

# A Firm Grip.



## Investor Presentation

on the Occasion of the Release of the Financial Results 2008

Hanover, 30th March 2009

# Agenda

Delticom at a Glance

Business Model

Seasonalities in the Tyre Trade

Financials

Outlook



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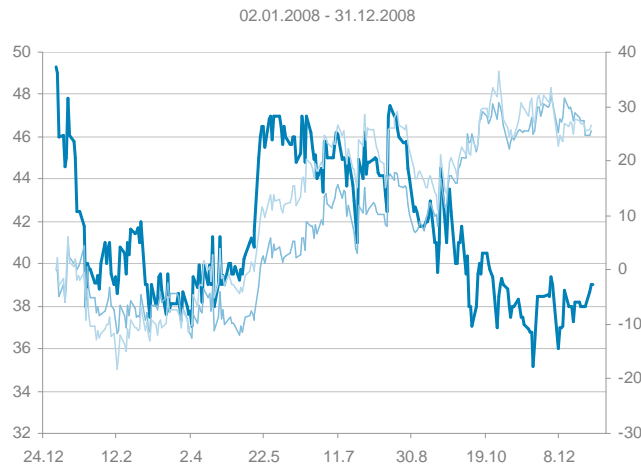


# Delticom at a Glance

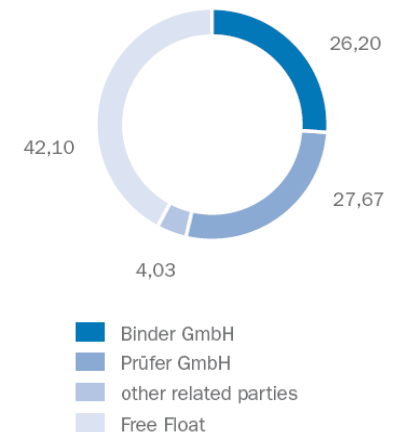
- **#1 European online tyre dealer** (car replacement tyres):  
> 100 online shops in 35 countries
- founded 1999, IPO Oct 06, SDAX Dec 08
- customer base: more than **2.6 million**  
2008: ~700 thousand new customers
- **broad product range**: > 100 tyre brands, > 25,000 models
- other products: motorcycle, truck, rims, complete wheels, motor oil, car parts, accessories
- global network with more than **24,000 fitting partners**

DE 6100 
 US 5638 
 UK 1723 
 FR 2161 
 CH 888

		2008	2007	yoy
Revenues	€ million	259.0	215.5	+20.2
EBIT	€ million	16.4	12.3	+34.0
EBIT margin	%	6.4	5.7	
Net income	€ million	11.7	8.3	+40.5
Earnings per share	€	2.97	2.12	+40.5
Total assets	€ million	95.6	87.4	+9.5
Equity ratio	%	52.5	53.0	
Liquidity position	€ million	42.9	34.5	+24.3
Dividend	€	3.00	2.00	+50.0
Operating cash flow per share	€	4.22	1.67	+153.4
Free cash flow per share	€	3.89	1.18	+230.7



left axis, price: ■ DEX    relative performance, right axis: ■ SDAX ■ CXPR



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**Business Model**

Seasonalities in the Tyre Trade

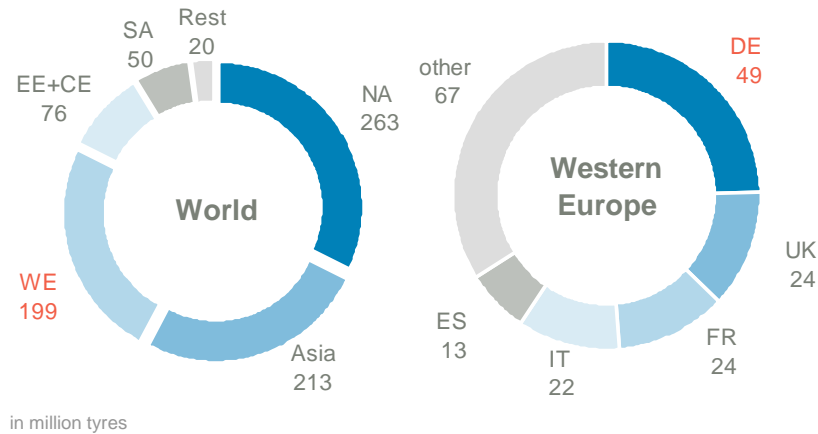
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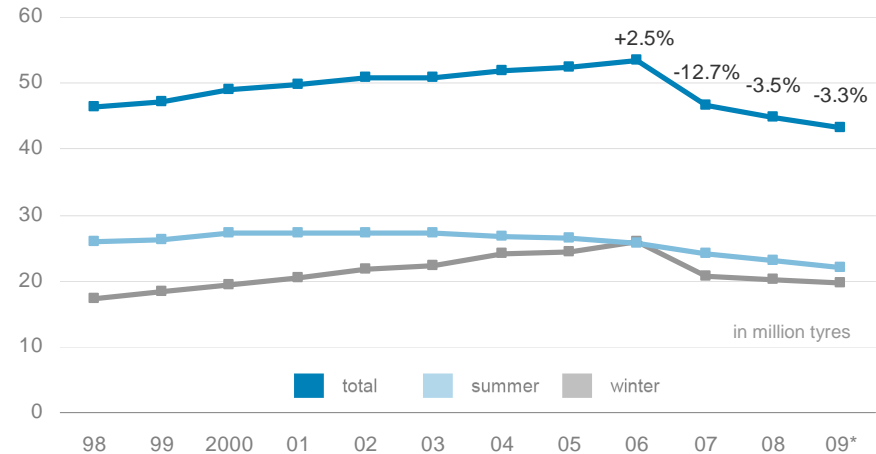
# Tyres and the Internet

## European Car Replacement Tyres: € 11 billion



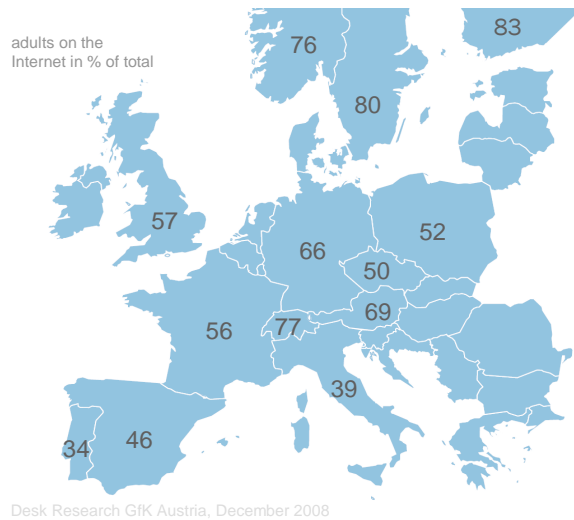
Source: LMC World Tyre Forecast Service 2009, Michelin, BRV, own estimates

