

# Harvia

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Kasvuajurit ovat nyt vahvemmat kuin koskaan aiemmin" published on 05/05/2021 at 11:59 pm

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# Growth drivers are stronger than ever

Harvia's Q1 report was extremely strong in line with preliminary data given on April 16. The sauna and spa market is soaring globally, which is visible in Harvia's growth figures and investments. Even though Q1 figures carried no surprise, management comments on the market outlook were bolder than before, so we made small positive revisions to our estimates for the next few years. We raise our target price for Harvia to EUR 47.0 (previously EUR 45.0) and revise our recommendation to Accumulate (previously Buy) due to the heavily risen share price.

## Extremely strong Q1 report in line with preliminary data

Harvia's Q1 revenue grew by 95% to EUR 39.6 million. Strong growth was based on impressive 62% organic growth that was accompanied by the EOS Group acquisition carried out on May 1, 2021. The management said that demand was exceptionally strong in Q1 on all markets and product groups. Adjusted EBIT grew by 165% and was EUR 11.1 million, which translates to a strong 28.1% EBIT margin (Q1'20: 20.6%). Earnings growth was mainly due to revenue growth, but the company has also done an excellent job in increasing relative profitability.

## Growth outlook for the next 2-3 years specified, and they are extremely strong

Harvia does not usually publish short-term outlook. The company has long-term targets that are average annual revenue growth above 5% and 20% EBIT margin. Recently the company has wiped the floor with the financial targets and in our view, this will also continue in coming years. The order book is exceptionally strong and even though Harvia has increased the capacity at every factory within the past year, customers seem to be buying everything that the company is able to produce. For the past 12 months, the management has repeated its view of 5% annual market growth and partially written off Harvia's strong growth figures to advance demand caused by the pandemic. The global sauna boom and sauna becoming more known is, however, such a big phenomenon according to the management that it said that market growth for the next 2-3 years will be clearly higher than ~5%. This also confirms that the sauna boom is not a passing phase caused only by COVID but that there are also more favorable global megatrends in the background and Harvia as the largest company on the market with the widest product portfolio is in a good position to benefit from this. We feel Harvia's outlook is now better and brighter than ever before.

## We raised our estimates for both revenue and operating profit

We raised our 2021 revenue estimate to EUR 151 million (previously EUR 147 million) which means 38% growth from 2020. Growth in Q1 amounted to 95%, so we expect growth to slow down clearly towards the end of the year. This reflects the fact that starting from May 1 growth is fully organic when the comparison period already includes EOS' figures. We expect annual revenue growth in 2021-2023 to be over 20% (CAGR) supported by strong market growth, geographical expansion, new factory investments and increase in the value of average purchases. We raised our adjusted EBIT estimate for 2021 by 3% to EUR 37.1 million (EBIT 24.7%) which means a 52% growth from 2020. The company's profitability is now extremely high, and we expect 2022-2024 EBIT margins to drop to 23-24%.

## Share valuation still attractive and acquisitions can generate considerable shareholder value

P/E ratios for 2021 and 2022 based on our estimates are 29x and 24x and EV/EBIT ratios are 22x and 19x. We find the valuation attractive considering Harvia's high quality and good growth outlook. Our annual revenue growth estimate for 2021-2024 is around 20% (CAGR) and the company also offers growing ~2-3% dividend yield. Harvia also has a track record of successful acquisitions with which the company knows how to generate considerable shareholder value.

## Recommendation

**Accumulate**

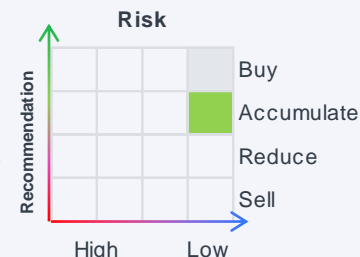
(previous Buy)

**EUR 47.00**

(previous EUR 45.00)

**Share price:**

42.25



## Key indicators

	2020	2021e	2022e	2023e
<b>Revenue</b>	109	151	182	199
<b>growth %</b>	47%	38%	21%	10%
<b>EBIT adjusted</b>	24.5	37.1	43.3	47.0
<b>EBIT % adjusted</b>	22.4%	24.7%	23.9%	23.6%
<b>Net profit</b>	15.5	27.0	32.4	35.6
<b>EPS (adjusted)</b>	0.94	1.48	1.74	1.91
<b>P/E (adjusted)</b>	26.0	28.6	24.3	22.1
<b>P/B</b>	6.9	9.2	7.7	6.6
<b>Dividend yield %</b>	2.1%	2.0%	2.4%	2.6%
<b>EV/EBIT (adjusted)</b>	20.5	22.3	18.8	17.0
<b>EV/EBITDA</b>	18.8	19.9	16.7	15.3
<b>EV/Revenue</b>	4.6	5.5	4.5	4.0

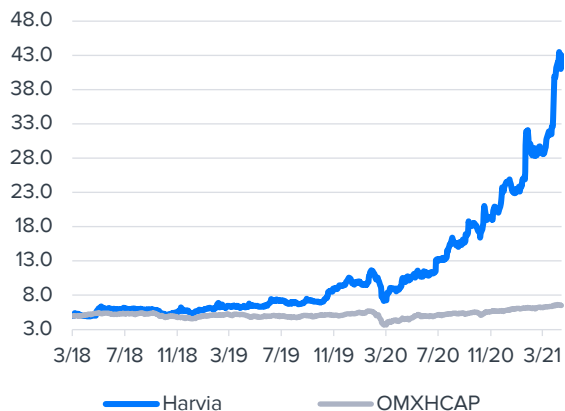
Source: Inderes

## Guidance

(Unchanged)

