

Delticom publishes Semi-Annual Report 2017

Hanover, 14 August 2017 - 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, has published its full report for the first six months of 2017. In the reporting period, the company recognized revenues of € 297.1 million, an increase of 8.0 % year-on-year (H1 16: € 275.1 million).

Business in the first six months

Market environment. Hopes for a turnaround in the European market for replacement tyres were unfulfilled in the first six months of the current year. According to the manufacturers' association ETRMA, sales of replacement car tyres to distributors in Europe were 1 % lower than in same period of the previous year. Here in Germany, the spring-like weather persuaded many drivers to make an early switch to summer tyres in March, resulting in a noticeably decline in summer tyre business in the second quarter. According to current figures published by the industry associations, in the first six months of the current year, consumer sales of replacement car tyres booked by German tyre dealers were down by 2.8 %. It is anticipated that the value of the summer tyre business saw a decline of 4.9 % in the first half of 2017.

Revenues. In H1 17, the Group recognized revenues of € 297.1 million, an increase of 8.0 % after € 275.1 million in the prior-year period. During the first three months of the current fiscal year, Delticom generated revenues of € 126.8 million (Q1 16: € 105.8 million, +19.9 %). Other than in the previous year, some springlike days in March favored an early start to the summer tyre season. However, with the weather pulling sales forward, the increase in the second quarter was accordingly weaker. In the second quarter, the company generated revenues of € 170.3 million (Q2 16: € 169.3 million, +0.6 %).

New customers. In H1 17 the company was able to acquire a total of 599 thousand new customers (H1 16: 545 thousand, +9.9 %). In addition, a total of 538 thousand existing customers (H1 16: 505 thousand, +6.5 %) made repeat purchases at Delticom Group in the reporting period.

Since the company was founded more than 11.4 million customers have made purchases in one of our online shops.

Gross margin. The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold products (mainly tyres). Group COGS increased by 11.8 % from € 210.1 million in H1 16 to € 234.8 million in H1 17. The gross margin decreased in the reporting period from 23.6 % in H1 16 to 21.0 %. In the first six months the company structured the prices in its online shops in line with its sales targets for H1 17.

Personnel expenses. In the reporting period, Delticom employed an average of 156 staff members (H1 16: 144). Personnel expenses amounted to € 5.2 million (H1 16: € 5.0 million, +5.4 %). Broadening our business activities has resulted in further new hirings over the past 12 months in order to drive forward the pace of development in individual areas.

Other operating expenses. Other operating expenses amounted to € 64.2 million (H1 16: € 62.9 million, +2.1 %). Among the other operating expenses, transportation costs is the largest line item. The moderate increase in transportation costs from € 27.3 million by 3.1 % to € 28.1 million is mainly due to the sales country-mix.

Marketing. Marketing expenses in H1 17 amounted to € 12.0 million, after € 12.4 million the previous year. On the one hand, the 3.2 % decrease goes hand in hand with a change in the marketing mix. On the other hand, no TV advertising costs have been incurred for the Tirendo shops since mid of 2016. H1 17 marketing spent with 4.0 % of revenues was lower than last year's 4.5 %.

EBITDA. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 5.0 million (H1 16: € 6.1 million, -18.8 %). This equates to an EBITDA margin of 1.7 % (H1 16: 2.2 %).

Depreciation. Depreciation decreased from € 4.5 million by 19.0 % to € 3.6 million. This decline was essentially due to lower scheduled write-downs on intangible assets.

EBIT. Earnings before interest and taxes (EBIT) decreased in the reporting period by 18.1 % to € 1.3 million (H1 16: € 1.6 million). This translates into an EBIT margin of 0.5 % (EBIT in percent of revenues, H1 16: 0.6 %). Thanks to a reduction in depreciation, the decline in EBIT compared to EBITDA was less pronounced. On the expenses side, the company has invested the reduced amount of depreciation in H1 17 almost entirely in new projects.

Income taxes. In the first six months the expenditure for income taxes totalled € 0.4 million (H1 16: € 0.5 million). This equates to a tax rate of 31.7 % (H1 16: 34.3 %).

Net income. Consolidated net income in the first half of the year totalled € 0.8 million after € 0.9 million in H1 16. This corresponds to earnings per share (EPS) of € 0.06 (H1 16: € 0.07).

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year their value grew by € 27.9 million or 44.4 % to € 90.6 million (31.12.2016: € 62.7 million, 30.06.2016: € 91.9 million).

Receivables. Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the end of the second quarter, receivables amounted to € 45.2 million (31.12.2016: € 35.5 million, 30.06.2016: € 38.0 million).

Payables. In the wake of the inventory build-up, the accounts payable increased from an opening balance of € 89.0 million by 20.6 % to € 107.3 million. This corresponds to a share of 49.6 % of the balance sheet total (31.12.2016: 48.6 %, 30.06.2016: 39.5 %).

Liquidity. Liquidity as of 30.06.2017 totalled € 3.0 million (31.12.2016: € 6.7 million, 30.06.2016: € 8.3 million).

In the reporting period, Delticom used existing credit lines for the intra-year financing of the inventory accumulation. On 30.06.2017, the company's net cash position (liquidity less liabilities from current accounts) amounted to € -29.2 million (31.12.2016: € -6.2 million, 30.06.2016: € -29.9 million).

Cash flow. Due to the development in net working capital, the H1 17 cash flow from ordinary business activities (operating cash flow) of € –12.4 million was lower compared to the previous year (H1 16: € –9.1 million).

In the reporting period Delticom invested € 1.8 million into property, plant and equipment. Further € 1.2 million were invested in intangible assets (H1 16: € 0.2 million). As a result, the cash flow from investment activities totalled € –3.1 million (H1 16: € –20.2 million). The figure for the previous year resulted from the acquisition of the efood and logistics companies in H1 16.

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € 11.9 million, thereof the dividend payout for the last financial year of € 6.2 million and the repayment of long-term loans of € 1.3 million. The cash outflow was offset by inflows from financial liabilities of € 19.4 million.

Outlook.

Revenues in the first half of the year developed as scheduled. In a weak market environment, the company succeeded in increasing the volume of sales in its core business compared to the year before.

More than half of the world's population already uses the internet and this trend will continue. In many areas, online trading is now a key growth driver.

As Europe's leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehousing logistics, Delticom is set to profit in the coming months from the increasing trend towards E-Commerce. We expect to see a further positive trend in sales in the second half of the year.

We continue to anticipate that Delticom Group revenues in the current year will increase to € 650 million. We also expect that Delticom Group's EBITDA for the full year to be at € 16 million. Given a normal winter, we anticipate to see a positive effect on margins in the second half of the year.

The full report for the first six months 2017 stands ready for download within the "Investor Relations" section of the website 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 programme 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 2016, Delticom AG generated sales in excess of € 600 million and achieved an EBITDA of € 15.1 million. The E-Commerce specialist operates in 71 countries with over 430 online shops and online distribution platforms, serving over 11.4 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).

Corporate News



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