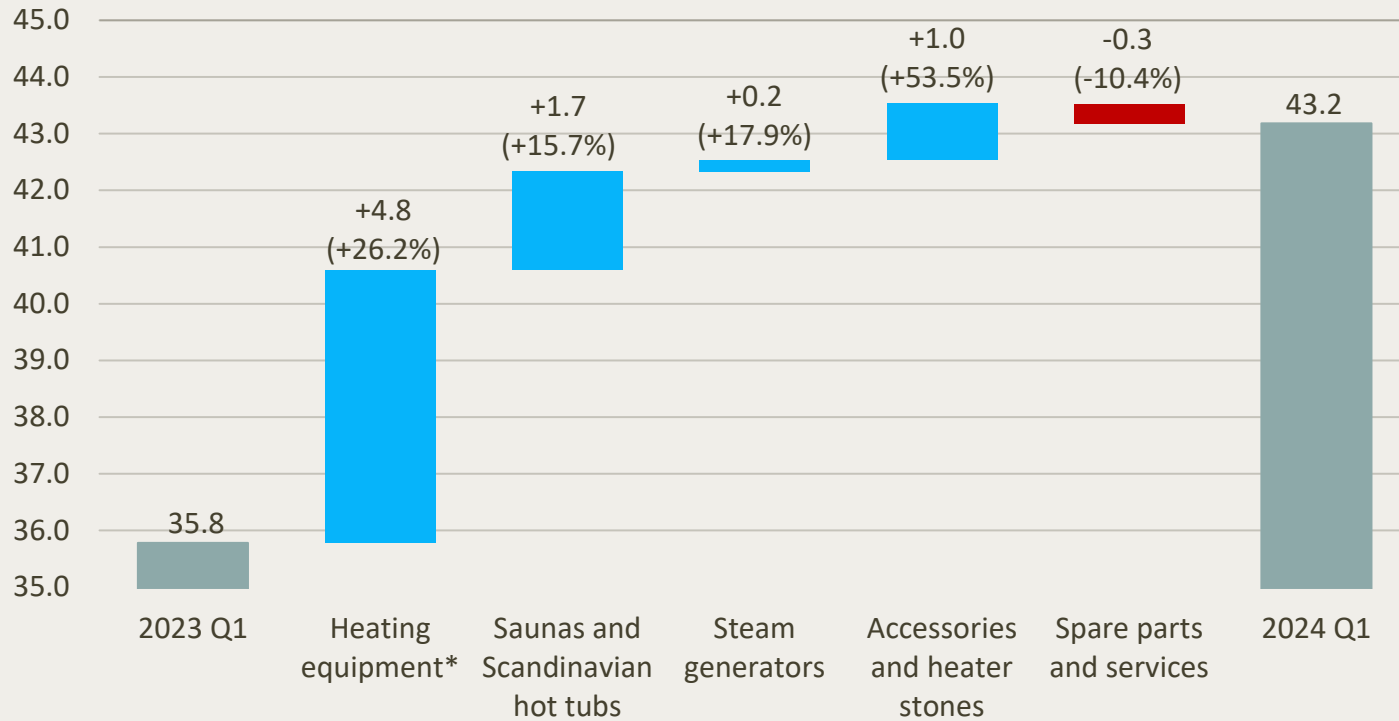
\* Sauna heaters, control units, IR components  
 Note: Figures may not add up to 100% due to rounding



# Q2 2024: Growth in most product groups

## Revenue by product group 4–6/2023 vs 4–6/2024

EUR million



- Majority of reported product groups growing and contributing to overall revenue growth
- Strong growth in heating equipment is supported by both improving sales performance in Northern and Continental Europe and strong growth in North America and APAC & MEA

\* Sauna heaters, control units, IR components

# Harvia's strategic role: Shaping the global sauna market so that everyone has a reason to experience sauna

## Four strategic focus areas

**Delivering**  
the full sauna experience

**Winning**  
in strategically important  
markets

**Leading**  
in key channels

**Best-in-class operations & great people**



# Executing strategic focus areas in Q2 2024

## Delivering the full sauna experience

- Growth across portfolio, in both solutions and equipment as well as in all three sauna types
- Innovation work and portfolio strengthening proceeding, new product announcements in the pipeline

## Winning in strategically important markets

- Strong growth in key markets in North America and APAC & MEA
- Good sales efforts in Europe, capturing growth in gradually improving market conditions
- M&A actively progressed – results seen after the reporting period

## Leading in key channels

- Strengthening distribution and partnerships continued, e.g. in Japan
- Ongoing work in sharpening the company's channel strategy and fitting portfolio to it

## Best-in-class operations & great people

- Changes in management: Philipp Krauth appointed as Managing Director of EOS, Head of EOS Brands and Products, and a member of Harvia's Management Team. Krauth will assume his position on 12 August 2024.
- Add-on investments to improve productivity in operations, such as a new and more automated wood-burning heater production line in Muurame

# After the reporting period, Harvia acquired the U.S. high-end steam solutions provider ThermaSol



## Overview

- Harvia signed an agreement to acquire ThermaSol on 22 July 2024. The deal was closed in July.
- The acquisition complements Harvia's offering in the attractive steam segment and supports growth in North America. It also supports Harvia's strategy to be an active market consolidator and strengthens its leading position as a global sauna solutions provider.

