

Business Case Challenge II

VARTA CoinPower



WIRTSCHAFTS
UNIVERSITÄT
WIEN VIENNA
UNIVERSITY OF
ECONOMICS
AND BUSINESS

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In cooperation with



Die Presse



Introduction to the Business Case

In this course we encourage participants to **apply their learned tools** and **theories in economics to the cause of a real company**. Based on the provided literature, the goal is to **develop a meaningful Business Case** reflecting on the question, how the company can **pursue growth and industrialization** with one of its products. The emphasise of the research should be on **product innovation, market research and financial analysis**.



Challenge

What are we looking for?

We are looking for the most comprehensive entrepreneurial ideas and reasonable business concepts!

Rewards

What is it in for you?

A well-experienced jury will assess all business concepts. For those that are outstanding - internships are waiting!

Target group

Who do we address?

We want to attract students that are ready to gain experience on business case, and feel ready to take on the challenge!

Company introduction



Company introduction



- ▶ More than 130 years of expertise in battery technology, design and manufacturing
- ▶ VARTA is market leader in the area of hearing aid batteries and technology leader for small sized Lithium-Ion cells
- ▶ VARTA is profitable, solidly financed and has been able to achieve above-average growth rates for years

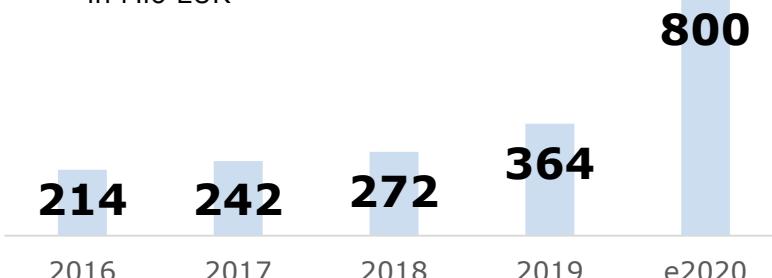
VARTA at a glance

General Information

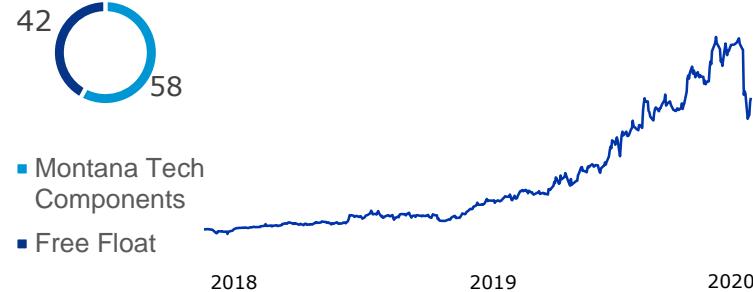
- Foundation of VARTA: 1887
- Headquarter: Ellwangen, Baden-Württemberg (Germany)
- Listing: Frankfurt Stock Exchange (TecDAX and MDAX) since 2017
- Majority shareholder: Montana Tech Components AG
- FTE: ~2.400 FTE at 4 locations in Europe + 700 abroad
- Milestone: Reacquisition of VARTA Consumer Battery from the US-brand Energizer in 2020

