

# VARTA AG 1H 2019 Earnings Presentation

August 6, 2019



## Forward-Looking Statements

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- **Further accelerating the high pace of revenue and earnings growth – delivered very strong 1H results, further improving the profitability:**  
Revenue +16%... Adj. EBITDA +55%... Adj. EBITDA margin at 24.6% (+6,2PP)
- **Microbatteries with exceptionally strong 2Q and 1H results:**  
*Entertainment* is booming and is growing significantly faster than the market –  
*Healthcare* is growing faster than the market
- **Power & Energy continues to trend in line with expectations:**  
Revenue increased sequentially, with 2H stronger than 1H –  
Adj. EBITDA margin at 6.1%, in line with the mid-term margin target of 6-8% of revenue
- **Further expansion of the production capacities for lithium-ion batteries to >100m cells p.a. by 2021 – financed by a capital increase from authorized capital**
- **VARTA AG acquires VARTA Consumer Batteries business from Energizer**
- **Raising again the revenue and Adj. EBITDA guidance for FY19:**  
Revenue: ~€320 to 330m (previously: €310 to 315m), up ~18-21% YoY\*  
Adjusted EBITDA: ~€72-76m (previously: 64-67m) , up ~43-51% YoY\*

\* 2019 guidance assumes constant FX and organic growth

# Business Highlights



We continue to execute our profitable growth strategy



**Rapidly growing entertainment end-market**

- **Market for lithium-ion batteries continues to grow very rapidly** (CAGR: >30%)
- **Growing significantly faster than the market** – as the **technology & innovation leader**, we are 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
- **Further expanding the production capacity** to >100m cells p.a. by end of 2020
- **Strong sales visibility** – design-in projects with all premium headset manufacturers



**Attractive exposure to the healthcare end-market**

- **Growing faster than the market in hearing aid batteries**
- Market need for smaller **rechargeable hearing aid devices** in combination with **longer hearing time** strengthens VARTA's leading-ledge technology position
- **Gaining market share in primary hearing aid batteries** – won the largest mass retail account for hearing aid batteries thanks to our innovative Evolution series