## Transaction details

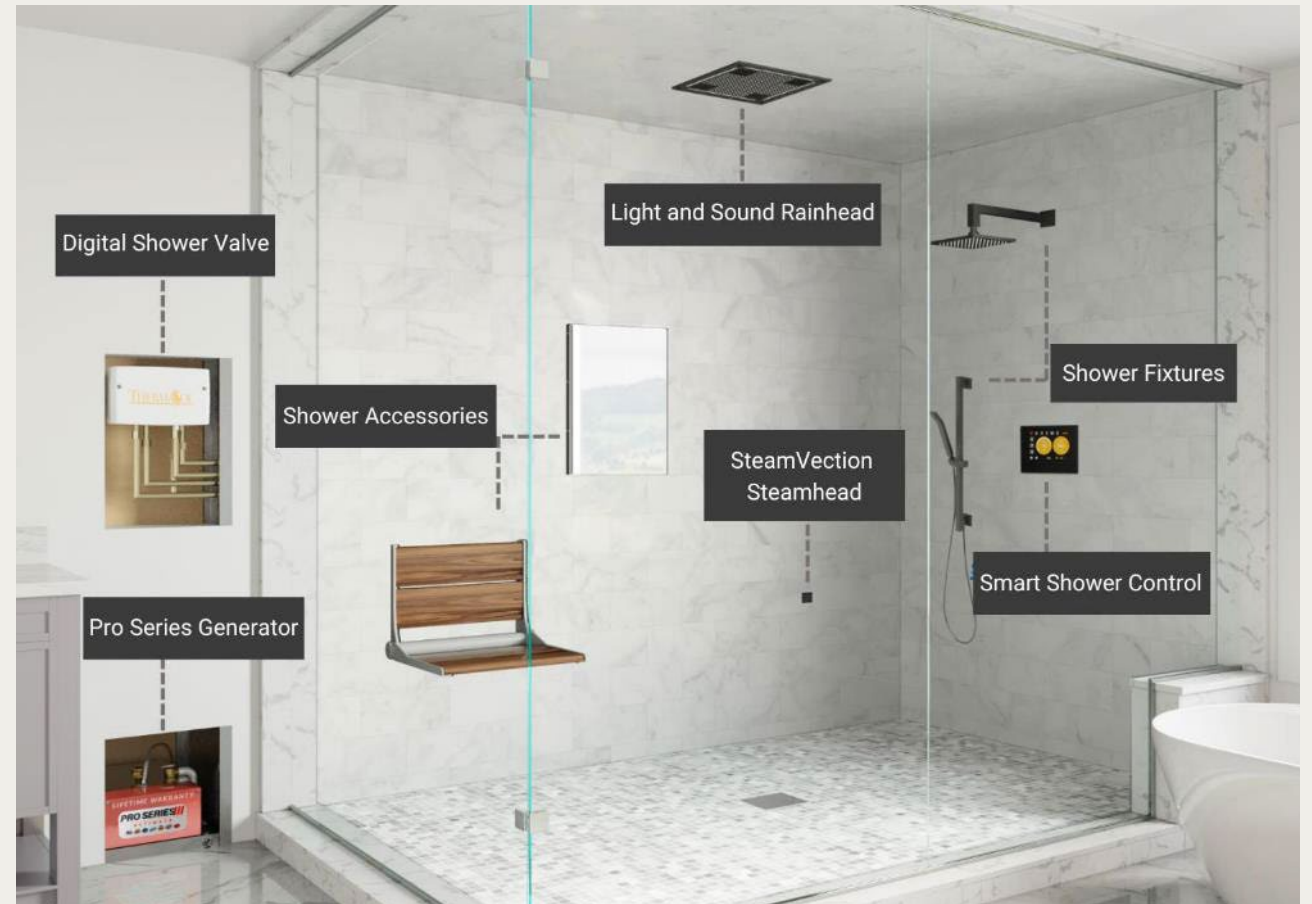
- The purchase price is USD 30.4 million (EUR 27.9 million\*) on a debt free basis
- The transaction was financed with a EUR 20 million bullet loan and cash funds
- Expected annual cost synergies of approx. EUR 1.7 million by the end of 2027
- ThermaSol brand and operations will continue as is
- As part of her current role as Harvia's Head of Region, North America, Jennifer Thayer will also become ThermaSol's CEO



# ThermaSol in brief

- Family-owned manufacturer of steam solutions operating in the U.S.
- Established in 1958, head office as well as design and assembly facilities in Round Rock, Texas (Austin area)
- Net sales USD 14.4 million in 2023
- Approx. 40 employees
- Products include steam generators, steam and shower heads, digital control units, smart shower components, and accessories
- In addition, ThermaSol is a distributor of indoor and outdoor saunas and heaters

