

VARTA AG

Q1 2023 Earnings Presentation

15 May 2023



Speaking to you today



**Armin
Hessenberger**

Ex CFO
until 30 April 2023



**Dr. Markus
Hackstein**

Speaker of
the Board



**Rainer
Hald**

CTO

VARTA

Presenting you the interim financial figures for Q1 2023*

Disclaimer



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New management board as of 15 May 2023



**Marc
Hundsdorf**
CFO
as of 15 May 2023



**Dr. Markus
Hackstein**
Speaker of
the Board



**Rainer
Hald**
CTO

VARTA

Leading the transformation to return to the growth path in the future

Executive Summary

Global economic situation and reduced orders by customers affect financial results

- Q1 2023 impacted by effects of global disruptions compared to Q1 2022
- CoinPower business suffers from slump in demand for major customer's products
- Group revenue Q1 2023 164.2 mEUR (Q1 2022: 185.3 mEUR)
- Adj. EBITDA* Q1 2023 -2.0 mEUR (Q1 2022: 38.1)

Restructuring measures together with signs of positive developments to stabilize financial performance

- First positive effects of cost-cutting already visible in Q1 2023
- Continuing strong demand for Energy Storage Systems and high order backlog
- Positive development of prices for energy and raw materials
- Price adjustments to be passed on to more customers over the course of the year
- Experience of stronger demands in H2 2023

We stand by our forecast for 2023**

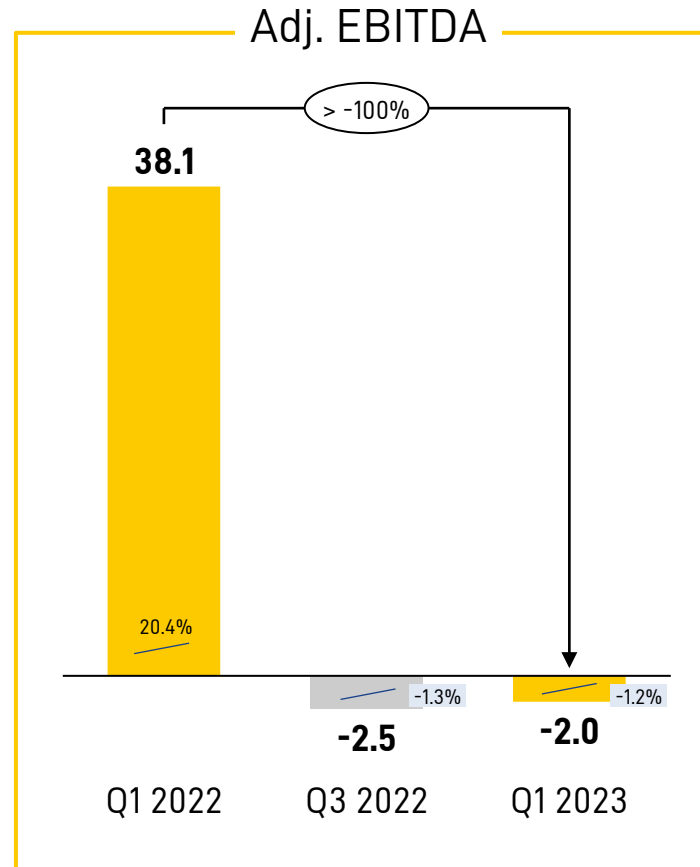
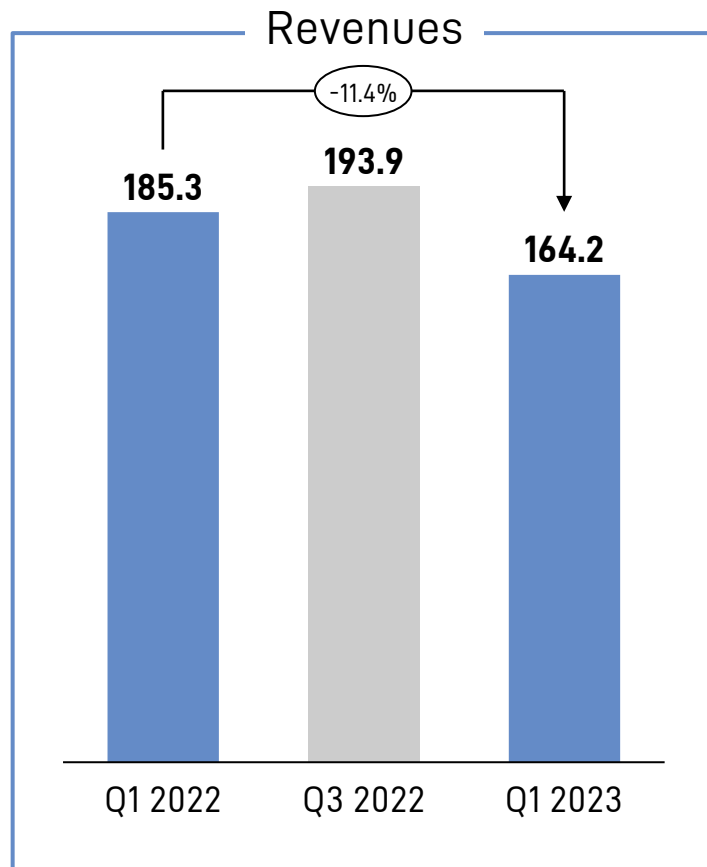
- FY 2023: Revenues expected between 820 mEUR and 870 mEUR
- Adj. EBITDA to be at least on prior year level