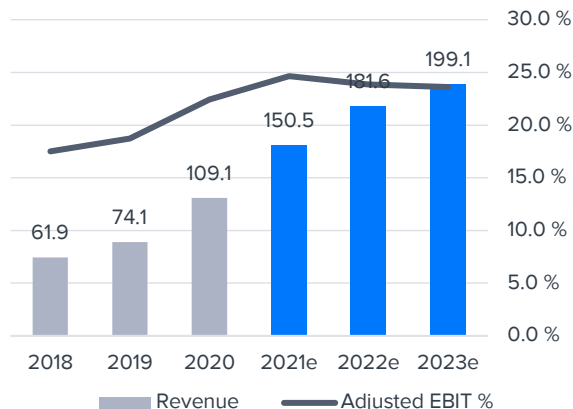
Harvia does not publish a short-term outlook. The company targets average annual revenue growth above 5% and 20% adjusted EBIT margin.

## Share price



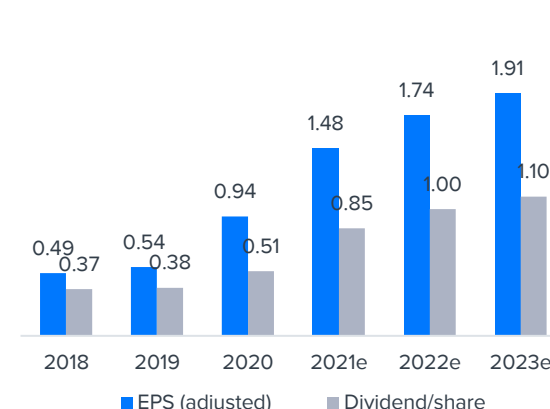
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



### Value drivers

- Stably growing sauna and spa market
- Leading market position and best profitability in the sector
- Strong cash flow and low investment need
- Revenue growth through complementing acquisitions and expansion of the reseller network
- Improving profitability through product mix and higher efficiency

### Risk factors

- Dependency on the Muurame plant
- Effect on demand of the economic shock caused by the corona virus
- Changes in the competitive field or position
- Effect of material costs on profitability
- Economic fluctuations and fluctuations on the construction market may slow down growth
- Successful integration of acquisitions

### Valuation

- Favorable long-term earnings growth potential positive driver for the share
- Based on our estimates for the next few years, earnings-based valuation is extremely attractive
- Dividend yield that currently is at a reasonable level (and growing) supports the share
- Strong balance sheet, stable cash flow, good profitability, high-quality management, and acquisition options speak for a high valuation
- Share valuation below the peer group

# Extremely strong Q1 report in line with preliminary data

## Revenue grew by 95%

Harvia released preliminary data on Q1 revenue and operating profit already on April 16. The actual figures were thus mainly already known, and the report offered no surprises in this regard. Revenue grew by 95% to EUR 39.6 million. Strong growth was based on impressive 62% organic growth that was accompanied by the EOS Group acquisition carried out on May 1, 2021. The management said that demand was exceptionally strong in Q1 on all markets and product groups. The demand for steam saunas that had grown weaker due to COVID had started showing signs of recovery. Geographically growth was strongest in Germany (+359%) and by product group in control units (+196%) and sauna heaters (+97%). The force behind all of these was that they are strong areas acquired in the EOS deal.

The company stated that awareness and popularity of the health benefits of sauna and spa have increased, and this is reflected to some extent in the growth of the sauna and spa market. The homing and renovation trend due to COVID has further accelerated demand. The limits of production and the delivery chain were tested as the company ran at high capacity utilization

rates in Q1 and the pandemic and related restrictions caused challenges in the availability of raw materials and components.

## Adjusted operating profit grew by 165%

Adjusted EBIT grew by 165% and was EUR 11.1 million which translates to a strong 28.1% EBIT margin (Q1'20: 20.6%). Earnings growth was mainly due to revenue growth, but the company has also done an excellent job in increasing relative profitability. Harvia's long-term target is above 20% EBIT margin and currently the company is clearly above this. This has been reached by systematically improving productivity and high sales volumes. A favorable demand situation has given the company the opportunity to price its products with good margins. Even though there has recently been news on risen price levels of, e.g., wood, steel, electronics, and freight, Harvia has been able to conquer these challenges in cooperation with its partners and maintain strong profitability. Q1 was a great example of production flexibility and the ability to adjust to difficult market situations.

## Financial situation very strong

Operational cash flow in Q1 was EUR 8.1 million (Q1'20:

EUR 5.9 million). Harvia typically has a strong cash flow ratio but now it dropped to 66% (Q1'20: 117%). One reason was clearly higher investments the company made to increase the capacity of production plants and improve automation. The other reason was increased inventories to be able to respond to customer demand. The management stated in Q1 that the order book has never been this full and some delivery times have been prolonged. From this viewpoint we find it sensible to increase inventories to maintain high customer satisfaction.

