

# A Firm Grip.

**DELTICOM**   
Aktiengesellschaft



Investor and Analyst Presentation  
on the Occasion of the Release of the  
**3-Monthly Report 2008**

Hanover, 14th May 2008

# Agenda

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Delticom Q1 08 at a Glance

Business Model

Seasonalities in Tyre Trading

Financials

Key Investment Highlights



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# Delticom Profile

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- **Business model:** Sale of car and motorcycle tyres over the Internet
- More than **2 million customers**
- **92 online shops in 32 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 **21,500 service partners** (fitting stations), e.g. ①  DE 5303  US 6077  FR 1793  UK 1453
- **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 13th May

# Delticom Q1 08 at a Glance

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1 Redesign of the Tyre Distribution Chain



Revenues € 42.6 million  
(+ 9.4 % yoy)

2 International Growth Story



eCommerce + 11 % yoy  
in non-domestic markets

3 Operational Excellence at Low Costs



EBIT: € 0.5 million  
(Q1 07: € 0.3 million)

4 Excellent Growth Opportunities



Market share in Europe  
is > 1.7 %

5 Sustainable and Profitable Business Model



Dividend: 2.00 €  
(+ 67 % yoy)

# Agenda

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Delticom Q1 08 at a Glance

**Business Model**

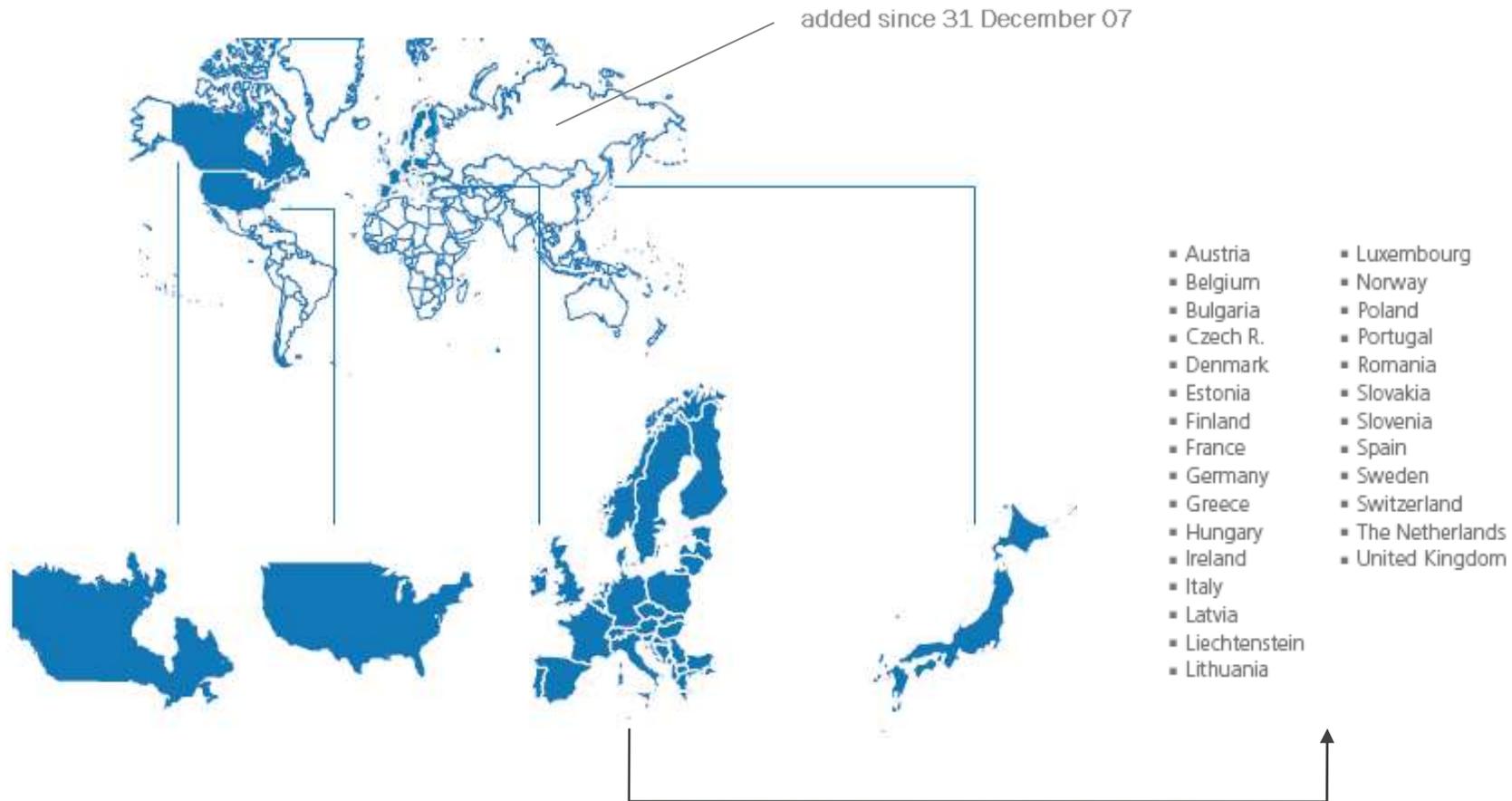
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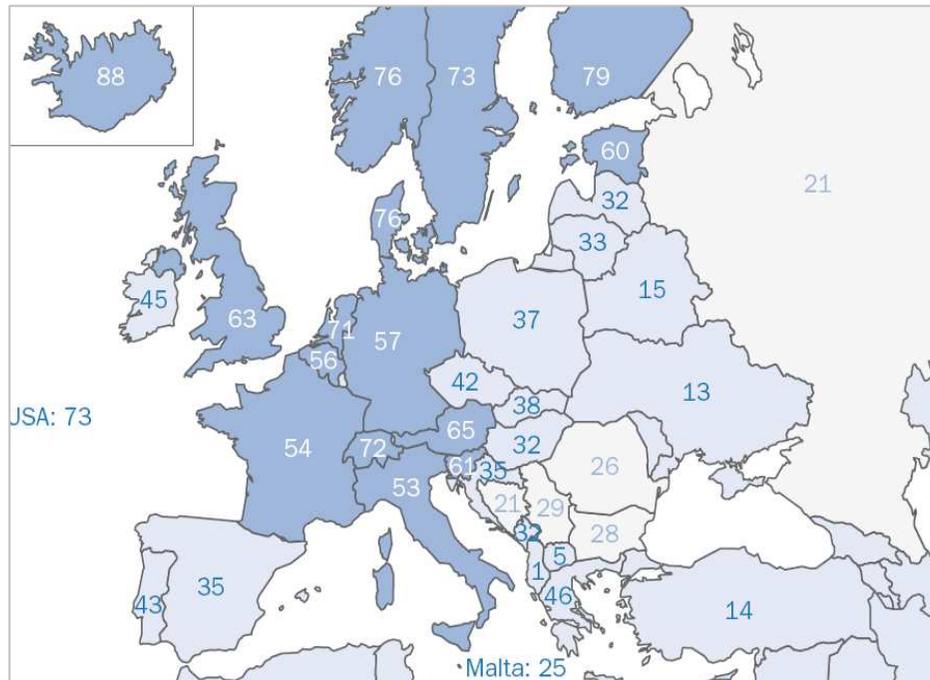
# Delticom is European Market Leader



