Delticom publishes Q3 business development

Hanover, November 08, 2021 – Delticom AG (German Securities Code (WKN) 514680, ISIN DE 00005146807, stock market symbol DEX), Europe's leading online retailer for tyres and complete wheels, publishes the key points of its business trends in the third quarter 2021 with this interim announcement.

- **Revenues increased by 5.9 % in 9M 2021**
- **Revenues Q3 2021: +8.3 % yoy**
- **Improvement of EBITDA in 9M 2021 by € 9.1 million despite restructuring costs of € 3.7 million**
- **Positive net income of € 0.8 million (9M 2020: € -5.8 million)**
- **Full-year forecast confirmed**

Market environment. Even though 5.0 % more passenger car tyres were sold by retailers to consumers in Germany in 9M 2021 compared to the corresponding period of the previous year, the passenger car replacement tyre business is still behind the pre-pandemic level after the first nine months of the current year. According to estimates by the European Tyre and Manufacturers’ Association (ETRMA) and the German Rubber Industry Association (WdK), 10.9 % fewer passenger car tyres were sold by retailers to consumers in the first nine months of the current year compared to the corresponding period 9M 2019. A 19.7 % decrease in the summer tyre business and a 25.8 % decrease in the winter tyre business compared to the first nine months of 2019 contrasts with a 23.5 % increase in the all-season tyre business.

According to ETRMA, the European replacement tyre market was also unable to return to its pre-Corona level during the first nine months. In the largest sub-segment by volume, consumer tyres (passenger, SUV and light truck tyres), 1.8 % fewer tyres were demanded compared to the first nine months of 2019. This corresponds to a decline of 3 million units.

Revenues. In the third quarter, the company generated revenues of € 127.0 million (Q3 2020: € 117,3 million, +8.3 %). Thanks to stringent cost management, the company was able to manage growth in the third quarter through targeted and controlled pricing. The company will continue its focus on cost efficiency in order to seize opportunities to generate sufficiently profitable revenues in the future. Group revenues for the first nine months of the current fiscal year totalled € 376.2 million, an increase of 5.9 % compared to the previous year (9M 2020: € 355.3 million). Excluding the revenue contributions in 9M 2020 from the discontinued peripheral activities, revenue growth in the core business amounts to 7.1 % in the reporting period.

Gross margin. The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold products (mainly tyres). It amounted to € 293.4 million in the period under review (9M 2020: € 270.5 million, +8.5 %). The gross margin for the reporting period was 22.0 %, compared to 23.9 % in the corresponding period of the previous year. For parts of the business, the transport costs have to be included in the cost of goods sold due to a change in the reporting requirement since last year. For the first nine months, this effect leads to an increase in the cost of goods sold by € 2.3 million.

The gross margin for the third quarter was 20.3 % (Q3 2020: 24.1 %). The quarterly impact on gross profit from the reclassification of parts of the transport costs to the cost of goods sold amounts to € 0.7 million. In addition, inflation-related price increases in purchasing and sales as well as sales-related mix effects in the transitional quarter to the winter season led to a lower percentage margin compared to the previous year.

Other operating income. At € 22.9 million, other operating income in the first nine months of the current year is higher than in the previous year (9M 2020: € 16.1 million). It includes earnings contributions from project business in the amount of € 3.9 million, which compensate for the restructuring costs in 9M 2021. At € 6.4 million, other operating income for the third quarter is € 0.8 million lower than in the same quarter of the previous year.

Gross profit. Gross profit amounted to € 105.7 million after € 100.9 million in the previous year. This corresponds to an increase of 4.8 %. Gross profit in relation to total income amounted to 26.5 % (9M 2020: 27.2 %).

Personnel expenses. On the reporting date of September 30, 2020, the Group employed a total of 175 people (September 30, 2020: 186). Personnel expenses amounted to € 10.4 million after € 11.0 million in the first nine months of 2020 (-5.2 %).

Marketing. Marketing expenses amounted to € 11.9 million in the reporting period after € 12.6 million in the previous year (-5.0 %). The marketing expense ratio (marketing expenses in relation to revenues) was 3.2 % for the first nine month (9M 2020: 3.5 %).