## Germany: 2 bad years in a row, difficult 2009 ahead.



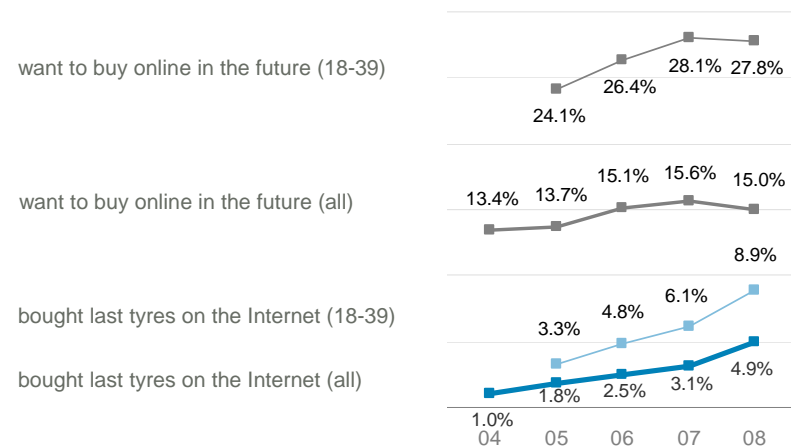
Source: BRV (car replacement tyres, incl. retreaded) \* estimates as of March 09

## Europeans are increasingly online...



Desk Research GfK Austria, December 2008

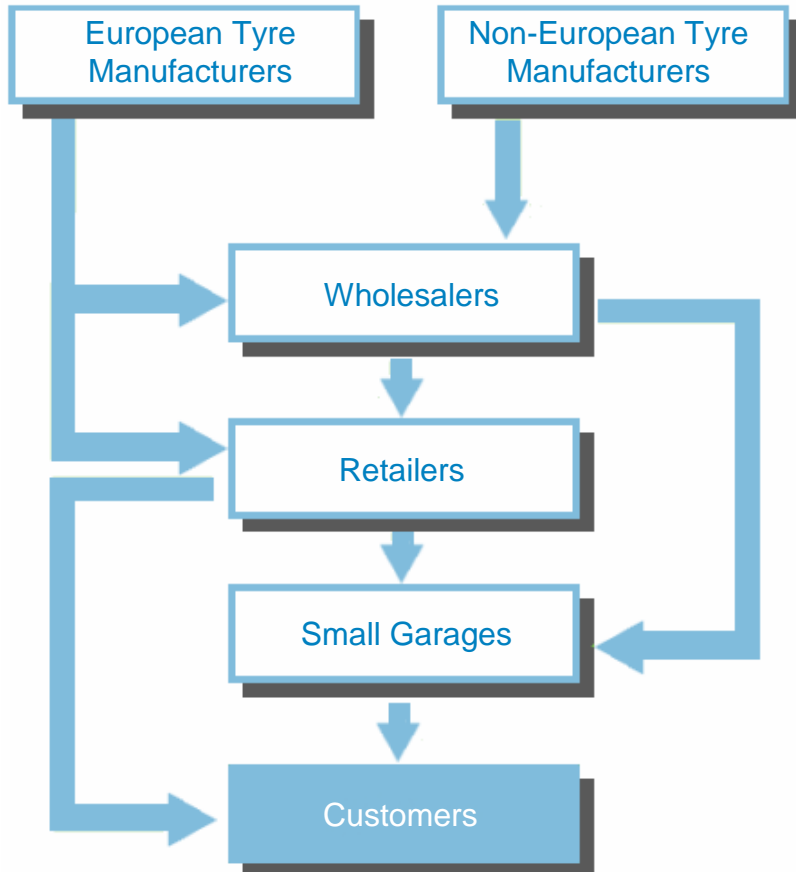
## ... and buy their tyres online.



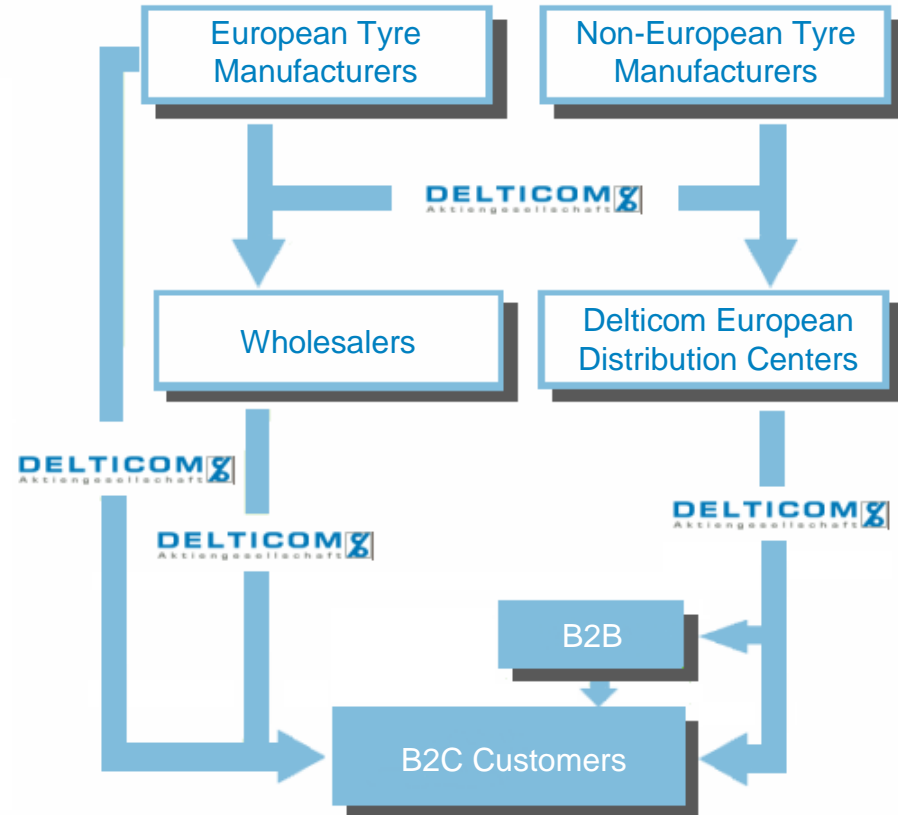
Source: ADAC Reifenmonitor 2005-2009, 2009 preliminary

