Corporate News

Delticom publishes Semi-Annual Report 2015

Hanover, 13 August 2015 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, has published its full report for the first six months of 2015. In H115 the company recognised revenues of € 250.2 million, an increase of 10.7 %. EBITDA amounted to € 6.6 million, after € 6.2 million the previous year's year (+6.4 %). In the wake of further logistics optimization Delticom will close one warehouse at the end of the current fiscal year. Due to unscheduled depreciation on the sorting and packaging machines used at this warehouse location, EBIT decreased in the reporting period by 32.3 % to € 1.4 million (H114: € 2.1 million).

Business in the first six months

Market environment. After a weak start to the year, replacement tyre business was unable to match the performance of the prior year in Q215. According to current figures from industry associations, replacement tyre sales in Germany were down 1.6 % in H115.

Revenues. In H115 the company recognized revenues of € 250.2 million, an increase of 10.7 % after € 226.1 million in the prior-year period. Revenues in the E-Commerce with its 191 online shops increased year-on-year by 11.3 %, from € 221.4 million to € 246.5 million.

In the second quarter, the company generated revenues of € 138.8 million (Q214: € 131.8 million, +5.3 %). Q215 revenues in the E-Commerce division were up year-on-year by 6.2 %, amounting to € 137.6 million.

Gross margin. Group COGS increased by 13.2 % from € 170.0 million in H114 to € 192.3 million in H115. The gross margin for the first half of the year stood at 23.1 %, after 24.8 % in H114. The quarterly gross margin decreased from 25.1 % in Q214 to 24.0 %.

Personnel expenses. On 30.06.2015, the company employed a total of 143 employees. In the reporting period, Delticom employed an average of 152 staff members (H114: 271). Personnel expenses amounted to € 4.5 million (H114: € 7.7 million, –41.4 %). This decrease is mainly due to the significant workforce reduction at Tirendo. The personnel expenses ratio in the reporting period came to 1.8 % (staff expenditures as percentage of revenues, H114: 3.4 %).

Other operating expenses. Other operating expenses amounted to € 55.4 million (H114: € 48.3 million, + 14.7%).

Among the other operating expenses, transportation costs is the largest line item. The increase from € 19.8 million by 21.2 % to € 24.0 million is mainly due to the sales country-mix and the higher business volume.

Marketing. Marketing expenses in H115 amounted to € 10.6 million, after € 11.6 million the previous year. The decrease of 7.9 % is mainly due to the optimization of the marketing mix within the Delticom group. H115 marketing spent with 4.3 % of revenues was lower than last year's 5.1 %.

Depreciation. Depreciation rose from € 4.1 million by 25.8 % to € 5.2 million. In the wake of further logistics optimization Delticom is set to close one warehouse at the end of the year. The increase in depreciation on property, plant and equipment in H115 by 66.9 % to € 2.0 million (H114: € 1.2 million) was due to the unscheduled depreciation on the sorting and packaging machines used at this warehouse location.

EBITDA. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 6.6 million (H114: € 6.2 million, +6.4 %). This equates to an EBITDA margin of 2.6 % (H114: 2.7%).

Income taxes. In the first six months the expenditure for income taxes totalled € 0.5 million (H114: € 1.8 million). This equates to a tax rate of 39.0 % (H114: 110.9 %).

Net income. Consolidated net income in the first half of the current fiscal year totalled € 0.7 million after € –0.2 million in H114. This corresponds to earnings per share (EPS) of € 0.06 (undiluted, H114: € –0.02).

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year their value grew by € 18.8 million or 33.5 % to € 74.9 million (31.12.2014: € 56.2 million).

Receivables. At the end of the second quarter, receivables amounted to € 35.1 million (31.12.2014: € 19.7 million), thereof € 19.9 million accounts receiveable (31.12.2014: € 14.5 million). The increase of other current receivables by € 9.2 million to € 13.9 million (31.12.2014: € 4.7 million) is mainly due to higher refund claims from taxes in conjunction with the winter tyre stock build-up.

