

Delticom (DEX GY) | Retail

August 19, 2021

Growth to accelerate in 2022e

We confirm our Buy recommendation for Delticom with a slightly raised price target of EUR 16. First-half results were not much different from our expectations, slightly weaker than estimated at the revenue level and stronger than expected concerning operating earnings. The efficiency measures of the past two years have borne fruit and have enabled DEX to return to a reasonable profitability. Demand was still weak in Southern Europe while it was as good as expected in countries like Germany and the US. The resulting moderate sales growth of 4.7% for the group in H1 should improve somewhat in the second half, we think, as economies in Europe develop positively. Next year, top line growth should accelerate as some sales should be shifted from this year to next, at probably more attractive prices. The long-term growth case, mainly driven by a rising penetration of e-Commerce, is fully intact, we believe.

- 2021e: On the back of the H1 results (revenues of EUR 249 m after 238 m in H1 2020; EBITDA of EUR 8 m after -1.5 m a year ago), we reduce our full-year revenue forecast slightly by roughly 1.5%. Our EBITDA estimate remains unchanged as the operating leverage is strong.
- Valuation: The changes in our financial model have a slightly positive impact on the calculated fair value. DEX shares are far cheaper than most other listed e-Commerce companies but it will take a few positive quarters before that matters.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	646	626	541	572	617	654
EBITDA	14	-2	15	25	34	37
EBIT	1	-42	5	15	25	27
EPS adj. (EUR)	-0.16	-3.28	0.54	0.54	1.23	1.31
DPS (EUR)	0.10	0.00	0.00	0.00	0.00	0.00
BVPS (EUR)	3.94	0.67	1.10	1.81	2.95	4.25
Net Debt incl. Provisions	28	94	89	67	52	34
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	8.3	-62.7	10.8	7.7	5.3	4.3
EV/EBIT	106.9	-3.6	30.2	13.1	7.3	5.9
P/E adj.	-44.9	-1.4	11.1	16.0	7.0	6.6
Dividend yield (%)	1.4	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	2.2	-0.4	2.8	4.4	5.6	5.7
EBIT margin (%)	0.2	-6.7	1.0	2.6	4.0	4.2
Net debt/EBITDA	2.0	-39.0	5.9	2.6	1.5	0.9
ROE (%)	-3.9	-142.4	60.4	45.3	51.6	36.3
PBV	1.8	6.8	5.4	4.8	2.9	2.0

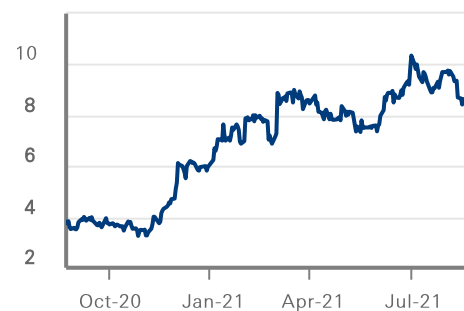
Sources: Refinitiv, Metzler Research

Buy
 **unchanged**
Price*
EUR 8.64
Price target
EUR 16.00 (15)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	128
Enterprise Value (EUR m)	195
Free Float (%)	0.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	-4.0	14.6	126.2
Rel. to Prime All Share	-9.4	6.6	80.3

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2021e	2022e	2023e
Sales	-1.4	0.4	0.4
EBIT	-0.1	16.7	14.0
EPS	0.0	9.0	3.2

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Key growth driver: Penetration of e-Commerce

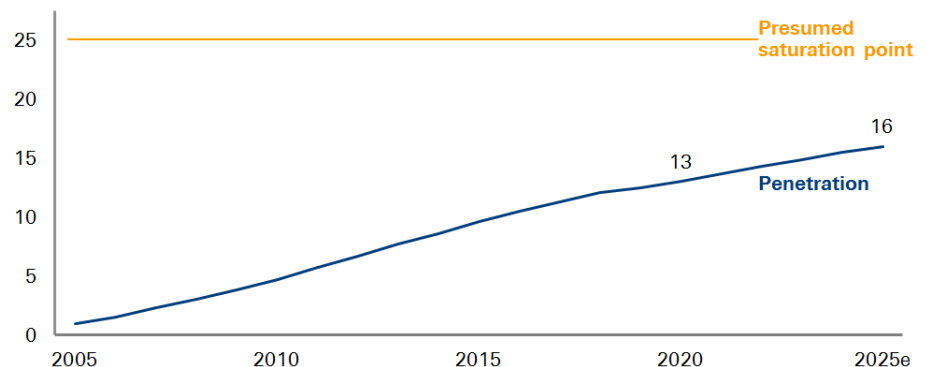
We think the investment case Delticom is fully intact. The leading European e-Commerce tire dealer should be able to generate above-average growth of between 5% and 8% over the next five years, mainly driven by a rising penetration of the online business in the tire dealer world. Currently the penetration rate stands at only 13% according to Delticom estimates, and it should double within the next decade (and would then still be far below penetration rates in other markets). As the market leader and the only real pan-European dealer, DEX should grow at least as fast as the overall e-Commerce sector.

Top line growth in H1 (+4.7% yoy to EUR 249 m; +6.5% yoy in the core business) was somewhat slower than expected. That is due to the still very weak market condition of several important markets in Southern Europe like for example Italy. On the other hand, the Central European markets like Germany performed reasonably well. There are clear indications (overall economic outlook; less lockdown measures; replacement necessities) that most of the problematic regions will start to recover in H2 2021, so that revenue growth in the July-December period should be at least slightly better than in the first six months. Nevertheless, we have to make a slight downward revision at the revenue level in our 2021e model.