Even though Harvia has carried out acquisitions and invested in expanding its production capacity, the gearing (net debt/EBITDA) has decreased to 0.7x thanks to good earnings development. This is clearly below the financial target (1.5-2.5x) and the balance sheet is extremely strong. Related to this, the company said that its strategy includes actively seeking opportunities to grow in the sauna and spa market also through acquisitions. We believe the company is currently actively seeking targets, e.g., among steam sauna, infrared sauna, or cold-water plunge pool manufacturers to better utilize the balance sheet and the company complementing its product portfolio.

Estimates	Q1'20	Q1'21	Q1'21e	Q1'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
MEUR / EUR								
Revenue	20.4	39.6	39.6				0%	151
EBIT (adj.)	4.2	11.1	11.1				0%	37.1
EBIT	3.1	11.0	11.0				0%	36.6
EPS (reported)	0.13	0.44	0.44				-1%	1.45
Revenue growth-%	5.7 %	94.6 %	94.4 %				0.2 pp	37.9 %
EBIT-% (adj.)	20.6 %	28.1 %	28.0 %				0 pp	24.7 %

Source: Inderes

# Growth outlook for the next 2-3 years specified, and they are strong

## Harvia's management finally specified its market growth expectations

Harvia does not usually publish short-term outlook and the company has no guidance for 2021. During its bafflingly strong performance recently the company has stuck to its long-term targets of annual revenue growth above 5% and 20% adjusted EBIT margin. The growth target is, according to the company, based on historic growth on the sauna market (~5% p.a.) and the company's objective to raise its market share there. Even though the company has been pressed for an update to these targets the management has said that the strong growth figures are partly caused by advance demand and it does not affect the longer-term growth outlook of the sauna and spa market.

In the Q1 report, the management finally specified the next few years by saying that the sauna and spa market is expected to grow clearly faster than the historic 5% rate in the next 2-3 years. Even though the company was unwilling to give a precise estimate of what this means, the CEO's indication during the corporate briefing was "around twice as fast". This also confirms that the sauna boom is not a passing phase caused only by COVID but that there are also

more favorable global megatrends in the background and Harvia is in a good position to benefit from this.

## Our revenue estimates rose by 2-3%

After the Q1 report, we raised our 2021 revenue estimate to EUR 151 million (previously EUR 147 million) which means 38% growth from 2020. Harvia's growth in Q1 amounted to 95%, so we expect growth to slow down clearly towards the end of the year. This partly reflects the fact that starting from May 1 growth starts to become fully organic when the comparison figures already include EOS Group's figures.

The demand on the sauna market is currently very strong globally and it is driven by renovations of homes and cottages boosted by COVID, sauna becoming more known, and the drumming of the number of health benefits of sauna in various media. The management now seems more convinced that growth is not slowing down at least over the next couple of years and the company said that demand is so strong that the company is constantly seeking additional investments to increase capacity and improve productivity. The need to increase capacity came as a small surprise to us as the company just invested in production plant machinery in Romania,

China, and Finland. In early 2021, the company ramped up additional capacity at the Renick plant in the US and purchased a new factory area in West-Virginia where additional capacity is to be taken into use in fall 2021. In addition, the company announced expansion investments in the Muurame factory to be completed in December 2021. All signs indicate that the demand outlook for the next few years is extremely strong and this gave us confidence to raise our revenue estimates for 2022-2023 by 2-3%. We expect annual revenue growth in 2021-2023 to be slightly over 20% (CAGR).

## Our operating profit estimates rose by 4-5%

We also raised our operating profit estimates by 4-5% for 2022-2023. The strengthening sauna trend, Harvia's strong market position, the best-known and widest product portfolio in the industry, investments made to improve production efficiency, new product innovations, efficient distribution channel model, and scalable operations have raised Harvia's profitability high (EBIT Q1'21: 28%). We do not find this level to be sustainable in the long term and our 2021 adjusted EBIT estimate is EUR 37.1 million (EBIT 24.7%). Our 2022-2024 EBIT margin estimates are 23-24 %.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	147	151	2%	177	182	3%	195	199	2%
EBIT (exc. NRIs)	35.9	37.1	3%	41.5	43.3	4%	45.4	47.0	4%
EBIT	35.4	36.6	3%	41.5	43.3	4%	45.4	47.0	4%
EPS (excl. NRIs)	1.44	1.48	3%	1.69	1.74	3%	1.87	1.91	2%
DPS	0.85	0.85	0%	1.00	1.00	0%	1.10	1.10	0%

# Valuation still attractive

## Outlook better than ever before

We feel Harvia's outlook is now better than ever before. The outlook is supported by the eagerness to renovate homes and cottages boosted by COVID and people's increasing interest in sauna and its health benefits. Harvia has been able to serve consumers in a surprisingly strong demand increase and the company rides the global megatrend of growing popularity of sauna bathing. In the Q1 corporate briefing the management said that the sauna and spa market is expected to grow clearly faster than the historical 5% rate in the next 2-3 years, and the rough estimate was around double the speed in the next few years. This also confirms that the sauna boom is not a passing phase caused only by COVID but that there are also more favorable global megatrends in the background and Harvia is in a good position to benefit from this.

The company has changed into a new gear and is reaching for the undisputed top spot on the sauna and spa market. Historically, growth has been of high-quality and it has improved Harvia's profitability. Organic growth generated with strong return on capital and acquisitions supported by good cash flow have created considerable shareholder value and strengthened Harvia's position on global sauna and spa markets. According to its own estimate, Harvia is now number one or at least in a shared top position on the sauna and spa market.