▶ 92 online-shops in 32 countries

# Internet

## Internet penetration



Source: GfK desk research Austria, October 2007

## 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%)
  - 18-29 bracket: 6.1% (2007: 4.8%, 2006: 3.3%)
  - 15.6% indicated interest to buy online in the future (2007: 15%, 2006: 14%)
  - 18-29 bracket: 28.1%

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

① According to BRV (Association of German Tyre dealers)

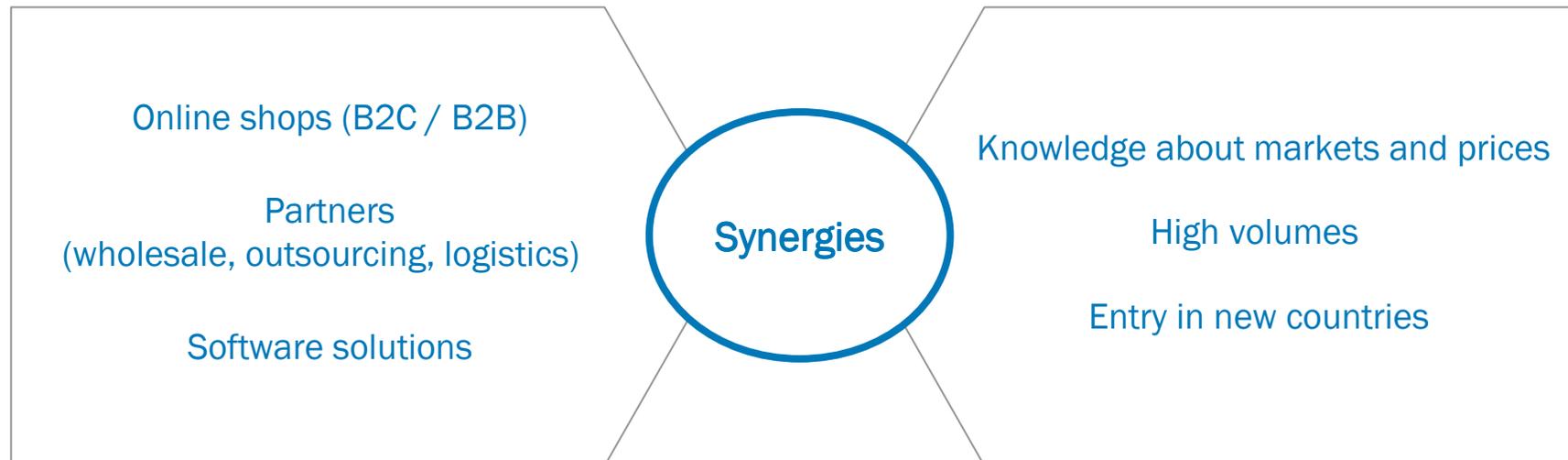
# Divisions



**eCommerce**  
(since 2000)

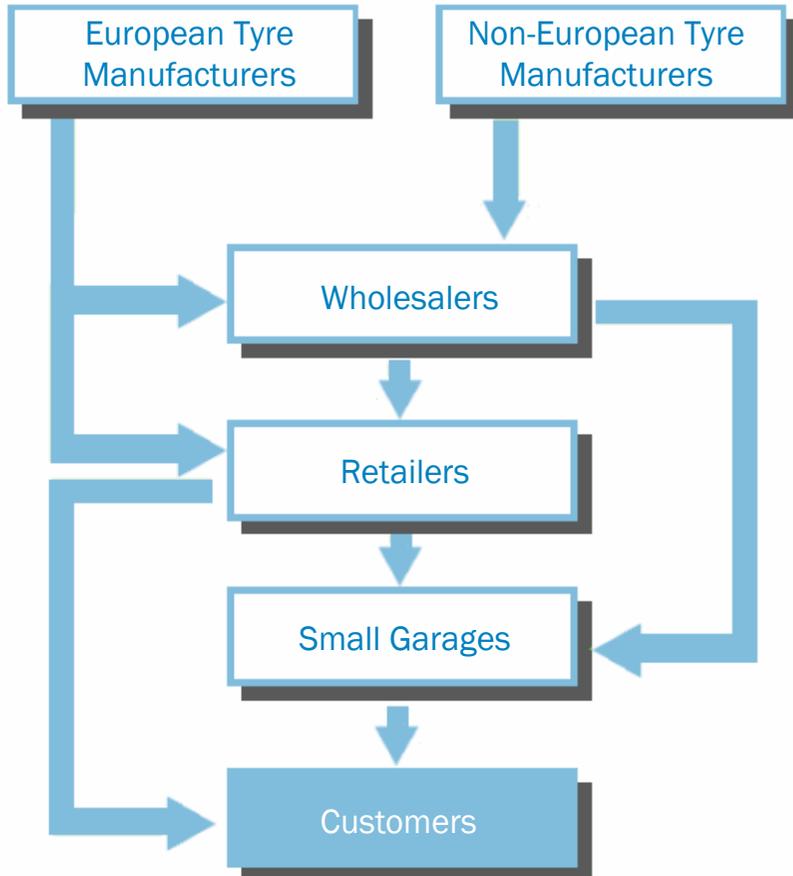


**Wholesale**  
(since 1999)

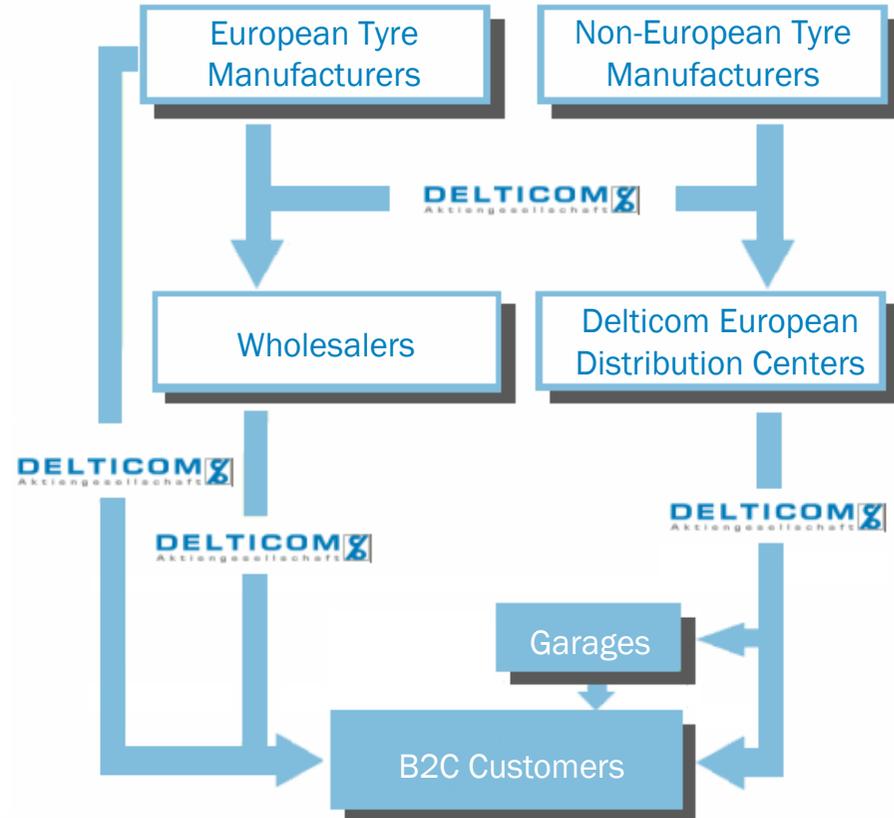


# Redesign of the Tyre Distribution Chain

Pre-Delticom



Delticom Redesign



# Strategy

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## Customer Orientation

- **Secure sufficient supply** in peak times through closer co-operations with suppliers and inventory management
- **Improve customer value:**
  - Time and money saving purchase process
  - Broader product offering
  - Larger network of service partners
  - customer services

## Cost Leadership

- **Lower purchase prices** through increased purchase volume and early ordering
- Pooling of EU transport volumes to **reduce transportation costs**
- Keep operations lean through attention to further **outsourcing potential** and continued **automation**

## Growth Focus

- Utilize **first-mover advantage** through fast geographic expansion into new markets
- Establish **new shops** in existing markets in Europe
- Attract new customers by **increased marketing efforts**
- **Exploit customer value** through cross-selling and repeat purchases

