

Delticom AG: Company Presentation

Hanover, 19 March 2015

DELTICOM 
Aktiengesellschaft



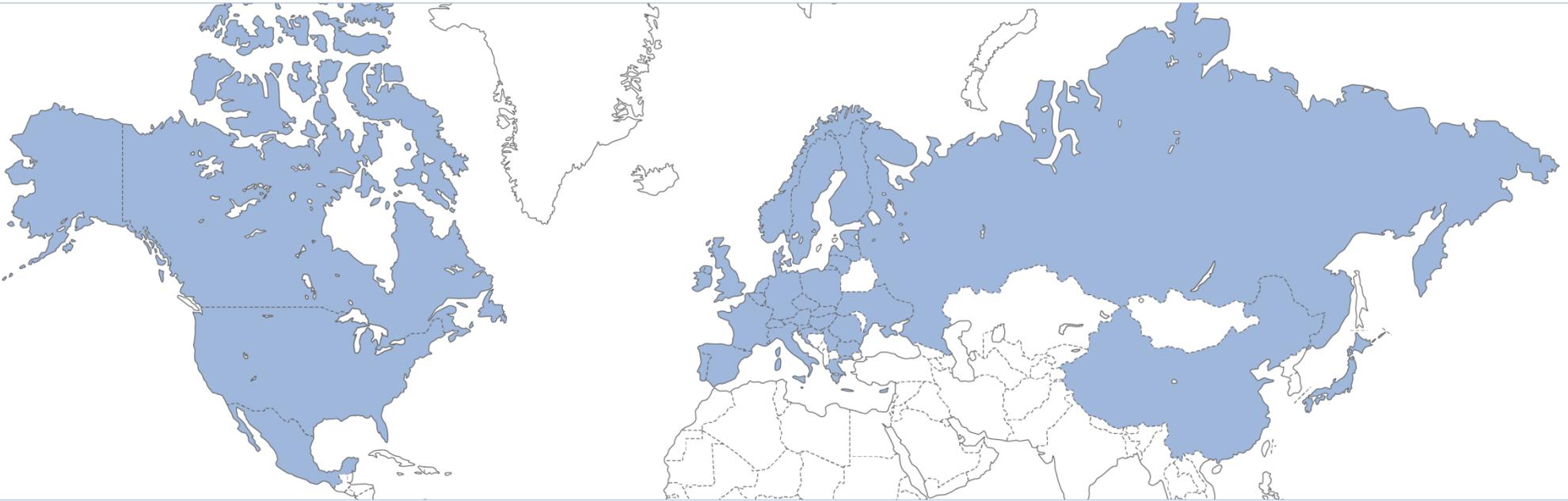
Agenda

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- 3-7 | Delticom group overview
 - 8-11 | Replacement tyre business
 - 12-17 | Strategy
 - 18-22 | Financials FY 2014
 - 23-24 | Outlook 2015

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Delticom – Europe's leading online tyre retailer



- ▶ 163 online shops in 42 countries across the globe (Europe, North America & East Asia)
- ▶ Complete wheels, motor oil, replacement parts and accessories
- ▶ Service partners: EU 35,344, Non-EU 5,780 + around 7,000 via Tyrepac
- ▶ Multi-brand strategy
- ▶ More than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses

From e-commerce pioneer to European market leader

1999 – 2008: First mover and international expansion

1999

Delticom founded by a team including Rainer Binder and Andreas Prüfer

First mover advantage in many European countries

2006

IPO on Frankfurt Stock Exchange (Prime Standard)

2009 – 2011: Exceptionally good markets

2009 – 2011

Exceptionally good markets due to wintery conditions and regulations (scrapping incentive schemes, mandatory winter tyre requirement)

2011

Investments in warehouse infrastructure

2012 – 2014: Challenging market environment

2012 – 2014

Little snowfall and pull-forward effect on tyre sales from exceptional 2009 – 2011 regulatory and weather conditions

