# VALUE CREATORS

## HARVIA

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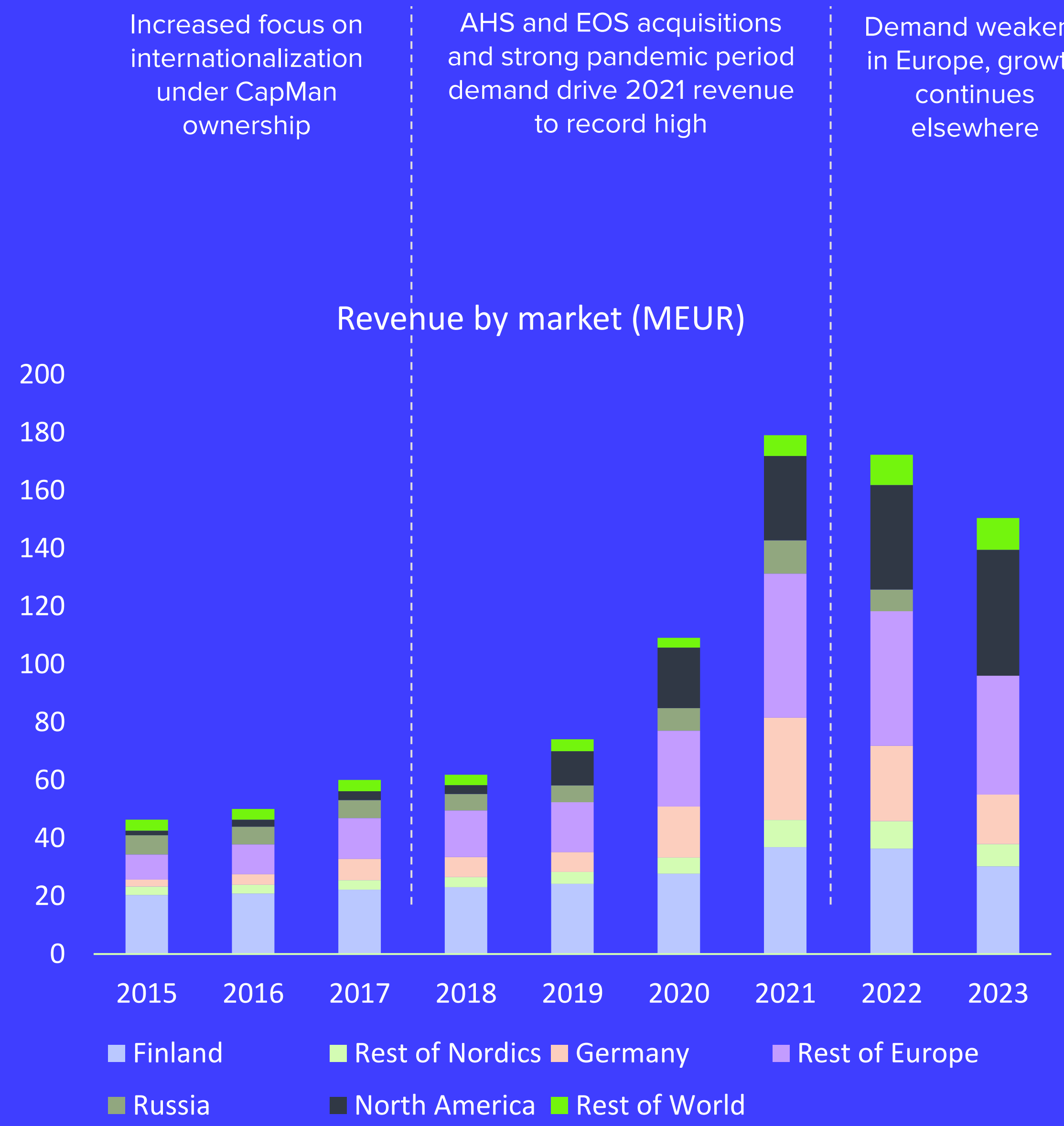
CONNECTING INVESTORS AND COMPANIES.

