

VARTA AG

FY 2022 Earnings Presentation

2 May 2023

Speaking to you today



**Armin
Hessenberger**

CFO

until 30 April 2023



**Dr. Markus
Hackstein**

Speaker of
the Board



**Rainer
Hald**

CTO

Disclaimer



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Executive Summary



- ▼ **2022 was a challenging year for VARTA Group – due to high production costs, lockdown effects and partly weaker consumer demand**
 - Group revenues 806.9 mEUR (-10.6% YoY)
 - Adj. EBITDA* 69.5 mEUR (-75.3% YoY)
 - Adj. EBITDA* margin at 8.7% (FY 2021: 31.1%)
 - Group result -200.4 mEUR (FY 2021: 126.0)

- ▼ **We have taken decisive steps to turn around the business - and have already made significant progress**
 - March 2023: Agreement with our banks on a financing concept
 - March 2023: Successful capital increase of ~51 mEUR to enable return to growth path
 - April 2023: Announcement to adjust direct and indirect personnel by a total of 800 FTEs – in line with our Action Plan – to reduce cost base

- ▼ **We have all the ingredients for success**
 - We have the right products
 - We benefit from a very strong brand
 - We are strongly positioned in key growth areas

- ▼ **Expectations 2023**:** **We expect top-line performance to improve and bottom-line to be at least on FY2022 level**
 - FY 2023: Revenues expected between 820 mEUR and 870 mEUR, adj. EBITDA to be at least on prior year level
 - Initial assessment Q1-2023: Revenue in the range of 160 mEUR and 170 mEUR; adj. EBITDA expected in the corridor of -5 mEUR to 0 mEUR

*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)

**Negative effects on the VARTA AG Group cannot be ruled out. For details see Outlook in this presentation and in the Annual Report 2022

VARTA's new business segmentation



VARTA Group

Speaker of the Board – **Markus Hackstein** | CFO – **Armin Hessenberger** | CTO – **Rainer Hald**

Micro Batteries



Lithium-Ion CoinPower



Consumer Batteries

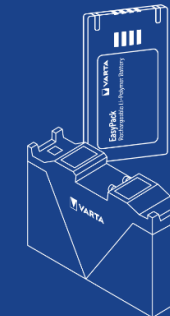


Energy Storage Systems



Others

Lithium-Ion Battery Packs



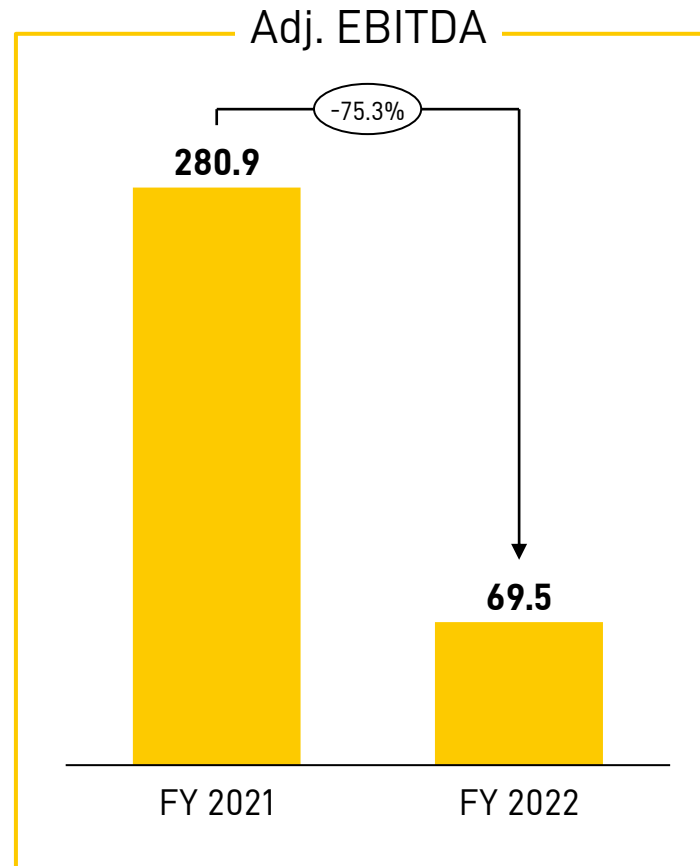
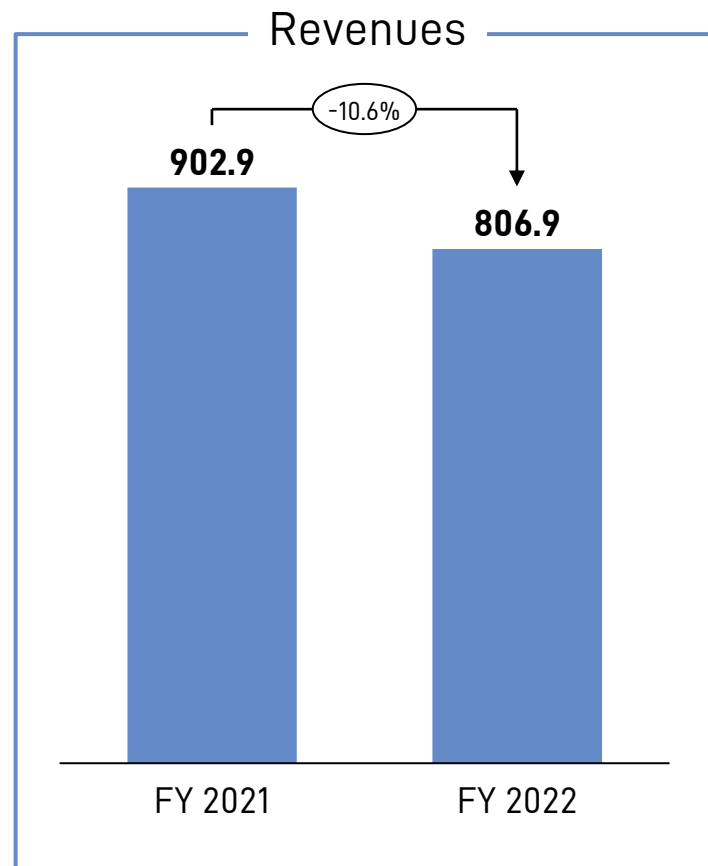
Lithium-Ion Large Cells