▶ Incremental improvements mitigate execution risks

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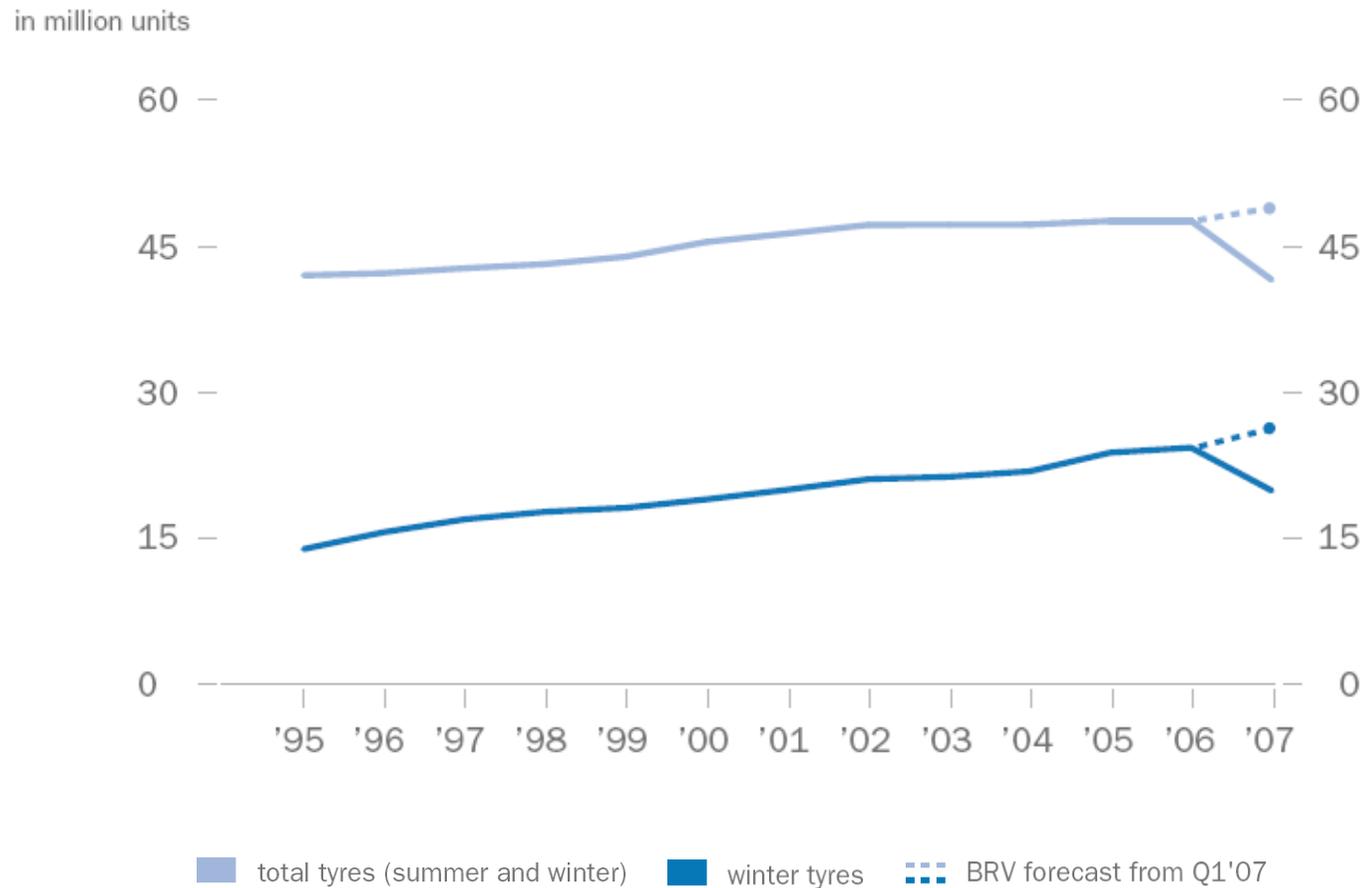
**Seasonalities in Tyre Trading**

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# Historic German Tyre Sales