Revenue Growth

in Mio EUR

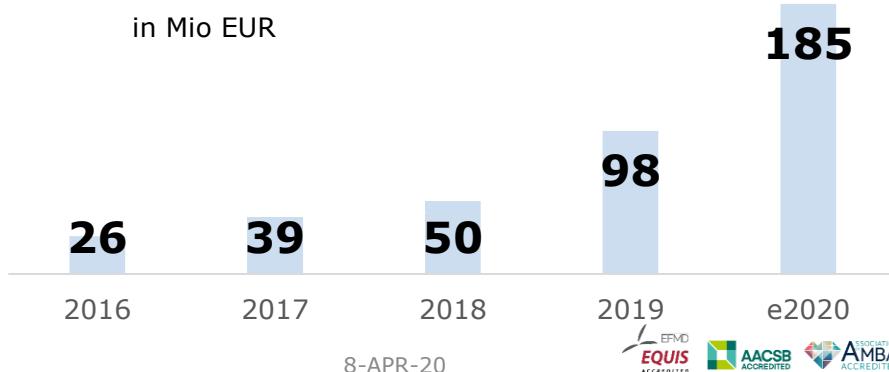


Listed on TecDax & MDAX



Profitability in EBITDA

in Mio EUR



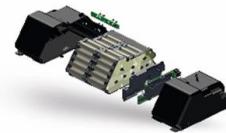
VARTA products & business segments



Healthcare
Hearing Aid



Entertainment
Coin Power



Solutions
Power Packs



Consumer Batteries



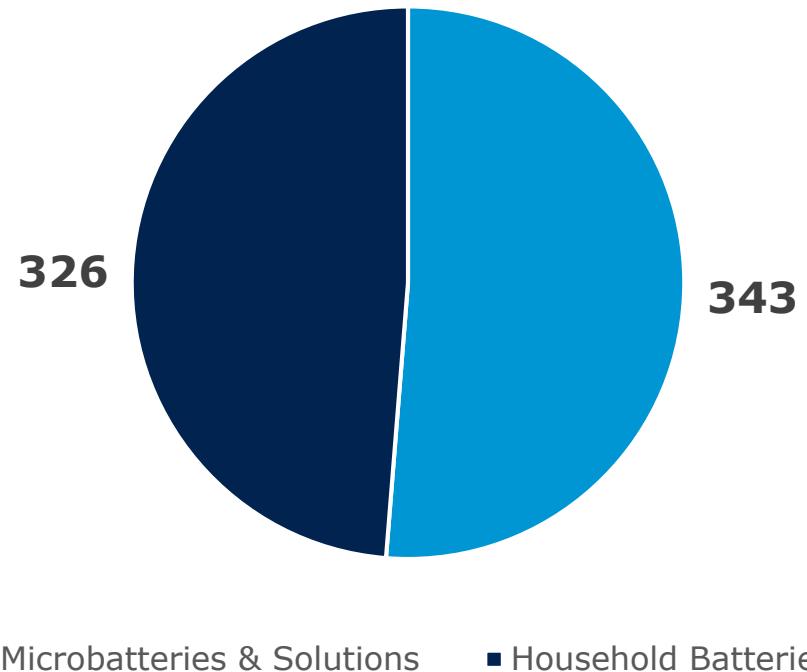
Energy Storage

Microbatteries & Solutions

Household Batteries

VARTA segment results 2019

Revenue share in Mio. EUR



VARTA production sites in Europe

Nördlingen

- 396 employees
- Assembly capacity of 3,000 systems p.a.
- Production capacity of more than 75 m microbatteries p.a.



Dischingen

- 525 employees
- Home of VARTA Consumer
- Production capacity of 1,700 m alkaline batteries p.a.



Ellwangen, HQ

- 966 employees
- Home of VARTA Entertainment & Healthcare
- Production capacity of more than 1,200 m microbatteries p.a.
- Packaging capacity of 950m microbatteries p.a.



Brașov

- 448 employees
- Home of VARTA PPS/Solutions
- Packaging capacity of 270 m microbatteries p.a.
- Assembly capacity of 10 m micro and storage cells p.a.

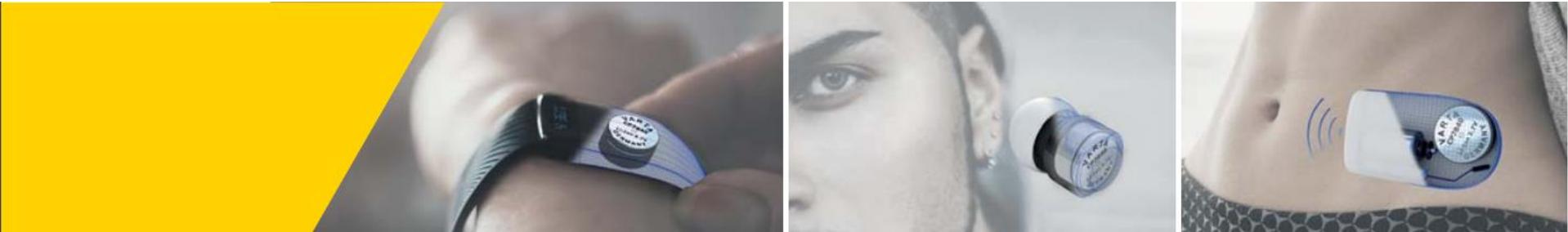


Plus around 700 FTE in Indonesia and China

The business case



VARTA CoinPower



Microbatteries as a starting point for new gadgets and applications



Microbatteries first were **applied to hearing aid**. Inspired by that, a new range of applications became feasible

New markets emerged, because now, with powerfull microbatteries, new gadgets became practical and useful to work with.

Wearable technology, the internet of things and smart electronics will have to **offer a lot more** because of microbatteries

Product



Features

Key Features

Increasing comfort by **smaller designs** and **lighter products for end-users**

Charge for a moment, use for hours: ready to go in 15 minutes

Top quality performance for audio or wireless signals

Robust high mechanical stability

Markets

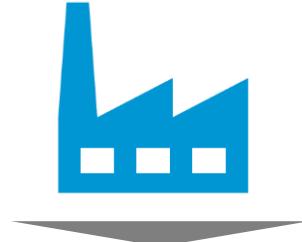
VARTA is active in the **markets** of **wearable technologies**, medical and healthcare, **Internet of things**, sensors for **smart home** and smart city, as well as in the industry 4.0

Applications

Varta CoinPower as **power source for electronic devices that require a small size**, lightweight and high energy.

