

Harvia Plc Interim report | January–September 2024

HARVIA Q3 2024:

**GROWING BOTH ORGANICALLY  
AND THROUGH M&A,  
STRONG PROFITABILITY**

Matias Järnefelt, CEO | Ari Vesterinen, CFO

7 November 2024

# Welcome!

## Agenda for today



### Matias Järnefelt, CEO

- Highlights of Q3/2024 business and financial performance
- Strategy implementation



### Ari Vesterinen, CFO

- Financial performance details in Q3/2024



# Q3 2024 highlights

HARVIA

## Both organic and inorganic growth

- Revenue increased by 14.0% to EUR 38.7 million, organic revenue growth was 7.9%
- Strong growth in North America and APAC & MEA, also Continental Europe gradually improving, but market in Northern Europe remained challenging
- Acquisition of U.S. steam solutions manufacturer ThermaSol in July boosted revenue growth in North America

## Continuing strong profitability

- Solid operative performance with adjusted operating profit of EUR 8.9 million, or 22.9% of revenue
- Profitability supported by successful actions in supply chain management as well as increased sales volumes and favorable sales mix
- Inventory build-up ahead of traditionally high-demand winter season in North America and somewhat higher investments visible in lower cash conversion

## Focus on driving future growth

- Continue to strengthen position in growth markets in North America and APAC & MEA. Improving sales momentum in Europe also highly important
- Keep advancing innovation pipeline. Exciting new products introduced to the market in fall 2024 and spring 2025
- In addition to capturing organic growth opportunities, Harvia aims to be an industry consolidator and grow through M&A when the time and opportunity are right



# In July, Harvia acquired ThermaSol, a manufacturer of high-end steam solutions in the U.S.

- Harvia signed an agreement to acquire ThermaSol on 22 July 2024. **The deal was closed on 31 July.**
- The acquisition complements Harvia's offering in the **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.
- The **purchase price was USD 30.4 million** (EUR 27.9 million\*). The transaction was financed with a EUR 20 million bullet loan and cash funds.
- The acquisition **boosted Harvia's revenue growth in Q3**, visible especially in the revenue of steam equipment and in the North America sales region.
- **In 2023, ThermaSol's net sales were USD 14.4 million and adjusted EBITDA margin was 17.2%** (Harvia's corresponding figure 26.5%) – thus, the acquisition will have a small short-term negative impact on Harvia's relative profitability.
- ThermaSol's **integration has started well.**

## Examples of ThermaSol's offering



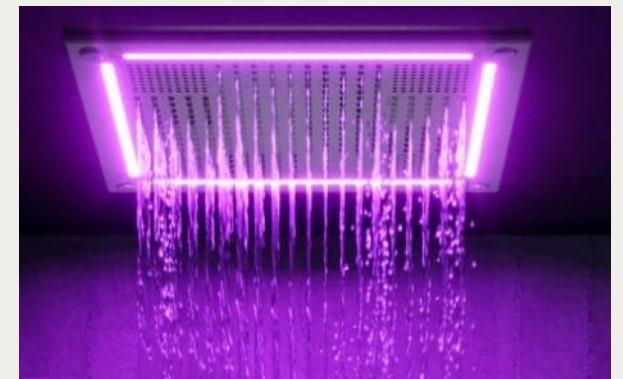
Steam generators



Digital control units



Digital steam and water valves



Rainheads (incl. lights & audio)



# Q3 2024 key figures

## Revenue

**38.7**

(34.0)  
EUR million

**+14.0%**

YoY growth

Organic revenue growth: **7.9%**  
Growth at comparable exchange rates: **14.9%**

## Adjusted operating profit

**8.9**

(6.9)  
EUR million

**22.9%**

(20.3%)  
of net sales

Adjusted operating profit growth: **28.8%**

## Operating free cash flow

**3.4**

(8.3)  
EUR million

**31.7%**

(98.7%)  
cash conversion



# January–September 2024 key figures



## Revenue

**124.3**

(111.1)  
EUR million

**+11.8%**

YoY growth

Organic revenue growth: **9.6%**  
Growth at comparable exchange rates: **12.1%**

## Adjusted operating profit

**28.4**

(24.1)  
EUR million

**22.8%**

(21.7%)  
of net sales

Adjusted operating profit growth: **17.6%**

## Operating free cash flow

**20.0**

(29.1)  
EUR million

**60.0%**

(101.2%)  
cash conversion

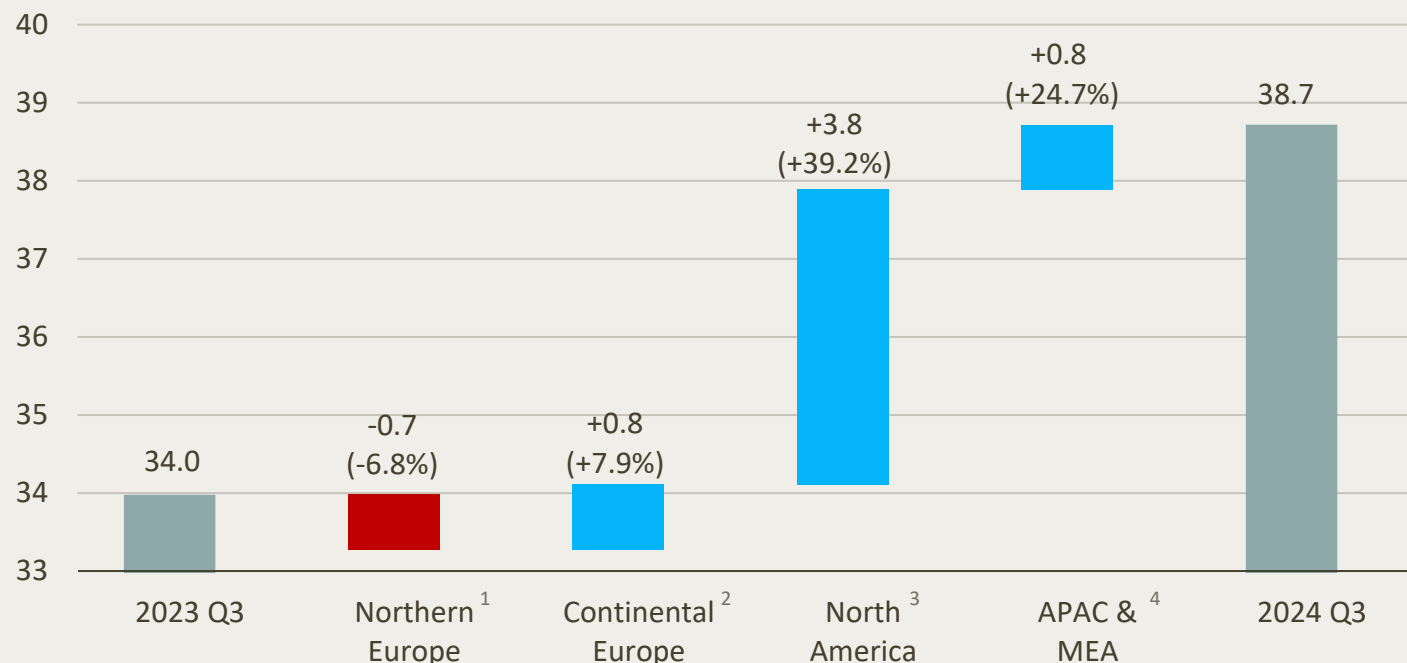
# Q3 2024: Revenue growth in most sales regions