► No apparent effects of economic cycles

# Q1 Situation

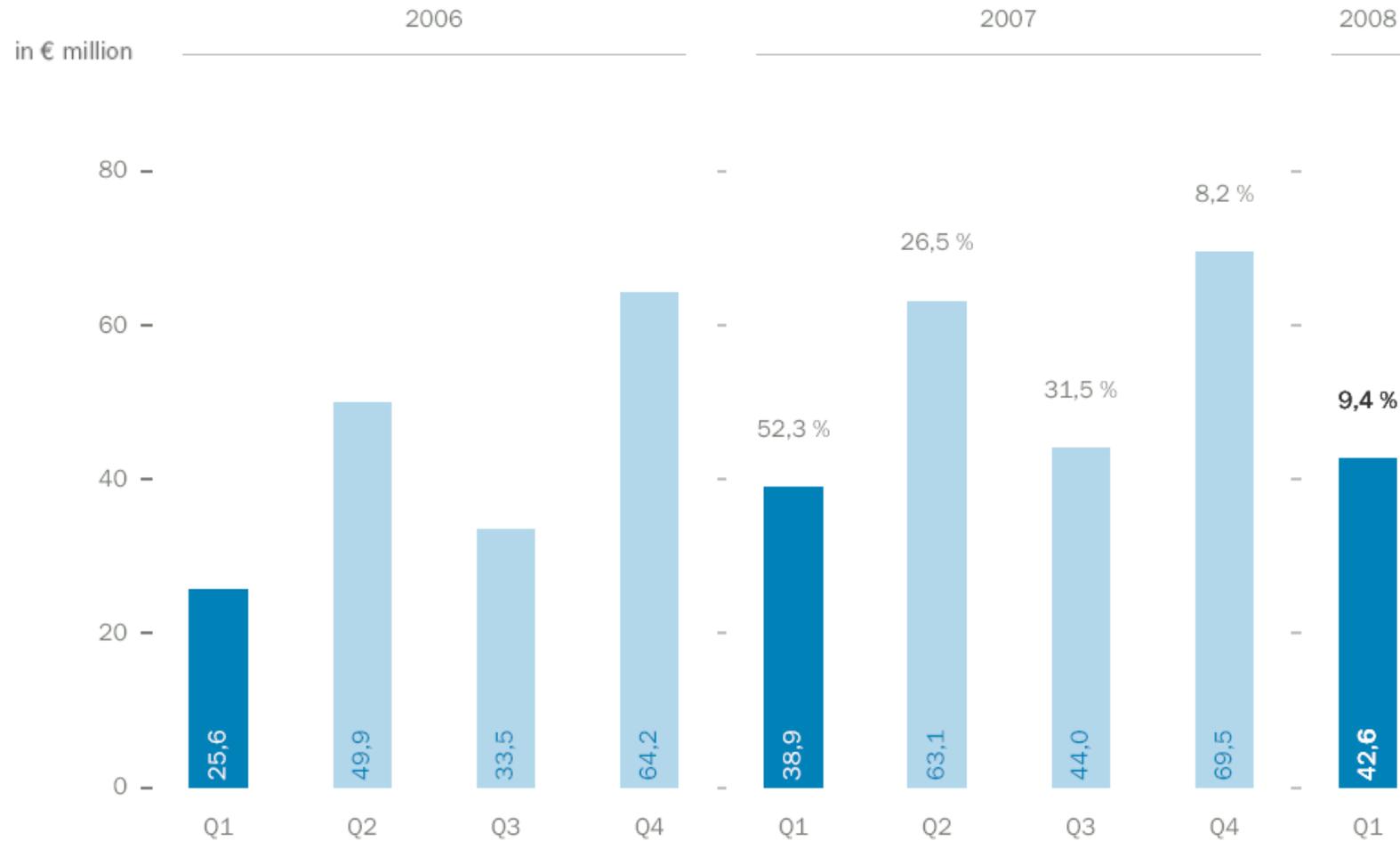
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- Recap: **German tyre sales 2007**
  - passenger car tyres total: 41.5 million (2006: 47,4 million) ... -12%
  - winter tyres: 20.4 million (2006: 24.7 million) ... -17%
- Industry sources:
  - some tyre dealers face a demanding supply situation after mild winter 2007
  - Q1 reporting of international manufacturers show a yoy decrease in sell-in
  - manufacturers cite increases in raw material costs and energy prices as a reason for announced price increases in selected markets
- **Forecast German tyre sales 2008:**
