

# A Firm Grip.

**DELTICOM**   
Aktiengesellschaft



## Investor and Analyst Presentation

on the Occasion of the Release of the 9-Monthly Results 2008

Frankfurt, 10th November 2008

# Agenda

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Delticom 9M 08 at a Glance

Business Model

Seasonalities in Tyre Trading

Financials

Key Investment Highlights



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**Delticom 9M 08 at a Glance**

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# Delticom Profile

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- **Business model:** Sale of car and motorcycle tyres over the Internet
- More than **2.4 million customers**
- **95 online shops in 35 countries**, operating on established web domains with high awareness
- **Broad product range** with more than 100 tyre brands and 25,000 tyre models
- Global network with more than **23,300 service partners** (fitting stations), e.g. ①  DE 5793  US 5880  FR 1994  UK 1647
- **Customer benefits:** Top quality tyres at low prices can be ordered 24 / 7, high transparency thanks to comprehensive offering, short lead times (1-4 working days), not location-dependent, free test results, service and advice from call center.

▶ **Delticom is Europe's leading Internet tyre retailer**

① as of 4th November

# Delticom 9M 08 at a Glance

1 Redesign of the Tyre Distribution Chain

Revenues € 175.2 million  
(+ 19.2 % yoy)

2 International Growth Story

Revenues + 28.7 % yoy  
in non-domestic markets

3 Operational Excellence at Low Costs

EBIT: € 8.9 million or 5.1 %  
(9M 07: € 6.9m, 4.7%)

4 Excellent Growth Opportunities

Market share in Europe  
is > 2 %

5 Sustainable and Profitable Business Model

Dividend: 2.00 €  
(+ 67 % yoy)

