Delticom continues its successful restructuring course in Q3 and raises its operative EBITDA forecast

Hanover, November 12, 2020 – 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 2020 with this interim announcement.

- **Further improvement in profitability despite declining revenues in the first nine months**
- **Measures to reduce costs and to increase efficiency have a sustainable effect**
- **Positive EBITDA in 9M 20 despite restructuring costs of € 4.9 million**
- **EBITDA in Q3 20 increased by € 7.2 million to € 3.2 million**
- **New guidance for operating EBITDA in 2020: € 12-15 million**

Market environment.

The Corona pandemic had a significant impact on the European replacement tyre market in the first nine months of the current year. The measures taken by the European member states in the first half of the year to contain the pandemic led to an unprecedented slowdown in economic activity. Both in Germany and on a pan-European level, the mobility restrictions did not remain without consequences for the demand for replacement tyres. Thanks to the gradual easing, demand for replacement tyres recovered significantly in the third quarter of 2020. However, the catch-up effect was not sufficient to compensate for the declines recorded in the first six months of the current fiscal year. In initial estimates, market experts assume that in the first nine months of 2020, a total of 15 % fewer car tyres were sold from dealers to consumers in Germany. A 22 % decrease in sales of summer tyres and a 19 % decrease in winter tyre business contrasted with a 5 % increase in sales of all-season tyres. At the end of the first nine months, experts believe that the sales performance in the German replacement tyre market is therefore hardly any better than for the European market as a whole.

According to the German E-Commerce and Mail Order Association (bevh), revenues in the third quarter of 2020 in the e-commerce segment relevant for Delticom grew by 13 %, once again outperforming the corresponding quarter of the previous year (+12 %). Cumulative German e-commerce revenues since the beginning of the year increased by around 11 % to € 56 billion compared to the first nine months of 2019.

Revenues. In the third quarter, the company generated revenues of € 117.3 million (2019: € 135.8 million, -13.6 %). The Delticom group thus recorded revenues of € 355.3 million in the first nine months of the current fiscal year. This represents a year-on-year decrease of 15.5 % (9M 19: € 420.3 million). The effect on revenues from the closure of unprofitable business units at the beginning of the current year amounts to around € -22 million year-on-year. Accordingly, revenues in the core business are 11 % lower than in the previous year. As the European market leader in online tyre retailing, Delticom benefits from the increasing willingness to buy online.

The company continues to focus on increasing profitability. In the first nine months of the current fiscal year, the successful strategic business orientation was additionally influenced by lockdown measures in the various European countries and by weather-related shift effects with regard to revenues in the core business. The winter tyre season did not start until somewhat cooler temperatures at the end of September, with a slight delay compared to the previous year.

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 € 271 million in the period under review (9M 19: € 328 million, -17.5 %). The company is consistently pursuing its goal of increasing profitability in a difficult market environment with a large number of measures. The gross margin for the reporting period was 23.9 %, compared to 22.0 % in the corresponding period of the previous year. The gross margin for the third quarter was 24.1 % (Q3 19: 22.2 %), a clear proof of the successful focus on qualitative revenues.

Gross profit. In view of a decrease in revenues, gross profit fell to € 100.9 million – after € 113.2 million in the previous year. This corresponds to a decrease of 10.9 %. Gross profit in relation to total income amounted to 27.2 % (9M 19: 25.7 %).

Personnel expenses. On the reporting date of September 30, 2020, the Group employed a total of 186 people (September 30, 2019: 265). Personnel expenses amounted to € 11.0 million compared to € 14.3 million in the first nine months of 2019. The 23.2 % decrease is mainly due to the closure of unprofitable subsidiaries and the associated gradual reduction in personnel until the cease of the related operations.

