

16 August 2022

Delticom AG

Rating **Buy (Buy)**
Share price (EUR) **2.40**
Target price (EUR) **6.90 (8.50)**

Bloomberg **DEX GY**
Sector **Retail**

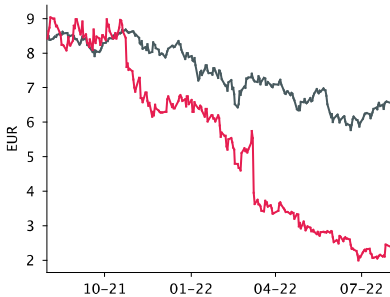
Share data

Shares out (m) 14.8
Daily volume shs (m) 0.0
Free float (%) 53.50
Market cap (EUR m) 36
EV (EUR m) 82
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -62.5
12 months (%) -72.3
12 months rel. (%) -50.0
Index SDAX

Share price performance



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

Source: Bloomberg

Next triggers

10 November: Q3 results

Analysts

Daniel Kukalj – Financial Analyst
T +49 (0) 69 2475049-28
daniel.kukalj@quirinprivatbank.de

Strong Q2 EBIT margin – Future impact by tough markets

In an extreme challenging market environment Delticom was able to increase group sales by 1.1% yoy in H1 2022, only predominantly driven by positive pricing effects. Despite moderate sales growth H1 2022 EBITDA improved yoy by EUR 0.8m to EUR 8.9m. Considering the important Trailing Twelve Months (TTM) EBITDA performance (reported EUR 17.9m) we expect the given FY 2022 EBITDA guidance might be reasonable. We forecast now FY 2022 EBITDA of EUR 13.3m (previous estimate: EUR 12.3m). Worth mentioning is that H1 2022 EBIT amounted to EUR 4.3m (py: EUR 2.7m), thus a positive improvement yoy. Q2 2022 EBIT stood at EUR 5.0m after EUR -0.7m in Q1 2022, resulting into a promising Q2 EBIT margin of 3.9% (Q2 2021: 3.0%). After H1 2022 EBIT margin was 2.0% (py: 1.1%). In the context of the weak consumer sentiment and an expected ongoing difficult environment looking forward we reduced our estimates for FY 2023 and FY 2024 (please see next page). Considering the equity book value per share of EUR 2.67 at the end of June 2022, the current valuation looks attractive in the mid- to long-term. We maintain our BUY recommendation on Delticom shares, based on a new derived DCF TP of EUR 6.90 (8.50).

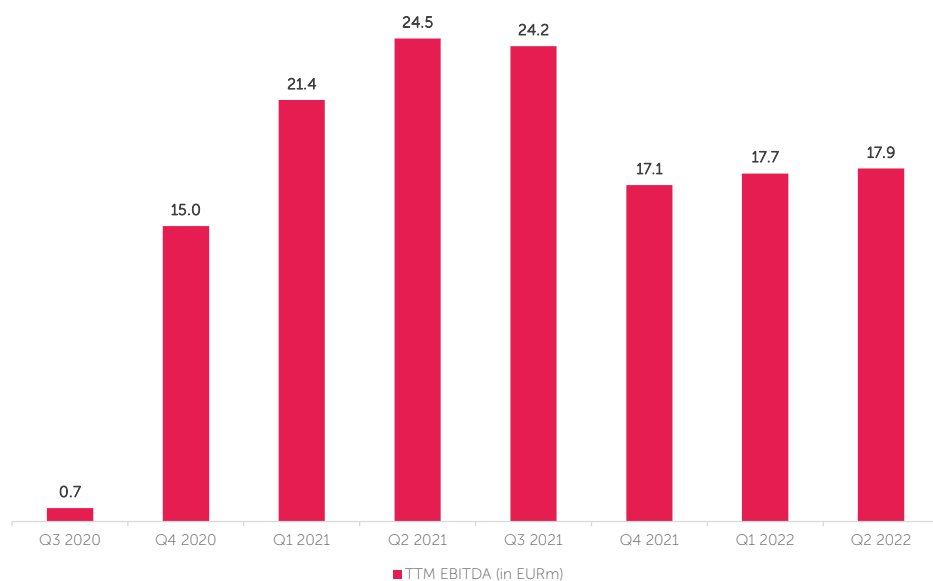
Consumer sentiment in Germany at record low – strong impact on Delticom's customer behaviour

