

# VARTA AG

FY 2021 Earnings Presentation

March 31<sup>th</sup>, 2022

# Disclaimer



This presentation contains certain financial measures (including forward - looking measures) that are not calculated in accordance with IFRS and are therefore considered "non- IFRS financial measures". The management of VARTA believes that these non- IFRS financial measures used by VARTA, when considered in conjunction with ( but not in lieu of) other measures that are computed in accordance with IFRS, enhance an understanding of VARTA' s results of operations, financial position or cash flows. A number of these non- IFRS financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of other companies with which VARTA competes. These non- IFRS financial measures should not be considered in isolation as a measure of VARTA' s profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income and the other income or cash flow data prepared in accordance with IFRS. In particular, there are material limitations associated with the use of non- IFRS financial measures, including the limitations inherent in determination of each of the relevant adjustments. The non- IFRS financial measures used by VARTA may differ from, and not be comparable to, similarly- titled measures used by other companies.

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.

# Executive Summary

## 2021 results: VARTA Group shows solid growth and increased EBITDA margin again

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- Revenue increased by 3.8% YoY to EUR 902.9mn
- Adj. EBITDA EUR 282.9mn (+17.4% YoY); adj. EBITDA margin at 31.3% (FY 2020: 27.7%)
- Dividend proposal: EUR 2.48

## Business outlook

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VARTA profits from its **technological leadership, innovative products** and **strong brand**



VARTA is **very well positioned** despite ongoing COVID-19 pandemic.



**However, impacts** from the **war in the Ukraine**, increased **prices for raw materials** and energy, **chip shortages** and **shutdowns** of our clients' production facilities **might impact our business.**



VARTA to start **next growth initiative. Large format cells** with huge growth potential.

# Contents

**A: Foundation**

B: Financial highlights FY2021

C: Outlook incl. guidance

# VARTA has a strong foundation that is proven by its exceptional track record



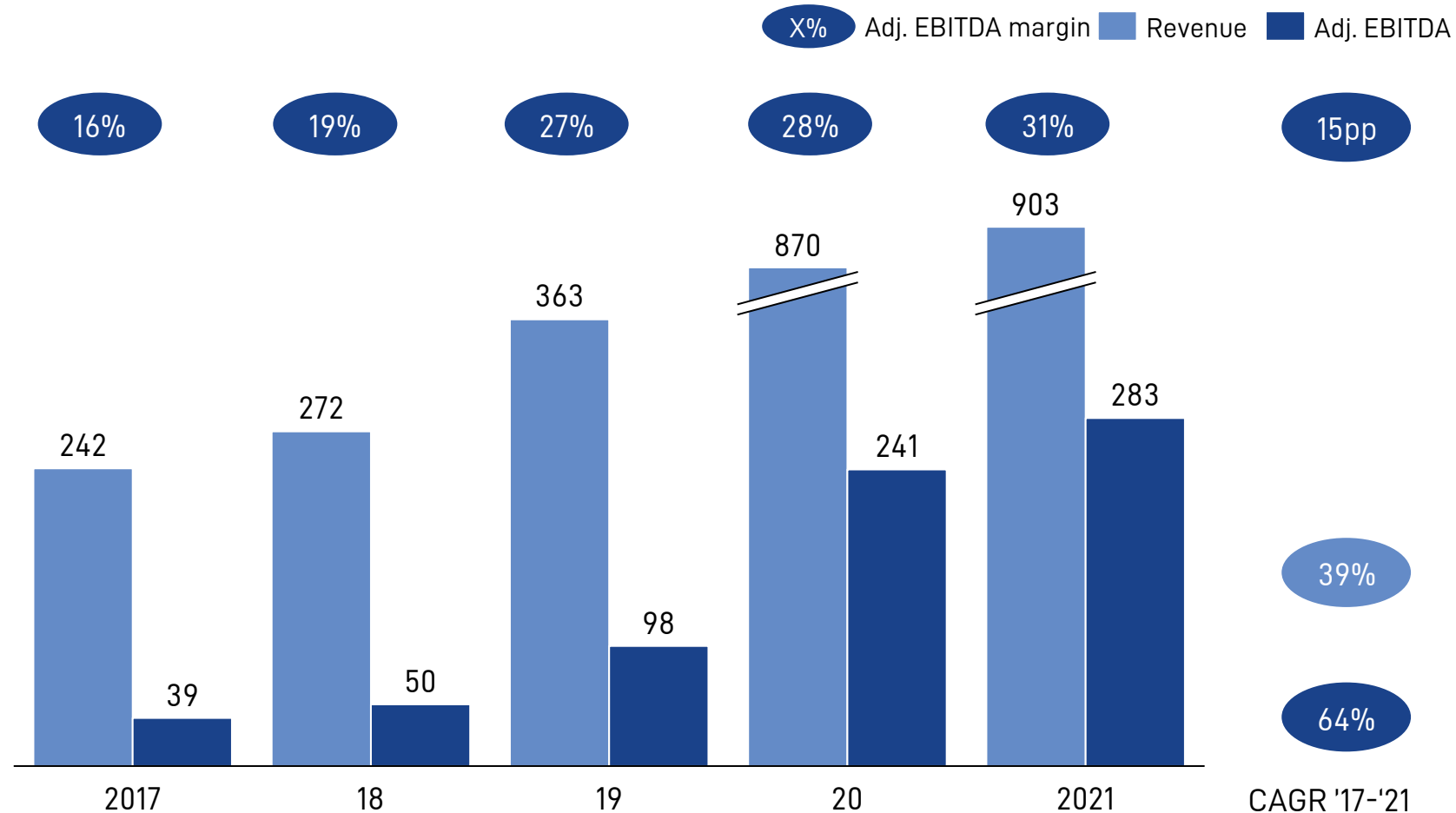
- 1 **Strong financial profile** with revenue growth of 39% p.a., ~31% EBITDA margin and ample cash flow
- 2 **Protected technology leadership** through innovation power and >450 patents/ utility models
- 3 **Global leading market position** in attractive markets (e.g., #1 in TWS with CoinPower)
- 4 **Well-balanced product portfolio** that combines growth, profitability, and stable cash flow
- 5 **Sustainability pioneer** that acts responsibly and empowers the clean energy transition



