

16 November 2022

Delticom AG

Rating Buy (Buy)
Share price (EUR) 1.87
Target price (EUR) 3.50 (6.90)

Bloomberg DEX GY
 Sector Retail

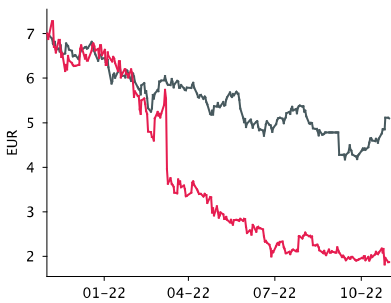
Share data

Shares out (m) 14.8
 Daily volume shs (m) 0.0
 Free float (%) 53.50
 Market cap (EUR m) 28
 EV (EUR m) 75
 DPS (EUR) 0.00
 Dividend yield (%) 0.0
 Payout ratio (%) 0.0

Performance

ytd (%) -70.8
 12 months (%) -74.2
 12 months rel. (%) -46.6
 Index SDAX

Share price performance



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

Source: Bloomberg

Next triggers

28-30 December: Equity Forum

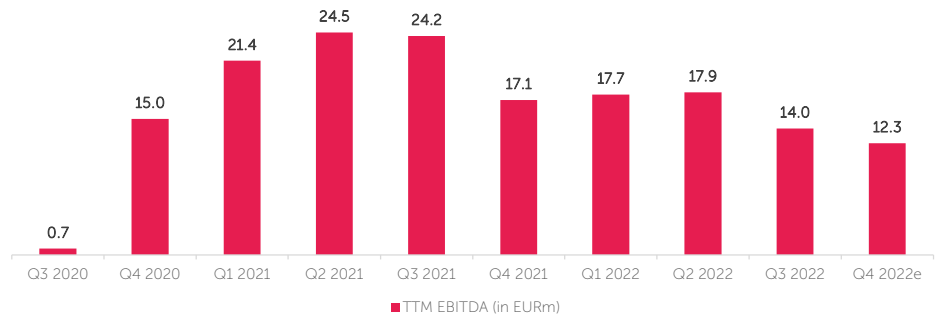
Analysts

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Mixed bag for Q3 2022

We assess the Q3 figures as a mixed bag. Although Delticom's Q3 2022 revenues in its core business increased by 11% yoy there was a disappointment on EBIT level which was with EUR -3.3m (PY: EUR +0.3m) negative. The sharp yoy deterioration is a result of the decrease in the gross profit margin, negative currency effects, severance payments, agency commissions in connection with the subleasing of warehouse space and increased marketing expenses. Due to a positive tax result of EUR 1.3m in Q3 2022, the deterioration of the net income from EUR -0.3m in Q3 2021 to EUR -2.5m in Q3 2022 is less significant than the decrease in EBIT. Nevertheless, net income for 9M 2022 was at EUR +0.3m still positive. The management confirmed its FY 2022 guidance of revenues in a range of EUR 480-520m (QPe: EUR 490m) and an operating EBITDA of EUR 12-15m (QPe: 12.3m). As usual Q4 will play a central role in terms of profitability for the full year as a whole. We continue to assess that there is some uncertainty about the business development for the coming year, and we forecast moderate sales growth of 2.5% yoy mainly driven by positive price effects. Delticom's share price has lost ytd -70% and the last twelve months -74% on value, considering our forecasted equity book value per share of EUR 2.75 for the end of Dec 2022, the current valuation looks attractive in the mid- to long-term. On our new ROE/COE valuation approach, we derive a fair value of 3.50 (6.90), therefore we see the Delticom share as oversold and confirm our BUY rating. Although the company is able to convince on top line, the target profitability margin of ~3% is a long way off.

Development and forecast of TTM EBITDA (in EURm)



Source: Company data; Quirin Privatbank

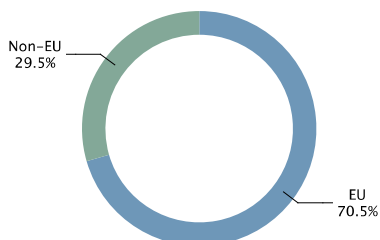
Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	541	585	490	502	532
EBITDA	EUR m	15	17	12	14	20
EBIT	EUR m	5	7	3	5	9
EPS	EUR	0.54	0.49	0.19	0.24	0.43
Sales growth	%	-13.5	8.2	-16.3	2.5	6.0
EBIT growth	%	112.7	31.8	-57.3	63.4	92.5
EPS growth	%	116.7	-9.3	-60.2	23.5	76.7
EBITDA margin	%	2.8	2.9	2.5	2.9	3.7
EBIT margin	%	1.0	1.2	0.6	1.0	1.8
Net margin	%	1.2	1.2	0.6	0.7	1.2
EV/Sales	ratio	0.25	0.28	0.15	0.15	0.13
EV/EBITDA	ratio	8.9	9.6	6.1	5.1	3.5
EV/EBIT	ratio	25.0	23.3	25.0	15.0	7.2
P/E	ratio	6.6	16.6	9.6	7.8	4.4
P/BV	ratio	3.0	2.9	0.7	0.6	0.5
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

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.

