

28 March 2022

Delticom AG

Rating	Buy (Buy)
Share price (EUR)	3.63
Target price (EUR)	8.50 (16.00)
Bloomberg Sector	DEX GY Retail

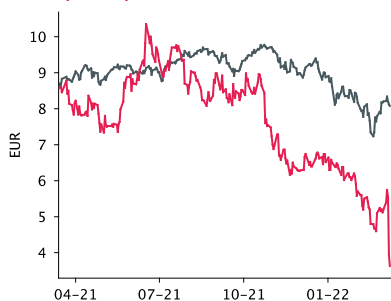
Share data

Shares out (m)	14.8
Daily volume shs (m)	0.1
Free float (%)	42.09
Market cap (EUR m)	54
EV (EUR m)	96
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	-43.3
12 months (%)	-55.9
12 months rel. (%)	-49.8
Index	SDAX

Share price performance



— Delticom AG
— Price rel. to SDAX - Price Index

Source: Bloomberg

Next triggers

10 May: Q1 results
10 May: AGM

Analysts

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Incremental improvement in margin

In the context of the solid FY 2021 results and the recent sharp share price decline we confirm our BUY recommendation on Delticom based on an updated DCF model TP of EUR 8.50 (16.00). Following key takeaways are to be mentioned: i) Group sales in FY 2021 increased by +8.2% yoy, accompanied by an EBITDA margin improvement by 14 bps yoy and EBIT margin increase by 22 bps yoy. ii) The margin improvement was driven by the focus on profitability and consistent cost management which contributed to a significant improvement in the operating result. Extraordinary expenses of EUR 4.9m incurred in connection with the restructuring, the capital increase and the conclusion of the follow-up financing were offset in FY 2021 by extraordinary income from the project business and from the sale of land totaling EUR 6.2m. While in FY 2020 extraordinary expenses of EUR 7.2m were incurred in connection with the restructuring and the associated discontinuation of operations, which were offset at the time by an earnings contribution from project developments of EUR 9.5m. iii) Net income of EUR 6.8m was slightly lower than in the previous year (2020: EUR 6.9m), mainly driven by the lower tax income in FY 2021 (EUR 1.9 vs EUR 4.3m in FY 2020). iv) The free cash flow in FY 2021 came in at EUR 21.5m thus significantly higher than in company's forecast of more than EUR 10m. v) in the context of current market risks (Ukraine war, central banks actions) we see the given FY 2022 outlook (group sales: EUR 480-520m, QPe EUR 490m, noteworthy divestment of US business in FY 2022 (FY 2021 sales of EUR 70m); EBITDA range of EUR 12-15m, QPe EUR 12m, FCF EUR >+10m; QPe EUR ~10m) as quite comprehensible.

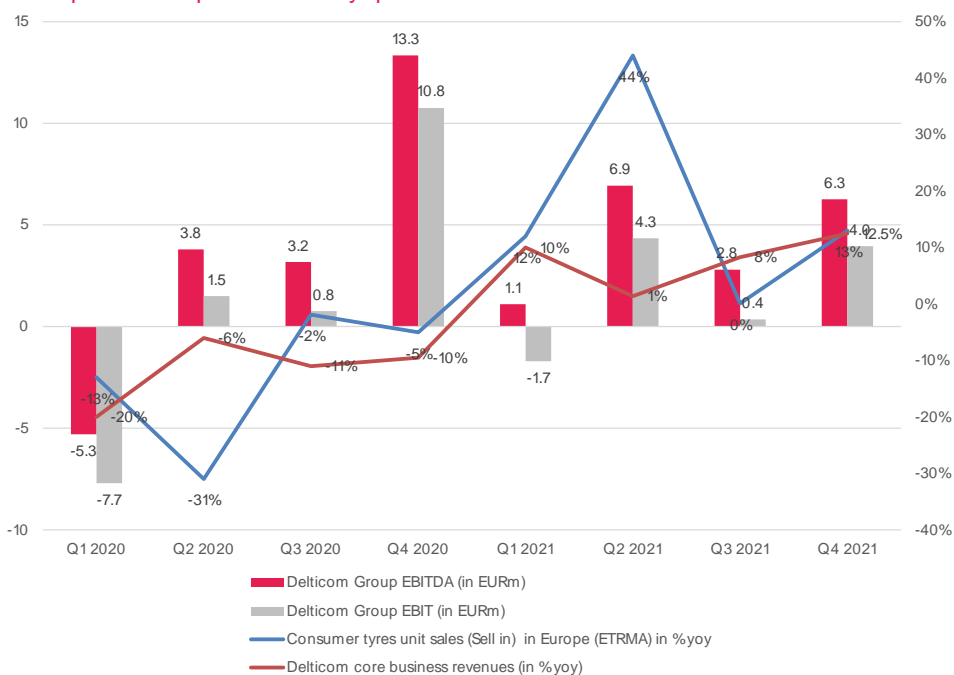
Valuation at the lower end range, it does not reflect company's restructuring success despite current challenging markets

