

VARTA AG

HY1 2023 Earnings Presentation

11 August 2023



Speaking to you today



Dr. Markus Hackstein
Speaker of the Board



Marc Hundsdorf
CFO

Completing VARTA's management board

Rainer Hald
CTO



Michael Giesswein
CRO

Leading the transformation to return to the growth path

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Executive Summary



Global economic challenges and lower customer orders in some segments affect HY1 2023 financial results

- HY1 2023 financial performance remains overshadowed by global economic challenges
- CoinPower business suffers from slump in demand for major customer's products; CP impairment (non-cash) on machinery of 25.9 mEUR
- Group revenues HY1 2023 339.0 mEUR (HY1 2022: 376.8 mEUR)
- Adj. EBITDA* HY1 2023 -6.8 mEUR (HY1 2022: 68.9 mEUR)

Clear signs of improvement in various segments underline cautious optimism for H2 2023

- Improvement in all major cost lines show that the strict cost containment measures have started deliver the desired impulses
- Highly profitable Energy Storage Systems segment has confirmed its recent status as the second largest segment of the Group
- Uptick in momentum: Q2 2023 revenues in Consumer Batteries surpassed the Q2 2022 level
- Positive development of prices for energy and raw materials expected to improve margins going forward
- Strong product pipeline and strong brand put VARTA in an excellent position to benefit from typically stronger customer demand in HY2

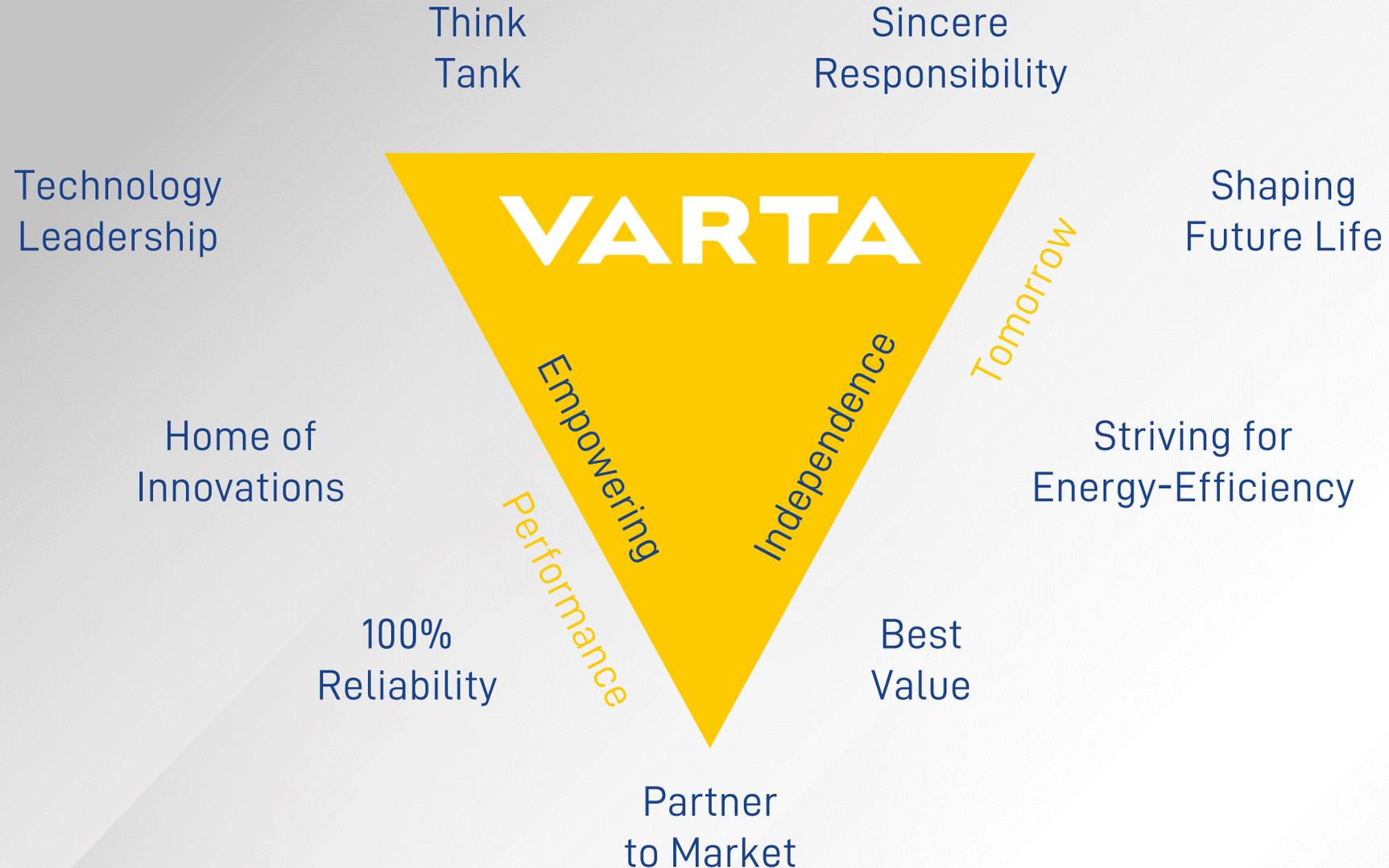
On 26 July 2023, we adjusted our forecast for 2023**