# VALUE CREATORS CONCEPT

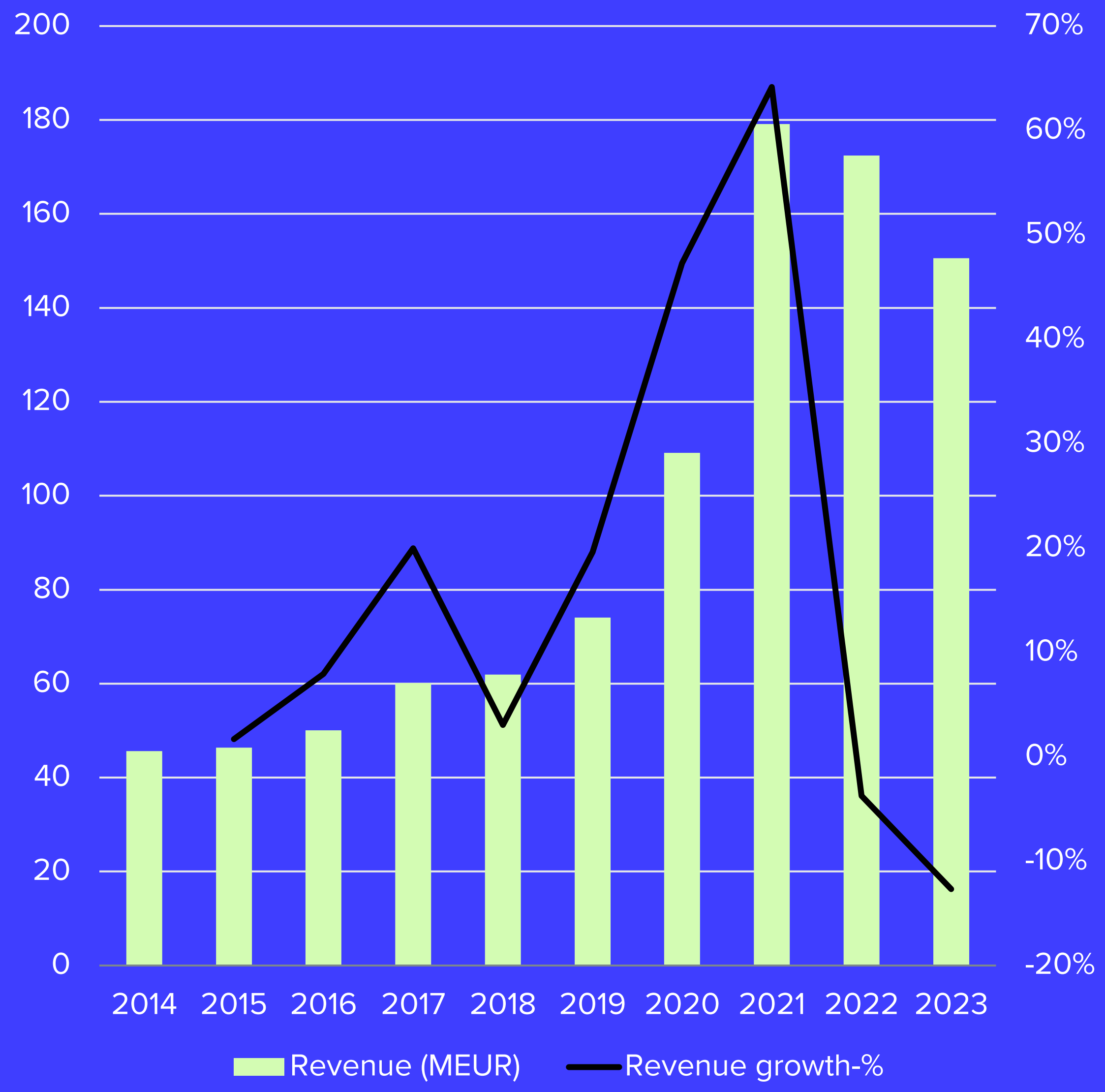
- In the Value Creators concept, we highlight companies that have created substantial shareholder value
- The reports do not include forecasts; they are based solely on historical data and key figures derived from it
- We evaluate companies based on the following indicators:
  - Revenue development
  - Operating profit development and profitability (%)
  - Return on capital (%)
  - Cash flow generated from operations
  - Share price development and historical valuations
  - Data is primarily sourced from Bloomberg
- We look at the long-term development and all figures are presented with the time series 2014-2023, when possible
- The reports do not constitute investment recommendations