## Case example of offering



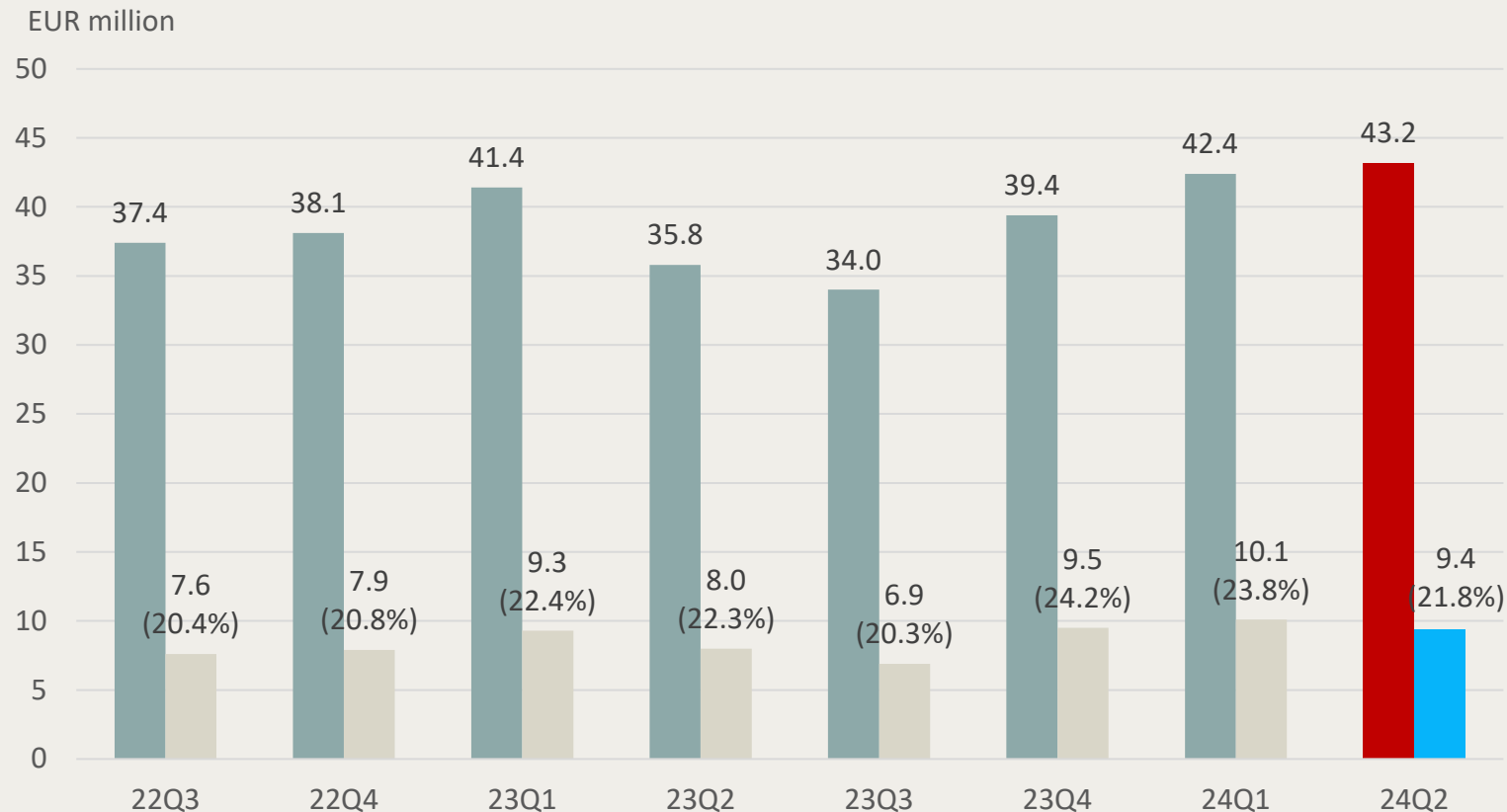
# Financials

Ari Vesterinen, CFO



# Harvia's revenue has grown for the past three quarters, adjusted operating profit continuously over 20%

## Revenue and adjusted operating profit



- Improving top line development: Year-on-year revenue growth in each of the last three quarters.
- During the last two years, Harvia has maintained its adjusted operating profit continuously above 20%.
- Historically, sauna market has experienced some seasonality where demand is slightly weaker during the summer months and stronger in the early and late part of the year.



