

Delticom AG: Company Presentation

Hanover, 13 November 2014



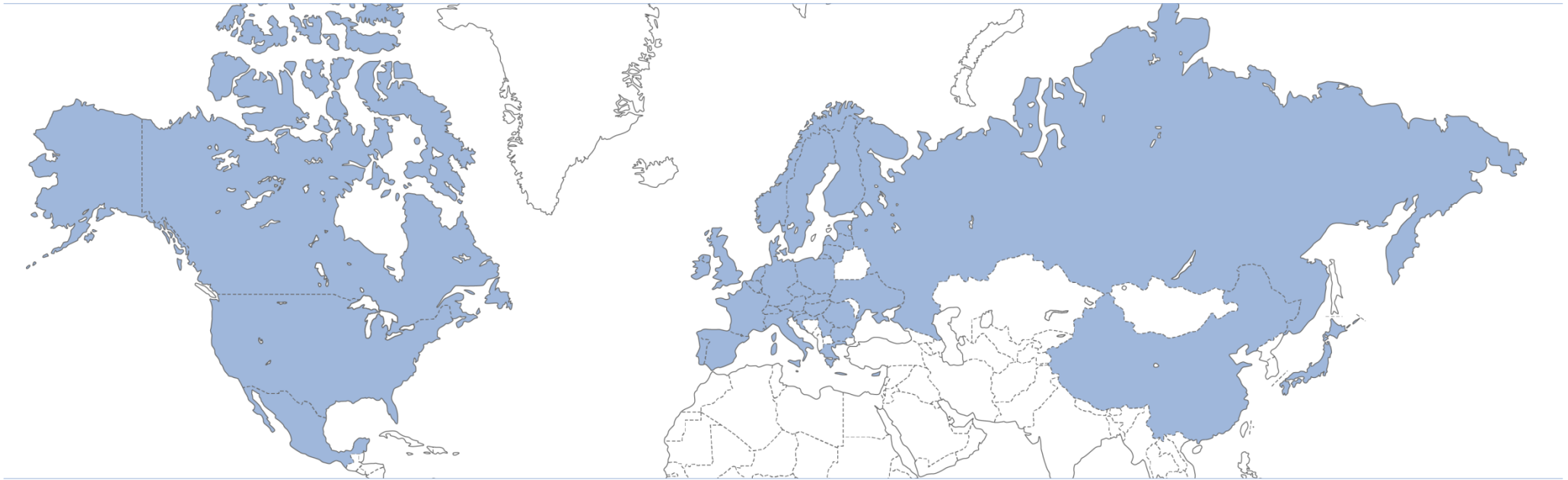
Agenda

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- 3-7 | Delticom group overview
 - 8-11 | Replacement tyre business
 - 12-15 | Strategy
 - 16-22 | Financials 9M/14
 - 23-25 | Outlook 2014

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Delticom – Europe's leading online tyre retailer



- ▶ 144 online shops in 42 countries across the globe (Europe, North America & East Asia)
- ▶ Complete wheels, motor oil, replacement parts and accessories
- ▶ Service partners: EU 34,419, Non-EU 5,691 + around 7,000 via Tyrepac
- ▶ Multi-brand strategy
- ▶ More than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses

From e-commerce pioneer to European market leader

1999 – 2008: First mover and international expansion

1999

Delticom founded by a team including Rainer Binder and Andreas Prüfer

First mover advantage in many European countries

2006

IPO on Frankfurt Stock Exchange (Prime Standard)

2009 – 2011: Exceptionally good markets

2009 – 2011

Exceptionally good markets due to wintry conditions and regulations (scrapping incentive schemes, mandatory winter tyre requirement)

2011

Investments in warehouse infrastructure

2012 – 2013: Challenging market environment

2012 – 2013

Little snowfall and pull-forward effect on tyre sales from exceptional 2009 – 2011 regulatory and weather conditions