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

## Revenue by sales region 7–9/2023 vs 7–9/2024

EUR million



- Total revenue in Q3/2024 grew by 14.0% to EUR 38.7 million
- Revenue increased in most regions, but was driven especially by the strong growth in North America
- Market in Northern Europe has been challenging for long, and sales declined in Q3

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

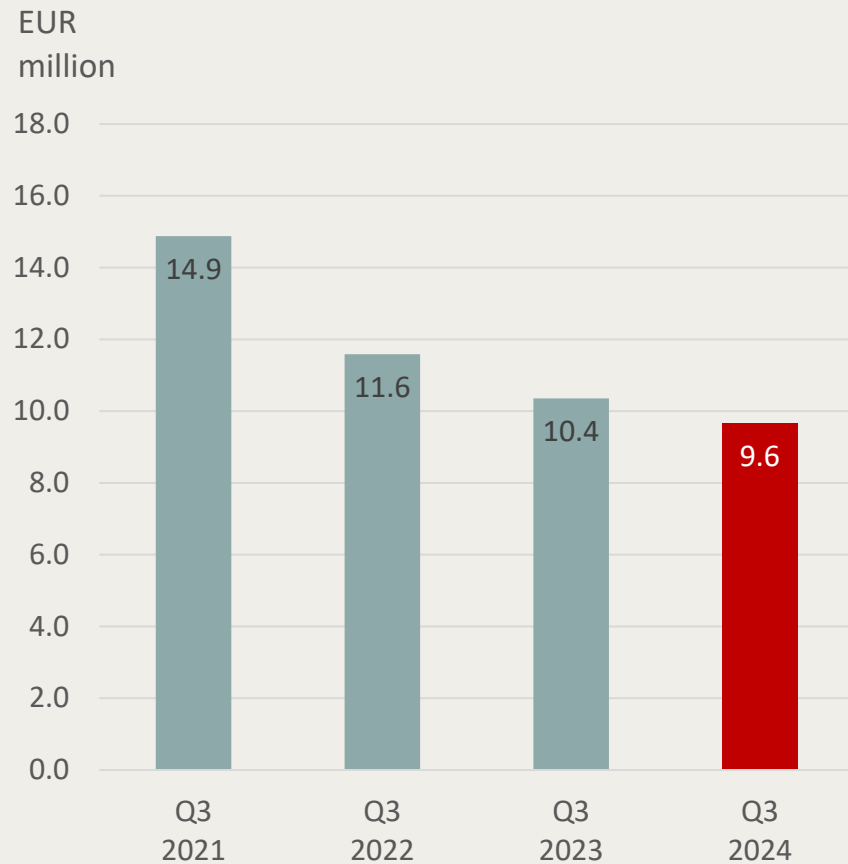
2) Europe excluding countries specified as Northern Europe

3) The United States and Canada

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

# Northern Europe: Market share maintained in a challenging market

## Q3 revenue in Northern Europe, 2021–2024



**25%**  
(30%)  
Share of Harvia's  
total revenue

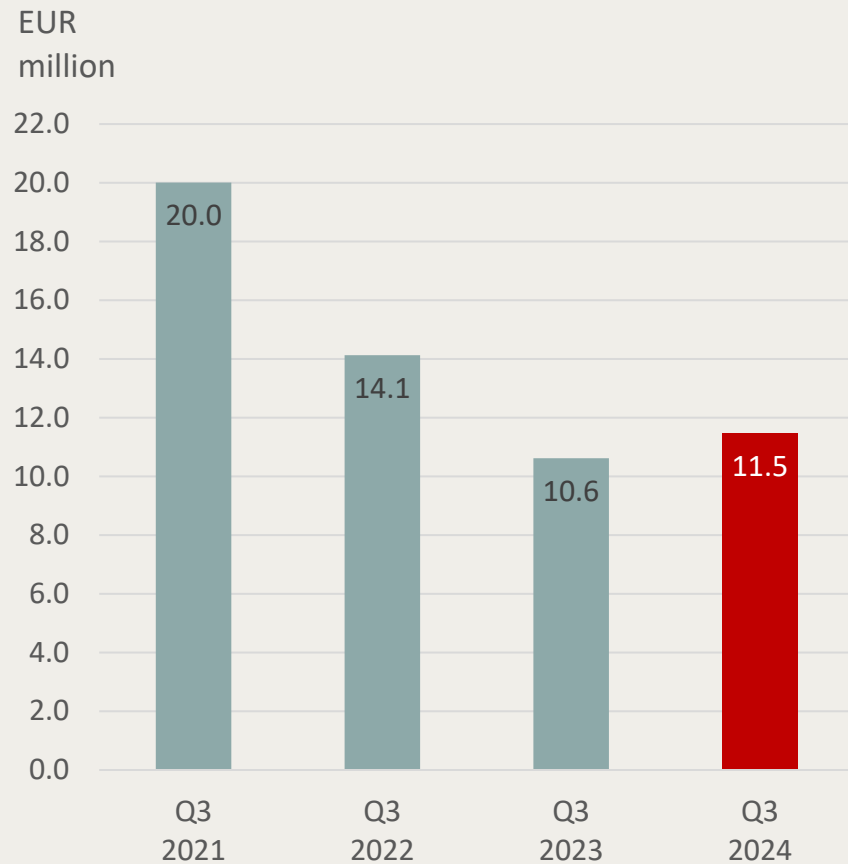
- Revenue in Q3 decreased by 6.8% to EUR 9.6 million
- Market has taken long to recover especially in Finland, but Harvia has defended well its market share
- Active measures taken to strengthen distribution especially in Sweden





