Harvia

Extensive report

11/2020

Inderes Corporate customer

Hop on the consolidation train of the sauna market

We reiterate our EUR 22 target price and raise our rating to Buy (prev. Accumulate). Harvia is the most profitable player on the steadily growing sauna and spa market, which is based on a strong market position, product development and production know-how that have been generated through the company's long history and an efficient operating model. Harvia has a wide product portfolio in the sauna sector, an extensive distribution network, and leading brands in the sector (Harvia, Sentiotec, EOS and Kusatek). Strong organic growth outlook, good profitability, high cash flow ratio, and efficient use of capital are good reasons to invest in Harvia. The company becomes even more attractive as an investment object because it has in recent years proven its ability to generate considerable shareholder value through excellent acquisitions on the fragmented sauna and spa market. Harvia is rapidly becoming the undisputed leader on the market.

Harvia is a leading player on the global sauna and spa market

Harvia is a Finnish sauna and spa company established in 1950. According to our estimates its 2020 revenue will be EUR 104 million and the adjusted operating profit will be EUR 22 million (EBIT 21.0%). The company has seven production plants (Finland, Germany, the US, China, Romania and Estonia) and sales in over 80 countries (more than 70% of the revenue is generated outside Finland). Harvia's product range extensively covers three sauna types: traditional saunas, steam saunas and infrared saunas. 54 % of the revenue comes from sauna heaters but the company also offers ready-made saunas, control units, steam generators, as well as other spare parts and services. Harvia is the market leader on the global EUR 410 million sauna heater and component market (market share ~14%) and the second largest player on the global EUR 3.0 billion sauna and spa market (market share ~3%).

The sector offers stable growth, and the fragmented competitive field generates opportunities for organic growth

There are some 17 million saunas in the world and the sauna and spa market is estimated to grow by an average of 5% per year. The market has historically been extremely cyclically stable as the large installed sauna base and frequent replacement rate of sauna heaters generate stable replacement demand. The share of replacement demand on the sauna heater and component market is nearly 80% and some 60% of the sauna and spa market. Harvia already has the best profitability and best-known brands in the sector, as well as an extensive distribution network and extremely efficient production model, which gives the company a strong competitive edge. Historically, Harvia has grown slightly faster than general market growth but in recent years the company has accelerated its growth on a fragmented market through successful acquisitions (Sentiotec 2016, AHS 2018 and EOS 2020). Successful acquisitions have proven that Harvia can make acquisitions with favorable terms, effortlessly integrating the companies with the group and thus entering new product categories, new customer relationships, more rapidly growing markets and great synergies. We consider it likely that Harvia will continue consolidating the sauna and spa market in the driver's seat and find the acquisition card to be clearly positive for the shareholders as it can generate considerable shareholder value.

The share offers good expected returns with a moderate risk profile

Harvia's financial objectives are annual revenue growth above 5%, 20% EBIT margin and net debt/EBITDA (1,5-2,5x). Our short-term (2021-2023) growth estimate exceeds 5%, EBIT remains above 20% (EUR 2.2 million synergies from the EOS acquisition support profitability), and due to strong cash flow, indebtedness falls below the target level unless the company makes new acquisitions or distributes nearly 100% of its earnings (dividend policy at least 60%). The ~10% organic profit growth we estimate is driven by geographical expansion, increasing the size of average purchases and improving productivity. In addition to earnings growth, according to our estimates Harvia offers 3-4% dividend yield (payout ratio ~70 %). For a company of this caliber, the current valuation (P/E 22x and EV/EBIT 18x) is more than acceptable so we believe the annual yield of the share to rise to 10-15% (closer to the maximum), which is highly attractive considering the risk profile.

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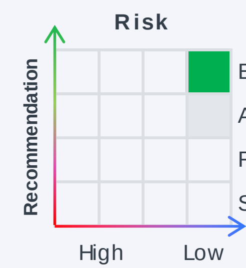
Rating



Buy
(prev. Accumulate)

EUR 22.0
(prev. EUR 22.0)

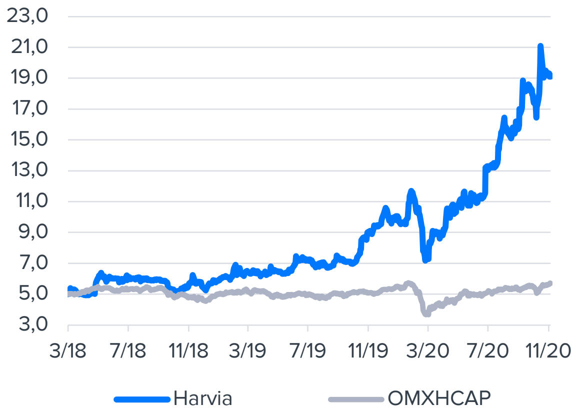
Share price:
EUR 19.1

Key indicators

	2019	2020e	2021e	2022e
Revenue	74	104	118	127
Growth %	20%	41%	13%	8%
EBIT adjusted	13.9	21.9	24.5	26.7
EBIT% adjusted	18.7%	21.0%	20.9%	21.0%
Net profit	9.6	14.0	17.2	19.5
EPS (adjusted)	0.54	0.86	0.96	1.05
P/E (adjusted)	19.5	22.2	19.9	18.3
P/B	2.9	5.4	4.8	4.3
Dividend yield %	3.6%	2.6%	3.1%	3.7%
EV/EBIT (adjusted)	16.1	18.5	16.2	14.7
EV/EBITDA	13.6	16.9	14.1	13.1
EV/Net sales	3.0	3.9	3.4	3.1

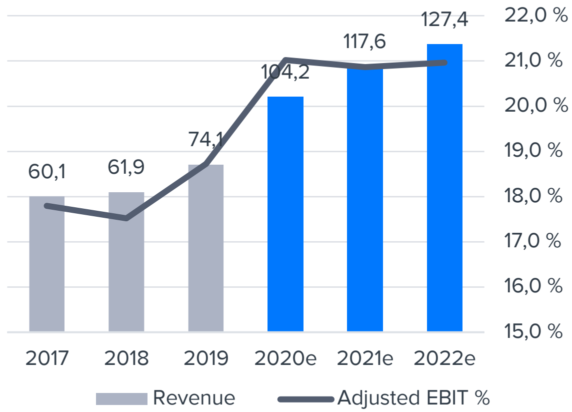
Source: Inderes

Share price



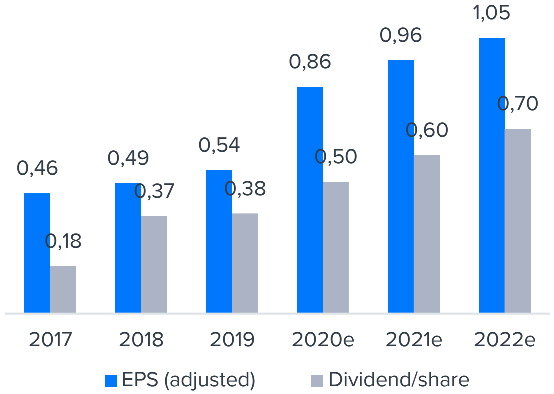
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

MCAP
357
MEUR

Dividend %
2.6%
2020e

EV/EBIT
18.5
2020e

P/E (adjusted)
22.2
2020e

Value drivers

- Gradually growing sauna and spa market
- Leading market position and highest 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

- High dependency on the Muurame plant
- Impact 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 is a positive driver for the share
- With our short-term estimates the earnings-based valuation is already at the upper end of the accepted level
- The reasonable dividend yield (growing) supports the share price
- Strong balance sheet, stable cash flow, strong profitability, high-quality management, and acquisition options speak for a high valuation
- Share valuation slightly above the peer group

Contents

Harvia in brief

Harvia is the world's leading sauna and spa company. The company has an extensive selection from sauna heaters and heater components to comprehensive sauna and spa solutions. Harvia's customers include both consumers, as well as sauna and spa sector professionals. Over 70% of Harvia's revenue comes outside of Finland.

1950
Year of establishment

3/2018
IPO

#2
Market position on sauna and spa market (EUR ~3.0 billion)

#1
Market position on sauna heater and component market (EUR ~410 million)

104 MEUR (+41% vs. 2019)
Revenue 2020e (Inderes estimate)

22 MEUR (EBIT 21%)
Adjusted operating profit 2020e (Inderes estimate)

587
Personnel at the end of Q3'20

7
Own production plants

EUR 357 million
Market value (with share price EUR 19.1)

1950 to 2014

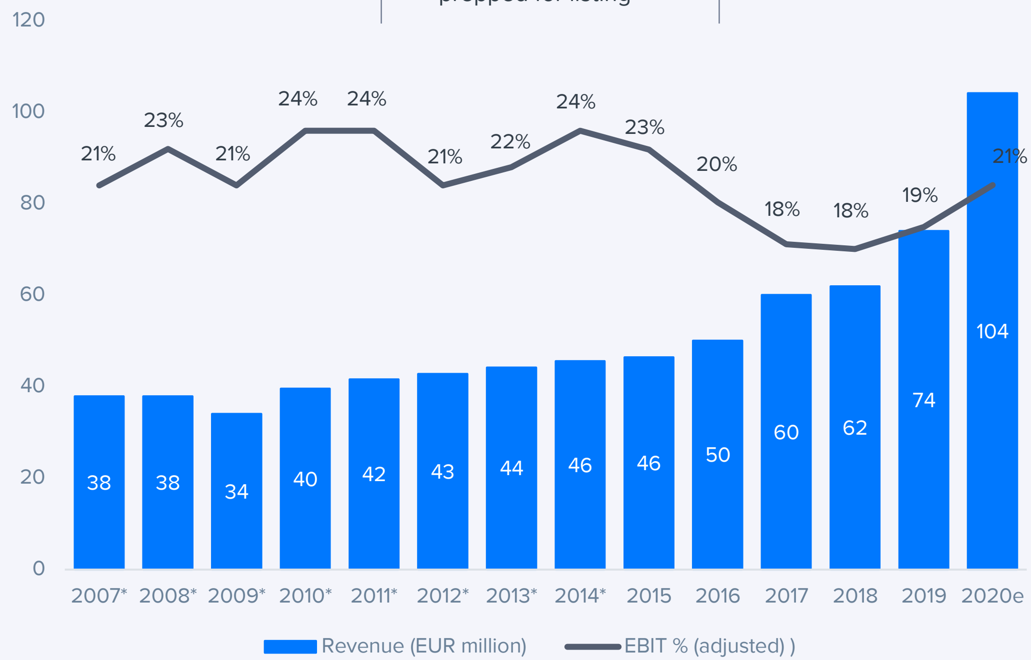
- Family-owned and driven company
- Strong market position in traditional sauna countries (Finland, Russia and Scandinavia)

2014 to 2017

- CapMan acquires the majority stake in Harvia in 2014
- Harvia expands its operations in Germany and elsewhere in Central Europe through the Sentiotec acquisition in 2016
- The company is prepped for listing

2018

- IPO 3/2018
- Expanding operations in North America through Almost Heaven Saunas acquisition 12/2018
- Expanding selection in professional and premium categories through EOS acquisition 3/2020



Source: Harvia / Inderes

- Figures for 2007 to 2014 are Harvia Oy's (current Harvia Finland Oy) actual figures in accordance with FAS accounting.
- Figures for 2015 to 2020e are IFRS accordant operating pofits adjusted for items that affect comparability.

Company description and business model 1/4

The world's leading sauna and spa company

Harvia, headquartered in Muurame, has during its 70-year history climbed to one of the world's leading sauna and spa companies. Harvia's long history has resulted in considerable experience, know-how and skills in the organization, which creates a clear competitive advantage for Harvia in the relatively small and fragmented sauna and spa industry.

In our estimates, Harvia's 2020 revenue will be some EUR 104 million. Harvia's share of the global EUR 3 billion sauna and spa market is ~3% and ~14% of the more limited EUR 410 million sauna heater and component market. Historically, Harvia's market position has been particularly strong on large markets that focus on conventional sauna culture (Finland, Russia and Scandinavia).

As a result of the Sentiotec acquisition in 2016 and the EOS acquisition in spring 2020, the company has reached a market leader position in Germany and strengthened its position in Central and Eastern Europe, as well as on the Russian market. With the 2018 Almost Heaven Saunas (AHS) acquisition, the company expanded its operations in North America.

Harvia has long lasting customer relationships in all core areas of the sauna and spa market and its brands (Harvia, EOS, Sentiotec and Kusatek) are among the best known in the industry. Harvia sells its products itself and through an extensive reseller network globally.

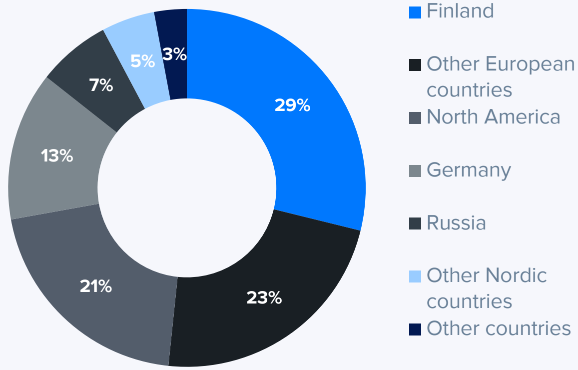
Harvia's products are available in over 80 countries. In January to September 2020, over 70% of the revenue came from markets outside Finland. Recent acquisitions have balanced the geographical distribution of revenue and the share of Finland was only 29% of revenue during Q1 to Q3'20. Besides Finland, the largest market areas for Harvia are other European countries (23% of revenue), North America (21%), Germany (13%) and Russia (7%).

Profitable growth through acquisitions

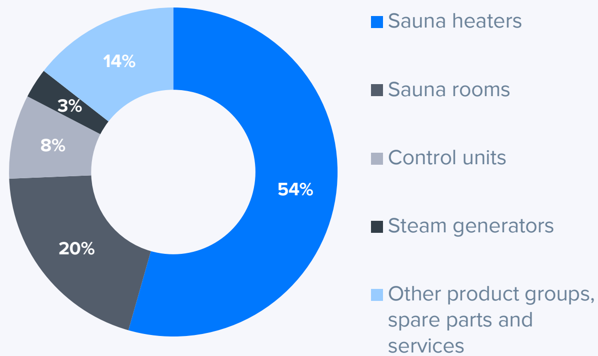
Throughout its history, Harvia has grown stably and profitably. In 2016 the company boosted its growth with the Sentiotec acquisition (2015: revenue EUR 7.4 million). Since then, Harvia has also acquired AHS (2017 revenue some EUR 8 million) in North America in late 2018, which measured in numerical terms is the largest sauna manufacturer in the US and the market leader in lower price class outdoor saunas. During the acquisition, AHS was still a loss-making company but under Harvia's command AHS has turned profitable over a short period of time. The integration has been quicker than expected and the double-digit EBIT margin targeted by Harvia for AHS has, according to our estimates, almost been reached.

Amid the Covid-19 pandemic in the spring of 2020 Harvia announced that it had acquired the majority (80%) of the German EOS, a manufacturer of professional and premium segment sauna heaters and components (2019 revenue EUR 17.3 million). Through the acquisition, Harvia can add the desirable premium class products to its portfolio. EOS' profitability was, in turn, already close to Harvia's profitability at the time of the acquisition, so the companies have been able to focus on exploiting synergies already during the integration phase.

Revenue by market area 1-9/2020



Net sales by product group 1-9/2020



Company description and business model 2/4

Harvia's EBIT margin has remained close to 20% in recent years despite acquisitions, which is clearly among the best in the industry. Harvia's strong balance sheet and cash flow offer the company an opportunity to continue consolidating the sauna and spa market to accelerate its growth.

In 2019, Harvia's revenue grew by 20% from the year before particularly as a result of the AHS acquisition and amounted to EUR 74.1 million (2018: EUR 61.9 million). The company's adjusted operating profit was EUR 13.9 million (2018: EUR 10.9 million) or 18.7% of revenue. The company's revenue and operating profit will grow considerably also in 2020 due to the EOS acquisition and the renovation and repair projects boosted by the Covid-19 pandemic. In our estimates, Harvia's revenue in 2020 will grow by around 41% to EUR 104 million and adjusted EBIT will grow by some 58% to EUR 22 million (EBIT 21.0%).

Harvia's organic growth is based on the stable growth of the sauna and spa markets, the backbone of which is cyclically stable replacement demand and the growing wellbeing trend, sauna culture expanding to new markets, and growth in average purchases. In 2020, Harvia's organic growth gas been clearly boosted by the growing "homing trend" caused by the Covid-19 pandemic.