# Harvia's key figures in the review period

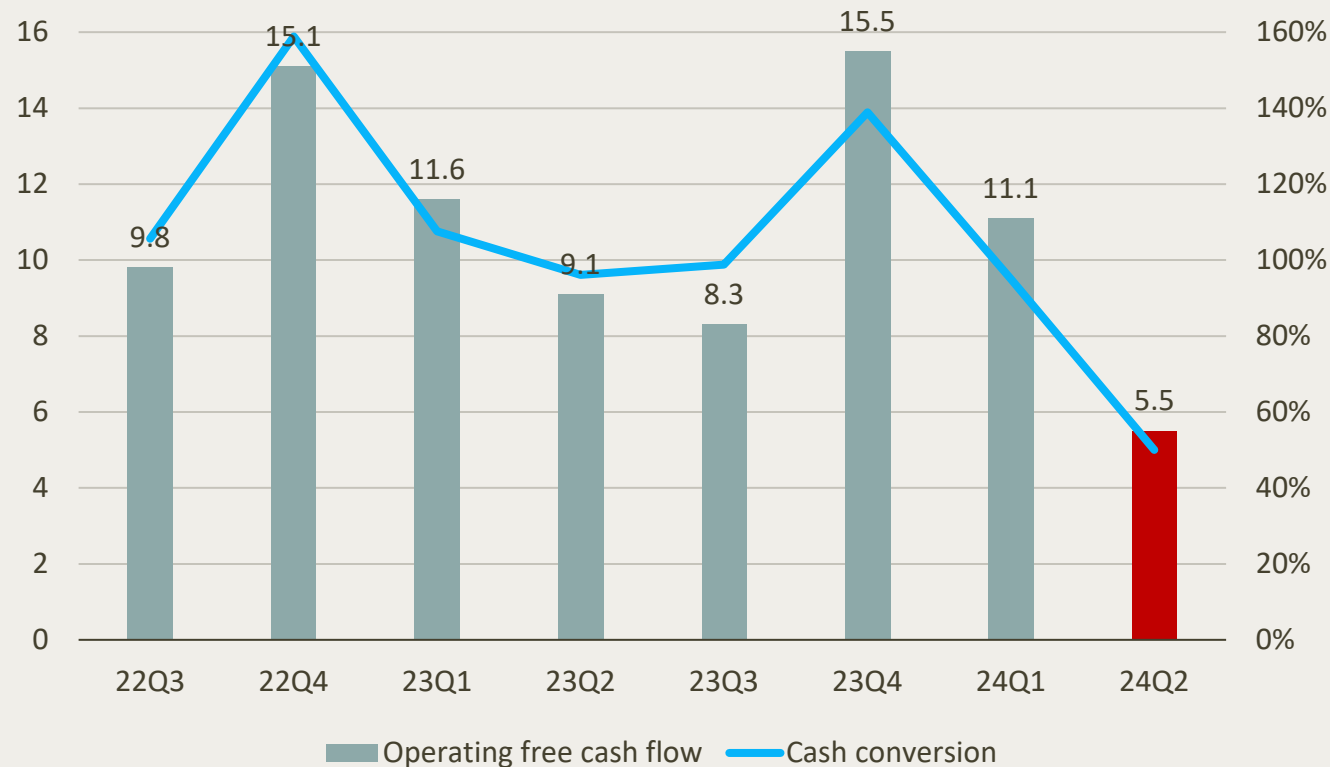
Million EUR	4-6/2024	4-6/2023	Change	1-6/2024	1-6/2023	Change	1-12/2023
<b>Revenue</b>	43.2	35.8	20.7%	85.5	77.2	10.9%	150.5
<b>Adjusted EBITDA*</b>	11.0	9.5	15.9%	22.7	20.4	11.7%	39.9
<b>% of revenue</b>	25.6%	26.6%		26.6%	26.4%		26.5%
<b>Adjusted operating profit*</b>	9.4	8.0	18.2%	19.5	17.3	13.1%	33.7
<b>% of revenue</b>	21.8%	22.3%		22.8%	22.4%		22.4%
<b>Basic EPS (EUR)</b>	0.31	0.28	10.5%	0.71	0.62	15.3%	1.25
<b>Operating free cash flow</b>	5.5	9.1	-39.6%	16.6	20.8	-20.0%	44.6
<b>Investments in tangible and intangible assets</b>	-0.5	-0.9	-36.7%	-2.8	-1.2	140.1%	-3.1
<b>Net debt</b>	32.6	45.8	-28.8%	32.6	45.8	-28.8%	37.6
<b>Leverage</b>	0.8	1.2		0.8	1.2		0.9
<b>Net working capital</b>	33.0	36.5	-9.6%	33.0	36.5	-9.6%	36.1
<b>Adjusted return on capital employed (ROCE)</b>	51.7%	47.7%		51.7	47.7		44.2%
<b>Equity ratio</b>	49.8%	46.3%		49.8	46.3		51.0%
<b>Number of employees at end of period</b>	683	619	10.3%	683	619	10.3%	605

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

# Operating free cash flow and cash conversion affected by increasing inventories, exceptionally high for many previous quarters

## Operating free cash flow and cash conversion\*

EUR million



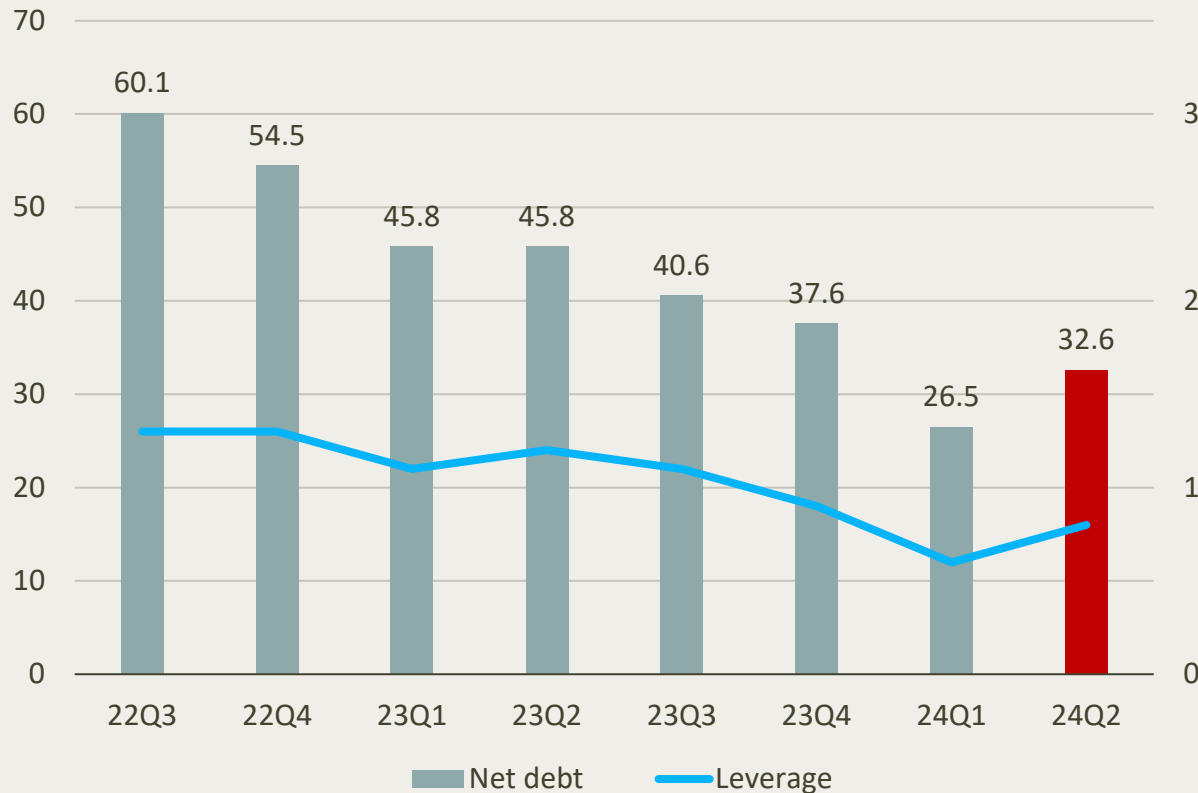
- In the review period, the company’s operating free cash flow was EUR 5.5 million (9.1) and cash conversion 50.0% (96.1%).
- In the second quarter, the company increased its inventories. The materials inventory in Finland normalized after inbound transportation was impacted by strikes in the first quarter. In addition, Harvia increased inventories in the United States and Japan to support sales. All this reduced cash conversion in the review period.
- Harvia’s cash conversion was for many quarters exceptionally high, close to or even above 100%.