Therefore, suitable for applications such as **Bluetooth Headsets**, Sensors for Sports and Healthcare, **Smart Watches**, Wearable Technology, Smart Car Keys, **Internet of things** and more...

The business model



Supplier

VARTA **produces the battery** cells, and ships them to contracted OEMs

OEM



Value Chain

OEM

The OEM takes the delivery and **assembles the battery cell** and other components to the end product

Retail

The end product including **the battery cell** is **sold to the end customer**

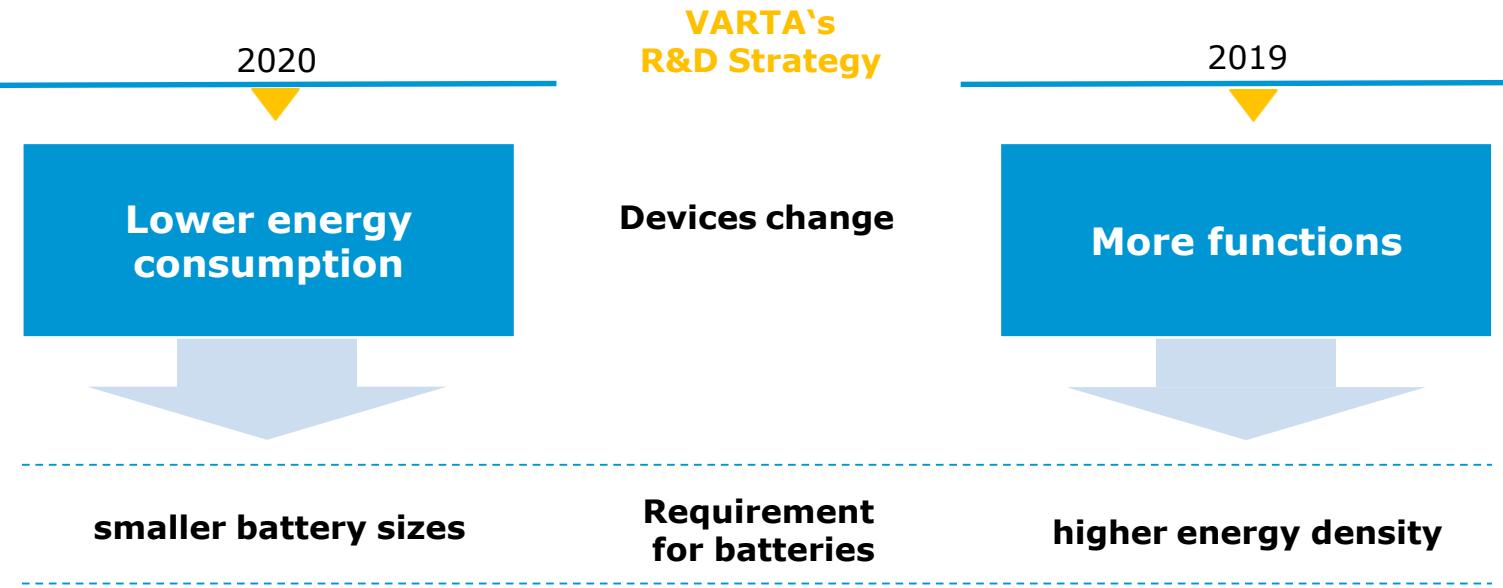
Customers for CoinPower battery cells*

SAMSUNG **SONY** **BOSE®**

CoinPower battery cells are usually **not sold directly to the end-market or end-customer**. The product is **rather sold** (on an business-to-business basis) **to so-called „Original Equipment Manufacturer“ (OEM)**;