2013

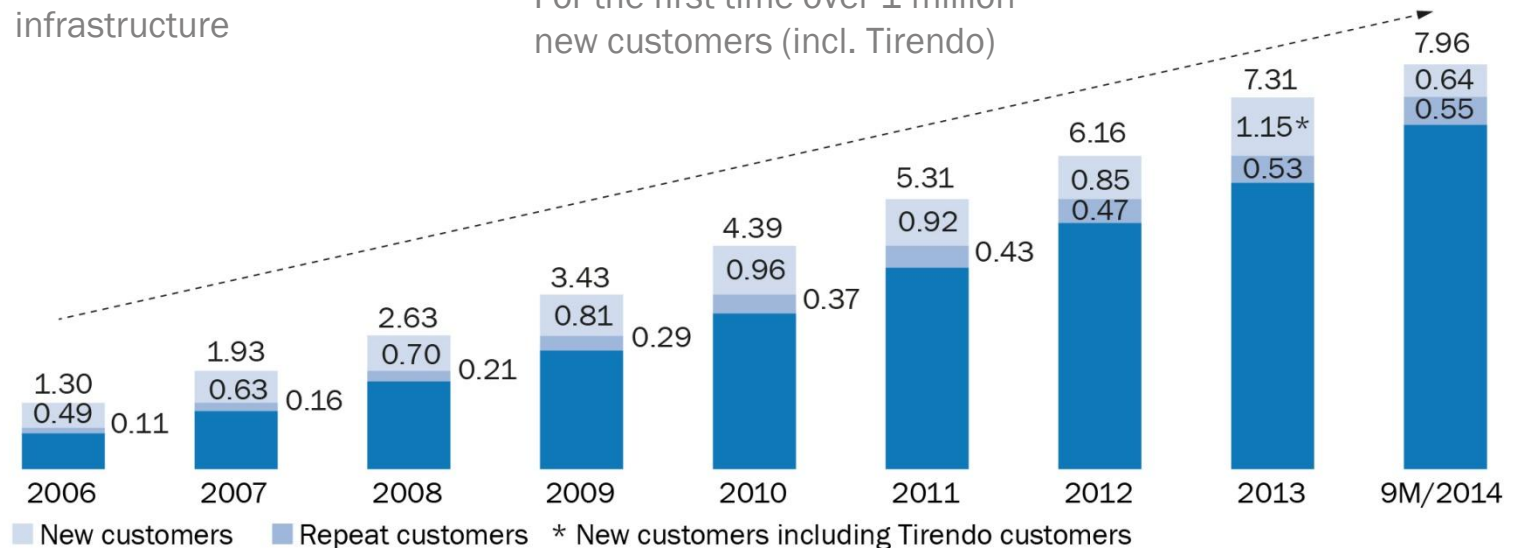
Tirendo acquisition

For the first time over 1 million new customers (incl. Tirendo)

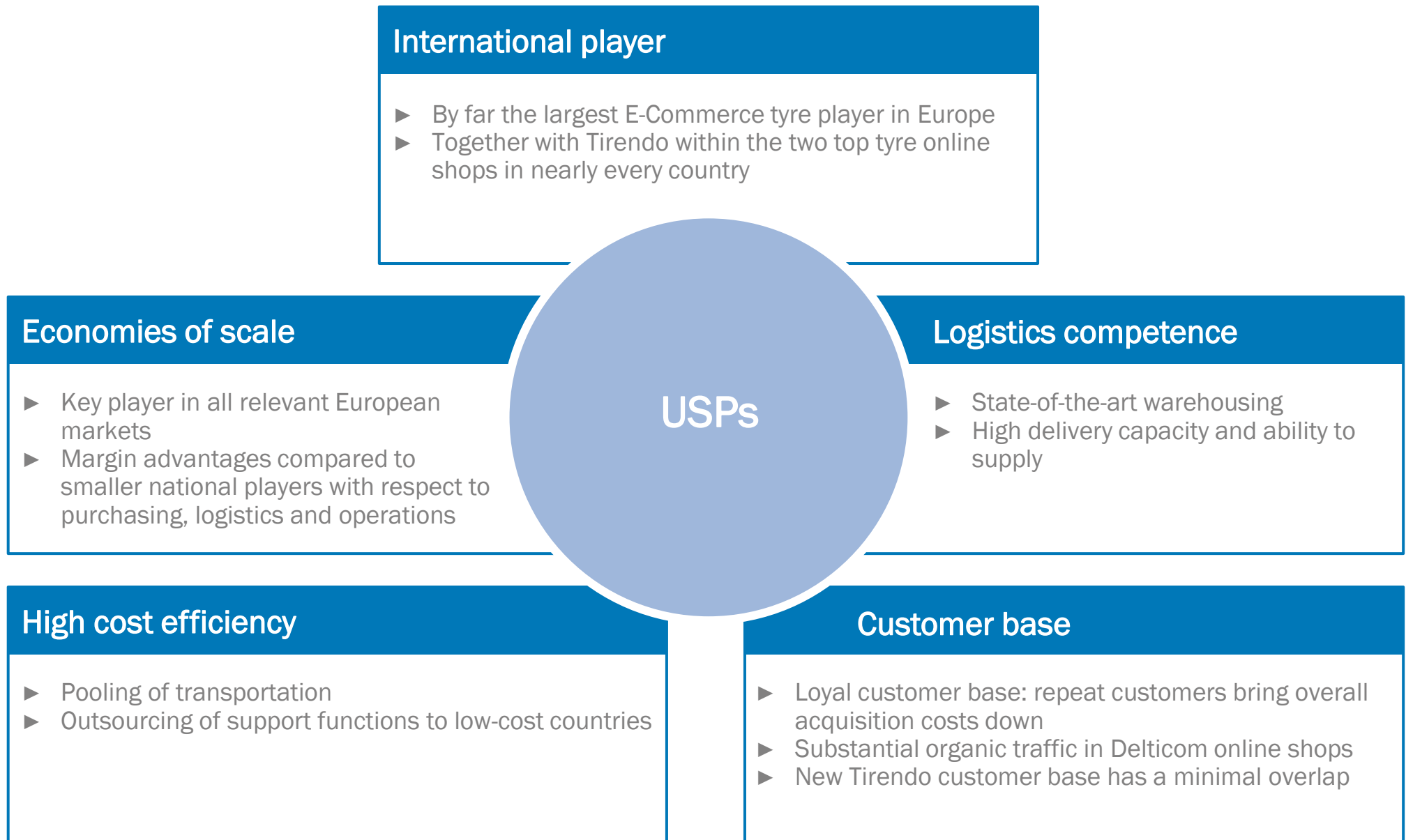
Transition year 2014: Positioning for future growth

