

### Delticom publishes annual report 2017

Hanover, 22 March 2018 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics generated revenues of € 667.7 million over the course of 2017, an increase of 10.1 % from prior-year's € 606.6 million. With that, Delticom achieved the highest revenues in the history of the company. EBITDA for the reporting period decreased from € 15.1 million to € 9.3 million. The substantial fall in EBITDA of 38.4 % comes largely on the back of the approach increasingly pursued in 2017 of gaining market shares in European tyre retailing. Earnings per share stood at € 0.09 (diluted and undiluted; 2016: € 0.36), a decrease of 75.1 %.

#### H2 17: Changing weather conditions

**Market environment.** The cold temperatures at the start of October were favourable for an early start into winter tyre business before a strong high pressure in the second ten days of October brought unusually warm temperatures. The winter tyre business reached its seasonal peak on the back of cooler temperatures in the second third of November. In December, there was a mix of mild and cold weather spells with snowfall down to lower levels. Market experts anticipate that German tyre retailers sold overall 1.3 % more passenger car winter tyres to consumers last year. In contrast to previous years, the 4x4 tyre segment, which was previously reported separately, is now also included in the market data for the German passenger car replacement tyre market.

**Revenues.** The company managed sales in its online shops during the second half of the year in accordance with its shipments planning for the 2017 financial year. Revenues came in at € 370.6 million in the second half of the year, up 11.8 % year on year (H2 16: € 331.4 million).

**EBITDA.** In the second half of the year, an EBITDA of € 4.3 million was achieved, following € 8.9 million in H2 16 (-51.9 %). As a result, the EBITDA margin achieved in the second half of the year came in at 1.2 % compared to 2.7 % in the same period of the previous year.

### Fiscal year 2017

Due to the increasing demand for all-weather tyres and 4x4 off-road tyres, sales in German passenger vehicle replacement tyres business (including 4x4) were slightly up on previous year by 0.6 % according to industry associations.

In a market environment characterized by consolidation, Delticom was able to draw on its flexibility, long-term market and E-Commerce knowledge and solid earnings situation to further expand its market leading position in European online tyre retailing. Thanks to the international orientation of the business and the expansion of our product and service range, we are able to increasingly offset specific market developments in individual countries.

**Revenues.** Over the course of 2017, Delticom group generated revenues of € 667.7 million, an increase of 10.1 % from prior-year's € 606.6 million.

**Gross margin.** The gross margin (trade margin ex other operating expenses) for the full year was 20.6 % after 23.2 % in the prior-year period.

**Personnel expenses.** In the reporting period on average 185 staff members were employed at Delticom Group (previous year: 156). Personnel expenses amounted to € 10.9 million (2016: € 10.1 million). The company hired additional staff in the past year due to the expansion of business activities and the high number of strategic projects within the Delticom Group. The personnel expenses ratio (staff expenditures as percentage of revenues) remained with 1.6 % nearly unchanged compared to the previous year (2016: 1.7%).

**Other operating expenses.** Among the other operating expenses, transportation costs are the largest line item. The 3.9 % increase in transportation costs from € 60.4 million to € 62.7 million reflects the higher business volumes and the country-mix. The share of transportation costs against revenues went down from 9.9 % in 2016 to 9.4 % in 2017.

**Rents and overheads.** Rents and overheads increased by 10.2 % in 2017, from € 6.0 million to € 6.6 million. This rise largely resulted from the rental of an additional warehouse from mid-2017 which temporarily stores the tyres purchased before the season until their sale. In addition, the

ancillary expenses for the properties rented by the company increased year on year. The company is planning to cease renting a warehouse outside of Hanover from the middle of the current fiscal year.

**Marketing.** In the reporting period, costs for advertising totalled € 28.2 million, after € 26.0 million in 2016. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 4.2 % (2016: 4.3 %). In addition to the online shops, Delticom is increasingly making use of other online sales channels. Part of the increased costs resulted from corresponding sale commissions and listing fees from the various portals used. In addition, the company invested in establishing the brands of start-ups within the Delticom Group last year.

**Financial and Legal.** Expenses for finance and legal fees amounted to € 4.7 million in the period under review (2016: € 4.8 million), a decrease of 4.0 %. Increased insurance costs and external consulting costs in connection with setting up and aligning the start-ups were offset by the discontinuation of legal and consulting costs which were incurred in 2016 as part of the acquisitions.

**EBITDA.** EBITDA for the reporting period decreased from € 15.1 million to € 9.3 million. The EBITDA margin for the fiscal year stood at 1.4 % (2016: 2.5 %). The substantial fall in EBITDA of 38.4 % during the reporting period comes largely on the back of the approach increasingly pursued in 2017 of gaining market shares in European tyre retailing by implementing varying levels of value for money in the different online shops operated by the company.