# Agenda

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Delticom 9M 08 at a Glance

**Business Model**

Seasonalities in Tyre Trading

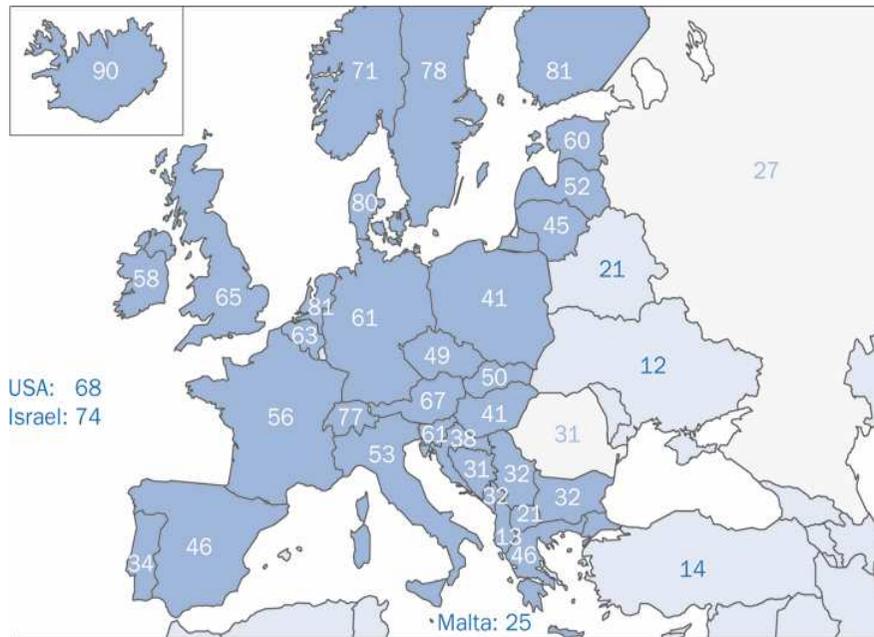
Financials

Key Investment Highlights



# Internet

## Internet penetration



Source: GfK desk research Austria, July 2008

## Delticom service partners



▶ Internet penetration is long-term driver of Delticom sales

# Tyres

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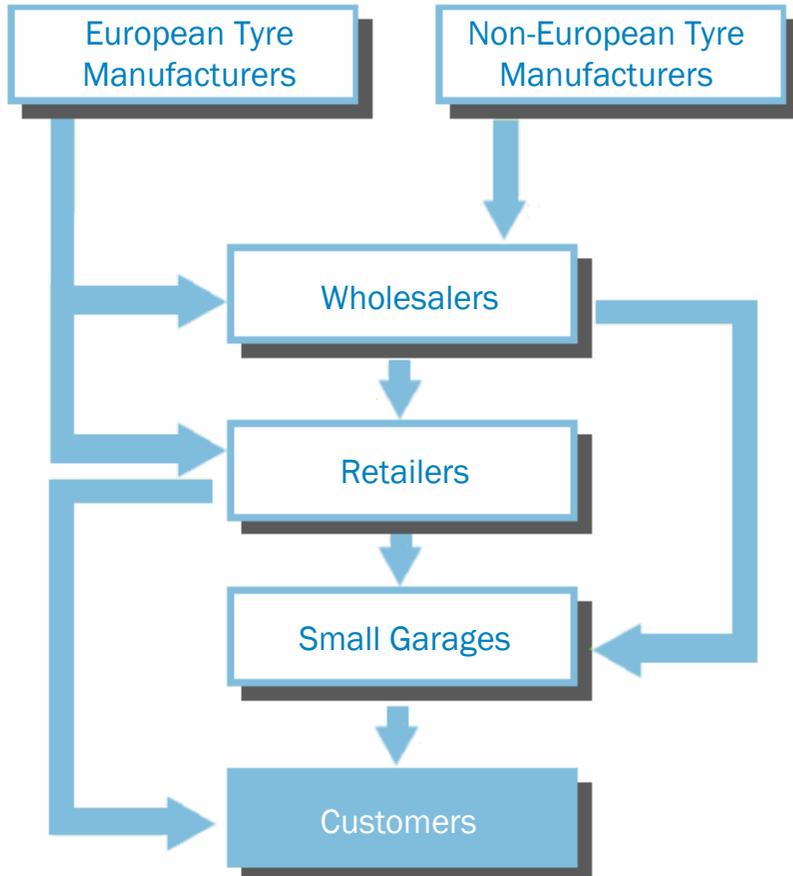
- Relevant: **Passenger Car Tyre Replacement Market**
  - Europe € 10-12 billion / year
  - USA € 12-15 billion / year
- **Market share online** 2007 (Germany) was 4% (2006: 3%) ①
- **EuPD Research**: proportion of German online retailers active in the „car and accessories“ segment only 2.8%
- **„ADAC Reifenmonitor 2008“**
  - 3.1% have bought their last set of tyres via the Internet (2007: 2.5%, 2006: 1.8%)
  - 18-39 bracket: 6.1% (2007: 4.8%, 2006: 3.3%)
  - 15.6% indicated interest to buy online in the future (2007: 15%, 2006: 14%)
  - 18-39 bracket: 28.1%

▶ **Big, mature market. Internet is a growing sales channel.**

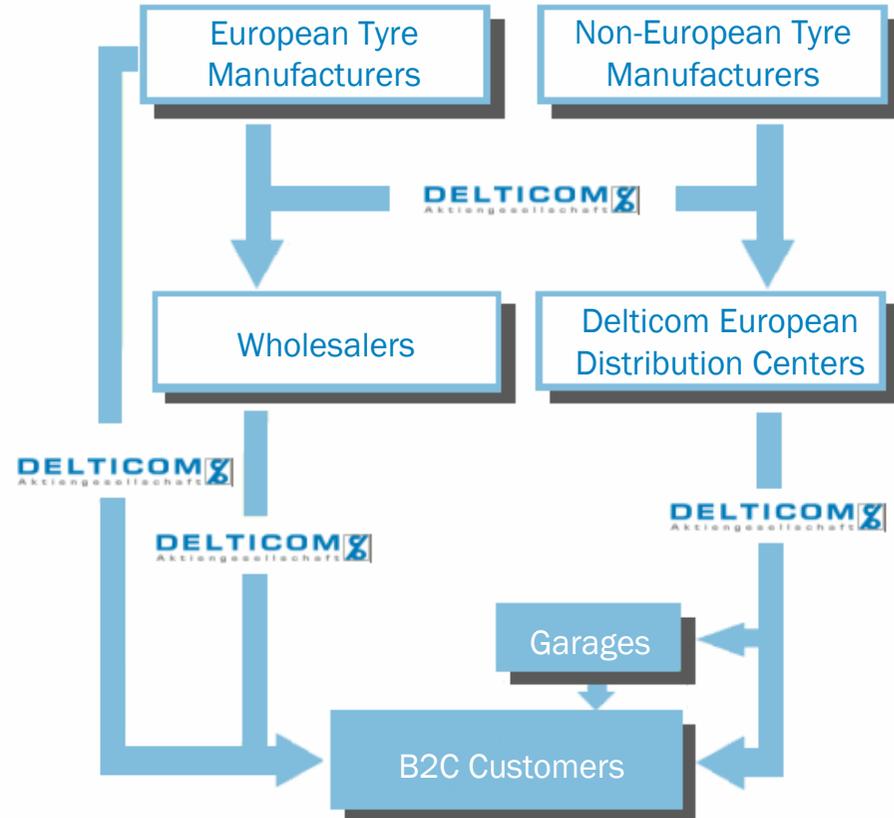
① According to BRV (Association of German Tyre dealers)