# 1: VARTA demonstrated strong growth in revenue and adj. EBITDA



## Historical key financial metrics of VARTA, '17-'21 in EUR mn



## Key takeaways

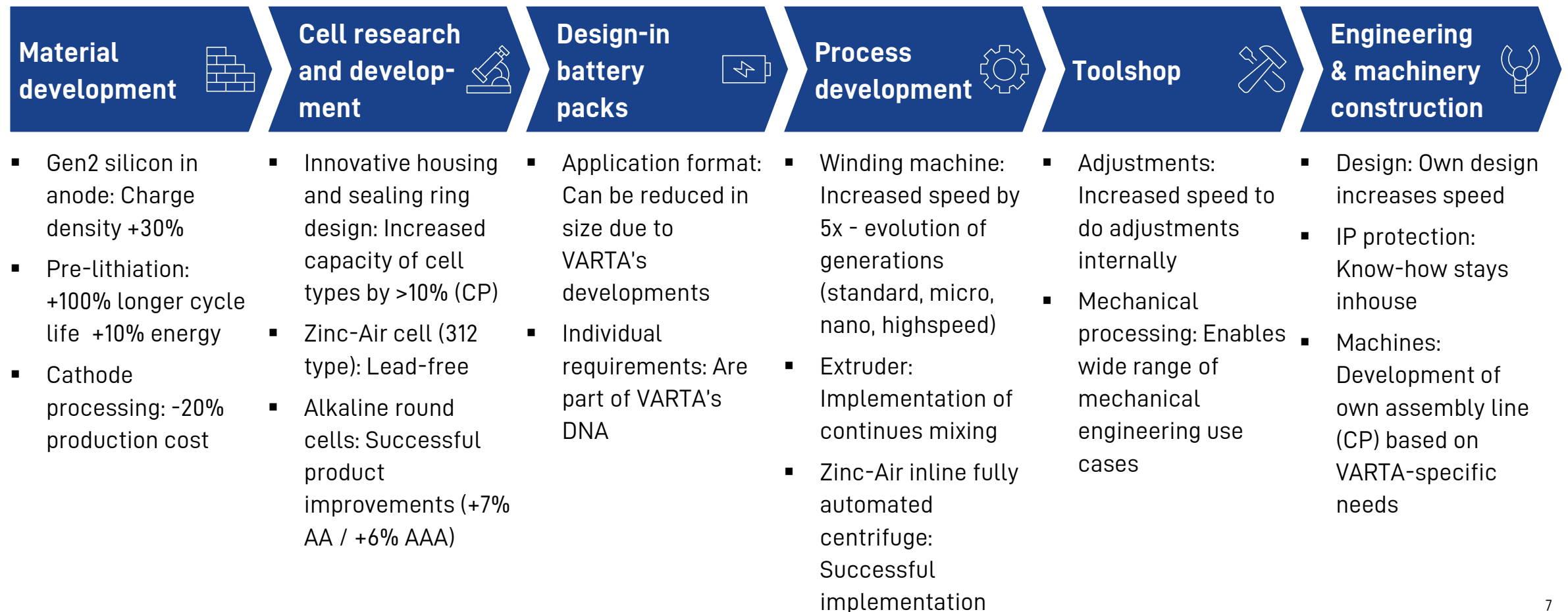
Since its IPO in 2017, VARTA's **revenue grew ~39% p.a.** until 2021 and **more than doubled** from 2019 to 2020

VARTA managed to **almost double its adj. EBITDA margin** within the **last four years** from initially ~16% (2017) to ~31% (2021)

VARTA managed to **steadily increase its cash flow** from business activities by **>50% p.a.** in the last four years which enables the **funding of expansion plans**

# 2: Technology leadership through constant innovation and strong vertical integration

## Value adding implications of VARTA's end-to-end vertical integration (selection)



# 2: VARTA is the market leader for Li-ion Design-In solutions



VARTA enables **attractive format designs** and **increased performance** while **maintaining the energy density**



## Customer example: TWS product evolution

TWS type	1. Generation	2. Generation	3. Generation
Battery	Non-VARTA pintype battery	VARTA coin cell	VARTA coin cell
Height	40.5 mm	30.9 mm	30.8 mm
Talk time with single charge	3 hrs	3.5 hrs	4 hrs