## High-quality company deserves a high valuation

P/E ratios for 2021 and 2022 based on our estimates are 29x and 24x and EV/EBIT ratios are 22x and 19x. We find the valuation attractive considering Harvia's high quality and good long-term earnings growth

outlook. Harvia's growth drivers are now exceptionally clear. Record high order book, considerable expansion investments, acquisition option, and structural growth in the industry push Harvia towards a bigger size class. Because growth is so profitable you have to (and should) pay a high price for it. Harvia has a strong market position, good brand, best profitability in the industry, stable cash flow, low capex need, strong return on equity, high-quality management, and nearly all criterion for a quality company are met. We believe Harvia should be priced at a premium compared to its peer group and the earnings-based valuation (P/E and EV/EBIT) for the next few years is 20-40% higher for Harvia than its peer group.

During its time as a listed company, Harvia has, measured by quality, proven to be among the top listed companies on the Helsinki stock exchange. We believe there is still upside in the current valuation multiples, but investors should note that our estimates are above the company's own long-term financial targets. Our annual revenue growth estimate for 2021-2024 is around 20% (CAGR) and the company also offers growing ~2-3% dividend yield

## Acquisition option is valuable

Harvia wants to implement its growth strategy also by being active in industry consolidation. Recent successful acquisitions and their integration (Sentiotec, AHS and EOS) indicate that Harvia knows how to make acquisitions with favorable terms, integrate the companies into the group and thus find new product categories, customers, and good synergy. We find Harvia's acquisition expertise and acquisition opportunities that keep popping up to be clearly positive factors with which Harvia knows how to generate shareholder value.

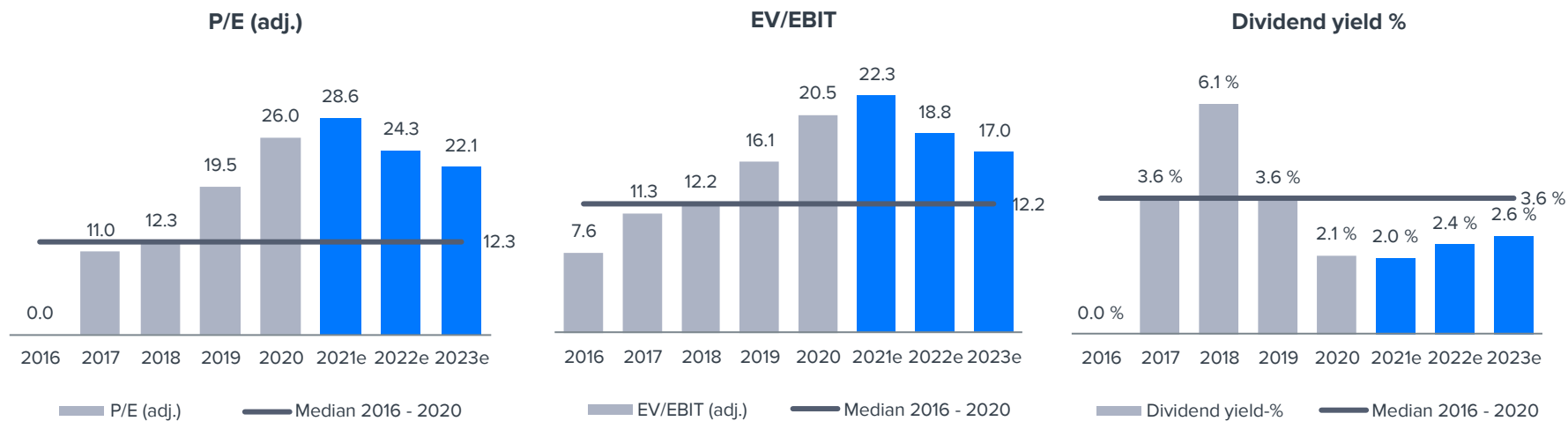
Valuation	2021e	2022e	2023e
Share price	42.3	42.3	42.3
Number of shares, millions	18.6	18.6	18.6
Market cap	788	788	788
EV	828	814	798
P/E (adj.)	28.6	24.3	22.1
P/E	29.1	24.3	22.1
P/FCF	36.9	27.9	23.7
P/B	9.2	7.7	6.6
P/S	5.2	4.3	4.0
EV/Sales	5.5	4.5	4.0
EV/EBITDA	19.9	16.7	15.3
EV/EBIT (adj.)	22.3	18.8	17.0
Payout ratio (%)	58.6 %	57.5 %	57.5 %
Dividend yield-%	2.0 %	2.4 %	2.6 %

