Corporate News

Deltícom AG: 2011 on track so far, Q4 off to a good start

Hanover, 18 October 2011 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, has published preliminary figures for the first nine months of the current year. In the first nine months the company was able to increase its revenues by 15.8% to € 297.7 million and the EBIT by 23.3% to € 28.2 million, despite the strong prior-year base. The winter tyre season has started off well.

Revenues. Good summer tyre sales and an early start in the winter tyre season helped third quarter revenues to grow substantially year-on-year. It shows that winter tyres are increasingly in demand, not only in the countries where car drivers traditionally change over from summer to winter tyres but also elsewhere in Europe.

In the third quarter, Delticom was able to generate revenues of € 99.4 million (Q310: € 79.7 million) – a plus of 24.7%, in spite of the previous year's strong base. As a result, year-to-date revenues amounted to € 297.7 million (9M10: € 257.0 million, +15.8%). Q3 revenues in the E-Commerce division were up year-on-year by 18.4% to € 89.1 million (9M11: +14.0% to € 279.2 million). The quarterly revenues of the Wholesale division grew by 132.1% to € 10.3 million, after prior-year revenues of € 4.4 million (9M11: € 18.5 million, +53.2%).

Gross margin. In the reporting period the cost of goods sold totalled € 218.6 million period (9M10: € 187.3 million, +16.7%). € 73.7 million were recognised in the third quarter (Q310: € 57.8 million, +27.4%).

Initially, the summer tyre business had lagged behind expectations until Q2. Starting from August, though, market-wide demand for summer tyre sales strengthened. In the course of the third quarter winter tyre sales stepped up noticeably. This presented Delticom with the opportunity to grow volume with better prices. As a result, Q3 gross margin (trade margin ex other operating expenses) was taken down from previous quarter's 27.7% to 25.8%. Q3 gross margin was also lower than in the prior-year period (Q310: 27.4%, –1.6%p). The main reason for this development has been the strong ramp-up of inventories. This year Delticom has enough stock to offer more tyres at better prices, to win more customers.

For the full nine months the gross margin amounted to 26.6% or –0.6%p year-on-year (9M10: 27.1%).

Personnel expenses. In the reporting period an average of 111 staff members were employed at Delticom (9M10: 99). Personnel expenses for Q311 were € 1.7 million (Q310: € 1.6 million), for the nine months in total € 5.2 million (9M10: € 4.7 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) for the reporting period came down slightly from 1.8% to 1.7%.

Other operating expenses. In Q311 other operating expenses totalled € 16.7 million, an increase of 18.1% over the prior-year value of € 14.1 million.

Among the other operating expenses, transportation costs is the largest line item. Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers or service partners. In line with the higher volume in Q311 the quarterly transportation costs increased by 22.7%, from € 6.5 million to € 8.0 million. Due to higher selling prices the ratio of transportation costs in relation to revenues came down slightly to 8.0% (Q310: 8.2%).

Marketing expenses in Q311 amounted to € 1.9 million after € 1.7 million in Q310, an increase of just 9.2%. As a result, marketing in percent of revenues decreased substantially from 2.2% to 1.9%.

Depreciation. In line with the significant expansion of warehouse capacity and the parallel investments into warehousing infrastructure, scheduled depreciation for the past quarter rose by 82.2%, from € 0.3 million in Q310 to € 0.6 million. For the nine months the total amount was € 1.4 million (9M10: € 0.9 million, +51.1%). The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings performance. Q311 Earnings before interest and taxes (EBIT) improved by 51.5% to € 9.5 million (Q310: € 6.3 million). This translates into an EBIT margin (EBIT in percent of revenues) of 9.5% (Q310: 7.9%). The EBIT for the total nine months came in at € 28.2 million (9M10: € 22.9 million), a plus of 23.3% and an EBIT margin of 9.5% (9M10: 8.9%).

In line with the softer gross margin, however, the Q311 EBIT margin adjusted for FX income and losses (8.5%) would have been lower than in the prior-year period (Q310 adjusted: 9.7%). For the full nine months the adjusted EBIT margin would have been 9.2% flat year-on-year.

Inventories and liquidity position. Delticom opened a new large-scale warehouse in the second quarter. Back by this additional capacity the inventory value moved up to € 122.9 million towards the end of the third quarter (30.09.2010: € 76.5 million, 31.12.2010: € 52.2 million). As a result the net working capital increased to € 42.5 million (30.09.2010: € 25.8 million, 31.12.2010: € 1.8 million). In line with the higher stock levels Delticom had to invest into additional racks, forklifts and packaging machines. The investments into property, plant and equipment were € 8.0 million year-to-date (9M10: € 1.9 million).

As of 30.09.2011 the cash and cash equivalents stood at € 11.7 million (30.09.2010: € 23.3 million, 31.12.2010: € 66.8 million). The company’s net cash position amounted to € 1.8 million (cash less interest-bearing liabilities, 9M10: € 24.3 million).

Rainer Binder (CEO): „We are pleased with the course of business so far. Obviously last year's spectacular winter has raised the bar for the closing quarter. Despite this, we want to beat last year's winter tyre sales, even with less winterly weather conditions.“ Although the market for winter tyres from certain brands and dimensions might tighten yet again, prices and margins will most likely not rise as much as last year.

Frank Schuhardt (CFO) adds: „For the remaining months we do not target the extraordinarily high prior-year margins, but rather want to gain additional market share. Assuming a normal course of business our plan is unchanged: a revenue growth of 10%, at an EBIT margin of around one percentage point lower than in 2010."

The full report for the first nine months of 2011 will be published on 08 November 2011 within the "Investor Relations" section of the website www.delti.com .

Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With more than 100 online shops in 40 countries, the company offers its private and business customers an unequalled assortment of excellently priced car tyres, motorcycle tyres, bicycle tyres, truck tyres, bus tyres, special tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. The independent website reifentest.com contains impartial information about tyre tests and helps the customers choose from more than 100 tyre brands and more than 25,000 tyre models. Delticom delivers either directly to the customer's home address, or to one of more than 29,000 service partners – affiliated garages which take delivery of tyres and then install these on the customer's vehicle. Delticom's Wholesale division also sells tyres to wholesalers domestically and abroad.

On the Internet at: www.delti.com
Selected online shops: www.reifendirekt.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

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