

23 November 2020

**Delticom AG**

**Rating** Buy  
**Share price (EUR)** 4.15  
**Target price (EUR)** 6.50

Bloomberg DEX GY  
Sector Retail

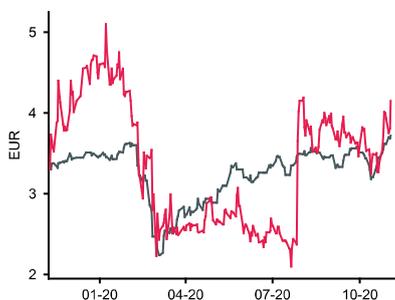
**Share data**

Shares out (m) 12.5  
Daily volume shs (m) 0.0  
Free float (%) 47.40  
Market cap (EUR m) 52  
EV (EUR m) 138  
DPS (EUR) 0.00  
Dividend yield (%) 0.0  
Payout ratio (%) 0.0

**Performance**

ytd (%) -17.6  
12 months (%) 15.4  
12 months rel. (%) 4.0  
Index SDAX

**Share price performance**



— Delticom AG  
— Price rel. to SDAX - Price Index

Source: Bloomberg

**Next triggers**

**Analysts**

Daniel Kukalj – Financial Analyst  
T +49 (0) 69 2475049-28  
daniel.kukalj@quirinprivatbank.de

Ralf Marinoni – Financial Analyst  
T +49 (0) 69 2475049 24  
ralf.marinoni@quirinprivatbank.de

Jannik Lucas – Financial Analyst  
T +49 (0) 69 2475049 29  
jannik.lucas@quirinprivatbank.de

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# Tyres are running again – turn-around story takes shape

We start our coverage on Delticom with a BUY rating and a DCF based TP of EUR 6.50, implying an upside potential of more than 50%. The company is in the mid- to long-term a high-conviction growth story, according to us, mainly driven by the fact that e-commerce (online shopping) also triggered by the Covid-19 pandemic has changed consumer attitude massively. With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The company operates 394 online shops and sales platforms in 73 countries, serving around 15 million customers. Consequently, Delticom commands a superior market position. We believe the market has currently hardly discounted company's future growth perspectives accompanied by rising group sales, improvement in earnings and free cash flow generation after the likely succeeding restructuring process for the coming years.

**Delticom the forgotten e-commerce champion of prior times is reshaped and again an attractive turn-around equity story**

Due to the successful turnaround management in recent months and the positive earnings development in Q2 2020 and Q3 2020, the management has raised its earnings forecast in the course of FY 2020, thus showing first impressive improvements in profitability, in our view implementing an attractive turn-around equity story. The Delticom group's EBITDA for the full year is expected to range between EUR +5 to +8m (QPe: EUR 4.7m). Restructuring costs will total around EUR 7m in FY 2020. Operating EBITDA will also be higher than originally planned at EUR +12 to +15m (QPe: EUR 12m).

**Valuation at the lower end range, it does not reflect company's restructuring and turnaround story despite current challenging markets**

Without question the market has so far priced in a massive correction in sales and earnings for the current year in general, however in the case of Delticom, we see a massive exaggeration because the market underestimates the fact that the company has shown first steps in the restructuring process and thus its risk/chance profile tends likely more to the positive side. Analyzing historical EV/EBITDA pattern Delticom shares are currently trading at the lower level (please see page 5), thus implying attractive upside potential in the mid- to long-term view.

Key figures		2018	2019	2020e	2021e	2022e
Sales	EUR m	646	626	540	567	587
EBITDA	EUR m	9	-7	5	14	18
EBIT	EUR m	1	-42	-5	2	6
EPS	EUR	-0.12	-3.24	-0.45	0.00	0.21
Sales growth	%	n.a.	-3.1	-13.7	5.0	3.5
EBIT growth	%	n.a.	-3940.5	87.4	147.1	135.2
EPS growth	%	n.a.	-2679.3	86.1	99.5	9367.6
EBITDA margin	%	1.4	-1.1	0.9	2.4	3.1
EBIT margin	%	0.2	-6.7	-1.0	0.4	1.0
Net margin	%	-0.2	-6.5	-1.0	0.0	0.4
EV/Sales	ratio	0.22	0.24	0.26	0.23	0.21
EV/EBITDA	ratio	16.1	-22.6	29.4	9.5	6.7
EV/EBIT	ratio	131.7	-3.6	-26.1	52.9	20.7
P/E	ratio	-80.0	-1.5	-9.2	-1874.4	20.2
P/BV	ratio	2.4	7.5	19.0	19.2	9.9
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

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## Investment case

**Value creation through lean, streamlined distribution and strong market power**

**Strong expertise in E-commerce**

**Competitive advantage through unique selling proposition**

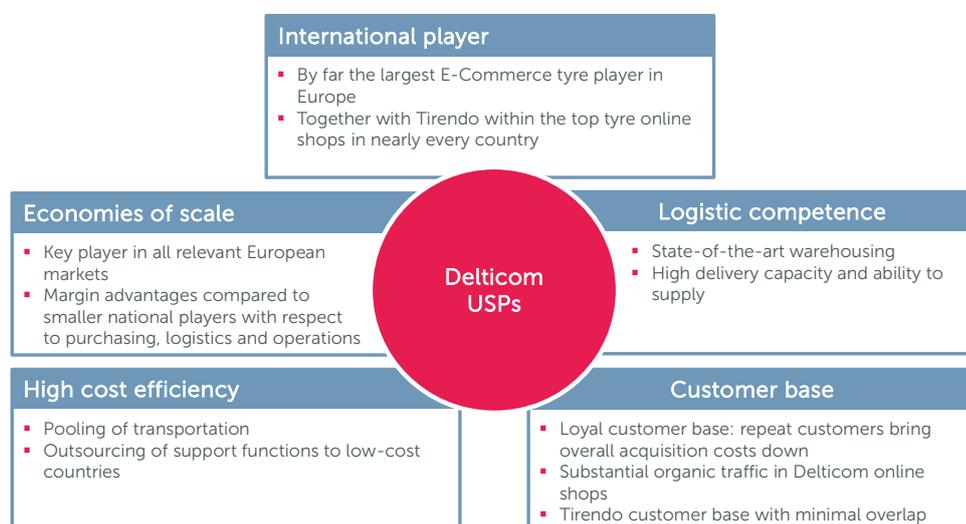
### Europe's leading online tyre retailer with unmatched market presence

Delticom AG, headquartered in Hanover, Germany and founded in 1999 by two former Continental executives, is the leading European group for the online distribution of replacement tyres and complete wheel sets for cars, motorcycles and heavy-duty vehicles. Serving the increasing importance of mobility in various forms, Delticom is the specialist in the aftermarket of tyre trade with its 15m customer base and almost 400 online shops worldwide (primarily Europe and the US). Around 70.7% of turnover is generated in the EU and 29.3% across all non-EU countries (H1 FY20). The firm's efficient distribution model is underpinned by its wide network of approx. 39,000 professional fitting partners to which the products can be sent upon customers' request. B2B services including retail and fleet are operated through separate online shops and completes the picture of Delticom's strong market presence in replacement tyre trade.

### High competence and long experience in cross-border e-commerce

Paired with Delticom's logistical know-how, the company possesses extensive expertise in the development and operation of online shops, web-based customer acquisition, internet marketing and the installation of partner networks. The company thereby addresses the megatrend of e-commerce that even gained in importance in light of the Covid-19 pandemic. What is more, highly integrated and automated processes and warehousing systems allow for great economies of scale and ultimate value creation in a sustainable manner. Delticom is thereby able to adapt to the traditionally seasonal demand for replacement tyres by offering high delivery capacities and a streamlined value chain. We therefore regard even more future market share likely given Delticom's successful customer acquisition strategy in a market environment that definitely allows for further consolidations.

### Business model with attractive & unique selling proposition



Source: Company data, Quirin Privatbank

Delticom has a proven history of expertise in online tyre trade with visibility in high turnover and customer acquisitions. With regards to the current global health crisis, the company does not only adapt to the trend of e-commerce but also serves the increasingly important aftermarket against demand shortfalls especially for long-lived goods. Altogether Delticom's long-standing expertise comes along with the infrastructural basis for long-term growth in the online replacement tyre trade.

**Buy recommendation – TP EUR 6.50**

### We initiate coverage with a Buy recommendation and a TP of EUR 6.50

We initiate coverage on Delticom with a Buy rating and a target price of EUR 6.50, derived from our DCF model. Our target price implies more than 50% upside from the current share price.

## SWOT Analysis

### Strengths

- Leading online distributor in the replacement tyre trade
- Delticom is present everywhere in Europe and can thus seize market opportunities
- Strong partner network of suppliers, fitting stations, garages and others
- Wide product portfolio with global footprint
- Comprehensive knowledge with regards to M&A activities
- Streamlined value chain through automated processes
- Strong competitive position (first-mover)
- Short lead times with suppliers
- Disposal of loss-making entities
- Distancing from non-profitable food business and full focus on tyre business
- Successful turnaround management with first visibility

### Weaknesses

- Current shortfalls in profitability, i.e. low ROCE compared to peers
- Lack of sufficient reserves to cover high marketing expenses at former levels
- No solid balance sheet ratios, especially too low equity ratio
- Low reporting transparency on Q1 and Q3 reporting periods, lack of detailed P&L, BS and CFS figures

### Opportunities

- Increasing number of users in e-commerce in upcoming years
- High potential in market for automotive parts through operating leverage
- State-of-the-art Infrastructure and know-how in cross-border E-Commerce
- Increasing market power in consolidating market
- Potential through M&A activities

### Threats

- Growing margin pressure in state of economic downturn
- Existing e-commerce players with lower barriers to entry
- High reliance on macroeconomic development
- Weather-related demand as a cyclical and external threat

### Delticom: BCG matrix - European replacement tyre trade



High opportunities in growing tyre e-commerce business

Source: Quirin Privatbank

## Status quo of valuation

**Regarding EV/EBITDA multiple, the current valuation is at the low point**

Considering current valuation we see sharp upside potential for Delticom shares mainly by the fact that the upcoming growth prospects are currently not priced in.