# HARVIA IN BRIEF TIMELINE



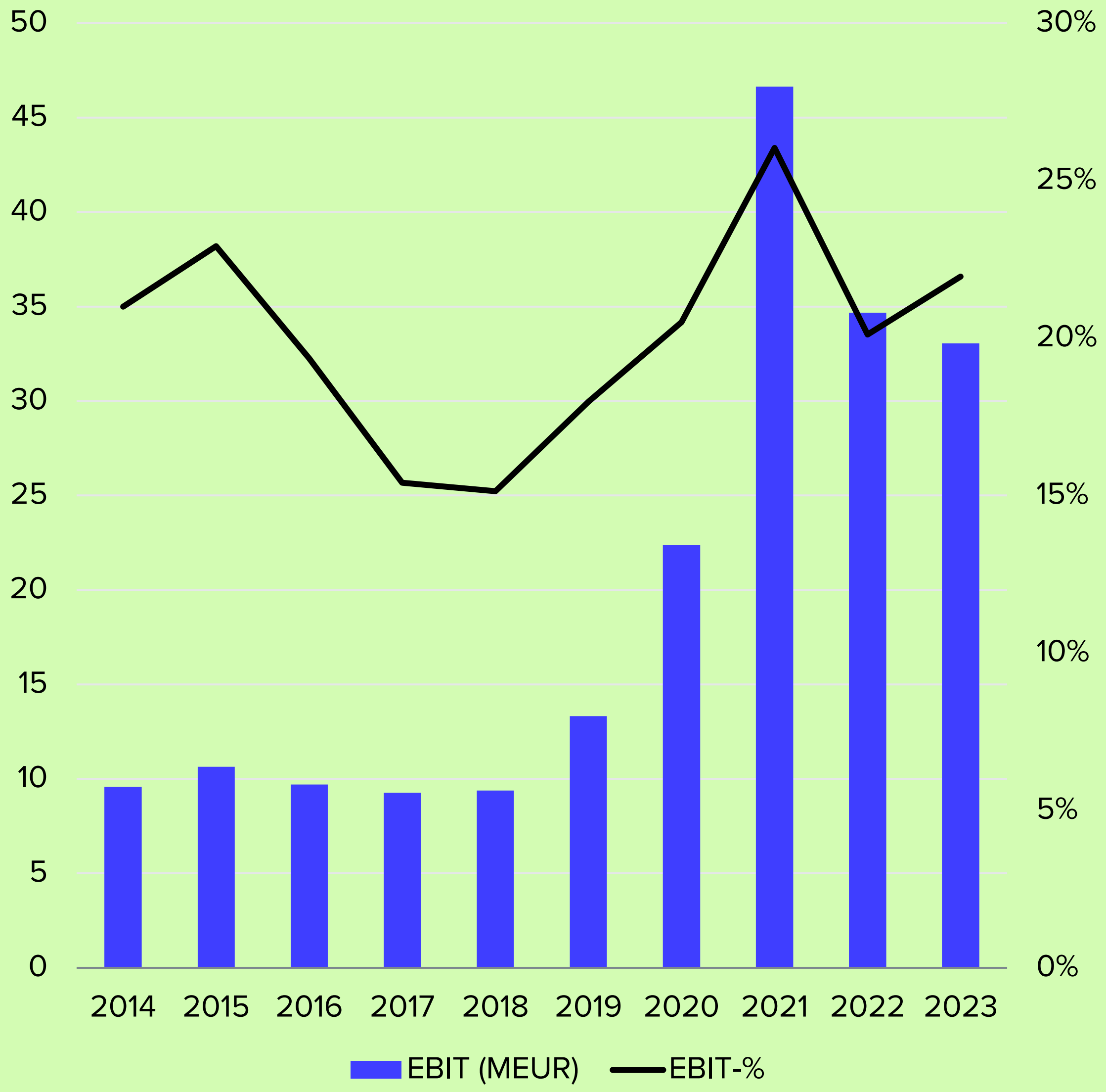

- Harvia is the world's leading sauna and spa company with a product range that includes traditional heaters and complete saunas
- 2014-2018: Under the ownership of private equity investor CapMan, the company begins a strong internationalization and expansion of its product portfolio (from just heaters to a wider range)
- 2018-2021: IPO (2018), strong growth through acquisitions and a boom in demand driven by COVID
- 2022-2023: Declining demand in Europe and exit from Russia led to lower revenue, although growth continued outside Europe

