

VARTA AG

Q1 2019 Earnings Presentation

May 7, 2019



Forward-Looking Statements

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- **Got off to a stronger-than-expected start to FY19**
- **Delivered strong Q1 results, with continued double-digit growth rates:
Revenue up 11% – Adj. EBITDA up 37% – Adj. EBITDA margin at 23.7%**
- **Microbatteries with very strong Q1 results:**
Entertainment is booming and growing significantly faster than the market –
Healthcare is benefiting from the trend to OTC and rechargeable hearing aids
- **Power & Energy in line with expectations:**
Softer start to 2019, with H2 stronger than H1 –
Adj. EBITDA margin at 6.5%, in line with the mid-term margin target
- **Investment program to expand the production capacity is on track**
- **Raising the revenue and Adj. EBITDA guidance for FY19:
Revenue: ~€310 to 315m, up ~14-16% YoY*
Adjusted EBITDA: ~€64-67m, up ~27-33% YoY***

* 2019 guidance assumes constant FX and organic growth

Business Highlights



We continue to execute our profitable growth strategy



Attractive exposure to the healthcare end-market

- **Hearing aid battery market is benefiting from two underlying market trends:** over-the-counter (OTC) and rechargeable hearing aids
- **OTC:** Introduction of hearing aids treating mild/moderate losses in the professional mass retail channel – we are well-positioned to gain access to this attractive channel
- **Rechargeable hearing aids** are gaining traction due to the improved latest product generation - however, still on a low base of total hearing aid battery revenue



Rapidly-growing entertainment end-market

- **Market** for lithium-ion batteries **continues to grow very rapidly** (CAGR: ~30-40%)
- We are **growing significantly faster than the market**, benefiting the most from the structural **shift to coin-shaped cells**
- **On track to achieve the #1 market position**, with a market share of 50% by 2020
- Massively **expanding the production capacity** to >60m lithium-ion cells by 2020
- **Strong sales visibility**, given the design-in projects with all premium headset prod.



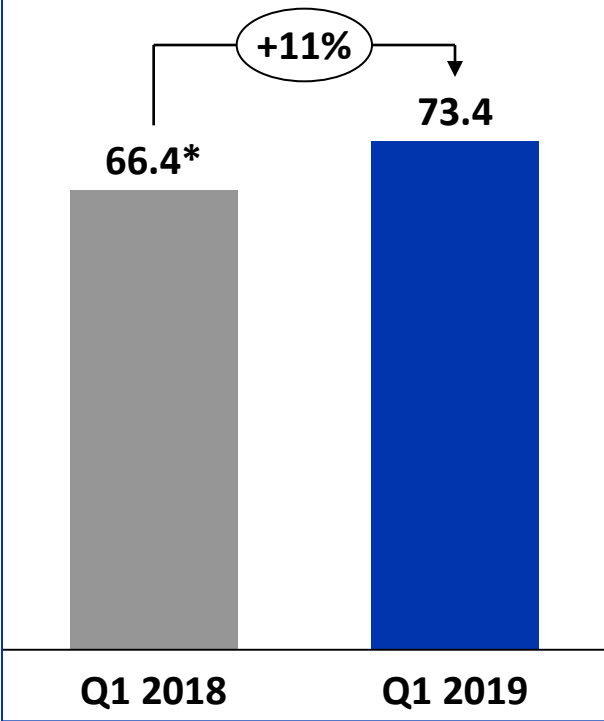
Attractive growth opportunities in Power & Energy

- **Softer start to FY19**, in line with expectations
- Delivered an **Adj. EBITDA margin of 6.5%**, confirming our mid-term objectives
- **Residential storage keeps the growth momentum in the DACH region**, with revenue to pick-up from the entry into the new geographical markets
- **Healthy order backlog in battery packs (PPS)**, with **new customer projects** expected to ramp-up in the second half of 2019