### Overview of blended EV/EBITDA (NTM) of Delticom

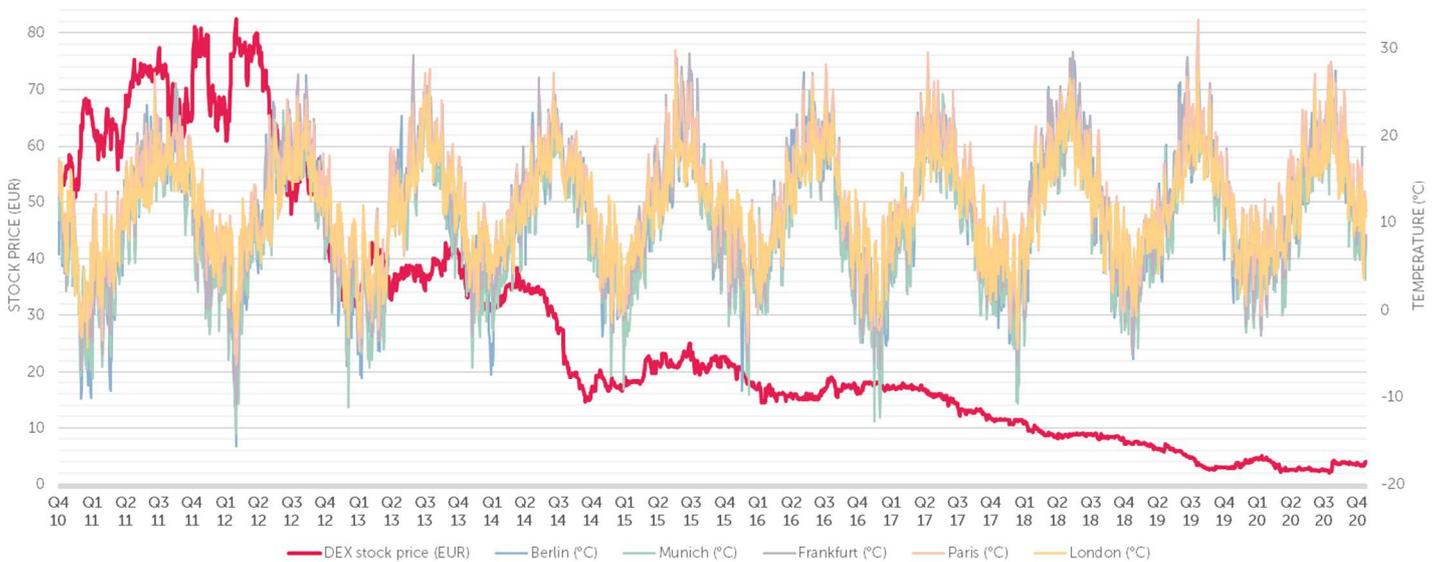


Source: Bloomberg, Quirin Privatbank

**Seasonality in sales: DEX stock performance partially mirrors weather-dependent demand - winter season stronger than summer**

As the replacement tyre business is significantly influenced by weather differences and associated road conditions, Delticom usually sees higher sales from its more profitable winter tyres in Q4. Trend-wise, we note that financial markets have the DEX stock price act accordingly with seasonal dips after summer followed by slight appreciations when temperatures drop (time lag due to later reporting).

### Delticom share price development (EUR) to mean temperature (°C) in major European cities



Source: Bloomberg, Quirin Privatbank

## Valuation

### Viewing our peer group, we believe Delticom has upside potential

We believe Delticom should be compared to other high-quality and growth companies related to the e-commerce sector. We include following companies in our peer group valuation approach:

**home24**, headquartered in Berlin and employing more than 1,500 people worldwide, is a leading pure-play home & living e-commerce platform in Continental Europe and Brazil. With over 100,000 articles sourced from more than 500 manufacturers, home24 offers a unique selection of large and small furniture pieces, garden furniture, mattresses and lighting.

**OPONEO.PL S.A.** is a retail seller of parts and accessories (mainly tyres) for motor vehicles. In addition to tyres, the range of products includes steel and aluminium wheels and car accessories. The OPONEO Group is a leader in the introduction of a service on the Polish market that connects the delivery of tyres with their assembly service. Currently, this service is offered at over 900 service points. In addition, OPONEO is present on 13 different European markets, i.e. in Austria, Belgium, Czech Republic, France, Spain, Holland, Ireland, Germany, Slovakia, Turkey, Great Britain, Italy, and Hungary.

**Westwing Group AG** was founded in 2011 and is headquartered in Munich. The company is the leader in inspiration-based Home and Living eCommerce in Europe with EUR 267m of revenue in 2019. Westwing went public on the Frankfurt Stock Exchange in October 2018 and is active in eleven European countries.

**Zalando SE** is Europe's leading online platform for fashion and lifestyle. Founded in Berlin in 2008, Zalando brings head-to-toe fashion to more than 35 million active customers in 17 markets, offering clothing, footwear, accessories, and beauty. The assortment of international brands ranges from world famous names to local labels.

**zooplus AG** was founded in 1999 and today is Europe's leading online retailer of pet supplies measured by sales. The company's business model has been launched successfully in roughly 30 European countries. The company sells products for all major pet breeds. The product range includes pet food (dry and wet food and food supplements) and accessories such as scratching posts, dog baskets, and toys in all price categories.

## Peer group renders a Fair value of EUR 4.71 per share

To value the stock we use a peer group multiple comparison model. Our valuation is only based on 2020-2022 EV/EBITDA multiples to consider the high depreciation amount, thus indicating a market-derived value of EUR 4.71 per share.

### Delticom's peer group overview

Peer Group Overview	EV/EBITDA			EV/EBIT			P/E		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
HOME24 SE	41.7	30.2	16.8	n.a.	n.a.	95.6	n.a.	n.a.	n.a.
OPONEO.PL SA	10.6	9.5	8.7	14.9	13.1	11.8	17.3	17.8	16.1
WESTWING GROUP AG	12.4	23.0	16.4	16.2	52.8	31.5	28.0	133.7	53.1
ZALANDO SE	34.1	31.0	24.7	54.6	51.7	39.3	89.8	85.4	63.8
ZOOPLUS AG	20.8	21.1	17.3	44.7	48.5	34.1	59.0	68.6	51.3
<b>Median</b>	<b>20.8</b>	<b>23.0</b>	<b>16.8</b>	<b>30.5</b>	<b>50.1</b>	<b>34.1</b>	<b>43.5</b>	<b>77.0</b>	<b>52.2</b>

Source: Bloomberg, Quirin Privatbank estimates

### Peer Group Valuation

Peer Group Results in EUR m	EBITDA 2020e	EBITDA 2021e	EBITDA 2022e	EBIT 2020e	EBIT 2021e	EBIT 2022e	EPS 2020e	EPS 2021e	EPS 2022e
Delticom AG Quirin Privatbank estimates	4.7	13.8	18.2	-5.3	2.5	5.9	-0.45	0.00	0.21
Multiple	20.8x	23.0x	16.8x	30.5x	50.1x	34.1x	43.5x	77.0x	52.2x
<b>Enterprise value</b>	<b>97.8</b>	<b>318.2</b>	<b>304.9</b>	<b>-161.3</b>	<b>125.0</b>	<b>200.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
Pension provisions					0.4				
Minorities					-0.1				
Net debt					115.5				
<b>Fair value of equity</b>	<b>n.a.</b>	<b>202.4</b>	<b>189.1</b>	<b>n.a.</b>	<b>9.2</b>	<b>84.4</b>	<b>n.a.</b>	<b>n.a.</b>	<b>133.5</b>
<b>Median</b>					<b>195.7</b>				
Premium (discount) vs. Peer Group					-70%				
<b>Fair market capitalization (after premium/discount)</b>					<b>58.7</b>				
Number of shares (m)					12.5				
<b>Fair value per share (in EUR)</b>					<b>4.71</b>				

Source: Bloomberg, Quirin Privatbank estimates

We assume that a short term driven peer group comparison does not lead to fair results. Obviously the long term growth prospects are currently kept out of valuation considerations. Nevertheless especially in case of Delticom the growth potential clearly exists and need to be integrated into our valuation considerations. We therefore focus to a larger extent on DCF as the methodology does better reflect the long term potential of the company.

**DCF valuation**

Our DCF model indicates a fair value of EUR 6.57 for a Delticom share and reflects the long-term perspectives of the company. Our assumptions are as follows:

**Phase 1 (2020-22e):**

We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

**Phase 2 (2023-29e):**

For Phase 2, we assumed an initial sales growth of 3.5% that fades out to 2.0% in 2029e. We assumed a continuously increasing EBIT margin to 2.9%.

**Phase 3:**

For the calculation of the terminal value, we applied a long-term FCF growth rate of -0.14% which equals the expected yield of the 30-year Federal bond.

**DCF renders a Fair value of EUR 6.57 per share**

Based on these assumptions, we calculated a fair value of Delticom's operating business of EUR 197.4m. We deducted Delticom's net debt (financial debt incl. leasing minus cash). The resulting fair value of equity is EUR 81.9m or EUR 6.57 per share.

**Discounted Cash Flow Model**

EURm	PHASE 1			PHASE 2							PHASE 3
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	∞
Sales	540.3	567.3	587.2	607.8	629.0	651.0	673.8	697.4	721.8	736.3	
YoY growth	-13.7%	5.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	2.0%	
EBIT	-5.3	2.5	5.9	8.0	10.3	12.8	15.4	18.1	21.1	21.5	
EBIT margin	-1.0%	0.4%	1.0%	1.3%	1.6%	2.0%	2.3%	2.6%	2.9%	2.9%	
Income tax	2.4	0.0	-1.1	-1.6	-2.3	-3.2	-4.2	-5.4	-6.3	-6.4	
Depreciation and amortisation	10.0	11.3	12.3	10.3	10.7	11.1	11.5	11.9	12.3	12.5	
Change in net working capital	1.5	0.1	1.3	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	
Net capital expenditure	-4.3	-5.1	-5.9	-6.1	-6.3	-6.5	-8.0	-9.5	-11.0	-12.5	
<b>Free cash flow</b>	<b>4.2</b>	<b>8.8</b>	<b>12.5</b>	<b>10.0</b>	<b>11.7</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>	<b>15.1</b>	<b>14.2</b>	
<b>Present values</b>	<b>4.2</b>	<b>8.2</b>	<b>10.9</b>	<b>8.1</b>	<b>8.9</b>	<b>9.5</b>	<b>9.2</b>	<b>8.8</b>	<b>8.8</b>	<b>7.7</b>	<b>113.1</b>
Present value Phase 1	23.3										
Present value Phase 2	61.1										
Present value Phase 3	113.1										
Total present value	197.4										
+ Excess cash	2.6										
- Financial debt	-118.1										
Fair value of equity	81.9										
Number of shares (m)	12.5										
Fair value per share (EUR)	6.57										

Risk free rate	-0.14%	Target equity ratio	50.0%
Equity risk premium	6.00%	Beta (fundamental)	1.80
Debt risk premium	4.00%	<b>WACC</b>	<b>6.69%</b>
Tax shield	30.0%	<b>Terminal growth</b>	<b>-0.1%</b>

<b>Sensitivity analysis</b>						
<b>Terminal growth (Phase 3)</b>						
		<b>-1.1%</b>	<b>-0.6%</b>	<b>-0.1%</b>	<b>0.4%</b>	<b>0.9%</b>
<b>WACC</b>	<b>5.7%</b>	7.67	8.50	9.48	10.64	12.04
	<b>6.2%</b>	6.42	7.11	7.91	8.85	9.96
	<b>6.7%</b>	5.33	5.91	<b>6.57</b>	7.34	8.24
	<b>7.2%</b>	4.38	4.86	5.42	6.05	6.79
	<b>7.7%</b>	3.53	3.94	4.41	4.94	5.55

Source: Quirin Privatbank estimates

## Company profile

### Wide range of product-brands across many sales channels

#### No.1 online tyre-retailer in Europe

Delticom AG is a leading European group for the online distribution of tyres and complete wheel sets. Headquartered in Hanover, Germany, Delticom operates through various brands with ReifenDirekt as a major online-retailer. The product portfolio comprises more than 100 brands and approx. 18,000 different tyre models for cars and motorcycles. Complete wheels and rims complete the product range. Sales are made entirely online, that is Delticom does not operate any brick-and-mortar stores. Furthermore, the company maintains a network of around 39,000 professional fitting partners that can handle the change of tyres on customers' request. In total the group operates 394 online shops and online distribution platforms in 73 countries serving over 15 million customers.

