

3 April 2023

Delticom AG

Rating Buy (Buy)
Share price (EUR) 1.80
Target price (EUR) 2.89 (3.50)

Bloomberg Sector DEX GY Retail

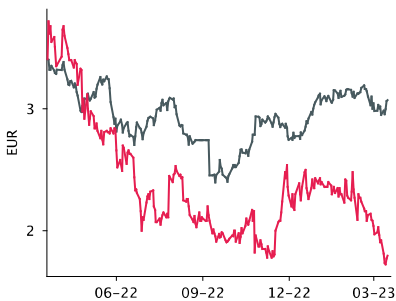
Share data

Shares out (m) 14.8
Daily volume shs (m) 0.0
Free float (%) 53.45
Market cap (EUR m) 27
EV (EUR m) 95
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -23.9
12 months (%) -47.7
12 months rel. (%) -39.0
Index SDAX

Share price performance



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

Source: Bloomberg

Next triggers

12 May: Q1 results
 21 June: AGM

Analysts

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Solid FY 2022 results, P/B below 1.0x

Despite a difficult replacement consumer tyres market in Europe which according to ETRMA decreased by 2% yoy in 2022, even with a drop of 10% yoy in H2 2022, thereof -13% yoy in Q4 2022, Delticom was able to exceed our conservative FY 2022 expectations on sales, EBITDA and EBIT level (see please chart below) and was even at the upper corridor of management's given outlook. We asses management's FY 2023 guidance (Sales: EUR 500-534m, QPe: EUR 517m; EBITDA: EUR 14-18.9m; QPe: EUR 15m) as reasonable. According to our analysis, after ROIIC was positive in FY 2022 this important KPI might be again positive in 2023, thus indicating also the effect of slight yoy margin expansion for the current year. Delticom's price-to-book ratio (0.6x) is currently significantly under the threshold of 1.0x, insolvency or break-up is rather in our view unlikely, thus we see catch-up potential for Delticom shares. A ratio of >1.0x indicates share price of more than EUR 2.89 based on our FY 2023 estimates. Applying our ROE/COE valuation approach, we derive a fair value of 2.89 (3.50), therefore we see the Delticom share unchanged as oversold and confirm our BUY rating. The sudden resignation of the CFO, who had been with the company for less than 12 months, smacks slightly of insipidness in the presentation of the annual figures.

Reported FY 2022 results vs Quirin estimates

EUR m	FY 2022 reported	FY 2021 reported	yoy	Quirin 2022 est.	delta
Revenues	509.3	585.4	-13.0%	490.0	3.9%
EBITDA	15.0	17.1	n.m.	12.3	21.8%
EBITDA margin	2.9%	2.9%	3 BP	2.5%	43 BP
EBIT	4.2	7.1	n.m.	3.0	40.2%
EBIT margin	0.8%	1.2%	-38 BP	0.6%	21 BP
Net result	2.8	6.8	n.m.	2.9	-1.4%

Source: Company data; Quirin Privatbank (estimates)

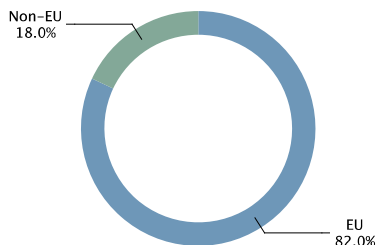
Key figures		2021	2022	2023e	2024e	2025e
Sales	EUR m	585	509	517	548	581
EBITDA	EUR m	17	15	15	18	21
EBIT	EUR m	7	4	5	7	9
EPS	EUR	0.49	0.19	0.21	0.31	0.38
Sales growth	%	8.2	-13.0	1.5	6.0	6.0
EBIT growth	%	31.8	-40.2	13.8	53.9	21.7
EPS growth	%	-9.3	-61.3	13.1	43.2	23.4
EBITDA margin	%	2.9	2.9	2.9	3.4	3.6
EBIT margin	%	1.2	0.8	0.9	1.4	1.6
Net margin	%	1.2	0.6	0.6	0.8	1.0
EV/Sales	ratio	0.28	0.23	0.18	0.16	0.14
EV/EBITDA	ratio	9.6	7.9	6.2	4.9	4.0
EV/EBIT	ratio	23.3	28.1	19.7	12.1	9.2
P/E	ratio	16.6	17.1	8.4	5.8	4.7
P/BV	ratio	2.9	1.2	0.6	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