Without question the market has so far priced in a massive correction in sales and earnings for the current year in general, however in the case of Delticom, we see a massive exaggeration because the market underestimates the fact that the company had completed its restructuring process and thus its risk/chance profile tends more to the positive side. Analyzing historical EV/EBITDA pattern Delticom shares are currently trading at the lower level (please see page 3), thus implying attractive upside potential in the mid-to long-term view. Noteworthy, the market volume in the European replacement tyre trade amounts to more than EUR 10bn p.a., the online share is currently approximately 13%. As a result Delticom is the clear market leader with online revenues of more than half a billion Euro per year in its core European tyre business.

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	541	585	490	515	545
EBITDA	EUR m	15	17	12	16	21
EBIT	EUR m	5	7	3	7	11
EPS	EUR	0.54	0.49	0.10	0.30	0.43
Sales growth	%	-13.5	8.2	-16.3	5.0	6.0
EBIT growth	%	112.7	31.8	-51.4	107.0	52.1
EPS growth	%	116.7	-9.3	-79.8	198.0	44.1
EBITDA margin	%	2.8	2.9	2.5	3.2	3.8
EBIT margin	%	1.0	1.2	0.7	1.4	2.0
Net margin	%	1.2	1.2	0.3	0.9	1.2
EV/Sales	ratio	0.25	0.28	0.20	0.18	0.16
EV/EBITDA	ratio	8.9	9.6	7.8	5.7	4.3
EV/EBIT	ratio	25.0	23.3	28.0	13.2	8.2
P/E	ratio	6.6	16.6	36.6	12.3	8.5
P/BV	ratio	3.0	2.9	1.4	1.2	1.1
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

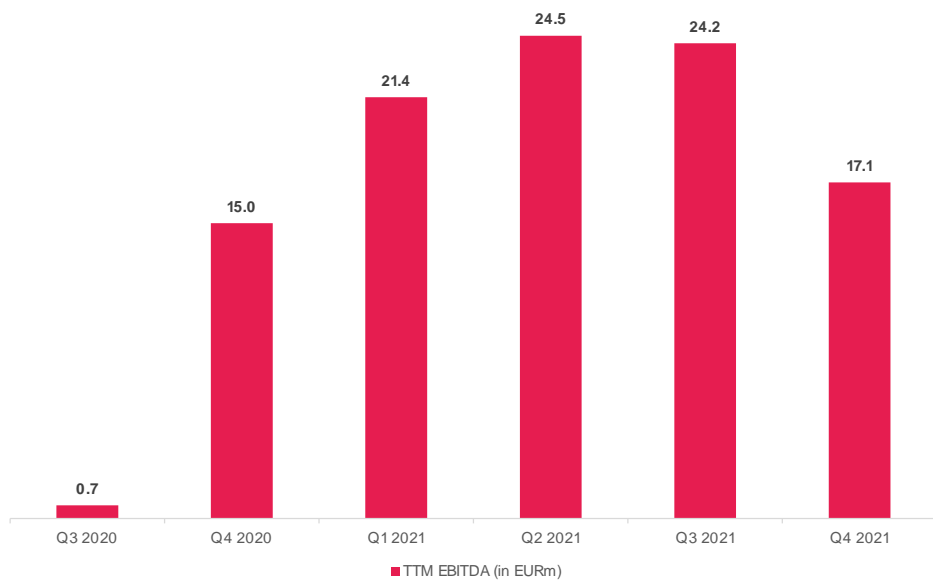
Source: Bloomberg, Company data, Quirin Privatbank estimates