- ▶ International footprint
- ▶ Economics of scale
- ▶ High cost efficiency
- ▶ Logistics competence
- ▶ Strong customer base

**Total customer base
(in million)**

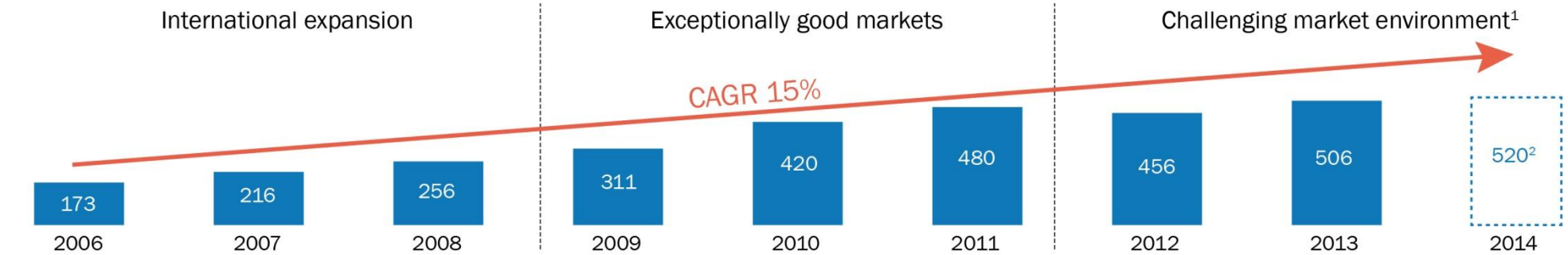


Delticom's USPs are the basis for its market leading position



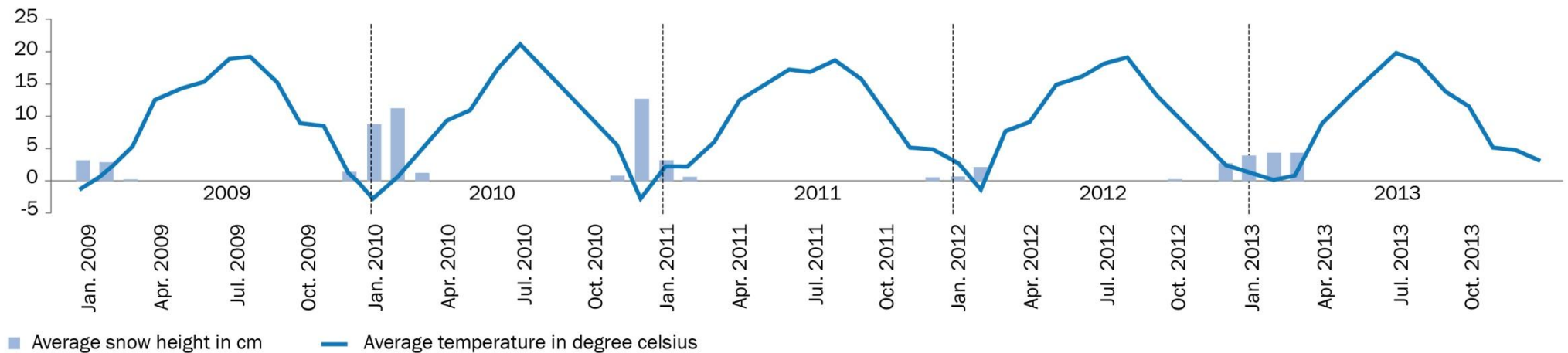
Strong revenue growth 2006 – 2014

Revenues (€m)



¹ 2013: Due to pull-forward effects and warm winter | ² Upper end of 2014 revenues guidance (range: €m 500 – 520)

Weather conditions 2009 – 2013*



* Source: Deutscher Wetterdienst

High revenue potential under normal weather conditions in the future

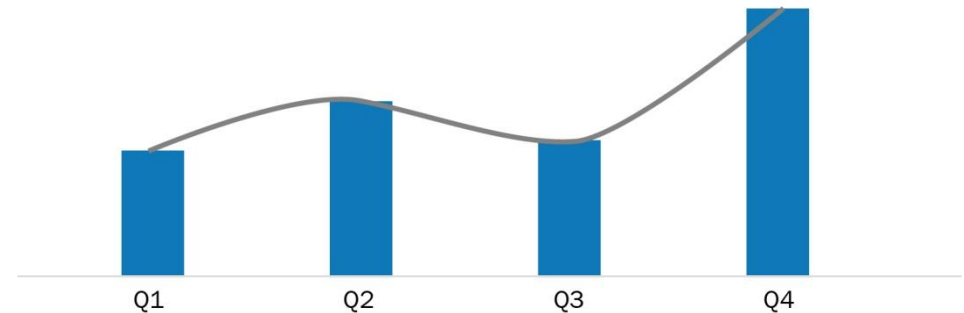
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Replacement tyre business has strong seasonal peaks

