

Delticom publishes 3-Monthly Report 2014

Hanover, 15 May 2014 – 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 three months of 2014. In Q1 14 the company recognised revenues of € 94.3 million, an increase of 16 %. EBITDA amounted to € 2.4 million.

Business in the first quarter

Winter tyre business in general represents only a small proportion of total replacement sales in Q1. Unlike in 2013, spring-like temperatures in March prompted numerous drivers to switch to summer tyres even before Easter. The summer tyre business was therefore well above the previous year's level.

Revenues. In Q1 14 the company recognised revenues of € 94.3 million, an increase of 16.0 % after € 81.3 million in the prior-year period. Revenues in the E-Commerce division were up year-on-year by 18.5 %, from € 77.5 million to € 91.9 million. This includes the generated revenues of Tirendo of € 8.3 million (Q1 13: € 3.6 million, +131.2 %). Assuming that the acquisition of Tirendo had already been made at the start of fiscal year 2013, revenues in the E-Commerce segment for the first quarter of the current fiscal year would have exceeded the aggregated prior year revenues of Delticom and Tirendo by 13.3 %. The share of divisional revenues amounted to 97.4 % in Q1 14. In the reporting period, Delticom and Tirendo together were able to acquire 210 thousand new customers (Q1 13: 182 thousand, Delticom and Tirendo accumulated, +15.5 %).

Gross margin. Group COGS increased by 16.6 % from € 61.1 million in Q1 13 to € 71.2 million in Q1 14. The gross margin for the first quarter was set to 24.5 %, after 24.9 % in Q1 13.

Personnel expenses. On 31.03.2014, the company employed a total of 257 employees. 150 of them (incl. trainees) worked for Delticom and the remaining 107 for Tirendo (excl. interns and student workers). In the reporting period, Delticom employed an average of 248 staff members

(Q1 13: 148). Personnel expenses amounted to € 3.6 million (Q1 13: € 2.3 million, +60.8 %). This increase is primarily due to the acquisition of Tirendo and their workforce. The personnel expenses ratio in the first quarter came to 3.9 % (staff expenditures as percentage of revenues, Q1 13: 2.8 %).

Other operating expenses. Other operating expenses amounted to € 20.1 million (Q1 13: € 16.3 million, + 23.2%).

Among the other operating expenses, transportation costs is the largest line item. They increased in the reporting period from € 7.1 million by 2.0 % to € 7.2 million. The share of transportation costs against revenues decreased in the reporting period from 8.7 % in Q1 13 to 7.7 % in Q1 14.

Marketing. Marketing expenses grew by 92.7 % to € 4.8 million (Q1 13: € 2.5 million). This significant increase is mainly due to the € 2.0 million additional marketing spent of Tirendo. Q1 14 marketing spent with 5.1 % of revenues was higher than last year's 3.1 %.

Depreciation. Depreciation for Q1 14 rose from € 0.7 million to € 2.1 million. Main reason for this increase is the scheduled depreciation of intangible assets totaling € 17.5 million, identified as part of the purchase price allocation.

Earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 2.4 million (Q1 13: € 3.2 million, -26.0 %). This equates to an EBITDA margin of 2.5 % (Q1 13: 4.0 %). Q1 14 earnings before interest and taxes (EBIT) contracted by 88.4 % to € 0.3 million (Q1 13: € 2.5 million). This translates into an EBIT margin of 0.3 % (EBIT in percent of revenues).

Delticom excluding Tirendo. In the reporting period, old Delticom group achieved revenues of € 86.0 million, after € 81.3 million the previous year (+5.8 %). EBIT amounted to € 3.6 million (Q1 13: € 2.5 million, +40.8 %). This equates to an EBIT margin of 4.3 % (Q1 13: 3.1 %).

Income taxes. In Q1 14 the expenditure for income taxes was € 10.5 thousand (Q1 13: € 0.9 million). This equates to a tax rate of 33.9 % (Q1 13: 33.8 %).

Net income. Consolidated net income shrank from € 1.7 million by 98.8 % to € 20.4 thousand.

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year stock grew by € 21.8 million or 29.9 % to € 94.7 million (31.12.2013: € 72.8 million). This corresponds to a share of 42.7 % of total assets (31.12.2013: 41.1 %, 31.03.2013: 50.4 %).

Cash flow and liquidity position. Due to the positive development in net working capital and higher depreciations, the Q1 14 cash flow from ordinary business activities (operating cashflow) of € 10.7 million was better than in the comparison period (Q1 13: € –1.4 million).

In the first quarter, Delticom invested € 0.2 million into property, plant and equipment (Q1 13: € 0.1 million).

Due to the repayment of loans, the cash flow from financing activities amounted to € –0.9 million in the reporting period (Q1 13: € –0.4 million).

Liquidity (cash and cash equivalents plus liquidity reserve) as of 31.03.2014 totalled € 20.9 million (31.12.2013: € 11.3 million, 31.03.2013: € 44.3 million). The company's net cash position amounted to € 8.7 million (liquidity less liabilities from current accounts, 31.03.2013: € 43.3 million).

Current trading. At the end of March, demand was much higher than in the previous year. As of the end of the first quarter, the E-Commerce order volume of € 98.7 million exceeded the prior year base of € 82.7 million (Delticom and Tirendo accumulated) by 19.3 %. However, some of the orders received at the end of March were only delivered at the beginning of the second quarter.

Outlook.

Unlike in 2013, the tyre trade was boosted by the early start to the summer business at the beginning of the year. The sales increase generated in the first quarter, however, is related to the extremely weak basis in the previous year. Weather-induced shifts are also fairly common.

Only the next few months will show to what extent the forecasts of individual market experts regarding a slight increase in the European replacement tyre business will materialise. As in the previous years, the development for the full year will be largely determined by the winter business.

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 amortization (EBITDA), we aim to be at least on par with the financial year 2013.

The full report for the first three months 2014 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 100 online shops in 42 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 38,000 service partners (8,800 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

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