Development of important KPIs by quarters



Source: Company data; ETRMA, Quirin Privatbank

Development of TTM EBITDA (in EURm)



Source: Company data; Quirin Privatbank

Valuation

Discounted Cash Flow Model

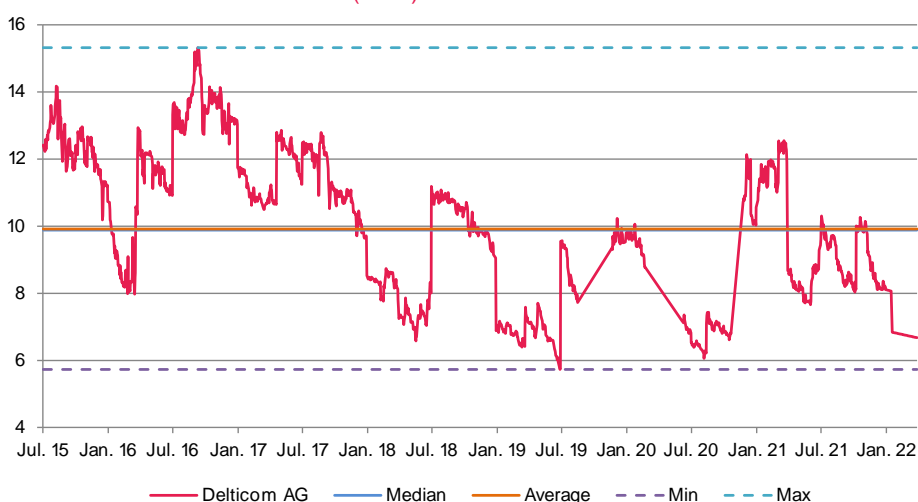
EURm	PHASE 1			PHASE 2						PHASE 3	
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	∞
Sales	490.0	514.5	545.4	577.0	609.3	642.2	675.6	709.4	730.7	745.3	
YoY growth	-16.3%	5.0%	6.0%	5.8%	5.6%	5.4%	5.2%	5.0%	3.0%	2.0%	
EBIT	3.4	7.1	10.8	13.4	16.2	17.7	19.3	21.0	21.6	22.1	
EBIT margin	0.7%	1.4%	2.0%	2.3%	2.7%	2.8%	2.9%	3.0%	3.0%	3.0%	
Income tax	0.1	-0.6	-2.2	-2.7	-3.6	-4.4	-5.3	-6.3	-6.5	-6.6	
Depreciation and amortisation	8.8	9.3	9.8	9.8	10.4	10.9	11.5	12.1	12.4	12.7	
Change in net working capital	-1.8	-2.7	-2.7	0.3	0.2	0.2	0.1	0.0	-0.3	-0.4	
Net capital expenditure	-4.4	-3.6	-3.3	-1.7	-1.8	-1.9	-8.0	-9.6	-11.2	-12.7	
Free cash flow	5.2	11.4	14.4	19.1	21.3	22.4	17.6	17.2	16.1	15.0	
Present values	4.9	10.0	11.9	14.7	15.3	15.1	11.0	10.0	8.8	7.6	119.3
Present value Phase 1	26.9										
Present value Phase 2	82.5										
Present value Phase 3	119.3										
Total present value	228.6										
+ Excess cash	4.9										
- Financial debt	-107.0										
Fair value of equity	126.5										
Number of shares (m)	14.8										
Fair value per share (EUR)	8.53										

Risk free rate	0.51%	Target equity ratio	50.0%
Equity risk premium	6.00%	Beta (fundamental)	1.70
Debt risk premium	4.00%	WACC	6.93%
Tax shield	30.0%	Terminal growth	0.5%

Sensitivity analysis						
Terminal growth (Phase 3)						
WACC	-0.5%	0.0%	0.5%	1.0%	1.5%	
5.9%	9.67	10.46	11.39	12.51	13.89	
6.4%	8.44	9.09	9.84	10.74	11.81	
6.9%	7.38	7.91	8.53	9.25	10.11	
7.4%	6.45	6.89	7.41	8.00	8.69	
7.9%	5.62	6.00	6.43	6.92	7.48	

