



Healing with heat

HARVIA TO ACQUIRE STEAM SOLUTIONS MANUFACTURER THERMASOL IN THE U.S.

22 July 2024

Picture: ThermaSol





Our agenda today

HARVIA

Sauna & Spa

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- 2 ThermaSol
- 3 Strategic rationale
- 4 Financials

The transaction in brief

Overview

- Harvia has signed an agreement to acquire ThermaSol, a leading manufacturer of high-end steam showers and steam rooms in the U.S.
- The acquisition complements Harvia's offering in the attractive steam segment and supports growth in North America.
- The transaction supports Harvia's strategy to be an active market consolidator and strengthens its leading position as a global sauna solutions provider.
- The transaction is expected to be closed in July 2024.



Picture: ThermaSol



Picture: ThermaSol

Transaction details



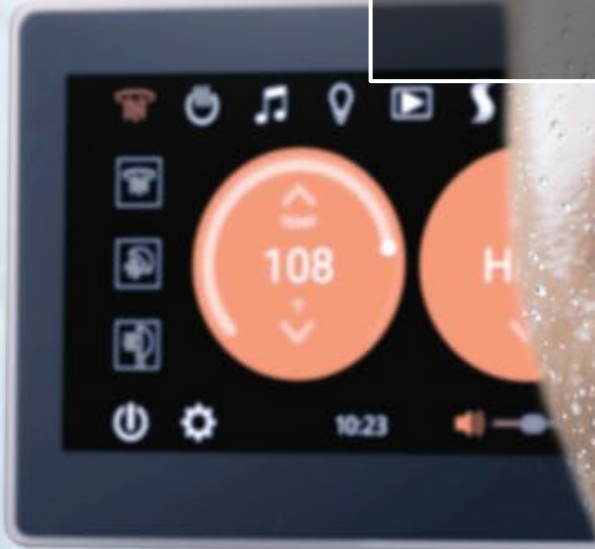
- The purchase price is USD 30.4 million (EUR 27.9 million*) on a debt free basis and subject to normal closing adjustments
- Harvia will finance the transaction with a bullet loan of 20 million euros and cash funds
- Expected annual cost synergies of approx. EUR 1.7 million by the end of 2027
- ThermaSol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

* Exchange rate: USD 1.09/EUR

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ThermaSol



ThermaSol in brief



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



Picture: ThermaSol

ThermaSol designs, manufactures and sells components and systems for steam baths and smart showers



<https://thermasol.com/the-ultimate-guide-to-buying-a-smart-shower-and-steam-system/>

Examples of steam baths and showers with ThermaSol products





Strategic rationale

Strategic rationale of the ThermaSol acquisition



1

Growth potential

- Steam provides an attractive growing market and strengthens Harvia's offering, as currently about 90% of revenue comes from traditional sauna solutions
- Supports Harvia's strategic goal to accelerate growth and strengthens its leading position as a global sauna solutions provider
- Supports Harvia's growth in the North American market across price points, categories and channels

2

Complementary offering and capabilities

- Expertise in steam solutions provides an excellent strategic fit to Harvia's strong offering in traditional saunas
- Distribution network expands and complements Harvia's current distribution footprint in the U.S.
- Location near Austin, TX, to serve as an additional hub for Harvia's North American operations