#### Network of multiple online shops across Europe



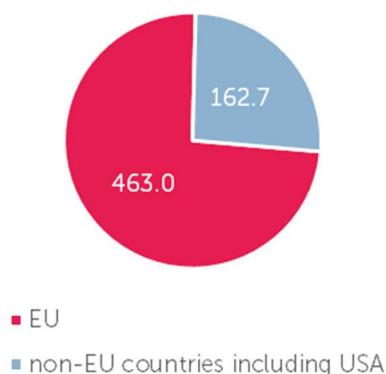
Source: Delticom AG, Quirin Privatbank AG

#### Expanding E-Commerce market position in Europe

Delticom operates primarily in Europe and partially in the US with the aim to further expand its E-Commerce position in Europe. The company possesses extensive expertise in the development and operation of online shops, web-based customer acquisition, internet marketing and the installation of partner networks. Moreover, Delticom owns wide expertise in designing efficient and fully integrated ordering and logistic processes. The firm's most important assets are its warehouses that are rented and make up a crucial factor in the logistics- and distribution of the tyres.

Delticom group offers its product range in 73 countries with the majority of sales in EU countries.

#### Regional sales split FY19



Source: Delticom AG

### Restructuring plan put forth: close-down of grocery trade subsidiaries

#### *Reshape: Allyouneed Fresh sold*

As already announced by management and as a consequence of the unprofitability of Delticom subsidiaries in the stagnant and small online food business (in Germany), the group has decided to close down its poor dogs and refocus on online tyre business. As of December 31<sup>st</sup> 2019, Delticom closed online food subsidiary Allyouneed Fresh GmbH. Recently Delticom group announced the sale of Allyouneed Fresh to German online food retailer group that shall handle the close-down and receive website's customer relationship data. Also, in early 2020, German organic supermarket-chain Alnatura decided to end its online operations in cooperation with Delticom subsidiary Gourmondo, effective Januar 31<sup>st</sup> 2020. A sell of Gourmondo GmbH – not yet taken place – cannot be ruled out as the Gourmondo website currently gives hints on a possible continuation of operations. Subsidiary lebensmittel.de has been shelved by Q1 FY20 as well.

#### *Further close-down of Gourmondo & lebensmittel.de*

Moreover, these actions seem reasonable from a macroeconomic standpoint taking into account very slow market-growth in the online food business. According to IFH the share of e-food in the total food market shall only yield approx. 7% in 2030e.

### Delticom: sequence of restructuring measures 2019/ 2020

Subsidiary	Business	Status
Allyouneed Fresh	E-Food	Discontinued Dec 31st 2019
Lebensmittel.de	E-Food	Discontinued Mar 31st 2020
Deltiparts	Car parts, oil	Discontinued Mar 31st 2020
Gourmondo	E-Food	Discontinued Mar 13th 2020
US subsidiaries	various	M&A process
Further non-core subsidiaries	various	Under review

Source: Quirin Privatbank, Delticom AG

### Shift away from side business and refocusing resulting in burdens by special effects

#### *EUR 27.5m impairment charges in FY19 following subsidiary discontinuation*

Delticom started acquiring business activities for online trading of high-quality gourmet food (i.e. Allyouneed GmbH, Gourmondo Food GmbH) as well as further logistical infrastructure to achieve efficient processing and an expansion of its online trading activities over the long run. However, the diversification strategy aimed at higher earnings turned out to be a failure. As a result of these subsidiaries' contribution the loss-making FY18, Delticom initiated its restructuring process in mid-2019 with the clear aim to refocus on the firm's core business – the online trade with tyres and complete wheels in Europe. Consequently, Allyouneed GmbH was discontinued at the end of FY19 while subsidiary Gourmondo Food GmbH as well as the online trade in automotive spare parts and oils have been fully discontinued by Q1 FY20. Following the divestments, FY19 results are burdened by discontinuation measures i.e. special effects totalling EUR 5.4m in additional costs (operating/ material) as well as EUR 27.5m in impairment charges as described in the Financials part of this report.

### Consolidated subsidiaries

The group of consolidated companies comprises Delticom AG as controlling company, fifteen German and nine foreign subsidiaries, all fully consolidated as majority shareholdings.

As of 30 June 2020 the group of consolidated companies consists of the following:

Subsidiary	Fixed capital interest %
<i>Direct</i>	
All you need GmbH, Berlin	100
DeltiCar SAS, Paris (France)	100
Delticom O.E. S.R.L., Timisoara (Romania)	100
Delticom Russland OOO, Moskau (Russia)	100
Deltiparts GmbH, Hanover	100
DeltiLog Ltd., Witney (Great Britain)	100
DeltiLog GmbH, Hanover	100
DeltiStorage GmbH, Hanover	100
DS Road GmbH (CH), Pratteln (Switzerland)	100
Giga GmbH, Hamburg	100
MobileMech GmbH, Hanover	100
Pnebo Company for tyre wholesale and logistics mbH, Hannover	100
Tirendo Holding GmbH, Berlin	100
Toroleo Tyres GmbH, Gadebusch	100
Toroleo Tyres TT GmbH & Co.KG Gadebusch	100
TyresNet GmbH, Munich	100
Gourmondo Food GmbH, Munich	88
Delticom North America Inc., Benicia (USA)	75
<i>Indirect</i>	
Ringway GmbH, Hanover (via DeltiLog GmbH)	100
Gigatires LLC, Benicia (USA) (via Delticom North America Inc.)	100
Tireseasy LLC, Benicia (USA) (via Delticom North America Inc.)	100
Tirendo Deutschland GmbH, Berlin (via Tirendo Holding GmbH)	100
Delticom TOV, Lwiw (Ukraine) (via Delticom O.E. SRL)	99
Extor GmbH, Hannover (via DeltiLog GmbH)	60

Source: Delticom, Quirin Privatbank

## Business model

### Large-scale online-retail focused on European replacement tyre trade

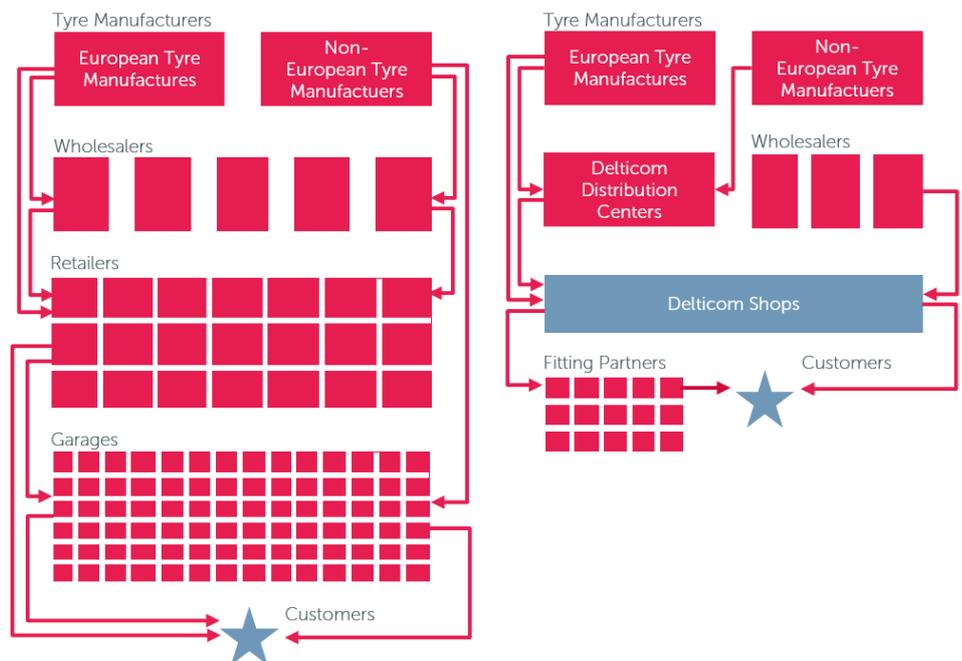
Delticom sells tyres and complete wheels to both private and commercial end customers via online shops and online distribution platforms. The firm's greatest tyre shop after sales revenue is reifendirekt and Tirendo which are well-known brands in the German-speaking e-commerce space. DEX generates most of its revenues by delivering replacement tyres directly from its warehouses to its customers. Almost all online shops represent the entire product range including high service availability.

### Distribution

Delticom obtains its stock directly from tyre manufacturers (mostly Europe-based) to store it in exclusive warehouses rented by Delticom that thus make up a core physical asset for the storage of inventory in our view. Partially, Delticom purchases goods also from other wholesalers. Consequently, tyres are sold via various online shops and delivered to the customer, either directly or to one of the 39,000 fitting partners that offer to mount tyres and rims.

### Tyre Distribution Chain: Traditional Retail (left hand) vs. Delticom Model (right hand)

Traditional Retail vs. Delticom Model



Source: Delticom AG, Quirin Privatbank

Streamlined and scalable value chain

### Wide product line for different types of end-consumers

As Delticom generates its revenues majorly through sales of brand-new replacement tyres for cars, the product range comprises tyres for cars, motorbikes, bicycles, trucks and various other industrial vehicles.

### Customer Acquisition reflected in high Marketing spending

Delticom acquires most of its new customers through online marketing including SEM & SEO, affiliate marketing, various online market places and listings in price search engines. Further measures include regular newsletter campaigns cooperation with revenue share partners such as German automotive club ADAC.

## Delticom: Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> <li>• Tyre manufacturers</li> <li>• Parcel Service companies</li> <li>• Warehouse contracting partners</li> <li>• Automotive Service partners</li> <li>• Around 39,000 fitting partners</li> <li>• Revenue-share partners (ADAC)</li> </ul>	<ul style="list-style-type: none"> <li>• Channel management of distribution channels</li> <li>• Supplier management</li> <li>• Platform management</li> <li>• CRM</li> </ul>	<ul style="list-style-type: none"> <li>• Convenient purchasing of replacement tyres for cars, motorcycles, trucks, commercial vehicles and buses.</li> <li>• Complete wheels and rims</li> <li>• Access to second-hand tyre market (platform based)</li> <li>• Vast product range for discontinued vehicles</li> <li>• Fair tender-derived pricing, safe quality, secure payment processing</li> </ul>	<ul style="list-style-type: none"> <li>• Online shop experience</li> <li>• After-sales customer support</li> <li>• Various tools</li> </ul>	<ul style="list-style-type: none"> <li>• Private Retail Customers</li> <li>• Commercial Clients</li> <li>• (Tyre supplier)</li> </ul>
	<b>Key Resources</b> <ul style="list-style-type: none"> <li>• Warehousing/ Storage</li> <li>• Customer Capital (≈ 15m customer)</li> <li>• Human capital</li> <li>• Warehouses/ storage</li> <li>• Process capital (packaging machines, warehouse infrastructure, inventory management systems)</li> </ul>		<b>Customer Channels</b> <ul style="list-style-type: none"> <li>• Various online marketing-related customer channels</li> <li>• Search Engine marketing, also tyre-finder by suppliers</li> <li>• Online Market Places</li> <li>• Newsletter campaigns</li> <li>• German automotive club ADAC (cooperation)</li> <li>• Word of mouth important</li> </ul>	
<b>Cost Structure</b> <ul style="list-style-type: none"> <li>• Cost of goods sold (purchase price of goods and tyre logistic processing)</li> </ul>		<b>Revenue Streams</b> <ul style="list-style-type: none"> <li>• B2B Retail</li> <li>• B2C</li> <li>• Fleets</li> <li>• Fitting partner</li> </ul>		

Source: Quirin Privatbank, Delticom AG, BMC

## Network of over 39,000 fitting partners: Process illustration – example ReifenDirekt.de

**1. Search for assembly partners**

Find one of the 8.700 installation partners in your area and select ReifenDirekt.de.