# Continental Europe: Gradual market recovery continuing

## Q3 revenue in Continental Europe, 2021–2024



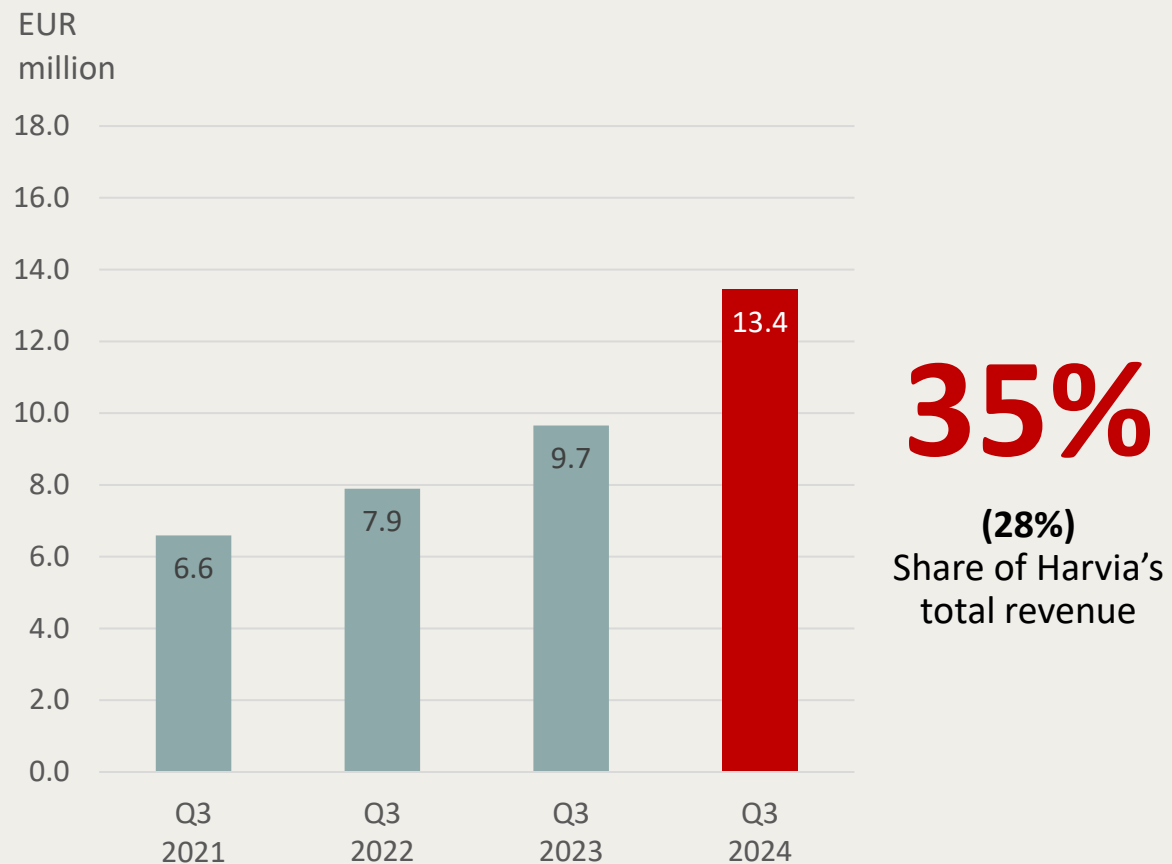
**30%**  
(31%)  
Share of Harvia's  
total revenue

- Revenue in Q3 grew by 7.9% to EUR 11.5 million
- Gradual recovery of the market continued during the quarter, but sales still significantly below 2022 and COVID-boosted 2021
- Growth achieved especially in professional and more high-end segments



# North America: Strong growth with further boost from ThermaSol acquisition

## Q3 revenue in North America, 2021–2024



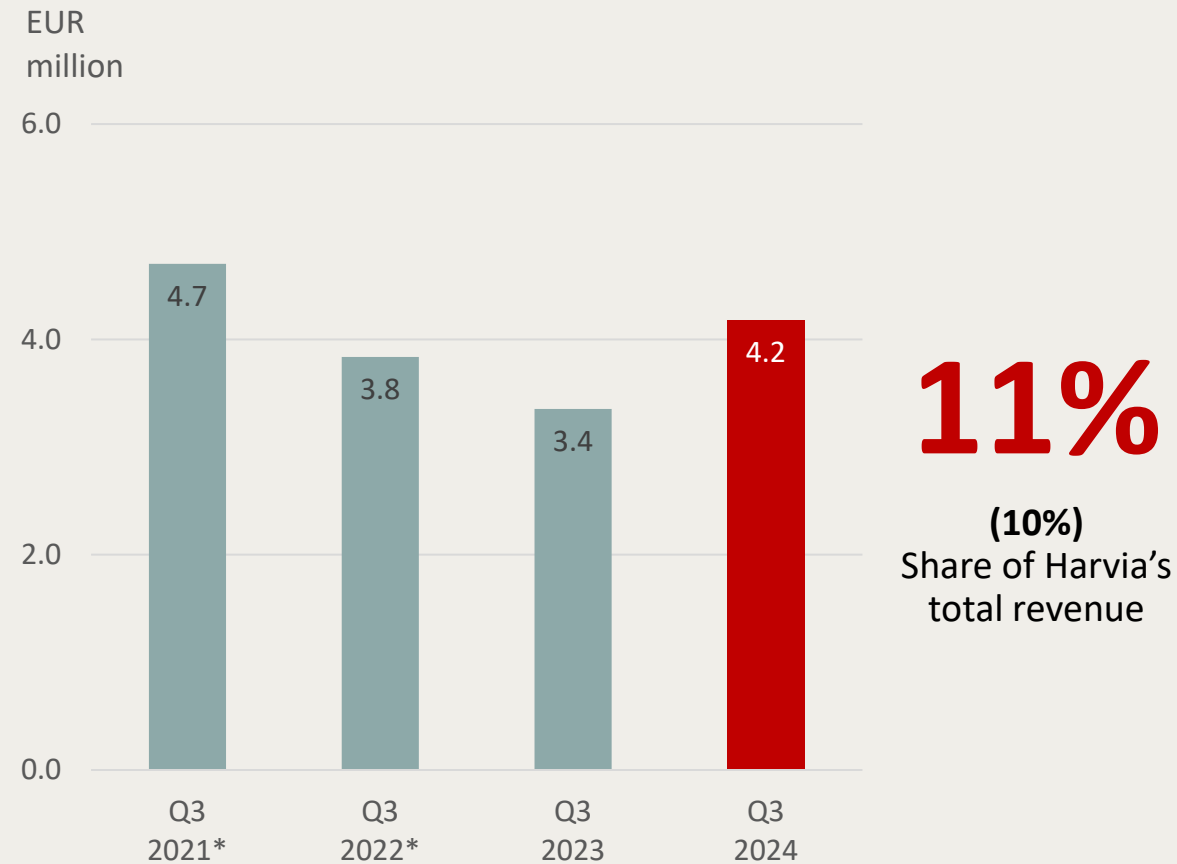
- Revenue in Q3 grew by 39.2% to EUR 13.4 million, growth boosted by acquisition of ThermaSol in July
- All product groups performing well, but growth particularly strong in sales of heaters and sauna components
- Integrating ThermaSol into Harvia Group has started well, work ongoing to capture several growth and cost synergy opportunities





# APAC & MEA: Strong growth continued during Q3

## Q3 revenue in APAC & MEA, 2021–2024



- Revenue in Q3 grew by 24.7% to EUR 4.2 million
- Strong demand and favorable market conditions continued in several countries
- Harvia works systematically to drive growth in strategically important markets, such as Japan, China and Australia



\* Revenue from Russia was EUR 1.7 million in Q3/2022 and EUR 2.9 million in Q3/2021, but there was no revenue from Russia in Q3/2023

