

VARTA AG

9M 2019 Earnings Presentation

October 29, 2019



Forward-Looking Statements

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- **Further accelerating the high pace of revenue and earnings growth – delivered very strong 9M results, further improving the profitability**
Revenue +22%... Adj. EBITDA +67%... Adj. EBITDA margin at 25.9% (+6.9PP)
- **Microbatteries with exceptionally strong 3Q and 9M results**
Entertainment is booming and further accelerating the very high growth momentum – *Healthcare* continues to grow faster than the market
- **Power & Energy continues to trend in line with expectations**
Revenue continues to increase sequentially, with 2H stronger than 1H – Adj. EBITDA margin in line with the mid-term margin target of 6-8% of revenue
- **Further expansion of the production capacities for lithium-ion batteries**
Increasing the capacities to >150m cells p.a. 2022 (previously: >100m cells by 2020) – requires an additional investment of ~€130m (for additional ~50m cells per year)
- **Raising again the revenue and Adj. EBITDA guidance for FY19:**
Revenue: ~€330-340m (previously: €320-330m), up ~21-25% YoY*
Adjusted EBITDA: ~€84-88m (previously: €72-76m) , up ~67-75% YoY*

* 2019 guidance assumes constant FX and organic growth

Business Highlights 9M 2019



We continue to accelerate the high revenue and earnings growth momentum



Entertainment is accelerating the very high growth momentum

- End-market for premium true wireless headsets is booming, with many new premium headsets being recently launched
- VARTA AG is benefiting the most from the structural shift to coin-shaped cells
- Successful design-ins with all premium headset manufacturers
- On track to achieve the #1 market position, with a market share of >50% by 2020
- Further expansion of the production capacities to >150m cells by 2022



Healthcare is growing faster than the market

- Continuing to grow faster than the market in hearing aid batteries
- Gaining market share in primary hearing aid batteries – ramping-up the largest mass retail account for hearing aid batteries in the US (#1 market position in the US)
- We are strongly benefiting from the growing market share of rechargeable hearing aid batteries, being the market and technology leader – rechargeable hearing aid batteries offer attractive margin opportunities



Power & Energy is trending in line with expectations

- Revenue continuing to increase sequentially, with 2H stronger than 1H
- Battery packs (PPS) continuing to gain traction due to the ramp-up of new customer projects (i.e. packs for the new wireless hand vacuum cleaner from Miele)
- Energy storage solutions keeping the solid growth momentum, particularly in residential storage
- Delivered an Adj. EBITDA margin of 6%, in line with the mid-term margin target

