

14 May 2021

**Delticom AG**

<b>Rating</b>	<b>Buy</b>
<b>Share price (EUR)</b>	<b>7.36</b>
<b>Target price (EUR)</b>	<b>16.00</b>
Bloomberg	DEX GY
Sector	Retail

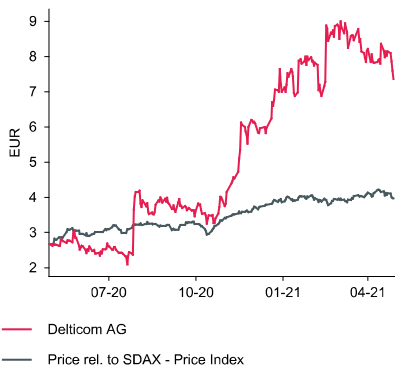
**Share data**

Shares out (m)	12.5
Daily volume shs (m)	0.2
Free float (%)	47.40
Market cap (EUR m)	92
EV (EUR m)	173
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

**Performance**

ytd (%)	23.5
12 months (%)	166.7
12 months rel. (%)	118.2
Index	SDAX

**Share price performance**



Source: Bloomberg

**Next triggers**

12 August: H1 report

**Analysts**

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# Solid Q1 KPIs – attractive valuation

In the context of the solid Q1 2021 results and confirmed 2021 outlook (sales: EUR 550-590m, QPe: EUR 568m; EBITDA: EUR 16-20m; QPe: EUR 17.4m) we maintain our BUY recommendation on Delticom shares, based on an unchanged derived DCF TP of EUR 16. Top line performance (Q1 sales growth +10% yoy) was broadly in line with replacement markets in Western and Central Europe +8% yoy according to Michelin; ETRMA data for replacement consumer tyres: +12% yoy. Q1 2021 EBITDA amounted to EUR 1.1m, an increase of EUR 6.4m compared to previous year quarter (Q1 2020: EUR -5.3m), unchanged driven by the continued stringent cost management. Considering the important last twelve months (LTM) EBITDA performance (reported EUR 21.4m, adjusted for one-time effects: EUR 11.9m) the figure is further improving, thus the given FY 2021 EBITDA guidance is reasonable in our view. In total Q1 2021 KPIs were solid, currently 18% of our FY 2021 total sales are achieved, first indication by public listed peer OPONEO (April net sales: +2% yoy; ytd: +20% yoy) supports that the positive replacement tyre sentiment continues. We expect further sales growth and profitability improvements in the course of the next quarters at Delticom. Analyzing historical EV/EBITDA pattern Delticom shares are currently trading at the lower level, thus implying attractive upside potential in the mid-to long-term view.