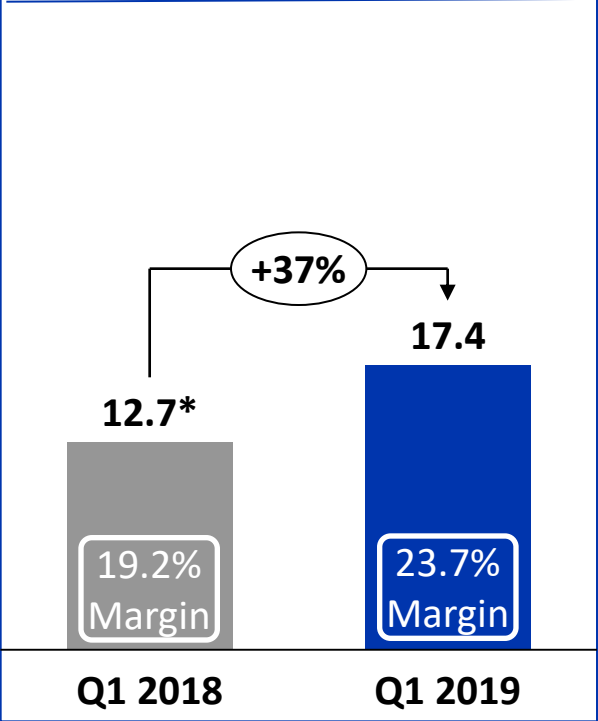
Financial Performance Q1 2019



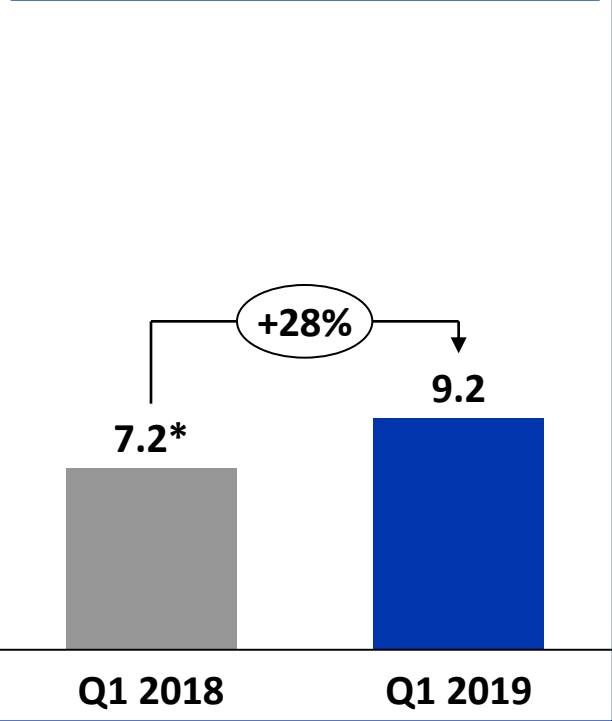
Revenue
(€ m)



Adjusted EBITDA
(€ m), Margin in % of revenue



Net Income
(€ m)