- ▶ In general, replacement tyre business is dependent on weather, legal regulations, social trends and the economic environment
- ▶ Switch periods between summer and winter tyres fluctuate due to weather conditions
- ▶ Profitability of Delticom replacement tyre business depends significantly on Q4 due to winter tyre season
- ▶ Internationalization and broadening of product portfolio reduce seasonality effects

Seasonal pattern revenues*



* Illustration based on Delticom arithmetic mean values 2010 - 2014 for Q1 - Q2 and arithmetic mean values 2010 - 2013 for Q3 - Q4

Regulations

Concerning safety or environmental protection

Social trends

Rise in online purchases, changing car usage behaviour

Weather

Snowfall and temperatures in Q4

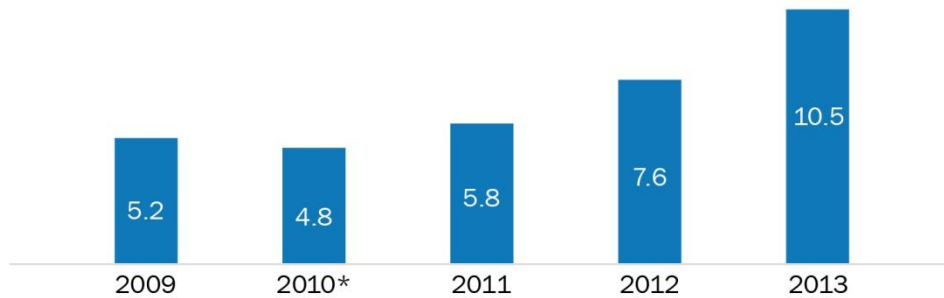
Replacement
tyre business

Economic environment

Price sensitivity brings customers online

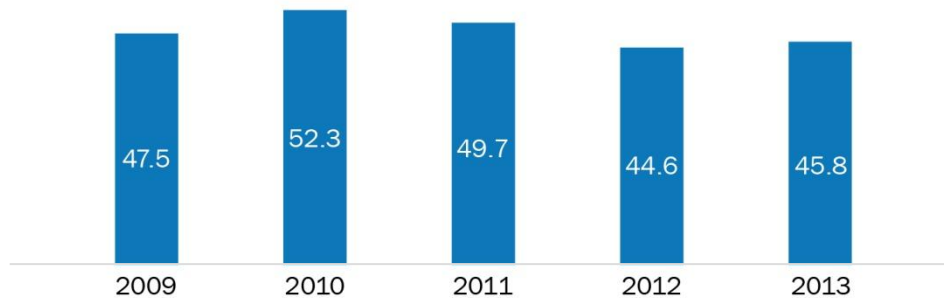
Growing online penetration in replacement tyre business

E-commerce share in German replacement tyre business (in %)



* Shortages

Retail-to-consumer car tyre sales in Germany (in million)



Source: BRV

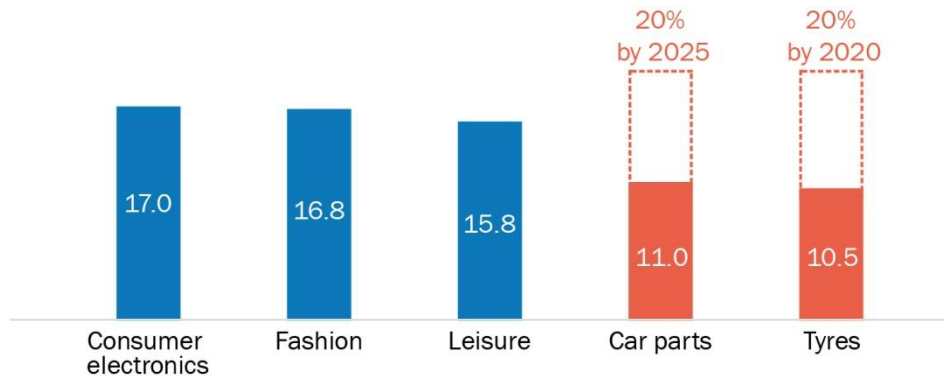
Benefits of online shopping



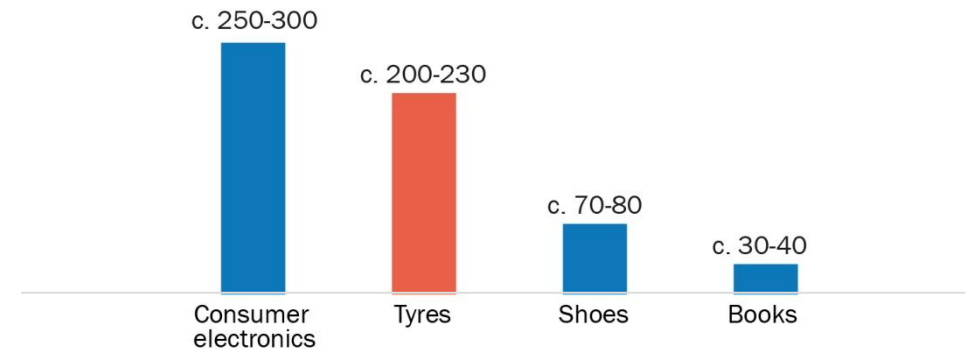
- A growing number of consumers recognizes the benefits of online tyre purchases