**Height reduction:** -25% (from 40.5 mm to 30.9 mm)

**Talk time increase:** +17% (from 3 hrs to 3.5 hrs)

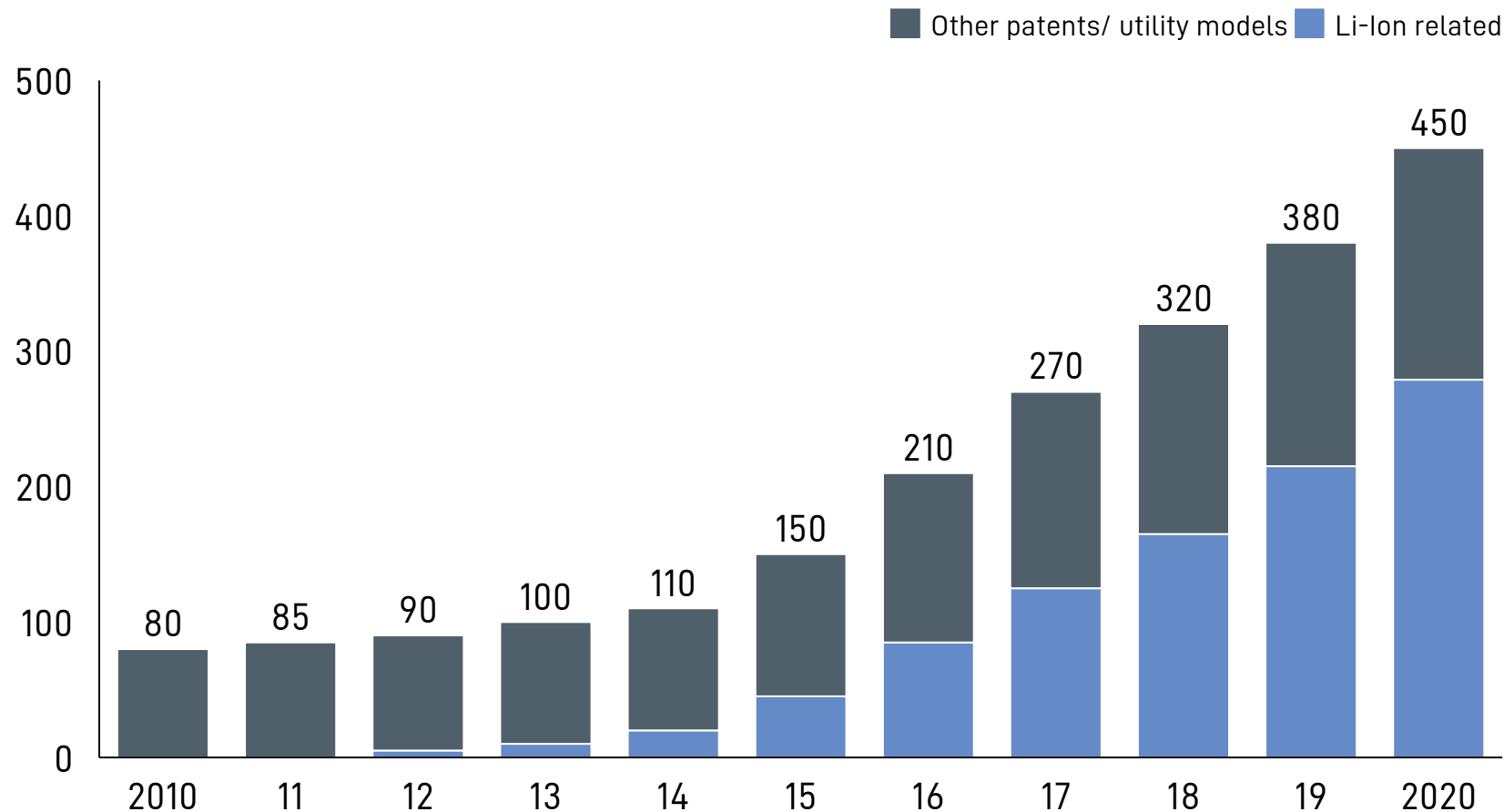
## Key takeaways

VARTA enables customers to **build better products** for end consumers. This is showcased by the evolution of a customer's TWS generations: **Through implementing VARTA's CoinPower** instead of a pintype battery, the customer was able to **both increase its battery performance** (~17% increase of talk time) while **decreasing the height** by ~25%



## 2: IP protection through ~450 patents<sup>1</sup> of which >1/2 Li-Ion related

### Approximate cumulative number of VARTA patents/ utility models granted



1. Incl. utility models

### Key takeaways

VARTA is able to **protect** its technology leadership through **>450 granted patents/ utility models** which is showcased by a recent won lawsuit

These patents/ utility models are **key enablers** for VARTA's **strong vertical integration** which ranges from material development to machinery construction

# 3: VARTA has leading market positions in attractive markets



## VARTA's market position in selected end markets

### #1

In Hearing Aids (Micro-batteries)



In TWS<sup>1</sup> (CoinPower)



In Consumer Batteries in Europe



### Top10

In Power Pack Solutions



In Energy Storage



## Key takeaways

VARTA serves a wide range of applications with its products and is the **market leader** in three substantial markets: **Hearing Aids** with its product **Microbatteries**, **True Wireless Stereo headphones** with its product **CoinPower** and **Consumer Batteries** in Europe

1. True wireless stereo ("TWS")

# 4: Product portfolio combines revenue growth, profitability, and stable cash flow



**Revenue 2021 (2020), EUR mn**

514 (508)

389 (361)



**Adj. EBITDA 2021 (2020), EUR mn**

217 (187)

66 (54)



**Adj. EBITDA margin 2021 (2020), %**

42% (37%)

17% (15%)



**USP**

Full range offering, premium product (high energy density, high reliability)<sup>1</sup>

High energy density, allows short-term customization, high charging currents

Flexible off-the-shelf solutions, automotive quality, design support

Good low temperature performance, fast charge capability and excellent charge efficiency

Long lasting and precise performance, best AAA performance, plastic free packaging

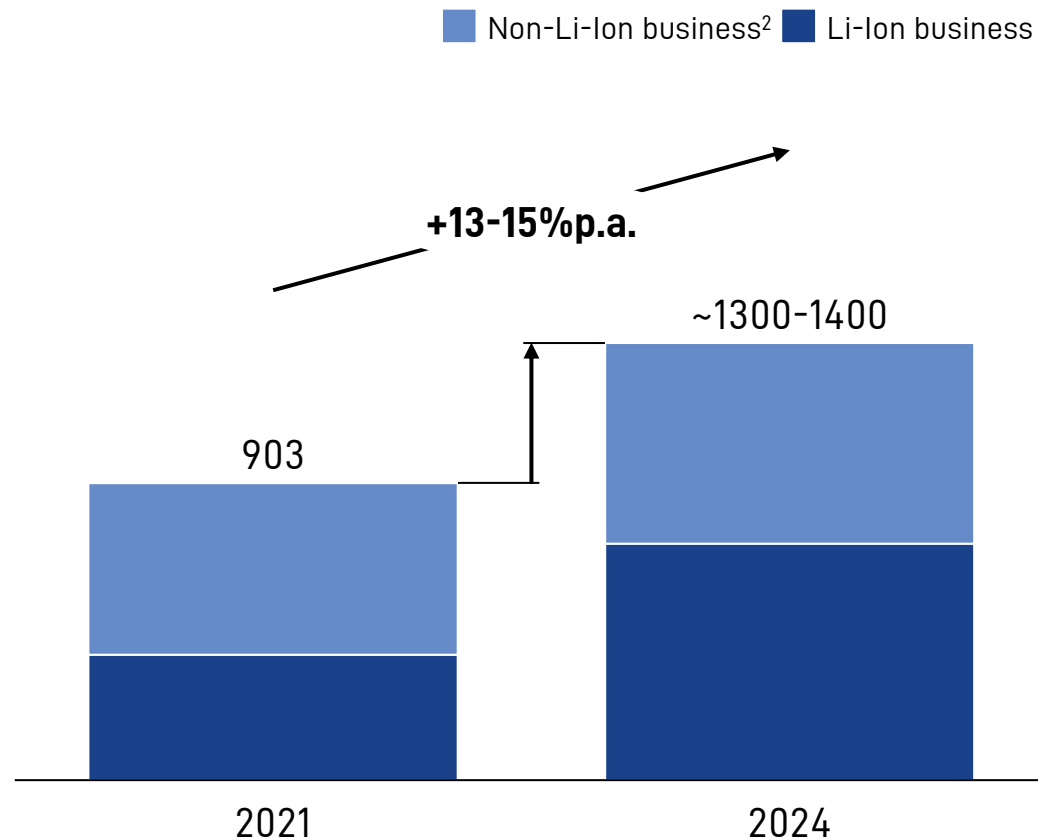
Package design, connectivity and operating system, expandability option

1. For primary and rechargeable battery

# Lithium-Ion business is expected to drive short- to mid-term growth

ROUNDED VALUES

## Proj. Revenue of VARTA, '21-'24 in EUR mn



Until 2024, VARTA expects **double-digit growth p.a.** for its **revenue**. In 2024, VARTA expects the following split of its business

- Li-Ion business  
~**55%**
- Non-Li-Ion business  
~**45%**

## Key takeaways

VARTA **continues** its **growth story** with double-digit revenue growth. The **Li-Ion business** remains its **main growth engine**: The **fast-growing** business unit **Energy storage** starts to contribute significantly and is expected to continue its growth path

