

On track.

## Investor and Analyst Presentation

On the Occasion of the Release of the Preliminary Figures for Q1 2012

Hanover, 19 April 2012



# Agenda

Delticom at a Glance

Business Model

Profit & Loss

Balance Sheet

Outlook



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# Delticom at a Glance

- **#1 European online tyre dealer**
- > 100 online shops in **41 countries**
- founded 1999, IPO Oct 2006, SDAX Dec 2008
- customer base: more than **5.4 million**
- **focus on replacement tyres:** > 100 tyre brands, > 25,000 models
- other products:
  - motorcycle tyres, bicycle tyres
  - truck tyres, industrial tyres
  - complete wheels and rims
  - motor oil, car parts, accessories
- **142 employees**, mainly in the Hanover head office
- global network with more than **30,000 fitting partners**, e.g.

🇩🇪 DE 8310 🇺🇸 US 2401 🇬🇧 UK 1867 🇫🇷 FR 3920 🇨🇭 CH 1613



# Key Financials Q1

|                     |    | <b>Q112</b> | <b>Q111</b> | <b>yoy%</b> | <b>FY11</b> | guidance* |                                    |
|---------------------|----|-------------|-------------|-------------|-------------|-----------|------------------------------------|
| <b>Revenues</b>     | €m | 85.5        | 85.4        | +0.2        | 480.0       | ~ 10%     | difficult market, flat revenues    |
| <b>Gross Margin</b> | %  | 25.8        | 25.9        | -0.1p       | 27.4        |           | pricing discipline                 |
| <b>EBIT-Margin</b>  | %  | 4.0         | 7.0         | -2.9p       | 11.0        |           | low-volume quarter                 |
| <b>EBIT</b>         | €m | 3.4         | 5.9         | -42.3       | 52.9        | ~ 10%     | expenses wrt new warehouse         |
| <b>Inventories</b>  | €m | 134.7       | 83.6        | +61.0       | 106.5       |           | faster stocking of winter tyres... |
| <b>Cash Flow</b>    | €m | 5.6         | -18.5       |             | -9.6        |           | ...mainly funded with payables     |
| <b>Capex</b>        | €m | 0.1         | 1.8         | -94.0       | 8.5         |           | bulk already accrued in FY11       |
| <b>Liquidity</b>    | €m | 26.8        | 47.5        | -43.5       | 22.2        |           | dividend sum ~ 35m @ 02.05.        |