**Overview of blended EV/EBITDA (NTM) of Delticom**

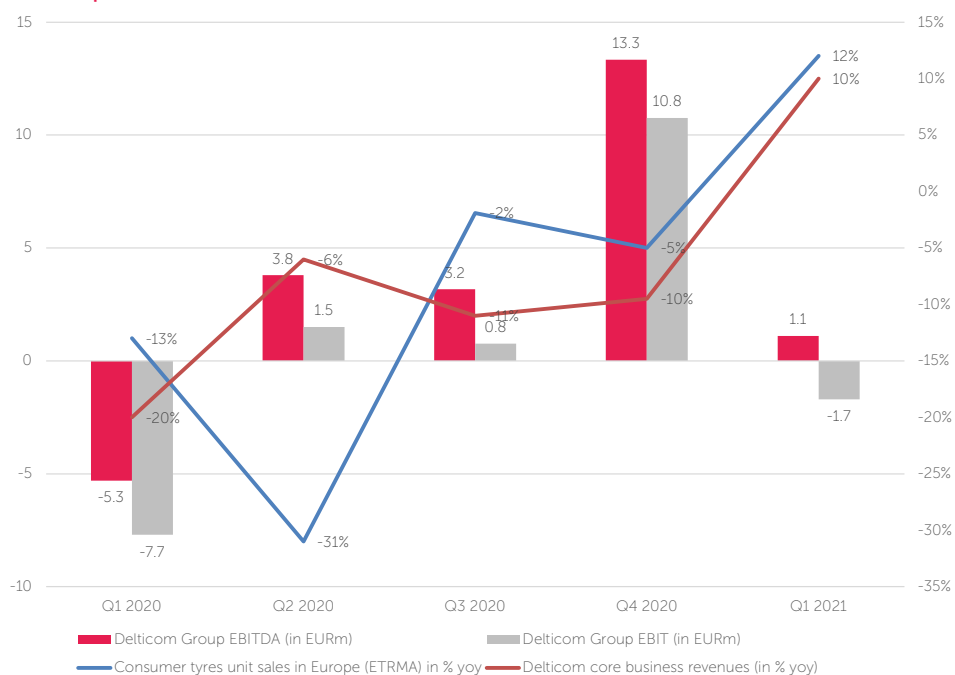


Source: Bloomberg, Quirin Privatbank

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	626	541	568	611	641
EBITDA	EUR m	-7	15	17	24	27
EBIT	EUR m	-42	5	6	12	15
EPS	EUR	-3.24	0.54	0.24	0.57	0.72
Sales growth	%	-3.1	-13.5	5.0	7.5	5.0
EBIT growth	%	-3940.5	112.7	17.8	89.8	23.2
EPS growth	%	-2679.3	116.7	-55.7	138.9	26.5
EBITDA margin	%	-1.1	2.8	3.1	3.9	4.2
EBIT margin	%	-6.7	1.0	1.1	2.0	2.3
Net margin	%	-6.5	1.2	0.5	1.2	1.4
EV/Sales	ratio	0.24	0.25	0.30	0.26	0.22
EV/EBITDA	ratio	-22.6	8.9	9.9	6.7	5.3
EV/EBIT	ratio	-3.6	25.0	27.3	13.2	9.6
P/E	ratio	-1.5	6.6	30.7	12.9	10.2
P/BV	ratio	7.5	3.0	5.2	3.7	2.7
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Clear improvements in EBITDA and EBIT since Q1 2020

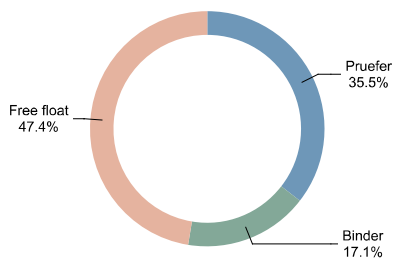


Source: Company data; ETRMA, Quirin Privatbank

**Company description**

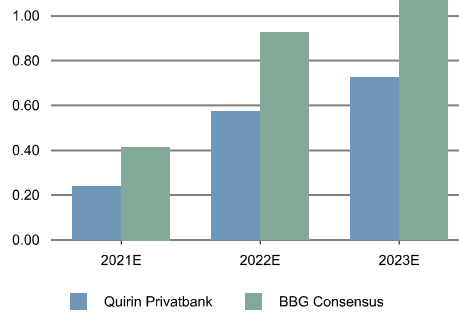
With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The product portfolio for private and business customers comprises an unparalleled range of more than 100 brands and around 18,000 tyre models for cars and motorcycles. 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.