*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 refer to the outlook in this presentation and the Annual Report 2022

VARTA Group – Profitability decline due to reduced volume and higher material prices

Revenue and adj. EBITDA, mEUR



Description

- Revenues down 11.4% QoQ to 164.2 mEUR
- At segment level, **Micro Batteries, Li-Ion CoinPower and Consumer Batteries led to the decline**, while revenues in **Energy Storage Systems grew substantially** (QoQ growth of > +100%)
- **Implementation of cost measures** that started in Q4 2022, resulted in **margin improvement** and **compensated for lower sales volume in Q1 2023**
- **Adjusted EBITDA of -2.0 mEUR** driven by high volume decline in Lithium-Ion CoinPower, despite substantial margin improvement in the other segments
- QoQ comparison reflects **higher energy and raw material costs in Q1 2023** compared to the same quarter of 2022.

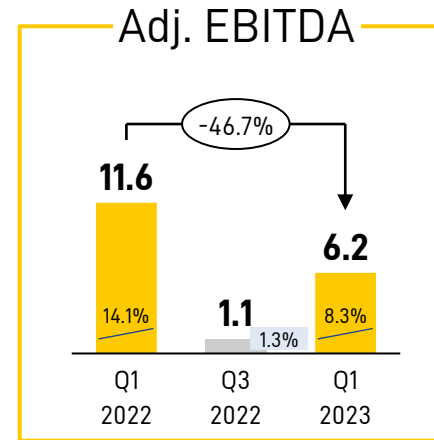
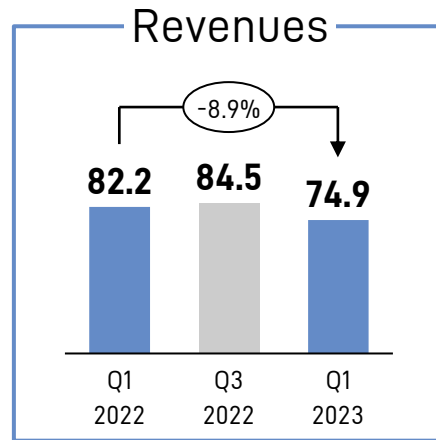
Significant margin improvement since the implementation of cost measures



Revenue and adj. EBITDA, mEUR

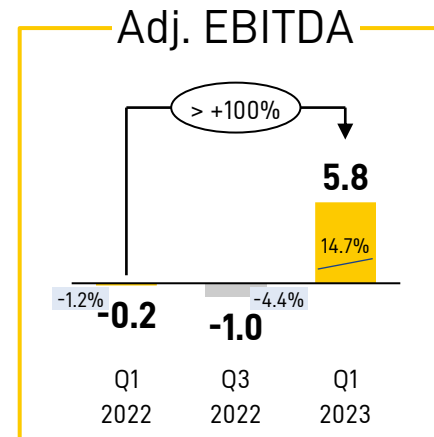
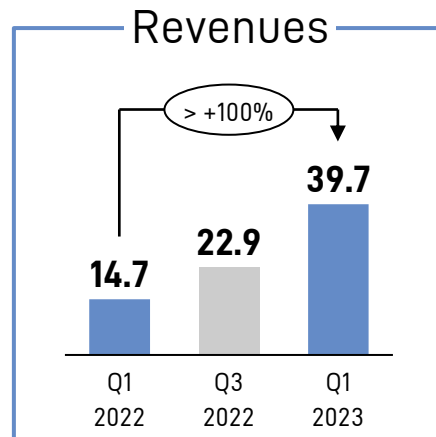
Consumer Batteries

