

Delticom (DEX GY) | Retail

June 28, 2021

Equity strengthened very substantially

We confirm our Buy recommendation for Delticom with an unchanged price target of EUR 15. The leading European eCommerce retailer for tires could significantly strengthen its equity via a recent capital increase. The cash inflow of an estimated EUR 15.5 m leads to a equity/total assets ratio of above 30% according to the company which has slightly positive implications for the financial result and the free cashflow of DEX and a significantly positive impact on the indebtedness situation of the company which has a solid balance sheet now. The largest part of the financial restructuring of DEX should have ended now. Revenues and operating earnings should have developed as expected so far in Q2. Delticom, like the majority of tire producers and dealers, should benefit from a very solid post-corona rebound of demand for replacement tires in most countries.

- Q2e: We expect group revenues to grow to roughly EUR 155 m (Q2/2020: 145 m) in a fairly positive market environment. EBIT before extraord. costs could have at least doubled to EUR 3 m.
- The enlarged equity gives Delticom more room to maneuver than in the past two years. Nevertheless, capex should remain low for the next 18 months.
- Valuation: The effects of the capital increase (dilution of revenues and earnings per share; lower indebtedness, improving financial results) outweigh each other so that the fair price (EUR 15) remains unchanged.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	646	626	541	580	615	651
EBITDA	14	-2	15	25	31	34
EBIT	1	-42	5	15	21	24
EPS adj. (EUR)	-0.16	-3.28	0.54	0.54	1.13	1.27
DPS (EUR)	0.10	0.00	0.00	0.00	0.00	0.00
BVPS (EUR)	3.94	0.67	1.10	1.81	2.95	4.25
Net Debt incl. Provisions	28	94	89	67	52	34
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	8.3	-62.7	10.8	7.9	6.1	4.9
EV/EBIT	106.9	-3.6	30.2	13.5	8.8	7.0
P/E adj.	-44.9	-1.4	11.1	16.8	8.1	7.2
Dividend yield (%)	1.4	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	2.2	-0.4	2.8	4.4	5.0	5.2
EBIT margin (%)	0.2	-6.7	1.0	2.6	3.5	3.7
Net debt/EBITDA	2.0	-39.0	5.9	2.6	1.7	1.0
ROE (%)	-3.9	-142.4	60.4	45.3	47.4	35.2
PBV	1.8	6.8	5.4	5.0	3.1	2.1

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price*

EUR 9.08

Price target

EUR 15.00 (unchanged)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	135
Enterprise Value (EUR m)	202
Free Float (%)	0.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	19.8	10.2	249.2
Rel. to Prime All Share	18.6	3.5	166.7

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2021e	2022e	2023e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	4.3	-12.0	-12.4

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Expansion driven by a rising penetration rate

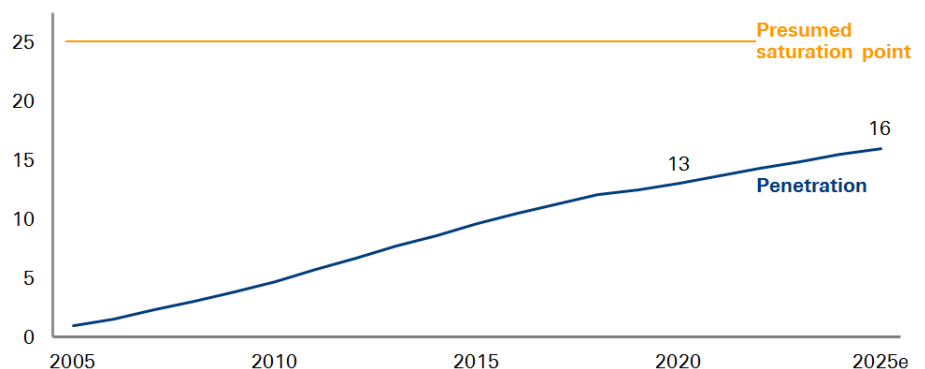
The longer-term business case of Delticom remains fully intact, we think. Solid growth of around 5% per year should be caused by a steadily rising penetration of eCommerce in the tire retail business. The penetration rate stands at only 13% at present according to a Delticom analysis. It should move up to at least 25% over the next 5-10 years, we assume.

This year, all tire dealers should benefit from a strong rebound of demand for replacement tires. The large tire producers expect the global replacement market to expand by between 6% and 8% this year. There seems to be no tough pricing competition as producers do not fight for market share. And at the dealer level, the number of players that leave the market seems to be at least as high as the number of newcomers. Against this background, the forecast by Delticom of top line growth within a 2-9% range looks conservative, we think.

It seems like some European markets are still suffering under a post corona weakness, and as DEX is active in more than 25 countries in Europe, growth could slow down somewhat this year. From 2022e onwards, all relevant markets in Europe should be in a recovery mood, with positive implications for Delticom's top line and profitability.