- Revenues expected at ~820 mEUR, thus, at lower end of previous target range of 820 mEUR to 870 mEUR
- Adj. EBITDA expected at 40 mEUR to 60 mEUR, below the previous outlook of "at least on prior year level" of 69.5 mEUR

*Including adj. items from shared-based payments, expenses from M&A transactions, restructuring and integration costs and inventory step-up from purchase price allocation (PPA)

**Negative effects on the VARTA AG Group cannot be ruled out. For details refer to the outlook in this presentation and the half-year report 2023

Strong brand position laying the foundation for VARTA's success



Strong and effective restructuring measures to return to profitable growth path

01

Sales



Increasing revenue through the development of new markets

04

Personnel



Reduction of personnel costs

02

Supply chain



Reduction of external spendings

05

Footprint



Offshoring to best-cost countries

03

Budget planning



Decreasing of other operating expenses

06

Working Capital



Release of additional liquidity

Very positive adj. EBITDA and cash effect for the duration of the restructuring expected



Effect of restructuring measures until 31 Dec 2026

		Adj. EBITDA effect	Cash effect
01	Sales	~ 88 m€	
02	Supply chain	~60 m€	
03	Budget planning	~29 m€	
04	Personnel	~63 m€	
05	Footprint	~ 4 m€	
06	Working capital	-- m€	
Total		~ 244 m€	~ 268 m€



Restructuring measures are on track and have shown first positive impact already in HY1 2023