# Redesign of the Tyre Distribution Chain

## Traditional Retail



## Delticom Redesign



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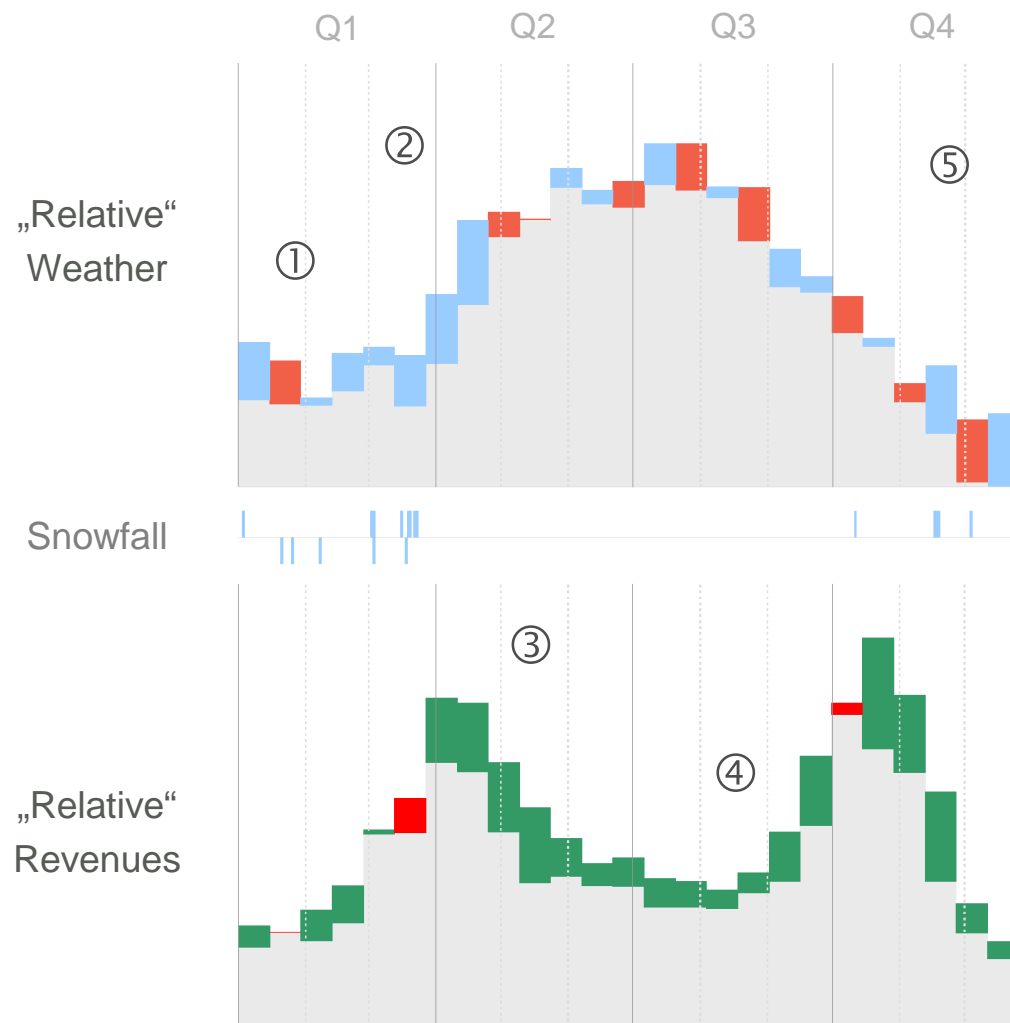
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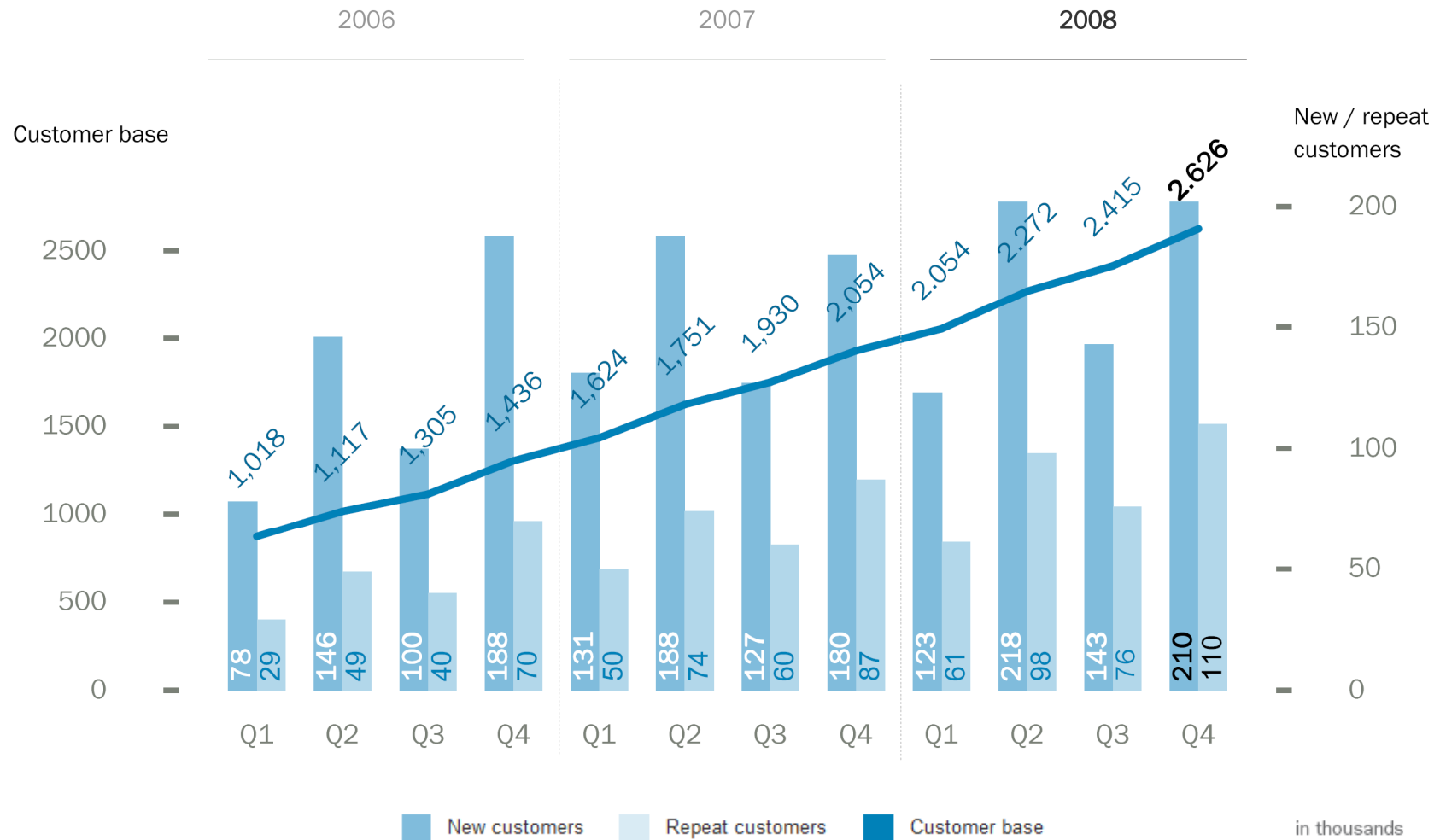
# 2007 vs. 2008 Seasonalities