2013

Tirendo acquisition

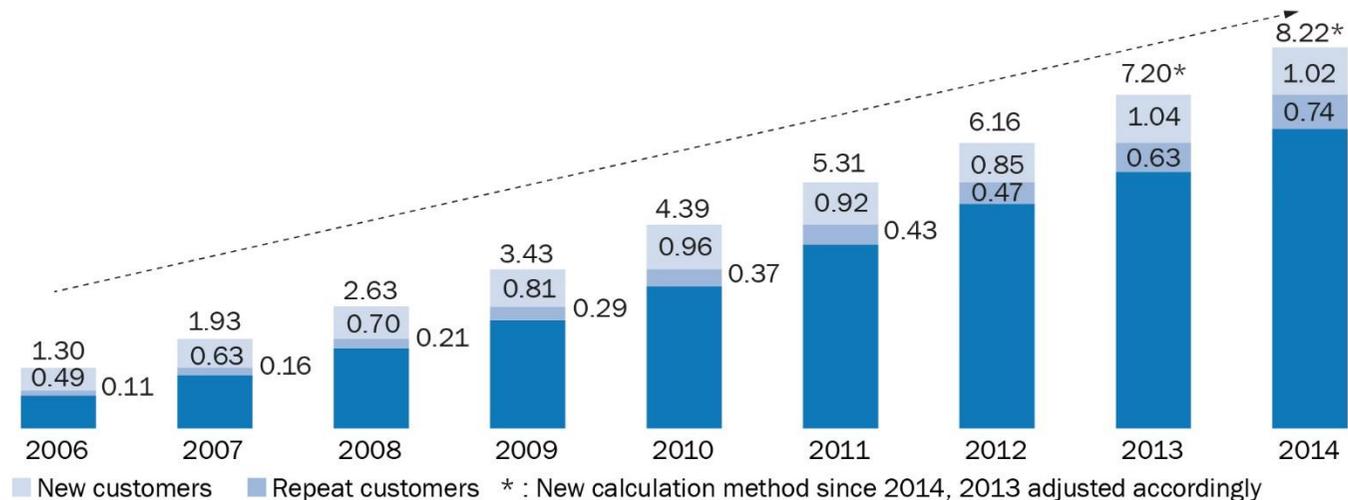
2014

Full integration of Tirendo

2015: Delticom market excellence

- ▶ **01/15:** 15 years RDDE
- ▶ **03/15:** 14y RDCH / 13y RDSE
- ▶ **05/15:** 11y RDIT
- ▶ **08/15:** 14y RDUK
- ▶ **10/15:** 13y RDFR / 12y RDES

**Total customer base
(in million)**



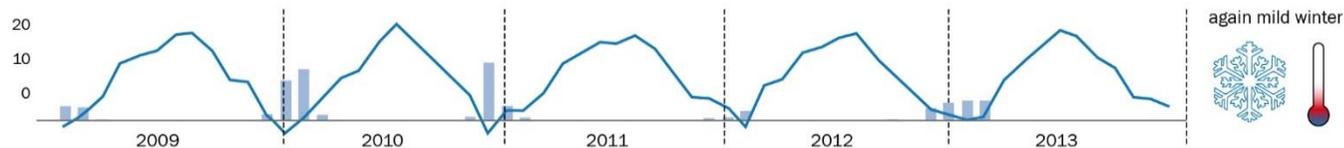
Revenue growth 2006 – 2014

Revenues (€m)