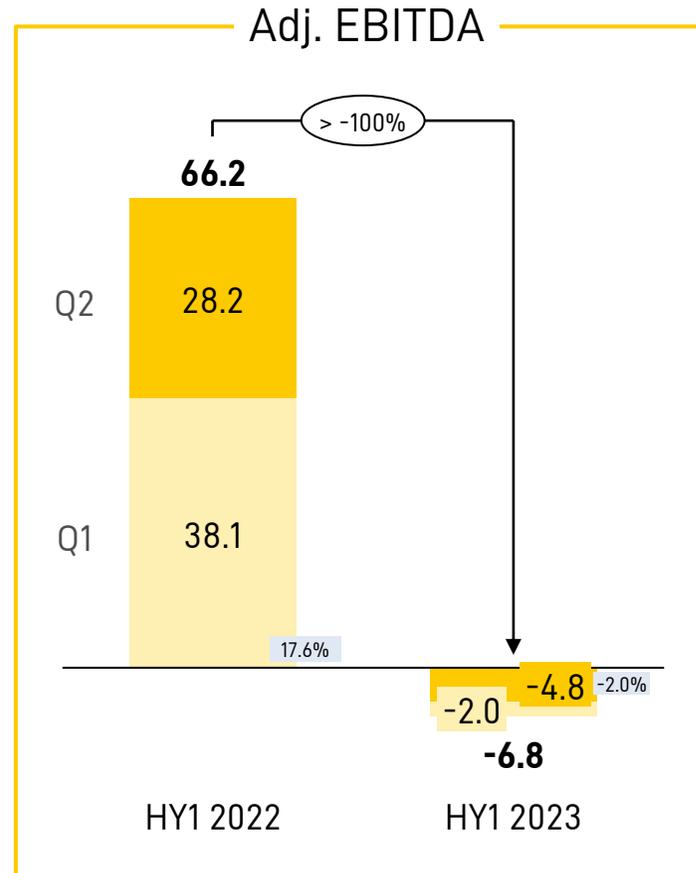
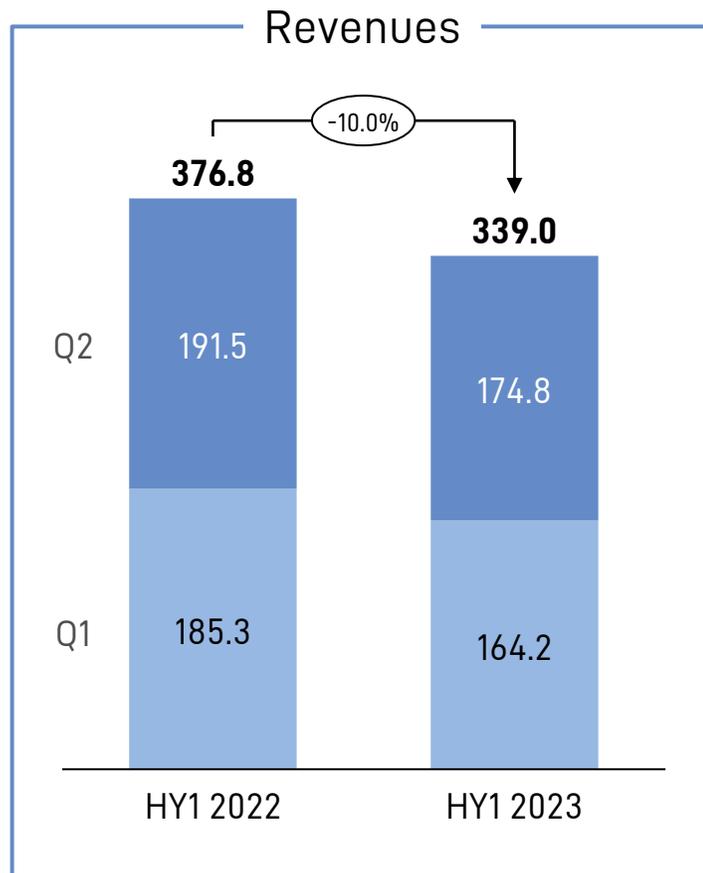


Project		Description	HY1 Adj. EBITDA effect* (in mEUR)
01	 Sales	<ul style="list-style-type: none"> The positive effects are essentially achieved by Energy Storage and more than compensate for the negative deviations in all other segments 	4.1
02	 Supply Chain	<ul style="list-style-type: none"> Positive effects were achieved in several material groups, mainly in the purchase of raw materials and components Declining energy and raw material costs lead to additional relief 	11.4
03	 Admin Expenses	<ul style="list-style-type: none"> Further successes through the introduced purchase requisition process are evident Additional budget reductions have already been initiated 	7.2
04	 Employees	<ul style="list-style-type: none"> The extension of short-time work in Nördlingen leads to additional effects Voluntary program in Ellwangen launched in July → planned reduction of 88 FTE Personnel measures are on target or ahead of plan due to agreed departures and attrition 	11.5
05	 Footprint	<ul style="list-style-type: none"> Initial project planning for relocation activities completed and detailed concept in preparation Staff reduction in Asia successfully completed 	0.4
06	 Working Capital*	<ul style="list-style-type: none"> Increased inventories in the Consumer Batteries were offset by the other segments A further reduction of inventories is planned for the coming months 	11.6 (cash effect)

*) Working capital measures have no impact on adj. EBITDA, but on the company's liquidity position; Rounding errors may occur

VARTA Group – Profitability down, but cost containment measures yielding positive effects