# REVENUE GROWTH: 14% CAGR

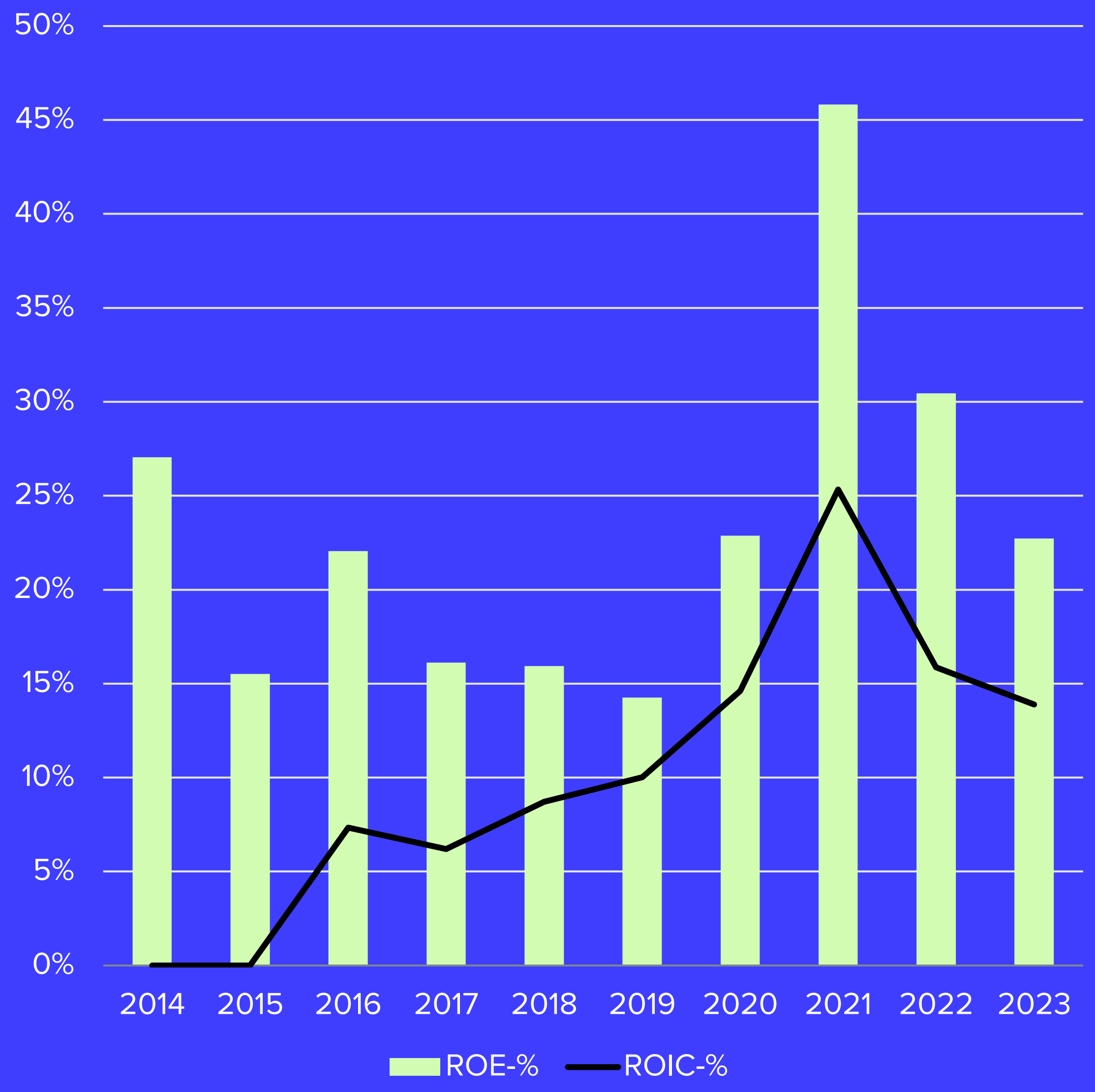



- Harvia's revenue has grown at a CAGR of 14% over the last ten years
- This has been supported by internationalization, with Finland accounting for 44% of revenue in 2015 and 20% in 2023
- Growth was particularly accelerated in 2018 by the acquisition of Almost Heaven Saunas in North America and the subsequent strong growth in North America, which has continued in recent years
- Revenue growth was also supported by the boom in demand during the pandemic period and inflation

