

Delticom publishes 9-Monthly Report 2015

Hanover, 12 November 2015 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, has published its full report for the first nine months of 2015. In 9M15 the company recognized revenues of € 354.2 million, an increase of 12.7 % after € 314.1 million in the prior-year period. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 8.6 million (9M14: € 8.0 million, +7.3 %). EBIT came down by 10.3 % from € 1.8 million to € 1.6 million due to higher depreciations.

Business in the first nine months

Market environment. The negative trend observed in the first half of the year with a decline in replacement tyre business continued into the third quarter. According to industry association, summer tyre sales in Germany were down by 9.3% in 9M15 while winter tyre sales to consumers decreased by 3.4%. Consequently, car tyre sales in the first nine months of the year were down nearly 8 % year on year.

Revenues. In 9M15 the company recognized revenues of € 354.2 million, an increase of 12.7 % after € 314.1 million in the prior-year period. Revenues in the E-Commerce division with its 202 online shops increased year-on-year by 13.2 %, from € 307.2 million to € 347.7 million.

In the third quarter, the company generated revenues of € 104.0 million (Q314: € 88.1 million, +18.1 %). Q315 revenues in the E-Commerce division increased 18.0 %, amounting to € 101.2 million.

Gross margin. Group COGS increased in the reporting period by +14.6 % from € 235.1 million to € 269.4 million. 9M15 gross margin came in with 23.9 %, after 25.2 % in 9M14. The quarterly gross margin decreased from 26.1 % in Q314 to 25.9 %.

Personnel expenses. On 30.09.2015, the company had a total of 145 employees (30.09.2014: 257). In the reporting period on average 148 staff members were employed at Delticom group (9M14: 266). Personnel expenses amounted to € 7.3 million (9M14: € 11.4 million, –36.2 %). This decrease is mainly due to the significant workforce reduction at Tirendo. The 9M15 personnel expenses ratio stood at 2.1 % (staff expenditures as percentage of revenues, 9M14: 3.6 %).

Other operating expenses. Other operating expenses amounted to € 81.2 million (9M14: € 68.2 million, +19.0 %).

Among the other operating expenses, transportation costs is the largest line item. They rose in the reporting period from € 28.1 million to € 34.1 million. The 21.4 % increase comes along with the sales country-mix and the higher business volume. The share of transportation costs against revenues went up from 8.9 % in 9M14 to 9.6 % in 9M15.

Marketing. For the year so far, marketing expenses grew by 3.0 % to € 15.9 million (9M14: € 15.4 million), equating to a ratio of 4.5 % (9M14: 4.9 %). To push an early start into the winter season, marketing spent in Q315 was increased from € 3.8 million to € 5.2 million. As a result, Q315 marketing expense ratio with 5.0 % of revenues was higher than last year's 4.4 %.

Depreciation. Depreciation for 9M15 rose by 12.6 % from € 6.2 million to € 6.9 million. This increase was essentially due to extraordinary depreciation on property, plant and equipment in H115, which was required in relation to preparations for the closure of the Lehrte warehouse at the end of the current financial year.

EBITDA. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 8.6 million (9M14: € 8.0 million, +7.3 %). This equates to an EBITDA

margin of 2.4 % (9M14: 2.5 %). EBITDA in the third quarter amounted to € 2.0 million, after € 1.8 million in Q314 (+10.4 %). Quarterly EBITDA margin stood at 1.9 % (Q314: 2.0 %).

Income taxes. In 9M15 the expenditure for income taxes was € 0.7 million (9M14: € 2.1 million). This equates to a tax rate of 55.5 % (9M14: 175.5 %). The tax rate in the reporting period diverges from the normal tax rate of the Delticom Group. This effect is due to non-deductible losses resulting from the sale of all shares in Tyrepac Pte. Ltd., Singapore and additions under trade tax law.

Net income. Consolidated net income totalled € 0.6 million after € –0.9 million in 9M14. Net income for Q315 amounted to € –0.1 million (Q314: € –0.7 million). For the nine months, earnings per share (EPS) were € 0.05 (undiluted, 9M14: € –0.08).

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year their value grew by € 43.4 million to € 99.5 million (30.09.2014: € 117.4 million).

Receivables. Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the end of the quarter, the accounts receivable amounted to € 25.4 million (30.09.2014: € 17.2 million).

Payables. In the wake of the inventory build-up, the accounts payable increased from € 75.9 million at the beginning of the year by € 33.6 million to € 109.5 million (30.09.2014: € 117.8 million).

Cash flow and liquidity position. Mainly due to more funds tied up in net working capital, the cash flow from ordinary business activities of € –8.4 million for the period under review was lower than last year (9M14: € 4.6 million).

In the reporting period Delticom invested € 0.7 million into property, plant and equipment, after € 0.5 million the previous year. Investments into intangible assets in 9M15 amounted to € 0.9 million (9M14: € 0.8 million). Further € 0.5 million (9M14: € 0.0 million) were invested into financial assets. In total, the cash flow from investments was € –2.0 million, after € –1.3 million the previous year.

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € 2.8 million, thereof the dividend payout for the last financial year of € 3.0 million and disbursements due to redemption of loans of € 2.6 million. The cash outflow was offset by inflows from shortterm financial liabilities of € 8.5 million.

Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.09.2015 totalled € 23.1 million (30.09.2014: € 24.7 million, 31.12.2014: € 29.9 million). The company's net cash position amounted to € 9.8 million (liquidity less liabilities from current accounts, 30.09.2014: € –3.2 million).

Outlook.

Business at Delticom also benefited from the early start to the winter season at the start of the current quarter. In early November, Delticom raised its guidance for full-year revenues in the wake of an upturn in revenue growth. On the basis of current planning, consolidated group revenues will lie in a range of between € 530 million and € 540 million on a full-year view. The business development in the remaining weeks of the year is accompanied by a certain degree of uncertainty given the current weather conditions. Revenues in November and December 2015 could fall short of the previous year's level.

Until the end of the year, Delticom will continue to pursue its aim of increasing sales volumes year on year and reducing inventories as planned. If unit sales increase to a greater extent than revenues, a rise in sales will not necessarily lead to an increase in earnings due to higher volume-related costs.

Management therefore confirms the full-year guidance for earnings before interest, taxes, depreciation and amortisation (EBITDA). Delticom is still aiming to at least match EBITDA of the 2014 financial year in absolute terms (€ 15.3 million).

Drivers all over the world are discovering the benefits of buying their tyres online from one of Delticom's online stores. Management therefore continues to anticipate the acquisition of over one million new customers for the Delticom Group in 2015 as a whole.

The full report for the first nine months 2015 stands ready for download within the "Investor Relations" section of the website www.delti.com.

Company profile:

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 200 online shops in 41 countries, among others ReifenDirekt, www.mytyres.co.uk in UK and www.123pneus.fr in France, as well as the Tirendo shops which enjoy a high level of recognition, not least due to its brand ambassador, Sebastian Vettel. Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

Customers enjoy all the advantages of modern E-Commerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in two business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 42,000 service partners (9,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

On the Internet at: www.delti.com

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