- 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 Good snowfall, although relatively late in the season
- ⑥ **Cold** in Jan 09 (but not as much snow as in 08), even **colder** in Feb 09 (late snow) and **unusually cold** in Mar 09

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

# Seasonal Demand



▶ Repurchases constitute important growth potential

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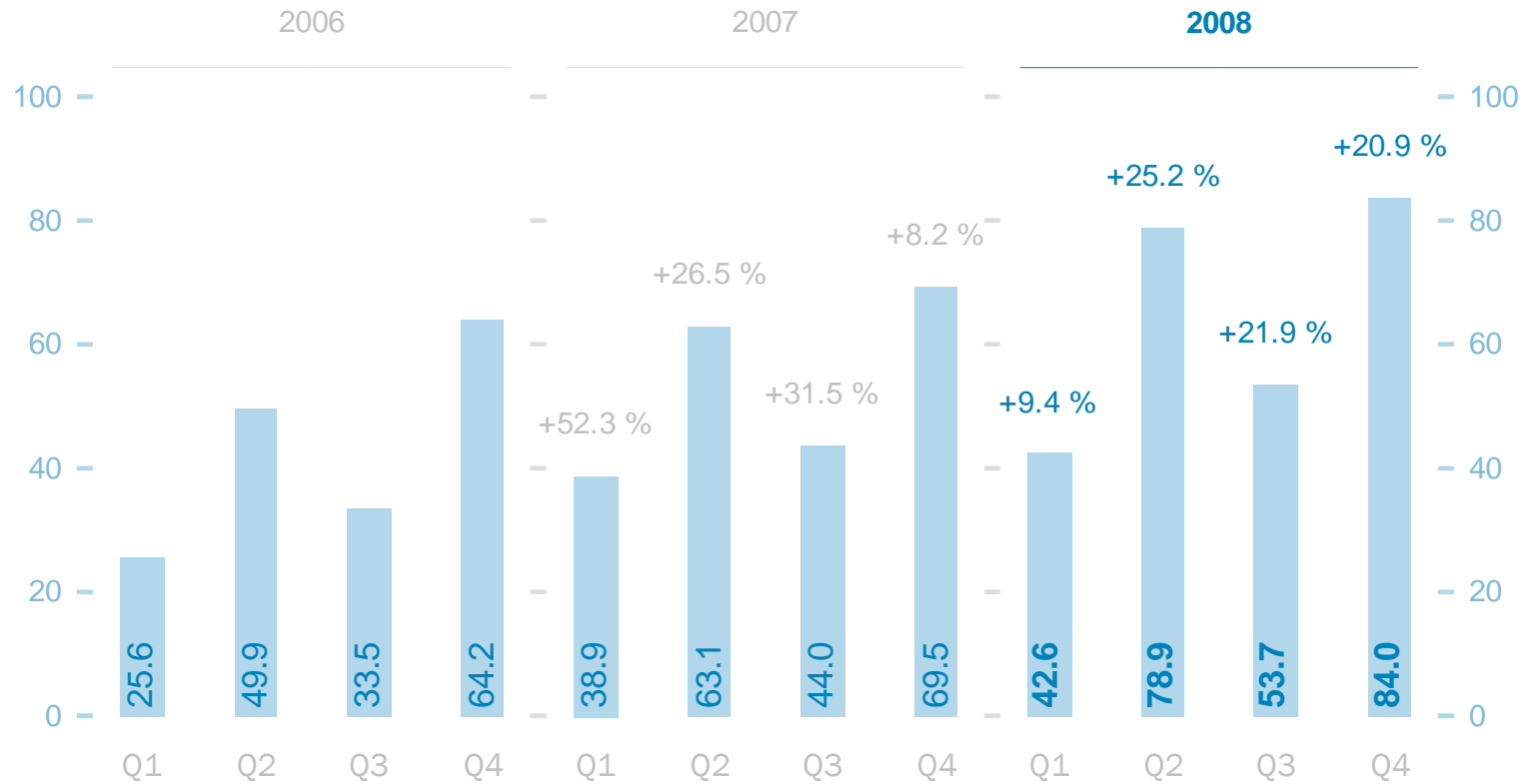
**Financials**