\* as of 22 March 2012, guidance for FY12

## ▶ Q1 performance below plan

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Delticom at a Glance

**Business Model**

Profit & Loss

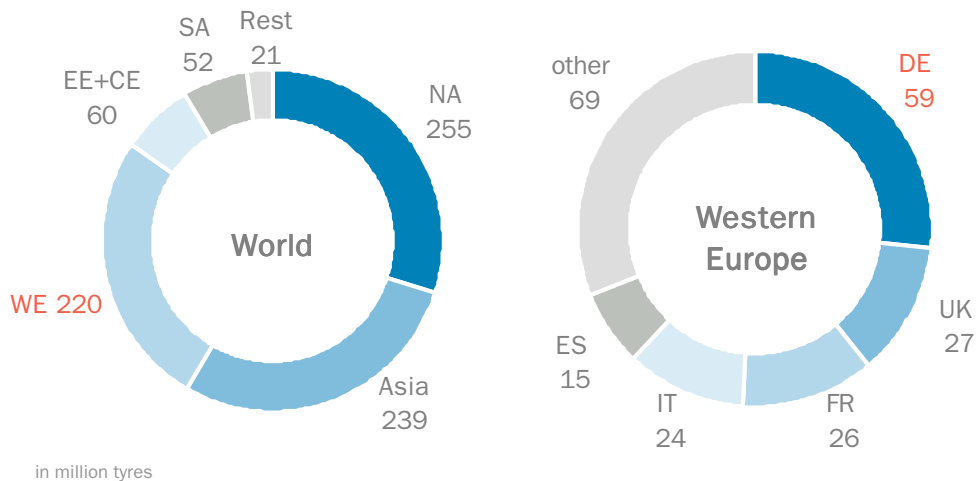
Balance Sheet

Outlook



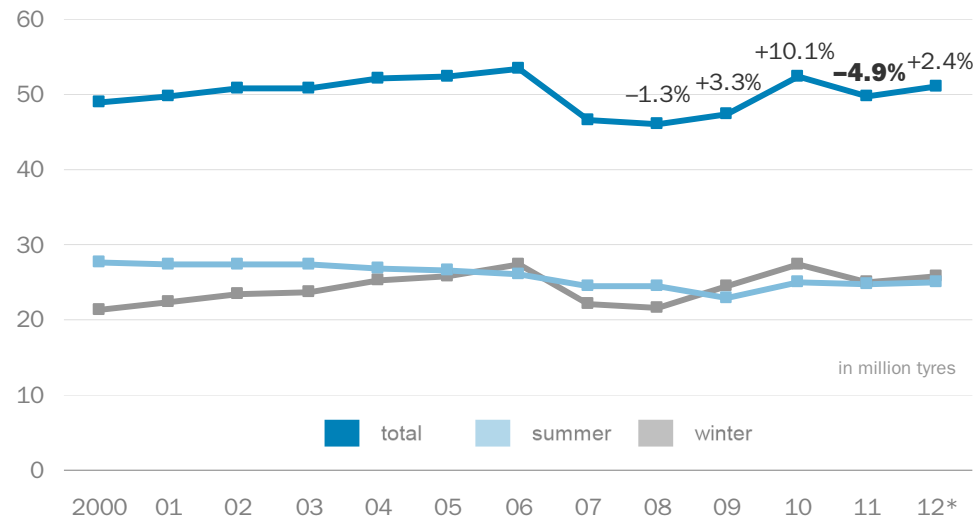
# Tyres and the Internet

## PC & LT Replacement Tyres Europe: > € 12 billion



Source: Datamonitor, Continental, Michelin, own estimates

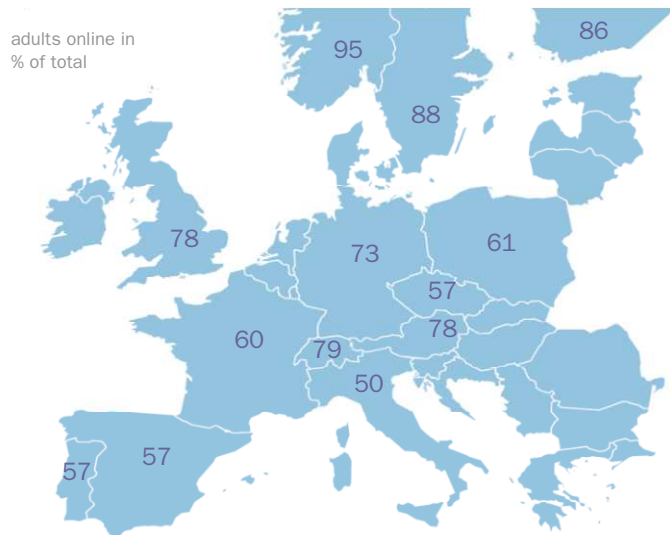
## Germany: sluggish 2011, outlook slightly better for 2012



Source: BRV (car replacement tyres)

\* estimates as of March 2012

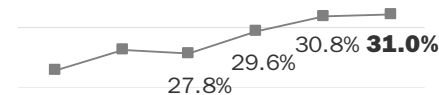
## Europeans are increasingly online...



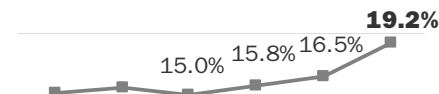
Desk Research GfK Austria, January 2012

## ... and buy their tyres online.

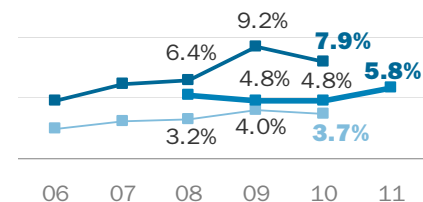
think about buying online (ADAC, 18-39)



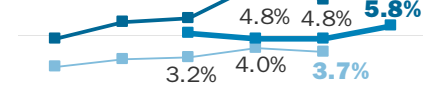
think about buying online (ADAC, all)



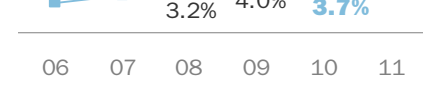
bought tyres on the Internet (ADAC, 18-39)



bought tyres on the Internet (BRV, GfK)