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 lower revenues compared to Q1 2022, but margin improvement from price-passing on and lower input costs compared to Q3 2022.
- **Cost increases for raw material and energy** still impacting profitability. 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.
- **Pass-on of raw material price increases** at the beginning of Q1 2023 resulted in **significant margin improvement** for Energy Storage Systems (adj. EBITDA of 14.7%)

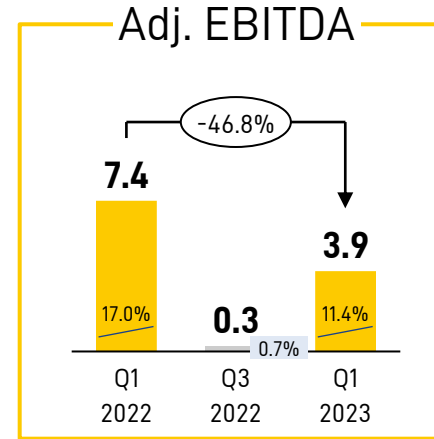
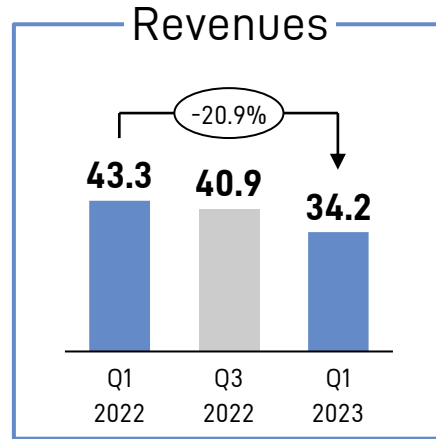
Significant margin improvement in Micro Batteries but high volume decline in CoinPower



Revenue and adj. EBITDA, mEUR

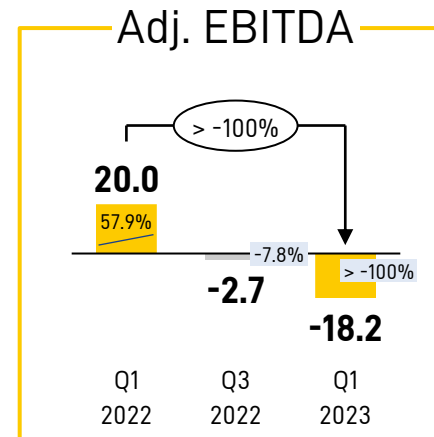
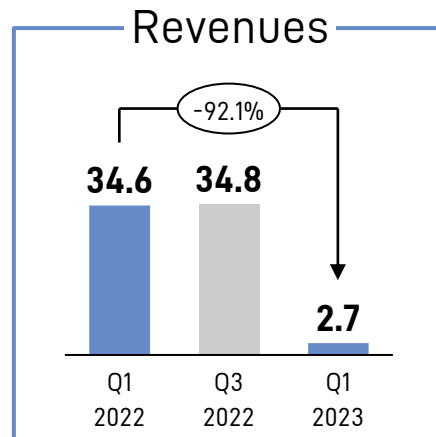
Micro Batteries

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

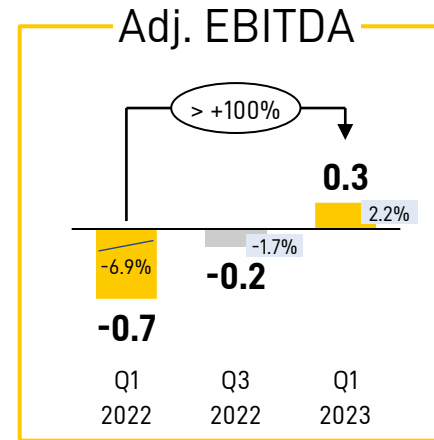
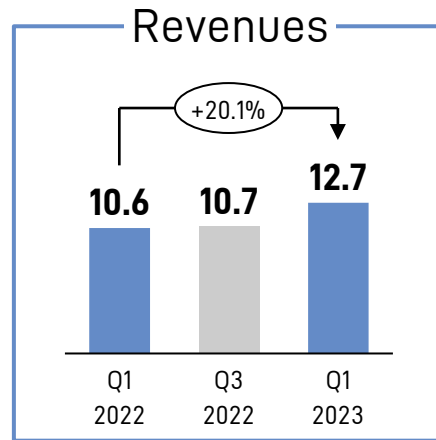
- **Micro Batteries** revenues were affected by the **weaker economic environment**, caused by external factors such as stock piling of customers during the pandemic.
- Adjusted EBITDA decreased due to **higher manufacturing costs**, in particular **energy and raw material prices**.
- The strong decline in demand for battery-powered True Wireless Stereo (TWS) headsets significantly impacted revenues in the **Lithium-Ion CoinPower** segment.
- **Significant decline in sales volumes**, in particular from the major customer, resulted in **highly negative adjusted EBITDA** for Lithium-Ion CoinPower.

