

VARTA AG FY2019 Final Results

March 31, 2020



Disclaimer



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Certain numerical data, financial information and market data (including percentages) in this presentation have been rounded according to established commercial standards. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts.

- **Some self-isolations, but no diagnosed cases**
- **No impact on Q1 performance**
 - **Supply chain** holding up
 - No logistical delays
 - Air freight capacity for transportation secured
 - Chinese contract manufacturers back to work
 - High degree of value creation in-house
 - **Production** at full capacity, 3 shifts, 7 days/week
 - No impact on production capacity
 - Production of business-critical lithium-ion products at two separate sites, each of which would remain operational should the other be affected
 - **Order intake** unaffected
 - Still at an unchanged high level, particularly with regards to hearing aids
- **No impact on revenues, budget or capex foreseeable from today's perspective**

- **Measures adopted for ‘blue-collar’ colleagues**
 - Rigorous avoidance of shift overlaps (staggered break times, etc.)
 - Shutdown of wet and sanitary rooms which pose a particularly high risk of infection

- **Measures for ‘white-collar’ colleagues**
 - Minimal staffing to keep critical processes running
 - Home office arrangements where possible
 - Meetings preferably audio-visual; personal meetings with >5 FTE must be approved by C-level management and HR
 - All business trips must be approved by the Executive Board

- **Canteens:** Minimum distance of 1.5 metres between chairs

- **All employees are required to comply with the hygiene measures recommended by Germany’s Federal Government** (washing hands, disinfecting workplaces, etc.)

- **Further acceleration of the high pace of revenue and earnings growth – delivered very strong FY results, further improving profitability**
Revenue +34%... Adj. EBITDA +94%... Adj. EBITDA margin at 26.9% (+8.5PP)
- **Microbatteries with exceptionally strong FY results**
Entertainment boomed, further accelerating the very high growth momentum
Healthcare continues grew faster than the market
- **Power & Energy delivered strong growth**
Revenue up 17% YoY, mainly due to the ramp-up of new customer projects in PPS –
Adj. EBITDA margin slightly below the mid-term margin target
- **Strong balance sheet enables further investments for capacity expansion using own funds**
- **Finished FY 2019 FCF neutral despite the massive investments for capacity expansion thanks to the very strong operating cash flow**
- **Looking ahead to FY 2020* with confidence**
 - *Revenue* guidance* FY20: ~€780-800m, up ~115-120% YoY (+32-38% YoY ex M&A)
 - *Adj. EBITDA* guidance* FY20: ~€175-185m, up ~75-90% YoY (+50-60% YoY ex M&A)
 - *CAPEX* guidance FY20: ~€300-330m, massively expanding the production capacities in li-ion

* In view of the global spread of the corona virus (COVID-19), negative impacts on the VARTA AG Group cannot be ruled out. At the time that the 2019 annual financial statements were prepared, these risks were not present.

Business Highlights – FY 2019



Continuing 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**
- Booming market offers **huge growth opportunities** & naturally attracts more players
- Application trend towards **smaller batteries with higher energy density along with high quality and safety requirements**
- **Next step-change innovation by VARTA:** increasing the energy density by another ~30% – extending our leading technology and innovation position
- **VARTA in leading position with its proven and successful business model**