Weather conditions*

* Source: Deutscher Wetterdienst

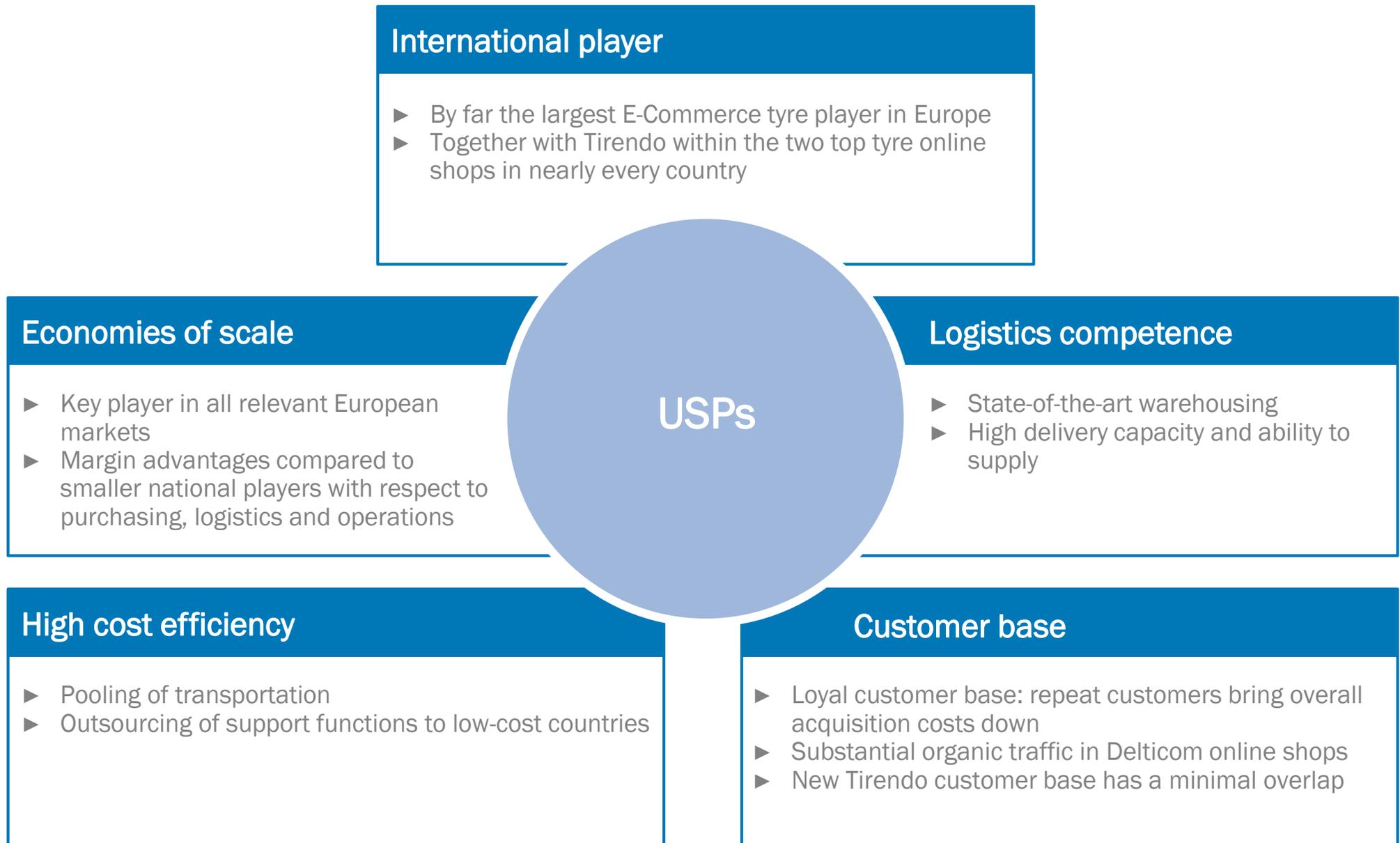


EBITDA (€m)



High revenue potential under normal weather conditions in the future

Delticom's USPs are the basis for its market leading position



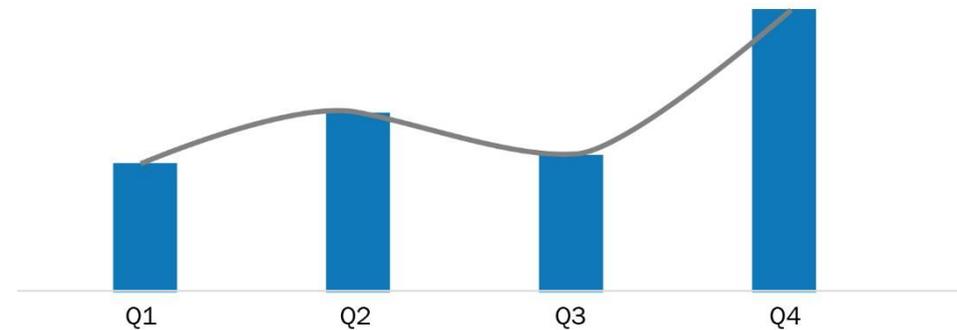
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- 
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Replacement tyre business has strong seasonal peaks

- ▶ In general, replacement tyre business is dependent on weather, legal regulations, social trends and the economic environment
- ▶ Switch periods between summer and winter tyres fluctuate due to weather conditions
- ▶ Profitability of Delticom replacement tyre business depends significantly on Q4 due to winter tyre season
- ▶ Internationalization and broadening of product portfolio reduce seasonality effects

Seasonal pattern revenues*



* Illustration based on Delticom arithmetic mean values 2010 - 2014

Regulations

Concerning safety or environmental protection

Social trends

Rise in online purchases, changing car usage behaviour

Weather

Snowfall and temperatures in Q4

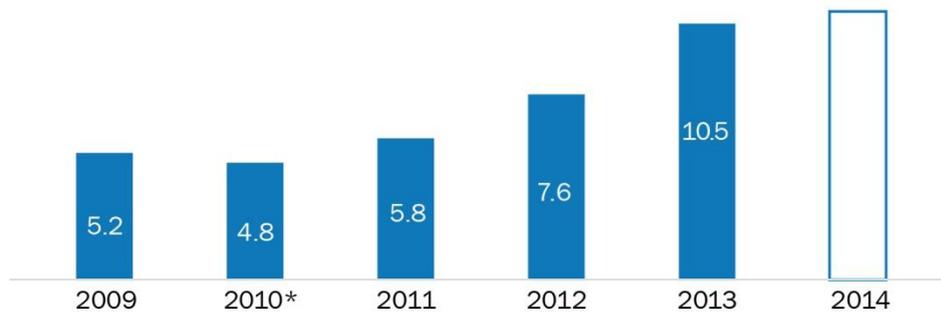
Replacement
tyre business

Economic environment

Price sensitivity brings customers online

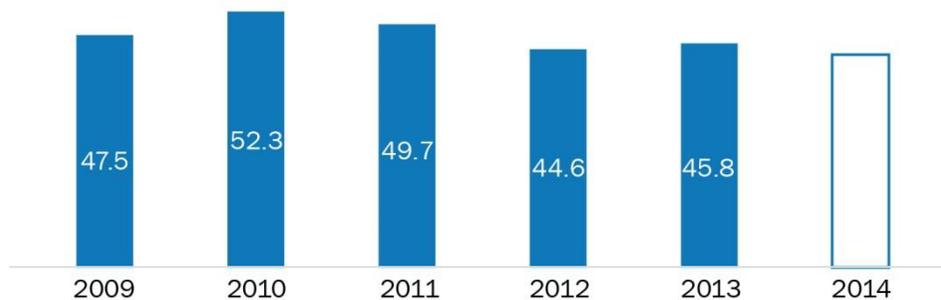
Growing online penetration in replacement tyre business