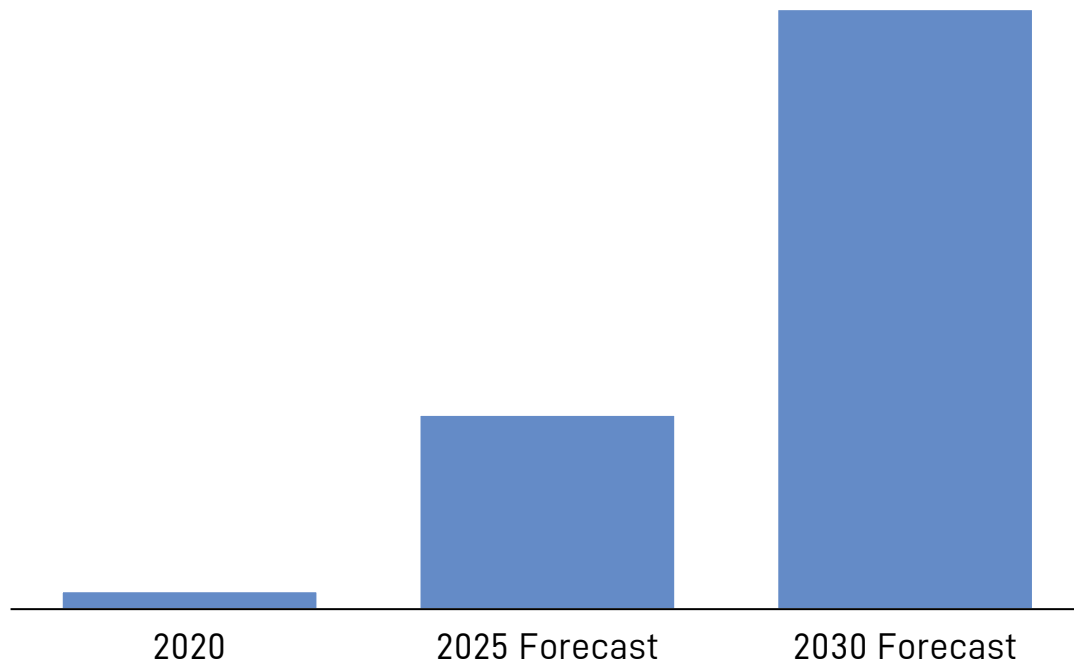
1. Includes BUs CoinPower, Solutions, ESS  
2. Includes BUs Microbatteries and Consumer Batteries

# VARTA continues to set itself up for success in e-mobility with V4Drive



## E-mobility has the biggest appetite for batteries ...





### Battery demand in GWh



Source: Statista, EIA, IEA, 2021

## ... and VARTA continues to set itself up for success to capture this market opportunity

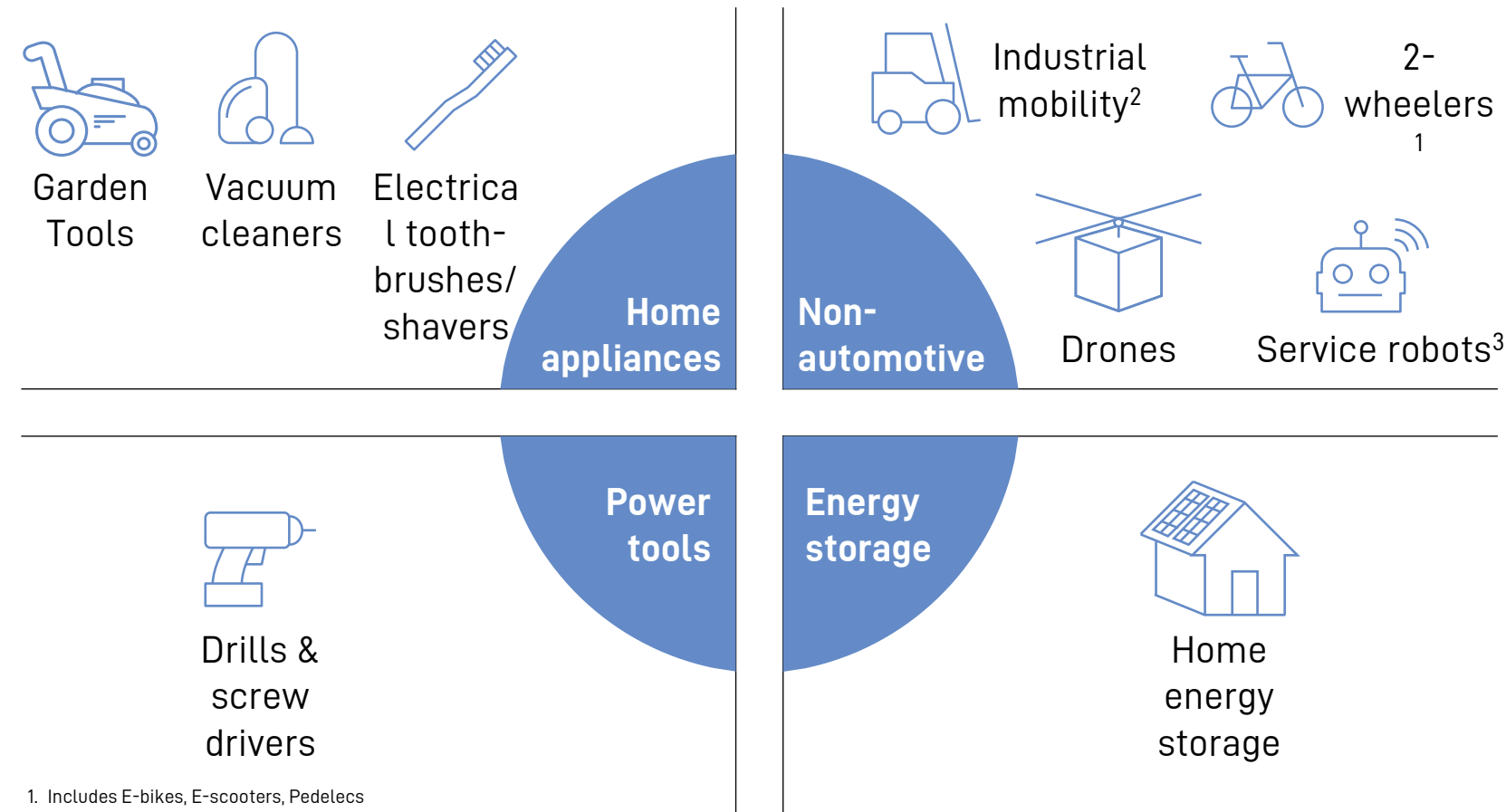
### Selected recent developments

-  **Successful ramp-up of pilot line for first OEM** with production of ~10k cells per weeks which are installed in cars and tested
-  **Well-advanced negotiations with other OEMs** in the performance sector of the premium segment
-  **Started development of larger form factors** for vehicle traction
-  **Utilization of existing system know-how** to serve e-mobility customers more holistically in the future