# OPERATING PROFIT GROWTH: 15% CAGR

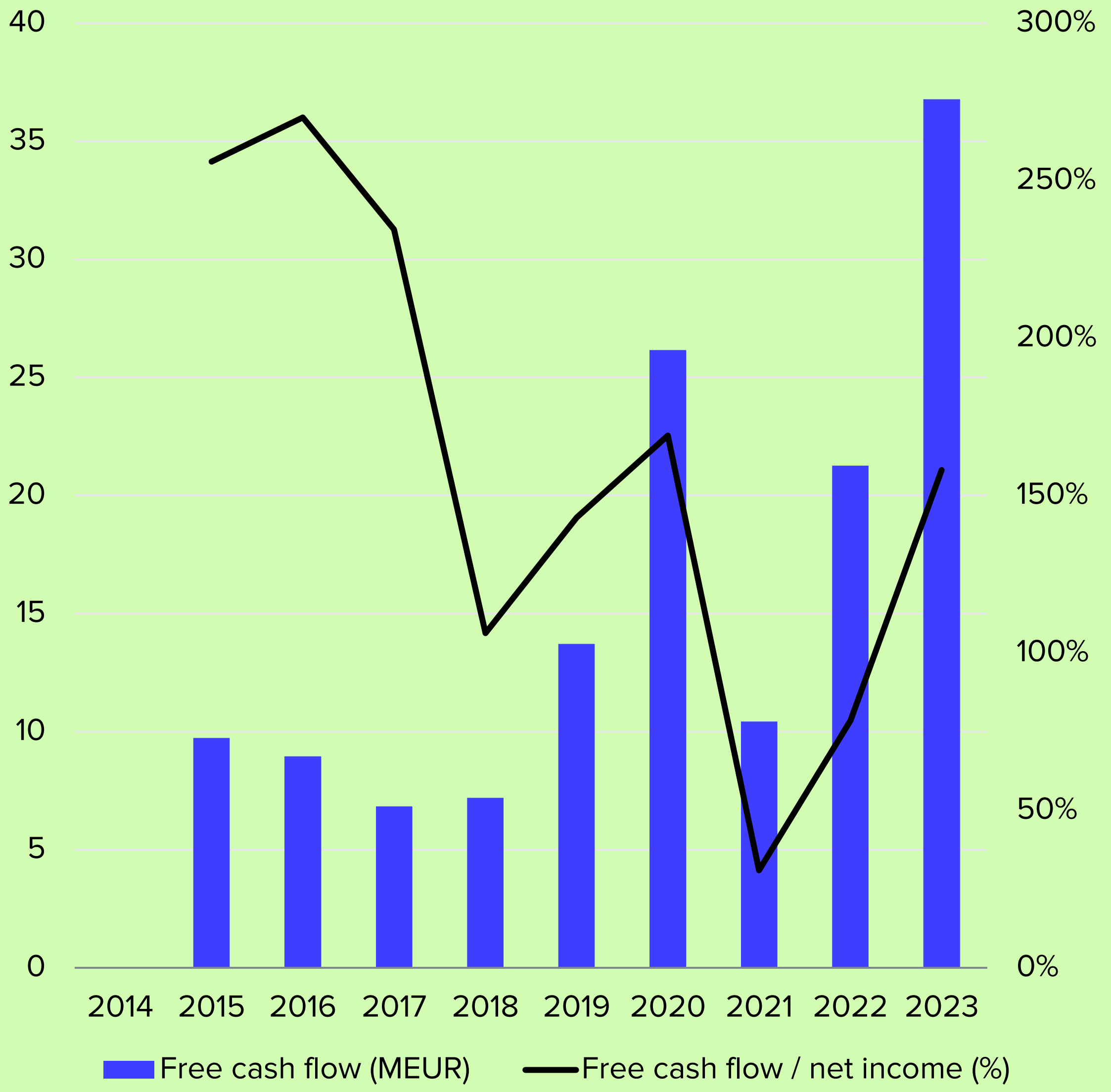



- Operating profit has grown virtually in line with revenue, while the operating profit margin has remained at a good level in the big picture
- The operating profit margin has remained high, ranging between 18% and 26%, which is clearly above the general industry level
- Profitability has been surprisingly stable, especially considering the sharp drop in volumes in 2022-23, which Harvia has been able to adapt to by reducing costs and improving efficiency




# RETURN ON CAPITAL HAS FLUCTUATED

- Return on equity (ROE): 23% (average 2014-23)
- Return on invested capital (ROIC): 13% (average 2016-23)
- The figures above are affected by the fact that prior to the 2018 IPO, the company was owned by a private equity investor and had a leveraged capital structure
- Over the last 5 years, ROE has averaged over 25% and ROIC over 15%
- In turn, the 2021 level was exceptionally high due to a peak in demand
- The business does not require significant investment, even though Harvia manufactures most of its own products