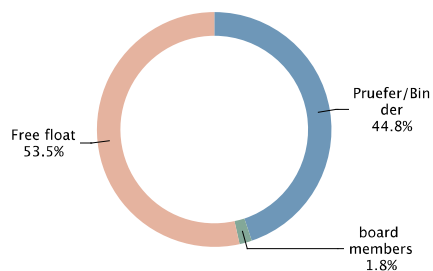
With the brand Reifendirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels. The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and over 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 351 online shops and online distribution platforms in 72 countries, serving more than 18 million customers.

Revenues by region 2022



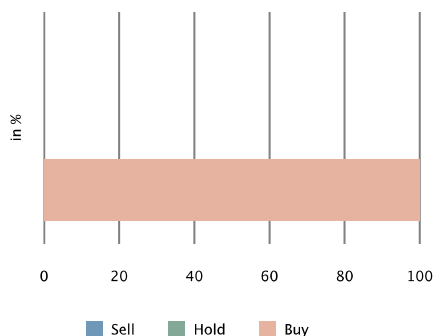
Source: Company data

Shareholder structure



Source: Company data

Recommendation Overview



Source: Bloomberg

Company guidance 2023

Group sales: EUR 500-534m; EBITDA: EUR 14.0-18.9m

Profit & loss statement

Profit & loss statement (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Sales	585.4	8.2 %	509.3	-13.0 %	516.9	1.5 %	548.0	6.0 %	580.8	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	28.6		33.6		28.4		30.1		31.9	
Cost of goods	-457.4		-399.1		-405.0		-428.5		-453.0	
Gross profit	128.0		110.2		111.9		119.5		127.8	
Personnel expenses	-13.4		-14.0		-14.1		-14.5		-15.4	
Depreciation	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	-121.8		-111.6		-111.1		-116.7		-123.7	
EBITDA	17.1	13.7 %	15.0	-12.2 %	15.1	1.0 %	18.4	21.2 %	20.6	12.3 %
EBITDA margin (%)	2.92		2.95		2.93		3.35		3.55	
EBIT	7.1	31.8 %	4.2	-40.2 %	4.8	13.8 %	7.4	53.9 %	9.0	21.7 %
EBIT margin (%)	1.21		0.83		0.93		1.35		1.55	
Net interest	-2.1		-1.0		-1.2		-1.3		-1.4	
Income from Participations	0.0		0.0		0.0		0.0		1.0	
Net financial result	-2.1		-1.0		-1.2		-1.3		-1.4	
Exceptional items	-4.3		-3.2		0.0		0.0		0.0	
Pretax profit	4.9	91.0 %	3.2	-35.7 %	3.6	12.1 %	6.1	70.5 %	7.6	25.1 %
Pretax margin (%)	0.85		0.62		0.69		1.11		1.31	
Taxes	1.9		-0.4		-0.4		-1.5		-2.0	
Tax rate (%)	-37.72		11.66		10.79		25.07		26.06	
Earnings after taxes	6.8		2.8		3.2		4.6		5.6	
Minorities	0.1		0.0		0.0		0.0		0.0	
Group attributable income	6.8	0.2 %	2.8	-58.3 %	3.2	13.1 %	4.6	43.2 %	5.6	23.4 %
No. of shares (m)	13.8		14.8		14.8		14.8		14.8	
Earnings per share (EUR)	0.49	-9.3 %	0.19	-61.3 %	0.21	13.1 %	0.31	43.2 %	0.38	23.4 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Assets										
Cash and cash equivalents	4.9		3.0		2.1		3.6		6.9	
Accounts receivables	16.5		17.2		17.4		17.6		17.8	
Inventories	46.6		43.3		44.2		45.1		46.0	
Other current assets	37.9		11.9		11.9		11.9		11.9	
Tax claims	0.2		0.1		0.1		0.1		0.1	
Total current assets	106.0	39.9 %	75.5	-28.7 %	75.7	0.2 %	78.4	3.5 %	82.8	5.6 %
Fixed assets	7.8		8.7		8.1		7.1		9.4	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	38.0		37.2		31.1		24.5		14.0	
Financial assets	11.6		13.6		13.6		13.6		13.6	
Deferred taxes	11.6		11.0		11.0		11.0		11.0	
Other fixed assets	42.5		49.1		49.1		49.1		49.1	