E-commerce share in German replacement tyre business (in %)



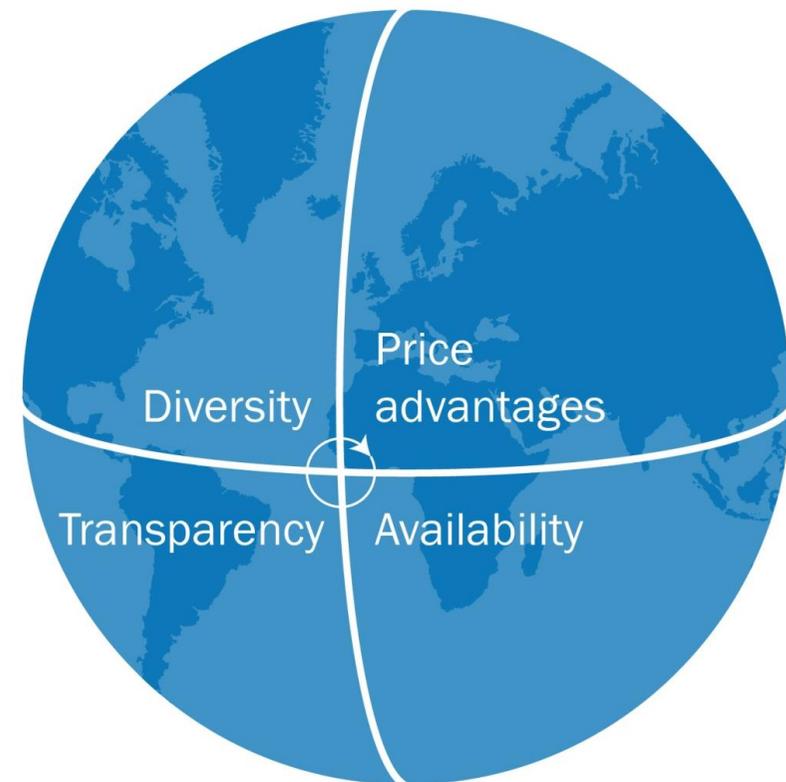
* Shortages

Retail-to-consumer car tyre sales in Germany (in million)



Source: BRV

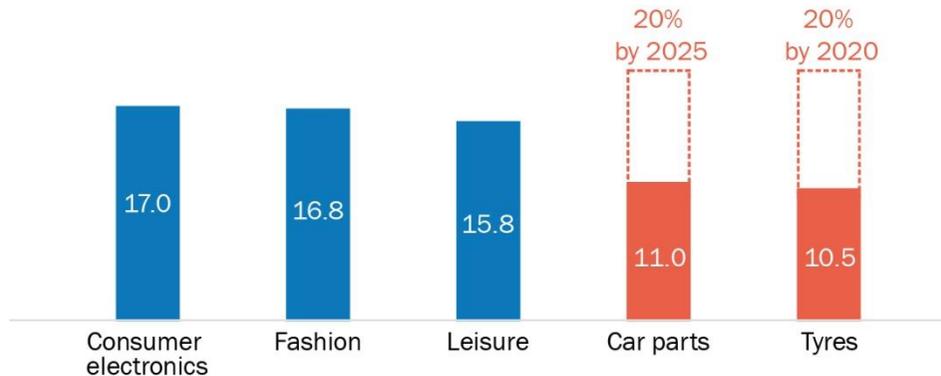
Benefits of online shopping



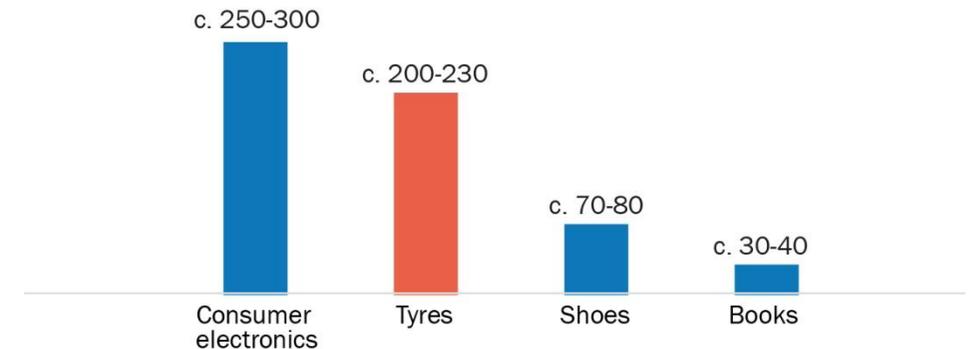
- A growing number of consumers recognizes the benefits of online tyre purchases