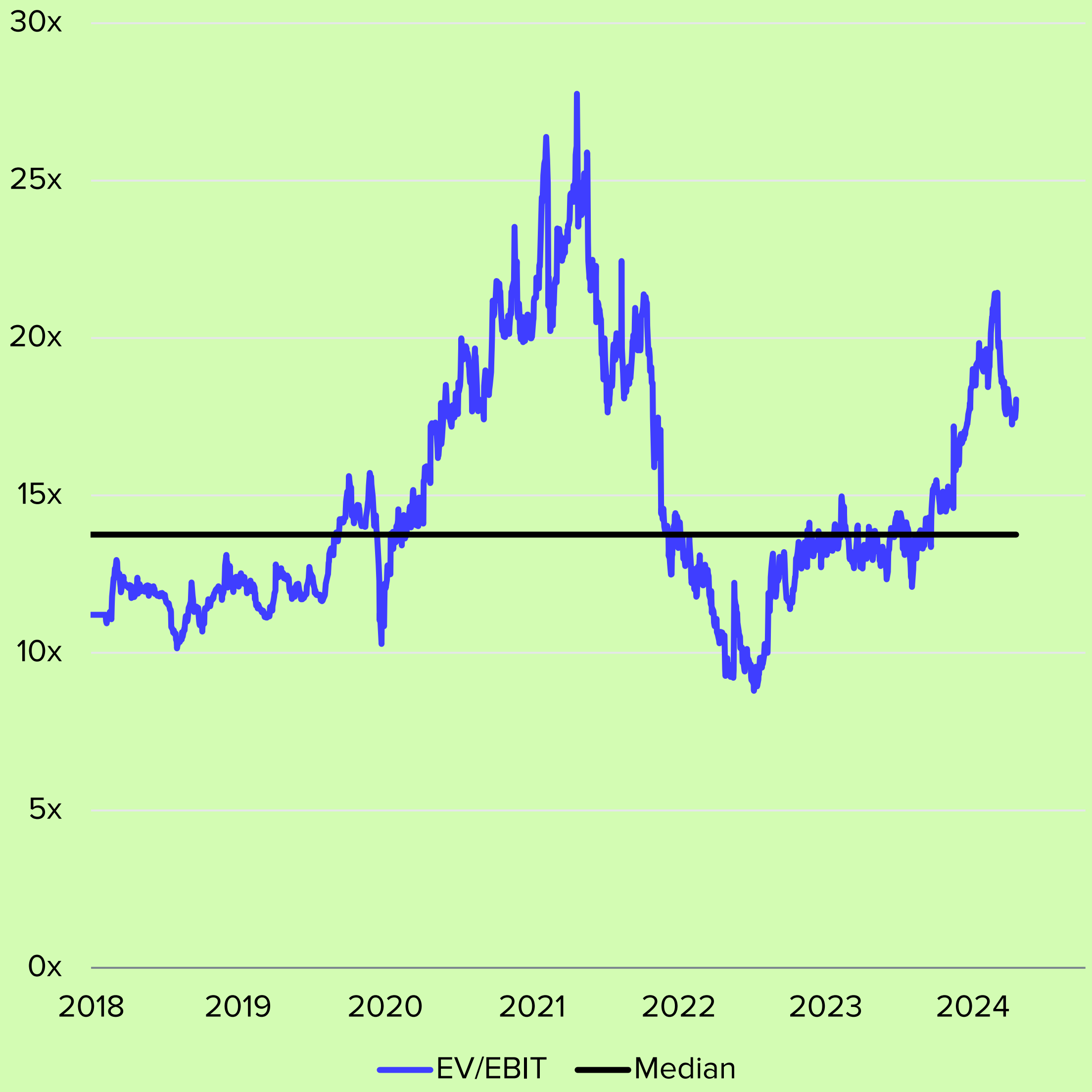

# CASH FLOW: ON A STRONG LEVEL

- The free cash flow generated by the business has been largely abundant
- Over the company's stock market history (2018-2023), free cash flow has averaged slightly higher than net income
- Cash flow was weak in 2021 as high demand growth tied up working capital - however, the situation stabilized in 2022-23
- Harvia has also used its cash flow for acquisitions


# SHARE PRICE RETURN: ~40% (CAGR*)

- Since the IPO (March 2018), Harvia's share price has increased by about 870% to its current level (10/7/2024: EUR 43.65)
- The annual increase in the share price of around 40% is significantly higher than the increase in earnings, i.e., the valuation multiples have also increased
- Harvia has paid dividends over the period, and according to Bloomberg, the total return on the stock over the period was around 960%
- Total return for the period is approximately 42% per annum *since the IPO
- NB! Bloomberg data was collected in October 7, 2024

# HISTORICAL VALUATION




- Harvia's historical valuation has fluctuated heavily
- The average EV/EBIT multiple has been approximately 15x, while the median is around 14x
- The data presented in the graph comes from Bloomberg and was collected on October 4, 2024: this key figure compares the current enterprise value (EV) with the consensus forecast for the next 12 months (EBIT).
- We do not express an opinion on the current valuation of the company in this report

# KEY FACTORS BEHIND THE SUCCESS?*

- Clear competitive advantages: Vertical integration - in-house manufacturing and design, economies of scale and strong brands
- Successful internationalization, both organically and through acquisitions (especially AHS in the US)
- Successful expansion of the product portfolio into complete saunas