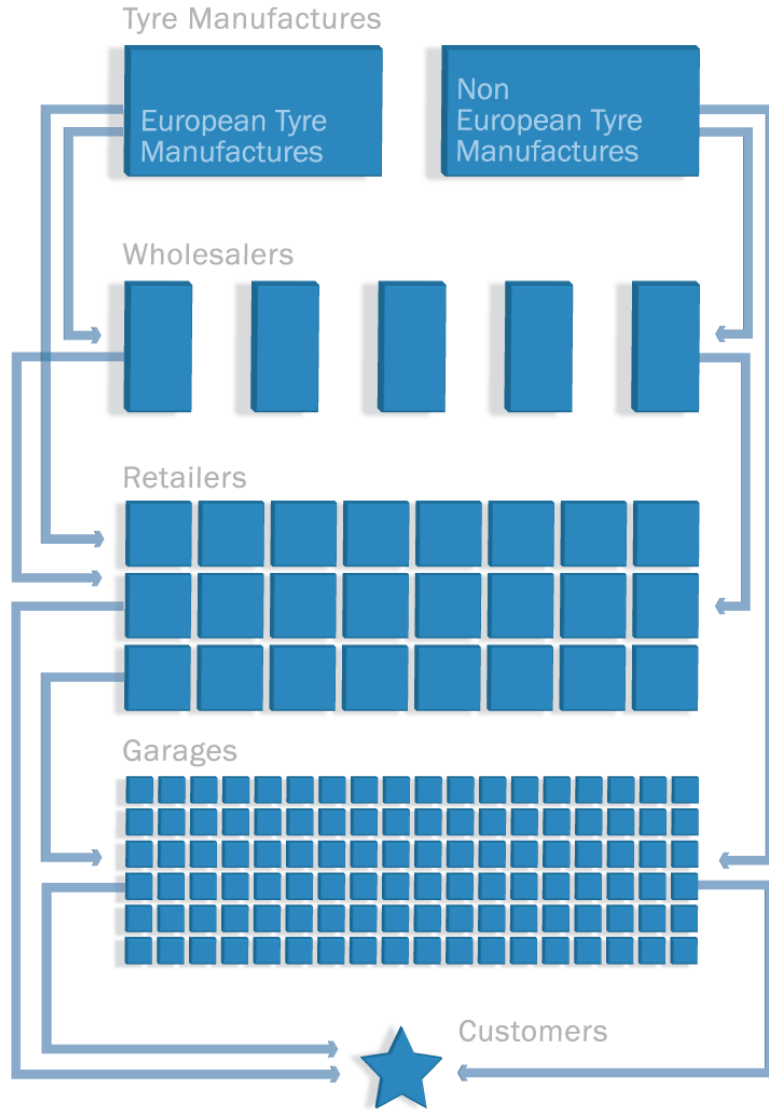
bought tyres on the Internet (ADAC all)



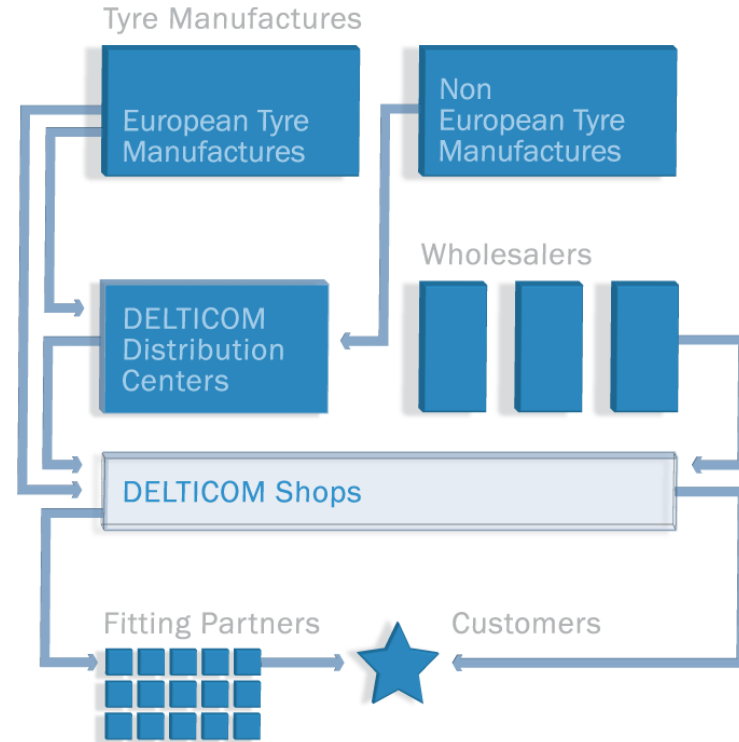
Source: ADAC (new methodology in 2011), BRV, GfK