Healthcare is growing faster than the market

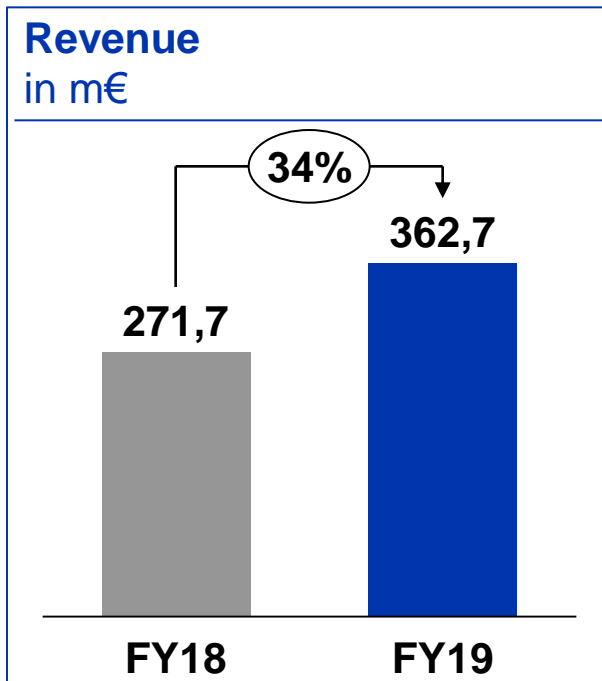
- **Continuing to grow faster than the market in hearing aid batteries**
- **Gaining market share in primary hearing aid batteries** – ramping-up the largest mass retail account for hearing aid batteries in the US (#1 market position in the US)
- We are **strongly benefiting from the growing market share of rechargeable hearing aid batteries**, being the market and technology leader, with a market share of ~60%



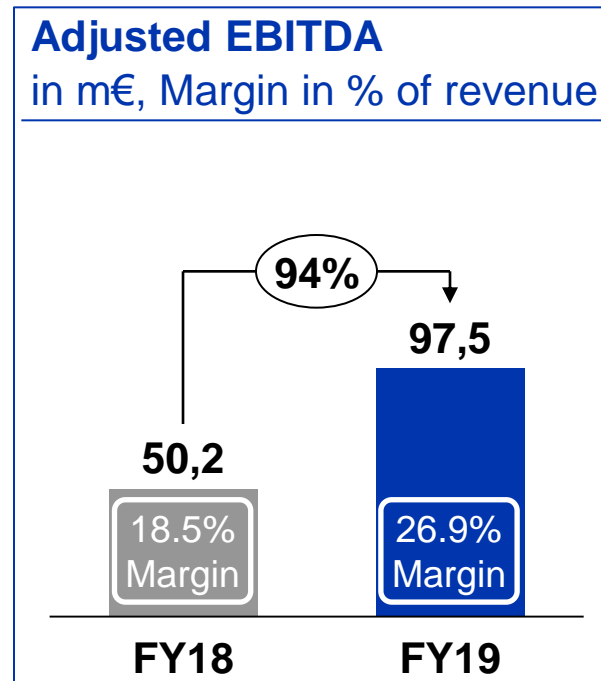
Power & Energy with strong underlying market growth

- **VARTA delivered strong top-line growth**, backed by the underlying market growth
- **Benefiting in battery packs (PPS)** from the ramp-up of **new customer projects** (i.e. packs for the new wireless hand vacuum cleaner from Miele)
- Developing the **next generation of energy storage systems** to be launched next year – **geographic expansion** of the residential storage business is now **supported by VARTA Consumer's** excellent and extensive global marketing and sales footprint.

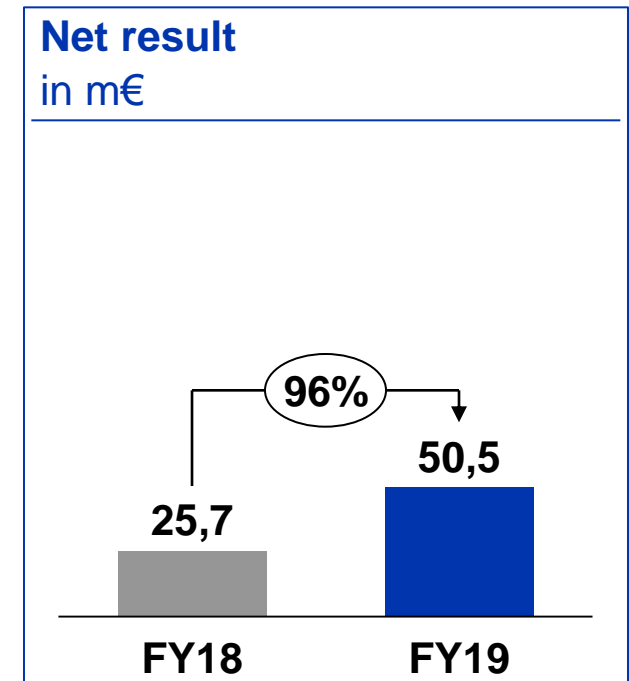
Delivered very strong FY19 results, further accelerating the high-growth momentum