Closing of Consumer acquisition expected on January 02, 2020*

Financial Highlights 9M 2019

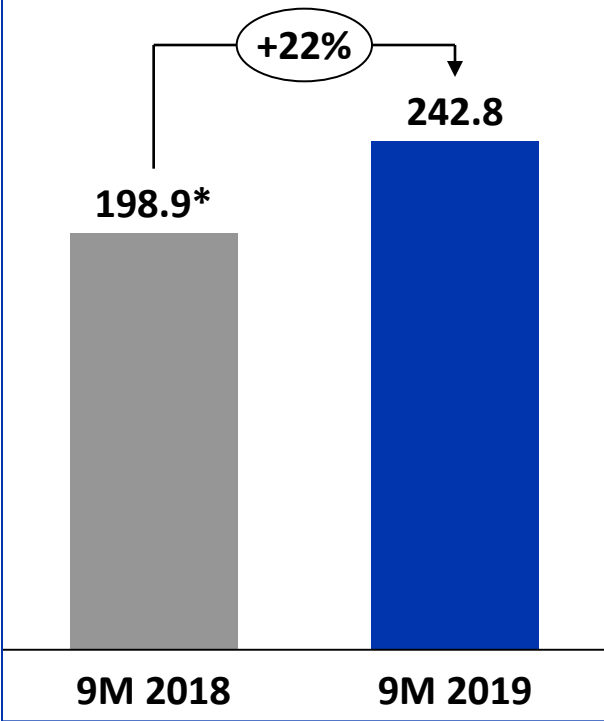


- **Delivered very strong Q3 and 9M results – further accelerating the high pace of revenue and earnings growth:**
Q3: Revenue +34%... Adj. EBITDA +88%... Adj. EBITDA margin at 28.2% (+8.1PP)
9M: Revenue +22%... Adj. EBITDA +67%... Adj. EBITDA margin at 25.9% (+6.9PP)
- **Microbatteries with exceptionally strong Q3 and 1H results:**
Q3: Revenue +38%... Adj. EBITDA +109%... Adj. EBITDA margin at 33.1% (+11.1PP)
9M: Revenue +26%... Adj. EBITDA +72%... Adj. EBITDA margin at 30.1% (+8.1PP)
- **Power & Energy continues to trend in line with expectations –**
Revenue +9% (Q3: +17%) – Adj. EBITDA at 5.7%, in line with the mid-term target
- **CAPEX** were at €67.9m, continuing to **massively expand the production capacities in lithium-ion-batteries – executing** the investment program **flawlessly**
- Received **further customer pre-payments of €19.7m in the Entertainment business** in Q3 – support the funding of the production capacity expansion for the benefit of secured capacity

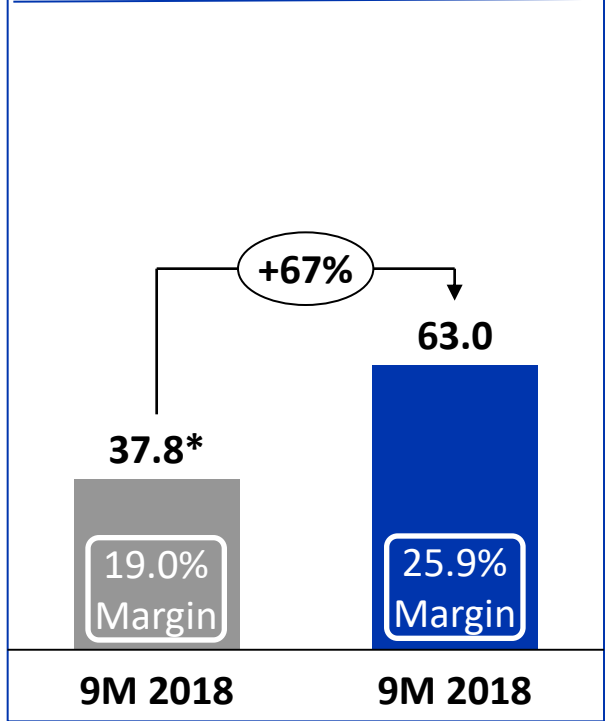
Financial Performance 9M 2019



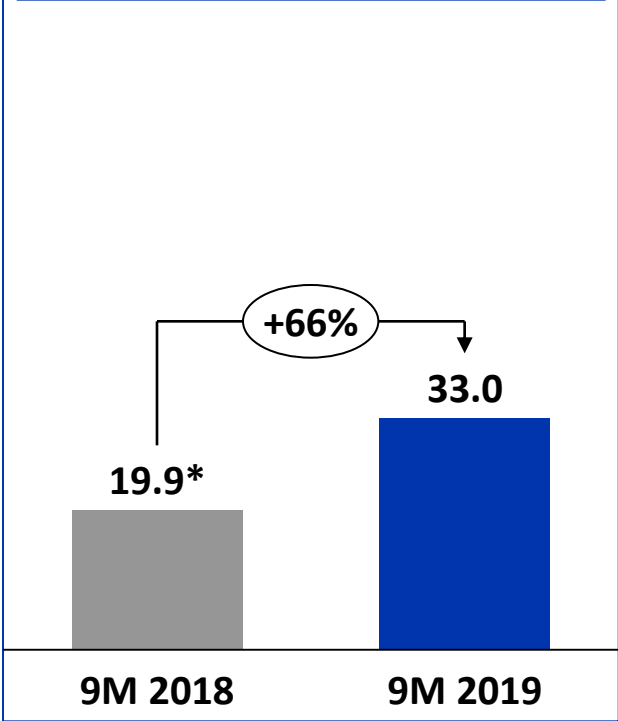
Revenue (€ m)