# Redesign of the Tyre Distribution Chain

Pre-Delticom



Delticom Redesign



# Agenda

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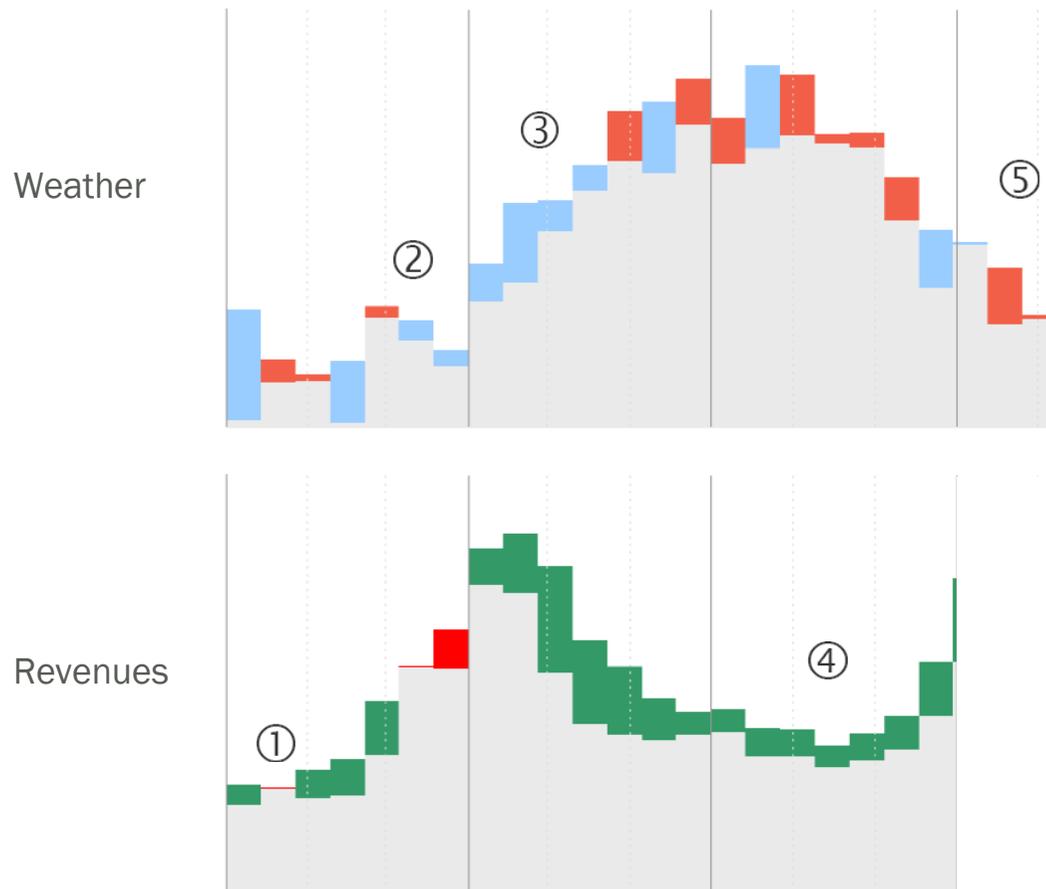
**Seasonalities in Tyre Trading**