3

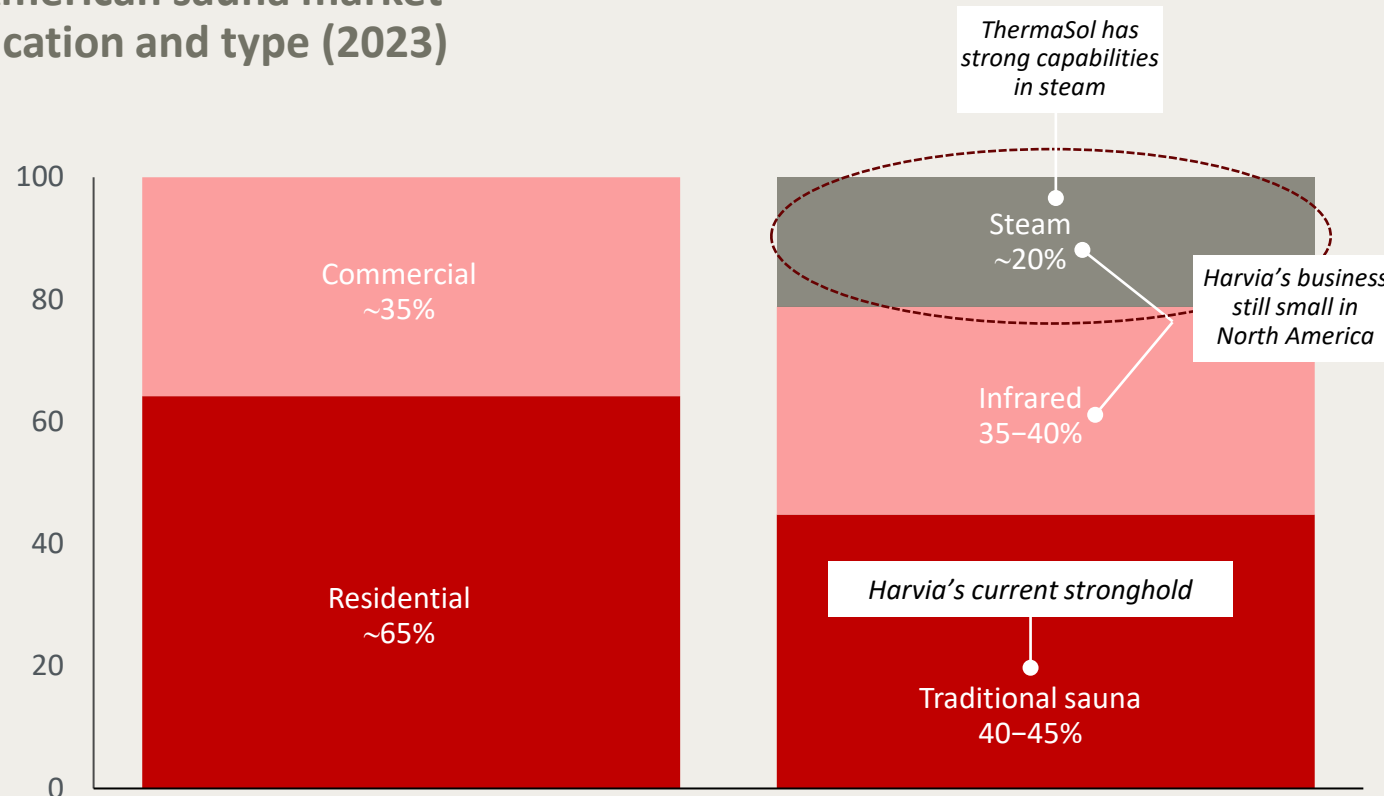
Market consolidation

- Steam market in North America is already consolidated, and organic entry without existing presence is challenging
- ThermaSol is a family-owned manufacturer of steam solutions and one of the largest players in the U.S. residential steam market

The North American sauna market



North American sauna market by application and type (2023)



Key observations

- The U.S. steam market is expected to grow 5% per year through 2028*
- Installed base 1–1.5M saunas, meaning that only ~1% of households have a sauna
- Compared to more mature sauna markets, share of replacement demand currently lower, newbuild solutions more important
- Market growth has been driven by increasing sauna awareness and consumer spending – construction sector has been rather weak, which is especially reflected in B2B projects and steam

Market size ~USD 800 million (CAGR ~15% in 2019–2023)

*Source: International management consultancy market study in 2024, Harvia management estimate

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Financials



Picture: ThermaSol

ThermaSol key financials



USD million	2021	2022	2023
Net sales	15.0	14.7	14.4
Adj. EBITDA	2.8	2.7	2.5
Adj. EBITDA margin, %	18.4%	18.4%	17.2%