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

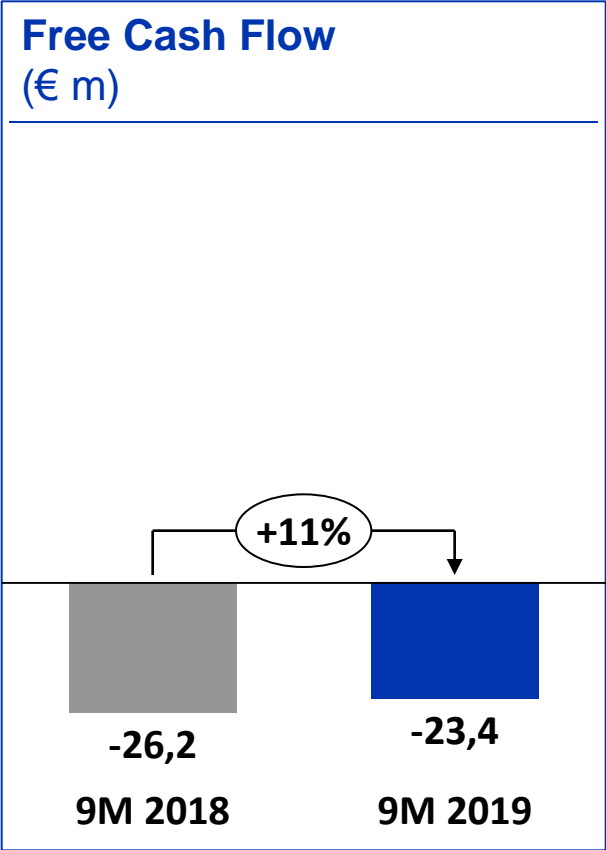
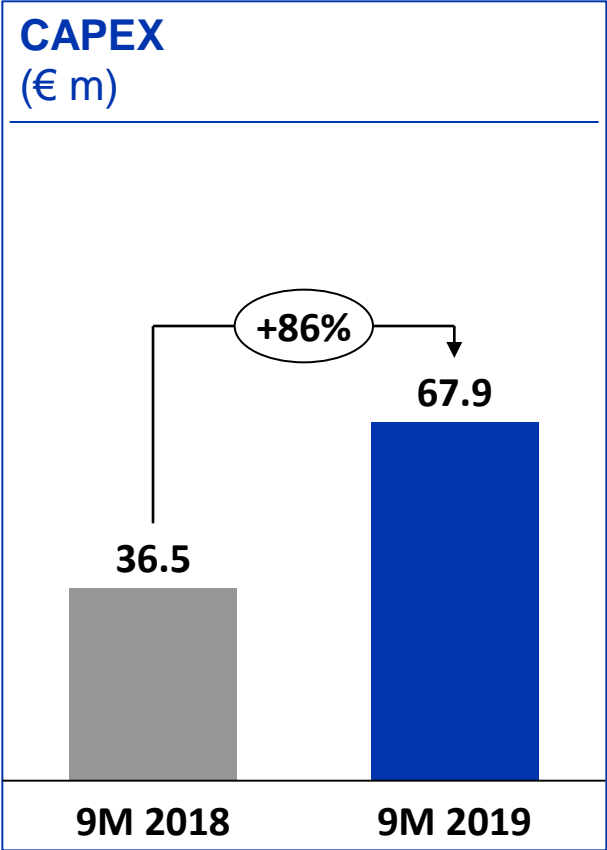
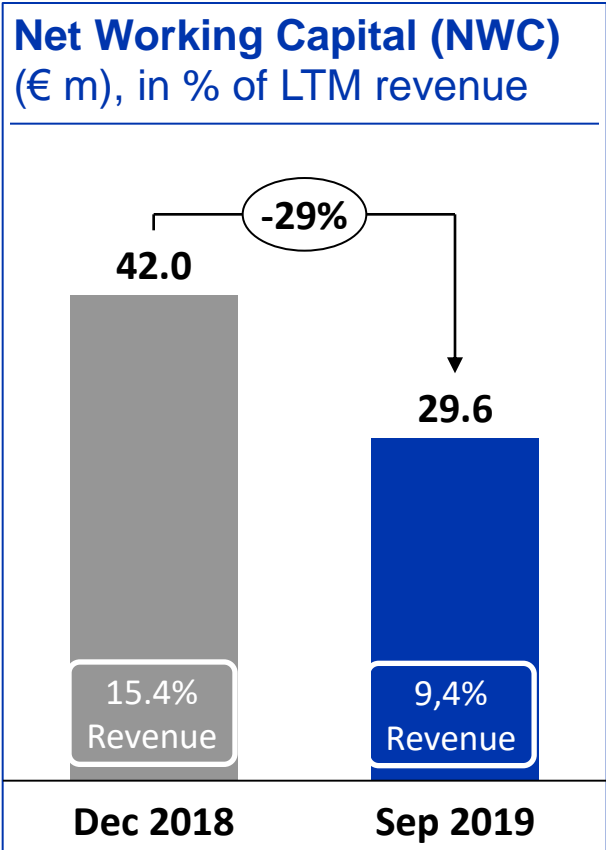