Growing online penetration in replacement tyre business

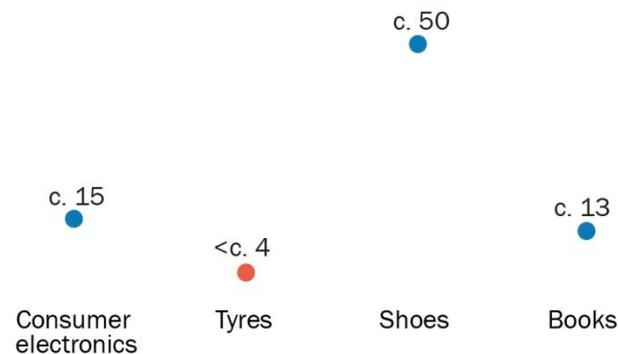
Online penetration (Germany)* (in %)



Average basket value (Germany)* (in €)



Very low goods return rates (Germany)* (in %)



- ▶ Internet usage is changing: increasing relevance as point of sale instead of just price and product comparison tool
- ▶ Combination of high basket value and low return rate for tyres
- ▶ Further offline to online shift expected

* Sources: BRV, BMI, Statista, Eurostat, Euromonitor, IFH Köln, OECD, Roland Berger

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- 
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Tirendo integration into Delticom – on track

Phase 1 After acquisition 2013

Know-how exchange:

Existing IT infrastructure complemented by modern webshop technologies and new analytical tools for online marketing

Realizing synergy potential:

Integration of transport, storage and finance operations

Phase 2 Start of full integration H2/2014

A house of strong B2C brands:

Integration of Tirendo business under Delticom management starting in H1/2014

Efficiency improvement process started:

- ▶ Reducing Berlin headcount to far below 50 (core team of ~20 employees in 2015)
- ▶ Less and more targeted TV advertising

Phase 3 New organizational setup from 2015 onwards

Reduced cost base implemented:

- ✓ Reduced personnel expenses
- ✓ Reduced rent and operating costs
- ✓ Marketing costs with lower cost/revenue ratio
- ✓ Optimized TV advertising spending

Using Tirendo strengths:

Tap into new customer group

Quick wins realized

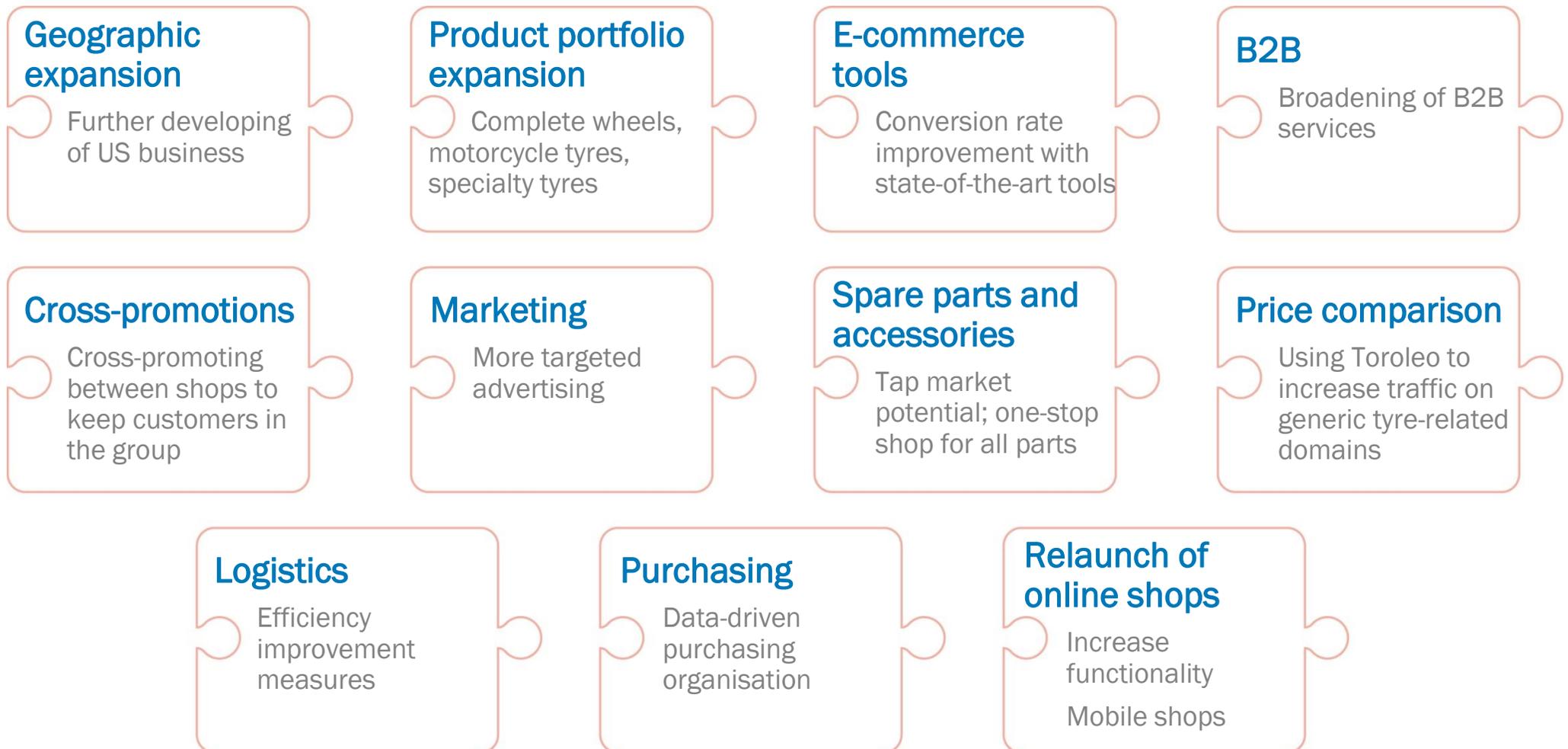
Efficiency improvement
measures implemented