Impact on Harvia's financials

- Illustrative combined revenue of EUR 163.7 million and adjusted EBIT of 35.9 million (21.9%) in 2023
- Net debt will increase to EUR 64.9 million (EUR 37.6 million at the end of 2023) and interest-bearing debt to EUR 95.4 million (EUR 75.4 million at the end of 2023)
- Equity ratio to be 43.9% (51.0% at the end of 2023) and leverage 1.5 (0.9)
- Annual cost synergies of approx. EUR 1.7 million by the end of 2027, mainly stemming from sourcing, marketing, cross-sell, distribution, and common management within Harvia US companies
- Non-recurring items of about EUR 1.4 million to be recorded in 2024–2026 related to transaction, integration and post-closing costs



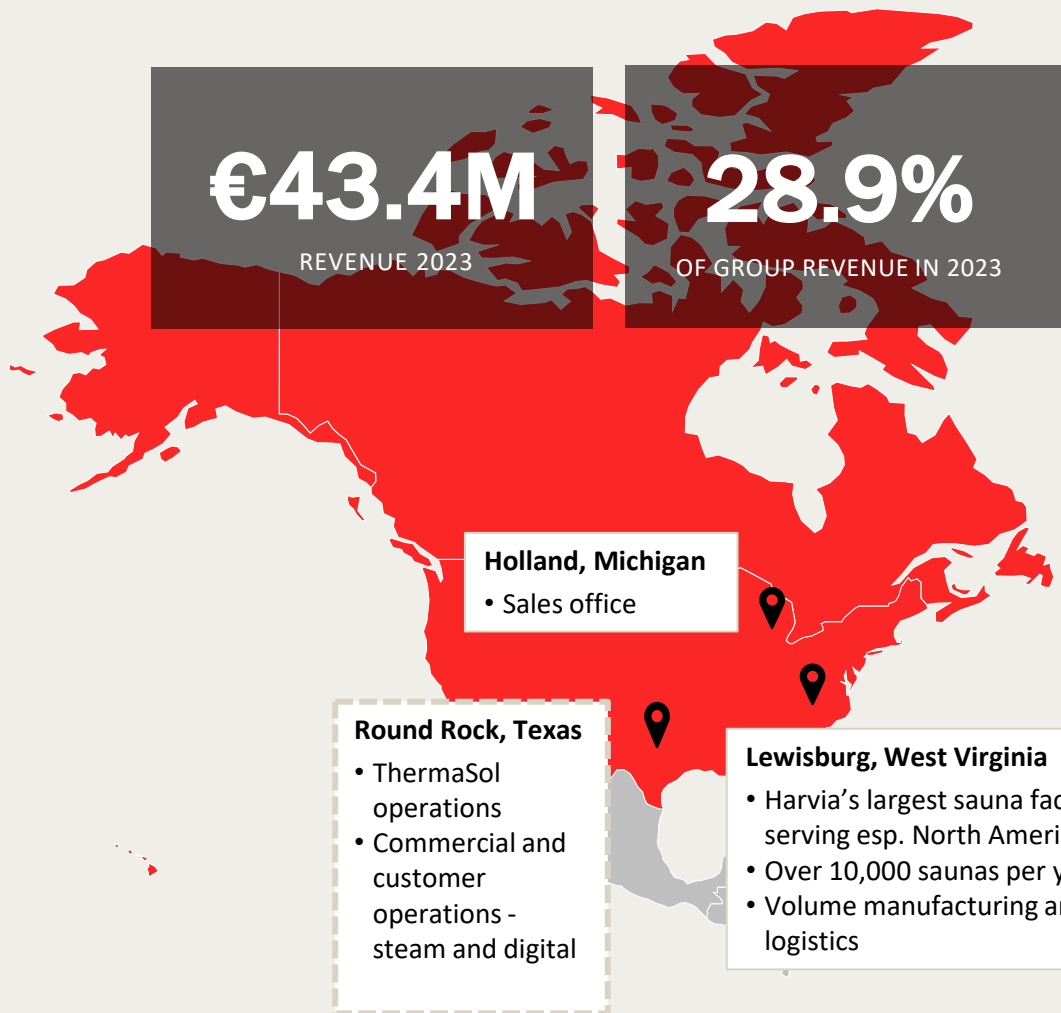
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Appendix Harvia in North America