Source: Inderes

# Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price		5.00	6.10	10.6	24.5	<b>42.3</b>	<b>42.3</b>	<b>42.3</b>	<b>42.3</b>
Number of shares, millions		9.54	16.7	18.7	18.6	<b>18.6</b>	<b>18.6</b>	<b>18.6</b>	<b>18.6</b>
Market cap		48	102	198	457	<b>788</b>	<b>788</b>	<b>788</b>	<b>788</b>
EV	76	121	132	224	503	<b>828</b>	<b>814</b>	<b>798</b>	<b>783</b>
P/E (adj.)	0.0	11.0	12.3	19.5	26.0	<b>28.6</b>	<b>24.3</b>	<b>22.1</b>	<b>20.9</b>
P/E	0.0	16.4	15.0	20.6	29.5	<b>29.1</b>	<b>24.3</b>	<b>22.1</b>	<b>20.9</b>
P/FCF	0.0	6.3	17.6	16.2	32.4	<b>36.9</b>	<b>27.9</b>	<b>23.7</b>	<b>22.5</b>
P/B	0.0	2.5	1.5	2.9	6.9	<b>9.2</b>	<b>7.7</b>	<b>6.6</b>	<b>5.8</b>
P/S		0.8	1.6	2.7	4.2	<b>5.2</b>	<b>4.3</b>	<b>4.0</b>	<b>3.7</b>
EV/Sales	1.5	2.0	2.1	3.0	4.6	<b>5.5</b>	<b>4.5</b>	<b>4.0</b>	<b>3.7</b>
EV/EBITDA	6.7	10.8	11.4	13.6	18.8	<b>19.9</b>	<b>16.7</b>	<b>15.3</b>	<b>14.4</b>
EV/EBIT (adj.)	7.6	11.3	12.2	16.1	20.5	<b>22.3</b>	<b>18.8</b>	<b>17.0</b>	<b>16.0</b>
Payout ratio (%)	0.0 %	58.9 %	91.1 %	74.0 %	61.5 %	<b>58.6 %</b>	<b>57.5 %</b>	<b>57.5 %</b>	<b>60.0 %</b>
Dividend yield-%		3.6 %	6.1 %	3.6 %	2.1 %	<b>2.0 %</b>	<b>2.4 %</b>	<b>2.6 %</b>	<b>2.9 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e
Thule Group AB	386.20	3913	3925	21.0	20.3	19.5	18.8	4.5	4.3	27.8	26.8	2.6	2.8	7.7
Nobia AB	73.75	1225	1406	11.7	9.4	6.8	5.9	1.0	1.0	13.8	11.1	3.7	4.6	2.6
Dometic Group AB (publ)	132.15	3806	4547	15.7	13.8	12.4	11.0	2.3	2.2	21.1	18.2	1.9	2.2	2.2
Nokian Tyres plc	31.64	4368	4351	16.9	14.2	10.9	9.6	2.9	2.7	21.7	18.0	4.1	4.5	2.7
Rapala VMC Corp	8.90	333	389	14.9	13.9	9.3	9.5	1.4	1.4	23.9	20.5	1.2	1.8	2.1
Husqvarna AB	118.75	6607	6862	13.9	13.7	9.5	9.4	1.6	1.6	18.6	17.9	2.3	2.4	3.4
Inwido AB (publ)	153.20	850	965	12.4	11.9	9.4	9.1	1.3	1.3	15.0	14.1	3.1	3.3	2.1
Nibe Industrier AB	313.50	13465	13875	36.3	32.9	27.5	25.3	4.9	4.5	53.9	49.2	0.6	0.6	7.7
Technogym SpA	11.46	2260	2195	27.0	19.9	18.3	14.3	3.5	3.0	40.1	29.0	1.2	1.6	7.3
Rockwool International A/S	2780.00	7503	7382	23.0	20.4	13.8	12.6	2.7	2.6	32.7	28.7	1.1	1.2	3.5
Kingspan Group PLC	77.00	13477	13897	25.1	22.5	20.0	18.2	2.5	2.3	30.9	27.4	0.5	0.5	4.9
Electrolux AB	236.10	7062	6872	9.7	9.9	5.8	5.8	0.6	0.6	13.6	13.4	3.7	3.8	3.1
De' Longhi SpA	37.38	5629	5675	16.1	15.1	12.6	11.8	2.0	1.9	21.4	19.9	1.8	1.9	3.7
<b>Harvia (Inderes)</b>	<b>42.25</b>	<b>788</b>	<b>828</b>	<b>22.3</b>	<b>18.8</b>	<b>19.9</b>	<b>16.7</b>	<b>5.5</b>	<b>4.5</b>	<b>28.6</b>	<b>24.3</b>	<b>2.0</b>	<b>2.4</b>	<b>9.2</b>
<b>Average</b>				<b>18.7</b>	<b>16.8</b>	<b>13.5</b>	<b>12.4</b>	<b>2.4</b>	<b>2.3</b>	<b>25.7</b>	<b>22.6</b>	<b>2.1</b>	<b>2.4</b>	<b>4.1</b>
<b>Median</b>				<b>16.1</b>	<b>14.2</b>	<b>12.4</b>	<b>11.0</b>	<b>2.3</b>	<b>2.2</b>	<b>21.7</b>	<b>19.9</b>	<b>1.9</b>	<b>2.2</b>	<b>3.4</b>
<b>Diff-% to median</b>				<b>38%</b>	<b>32%</b>	<b>61%</b>	<b>52%</b>	<b>135%</b>	<b>108%</b>	<b>32%</b>	<b>22%</b>	<b>4%</b>	<b>9%</b>	<b>170%</b>