Other operating expenses. Other operating expenses amounted to € 88.2 million in the reporting period (9M 19: € 106.7 million, -17.3 %). In addition to the decrease in revenues and a related reduction in direct costs, the measures taken across all divisions to cut costs and to optimize processes had a positive impact on operating earnings. The marketing costs fell significantly year-on-year by € 8.9 million or 41.3 % (9M 20: € 12.6 million, 9M 19: € 21.5 million) and thus decreased disproportionately to revenues.

EBITDA. EBITDA amounted to € 1.7 million, compared to € -7.8 million in the previous year. Earnings before interest, taxes, depreciation and amortization are burdened by restructuring costs of € 4.9 million in the first nine months of 2020. Thanks to the positive effects of the measures taken to increase efficiency and to optimize costs in the core business, EBITDA improved by € 9.5 million compared to the same period of the previous year despite the decline in sales and restructuring costs amounting to millions. In the third quarter, EBITDA amounted to € 3.2 million, an increase of € 7.2 million compared to the same quarter of the previous year, despite a decrease in revenues and restructuring costs incurred.

Depreciation. Depreciation and amortization amounted to € 7.2 million after € 10.0 million in the previous year. The 28.4 % decrease is mainly due to the closure of unprofitable subsidiaries whose fixed assets had already been extraordinary written off in the 2019 financial year.

EBIT. In view of the increase in profitability and lower depreciation compared to the previous year, EBIT improved by € 12.3 million from € -17.8 million to € -5.4 million in the reporting period. With an EBIT of € 0.7 million in the third quarter (Q3 19: € -7.2 million), the company succeeded in continuing the positive earnings development of the second quarter.

Working Capital Management. In order to improve the cash flow from operating activities on a sustained basis, the company has streamlined its 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 € 75.9 million, a reduction of € 27.2 million on a balance sheet date comparison (September 30, 2019: € 103.1 million). Part of this decrease is due to the discontinuation of unprofitable business units. In addition, stock delivery times in the core business have been further optimized over the past months in line with sales planning. The lower inventory level is accompanied by a reduction in trade payables. These were € 35.4 million lower on a balance sheet date comparison (September 30, 2020: € 83.7 million, September 30, 2019: € 119.0 million). Trade receivables amounted to € 21.2 million as of the balance sheet date (September 30, 2019: € 27.9 million).

Outlook.

The fourth quarter plays a key role in terms of revenues and earnings for the year as a whole. With the colder temperatures at the end of September, the winter tyre season has gained momentum. In terms of revenues for the year as a whole, we currently expect to be able to reach the lower end of the forecasted corridor of € 550-570 million. It remains to be seen whether and to what extent the restrictions recently adopted and currently in force in Germany and other European countries (e.g. France, Spain, Italy), which are in some cases much more severe, will have a greater impact on revenues in the remaining weeks of the current year than currently assumed.

Based on current planning, EBITDA for the full year is still considered achievable within a range of € 5-8 million. Despite a possible lockdown effect on sales, the company is raising its operating EBITDA forecast due to the positive development in the past months. Due to more time-consuming contractual arrangements with regard to the provision of collateral abroad, restructuring costs of around € 7 million are expected for the full year (previous expectation: € 5 million). Accordingly, the operating EBITDA achievable in 2020 will be in a new range of € 12-15 million (previous forecast: € 10-13 million).

Thanks to the strict working capital management, the management expects to generate a positive free cash flow in the single-digit million range for the year as a whole.

<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 100 brands and around 18,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 394 online shops and online distribution platforms in 73 countries, serving around 15 million customers.

As part of the service, the ordered products can be sent to one of Delticom's approximately 39,000 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 2019, Delticom AG generated revenues of around 626 million euros. At the end of last year, the company employed 242 people.

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

On the internet at: www.delti.com

Contact:

Delticom AG
Investor Relations
Melanie Gereke
Brühlstraße 11
30169 Hannover
Phone: +49 (0)511-93634-8903
Fax: +49 (0)511-8798-9138
Email: melanie.gereke@delti.com