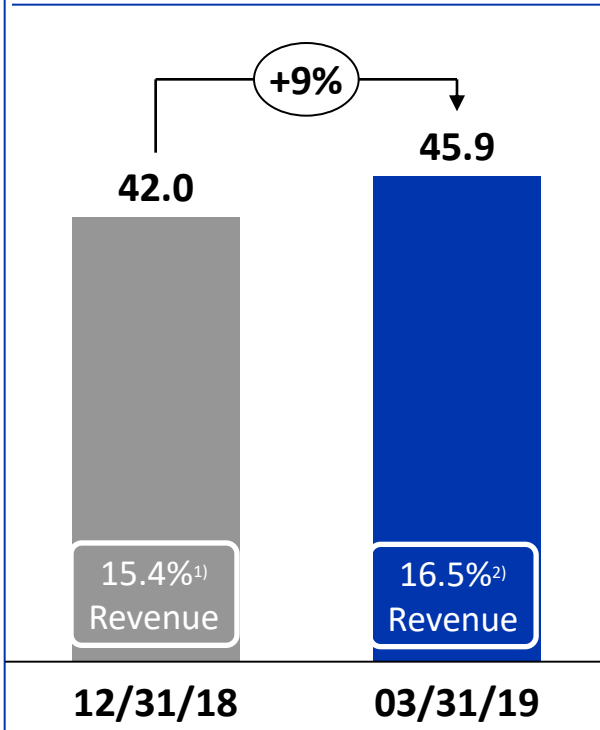


* Changes to the previous year's figures due to conversion to IFRS 15

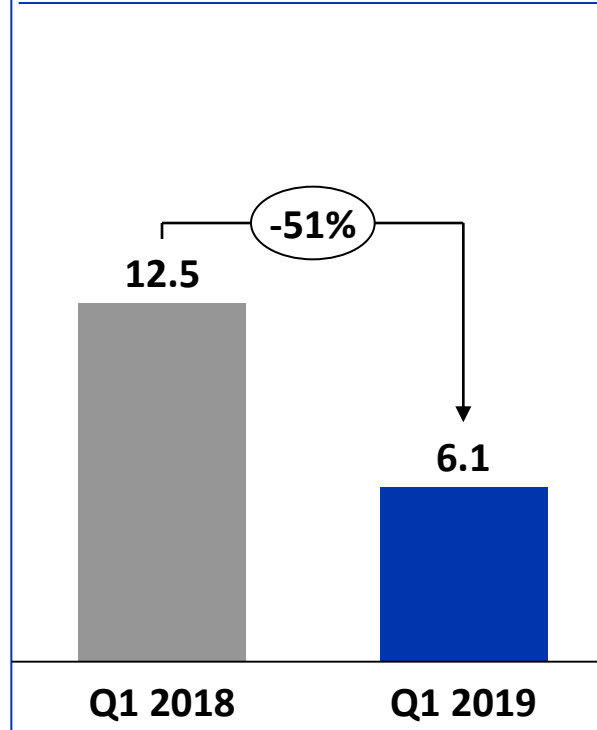
Financial Performance Q1 2019 (continued)



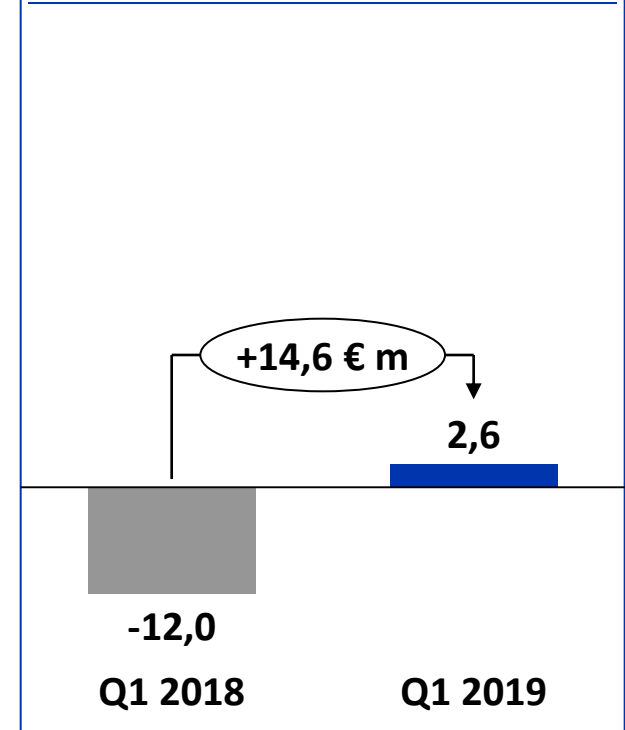
Net Working Capital (NWC)
(€ m), in % of LTM¹ Revenue



CAPEX
(€ m)



Free Cash Flow
(€ m)