**Accretive Consumer acquisition with strong FCF generation**

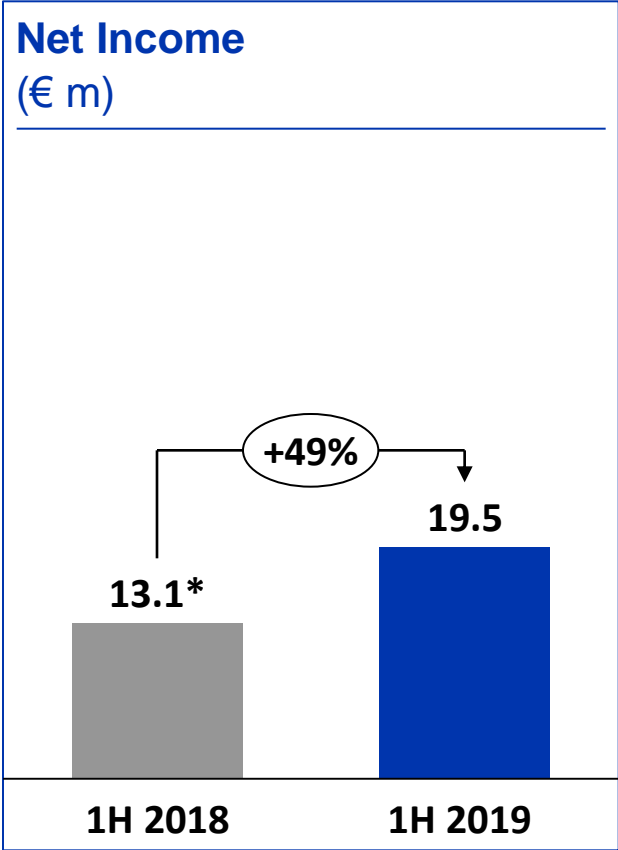
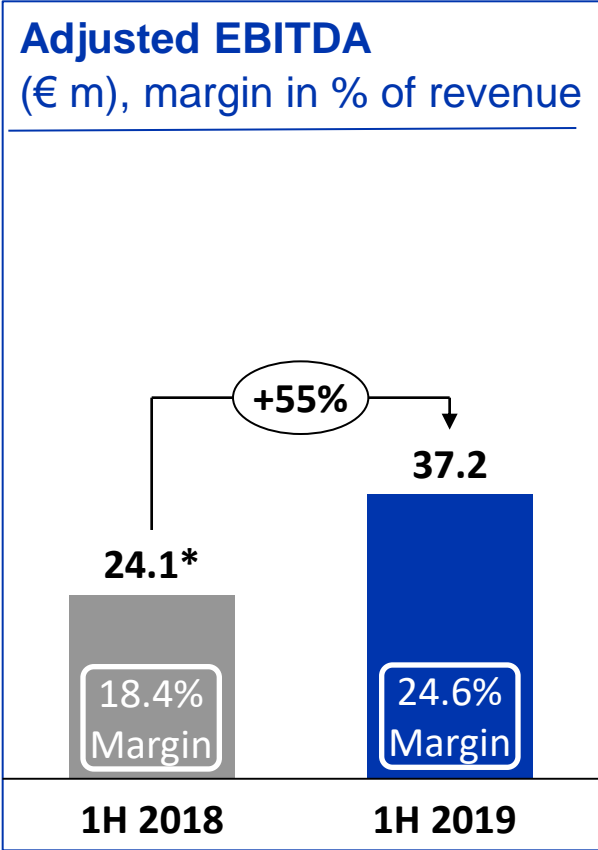
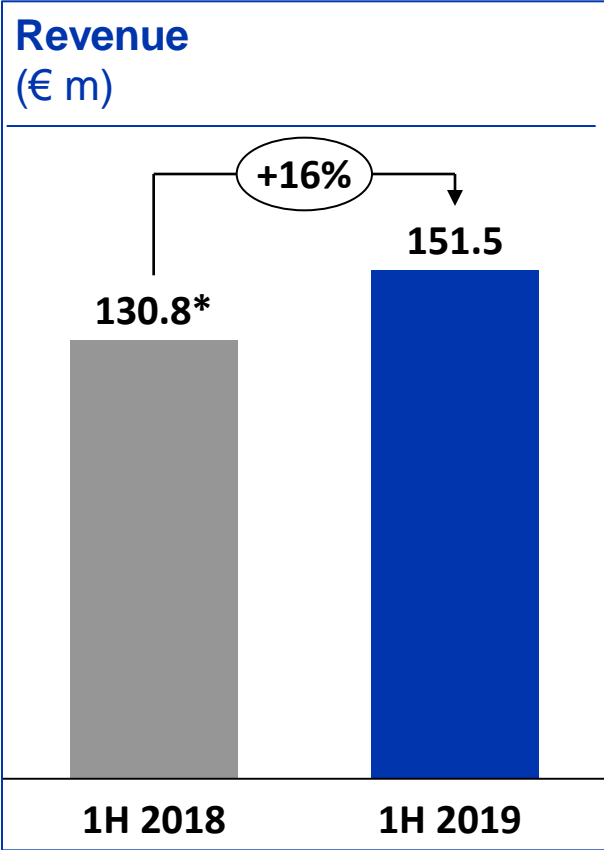
- **Complementary acquisition**, with business characteristics comparable to the healthcare business
- **Gaining access** to the attractive, but underpenetrated **mass retail channel**
- **Consolidating the VARTA trademark rights** under the roof of VARTA AG
- **Superior free cash flow generation** due to modest capital requirements
- **Highly accretive acquisition**, with attractive cash returns of >20%