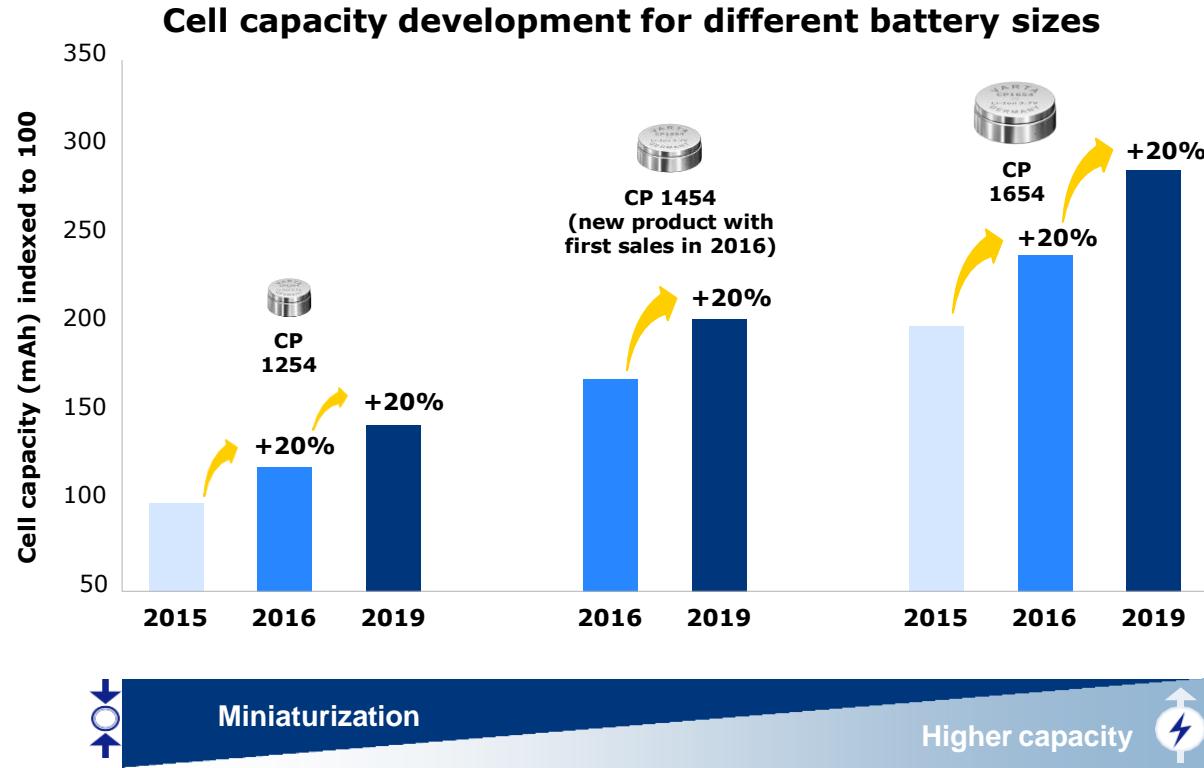
Basically large manufacturers and brands, that install the battery cell in the end product. Due to confidentiality with some of the OEMs, not all large contractors can be mentioned.

Identification of emerging markets as a key for success or failure



The **success** of CoinPower **relies on the early identification of growing and emerging (application) markets**. Once targeted, VARTA conducts Research & Development (R&D) in anticipation for the demands in the future. The lead-time between R&D and “market-readiness” lies between 1-3 years. As a result, a **good judgment can make the company stay ahead of the market** for the same period. If not, the opposite is true. That is, how important R&D is for VARTA.

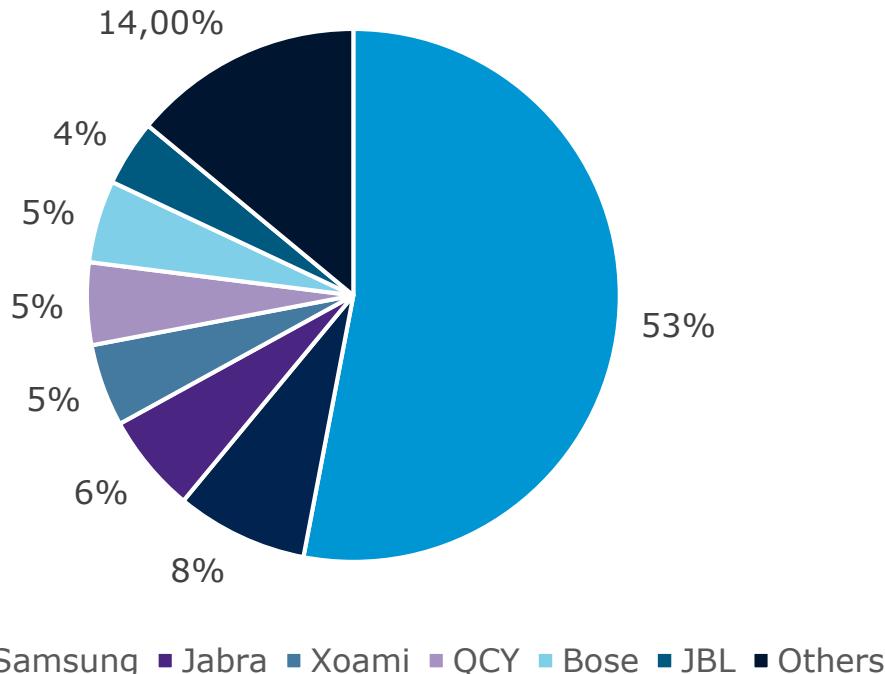
Innovation roadmap 2015 -2019



In coherence with the necessity to anticipate trends, VARTA has been able to deliver battery cells, that are now installed in premium electric devices. Within the product range of CoinPower you can find **super-small to larger size battery cells**, compromising on the energy capacity. But each of the product incorporates a **competitive uniqueness**.