**Shareholder structure**



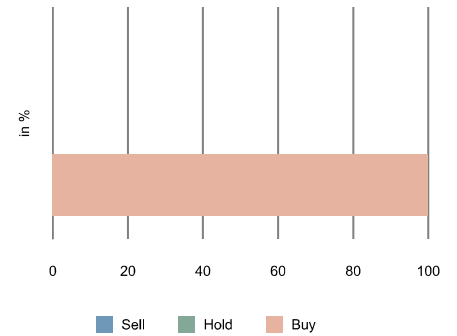
Source: Company data

**EPS: Quirin Privatbank vs. consensus**



Source: Quirin Privatbank Research, Bloomberg

**Recommendation Overview**



Source: Bloomberg

**Company guidance 2021**

Sales: EUR 550-590m, EBITDA: EUR 16-20m

## Profit &amp; loss statement

Profit & loss statement (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	625.8	-3.1 %	541.3	-13.5 %	568.3	5.0 %	610.9	7.5 %	641.5	5.0 %
Unfinished Goods	0.0		0.0		0.0		0.0		0.0	
Other own work capitalized	0.0		0.0		0.0		0.0		0.0	
Other operating earnings	37.6		33.0		26.1		27.5		28.9	
Cost of goods	-490.6		-418.3		-435.9		-466.2		-487.5	
Gross profit	135.1		122.9		132.4		144.8		154.0	
Personnel expenses	-19.9		-14.3		-14.4		-15.5		-16.2	
Depreciation	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	-155.3		-121.9		-126.7		-133.2		-139.8	
EBITDA	-6.6	-174.0 %	15.0	326.6 %	17.4	15.6 %	23.6	35.6 %	26.8	13.7 %
EBITDA margin (%)	-1.06		2.78		3.06		3.86		4.18	
EBIT	-42.1	-3940.5 %	5.4	112.7 %	6.3	17.8 %	12.0	89.8 %	14.8	23.2 %
EBIT margin (%)	-6.72		0.99		1.11		1.96		2.30	
Net interest	-1.5		-2.8		-2.5		-2.4		-2.5	
Income from Participations	0.0		0.0		0.0		0.0		1.0	
Net financial result	-1.5		-2.8		-2.5		-2.4		-2.5	
Exceptional items	-4.1		-4.7		0.0		0.0		0.0	
Pretax profit	-43.5	-10266.6 %	2.6	-106.0 %	3.8	45.9 %	9.6	154.6 %	12.3	27.7 %
Pretax margin (%)	-6.95		0.48		0.66		1.58		1.92	
Taxes	2.7		4.3		-0.8		-2.6		-3.4	
Tax rate (%)	6.28		-165.25		22.06		26.88		27.56	
Earnings after taxes	-40.8		6.9		2.9		7.0		8.9	
Minorities	-0.3		0.1		0.0		-0.1		-0.1	
Group attributable income	-40.4	2679.3 %	6.7	-116.7 %	3.0	-55.7 %	7.1	138.9 %	9.0	26.5 %
No. of shares (m)	12.5		12.5		12.5		12.5		12.5	
Earnings per share (EUR)	-3.24	-2679.3 %	0.54	116.7 %	0.24	-55.7 %	0.57	138.9 %	0.72	26.5 %

Source: Company data, Quirin Privatbank estimates

## Balance sheet

Balance sheet (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
<b>Assets</b>										
Cash and cash equivalents	5.3		5.6		9.7		17.1		27.9	
Accounts receivables	10.5		19.1		22.0		23.1		24.2	
Inventories	63.0		36.9		38.7		41.4		43.5	
Other current assets	20.6		14.1		14.1		14.1		14.1	
Tax claims	0.0		0.1		0.1		0.1		0.1	
<b>Total current assets</b>	<b>99.4</b>	<b>-32.2 %</b>	<b>75.8</b>	<b>-23.8 %</b>	<b>84.5</b>	<b>11.6 %</b>	<b>95.7</b>	<b>13.2 %</b>	<b>109.7</b>	<b>14.6 %</b>
Fixed assets	10.4		9.3		5.3		1.3		-14.9	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	41.6		39.7		36.5		33.2		41.9	
Financial assets	8.4		15.8		15.8		15.8		15.8	
Deferred taxes	4.0		8.9		8.9		8.9		8.9	
Other fixed assets	24.3		50.4		50.4		50.4		50.4	
<b>Total fixed assets</b>	<b>88.8</b>	<b>3.4 %</b>	<b>124.0</b>	<b>39.6 %</b>	<b>116.9</b>	<b>-5.7 %</b>	<b>109.6</b>	<b>-6.3 %</b>	<b>102.0</b>	<b>-6.9 %</b>
<b>Total assets</b>	<b>188.2</b>	<b>-19.1 %</b>	<b>199.8</b>	<b>6.1 %</b>	<b>201.4</b>	<b>0.8 %</b>	<b>205.3</b>	<b>1.9 %</b>	<b>211.7</b>	<b>3.1 %</b>
<b>Equity &amp; Liabilities</b>										
Subscribed capital	12.5		12.5		12.5		12.5		12.5	
Reserves & other	34.0		33.7		33.7		33.7		33.7	
Revenue reserves	-38.2		-32.3		-29.4		-22.3		-13.4	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
<b>Shareholder's equity</b>	<b>8.3</b>	<b>-83.1 %</b>	<b>13.8</b>	<b>65.8 %</b>	<b>16.8</b>	<b>21.3 %</b>	<b>23.8</b>	<b>42.0 %</b>	<b>32.7</b>	<b>37.4 %</b>
Minorities	-0.1		1.0		1.0		1.0		1.0	
<b>Shareholder's equity incl. minorities</b>	<b>8.3</b>	<b>-83.2 %</b>	<b>14.8</b>	<b>78.9 %</b>	<b>17.7</b>	<b>19.9 %</b>	<b>24.8</b>	<b>39.6 %</b>	<b>33.7</b>	<b>35.9 %</b>
<b>Long-term liabilities</b>										
Pension provisions	0.4		0.1		0.1		0.1		0.1	
Financial liabilities	28.8		49.6		47.1		42.4		38.2	
Tax liabilities	0.3		0.0		0.0		0.0		0.0	
Other liabilities	0.3		0.3		0.3		0.3		0.3	
<b>Total long-term debt</b>	<b>29.7</b>	<b>311.1 %</b>	<b>50.0</b>	<b>68.1 %</b>	<b>47.5</b>	<b>-5.0 %</b>	<b>42.8</b>	<b>-9.9 %</b>	<b>38.6</b>	<b>-9.9 %</b>
<b>Short-term debt</b>										
Other provisions	3.4		2.7		2.7		2.7		2.7	
Trade payables	69.4		68.8		72.3		75.9		79.7	
Financial debt	64.4		44.5		42.3		40.2		38.1	
Other liabilities	13.0		18.9		18.9		18.9		18.9	
<b>Total short-term debt</b>	<b>150.2</b>	<b>-14.7 %</b>	<b>135.0</b>	<b>-10.1 %</b>	<b>136.2</b>	<b>0.9 %</b>	<b>137.7</b>	<b>1.1 %</b>	<b>139.5</b>	<b>1.3 %</b>
<b>Total equity &amp; liabilities</b>	<b>188.2</b>	<b>-19.1 %</b>	<b>199.8</b>	<b>6.1 %</b>	<b>201.4</b>	<b>0.8 %</b>	<b>205.3</b>	<b>1.9 %</b>	<b>211.7</b>	<b>3.1 %</b>