VARTA Group – Decline due to reduced volume, and high energy and raw material prices



Revenue and adj. EBITDA 2022, mEUR



Description

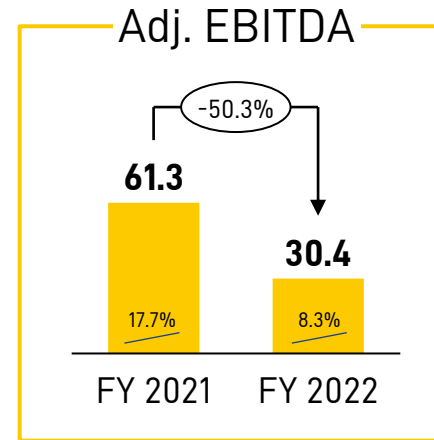
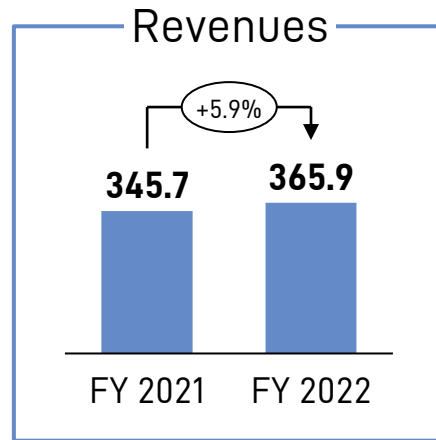
- ▼ Revenues down **10.6%** YoY to **806.9 mEUR**, within forecast range of 805 to 820 mEUR
- ▼ At segment level, **Micro Batteries** and **Li-Ion CoinPower** led to the decline, while revenues in **Consumer Batteries** and **Energy Storage Systems** grew
- ▼ **Sales in Asia** down **-40%** due to business with TWS and battery packs in premium household appliances. **Europe strong: +9%** (**Germany +17%**)
- ▼ **Adjusted EBITDA of 69.5 mEUR** above the upper end of forecast range (55 to 60 mEUR), supported by ~10mEUR of one-time effects
- ▼ **75.3% YoY decline of adj. EBITDA** also reflects **significant increase in energy and material costs** due to higher raw material prices and production mix effects

Revenue growth in Consumer Batteries & Energy Storage Systems

Revenue and adj. EBITDA 2022, mEUR

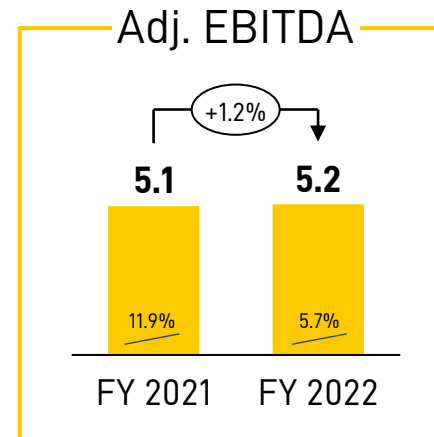
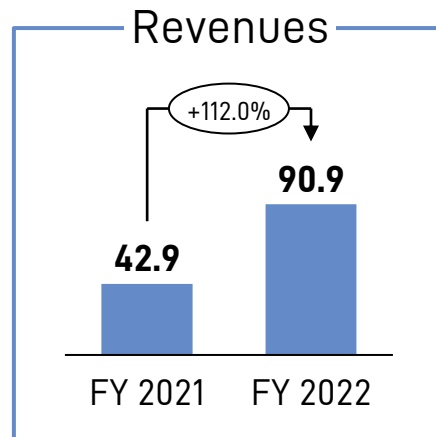
Consumer Batteries

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



Energy Storage Systems

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



Description

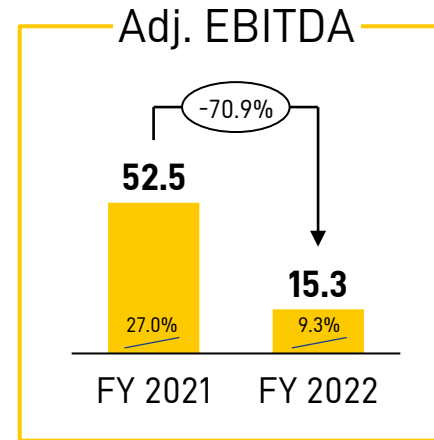
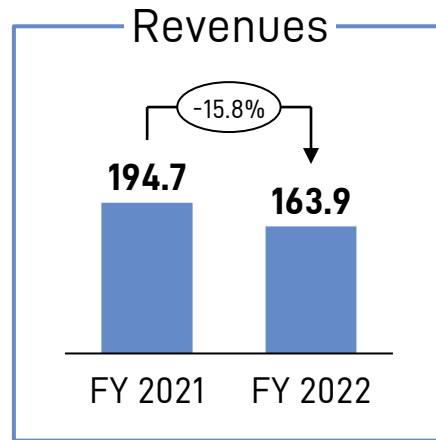
- ▼ **Consumer Batteries** with decent revenue growth, benefiting from resilient consumer demand and the particular strength of the branded business.
- ▼ **Cost increases for raw material and energy** could only be partially passed on to customers in 2022. VARTA expects to return to its 2020/21 margin levels in the medium term.
- ▼ Revenues in **Energy Storage Systems** more than doubled, driven by the structural shift towards home storage solutions.
- ▼ **Higher raw material prices** and the price impact of supply constraints prevented a significant increase in adj. EBITDA.