OEM market share for „Earbuds“

Market Share by Brand for Q2/2019

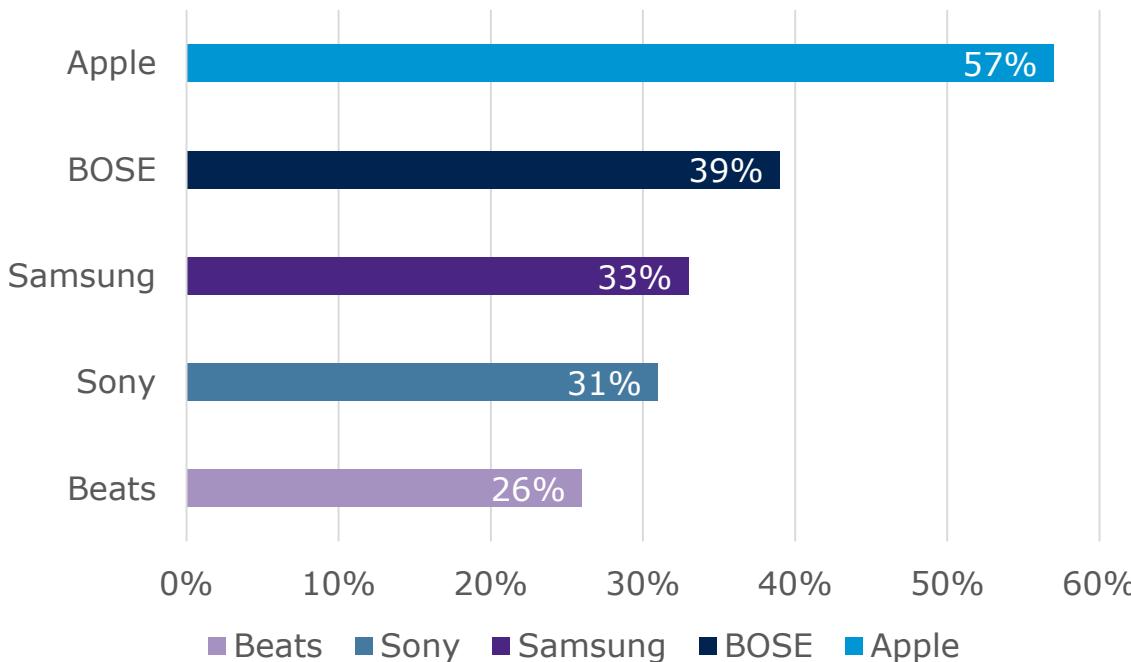


So far, the **Earbuds market is the largest in terms of sales**. The total market demand (for the end-product) was around **12 bn EUR**. The conclusion from the graph is, that Premium Brands are dominating the market and set trends.

But **trends take place in the present**. Keeping the R&D lead-time in mind, **VARTA had to prepare long before this trend** became visible. As a result of the early-adoption, now VARTA is well established as battery supplier in the premium ear-bud market.