Financials

Key Investment Highlights



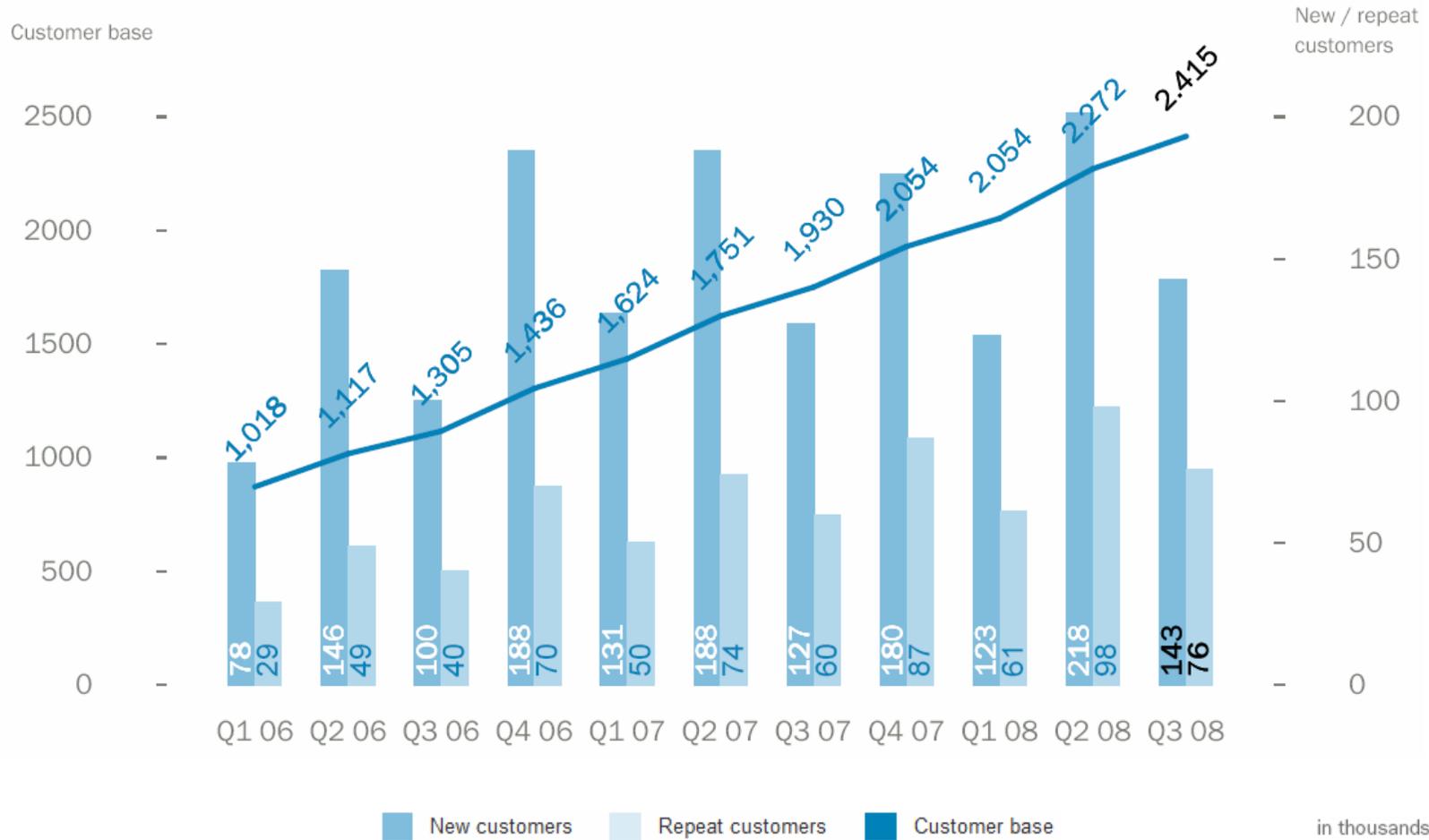
# 2007 vs. 2008 Seasonality



- ① End of Jan 08 was warmer than Jan 07 – hurt Q1 revenue growth
- ② Mar 08 was colder than Mar 07 – late start into summer season 2008, revenues decreased yoy
- ③ Cold Q2 lead to investment into market share, revenues increased yoy