The main drivers for the high profitability are Harvia's efficient and well-automated production process, the company's own design and flexible production, and the company's well-known brands and products. The company's business is also very capital effective due to low capex needs, efficient and modern production facilities and a flexible production model.

Products and services

Harvia tries to extensively respond to the needs of the sauna and spa market with its product range. The company's product portfolio covers all three sauna types: traditional saunas, steam saunas and infrared saunas. The company has built and extensive product portfolio around these, where both professional customers and consumers can find all necessary products from sauna heaters and components to a ready-made sauna delivery.

The majority of Harvia's revenue comes from sauna heaters (54% of revenue), but the selection also includes sauna rooms (20%), control units (8%), steam generators (3%), and other sauna and spa products, spare parts and services (14%). The company offers selected sauna heater and sauna maintenance and installation services in Finland. Harvia has previously been profiled mainly as a sauna heater manufacturer but the company has, in recent years, developed into a more comprehensive sauna and spa market player through acquisitions and new product launches, as well as opening new sales channels. This has also been reflected in the company's revenue as a clear increase in the relative share of saunas. The strong growth in the revenue from saunas has been boosted in particular by increased revenue from North America as a result of the AHS acquisition.

Distribution

The group's revenue mainly comes from product sales (a small share from sauna installations, as well as maintenance and repair services). Harvia sells most of its products to retailers and distributors. Harvia's largest customer relationship is based on the customer's group level framework agreement under which the individual order agreements made by the group formed some 13% of the group's revenue in 2019.

Harvia's resale channels can vary considerably depending on the characteristics of different geographical areas. They can, however, be divided into five main groups: 1) retail stores, 2) wholesalers, 3) integrators and sauna builders, 4) construction companies and 5) direct sales.

Harvia's products are distributed globally through a reseller network. The largest customer groups are retailers and wholesalers, who sell the company's products, e.g., to builders and end customers. Around one-half of Harvia's total sales is to retail customers that typically are construction material stores and chains. Around one-third of sales is to wholesalers. The wholesalers can be electricity and HVAC wholesalers, bathroom equipment wholesalers or wholesalers that specialize in saunas.

Integrators and sauna builders are an important customer group on markets that focus on ready-made sauna solutions, like Central Europe and North America. In the Nordic countries, construction firms that install saunas in new residential buildings are also important. In addition, the company has selective targeted direct sales, especially in Finland and elsewhere in Europe, to end customers, such as hotels and gym chains.

Harvia's products and services

Product segment		Product description	% share of revenue Q1-Q3'20	Revenue growth CAGR 2017 to Q3'20LTM
Sauna heaters		▪ Electric and wood-burning heaters ▪ Heater accessories, e.g. protective railings and walls, protective base for hearths, flue pipes and chimneys	54%	~14%
Sauna rooms		▪ Sauna doors, benches, panels and other structures ▪ Individual sauna interior products ▪ Ready-made saunas	20%	~45%
Materials, services and other products		▪ Heater resistors and other spare parts ▪ Heater stones, hot water tanks, sauna lights, water pails and ladles, thermometers and sauna fragrances ▪ Infrared products ▪ Sauna maintenance, installation and repair services for consumers and corporate customers (Saunamax)	14%	~17%
Control units		▪ Control units for electric heaters, combination heaters, infrared saunas and hybrid saunas	8%	~8%
Steam generators		▪ Steam generators ▪ Steam sauna accessories, e.g. nozzles and scent pumps	3%	~5%

Harvia's customers and distribution channels

Distribution channel	Nature of the distribution channel	% share of revenue	Example customers
Retail stores	• Around one-half of the company's sales is to retail trade customers • Retailers are typically construction material stores • Important channel especially in Finland and Sweden	~50%*	K Rauta, STARK, wayfair.com, bygghemma, Kodin Terra, The Home Depot, Costco Wholesale
Wholesalers	• Around one-third of the company's sales is to wholesalers • Wholesalers are typically electricity and HVAC wholesalers • Important channel especially in Finland and Sweden	~30%*	onninen, ahlsell, SLO A Sonepar Company
Integrators / sauna builders	• Around 15% of the company's sales is targeted at sauna builders. • An important customer group on markets that focus on ready-made sauna solutions like Central Europe and North America. • Sauna builders carry out the construction for the end user	>10%*	Duravit, saluos, Finlandia Sauna, Teka
Construction firms	• In the Nordic countries, the company's products are also sold to construction firms that install saunas in new residential buildings • Construction firms purchase either individual sauna components or whole saunas	<5%*	YIT, SRV, NCC, Lujatalo Oy, PEAB
Direct sales	• The company has selective targeted direct sales, especially in Finland and elsewhere in Europe and North America, to large end customers, such as hotels and gym chains	<5%*	SATS ELIXIA, KÄMP, Lapland Hotels, Puijonsarvi

*Inderes' estimate of the relative share of the distribution channel in the group's revenue.

Harvia's largest customer relationship is based on the customer's group level framework agreement under which the individual order agreements made by the group formed some 13% of the group's revenue in 2019 (2018: 16%).

Company description and business model 3/4

Production

Components and raw materials

The components and raw materials that Harvia needs to manufacture sauna heaters are electronics and electrical components like control units and heating resistors, steel and other metal materials. Wood is also needed for sauna structures. Harvia manufactures nearly all products it sells by itself. In addition, the company acquires wood-burning heaters and heater frames from contract manufacturers, as well as various sauna accessories from other third parties (e.g., sauna textiles). The company has many alternative suppliers and purchases are typically made on an order-by-order basis.

Production plants

Harvia operates in seven production plants that are located in Finland, China, Germany, the US, Estonia (2) and Romania. The company's main production plant is located in Finland (Muurame) where a majority of the company's sauna heaters are manufactured. In 2017, over 70,000 electric heaters and more than 35,000 wood-burning heaters were manufactured at the Muurame plant, but we estimate that the production volumes have increased clearly since then. In addition to sauna heaters, components, steam products and door elements are manufactured in Muurame. According to the company, capacity can still be raised at the Muurame plant without any major additional investments.

The German (Driedorf) production plant was transferred to Harvia in the EOS acquisition in spring 2020. EOS' professional and premium class sauna heaters and components are manufactured at the German plant. The German plant manufactures smaller scale production series and even individual products, as well as electronics. The German plant also manufactures gas heaters under the Kusatek brand. Production capacity could be increased in Germany without considerable investments.

In China (Guangzhou), the company mainly produces cheaper electric heater models to be delivered to Europe but also to some extent for the Asian markets. Steam generators for steam bath use and components for other plants are also manufactured in China. According to the company, some 34,000 sauna heaters were manufactured in China in 2017, but we estimate that the production volumes have increased clearly since then.

Sauna rooms for outdoor use (so-called barrel saunas) and indoor use are manufactured in the United States (Renick, West Virginia). The capacity utilization rate has been extremely high this year and Harvia is investing in a 40% additional capacity (EUR 0.7 million) as we speak that should be completed by the end of 2020.

In Romania (Gheorgheni), mainly lower price class indoor and outdoor saunas for the Central European market and sauna equipment is produced. The plant also assembles infrared radiators and wiring harnesses. According to the company, even the Romanian plant has enough production capacity to enable growth.

Harvia has two small production plants in Estonia. The company manufactures spa elements for steam rooms, spa relaxation divans and shower rooms at the Tartu plant. The Tallinn production plant was opened in 2019 to manufacture sauna bench elements, that K-Rauta sells in its extensive store network.

Other offices

In addition to the main production plant, Muurame also houses Harvia's finance, sales, marketing, export, sauna design and product development departments. The company has a sales and customer service office, as well as a logistics center for Central Europe in Austria (Vöcklabruck). Central European product development is also housed in Austria. In the US, the company has, in addition to a production plant, a separate sales office and a showroom (Holland, Michigan), that is located some 1,000 km from the Renick plant. From here, the company runs its local sales and marketing. Harvia has contract partners that manufacture wood-burning heaters for the Russian market and frameworks for wood-burning heaters for the Muurame plant. Logistics, sales and marketing is also located in connection with the EOS' plant in Germany.

Moderate seasonal variation

The seasonal variations in Harvia's business are quite moderate even though most of the distribution chains' orders typically focus on Q1 and Q4. A majority of orders from Northern Europe are typically made in the first quarter, while the order activity of Central Europe and North America focuses on the end of the year. However, fluctuations and shifts in large customers' purchase volumes may cause considerable revenue fluctuation (e.g. customers' campaigns or timing of deliveries of large stock orders).

Harvia’s production plants and offices

Muurame, Finland
- Harvia’s headquarters
- Product development and testing unit
- Production and custom tools / design & tool shop
- Logistics center
- Main products: traditional sauna heaters and sauna rooms, benches and sauna interior products
- Manufactured over 70,000 sauna heaters and more than 35,000 wood-burning heaters in 2017

Driedorf, Germany
- EOS’ headquarters
- Production (EOS, Kusatek and Spatronic)
- Logistics center, sales, marketing and customer service office
- Product development for Central Europe
- Main products: professional and premium class sauna heaters, sauna rooms, control units and accessories

Vöcklabruck, Austria
- Harvia's and Sentiotec's Central European logistics center, and sales and customer service office
- Product development

Renick (WV), USA
- Production plant transferred to Harvia with the AHS acquisition
- Main products: saunas (barrel saunas)
- High utilization rate (40% additional capacity coming late 2020)

Holland (MI), USA
- Sales office for North America

Russia
- Harvia has contract partners in Russia that manufacture wood-burning heaters for the Russian market and frameworks for large wood-burning heaters for the Muurame plant
- Manufactures some 5,000 wood-burning heaters per year

Tartu, Estonia
- Main products: steam sauna and spa components and their installation services

Tallinn, Estonia
- Production of sauna bench elements for K-Rauta, contract signed in 2019

Gheorgheni, Romania
- Main products: sauna rooms, assembly of infrared elements and sensors, accessories
- Production plant was transferred to Harvia in connection with the Sentiotec acquisition at the end of 2016

Guangzhou, China
- Main products: cheaper electric heater models and steam generators
- Manufactured some 34,000 heaters per year in 2017
- Possible to increase capacity without significant additional investments

Company description and business model 4/4

The risk profile of Harvia's business model is moderate as a whole

The risk profile of Harvia's business model is, according to our view, very moderate as a whole. The risk level of the business model decreases especially thanks to the low share of cyclical demand, long and extensively dispersed distribution networks, flexible production model, as well as strong operational cash flow and low capital intensity. The risk level of the business model is slightly raised by the considerable pricing power and concentration of some of the distribution channels, exchange rate fluctuations and relatively high dependency on the Muurame plant, even though the company has been able to increasingly diversify its production to its plants in Germany, China, the US, Estonia and Romania.

High proportion of predictable revenue

A majority of Harvia's product demand stems from stable and easily predictable replacement demand. The share of revenue coming from new sauna and spa solutions that fluctuate slightly with construction and economic cycles has increased in recent years due to the company's successful geographical expansion (especially in North America).

Efficient production model and well-known brand ensure high pricing power

Harvia's brands have a strong market position and reputation in their areas of specialization and, in particular, in the traditional areas of the sauna and spa markets. The company's efficient product development and production process enables competitive pricing for Harvia's products especially in volume products, in addition to which, the extensive product selection makes the company an attractive partner. In addition, the company was able to expand its selection in professional and premium products thanks to the EOS acquisition.

Very flexible and scalable production model

Harvia owns seven production plants, in addition to which the company has contract manufacturing partners in Russia. The company's cost effectiveness is promoted by a significant share of production plant employees being covered by performance-related pay and the piece work agreements used by the company increase the flexibility of production and the profitability of manufacturing work.

Harvia has also centralized the production of different products to particular production plants with in-house designed and manufactured special tools for producing the products in question. Centralization of certain product categories to different plants also makes the availability of raw materials and components more efficient and optimizes purchase costs. In recent years, the company has also developed cooperation between the Muurame and China plants with the help of production models that support and complement each other, with which the company has tried to decrease its dependency on the Muurame plant. The acquired EOS' production in Driedorf, Germany, has also increased production flexibility.

Strong operational cash flow and low investment need

Harvia's operational cash flow is typically very strong. The company's EBIT margin has historically remained at an excellent level of around 20%, and due to the structure of the production, the annual investment need is relatively low. The company has modern production plants and especially in the Muurame and China plants, the current capacity can be raised considerably without additional investments simply by increasing the number of employees and adding new shifts in certain production stages.

The production capacity has also been raised at the US plant and will be raised further in the near future through modest investments due to strong demand. In general, we feel that the low capital intensity of production and stable replacement demand are key factors that make the risk profile of Harvia's business model low.

Industry and market overview 1/3

Global sauna and spa market

The global sauna and spa market is estimated to be worth some EUR 3.0 billion in 2020 and the market is estimated to grow by an average of 5% per year. Around one-half of the overall market consists of installation, maintenance and repair services for saunas and spas. Some 14% or EUR 410 million consists of sauna heaters and components. The remaining share of the market includes sauna and spa room structures, control units and other accessories.

There are an estimated 17 million saunas in the world of which around 95% are used by households. In addition, saunas are in commercial use in, e.g. hotels, spas, gyms and swimming pools.

Harvia's target markets

Harvia's target market covers three sauna types: traditional saunas, steam saunas and infrared saunas. Traditional saunas (electric and wood-burning) are the most common sauna type and their share of the sauna stock is an estimated 68%. Especially in Russia and Finland, saunas tend to be traditional saunas. Steam saunas represent an estimated 22% of the sauna stock and it is the most popular sauna type especially in Southern Europe and the Middle East. Around 11% of saunas are infrared saunas. Infrared saunas are still a relatively new sauna type that is better known in Central Europe and North America.

In addition to these three sauna types, the market also includes saunas equipped with so-called combination heaters, where a heater that produces steam is installed in a traditional sauna, hybrid saunas (combination of traditional and infrared sauna), and steam showers.

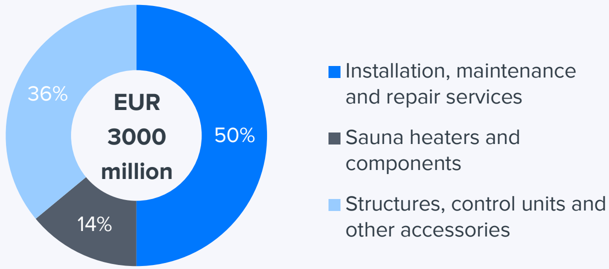
Harvia's target markets consist of sauna heaters and sauna components, including steam generators and infrared regulators, sauna rooms, control units and other accessories. Installation, repair and maintenance work is not, in practice, part of Harvia's core business so Harvia's target market is, at least for the time being, considerably smaller than the entire EUR 3 billion sauna and spa market.

Replacing sauna heaters and other sauna components is relatively cheaper than renewing entire saunas and they are renewed more often. According to Harvia's management, a sauna heater is renewed or replaced in two to five years in commercial use and in some 10-20 years in household use. The relative effect of replacement demand and new market on sauna and spa market growth by region and market.

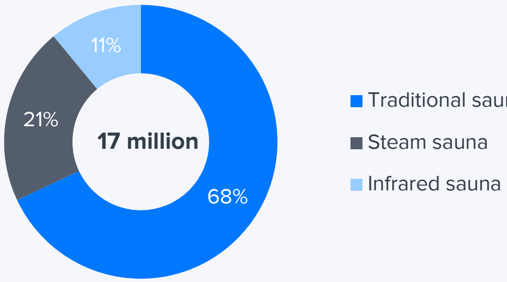
Cyclically stable market

The sauna and spa market has historically been extremely cyclically stable as the large installed sauna base and especially the frequent replacement rate of sauna heaters generate stable replacement demand. The sauna and spa market has historically grown at an annual rate of around 5%. According to the company's experience, sauna is part of everyday life in Finland and when the sauna heater or some other part of the sauna starts displaying signs of aging, they are repaired or replaced regardless of the business cycle. This often results in Harvia having the opportunity to sell a slightly more advanced heater model and/or other accessories to accompany the heater (e.g., protective railing, control unit, etc.). The prevalence of saunas has a considerable effect on the development of the sauna and spa market.