  - passenger car tyres total +1%
  - slight decrease for summer tyres, ~ 600.000 more winter tyres than in 2007
- **Delticom** growth not unaffected, but **other factors** are at least as important:
  - ongoing internationalization
  - strong eCommerce growth
  - base effects

## ▶ Delticom grew despite negative market trends

① According to BRV (Association of German Tyre dealers)

# Quarterly Revenues



► Fluctuations in growth rates due to seasons and base effects

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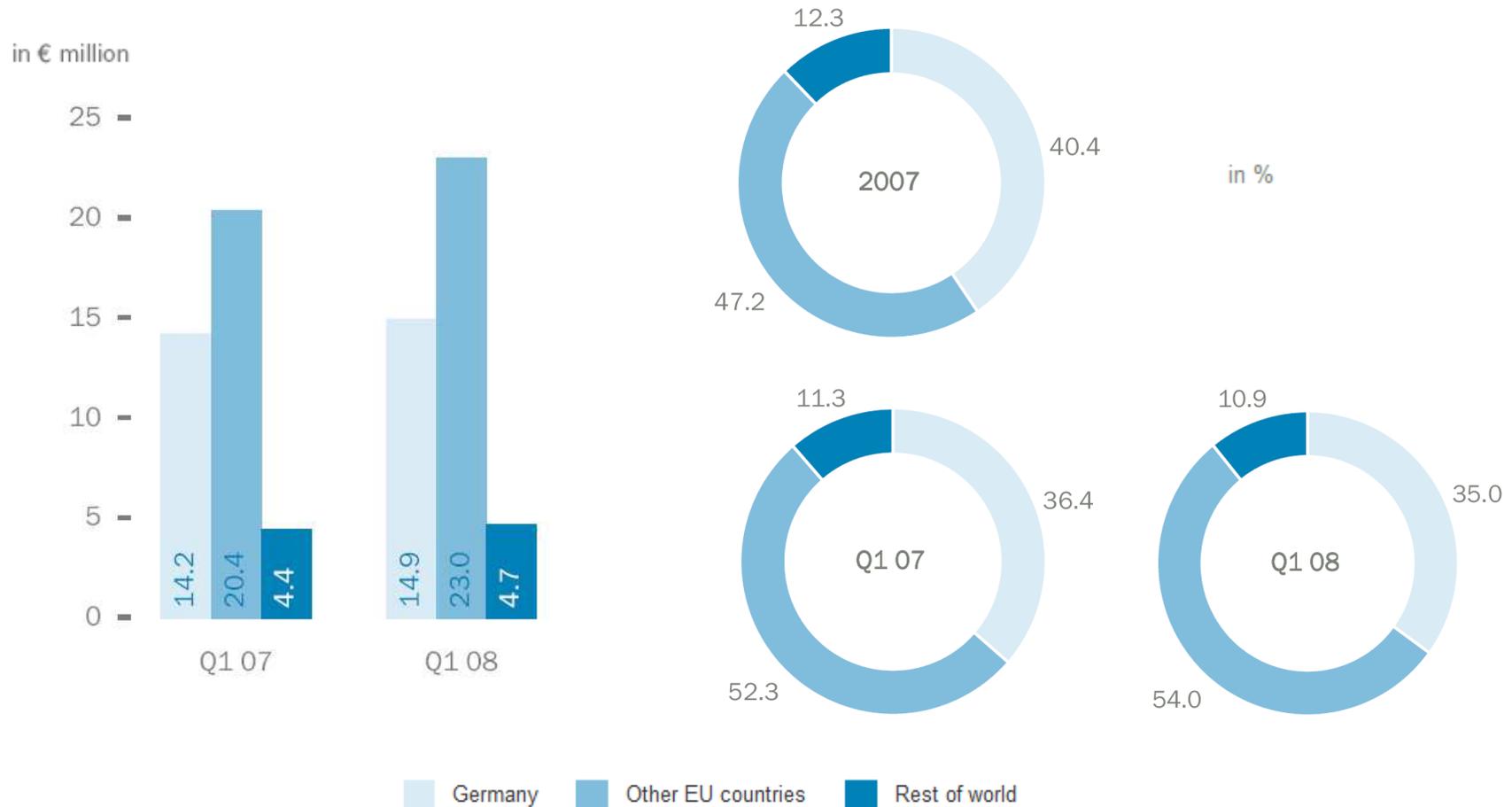
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# Non-Domestic Markets are Important