# VARTA expects to tap into new markets beyond automotive with large Li-Ion cell

Illustrative

## New markets for large Li-Ion round cells



1. Includes E-bikes, E-scooters, Pedelecs

2. Includes battery powered forklifts, cranes, other industrial mobility

3. Includes professional and consumer service robots

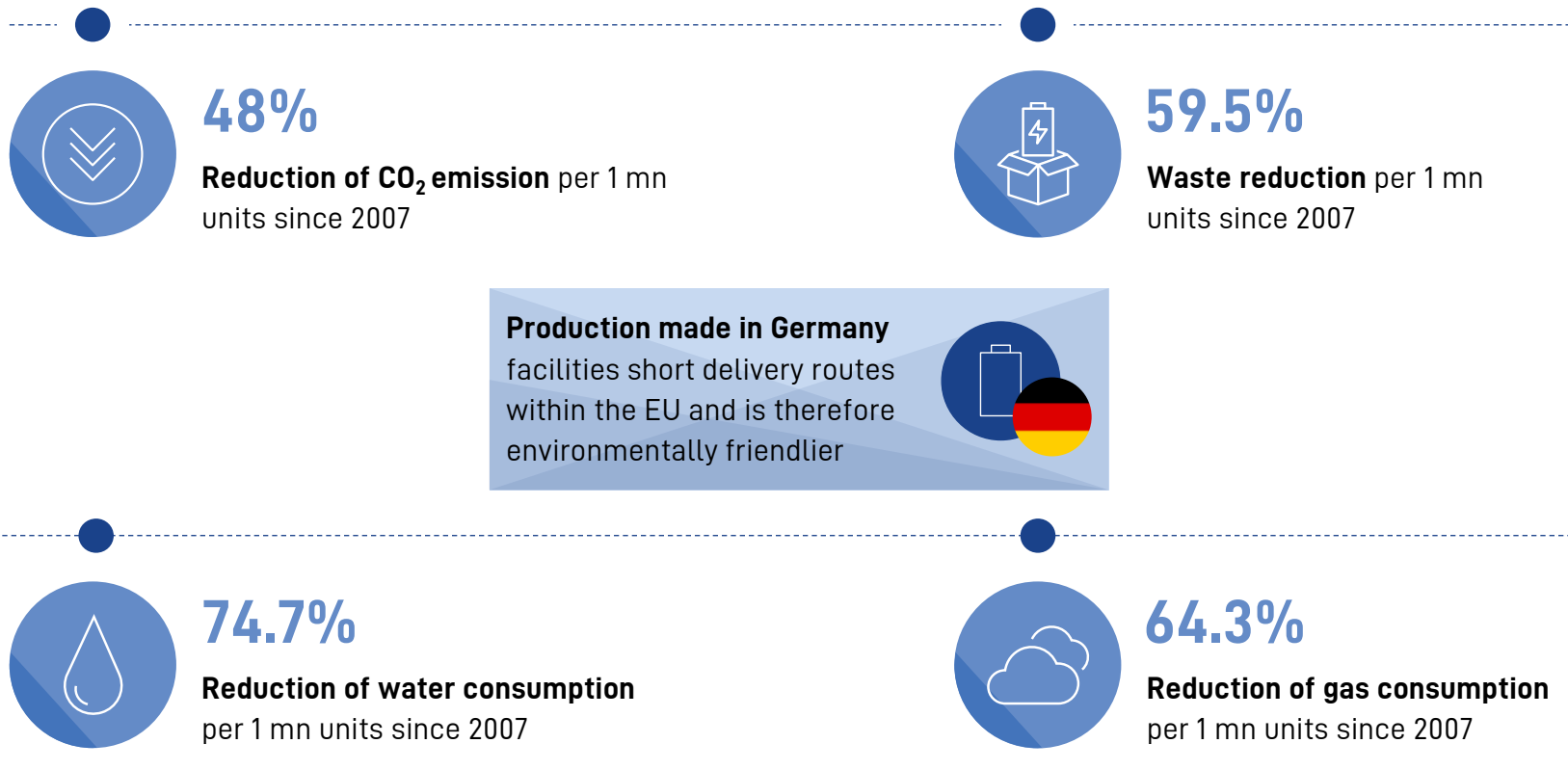
## Key takeaways

New markets for the large Li-Ion round cell can be categorized in **four segments**:

- **Home appliances** such as garden tools, vacuum cleaners and electrical shavers/ toothbrushes
- **Non-automotive** such as industrial mobility and service robots
- **Power tools** such as drills and screw drivers
- **Energy** such as home energy storage

# 5: Sustainability pioneer that acts responsibly

## Selected highlights of VARTA's sustainability efforts



## Examples on how VARTA products empower the clean energy transition

VARTA products contribute significantly to the clean energy transition (selection):

- With the **VARTA energy storage system**, homeowners can **store energy** and reduce consumption of conventionally generated electricity
- Launch of **rechargeable** instead of single use batteries in BUs such as **Microbatteries reduce waste**

Roadmap: **First carbon neutral cell production in '22/'23** and carbon neutral production in GER in '27

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# Summary FY2021: VARTA with solid growth and margin improvement across segments



## Financial highlights FY2021

### VARTA Group

#### Solid revenue growth and significant margin improvement

- Group revenue EUR 902.9mn (+3.8% YoY)
- Adj. EBITDA<sup>1</sup> EUR 282.9mn (+17.4% YoY)
- Adj. EBITDA<sup>1</sup> margin at 31.3% (FY 2020: 27.7%)
- Production- and efficiency gains overcompensated the price increase in raw material and energy cost
- Challenges for our customer such as temporarily shutdown of Asian production facilities and shortage of chipsets as well as delayed customer projects negatively impacted our growth

#### Multiple options to finance future investments

- Equity ratio stands at 42.6%
- Low net debt to EBITDA ratio (<1x) allows further financial headroom

### Lithium-Ion Solutions & Microbatteries

#### Stable revenue growth and strong margin improvement

- Revenue EUR 514.4mn (+1.2% YoY)
- Adj. EBITDA EUR 216.5mn (+15.8% YoY)
- Adj. EBITDA margin at 42.1% (FY 2020: 36.8%)
- Moderate CoinPower segment growth due to delayed start of product launches in TWS
- Ongoing shift to rechargeable hearing aid cells with double digit %-growth supports VARTA with its strong market position in primary and rechargeable batteries

### Household Batteries

#### Strong revenue growth and margin improvement

- Revenue EUR 388.6mn (+7.6% YoY)
- Adj. EBITDA EUR 66.4mn (+22.8% YoY)
- Adj. EBITDA margin at 17.1% (FY 2020: 15.0%)
- VARTA Consumer Batteries with strong growth and focus on branded business (reduction of white label business) drives profitability
- Market demand for Energy Storage Systems remains strong and dynamic

1. Including adj. items from shared-based payments, expenses from M&A transactions, restructuring and integration costs and inventory step-up from purchase price allocation (PPA)

2. Negative effects on the VARTA AG Group cannot be ruled out. For details see outlook in this presentation and in the annual report 2021