Way paved for
break-even in 2015

Full integration of Tirendo completed

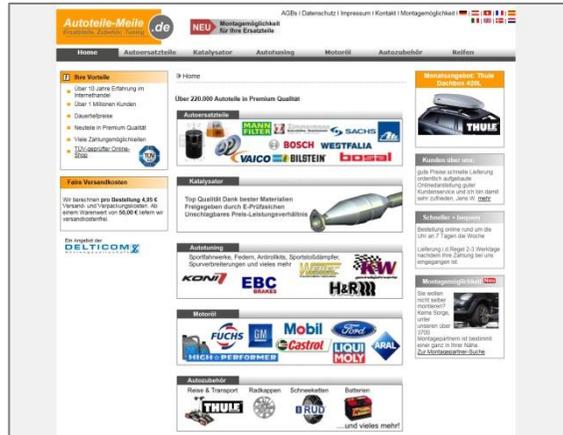
Strategic roadmap

- ▶ Increasing market share and drive penetration
- ▶ Focus on profitable growth and efficiency improvement



First Delticom shops relaunched in 2014

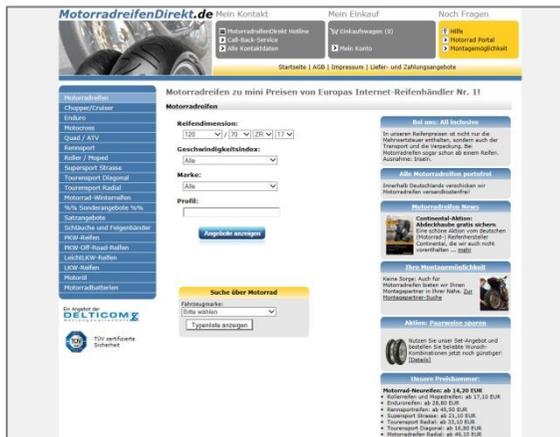
Autoteile-Meile



Facelift



MotorradreifenDirekt



Facelift



New shop technology increases functionality – next relaunch round in 2015

Complete Wheels

- ▶ Highly sophisticated **own wheel assembly lines**
- ▶ Professional **assembly team** for TPMS
- ▶ Wheel assembly of **13 up to 23 inch** for passenger cars, SUVs, Vans, and Offroad cars
- ▶ Highest order **flexibility** and IT-based processes
- ▶ High availability of tires and rims through connected inventory > **100,000** rims
- ▶ Supplier for **B2C, B2B**, fleets, car dealers and industry
- ▶ Delticom **wheels configurator** for a quick and safe product advice – high quality pictures for a perfect impression of the selected wheel/tire combination on the customer's vehicle
- ▶ **Easy ordering** via the shops of Delticom



B2B services



B2B Retail

- ▶ 26 Onlineshops in 26 countries
- ▶ More than **100K** customers
 - ▶ Car Dealer Business
 - ▶ Fastfitters
 - ▶ Garages
 - ▶ Fuel Stations
 - ▶ Franchise

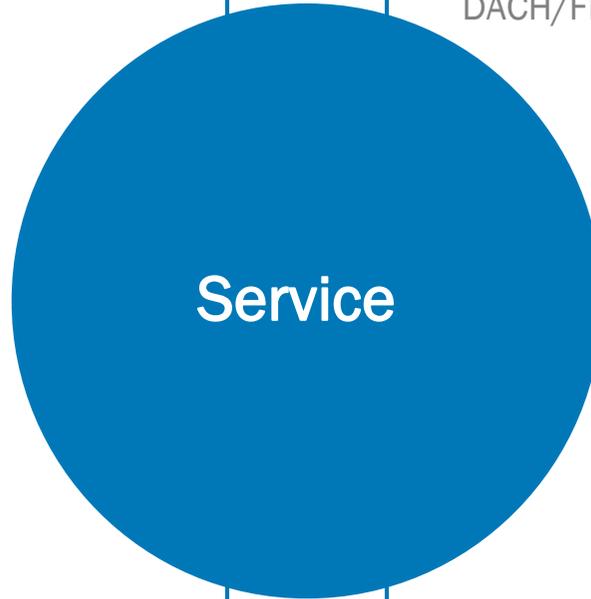


Fleets

- ▶ 6 Onlineshops
DACH/FR/NL/UK



Service



Fitting partner

- ▶ More than **40,000** fitting partners
 - ▶ > 9K in Germany
 - ▶ > 5K in France
 - ▶ > 4K in Italy
 - ▶ > 3K in Spain
 - ▶ > 2K in UK
- ▶ Tyre hotel