Revenue decline in Micro Batteries & Lithium-Ion CoinPower

Revenue and adj. EBITDA 2022, mEUR

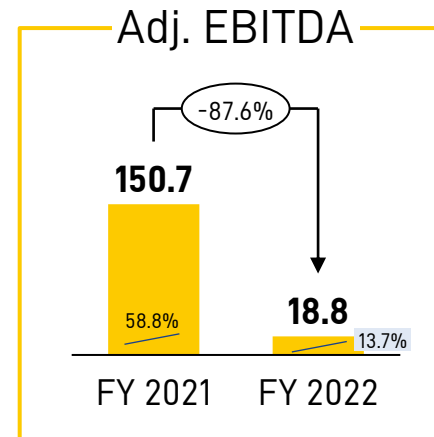
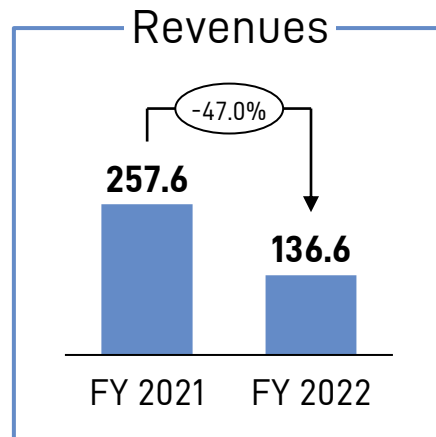
Micro Batteries

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



Lithium-Ion CoinPower

Lithium-Ion Cells: Main power for portable and cordless devices like true wireless headsets.



Description

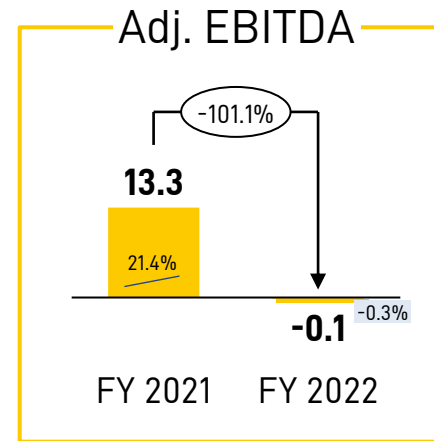
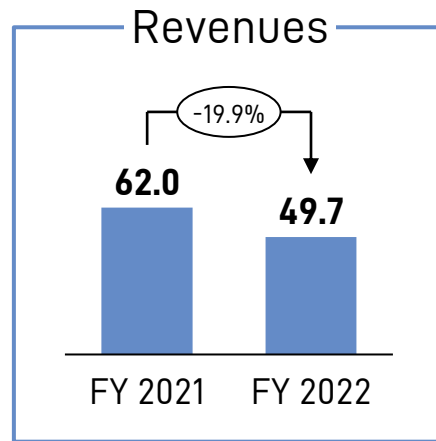
- ▼ **Micro Batteries** revenues were affected by the **weaker economic environment**, caused by external factors such as stock piling of customers during the pandemic.
- ▼ Adjusted EBITDA decreased due to **higher manufacturing costs**, in particular **energy and raw material prices**.
- ▼ The strong decline in demand for battery-powered True Wireless Stereo (TWS) headsets significantly impacted revenues in the **Lithium-Ion CoinPower** segment.
- ▼ The previous built-up of capacity has contributed to the **under-utilization** in the segment due to a decrease in customer demand.

Others (Large Li-Ion Cells & Li-Ion Battery Packs)

Revenue and adj. EBITDA 2022, mEUR

Others

Includes the businesses of "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive and RoundPower).
Potential special effects of the Group may fall into this segment.

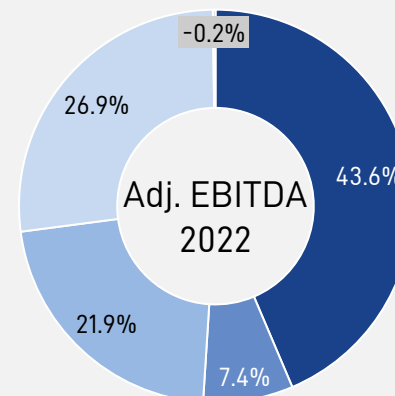
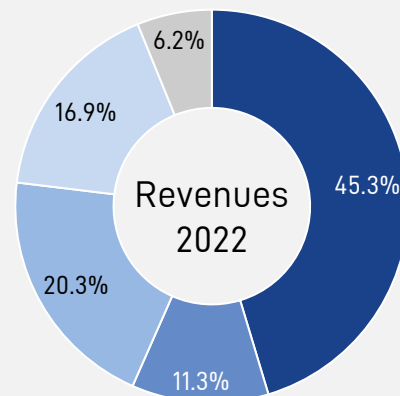


Description

- ▼ The new segment **Others** consists of the business divisions **Lithium-Ion Battery Packs** and **Lithium-Ion Large Cells** (V4Drive and RoundPower).
- ▼ **Negative market sentiment**, higher input costs and **low consumer spending**, especially for high-end household devices, led to a **decline in revenues and adj. EBITDA**.