► Delticom is an international tyre retailer

# EBIT Drivers

	Q1 08				Q1 07	
	P&L	yoy growth	in % of sales	% pts change	P&L	in % of sales
<b>Sales total</b>	<b>42,589</b>	<b>9.4</b>	<b>100.0</b>		<b>38,924</b>	<b>100.0</b>
Cost of goods sold total	-32,427	5.4	76.1	2.9	-30,761	79.0
Gross profit before other operating income	10,163	24.5	23.9	2.9	8,163	21.0
Other operating income	779	244.5	1.8	1.2	226	0.6
<b>Gross profit</b>	<b>10,942</b>	<b>30.4</b>	<b>25.7</b>	<b>4.1</b>	<b>8,390</b>	<b>21.6</b>
Direct costs	4,918	15.1	11.5	-0.6	4,273	11.0
Transport	3,816	20.2	9.0	-0.8	3,175	8.2
Stocking	419	-14.6	1.0	0.3	491	1.3
Credit cards	291	-13.0	0.7	0.2	335	0.9
Receivables losses	392	43.8	0.9	-0.2	273	0.7
<b>Contribution margin</b>	<b>6,024</b>	<b>46.3</b>	<b>14.1</b>	<b>3.6</b>	<b>4,117</b>	<b>10.6</b>
Marketing	1,346	4.1	3.2	0.2	1,293	3.3
<b>Contribution margin after marketing</b>	<b>4,678</b>	<b>65.7</b>	<b>11.0</b>	<b>3.7</b>	<b>2,823</b>	<b>7.3</b>
Indirect costs	4,169	62.3	9.8	-3.2	2,569	6.6
Personnel expenses	1,162	20.5	2.7	-0.3	964	2.5
Operations-center	900	50.5	2.1	-0.6	598	1.5
Financial, legal	435	9.4	1.0		397	1.0
Rent, overheads	321	292.9	0.8	-0.5	82	0.2
IT / telco	121	6.7	0.3		114	0.3
Depreciation	114	90.3	0.3	-0.1	60	0.2
others	1,116	215.0	2.6	-1.7	354	0.9
<b>EBIT</b>	<b>509</b>	<b>99.9</b>	<b>1.2</b>	<b>0.5</b>	<b>254</b>	<b>0.7</b>