Growing online penetration in replacement tyre business

Online penetration (Germany)* (in %)



Average basket value (Germany)* (in €)



Very low goods return rates (Germany)* (in %)



- ▶ Internet usage is changing: increasing relevance as point of sale instead of just price and product comparison tool
- ▶ Combination of high basket value and low return rate for tyres
- ▶ Further offline to online shift expected

* Sources: BRV, BMI, Statista, Eurostat, Euromonitor, IFH Köln, OECD, Roland Berger

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Tirendo integration into Delticom: best-of-breed

Phase 1 After acquisition 2013

Know-how exchange:
Existing IT infrastructure complemented by modern webshop technologies and new analytical tools for online marketing

Realizing synergy potential:
Integration of transport, storage and finance operations

Phase 2 Start of full integration H2/2014

A house of strong B2C brands:
Integration of Tirendo business under Delticom management starting in H1/2014

Efficiency improvement process started:

- ▶ Reducing Berlin headcount to far below 50 (core team of ~20 employees in 2015)
- ▶ Less and more targeted TV advertising

Phase 3 New organizational setup from 2015 onwards

Reduced cost base implemented:

- ▶ Reduced personnel expenses
- ▶ Reduced rent and operating costs
- ▶ Marketing costs with lower cost/revenue ratio
- ▶ Optimized TV advertising spending

Using Tirendo strengths:
Tap into new customer group

Quick wins realized

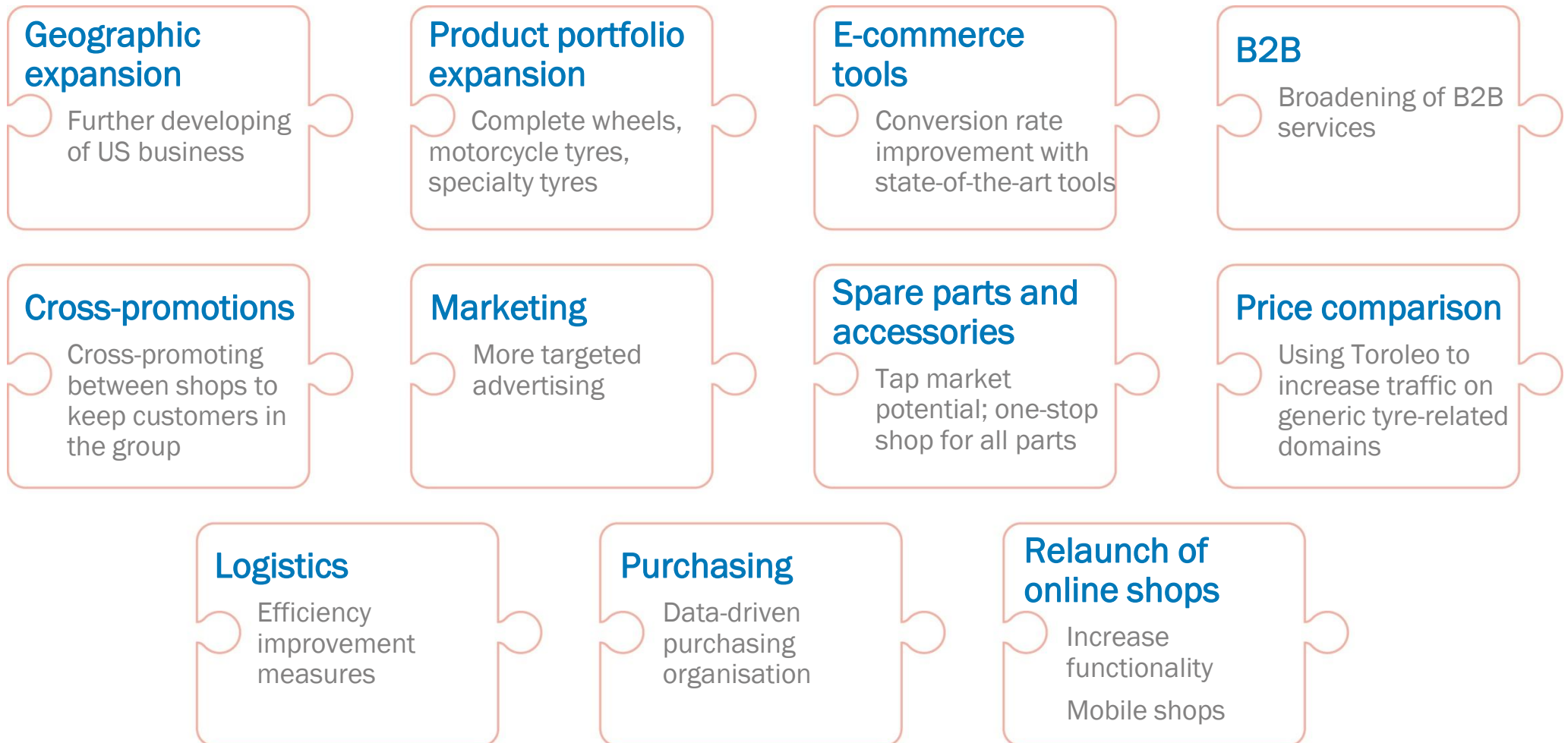
Efficiency improvement
measures implemented