After 2020 was already a difficult year, heavily impacted by corona virus, 2022 again shows an adverse market environment. The downward slide in German consumer sentiment did not come to an end in July due to rising inflation. Both economic and income expectations are once again in sharp decline, thus GfK forecasts -30.6 points for the consumer climate in August 2022. Since the collection of data for the whole of Germany started in 1991, the current value is the lowest that has ever been measured. In such a challenging market Delticom suffered in H1 2022 by purchase restraints. As a result in H1 2022 a total of 281 thousand existing customers (H1 2021: 331 thousand, -15.1% yoy) have once again purchased tyres in one of the Delticom Group's online shops (core business - the online trade with tyres in Europe). A total of 379 thousand (H1 2021: 455 thousand, -16.8% yoy) new customers were acquired in Europe in H1 2022. In H1 2022, the number of active buyers (new customers and repeat customers) is 16.1% lower than in the same period of the previous year.

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	541	585	490	502	532
EBITDA	EUR m	15	17	13	14	20
EBIT	EUR m	5	7	4	5	9
EPS	EUR	0.54	0.49	0.28	0.17	0.37
Sales growth	%	-13.5	8.2	-16.3	2.5	6.0
EBIT growth	%	112.7	31.8	-43.4	23.3	92.5
EPS growth	%	116.7	-9.3	-42.5	-38.9	112.3
EBITDA margin	%	2.8	2.9	2.7	2.9	3.7
EBIT margin	%	1.0	1.2	0.8	1.0	1.8
Net margin	%	1.2	1.2	0.9	0.5	1.0
EV/Sales	ratio	0.25	0.28	0.17	0.16	0.14
EV/EBITDA	ratio	8.9	9.6	6.2	5.6	3.9
EV/EBIT	ratio	25.0	23.3	20.5	16.5	8.1
P/E	ratio	6.6	16.6	8.5	13.9	6.6
P/BV	ratio	3.0	2.9	0.8	0.8	0.7
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

TTM EBITDA (in EURm) maintains on track to fulfill FY 2022 guidance



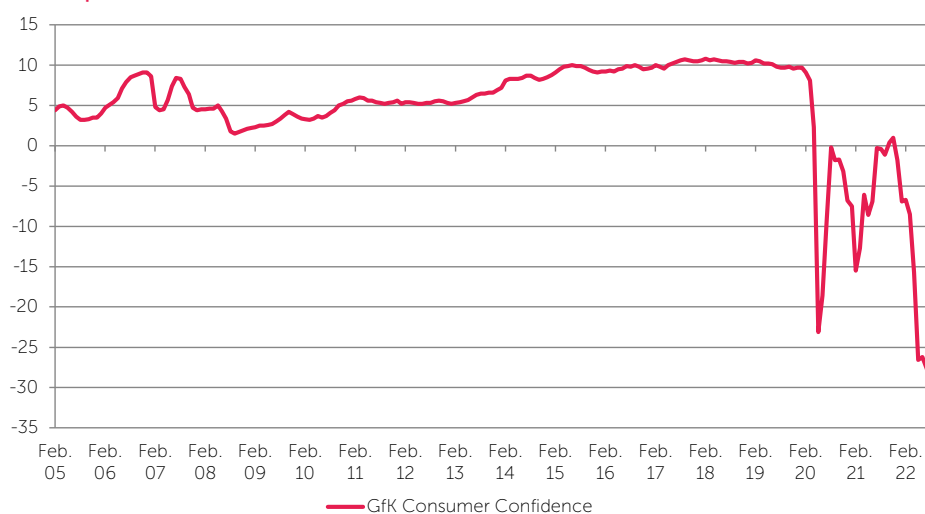
Source: Company data; Quirin Privatbank

Estimate changes

EUR m	2022e		2023e		2024e	
	old	new	old	new	old	new
Revenues	490.0	490.0	514.5	502.3	545.4	532.4
Change	0.0%		-2.4%		-2.4%	
EBITDA	12.3	13.3	16.4	14.5	20.6	19.6
Change	8.6%		-11.6%		-5.0%	