Mobile fitting

- ▶ Test in Germany (own branded)

Agenda

- 
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Business FY 2014: Transition year

Macroeconomy

- ▶ Recovery in the Euro zone increasingly stumbled during the year
- ▶ Economic performance of the Euro countries remains divergent
- ▶ Consumption propensity of households in Germany remains high

Tirendo

- ▶ Reduced marketing spend in Q3+Q4 – higher efficiency
- ▶ Reduced workforce: end of 01/15 <20 headcounts
- ▶ EBITDA Q4/14 improved by € 1.3m

Tyre market

- ▶ Warm temperatures in March prompted early switch to summer tyres
- ▶ Q3: delayed start of winter season
- ▶ Q4: mild winter in Europe
- ▶ FY 2014: German winter tyre sales -13.3 % (first BRV estimate)

Transition year 2014

Customer base FY

- ▶ 1,106 thousand new customers (including Tirendo)
- ▶ 774 thousand repeat customers
- ▶ Customer base > 8 million

Revenues

- ▶ e-commerce revenues of 163 online shops flat yoy
- ▶ Q4: volume growth > revenues growth

Toroleo acquisition in September

- ▶ tyre price comparison website Toroleo (toroleo.de, toroleo.at) will help increase traffic on up to 34 generic tyre-related domains owned by Delticom and not fully exploited yet
- ▶ Websites include e.g. reifen.de and pneus.fr

FY2014: Key Financials Delticom Group

	Unit	FY 2014	FY 2013	-/+ (% , %p)
New customers	k	1,016	1,037	-2.0
Revenues	€m	501.7	505.5	-0.8
Gross margin ^{*)}	%	24.5	24.8	-0.3p
Gross profit ^{*)}	€m	122.8	125.2	-1.9
EBITDA	€m	15.3	22.2	-31.1
EBITDA margin	%	3.0	4.4	-1.4p
EBIT	€m	7.0	17.8	-60.6
EBIT margin	%	1.4	3.5	-2.1
Net income	€m	2.9	11.6	-75.3
Earnings per share (undiluted)	€	0.24	0.97	-75.3
Liquidity position	€m	30.0	11.3	164.7
Operating cash flow	€m	36.7	8.1	
Free cash flow	€m	35.0	-35.2	

→ New methodology

→ 76.3 % of revenues in EU countries

→ PPA effect of €m 5.2

→ Swing back after Tirendo acquisition

	Unit	31.12.14	31.12.13	-/+ (% , %p)
Inventories	€m	56.2	72.8	-22.9
Equity	€m	50.3	51.7	-2.7
Equity ratio	%	30.7	29.2	+1.5p

→ According to plan

^{*)} excl. other operating income

FY2014: Key Financials Delticom Group

	Unit	Q4/14	Q4/13 ¹⁾	-/+ (% , %p)
Revenues	€m	187.6	196.5	-4.5
Gross margin *)	%	23.3	25.6	-2.3p
Gross profit *)	€m	43.7	50.3	-13.1
EBITDA	€m	7.3	10.2	-28.4
EBITDA margin	%	3.9	5.2	-1.3p
EBIT	€m	5.2	8.1	-35.8
EBIT margin	%	2.8	4.1	-1.3p

- Volume growth > revenues growth
- More attractive prices in Q4

*) excl. other operating income

FY2014: Abridged balance sheet

in €m	31.12.14	%	'-/+' (%)	31.12.13	%
Assets					
Non-current assets	58.1	35.4	-12.8	66.7	30.2
Current assets	105.9	64.6	-4.0	110.3	69.8
Inventories	56.2	34.2	-22.9	72.8	51.8
Receivables	19.8	12.0	-24.4	26.2	14.1
Liquidity	30.0	18.3	+164.7	11.3	3.9
Assets	164.0	100.0	-7.4	177.0	100.0
Equity and Liabilities					
Long-term funds	66.9	41.0	+3.6	64.6	23.2
Equity	50.3	31.0	-2.7	51.7	19.9
Long-term debt	16.7	10.2	+28.5	13.0	3.3
Provisions	0.4	0.2	+39.2	0.3	0.1
Liabilities	16.3	9.9	+25.4	13.0	3.2
Short-term debt	97.1	59.2	-13.6	112.4	76.8
Provisions	2.4	1.4	+26.4	2.0	0.8
Liabilities	94.7	57.7	-46.5	110.4	76.0
thereof accounts payable	75.9	46.3	+1.6	74.7	42.2
Equity and Liabilities	164.0	100.0	-7.4	177.0	100.0