Way paved for
break-even in 2015

Full integration of Tirendo is on track

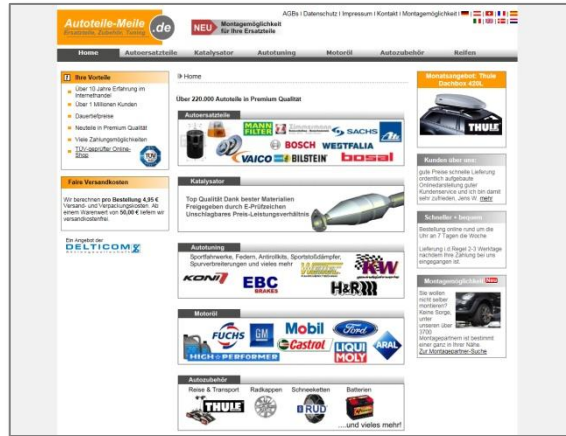
Strategic roadmap

- ▶ Increasing market share and drive penetration
- ▶ Focus on profitable growth and efficiency improvement



First Delticom shops relaunched in 2014

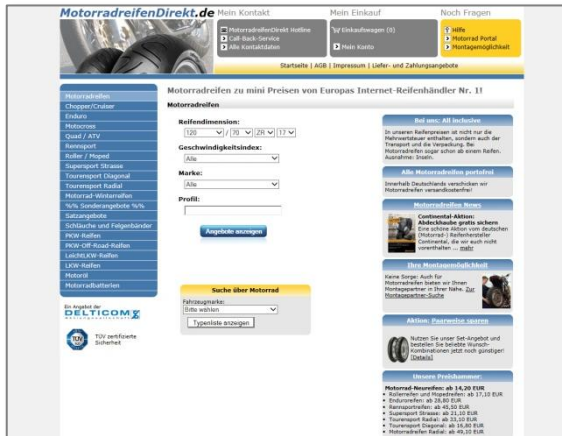
Autoteile-Meile



Facelift



MotorradreifenDirekt



Facelift



➤ New shop technology increases functionality – next relaunch round in 2015

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Business in 9M/14: Transition year 2014

Macroeconomy

- ▶ Due to geopolitics revised GDP forecasts, consumer confidence in Europe lowered, no trend reversal

Tirendo

- ▶ Reduced marketing spend in Q3
- ▶ Reduced workforce: full P&L impact in Q1/15

Tyre market

- ▶ Warm temperatures in March prompted early switch to summer tyres
- ▶ Q3: delayed start of winter season because of mild temperatures in September

Transition year 2014

Customer base in 9M

- ▶ 643 thousand new customers (including Tirendo)
- ▶ 550 thousand repeat customers

Revenues

- ▶ e-commerce segment revenues of 144 online shops increased by 2.5 % yoy – Tirendo effect

Toroleo acquisition in September

- ▶ tyre price comparison website Toroleo (toroleo.de, toroleo.at) will help increase traffic on up to 34 generic tyre-related domains owned by Delticom and not fully exploited yet
- ▶ Websites include e.g. reifen.de and pneus.fr

9M/2014: Key Financials Delticom Group

	Unit	9M/14	9M/13	-/+ (% , %p)
New customers ¹⁾	k	643	634	+1.5
Revenues	€m	314.1	309.1	+1.6
Gross margin ²⁾	%	25.2	24.3	+0.9p
Gross profit ²⁾	€m	79.1	75.0	+5.4
EBITDA	€m	8.0	12.0	-33.3
EBITDA margin	%	2.5	3.9	-1.3p
EBIT	€m	1.8	9.7	-81.3
EBIT margin	%	0.6	3.1	-2.6
Net income	€m	-0.9	6.2	-114.7
Earnings per share (undiluted)	€	-0.08	0.52	-114.6
Liquidity position	€m	24.5	9.2	+166.8
Operating cash flow	€m	4.6	11.3	
Free cash flow	€m	3.3	-31.9	

→ 75.7 % of revenues in EU countries

→ PPA effect of €m 4.0

→ P&L transfer agreement leads to tax effect in 2014

	Unit	30.09.14	30.09.13	-/+ (% , %p)
Inventories	€m	117.4	120.7	-2.7
Equity	€m	46.5	46.3	+0.3
Equity ratio	%	20.1	19.9	+0.2p

