

Corporate News

Ellwangen, November 12, 2020

VARTA AG continues growth course and again raises annual guidance for 2020

- Group revenue rises by 159.7% to € 630.3m over the first nine months of fiscal year 2020 (excluding Consumer Batteries: +69.7%)
- Adjusted EBITDA rises by 180.7% to € 176.8m (excluding Consumer Batteries: +127.8%)
- Adjusted EBITDA margin stands at 28.0% (+2.1 PP)
- Microbatteries & Solutions segment: Revenue totals € 388.9m (+71.4%), adjusted EBITDA stands at € 141.3m (+130.6%), adjusted EBITDA margin comes in at 36.3% (+9.3 PP).
- Household Batteries segment: Revenue of € 241.2m, adjusted EBITDA totals € 35.5m, adjusted EBITDA margin stands at 14.7% (+3.6 PP)
- Revenue and income guidance¹⁾ for 2020 raised again:
Revenue anticipated to total € 840m–860m (previously: € 810m–830m),
Adjusted EBITDA expected to stand at € 230m–235m (previously: € 210m–215m),
Projected CAPEX payments of € 290m–320m due to ongoing capacity expansion project (previously: € 320m–360m)

Strong growth in revenue and operating earnings continues

The VARTA Group has continued its high-level revenue and profit growth: Group revenue rose by 159.7% to € 630.3m over the first nine months of the year. Organic sales growth amounted to 69.7% (excluding the first-time consolidation of Consumer Batteries). Adjusted EBITDA increased by 180.7% to € 176.8m when adjusted for special effects (excluding Consumer Batteries: +127.8%), a development which produced an improved adjusted EBITDA margin, rising by 2.1 PP to 28.0%. With growth of 137.5% to € 78.3m, Group profit more than doubled.

“VARTA is continuing on its growth path. For this reason, we are raising our guidance for the current year”, says Herbert Schein, Chief Executive Officer of VARTA AG. “We continue to look ahead to the future with optimism. The trend seen at cellphone manufacturers is clear: Cables are a thing of the past. In the near future, the only interface to the devices will be wireless. Moving forward, it can therefore be expected that the trend toward True Wireless Stereo (TWS) Headsets will be consolidated further and accelerated further. Technological progress in the area of TWS, which VARTA is actively helping to drive forward, is advancing rapidly. VARTA is excellently positioned to deal with such a development. In this context, we shall be upping the pace of production by more than 50 percent over the coming year, thereby making VARTA even more efficient. The increased energy density of our

¹⁾ In view of the situation regarding coronavirus (COVID-19), it is still not possible to rule out any negative impacts on the VARTA AG Group. At the time that these statements were compiled, these risks were not assessable and could therefore not be factored into guidance.

small lithium-ion batteries is set to be available on schedule by the end of the year. This will open up additional competitive advantages for us”.

Steffen Munz, Chief Financial Officer (CFO), comments: “We have continued the high level of revenue and profit growth over the third quarter of the year, in addition to again improving profitability as well. On the back of the highly pleasing business development over the first nine months of the year, we are once again raising the revenue and profit guidance for fiscal year 2020”.

Growth in lithium-ion cells for high-tech consumer products remains very high

Revenue in the Microbatteries & Solutions segment rose by 71.4% to € 388.9m in the first nine months of the year. Adjusted EBITDA increased by 130.6% to € 141.3m. This led to a step-change improvement in the adjusted EBITDA margin amounting to 9.3 PP to 36.3%. By far the strongest revenue growth is again being recorded in the area of rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets. This is a consequence of continued high customer demand in a market that continues to grow dynamically. In terms of hearing aid batteries, VARTA has further expanded its global market position. The Group is benefiting from the rapid market recovery for rechargeable hearing aid batteries.

Successful focus on brand business in the Consumer area

The Household Batteries segment generated revenue in the amount of € 241.2m up to the end of the third quarter of 2020. Adjusted EBITDA totaled € 35.5m, producing an adjusted EBITDA margin of 14.7% as a result. This positive result can be attributed in part to the unexpectedly strong development within the Consumer Batteries segment, where profitability significantly improved on account of the focus on brand business. In addition, the energy storage solutions business is growing highly dynamically, even outpacing growth on the market as a whole.