# 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 Q3 2024



\*Sauna heaters, control units, IR components

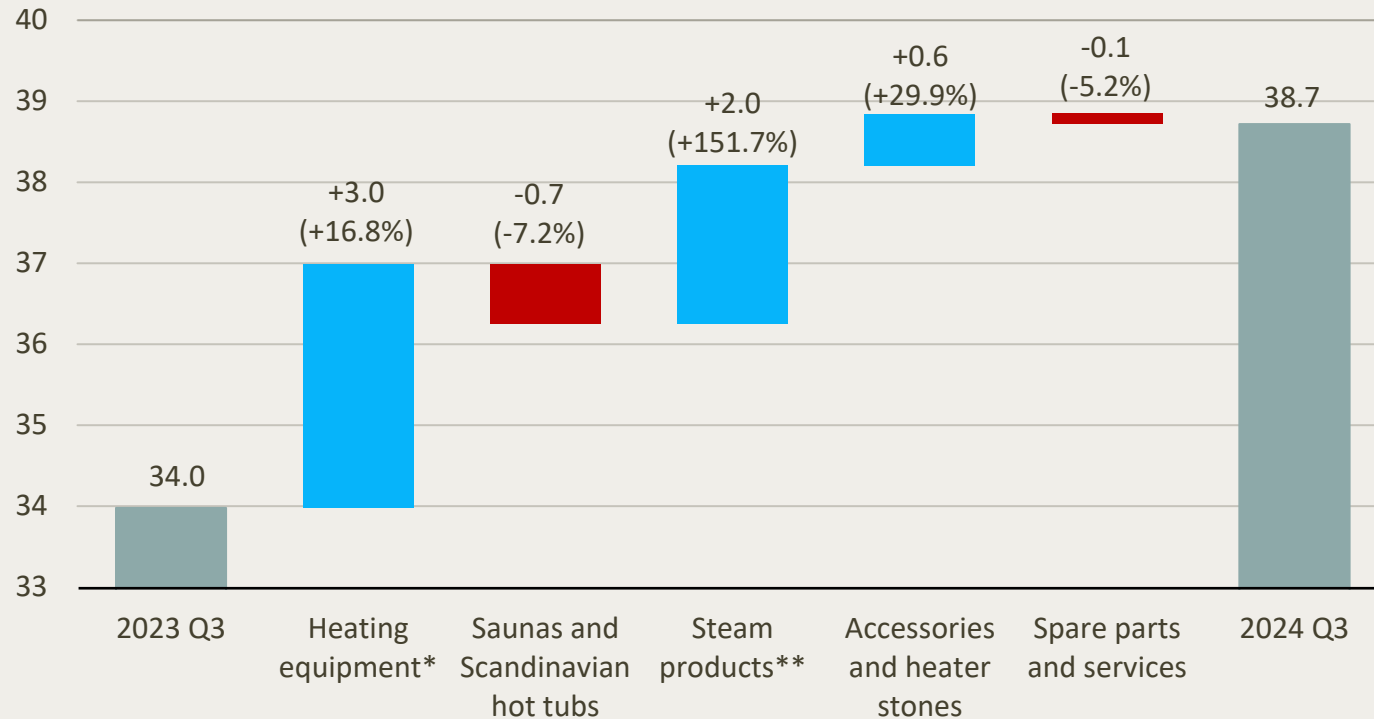
\*\*Including steam generators and other steam equipment

Note: Figures may not add up to 100% due to rounding

# Q3 2024: Growth in several product groups, ThermaSol acquisition driving steam product growth

## Revenue by product group 7–9/2023 vs 7–9/2024

EUR million



- Growth in several product categories during Q3.
- The high growth in steam products was driven by the acquisition of ThermaSol. The financial figures of ThermaSol have been consolidated with Harvia's figures starting from 31 July 2024.
- The decline in Scandinavian hot tub sales, especially in Northern Europe but also in Continental Europe, had a negative impact on the sales of saunas and Scandinavian hot tubs. Sauna room sales in North America continued to grow.

\* Sauna heaters, control units, IR components

\*\* Including steam generators and other steam equipment





# 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 Q3 2024

## Delivering the full sauna experience

- Capabilities in steam and digital strengthened with ThermaSol acquisition
- Finalizing the development of several exciting products, incl. woodburning Cilindro, world's first solar-powered electric sauna and a new control unit

## Winning in strategically important markets

- Strong growth outside Europe continued, position in North America further strengthened through M&A
- Positive development in Continental Europe, especially in premium and professional segment

## Leading in key channels

- Good progress in sharpening our channel strategy and fitting our portfolio to different channels
- Distribution strengthened especially in Sweden, responding to changes with key customer

## Best-in-class operations & great people

- Several add-on investments to improve productivity and support sales in multiple locations
- ThermaSol integration to Harvia Group started well
- Overall integration within Harvia Group advanced through, for example, common IT landscape and processes



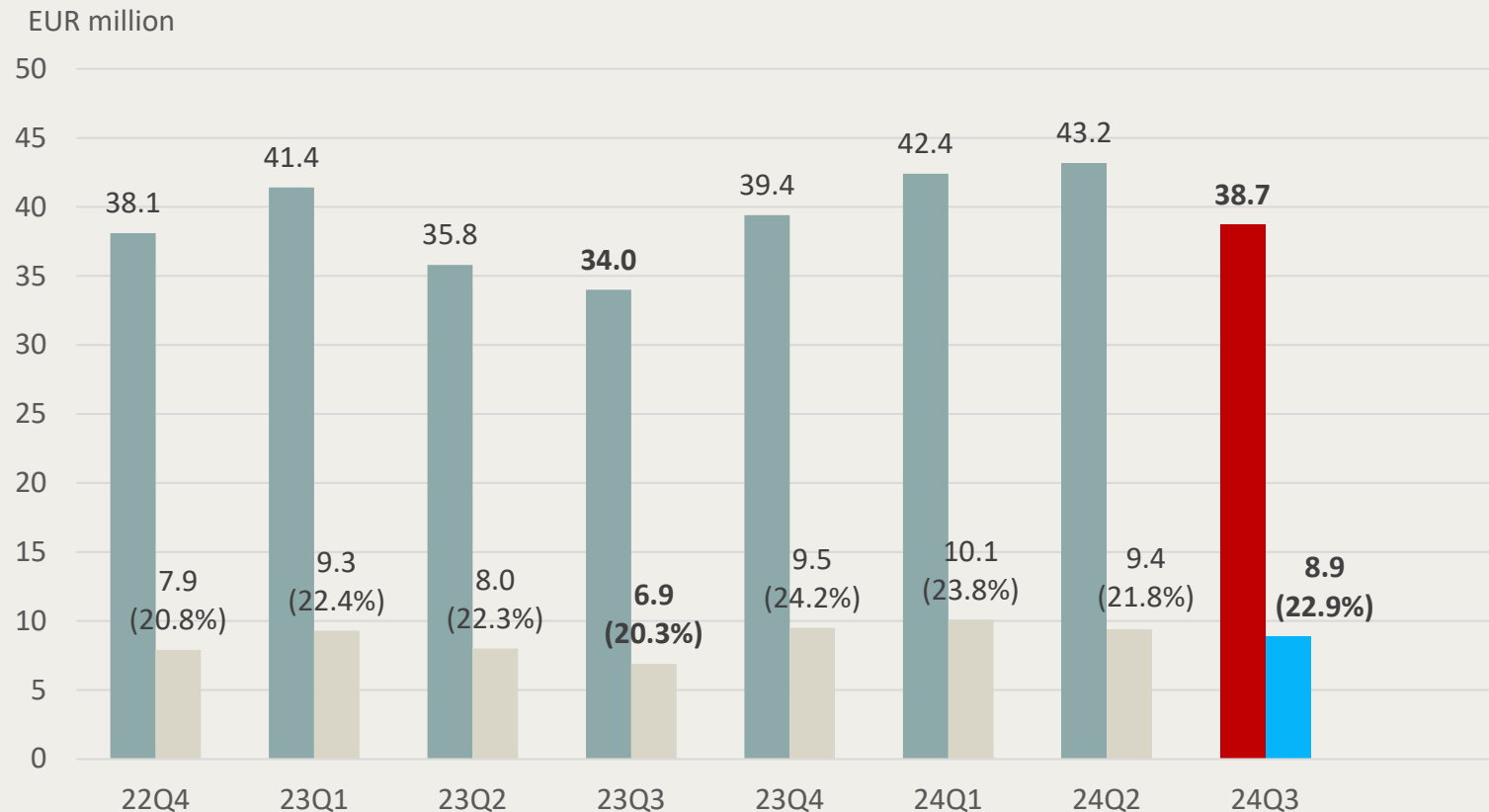
# Financials

Ari Vesterinen, CFO



# Since Q4/2023, Harvia's revenue has grown year-on-year – adjusted operating profit has remained strong

## Revenue and adjusted operating profit



- During 2024, Harvia has had good organic growth – in Q3, also significant inorganic growth.
- Harvia has maintained its adjusted operating profit continuously above 20%.
- Historically, market seasonality has had some negative impacts on sales during summer months and therefore also in Q3 – demand usually stronger during winter months.