- ④ Q3 margins back on track
- ⑤ Relative temperatures dropped end of Oct 08 – season has started well

► Summer season (Q2) and winter season (Q4) are very important.

# Saisonal Demand



▶ Repurchases constitute important growth potential

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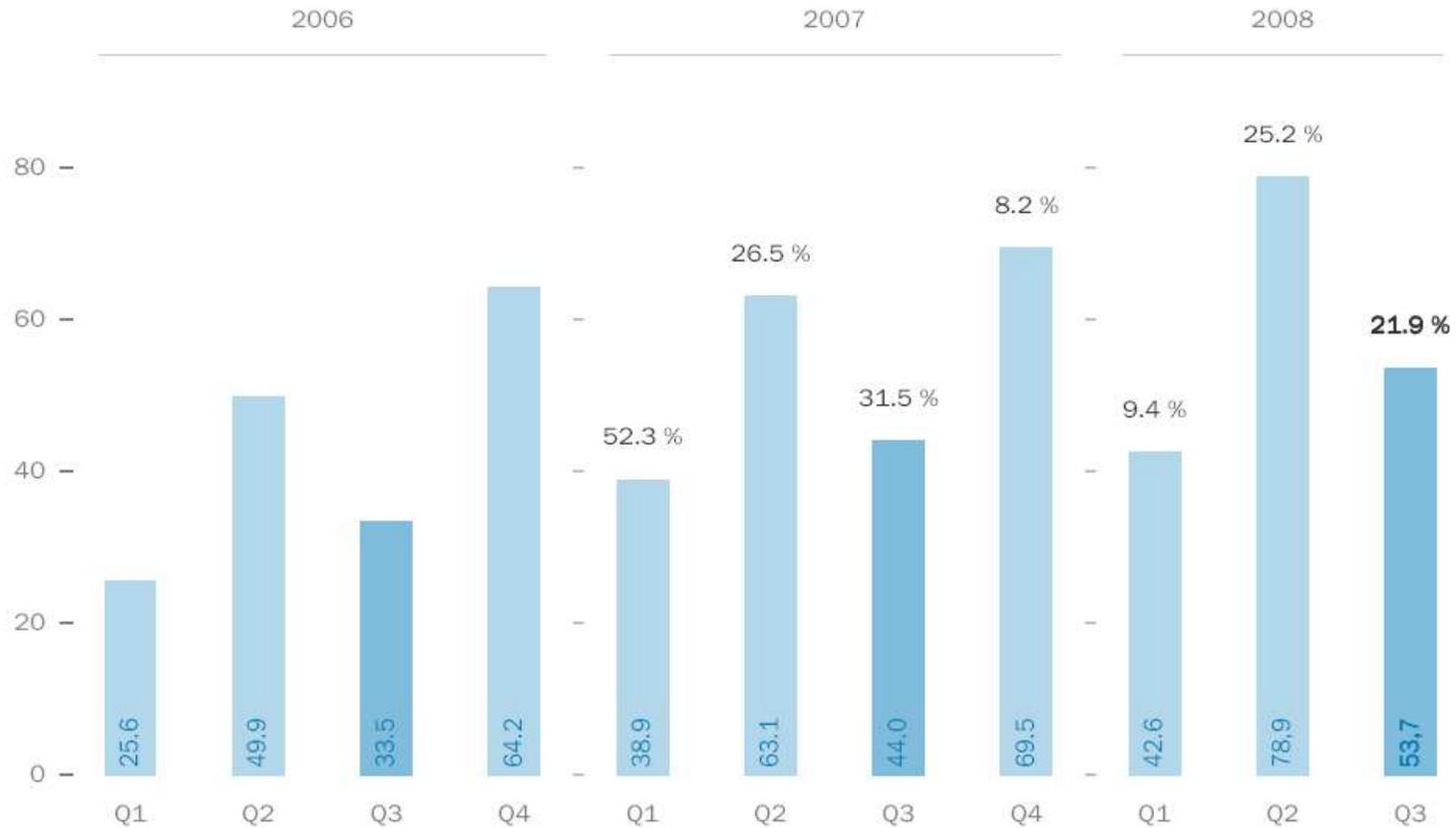
**Financials**