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

# Net debt on a low level

## Net debt and leverage

EUR million



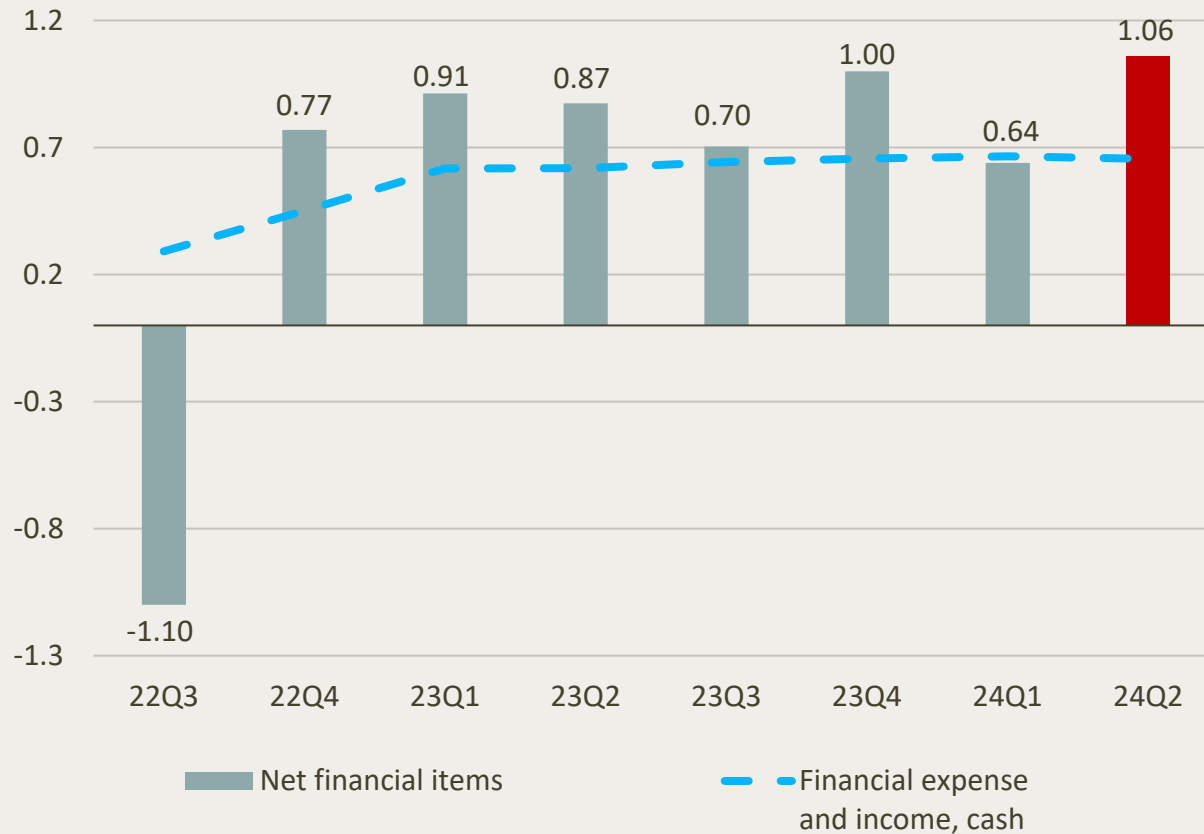
- At the end of June 2024, the company's net debt amounted to EUR 32.6 million (45.8). Loans from credit institutions were EUR 75.4 million (75.4), and lease liabilities were EUR 2.6 million (2.1). Cash and cash equivalents were EUR 45.4 million (31.7).
- Net debt level was still low despite a slight increase after declining for many quarters.
- Leverage was 0.8 (1.2).