# Harvia's key figures in the review period

EUR million	7-9/2024	7-9/2023	Change	1-9/2024	1-9/2023	Change	1-12/2023
Revenue	38.7	34.0	14.0%	124.3	111.1	11.8%	150.5
Adjusted EBITDA*	10.7	8.4	26.3%	33.4	28.8	16.0%	39.9
% of revenue	27.5%	24.8%		26.9%	25.9%		26.5%
Adjusted operating profit*	8.9	6.9	28.8%	28.4	24.1	17.6%	33.7
% of revenue	22.9%	20.3%		22.8%	21.7%		22.4%
Basic EPS (EUR)	0.29	0.24	22.0%	1.01	0.86	17.2%	1.25
Operating free cash flow	3.4	8.3	-59.5%	20.0	29.1	-31.3%	44.6
Investments in tangible and intangible assets	-1.5	-0.5	194.7%	-4.3	-1.7	156.9%	-3.1
Net debt	61.8	40.6	52.2%	61.8	40.6	52.2%	37.6
Leverage	1.4	1.1		1.4	1.1		0.9
Net working capital	42.8	35.9	19.3%	42.8	35.9	19.3%	36.1
Adjusted return on capital employed (ROCE)	48.5%	42.5%		48.5%	42.5%		44.2%
Equity ratio	44.8%	47.7%		44.8%	47.7%		51.0%
Number of employees at end of period	675**	600	12.5%	675**	600	12.5%	605

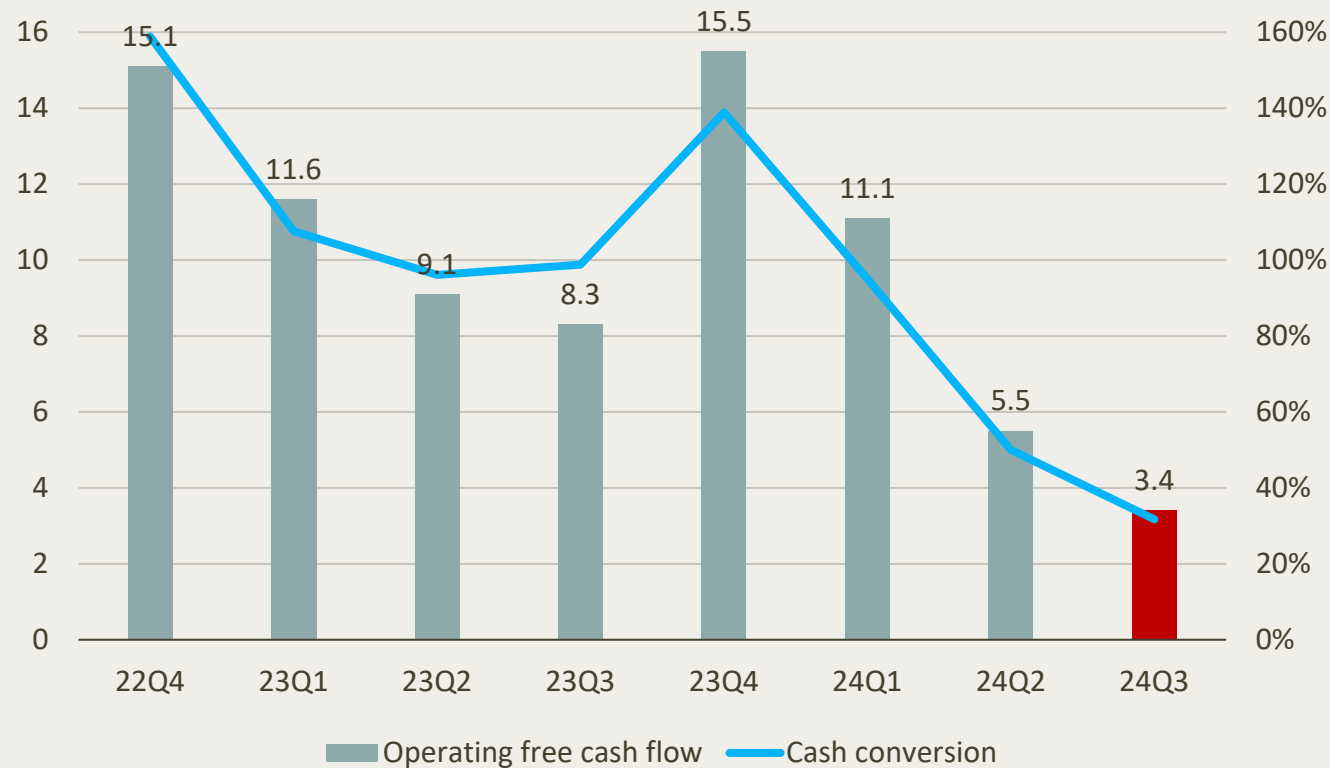
\*Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

\*\*Includes the personnel of ThermaSol Steam Bath LLC, totaling 38 employees on 30 September 2024.