VARTA Group

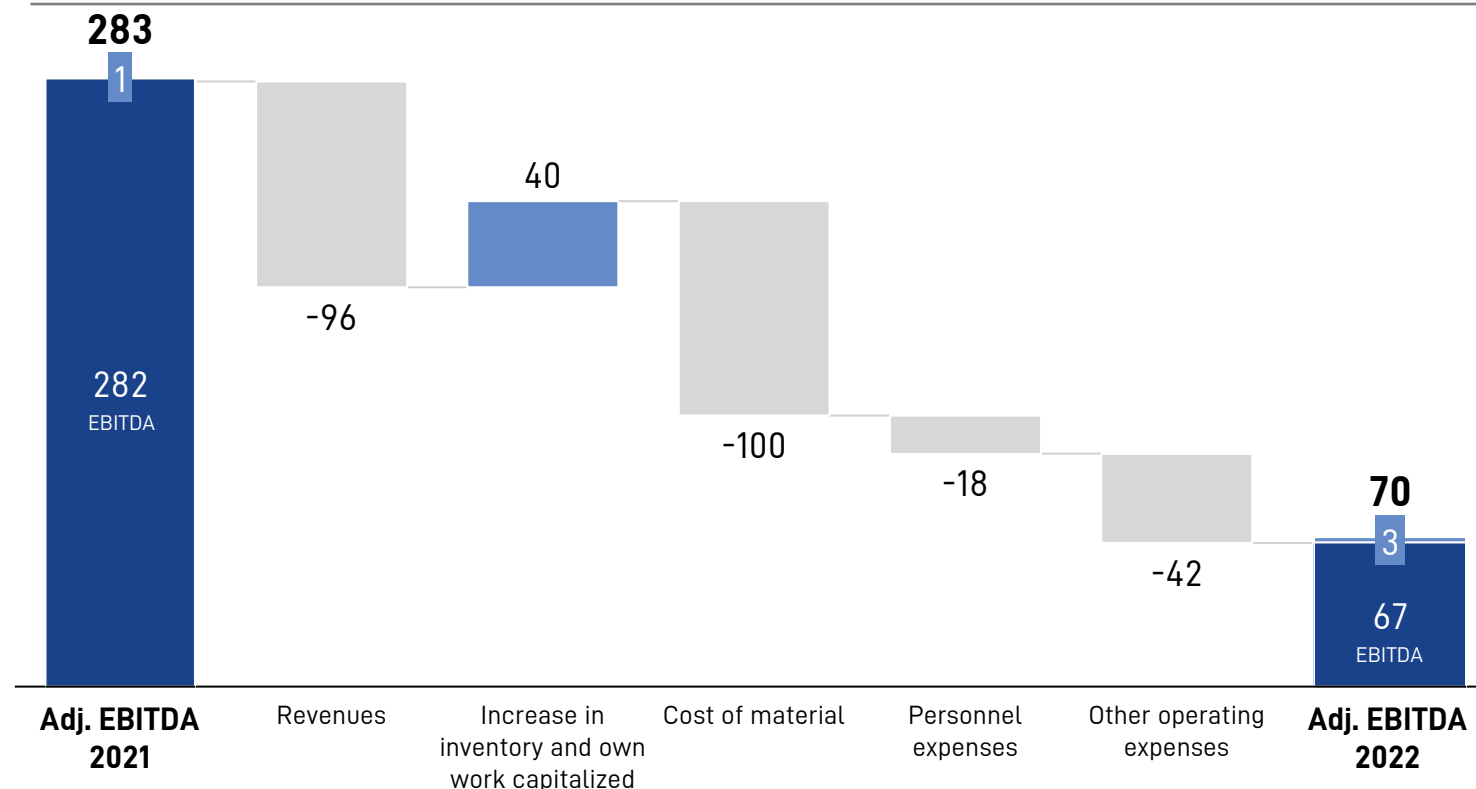
- Consumer Batteries
- Energy Storage Systems
- Micro Batteries
- CoinPower
- Others



- ▼ Over **45% of Group revenues** attributable to **Consumer Batteries**.
- ▼ **Energy Storage Systems** accounting for over **11% of total revenue** due to substantial growth in 2022.
- ▼ Over **50% of adj. EBITDA from Consumer Batteries** and **Energy Storage Systems**, while CoinPower and Micro Batteries account for the other half of adj. EBITDA.