Key Investment Highlights



# Quarterly Revenues

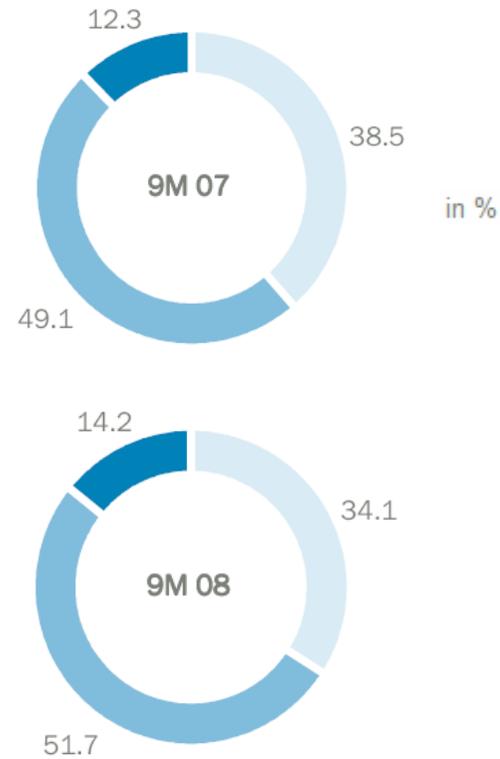
in € million



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

# Non-Domestic Markets are More and More Important

in € million

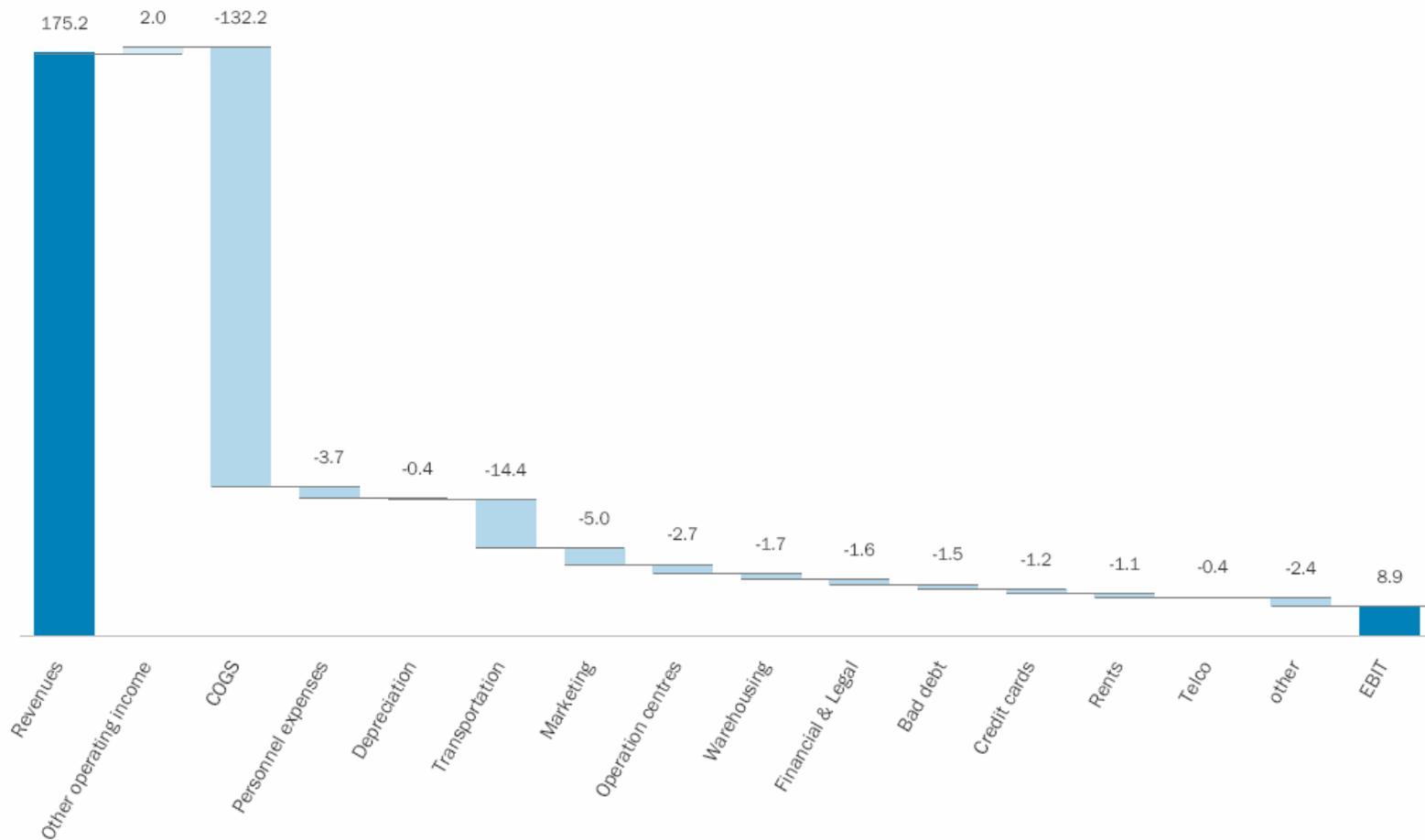


Germany Other EU countries Rest of world

► Delticom is an international tyre retailer

# EBIT Bridge

in € million



► Gross margin and operating leverage drive EBIT

# EBIT Drivers

	9M 08				9M 07	
	P&L	yoy growth	in % of sales	% pts change	P&L	in % of sales
<b>Sales total</b>	<b>175,221</b>	<b>20.0</b>	<b>100.0</b>		<b>146,029</b>	<b>100.0</b>
Cost of goods sold total	-132,229	18.8	75.5	0,8	-111,328	76.2
Gross profit before other operating income	42,991	23.9	24.5	0,8	34,701	23.8
Other operating income	1,979	104.4	1.1	0,5	968	0.7
<b>Gross profit</b>	<b>44,971</b>	<b>26.1</b>	<b>25.7</b>	<b>1,2</b>	<b>35,670</b>	<b>24.4</b>
Direct costs	-18,873	19.0	10.8	0,1	-15,861	10.9
Transport	-14,410	23.6	8.2	-0,2	-11,660	8.0
Stocking	-1,725	-14.9	1.0	0,4	-2,026	1.4
Credit cards	-1,201	-9.9	0.7	0,2	-1,334	0.9
Receivables losses	-1,536	82.6	0.9	-0,3	-841	0.6
<b>Contribution margin</b>	<b>26,098</b>	<b>31.8</b>	<b>14.9</b>	<b>1,3</b>	<b>19,808</b>	<b>13.6</b>
Marketing	-4,986	24.2	2.8	-0,1	-4,016	2.7
<b>Contribution margin after marketing</b>	<b>21,112</b>	<b>33.7</b>	<b>12.0</b>	<b>1,2</b>	<b>15,793</b>	<b>10.8</b>
Indirect costs	-12,170	36.7	6.9	-0,8	-8,904	6.1
Personnel expenses	-3,692	18.8	2.1		-3,108	2.1
Operations-center	-2,727	28.9	1.6	-0,1	-2,116	1.4
Rent, overheads	-1,091	193.4	0.6	-0,4	-372	0.3
Financial, legal	-1,597	16.3	0.9		-1,373	0.9
IT / telco	-350	11.1	0.2		-315	0.2
Depreciation	-359	64.7	0.2	-0,1	-218	0.1
others	-2,354	67.9	1.3	-0,4	-1,402	1.0
thereof FX differences	-1,352	143.4	0.8	-0,4	-555	0.4
<b>EBIT</b>	<b>8,943</b>	<b>29.8</b>	<b>5.1</b>	<b>0,4</b>	<b>6,889</b>	<b>4.7</b>

purchase price	50.00
direct costs: transportation, inventory management, credit card fees, provision for bad debts	6.00
	56.00
preset margin (e.g. 25%)	14.00
retail price	70.00
plus VAT (e.g. Germany 19%)	13.30
gross retail price on shop website	83.30