# Operating free cash flow and cash conversion affected by increasing inventories and investments

## Operating free cash flow and cash conversion\*

EUR million



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

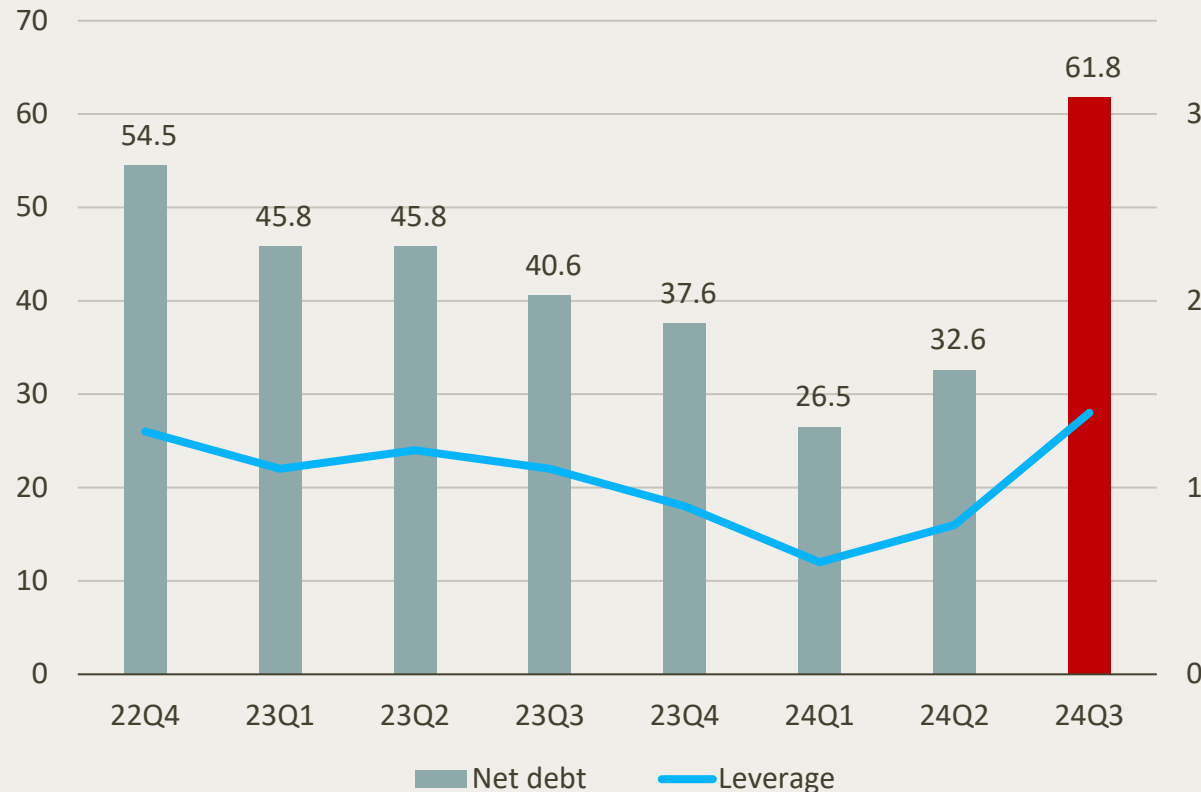
- In the review period, the company’s operating free cash flow was EUR 3.4 million (8.3) and cash conversion 31.7% (98.7%).
- Increasing inventories and investments had a negative impact on cash conversion. Especially in North America, the company increased inventories to be well prepared for the traditionally high-demand winter season.
- Especially during late 2022 and 2023, Harvia’s cash conversion was for many quarters exceptionally high, close to or even above 100%.



# Net debt increased significantly due to ThermaSol acquisition – leverage still clearly below long-term financial target of 2.5

## Net debt and leverage

EUR million

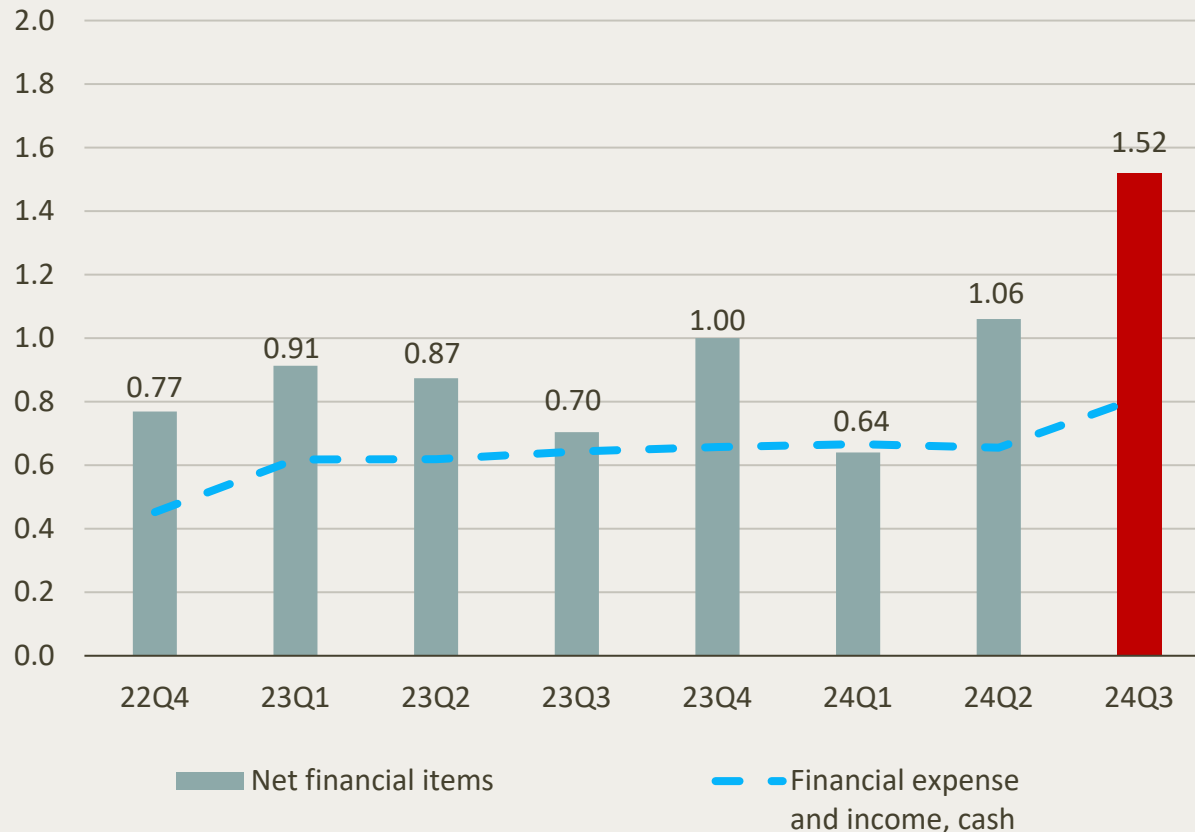


- At the end of September 2024, the company’s net debt amounted to EUR 61.8 million (40.6). Loans from credit institutions were EUR 95.4 million (75.4) and lease liabilities were EUR 7.8 million (2.6). Cash and cash equivalents were EUR 41.4 million (37.4).
- Net debt increased due to a new loan of EUR 20 million that was raised to finance the acquisition of ThermaSol.
- Leverage was 1.4 (1.1). The acquisition of ThermaSol increased the leverage, which was still well below the company’s long-term financial target of under 2.5.