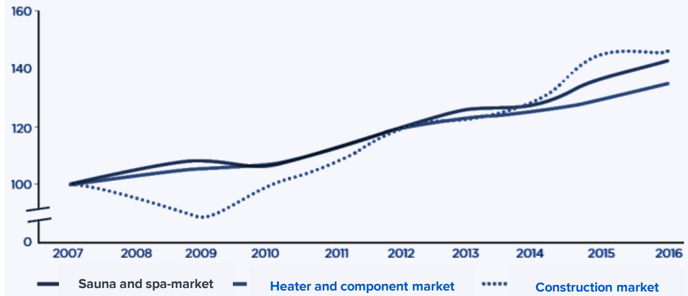
Global sauna and spa market*



Number of saunas worldwide



Cyclically stable market development*



*Source: Study by an international management consultancy company for Harvia (2017)

Industry and market overview 2/3

Replacement demand vs. new sales

The share of sauna and spa replacement demand on the global market in 2016 was around 61% and this ratio has not changed considerably in recent years. As sauna benches, other structures and equipment wears over time, saunas are estimated to be renewed every 15 to 30 years depending on the level of usage. Saunas in joint commercial use wear down faster than those household use. The share of new market for saunas and spas is an estimated to be 39% of the total demand. The new market includes building of saunas and spas in new construction works and existing buildings.

Replacing sauna heaters and other sauna components is relatively cheaper than renewing entire saunas and they are renewed more often. Around 77% of the heater and component market was replacement demand in 2016 and this ratio has not changed considerably in recent years. The new market share for sauna heaters and other components is only 23%. The relative effect of replacement demand and new market on sauna and spa market growth varies from region to region and market to market.

Growth drivers for the market

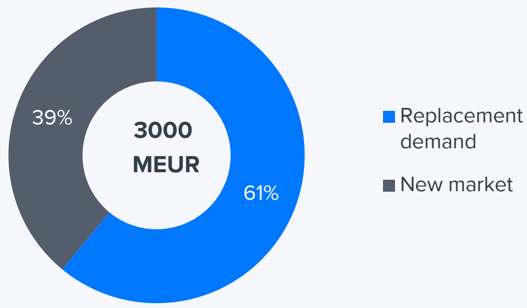
During 2010 to 2016, the sauna and spa market grew by an annual rate of around 5% and the market is estimated to continue growing by an average of 5% per year until 2022. The main growth drivers for the market is the replacement of old saunas, sauna heaters and components, and the new market for saunas. The main trends in recent years that affect the industry have been:

Sauna is becoming more known: Awareness of saunas varies by area and it is expected to grow in emerging sauna and spa markets like North America and China. Factors that affect how well sauna is known are, e.g., increasing awareness of the health benefits related to saunas and people focusing more on wellbeing. According to the company, the further away we move from Finland, the more health trends are emphasized in promoting saunas and sauna bathing as a concept.

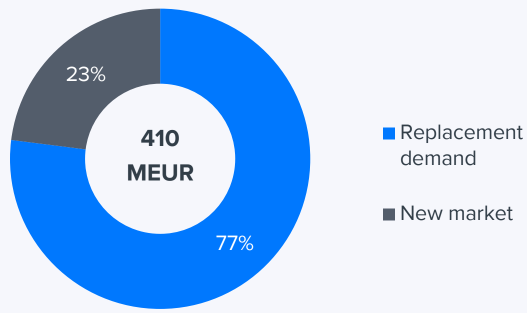
Development of heaters, sauna components and accessories: The functional development of sauna heaters and components has been fast in recent years. New, more advanced accessories have become available for sauna heaters, making it easier for consumers to buy, for example, sauna heaters that are controlled with a separate control unit. In Finland, the market is still clearly underdeveloped in this respect compared to, for example, the control units and other accessories sold with sauna heaters in Central Europe.

Average purchase price growth: In addition to the replacement demand and new market for saunas, sauna heaters and sauna components, increasing average purchases are estimated to affect the development of the sauna and spa market. The size of the average purchase is affected by the price development of a similar sauna solution, switching to a better product and the expansion of the average purchase to include different accessories next to the sauna heater.

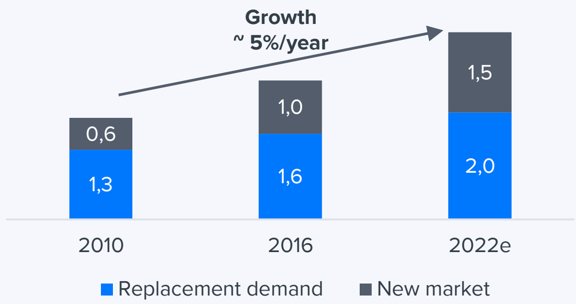
Global sauna and spa market demand*



Global sauna heater and component market demand*



New market and replacement market* (BEUR)



*Source: Study by an international management consultancy company for Harvia (2017)

Industry and market overview 3/3

The largest sauna and spa markets

Europe's largest individual sauna and spa markets are Russia, Germany, Finland and Sweden. These countries together cover an estimated 45% of the global sauna and spa market. The share of the rest of Europe is ~19%, Asia-Pacific ~15%, North America ~9%, the Middle East ~5% and the rest of the world altogether ~7%.

Finland is Harvia's domestic market and the largest market area when measured by revenue (2020e: 27% of revenue). When it comes to revenue and recognition, Harvia is the leading sauna and spa company in Finland and the biggest manufacturer of sauna heaters and components. Finland has a long sauna tradition which has led to a high number of saunas relative to the population. According to estimates, there are around 2.5 million saunas in Finland and due to the large sauna base, the share of new demand is low. The size of the Finnish sauna and spa market is estimated to be ~10% of the global market.

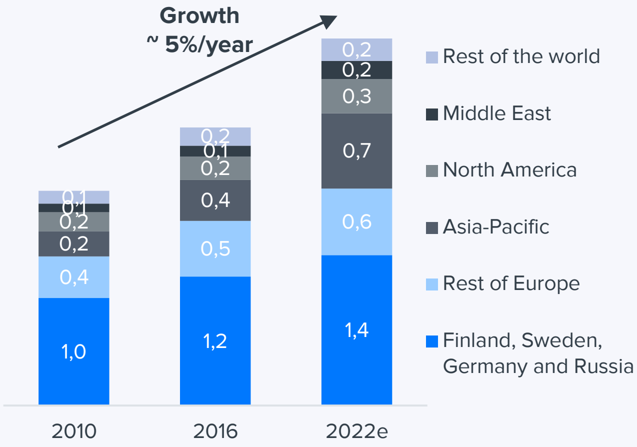
The United States has quickly become Harvia's second largest market area measured by revenue (2020e: 20% of revenue) and it is the world's fifth largest sauna and spa market. The sauna and spa market in the United States is small compared to the size of the country, due to the relatively low popularity of saunas. There are an estimated ~1 million saunas in the country and the market size is estimated to be around 8% of the global sauna and spa market. The share of new demand is clearly higher than in, e.g., Finland, due to the low sauna base. Measured by revenue, Harvia is among the five largest companies in the sauna and spa market in the US, and we believe the company has great potential to grow there.

When it comes to revenue, **Germany** is Harvia's third largest individual country (2020e: 14% of revenue) and it is the world's second largest individual sauna and spa market. With the Sentiotec and EOS acquisitions, Harvia has become Germany's largest manufacturer of sauna heaters and components measured by revenue. Germany is estimated to have over 2 million saunas in place and the size of the sauna and spa market is estimated to be around 12% of the global market. The number of saunas is lower in Germany than in Finland, but the euro-denominated market is larger. This is partly due to the fact that there are relatively more saunas in commercial use, and they are typically larger and better equipped.

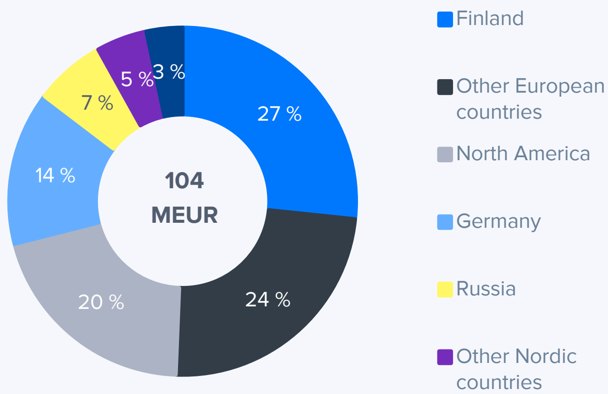
Russia is the world's single largest sauna and spa market and Harvia's fourth largest operating country based on revenue (2020e: 7% of revenue). Measured by sales, Harvia is Russia's second largest player in the sauna and spa market behind TMF (former Termofor) and the leading manufacturer of electrical heaters. Russia is estimated to have over 6 million saunas and the size of the market is estimated to be around 16% of the global market. Just like in Finland, due to the large sauna base in Russia, new demand is only a small part of the overall market.

Next to Finland, **Sweden** is the second largest sauna and spa market in the Nordic countries and Harvia's fifth largest market in terms of revenue. There is estimated to be more than 0.5 million saunas in Sweden and the market size is around 4% of the global market. Harvia is Sweden's second largest company on the sauna and spa market after TylöHelo.

Sauna and spa market size* (Billion EUR)



Revenue by market area 2020e



*Source: Study by an international management consultancy company for Harvia (2017)

Competitive environment 1/2

Global sauna and spa market

The global sauna and spa market is highly fragmented. The four largest companies in the market only form a market share of around 10% and their combined revenue is some EUR 300 million. Harvia's competition consists primarily of two types of companies: 1) heater and component manufacturers, and 2) sauna builders and integrators. The operating models of these two groups differ from each other so that the latter usually do not manufacture the heaters and components they use but purchase them from manufacturers like Harvia.

Measured by revenue, the biggest player of the sauna and spa market is the German **Klafs** (estimated revenue in 2019 around EUR 105 million). The company delivers sauna solutions both to consumers and for commercial use. Sauna and spa solutions delivered by Klafs can be found, e.g., in many hotels, gyms and spas. Klafs offers various sauna solutions, sauna heaters and control units also for domestic use.

Harvia is the second largest player on the global sauna and spa market (market share of ~3%). Harvia's approach to the industry is very different than that of Klafs. Harvia's revenue mainly consists of various products (sauna heaters, sauna components, control units, sauna rooms, steam generators, spare parts, etc.), which the company distributes through different resale channels. Harvia focuses on its extensive sauna and sauna equipment selection, efficient production process and good customer relationships. Since the Saunamax Oy acquisition, the company offers selective repair and installation works for saunas in Finland, but work connected to the sauna and spa market is not, as a rule, part of Harvia's selection.

The third and fourth largest players on the global sauna and spa market are the Chinese integrator **SaunaKing** and Harvia's direct competitor, the Finnish-Swedish sauna heater and component manufacturer, **TylöHelo** (estimated revenues of both companies is around EUR 50 million each). In recent years, Harvia has surpassed SaunaKing's market share as SaunaKing has focused more on its other industries (e.g., air treatment). TylöHelo's difficulties have also enabled Harvia to increase its lead over its competitor.

There are also several local companies operating on the sauna and spa market, e.g., **SaWo**, **Narvi** (traditional sauna heaters and components), **Lang** (German EOS' peer in the premium segment), **Mr. Steam**, **Steamist** (manufacturers of steam rooms and generators, both are Harvia's customers), **Effegibi** (traditional saunas and steam saunas), **Physiotherm**, **Sauna Works** and **B-Intense** (infrared saunas).

As a whole, the sauna and spa market is highly fragmented, and a majority of the market consists of small local players. We, therefore, believe that consolidation of the sauna and spa market will continue in coming years. We feel that Harvia will continue complementing its portfolio through acquisitions, especially in the segments that are still missing from its portfolio (e.g. companies with know-how in professional steam and infrared saunas).

Different types of companies and their market shares	Number of companies	Annual revenue	Examples	Description
Leading companies (10%)	**4**	**Over EUR 50 million**	**Klafs, Harvia, SaunaKing, TylöHelo**	• Integrators or large sauna component manufacturers • Operations in several countries • Extensive sauna and sauna equipment selection
Local companies (5%)	**Around 25**	**EUR 5 to 15 million**	**Narvi, SaWo, Mondex, TMF, Physiotherm, Effegibi**	• Integrators, sauna component manufacturers or companies that only partially focus on the sauna market • Typically, a more restricted selection
Small companies (85%)	**Over 2,000**	**Under EUR 5 million**	**Sunrans, Iki-Kiuas, Misa, Stoveman**	• Typically, narrow product selection covering low-end and medium-priced products • Also a few companies that focus on expensive products

Competitive environment 2/2

Harvia has a particularly strong market position on the developed sauna and spa markets (Finland, Sweden, Russia and Germany) and the company is the biggest or second biggest player on all of these markets. Harvia has strengthened its position considerably on the North American markets as a result of the AHS acquisition (larger product portfolio and new distribution channels for its own products). On the APAC market, Harvia belongs to the top 5 to 10 players.

Sauna heaters and components

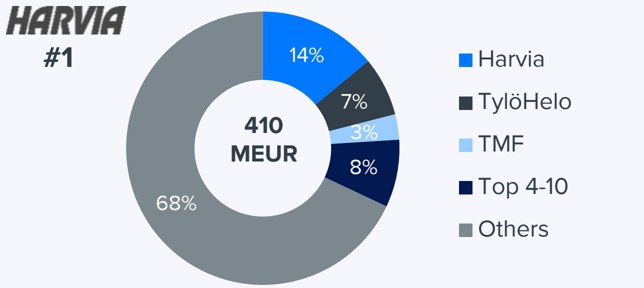
Harvia's main target market is the sauna heater and component market (EUR ~410 million), where the company's market share prior to the EOS acquisition was 11% and after it 14%. In 2020, Harvia has grown clearly faster than the market in general, so the company's market share may be close to 15%. Harvia operates with a wide and comprehensive product selection on the sauna heater and component market, with its Harvia, Sentiotec, Sentio By Harvia, EOS and Kusatek brands. The EOS, Sentiotec and Kusatek brands have been acquired through acquisitions in recent years and they have complemented both the product portfolio (to a higher and premium price class and professional channels) and geographical coverage (higher presence in Central and Eastern Europe, and in Russia).

The 2nd largest player on the sauna heater and component market (around 7% market share) is **TylöHelo**, which, like Harvia, focuses more on product manufacturing than building and repairing saunas. In addition to the Tylö and Helo brands, the company's brands include Kastor, Finnleo and Amerec. TylöHelo has lost some of its market position on its home markets (Finland and Sweden) and in Central Europe in recent years. However, TylöHelo still holds a strong position in Sweden and it is Sweden's market leader ("the Volvo of the sauna market") but Harvia has become a stronger contender even there. TylöHelo is a strong player in North America, in particular on the steam side, thanks to its Amerec brand. TylöHelo's profitability is clearly lower than Harvia's and the company's operating profit has been zero or slightly in red in recent years.

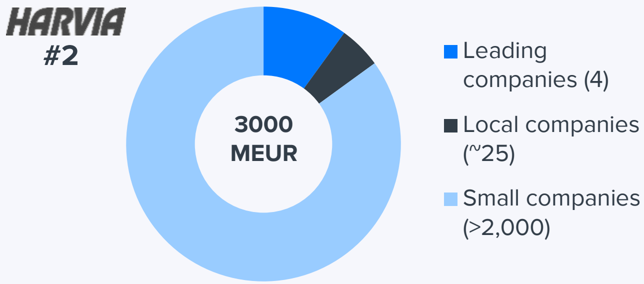
Russian **TMF** (former **Termofor)** has focused on manufacturing wood-burning heaters mainly on the Russian markets. TMF's market share on the sauna heater and component market is around 3%. **Sawo** is a Philippine-Finnish company that manufactures sauna heaters in the Philippines and focuses on low-end and medium-priced sauna heaters and components. Measured by revenue, Sawo is the fourth largest company on the sauna and sauna heater market. The Finnish **Narvi** is the sixth largest player on the market (revenue close to EUR 10 million) that also sells sauna heaters under the Kota and Aito brands. Narvi is strong in Finland, especially in wood-burning heaters. Other well-known sauna manufacturers on the Finnish markets are **Iki-Kiuas Oy** and **Misa Oy**, whose revenues are around EUR 2 million each.

Harvia's profitability is clearly the best among its competitors in the sector and its EBIT margin has been around 20% for the past 10 years. Over the past few years, Narvi's EBIT margin has been on average 5%, Iki-Kiuas Oy's EBIT margin has varied between 7 to 12% and Misa Oy's EBIT margin has turned negative.

