

## **Delticom AG: Revenues in 2013 surpassed the mark of half a billion euros for the first time**

**Hanover, 20 March 2014 – For Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, 2013 was an extremely exciting and successful year. In a difficult market environment the company increased revenues by 10.8 % to € 505.5 million (2012: € 456.4 million), reaching the half-a-billion-euro mark for the first time in the history of the company. Earnings per share were € 0.97 (2012: € 1.87).**

### **Q4 13: Successful quarter despite poor market conditions**

**Revenues.** After a decline in the European tyre replacement business in the first nine months, the winter tyre business failed to pull off the hoped-for turnaround at the end of the year. Despite the mild winter weather, Delticom succeeded in increasing sales year on year in the final quarter. Overall, Delticom generated sales of € 196.5 million in the fourth quarter (Q4 12: € 175.9 million, +11.7 %). Of this amount, € 17.8 million in sales were received through the Tirendo shops. With this result, Tirendo (acquired on 16.09.2013) already contributed significantly to Delticom's sales growth in the fourth quarter of 2013.

**EBIT.** Fourth quarter EBIT saw a decline of 46.2 %, from prior-year's € 15.1 million to € 8.1 million or 4.1 % of revenues (Q4 12: 8.6 %). EBIT of Tirendo in Q4 was € –5.8 million. Excluding not only Tirendo and all expenses and depreciations incurred in connection with the takeover in 2013 but also excluding those extraordinary expenses incurred in the old Group, Delticom would have achieved € 15.1 million of EBIT in Q4 13, compared with € 15.4 million in Q4 12 (-2,2 %). In relation to fourth-quarter revenues of € 178.6 million (excluding Tirendo, Q4 12: € 175.9 million), Delticom achieved an 8.4 % EBIT margin before extraordinary expenses in the fourth quarter (Q4 12: 8.8 %).

### **Fiscal year 2013**

With Tirendo on board, we have strengthened our company in key business areas and put Delticom on solid footing for future growth. Tirendo's online shops allow us to address additional customer groups. These customer groups will now also be able to benefit from our Group's established sales and logistics network, just like the customers of the Delticom shops. Together, Delticom and Tirendo can offer customers tailor-made services. This is one of the reasons why we succeeded in setting new records in terms of customer numbers in 2013. More than 1 million customers used the Delticom and Tirendo online shops for the first time to purchase tyres last year.

**Revenues.** In a difficult market environment the company generated revenues of € 505.5 million (2012: € 456.4 million, +10.8 %), reaching the half-a-billion-euro mark for the first time in the history of the company.

As in previous years, revenue growth was predominantly driven by an increasing willingness among customers to buy online. In our E-Commerce core segment, revenues came in at € 493.1 million, up 11.7 % year on year from € 441.4 million.

**Gross margin.** The cost of goods sold increased in the reporting period by 12.2 %, from € 338.9 million in 2012 to € 380.3 million. The gross margin for the full year was 24.8 % after 25.7 % in the prior-year period. The quarterly gross margin increased from 25.0 % in Q4 12 to 25.6 %.

**Other operating income.** Other operating income increased in 2013 by 44.0 % to € 5.4 million (2012: € 3.8 million), thereof gains from exchange rate differences to the order of € 2.8 million (2012: € 1.6 million). Gross profit in relation to total income of € 510.9 million (2012: € 460.1 million) amounted to 25.6 % (2012: 26.3 %).

**Personnel expenses.** On 31.12.2013, the company employed a total of 254 employees. 144 of them worked for Delticom and the remaining 110 for Tirendo in Berlin. In the reporting period on average 179 staff members were employed at Delticom (previous year: 144). Personnel ex-

penses amounted to € 11.3 million (2012: € 8.8 million). This increase is primarily due to the acquisition of Tirendo and their workforce. Personnel expenses also include one-off costs of € 746 thousand. Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) increased from 1.9 % to 2.2 %.

**Other operating expenses.** Overall the other operating expenses for the past financial year totalled € 97.2 million, an increase of 26.0 % over the prior-year value of € 77.1 million.