- Both segments grew significantly
- Microbatteries with exceptionally strong revenue growth (+38%), primarily due to the rapidly growing lithium-ion business
- Power & Energy delivered strong growth, with revenue +17% YoY

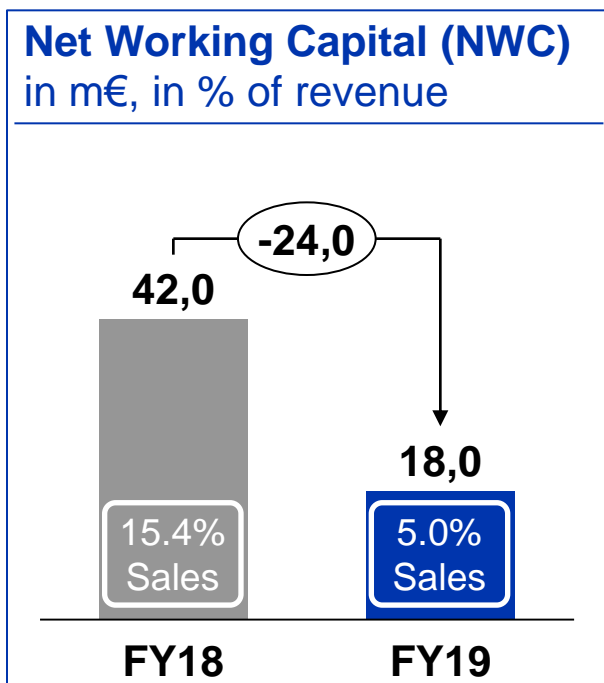


- Adj. EBITDA grew again faster than the revenue due to the very favorable margin mix along with the continued scaling of the business model
- Significant margin improvement, up 8.5PP to 26.9%

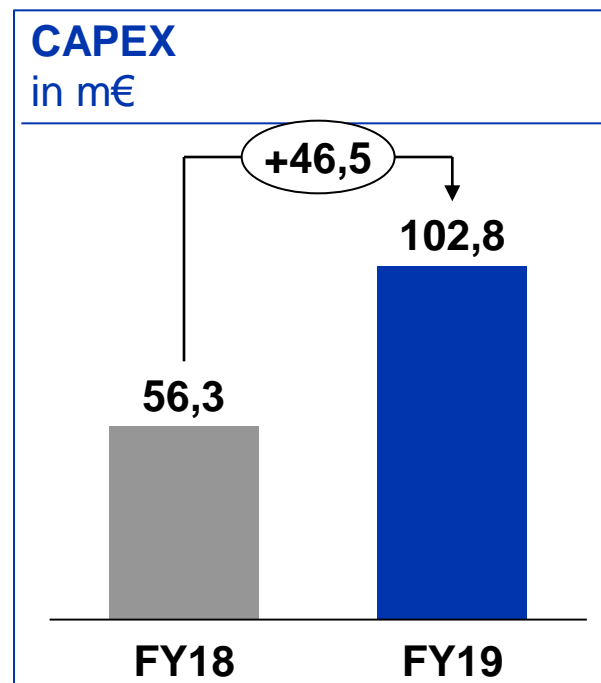


- Strong increase primarily due to the strong year-on-year growth of the operating result