# Redesign of the Tyre Distribution Chain

## Traditional Retail



## Delticom Redesign



Space  
+ Time  
+ Price



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Delticom at a Glance

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**Profit & Loss**

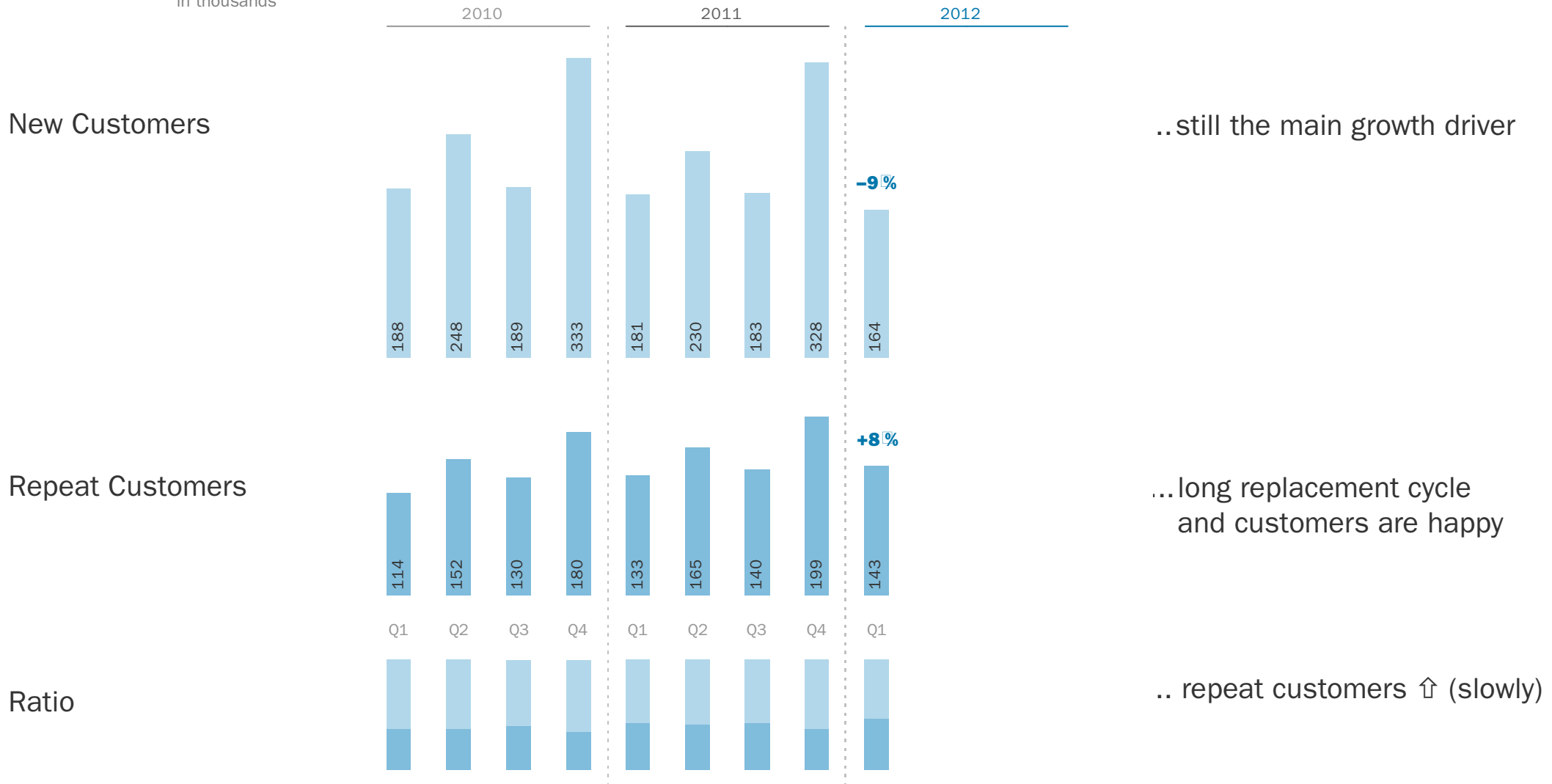
Balance Sheet

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# Customers

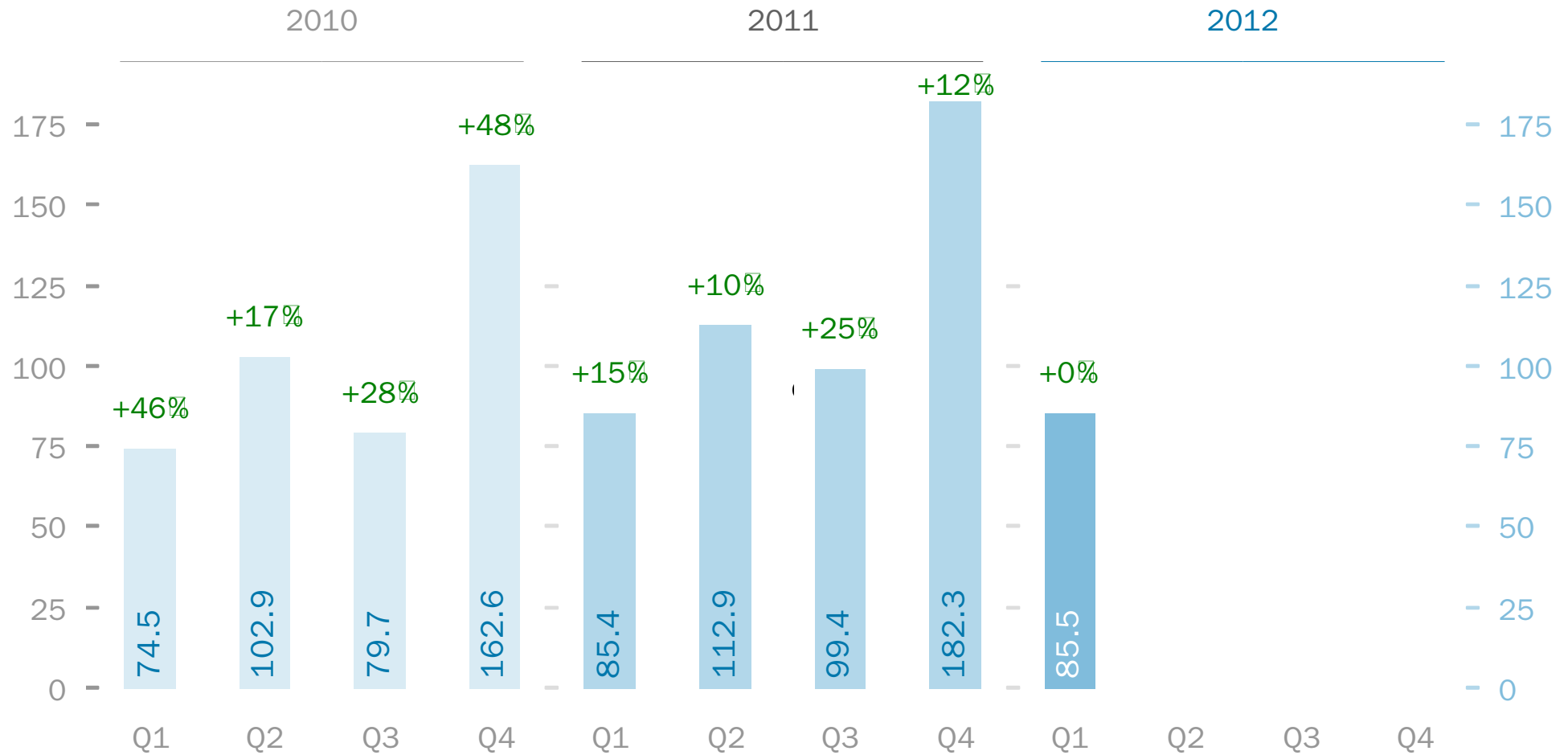
in thousands



▶ Repeat customers constitute important growth potential

# Quarterly Revenues

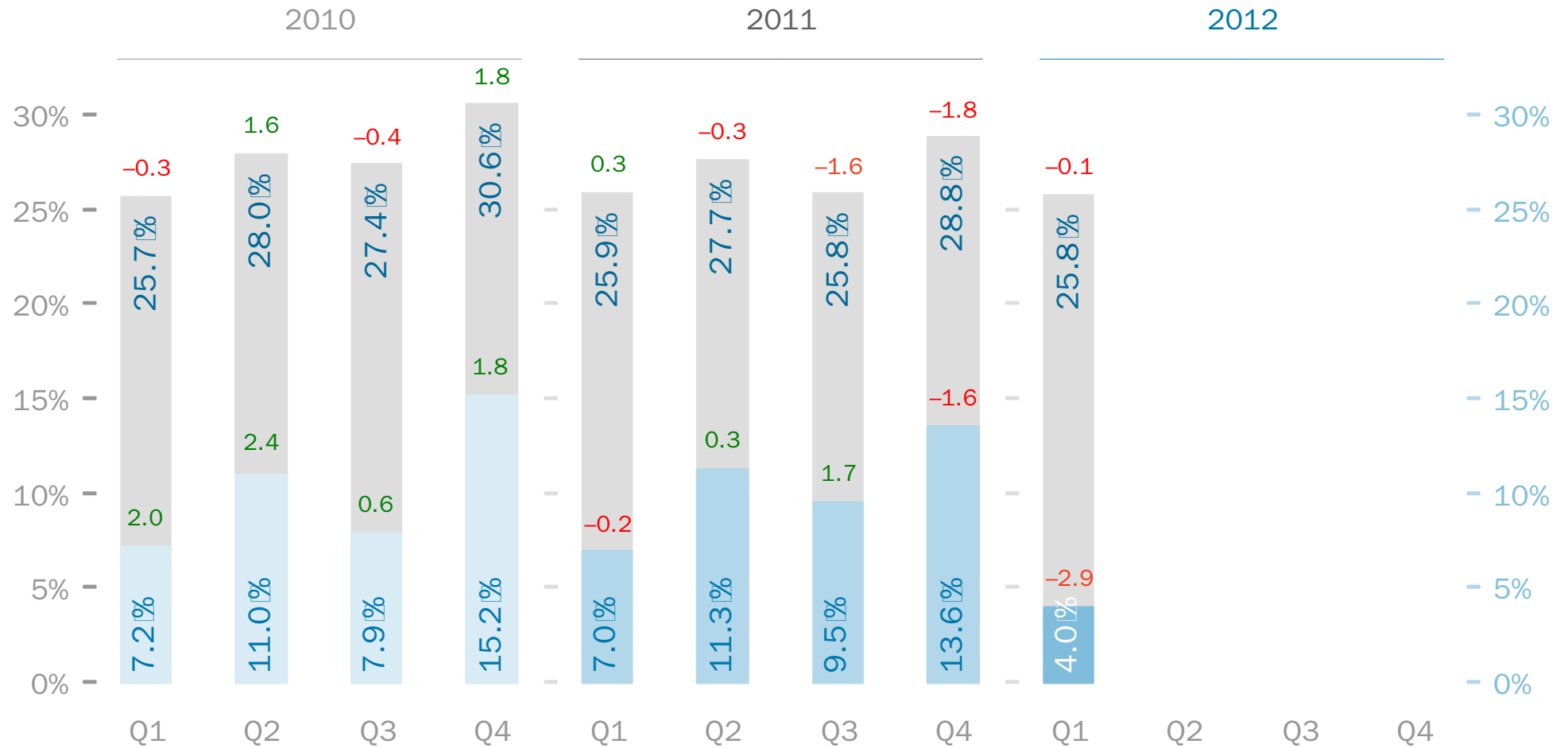
in € million



► Fluctuations in growth rates: seasons, weather, base effects, strategy

# Quarterly Gross/EBIT Margins

■ Gross Margin  
■ EBIT Margin



► Pricing discipline in a troubled market

# Quarterly EBIT

in € million



► Low volume and insourced warehouse related costs

# P&L Drivers (Q1)

|                                       | EUR         |             | yoy          | % of Revenues |              |             |
|---------------------------------------|-------------|-------------|--------------|---------------|--------------|-------------|
|                                       | Q1 12       | Q1 11       | %            | Q1 12         | Q1 11        | chng        |
| <b>Revenues</b>                       | <b>85.5</b> | <b>85.4</b> | <b>0.2</b>   | <b>100.0</b>  | <b>100.0</b> | <b>0.0</b>  |
| Cost of sales                         | 63.4        | 63.2        | 0.3          | 74.2          | 74.1         | 0.1         |
| <b>Gross Profit (ex ooi)</b>          | <b>22.1</b> | <b>22.1</b> | <b>-0.3</b>  | <b>25.8</b>   | <b>25.9</b>  | <b>-0.1</b> |