# No significant developments in net financial items beyond typical fluctuation

## Net financial items

EUR million

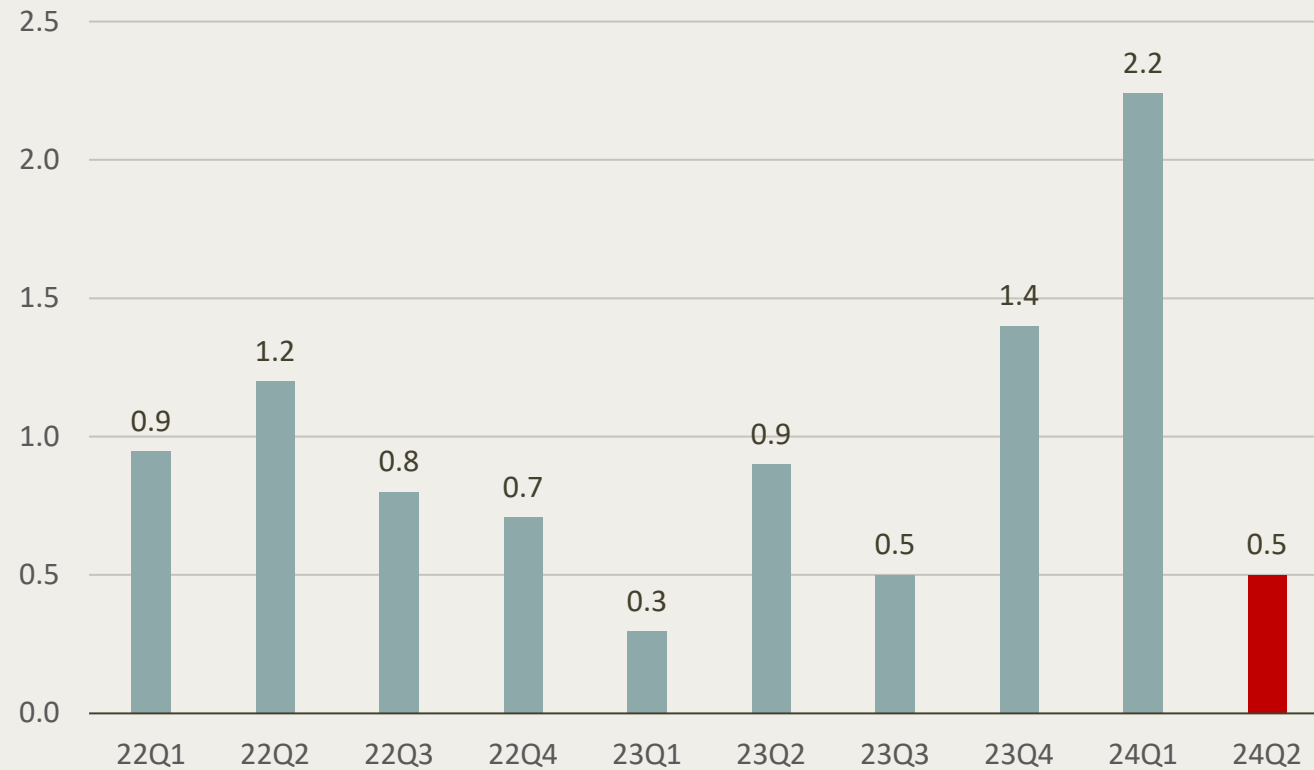


- Fluctuation in the net financial items is due to changes in the fair value of Harvia’s interest rate swap. Changes in the fair value of the swap have no cash flow impact.
- No major changes in financial expenses and income during the quarter.

# Add-on investments during Q2 after large investments in North America in Q1

## Investments in tangible and intangible assets

EUR million



- During the review period, Harvia made add-on investments in its production facilities, for example, upgrading its wood-burning heater production line in Muurame.
- Purchasing land in connection to Harvia’s facility in Lewisburg during Q1/2024 visible in investments.
- Harvia plans to increase growth investments especially in North America in the next two years.

# Harvia's long-term financial targets

## GROWTH

# 10%

Average annual revenue growth

## PROFITABILITY

# >20%

Adjusted operating profit margin<sup>1</sup>

## LEVERAGE

# <2.5x

Net debt/adjusted EBITDA<sup>2</sup>

Harvia does not publish a short-term outlook.

Harvia's dividend policy is to pay a regularly increasing dividend with a bi-annual payout.

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

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



A photograph of a modern sauna interior. The sauna has wooden benches and walls, with a glass door. The text "Q & A" is overlaid in large red font, enclosed in a white rectangular box. The background shows the interior of the sauna with wooden slats and a glass door. The text "Q & A" is centered in the middle of the image.

# Q & A

# Disclaimer

This material contains, or may be deemed to contain, “forward-looking statements”. These statements relate to future events or Harvia Plc’s future financial performance, for example, market growth and developments, Harvia Plc’s strategic plans, potential growth, planned operational developments, expected financial developments that involve known and unknown risks, uncertainties and other factors that may cause Harvia Plc’s or its business’ actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements made in this material are based on information presently available to the management of Harvia Plc. Harvia Plc assumes no obligation to update or revise any forward-looking statements except to the extent legally required.