**2. Arrange the desired date**

Conveniently arrange your desired appointment over the phone with the installation partner.

**3. Have the tyre fitted**

Deliver tyres directly to the partner for free and have them assembled quickly and professionally.

Source: Delticom, Quirin Privatbank

## Competitive landscape

*Tough market environment with trend towards consolidation*

### Strong tendencies of consolidation in difficult market environment

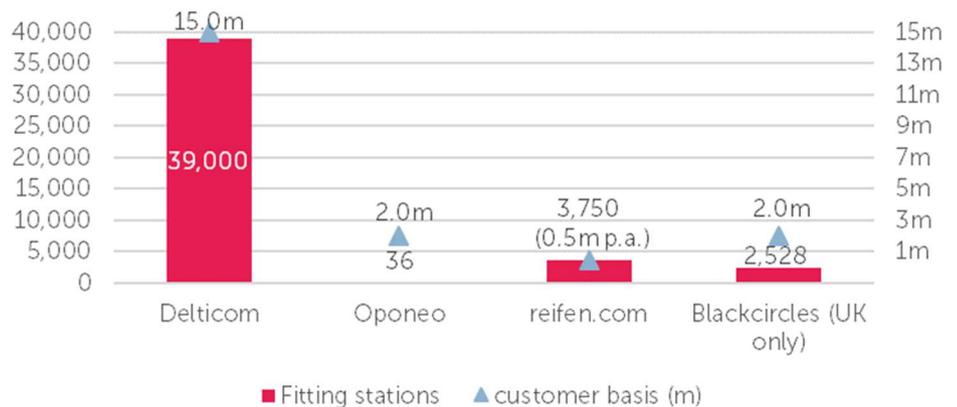
As a leading European e-commerce company in replacement tyre trade, Delticom's competitive situation is typical of that. Thus, main competitors are many smaller and locally focused online dealers even though the ongoing consolidation process in the tyre trade market led to some individual online dealers being partially or completely taken over by larger market participants. The reasoning behind that is a persistently difficult market environment that also led to a declining number of new entrants. Consequently, already in 2019 and the beginning of 2020 various online retailers closed their online operations. Moreover, large, multinational tyre manufacturing corporations that almost all act as a supplier for Delticom, on the flipside might sometimes redirect to direct competitors and/ or possess their own distribution network either locally or via aforementioned small online retailers as their subsidiaries.

As for Delticom, the firm's long-standing history made it possible to build up large network gaining trust of (tyre-) manufacturers and other wholesalers across Europe that led the firm benefit from a first-mover advantage. Since Delticom offers a wide range of products through its multi-shop approach, one of the firm's crucial competitive advantage is its flexible and scalable demand responsiveness.

Nonetheless, it is important to be aware of many competitors even with small market share as the market for online (replacement-) tyre trade is slowly growing and subject to consumer behavior towards e-commerce.

*Delticom with unmatched partner network compared to major peers*

### Delticom: partner network and customer comparison



Source: Company data, Quirin Privatbank research

### Arduous barriers to entry

For many possible new entrants barriers are relatively high when it comes to transnational business whereas Delticom possesses a long-standing experience in the field of transnational online trade. Thanks to efficient positioning of Delticom group a broad product range can be offered at attractive prices to customers. Purchases can be made off-season and ensure a reliable supply capacity due to effective Working Capital Management.

Main competitors related to the field of (replacement-) tyre trade given below:

#### i) Online (replacement-) tyre retailer and wholesaler (Delticom similar business model):

- ◆ Blackcircles.com (Michelin)
- ◆ Tyre Shopper
- ◆ Beaufepaires

- ◆ JAXQuickfitTyres
- ◆ Tyres& More
- ◆ Tirebuyer
- ◆ America's Tire Co.
- ◆ 1010Tires.com Inc.
- ◆ reifen.com (Apollo Tyres Ltd.)
- ◆ OPONEO

ii) Tyre manufacturers and suppliers with local distribution and/ or online redirect for tyre trade, including OEMs:



- ◆ **Michelin:** is a French multinational tyre manufacturer based in Clermont-Ferrand and the second largest tyre manufacturer in the world with annual revenues of EUR 24.1bn (FY19). For Delticom, Michelin acts as a supplier of tyres, wholesaler/ marketer of tyres via its Michelin-website (redirect to reifendirekt.de) and competitor. Through Michelin subsidiaries such as **Euromaster GmbH**, customers can order tyres of all prominent brands online and have them either installed at one of the hundreds of owned fitting stations (>350 in Germany) or can pick the tyres up at a service station (no home delivery). Additionally, Euromaster operates a garage chain offering various other car-repair- and tyre services. Michelin also conducts local tyre distribution via various other retailers.



- ◆ **Continental AG:** is a German multinational automotive parts manufacturing company in the field of brake systems, interior electronics, automotive safety, tyres and other parts for the automotive and transportation industries. The Hanover-based firm achieved revenues of EUR 44.5bn in FY19. Through its Conti-website the firm distributes its tyres via local retailers- and fitting stations as well as recommends online shops for specific tyre products. The latter approach is rather beneficial to Delticom, as its many brands are often listed.



- ◆ **Bridgestone:** is a Japanese multinational manufacturing corporation for auto and truck parts, headquartered in Kurume, Japan. Online distribution of homemade tyres is made via referral to local service-partners and fitting stations. In FY19 Bridgestone made revenues of EUR 28.7bn.



- ◆ **Goodyear:** is an US-American multinational tyre manufacturing company headquartered in Akron, Ohio. For online trade, own tyres can only be purchased online followed by a referral to various local service-partners and fitting stations. Other prominent subsidiaries and brands include amongst others Dunlop (partially) and Fierce. In FY19 Goodyear achieved revenues of EUR 13.1bn.



- ◆ **Cooper Tire Rubber:** is an American company specialized in the design, manufacture and sales of replacement tyres for cars, trucks and motorcycles. Distribution of tyres is focused on the US through multiple retailers as well as via external online shops such as amazon, Walmart or tireamerica.com. In FY19 Cooper Tire achieved revenues of EUR 2.6bn. Other brands of Cooper include e.g. Avon.



- ♦ **Sumitomo:** is a Japanese multinational tire and rubber company and part of Sumitomo group. Known brands and subsidiaries include Falken, Ohtsu Tire and partially Dunlop, through which tyres are also distributed worldwide, mostly via local retailers and fitting stations. Sumitomo Rubber Industries achieved revenues of EUR 7.4bn in FY19.



- ♦ **Pirelli:** is an Italian manufacturing company with a focus on consumer tyres for cars, motorcycles and bicycles and the world's 7<sup>th</sup>-largest tyre manufacturer, headquartered in Milan, Italy. Own tyres are distributed via local retailers and fitting stations found via a finder function on the Pirelli Website. In FY19 Pirelli's net sales came in at EUR 5.4bn.
- ♦ **Other tyre manufacturers distributing various brands online and/ or via local retail stores and the many fitting stations, garages and other on-site stores.**

## Financials and Outlook

### Delticom continues its successful restructuring course in Q3 2020 and raises its operative EBITDA forecast

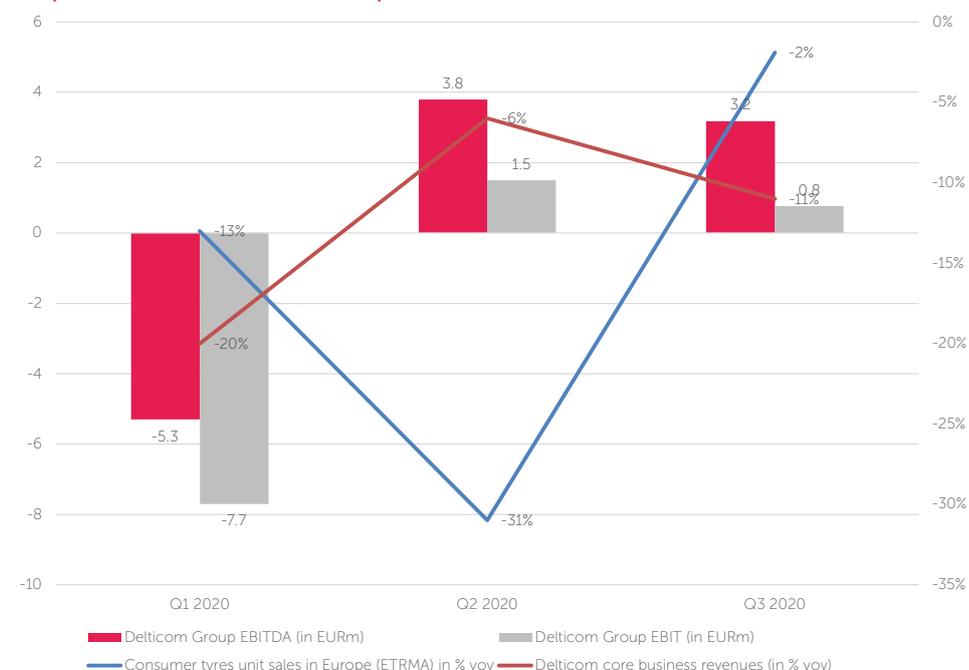
In Q3 2020 Delticom generated revenues of EUR 117.3m (PY: EUR 135.8m, -13.6% yoy). In 9M 2020 group sales amounted to EUR 355.3m, representing a yoy decrease of 15.5% (PY: EUR 420.3m). Noteworthy the effect on revenues from the closure of unprofitable business units at the beginning of the current year amounted to around EUR -22m yoy. Accordingly, revenues in the core tyre business were 11% lower than in the previous year.

The management continues to focus on increasing profitability. In 9M 2020, the successful strategic business orientation was additionally influenced by lockdown measures in the various European countries and by weather-related shift effects with regard to revenues in the core business. The winter tyre season did not start until somewhat cooler temperatures at the end of September, with a slight delay compared to the previous year.

As a result of the successful restructuring measures, Delticom's group EBITDA improved to EUR 1.7m, compared to EUR -7.8m in the previous year despite the included restructuring costs of EUR 4.9m in 9M 2020. Due to the positive effects of the measures taken to increase efficiency and to optimize costs in the core business, group EBITDA improved by EUR 9.5m yoy despite the decline in sales and restructuring costs amounting to millions. In Q3 2020, group EBITDA amounted to EUR 3.2m, an impressive increase of EUR 7.2m compared to Q3 2019, despite a decrease in revenues and restructuring costs incurred.

As a consequence of the increase in profitability and lower depreciation compared to the previous year, group EBIT improved by EUR 12.3m from EUR -17.8m in 9M 2019 to EUR -5.4m in 9M 2020. With a group EBIT of EUR 0.7m in Q3 2020 (Q3 2019: EUR -7.2m), Delticom succeeded in continuing the positive earnings development of the second quarter.

### Despite difficult markets clear improvement in EBITDA and EBIT in Q2 and Q3 2020



Source: Company data; ETRMA, Quirin Privatbank

In order to improve the cash flow from operating activities the management has streamlined its working capital management. Among the current assets, inventories are the biggest line item. As of 30 September 2020, inventories amounted to EUR 75.9m, a reduction of EUR 27.2m vs 30 September 2019. Part of this decrease is due to the discontinuation of unprofitable business units which were prior already mentioned in our study. Furthermore, stock delivery times in the core business have been further optimized over the past months in line with sales planning. The lower inventory level is accompanied by a reduction in trade payables which were EUR 35.4m lower vs 30 September 2019. Trade receivables amounted to EUR 21.2m (30 September 2019: EUR 27.9m).