# VARTA with solid growth and significant margin improvement



## Key developments VARTA group

**VARTA Group – with moderate revenue but strong earnings development.**

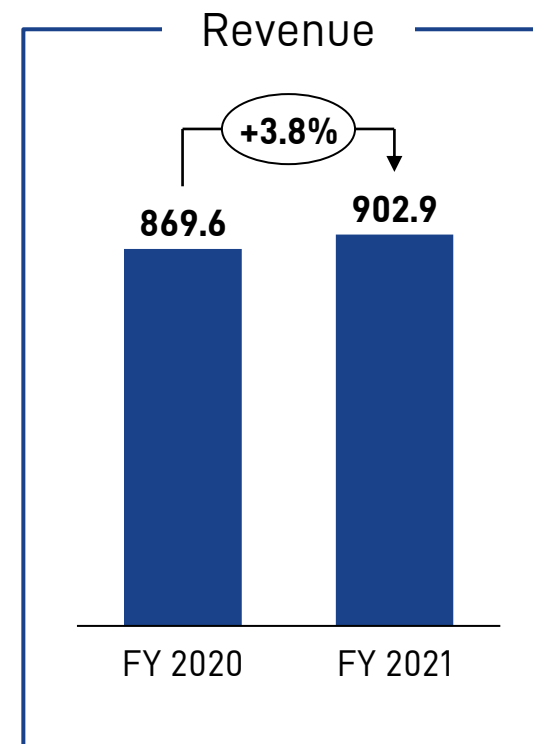
Delayed start of customer projects, challenges for our customer such as temporarily shutdown of Asian production facilities and shortage of chipsets negatively impacted our growth.

Production- and efficiency gains overcompensated the price increase in raw material and energy cost.

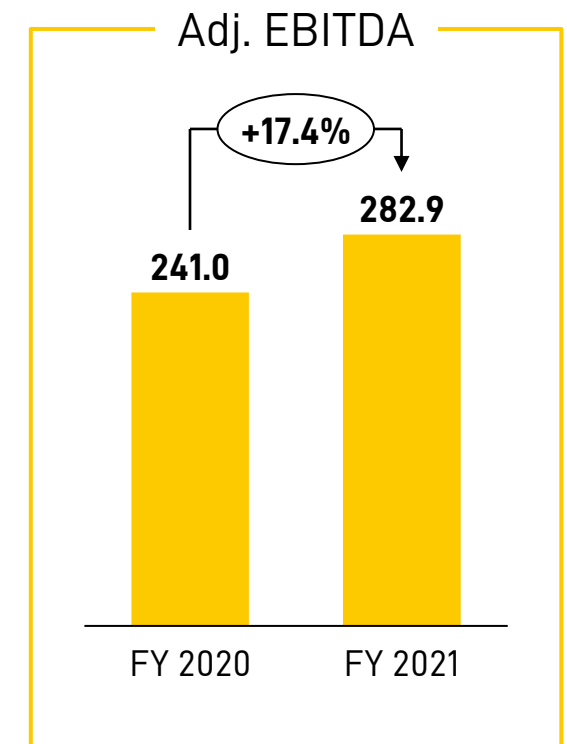
**Lithium-Ion-Solutions & Microbatteries** – Delays in starting new TWS customer projects impacted the performance.  
Power Pack business with ongoing strong performance.

**Household Batteries** – Segment profits form strong brand and the shift to VARTA-labeled consumer battery business. Energy Storage business again with strong growth.

## Revenue, in mEUR



## Adj. EBITDA, in mEUR



# Lithium-Ion-Solutions & Microbatteries with strong margin improvement

## Key developments Lithium-Ion Solutions & Microbatteries

### Lithium-Ion CoinPower

As expected, moderate growth development. True Wireless Stereo Headsets (TWS) customers with delayed start of production.

### Microbatteries

Moderate development in Healthcare. Ongoing shift to rechargeable hearing aid cells with double digit %-growth supports VARTA with its strong market position in primary and rechargeable batteries.

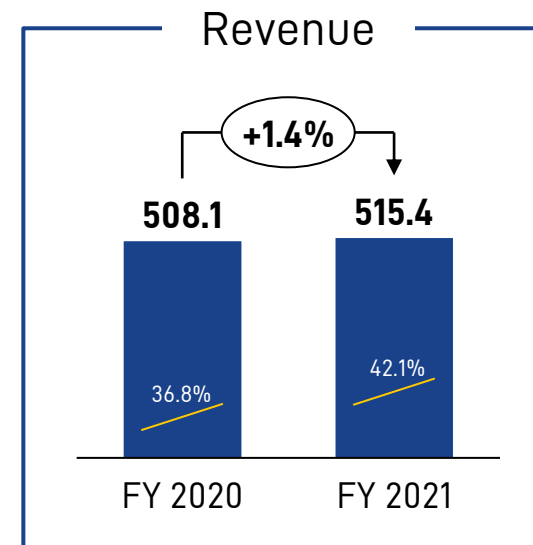
### Lithium-Ion Battery Pack

High growth has continued in this business with smart, modular battery packs. Trend to cordless products is a key driver.

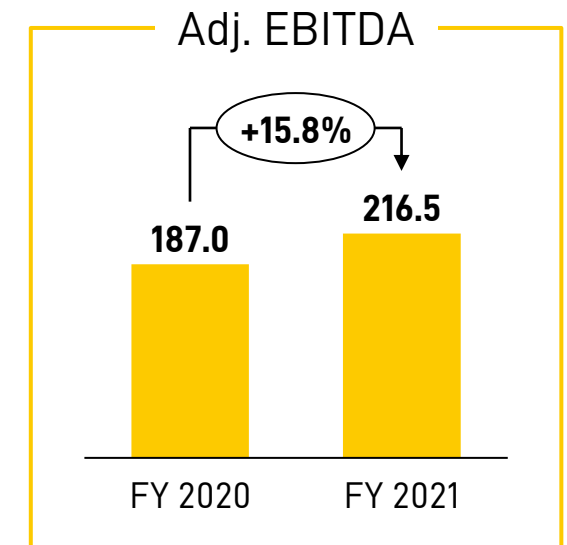
### Adj. EBITDA

Very strong profitability development with another margin improvement to 42.1% (+5.3PP).

### Revenue, in mEUR



### Adj. EBITDA, in mEUR



Lithium-Ion Cells:  
Main power for portable and cordless devices.



Hearing aid batteries with an even higher energy density are the result of consistent research and ongoing development.



Development of complete battery systems including housing and electronics

# Household Batteries with strong revenue growth and margin improvement



## Key developments Household Batteries

### Consumer Batteries

VARTA Consumer Batteries with strong growth. Focus on branded business (reduction of the white label business) is main growth and profitability driver.