Transport costs. Transport costs amounted to € 34.3 million in 9M 2021 (9M 2020: € 35.6 million, -3.7 %). The transport cost ratio (transport costs in relation to revenues) was 9.1 % in the reporting period, the ratio for Q3 2021 is 8.3 % (9M 2020: 10.0 %, Q3 2020: 9.8 %). Even without taking into account the described reclassification effect, the transport cost ratio is reduced compared to the previous year. Thanks to the decentralised warehouse infrastructure and optimised delivery routes, the company is currently able to compensate for the cost increases despite rising prices. Within other operating expenses, transport costs are the largest cost block. Along with the gross margin, transportation costs represent a central control element with regard to achieving sufficiently profitable revenues.

Other operating expenses. The remaining other operating expenses totalled € 38.3 million in the reporting period, a decline of 4.3 % compared to same period of the previous year (9M 2020: € 40.0 million).

EBITDA. EBITDA for the first nine month amounted to € 10.8 million compared to € 1.7 million in the previous year. Earnings before interest, taxes, depreciation and amortization are impacted by restructuring costs of € 3.7 million in 9M 2021. Nevertheless, an improvement in EBITDA of € 9.1 million was achieved compared to the same period of the previous year. In the third quarter, EBITDA amounted to € 2.8 million, a decrease of € 0.4 million compared to the same quarter of the previous year.

Depreciation. Depreciation and amortization amounted to € 7.8 million in the period under review after € 7.2 million in the previous year. The increase of 8.3 % is associated with the depreciation of the rights of use for the long-term lease of the warehouse location in the border triangle of Germany, France and Switzerland, which was put into operation at the end of last year.

EBIT. EBIT improved by € 8.5 million from € -5.4 million to € 3.1 million in the reporting period. In the third quarter, the company achieved an EBIT of € 0.3 million (Q3 2020: € 0.7 million).

Net income. At € 0.8 million, net income for the first nine month was € 6.6 million higher than in 9M 2020 (€ -5.8 million).

Working Capital Management. Among the current assets, inventories is the biggest line item. As of the balance sheet date September 30, 2020, inventories amounted to € 91.9 million, an increase of € 15.9 million on a balance sheet date comparison (September 30, 2020: € 75.9 million). Against the background of the current market and sea freight situation, the company has brought winter stocking forward by a few weeks this year in order to be able to deliver without restrictions at the peak of the season. The rising purchase prices in view of the raw material markets also lead to an increase in inventories compared to the balance sheet date of the previous year. Trade payables were € 27.9 million higher on a balance sheet date comparison (September 30, 2021: € 111.5 million, September 30, 2020: € 83.7 million). Trade receivables amounted to € 22.8 million as of the balance sheet date (September 30, 2020: € 21.9 million).

Equity. Equity amounted to € 32.1 million on the balance sheet date (December 31, 2020: € 14.8 million, September 30, 2020: € 2.3 million). The company's equity was strengthened by means of the capital increases successfully placed in June of this year. As of the balance sheet date, the company's equity ratio was 12.3 % (December 31, 2020: 7.4 %, September 30, 2020: 1.1 %).

Financial liabilities. Liabilities to banks amounted to € 48.3 million as of the balance sheet date, a decrease of € 14.4 million compared to same period of the previous year (September 30, 2020: € 62.7 million).

Liquidity. Cash and cash equivalents amounted to € 9.0 million as of September 30, 2021 (December 31, 2020: € 5.6 million, September 30, 2020: € 6.1 million). Net liquidity (liquidity less current financial liabilities) amounted to € -39.3 million as of September 30, 2021 (December 31, 2020: € -38.9 million, September 30, 2020: € -56.6 million).

Outlook. Against the backdrop of a strong order intake since the beginning of October, the management certainly expects to achieve consolidated revenues in the range of € 550 million and € 590 million in the current year. EBITDA for the full year is reconfirmed in the range of € 16 million to € 20 million.

<End of disclosure>

About Delticom:

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 600 brands and around 18,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 351 online shops and online distribution platforms in 73 countries, serving more than 16 million customers.

As part of the service, the ordered products can be sent to one of Delticom's approximately 37,000 service partners worldwide for mounting at the customer's request.

Based in Hanover, Germany, the company operates primarily in Europe and the USA and has extensive expertise in the development and operation of online shops, internet customer acquisition, internet marketing and the establishment of partner networks.

Since its foundation in 1999, Delticom has built up comprehensive expertise in designing efficient and fully integrated ordering and logistics processes. The company's own warehouses are among its most important assets.

In fiscal year 2020, Delticom AG generated revenues of around 541 million euros. At the end of last year, the company employed 177 people.

Delticom AG shares have been listed in the Prime Standard of Deutsche Börse since October 2006 (ISIN DE0005146807).

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