OEM market share for „Earbuds“

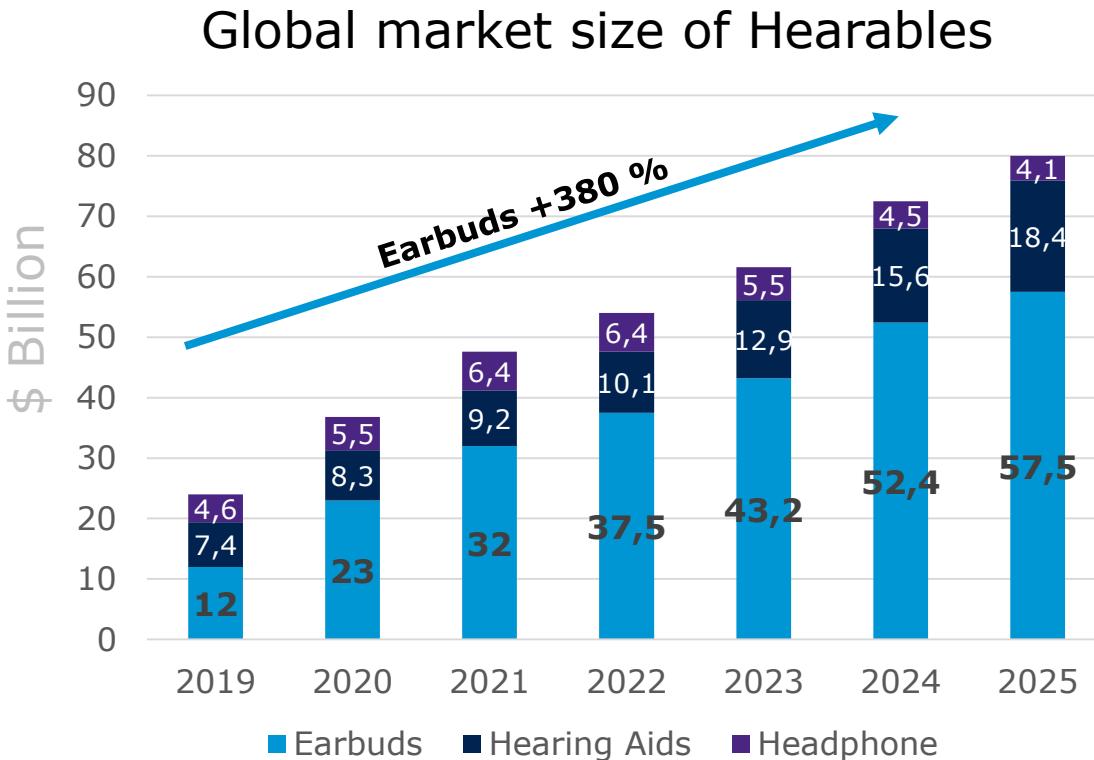
Future Preference for Premium Wireless Headsets in US



There is no end in sight, that the market domination of premium brands will end any time soon - Quite the contrary is true.

Based on a survey in the US, **the demand for high-quality-products is increasing**. Keeping in mind that high-quality-products **require reliable and lifelong battery cells**, VARTA seems well positioned.

Hearable market growth foreseeable for now

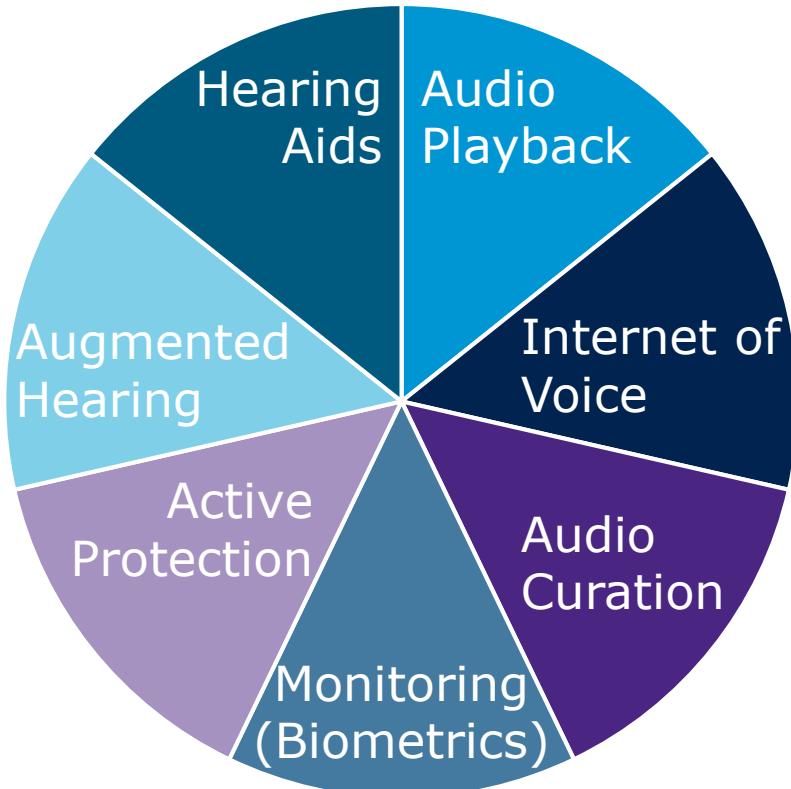


Demand for traditional devices decline, whereas the emerging applications - that depend on batteries - such as the wireless earbuds are rising.

But is that still a trend, or is the trend already set and VARTA must prepare for new ones to rise?

The hearing aid market is - more or less - saturated at a high level. Keep in mind, that VARTA has its own product line (see introduction) for the Hearing Aid market. CoinPower itself does not cover that market.