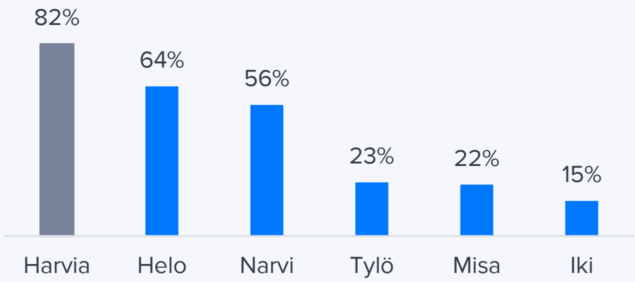
Suppliers of sauna heaters and components



Players on the sauna and spa market



Best known sauna brands in Finland*



*Survey carried out by an international consulting company in Finland in 2017.

Competitive environment

Sauna heater and sauna component manufacturers	Country	Estimated market position: Sauna heaters and sauna components	Estimated market position: Entire sauna and spa market	Product offering
HARVIA	Finland	#1	#2	▪ *Extensive product selection with Harvia, Sentiotec, EOS and Kusatek brands*
TYLÖHELO	Finland, Sweden	#2	#4	▪ *Wide product selection under the Tylö, Helo, Finnleo and Amerec brands*
EOS	Germany	#3	#7	▪ *Wide premium segment sauna heater and component selection*
TERMOFOR	Russia	#4	#8	▪ *Wood-burning heaters for the Russian market*
SAWO	Philippines, Finland	#5	#10	▪ *Low-range and medium-priced sauna heaters and components*
NARVI	Finland	#6	#11	▪ *Wood-burning heaters in Finland and Sweden under the Narvi, Kota and Aito brands*

Harvia acquired a majority of EOS Group on April 30, 2020

Integrators and sauna builders	Country	Estimated market position	Product offering
KLAFS MY SAUNA AND SPA	Germany	#1	▪ *Wide selection of sauna solutions*
SAUNAKING	China	#3	▪ *Wide sauna selection*
DURAVIT	Germany	#5	▪ *Company specialized in bathrooms with limited sauna selection*
PHYSIOTHERM® Infrarotkabinen	Austria	#6	▪ *Selection of infrared saunas*
effegibi	Italy	#9	▪ *Traditional saunas and steam saunas*

Strategy and financial targets 1/2

Strategy

Harvia's aim is to be the leading player on the sauna and spa product market. The company has defined the main strategic focus areas for attaining this goal as follows:

1. Increasing the value of average purchases
2. Geographical expansion
3. Improving productivity

In **increasing the value of average purchases** Harvia's aim is to sell more advanced sauna heaters and more extensive sauna solutions, as well as increase the sales of high-end products in general. The company tries to raise the value of average purchases through, e.g. up-sell like offering a control unit, protective railings, sauna accessories, spare parts and heater stones with the heater. Key in increasing the value of average purchases is focusing on product development and launching new attractive products.

Harvia has traditionally had a particularly competitive product selection in low-end and medium-priced products on the company's main markets. After the Sentiotec acquisition in 2016, Harvia's selection was complemented with the higher price class SENTIO by Harvia collection (e.g. heaters and control units). Through the 2018 AHS acquisition, the volume of new sauna and spa solutions and project deliveries (e.g. barrel saunas) have grown especially in North America, which has also raised the average price.

In spring 2020, Harvia expanded its portfolio to professional and premium class sauna heater and component products though the EOS acquisition.

The aim of the company is to offer these higher price class and professional and premium level products on all of Harvia's target markets. Harvia can, for example, sell control units to other than Harvia's own sauna heaters and offer professional and premium class products, e.g. to various wellbeing centers and/or higher quality level sauna solutions.

Geographical expansion Harvia's objective is to increase its market share on all of its markets in Finland, Scandinavia, Germany, other EU countries, Russia and North America. The key for attaining this objective is continuous strengthening of the reseller network and, thus, improving the availability and visibility of product solutions tailored for a particular market on all main markets.

Especially in Central and Eastern Europe and Russia, Harvia tries to optimize the distribution strategies between acquired businesses (Sentiotec and EOS) and Harvia and to utilize cross selling. In North America, Harvia has grown its own distribution channels and expanded its product selection through the AHS acquisition. In addition, the company tries to increase its market share on all main markets through new product launches. We also consider it likely that the company will continue consolidating the market in coming years, and we expect the growth investments to focus in particular on the growing North American and/or Asian markets.

In **improving productivity**, the company focuses on continuously improving its operational efficiency, for example, by optimizing the geographical structure of production, increasing purchasing and logistics efficiency, optimizing the product selection, designing the products so that they are simple to produce, increasing the capacity utilization rate and increasing automation in its production plants. Harvia has a decentralized production model where different production units focus on manufacturing particular products. The company also tries to continue optimizing its product selection.

Financial targets

Harvia's financial targets are:

- **Growth:** Average annual revenue growth above 5%
- **Profitability:** Adjusted EBIT margin 20%
- **Leverage:** Net debt/adjusted EBITDA in the range of 1.5x to 2.5x

Harvia clearly exceeded its financial objective in terms of growth in 2019 (growth 20%), where the key was the AHS acquisition carried out at the end of 2018. In 2020, revenue growth will, according to our estimate, be over 40%, which is based on the EOS acquisition and increased renovation projects due to the Covid-19 pandemic.

We believe Harvia's growth target is conservative and the company has often stated that the target is **over 5%,** so growth may be faster. We believe the company will be able to exceed its objectives in the long term as they are based on a 5% growth of the global sauna and spa market. Thanks to its strong market position, extensive product portfolio and efficient operating model, Harvia can, however, grow faster than the market in general.

Strategy and financial targets 2/2

In addition to organic growth, the company is highly likely to continue making small complementing acquisitions, which will add inorganic growth.

In terms of profitability, Harvia has fallen slightly behind its financial objective in recent years. In 2019, the adjusted EBIT margin was 18.7% (2018: 17.5%), but in January-September 2020 the adjusted EBIT margin rose to 21.2%, which was above the target level (EBIT 20%). We believe Harvia will reach its profitability target for the whole year 2020 and our adjusted EBIT margin estimate is 21.0%. The company will, however, record non-recurring costs related to the EOS acquisition this year, which means that we expect the reported EBIT to be 19.0%.

We consider the 20% EBIT target in accordance with the financial objectives over the coming few years to be realistic and our estimates are actually above the EBIT target from 2021 onwards (2021e: 20.2%). Expected synergy benefits from the Harvia and EOS merger (estimated EUR 2.2 million annually) will materialize gradually until 2024, which should support better profitability sustainably above 20%.

Leverage (net debt/adjusted EBITDA) has remained within the targeted level (1.5x-2.5x) throughout Harvia's time as a listed company. Even though the company has carried out some large acquisitions in recent years, good growth, profitability and strong cash flow have pressed the leverage down like gravity. In our opinion, leverage is the easiest of Harvia's three financial objectives to be reached and for the time being it looks like the company's balance sheet is more likely to become over-capitalized too quickly, unless excess assets are generously used either for acquisitions or in dividend distribution.

Dividend policy

The Board of Directors has confirmed a dividend policy according to which the company's objective is to pay regularly increasing dividend twice a year with a dividend payout of at least 60% of net income.

We believe Harvia will be successful in its objective to pay increasing dividend thanks to its high profitability, strong cash flow and good growth outlook. Our estimate for the company's payout ratio is around 70% for the next few years. The company could, in our opinion, distribute dividend with a clearly higher payout ratio, but it is likely to leave some financial leeway in the balance sheet for potential acquisition targets.

If Harvia's dividend is around 70%, the balance sheet will quickly become over-capitalized and the company will fall through the lower leverage target level (1.5x) very quickly.

Historical development 1/3

Revenue growth has been strong

In 2019, Harvia's revenue grew by 20% to EUR 74.1 million. The growth came mainly from the AHS acquisition (revenue from North America +290%) that was carried out at the end of 2018. Organic growth in 2019 amounted to 5%, which is in line with the average growth on the global sauna and spa market. In 2020, Harvia's revenue will continue on a strong growth path (+41%) thanks to the EOS acquisition (EOS' revenue 2019: EUR 17.3 million) and boosted by strong organic growth.

Between 2016 to 2018, Harvia's organic growth was slightly slower than that of the global sauna and spa market being 3 to 4% annually. We estimate that this was caused by the company's heavy exposure to the more slowly growing traditional sauna markets (Finland, Scandinavia and Russia), which in 2018 still generated one-half of the company's revenue. Thanks to acquisitions, new product launches, and new distribution channels, the company has, however, been able to expand sales geographically and an increasing share of its revenue now comes from more rapidly growing sauna markets.

In the 2010s, Harvia's average annual revenue growth has been around 7%, which is above its long-term growth objective (+5%). Until the Sentiotec acquisition in 2016, revenue development was quite stable (low one-digit percentages), after which the revenue started growing strongly, in particular through acquisitions. This is also well described by the around 12% annual average revenue growth over the past five years.

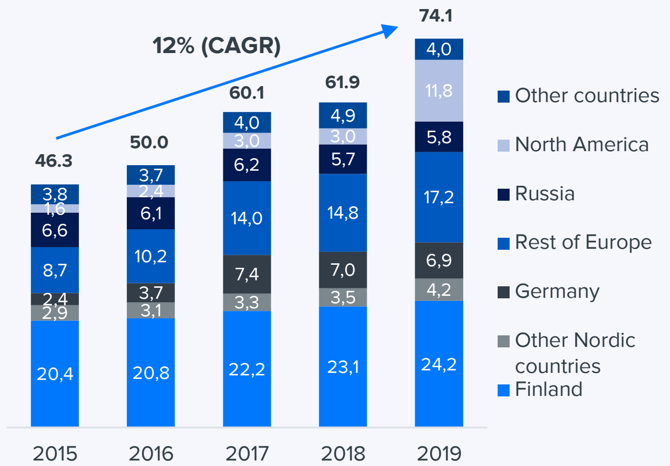
Harvia's revenue is for the most parts (especially on the traditional markets) highly cyclically stable due to high replacement demand. The company's revenue last decreased in 2009 in the aftermaths of the financial crisis when it declined by some 10%.

Profitability among the best in the industry

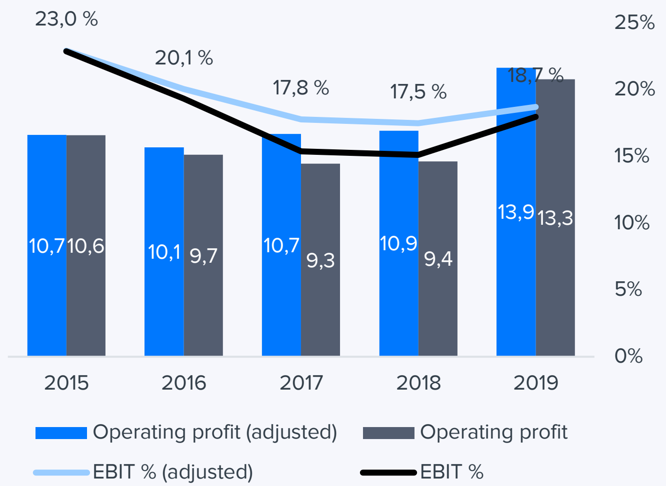
Harvia's profitability is at the top of the industry and it has also been highly stable. The company's excellent profitability has continued for decades. In 2016 to 2018, Harvia's adjusted operating profit fluctuated in a narrow range (EUR 10 to 11 million) and the company reached on average adjusted EBIT margin of nearly 20%. In 2019, adjusted operating profit took a bigger leap to EUR 13.9 million as a result of the successful AHS integration. At the same time, relative profitability improved as the adjusted EBIT margin was 18.7% (2018: 17.5%).

During the review period, the EBIT margin has decreased from the high 23% level in 2015 to below 20% in 2017 to 2019. The drop in the EBIT margin was caused by high IPO costs, acquired business operations with lower profitability, and investments in geographical expansion. The company has, however, been able to improve the profitability of its acquisition targets substantially over a short period of time which was reflected by the 2019 adjusted EBIT margin (18.7%). The same trend of improving profitability has continued in 2020, and the adjusted EBIT margin from January to September had risen to 21.2% and exceeded the company's financial objectives.

Revenue growth (MEUR)



Operating profit (MEUR)



Historical development 2/3

In addition to the weaker profitability of the acquisition targets, Harvia has carried out various strategic development projects in recent years (e.g. IPO) that have resulted in non-recurring costs. Therefore, the reported operating profit was lower in 2018 to 2019 than the adjusted operating profit. In 2020, the adjusted operating profit will again be higher than the reported operating profit due to non-recurring costs related to the EOS acquisition (EUR ~2 million).

According to our view, Harvia's strong and stable profitability is based on, e.g. a predictable and stable demand structure, efficient and flexible production, relatively low labor costs, strong market position and well-known brand, as well as strong customer relationships in selected geographical areas.

Low capex need

Harvia's annual capex need is very low. Over the past five years (2015 to 2019) the company has invested on average only around EUR 1.3 million per year on both tangible and intangible assets (1.5 to 2.6% of revenue). The investments are maintenance investments in fixed assets to increase or develop the efficiency of production and investments in intangible assets. The company has modern production plants and capacity can be increased in the main production plants without additional investments simply by increasing the number of employees and adding shifts.

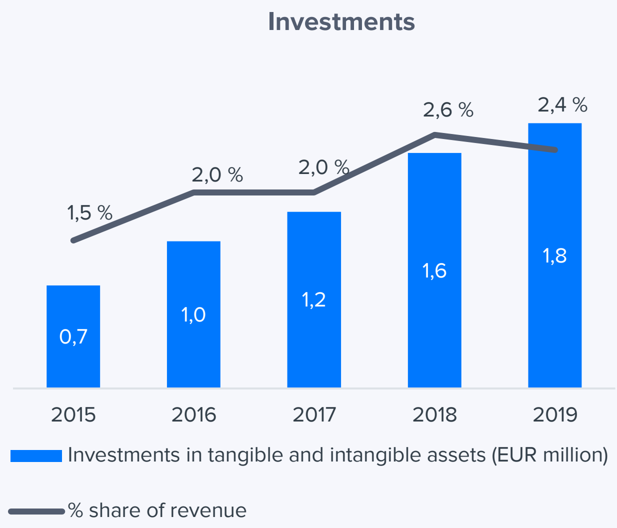
In the spring of 2020, Harvia decided to invest in increasing the capacity of the US production plant (40% capacity increase). The expansion is expected to be fully exploitable by the end of 2020 and it should help the company to respond to the quickly increased demand in North America. The capacity increase does not, however, cause considerable increase in investments as it has been estimated to cost only EUR 0.7 million.

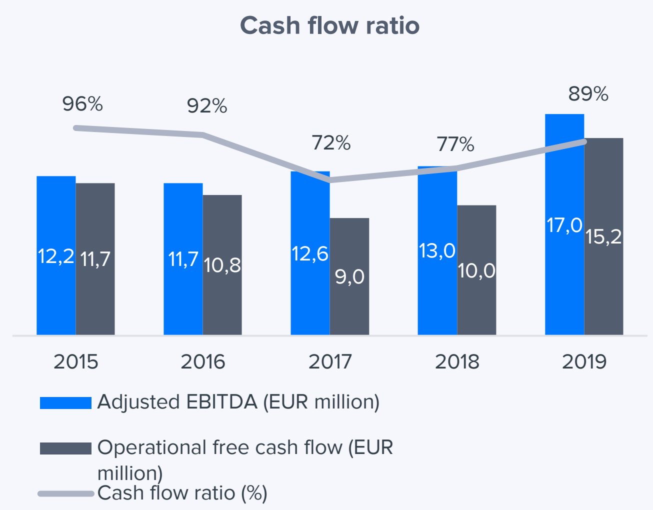
We believe there is no reason to assume that Harvia's annual EUR 1.5 to 2.0 million investment level would change considerably in coming years, even though the company is of a bigger size class. The company itself has also indicated that an annual investment level of EUR 2 to 3 million is a good rule of thumb in the current operating model. In years when larger replacement investments are made, the capex need may temporarily be higher.

Harvia has carried out acquisitions in recent years with which it has expanded to new market areas and/or new product and service categories. We consider it possible (and even likely) that the company will continue making strategic acquisitions with which it aims at improving its market position in different geographical areas and, thus, access new distribution channels and becoming a more comprehensive sauna and spa market player by expanding its portfolio to segments that do not yet belong to Harvia's core competence areas (professional steam and infrared saunas).