Margin improvement since the implementation of cost measures

Revenue and adj. EBITDA, 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.

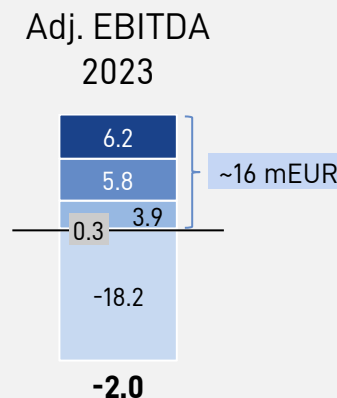
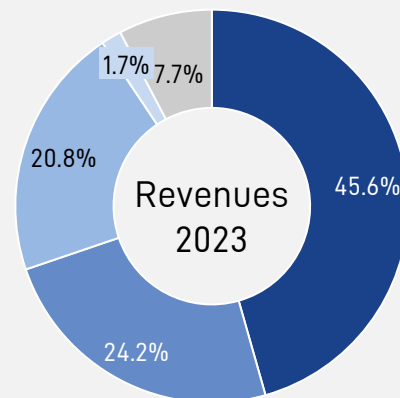


Description

- The segment **Others** consists of the business divisions **Lithium-Ion Battery Packs** and **Lithium-Ion Large Cells** (V4Drive and RoundPower).
- Net sales improvement in Q1 2023** coming especially from the Lithium-Ion Battery Packs business and correlating margin improvement







VARTA Group

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



- Over **45% of Group revenues** attributable to **Consumer Batteries**.
- Energy Storage Systems** growing to become the second largest segment accounting for roughly a quarter of **total revenues**.
- Significant profitability improvement** in all segments, **offset by the steep decline in Lithium-Ion CoinPower**.

The holistic set of long-term measures show first positive impact already in Q1 2023

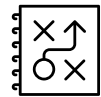
Project	Description	Q1 Adj. EBITDA effect* (in mEUR)
01  Sales	<ul style="list-style-type: none"> "Lithium-Ion CoinPower" sales volume forecast EoY currently behind budget "Energy Storage Systems" with positive deviation in sales effects in Q1 2023 actuals vs. plan Deviation in product mix: lower lithium-ion CP batteries but higher energy storage sales 	4.0
02  Supply Chain	<ul style="list-style-type: none"> Lower sales of actuals Q1 2023 with negative impact on purchasing volumes and thus lower measure effects Positive effects were achieved in raw materials and components purchasing 	2.1
03  Admin Expenses	<ul style="list-style-type: none"> With the exception of consulting expenses, planned budget cuts have been realized In addition to planned measured impact, budget cuts on the overhead functions have been increased including e.g. leasing costs and travel expenses 	9.7
04  Employees	<ul style="list-style-type: none"> First works council talks held by CRO advisor Higher fluctuation facilitates the head count reduction 	
05  Footprint	<ul style="list-style-type: none"> Project team for the relocation of packaging is in place – kickoff event is being planned Concept development for the relocation of the shared service department will be taken over by CRO advisor and re-evaluated 	
06  Working Capital*	<ul style="list-style-type: none"> Increase in inventories in "Consumer Batteries" leads to higher capital employed Inventory reductions in all other segments in accordance with plan Implementation of new payment terms in "Energy Storage Systems" according to plan 	-7.2*

Given the seasonality of our businesses, a working capital increase of only 4.0 mEUR in Q1 was planned, but working capital rose by 7.2 mEUR instead. This results primarily from a higher inventory level for Consumer Batteries.

*) Working capital measures have no impact on adj. EBITDA, but on the company's liquidity position; Rounding errors may occur

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**

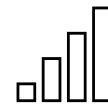


Leveraging installed **capacities, strong brand** and **position** in growing markets to **increase revenue**

Clear management focus



Outlook FY 2023*



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

*) The outlook is subject to the further developments of the very high inflationary pressure and the associated central-bank increases in interest rates as well as the development in the war in Ukraine and its impact on the global economy. The further macroeconomic and geopolitical development therefore results in an exceptionally high level of uncertainty. Furthermore, the outlook is dependent on impact of the intended restructuring measures. Adj. EBITDA accounts, among other factors, for potential costs associated with restructuring and adjusts them accordingly.

VARTA AG

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Financial Calendar

11 July 2023 Annual general meeting

11 Aug 2023 Half-year report 2023

14 Nov 2023 Interim report Q3 2023