# Acquisition of ThermaSol increased the net financial items

## Net financial items

EUR million



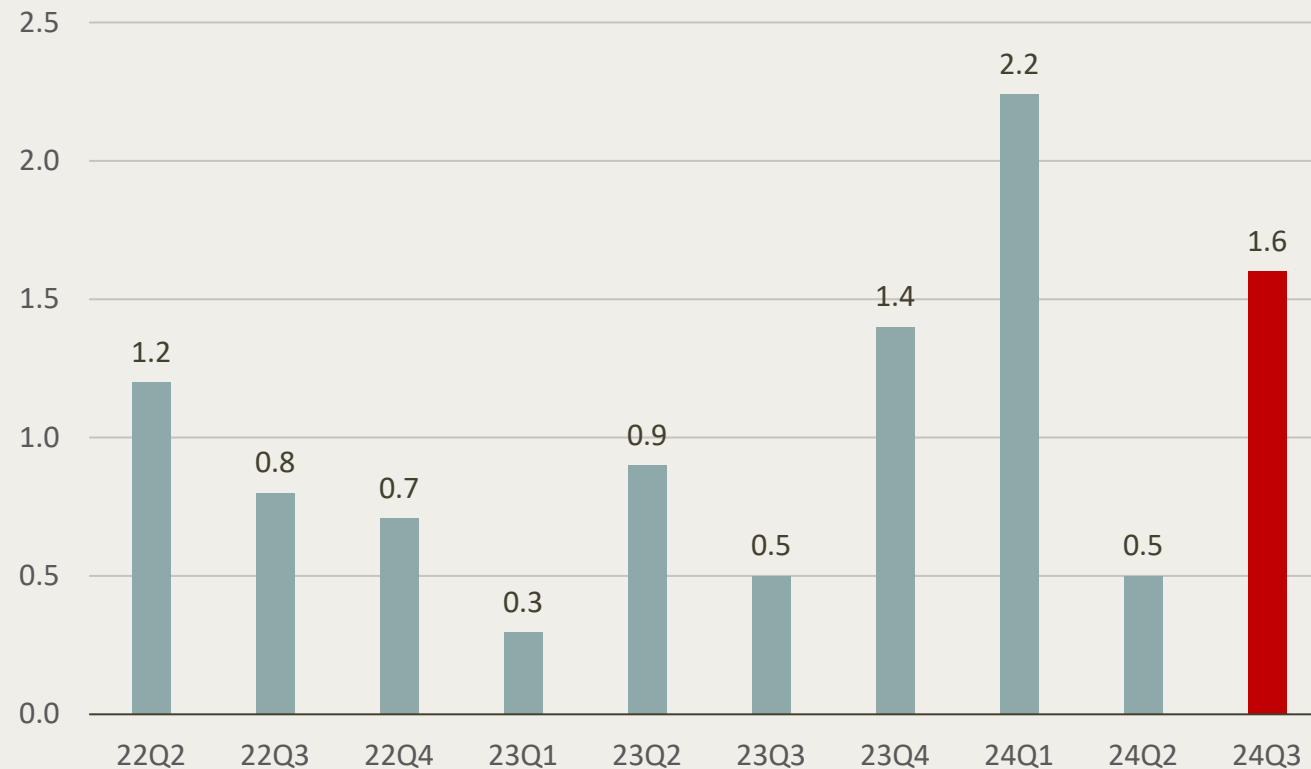
- The net financial items increased due to the new loan of EUR 20 million that was raised to finance the acquisition of ThermaSol.
- Harvia has an interest rate swap contract. A large part of the fluctuation in the net financial items is usually caused by changes in the fair value of Harvia's interest rate swap. Changes in the fair value of the swap have no cash flow impact.



# Add-on investments during Q3 2024 – substantial investments in North America visible in Q1 2024

## Investments in tangible and intangible assets

EUR million



- During the review period, Harvia made several add-on investments in its production facilities, for example, in Muurame and China.
- Purchasing land next to Harvia’s facility in Lewisburg, USA in 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.

The text "Q & A" is displayed in a large, bold, red, sans-serif font. It is centered within a white rectangular border that is slightly offset from the edges of the image. The background of the text is a close-up photograph of a wood-burning stove's firebox, showing dark logs and a metal grate.



# 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.

Nothing in this material constitutes investment advice, and this material shall not constitute an offer to sell or the solicitation of an offer to buy or subscribe for any securities or otherwise to engage in any investment activity.

# Appendix

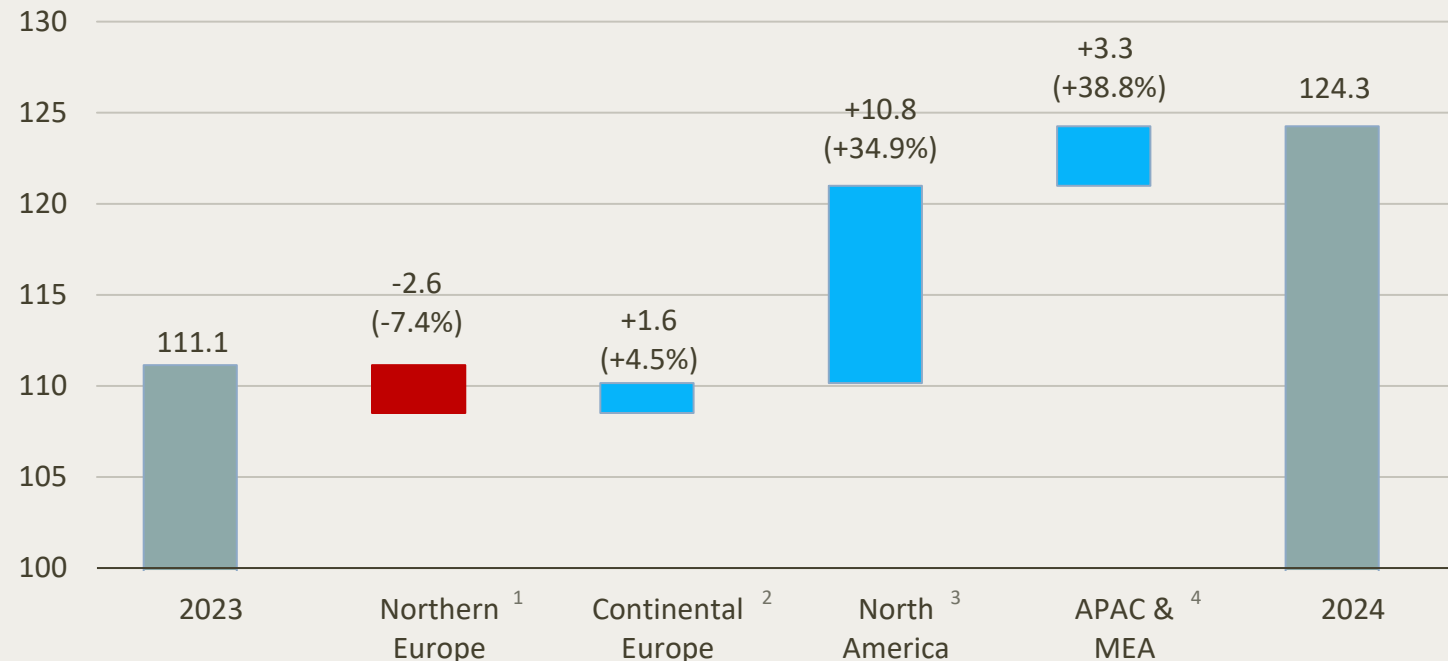


# January–September 2024: Revenue growth driven especially by North America

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

## Revenue by sales region 1–9/2023 vs 1–9/2024

EUR million



- Total revenue grew by 11.8% to EUR 124.3 million
- Revenue growth was driven especially by North America, ThermaSol acquisition in July boosted growth further
- Difficult market conditions in Northern Europe visible in declining revenue, performance in Continental Europe gradually improving during the period