# Financial Highlights 1H 2019



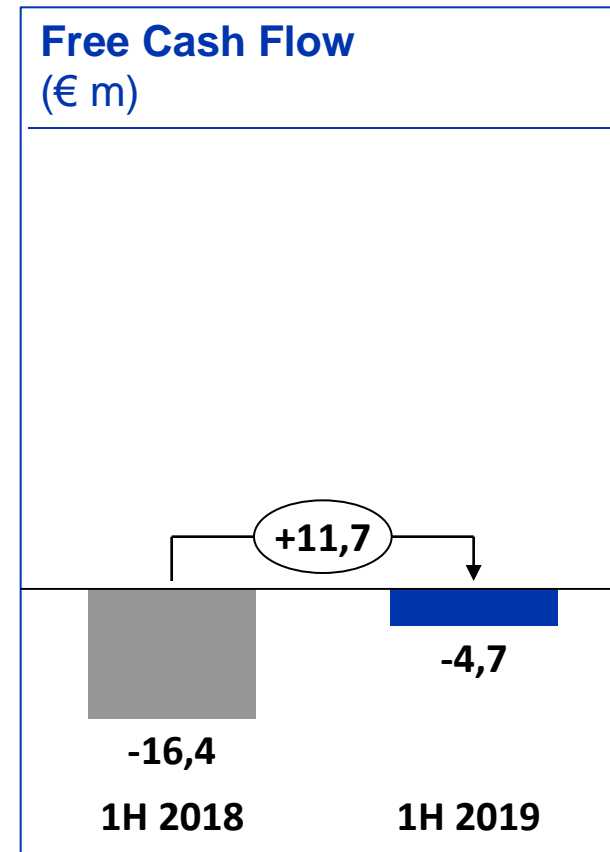
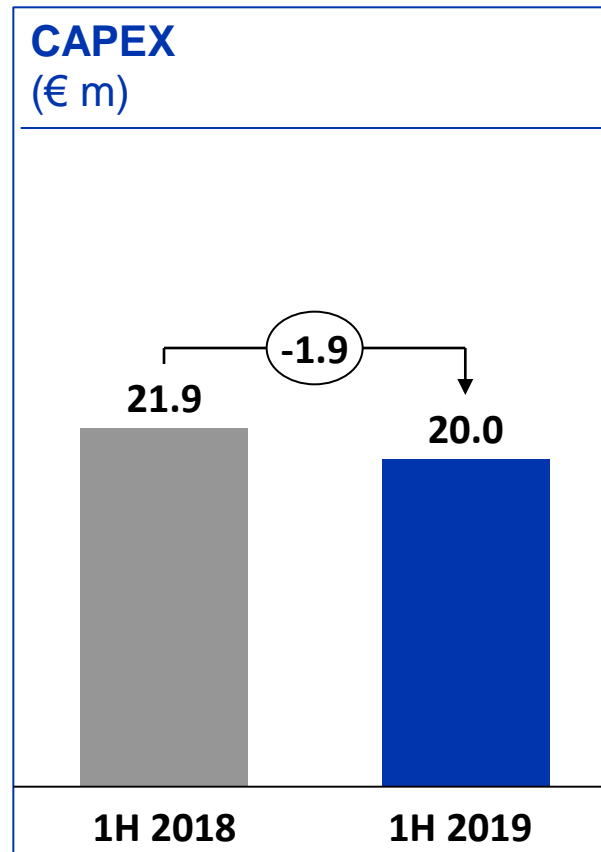
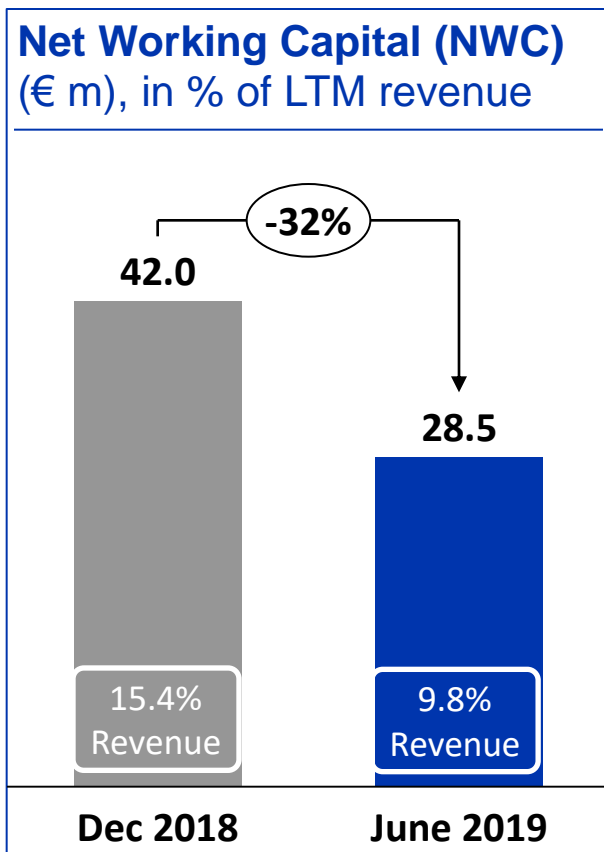
- **Delivered very strong 2Q and 1H results – further accelerating the high pace of revenue and earnings growth:**  
2Q: Revenue +21%... Adj. EBITDA +74%... Adj. EBITDA margin at 25.4% (+7,7PP)  
1H: Revenue +16%... Adj. EBITDA +55%... Adj. EBITDA margin at 24.6% (+6,2PP)
- **Microbatteries with exceptionally strong 2Q and 1H results:**  
2Q: Revenue +25%... Adj. EBITDA +71%... Adj. EBITDA margin at 29.5% (+7,9PP)  
1H: Revenue +19%... Adj. EBITDA +53%... Adj. EBITDA margin at 28.3% (+6,3PP)
- **Power & Energy continues to trend in line with expectations –**  
Revenue +4% (Q2: +7%) – Adj. EBITDA at 6.1%, in line with the mid-term target
- **CAPEX** were at 20.0 Mio. EUR, continuing to **massively expand the production capacity** in **lithium-ion-batteries** – **executing** the investment program **flawlessly**
- Successfully concluded a **capital increase** with **gross proceeds of ~€104m** to finance the expansion of production capacities for lithium-ion batteries to >100m cells p.a. by 2021