High cash flow ratio

Due to good profitability and low investment needs, Harvia's cash flow is strong. Harvia publishes a cash flow ratio which measures the rate of operational free cash flow to adjusted EBITDA. In 2015 to 2019, this ratio has fluctuated between 72 and 96%, which is a good level.





Historical development 3/3

Operational free cash flow describes the company's ability to generate cash flow after investments, and its ability to pay dividends or make acquisitions. In Harvia's case, a strong cash flow ratio and low capex needs have created good preconditions for the acquisitions in recent years to strengthen the company's market position. The combination of strong cash flow and a low investment need also supports future dividend payments. We estimate that due to its strong profitability Harvia will be able, despite possible acquisitions, to pay the targeted regularly increasing dividend with a payout ratio of at least 60%.

Strong balance sheet despite acquisitions

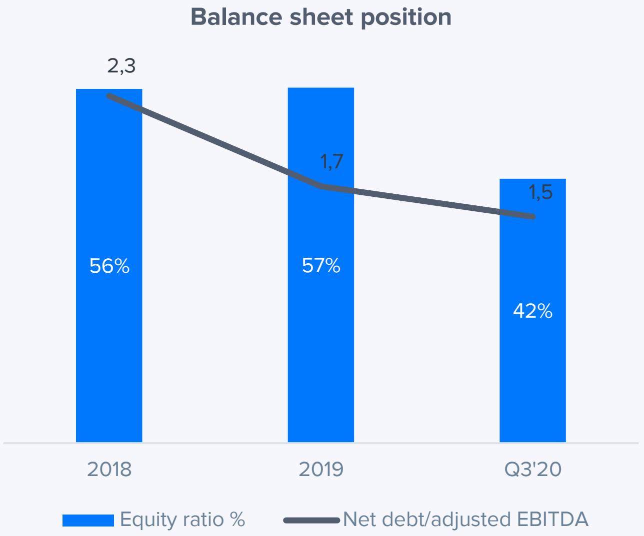
Harvia's balance sheet has been strong since its IPO in 2018 when the company used almost all of the raised capital to repay shareholder loans. The equity ratio has been at an excellent level of above 50% for the past two years. At the end of Q3'20, the equity ratio had dropped to 42% as a result of the EOS acquisition, but this is still a good level.

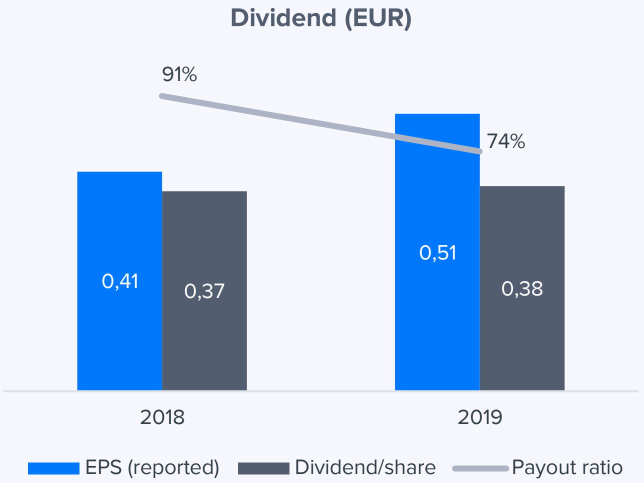
The company's leverage target is to maintain net debt/adjusted EBITDA in the range of 1.5x to 2.5x. Harvia has succeeded in this throughout its time as a listed company and the ratio remained in this target range also after the rather large EOS acquisition (leverage Q3'20: 1.5x). If necessary, the company can, thanks to its high profitability and cash flow, relatively quickly repay loans and make its balance sheet healthier.

Balance sheet position enables further acquisitions

In recent years, Harvia has taken the driver's seat as the consolidator of the sauna and spa market. We find it likely that Harvia will continue making strategic acquisitions as part of its growth strategy if new targets that suit the company's strategy become available.

The strong balance sheet, good performance capacity and cash flow enable financial leeway to make decent sized acquisitions in the near future despite the relatively recent and large EOS acquisition.



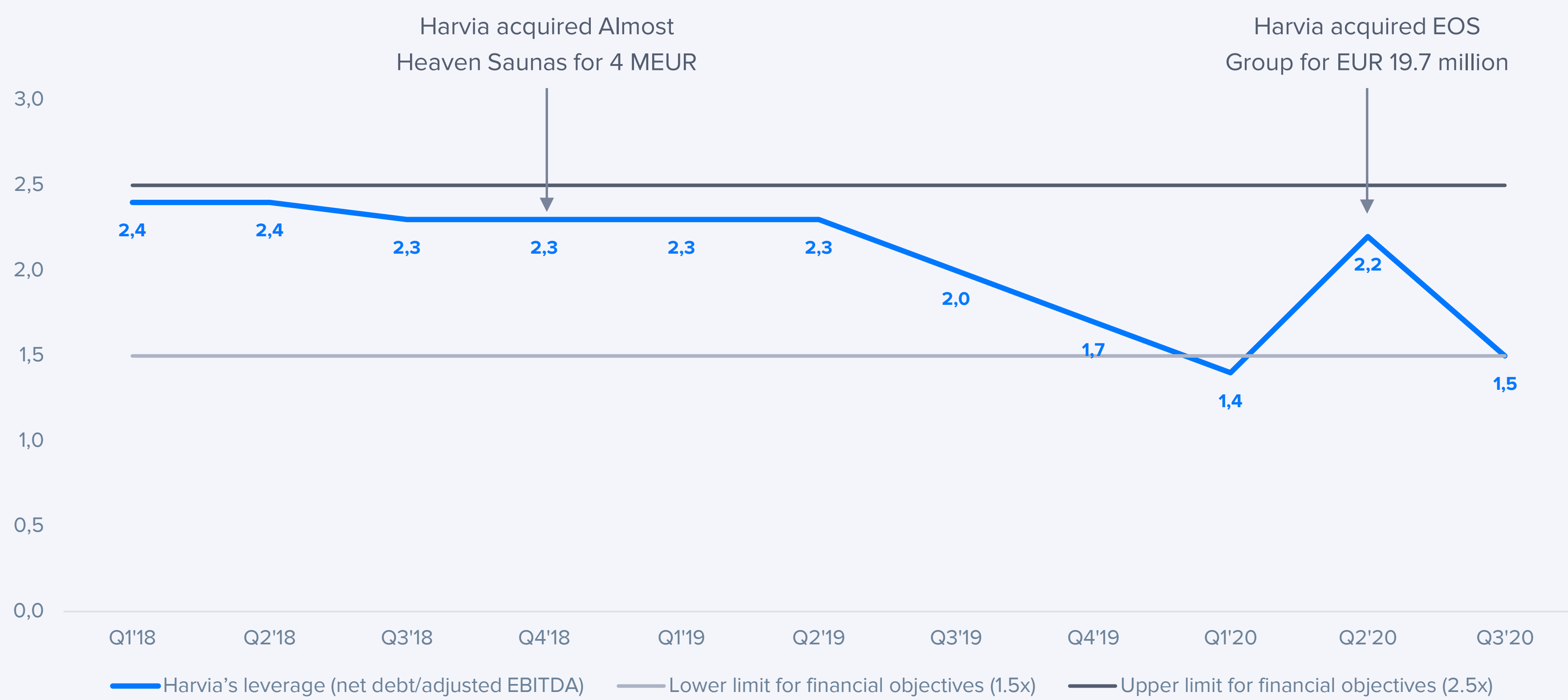


Harvia's acquisitions

	11/2016 Sentiotec	2/2017 Saunamax	12/2018 Almost Heaven Saunas	4/2020 EOS
Revenue	EUR 7.4 million (2015)	EUR 0.4 million (2016)	EUR ~8 million (2017)	EUR 17.3 million (2019)
Profitability	Weaker than Harvia's at time of acquisition (EBITDA <10%)	Weaker than Harvia's at time of acquisition	EBITDA neg. (2017)	Adjusted EBIT %: 16.5% (2019)
Deal price	EUR 4.5 million	EUR 0.45 million	EUR 4 million (EV/S ~0.5x)	EUR 19.7 million (EV/EBIT ~9x) If EUR 2.2 million synergies materialize, then (EV/EBIT ~5x)
Share of ownership	100%	56.2% (buy option for remaining share capital)	100%	78.6% of German and 80% of Russian operations (buy option for remaining share capital)
Amount of personnel	73	Under 10	Around 40	Around 150
Principal market	Central Europe	Finland	The USA	Central and Eastern Europe, Russia
Brands	sentiotec	SaunaMax	Almost Heaven Saunas	EOS, KUSATEK
Product selection	Higher price class sauna heaters, control units, sauna rooms and accessories	Heater and sauna maintenance and installation services	Lower price class outdoor and indoor saunas (e.g. barrel saunas)	Professional and premium class sauna heaters and steam generators (EOS), gas-operated heaters (Kusatek), control units and electronics (Spatronic)

Source: Inderes, Harvia

Leverage sinking despite acquisitions



Harvia's positive dilemma:

Due to strong profitability and good cash flow conversion, Harvia is able to quickly digest even large acquisition targets while maintaining its leverage within the target range (1.5-2.5x). Harvia does not, however, blindly stick to the target range and the company has stated that it can be exceeded or undercut from time to time. With the financial performance we estimate and the current dividend policy (dividend payout of at least 60% of net income) we feel the company has a positive dilemma: The balance sheet will quickly over-capitalize unless the company carries out new acquisitions or payout a clearly higher ratio as dividends.

Estimates 1/3

Revenue estimates

We estimate Harvia's revenue development mainly through its market areas. The economic growth in the given geographical area, the stage of development of the sauna and spa market, Harvia's market share and competitive position, as well as its investments in the distribution channels and other sales promotion measures in the market area in question affect our estimates. Exchange rate fluctuations can also influence revenue development, especially in North America, Russia and other Nordic countries.

2020 revenue estimate driven by EOS acquisition and COVID-19 pandemic

Revenue growth from January to September 2020 has been very strong (+38%) and our 2020 revenue estimate is EUR 104 million (+41%). A majority of the growth comes from the EOS acquisition, but organic growth will also remain strong (~20%). Organic growth has been boosted by the "cocooning trend" caused by the Covid-19 pandemic, which has increased the number of renovation and repair projects. Although the company stated in its Q3 report that part of the growth seems to be advance demand, one could deduct from the comments during the Q3 conference call that demand does not show signs of slowing down at least in the short term. The company also said that Q4'20 had kicked off nicely. Vacation home sales is at a record level and, as renovations continue, saunas are one of the most common renovation targets. This bodes well for replacement demand both in upcoming quarters and years.

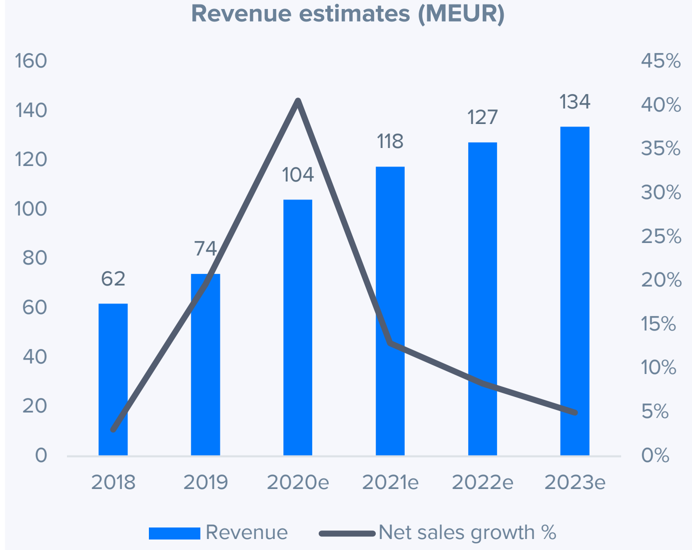
Capacity is raised heavily, and more resources are directed abroad

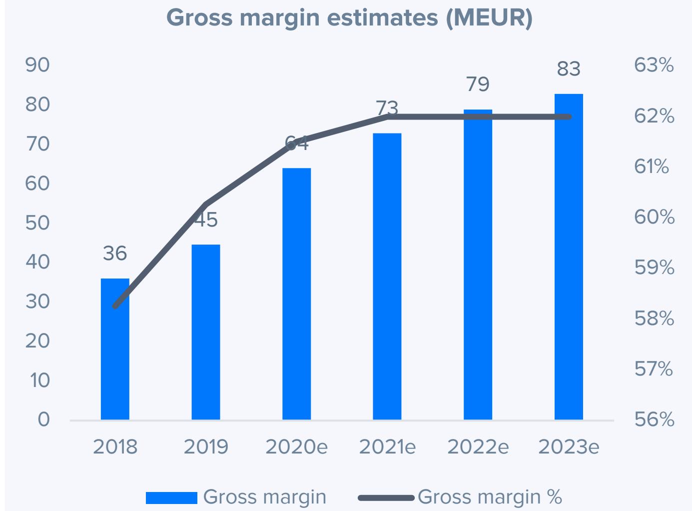
Harvia's production capacity has been in high use in 2020. Management said that demand has exceeded production from time to time and deliveries have been delayed. Harvia's products have been sold out in many channels, which is not ideal from a customer service viewpoint. Usually Harvia has excellent production and delivery reliability but the company has been forced to react to strongly increased demand outlooks. This year, Harvia has hired around 40 new employees mainly to the Muurame plant, which indicates that the company is not expecting the demand to slow down in the near future.

Although the company has grown nicely in Finland these past years, the strongest growth figures have been witnessed outside Finland and Harvia focuses clearly more on foreign markets. Over 70% of revenue comes from abroad, which makes Harvia a true global company and decreases the dependency on the "mature" Finnish market. The increase of the production capacity of the US plant (+40%) will be completed by the end of 2020 and it should improve Harvia's ability to respond to the strongly growing demand in North America (revenue Q1-Q3/2020: +83%). Harvia also announced it had hired new sales personnel in Asia and Australia and the company seems to constantly find new growth opportunities outside Finland where no one has focused on properly before.

Gross margin estimates

Harvia's materials and services related costs represented 40% of revenue in 2019 making its gross margin 60%. We estimate that the gross margin will grow slightly in future years as EOS' premium class products have higher gross margins than Harvia's products and the synergies from the acquisition and production will support the improvement of the gross margin.





Gross margin = revenue - materials and services

Estimates 2/3

Operating profit estimates

In 2019, Harvia's operating profit adjusted for non-recurring items was EUR 13.9 million (adjusted EBIT: 18.7%), leaving the company slightly below its financial objective (EBIT 20%). In 2020, we expect the adjusted operating profit to grow by 58% from the year before to EUR 21.9 million (adjusted EBIT 21.0%) driven by the EOS acquisition and organic growth. Harvia will accrue non-recurring costs in 2020 related to the EOS acquisition and its integration (EUR ~2 million), which leads us to expect the reported operating profit to be EUR 19.8 million (EBIT 19.0%).

Harvia's EBIT margin has remained surprisingly strong in recent years despite acquiring Sentiotec, whose profitability was lower than that of “old Harvia” and AHS that was loss-making at the time of acquisition. In the EOS acquisition, Harvia acquired a company whose profitability was close to its own (EOS 2019 adjusted EBIT 16.5%) so it will only have a slight negative effect on the margin at least to begin with. All of these companies have been integrated well, and their profitability has improved from the time of acquisition, which has also supported the growth in Harvia's relative profitability since the acquisition.

Harvia has already exceeded its financial objective in terms of adjusted EBIT margin and we believe this is a sustainable level for the company. The company will record some costs related to the EOS integration also in 2021, so the reported operating profit will be below the adjusted operating profit next year and will, according to our estimate, be close to the 20% threshold (2021e: 20.2%).

