Corporate News

Delticom publishes 9-Monthly Report

Hanover, 07 November 2013 – 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 2013. In a troubled market environment the company recognised revenues of € 309.1 million, an increase of 10.2 % year-on-year. Earnings before interest and taxes (EBIT) amounted to € 9.7 million.

On 16.09.2013 Delticom acquired Tirendo, a young and innovative company with strengths in IT, marketing and branding. The Berlin-based team has quickly established Tirendo as a fast-growing online retailer of tyres. The brand is already enjoying a high level of recognition, not least due to TV campaigns with four-time Formula 1 world champion Sebastian Vettel. While adding complementary approaches in terms of digital branding and customer acquisition, Tirendo has access to the extensive industry and logistical network of the Delticom Group in Hanover.

Revenues. Following a weak first half year, the European tyre replacement market continued to lag expectations in the third quarter. Against this market trend, 9M 13 group revenues increased by 10.2 % to € 309.1 million (9M 12: € 280.4 million). In the third quarter the company recognised revenues of € 96.9 million (Q3 12: € 87.2 million, +11.1 %).

Q3 13 revenues in the E-Commerce division grew year-on-year by 11.4 % and amounted to € 93.3 million, resulting in an increase of 11.6 % to € 299.8 million for the nine months. In the reporting period revenues in the Wholesale division decreased by 20.6 % to € 9.3 million, after prior-year revenues of € 11.7 million.

Over the past quarter the company was able to acquire 199 thousand new customers via its Delticom shops (without Tirendo; Q3 12: 165 thousand, +20.9 %). As a result, the customer base grew by 634 thousand customers over the course of the year (9M 12: 525 thousand, +20.7 %). During the same period 411 thousand existing customers made repeat purchases at Delticom (9M 12: 353 thousand, +16.4 %).

Gross margin. The gross margin for Q3 13 was 24.1 % (Q3 12: 25.7 %). For the nine months the gross margin was 24.3 %, after 26.2 % in the prior-year period.

Gross profit. Other operating profit increased by 23.6 % to € 3.5 million (9M 12: € 2.8 million), thereof gains from exchange rate differences to the order of € 2.1 million (9M 12: € 1.2 million). Altogether, the gross profit improved by 2.8 % year-on-year, from € 76.3 million to € 78.5 million.

Personnel expenses. Personnel expenses amounted to € 7.0 million (9M 12: € 6.3 million). Compared with the prior-year period, the 9M 13 personnel expenses ratio stood unchanged at 2.3 % (staff expenditures as percentage of revenues, 9M 12: 2.3 %).

Other operating expenses. For the nine months other operating expenses totalled € 59.6 million, an increase of 18.1 % over the prior-year value of € 50.4 million.

Among the other operating expenses, transportation costs is the largest line item. They increased in the reporting period from € 23.7 million by 14.7 % to € 27.2 million. The share of transportation costs against revenues went up from 8.4 % in 9M 12 to 8.8 % in 9M 13.

In the reporting period, advertising costs totalled € 10.3 million. This equates to a ratio of marketing expenses to revenues of 3.3 % (9M 12: € 6.7 million or 2.4 %). Q3 13 marketing expenses of 4.0 % of revenues were higher than last year's 2.7 %, according to plan. This includes the new commercial with Sebastian Vettel as Tirendo brand ambassador. Since mid of September the winter spot is regulary broadcasted on TV.

Financial and legal expenses totalled € 2.6 million in the reporting period. For third quarter the expenses totalled € 1.3 million (Q3 12: € 0.3 million), mainly related to due diligence costs, auditing, tax, financial and legal advice concerning the acquisition of Tirendo.

Depreciation. Depreciation for 9M 13 rose by 11.7 % from € 2.0 million to € 2.2 million. Main reason for this increase is the depreciation of intangible assets totalling € 17.5 million, identified as part of the the purchase price allocation.

Earnings performance. EBIT for the reporting period came down by 44.5 % from € 17.5 million to € 9.7 million. This equates to an EBIT margin of 3.1 % (9M 12: 6.2 %). Third quarter EBIT saw a decline of 80.9 %, from prior-year's € 4.3 million to € 0.8 million or 0.8 % of revenues (Q3 12: 4.9 %).

In 9M 13 the expenditure for income taxes was € 3.5 million (9M 12: € 5.6 million). This equates to a tax rate of 36.5 % (9M 12: 32.5 %). The income tax rate was unusually high because the due diligence and advisory costs of € 1.1 million related to the Tirendo deal have to be capitalised as incidental acquisition expenses.

In total, consolidated net income for the reporting period totalled € 6.2 million, after a prior-year amount of € 11.7 million.

Cash flow and liquidity position. Due to the net working capital increase and the weaker earnings situation, the cash flow from ordinary business activities of € 11.3 million for the period under review was significantly lower than last year (9M 12: € 29.7 million).

As part of the acquisition of Tirendo, Delticom paid € –42.3 million as equity value (ex cash). In the reporting period Delticom invested € 0.4 million into property, plant and equipment, after € 0.9 million the previous year. In total, the cash flow from investments was € –43.1 million (30.09.2012: € –0.8 million, 31.12.2012: € –1.0 million).

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –5.0 million, thereof the dividend payout for the last financial year of € 22.5 million and disbursements due to redemption of loans of € 7.5 million. The cash outflow was offset by inflows from shortterm financial liabilities of € 24.9 million. The redemption of loans includes the repayment of € 6.6 million of shareholder loans which were acquired as part of the Tirendo transaction.

Liquidity as of 30.09.2013 totalled € 9.2 million (30.09.2012: € 15.0 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € –18.0 million (30.09.2012: € 11.8 million).

Outlook. Despite the disappointing weather conditions so far, Delticom should be able to exceed previous year's revenues. The company will once again significantly outperform the industry as a whole in 2013, regardless of broader sector developments.

The development of the Tirendo brand will affect profits in the coming quarters. Our focus is therefore on the rapid integration of business processes in order to make the best use of existing synergies. With its shops in Hanover and Berlin, the Delticom Group is well positioned to drive future growth and strengthen its position as the market leader. For the medium term we expect revenues to grow double-digit. We are confident that Delticom will continue to grow at a rate above the market trend.

The full report for the first nine months of 2013 stands ready for download within the "Investor Relations" section of the website www.delti.com .

Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hannover in 1999.The company supplies private and business customers with a wide variety of tyre products in over 100 online shops in 42 countries. Products include tyres for cars, motorcycles, bicycles, small commercial vehicles and HGVs, as well as complete wheels (pre-mounted tyres on wheel rims), selected replacement car parts and accessories, motor oil and batteries.

Berlin-based **Tirendo** is a fast-growing innovative online retailer of tyres and complete wheels. After the launch of Tirendo.de in March 2012, the tyre portal quickly expanded into seven further countries and is enjoying a high level of recognition, not least due to its brand ambassador, Sebastian Vettel.
Selected online shops: www.reifendirekt.de, www.tirendo.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

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