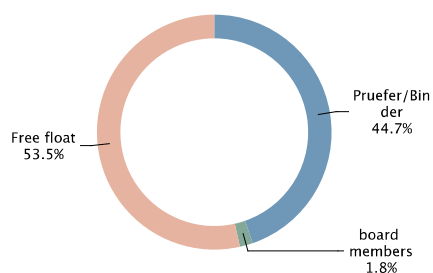
Revenues by region 2021



Source: Company data

Segment data (EUR m)

Shareholder structure



Source: Company data

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		34.3		25.1		26.6	
Cost of goods	-418.3		-457.4		-386.6		-392.3		-412.6	
Gross profit	122.9		128.0		103.4		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 %	12.3	-27.9 %	14.5	17.4 %	19.6	35.4 %
EBITDA margin (%)	2.78		2.92		2.51		2.88		3.68	
EBIT	5.4	112.7 %	7.1	31.8 %	3.0	-57.3 %	4.9	63.4 %	9.5	92.5 %
EBIT margin (%)	0.99		1.21		0.61		0.98		1.78	
Net interest	-2.8		-2.1		-0.6		-1.0		-1.0	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-2.8		-2.1		-0.6		-1.0		-1.0	
Exceptional items	-4.7		-4.3		-2.4		0.0		0.0	
Pretax profit	2.6	-106.0 %	4.9	91.0 %	2.4	-51.0 %	4.0	63.7 %	8.5	113.3 %
Pretax margin (%)	0.48		0.85		0.49		0.79		1.59	
Taxes	4.3		1.9		0.4		-0.4		-2.2	
Tax rate (%)	-165.25		-37.72		-17.63		11.22		26.46	
Earnings after taxes	6.9		6.8		2.9		3.5		6.2	
Minorities	0.1		0.1		0.0		0.0		-0.1	
Group attributable income	6.7	-116.7 %	6.8	0.2 %	2.9	-57.2 %	3.6	23.5 %	6.3	76.7 %
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 %	0.19	-60.2 %	0.24	23.5 %	0.43	76.7 %

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		8.5		5.2		5.9	
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 %	107.1	1.1 %	105.1	-1.9 %	107.2	2.0 %
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 %	206.7	-5.0 %	198.6	-3.9 %	193.8	-2.4 %
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		-22.7		-19.1		-12.9	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	13.8	65.8 %	37.0	168.0 %	39.8	7.7 %	43.4	8.8 %	49.6	14.4 %
Minorities	1.0		1.0		1.0		1.0		1.0	
Shareholder's equity incl. minorities	14.8	78.9 %	38.0	156.6 %	40.8	7.5 %	44.4	8.6 %	50.6	14.0 %
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 %	206.7	-5.0 %	198.6	-3.9 %	193.8	-2.4 %

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	0.19	0.24	0.43
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	0.1	0.3
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.25	0.28	0.15	0.15	0.13
EV/EBITDA	8.9	9.6	6.1	5.1	3.5
EV/EBIT	25.0	23.3	25.0	15.0	7.2
P/E	6.6	16.6	9.6	7.8	4.4
P/B	3.0	2.9	0.7	0.6	0.5
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	-27.9	17.4	35.4
EBIT growth (%)	112.7	31.8	-57.3	63.4	92.5
EPS growth (%)	116.7	-9.3	-60.2	23.5	76.7
Profitability ratios					
EBITDA margin (%)	2.8	2.9	2.5	2.9	3.7
EBIT margin (%)	1.0	1.2	0.6	1.0	1.8
Net margin (%)	1.2	1.2	0.6	0.7	1.2
ROCE (%)	5.2	7.5	3.2	5.2	9.8
Financial ratios					
Total equity (EUR m)	13.8	37.0	39.8	43.4	49.6
Equity ratio (%)	6.9	17.0	19.3	21.8	25.6
Net financial debt (EUR m)	88.6	51.4	46.6	45.1	40.0
Net debt/Equity	0.1	0.2	0.2	0.2	0.3
Interest cover	1.9	3.3	5.1	5.2	9.4
Net debt/EBITDA	5.9	3.0	3.8	3.1	2.0
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

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The levels of change expressed in each rating categories are:

BUY > +10%

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
16.11.2022	3.50	Buy	
16.08.2022	6.90	Buy	
16.05.2022	8.50	Buy	
28.03.2022	8.50	Buy	24.11.2020

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Competent supervisory authority

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