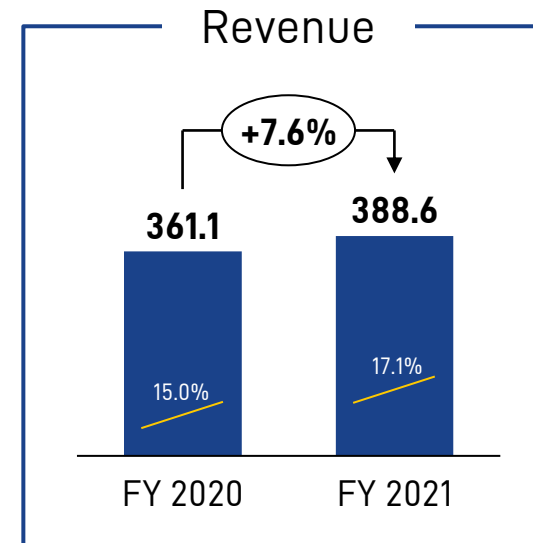
### Energy Storage Systems

Strong development in Energy Storage Systems. Market demand remains high. Increased profitability and significant revenue growth.

### Adj. EBITDA

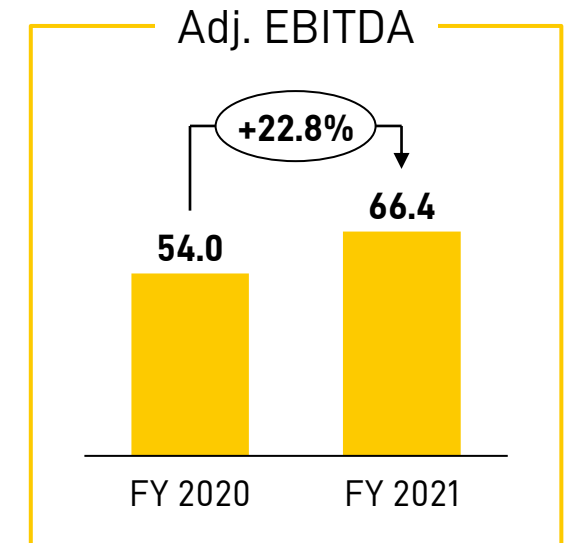
Excellent adjusted EBITDA development, drivers are the focus on branded business and the dynamic energy storage business.

## Revenue, in mEUR



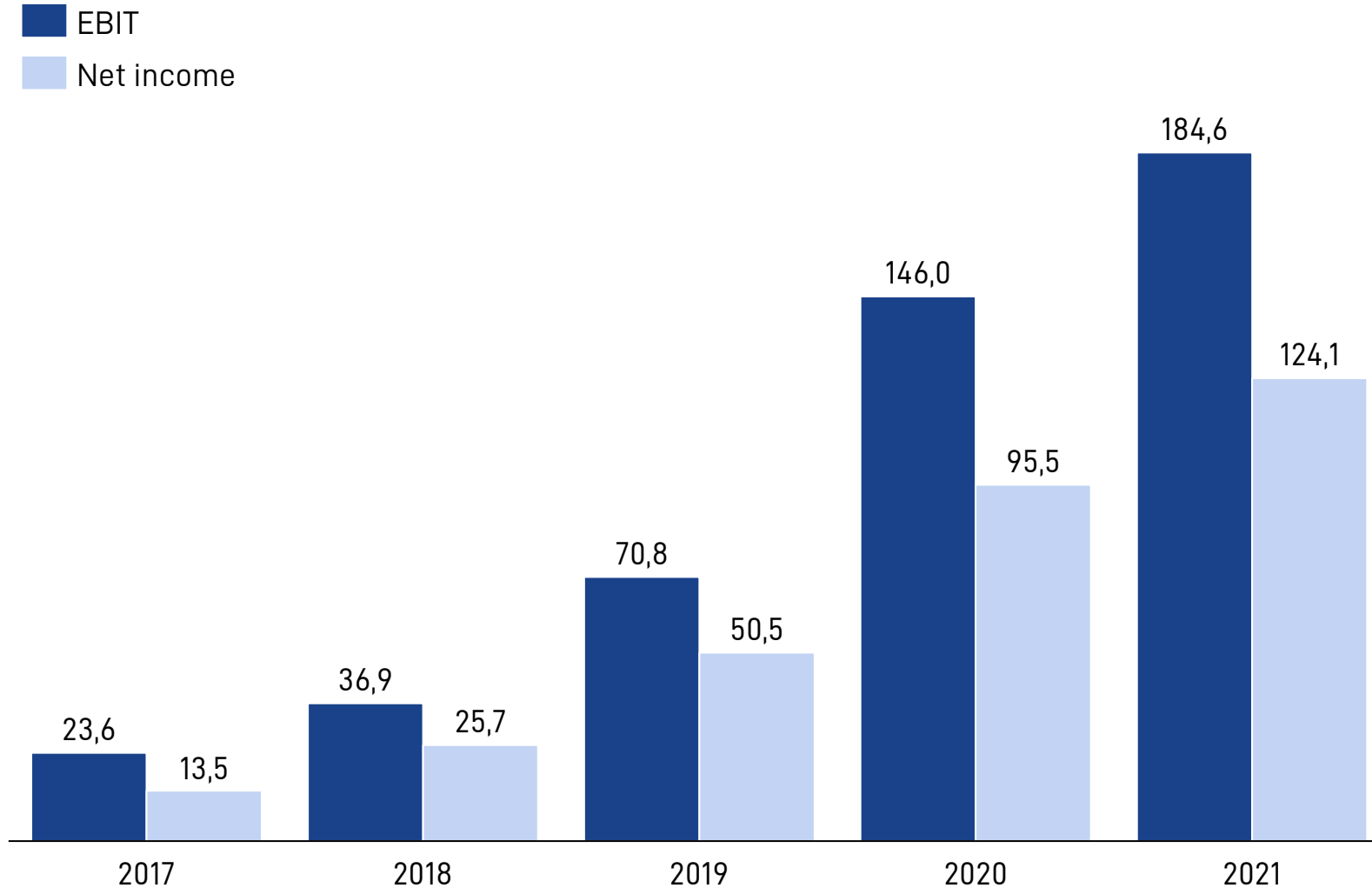
The power of freedom:  
From radio to toys to blood pressure monitor – we provide you the optimal power.

## Adj. EBITDA, in mEUR



Future-proof and flexible:  
The storage capacity can be expanded at any time, even after installation.