Net Income (€ m)



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

Financial Performance 9M 2019 (continued)



Microbatteries – 9M 2019 Highlights



(€ m)	9M 2018	9M 2019	YoY Change
Revenue	160.5*	201.5	+25.5%
Adjusted EBITDA	35.3*	60.7	+72.0%
Adjusted EBITDA Margin	22.0%	30.1%	+8.1PP

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

Highlights:

- Microbatteries recorded very strong Q3 and 9M results – the strongest revenue and adj. EBITDA in a quarter ever
- *Entertainment* is accelerating the very high growth momentum, backed by a booming end-market for true wireless headsets; continuously ramping-up new customer projects
- *Healthcare* is continuing to grow faster than the market, gaining market share in primary batteries and benefiting from the trend to rechargeable hearing aids
- Adj. EBITDA margin at 30.1%, an improvement of 8.1PP – key drivers: operating leverage, economies of scale and a favorable margin mix effect from lithium-ion batteries



*Rechargeable lithium-ion coin cell
for premium true wireless
headsets*

Power & Energy – 9M 2019 Highlights



(€ m)	9M 2018	9M 2019	YoY Change
Revenue	37.7*	40.9	+8.5%
Adjusted EBITDA	2.6*	2.3	-9.2%
Adjusted EBITDA Margin	6.8%	5.7%	-0.5PP

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

Highlights:

- Power & Energy continuing to trend in line with expectations
- Q3 revenue increased by 20% sequentially vs. Q2, and was up 17% Y/Y in 2Q – H2 expected to be stronger than H1
- *Battery packs (PPS)* continuing to gain traction due to the ramp-up of new customer projects (i.e. packs for the new wireless hand vacuum cleaner from Miele)
- *Energy storage solutions* keeping the solid growth momentum, particularly in residential storage
- Delivered an Adj. EBITDA margin of 5.7%, essentially in line with the mid-term Adj. EBITDA margin target of 6-8% of revenue



Miele Triflex HX1 - Powered by VARTA. Miele launched their first wireless handheld vacuum cleaner

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

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

Raising again the revenue and Adj. EBITDA guidance* for FY19



VARTA AG Group

- **Revenue:** ~€330-340m (previously: ~€320-330m), up ~21-25% YoY*
- **Adjusted EBITDA:** ~€84-88m (previously: ~€72-76m), up ~67-75% YoY*
- **CAPEX:** ~€95-110m (previously: ~75-90m) – continuing to expand the production capacities in lithium-ion batteries to >150m cells p.a. by 2022 (previously: >100m cells p.a. by 2020)

Segment Microbatteries

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

Segment Power & Energy

- **Revenue:** Double-digit growth – in-line with the market growth
- **Adjusted EBITDA:** Significant positive Adjusted EBITDA, in-line with the mid-term margin target of 6-8% of revenue

* 2019 guidance assumes constant FX and organic growth

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- **Further accelerating the high pace of revenue and earnings growth – delivered very strong 9M results, further improving the profitability**
 - **Microbatteries with exceptionally strong 3Q and 9M results**
Entertainment is booming and further accelerating the high growth momentum
– *Healthcare* continues to grow faster than the market
 - **Power & Energy continues to trend in line with expectations**
 - **Further expansion of the production capacities for lithium-ion batteries to more than 150m cells per year by 2022**
 - **Raising again the revenue and Adj. EBITDA guidance for FY19:**
Revenue: ~€330-340m (previously: €320-330m), up ~21-25% YoY*
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* 2019 guidance assumes constant FX and organic growth

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Financial Calendar

18.02.2020	Preliminary Figures FY2019
31.03.2020	Final Figures FY2019
15.05.2020	Interim Statement Q1 2020
14.08.2020	Half-Year Report 2020
12.11.2020	Interim Statement Q3 2020