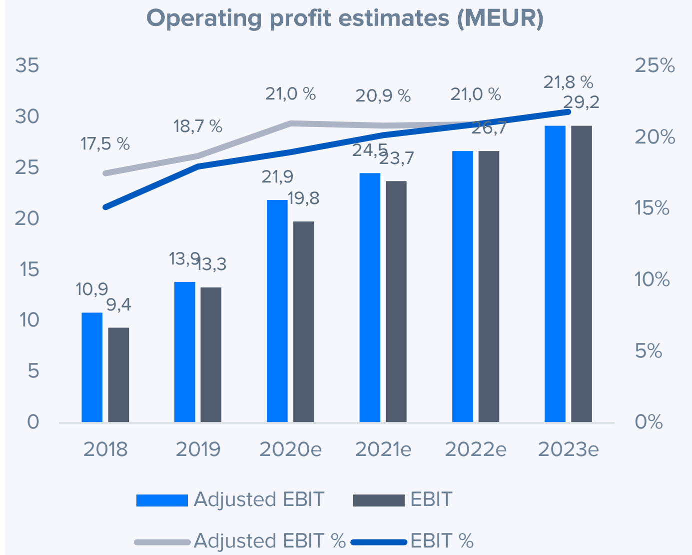
We believe Harvia will continue growing during the coming years, which will support the development of operating profit, but 2020 has also been exceptional in terms of a low cost structure. The company personnel has not been able to travel this year and various sales and marketing measures (e.g. trade fairs that are important to Harvia) have been canceled due to the Covid-19 pandemic. So, we expect these costs will return to a slightly higher level than currently in coming years but, at the same time, Harvia has stated that it aims for some EUR 2.2 million synergies from the EOS acquisition, which in turn is positive for the EBIT margin.

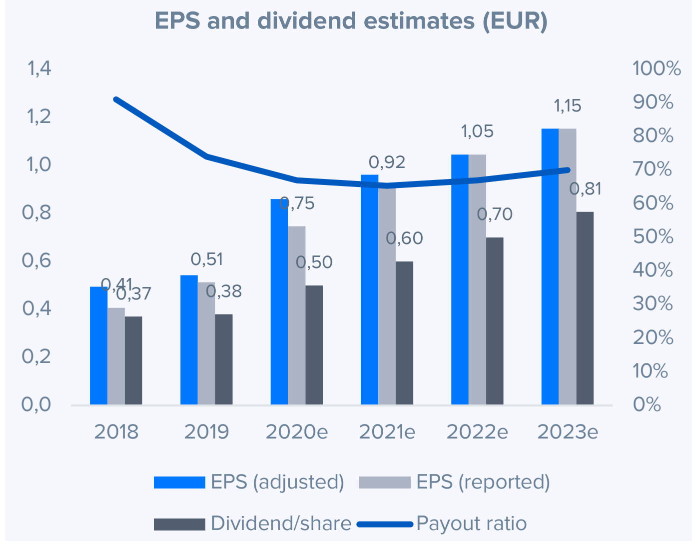
In our estimates, Harvia's 2021 to 2022 adjusted EBIT margins are 20.9% and 21.0% respectively. When the synergies from the EOS acquisition start to materialize by 2024, we expect the EBIT margin to rise further and hit 21.8% by the turn of 2023 and 2024.

EPS and dividend estimates

Harvia has a strong balance sheet, good profitability and low capex need. All these characteristics make it a good dividend stock. Even though Harvia spent around EUR 19.7 million on the EOS acquisition in spring 2020, the company’s net debt/EBITDA ratio only temporarily hit the upper level of the target range (1.5-2.5x) and by the end of Q3’20 the ratio had dropped to 1.5x. This indicates the company’s strong ability to create cash flow and digest debt related to acquisitions.

Despite the rather large EOS acquisition relative to Harvia's size class, Harvia’s balance sheet and dividend payment ability remain good. We expect the company to continue raising its dividend also in coming years and our dividend estimates on the 2020 and 2021 results are EUR 0.50 and EUR 0.60 respectively (2019: EUR 0.38). Our dividend estimates indicate a payout ratio of around 70%.





Estimates 3/3

Balance sheet estimates

Harvia's balance sheet was extremely strong at the end of 2019 (equity ratio 57% and gearing 37%). The balance sheet weakened slightly after the EOS acquisition and the equity ratio decreased to 42% at the end of Q3'20. With our current earnings and dividend distribution estimates we, however, expect the balance sheet to strengthen quickly, unless the company makes new acquisitions in the next few years.

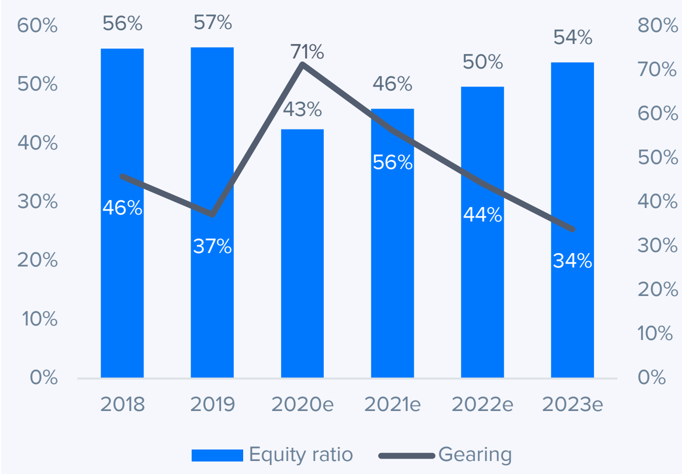
With our 2023 estimates, Harvia's balance sheet will rise nearly to the strong 2019 level, when the equity ratio will rise to 54% and gearing drop to 34%. We believe Harvia wants to maintain a strong balance sheet in order to have financial leeway to utilize potential acquisition opportunities. Harvia is, however, known as a conservative and shareholder friendly acquirer, preventing it from carrying out its growth strategy at any price. If no attractive acquisition targets appear, the company would have to raise its dividend payout ratio clearly above our estimated 70% level in order to prevent the balance sheet from becoming over-capitalized and to keep its capital in effective use.

Equity and ROE% estimates

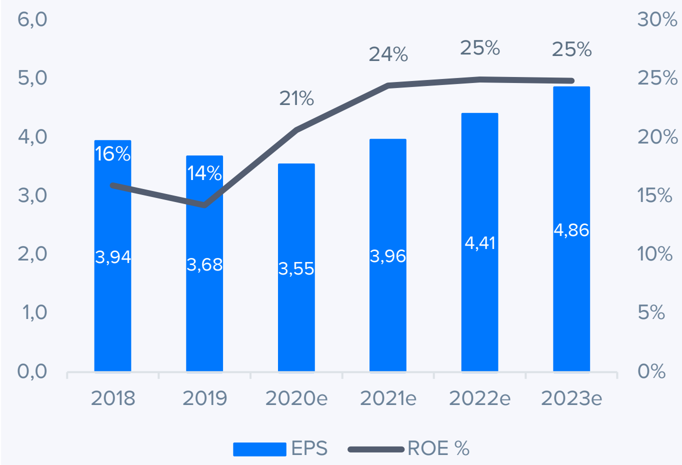
Harvia's equity at the end of 2019 was 69 million euros or 3.68 euros per share and we expect it to end up at around 3.55 euros by the end of 2020. According to our estimates, the company's return on equity will be strong this year (ROE 2020e: 21%) and with the current payout ratio estimate of around 70% capital will quickly accumulate on the balance sheet.

According to our estimates, the company's equity per share will rise to 4.86 by the end of 2023 but, at the same time, the excess capital accumulating on the balance sheet will start hindering return on equity and ROE% will level out to around 24 to 25% in our 2021 to 2023 estimates.

Estimates for balance sheet key ratios



Equity per share and ROE % estimates



Income statement

Income statement	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e	2022e	2023e
Revenue	**61,9**	**19,3**	**17,0**	**17,1**	**20,7**	**74,1**	**20,4**	**25,5**	**28,0**	**30,3**	**104**	**118**	**127**	**134**
Finland	23,1	7,0	5,8	5,8	5,6	24,2	7,0	7,2	7,1	6,5	27,8	29,4	31,1	32,7
Other Scandinavia	3,5	0,8	1,1	1,0	1,2	4,2	1,0	1,3	1,3	1,4	4,9	5,3	5,8	6,1
Germany	7,0	1,7	1,5	1,5	2,3	6,9	1,8	3,3	4,8	5,0	14,9	16,8	17,6	18,5
Other European countries	14,8	4,6	3,9	3,7	5,1	17,2	4,7	5,6	6,6	8,1	25,0	27,1	29,0	30,5
Russia	5,7	1,9	0,9	1,5	1,5	5,8	1,0	2,0	1,8	2,0	6,8	7,4	7,7	8,1
North America	3,0	2,5	2,7	2,9	3,8	11,8	4,2	5,7	5,2	6,1	21,3	28,0	32,2	33,8
Other countries	4,9	0,9	1,2	0,7	1,2	4,1	0,5	0,5	1,2	1,3	3,5	3,6	3,8	4,0
EBITDA	**11,5**	**4,6**	**3,5**	**3,7**	**4,7**	**16,4**	**3,9**	**5,6**	**7,3**	**7,1**	**23,9**	**28,3**	**30,0**	**32,4**
Depreciation	-2,2	-0,8	-0,8	-0,8	-0,8	-3,1	-0,8	-1,0	-1,3	-1,0	-4,1	-4,6	-3,3	-3,2
EBIT (excl. NRI)	**10,9**	**4,0**	**2,8**	**2,9**	**4,2**	**13,9**	**4,2**	**5,4**	**6,09**	**6,2**	**21,9**	**24,5**	**26,7**	**29,2**
EBIT	**9,4**	**3,8**	**2,7**	**2,9**	**3,9**	**13,3**	**3,1**	**4,6**	**5,99**	**6,1**	**19,8**	**23,7**	**26,7**	**29,2**
Net financial items	-2,8	-0,4	-0,4	-0,1	-0,4	-1,3	-0,1	-0,4	-0,6	-0,6	-1,8	-1,8	-1,8	-1,8
PTP	**6,6**	**3,5**	**2,3**	**2,7**	**3,6**	**12,1**	**3,0**	**4,1**	**5,38**	**5,5**	**18,0**	**21,9**	**24,9**	**27,4**
Taxes	0,2	-0,9	-0,4	-0,6	-0,6	-2,5	-0,6	-0,8	-1,2	-1,1	-3,8	-4,4	-5,0	-5,5
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,1	-0,1	-0,3	-0,4	-0,4	-0,4
Net earnings	**6,8**	**2,6**	**1,9**	**2,1**	**2,9**	**9,6**	**2,4**	**3,2**	**4,04**	**4,33**	**14,0**	**17,2**	**19,5**	**21,5**
EPS (adj.)	**0,44**	**0,15**	**0,11**	**0,12**	**0,17**	**0,54**	**0,19**	**0,22**	**0,22**	**0,24**	**0,86**	**0,96**	**1,05**	**1,15**
EPS (rep.)	**0,41**	**0,14**	**0,10**	**0,11**	**0,16**	**0,51**	**0,13**	**0,17**	**0,22**	**0,23**	**0,75**	**0,92**	**1,05**	**1,15**

Key figures	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e	2022e	2023e
Revenue growth-%	3,1 %	16,9 %	11,4 %	22,3 %	27,8 %	19,6 %	5,7 %	50,1 %	63,8 %	46,2 %	40,6 %	12,9 %	8,3 %	5,0 %
Adjusted EBIT growth-%	1,5 %	23,5 %	15,0 %	25,3 %	46,0 %	27,9 %	5,8 %	91,6 %	107,7 %	49,5 %	57,8 %	12,1 %	8,8 %	9,4 %
EBITDA-%	18,6 %	23,9 %	20,4 %	21,5 %	22,7 %	22,2 %	19,3 %	22,0 %	26,0 %	23,4 %	22,9 %	24,1 %	23,6 %	24,2 %
Adjusted EBIT-%	17,5 %	20,6 %	16,5 %	17,2 %	20,1 %	18,7 %	20,6 %	21,1 %	21,8 %	20,6 %	21,0 %	20,9 %	21,0 %	21,8 %
Net earnings-%	10,9 %	13,5 %	11,3 %	12,5 %	14,2 %	13,0 %	11,7 %	12,6 %	14,5 %	14,3 %	13,4 %	14,6 %	15,3 %	16,1 %

Source: Inderes

Balance sheet

Assets	2018	2019	2020e	2021e	2022e
Non-current assets	**80,7**	**82,8**	**104**	**102**	**102**
Goodwill	60,4	60,2	71,2	71,2	71,2
Intangible assets	4,2	4,1	10,1	10,3	10,5
Tangible assets	14,7	14,5	18,4	16,7	16,2
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,0	2,6	2,6	2,6	2,6
Other non-current assets	0,0	0,0	0,0	0,0	0,0
Deferred tax assets	1,4	1,3	1,3	1,3	1,3
Current assets	**36,2**	**39,0**	**52,2**	**58,9**	**63,8**
Inventories	14,5	13,8	18,8	21,2	22,9
Other current assets	1,3	0,1	0,1	0,1	0,1
Receivables	12,2	14,2	14,6	17,6	20,4
Cash and equivalents	8,3	10,9	18,8	20,0	20,4
Balance sheet total	**117**	**122**	**156**	**161**	**166**

Source: Inderes

Liabilities & equity	2018	2019	2020e	2021e	2022e
Equity	**65,8**	**68,8**	**66,3**	**74,1**	**82,4**
Share capital	0,1	0,1	0,1	0,1	0,1
Retained earnings	12,7	15,4	22,2	30,0	38,3
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	53,1	53,4	44,0	44,0	44,0
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	**38,8**	**40,3**	**60,7**	**56,5**	**51,8**
Deferred tax liabilities	0,4	0,0	0,0	0,0	0,0
Provisions	0,2	0,2	0,2	0,2	0,2
Long term debt	36,4	36,4	56,9	52,6	48,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	1,8	3,6	3,6	3,6	3,6
Current liabilities	**12,3**	**12,7**	**28,9**	**30,5**	**31,4**
Short term debt	2,2	0,1	9,2	9,2	9,0
Payables	9,2	11,2	16,7	18,8	20,4
Other current liabilities	1,0	1,4	3,0	2,5	2,0
Balance sheet total	**117**	**122**	**156**	**161**	**166**

Share valuation 1/2

Current market cap of 357 MEUR

Harvia's share has roughly quadrupled from the 2018 IPO price (EUR 5.0) giving it a market value of 357 MEUR with its current share price of 19.1 euros. Net debt at the end of Q3'20 was 36 MEUR making the enterprise value slightly higher than the market value.

Earnings-based valuation

According to our 2020 estimates, Harvia will generate 22 MEUR in operating profit (EBIT 21.0%), which is solid. We expect non-recurring items related to the EOS acquisition (EUR ~2 million) to depress the reported result somewhat, and our EPS estimate is EUR 0.75 (2019: EUR 0.51). 2020 result-based multiples are not that low, and they have risen to ATH levels when compared to Harvia's historic levels. P/E adjusted for non-recurring items is 22x, EV/EBITDA 17x and EV/EBIT 19x. The P/E based on the reported result is 26x.

Harvia has a strong market position, good brand, highest profitability in the industry, stable cash flow, low capex needs, strong ROE-%, high-quality management, and nearly all the criterion for a quality company are met. During its time as a publicly traded company, Harvia has proven to be among the highest quality on the OMXH and we view a high valuation being justified for the company due to its recent performance and progress conquering the global sauna and spa market. The current valuation multiples are, however, approaching the upper limits of justified levels (even in the high-quality category) and Harvia's strong earnings growth must continue for the multiples to neutralize. Considering the future, if and when the company's development stabilizes to the targeted 5% growth rate and an EBIT close to the current ~20% level (2020e: 21.0%) this current valuation would be challenging. Such companies are rarely valued at P/E ratios far above 20x (excl. Elisa, Kone, Orion, Kesko, etc.).

According to our estimates, Harvia's 2021 revenue will grow by around 13% to EUR 118 million and adjusted EBIT will grow by some 12% to EUR 24.5 million (EBIT 20.9%). This would yield a P/E adjusted for non-recurring items of 20x, EV/EBITDA of 14x and an EV/EBIT multiple of 16x. The reported result will still be depressed due to non-recurring expenses related to the integration of the EOS acquisition, so we estimate the reported P/E to be 21x. Considering Harvia's stable earnings growth potential, strong profitability, high cash flow ratio and moderate risk level, we find these multiples attractive.

We expect that within 2 to 3 years, Harvia will generate clearly better results than this year when the geographical expansion continues, profitability is improved, the synergies from the EOS acquisition materialize and the company may make complementing acquisitions (which we have not included in our estimates). We do not see much upside in the current valuation indicators but even if the indicators remain at the current level, result growth will provide a positive driver for the share, which leads us to recommend sticking with the share.

Dividend-based valuation

Harvia strives to pay an increasing dividend with a payout ratio of at least 60% of earnings. Harvia has every precondition to profile itself as a strong dividend company generating stable earnings, so we have set the payout ratio in our estimates to 70%. Relative to the current share price, our estimates offer a 2.6% and a 3.1% dividend yield for the next couple of years. The strong balance sheet, low capex need, solid profitability and high cash flow ratio could support a higher payout ratio, but we expect that the company wants to maintain a strong balance sheet in case a good acquisition target would present itself.