Source: Thomson Reuters / Inderes

NB: The market cap Inderes uses does not consider own shares held by the company



# Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue</b>	<b>74.1</b>	<b>20.4</b>	<b>25.5</b>	<b>28.0</b>	<b>35.2</b>	<b>109</b>	<b>39.6</b>	<b>35.0</b>	<b>34.6</b>	<b>41.3</b>	<b>151</b>	<b>182</b>	<b>199</b>	<b>213</b>
Finland	24.2	7.0	7.2	7.1	6.4	27.7	8.2	8.3	7.8	7.0	31.4	35.1	36.9	39.5
Other Nordic countries	4.2	1.0	1.3	1.3	2.1	5.6	1.8	1.7	1.6	2.4	7.4	8.4	8.8	9.4
German	6.9	1.8	3.3	4.8	7.7	17.6	8.5	5.3	5.7	8.5	28.0	33.3	35.0	37.4
Other European countries	17.2	4.7	5.6	6.6	9.3	26.1	10.5	7.2	7.9	9.7	35.3	40.2	43.5	46.5
Russia	5.8	1.0	2.0	1.8	3.0	7.9	2.4	2.6	2.2	3.2	10.4	12.0	12.6	13.5
North America	11.8	4.2	5.7	5.2	5.7	20.8	6.7	9.2	7.9	9.1	32.8	46.0	55.1	59.0
Other countries	4.1	0.5	0.5	1.2	1.1	3.3	1.6	0.7	1.5	1.4	5.2	6.5	7.2	7.7
<b>EBITDA</b>	<b>16.4</b>	<b>3.9</b>	<b>5.6</b>	<b>7.3</b>	<b>9.9</b>	<b>26.7</b>	<b>12.3</b>	<b>9.1</b>	<b>9.0</b>	<b>11.2</b>	<b>41.6</b>	<b>48.6</b>	<b>52.3</b>	<b>54.5</b>
Depreciation	-3.1	-0.8	-1.0	-1.3	-1.2	-4.3	-1.2	-1.3	-1.3	-1.3	-5.0	-5.3	-5.3	-5.5
<b>EBIT (excl. NRI)</b>	<b>13.9</b>	<b>4.2</b>	<b>5.4</b>	<b>6.1</b>	<b>8.8</b>	<b>24.5</b>	<b>11.1</b>	<b>8.0</b>	<b>7.87</b>	<b>10.1</b>	<b>37.1</b>	<b>43.3</b>	<b>47.0</b>	<b>49.0</b>
<b>EBIT</b>	<b>13.3</b>	<b>3.1</b>	<b>4.6</b>	<b>6.0</b>	<b>8.7</b>	<b>22.4</b>	<b>11.0</b>	<b>7.9</b>	<b>7.72</b>	<b>10.0</b>	<b>36.6</b>	<b>43.3</b>	<b>47.0</b>	<b>49.0</b>
Net financial items	-1.3	-0.1	-0.4	-0.6	-0.8	-2.0	-0.2	-0.5	-0.4	-0.4	-1.5	-1.4	-1.0	-0.4
<b>PTP</b>	<b>12.1</b>	<b>3.0</b>	<b>4.1</b>	<b>5.4</b>	<b>7.9</b>	<b>20.3</b>	<b>10.8</b>	<b>7.4</b>	<b>7.32</b>	<b>9.6</b>	<b>35.1</b>	<b>41.9</b>	<b>46.0</b>	<b>48.6</b>
Taxes	-2.5	-0.6	-0.8	-1.2	-1.8	-4.4	-2.4	-1.5	-1.5	-1.9	-7.3	-8.7	-9.5	-10.0
Minority interest	0.0	0.0	-0.1	-0.1	-0.3	-0.5	-0.2	-0.2	-0.2	-0.2	-0.8	-0.8	-0.8	-0.8
<b>Net earnings</b>	<b>9.6</b>	<b>2.4</b>	<b>3.2</b>	<b>4.0</b>	<b>5.8</b>	<b>15.5</b>	<b>8.2</b>	<b>5.7</b>	<b>5.65</b>	<b>7.46</b>	<b>27.0</b>	<b>32.4</b>	<b>35.6</b>	<b>37.7</b>
<b>EPS (adj.)</b>	<b>0.54</b>	<b>0.19</b>	<b>0.22</b>	<b>0.22</b>	<b>0.32</b>	<b>0.94</b>	<b>0.44</b>	<b>0.32</b>	<b>0.31</b>	<b>0.41</b>	<b>1.48</b>	<b>1.74</b>	<b>1.91</b>	<b>2.02</b>
<b>EPS (rep.)</b>	<b>0.51</b>	<b>0.13</b>	<b>0.17</b>	<b>0.22</b>	<b>0.31</b>	<b>0.83</b>	<b>0.44</b>	<b>0.31</b>	<b>0.30</b>	<b>0.40</b>	<b>1.45</b>	<b>1.74</b>	<b>1.91</b>	<b>2.02</b>