# Financial Performance 1H 2019



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

# Financial Performance 1H 2019 (continued)



# Microbatteries – 1H 2019 Highlights



(€ m)	1H 2018	1H 2019	YoY Change
Revenue	106.1*	126.2	+18.9%
Adjusted EBITDA	23.3*	35.7	+53.2%
Adjusted EBITDA Margin	22.0%	28.3%	+6.3PP

## Highlights:

- Microbatteries recorded very strong Q2 and H1 results – the strongest revenue and adj. EBITDA in a quarter ever
- The *Entertainment* business is growing significantly faster than the market, which is growing more than 30% per year, with VARTA benefiting the most from the shift to coin-shaped cells
- *Healthcare* is growing faster than the market, gaining market share in primary batteries and benefiting from the trend to rechargeable hearing aids
- Adj. EBITDA margin at 28.3%, an improvement of 6.3 PP – key drivers: operating leverage, economies of scale and a favorable margin mix effect from Entertainment



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

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



# Power & Energy – 1H 2019 Highlights



(€ m)	1H 2018	1H 2019	YoY Change
Revenue	24.1*	25.0	+3.6%
Adjusted EBITDA	1.4*	1.5	+12,4%
Adjusted EBITDA Margin	5.6%	6.1%	+0.5PP

## Highlights:

- Power & Energy continues to trend in line with expectations
- Q2 revenue increased by 13% sequentially vs. Q1, and was up 6,5% Y/Y in 2Q – 2H expected to be stronger than 1H
- *Energy storage solutions* keeping up the solid growth momentum, particularly in residential storage
- Project-driven *battery pack* business with a softer 1H – revenue in 2H stronger than in 1H due to the ramp-up of new customer projects, with backlog already in place to deliver it
- Delivered a positive Adj. EBITDA margin of 6.1%, in line with the mid-term margin target of 6-8% of revenue



*Wall mounted energy storage system for private households*

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

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



## VARTA AG Group

- **Revenue:** ~ €320 to 330m (previously: ~€310-315m), up ~18-21% YoY\*
- **Adjusted EBITDA:** ~€72-76m (previously: ~€64-67m), up ~43-51% YoY\*
- **CAPEX:** ~€75-90m (previously: ~65-75m) – continuing to expand the production capacity in lithium-ion batteries (CoinPower) to 80m cells p.a. by 2020 and to more than 100m cells p.a. by end of 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 1H results, further improving the profitability:**
  - **Microbatteries with exceptionally strong 1H results**  
*Entertainment* is booming and is growing significantly faster than the market –  
*Healthcare* is growing faster than the market
  - **Power & Energy continues to trend in line with expectations**
  - **Further expansion of production capacities for lithium-ion batteries to more than 100 m cells p.a. by end of 2020**
  - **Raising again the revenue and Adj. EBITDA guidance for FY19:**  
Revenue: ~€320 to 330m (previously: €310 to 315m), up ~18-21% YoY\*  
Adjusted EBITDA: ~€72-76m (previously: 64-67m) , up ~43-51% YoY\*
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\* 2019 guidance assumes constant FX and organic growth

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## Financial Calendar

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29.10.2019      Interim statement Q3 2019

# VARTA AG – SELECTED GROUP KEY FIGURES



(in EUR million)	H1 2019	H1 2018
Sales Revenue	151.5	130.8*
EBITDA	35.9	23.1*
Adjustments:		
Cost of share-based payment	1.4	1.0
Adjusted EBITDA	37.2	24.1*
Adjusted EBITDA Margin (%)	24.6%	18.4%
Consolidated result	19.5	13.1*
Investments (Capex)	20.0	21.9
Free Cash Flow	-4.8	-16.4
Equity ratio (%)	66.3%	64.6%**
Balance sheet total	576.3	401.7**
Staff (as of June 30)	2,394	2,244

