

## Delticom (DEX GY) | Retail

November 13, 2024

### Q3/24: All eyes on the winter tyre business in Q4

Delticom reported Q3/24 results yesterday. Top-line was up 9.5% yoy in the third quarter, driven by an acceleration in both the EU (+10% yoy) and non-EU (+8% yoy) business. Indeed, on their Q3 call, Continental (Hold, PT: EUR74, covered by Pál Skirta) spoke of improving passenger vehicle replacement sell-in, especially in Europe, North America and China, while also having pointed to first signs of stabilisation in the European & North American truck tyre replacement market. With the release, Delticom confirmed its FY24 outlook (EUR450-470mn in reported sales and an operating EBITDA of EUR19-21mn). To meet the lower end of the guidance, Delticom needs to post EUR131mn in sales, -27% yoy along with an operating EBITDA of EUR8.4mn, implying a margin of 6.4% (flat yoy) in Q4/24. While the top-line outlook appears more than achievable, we are mindful that the performance in the final quarter will largely depend on the winter tyre business, which carries higher margins than summer tyres, according to our estimates. Given that we don't expect comparable volumes relative to Q4 of last year, we see limited upside to consensus forecasts at this stage and hence remain on the sidelines for now with an unchanged price target of EUR2.30.

**Risks to our rating:** 1) strong than expected sales acceleration as on-line penetration expands more rapidly and 2) weaker macro

**Valuation:** We continue to value Delticom using a peer multiple approach (PT: EUR2.30)

Fundamentals (in EUR m) <sup>1</sup>	2021	2022	2023	2024e	2025e	2026e
Sales	585	509	476	460	476	490
EBITDA	17	15	21	19	21	23
EBIT	7	4	12	10	12	13
EPS adj. (EUR)	0.46	0.19	0.54	0.37	0.47	0.54
DPS (EUR)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (EUR)	2.49	2.68	3.21	3.59	4.06	4.60
Net Debt incl. Provisions	51	71	48	45	42	37
Ratios <sup>1</sup>	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	8.6	7.0	3.9	4.1	3.5	3.1
EV/EBIT	20.7	25.0	7.0	8.0	6.4	5.4
P/E adj.	14.1	12.4	4.1	6.2	4.8	4.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	2.9	2.9	4.3	4.1	4.5	4.7
EBIT margin (%)	1.2	0.8	2.4	2.1	2.5	2.7
Net debt/EBITDA	3.0	4.7	2.3	2.4	2.0	1.6
PBV	2.6	0.9	0.7	0.6	0.6	0.5

<sup>1</sup>Sources: Bloomberg, Metzler Research

**Hold**
 **unchanged**
**Price\*** **EUR 2.28**
**Price target** **EUR 2.30 (unchanged)**

\* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) <sup>1</sup>	34
Enterprise Value (EUR m) <sup>1</sup>	79
Free Float (%) <sup>1</sup>	53.0



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-10.9	-0.9	7.0
Rel. to Prime All Share	-9.4	-7.1	-11.9
Changes in estimates (in %) <sup>1</sup>	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	-0.9	-0.6

#### Sponsored Research


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# company note

## Q3/24: in line results. FY24 outlook confirmed

### Headline results

Delticom reported Q3/24 results yesterday. Top-line was in line with our forecast and the FY24 outlook, calling for EUR450-470mn in reported sales and an operating EBITDA of EUR19-21mn, was confirmed. Although the lower end of Delticom's top-line guidance implies an undemanding EUR131mn for Q4/24, Delticom needs to post an operating EBITDA of EUR8.4mn, implying a 6.4% margin, flat yoy to reach the lower end of its FY24 guidance. Given that the performance in the final quarter will largely depend on the winter tyre business, which we do not expect to be on the same level as last year, we currently see limited upside to consensus forecasts.