Decline in profitability driven by lower revenues & higher cost base

EBITDA 2021 vs. 2022, mEUR



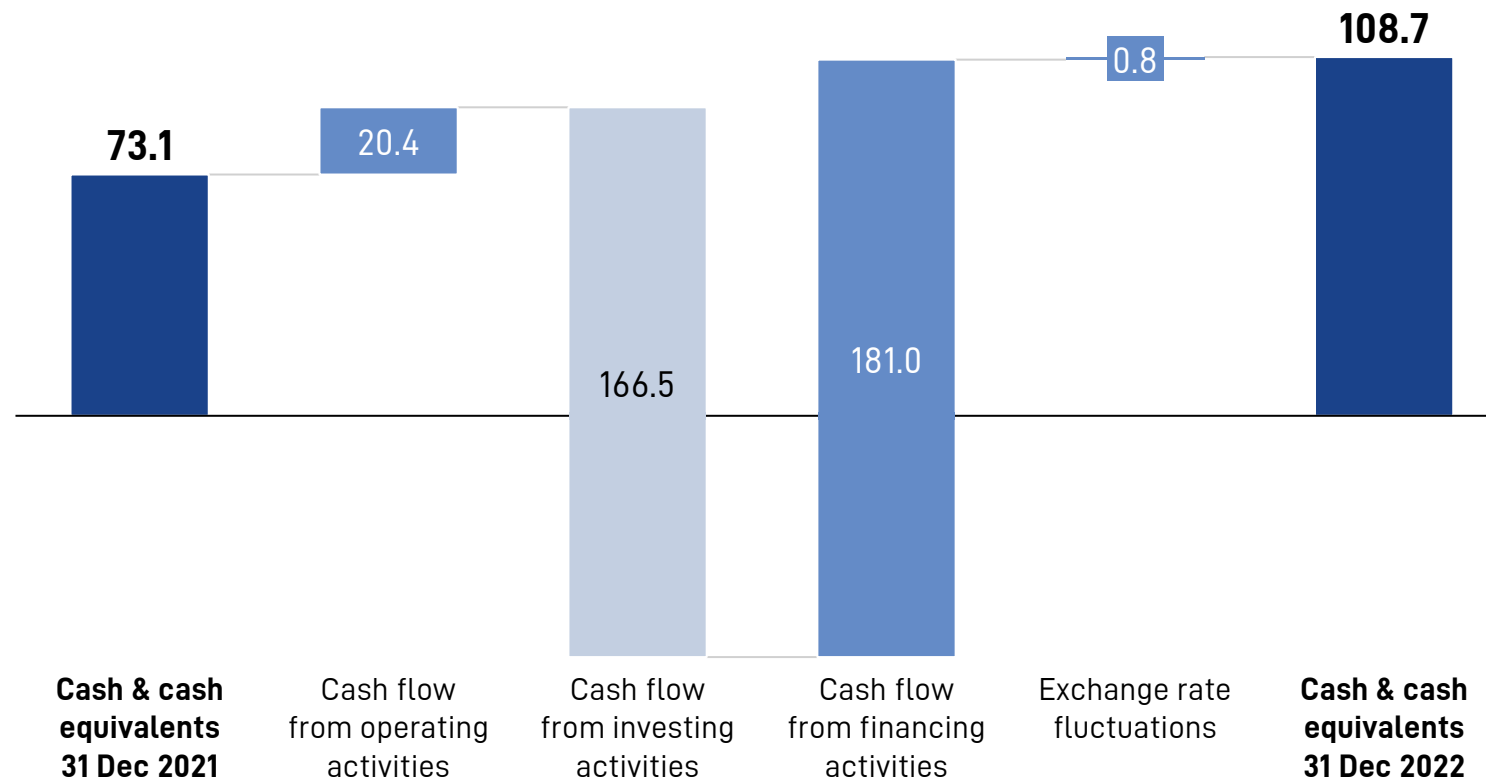
Description

- ▼ **Revenue reduction** of almost 100 mEUR in Micro Batteries, Lithium-Ion CoinPower and Others.
- ▼ **Own work capitalized** and **building of safety stock** of ~40 mEUR due to supply chain uncertainties.
- ▼ **Raw material price increase** of ~100 mEUR which negatively impacted the profitability of several business segments in particular Consumer Batteries, Energy Storage Systems and Micro Batteries.
- ▼ **Increase in personnel expenses** of ~18 mEUR. High personnel level maintained for expected strong second half of the year. Short-time work effective, as of December 2022, to account for reduced customer demand.
- ▼ **Other operating expenses**, such as energy costs, of over 40 mEUR that negatively impacted bottom-line.

*) Adjustment as special effects in 2022 for noncash expenses for share-based remuneration payments and expenses from M&A transactions

VARTA Group with a solid cash position by year end 2022

Development of cash position – VARTA Group, mEUR



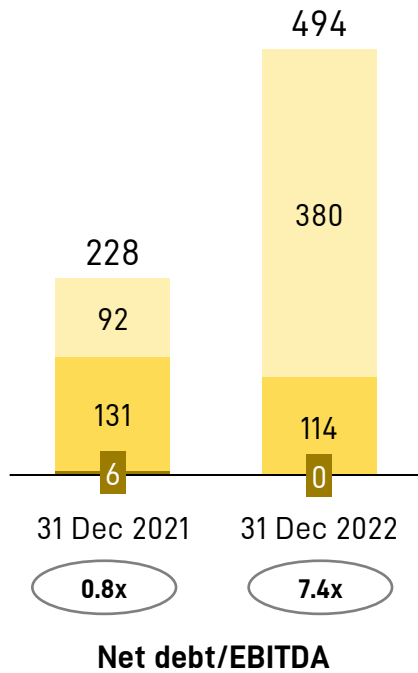
Description

- ▼ The **cash flow from operating activities** amounted to 20.4 mEUR in the financial year and is therefore 104.3 mEUR below the figure for the previous year mainly driven by **lower sales volumes** and an **increase in inventories** (66.2 mEUR).
- ▼ The **cash flow from investing activities** decreased from -189.6 mEUR in prior-year period to -166.5 mEUR.
- ▼ The **cash flow from financing activities** rose from 14.2 mEUR in 2021 to 181.0 mEUR in 2022 mainly due to the **new promissory note loan** of 250.0 mEUR as well as the **drawing down of the remaining credit line** of the syndicated loan amounting to 70.0 mEUR. This was offset by **dividend payments** of 100.2 mEUR, and **other payments for debt and lease liabilities** (44.9 mEUR).