| Direct costs                          | <b>12.3</b> | <b>11.8</b> | <b>4.1</b>   | <b>14.4</b>   | <b>13.9</b>  | <b>0.5</b>  |
| Direct costs (dep. on volume)         | 9.3         | 8.8         | 6.1          | 10.9          | 10.3         | 0.6         |
| Transportation costs                  | 7.0         | 6.8         | 3.7          | 8.2           | 7.9          | 0.3         |
| Warehousing costs                     | 1.0         | 0.9         | 15.0         | 1.2           | 1.0          | 0.1         |
| Operations centre costs               | 1.3         | 1.1         | 13.1         | 1.5           | 1.3          | 0.2         |
| Direct costs (dep. on revenues)       | 3.0         | 3.0         | -1.7         | 3.5           | 3.6          | -0.1        |
| Credit card fees                      | 0.6         | 0.7         | -10.4        | 0.7           | 0.8          | -0.1        |
| Bad debt losses                       | 0.3         | 0.4         | -14.1        | 0.4           | 0.4          | -0.1        |
| Marketing costs                       | 2.1         | 2.0         | 3.6          | 2.4           | 2.3          | 0.1         |
| <b>Contribution margin 1</b>          | <b>9.7</b>  | <b>10.3</b> | <b>-5.4</b>  | <b>11.4</b>   | <b>12.1</b>  | <b>-0.7</b> |
| Indirect costs                        | 4.9         | 3.6         | 33.7         | 5.7           | 4.3          | 1.4         |
| Personnel expenses                    | 2.2         | 1.7         | 26.2         | 2.6           | 2.0          | 0.5         |
| Rents and overheads                   | 1.6         | 1.0         | 63.9         | 1.8           | 1.1          | 0.7         |
