

# VARTA AG

## 9M 2018 Earnings Presentation

### October 25, 2018



## Forward-Looking Statements

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- **Summary & Business Highlights**

- Financial Performance 9M 2018
  - Segment Highlights 9M 2018
  - Full Year 2018 Outlook & Summary
  - Q&A
  - Appendix
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- **We continue to execute our strategy, with focus on profitable growth**
  - **We delivered strong 9M results, with continued double-digit growth rates: Revenue up 11% – Adj. EBITDA up 27% – Adj. EBITDA margin +2,4 PP**
  - **Both segments contributed to the strong performance in 9M 2018:**
    - **Microbatteries:** Healthcare is trending in-line with expectations – Entertainment is continuing the high-growth momentum
    - **Power & Energy:** Strong growth momentum continuing – step-change improvement in profitability
  - **Investment program to expand the production capacity is on track**
  - **Raising the full-year 2018 Adj. EBITDA guidance to € 49 to 51 m**
  - **We are well-positioned for a successful year 2018 and a continued strong and profitable growth in the future**
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## We continue to execute our profitable growth strategy

### Setting industry benchmark

- Strong need for **smaller lithium-ion batteries with higher energy density**
- Continue to **set the industry standard for lithium-ion coin batteries**
- **New generation of CoinPower** will be **launched starting next year**
  - Higher energy density by +20% through silicon-dominated anode electrodes
  - Batteries with smaller form factors – Cell diameter as small as 8 to 7 mm thanks to the unique VARTA foil sealing technology

### Multiplying business model

- **Targeting market leadership** in the very attractive market for **in-ear bluetooth headsets multiplying** replicating the proven Healthcare business model
- **Continue to gain momentum** with an increasing number of design-in projects for blue-chip customers
- Continued high-growth momentum **in lithium-ion-batteries**

### Asset-light solution provider

- **Power & Energy with a step-change improvement in profitability**
- **Proof of strategy to grow profitable** in the energy storage solutions market
- VARTA Storage won the **2018 European residential energy storage award** from Frost & Sullivan for its market-leading product line strategy – a further proof for the profitable growth strategy in Power & Energy