Revenue and adj. EBITDA, mEUR



Description

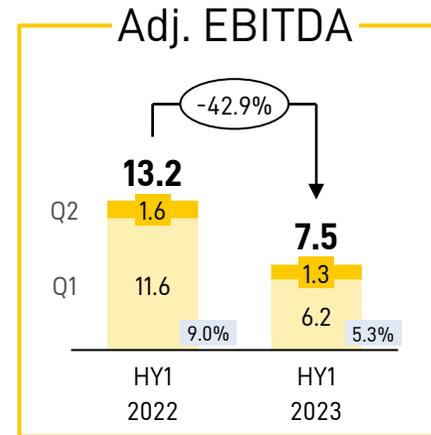
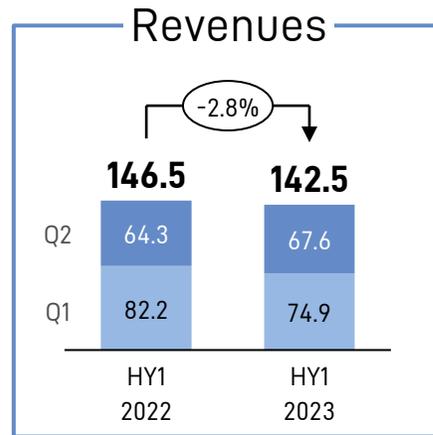
- **Revenues down 10.0% YoY to 339.0 mEUR**
- At segment level, the decline was driven by **Micro Batteries and Li-Ion CoinPower**. Revenues in **Consumer Batteries** were close to the previous year's level while **Energy Storage Systems** revenues grew substantially (YoY growth of 91%).
- **As a result of the strict cost containment measures, VARTA has made significant progress on the cost side:** personnel expenses fell by 3.8% to 130.5 mEUR; other operating expenses fell by 11.5% to 70.7 mEUR; cost of materials also fell despite higher material prices and effects from product mix leading to a higher cost of materials ratio (55.2% from 46.9%).
- **Adjusted EBITDA of -6.8 mEUR** down from 68.9 mEUR, mainly driven by the volume decline in Lithium-Ion CoinPower.

Improved momentum in Cons. Batteries and further strength in Energy Storage Systems

Revenue and adj. EBITDA, mEUR

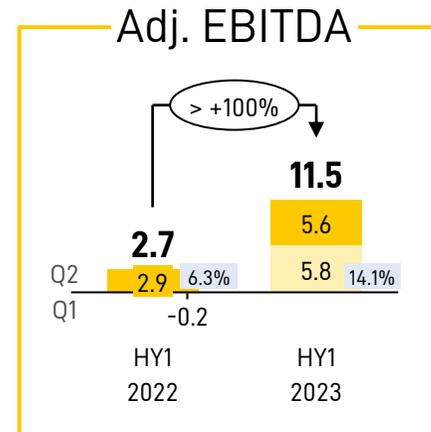
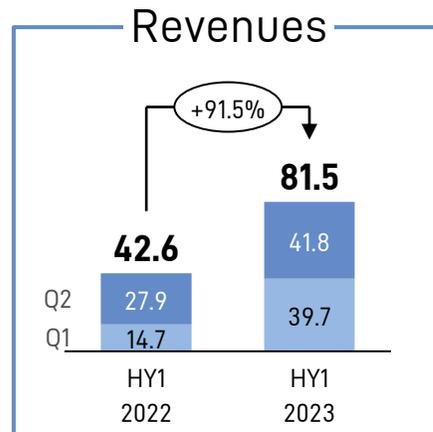
Consumer Batteries

The power of freedom: From radio to toys to blood pressure monitor – we provide you the optimal power.



Energy Storage Systems

Future-proof and flexible: The storage capacity can be expanded at any time, even after installation.



Description

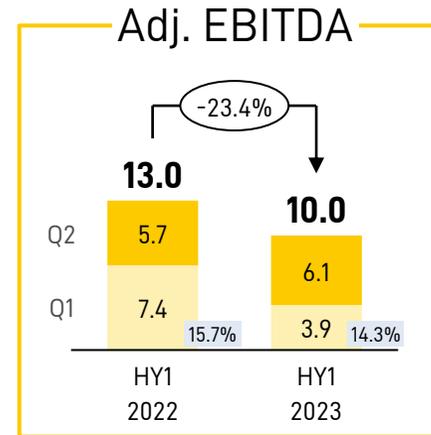
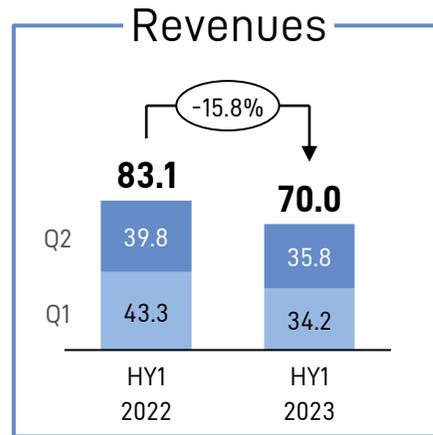
- HY1 2023 **Consumer Batteries** revenues slightly down y/y. New customer acquisition activities expected to contribute to the improved sales momentum (Q2 2023: +5.1% y/y).
- **Cost increases for raw materials** still impacting profitability for Consumer Batteries. Material costs affected VARTA's HY1 2022 margin only partly (end of Q2 2022). VARTA expects to return to its 2020/21 margin levels in the medium term.
- Revenues in **Energy Storage Systems** continue to grow impressively at >90% y/y, driven by the structural shift towards home storage solutions and VARTA's highly competitive product and service offering.
- In Q2 2023, VARTA largely defended the **significant margin improvement** in ESS resulting from the pass-through of raw material prices at the beginning of the year (HY1 2023: adj. EBITDA of 14.1%).

