

Corporate News

Ellwangen, August 6, 2019

VARTA AG accelerates high revenue and profit growth in H1 2019 – raising again the guidance for 2019

- Highly dynamic growth in Group revenue for H1 – up 15.8% to € 151.5m
- Disproportionately high increase of 54.6% to € 37.2m again recorded for Adjusted EBITDA
- Step-change improvement in adjusted EBITDA margin: up 6.2PP to 24.6%
- Microbatteries segment records exceptionally strong H1 – Power & Energy in line with expectations during first six months
- Further expansion in production capacities for lithium-ion batteries financed via capital increase
- VARTA AG acquires VARTA Consumer Batteries business from Energizer
- Raising again the revenue and Adj. EBITDA guidance for FY19:
Revenue expected to be between € 320-330m (previously: € 310-315m)
Adjusted EBITDA set to be between € 72-76m (previously: € 64-67m)
- CAPEX of € 75-90m expected due to additional capacity expansion (previously: € 65-75m)

VARTA AG announces its financial figures for the first half of 2019 today. The Group can look back with huge satisfaction on the most successful first half-year in its recent history. New record values for revenue and income were registered and the high pace of growth was further accelerated: Highly dynamic growth of 15.8% to € 151.5m was again registered for Group revenue. There was a disproportionately high increase in adjusted EBITDA, which rose by 54.6% to € 37.2m. The adjusted EBITDA margin improved by 6.2 PP to 24.6%. Overall, therefore, a further step-change improvement in profitability was recorded. Group profit rose by 48.9% to € 19.5m.

Herbert Schein, CEO of VARTA AG: “We are all set to further accelerate our profitable growth, in particular in lithium-ion batteries, and continue to massively expand our production capacities. As innovation and market leader, we benefit enormously from the rapidly growing market and the continued very high demand for our lithium-ion batteries. This is also reflected in our very strong financial results, with again double-digit growth in both revenue and profit.”

Steffen Munz, CFO, added: “We have further accelerated the high pace of revenue and earnings growth over the first half of 2019 and again recorded a step-change improvement in profitability. On the back of the very strong results in the first half-year, during which we have recorded an enormous and steadily growing order backlog, we again raise our revenue and profit guidance for fiscal year 2019.”

“Microbatteries” segment with exceptionally strong first half-year – “Power & Energy” segment in line with expectations over first six months

The “Microbatteries” segment recorded the best first half-year results in the company’s recent history. There was highly dynamic growth in revenue, rising by 18.9% to € 126.2m. By far the strongest revenue growth was again recorded for rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets. Customer demand remains very high in a market that is growing by more than 30% per year. As technology and innovation leader, VARTA AG has carved out unique competitive advantages and is therefore growing significantly faster than the market as a whole. In terms of hearing aid batteries, VARTA’s market-leading position in the structurally growing hearing aid market was further expanded. The Group is currently benefiting from the trend towards rechargeable hearing aids and, as technological leader, is recording growth that outpaces the market. Adjusted EBITDA in the segment “Microbatteries” grew very significantly in the first six months of the year, rising by 53.2% to € 35.7m. As a result, a step-change improvement in the EBITDA margin of 6.3PP to 28.3% of revenue was recorded.

The “Power & Energy” segment continues to trend in line with expectations during the first six months of fiscal year 2019. Revenue in H1 2019 rose by 3.6% to € 25.0m, whereby revenue in Q2 increased by 6.5% year on year. The launch of the new customer projects in battery packs will lead to much stronger revenue in the second half of the year in comparison with the first half-year. A positive adjusted EBITDA of € 1.5m was recorded in H1 2019. At 6.1%, the adjusted EBITDA margin is precisely within the mid-term target margin corridor of 6-8% of revenue.

Continued high investment expenses from expansion of production capacities for lithium-ion batteries – further capacity expansion funded by capital increase

CAPEX were at € 20.0m in the first half of 2019. The focus of investment activities remains on the massive expansion of production capacities for rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets.

The Group is again expanding its production capacities – this time to above 80 million cells per year at the beginning of 2020, and is planning an additional expansion to well above 100 million cells per year by the end of 2020. This is a consequence of continued high customer demand in a market that is growing by more than 30% annually. The capacity expansion requires an additional investment of around € 100m (to manufacture an additional 40 million batteries per year).

The investment volume has been financed by a capital increase from authorized capital successfully concluded on June 13, 2019. A total of 2.2 million new shares at € 46.70 per share were placed with international investors. The Group secured gross proceeds in the amount of € 104m from this capital increase.

VARTA AG acquires VARTA Consumer Batteries business from Energizer

On May 29, 2019, VARTA AG signed an agreement to acquire the Europe-based VARTA Consumer Batteries business from Energizer Holdings, Inc. VARTA Consumer Batteries is one of Europe’s leading manufacturers of household device batteries for end consumers. The net purchase price for VARTA Consumer Batteries is estimated to be around € 100 m. The closing of the transaction is

subject to the approval of the European Commission and the fulfilment of customary conditions precedent, including antitrust clearance. Closing is currently not expected before Q4 2019.

Revenue and adjusted EBITDA guidance for fiscal year 2019 raised again – higher CAPEX from further production capacity expansion*

On the back of the very strong results in the first half of 2019 in addition to an enormous and steadily growing order backlog, VARTA AG again raises its revenue and adjusted EBITDA guidance for fiscal year 2019. Revenue is now expected to be in a range between € 320 and 330m, compared to the previously communicated range of € 310 to 315m. This corresponds to a revenue growth of around 18 to 21% year-over-year. The Adjusted EBITDA guidance is increased from the previously communicated range of between € 64 and 67m to the new corridor of between € 72 and 76m, which would represent year-on-year growth of 43 to 51%.

Due to the continued very high customer demand for lithium-ion batteries, in particular for premium true wireless headsets, yearly production capacities are to be expanded stepwise again to more than 80 million batteries at the beginning of 2020 and thereafter to well above 100 million batteries per year by the end of 2020. Implementation of the investment projects will get underway during the current year. CAPEX of between € 75 to 90m is therefore expected for 2019 (previously: € 65-75m).

* The acquisition of VARTA Consumer Batteries has not been factored in the guidance.

In €m	H1 2019	H1 2018
Revenue	151.5	130.8*
EBITDA	35.9	23.1*
Adjusted EBITDA	37.2	24.1*
Adjusted EBITDA margin (%)	24.6%	18.4%*
Group net profit	19.5	13.1*
Investments (CAPEX)	20.0	21.9
Free Cash Flow	-4.8	-16.4
Equity ratio (%)	66.3%	64.6%**
Balance sheet total	576.3	401.7**
Staff (as at 30 June)	2,394	2,244

*Changes to the previous year's figures due to conversion to IFRS 15

** per 31.12.2018

Dates:

October 29, 2019: Interim Report Q3-2019

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About VARTA AG

As the parent company of the Group, VARTA AG is active in the business segments Microbatteries and Power & Energy through its operating subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH. Already today an innovation leader in the microbatteries sector and one of the market leaders for hearing-aid microbatteries, VARTA Microbattery GmbH also aspires to market leadership for lithium-ion batteries in wearables and, in particular, hearables. VARTA Storage GmbH focuses on intelligent energy solutions for customized battery storage systems for OEM customers and the design, system integration and assembly of stationary lithium-ion energy storage systems. The VARTA AG Group's operating subsidiaries are currently active in more than 75 countries around the world, with five production and assembly facilities in Europe and Asia as well as distribution centers in Asia, Europe and the USA.