**Massive investment program** to expand the production capacity is on track.

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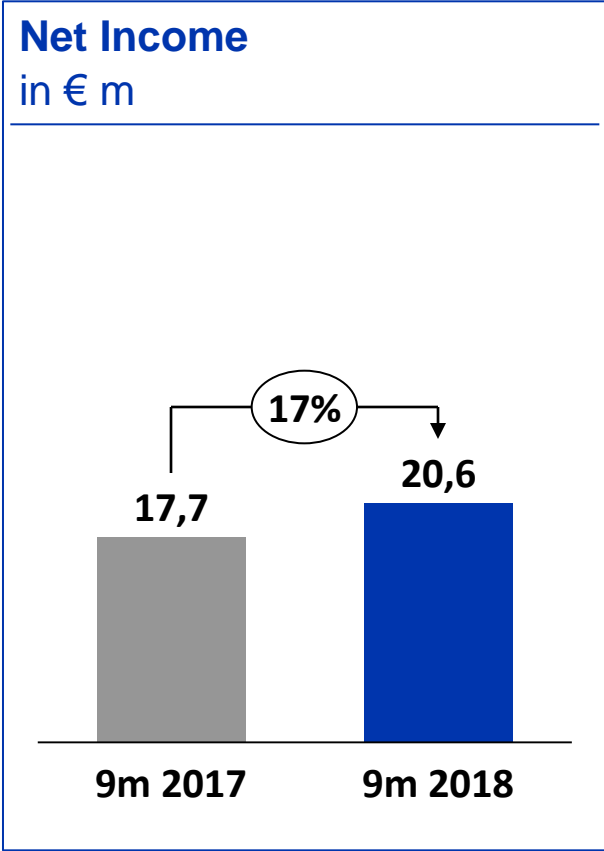
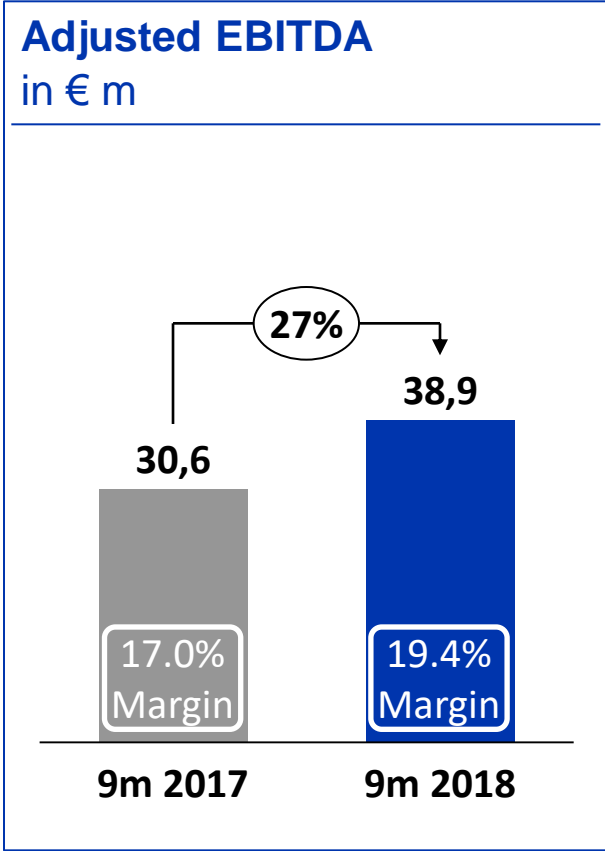
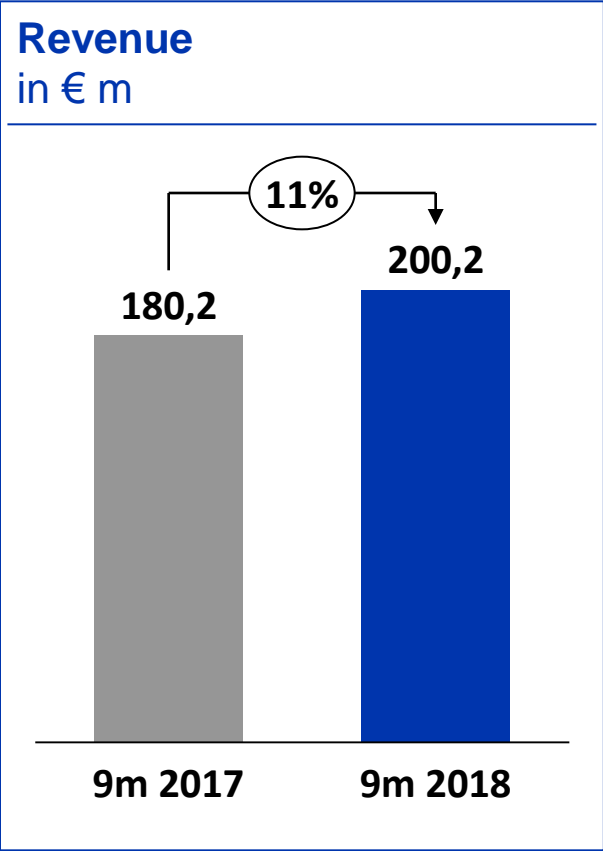
# Financial Highlights 9M 2018



**We delivered strong 9M results, with continued double-digit growth rates –  
Confirming the objectives of our profitable growth strategy**

- Revenue increased by 11% to € 200.2 m –  
delivering again a **double-digit revenue growth** compared to last year
- Adjusted EBITDA increased by 27% to € 38.9m –  
**Adj. EBITDA growth again outpaced revenue growth (2.4x)** due to the  
continued scaling of our business model
- Adjusted EBITDA **margin expanded by 2.4 PP** to 19,4% of revenue
- **Both segments** Microbatteries and Power & Energy **contributed** to the  
strong performance in 9M 2018
- **Power & Energy with a step-change improvement in profitability** –  
delivered a positive Adj. EBITDA of € 2.9 m (7.5% Adj. EBITDA margin)

