

Delticom publishes Semi-Annual Report 2014

Hanover, 14 August 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 six months of 2014. In the reporting period, the company recognized revenues of € 226.1 million, an increase of 6.5 % (H1 13: € 212.2 million). EBITDA came in at € 6.2 million. This equates to an EBITDA margin of 2.7 % (H1 13: 4.8 %).

Business in the first six months

Warm temperatures in March prompted many motorists to make an early switch to summer tyres. As a result, the summer tyre business cooled off in the second quarter. First assessments from trade associations for the past quarter showed summer tyre sales in Germany down by nearly 7 % year on year.

Revenues. In the reporting period, the company recognized revenues of € 226.1 million, an increase of 6.5 % after € 212.2 million in the prior-year period. Revenues in the E-Commerce with its 140 online shops increased year-on-year by 7.3 %, from € 206.4 million to € 221.4 million.

Tirendo. Tirendo's performance in the first half of the year is significantly below planning, both in terms of revenues and earnings. At € 17.5 million, revenues in the first six months remained nearly unchanged (H1 13: € 17.5 million). Whereas Tirendo's revenues increased by 131.2 % in the first quarter of the current fiscal year, business in the second quarter was unable to match the positive development at the beginning of the year. Spring-like temperatures resulted in an early start of the summer season in March. With a view to the strong prior-year base and the still low proportion of international business, revenues of Tirendo decreased by 33.8 % to € 9.2 million in Q2 14.

New customers. In the period under review, the company was able to acquire a total of 454 thousand new customers (H1 13: 435 thousand, Delticom excluding Tirendo, +4.3 %).

Over the same period, 420 thousand existing customers bought their tyres from the Delticom Group again.

Gross margin. Group COGS increased by 5.9 % from € 160.5 million in H1 13 to € 170.0 million in H1 14. Gross margin for H1 14 came in with 24.8 %, after 24.4 % in H1 13.

Personnel expenses. On 30.06.2014, the company employed a total of 300 employees. 149 of them (including trainees) worked for Delticom and the remaining 151 for Tirendo (including interns, Q1 14: 147). In the reporting period, Delticom employed an average of 271 staff members (H1 13: 148). Personnel expenses amounted to € 7.7 million (H1 13: € 4.5 million, +69.4 %). This increase is primarily due to the acquisition of Tirendo and their workforce. The personnel expenses ratio in the first six months came to 3.4 % (staff expenditures as percentage of revenues, H1 13: 2.1 %).

Other operating expenses. Other operating expenses amounted to € 48.3 million (H1 13: € 39.6 million, + 22.0%).

Among the other operating expenses, transportation costs is the largest line item. They increased in the reporting period from € 18.7 million by 6.0 % to € 19.8 million. The share of transportation costs against revenues remained with 8.8 % nearly unchanged (H1 13: 8.8 %).

Marketing. Marketing expenses grew by 79.0 % to € 11.6 million (H1 13: € 6.5 million). This significant increase is mainly due to the € 5.3 million additional marketing spent of Tirendo in the first six months of current fiscal year (H1 13: € 5.3 million). In the reporting period, marketing spend with 5.1 % of revenues was higher than last year's 3.0 %.

Depreciation. Depreciation rose from € 1.3 million in H1 13 to € 4.1 million. Main reason for this increase is the scheduled depreciation on intangible assets, identified as part of the purchase price allocation. Depreciation from PPA in H1 14 amounted to € 2.7 million.

Earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 6.2 million (H1 13: € 10.3 million, –39.7 %). This equates to an EBITDA margin of 2.7 % (H1 13: 4.8 %). In the first six months, EBIT contracted by 76.9 % to € 2.1 million (H1 13: € 8.9 million). This translates into an EBIT margin of 0.9 % (EBIT in percent of revenues, H1 13: 4.2 %).

Delticom excluding Tirendo. In the reporting period, Delticom achieved revenues of € 208.6 million, after € 212.2 million the previous year (–1.7 %). EBITDA amounted to € 13.3 million, after € 10.3 million the previous year (+30.2 %). This equates to an EBITDA margin of 6.4 %, after 4.8 % in the previous year. Despite the weaker business development in H1 14, Delticom remains sufficiently profitable, even after the Tirendo takeover, to compensate for Tirendo's losses.

Income taxes. In H1 14 the expenditure for income taxes was € 1.8 million (H1 13: € 2.9 million).

Net income. In the period under review, the consolidated net income with € -0.2 million turned out negatively (H1 13: € 6.0 million). On a half-year basis, the consolidated net income was negative for the first time in the history of the company, which was primarily attributable to Tirendo's accumulated losses after tax of € –8.0 million in H1 14.

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year stock grew by € 36.3 million or 49.9 % to € 109.2 million (31.12.2013: € 72.8 million). This corresponds to a share of 52.7 % of total assets (31.12.2013: 41.1 %, 30.06.2013: 66.9 %).

Liquidity position. Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.06.2014 totalled € 7.0 million (31.12.2013: € 11.3 million, 30.06.2013: € 9.8 million). The company's net cash position amounted to € -16.4 million (liquidity less liabilities from current accounts, 30.06.2013: € 8.9 million).

Outlook.

Following the disappointing level of demand for winter tyres over the last three years, it remains to be seen as to what extent the hopes of the tyre trade for positive winter business can be fulfilled this year. In the second half of the year, the development of the European tyre replacement market will once again depend a great deal on winter weather conditions.

Delticom continues to pursue revenue growth of 10 % for the full year. As Tirendo did not make the expected level of Group growth contributions in the first half of H1 14, the target set for the second half of the year is more ambitious than at the start of the year and is based on the assumption that there will be greater demand for winter tyres this year in comparison to the previous year.

We will continue to optimize costs and processes in both Hanover and Berlin in the coming months. In terms of overall earnings before interest, tax, depreciation and amortization (EBITDA), we continue to aim to be on par with the financial year 2013.

The full report for the first six 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.

Corporate News



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 39,000 service partners (8,900 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

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