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- 
- 3-6 | Delticom group overview
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Outlook 2015

Market

- ▶ At present significant uncertainties regarding market and price trends in European replacement tyres business (low visibility)
- ▶ Excess inventory for winter goods in the supply chain possible
- ▶ US import duties for tyres made in China – import to Europe?
- ▶ BVR not expecting a far-reaching business improvement for 2015

Delticom

- ▶ Turnover + EBITDA (abs.) at least flat yoy
- ▶ Increase in volume vs. 2014
- ▶ 2015: Tirendo break-even
- ▶ Over 1m new customers in 2015
- ▶ Expand market leadership

**„Of course our long-term goal is revenues of one billion euros“
(Co-CEO Andreas Prüfer in an interview with DIE WELT, April 2014)**

Investor Relations

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FY2014: P+L statement

in €m	FY 2014	FY 2013	-/+ (% , %p)
Revenues	501.7	505.5	-0.8
Other operating income	12.1	5.4	+123.4
Total operating income	513.8	511.0	+0.6
Cost of goods sold	-379.0	-380.3	-0.4
Gross profit	134.9	130.6	+3.3
Personnel expenses	-15.6	-11.3	+38.1
Other operating expenses	-104.0	-97.2	+7.1
EBITDA	15.3	22.2	-31.1
Depreciation	-8.3	-4.3	+90.2
EBIT	7.0	17.8	-60.6
Financial expense	-0.8	-0.2	+350.0
Financial income	0.03	0.05	-30.6
Net financial result	-0.8	-0.1	+492.6
EBT	6.3	17.7	-64.6
Income taxes	-3.4	-6.2	-44.6
Consolidated net Income	2.9	11.6	-75.3

FY2014: Abridged cash flow statement

in €m	FY 2014	FY 2013
Earnings before interest and taxes (EBIT)	7.0	17.8
Cash flow from operating activities	36.7	8.1
Cash flow from investing activities	-1.6	-43.3
Cash flow from financing activities	-16.9	+0.5
Changes in cash and cash equivalents	18.4	-34.9
Cash and cash equivalents at the start of the period	11.3	46.2
Changes in the scope of consolidation	0.2	0
Cash and cash equivalents - end of period	30.0	11.3

FY2014: Balance sheet – Assets

in €m	31.12.14	%	'-/+' (%)	31.12.13	%
Assets					
Non-current assets	58.1	35.4	-12.8	66.7	37.7
Intangible assets	47.9	29.2	-9.2	52.8	29.8
Property, plant and equipment	9.0	5.5	-16.1	10.7	6.0
Financial assets	0.0	0.0	-97.0	0.8	0.5
Defferes taxes	0.7	0.4	-62.2	1.9	1.1
Other receivables	0.5	0.3	-3.2	0.5	0.3
Current assets	105.9	64.6	-4.0	110.3	62.3
Inventories	56.2	34.2	-22.9	72.8	41.1
Accounts receivable	14.5	8.8	-28.7	11.3	6.4
Other current assets	4.7	2.9	-62.6	12.6	7.1
Income tax receivables	0.5	0.3	-76.2	2.3	1.3
Cash and cash equivalents	30.0	18.3	+164.7	11.3	6.4
Assets	164.0	100.0	-7.4	177.0	100.0

FY2014: Balance sheet – Shareholder's Equity and Liabilities

in €m	31.12.14	%	'-/+(%)	31.12.13	%
Equity	50.3	30.7	-2.7	51.7	29.2
Equity attributable to Delticom AG shareholders	49.3	30.1	-4.6	51.7	29.2
Subscribed capital	11.9	7.3	+0.7	11.9	6.7
Share premium	25.4	15.5	+3.8	24.4	13.8
Other components of equity	0.1	0.1	-185.3	-0.2	-0.1
Retained earnings	0.2	0.1	0	0.2	0.1
Net retained profits	11.7	7.1	-23.9	15.3	8.7
Non-controlling interests	1.0	0.6	/	0	0
Liabilities	113.7	69.3	-9.3	125.3	70.8
Non-current liabilities	16.7	10.2	+28.5	13.0	7.3
Long-term borrowings	15.4	9.4	+39.2	11.0	6.2
Non-current provisions	0.4	0.2	+39.3	0.3	0.1
Deferred tax liabilities	0.9	0.6	-44.0	1.7	0.9
Current liabilities	97.1	59.2	-13.6	112.4	63.5
Provisions for taxes	0.8	0.5	+364.3	0.2	0.1
Other current provisions	1.5	0.9	-17.6	1.8	1.0
Accounts payable	75.9	46.3	+1.6	74.7	42.2
Short-term borrowings	4.4	2.7	-79.6	21.7	2.2
Other current liabilities	14.4	8.8	+2.6	14.0	7.9
Shareholder's equity and liabilities	164.0	100.0	-7.4	177.0	100.0