Source: Quirin Privatbank estimates

Development and forecast of German consumer confidence

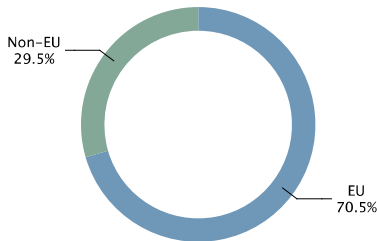


Source: Bloomberg, GfK, Quirin Privatbank

Company description

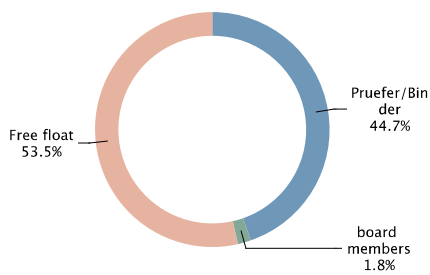
With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and around 40,000 tyre models for cars and motorcycles. 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.

Revenues by region 2021



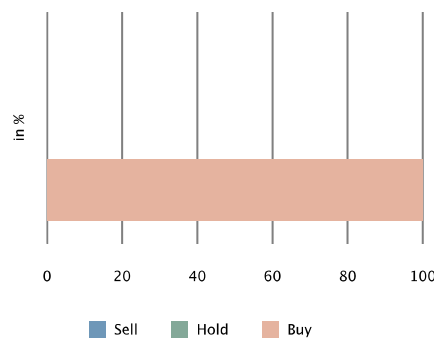
Source: Company data

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 %	502.3	2.5 %	532.4	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		36.3		25.1		26.6	
Cost of goods	-418.3		-457.4		-387.6		-392.3		-412.6	
Gross profit	122.9		128.0		102.4		110.0		119.8	
Personnel expenses	-14.3		-13.4		-14.7		-12.7		-13.4	
Depreciation	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	-121.9		-121.8		-108.3		-108.0		-113.4	
EBITDA	15.0	326.6 %	17.1	13.7 %	13.3	-22.2 %	14.5	8.7 %	19.6	35.4 %
EBITDA margin (%)	2.78		2.92		2.71		2.88		3.68	
EBIT	5.4	112.7 %	7.1	31.8 %	4.0	-43.4 %	4.9	23.3 %	9.5	92.5 %
EBIT margin (%)	0.99		1.21		0.81		0.98		1.78	
Net interest	-2.8		-2.1		-0.6		-2.1		-2.3	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-2.8		-2.1		-0.6		-2.1		-2.3	
Exceptional items	-4.7		-4.3		-2.4		0.0		0.0	
Pretax profit	2.6	-106.0 %	4.9	91.0 %	3.4	-31.2 %	2.8	-18.1 %	7.2	158.8 %
Pretax margin (%)	0.48		0.85		0.69		0.56		1.35	
Taxes	4.3		1.9		0.7		-0.3		-1.9	
Tax rate (%)	-165.25		-37.72		-21.19		9.62		25.84	
Earnings after taxes	6.9		6.8		4.1		2.5		5.3	
Minorities	0.1		0.1		-0.1		0.0		-0.1	
Group attributable income	6.7	-116.7 %	6.8	0.2 %	4.2	-38.1 %	2.6	-38.9 %	5.4	112.3 %
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 %	0.28	-42.5 %	0.17	-38.9 %	0.37	112.3 %

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		9.8		5.5		5.3	
Accounts receivables	19.1		16.5		17.9		18.2		18.4	
Inventories	36.9		46.6		55.9		57.0		58.2	
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 %	108.4	2.3 %	105.4	-2.8 %	106.6	1.1 %
Fixed assets	9.3		7.8		7.9		7.5		6.6	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	39.7		38.0		32.9		27.3		21.2	
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 %	99.5	-10.7 %	93.5	-6.1 %	86.6	-7.4 %
Total assets	199.8	6.1 %	217.5	8.9 %	207.9	-4.4 %	198.9	-4.3 %	193.2	-2.9 %
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		-21.4		-18.9		-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 %	41.1	11.2 %	43.6	6.1 %	49.0	12.3 %
Minorities	1.0		1.0		1.0		1.0		1.0	
Shareholder's equity incl. minorities	14.8	78.9 %	38.0	156.6 %	42.1	10.9 %	44.6	6.0 %	50.0	12.0 %
Long-term liabilities										
Pension provisions	0.1		0.1		0.1		0.1		0.1	
Financial liabilities	49.6		42.2		41.8		37.6		33.9	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	0.3		5.0		6.0		6.0		6.0	
Total long-term debt	50.0	68.1 %	47.4	-5.3 %	47.9	1.2 %	43.8	-8.7 %	40.0	-8.6 %
Short-term debt										
Other provisions	2.7		3.6		3.6		3.6		3.6	
Trade payables	68.8		84.6		85.5		83.7		82.1	
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 %	117.9	-10.8 %	110.5	-6.2 %	103.2	-6.6 %
Total equity & liabilities	199.8	6.1 %	217.5	8.9 %	207.9	-4.4 %	198.9	-4.3 %	193.2	-2.9 %