### Outlook

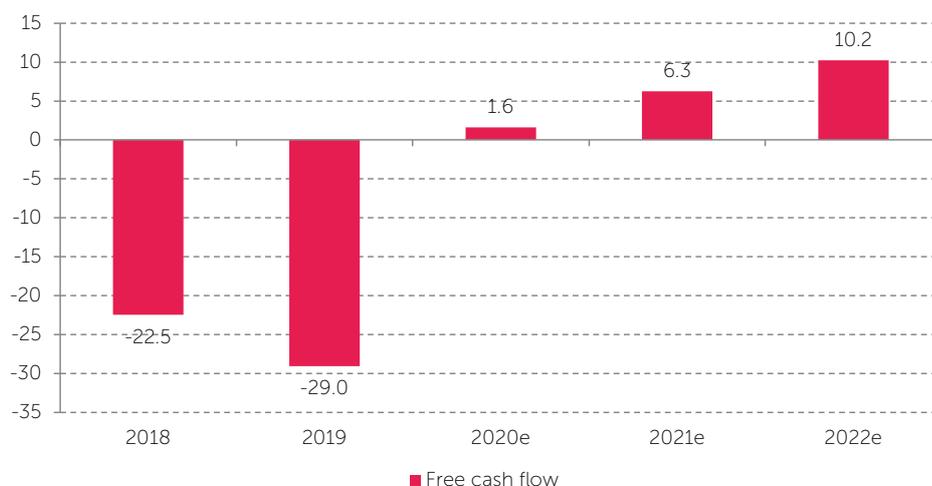
The last quarter of the fiscal year (Q4, October-December) plays a major role in terms of revenues and earnings for the year as a whole, mainly depending on colder temperatures to support the winter tyres season sale. The management currently expects to be able to reach the lower end of the forecasted corridor of EUR 550-570m. We forecast group sales (EUR 540m) below the EUR 550m threshold because it remains to be seen whether and to what extent the restrictions recently adopted and currently in force in Germany and other European countries (e.g. France, Spain, Italy) will have an impact on revenues in the remaining weeks of FY 2020.

Despite likely reaching the lower sales range the management reaffirms its Group EBITDA forecast of EUR 5-8m which we evaluate positive. We forecast a reported group EBITDA of EUR 4.7m.

Despite possible lockdown effect on sales, the company raised its operating group EBITDA forecast due to the positive development in the past months. Due to more time-consuming contractual arrangements with regard to the provision of collateral abroad, restructuring costs of approximately EUR 7m are expected for the full year (previous forecast: EUR 5m). In terms of operating group EBITDA we expect EUR 12m, thus in line with company's guidance range of EUR 12-15m (previous forecast: EUR 10-13m).

Due to the strict working capital management, the management expects to generate a positive free cash flow in the single-digit million range for FY 2020. We see at this important KPI a clear improvement from EUR -29.0m in FY 2019 to EUR +1.6m in FY 2020.

### Expected improvement in Free cash flow (in EURm)

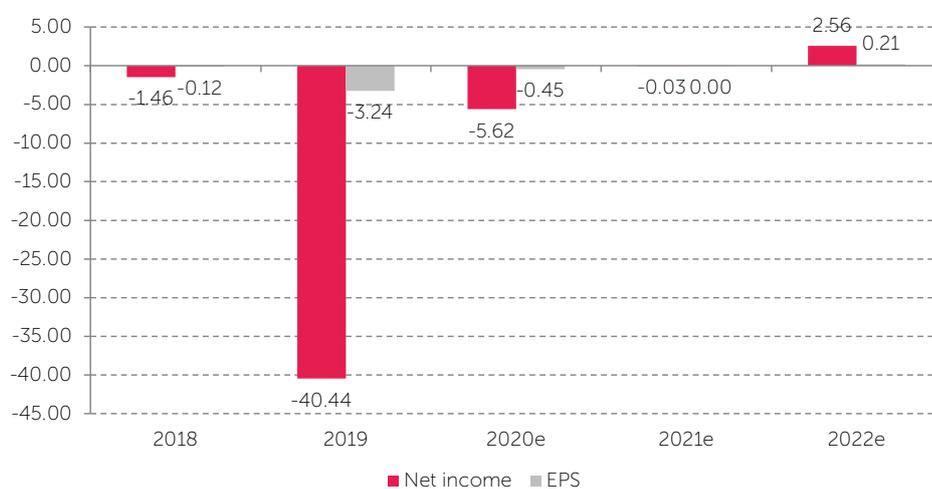
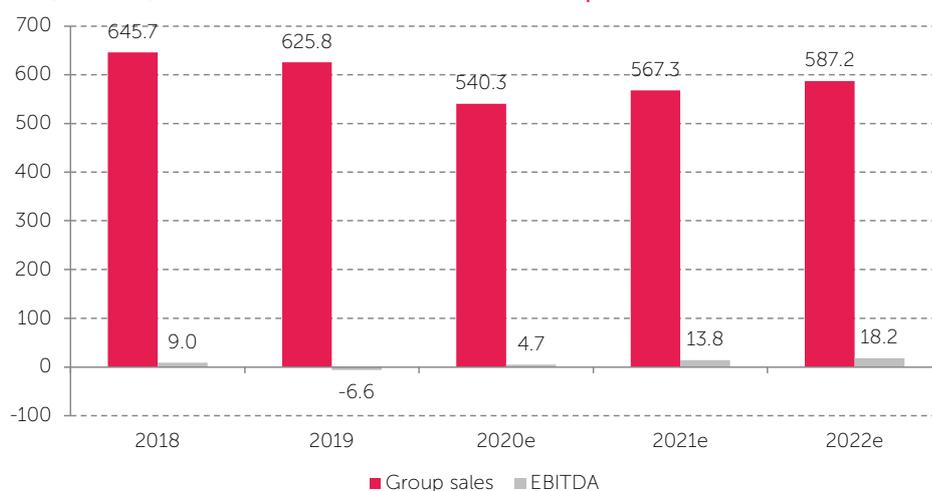


Source: Company data; Quirin Privatbank estimates

**FY 2021-22 estimates**

In our opinion, Delticom is well positioned in the European e-commerce tyre resale sector and we are therefore confident that the company will be able again to expand its group sales in the coming years. Delticom's business performance will be likely supported by several megatrends in the long-term: i) After solving the Covid-19 pandemic economies worldwide will recover likely very quickly. One factor will be that the transportation in the commercial and private space will increase in the context of easing fear by the Covid-19 pandemic, and ii) on line shopping (e-commerce) has gained due to above mentioned pandemic a higher market share in consumption attitude.

Please find below our sales and earnings estimates for Delticom until FY 2022e.

**Sales, EBITDA, Net income (in EURm) and EPS development and forecasts**

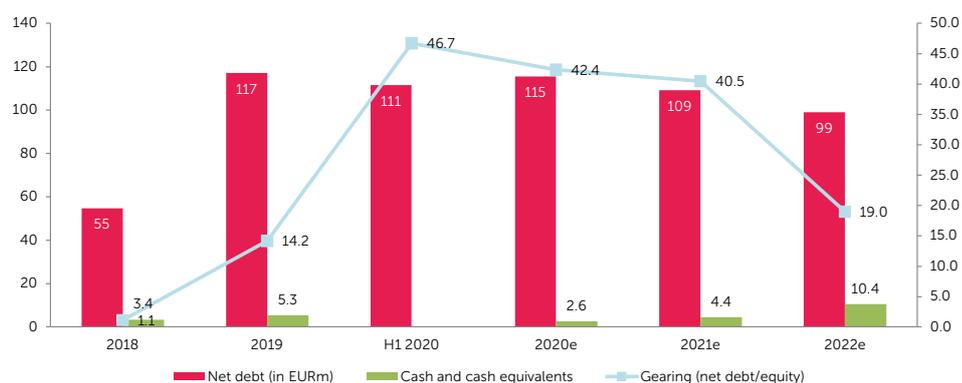
Source: Company data; Quirin Privatbank estimates

### Balance sheet is currently not satisfactory

Delticom's balance sheet ratios are currently not on a solid level. As of 30 June 2020, total assets stood at EUR 176.7m. At the end of June 2020, equity stood at EUR 2.4m, corresponding to an equity ratio of 1.4%. Assuming the company does not make a capital increase in the remainder of this fiscal year, we estimate that equity ratio will remain at this low level by forecasting 1.5%. Based on Delticom's growth prospects for the future, we expect the equity ratio to increase to ~2.8% by 31 December 2022e.

As of 30 June 2020 net financial debt (cash and cash equivalents less current and non-current loans and borrowings and pension provisions), stood at EUR 111m, translating into a gearing of ~46.7x. Assuming that i) the company does not make a sizeable acquisition and ii) the company sales and profitability performance improves until fiscal year end 2022, net debt is forecasted to decline to EUR 99m as of 31 December 2022e.

### Overview and forecast of net debt and financial ratios



Source: Company data, Quirin Privatbank estimates

## Trends in market for (replacement-) tyres

**Replacement tyre market accounts for approx. 75% of global tyre sales volume...**

**...thereof 13% online-sales**

**European automotive tyre market to reach EUR 23.4bn in 2024**

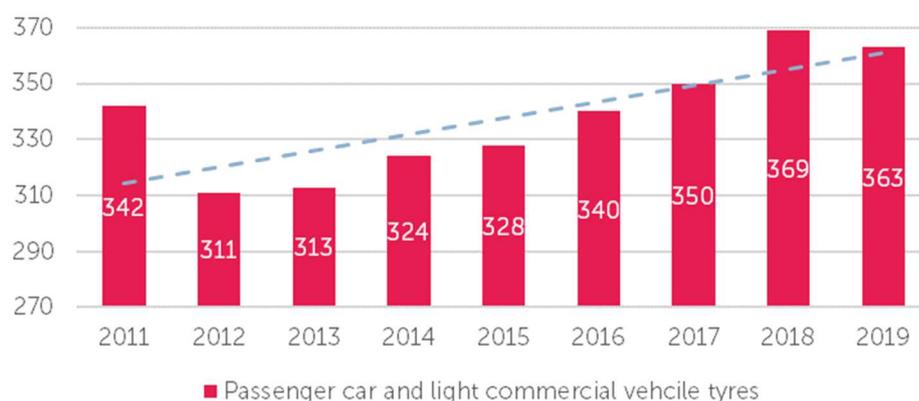
### Delticom's main addressable market: replacement tyres

Generally, the tyre market is divided into the supply of tyres to newly manufactured vehicles (original equipment) and replacement tyres (around three quarters of total global tyre market volume). Total volume in the European replacement tyre market amounts to more than EUR 10bn annually whereas the share of online sales is at least 10%. The latter is DEX' main addressable market and shows different developments than pure OEM-tyre sales. Statistically, more than 60% of all tyres sold are car tyres while approx. 20% are truck tyres and 20% motorcycle tyres and other industrial, specialty tyres (Source: Delticom AG).

### Growing trend for European tyre market volume

According to PSI Research the European automotive tyre market is expected to grow at a 4.5% CAGR during the forecast period to EUR 23.4bn in volume in 2024. The main reason for this positive trend shall lie in greater longevity of vehicles in use as well as technological advancements increasing tyres' average lifespan. On the other hand, these reasons can act as a brake for high volume growth in the future accompanied further consolidation tendencies within the market.