Payables. In the wake of this inventory build-up, the accounts payable increased from an opening balance of € 75.9 million by € 6.2 million to € 82.1 million. For financing part of the stock build-up the current financial liabilities were expanded in the first six months to € 17.6 million (31.12.2014: € 4.4 million).

Cash flow and liquidity position. Due to the development in net working capital, the H115 cash flow from ordinary business activities (operating cashflow) of € –22.8 million was lower than in the comparison period (H114: € –9.5 million).

In the reporting period Delticom invested € 0.5 million into property, plant and equipment, after € 0.3 million the previous year. Further € 0.6 million were invested in intangible assets (H114: €

0.1 million). As a result, the cash flow from investment activities totalled € –1.2 million (H114: € –0.4 million).

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € 9.2 million, thereof the dividend payout for the last financial year of € 3.0 million and disbursements due to redemption of loans of € 1.7 million. The cash outflow was offset by inflows from financial liabilities of € 13.0 million.

Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.06.2015 totalled € 15.8 million (31.12.2014: € 29.9 million, 30.06.2014: € 7.1 million). The company's net cash position amounted to € –2.0 million (liquidity less liabilities from current accounts, 31.12.2014: € 25.3 million, 30.06.2014: € –16.4 million).

Effective as of 31.07.2015, Delticom AG sold its majority share in Tyrepac Pte. Ltd., Singapore. Due to the decision to sale all shares in Tyrepac Pte. Ltd., Singapore on 31.07.2015, the associated financial assets and liabilities were reclassified as financial assets and liabilities held for sale at the reporting date.

Outlook.

For the second half of the year, we are planning for a year-on-year increase in sales. Given the positive business development in H115, we are more optimistic now than we were at the start of the year that we might at least match the revenues of financial year 2014.

At the moment there is still major uncertainty surrounding this year's winter tyre business. If the winter weather is mild once again, prices could come under further pressure in the tyre trade after shrinking summer tyre business. In such a market environment, the volume growth we are striving for does not necessarily have to lead to a rise in revenues in the second half of the year. It remains to be seen whether statements can be made after the end of the third quarter on the predicted course of winter business in the fourth quarter. We reserve the right to adjust our guidance for full-year revenues after the end of the third quarter.

The fourth quarter plays a major role in terms of full-year revenues and profitability. In an increasingly deflationary price environment, our targeted sales growth could have an additional impact on earnings if volume-related costs rise more sharply than revenues. Nevertheless, we are still aiming to at least match EBITDA of the 2014 financial year in absolute terms.

PPA depreciation on sales licences and other rights amounting to € 0.8 million, which were identified within the scope of the Tirendo purchase price allocation with a useful life of two years and an original fair value of € 6.6 million, will cease to apply in Q415. Nevertheless, we are still expecting for full-year depreciation of roughly € 9 million (2014: € 8.3 million) in 2015, due to factors such as the increased depreciation in Q215. Assuming EBITDA remains unchanged year on year, increased depreciation will lead to a corresponding decline in EBIT for the current financial year.

E-Commerce continues to gain importance as a further sales channel. In our planning for the current fiscal year we still anticipate attracting over one million new customers through the Delticom shops.

The full report for the first six months 2015 stands ready for download within the "Investor Relations" section of the website www.delti.com.

Company profile:

Delticom is Europe’s leading online tyre retailer. Founded in 1999, the Hanover-based company has nearly 200 online shops in 45 countries, among others ReifenDirekt, www.mytyres.co.uk in UK and www.123pneus.fr in France, as well as the Tirendo shops which enjoy a high level of recognition, not least due to its brand ambassador, Sebastian Vettel. Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels. More than 200,000 car parts, including motor oil, replacement parts and accessories, complement the product portfolio.

Customers enjoy all the advantages of modern E-Commerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in two business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 41,000 service partners (9,500 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

On the Internet at: www.delti.com

Contact:

Delticom AG Investor Relations
Melanie Gereke
Brühlstraße 11
30169 Hannover
Tel.: +49(0)511-936 34-8903
Fax: +49 (0)89-208081147
e-mail: melanie.gereke@delti.com