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	0.28	0.17	0.37
Book value per share	1.2	2.8	2.8	3.0	3.4
Free cash flow per share	2.8	1.5	-0.1	0.0	0.3
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.25	0.28	0.17	0.16	0.14
EV/EBITDA	8.9	9.6	6.2	5.6	3.9
EV/EBIT	25.0	23.3	20.5	16.5	8.1
P/E	6.6	16.6	8.5	13.9	6.6
P/B	3.0	2.9	0.8	0.8	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	-13.5	8.2	-16.3	2.5	6.0
EBITDA growth (%)	326.6	13.7	-22.2	8.7	35.4
EBIT growth (%)	112.7	31.8	-43.4	23.3	92.5
EPS growth (%)	116.7	-9.3	-42.5	-38.9	112.3
Profitability ratios					
EBITDA margin (%)	2.8	2.9	2.7	2.9	3.7
EBIT margin (%)	1.0	1.2	0.8	1.0	1.8
Net margin (%)	1.2	1.2	0.9	0.5	1.0
ROCE (%)	5.2	7.5	4.3	5.2	9.8
Financial ratios					
Total equity (EUR m)	13.8	37.0	41.1	43.6	49.0
Equity ratio (%)	6.9	17.0	19.8	21.9	25.4
Net financial debt (EUR m)	88.6	51.4	45.3	44.8	40.6
Net debt/Equity	0.1	0.2	0.2	0.2	0.3
Interest cover	1.9	3.3	6.8	2.3	4.2
Net debt/EBITDA	5.9	3.0	3.4	3.1	2.1
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-12.9	-21.6	-11.6	-8.6	-5.5
Working capital/Sales	-0.02	-0.04	-0.02	-0.02	-0.01

Source: Company data, Quirin Privatbank estimates

Legal Disclaimer

This report was completed 16/08/2022 11:54 CEST (Delegierte Verordnung 2016/958, Artikel 3 Absatz 1e)

This document has been prepared by Quirin Privatbank AG (hereinafter referred to as „the Bank“). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it. On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgments.

The document has been produced for information purposes for institutional clients or market professionals. Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

Any forecasts or price targets shown for companies discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. For investments in foreign markets and instruments there are further risks, generally based on changes in economic and political environment, changes in financial conditions of the relevant company, on exchange rate changes, etc.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

The Bank reserves all the rights in this document.

The preparation of this document is subject to regulation by German Law.

Remarks regarding to U.K. clients: Distribution of this material in the U.K. is governed by the FSA Rules. This Report is intended only for distribution to Professional Clients or Eligible Counterparties (as defined under the rules of the FSA) and is not directed at Retail Clients (as defined under the rules of the FSA).

Disclosures in respect of section 85 of the German Securities Trading Act, the market abuse regulation and the Commission Delegated Regulation (EU) 2016/958

Section 85 of the German Securities Trading Act in combination with the European regulations requires an enterprise preparing a securities analyses to point possible conflicts of interest with respect to the company that is the subject of the analyses. Catalogue of potential conflicts of interest:

1. The Bank and/or its affiliate(s) own a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company that is the subject of the Research Document, calculated in accordance with Article 3 of regulation (EU) No 236/2012 and with Chapter III and IV of Commission Delegated Regulation (EU) No 918/2012
2. The company that is the subject of the Research Document owns 5% or more in the total issued share capital of the Bank and/or its affiliate(s)
3. The Bank and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of analyzed company
4. The Bank and/or its affiliate(s) act as Market Maker or Designated Sponsor for the analyzed company
5. The Bank and/or its affiliate(s) over the previous 12 months has been providing investment banking services for the analyzed company for which a compensation has been or will be paid
6. The responsible analyst named in this report disclosed a draft of the analysis set forth in this Research Document to the company that is the subject of this Research Document for fact reviewing purposes and changes were made to this Research Document before publication
7. The Bank and/or its affiliate(s) effected an agreement with the analyzed company for the preparation of the financial analysis
8. The Bank and/or its affiliate(s) holds a trading position in shares of the analyzed company
9. The Bank and/or its affiliate(s) has other important financial interests in relation to the analyzed company

In relation to the security or financial instrument discussed in this analyses the following possible conflict of interest exists: (7)

The Bank have set up effective organizational administrative arrangements to prevent and avoid possible conflicts of interest and, where applicable, to disclose them. The Quirin research analysts involved in issuing research reports operate independently of Quirin Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of Quirin or clients to ensure the price sensitive information is treated according to applicable laws and regulations.

The valuation underlying the rating of the company analyzed in this report is based on generally accepted and widely used methods of fundamental valuation, such as the DCF model, Free Cash Flow Value Potential, peer group comparison and – where applicable – a sum-of-the-parts model.

We do not commit ourselves in advance to whether and in which intervals an update is made. The document and the recommendation and the estimations contained therein are not linked – whether directly or indirectly – to the compensation of the analyst responsible for the document.

All share prices given in this equity analysis are closing prices from the last trading day before the publication date stated, unless another point in time is explicitly stated.

The rating in this report are based on the analyst's expectation of the absolute change in stock price over a period of 6 to 12 months and reflect the analyst's view of the potential for change in stock price as a percentage. The BUY and SELL ratings reflect the analyst's expected high change in the value of the stock.

The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

Analyst certification

Daniel Kukalj, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
16.08.2022	6.90	Buy	
16.05.2022	8.50	Buy	
28.03.2022	8.50	Buy	
09.11.2021	16.00	Buy	24.11.2020

Bank distribution of ratings and in proportion to investment banking services can be found on the internet at the following address:

<https://www.quirinprivatbank.de/kapitalmarktgeschaeft/institutionelles-research>

Bank disclosures, conflict of interest on complete list of financial analysis on the last 12 month can be found on the internet at the following address:

<https://research.quirinprivatbank.de/content/disclosures>

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

Contact Quirin Privatbank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann •

Contact Details

Quirin Privatbank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinprivatbank.de

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinprivatbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinprivatbank.de
Sebastian Droste	+49 (0) 69 2475049-26	sebastian.droste@quirinprivatbank.de
Daniel Kukalj	+49 (0) 69 2475049-28	daniel.kukalj@quirinprivatbank.de
Katharina Schmenger	+49 (0) 69 2475049-61	katharina.schmenger@quirinprivatbank.de

Equity Sales	Tel.	Email
Klaus Korzilius	+49 (0) 69 2475049-25	klaus.korzilius@quirinprivatbank.de
Oliver Mattick	+49 (0) 69 2475049-74	oliver.mattick@quirinprivatbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinprivatbank.de
Bruno de Lencquesaing	+49 (0) 69 2475049-81	bruno.delencquesaing@quirinprivatbank.de
Tina Heidenreich	+49 (0) 69 2475049-73	tina.heidenreich@quirinprivatbank.de

Fixed Income Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinprivatbank.de
Janine Kaiser	+49 (0) 69 24750 49-83	janine.kaiser@quirinprivatbank.de
Michael Laufenberg	+49 (0) 69 2475049-48	michael.laufenberg@quirinprivatbank.de
Roman Piroutek	+49 (0) 69 2475049-47	roman.piroutek@quirinprivatbank.de

Trading / Sales Trading	Tel.	Email
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Lars Haussmann	+49 (0) 69 2475049-76	lars.haussmann@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de
Carsten Pfersdorf	+49 (0) 69 2475049-75	carsten.pfersdorf@quirinprivatbank.de

Business Support	Tel.	Email
Suganya Sutharsan	+49 (0) 69 2475049-88	suganya.sutharsan@quirinprivatbank.de