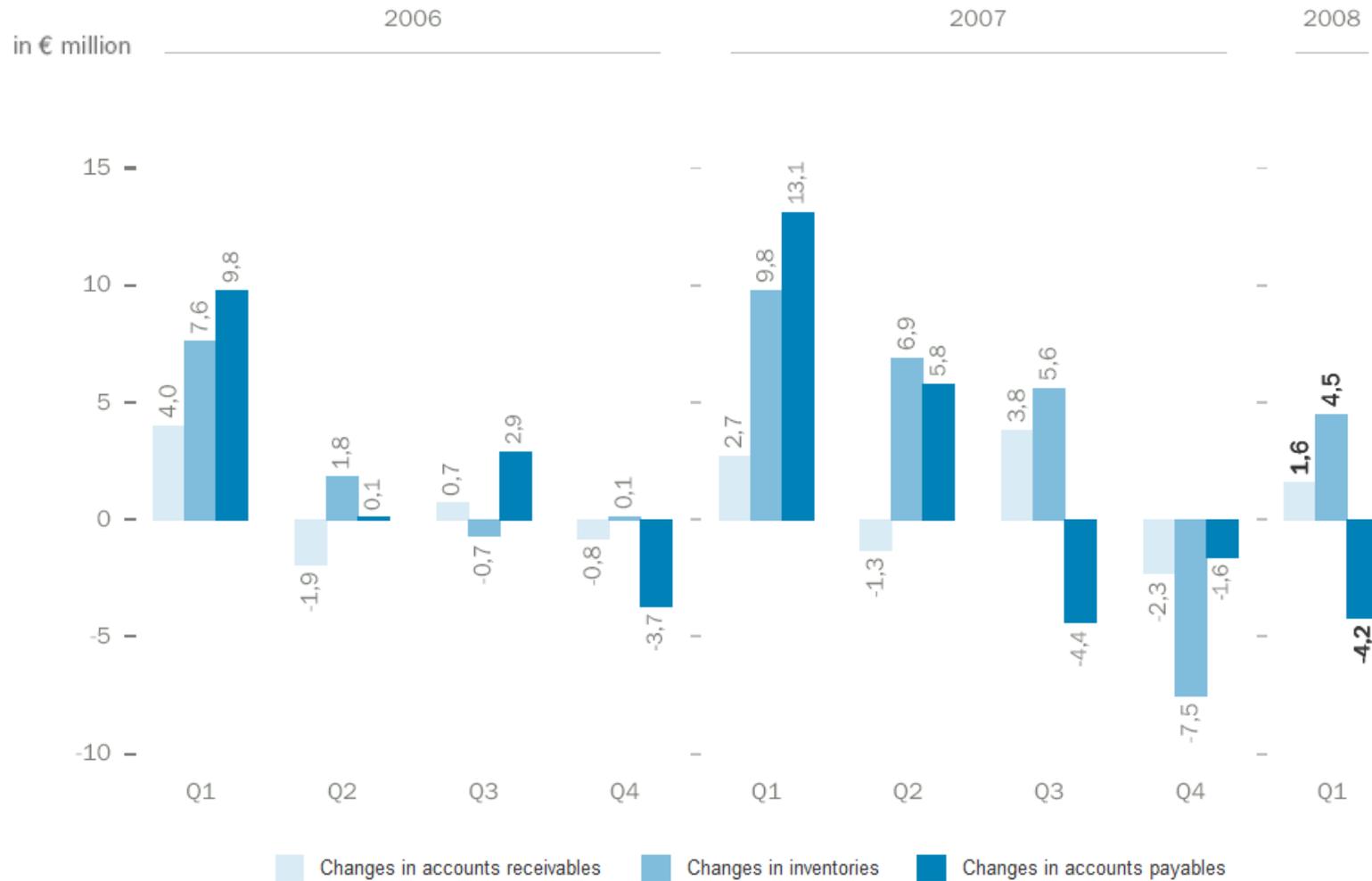
  

purchase price	50.00
direct costs: transportation, inventory management, credit card fees, provision for bad debts	6.00
	56.00
preset margin (e.g. 25%)	14.00
retail price	70.00
plus VAT (e.g. Germany 19%)	13.30
gross retail price on shop website	83.30

(schematic example calculation)

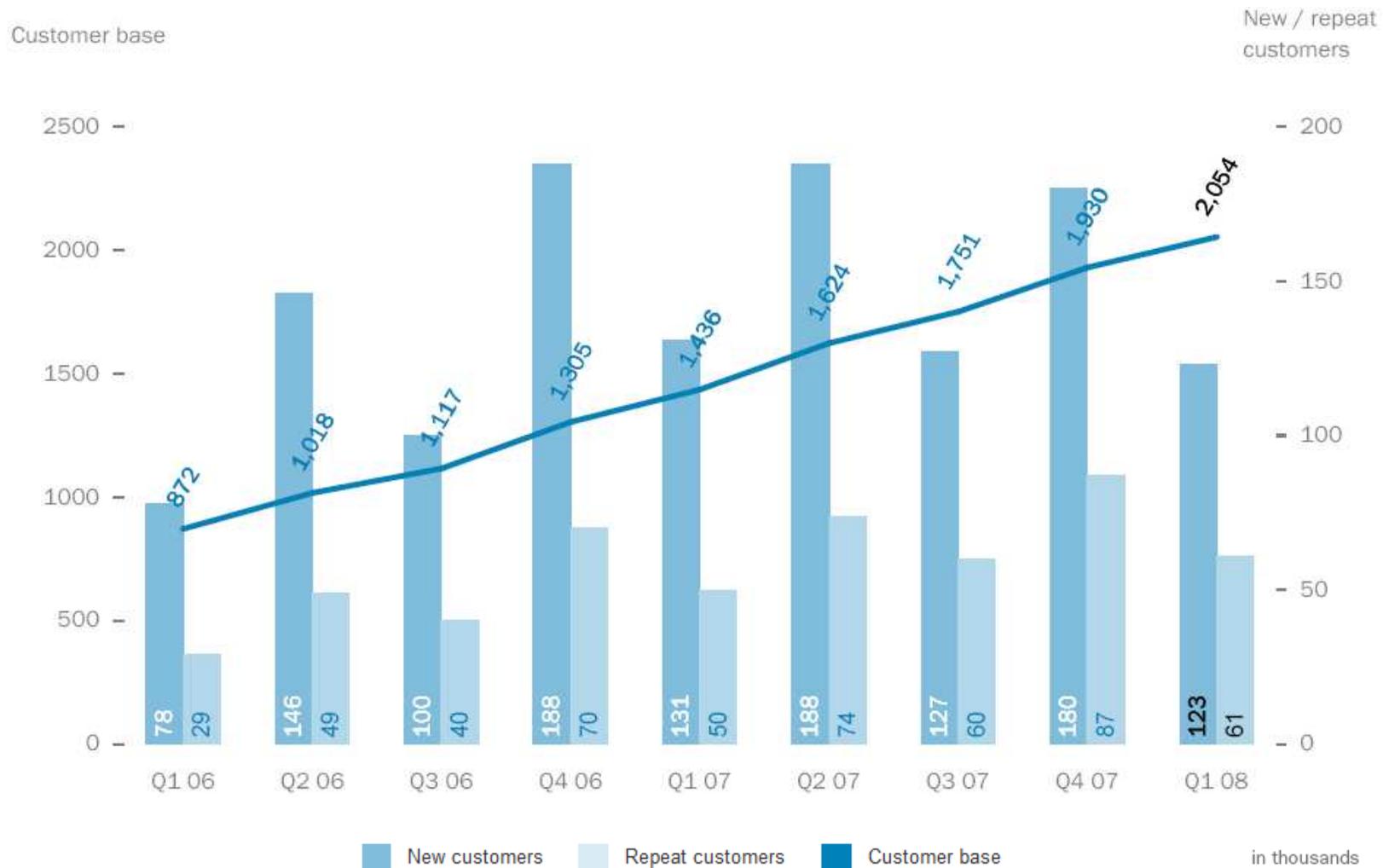
## ► Delticom operations prepared for 2008