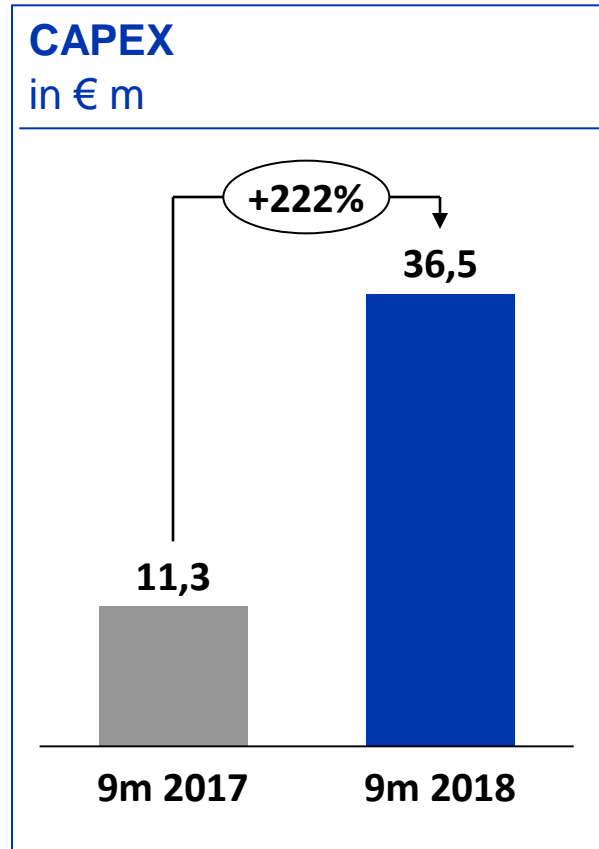
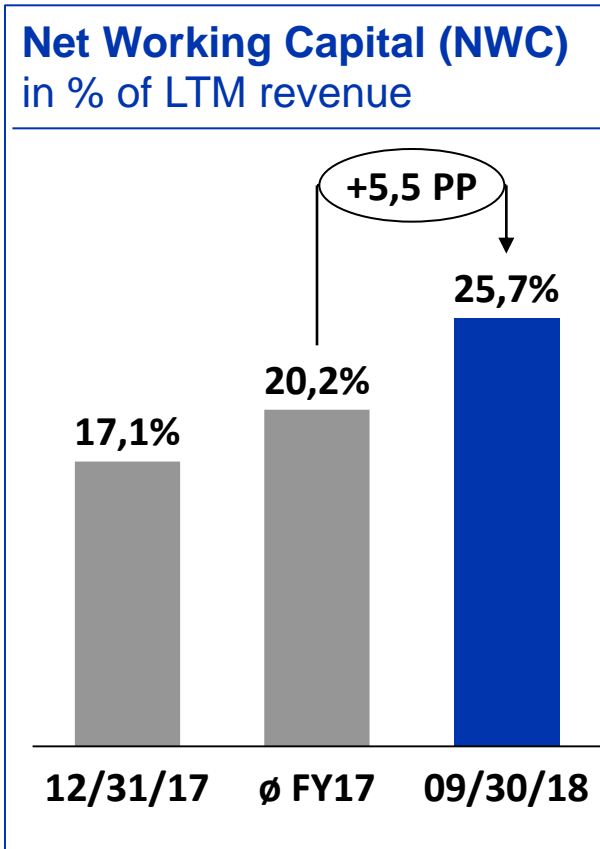
# Financial Performance 9M 2018



9M 2018 confirms the objectives of our profitable growth strategy



# Financial Performance 9M 2018 (continued)



- **NWC** is temporarily higher as we continue to position the company for the expected top-line growth in combination with the ramp-up of the additional production capacity
- **CAPEX**: Massive investment program to expand the production capacity is on track as planned

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# Microbatteries – 9M 2018 Highlights