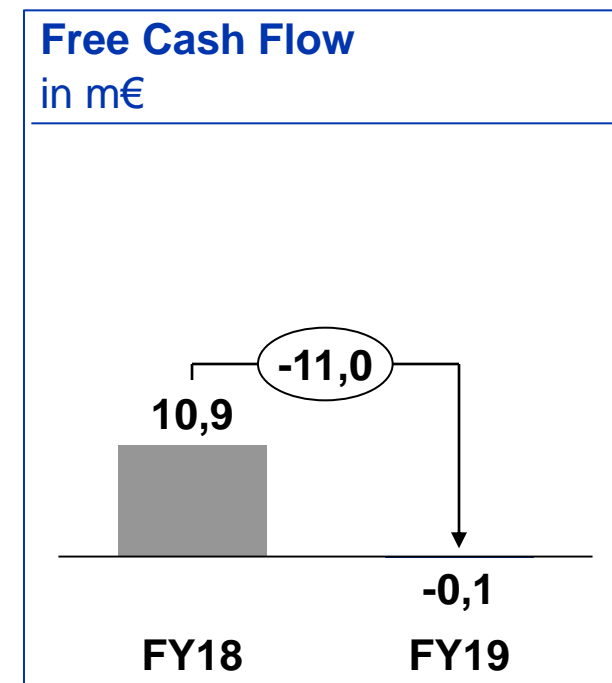
Managing net working capital efficiently – massive investments for capacity expansion offset by the strong operating cash flow



- Disproportionately low increase in inventories and receivables in addition to the disproportionately high increase in liabilities
- Improved NWC as a percent of revenue by 10.4 PP to 5.0%



- Massively expanding the production capacity for lithium-ion batteries
- Expanding the capacity to 200 million cells per year until 2021
- Investment program is on track as planned



- Finished FY 2019 free cash flow neutral despite the massive investments for capacity expansion thanks to the very strong cash flow from the operating activities

Microbatteries – FY 2019



(€ m, rounded)	FY 2018	FY 2019	YoY Change
Revenue	218,9	301,5	+37.7%
Adjusted EBITDA	47,3	94,4	+99.7%
Adjusted EBITDA Margin	21.6%	31.3%	+9.7PP

Highlights:

- Microbatteries recorded very strong Q4 and FY results – the strongest revenue and adj. EBITDA in a quarter ever
- *Entertainment* is further accelerating the very high growth momentum, backed by the booming end-market for premium true wireless headsets
- *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 31.3%, an improvement of 9.7PP – 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 – FY 2019



(€ m, rounded)	FY 2018	FY 2019	YoY Change
Revenue	51,8	60,8	+17,4%
Adjusted EBITDA	2.9	3,1	+6,9%
Adjusted EBITDA Margin	5.6%	5.1%	-0.5PP

Highlights:

- Power & Energy delivered strong top-line growth in 2019, backed by the strong underlying market growth
- *Battery packs (PPS)* benefiting from the ramp-up of new customer projects (i.e. packs for the new wireless hand vacuum cleaner from Miele)
- *Energy storage solutions* Energy continue contributing positively to the segment growth
- Delivered an Adj. EBITDA margin of 5.1%, slightly below the previous year's level



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

VARTA AG: The battery experts



New Segment Reporting from FY 2020 onwards

	Microbatteries & Solutions			Household Batteries	
End markets					
Products	<p>Healthcare</p>	<p>Entertainment & Industrial</p>	<p>Power Packs</p>	<p>Consumer batteries</p>	<p>Energy/Residential</p>
Channels / end consumer	OEM			End Consumer	
Technology	Primary zinc air / lithium-ion	Primarily Lithium-ion	Lithium-ion	Alkaline Lithium-ion Specialities	Lithium-ion
Competitive advantage	<ul style="list-style-type: none"> ✓ Leading in quality ✓ Excellence in technology, manufacturing and costs 				

Looking ahead to FY 2020* with confidence, though negative impacts from COVID-19 can't be ruled out

VARTA AG Group

- **Revenue:** ~€780-800m, up 115-120% YoY (+32-28% YoY ex M&A)
w/o VARTA Consumer: up ~32-38% YoY
- **Adjusted EBITDA:** ~€175-185m, up ~79-90% YoY
w/o VARTA Consumer: ~50-60% YoY
- **CAPEX:** ~€300-330m, significant expansion of production capacity