Market segments from which trends might be expected



VARTA has done well in anticipating trends in Hearing Aids & Audio Playback (Hearables). There still might be new trends arising from these two segments. But **there is no limitation to imagine where else small battery cells with high energy density might be required in the future.**

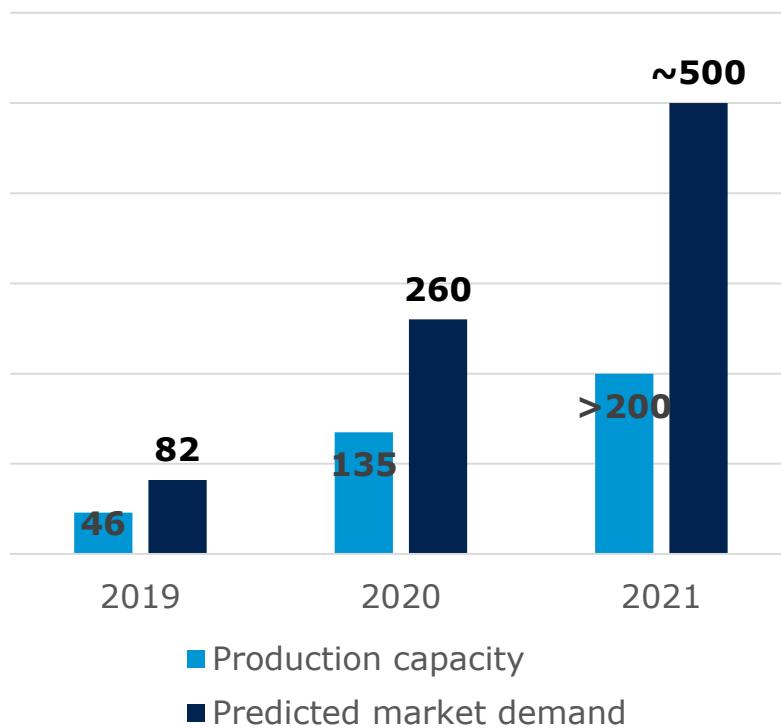
Also consider applications that are technically ready but can only be enabled by a specific battery cell in terms of size and quality.

Market

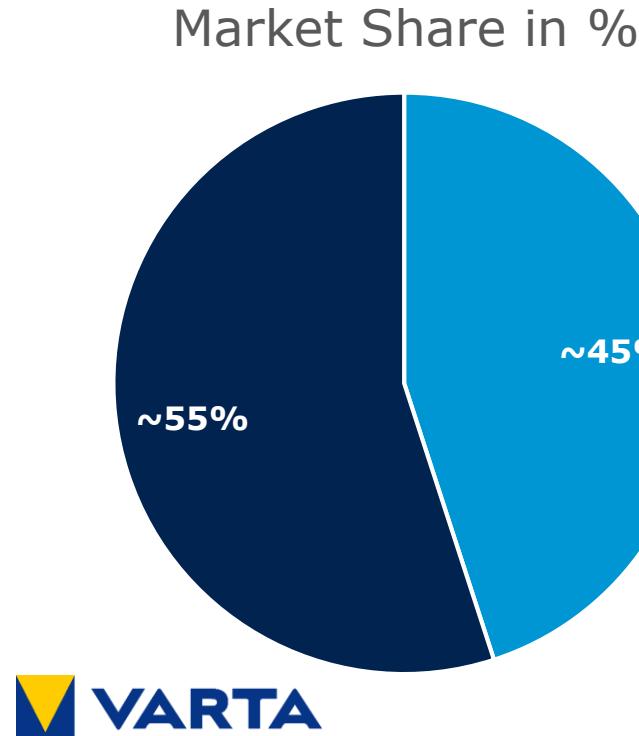


Production capacity & Market demand* for Microbatteries (CoinPower)

Million Cells p.a.