VARTA Group – Financial structure

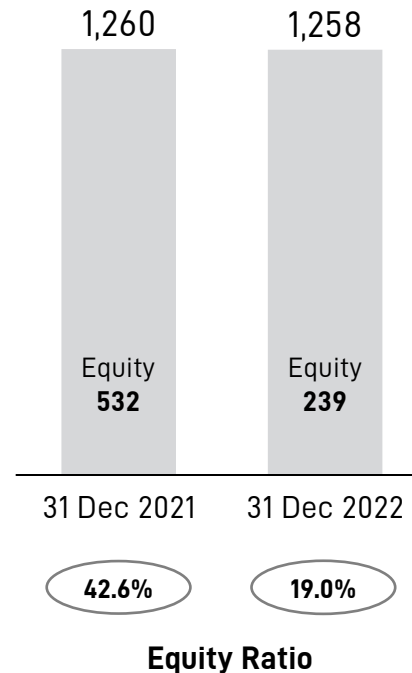


Net Debt/EBITDA ratio, mEUR



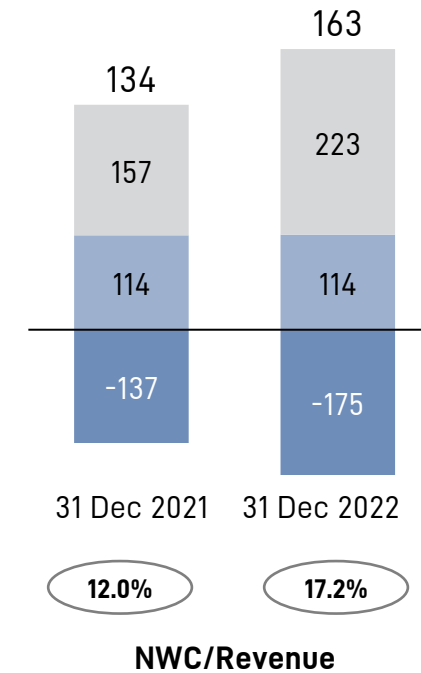
- Liabilities to financial institutions minus Cash
- Other liabilities (including lease liabilities)
- Derivative financial instruments

Total assets/equity ratio, mEUR



Total assets

Net Working Capital/NWC*, mEUR



- Inventories
- Trade receivables
- Current operative payables

*) Net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to one year

VARTA finalized agreements with banks and secured debt financing to return to growth path



ACTION PLAN

to bring VARTA back to the top of the
battery business

The holistic set of long-term measures should already have a positive impact in 2023

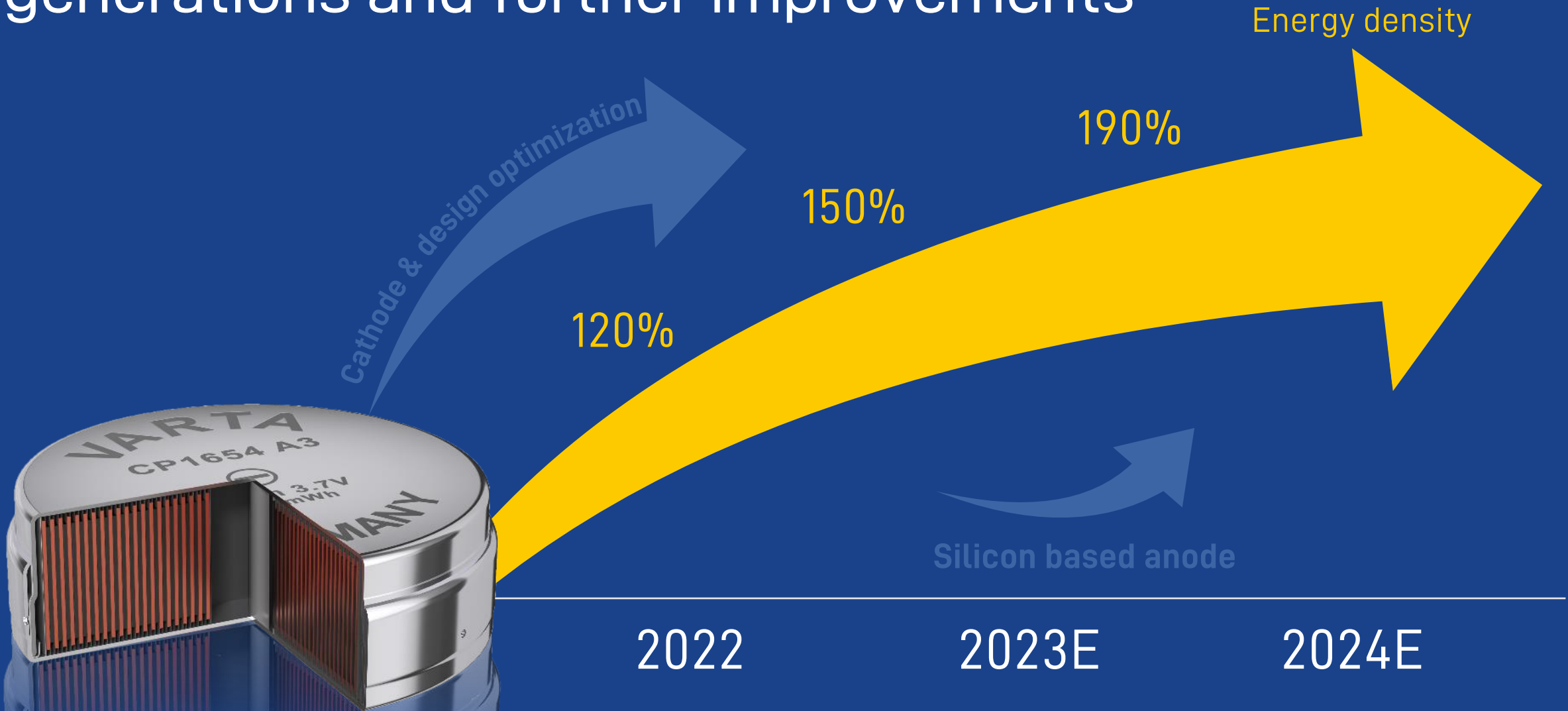
Project	Description
01  Sales	Increase in sales volumes primarily through rapidly expanding the growing energy storage business (~70% growth target for 2023) and tapping into new markets for the CoinPower technology (2024+).
02  Supply Chain	Decrease in external spend through strict demand management, implementation of a multi-sourcing strategy, and renegotiation of existing supplier terms and conditions.
03  Admin Expenses	Reduction in other operating expenses as a result of severe cuts in administrative budgets, particularly in the overhead functions.
04  Employees <small>800 FTEs*</small>	Reduction of personnel expenses through extensive hiring freeze, abolition of special payments, and elimination of personnel overcapacity in production and overhead functions.
05  Footprint	Decrease in personnel expenses by relocating personnel-intensive activities from production and overhead functions from Germany to best cost countries.
06  Working Capital	Release of liquidity mainly through the disposal of safety stocks and the sale of redundant inventories. Target to renegotiate with suppliers for optimization and standardization of payment terms