On the other hand we take our estimates for 2022e - at both the revenue and (even more so) the EBITDA and EBIT level. The replacement tire market in general should grow rather strongly next year, as some sales will be shifted from this year to 2022e. The overall market growth should be at least between 4% and 5%, we expect. On top there should be a measurable "penetration effect of the e-Commerce business at the expense of the traditional tire dealers. At the EBITDA and EBIT level (both margin forecasts lifted by 40 basis points) the improved efficiency should become visible.

Online tire sales have been steadily gaining market share

Penetration of the market for online tire sales in Europe, in % of the overall market



Source: Metzler Research

company note

Key Data

Company profile

CEO: Andreas Prüfer

CFO: Thomas Loock

Hanover, Germany

Delticom is Europe's leading tyre retailer. The company operates 137 online shops in 42 countries, including ReifenDirekt and Tirendo. The customer can choose between home delivery and delivery to one of ca. 40,000 service partners worldwide.

Major shareholders

Prüfer/Binder (50.04%)

Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	646	-3.3	626	-3.1	541	-13.5	572	5.6	617	8.0	654	5.9
EBITDA	14	51.6	-2	-117.0	15	729.2	25	68.3	34	35.1	37	9.1
EBITDA margin (%)	2.2	56.8	-0.4	-117.6	2.8	827.4	4.4	59.4	5.6	25.1	5.7	3.0
EBIT	1	-45.0	-42	n.m.	5	112.9	15	176.2	25	66.6	27	10.6
EBIT margin (%)	0.2	-43.1	-6.7	n.m.	1.0	114.9	2.6	161.5	4.0	54.2	4.2	4.4
Financial result	-1	-75.0	-2	-114.3	-3	-86.7	n.a.	n.a.	-1	n.a.	-1	-10.0
EBT	0	-75.0	-44	n.m.	3	106.0	12	373.1	24	93.5	26	10.9
Taxes	2	320.0	3	28.6	4	59.3	0	-100.0	0	n.a.	0	n.a.
Tax rate (%)	525.0	n.a.	-6.2	n.a.	165.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Net income	-2	-254.5	-41	n.m.	7	116.9	9	34.8	18	96.8	20	6.6
Minority interests	0	175.0	0	-33.3	0	0.0	0	-50.0	0	0.0	0	0.0
Net Income after minorities	-2	-233.3	-41	n.m.	7	116.3	9	37.3	18	97.8	19	6.6
Number of shares outstanding (m)	12	n.a.	12	0.0	12	0.0	15	18.6	15	0.0	15	0.0
EPS adj. (EUR)	-0.16	n.a.	-3.28	n.m.	0.54	116.3	0.54	0.6	1.23	127.5	1.31	6.6
DPS (EUR)	0.10	n.a.	0.00	-100.0	0.00	n.a.	0.00	n.a.	0.00	n.a.	0.00	n.a.
Dividend yield (%)	1.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Cash Flow (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Gross Cash Flow	-12	-176.0	-22	-92.3	15	166.7	20	33.3	23	15.0	25	8.7
Increase in working capital	-5	n.a.	103	n.a.	24	n.a.	13	n.a.	8	n.a.	6	n.a.
Capital expenditures	-7	2.7	-4	37.5	-1	75.6	-4	-263.6	-4	0.0	-5	-25.0
D+A/Capex (%)	-180.6	n.a.	-880.0	n.a.	-881.8	n.a.	-262.5	n.a.	-237.5	n.a.	-200.0	n.a.
Free cash flow (Metzler definition)	-24	-233.3	76	416.7	38	-50.1	29	-23.5	27	-6.9	26	-3.7
Free cash flow yield (%)	-26.7	n.a.	133.6	n.a.	50.9	n.a.	22.6	n.a.	21.1	n.a.	20.3	n.a.
Dividend paid	-1	n.a.	0	100.0	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	-29	-259.4	74	357.5	37	-49.4	29	-22.5	27	-6.9	26	-3.7
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	232	14.9	188	-19.1	200	6.2	189	-5.3	193	2.1	199	2.8
Goodwill	35	0.0	35	0.0	55	55.2	35	-35.6	35	0.0	35	0.0
Shareholders' equity	49	-7.0	8	-83.2	15	78.3	27	81.1	44	63.1	63	44.4
Equity/total assets (%)	21.2	n.a.	4.4	n.a.	7.4	n.a.	14.2	n.a.	22.6	n.a.	31.8	n.a.
Net Debt incl. Provisions	28	118.9	94	236.3	89	-5.2	67	-24.4	52	-21.6	34	-36.2
thereof pension provisions	0	-76.9	0	33.3	0	-75.0	0	400.0	0	0.0	0	0.0
Gearing (%)	56.4	n.a.	1126.5	n.a.	598.6	n.a.	250.0	n.a.	120.1	n.a.	53.1	n.a.
Net debt/EBITDA	2.0	n.a.	-39.0	n.a.	5.9	n.a.	2.6	n.a.	1.5	n.a.	0.9	n.a.

Sources: Refinitiv, Metzler Research

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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): Delticom (DE0005146807)					
28.06.2021	Buy	Buy	9.08 EUR	15.00 EUR	Pieper, Jürgen
03.05.2021	Buy	Buy	8.36 EUR	15.00 EUR	Pieper, Jürgen
29.03.2021	Buy	Buy	8.24 EUR	15.00 EUR	Pieper, Jürgen
03.03.2021	n.a.	Buy	7.28 EUR	15.00 EUR	Pieper, Jürgen

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

Delticom

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