¹⁾ incl. Tirendo

²⁾ excl. other operating income

Q3/2014: Key Financials Delticom Group

	Unit	Q3/14	Q3/13 ¹⁾	-/+ (% , %p)
Revenues	€m	88.1	96.9 ¹⁾	-9.1
Gross margin ²⁾	%	26.1	24.1	+2.0p
Gross profit ²⁾	€m	28.8	24.9	+3.9
EBITDA	€m	1.7	1.7	+4.5
EBITDA margin	%	2.0	1.8	+0.2p
EBIT	€m	-0.2	0.8	-129.4
EBIT margin	%	-0.3	0.8	-1.1p

→ Delayed start of winter season

¹⁾ incl. Tirendo since September 16th, 2013

²⁾ excl. other operating income

Key Financials without Tirendo

	Unit	9M/14	9M/13	-/+ (%, %p)
Revenues	€m	292.3	306.2	-4.5
Gross margin ¹⁾	%	25.5	24.4	+1.1p
Gross profit ¹⁾	€m	74.6	74.7	-0.1
EBITDA	€m	17.0	12.9	+31.7
EBITDA margin	%	5.8	4.2	+1.6p
Depreciation	€m	-6.1	-2.0	+199.6
EBIT	€m	10.9	10.9	+0.4
EBIT margin	%	3.7	3.6	+0.2p

→ E-commerce: revenues -3.9 % y-o-y

→ Focus on profitability: earnings increase despite warm Q3 temperatures

→ PPA effect

	Unit	Q3/14	Q3/13	-/+ (%, %p)
Revenues	€m	83.8	94.0	-10.9
Gross margin ¹⁾	%	26.5	24.5	+2.0p
Gross profit ¹⁾	€m	22.2	23.0	+26.5
EBITDA	€m	3.7	2.7	+37.6
EBITDA margin	%	4.4	2.9	+1.5p
Depreciation	€m	-2.0	-0.7	+192.4
EBIT	€m	1.7	2.0	-15.8
EBIT margin	%	2.0	2.1	-0.1p

→ Earnings increase despite warm Q3 temperatures

→ PPA effect

¹⁾ excl. other operating income

Delticom remains sufficiently profitable, even after the Tirendo takeover, to compensate Tirendo losses

Key Financials only Tirendo

	Unit	9M/14	9M/13	-/+ (% , %p)
Revenues	€m	21.8	25.6	-14.7
Gross margin ¹⁾	%	20.3	14.5	+5.8p
Gross profit ¹⁾	€m	4.6	4.7	-3.4
EBITDA	€m	-9.1	-10.0	+9.2
EBITDA margin	%	-41.5	-39.0	-2.5p
Depreciation	€m	-0.1	-0.4	-82.9
EBIT	€m	-9.1	-10.4	11.9
EBIT margin	%	-41.8	-40.5	-1.3p

→ Optimizing costs to create basis for profitable growth

	Unit	Q3/14	Q3/13	-/+ (% , %p)
Revenues	€m	4.3	8.1	-46.8
Gross margin ¹⁾	%	18.3	13.9	+4.4p
Gross profit ¹⁾	€m	0.8	1.4	-37.6
EBITDA	€m	-1.9	-3.7	+48.6
EBITDA margin	%	-44.0	-45.6	+1.6p
Depreciation	€m	-0.0	-0.1	-85.4
EBIT	€m	-1.9	-3.9	+50.0
EBIT margin	%	-44.5	-47.3	+2.8p

→ weaker demand due to mild weather

¹⁾ excl. other operating income

9M/2014: Abridged balance sheet

in €m	30.09.14	%	'-/+' (%)	30.09.13	%
Assets					
Non-current assets	60.7	26.2	-13.9	70.5	30.2
Current assets	171.0	73.8	+5.1	162.7	69.8
Inventories	117.4	50.7	-2.7	120.7	51.8
Receivables	29.1	12.6	-11.2	32.8	14.1
Liquidity	24.5	10.6	+166.8	9.2	3.9
Assets	231.7	100.0	-0.6	233.1	100.0
Equity and Liabilities					
Long-term funds	67.7	29.2	+25.2	54.1	23.2
Equity	46.5	20.1	+0.3	46.3	19.9
Long-term debt	21.2	9.2	+173.0	7.8	3.3
Provisions	0.3	0.1	+2.5	0.3	0.1
Liabilities	20.9	9.0	+180.1	7.5	3.2
Short-term debt	164.0	70.8	-8.4	179.0	76.8
Provisions	1.9	0.8	-1.0	1.9	0.8
Liabilities	162.2	70.0	-8.5	177.2	76.0
thereof accounts payable	117.8	50.8	-13.8	136.7	58.6
Equity and Liabilities	231.7	100.0	-0.6	233.1	100.0