1) Last Twelve Month Revenue April 2017 to March 2018: 249.3 Mio. €

2) Last Twelve Month Revenue April 2018 to March 2019: 276.7 Mio. €

Microbatteries – Q1 2019 Highlights



(€ m)	Q1 2018	Q1 2019	YoY Change
Revenue	54.5*	61.5	+12.9%
Adjusted EBITDA	12.2*	16.6	+36.7%
Adjusted EBITDA Margin	22.4%	27.1%	+4.7PP

Highlights:

- Microbatteries recorded very strong Q1 results – the strongest revenue and adj. EBITDA in a quarter ever
- *Entertainment* is growing significantly faster than the market, with the highest gross profit margins within VARTA AG, resulting in a favorable margin mix effect
- *Healthcare* is benefiting from the trends to OTC and rechargeable hearing aids
- Adj. EBITDA margin at 27.1%, a margin improvement of 4.7PP YoY – key driver: favorable margin mix effect from Entertainment



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

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

Power & Energy – Q1 2019 Highlights



(€ m)	Q1 2018	Q1 2019	YoY Change
Revenue	11.7*	11.7	+0.4%
Adjusted EBITDA	0.5*	0.8	+38.4%
Adjusted EBITDA Margin	4.7%	6.5%	+1.8PP

Highlights:

- Power & Energy in line with expectations
- Revenue softer in Q1 mainly due to nature of the project-driven battery pack business; H2 stronger than H1 due to the ramp-up of new customer projects in PPS, with backlog already in place
- Energy storage solutions keep up the solid growth momentum, particularly in residential storage
- Delivered a positive Adj. EBITDA margin of 6.5%, confirming our objectives to deliver a 6-8% Adj. EBITDA margin in the mid-term



Wall mounted energy storage system for private households

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

Companies of VARTA AG **VARTA Microbattery** · **VARTA Storage**

Raising the revenue and Adj. EBITDA guidance* for FY19

VARTA AG Group

- **Revenue:** ~ €310 to 315m (previously: ~€303-309m), up ~14-16% YoY*
- **Adjusted EBITDA:** ~€64-67m (previously: ~€61-64m), up ~27-33% YoY*
- **CAPEX:** ~€65-75m – continuing to expand the production capacity in lithium-ion batteries (CoinPower) to >60 mio. cells p.a. by 2020

Segment Microbatteries

- **Revenue:** Clear double-digit growth – outpacing the market growth
- **Adjusted EBITDA:** Strong Adj. EBITDA growth, with a significantly faster growth rate than the revenue
- Strong growth momentum in Entertainment

Segment Power & Energy

- **Revenue:** Double-digit growth – in-line with the market growth
- **Adjusted EBITDA:** Significant positive Adjusted EBITDA

* 2019 guidance assumes constant FX and organic growth

- **We continue to execute our profitable growth strategy**
- **We got off to a stronger-than-expected start to FY19**
- **We delivered strong Q1 results, with continued double-digit growth rates:
Revenue up 11% – Adj. EBITDA up 37% – Adj. EBITDA margin at 23.7%**
- **Microbatteries with very strong Q1 results –
Power & Energy in line with expectations, with H2 stronger than H1**
- **The Entertainment business is booming –
We are on track to achieve the #1 market position by 2020**
- **Investment program to expand the production capacity is on track**
- **Raising the revenue and Adj. EBITDA guidance for FY19:
Revenue: ~€310 to 315m, up ~14-16% YoY*
Adjusted EBITDA: ~€64-67m, up ~27-33% YoY***

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Financial Calendar

21.05.2019	Annual General Meeting
06.08.2019	Half-year report 2019
29.10.2019	Interim statement Q3 2019

VARTA AG – SELECTED GROUP KEY FIGURES



(in EUR million)	Q1-2019	Q1-2018
Sales Revenue	73.4	66.4*
EBITDA	16.8	12.3*
Adjustments:		
Cost of share-based payment	0.6	0.4
Adjusted EBITDA	17.4	12.7*
Adjusted EBITDA Margin (%)	23.7%	19.2%
Consolidated result	9.2	7.2*
Investments (Capex)	6.1	12.5
Free Cash Flow	2.6	-12.0
Equity ratio	59.1%	69.6%
Balance sheet total	455.5	342.3
Staff (as of March 31)	2,296	2,178