Among the other operating expenses, transportation costs is the largest line item. They increased in the reporting period in line with the higher business volume from € 38.2 million by 14.1 % to € 43.6 million. The share of transportation costs against revenues went up from 8.4 % in 2012 to 8.6 % in 2013.

**Marketing costs.** In the reporting period, costs for advertising totalled € 21.1 million, after € 11.3 million in 2012. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 4.2 % (2012: 2.5 %). Marketing expenses in Q4 13 totalled € 10.7 million (Q4 12: € 4.6 million). Marketing spent with 5.5 % of revenues was higher than last year's 2.6 %.

€ 5.8 million of the marketing spent in Q4 can be assigned to Tirendo. This includes the new commercial with Sebastian Vettel as Tirendo brand ambassador. Since mid of September the winter spot was regularly broadcasted on TV in several countries.

**Financial and legal.** Financial and legal expenses totalled € 3.7 million in the reporting period. In the previous year total expenses were considerably lower at € 0.9 million due to the reversal of accruals. Expenses in the second half of 2013 totalled € 2.4 million (H2 12: € 0.5 million), mainly related to due diligence costs, auditing, tax, financial and legal advice concerning the acquisition of Tirendo.

**Depreciation.** Depreciation for 2013 rose by 61.4 % from € 2.7 million to € 4.3 million. Main reason for this increase is the scheduled depreciation of intangible assets totalling € 17.5 million, identified as part of the purchase price allocation.

**Earnings performance.** EBITDA for the reporting period came down by 37.2 % from € 35.3 million to € 22.2 million. EBIT amounted to € 17.8 million (2012: € 32.6 million, –45.3 %). This equates to an EBIT margin of 3.5 % (2012: 7.1 %). Depreciations on intangible assets identified as part of the Tirendo takeover burdened EBIT by € 1.5 million in the period under review. The € –6.9 million EBIT generated by Tirendo from the 16 September 2013 acquisition date reduced Group EBIT even further.

**Delticom excluding Tirendo.** Assuming that in 2013 the takeover of Tirendo had not occurred, and consequently also that no related audit occurred in the financial year elapsed, the old Group would have generated revenues of € 484.8 million (2012: € 456.4 million) and an EBIT of € 26.3 million (2012: € 32.6 million), reflecting an 5.4 % EBIT margin, compared with 7.1 % in the previous year.

**Income taxes.** In 2013 the expenditure for income taxes was € 6.2 million (2012: € 10.3 million). This equates to a tax rate of 34.8 % (2012: 31.8 %). 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.

**Consolidated net income.** Consolidated net income for 2013 decreased from € 22.2 million to € 11.6 million. Despite this drop of 47.9 % our business model has once again proven its resilience. Even in adverse market environments Delticom can seize growth opportunities as they arise, resulting in a profitable business. This is a vital factor if we are to pursue our growth course moving forward and maintain the upper hand over our competitors.

**Dividend.** At the Annual General Meeting on 29.04.2014, the Management Board and Supervisory Board will propose a dividend of € 0.50 per share (2012: € 1.90, –73.7%). The remainder

will be used in the financial year to reduce our financial debt to banks that were raised for the financing of the Tirendo acquisition.

**Outlook.** Even if market and weather conditions do not turn out better than in the previous year, we anticipate a revenues increase of 10 % for the current financial year. In terms of overall earnings before interest, tax, depreciation and amortisation (EBITDA), we aim to be at least on par with the financial year 2013.

In light of the ever-increasing popularity of the Internet as a shopping channel, online tyre purchases are being lifted by consumer confidence as well. For the coming years, industry experts predict further growth potential for online tyre sales to end-users. According to estimates by the BRV (German Tyre Association), the share of tyres sold online could rise to between 15 % and 22 % by 2020. As market leader in a growing sales channel, we will continue to benefit from this trend.

**The full report for fiscal year 2013 stands ready for download within the "Investor Relations" section of the website [www.delti.com](http://www.delti.com).**

**Company profile:**

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 100 online shops in 42 countries, among others ReifenDirekt, [www.mytyres.co.uk](http://www.mytyres.co.uk) in UK and [www.123pneus.fr](http://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 37,000 service partners (8,800 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

On the Internet at: [www.delti.com](http://www.delti.com)

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