- Continued good profitability and low capital requirements

*Inderes estimates

# METHODOLOGY

## WHY WE USE SELECTED KPIs

- Revenue growth indicates demand for the company's product or service
- Profitability, as measured by operating profit margin, reflects factors such as pricing power, business model effectiveness and operational efficiency
- Return on capital, when combined with revenue growth and profitability metrics, indicates capital efficiency and value creation relative to the cost of capital (e.g., WACC)
- Free cash flow demonstrates the ability of the company and its business model to generate essential cash flows, which are critical to determining the overall value of the company
- Share price development typically reflects the company's ability to create long-term shareholder value
- Together, these metrics provide a comprehensive view of the quality of the business, especially when analyzed over time

## NOTES ON THE KEY FIGURES

This report is based on Bloomberg data on revenue, EBIT, ROE-%, ROIC-%, share price and valuation multiples (such as EV/EBIT). However, we have made our own calculations of RONIC-% for the full period and free cash flow generated from operations. The calculation methods used are set out below.

### RONIC-% (FOR THE ENTIRE PERIOD)

RONIC is calculated as the ratio of the change in operating income NOPAT T+1 - NOPAT T+0 to the change in invested capital ICT+1 - ICT+0.  In practice, this tells the investor how much new capital the company has had to invest new capital in its business to achieve operational profit growth.

$$RONIC = \frac{NOPAT_1 - NOPAT_0}{IC_1 - IC_0}$$

Since we calculate the RONIC-% for the entire 10-year period, it reflects the average return on new invested capital over the entire period.