Outlook



# Quarterly Revenues

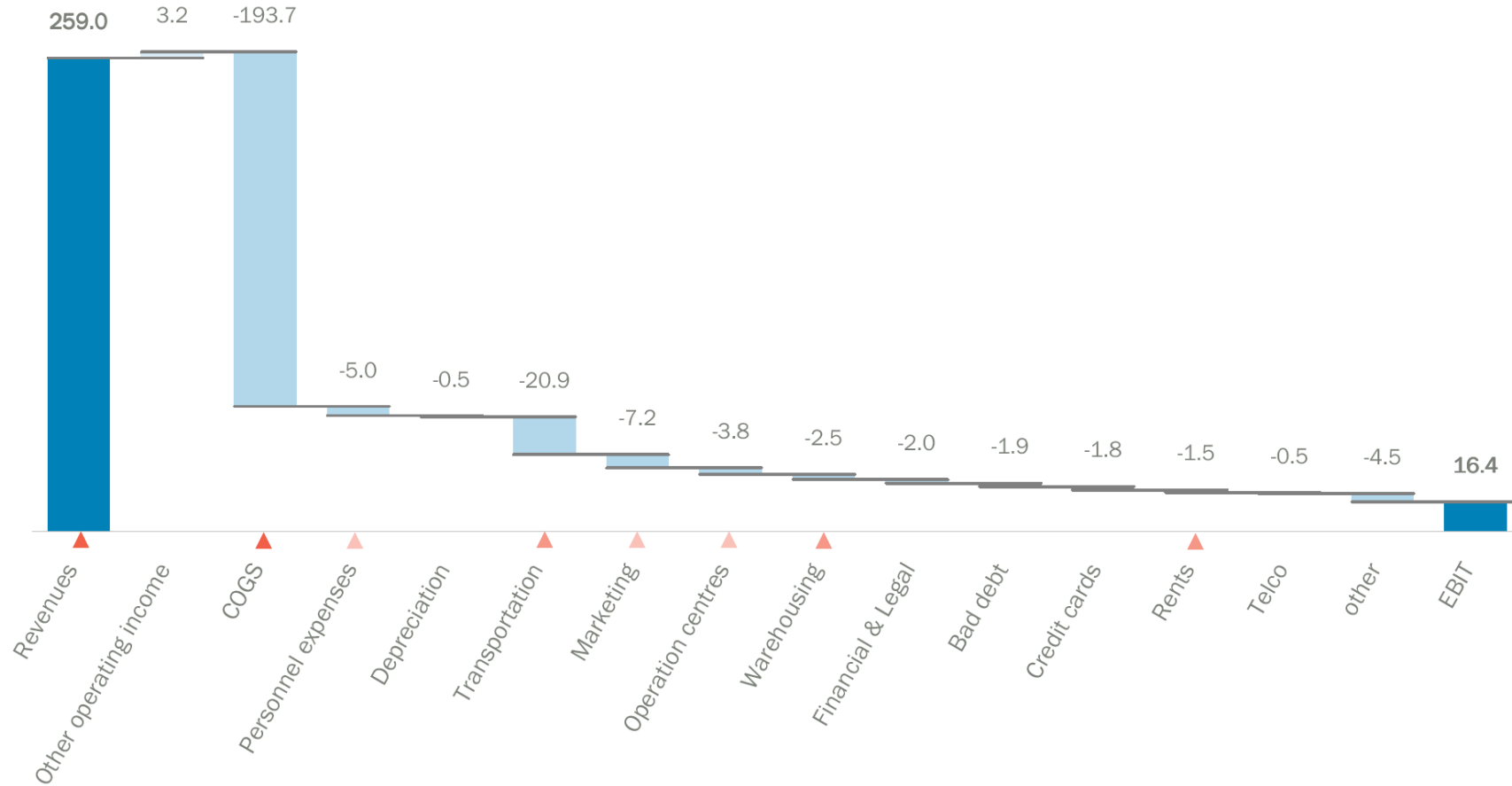
in € million



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

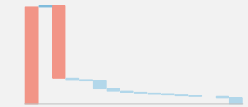
# Revenues-to-EBIT Bridge

in € million

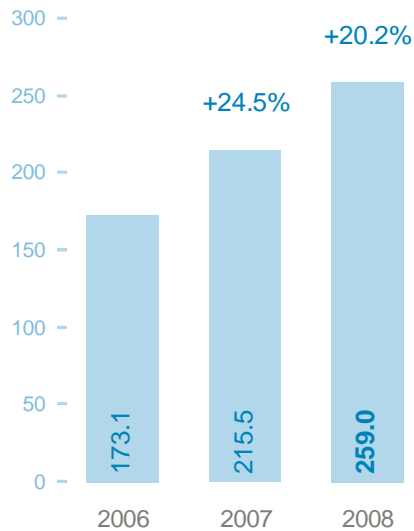


► Gross margin and operating leverage drive EBIT

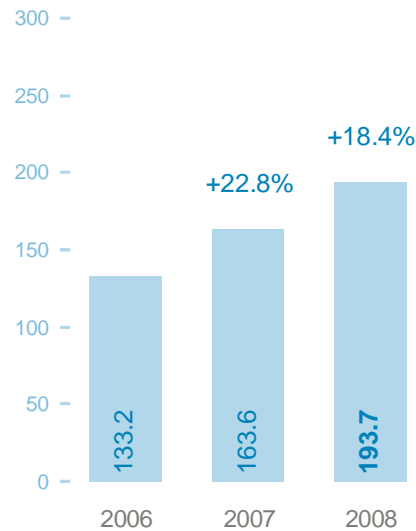
# Revenues and Gross Profit



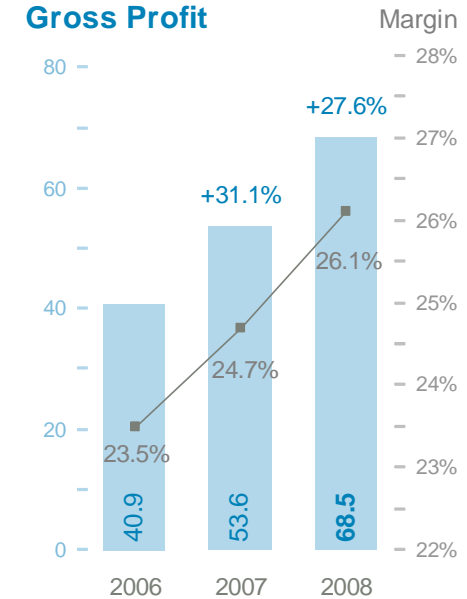
## Revenues



## Cost of Sales



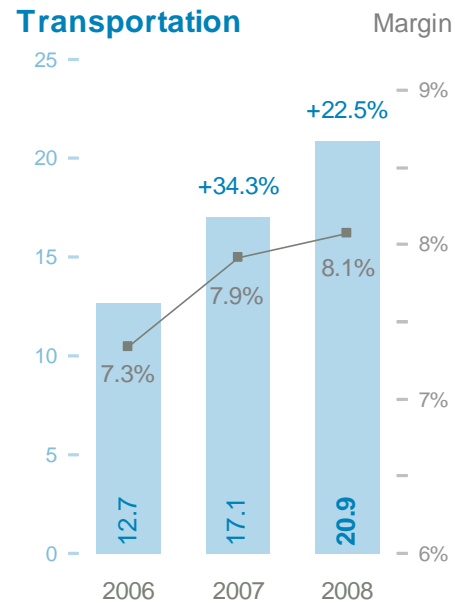
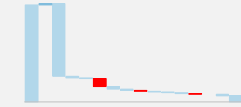
## Gross Profit