Segment Microbatteries & Solutions

- **Revenue:** growing at a very significant double-digit growth rate, exceeding the growth rate of the previous year (like-for-like)
- **Adjusted EBITDA:** growing again faster than the revenue – sustainable margin on the previous year's level
- **Entertainment** further accelerating the high-growth momentum

Segment Household Batteries

- **Revenue:**
 - Very significant growth is expected for energy storage ($\geq 20\%$)
 - The acquired VARTA Consumer business will generate additional revenue of around €300m in 2020 (focus on branded business)
- **Adjusted EBITDA margin** in the low double-digit range

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- **Further accelerating the high pace of revenue and earnings growth – delivered very strong FY results, further improving the profitability**
 - **Microbatteries with exceptionally strong 4Q and FY results – Power & Energy delivered strong revenue growth**
 - **Entertainment business is booming in a market expected to grow to ~1bn cells per year – booming market naturally attracts more players – step-change innovations will be executed: higher energy density, lower capital expenditures needed per cell and lower manufacturing costs per cell**
 - **Production capacities for lithium-ion batteries are being further expanded on a massive scale, and more quickly than originally intended**
 - **Looking ahead to FY 2020* with confidence**
 - *Revenue* guidance* FY20: ~€780-800m, up ~115-120% YoY (+32-38% YoY ex M&A)
 - *Adj. EBITDA* guidance* FY20: ~€175-185m, up ~79-90% YoY (+50-60% YoY ex M&A)
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Contact Investor Relations

Bernhard Wolf
Head of Investor Relations

VARTA-Platz-1
73479 Ellwangen

Phone: +49 79 61 921 969
E-Mail: bernhard.wolf@varta-ag.com

Financial Calendar

15.05.2020	Interim Statement Q1 2020
18.06.2020	Annual General Meeting 2020
14.08.2020	Half-Year Report 2020
12.11.2020	Interim Statement Q3 2020

Consolidated income statement for the period 01/01/-12/31/2019



(€k)	2019	2018
Revenue	362,692	271,650
Change in finished and unfinished goods	643	3,899
Own work capitalized	4,313	4,152
Other operating income	7,760	7,109
Cost of materials	-123,527	-106,867
Personnel expenses	-114,406	-92,440
Other operating expenses	-45,853	-40,114
EBITDA	91,622	47,389
Depreciation and amortization	-20,855	-10,518
Operating earnings (EBIT)	70,767	36,871
Financial income	601	160
Financial expenses	-1,127	-416
Other financial income	3,488	368
Other financial expenses	-2,644	-631
Financial result	318	-519
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	130
Earnings before taxes	71,079	36,482
Income tax expenses	-20,615	-10,779
Consolidated result	50,464	25,703
Appropriation of profit:		
Shareholders of VARTA AG	50,390	25,260
Non-controlling interests	74	443

Transition from EBITDA to Adjusted EBITDA



(€ k)	2019	2018
EBITDA	91,622	47,389
Expenses from share-based remuneration	2,853	2,830
Expenses for M&A transactions	3,006	0
Adjusted EBITDA	97,481	50,219

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



(€ k)	2019	2018
ASSETS		
Non-current assets	288,462	151,831
Current assets	380,368	249,865
Total assets	668,830	401,696

(€ k)	2019	2018
EQUITY AND LIABILITIES		
Equity	414,802	259,422
Non-current liabilities	88,779	60,422
Current liabilities	165,249	81,852
Total liabilities	254,028	142,274
Total assets	668,830	401,696

Cash flow statement for the period 01/01/-12/31/2019



(€ k)	2019/12	2018/12
Cash and cash equivalents as at January 1, 2019	149,741	138,536
Cash flow from ongoing business activities	105,734	69,846
Cash flow from investment activities	-105,806	-58,982
Cash flow from financing activities	94,882	-114
Net change in cash and cash equivalents	94,810	10,750
Effects of exchange rate fluctuations	230	455
Cash and cash equivalents as at December 31, 2019	244,781	149,741