Total fixed assets	111.5	-10.1 %	119.7	7.3 %	112.9	-5.6 %	105.3	-6.8 %	97.1	-7.7 %
Total assets	217.5	8.9 %	195.2	-10.2 %	188.6	-3.4 %	183.6	-2.6 %	179.9	-2.0 %
Equity & Liabilities										
Subscribed capital	14.8		14.8		14.8		14.8		14.8	
Reserves & other	47.7		47.5		47.5		47.5		47.5	
Revenue reserves	-25.5		-22.7		-19.5		-15.0		-9.3	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	37.0	168.0 %	39.7	7.2 %	42.9	8.0 %	47.4	10.6 %	53.0	11.9 %
Minorities	1.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	38.0	156.6 %	39.7	4.4 %	42.9	8.0 %	47.4	10.6 %	53.0	11.9 %
Long-term liabilities										
Pension provisions	0.1		0.1		0.1		0.1		0.1	
Financial liabilities	42.2		51.0		48.4		46.0		43.7	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	5.0		6.0		6.0		6.0		6.0	
Total long-term debt	47.4	-5.3 %	57.1	20.5 %	54.5	-4.5 %	52.1	-4.4 %	49.8	-4.4 %
Short-term debt										
Other provisions	3.6		3.8		3.8		3.8		3.8	
Trade payables	84.6		53.9		52.8		51.7		50.7	
Financial debt	13.9		22.6		21.5		20.4		19.4	
Other liabilities	30.1		18.1		13.1		8.1		3.1	
Total short-term debt	132.1	-2.1 %	98.4	-25.5 %	91.2	-7.3 %	84.1	-7.8 %	77.1	-8.4 %
Total equity & liabilities	217.5	8.9 %	195.2	-10.2 %	188.6	-3.4 %	183.6	-2.6 %	179.9	-2.0 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2021	2022	2023e	2024e	2025e
Per share data (EUR)					
EPS	0.49	0.19	0.21	0.31	0.38
Book value per share	2.8	2.7	2.9	3.2	3.6
Free cash flow per share	1.1	-0.5	0.2	0.3	0.4
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.28	0.23	0.18	0.16	0.14
EV/EBITDA	9.6	7.9	6.2	4.9	4.0
EV/EBIT	23.3	28.1	19.7	12.1	9.2
P/E	16.6	17.1	8.4	5.8	4.7
P/B	2.9	1.2	0.6	0.6	0.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	8.2	-13.0	1.5	6.0	6.0
EBITDA growth (%)	13.7	-12.2	1.0	21.2	12.3
EBIT growth (%)	31.8	-40.2	13.8	53.9	21.7
EPS growth (%)	-9.3	-61.3	13.1	43.2	23.4
Profitability ratios					
EBITDA margin (%)	2.9	2.9	2.9	3.4	3.6
EBIT margin (%)	1.2	0.8	0.9	1.4	1.6
Net margin (%)	1.2	0.6	0.6	0.8	1.0
ROCE (%)	7.5	3.6	4.1	6.4	7.8
Financial ratios					
Total equity (EUR m)	37.0	39.7	42.9	47.4	53.0
Equity ratio (%)	17.0	20.3	22.7	25.8	29.5
Net financial debt (EUR m)	51.4	70.7	68.0	62.9	56.3
Net debt/Equity	0.2	0.2	0.2	0.3	0.3
Interest cover	3.3	4.1	3.9	5.6	6.5
Net debt/EBITDA	3.0	4.7	4.5	3.4	2.7
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-21.6	6.7	8.8	11.0	13.1
Working capital/Sales	-0.04	0.01	0.02	0.02	0.02

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
03.04.2023	2.89	Buy	
16.11.2022	3.50	Buy	
16.08.2022	6.90	Buy	
16.05.2022	8.50	Buy	24.11.2020

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Competent supervisory authority

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