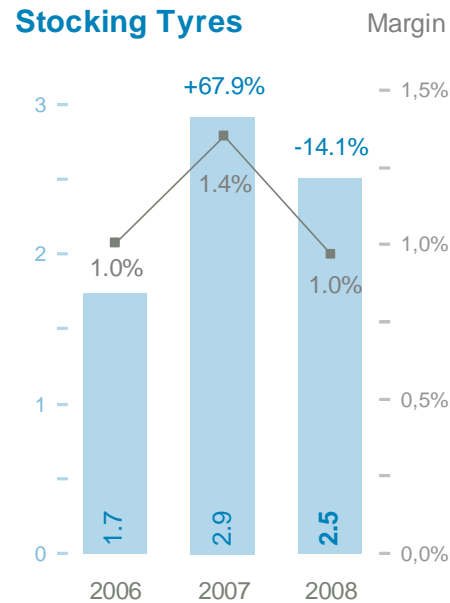
- **eCommerce:** € 237.6 million (+21.7%, '07: €195.3m)
- **Wholesale:** € 21.4 million (+5.9%, '07: €20.2 million)
- good growth in DE and other parts of EU,
- pos/neg FX effects in certain countries – hedge or accept

- **global sourcing**
- volumes sometimes depend on FX differentials (timing)
- selling tyres creates market intelligence, interesting for suppliers
- **purchasing** ⇔ **pricing**

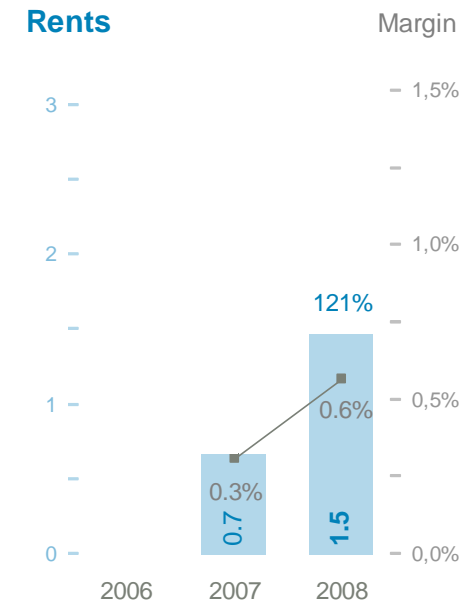
- **eCommerce** margin 26.7% (2007: 25.7%)
- **Wholesale** business 11.6% (2007: 11.9%) – strategically important, growth depends on opportunities (again FX)



- parcel services
- the longer the „relation“, the higher the costs (**absolute**)
- the higher the shopping basket value, the lower the **relative** margin impact
- more shipments to customers in non-domestic destinations

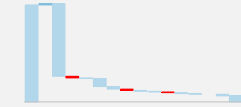


- productivity increased due to new systems and processes
- basically unchanged mix (stock-and-ship vs. drop-ship)
- since 2008 rents are not passed to Delticom anymore ...

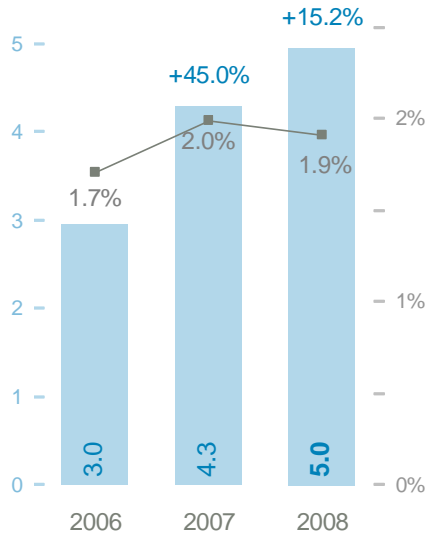


- ... because we pay them directly to the owners of the (bigger) warehouses
- more capacity to be added 2009

# Personnel (own and outsourced); Bad Debt

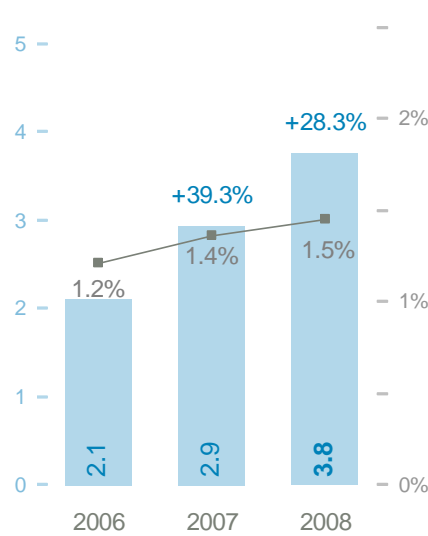


**Personnel** Margin



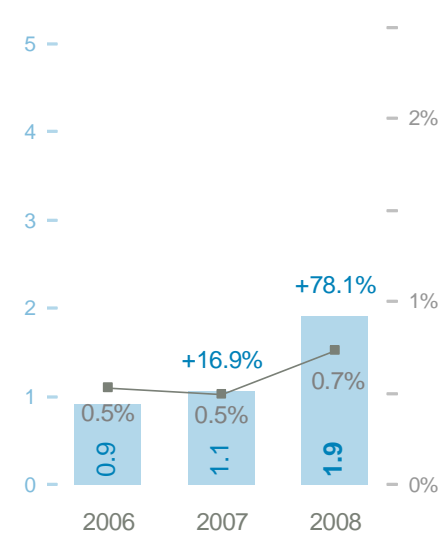
- 86 employees (2007: 78)
- low staff levels due to efficient business processes

**Operation Centres** Margin



- **outsourcing** partners for e.g. hotline, order processing
- 2008: wage levels increased, and additional parts of the value chain outsourced
- gives **flexibility** if the recession turns into a depression

**Receivable Losses** Margin



- in difficult times, **payment behaviour** worsens
- wholesale: residual losses after credit insurance
- **tightened credit management**