Harvia is a leading player in North America

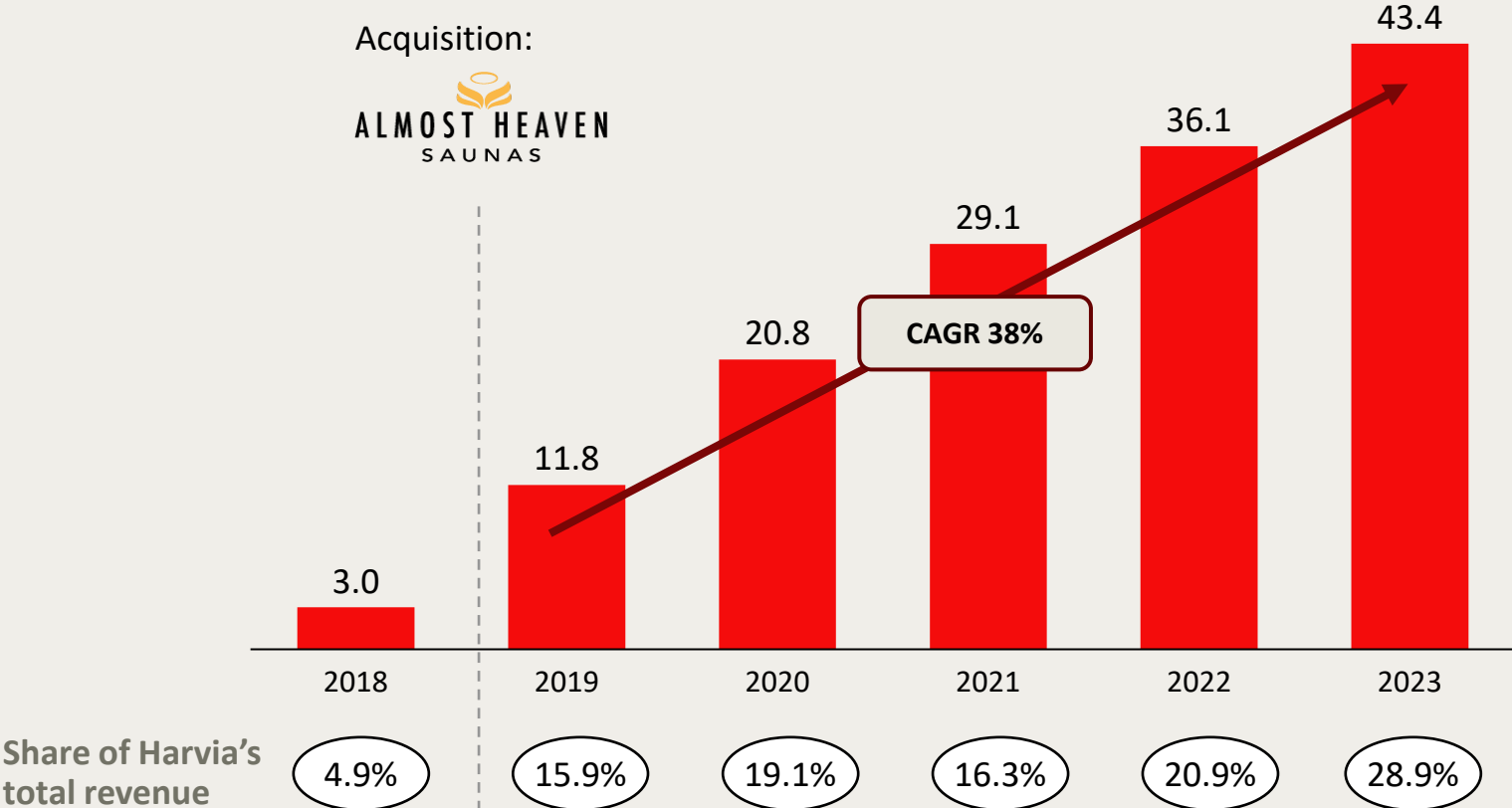


<p>IN NORTH AMERICA, BRAND FOR HEATERS AND COMPONENTS AND SELECTED SOLUTIONS</p>	<ul style="list-style-type: none"> • Heating equipment • Control units • Selected solutions
<p>MAIN BRAND FOR HARVIA'S SAUNA ROOMS IN VOLUME CATEGORY IN NORTH AMERICA</p>	<ul style="list-style-type: none"> • Full sauna room solutions – outdoor, indoor • Barrel saunas
<p>THE BRAND FOR THE HIGH-END COMPONENTS</p>	<ul style="list-style-type: none"> • Heating equipment and control units for high-end and professional applications
<p>KEY CUSTOMER GROUPS</p>	
<ul style="list-style-type: none"> • Large part B2C, often served via online channel • Distributors 	<ul style="list-style-type: none"> • DIY stores • Sauna builders • Commercial end users

Harvia has grown strongly in North America after acquiring Almost Heaven Saunas in December 2018



Development of revenue in North America and share of Harvia’s revenue in 2018–2023, M€



- Step change in the scale of North American business in late 2018 when Almost Heaven Saunas was acquired
- In 2019–2023, Harvia’s revenue CAGR 38% while market grown at ~15% p.a.
- During 2020–2022, Harvia’s growth was fueled also by the COVID-pandemic
- Harvia’s growth has continued after the pandemic, driven by the company’s successful actions but also by the increasing awareness of sauna and still low sauna penetration

Experienced in the North American market



Market characteristics	Implications for Harvia
Market growth above global average especially in residential saunas, increasing awareness and interest	Great growth potential and a focus market for driving the company's overall growth
Low sauna penetration, but vast base of consumers with purchasing power	Leveraging great assortment Harvia offers in different markets , such as Europe
Momentum supported by visibility in social media	Offer exciting content for social media and collaborate with influencers