(€m)	9M 2017	9M 2018	YoY Change
Revenue	151.4	161.3	+7%
Adjusted EBITDA	35.8	36.0	+1%
Adjusted EBITDA Margin	23.6%	22.3%	-1.3PP

## Highlights:

- Revenue up 7%
- Revenue growth in Healthcare is trending in-line with expectations – back on track after a softer Q2 2018
- Entertainment is continuing the high-growth momentum due to the continued very dynamic growth in lithium-ion batteries
- Industrial with a temporary revenue dip due to an interim regulatory issues of a major customer, resulting in delayed orders
- Adjusted EBITDA margin impacted by the upfront costs in entertainment for the planned massive ramp-up towards the back-end of 2018



*Rechargeable lithium-ion coin cell  
for premium wearable devices*

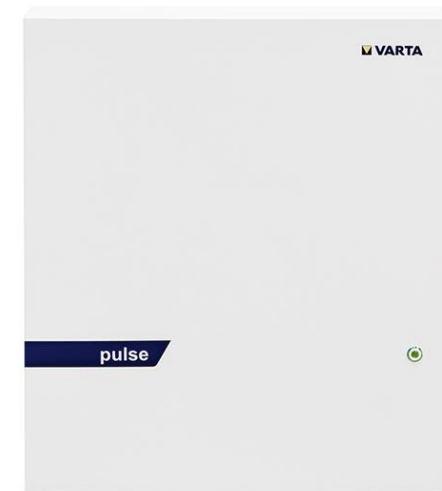
# Power & Energy – 9M 2018 Highlights



(€ m)	9m 2017	9m2018	YoY Change
Revenue	28.2	38.1	+35%
Adjusted EBITDA	-3.7	2.9	nm
Adjusted EBITDA Margin	-13.2%	7.5%	+20.7PP

## Highlights:

- Revenue up 35%
- Energy storage solutions remain on the strong growth trajectory, particularly in residential storage
- Power pack solutions (PPS) continuing to gain traction due to the ramp-up of the new customer projects
- Step-change improvement in profitability – delivered a positive Adj. EBITDA of € 2.9m, resulting in a 7.5% Adj. EBITDA margin
- Confirming our objectives to deliver a 6-8% Adj. EBITDA margin in the mid-term



*Wall mounted energy storage system for private households*

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# 2018 Full Year Outlook –



## Raising the FY Adj. EBITDA guidance to € 49 to 51 m

### VARTA AG Group

- **Revenue:** ~€ 270-273 m (excluding FX currency effects) – delivering again a double-digit revenue growth
- **Adjusted EBITDA:** ~€ 49-51m for FY18 – Adj. EBITDA growth again faster than the revenue growth
- **CAPEX:** ~€ 55-65m – depending on the cash outflow at the year-end – investment program executed as planned

### Segment Microbatteries

- **Revenue:** Revenue growth slightly above the market growth
- **Adjusted EBITDA:** Over-proportional EBITDA growth compared to revenue growth

### Segment Power & Energy

- **Revenue:** Revenue growth well above market growth
- **Adjusted EBITDA:** Significant positive Adjusted EBITDA

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- **We continue to execute our strategy, with focus on profitable growth**
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## Consolidated income statement for the period ended September 30, 2018 (unaudited) VARTA Aktiengesellschaft, Ellwangen (Jagst)