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

Consolidated income statement for the period 01/01/-03/31/2019



(in EUR thousand)	2019	2018
Sales revenue	73,445	66,352*
Decrease/Increase in finished and unfinished goods	-415	2,316
Own work capitalized	3,527	784
Other operating income	1,783	1,532
Cost of materials	-26,519	-26,966*
Personnel expenses	-25,370	-22,804
Other operating expenses	-9,651	-8,937
EBITDA	16,800	12,277*
Depreciation and amortization	-3,763	-2,474
Operating earnings (EBIT)	13,037	9,803*
Financial income	55	10
Financial expenses	-195	-106
Other financial income	507	163
Other financial expenses	-350	-390
Financial result	17	-323
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	77
Earnings before taxes	13,048	9,557*
Income tax expenses	-3,800	-2,348*
Consolidated result	9,248	7,209*
Appropriation of profit:		
Shareholders of VARTA AG	9,099	7,093*
Non-controlling interests	149	116

* Changes to 2018 figures due to conversion to IFRS 15

Consolidated statement of financial position as of March 31, 2019 (1/2)



(in EUR thousand)	Mar. 31, 2019	Dec. 31, 2018
ASSETS		
Property, plant and equipment	143,321	112,803
Intangible assets	21,123	21,174
Long-term investments and other participations recognized in the balance sheet under the equity method	342	348
Other financial assets	466	359
Deferred tax assets	2,644	1,477
Other assets	17,063	15,670
Non-current assets	184,959	151,831
Inventories	63,143	56,699
Contract assets	2,811	2,370
Trade receivables	38,650	26,345
Tax refund claims	95	549
Other assets	14,230	14,161
Cash and cash equivalents	151,589	149,741
Current assets	270,518	249,865
Total assets	455,477	401,696

Consolidated statement of financial position as of March 31, 2019 (2/2)



(in EUR thousand)	Mar. 31, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES		
Subscribed capital	38,200	38,200
Capital reserve	149,932	149,374
Revenue reserves	66,676	41,627
Profit/loss for the year	9,099	25,260
Other reserves	3,485	3,535
Equity of the VARTA AG Group	267,392	257,996
Non-controlling interests	1,573	1,426
Equity	268,965	259,422
Lease liabilities (IFRS 16)	18,357	0
Other financial liabilities	6,200	6,200
Provisions for employee benefits	25,987	23,639
Advance payments received	27,273	30,247
Other liabilities	111	93
Other provisions	310	243
Non-current liabilities	78,238	60,422
Tax liabilities	8,766	7,261
Lease liabilities (IFRS 16)	3,398	0
Other financial liabilities	4,324	2,720
Provisions for employee benefits	1,219	1,048
Contract liabilities	10,598	8,435
Trade payables and advance payments received	48,152	35,021
Other liabilities	11,328	11,018
Other provisions	5,096	4,304
Deferred liabilities	15,393	12,045
Current liabilities	108,274	81,852
Liabilities	186,512	142,274
Equity and total liabilities	455,477	401,696

Cash flow statement for the period 01/01/-03/31/2019



(in EUR thousand)	2019/03	2018/03
Cash and cash equivalents as at January 1	149,741	138,536
Cash flow from ongoing business activities	11,943	1,214*
Cash flow from investment activities	-9,378	-13,229*
Cash flow from financing activities	-1.010	-21
Net change in cash and cash equivalents	1,555	-12,034
Effects of exchange rate fluctuations	293	-99
Cash and cash equivalents as at March 31	151,589	126,403

- The disclosure of cash outflows from capitalisation of internal labour was adjusted in the previous year's comparative column in accordance with IAS 8.41 and has been shown in cash flow from investing activities since fiscal year 2019.