### Passenger cars replacement tyre market: sales in Europe 2011 to 2019 (m units sold)



Source: LMC International Ltd., Quirin Privatbank estimates

### Further consolidation in German replacement tyre market to slow potential growth

According to BRV in total around 53.3m replacement tyres have been sold in Germany in 2019 (-3.5% yoy). This slightly declining trend comes along with a progressive consolidation of market participants in the German and European replacement tyre market even though growing sales potential might be thought of as given due to increasing unit-sales of passenger vehicles in the mid-term. However, due to structural changes in the automotive industry and declining car usages following current trends as well as modernized tyre technologies with longer durations lead to the conclusion that strong growth in tyre sales seems unlikely – at least in the mid-term.

### Passenger car & light truck unit sales: change 9M YTD (Jan.-Sep. 2020, yoy)

% change yoy 9M 2020	Original Equipment	Replacement
Europe	-30%	-15%
North America	-27%	-11%
South America	-41%	-25%
China	-10%	-8%

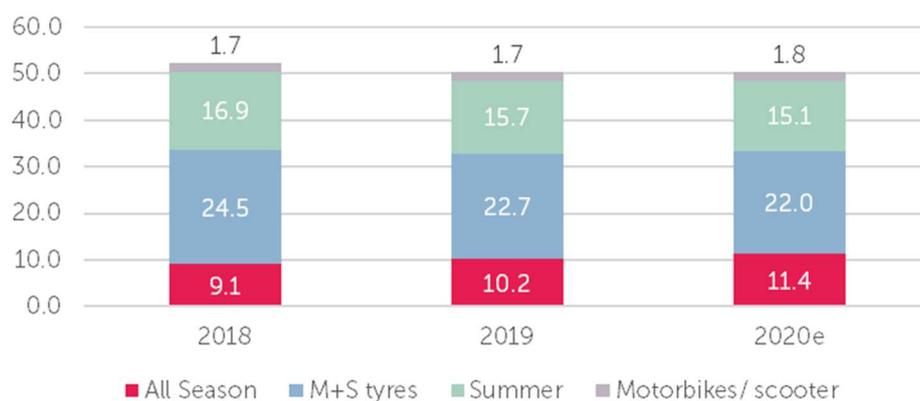
Source: Michelin Group

**Market consolidation trend with stagnant unit-sales in replacement tyre field**

### Passenger vehicle tyres as main market driver – declining recent tendencies

By far, sales in the consumer tyre segment – that is passenger-, off-road-, and light truck tyres - make up the largest driver (approx. 84% in 2019) in the market for replacement tyres. Passenger vehicles and SUVs alone account for approx. 77.5% of total market volume. While the latter product group saw a decline in unit-sales to approx. 44.8m tyres in 2019 (-4.1% yoy), tyres for light trucks only dropped by 0.8% yoy to 3.7m tyres in 2019. Hence, tyre sales across Germany and Europe largely depend on consumer behavior for passenger vehicles that also needs to be assessed against different unit-sales for the three types of tyres: All-Season, summer and M+S (Mud & Snow).

### Consumer tyre sales in Germany (Passenger car, off-road, light trucks & motorcycles) - Forecast (in million units sold)

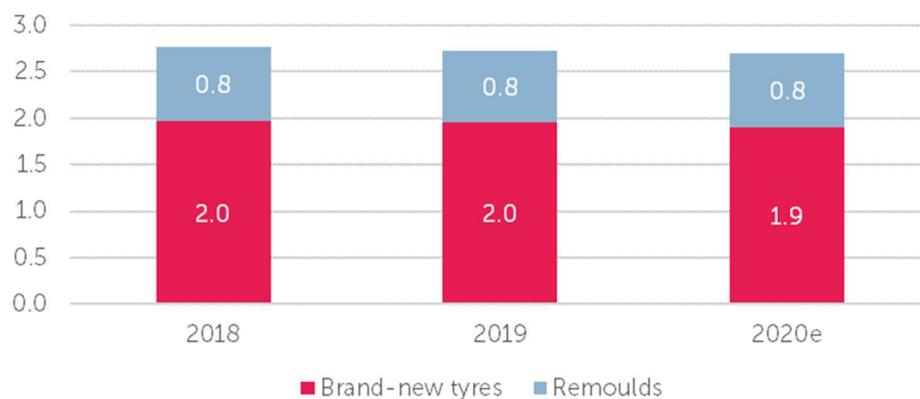


Source: BRV, Quirin Privatbank estimates

### Strongest growth for All-season tyres

In terms of the tyre product types in the consumer tyre segment, All-Season tyres have seen the highest growth in 2019 with approx. 10.2m units (+12.1% yoy) being sold whereas season specialist types (summer- and M+S [winter-] tyres) have been declining in unit sales by 7.3% each compared to 2018. If this trend with regards to rising All-Season tyres was to adhere a further decline in total tyre sales-volume might sound plausible as All-Season tyres might satisfy demand even longer. However, this sales-breakdown also varies significantly as to the weather development of upcoming winters driving M+S tyre sales differently.

### Truck tyre sales by type (in million units sold)



Source: BRV, Quirin Privatbank estimates

**Q1 2020 first hit due to Covid-19 spill over to Europe**

According to ETRMA the first three months of 2020 showed in European tyre sales across all categories a drastic drop as the outbreak of Covid-19 has spread to Europe and forced society to come to a stop. Comparing Q1 2020 to Q1 2019, there was a -13% decline in consumer tyres, and a -6% drop in truck and a -13% in agricultural tyres.

**Q2 2020 heavy hit due to Covid-19**

The first quarter of 2020 already saw a substantial slowdown in tyres sales, the full impact by the corona virus pandemic has become more evident in this second quarter. Comparing Q2 2020 to Q2 2019, ETRMA published a -31% decline in consumer tyres, and a -23% drop in truck and a -4% in agricultural tyres.

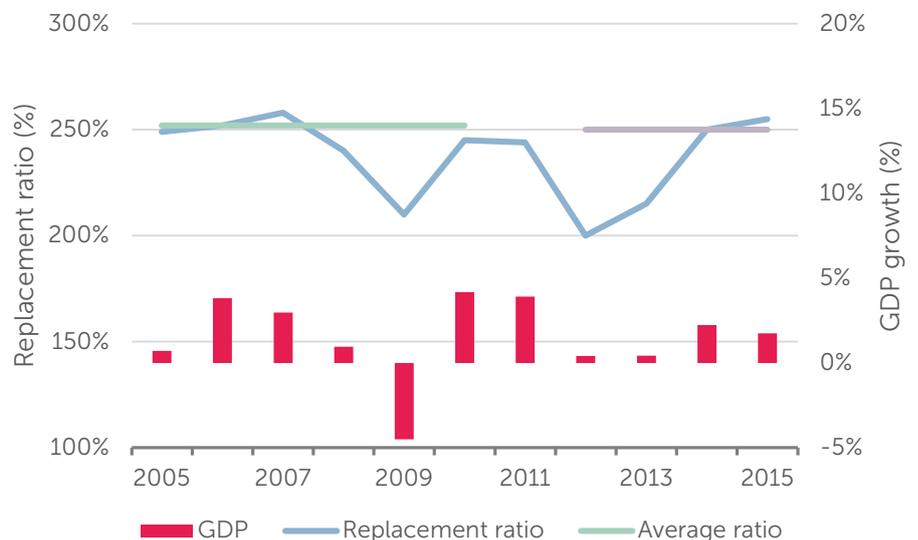
**Q3 2020 better than preceding quarters but for a pre-winter quarter rather weak; outlook remains weak**

Comparing Q3 2020 to Q3 2019, there was a -2% decline in consumer tyres, and a +3% increase in truck and a +12% increase in agricultural tyres. However, according to ETRMA the demand for passenger vehicle tyres is expected to fall as Covid-19 pandemic is limiting transit demand and authorities in several states are asking their citizens to limit contacts and moves. ETRMA's outlook for the end of the year remains gloomy and with a double-digit drop in sales expected across all segments.

**European LV tyre replacement ratio**



**European MHCV tyre replacement ratio**



Source: ETRMA, LMC, Quirin Privatbank

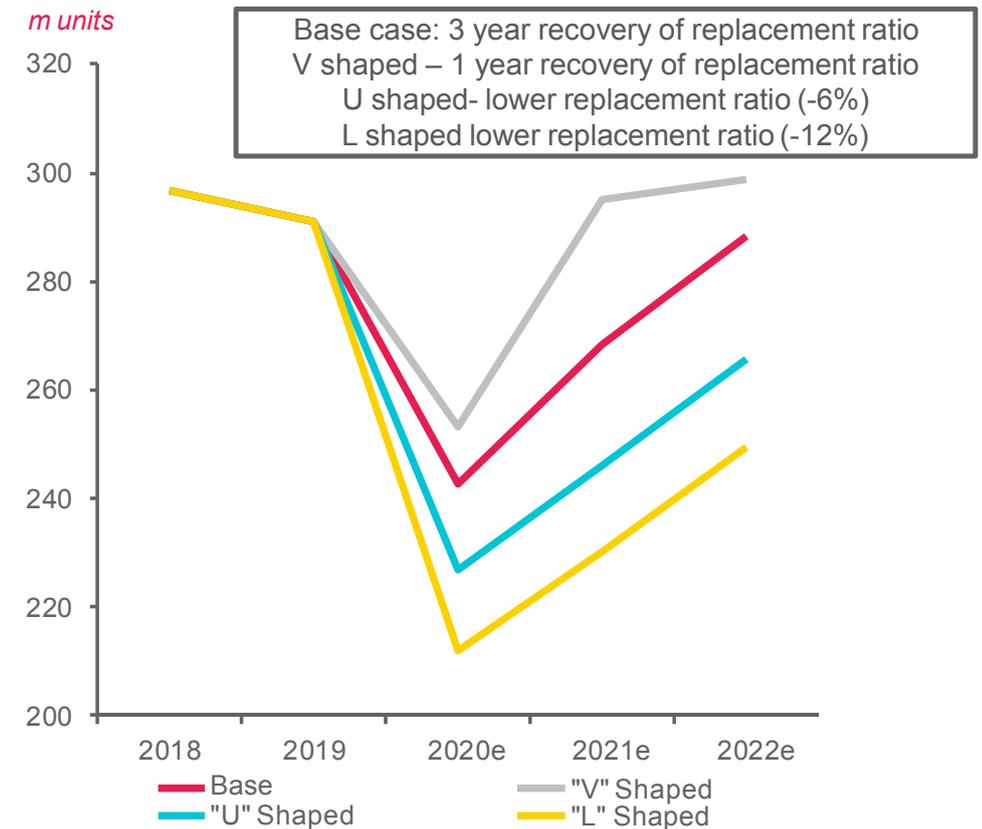
**Outlook**

The recovery of the replacement tyre segment is broadly dependent on economic conditions and what happens to miles driven. History figures show that it took between 1 (2009) to 3 (2012) years for the light vehicle tyre replacement ratio to recover from a recession. Noteworthy, the improvement depends on the speed of the macro-economic recovery. The recovery in 2009 was supported by the introduction on winter tyre legislation and cold winters encouraging winter tyre use. The MHCV replacement ratios have recovered quicker than those of light vehicles. In both 2009 and 2012 the replacement ratio recovered in two years. Furthermore, the recovery of freight transportation is dependent on economic growth

In terms of miles driven, in the short run this depends on the speed with which social controls on movement are lifted. In the longer term, there are two conflicting possibilities:

- Fear of contracting the virus leads to a reduction in public transport use and/or shared vehicle use leading in car use.
- Trends to home office working, on line shopping, etc, continue into the longer term.