# Strong earnings development since IPO



## Key takeaways

Since its IPO in 2017, VARTA could almost double **EBIT and Net Income** every year

**Net income** followed the same dynamic

High Net Income secures **Dividend Payment** at last year's level: 2.48 EUR per share

# Low net debt offers additional financial headroom

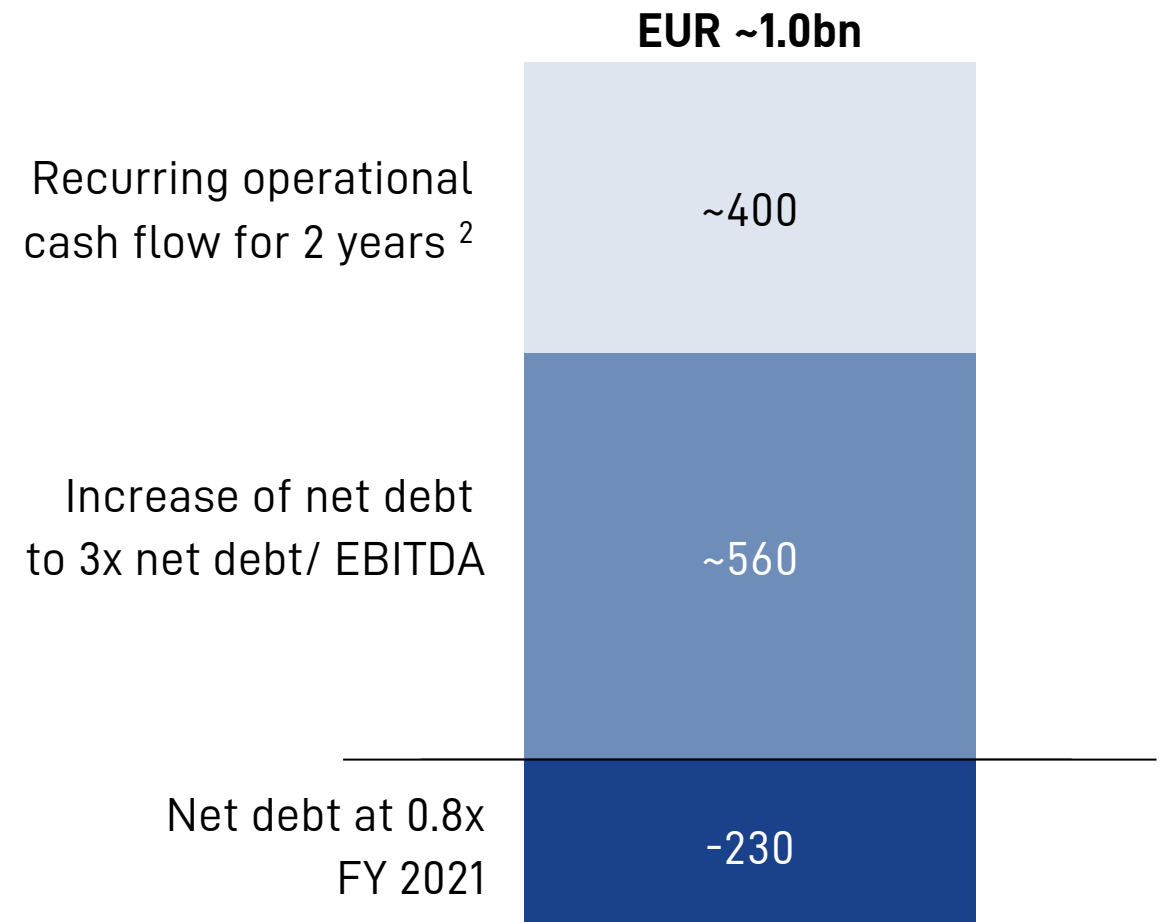
## VARTA with solid finance structure

- Strong balance sheet, equity ratio stands at 42.6%
- Net debt/ EBITDA below 1 gives financial headroom (As of FY 2021: 0.8x<sup>1</sup>)
- Increase leverage from 0.8x to 3x net debt/ EBITDA could provide additional ~ EUR 560mn debt potential
- Investments forecast for 2022: EUR 230-280mn for CoinPower (TWS) capacity expansion and investments in large Li-Ion round cell
- 2022 dividend payment needs EUR 100mn

1. Net debt: EUR 230mn/ EBITDA: EUR 280mn

2. Assumed recurring normalized cash-flow from operations

## Possible available funds next 2 years



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# VARTA expects revenues of EUR ~1bn for FY2022



## Business outlook

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- VARTA profits from its **technological leadership, innovative products** and **strong brand**
- VARTA is **very well positioned** despite ongoing COVID-19 pandemic.
- **However, impacts** from the **war in the Ukraine**, increased **prices for raw materials** and energy, **chip shortages** as well as temporary **shutdowns** of our clients' production facilities **cannot be evaluated** and **might negatively impact our business**
- VARTA to start **next growth initiative. Large format cells** with huge growth potential. Market evaluations and concrete **negotiations with OEM** are making **good progress**. VARTA is optimistic to start the next growth era soon. **First revenues** expected in **2024**

## Financials outlook (FY2022)

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- **Revenues FY2022** expected in the range between **EUR 950mn and EUR 1bn** (YoY increase of up to 10%)  
**Potential negative impact from the** Ukraine crisis, chip shortages, etc.
- **Adj. EBITDA FY2022** between **EUR 260mn** and **EUR 280mn**
- **Revenue Q1 FY2022** in the range between **EUR 180mn** and **EUR 190mn**
- **Adj. EBITDA Q1 FY2022** expected in the corridor of **EUR 34mn** to **EUR 39mn**
- VARTA will **continue to invest** in the **expansion** of its **production capacities** for **Lithium-Ion batteries** and **V4Drive, CAPEX FY2022** expected in the range of EUR 230mn to EUR 280mn



# Track-record of resilience to adverse market environments, however impact on 2022 unclear



## Proven resilience track-record to challenges in FY 2021 ...

- **No direct impact** of chip shortage for VARTA's input components
- **No direct impact** of Covid-19 crisis in terms of supply-chain disruptions or production bottlenecks
- **No shortages** of raw materials, higher prices could be nearly fully absorbed by efficiency gains and end-product price increase



## ... however, negative impact on FY2022 cannot be ruled out

- Although **direct impact** of Ukraine crisis is **negligible** (<1% of revenue generated in Russia, Ukraine and Belarus), **risks** include **decreased sales of VARTA's customers** and rippling effects from **uncertain macroeconomic outlook** (e.g., input prices)
- Further **risks** include customers who potentially **use chips for higher margin products**, supply chain difficulties and lockdowns
- **Covid** could cause temporarily production facilities shut down for our clients

# VARTA continues to profit from its technology leadership and strong brand



## Business outlook

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VARTA profits from its **technological leadership, innovative products** and **strong brand**



VARTA is **very well positioned** despite ongoing COVID-19 pandemic. **VARTA's ambition** for **FY2022** is to reach **EUR 950mn to EUR 1bn of revenue; dividend proposal: EUR 2.48**



**However, impacts** from the **war in the Ukraine**, increased **prices for raw materials** and energy, **chip shortages** as well as temporary **shutdowns** of our clients' production facilities **cannot be evaluated** and **might negatively impact our business**



VARTA to start **next growth initiative. Large format cells** with huge growth potential. Market evaluations and concrete **negotiations with OEM** are making **good progress**. VARTA is optimistic to start the next growth era soon. **First revenues** expected in **2024**

## Contact

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## Financial Calendar

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**31.03.2022** Annual financial statements FY 2021

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**12.05.2022** Interim report Q1 2022

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**21.06.2022** Annual general meeting

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**11.08.2022** Half-year report 2022

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**15.11.2022** Interim report Q3 2022

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