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# Appendix

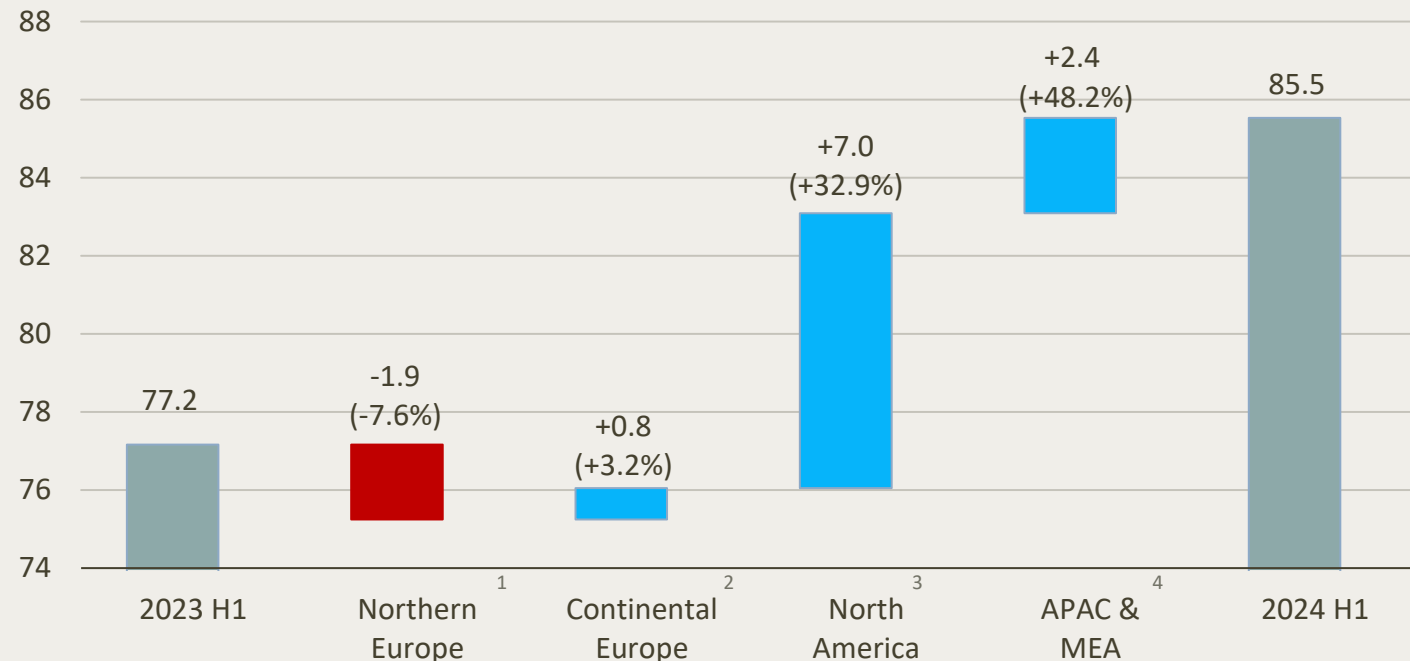


# H1 2024: Strong revenue growth outside Europe driving total revenue

Harvia has adjusted its revenue reporting. Starting from the first quarter of 2024, Harvia reports its revenue as presented below.

## Revenue by sales region 1–6/2023 vs 1–6/2024

EUR million



- Total revenue grew by 10.9% to EUR 85.5 million.
- Revenue growth was driven by North America and APAC & MEA, where sales efforts benefitted from favorable market conditions.
- Difficult market conditions in Northern Europe especially during Q1 visible in declining revenue, Continental Europe gradually improving during H1.

1) Finland, Sweden, Denmark, Norway, Iceland, Estonia, Latvia, Lithuania

2) Europe excluding countries specified as Northern Europe

3) The United States and Canada

4) The region Asia-Pacific, Middle East, Africa, and all other countries excluding above

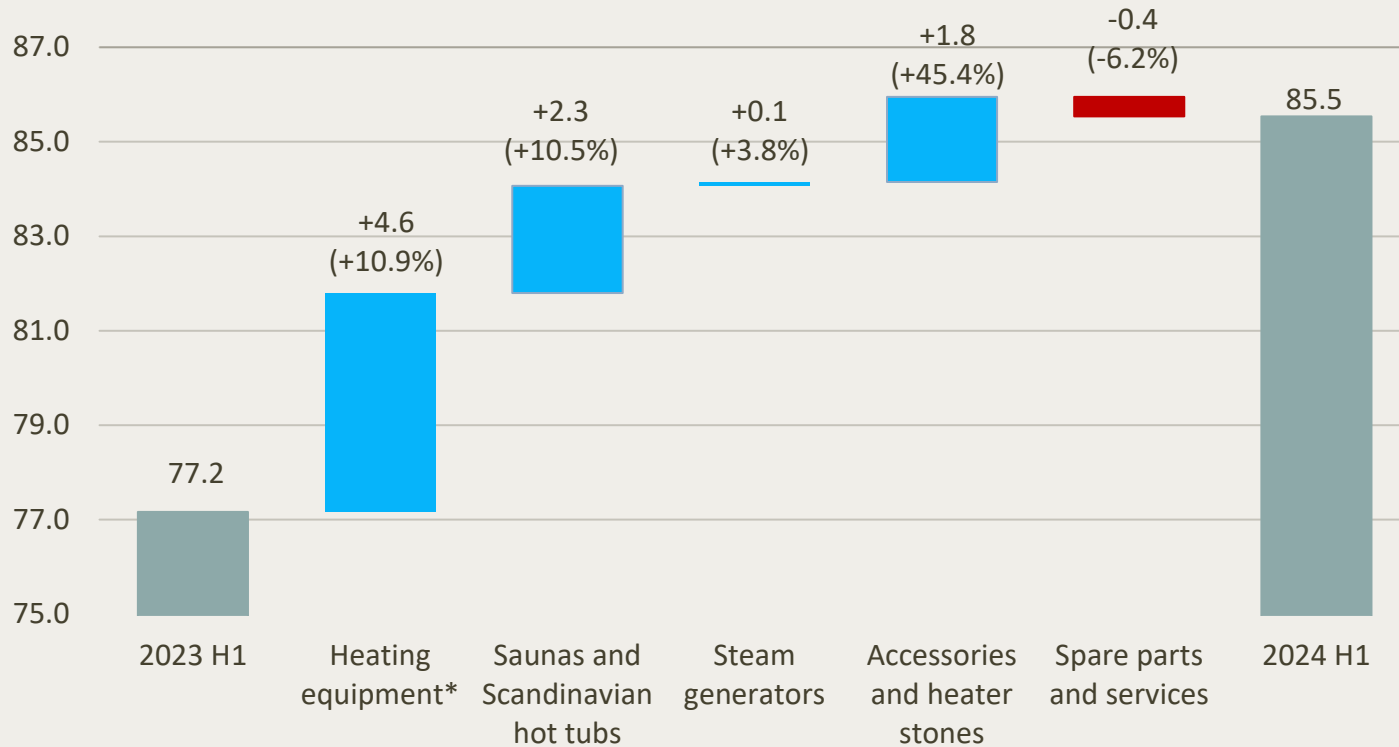
# H1 2024: Revenue growth in majority of product groups



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2024, Harvia reports its revenue as presented below.