VARTA AG – Selected group key figures



(in EUR million)	9M 2019	9M 2018
Sales Revenue	242.8	198.9*
EBITDA	61.0	36.2*
Adjustments:		
Cost of share-based payment	2.0	1.6
Adjusted EBITDA	63.0	37.8*
Adjusted EBITDA Margin (%)	25.9%	19.0%
Consolidated result	33.0	19.9*
Investments (Capex)	67.9	36.5
Free Cash Flow	-23.4	-26.2
Equity ratio (%)	64.8%	64.6%**
Balance sheet total	612.860	401.696**
Staff (as of September 30)	2,613	2,272

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

** as per 31.12.2018

Consolidated income statement for the period 01/01/ - 09/30/2019



(in EUR thousand)	9M 2019	9M 2018
Sales revenue	242,764	198,947*
Increase in finished and unfinished goods	6,597	3,826
Own work capitalized	3,269	2,092
Other operating income	5,912	4,890
Cost of materials	-83,883	-75,930*
Personnel expenses	-81,122	-69,012
Other operating expenses	-32,544	-28,581
EBITDA	60,993	36,232*
Depreciation and amortization	-12,657	-7,600
Operating earnings (EBIT)	48,336	28,632*
Financial income	273	103
Financial expenses	-575	-309
Sundry financial income	183	363
Sundry financial expenses	-1,674	-552
Financial result	-1,793	-395
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	151
Earnings before taxes	46,537	28,388*
Income tax expenses	-13,569	-8,534*
Consolidated result	32,968	19,854*
Appropriation of profit:		
Shareholders of VARTA AG	32,773	19,550*
Non-controlling interests	195	304

* Changes to 2018 figures due to conversion to IFRS 15

Consolidated statement of financial position as of September 30, 2019 (1/2)



(in EUR thousand)	Sep. 30, 2019	Dec. 31, 2018
ASSETS		
Property, plant and equipment*	206,575	112,803
Intangible assets*	20,791	21,174
Long-term investments and other participations recognized in the balance sheet under the equity method	56	348
Other financial assets	578	359
Deferred tax assets	3,764	1,477
Other assets	18,750	15,670
Non-current assets	250,514	151,831
Inventories	74,149	56,699
Contract assets	1,882	2,370
Trade receivables and advanced payments	42,372	26,345
Tax refund claims	123	549
Other assets	18,276	14,161
Cash and cash equivalents	225,544	149,741
Current assets	362,346	249,865
Total assets	612,860	401,696

*Rights of use pursuant to IFRS 16 were allocated to the respective balance sheet items in which the underlying assets would also be shown if they were the property of the VARTA AG Group.

Consolidated statement of financial position as of September 30, 2019 (2/2)



(in EUR thousand)	Sep. 30, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES		
Subscribed capital	40,422	38,200
Capital reserve	251,429	149,374
Retained earnings	66,334	41,627
Net income	32,774	25,260
Other reserves	4,579	3,535
Equity of the VARTA AG Group	395,538	257,996
Non-controlling interests	1,622	1,426
Equity	397,160	259,422
Lease liabilities (IFRS 16)	18,093	0
Other financial liabilities	6,281	6,200
Provisions for employee benefits	29,129	23,639
Advance payments received	16,143	30,247
Other liabilities	114	93
Other provisions	618	243
Non-current liabilities	70,378	60,422
Tax liabilities	11,845	7,261
Lease liabilities (IFRS 16)	3,887	0
Other financial liabilities	4,364	2,720
Provisions for employee benefits	1,067	1,048
Contract liabilities	11,987	8,435
Trade payables and advance payments received	76,813	35,021
Other liabilities	12,792	11,018
Other provisions	6,421	4,304
Deferred liabilities	16,146	12,045
Current liabilities	145,322	81,852
Liabilities	215,700	142,274
Equity and total liabilities	612,860	401,696

Cash flow statement for the period 01/01/-09/30/2019



(in EUR thousand)	9M 2019	9M 2018
Cash and cash equivalents as at January 1	149,741	138,536
Cash flow from ongoing business activities	46,289	10,769*
Cash flow from investment activities	-69,661	-37,014*
Cash flow from financing activities	98,470	156
Net change in cash and cash equivalents	75,098	-26,089
Effects of exchange rate fluctuations	705	222
Cash and cash equivalents as at June 30	225,544	112,669

- 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.