Improve adj. EBITDA to reach at least last year's profitability

*) More than half of these will come from planned departures and fluctuation. Another roughly 240 FTEs will be cut at the German sites in 2023, and about 150 more are to be relocated abroad in 2024. Discussions with employee representatives on these measures are already underway

With CoinPower we are working on next generations and further improvements

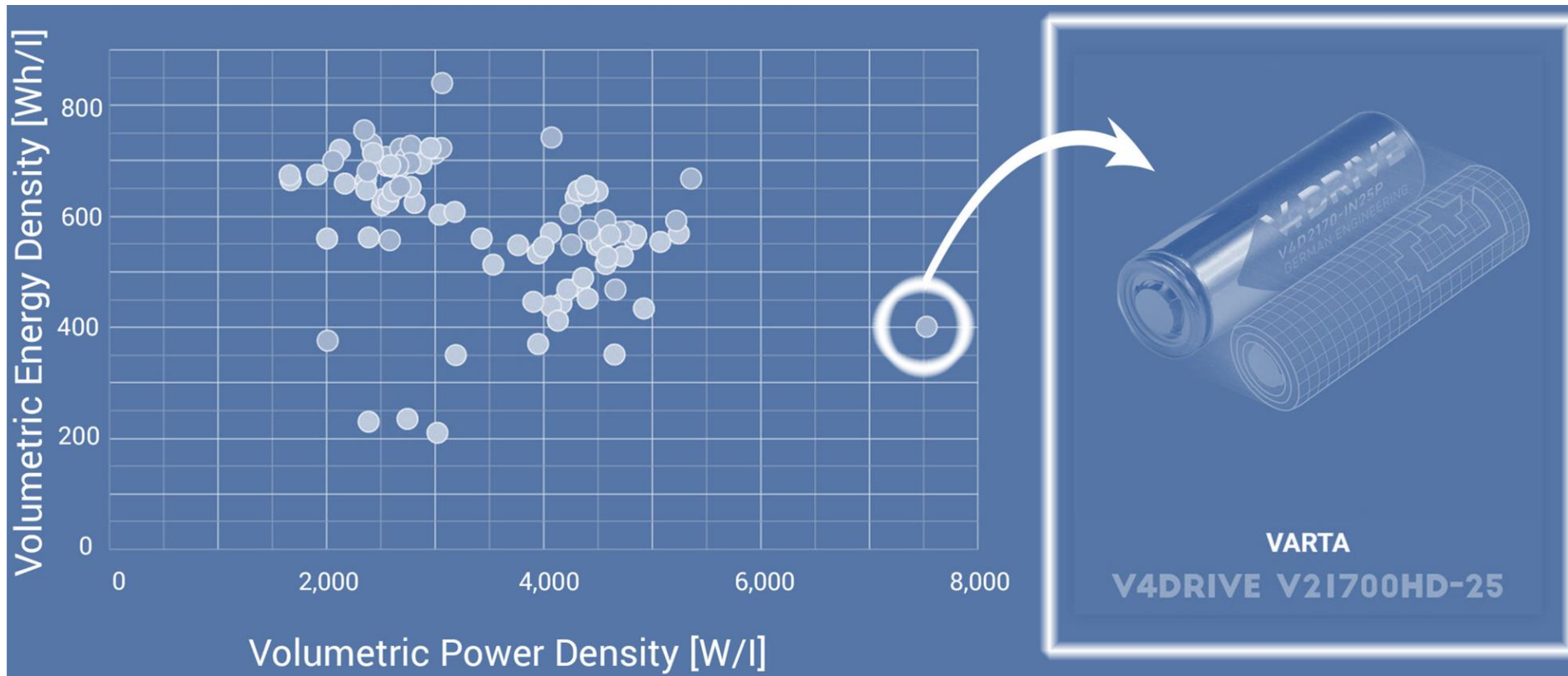


VARTA Li-Ion Cell stands out in fast-charging and ultra high-power performance



VARTA outshines competitive Landscape for Large Lithium-Ion Cells (21700 & 18650)

Details



Best-In Class Power Density
leads to superior charging and discharging cycles for VARTA's **Large Lithium-Ion Cells**

V4DRIVE
&
RoundPower



V4DRIVE

Automotive use cases
(booster cells and hybrid cars)



RoundPower

Non-Automotive use cases
(power tools, home & garden, ...)