## Revenue by product group 1–6/2023 vs 1–6/2024

EUR million



- During H1, revenue grew in all product groups except spare parts and services, contributing to the overall revenue growth.

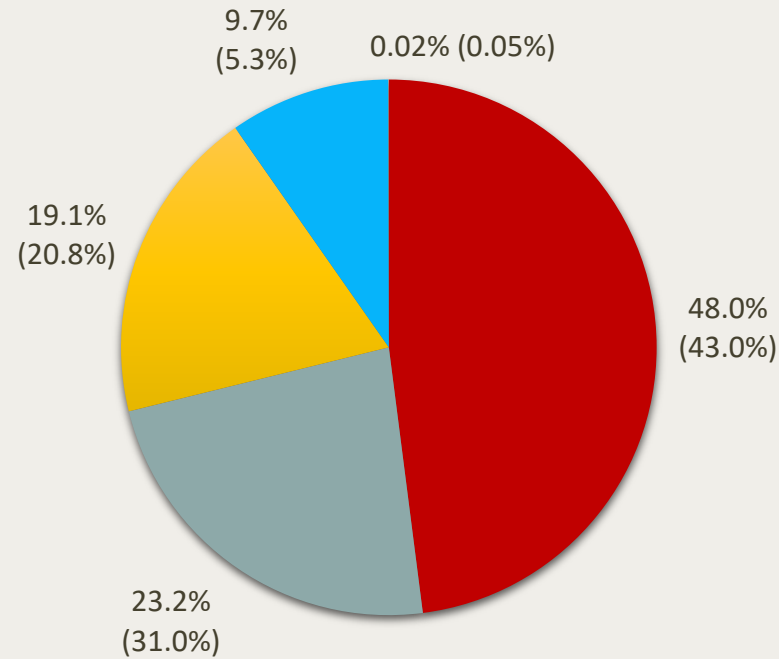
\* Sauna heaters, control units, IR components



# Harvia's shareholders (30 June 2024)

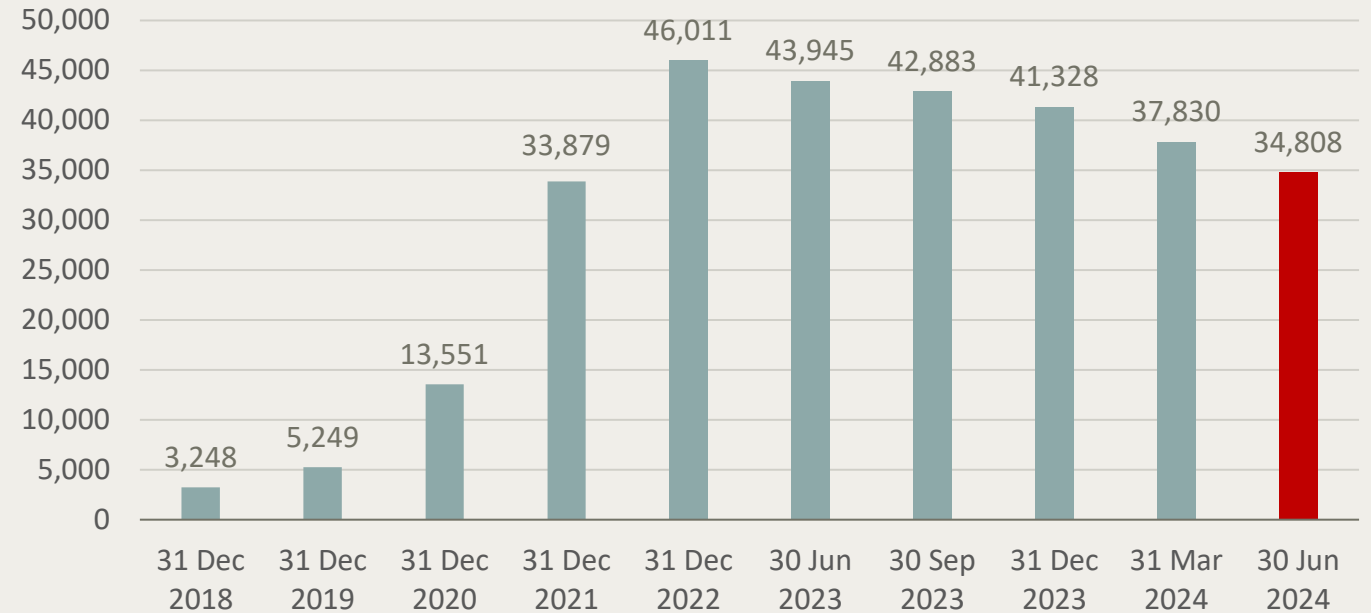


## Distribution by segment



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

## Number of shareholders



- On 30 June 2024, the number of shareholders totaled 34,808 (including nominee registers).
- Harvia held a total of 4,207 own shares. The shares correspond to 0.02% 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 30 June 2024 was EUR 687.9 million (431.8).





**HARVIA**

Sauna & Spa

*Healing with heat*