Valuation	2020e	2021e	2022e
Share price	19,1	19,1	19,1
Number of shares, millions	18,7	18,7	18,7
Market cap	357	357	357
EV	404	399	394
P/E (adj.)	22,2	19,9	18,3
P/E	25,6	20,8	18,3
P/FCF	neg.	21,4	19,5
P/B	5,4	4,8	4,3
P/S	3,4	3,0	2,8
EV/Sales	3,9	3,4	3,1
EV/EBITDA	16,9	14,1	13,1
EV/EBIT (adj.)	18,5	16,2	14,7
Payout ratio (%)	67,0 %	65,4 %	67,0 %
Dividend yield-%	2,6 %	3,1 %	3,7 %

Source: Inderes

Share valuation 2/2

Balance sheet-based valuation

In the Q3'20 report, Harvia's balance sheet total was EUR 161 million of which shareholders' equity represented EUR 65 million. Based on this, the P/B ratio that describes the relationship between equity and market value is 5.4x, which is relatively high for a manufacturer of consumer products.

Harvia's assets consist of production plants and their machines, inventories (finished and unfinished products), intangible assets (customer relationships, brands, technologies, R&D expenditure, software licenses, etc.), accounts receivables, and cash and cash equivalents. The largest asset in the balance sheet is goodwill (EUR 71 million) which is even more than the company's equity. A majority of the goodwill was generated in 2014 in connection with Harvia Oy's (now Harvia Finland Oy) and Velha Oy's acquisitions. Since then, additional goodwill has been generated through acquisitions (acquiring Spa Modules business operations in Estonia, acquiring the Sentiotec companies located in Austria and Romania, acquiring AHS' business operations and EOS Group).

A high balance sheet-based valuation should always be contrasted with the company's ROE-%, which in our estimates will be high during the next few years (2020-2023e ROE: 21-25%). Harvia reports a ROCE ratio, that measures return on equity adjusted with goodwill, which has been very high this year at 55%. High ROE figures can thus justify the high balance sheet-based valuation.

Valuation compared to peer group

It is difficult to find identical listed peer companies for Harvia as there is no other company that focuses on manufacturing sauna heaters and sauna equipment listed on any stock exchange in the world. We have used international listed companies in the peer group, each of which are based on some characteristic similar to Harvia. Similarities can be found in the geographical business area, production and distribution strategy, growth and profitability profiles, etc. As Finnish peer companies we have selected Nokian Tyres, Tikkurila and Rapala. As Swedish peer companies we have chosen, e.g. Thule that manufactures roof racks, Dometic that manufactures air conditioning and electronic equipment, Electrolux that manufactures appliances and Nibe that manufactures heat pumps. Other peer companies include, e.g. home ware manufacturer De'Longhi and exercise equipment manufacturer Technogym.

The peer group's median P/E is 27x, EV/EBITDA 12x and EV/EBIT 21x. Compared to these, Harvia is valued at a discount measured by P/E (-17%) and EV/EBIT (-11%), but in terms of EV/EBITDA Harvia's share is above the peer group (+37%). Harvia has been one of the clear beneficiaries amidst the Covid-19 pandemic in 2020 increasing its earnings. In 2021, the peer group's median P/E is 20x, EV/EBITDA 11x and EV/EBIT 14x. Relative to these figures, Harvia is, with our estimates, valued at 1-30% above the peer group.

The median dividend yield for the peer group for 2020 and 2021 are 2.5% and 2.4% respectively. Compared to these, Harvia offers a 15-29% higher dividend yield.

DCF valuation

Our cash flow-based valuation model (DCF) also indicates a fair value higher than Harvia's current share price. According to our DCF calculation, the fair value of Harvia's equity is EUR 458 million or 24.5 euros per share. This would indicate an upside potential of around 28% compared to the current share price of EUR 19.1. We feel that the combination of stable strong profitability, low investment needs, and stable cash flow profile makes the use of the DCF model a relevant tool when valuing Harvia's.

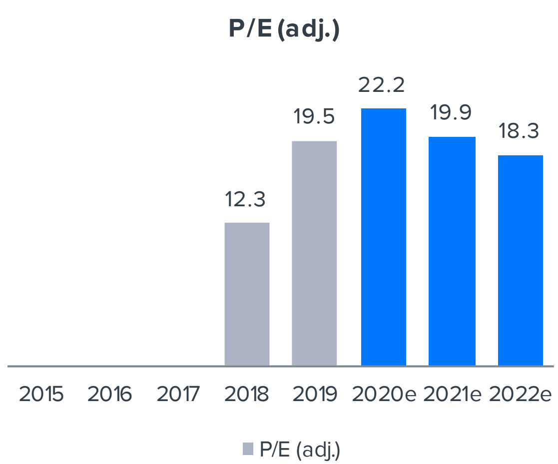
In our DCF model, the average annual revenue growth for 2021 to 2023 is around 9%. During this time frame, the company's comparable EBIT margin is expected to improve slightly from the current 21% level to 22% driven by EOS synergies and it will remain slightly above the company's target level (EBIT 20%). Growth if forecasted to be around 5% in the medium term (2024 to 2028) and profitability around 20%.

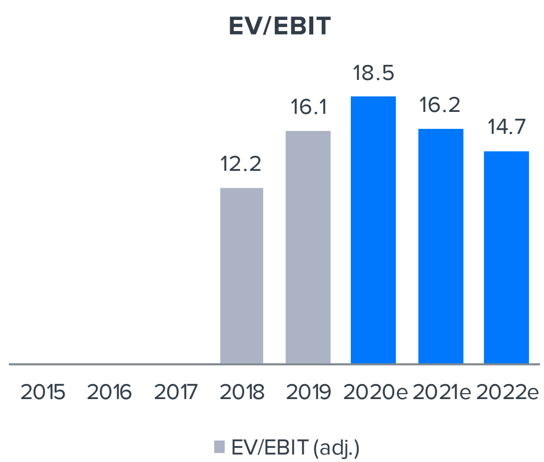
In the terminal period, the eternal growth estimate is 2.5% and the EBIT margin estimate is 19%. The weight of the terminal period in cash flow value is relatively high, 72%. The average cost of capital (WACC) used in the model is 6.6%, the risk-free interest rate is 2.0%, and the market risk premium is 4.8%. Our DCF model uses a cost of capital of 7.0%.

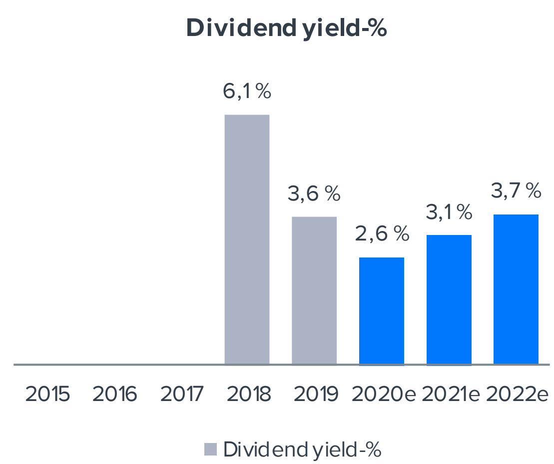
Valuation multiples

Valuation	2015	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Share price				6,10	10,6	**19,1**	**19,1**	**19,1**	**19,1**
Number of shares, millions				16,7	18,7	**18,7**	**18,7**	**18,7**	**18,7**
Market cap				102	198	**357**	**357**	**357**	**357**
EV				132	224	**404**	**399**	**394**	**388**
P/E (adj.)				12,3	19,5	**22,2**	**19,9**	**18,3**	**16,6**
P/E				15,0	20,6	**25,6**	**20,8**	**18,3**	**16,6**
P/FCF				17,6	16,2	**neg.**	**21,4**	**19,5**	**17,3**
P/B				1,5	2,9	**5,4**	**4,8**	**4,3**	**3,9**
P/S				1,6	2,7	**3,4**	**3,0**	**2,8**	**2,7**
EV/Sales				2,1	3,0	**3,9**	**3,4**	**3,1**	**2,9**
EV/EBITDA				11,4	13,6	**16,9**	**14,1**	**13,1**	**12,0**
EV/EBIT (adj.)				12,2	16,1	**18,5**	**16,2**	**14,7**	**13,3**
Payout ratio (%)				91,1 %	74,0 %	**67,0 %**	**65,4 %**	**67,0 %**	**70,0 %**
Dividend yield-%				6,1 %	3,6 %	**2,6 %**	**3,1 %**	**3,7 %**	**4,2 %**

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**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**
Thule Group AB	278,20	2878	2952	20,5	19,8	18,6	18,0	3,9	3,8	26,9	26,1	3,7	3,1	5,3
Nobia AB	56,85	958	1183	21,7	9,9	8,3	5,8	0,9	0,9	27,0	11,0	2,7	4,8	2,1
Dometic Group AB (publ)	106,35	3113	3881	21,2	15,0	15,2	11,7	2,4	2,1	37,0	19,5	1,5	1,8	1,8
Tikkurila Oyj	14,06	620	717	11,1	11,8	8,1	8,3	1,2	1,2	13,6	13,8	5,2	5,5	3,2
Nokian Tyres plc	29,83	4144	4425	30,3	17,1	15,5	11,1	3,2	2,9	37,7	20,7	3,6	4,4	2,4
Rapala VMC Corp	4,04	158	234	10,6	12,0	9,4	7,3	0,9	0,9	22,4	15,0		2,2	1,0
Husqvarna AB	90,88	5177	5381	13,9	12,4	9,1	8,2	1,3	1,3	19,7	16,8	2,5	2,7	2,8
Inwido AB (publ)	102,50	588	726	10,5	10,4	7,7	7,6	1,1	1,0	12,2	11,9	2,8	3,3	1,6
Nibe Industrier AB	237,10	10450	11101	32,9	30,1	24,5	22,7	4,2	4,0	48,5	43,3	0,6	0,7	6,3
Technogym SpA	9,00	1812	1800	31,5	22,1	18,6	15,1	3,5	3,0	46,7	32,5	0,9	1,3	6,1
Rockwool International A/S	2380,00	6855	6597	21,1	19,5	13,1	11,9	2,5	2,4	29,4	26,8	1,2	1,2	3,3
Kingspan Group PLC	72,45	13157	13818	29,1	27,0	23,1	21,5	3,0	2,8	35,4	32,7	0,4	0,6	5,6
Electrolux AB	205,80	6290	6288	11,9	10,6	6,5	5,9	0,6	0,6	18,8	14,5	3,8	3,8	2,6
De' Longhi SpA	28,48	4287	4031	15,4	13,6	11,7	10,5	1,8	1,6	22,2	19,8	1,9	2,1	3,3
Harvia (Inderes)	**19,10**	**357**	**404**	**18,5**	**16,2**	**16,9**	**14,1**	**3,9**	**3,4**	**22,2**	**19,9**	**2,6**	**3,1**	**5,4**
Average				**20,1**	**16,5**	**13,5**	**11,8**	**2,2**	**2,0**	**28,4**	**21,7**	**2,4**	**2,7**	**3,4**
Median				**20,8**	**14,3**	**12,4**	**10,8**	**2,1**	**1,9**	**26,9**	**19,7**	**2,5**	**2,4**	**3,0**
Diff-% to median				***-11 %***	***14 %***	***37 %***	***30 %***	***86 %***	***83 %***	***-17 %***	***1 %***	***5 %***	***29 %***	***80 %***

Source: Thomson Reuters / Inderes

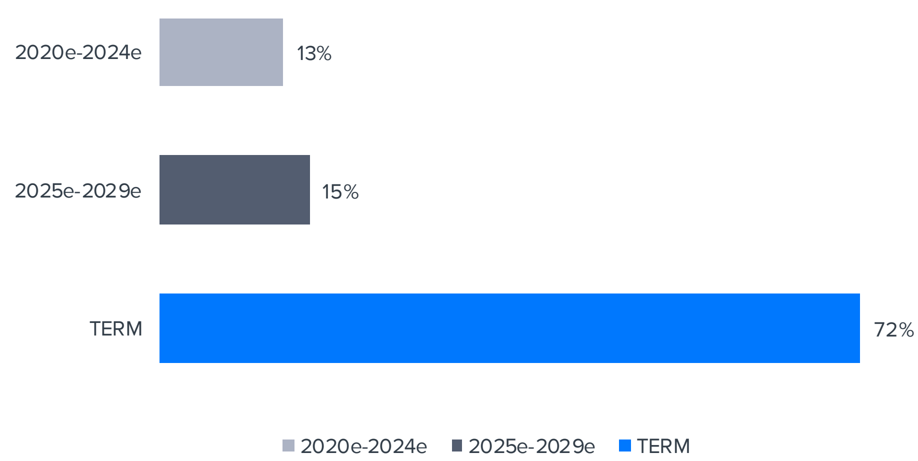
DCF valuation

DCF model	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	TERM
EBIT (operating profit)	**13,3**	**19,8**	**23,7**	**26,7**	**29,2**	**29,5**	**30,2**	**31,0**	**32,5**	**32,4**	**33,2**	
+ Depreciation	3,1	4,1	4,6	3,3	3,2	2,8	2,8	2,5	2,6	2,6	2,6	
- Paid taxes	-2,8	-3,8	-4,4	-5,0	-5,5	-5,5	-5,7	-5,8	-6,1	-6,1	-6,7	
- Tax, financial expenses	-0,3	-0,4	-0,4	-0,4	-0,4	-0,4	-0,4	-0,4	-0,4	-0,4	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	2,3	1,8	-3,8	-3,4	-3,0	-1,8	-1,8	-1,4	-1,5	-1,5	-0,8	
Operating cash flow	**15,6**	**21,5**	**19,7**	**21,3**	**23,6**	**24,7**	**25,2**	**25,9**	**27,1**	**27,0**	**28,4**	
+ Change in other long-term liabilities	1,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-5,2	-25,0	-3,0	-3,0	-3,0	-3,0	-3,0	-3,0	-3,0	-3,0	-3,3	
Free operating cash flow	**12,2**	**-3,5**	**16,7**	**18,3**	**20,6**	**21,7**	**22,2**	**22,9**	**24,1**	**24,0**	**25,1**	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	12,2	-3,5	16,7	18,3	20,6	21,7	22,2	22,9	24,1	24,0	25,1	630
Discounted FCFF		**-3,4**	**15,6**	**16,0**	**16,9**	**16,7**	**16,1**	**15,5**	**15,4**	**14,4**	**14,1**	**354**
Sum of FCFF present value		491	494	479	463	446	429	413	398	382	368	354
Enterprise value DCF		**491**										
- Interesting bearing debt		-36,5										
+ Cash and cash equivalents		10,9										
-Minorities		0,0										
-Dividend/capital return		-7,1										
Equity value DCF		**458**										
Equity value DCF per share		**24,5**										

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	0,20 %
Risk free interest rate	2,0 %
Cost of equity	**7,0 %**
Weighted average cost of capital (WACC)	**6,6 %**

Source: Inderes

Cash flow distribution



Investment profile 1/3

During the IPO, Harvia was profiled as a stable and "boring" dividend company

When Harvia was listed on the stock exchange in spring 2018 (subscription price EUR 5.0 per share), the company's investment profile was a stable dividend payer that, in our opinion, was more profitability than growth oriented. Harvia's investment story consisted of interesting elements such as low cyclicality due to high replacement demand, high profitability, excellent cost efficiency, strong market position, well-known brand and efficient use of capital, which together support high and stable dividend payments.

The risk profile was also modest in our opinion since the owners did not have to bear considerable risks related to the success of growth projects or investments as the company has a strong and stable market position in its core markets, efficient and modern production, low capex needs and strong competitive advantages that rely on its own design and manufacturing know-how.

At that time, we expected Harvia to continue the moderate ~5% annual revenue growth by strengthening its market position in existing market areas, by developing its product portfolio and distribution network, etc. At the time, the profitable business model and the financial flexibility enabled by the IPO, in our opinion, seemed to create preconditions for acquisitions that could accelerate growth. However, we underestimated how aggressively Harvia would pursue this consolidation of the industry that has been visible in recent years.