| Financial and legal costs             | 0.5         | 0.4         | 8.4          | 0.6           | 0.5          | 0.0         |
| IT and telecommunications             | 0.3         | 0.2         | 39.4         | 0.3           | 0.2          | 0.1         |
| Other                                 | 0.3         | 0.3         | 14.5         | 0.4           | 0.4          | 0.1         |
| <b>Contribution margin 2</b>          | <b>4.9</b>  | <b>6.7</b>  | <b>-26.8</b> | <b>5.7</b>    | <b>7.8</b>   | <b>-2.1</b> |
| FX effects                            | -1.1        | -0.7        |              | -1.3          | -0.8         | -0.5        |
| Other operating profit (w/o FX gains) | 0.3         | 0.3         |              | 0.4           | 0.4          | 0.0         |
| <b>EBITDA</b>                         | <b>4.1</b>  | <b>6.3</b>  | <b>-35.0</b> | <b>4.8</b>    | <b>7.4</b>   | <b>-2.6</b> |
| Depreciation / Amortization           | 0.7         | 0.4         | 83.0         | 0.8           | 0.4          | 0.4         |
| <b>EBIT</b>                           | <b>3.4</b>  | <b>5.9</b>  | <b>-42.3</b> | <b>4.0</b>    | <b>7.0</b>   | <b>-2.9</b> |
| Net financial result                  | 0.0         | 0.0         | -194.1       |               |              |             |
| <b>EBT</b>                            | <b>3.4</b>  | <b>6.0</b>  | <b>-43.3</b> | <b>4.0</b>    | <b>7.0</b>   | <b>-3.0</b> |
| Income taxes                          | 1.1         | 1.9         | -44.2        |               |              |             |
| <b>Consolidated net income</b>        | <b>2.3</b>  | <b>4.1</b>  | <b>-42.8</b> | <b>2.7</b>    | <b>4.8</b>   | <b>-2.0</b> |