Market share & competition



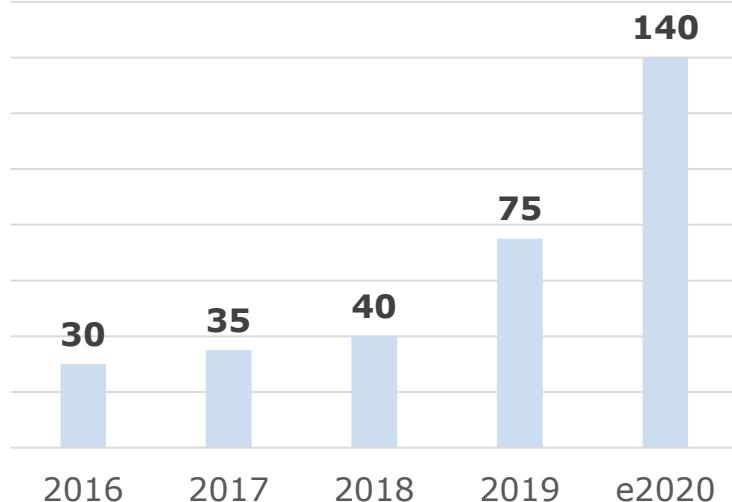
Financials



Revenue & Profitability of CoinPower*

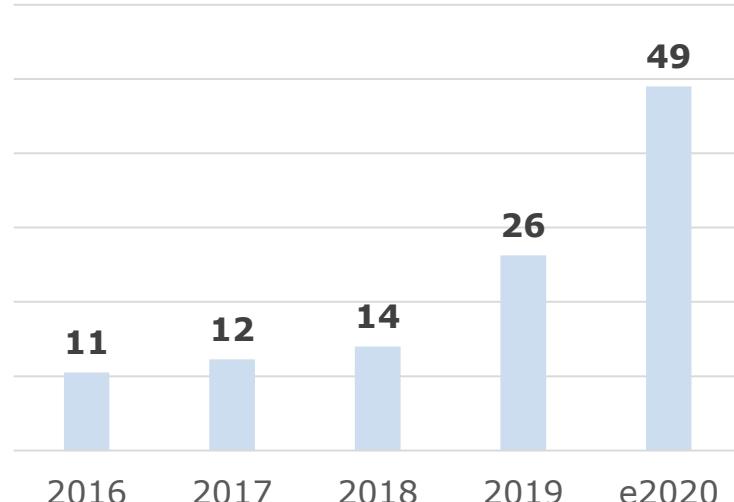
Revenue Growth

in Mio. EUR



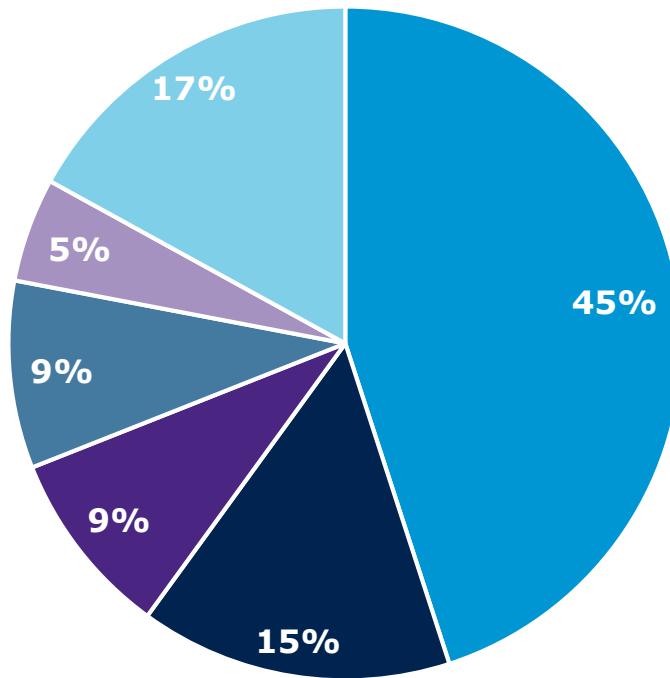
Profitability in EBITDA

in Mio. EUR



*Fictitious numbers, due to confidentiality requirements. Revenue growth rates, however, are simulated in proximity to the real case. Profitability is purely hypothesised with fixed 35 per cent EBITDA margin for the students to work with.

Revenue split by customer*



- Customer 1 ■ Customer 2 ■ Customer 3
- Customer 4 ■ Customer 5 ■ Others

CoinPower has a **broad customer base**. What combines all of them is that they are **established in the premium market segment**

With most of the contractors, VARTA has reached a “**sole-supplier-status**”

Questions asked



CoinPower Business Case

Questions asked

You have seen a thorough examination of the product in question, and what drives its demand. Basically, the effort put in R&D resulted in high demand by the OEM premium brands. The market growth for hearables is favourable. However, that is the current state. Now, it is essential to assess other future application markets, that require batteries, and how that market will be competed and affect financials of the company.

Product

What is the next “thing”?

Beyond the wearable-industry: What will be the next emerging application embedded in a growth market? What will be required from VARTA to settle in?

Market

What will the market look like?

How will that future application market be segmented? What will be the pricing, which competitors will be present and how can VARTA obtain a market leading position?

Finance

What are the financial effects for VARTA?

Based on the knowledge from this briefing: How will a market entry into such an emerging application affect VARTA financials in terms of estimated investments and profitability?

Organization

Content

Use a **presentation tool** to show your case. At least the **chapters product, market and financials must be covered**. The maximum slidedeck covers **12 content slides** + cover and closing slide with contact details.

Please use www.varta.com to find more information on the business case.

Submission

Please **submit** your business case as PDF to business-case@wu.ac.at until **10th of May 2020, 11:55 o'clock p.m.**

Contact

In case you have any **questions** related to the organization (!) of the business case challenge, **please contact** business-case@wu.ac.at.

The contact person will be **available at regular working days** and responds as soon as possible.