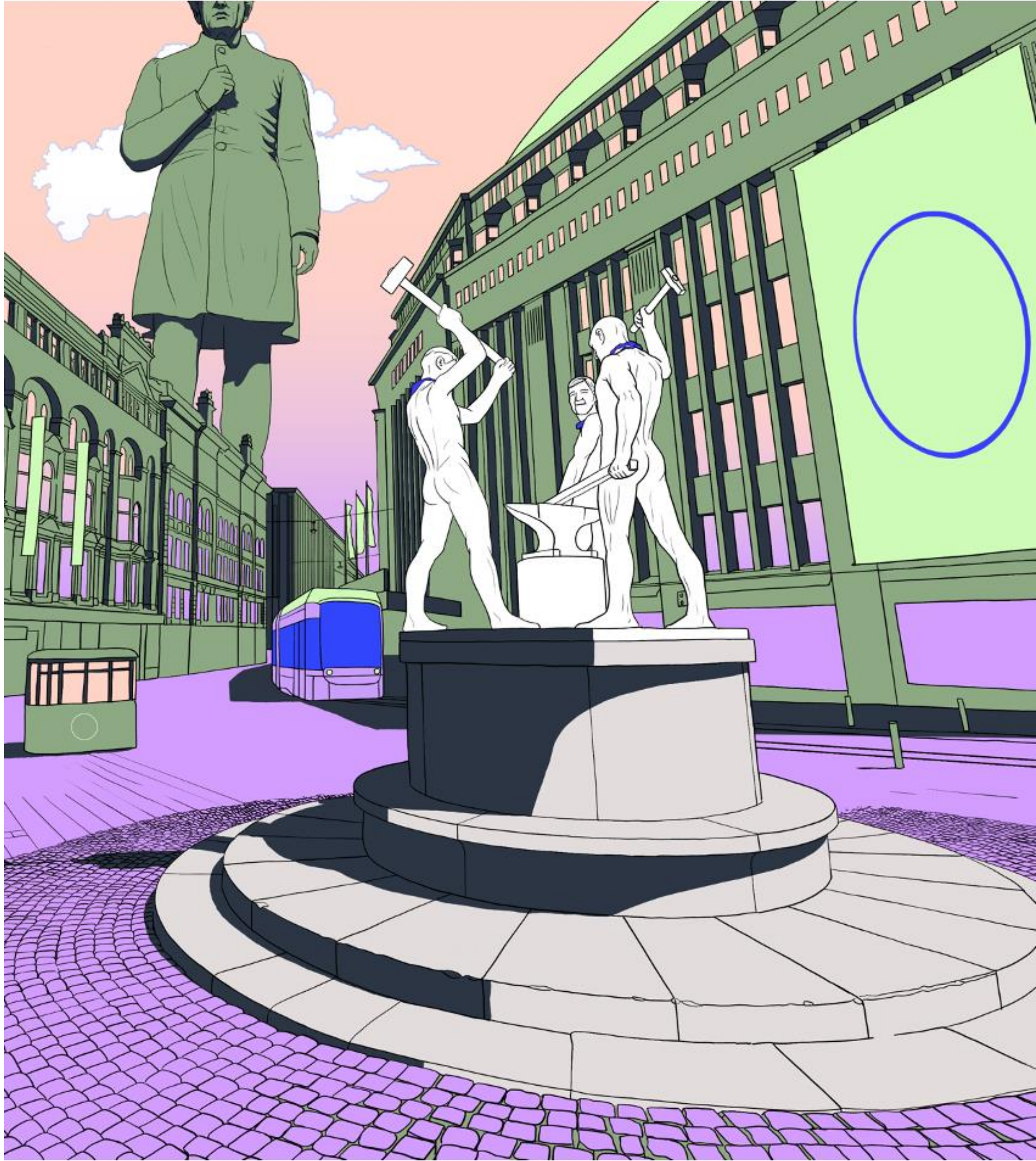
### Free cash flow generated by the business

Basic calculation is: net cash flow from operations - net cash flow from investments adjusted for acquisitions and divestitures - IFRS16 rental liabilities in the net cash flow from financing. Sometimes additional corrections are needed to get the right picture, but we aim to keep figures comparable between companies.

The calculation method particularly reflects the ability of the business to generate cash flow. It does not take a position on capital allocation, but management's ability to allocate capital is reflected in other figures, particularly over the longer term.

# THANK YOU!

IF YOU ARE INTERESTED, YOU CAN FIND MORE INFORMATION ABOUT THE COMPANY HERE



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