← passed on higher sell-in prices

← environmental charges

← wages ↑

← new warehouse

← new warehouse

← new warehouse

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Business Model

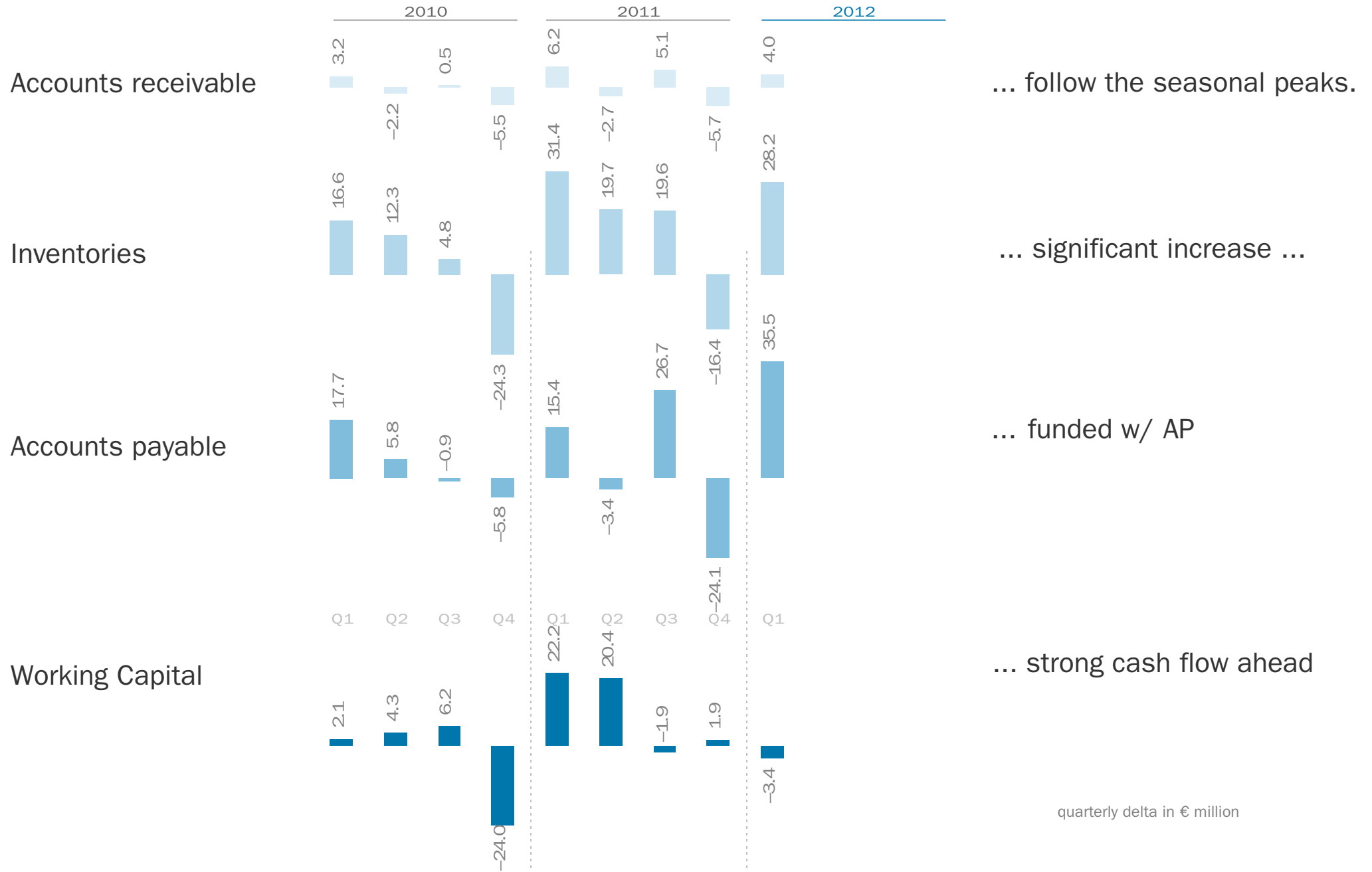
Profit & Loss

**Balance Sheet**

Outlook



# Working Capital Management



... follow the seasonal peaks.

... significant increase ...