→ Winter tyre stock

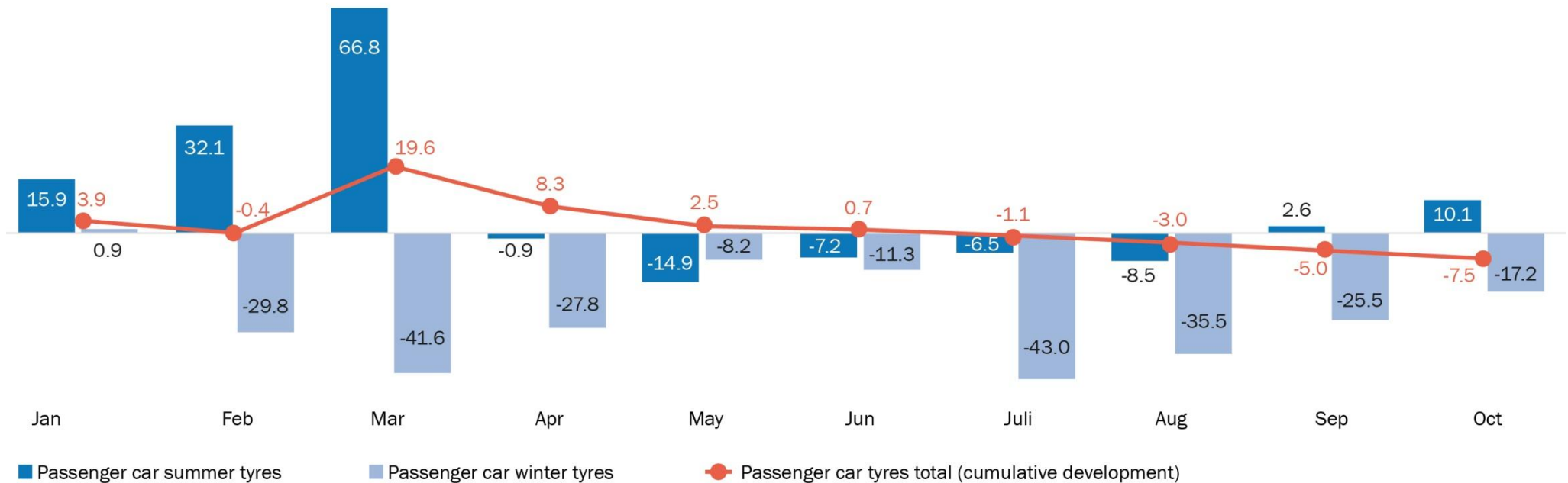
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Update current trading

- ▶ Tyre trade: warm weather conditions lasting well into November
- ▶ WDK: sell-out passenger car winter tyres DE in October -17 %
- ▶ Order income Delticom + Tirendo picked up significantly since mid of October

German passenger car replacement tyre business 2014 (growth rates in %)



* Sources: WdK, figures published by Neue Reifenzeitung (issue 11/2014) on 12 November 2014

Outlook 2014

- ▶ Continued lower consumer confidence in H2/14
- ▶ Further business Q4/14 depends on weather development
- ▶ 2014: revenues €m 500 – 520, EBITDA €m 15 – 20
- ▶ 2015: Tirendo break-even

**„Of course our long-term goal is revenues of one billion euros“
(Co-CEO Andreas Prüfer in an interview with DIE WELT, April 2014)**

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9M/2014: Abridged P+L statement

in €m	9M/14	9M/13	-/+ (% , %p)
Revenues	314.1	309.1	+1.6
Other operating income	8.5	3.5	+144.7
Total operating income	322.7	312.5	+3.2
Cost of goods sold	-235.1	-234.1	+0.4
Gross profit	87.6	78.5	+11.6
Personnel expenses	-11.4	-7.0	+63.6
Other operating expenses	-68.2	-59.6	+14.5
EBITDA	8.0	12.0	-33.3
Depreciation	-6.2	-2.2	+174.1
EBIT	1.8	9.7	-81.3
Net financial result	-0.6	-0.0	+1705.2
EBT	1.2	9.7	-87.7
Income taxes	-2.1	-3.5	-40.6
Consolidated net Income	-0.9	6.2	-114.7

→ €m 2.1 from exchange rate differences

→ 291 FTEs vs. 148 (9M/13)

→ €m 27.2 transportation cost

→ PPA effect of €m 4.0

→ P&L transfer agreement...

→ ...leads to tax rate of 175.5 % in 9M/14

9M/2014: Abridged cash flow statement

in €m	9M/14	9M/13
Earnings before interest and taxes (EBIT)	1.8	9.7
Cash flow from operating activities	4.6	11.3
Cash flow from investing activities	-1.3	-43.1
Cash flow from financing activities	-9.6	-5.0
Changes in cash and cash equivalents	13.2	-37.0
Cash and cash equivalents at the start of the period	11.3	46.2
Cash and cash equivalents - end of period	24.5	9.2

- Weaker earnings situation and...
- ...more capital tied up in Working Capital
9M/13: Tirendo acquisition initially
- financed with cash and cash equivalents
- €m 1.2 capital contribution from exercised stock options