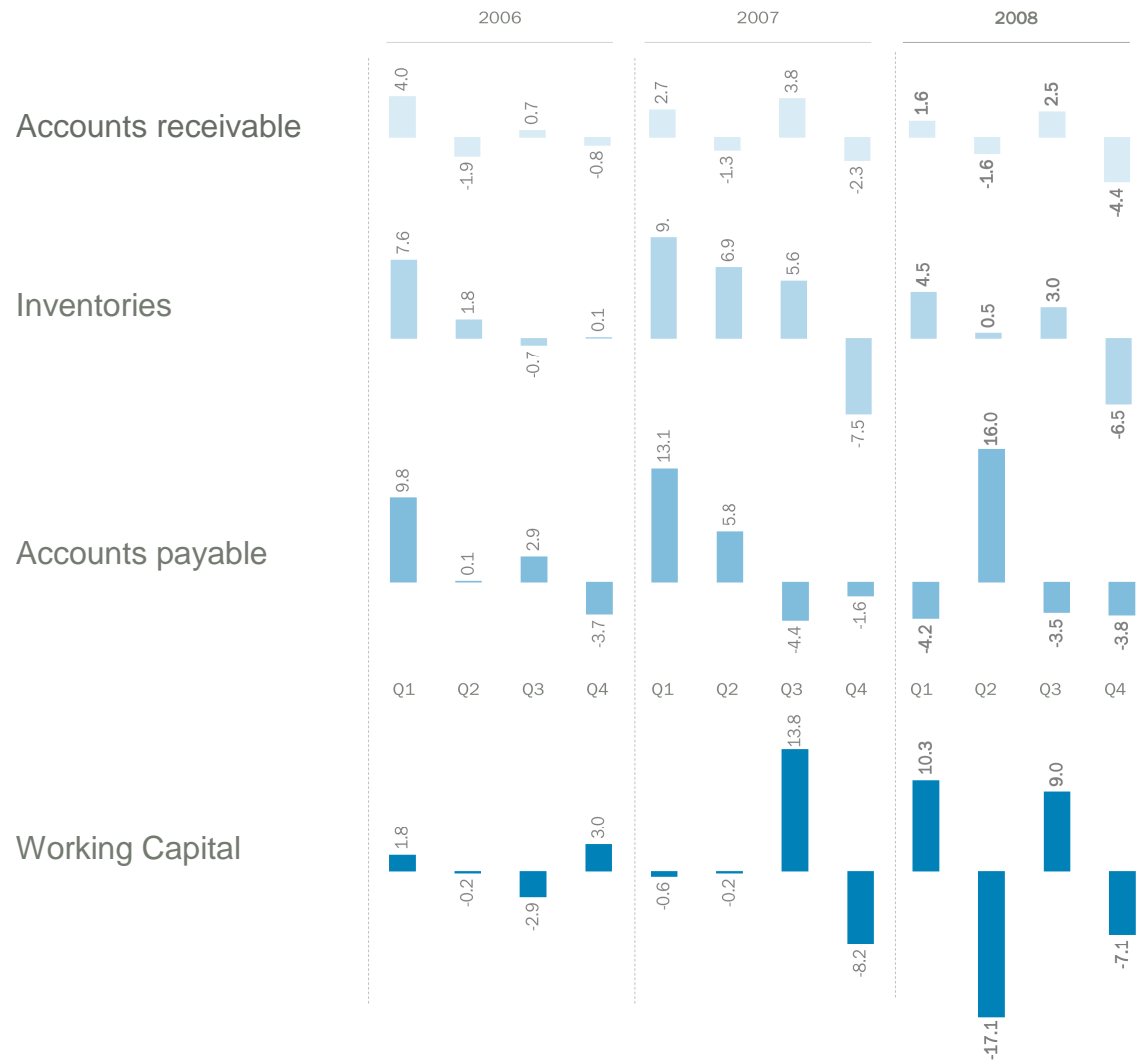
# P&L Drivers

			growth		margin %		
	2008	2007	%	factor	2008	2007	chng
<b>Revenues</b>	<b>259.0</b>	<b>215.5</b>	<b>20.2</b>	<b>1.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>
Cost of sales	193.7	163.6	18.4	0.9	74.8	75.9	-1.1
<b>Gross Profit (simple)</b>	<b>65.3</b>	<b>51.9</b>	<b>25.6</b>	<b>1.3</b>	<b>25.2</b>	<b>24.1</b>	<b>1.1</b>
Direct costs	<b>38.1</b>	<b>31.3</b>	<b>21.8</b>	<b>1.1</b>	<b>14.7</b>	<b>14.5</b>	<b>0.2</b>
Direct costs (dep. on sales)	27.2	22.9	18.6	0.9	10.5	10.6	-0.1
Transportation costs	20.9	17.1	22.5	1.1	8.1	7.9	0.2
Warehousing costs	2.5	2.9	-14.1	-0.7	1.0	1.4	-0.4
Operations centre costs	3.8	2.9	28.3	1.4	1.5	1.4	0.1
Direct costs (dep. on revenues)	10.9	8.4	30.7	1.5	4.2	3.9	0.3
Credit card fees	1.8	1.8	-0.6	0.0	0.7	0.8	-0.1
Bad debt losses	1.9	1.1	78.1	3.9	0.7	0.5	0.2
Marketing costs	7.2	5.5	31.7	1.6	2.8	2.5	0.2
<b>Contribution margin 1</b>	<b>27.2</b>	<b>20.7</b>	<b>31.4</b>	<b>1.6</b>	<b>10.5</b>	<b>9.6</b>	<b>0.9</b>
Indirect costs	10.3	8.8	16.5	0.8	4.0	4.1	-0.1
Personnel expenses	5.0	4.3	15.2	0.8	1.9	2.0	-0.1
Rents and overheads	1.5	0.7	121.4	6.0	0.6	0.3	0.3
Financial and legal costs	2.0	2.2	-6.5	-0.3	0.8	1.0	-0.2
IT and telecommunications	0.5	0.4	17.4	0.9	0.2	0.2	0.0
Other	1.3	1.2	5.1	0.3	0.5	0.6	-0.1
<b>Contribution margin 2</b>	<b>16.9</b>	<b>11.9</b>	<b>42.4</b>	<b>2.1</b>	<b>6.5</b>	<b>5.5</b>	<b>1.0</b>
FX effects	-0.8	-0.3					
Other operating profit (w/o FX gains)	0.8	1.0					
<b>EBITDA</b>	<b>16.9</b>	<b>12.6</b>	<b>34.4</b>	<b>1.7</b>	<b>6.5</b>	<b>5.8</b>	<b>0.7</b>
Depreciation / Amortization	0.5	0.3	49.3	2.4	0.2	0.2	0.0
<b>EBIT</b>	<b>16.4</b>	<b>12.3</b>	<b>34.0</b>	<b>1.7</b>	<b>6.4</b>	<b>5.7</b>	<b>0.7</b>
Net financial result	1.1	1.1	2.9	0.1			
Financial income	1.2	1.2	-5.4	-0.3			
Financial expenses	0.0	0.1	-90.1	-4.5			
<b>EBT</b>	<b>17.6</b>	<b>13.4</b>	<b>31.4</b>	<b>1.6</b>	<b>6.8</b>	<b>6.2</b>	<b>0.6</b>
Income taxes	5.9	5.0	16.3	0.8			
<b>Consolidated net income</b>	<b>11.7</b>	<b>8.3</b>	<b>40.5</b>	<b>2.0</b>	<b>4.5</b>	<b>3.9</b>	<b>0.7</b>