... funded w/ AP

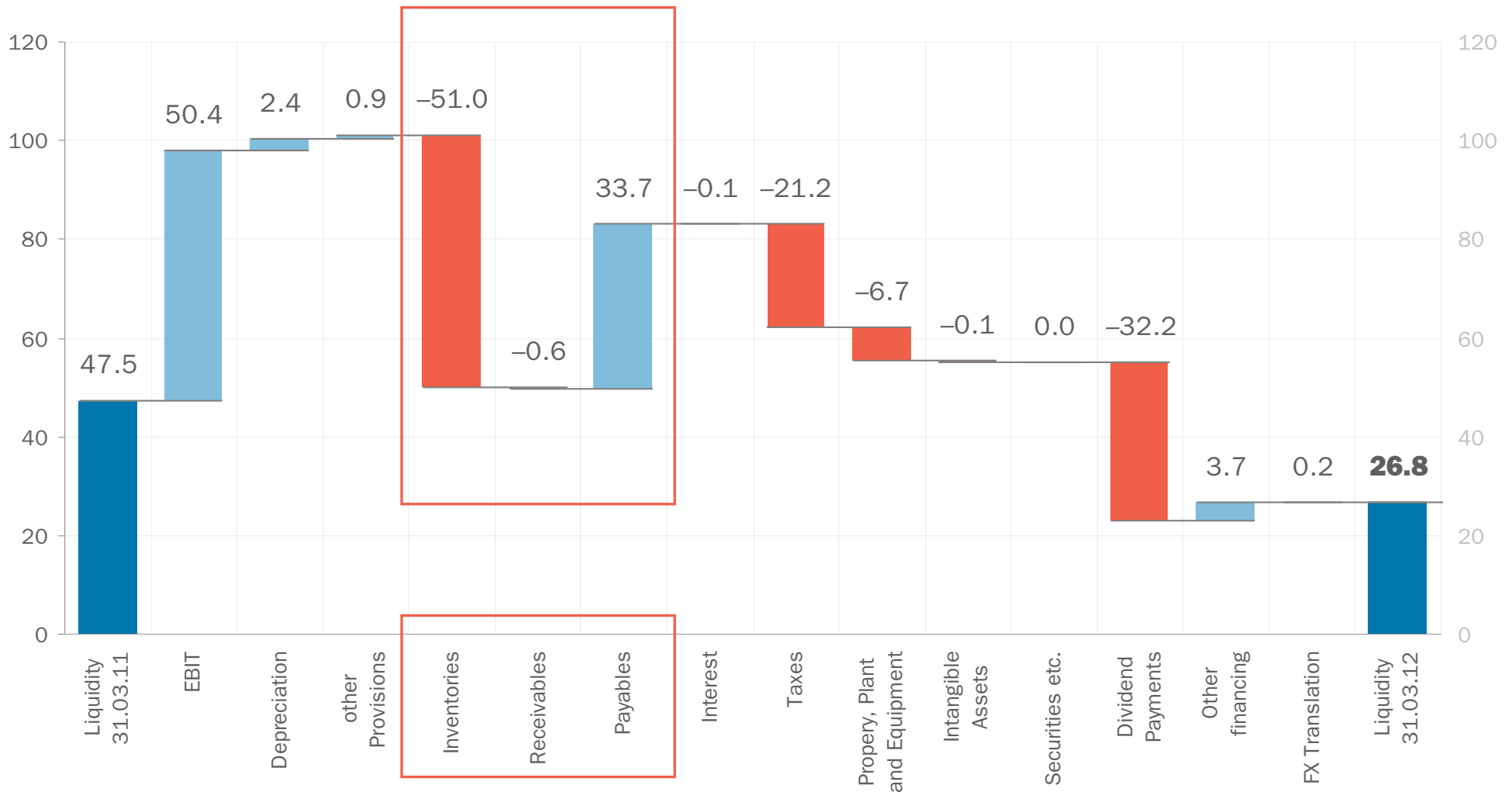
... strong cash flow ahead

quarterly delta in € million



# Liquidity Bridge

in € million



► Net cash = € 23.2 million

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- **Current trading in Q1:**
    - muted start into 2012
    - price trends: sell-in stable
  - **Market for replacement tyres**
    - Germany: FY12 est (BRV, as of Mar12): summer +1.2%, winter +3.6%
    - Europe: sell-in Mar12 (Michelin, as of Apr12): -10,4% ytd
  - **2012 top- and bottom line drivers:**
    - more volume, less price
    - strong inventory position
    - labelling improves mix
  - **Other factors:**
    - seasonal effects
    - customers are trading down
    - Delticom is international
    - Delticom is online
- ▶ summer/winter tyres
  - ▶ online channel gains importance
  - ▶ diversified country portfolio
  - ▶ good prices, good sales, good margins
- 
- ▶ **Revenues FY12: +10% yoy**
  - ▶ **Margins FY12: unchanged**

- 1 #1 European online tyre retailer
- 2 Resilient and profitable business model
- 3 Strong cash flow, strong balance sheet
- 4 Redesign of the tyre distribution chain
- 5 Excellent growth opportunities

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