

Delticom AG: Preliminary Q3 Results

Hanover, 18 October 2012 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, has published preliminary figures for the first nine months of 2012. In a troubled market environment the company recognised revenues of € 280.4 million in 9M 12, a minus of 5.8 % year-on-year. Earnings before interest and taxes (EBIT) amounted to € 17.5 million.

Revenues. Following a weak first half year, the European tyre replacement market continued to lag expectations in the third quarter. After the summer tyre business had already been disappointing, the winter tyre season started much slower than last year.

In this challenging environment 9M 12 group revenues declined by 5.8 % to € 280.4 million (9M 11: € 297.7 million). In the third quarter the company recognised revenues of € 87.2 million (Q3 11: € 99.4 million, -12.3 %). Q3 12 revenues in the E-Commerce division were down year-on-year by 5.9 % and amounted to € 83.8 million, resulting in a decrease of 3.7 % to € 268.7 million for the nine months. Quarterly revenues in the Wholesale division decreased by 67.5 % to € 3.4 million, resulting in 9M 12 revenues coming down by 36.7 % to € 11.7 million.

Gross margin. The cost of goods sold decreased in the reporting period by 5.4 %, from € 218.6 million to € 206.9 million. The gross margin for Q3 12 was 25.7 % (Q3 11: 25.8 %). For the nine months the gross margin was 26.2 %, after 26.6 % in the prior-year period.

Other operating income. Other operating profit decreased by 52.6 % to € 2.8 million (9M 11: € 5.9 million), thereof gains from exchange rate differences to the order of € 1.2 million (9M 11: € 4.5 million). FX losses have to be accounted for as line item in the other operating expenses (9M 12: € 3.1 million, 9M 11: € 3.9 million). FX gains and losses often accrue differently to different quarters due to the long duration of the underlying transaction and the corresponding hedge. For the nine months the balance of FX income and losses totalled € -1.9 million (9M 11: € 0.7 million). Altogether, the gross profit worsened by 10.2 % year-on-year, from € 85.0 million to € 76.3 million.

Personnel expenses. In the reporting period on average 143 staff members were employed at Delticom (9M 11: 111). The reason for the increase was the buildup of qualified staff for our new warehouse facility which opened last year. Personnel expenses amounted to € 6.3 million (9M 11: € 5.2 million). The 9M 12 personnel expenses ratio stood at 2.3 % (staff expenditures as percentage of revenues, 9M 11: 1.7 %).

Other operating expenses. For the nine months other operating expenses totalled € 50.4 million, an increase of 0.6 % over the prior-year value of € 50.2 million.

Among the other operating expenses, transportation costs is the largest line item. In the reporting period it amounted to € 23.7 million (9M 11: € 24.2 million). The share of transportation costs against revenues went up from 8.1 % in 9M 11 to 8.4 % in 9M 12.

Due to the expansion of warehouse capacity, rents and overheads increased by 44.5 %, from € 3.1 million to € 4.5 million. Stocking costs came in at € 2.4 million, 26.1 % lower than prior-year's € 3.3 million. This was mainly due to taking qualified temporary workers on the payroll.

In the reporting period, advertising costs totalled € 6.7 million. This equates to a ratio of marketing expenses to revenues of 2.4 % (9M 11: € 5.8 million or 2.0 %). In order to support the sales of winter tyres and according to plans, Q3 12 marketing spent of 2.7 % of revenues was higher than last year's 1.9 %.

Depreciation. In line with our gradual warehouse capacity expansion and the parallel investments into warehousing infrastructure, depreciation rose by 40.2 % from € 1.4 million in 2011 to € 2.0 million. The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings performance. EBIT for the reporting period came down by 37.9 % from € 28.2 million to € 17.5 million, primarily due to higher fixed costs. The EBIT margin was 6.2 % (9M 11: 9.5 %). Third quarter EBIT saw a decline of 55.0 %, from prior-year's € 9.5 million to € 4.3 million. The quarterly EBIT margin was 4.9 % (Q3 11: 9.5 %).

Financial income for the nine months amounted to € 26.0 thousand (9M 11: € 96.3 thousand). On the back of higher funding needs for inventories financial expenses increased to € 190.1 thousand (9M 11: € 90.1 thousand), leading to a financial result of € –164.1 thousand (9M 11: € 6 thousand).

The expenditure for income taxes was € 5.6 million (previous year: € 9.2 million). The tax rate was 32.5 % (9M 11: 32.6 %).

In total, consolidated net income for the reporting period totalled € 11.7 million, after a prior-year amount of € 19.0 million.

Working Capital. Among the current assets, inventories is the biggest line item. They grew from the beginning of the year by € 20.0 million, totalling € 126.5 million on the reporting date (30.09.2011: € 122.9 million). In the corresponding prior-year period the increase in inventory value had amounted to € 70.7 million.

In the wake of the inventory build-up, the accounts payable increased from € 68.2 million by € 44.2 million or 64.7 % to € 112.4 million (30.09.2011: € 92.5 million). Taken together with accounts receivable of € 15.7 million (30.09.2011: € 20.4 million), the net working capital on 30.09.2012 amounted to € 22.9 million (30.09.2011: € 42.5 million).

Cash flow and liquidity position. Due to the favourable working capital development, the 9M 12 cash flow from ordinary business activities (operating cash flow) of € 29.7 million was significantly better than in the comparison period (9M 11: € –26.0 million).

The majority of racks, forklifts and packaging machines for the new warehouse were purchased in 2011. This year's investments into property, plant and equipment have therefore just been € 0.8 million year-to-date (9M 11: € 8.0 million).

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –36.2 million, thereof the payout for the last financial year of € –34.9 million and disbursements due to redemption of loans of € –0.9 million. The balance of utilisation and redemption of short-term credit lines was € –0.3 million.

Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.09.2012 totalled € 15.0 million (30.09.2011: € 11.7 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € 11.8 million (30.09.2011: € 1.8 million).

Outlook. While last year's winter tyre season benefitted from an early start, this year the winter tyre business has so far been relatively sluggish. Despite good demand for winter tyres in some European countries, Management does not expect the company to exceed annual prior-year revenues anymore. Due to the challenging market environment Delticom scales back its EBIT goal for the current financial year to 7 % – 8 %.

The full report for the first nine months of 2012 will be published on 08.11.2012 within the "Investor Relations" section of the website www.delti.com .

Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With more than 100 online shops in 42 countries, the company offers its private and business customers an unequalled assortment of excellently priced car tyres, motorcycle tyres, bicycle tyres, truck tyres, bus tyres, special tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. The independent website reifentest.com contains impartial information about tyre tests and helps the customers choose from more than 100 tyre brands and more than 25,000 tyre models. Delticom delivers either directly to the customer's home address, or to one of more than 33,000 service partners – affiliated garages which take delivery of tyres and then install these on the customer's vehicle. Delticom's Wholesale division also sells tyres to wholesalers domestically and abroad.

On the Internet at: www.delti.com

Selected online shops: www.reifendirekt.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

Contact:

Melanie Gereke
Brühlstraße 11
30169 Hanover
Phone: +49-511-93634-8903
E-Mail: melanie.gereke@delti.com