Online tire sales have been steadily gaining market share

Penetration of the market for online tire sales in Europe, in % of the overall market



Source: Metzler Research

company note

Key Data

Company profile

CEO: Andreas Prüfer

CFO: Thomas Loock

Hanover, Germany

Delticom is Europe's leading tyre retailer. The company operates 137 online shops in 42 countries, including ReifenDirekt and Tirendo. The customer can choose between home delivery and delivery to one of ca. 40,000 service partners worldwide.

Major shareholders

Prüfer/Binder (50.04%)

Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	646	-3.3	626	-3.1	541	-13.5	580	7.1	615	6.1	651	5.9
EBITDA	14	51.6	-2	-117.0	15	729.2	25	68.4	31	21.1	34	10.7
EBITDA margin (%)	2.2	56.8	-0.4	-117.6	2.8	827.4	4.4	57.3	5.0	14.1	5.2	4.5
EBIT	1	-45.0	-42	n.m.	5	112.9	15	176.5	21	42.6	24	13.1
EBIT margin (%)	0.2	-43.1	-6.7	n.m.	1.0	114.9	2.6	158.2	3.5	34.4	3.7	6.8
Financial result	-1	-75.0	-2	-114.3	-3	-86.7	n.a.	n.a.	-1	n.a.	-1	12.5
EBT	0	-75.0	-44	n.m.	3	106.0	12	373.1	22	74.8	24	13.5
Taxes	2	320.0	3	28.6	4	59.3	0	-100.0	0	n.a.	0	n.a.
Tax rate (%)	525.0	n.a.	-6.2	n.a.	165.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Net income	-2	-254.5	-41	n.m.	7	116.9	9	34.8	17	80.6	19	12.5
Minority interests	0	175.0	0	-33.3	0	0.0	0	-50.0	0	0.0	0	0.0
Net Income after minorities	-2	-233.3	-41	n.m.	7	116.3	9	37.3	17	81.5	19	12.6
Number of shares outstanding (m)	12	n.a.	12	0.0	12	0.0	15	18.6	15	0.0	15	0.0
EPS adj. (EUR)	-0.16	n.a.	-3.28	n.m.	0.54	116.3	0.54	0.6	1.13	108.8	1.27	12.6
DPS (EUR)	0.10	n.a.	0.00	-100.0	0.00	n.a.	0.00	n.a.	0.00	n.a.	0.00	n.a.
Dividend yield (%)	1.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Cash Flow (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Gross Cash Flow	-12	-176.0	-22	-92.3	15	166.7	20	33.3	23	15.0	25	8.7
Increase in working capital	-5	n.a.	103	n.a.	24	n.a.	13	n.a.	8	n.a.	6	n.a.
Capital expenditures	-7	2.7	-4	37.5	-1	75.6	-4	-263.6	-4	0.0	-5	-25.0
D+A/Capex (%)	-180.6	n.a.	-880.0	n.a.	-881.8	n.a.	-262.5	n.a.	-237.5	n.a.	-200.0	n.a.
Free cash flow (Metzler definition)	-24	-233.3	76	416.7	38	-50.1	29	-23.5	27	-6.9	26	-3.7
Free cash flow yield (%)	-26.7	n.a.	133.6	n.a.	50.9	n.a.	21.5	n.a.	20.1	n.a.	19.3	n.a.
Dividend paid	-1	n.a.	0	100.0	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	-29	-259.4	74	357.5	37	-49.4	29	-22.5	27	-6.9	26	-3.7
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	232	14.9	188	-19.1	200	6.2	189	-5.3	193	2.1	199	2.8
Goodwill	35	0.0	35	0.0	55	55.2	35	-35.6	35	0.0	35	0.0
Shareholders' equity	49	-7.0	8	-83.2	15	78.3	27	81.1	44	63.1	63	44.4
Equity/total assets (%)	21.2	n.a.	4.4	n.a.	7.4	n.a.	14.2	n.a.	22.6	n.a.	31.8	n.a.
Net Debt incl. Provisions	28	118.9	94	236.3	89	-5.2	67	-24.4	52	-21.6	34	-36.2
thereof pension provisions	0	-76.9	0	33.3	0	-75.0	0	400.0	0	0.0	0	0.0
Gearing (%)	56.4	n.a.	1126.5	n.a.	598.6	n.a.	250.0	n.a.	120.1	n.a.	53.1	n.a.
Net debt/EBITDA	2.0	n.a.	-39.0	n.a.	5.9	n.a.	2.6	n.a.	1.7	n.a.	1.0	n.a.

Sources: Refinitiv, Metzler Research

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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): Delticom (DE0005146807)					
03.05.2021	Buy	Buy	8.36 EUR	15.00 EUR	Pieper, Jürgen
29.03.2021	Buy	Buy	8.24 EUR	15.00 EUR	Pieper, Jürgen
03.03.2021	n.a.	Buy	7.28 EUR	15.00 EUR	Pieper, Jürgen

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

Delticom

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