Market sentiment affects Micro Batteries – clear focus of restructuring measures on CoinPower

Revenue and adj. EBITDA, mEUR

Micro Batteries

Hearing aid batteries with an even higher energy density are the result of consistent research and ongoing development.

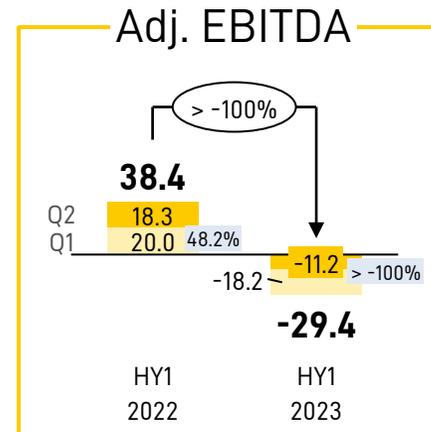
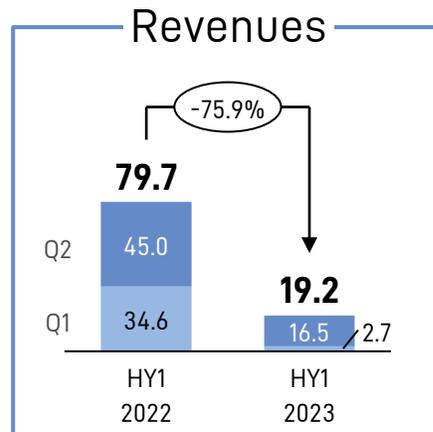


Lithium-Ion CoinPower

Lithium-Ion Cells: Main power for portable and cordless devices like true wireless headsets.



Impairment of 25,9 mEUR in HY1 2023



Description

- Demand for **Micro Batteries** continued to be affected by **weak market sentiment**, reflecting e.g. customer stock piling during the pandemic.
- Adjusted EBITDA decreased due to lower revenues and **higher production costs**, in particular from **higher raw material prices**. The adjusted EBITDA margin remains at attractive level.
- In Lithium-Ion CoinPower**, the strong decline in demand for battery-powered True Wireless Stereo (TWS) headsets significantly impacted revenues – despite some improvement in momentum in Q2 2023.
- Significant decline in sales volumes**, in particular from the major customer, and costs from underutilization of existing production capacities resulted in **highly negative adjusted EBITDA** for Lithium-Ion CoinPower.

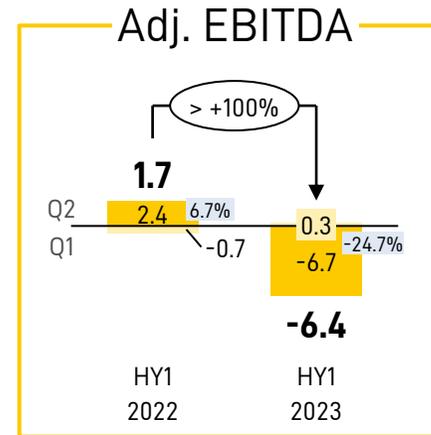
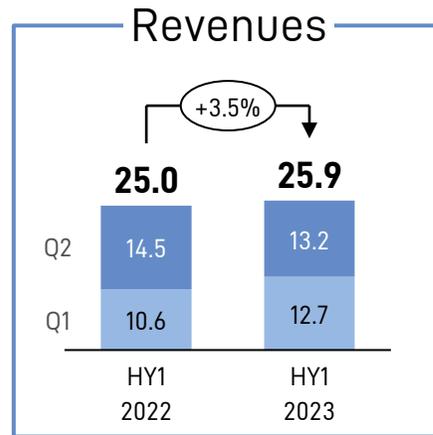
Stable top line but negative adj. EBITDA from ramp-up costs that will be compensated for in Q3



Revenue and adj. EBITDA, mEUR

Other

Includes the businesses of "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive and RoundPower). Potential special effects of the Group may fall into this segment.