**European LV tyre replacement sales forecast**



Source: ETRMA, LMC, Quirin Privatbank

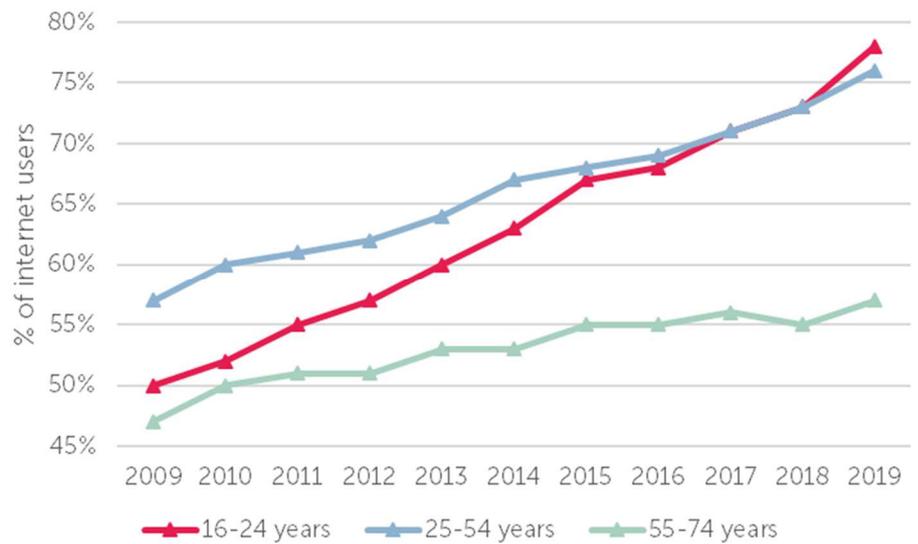
## Trends in European E-Commerce

**Strong and consistent increases in E-commerce users**

### E-Commerce – a sharply rising trend

According to eurostat more than 7 out of 10 internet users from the EU-28 states made online purchases in 2019. Generally, the share of e-shoppers among internet users is growing rapidly and consistently over the past with the highest proportions found in the age groups 16-24 (78%) and 25-54 (76%) in 2019. Last year around 88% of EU-28 states' population were using the internet which makes approx. 452m users. Thereof around 63% made online purchases in 2019 which makes around 285m inhabitants. Disregarding the youngest age group and breaking it down to relevant (car-) driver these trends can be beneficial for Delticom's customer base driven by positive trends in e-shopping.

### Share of internet users who ordered private goods or services online, by age, in EU-28

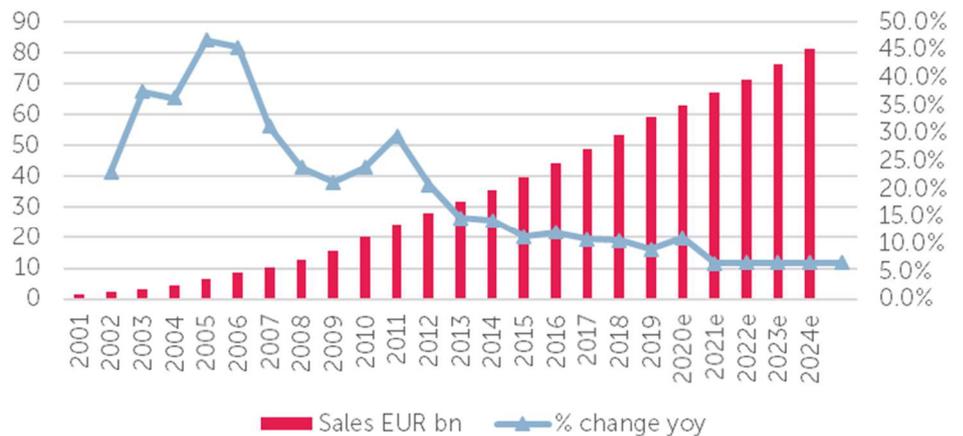


Source: eurostat, Quirin Privatbank estimates

### Current trends to possibly drive online tyre sales for Delticom

Altogether, the aforementioned continuing positive trends towards e-commerce and further enhancements in online infrastructure as well as an increasing customer base well-disposed towards online shopping shall drive sales tyre sales via e-commerce for Delticom in the future.

### Sales revenue in German B2C-Market forecast

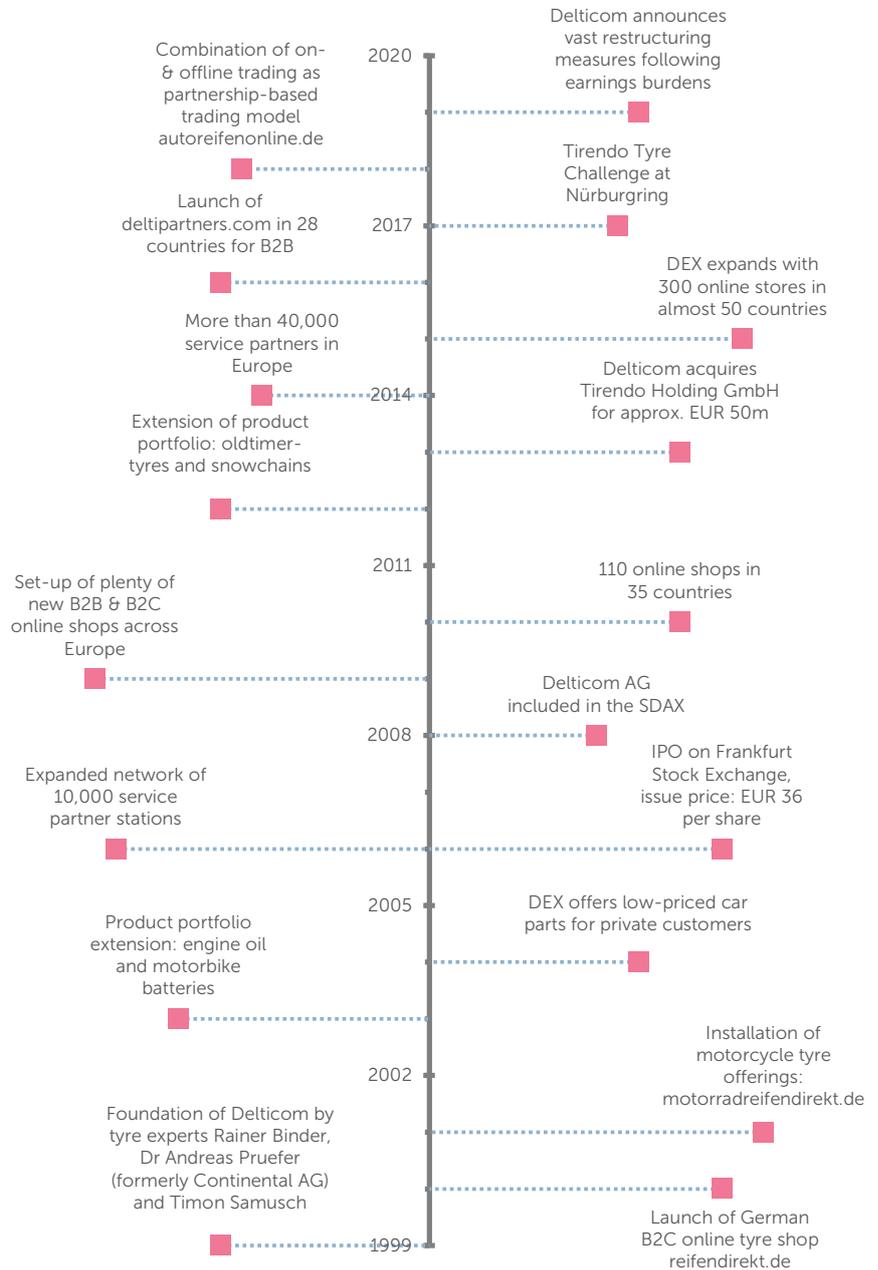


Source: statista, Quirin Privatbank

# Company History

*Long-standing history of strategic expansion in European e-commerce*

## Historical events of Delticom



Source: Delticom AG, Quirin Privatbank research

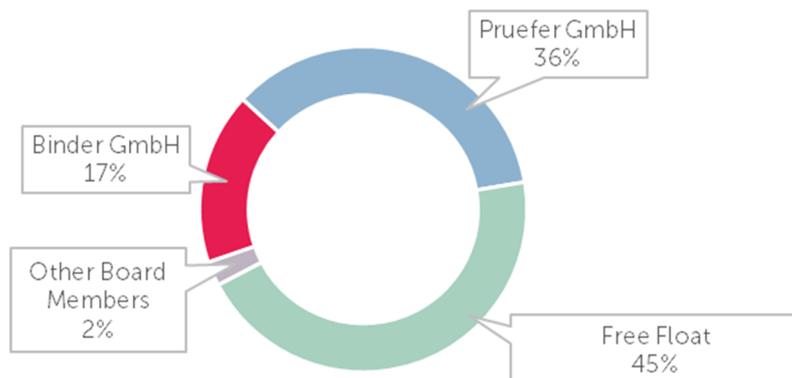
## Ownership structure

*Management board majorly invested*

### High management stakes in founder-led business

Shares of Prüfer GmbH and Binder GmbH are attributed to the company founders and Board member Andreas Pruefer and Rainer Binder who combined hold approx. 53% of the DEX shares outstanding. About 45% of shares outstanding are free float.

### Delticom – shareholder structure



Source: Delticom AG

## Key role bibliographies

### Changes in Management Board

Delticom's Executive Board currently consists of 5 members including Andreas Pruefer (CEO & founder together with Rainer Binder), Thomas Looock (CFO), Philip von Grolman (purchasing), Alexander Eichler (COO) and Dr Harald Blania (restructuring).

The Delticom Executive Board members are the following:

### *Founder-led business with experienced management board*

**Andreas Pruefer (CEO and CSO):** Mr Pruefer co-founded Delticom in 1999 and has managed the company as a member of the Management Board for a long time. He is the CEO and Chief Sales Officer (CSO) and in particular responsible for distribution and marketing.

**Thomas Looock (CFO):** Mr Looock has been member of the Executive Board effective since 15 August, 2019 and is responsible for the resort of Finance, Legal and Human resources. He possesses more than 26 years of professional experience in the commercial sector. He thus has been CFO in various multinational companies including TNT, DPD and Bofrost.

**Philip von Grolman (Mgmt Board member):** Mr Grolman is responsible for the purchase and the US business. He has been employed by Delticom since its formation 1999. As an industrial merchant he holds a diploma in Business Administration from Berufsakademie Hannover. Prior to joining Delticom, von Grolman was head of purchasing for retail car tires at Continental AG.

**Alexander Eichler (COO):** was appointed Delticom's Chief Operating Officer on June 1<sup>st</sup> 2020. He is responsible for Logistic & Distribution, IT and operations. Previously he worked for Zalando Logistics SE & Co. KG – until recently as Head of Logistics & Senior Operations Manager.