Source: Quirin Privatbank estimates

Overview of blended EV/EBITDA (NTM) of Delticom

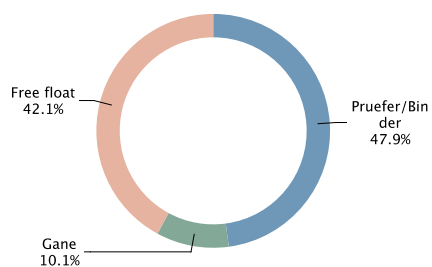


Source: Bloomberg, Quirin Privatbank

Company description

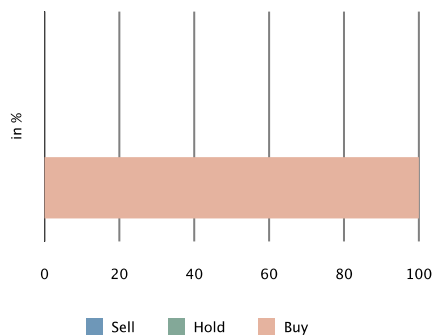
With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and around 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 359 online shops and online distribution platforms in 73 countries, serving more than 17 million customers.

Shareholder structure



Source: Company data

Recommendation Overview



Source: Bloomberg

Company guidance 2022

Sales: EUR 480-520m, EBITDA: EUR 12-15m

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	541.3	-13.5 %	585.4	8.2 %	490.0	-16.3 %	514.5	5.0 %	545.4	6.0 %
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	33.0		28.6		24.5		25.7		27.3	
Cost of goods	-418.3		-457.4		-385.6		-400.3		-422.1	
Gross profit	122.9		128.0		104.4		114.2		123.3	
Personnel expenses	-14.3		-13.4		-12.3		-13.0		-13.7	
Depreciation	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	-121.9		-121.8		-104.4		-110.6		-116.2	
EBITDA	15.0	326.6 %	17.1	13.7 %	12.3	-28.3 %	16.4	33.6 %	20.6	26.0 %
EBITDA margin (%)	2.78		2.92		2.50		3.18		3.78	
EBIT	5.4	112.7 %	7.1	31.8 %	3.4	-51.4 %	7.1	107.0 %	10.8	52.1 %
EBIT margin (%)	0.99		1.21		0.70		1.38		1.98	
Net interest	-2.8		-2.1		-2.1		-2.2		-2.3	
Income from Participations	0.0		0.0		0.0		1.0		2.0	
Net financial result	-2.8		-2.1		-2.1		-2.2		-2.3	
Exceptional items	-4.7		-4.3		0.0		0.0		0.0	
Pretax profit	2.6	-106.0 %	4.9	91.0 %	1.3	-72.8 %	4.9	264.6 %	8.5	72.6 %
Pretax margin (%)	0.48		0.85		0.28		0.95		1.56	
Taxes	4.3		1.9		0.1		-0.6		-2.2	
Tax rate (%)	-165.25		-37.72		-7.74		11.95		26.46	
Earnings after taxes	6.9		6.8		1.5		4.3		6.2	
Minorities	0.1		0.1		0.0		-0.1		-0.1	
Group attributable income	6.7	-116.7 %	6.8	0.2 %	1.5	-78.2 %	4.4	198.0 %	6.3	44.1 %
No. of shares (m)	12.5		13.8		14.8		14.8		14.8	
Earnings per share (EUR)	0.54	116.7 %	0.49	-9.3 %	0.10	-79.8 %	0.30	198.0 %	0.43	44.1 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	5.6		4.9		10.0		7.8		8.9	
Accounts receivables	19.1		16.5		17.3		17.5		17.7	
Inventories	36.9		46.6		43.3		44.2		45.1	
Other current assets	14.1		37.9		24.6		24.6		24.6	
Tax claims	0.1		0.2		0.2		0.2		0.2	
Total current assets	75.8	-23.8 %	106.0	39.9 %	95.4	-10.0 %	94.3	-1.1 %	96.4	2.3 %
Fixed assets	9.3		7.8		8.1		7.8		7.0	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	39.7		38.0		33.2		27.9		22.1	
Financial assets	15.8		11.6		11.6		11.6		11.6	
Deferred taxes	8.9		11.6		11.6		11.6		11.6	
Other fixed assets	50.4		42.5		35.5		35.5		35.5	
Total fixed assets	124.0	39.6 %	111.5	-10.1 %	100.0	-10.3 %	94.4	-5.7 %	87.8	-6.9 %