purchase price	50,00
direct costs	6,00
<hr/>	
	56,00
-----	
preset margin (e.g. 25%)	14,00
retail price	70,00
<hr/>	
plus VAT (e.g. Germany 19%)	13,30
gross retail price on shop website	83,30

(schematic example calculation)

# Working Capital Management



... Follow the seasonal peaks.

... Driven by sales (-) and capacity (+).  
(e.g. 2007 ramp-up)

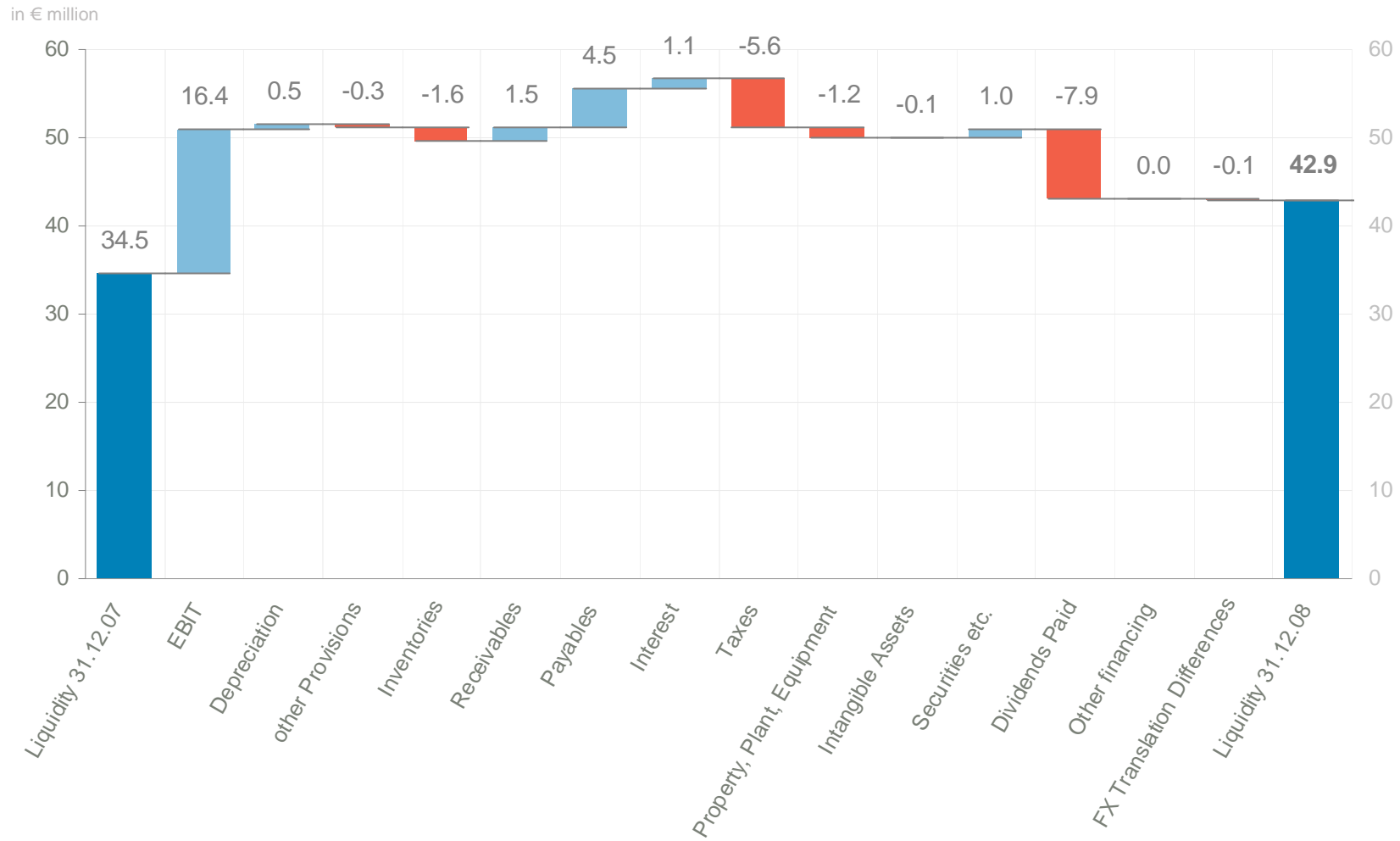
... Discretionary **payment terms**, e.g.  
Q3 07: early payment  
Q2 08: stocking for winter season

... Both + and -, with significant swings.  
**2009: Prepare for increased cash consumption (inventories, terms).**

quarterly delta in € million

► Changes in working capital reflect seasonal patterns

# Cash Bridge



► Delticom continues to be strongly self-financed

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# Outlook

- **Current trading in Q1:**
    - no snowfall in January (less winter tyres), snowfall in February (no winter tyres)
    - unusually low temperatures in March
    - still: satisfactory yoy growth
    - remember
      - Jan/Feb are months with low revenues ► no indicator for Q1
      - Q1 is quarter with lowest revenues ► no indicator for FY
      - remember base effect Q1 08
  - ... **German market (BRV)**
    - 2008: summer ↓ 4.5%, winter ↓ 3.3%
    - **2009:** summer ↓ 4%, winter ↓ 3% (revised after approval of Management Report)
  - ... “Recession” vs. “Depression”: production ↓, prices ↓, demand ↓?
  - Delticom not unaffected by recession, but other factors might (partly) offset effects:
    - Ongoing internationalization ► diversified country portfolio
    - Recession in all European countries ► customers are trading down
    - Delticom is online ► good prices, good sales, good margins
- **Revenues 2009: not more than +10%**
- **EBIT-Margin: > 6% treated as a positive surprise**

# Key Investment Highlights

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

Vielen Dank!



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