Source: Company data, Quirin Privatbank estimates

## Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
<b>Per share data (EUR)</b>					
EPS	-3.24	0.54	0.24	0.57	0.72
Book value per share	0.7	1.2	1.4	2.0	2.7
Free cash flow per share	-2.3	2.8	0.7	1.1	1.4
Dividend per share	0.00	0.00	0.00	0.00	0.00
<b>Valuation ratios</b>					
EV/Sales	0.24	0.25	0.30	0.26	0.22
EV/EBITDA	-22.6	8.9	9.9	6.7	5.3
EV/EBIT	-3.6	25.0	27.3	13.2	9.6
P/E	-1.5	6.6	30.7	12.9	10.2
P/B	7.5	3.0	5.2	3.7	2.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Growth</b>					
Sales growth (%)	-3.1	-13.5	5.0	7.5	5.0
EBITDA growth (%)	-174.0	326.6	15.6	35.6	13.7
EBIT growth (%)	-3940.5	112.7	17.8	89.8	23.2
EPS growth (%)	-2679.3	116.7	-55.7	138.9	26.5
<b>Profitability ratios</b>					
EBITDA margin (%)	-1.1	2.8	3.1	3.9	4.2
EBIT margin (%)	-6.7	1.0	1.1	2.0	2.3
Net margin (%)	-6.5	1.2	0.5	1.2	1.4
ROCE (%)	-43.5	5.2	6.4	13.2	17.9
<b>Financial ratios</b>					
Total equity (EUR m)	8.3	13.8	16.8	23.8	32.7
Equity ratio (%)	4.4	6.9	8.3	11.6	15.4
Net financial debt (EUR m)	88.2	88.6	79.8	65.6	48.6
Net debt/Equity	0.0	0.1	0.1	0.1	0.2
Interest cover	-28.8	1.9	2.5	5.1	6.0
Net debt/EBITDA	-13.3	5.9	4.6	2.8	1.8
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	4.1	-12.9	-11.6	-11.4	-12.0
Working capital/Sales	0.01	-0.02	-0.02	-0.02	-0.02

Source: Company data, Quirin Privatbank estimates

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The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

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Daniel Kukalj, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

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Date	Price target-EUR	Rating	Initiation
14.05.2021	16.00	Buy	
29.03.2021	16.00	Buy	
15.12.2020	7.70	Buy	
24.11.2020	6.50	Buy	24.11.2020

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#### Competent supervisory authority

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