\* 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/-06/30/2019



(in EUR thousand)	2019	2018
<b>Sales revenue</b>	<b>151,517</b>	<b>130,791*</b>
Decrease/Increase in finished and unfinished goods	3,506	3,035
Own work capitalized	8,330	1,504
Other operating income	3,685	3,347
Cost of materials	-57,928	-50,998*
Personnel expenses	-52,520	-45,404
Other operating expenses	-20,740	-19,165
<b>EBITDA</b>	<b>35,850</b>	<b>23,110*</b>
Depreciation and amortization	-8,059	-5,077
<b>Operating earnings (EBIT)</b>	<b>27,791</b>	<b>18,033*</b>
Financial income	128	56
Financial expenses	-390	-207
Other financial income	40	511
Other financial expenses	-459	-405
<b>Financial result</b>	<b>-681</b>	<b>-45</b>
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	31
<b>Earnings before taxes</b>	<b>27,104</b>	<b>18,019*</b>
Income tax expenses	-7,633	-4,939*
<b>Consolidated result</b>	<b>19,471</b>	<b>13,080</b>
Appropriation of profit:		
Shareholders of VARTA AG	19,149	12,780*
Non-controlling interests	322	300

\* Changes to 2018 figures due to conversion to IFRS 15

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



(in EUR thousand)	June 30, 2019	Dec. 31, 2018
<b>ASSETS</b>		
Property, plant and equipment	171,756	112,803
Intangible assets	20,980	21,174
Long-term investments and other participations recognized in the balance sheet under the equity method	342	348
Other financial assets	597	359
Deferred tax assets	3,410	1,477
Other assets	17,661	15,670
<b>Non-current assets</b>	<b>214,746</b>	<b>151,831</b>
Inventories	67,090	56,699
Contract assets	1,054	2,370
Trade receivables	32,858	26,345
Tax refund claims	89	549
Other assets	17,111	14,161
Cash and cash equivalents	243,352	149,741
<b>Current assets</b>	<b>361,554</b>	<b>249,865</b>
<b>Total assets</b>	<b>576,300</b>	<b>401,696</b>

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



(in EUR thousand)	June 30, 2019	Dec. 31, 2018
<b>EQUITY AND LIABILITIES</b>		
Subscribed capital	40,422	38,200
Capital reserve	250,932	149,374
Revenue reserves	66,443	41,627
Profit/loss for the year	19,149	25,260
Other reserves	3,343	3,535
<b>Equity of the VARTA AG Group</b>	<b>380,289</b>	<b>257,996</b>
Non-controlling interests	1,750	1,426
<b>Equity</b>	<b>382,039</b>	<b>259,422</b>
Lease liabilities (IFRS 16)	18,710	0
Other financial liabilities	6,200	6,200
Provisions for employee benefits	27,243	23,639
Advance payments received	19,610	30,247
Other liabilities	110	93
Other provisions	551	243
<b>Non-current liabilities</b>	<b>72,424</b>	<b>60,422</b>
Tax liabilities	8,091	7,261
Lease liabilities (IFRS 16)	3,719	0
Other financial liabilities	2,797	2,720
Provisions for employee benefits	1,105	1,048
Contract liabilities	8,612	8,435
Trade payables and advance payments received	63,941	35,021
Other liabilities	13,726	11,018
Other provisions	5,590	4,304
Deferred liabilities	14,256	12,045
<b>Current liabilities</b>	<b>121,837</b>	<b>81,852</b>
<b>Liabilities</b>	<b>194,261</b>	<b>142,274</b>
<b>Equity and total liabilities</b>	<b>576,300</b>	<b>401,696</b>



# Cash flow statement for the period 01/01/-06/30/2019



(in EUR thousand)	2019/06	2018/06
<b>Cash and cash equivalents as at January 1</b>	<b>149,741</b>	<b>138,536</b>
Cash flow from ongoing business activities	22,652	6,918*
Cash flow from investment activities	-27,399	-23,298*
Cash flow from financing activities	98,275	125
<b>Net change in cash and cash equivalents</b>	<b>93,528</b>	<b>-16,255</b>
Effects of exchange rate fluctuations	83	156
<b>Cash and cash equivalents as at June 30</b>	<b>243,352</b>	<b>122,437</b>

- 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.

# VARTA AG

## 1H 2019 Earnings Presentation

August 6, 2019