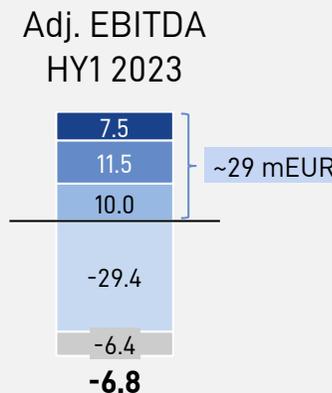
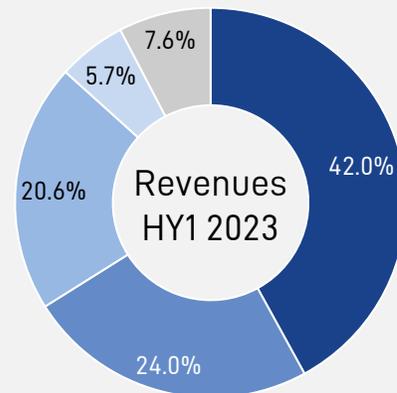


Description

- The segment **Other** consists of the business divisions **Lithium-Ion Battery Packs** and **Lithium-Ion Large Cells** (V4Drive and RoundPower).
- HY1 net revenues 3.5% up y/y**, from improved Lithium-Ion Battery Packs. The decline in adjusted EBITDA to -6.4 mEUR (from +1.7 mEUR) largely reflects ramp-up costs for Lithium-Ion Large Cells which will be partly compensated for in Q3 2023.

VARTA Group

- Consumer Batteries
- Energy Storage Systems
- Micro Batteries
- CoinPower
- Others



- 42% of Group revenues** attributable to **Consumer Batteries**.
- Energy Storage Systems** have become the second largest segment accounting for roughly a quarter **of total revenues**.
- Positive earnings contribution** from three major segments – **focus** on turning Lithium-Ion CoinPower around.

Moving forward to restore operational excellence – base for the successful turnaround

Action plan



Implementation of **sales initiatives** across segments to increase top line and **bring VARTA back to the growth path**



Execution on **cost reduction** through clearly defined restructuring concept to boost EBITDA and **bring an adequate profitability level back**



Leveraging installed capacities, strong brand and **position** in growing markets to **increase revenue**

Clear management focus

Outlook FY 2023*

Consumer Batteries

Usual **seasonality** in the business leads to significantly **higher HY2 revenues**. **Profitability expected to improve continuously** in HY2, particularly due to sinking raw material prices.

Energy Storage Systems

Continuous substantial revenue growth for 2023 expected. Falling raw material prices will result in sales price reductions from August 2023 onwards. Additionally, ramp-up costs for VARTA.wall will have a **slight negative impact on HY2 profitability**.

Micro Batteries

Top line increase expected for HY2, but below 2022 level, with **profitability expected to increase further** in HY2 2023 due to stringent **cost reduction measures** and expected favourable product mix development.

Lithium-Ion CoinPower

Top line increase expected for HY2 based on existing orders and customer forecasts, thereby gradually reducing short-time work in Nördlingen. Restructuring measures and substantial fix cost reduction, expected to lead to **adj. EBITDA of +/- 0 in HY2**.

Other

HY2 revenues expected in line with HY1. **Ramp-up costs incurred in Q2** expected to be **compensated for in Q3**. **FY result expected slightly below HY2** result due to subdued battery pack revenues and automotive ramp-up costs.



Management laying the foundation for the successful turnaround

as amended on 26 July 2023



FY Revenue at ~820 mEUR

[lower end of previous target range of 820 to 870 mEUR]



FY adj. EBITDA at 40 mEUR to 60 mEUR

[from "at least on the level of the previous year" of 69.5 mEUR]

*) The outlook is subject to the further developments of the very high inflationary pressure and the associated central-bank increases in interest rates as well as the development in the war in Ukraine and its impact on the global economy. The further macroeconomic and geopolitical development therefore results in an exceptionally high level of uncertainty. Furthermore, the outlook is dependent on impact of the intended restructuring measures. Adj. EBITDA accounts, among other factors, for potential costs associated with restructuring and adjusts them accordingly.

VARTA AG

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Financial Calendar 2023

14 Nov 2023 Interim report Q3 2023