**Depreciation.** Depreciation for 2017 fell by 7.8 % from € 7.8 million to € 7.2 million. Amortization of intangible assets totalled € 5.0 million (2016: € 5.4 million). This largely encompasses the scheduled amortization of the acquired intangible assets from the efood and logistics companies as well as from Tirendo. The amortization of intangible assets from the latter will cease at the end of the current financial year. Depreciation on property, plant and equipment totalled € 2.2 million in the period under review (2016: € 2.4 million).

**EBIT.** EBIT decreased in the reporting period by 71.8 % to € 2.0 million (2016: € 7.2 million). This equates to an EBIT margin of 0.3 % (2016: 1.2 %).

**Income taxes.** In 2017 the expenditure for income taxes was € 0.5 million (2016: € 2.1 million). This equates to a tax rate of 32.5 % (2016: 32.5 %).

**Consolidated net income.** Consolidated net income in the financial year 2017 decreased from € 4.5 million to € 1.1 million. This corresponds to earnings per share (EPS) of € 0.09 (diluted and undiluted, 2016: € 0.36), a decrease of 75.1 %.

**Dividend.** At Delticom's Annual General Meeting on 08.05.2018, the Management Board and the Supervisory Board will propose a dividend of € 0.10 per share (2016 of € 0.50 per share) – less than in the previous year. By rounding up to the next full 10 cents, the dividend distributed is slightly higher than the consolidated net income achieved in 2017. The for the dividend payout relevant earnings of Delticom AG for the past financial year came in at € 5.2 million, which represents earnings per share of € 0.42, substantially higher than the Group consolidated net income. In addition, the Group recorded a free cash flow of € 8.0 million in the past financial year. The dividend proposal is based on the finance and investment planning for the current fiscal year.

**Inventories.** Among the current assets, inventories are the biggest line item. Since the beginning of the year their value went up by € 17.1 million to € 79.8 million (31.12.2016: € 62.7 million). This increase is mainly attributable to an earlier stockpiling for the upcoming summer season compared to the previous year. At the onset of the winter quarter the inventory value totalled € 107.4 million, € 10.0 million higher than the previous year's figure of € 97.5 million. Thanks to the strong winter season we were able to sell most of the tyres bought in the preceding quarters.

**Liquidity.** Cash and cash equivalents registered net outflows of € 2.8 million. On 31.12.2017 liquidity totalled € 3.9 million (prior year: € 6.7 million). Owing to the seasonal nature and the payment terms and conditions in tyre retailing, liquidity is subject to significant fluctuations over the course of the year.

**Financial liabilities.** During the reporting period, Delticom reduced short-term financial liabilities by € 4.7 million. Long-term financial liabilities were increased by € 0.1 million. The sum total of

non-current and current financial liabilities amounted to € 15.3 million on the reporting date, reflecting a decrease of € 4.6 million in a balance sheet date comparison (31.12.2016: € 19.9 million). The comparatively low proportion of interest-bearing financial liabilities in the total assets (31.12.2017: 7.6 %, 31.12.2016: 10.9 %) underscores the company's strong internal financing capability.

### **Outlook.**

Delticom – Europe's leading online retailer for tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics – will continue to benefit from the increasing importance of the Internet as a sales channel in the future. Based on the current market environment and experience over the last two years, in the current financial year, we are aiming to fine-tune the balance between revenues growth and profitability. We are also focusing on continuing to establish the start-ups in the company portfolio within the market in an effort to offer our customers additional services in future. At the current point in time, we are forecasting consolidated revenues of € 690 million for the current year accompanied by an increase in EBITDA to around € 14 million.

**The full report for fiscal year 2017 stands ready for download within the "Investor Relations" section of the website [www.delti.com](http://www.delti.com).**

### **Company profile:**

Delticom AG is an E-Commerce company operating primarily in Europe and the USA. It specialises in the design and operation of online shops, Internet-based customer acquisition, internet marketing, developing partner networks and complex, highly efficient product picking and distribution logistics.

Delticom AG is the leading online distributor of tyres and automotive accessories. Our product range also includes the online second-hand vehicle trade and efood. Delticom has extensive experience in creating shops for the international market and in trans-national E-Commerce. In addition to design, Delticom also provides product descriptions and a comprehensive customer service program in your national language. Establishing efficient warehousing and logistics processes is utilised not only in selling tyres, used vehicles and online grocery shopping, but is also offered to third parties as an additional service.

Since its establishment in Hanover, Germany in 1999, the company has accrued exceptional expertise in designing efficient, fully integrated internal ordering and logistics processes. The company owns its own warehouses, including a fully automated small item warehouse.

In 2017, Delticom AG generated sales in excess of € 667 million. The E-Commerce specialist operates in 72 countries with over 453 online shops and online distribution platforms, serving over 12.2 million customers. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models of sedans, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the 43,000 service partners of Delticom AG around the world.

Our range also encompasses over 300,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

The shares of Delticom AG have been listed in the Prime Standard of the German Stock Exchange since October 2006 (ISIN DE0005146807).

On the Internet at: [www.delti.com](http://www.delti.com)

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