(schematic example calculation)

► Delticom operations prepared for winter season 2008

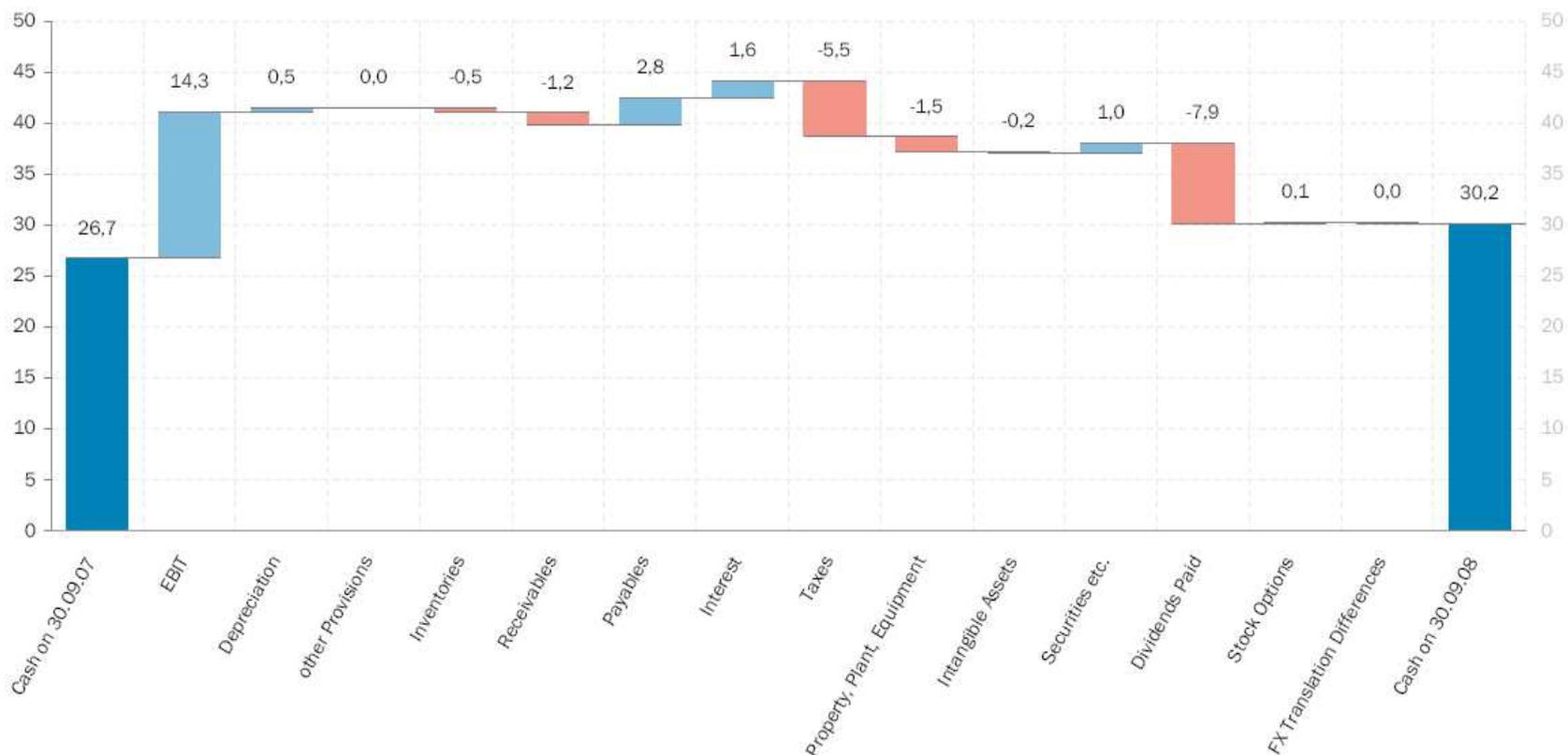
# Working Capital Management



► Changes in working capital reflect seasonal patterns

# Cash Bridge (trailing 12 months)

in € million



► Delticom continues to be strongly self-financed

# Outlook FY 2008

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- Q4:
  - Winter tyre season has started well
  - Satisfactory growth rates all over Europe. But: yoy growth will depend on
    - weather in November and December
    - aggregate supply and prices
    - underlying market growth...
- ... **German** market 2008 <sup>①</sup>
  - summer ↓ 4.5 %
  - winter ↓ 3.0 % – might turn out to be too optimistic
- ... **Financial crisis and aftermath:** production ↓, prices ↓, demand ↓?
- **Delticom** not unaffected by recession, but other factors might (partly) offset effects:
  - Ongoing internationalization ▶ diversified country portfolio
  - Recession (at least in some countries) ▶ customers are trading down
  - Delticom is online ▶ good prices, good sales, good margins

Revenues 2008: € 240m – € 260m

EBIT-Margin 2008: 5.0% – 6.0%

① According to BRV, unit sales, yoy

# Medium Term Outlook on Sales and Margins

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## Continued sales growth

can be expected due to...