# Working Capital Management



► Changes in working capital reflect seasonal patterns

# Customer Metrics



► Repurchases constitute important growth potential

# Outlook Q2 08 and FY 2008

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- **Note:** Q1 constitutes only a small part of FY sales and EBIT
- Summer season started late in 2008 due to cold weather in March (not only in Germany but also Scandinavia)
- Marketing costs were low in Q1 due to late start of season
- **April sales** in line with warmer weather
- Outsourcing costs will continue to show relatively large yoy increases
- US business on track (albeit still small compared to group sales)
  - currently no read flags
- **Revenues 2008:** € 240m – € 260m
- **EBIT-Margin 2008:** 5.0% – 6.0%

# 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 only 1.7%

... 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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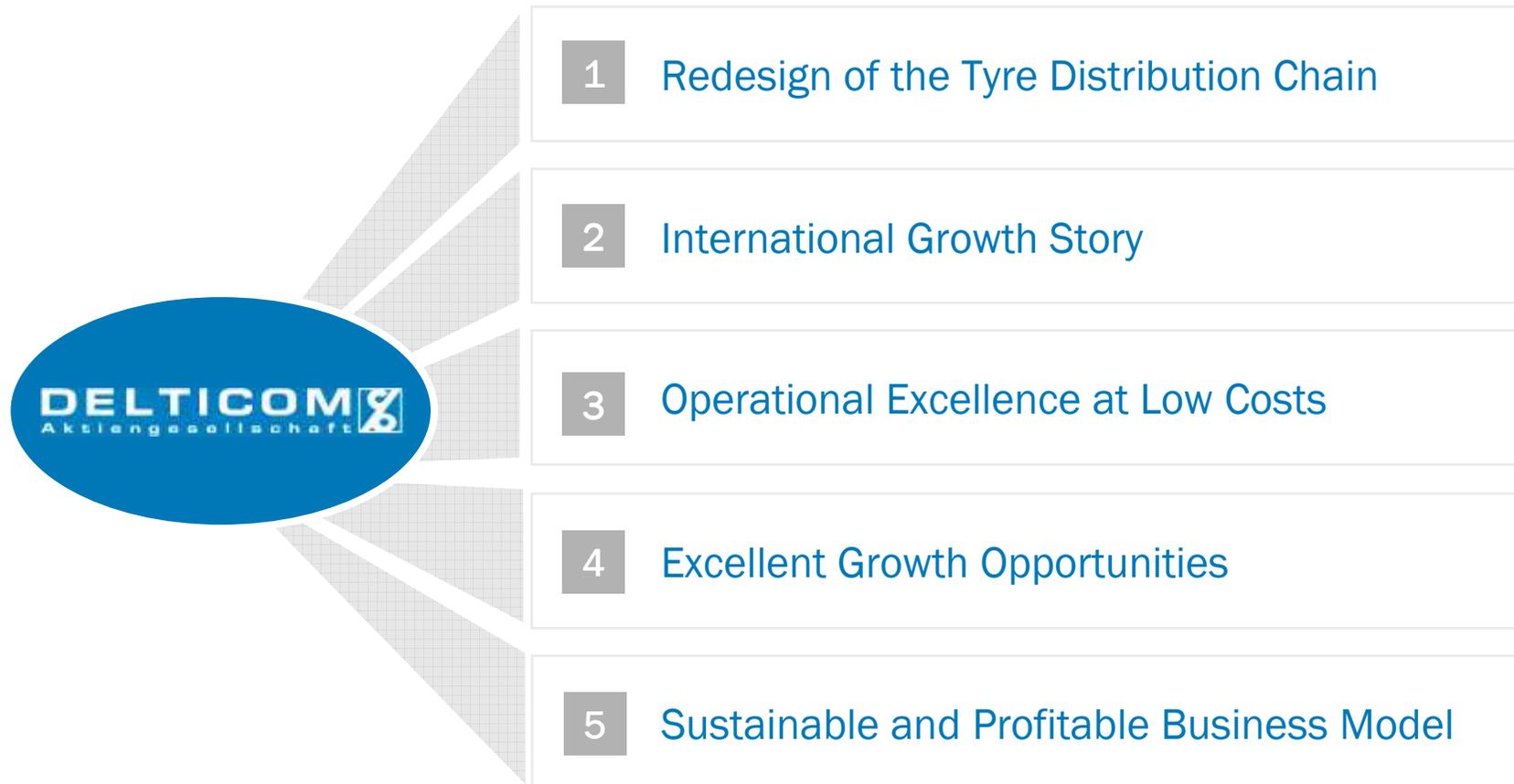
Financials

**Key Investment Highlights**



# Key Investment Highlights

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# Vielen Dank!

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