CEO Herbert Schein's contract extended until 2026

On October 22, 2020, the Supervisory Board of VARTA AG opted to prematurely extend the contract of Herbert Schein, Chief Executive Officer, by five years. The decision was agreed unanimously. Schein’s contract, which was only due for renewal next year, now runs until 2026. Armin Hessenberger joined the Executive Board at VARTA AG on October 1, 2020. From January 1, 2021, Hessenberger will take over the position of Chief Financial Officer. The current CFO, Steffen Munz, is resigning at his own request with effect from December 31, 2020. Herbert Schein: “I am looking forward to working with Armin Hessenberger. He is familiar with VARTA and our products from his longstanding professional experience, including as Chairman of the Supervisory Board at one of our subsidiaries. We will together continue the VARTA Group’s successful growth path”.

Revenue and profit guidance for fiscal year 2020¹⁾ raised again – growth trajectory set to be continued into fiscal year 2021

On the back of the highly impressive revenue and profit development during the first nine months of the year and with a high order volume still in place, VARTA AG again raises its revenue and profit guidance for fiscal year 2020: Revenue guidance has been upgraded from € 810m–830m to € 840m–860m. This would equate to revenue growth of between 131% and 137% in comparison with the previous year (including the Consumer Batteries segment). Organic revenue growth (i.e. excluding Consumer Batteries) is set to total 45%–49%. Adjusted EBITDA is now projected to stand in a corridor

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between € 230m and € 235m (previously: € 210m–215m), meaning that year-on-year growth of 135%–140% (including Consumer Batteries) is now anticipated for this metric.

Due to process optimizations, the expansion of production capacities will be completed at lower investment costs per unit than originally planned by the end of 2021. As a result, initially planned CAPEX payments will come in lower than originally anticipated and will, in part, be deferred into the following year. Therefore, the Company now expects CAPEX of € 290m–320m (previously: € 320m–360m).

VARTA is anticipating market growth for lithium-ion batteries used in Premium True Wireless Stereo Headsets (TWS) of between 30% and 40% – although the Company expects this to come in at the lower end of this growth corridor due to the COVID-19 pandemic and the effects on some customers over the next twelve months. VARTA will therefore register growth that, according to current projections, will outstrip the market in terms of volume. Despite shifts in the product mix that impacts pricing structures, VARTA expects that the gross margins in this segment will remain at least stable.

The VARTA Group will also register further growth over the course of the next fiscal year, with the Company set to be on the brink of hitting the revenue threshold of € 1bn by 2021. Adjusted EBITDA is also likely to grow faster than revenue in the next fiscal year.

VARTA AG Group – selected Group key metrics

In € m	9M 2020	9M 2019
Revenue	630.3	242.8
EBITDA	151.6	61.0
Adjusted EBITDA	176.8	63.0
Adjusted EBITDA margin (%)	28.0%	25.9%
Consolidated result	78.3	33.0
Investment expenditure (CAPEX)	190.5	67.9
Free cash flow	-141.0	-23.4
Equity ratio (%)	45.4%	62.0%*
Balance sheet total	1,071.0	668.8*
Staff (as of September 31)	4,601	2,613

*As of December 31, 2019

Calendar:

Second half of February 2021

March 31, 2021

May 12, 2021

June 17, 2021

August 13, 2021

November 11, 2021

Preliminary figures for 2020

Annual Financial Statements

Interim report Q1 2021

Annual General Meeting

Half-year report 2021

Interim report Q3 2021



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About VARTA AG

VARTA AG produces and markets a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems all the way to customer-specific battery solutions for a wide range of uses, setting the industry standards as technology leader in many important areas. As the parent company of the Group, it is active in the "Microbatteries & Solutions" and "Household Batteries" business segments.

The "Microbatteries & Solutions" segment focuses on the OEM business for microbatteries and the lithium-ion battery pack business. Through intensive research and development, VARTA sets the global standards in the microbatteries segment and is a recognized innovation leader in the important growth markets lithium-ion technology and primary hearing aid batteries. The "Household Batteries" segment covers the battery business for end customers, including household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. The VARTA AG Group, headquartered in Ellwangen, currently employs more than 4,000 staff. VARTA AG'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.