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



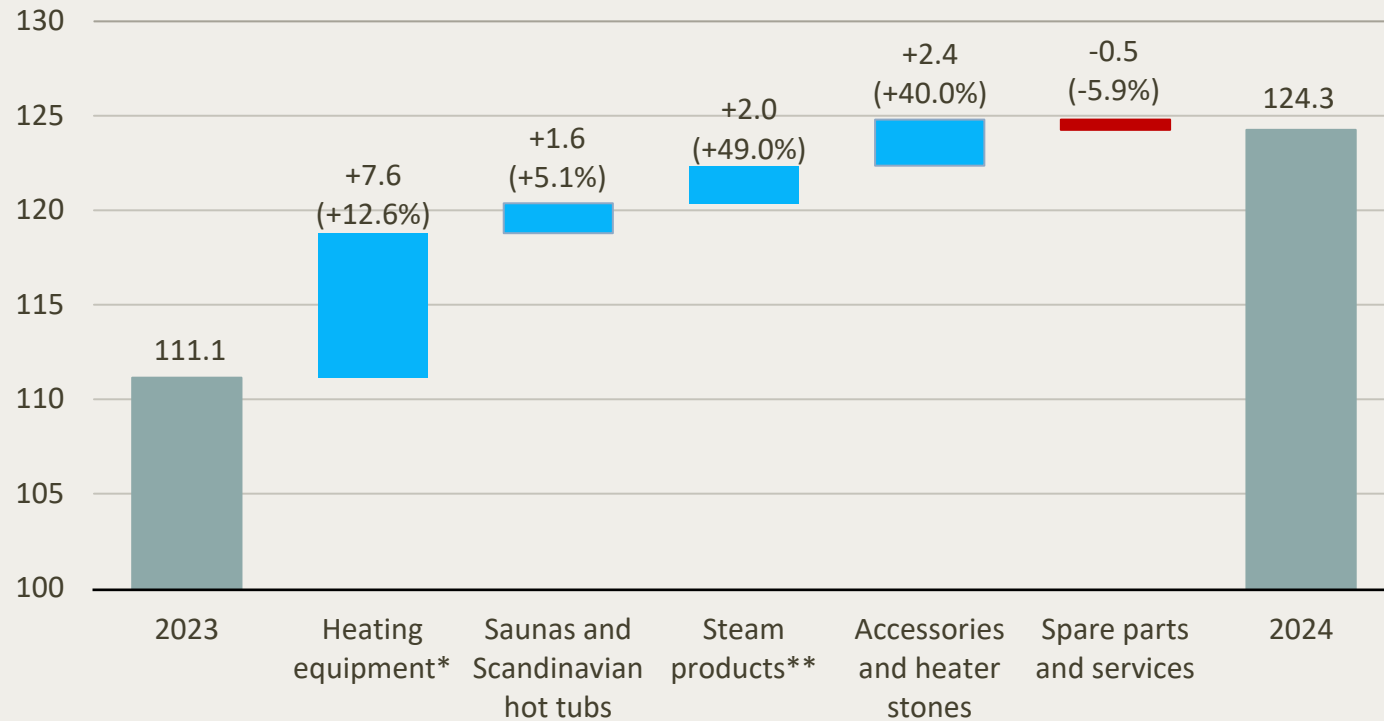
# January–September 2024: Growth in most product groups



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

## Revenue by product group 1–9/2023 vs 1–9/2024

EUR million



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

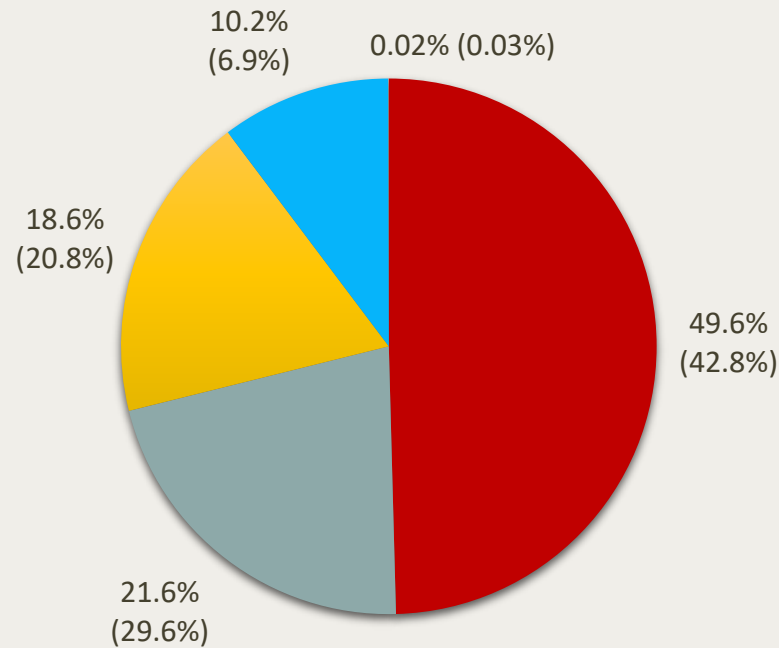
\* Sauna heaters, control units, IR components

\*\* Including steam generators and other steam equipment

# Harvia's shareholders (30 September 2024)

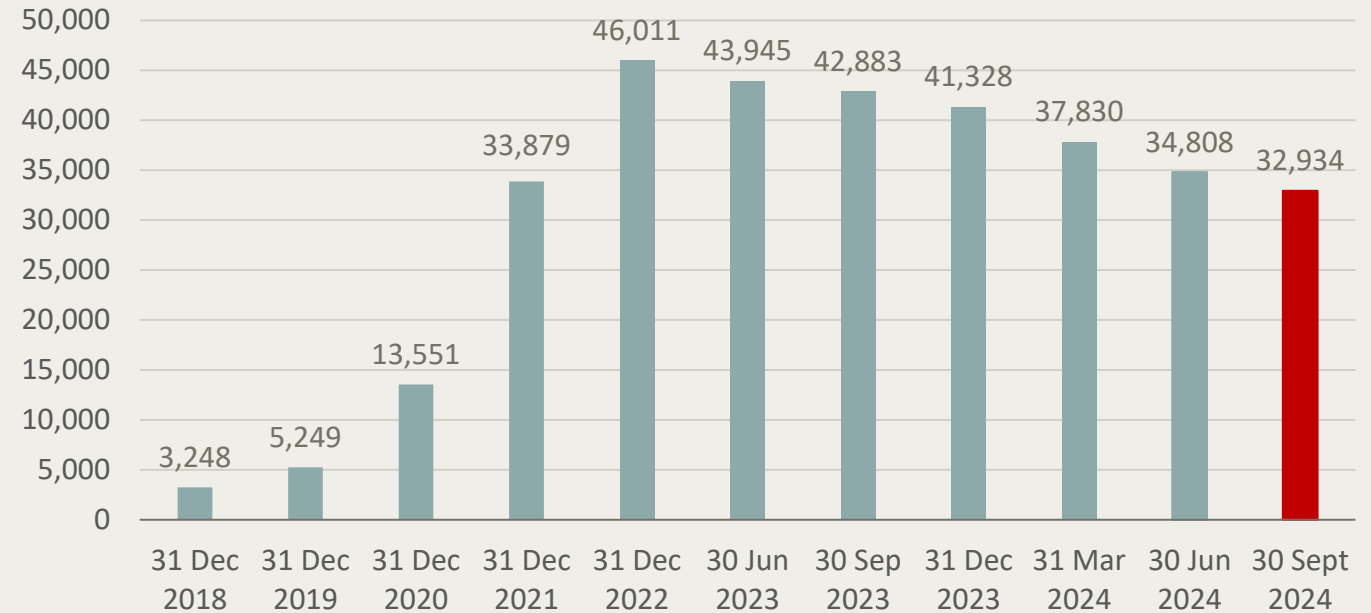


## Distribution by segment



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

## Number of shareholders



- On 30 September 2024, the number of shareholders totaled 32,934 (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 3.4%.
- The market value of Harvia's share capital on 30 September 2024 was EUR 879.6 million (478.2).



**HARVIA**

Sauna & Spa

Let's sauna.