Harvia has bloomed into a strongly growing extremely profitable company that is driving the consolidation of the global sauna and spa market

Since the IPO, Harvia has carried out two relatively large acquisitions compared to its size (AHS 12/2018 and EOS 4/2020) that have clearly increased the company's size. The aim of the acquisitions were to expand into new geographical areas and new product categories. Through these acquisitions Harvia has also reached new customer segments and further strengthened its position on the sauna and spa market. The acquisitions Harvia carried out have been very successful and in our view the company's investment profile has developed from "a stable and boring dividend company" to a strongly growing and highly profitable company that is ambitiously promoting the consolidation of the sauna and spa market from the driver's seat while still paying good dividends.

Industry consolidation supports the share price

Harvia has a strong market position on the fragmented sauna and spa market and its strong balance sheet and good cash flow profile enable it to continue consolidating the industry in accordance with its growth strategy. Recent successful acquisitions and their integration have shown 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. The acquisition option should be considered when examining current valuation multiples as we have not considered potential acquisitions in our estimates. Through good acquisitions and synergies related to them Harvia has a "hidden" opportunity to make considerable leaps in size in future years (like EOS in 2020) which may lead to rapidly declining earnings-based multiples. We find Harvia's acquisition know-how (and opportunities) to be an asset and a good wild card for creating long-term shareholder value. In addition, "old Harvia's" operations is in excellent shape.

Potential and value drivers

- **Increasing the value of average purchases**
  Harvia is traditionally known as a sauna heater company (heaters 54% of revenue). In recent years, the company has expanded its product portfolio from basic consumer heaters towards professional and premium segments where average purchases are clearly higher. The company has also fared well in expanding its selection to entire saunas, where the average purchase is clearly higher than that of a mere heater. The company has also focused on up-selling, striving to sell, e.g. protective railings, a control unit, lighting, and other accessories to customers that are buying a heater to increase the average purchase. Introducing heaters and control units with more advanced features and more comprehensive sauna solutions to the product mix push Harvia towards larger average purchases and thus supports its revenue growth. Despite the success in increasing average purchase price, we feel like there is still considerable potential here.

Investment profile 2/3

- **Geographical expansion** Seventy-five percent of Harvia's revenue came from outside Finland in Q3'20, while the share was 63% in 2018. Harvia has successfully grown its operations abroad and this has been one of the company's strategic objectives. Geographical expansion is important as 90% of the sauna market is outside Finland. The core of geographical expansion is strengthening the reseller network and improving the availability and visibility of product solutions tailored for each market area. After the Sentiotec acquisition, the company was able to utilize Sentiotec's existing distribution channels in Central Europe and cross-sell the product selection of both brands to a wider area. The AHS acquisition opened up the possibility to produce and store products closer to North American customers, and the company was also able to reach new distribution channels. The EOS acquisition strengthened the product selection in professional premium categories, and EOS' distribution network that covers over 80 countries further strengthened Harvia's global presence (especially in Germany, Austria, Russia and CIS countries). In the summer of 2020, Harvia announced it had hired new sales personnel for the Asian and Australian markets and growth is constantly sought in new geographical areas.
- **Improving productivity** Harvia is already among the best in the industry measured by profitability (EBIT ~20%), and Harvia's efficiency, and flexibility in production are one of its competitive advantages. The company can, however, according to our view, improve its efficiency further by optimizing its product selection and the geographical structure of production, as well as by increasing its capacity utilization rate and automation in its plants. Harvia can also reach various synergies in procurement, logistics and production with its acquisition targets, which is also partly what the EUR 2.2 million expected synergies from the EOS acquisition rely on.
- **Complementing acquisitions** Harvia competes in the very fragmented global sauna and spa market where the four largest players have a combined market share of around 10%. Harvia has completed three rather large acquisitions (Sentiotec, AHS and EOS) and one small acquisition (Saunamax) during 2016 to 2020. We find it likely that the company will continue making complementing acquisitions. Potential acquisition targets could be specialized in product categories that need strengthening (e.g. professional steam and infrared) or in new geographical areas. Harvia has a strong market position in the sauna and spa market and its strong balance sheet and good cash flow provide opportunities to continue consolidating the industry in accordance with its growth strategy. Recent successful acquisitions and their integration have shown that Harvia knows how to make acquisitions with favorable terms, integrate the companies into the group, and acquire new product categories, customers and synergies. We consider Harvia's label of quality and constantly emerging acquisition options to be highly positive for shareholders as they can, in the best scenario, create considerable shareholder value in the long term.
- **Benefits of economies of scale** When Harvia grows it will gain more negotiating power in, e.g. material and service procurement. Increasing production volume also brings benefits of scale to production, through which relative profitability will improve. The growing earnings level achieved through growth also brings resources to product development, which in turn increases the lead to other players in the field and thus the positive spiral continues.

Risks

- **Dependency on the Muurame plant** We view Harvia's dependency on the Muurame plant as one of its biggest risks. The plant holds a key role in Harvia's business. A majority of the company's sauna heaters are manufactured at the plant and the company's main warehouse, design, product development, etc. are all located in Muurame. If these premises were damaged it would be virtually impossible for the company to quickly find alternative production premises for all of its products and this could have a crucial negative effect on Harvia's business. Dependency on the Muurame plant has, however, decreased as the group has acquired new production facilities throughout the world, and the product selection of the plant in China has also expanded. The EOS acquisition in 2020 further decreases the risk in terms of machines and capacity.

Investment profile 3/3

- **Changes in the competitive dynamic** Harvia's strong market position and high profitability are based on a well-oiled efficient operating model and long-term customer relationships that stem from the company's long history. The market is highly fragmented and Harvia is clearly the largest player in its own narrow sauna heater and component market (EUR ~410 million). In our view, one factor that protects Harvia's good profitability is that the global sauna heater and component market is too small to attract strong global electronic/appliance industry players (e.g. Panasonic, LG, Samsung, Electrolux, etc.). Changes in the competitive dynamic and increased attractiveness of the sauna market as a long-term growth industry could lead to, e.g. aggressive expansion from a new competitor on the market, which could tighten the competition considerably and harm Harvia's high margins.
- **Steep rise in material and service costs** Harvia's material and service costs have historically been around 40% of revenue. Electronic and electrical components, steel and other metallic materials needed in sauna heater production, as well as wood and glass needed in sauna structures, are examples of materials crucial for production. A clear rise in the market prices of these materials could hurt the company's profitability unless it is able to transfer the increased costs forward by increasing the prices of its own products.
- **Foreign exchange rate fluctuations** Harvia operates in several countries and trades in various currencies. Harvia is mainly exposed to translation risk from the Russian ruble and US dollar, and a risk that emerges from the parent company's foreign investments being converted to euro. Foreign exchange risks have not been significant for Harvia and the company has not hedged against these risks with foreign currency derivatives. Foreign exchange rate fluctuations (EUR/RUB and EUR/USD) can, however, sometimes cause fluctuations of several percentages in the company's euro-denominated reported figures and exchange rate adjusted figures.
- **Economic fluctuations** The world economy and Harvia's main markets have faced some large fluctuations in recent years. Harvia's business is defensive by nature and it is mainly based on replacement demand. GDP development, consumer confidence and consumers' purchasing power are relevant drivers for Harvia's business, but the company has still been able to perform well even during economic downturns. A long weakening in economic conditions could have a negative effect on the growth outlook of Harvia's revenue and earnings, as a sauna can to some extent also be considered an investment or optional consumption as opposed to a basic necessity. We, however, consider Harvia's sensitivity to economic fluctuations relatively low and the company has shown that it can operate well in various market turbulences as the 2008-2009 financial crisis and the COVID-19 pandemic this past spring have proven.
- **Acquisition risks** Harvia has in recent years carried out highly successful acquisitions and they have been clearly generated shareholder value. The company is likely to continue making complementing acquisitions in order to accelerate the materialization of its growth strategy. The prices paid for acquisition targets and their integration into operations always involve some risks, and the acquisition targets do not necessarily reach the objectives and synergies expected by Harvia's management. Constantly seeking acquisition targets and a strong balance sheet can also lead to missteps that could have a negative effect on Harvia's business and profitability. Harvia's management has proven its ability to carry out beneficial acquisitions in recent years and we trust the management's ability to continue making sensible acquisition going forward. Despite this, shareholders should hope that excess funds would rather be distributed than used on mediocre or expensive acquisitions simply to "grow an empire".

Investment profile

1. A strong market position, highest profitability in the industry and an extensive product portfolio make Harvia an attractive investment opportunity on the fragmented sauna and spa market

2. High cash flow ratio and low capex needs create good preconditions for dividend distribution or inorganic growth

3. Stably developing and growing core markets that rely heavily on replacement demand create defensive characteristics for Harvia

4. There is still underutilized potential in improving productivity and increasing the value of average purchases

5. Expansion into new emerging sauna markets and new product categories either organically or through acquisitions

6. Strong balance sheet, good cash flow and high return on equity is a combination that creates value for shareholders in the long run

Potential

- **Increasing the value of average purchases** by expanding the product portfolio, with up-selling and by selling products with more advance features and entire sauna solutions
- **Geographical expansion** both organically and inorganically (90% of sauna markets are located outside Finland)
- **Improving productivity**, for example by optimizing the product selection, increasing the capacity utilization rate, improving automation, and utilizing synergies in procurement, logistics, etc.
- **Complementing acquisitions** on the fragmented global sauna and spa market have already generated considerable shareholder value and we believe Harvia will continue making complementing acquisitions
- **Benefits of economies of scale** generate negotiating power in purchases, benefits of scale through increased production volumes, more resources for product development, and thus the lead to other players increases

Risks

- **Dependency on the Muurame plant** is one of the biggest risks related to Harvia going forward
- **Changes in the competitive dynamic** and aggressive expansion by a potential new competitor on the sauna and spa market
- **A rise in material and service costs** could hinder profitability, unless the company is able to transfer the costs to its selling prices
- **Foreign exchange rate fluctuations** are in Harvia's case mainly related to the Russian ruble and US dollar
- **Development of the global economy** and a long-term weakening could influence the business even though Harvia is very defensive
- **Acquisition risks** relate to the price paid for the acquisition target and the capability to integrate its operations successfully into the business

Source: Inderes

Drivers of shareholder return 2021e-2023e

Positive driver | **Neutral** | **Negative driver**

Earnings growth

~10%
per year

- Strong revenue outlook by increasing the value of average purchases and geographical expansion
- Improving productivity, efficient operating model, economies of scale benefits and EOS synergies support improving relative profitability
- The cost structure has been extremely low in 2020 due to the COVID-19 pandemic (travel and trade fair costs close to zero) and we expect it to return to a more "normal level"

Dividend yield*

~3-4%
per year

- Harvia's balance sheet, EBIT margin, cash flow and return on equity are all strong and the ability to pay dividends is good
- Outlook for earnings growth and low annual capex needs support the long-term dividend growth
- If the company cannot find new acquisition targets, the balance sheet will become over-capitalized and the payout ratio has significant room to increase from our estimated ~70% level

Valuation multiples

neutral

- Earnings-based valuation (2020 P/E 22x and EV/EBITDA 17x) is already relatively high, which reflects high growth expectations and confidence in the company's performance
- Harvia has proven to be among the top companies on OMXH in terms of quality and we view a high valuation justified due to the recent performance and conquering the global sauna and spa market
- It has been hard to spot weaknesses in Harvia's operations these past years and investors have awarded it by doubling the company's P/E ratio. Disappointments are rare for the company, but any let down could cause downward pressure on earnings forecasts and valuation multiples

Total shareholder return

~10-15%
per year

*If Harvia cannot find suitable acquisition targets in the near future, we expect the payout ratio to be close to 100%, which would raise the dividend yield to 4-5%.

Summary

Income statement	2017	2018	2019	2020e	2021e
Revenue	60,1	61,9	74,1	**104,2**	**117,6**
EBITDA	11,2	11,5	16,4	**23,9**	**28,3**
EBIT	9,3	9,4	13,3	**19,8**	**23,7**
PTP	4,3	6,6	12,1	**18,0**	**21,9**
Net Income	2,9	6,8	9,6	**14,0**	**17,2**
Extraordinary items	-1,4	-1,5	-0,6	**-2,1**	**-0,8**

Per share data	2017	2018	2019	2020e	2021e
EPS (reported)	0,31	0,41	0,51	**0,75**	**0,92**
EPS (adj.)	0,46	0,49	0,54	**0,86**	**0,96**
OCF / share	0,80	0,60	0,84	**1,15**	**1,05**
FCF / share	0,79	0,35	0,65	**-0,19**	**0,89**
Book value / share	2,02	3,94	3,68	**3,55**	**3,96**
Dividend / share	0,18	0,37	0,38	**0,50**	**0,60**

Balance sheet	2017	2018	2019	2020e	2021e
Balance sheet total	114,0	116,9	121,8	**155,9**	**161,1**
Equity capital	19,3	65,8	68,8	**66,3**	**74,1**
Goodwill	59,2	60,4	60,2	**71,2**	**71,2**
Net debt	73,0	30,3	25,6	**47,3**	**41,8**

Growth and profitability	2017	2018	2019	2020e	2021e
Revenue growth-%	20 %	3 %	20 %	**41 %**	**13 %**
EBITDA growth-%	-1 %	3 %	43 %	**45 %**	**18 %**
EBIT (adj.) growth-%	6 %	1 %	28 %	**58 %**	**12 %**
EPS (adj.) growth-%	20 %	9 %	10 %	**58 %**	**12 %**
EBITDA-%	18,6 %	18,6 %	22,2 %	**22,9 %**	**24,1 %**
EBIT (adj.)-%	17,8 %	17,5 %	18,7 %	**21,0 %**	**20,9 %**
EBIT-%	15,4 %	15,1 %	18,0 %	**19,0 %**	**20,2 %**
ROE-%	16,1 %	15,9 %	14,3 %	**20,7 %**	**24,4 %**
ROI-%	9,3 %	9,2 %	12,7 %	**16,7 %**	**17,7 %**
Equity ratio	16,9 %	56,3 %	56,5 %	**42,5 %**	**46,0 %**
Gearing	378,6 %	46,0 %	37,2 %	**71,4 %**	**56,4 %**

Cash flow	2017	2018	2019	2020e	2021e
EBITDA	11,2	11,5	16,4	**23,9**	**28,3**
Change in working capital	-1,2	-0,3	2,3	**1,8**	**-3,8**
Operating cash flow	7,7	10,0	15,6	**21,5**	**19,7**
CAPEX	-1,7	-4,3	-5,2	**-25,0**	**-3,0**
Free cash flow	7,5	5,8	12,2	**-3,5**	**16,7**

Largest shareholders	% of shares
Onvest	12,3 %
SEB Fonder	8,8 %
Handelsbanken Fonder	7,6 %
Lannebo Fonder	5,7 %
Cannacord Genuity Wealth Management	3,5 %
WestStar Oy	3,1 %

Source: Inderes

Valuation multiples	2017	2018	2019	2020e	2021e
EV/S	2,0	2,1	3,0	**3,9**	**3,4**
EV/EBITDA (adj.)	10,8	11,4	13,6	**16,9**	**14,1**
EV/EBIT (adj.)	11,3	12,2	16,1	**18,5**	**16,2**
P/E (adj.)	11,0	12,3	19,5	**22,2**	**19,9**
P/E	2,5	1,5	2,9	**5,4**	**4,8**
Dividend-%	3,6 %	6,1 %	3,6 %	**2,6 %**	**3,1 %**

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Buy — The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate — The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce — The 12-month risk-adjusted expected shareholder return of the share is weak

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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*According to the announcement received on February 20th 2019, Inderes analyst Petri Kajaani has a holding of more than EUR 50.000 in the target company Harvia Plc.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
17/06/2018	Accumulate	6,50 €	6,00 €
16/08/2018	Accumulate	6,50 €	5,82 €
14/11/2018	Buy	6,50 €	5,35 €
02/12/2018	Accumulate	6,50 €	6,24 €
14/02/2019	Accumulate	6,50 €	5,93 €
07/05/2019	Accumulate	7,50 €	6,66 €
17/08/2019	Accumulate	7,50 €	6,96 €
08/11/2019	Accumulate	9,00 €	8,50 €
29/12/2019	Reduce	10,00 €	10,60 €
11/02/2020	Accumulate	12,00 €	10,55 €
19/03/2020	Accumulate	9,00 €	7,98 €
28/04/2020	Accumulate	11,00 €	9,98 €
17/07/2020	Accumulate	13,00 €	11,55 €
14/08/2020	Accumulate	16,00 €	14,40 €
05/11/2020	Accumulate	22,00 €	19,95 €
26/11/2020	Buy	22,00 €	19,10 €

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