(TEUR)	Special effects	Jan. 1 to Sept. 30, 2018	Special effects	Jan. 1 to Sept. 30, 2017*
<b>Sales revenue</b>		<b>200,181</b>		<b>180,172</b>
Decrease/increase in finished and unfinished goods		3,826		1,006
Own work capitalized		2,092		2,496
Other operating income		4,890		10,281
Cost of material		-76,084		-73,260
Personnel expenses		-69,012		-60,640
Other operating expenses		-28,581		-26,590
<b>EBITDA</b>		<b>37,312</b>		<b>33,465</b>
Costs of IPO	0		777	
Reimbursement claim from pensions	0		-3,629	
Costs of share-based payment	1,585		0	
<b>Adjusted EBITDA</b>	<b>38,897</b>		<b>30,613</b>	
Depreciation and amortization		-7,600		-6,955
<b>Operating earnings (EBIT)</b>		<b>29,712</b>		<b>26,510</b>
Financial income		103		61
Financial expense		-309		-665
Sundry financial income		363		594
Sundry financial expense		-552		-948
<b>Financial result</b>		<b>-395</b>		<b>-958</b>
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes		151		-2,260
<b>Earnings before taxes</b>		<b>29,468</b>		<b>23,292</b>
Income tax expenses		-8,848		-5,592
<b>Consolidated result</b>		<b>20,620</b>		<b>17,700</b>
Appropriation of profit:				
Shareholders of VARTA AG		20,316		17,700
Non-controlling interests		304		0

\*Previous year's figures were not adjusted

**Consolidated balance sheet  
for the period ended September 30, 2018 (unaudited)  
VARTA Aktiengesellschaft, Ellwangen (Jagst)**

(TEUR)	September 30, 2018	December 31, 2017*
<b>ASSETS</b>		
Tangible assets	97,076	63,447
Intangible assets	21,333	21,556
Long-term investments and other participations recognized in the balance sheet under the equity method	369	1,718
Other financial assets	381	444
Deferred tax assets	2,558	2,313
Other assets	15,436	15,780
<b>Non-current assets</b>	<b>137,153</b>	<b>105,258</b>
Inventories	66,759	53,770
Trade receivables	28,088	20,103
Tax refund claims	175	744
Other assets	12,284	13,069
Other financial assets	50,004	0
Cash and cash equivalents	62,665	138,536
<b>Current assets</b>	<b>219,975</b>	<b>226,222</b>
<b>Total assets</b>	<b>357,128</b>	<b>331,480</b>

\*Previous year's figures were not adjusted

## Consolidated balance sheet for the period ended September 30, 2018 (unaudited) VARTA Aktiengesellschaft, Ellwangen (Jagst)

(tEUR)	September 30, 2018	December 31, 2017*
<b>LIABILITIES</b>		
Subscribed capital	38,200	38,200
Capital reserve	148,304	146,719
Revenue reserves	42,001	28,575
Profit/loss for the year	20,316	13,268
Other reserves	3,288	2,710
<b>Equity of the VARTA AG Group</b>	<b>252,109</b>	<b>229,472</b>
Non-controlling interests	1,287	980
<b>Equity</b>	<b>253,396</b>	<b>230,452</b>
Other financial liabilities	6,200	6,200
Provisions for employee benefits	23,088	22,775
Other liabilities	114	448
<b>Non-current liabilities</b>	<b>29,402</b>	<b>29,423</b>
Tax liabilities	8,718	4,724
Other financial liabilities	1,996	2,201
Provisions for employee benefits	1,142	1,087
Trade payables and advance payments received	27,601	32,479
Other liabilities	10,683	10,285
Other provisions	4,516	4,256
Deferred liabilities	19,674	16,573
<b>Current liabilities</b>	<b>74,330</b>	<b>71,605</b>
<b>Liabilities</b>	<b>103,732</b>	<b>101,028</b>
<b>Total equity and liabilities</b>	<b>357,128</b>	<b>331,480</b>

\*Previous year's figures were not adjusted

**Consolidated cash flow statement  
for the period ended September 30, 2018 (unaudited)  
VARTA Aktiengesellschaft, Eilwangen (Jagst)**

(TEUR)	Jan. 1 to Sept. 30, 2018	Jan. 1 to Sept. 30, 2017
Net cash flow from ongoing operating activities	8,677	12,263
Cash flow from investing activities	-34,922	-12,236
Cash flow from financing activities	-49,848	-2,771
Net change in cash and cash equivalents	-76,093	-2,744
Cash and cash equivalents as of January 1	138,536	12,347
Impact of changes in exchange rates	222	-475
Cash and cash equivalents as of September 30	62,665	9,128

## Contact Investor Relations

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