... Large underlying European replacement tyre market

... Currently low tyre online penetration rate in Europe, Delticom's market share already 2 %

... Growth from increasing penetration of existing and new geographies

## Good operating margin development

can be expected due to...

... Favorable changes in product mix and lower purchase prices

... Cost degression effects

... Ongoing operating cost reductions

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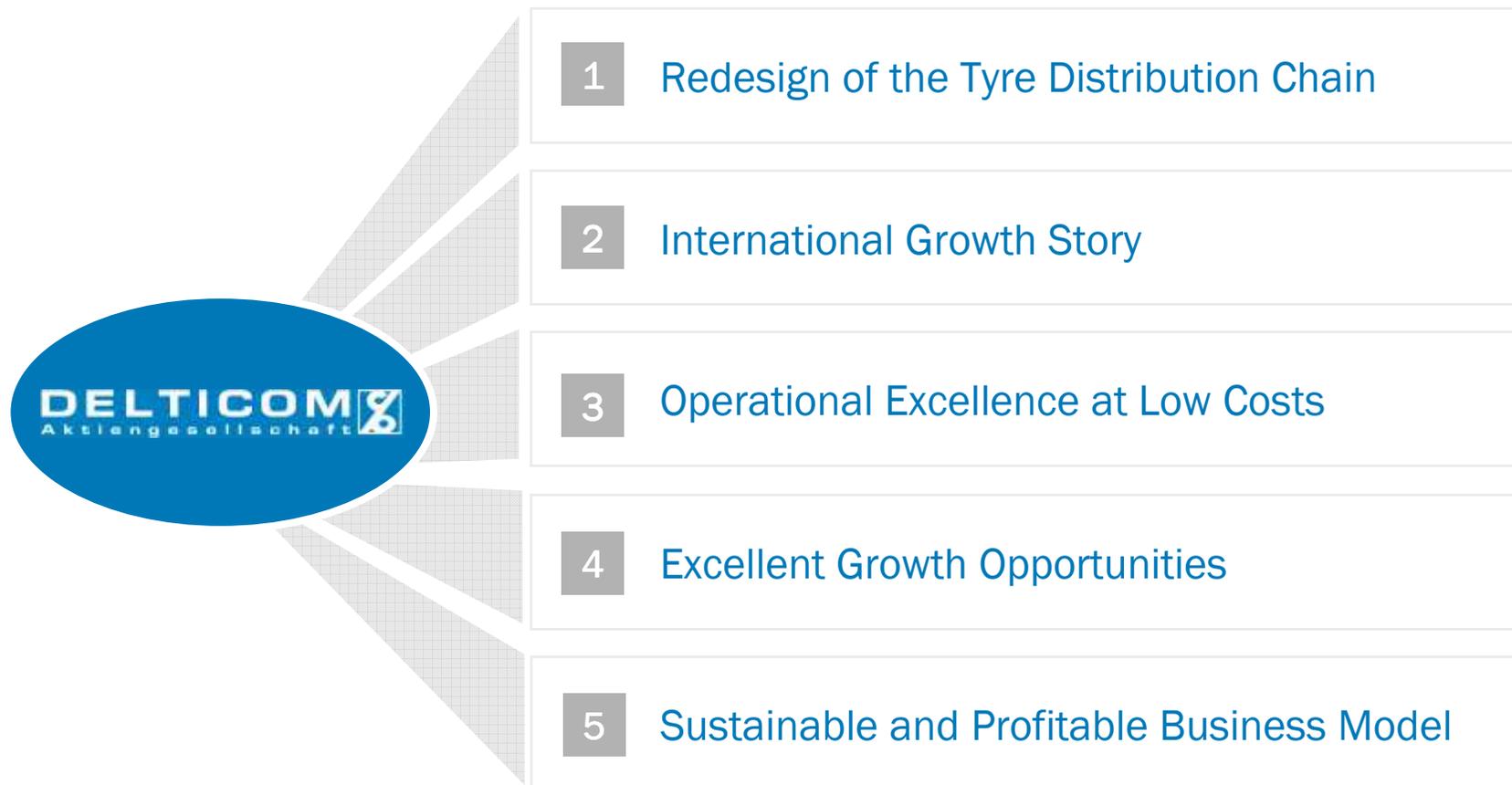
Financials

**Key Investment Highlights**



# Key Investment Highlights

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# Vielen Dank!

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