Next stage of growth with revolutionary next-gen Energy Storage System



VARTA.wall



Easy and quick installation in < 30 minutes



Slimmest system on the market



Highest energy density



10 to 20 kWh Capacity
Up to 400 V Voltage



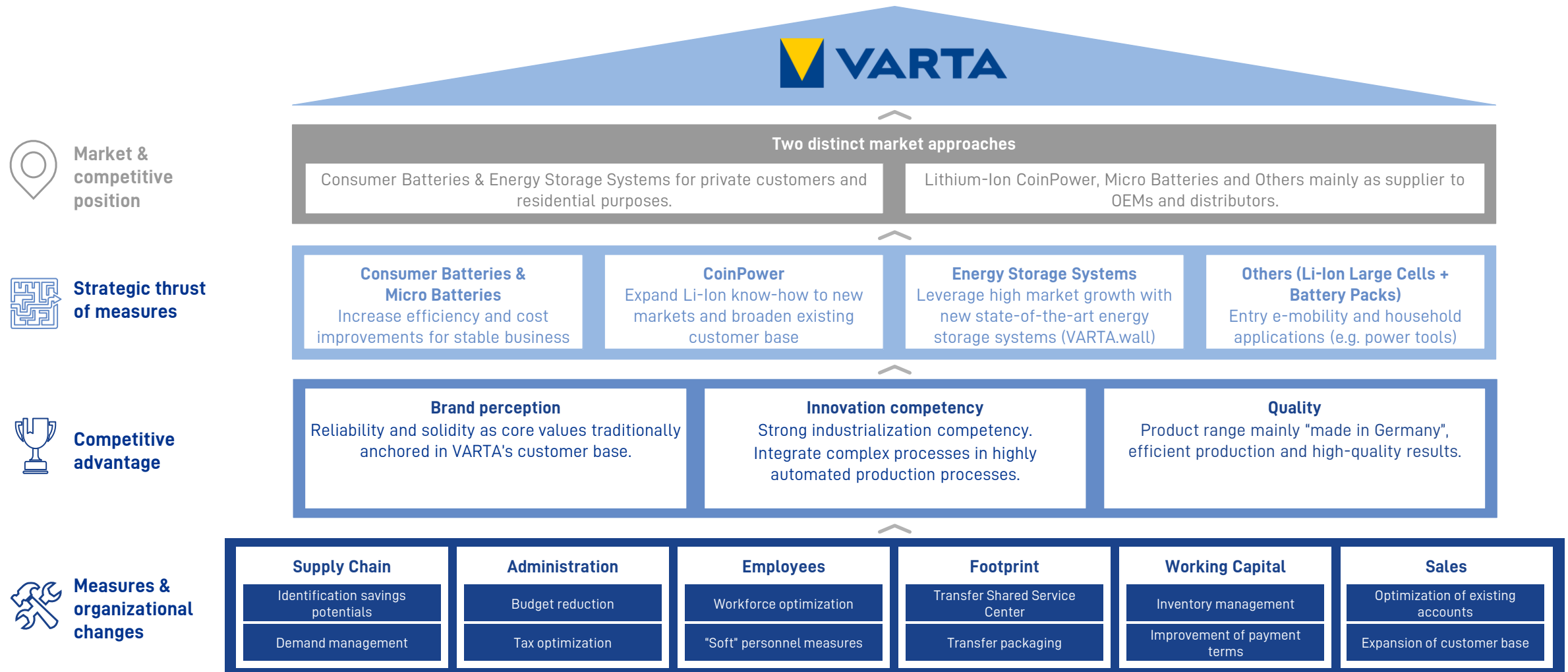
Made in Germany



Compatibility with leading inverter manufacturers

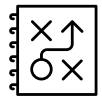


Future position built upon strong brand and strengthened by comprehensive measures



Decisive measures to restore operational excellence – base for the successful turnaround

Action plan



Execution on **cost reduction** and **sales initiatives** to boost EBITDA and **bring VARTA back to its successful days**



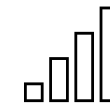
Leveraging installed capacities, strong brand and **position** in growing markets to **increase revenue**

Clear management focus



Initial Assessment Q1 2023¹

Q1 Revenue of 160 to 170 mEUR



Q1 adj. EBITDA of -5 to 0 mEUR



Outlook FY 2023¹

FY Revenue growth 820 to 870 mEUR

FY adj. EBITDA at least on the level of the previous year

Management laying the foundation for a successful turnaround

Contact



Emanuel Sican, MSc. (WU)
Head of Investor Relations



VARTA-Platz-1
73479 Ellwangen



Phone: +49 79 61 921 3115



E-mail:
IR@varta-ag.com

Financial Calendar

15 May 2023 Interim report Q1 2023

11 July 2023 Annual general meeting

11 Aug 2023 Half-year report 2023

14 Nov 2023 Interim report Q3 2023

VARTA AG

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