Demand for turnkey solutions	Deliver exciting full solutions
Direct-to-consumer and online channel prevalent in many businesses	More focus on developing our direct-to-consumer channel
Sauna a specialty category with generally higher price points	Opportunity to drive value
Certain market-specific technical requirements	Product approvals and certifications important; Harvia has a solid process for these
Ongoing market consolidation	Opportunity to take consolidator role , yet market attractiveness discovered also by competitors

Harvia is well positioned to win in North America



Long history in the market

- Almost Heaven Saunas has been in the North American market since 1977
- Long relationships especially with key B2B customers

Excellent operations with “Made in USA” advantage

- Very efficient local operations, supported by several recent investments
- “Made in USA” products offer competitive advantage
- Operations and entire business model proven to be well scalable

Strong brand position

- Harvia has strong brand recognition in the dealer network for our heater products – expand on that in other categories and focus on “owning” our brand in North America as we continue to grow
- Marketing efforts increased to make us more attractive in e.g., the online channel

Growth potentially only partially addressed

- North America still a low penetration market with huge potential to grow
- Harvia’s relatively small in infrared and steam saunas – opportunity to grow also in traditional saunas
- Investing in higher price-point categories and driving innovation

Additional strength from leveraging Harvia Group

- North America does not work in isolation, but leverages knowledge, resources and economies of scale also from elsewhere in Harvia Group – Group functions, such as Products and Solutions, are led centrally
- On the other hand, North America can offer valuable learnings to our other regions when it comes to, for example, selling in the D2C channel