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue growth-%</b>	19.6 %	5.7 %	50.1 %	63.8 %	70.0 %	47.3 %	94.6 %	37.1 %	23.7 %	17.1 %	37.9 %	20.6 %	9.6 %	7.0 %
<b>Adjusted EBIT growth-%</b>	27.9 %	5.8 %	91.6 %	107.7 %	111.3 %	76.4 %	164.8 %	48.8 %	29.3 %	14.9 %	51.6 %	16.8 %	8.5 %	4.2 %
<b>EBITDA-%</b>	22.2 %	19.3 %	22.0 %	26.0 %	28.0 %	24.5 %	31.0 %	26.0 %	25.9 %	27.2 %	27.6 %	26.8 %	26.3 %	25.6 %
<b>Adjusted EBIT-%</b>	18.7 %	20.6 %	21.1 %	21.8 %	25.0 %	22.4 %	28.1 %	22.9 %	22.7 %	24.5 %	24.7 %	23.9 %	23.6 %	23.0 %
<b>Net earnings-%</b>	13.0 %	11.7 %	12.6 %	14.5 %	16.6 %	14.2 %	20.7 %	16.4 %	16.3 %	18.1 %	18.0 %	17.8 %	17.9 %	17.7 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>82.8</b>	<b>103</b>	<b>105</b>	<b>106</b>	<b>107</b>
Goodwill	60.2	71.0	71.0	71.0	71.0
Intangible assets	4.1	10.4	10.6	10.8	11.0
Tangible assets	14.5	16.9	18.9	19.6	20.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	2.6	2.7	2.7	2.7	2.7
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.3	1.9	1.9	1.9	1.9
<b>Current assets</b>	<b>39.0</b>	<b>62.7</b>	<b>72.8</b>	<b>86.0</b>	<b>92.2</b>
Inventories	13.8	20.7	27.1	32.7	35.8
Other current assets	0.1	0.2	0.2	0.2	0.2
Receivables	14.2	14.4	19.9	24.0	26.3
Cash and equivalents	10.9	27.3	25.6	29.1	29.9
<b>Balance sheet total</b>	<b>122</b>	<b>166</b>	<b>178</b>	<b>192</b>	<b>199</b>

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>68.8</b>	<b>68.9</b>	<b>87.8</b>	<b>104</b>	<b>121</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	15.4	23.7	41.3	57.8	74.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	53.4	42.6	44.0	44.0	44.0
Minorities	0.0	2.4	2.4	2.4	2.4
<b>Non-current liabilities</b>	<b>40.3</b>	<b>74.4</b>	<b>56.0</b>	<b>49.6</b>	<b>39.1</b>
Deferred tax liabilities	0.0	1.9	1.9	1.9	1.9
Provisions	0.2	0.3	0.3	0.3	0.3
Long term debt	36.4	56.3	37.9	31.6	21.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.6	15.8	15.8	15.8	15.8
<b>Current liabilities</b>	<b>12.7</b>	<b>22.4</b>	<b>34.3</b>	<b>38.1</b>	<b>38.8</b>
Short term debt	0.1	0.1	5.5	4.9	3.3
Payables	11.2	17.2	24.1	29.1	31.9
Other current liabilities	1.4	5.2	4.7	4.2	3.7
<b>Balance sheet total</b>	<b>122</b>	<b>166</b>	<b>178</b>	<b>192</b>	<b>199</b>