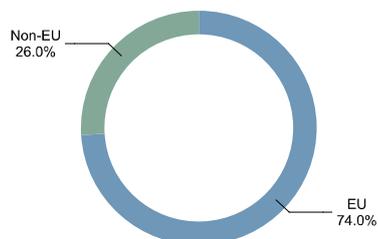
**Dr Harald Blania (Mgmt Board member):** Dr Blania, an expert in the restructuring and reorganization of companies, has been a member of the Management Board effective since 14 August, 2020. Before, he has been Delticom's Chief Performance Manager since end of 2019. His contract is limited and valid until 28 February, 2021.

## Appendix

### Company description

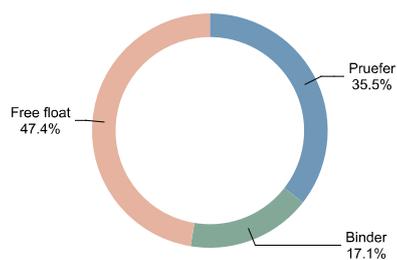
With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The product portfolio for private and business customers comprises an unparalleled range of more than 100 brands and around 18,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 394 online shops and online distribution platforms in 73 countries, serving around 15 million customers.

### Revenues by region 2019



Source: Company data

### Shareholder structure



Source: Company data

## Profit &amp; loss statement

Profit & loss statement (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
Sales	645.7	n.a.	625.8	-3.1 %	540.3	-13.7 %	567.3	5.0 %	587.2	3.5 %
Unfinished Goods	0.0		0.0		0.0		0.0		0.0	
Other own work capitalized	0.0		0.0		0.0		0.0		0.0	
Other operating earnings	38.1		37.6		18.9		21.0		21.1	
Cost of goods	-505.1		-490.6		-412.3		-433.1		-448.0	
Gross profit	140.6		135.1		128.0		134.3		139.2	
Personnel expenses	-15.9		-19.9		-15.4		-13.8		-12.9	
Depreciation	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	-148.7		-155.3		-122.5		-127.7		-129.2	
EBITDA	9.0	n.a.	-6.6	-174.0 %	4.7	170.8 %	13.8	194.5 %	18.2	31.5 %
EBITDA margin (%)	1.39		-1.06		0.87		2.44		3.10	
EBIT	1.1	n.a.	-42.1	-3940.5 %	-5.3	87.4 %	2.5	147.1 %	5.9	135.2 %
EBIT margin (%)	0.17		-6.72		-0.98		0.44		1.00	
Net interest	-0.7		-1.5		-2.6		-2.5		-2.3	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-0.7		-1.5		-2.6		-2.5		-2.3	
Exceptional items	-5.1		-4.1		-4.3		0.0		0.0	
Pretax profit	0.4	n.a.	-43.5	-10266.6 %	-7.9	-81.8 %	0.0	-99.6 %	3.6	-10691.5 %
Pretax margin (%)	0.07		-6.95		-1.47		-0.01		0.61	
Taxes	-2.1		2.7		2.4		0.0		-1.1	
Tax rate (%)	491.12		6.28		30.00		20.00		30.00	
Earnings after taxes	-1.7		-40.8		-5.5		0.0		2.5	
Minorities	-0.2		-0.3		0.1		0.0		0.0	
Group attributable income	-1.5	n.a.	-40.4	2679.3 %	-5.6	-86.1 %	0.0	-99.5 %	2.6	-9367.6 %
No. of shares (m)	12.5		12.5		12.5		12.5		12.5	
Earnings per share (EUR)	-0.12	n.a.	-3.24	-2679.3 %	-0.45	86.1 %	0.00	99.5 %	0.21	9367.6 %

Source: Company data, Quirin Privatbank estimates

## Balance sheet

Balance sheet (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
<b>Assets</b>										
Cash and cash equivalents	3.4		5.3		2.6		4.4		10.4	
Accounts receivables	24.3		10.5		11.6		13.3		14.0	
Inventories	99.6		63.0		67.4		69.4		71.5	
Other current assets	12.8		20.6		20.6		20.6		20.6	
Tax claims	6.7		0.0		0.0		0.0		0.0	
<b>Total current assets</b>	<b>146.7</b>	<b>n.a.</b>	<b>99.4</b>	<b>-32.2 %</b>	<b>102.1</b>	<b>2.7 %</b>	<b>107.7</b>	<b>5.5 %</b>	<b>116.5</b>	<b>8.1 %</b>
Fixed assets	21.7		10.4		7.4		4.1		0.6	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	59.7		41.6		39.0		36.1		33.1	
Financial assets	0.5		8.4		8.4		8.4		8.4	
Deferred taxes	4.0		4.0		4.0		4.0		4.0	
Other fixed assets	0.0		24.3		24.3		24.3		24.3	
<b>Total fixed assets</b>	<b>85.9</b>	<b>n.a.</b>	<b>88.8</b>	<b>3.4 %</b>	<b>83.1</b>	<b>-6.4 %</b>	<b>76.9</b>	<b>-7.5 %</b>	<b>70.4</b>	<b>-8.4 %</b>
<b>Total assets</b>	<b>232.5</b>	<b>n.a.</b>	<b>188.2</b>	<b>-19.1 %</b>	<b>185.2</b>	<b>-1.6 %</b>	<b>184.6</b>	<b>-0.3 %</b>	<b>186.9</b>	<b>1.3 %</b>
<b>Equity &amp; Liabilities</b>										
Subscribed capital	12.5		12.5		12.5		12.5		12.5	
Reserves & other	34.2		34.0		34.0		34.0		34.0	
Revenue reserves	2.5		-38.2		-43.7		-43.7		-41.2	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
<b>Shareholder's equity</b>	<b>49.1</b>	<b>n.a.</b>	<b>8.3</b>	<b>-83.1 %</b>	<b>2.8</b>	<b>-66.7 %</b>	<b>2.7</b>	<b>-1.0 %</b>	<b>5.3</b>	<b>91.8 %</b>
Minorities	0.1		-0.1		-0.1		-0.1		-0.1	
<b>Shareholder's equity incl. minorities</b>	<b>49.3</b>	<b>n.a.</b>	<b>8.3</b>	<b>-83.2 %</b>	<b>2.7</b>	<b>-67.1 %</b>	<b>2.7</b>	<b>-1.0 %</b>	<b>5.2</b>	<b>93.5 %</b>
<b>Long-term liabilities</b>										
Pension provisions	0.3		0.4		0.4		0.4		0.4	
Financial liabilities	3.8		28.8		27.6		26.2		24.9	
Tax liabilities	2.8		0.3		0.3		0.3		0.3	
Other liabilities	0.4		0.3		0.3		0.3		0.3	
<b>Total long-term debt</b>	<b>7.2</b>	<b>n.a.</b>	<b>29.7</b>	<b>311.1 %</b>	<b>28.6</b>	<b>-3.9 %</b>	<b>27.2</b>	<b>-4.8 %</b>	<b>25.9</b>	<b>-4.8 %</b>
<b>Short-term debt</b>										
Other provisions	0.9		3.4		3.4		3.4		3.4	
Trade payables	131.4		69.4		76.4		80.2		84.2	
Financial debt	27.1		64.4		61.1		58.1		55.2	
Other liabilities	16.6		13.0		13.0		13.0		13.0	
<b>Total short-term debt</b>	<b>176.0</b>	<b>n.a.</b>	<b>150.2</b>	<b>-14.7 %</b>	<b>153.9</b>	<b>2.5 %</b>	<b>154.7</b>	<b>0.5 %</b>	<b>155.8</b>	<b>0.7 %</b>
<b>Total equity &amp; liabilities</b>	<b>232.5</b>	<b>n.a.</b>	<b>188.2</b>	<b>-19.1 %</b>	<b>185.2</b>	<b>-1.6 %</b>	<b>184.6</b>	<b>-0.3 %</b>	<b>186.9</b>	<b>1.3 %</b>

Source: Company data, Quirin Privatbank estimates

## Financial key ratios

Key ratios	2018	2019	2020e	2021e	2022e
<b>Per share data (EUR)</b>					
EPS	-0.12	-3.24	-0.45	0.00	0.21
Book value per share	4.0	0.7	0.2	0.2	0.4
Free cash flow per share	-1.8	-2.3	0.1	0.5	0.8
Dividend per share	0.00	0.00	0.00	0.00	0.00
<b>Valuation ratios</b>					
EV/Sales	0.22	0.24	0.26	0.23	0.21
EV/EBITDA	16.1	-22.6	29.4	9.5	6.7
EV/EBIT	131.7	-3.6	-26.1	52.9	20.7
P/E	-80.0	-1.5	-9.2	-1874.4	20.2
P/B	2.4	7.5	19.0	19.2	9.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Growth</b>					
Sales growth (%)	n.a.	-3.1	-13.7	5.0	3.5
EBITDA growth (%)	n.a.	-174.0	170.8	194.5	31.5
EBIT growth (%)	n.a.	-3940.5	87.4	147.1	135.2
EPS growth (%)	n.a.	-2679.3	86.1	99.5	9367.6
<b>Profitability ratios</b>					
EBITDA margin (%)	1.4	-1.1	0.9	2.4	3.1
EBIT margin (%)	0.2	-6.7	-1.0	0.4	1.0
Net margin (%)	-0.2	-6.5	-1.0	0.0	0.4
ROCE (%)	1.4	-43.5	-5.9	3.0	7.8
<b>Financial ratios</b>					
Total equity (EUR m)	49.1	8.3	2.8	2.7	5.3
Equity ratio (%)	21.1	4.4	1.5	1.5	2.8
Net financial debt (EUR m)	27.7	88.2	86.6	80.3	70.0
Net debt/Equity	0.2	0.0	0.0	0.0	0.0
Interest cover	1.6	-28.8	-2.0	1.0	2.6
Net debt/EBITDA	3.1	-13.3	18.4	5.8	3.8
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-7.5	4.1	2.6	2.5	1.3
Working capital/Sales	-0.01	0.01	0.00	0.00	0.00

Source: Company data, Quirin Privatbank estimates

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23.11.2020	6.50	Buy	

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#### Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

#### Contact Quirin Privatbank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann •

## Contact Details

### Quirin Privatbank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinprivatbank.de

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinprivatbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinprivatbank.de
Sebastian Droste	+49 (0) 69 2475049-26	sebastian.droste@quirinprivatbank.de
Daniel Kukalj	+49 (0) 69 2475049-28	daniel.kukalj@quirinprivatbank.de
Jannik Lucas	+49 (0) 69 2475049-29	jannik.lucas@quirinprivatbank.de

Equity Sales	Tel.	Email
Klaus Korzilius	+49 (0) 69 2475049-25	klaus.korzilius@quirinprivatbank.de
Rainer Jell	+49 (0) 69 2475049-45	rainer.jell@quirinprivatbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinprivatbank.de
Bruno de Lencquesaing	+49 (0) 69 2475049-81	bruno.delencquesaing@quirinprivatbank.de

Fixed Income Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinprivatbank.de
Janine Kaiser	+49 (0) 69 24750 49-83	janine.kaiser@quirinprivatbank.de
Stefan Krewinkel	+49 (0) 69 2475049-43	stefan.krewinkel@quirinprivatbank.de
Michael Laufenberg	+49 (0) 69 2475049-48	michael.laufenberg@quirinprivatbank.de
Roman Piroutek	+49 (0) 69 2475049-47	roman.piroutek@quirinprivatbank.de

Trading / Sales Trading	Tel.	Email
Thomas Flügel	+49 (0) 69 2475049-92	thomas.fluegel@quirinprivatbank.de
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de

Business Support	Tel.	Email
Suganya Sutharsan	+49 (0) 69 2475049-88	suganya.sutharsan@quirinprivatbank.de