Total assets	199.8	6.1 %	217.5	8.9 %	195.4	-10.2 %	188.6	-3.5 %	184.3	-2.3 %
Equity & Liabilities										
Subscribed capital	12.5		14.8		14.8		14.8		14.8	
Reserves & other	33.7		47.7		47.7		47.7		47.7	
Revenue reserves	-32.3		-25.5		-24.1		-19.7		-13.5	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	13.8	65.8 %	37.0	168.0 %	38.4	3.9 %	42.8	11.3 %	49.0	14.6 %
Minorities	1.0		1.0		1.0		1.0		1.0	
Shareholder's equity incl. minorities	14.8	78.9 %	38.0	156.6 %	39.4	3.8 %	43.8	11.0 %	50.0	14.3 %
Long-term liabilities										
Pension provisions	0.1		0.1		0.1		0.1		0.1	
Financial liabilities	49.6		42.2		38.0		34.2		30.8	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	0.3		5.0		5.0		5.0		5.0	
Total long-term debt	50.0	68.1 %	47.4	-5.3 %	43.1	-8.9 %	39.3	-8.8 %	35.9	-8.7 %
Short-term debt										
Other provisions	2.7		3.6		3.6		3.6		3.6	
Trade payables	68.8		84.6		80.4		78.8		77.2	
Financial debt	44.5		13.9		13.2		12.5		11.9	
Other liabilities	18.9		30.1		15.7		10.7		5.7	
Total short-term debt	135.0	-10.1 %	132.1	-2.1 %	112.8	-14.6 %	105.5	-6.4 %	98.3	-6.8 %
Total equity & liabilities	199.8	6.1 %	217.5	8.9 %	195.4	-10.1 %	188.6	-3.5 %	184.3	-2.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	0.54	0.49	0.10	0.30	0.43
Book value per share	1.2	2.8	2.7	3.0	3.4
Free cash flow per share	2.8	1.5	0.2	0.2	0.3
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.25	0.28	0.20	0.18	0.16
EV/EBITDA	8.9	9.6	7.8	5.7	4.3
EV/EBIT	25.0	23.3	28.0	13.2	8.2
P/E	6.6	16.6	36.6	12.3	8.5
P/B	3.0	2.9	1.4	1.2	1.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	-13.5	8.2	-16.3	5.0	6.0
EBITDA growth (%)	326.6	13.7	-28.3	33.6	26.0
EBIT growth (%)	112.7	31.8	-51.4	107.0	52.1
EPS growth (%)	116.7	-9.3	-79.8	198.0	44.1
Profitability ratios					
EBITDA margin (%)	2.8	2.9	2.5	3.2	3.8
EBIT margin (%)	1.0	1.2	0.7	1.4	2.0
Net margin (%)	1.2	1.2	0.3	0.9	1.2
ROCE (%)	5.2	7.5	4.0	8.1	12.1
Financial ratios					
Total equity (EUR m)	13.8	37.0	38.4	42.8	50.0
Equity ratio (%)	6.9	17.0	19.7	22.7	27.0
Net financial debt (EUR m)	88.6	51.4	41.3	39.0	33.9
Net debt/Equity	0.1	0.2	0.2	0.2	0.3
Interest cover	1.9	3.3	1.6	3.2	4.7
Net debt/EBITDA	5.9	3.0	3.4	2.4	1.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-12.9	-21.6	-19.8	-17.1	-14.4
Working capital/Sales	-0.02	-0.04	-0.04	-0.03	-0.03

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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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
28.03.2022	8.50	Buy	
09.11.2021	16.00	Buy	
12.08.2021	16.00	Buy	
14.05.2021	16.00	Buy	
29.03.2021	16.00	Buy	24.11.2020

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