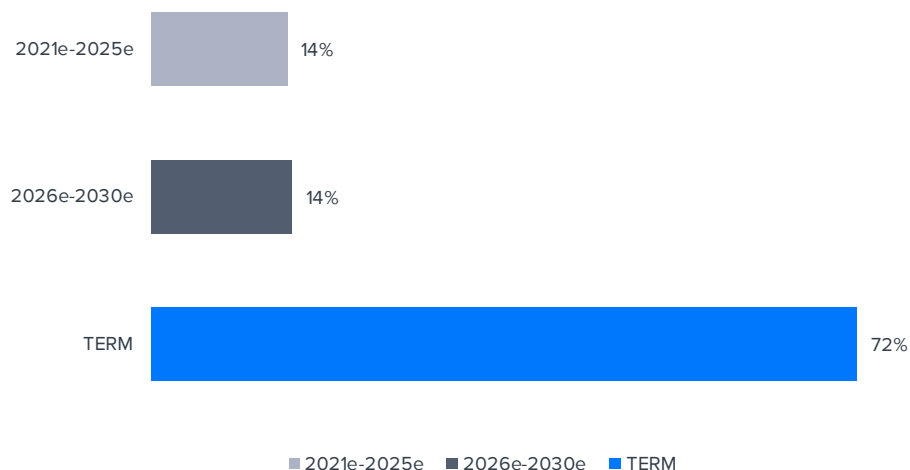
# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>22.4</b>	<b>36.6</b>	<b>43.3</b>	<b>47.0</b>	<b>49.0</b>	<b>51.9</b>	<b>54.1</b>	<b>56.3</b>	<b>58.6</b>	<b>60.4</b>	<b>61.9</b>	
+ Depreciation	4.3	5.0	5.3	5.3	5.5	5.8	6.0	6.1	6.3	6.5	6.7	
- Paid taxes	-3.0	-7.3	-8.7	-9.5	-10.0	-10.7	-11.2	-11.6	-12.1	-12.5	-12.8	
- Tax, financial expenses	-0.4	-0.3	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	2.5	-5.4	-5.2	-3.2	-2.6	-2.4	-1.7	-1.8	-1.9	-2.0	-1.0	
<b>Operating cash flow</b>	<b>25.8</b>	<b>28.6</b>	<b>34.5</b>	<b>39.4</b>	<b>41.7</b>	<b>44.5</b>	<b>47.1</b>	<b>49.0</b>	<b>50.9</b>	<b>52.4</b>	<b>54.7</b>	
+ Change in other long-term liabilities	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-23.9	-7.2	-6.2	-6.2	-6.7	-6.8	-6.8	-7.0	-7.2	-7.3	-7.7	
<b>Free operating cash flow</b>	<b>14.1</b>	<b>21.4</b>	<b>28.3</b>	<b>33.2</b>	<b>35.1</b>	<b>37.7</b>	<b>40.3</b>	<b>42.0</b>	<b>43.7</b>	<b>45.1</b>	<b>47.0</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	14.1	21.4	28.3	33.2	35.1	37.7	40.3	42.0	43.7	45.1	47.0	1237
<b>Discounted FCFF</b>		<b>20.5</b>	<b>25.5</b>	<b>28.2</b>	<b>28.0</b>	<b>28.3</b>	<b>28.4</b>	<b>27.8</b>	<b>27.2</b>	<b>26.4</b>	<b>25.8</b>	<b>680</b>
Sum of FCFF present value		946	925	900	872	844	815	787	759	732	706	680
<b>Enterprise value DCF</b>		<b>946</b>										
- Interesting bearing debt		-56.4										
+ Cash and cash equivalents		27.3										
-Minorities		-22.4										
-Dividend/capital return		-9.5										
<b>Equity value DCF</b>		<b>885</b>										
<b>Equity value DCF per share</b>		<b>47.5</b>										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>6.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.4 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	61.9	74.1	109.1	150.5	181.6	EPS (reported)	0.41	0.51	0.83	1.45	1.74
EBITDA	11.5	16.4	26.7	41.6	48.6	EPS (adj.)	0.49	0.54	0.94	1.48	1.74
EBIT	9.4	13.3	22.4	36.6	43.3	OCF / share	0.60	0.84	1.38	1.53	1.85
PTP	6.6	12.1	20.3	35.1	41.9	FCF / share	0.35	0.65	0.76	1.15	1.52
Net Income	6.8	9.6	15.5	27.0	32.4	Book value / share	3.94	3.68	3.56	4.58	5.47
Extraordinary items	-1.5	-0.6	-2.1	-0.5	0.0	Dividend / share	0.37	0.38	0.51	0.85	1.00
<b>Balance sheet</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>Growth and profitability</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>
Balance sheet total	116.9	121.8	165.6	178.0	192.0	Revenue growth-%	3%	20%	47%	38%	21%
Equity capital	65.8	68.8	68.9	87.8	104.3	EBITDA growth-%	3%	43%	62%	56%	17%
Goodwill	60.4	60.2	71.0	71.0	71.0	EBIT (adj.) growth-%	1%	28%	76%	52%	17%
Net debt	30.3	25.6	29.1	17.8	7.4	EPS (adj.) growth-%	9%	10%	74%	57%	18%
<b>Cash flow</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	EBITDA-%	18.6 %	22.2 %	24.5 %	27.6 %	26.8 %
EBITDA	11.5	16.4	26.7	41.6	48.6	EBIT (adj.)-%	17.5 %	18.7 %	22.4 %	24.7 %	23.9 %
Change in working capital	-0.3	2.3	2.5	-5.4	-5.2	EBIT-%	15.1 %	18.0 %	20.5 %	24.3 %	23.9 %
Operating cash flow	10.0	15.6	25.8	28.6	34.5	ROE-%	15.9 %	14.3 %	22.9 %	35.6 %	34.6 %
CAPEX	-4.3	-5.2	-23.9	-7.2	-6.2	ROI-%	9.2 %	12.7 %	19.4 %	28.6 %	31.9 %
Free cash flow	5.8	12.2	14.1	21.4	28.3	Equity ratio	56.3 %	56.5 %	41.6 %	49.3 %	54.3 %
						Gearing	46.0 %	37.2 %	42.2 %	20.3 %	7.1 %
<b>Largest shareholders</b>			<b>% of shares</b>			<b>Valuation multiples</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>
Onvest Oy			12.3 %			EV/S	2.1	3.0	4.6	5.5	4.5
Handelsbanken Fonder			7.0 %			EV/EBITDA (adj.)	11.4	13.6	18.8	19.9	16.7
SEB Fonder			6.6 %			EV/EBIT (adj.)	12.2	16.1	20.5	22.3	18.8
Lannebo Fonder			5.7 %			P/E (adj.)	12.3	19.5	26.0	28.6	24.3
WestStar Oy			3.1 %			P/E	1.5	2.9	6.9	9.2	7.7
DNCA Finance S.A			2.9 %			Dividend-%	6.1 %	3.6 %	2.1 %	2.0 %	2.4 %

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Based on a notification given on February 20, 2019, Inderes' analyst Petri Kajaaniil has a holding of over EUR 50,000 in the target company Harvia Oyj.

## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
07-05-19	Accumulate	7.50 €	6.66 €
17-08-19	Accumulate	7.50 €	6.96 €
08-11-19	Accumulate	9.00 €	8.50 €
29-12-19	Reduce	10.00 €	10.60 €
11-02-20	Accumulate	12.00 €	10.55 €
19-03-20	Accumulate	9.00 €	7.98 €
28-04-20	Accumulate	11.00 €	9.98 €
17-07-20	Accumulate	13.00 €	11.55 €
14-08-20	Accumulate	16.00 €	14.40 €
05-11-20	Accumulate	22.00 €	19.95 €
26-11-20	Buy	22.00 €	19.10 €
12-02-21	Accumulate	33.00 €	30.00 €
18-04-21	Buy	45.00 €	33.65 €
06-05-21	Accumulate	47.00 €	42.25 €



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