Delticom publishes 3-Monthly Report 2012

Hanover, 10 May 2012 – 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 2012. In Q112 the company recognised revenues of € 85.5 million, a plus of 0.2%. Earnings before interest and taxes (EBIT) amounted to € 3.4 million.

Business in the first quarter

Revenues. Due to the lack of snow, sales of winter tyres lagged behind expectations at the start of the year. This was compounded by the fact that prior to Easter it was too cold for a good start into the changeover season. The low temperatures are likely to have prevented many drivers from making an early switch to summer tyres.

Despite difficult market conditions revenues in Q112 came in flat year-on-year. Quarterly revenues increased by 0.2% to € 85.5 million (Q111: € 85.4 million). Revenues in the E-Commerce division were up year-on-year by 0.5%, from € 80.5 million to € 80.9 million. The revenues of the Wholesale division decreased by 5.8% to € 4.5 million, after prior-year revenues of € 4.8 million.

Gross margin. The cost of goods sold increased in the reporting period by 0.3%, from € 63.2 million in Q111 to € 63.4 million. The gross margin for the first quarter was set to 25.8%, more or less flat from prior-year's 25.9%.

Other operating income. Other operating profit decreased by 48.2% to € 0.7 million (Q111: € 1.3 million), thereof gains from exchange rate differences to the order of € 0.4 million (Q111: € 1.0 million). FX losses have to be accounted for as line item in the other operating expenses (Q112: € 1.5 million, Q111: € 1.7 million). The balance of FX income and losses totalled € –1.1 million (Q111: € –0.7 million). Altogether, the gross profit worsened in the reporting period by –3.0% year-on-year, from € 23.5 million to € 22.7 million.

Personnel expenses. In the reporting period on average 142 staff members were employed at Delticom (Q111: 108). The reason for the increase was the build up of qualified staff for our new warehouse facility which was opened in Q2 last year. Personnel expenses amounted to € 2.2 million (Q111: € 1.7 million). The Q112 personnel expenses ratio stood at 2.6% (staff expenditures as percentage of revenues, Q111: 2.0%).

Other operating expenses. Overall the other operating expenses totalled € 16.4 million in the past quarter, an increase of 6.7% over the prior-year value of € 15.4 million.

Among the other operating expenses, transportation costs is the largest line item. It grew from € 6.8 million by +3.7% to € 7.0 million. The share of transportation costs against revenues went up from 7.9% in Q111 to 8.2% in Q112.

Due to the expansion of warehouse capacity, rents and overheads increased by 63.9%, from € 1.0 million to € 1.6 million. Stocking costs came in at € 1.0 million, 15.0% higher than prior-year's € 0.9 million.

In the reporting period, costs for advertising totalled € 2.1 million, after € 2.0 million in Q111. The ratio of marketing expenses to revenues was with 2.4% basically flat year-on-year.

Depreciation. In line with our gradual warehouse capacity expansion and the last year's investments into warehousing infrastructure, depreciation rose by 83.0% from € 0.4 million in Q111 to € 0.7 million.

Earnings performance. EBIT came down from € 5.9 million to € 3.4 million, primarily due to higher fixed costs.

Financial income amounted to € 6.4 thousand (Q111:€ 42.3 thousand) while financial expenses in Q112 increased to € 43.4 thousand (Q111:€ 2.9 thousand). At the reporting date the financial result totalled € –37.1 thousand after € 39 thousand the previous year.

The expenditure for income taxes was € 1.1 million (previous year: € 1.9 million). The tax rate was 31.6% (Q111: 32.2%). Consolidated net income for Q112 came down from € 4.1 million to € 2.3 million. This corresponds to earnings per share (EPS) of € 0.20 (undiluted, Q111: € 0.34).

Balance sheet. Among the current assets, inventories is the biggest line item. They grew from the beginning of the year by 26.4%, totalling € 134.7 million on 31.03.2012. This corresponds to a share of 66.3% of total assets (31.12.2011: 64.0%, 31.03.2011: 49.9%).

In the wake of this inventory build-up, the accounts payable increased from € 68.2 million by € 35.6 million or 52.1% to € 103.8 million.

Cash flow and liquidity position. The net working capital came down by 7.6%, from € 44.4 million at 31.12.2011 to € 41.1 million at 31.03.2012. In the last year the Q1 net working capital had increased by € +22.2 million. Consequently, in Q112 the cash flow from ordinary business activities (operating cashflow) of € 5.6 million was significantly stronger than in the comparison period (Q111: € –18.5 million).

Liquidity (cash and cash equivalents plus liquidity reserve) as of 31.03.2012 totalled € 26.8 million (31.03.2011: € 47.5 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € 23.2 million.

Outlook

Experts continue to regard the European economic outlook with caution. After the elections in Greece and France it is looking less likely that European states will agree on a common strategy for managing public deficits in the near future. In addition, high petrol and energy prices are unsettling European consumers. This will weigh on consumer sentiment in coming months.

Due to unfavourable weather conditions, the European tyre trade had a relatively soft start into the year. At the beginning of the second quarter, the picture is still mixed throughout Europe. Demand shifts between quarters are quite common in the tyre trade, though. Assuming that the market environment for the tyre business continues to improve then volumes in the second quarter should benefit from catch-up effects.

All in all, our forecast of a rise in revenues of 10% year-on-year remains unchanged. Assuming margins at prior-year levels, earnings should grow in line with revenues.

The full report for the first three months 2012 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 Hanover in 1999. With more than 100 online shops in 41 countries, the company offers its private and business customers an unequalled assortment of excellently priced car tyres, motorcycle tyres, bicycle tyres, truck tyres, bus tyres, special tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. The independent website reifentest.com contains impartial information about tyre tests and helps the customers choose from more than 100 tyre brands and more than 25,000 tyre models. Delticom delivers either directly to the customer's home address, or to one of more than 30,000 service partners – affiliated garages which take delivery of tyres and then install these on the customer's vehicle. Delticom's Wholesale division also sells tyres to wholesalers domestically and abroad.

On the Internet at: www.delti.com
Selected online shops: www.reifendirekt.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

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