### Sales

Q3 sales increased by 9.5% yoy to EUR107mn, which was driven by an accelerating EU (+10% yoy) and non-EU business (+8%). We presume that Delticom benefited from positive tyre demand dynamics as echoed by Continental (Hold, PT: EUR74, covered by Pál Skirta) during their Q3 conference call. First, Continental remarked that it capitalised on improving passenger vehicle replacement sell-in, which was especially true for Europe, North America and China. Second, we have been given to understand that Continental is seeing first signs of a stabilisation in the European and North American truck tyre replacement market.

### Gross profit margin (excluding operating income)

The gross margin increased to 26.0%, +410bps yoy in Q3 on the back of a change in the sales mix and adjusted sales management mechanism vs. 2023.

### EBITDA

EBITDA declined to EUR0.8mn, implying a 0.7% margin, -200bps yoy in the third quarter, reflecting extraordinary costs given warehouse re-location in Hanover.

### Guidance for FY24

The FY24 outlook, calling for sales between EUR450-470mn and an operating EBITDA of EUR19-21mn, was confirmed with the release.

### Q3/9M 24 figures for Delticom

	Q3/23	Q3/24	9M/23	9M/24
<b>GMV</b>	<b>117</b>	<b>130</b>	<b>361</b>	<b>389</b>
<i>% change</i>	-15%	11%	-8%	8%
<b>Sales</b>	<b>98</b>	<b>107</b>	<b>295</b>	<b>319</b>
<i>% change</i>	-18%	10%	-13%	8%
<b>Gross profit</b>	<b>27,1</b>	<b>30,0</b>	<b>89,8</b>	<b>96,4</b>
<i>Gross profit margin</i>	21,9%	26,0%	22,6%	26,3%
<b>EBITDA</b>	<b>2,6</b>	<b>0,8</b>	<b>9,4</b>	<b>8,6</b>
<i>EBITDA margin</i>	2,7%	0,7%	3,2%	2,7%
<b>EBIT</b>	<b>0,2</b>	<b>-1,6</b>	<b>3,4</b>	<b>1,2</b>
<i>EBIT margin</i>	0,2%	-1,5%	1,2%	0,4%
<b>Net income</b>	<b>-0,2</b>	<b>-1,6</b>	<b>1,3</b>	<b>-1,5</b>
<b>EPS</b>	<b>-0,01</b>	<b>-0,10</b>	<b>0,09</b>	<b>-0,10</b>

Source: Metzler Research

## Guidance for FY24

### FY24 outlook vs BBG consensus

As a reminder, Delticom calls for sales between EUR450-470mn and an operating EBITDA of EUR19-21mn in FY24. Translating this into actual forecasts, BBG consensus is marginally above the mid-point on top-line, while expecting Delticom to come in slightly below the lower end of the operating EBITDA guidance.

### Outlook 2024

EURmn	Low	Mid	High
<b>Sales 2023</b>	<b>476</b>	<b>476</b>	<b>476</b>
<i>Sales growth rep.</i>	-5%	-3%	-1%
<b>Sales 2024 impl.</b>	<b>450</b>	<b>460</b>	<b>470</b>
<i>BBG consensus, 12.11</i>	<b>461</b>	<b>461</b>	<b>461</b>
<i>Delticom vs BBG</i>	-2%	0%	2%
<b>Operating EBITDA</b>	<b>19</b>	<b>20</b>	<b>21</b>
<i>Operating EBITDA margin %</i>	4,2%	4,3%	4,5%
<i>BBG consensus, 12.11</i>	<b>19</b>	<b>19</b>	<b>19</b>
<i>Delticom vs BBG</i>	1%	7%	12%

Source: Metzler Research, Bloomberg

### What Delticom needs to deliver to meet its FY24 guidance

After having translated Delticom's guidance into actual forecasts in the outlook chart above, we calculate the level of Group sales and operating EBITDA required in Q4/24 to deliver on the lower end of the FY24 guidance.

On top-line, this would imply EUR450mn in sales and an operating EBITDA of EUR19mn for the full-year. Given what we have seen in 9M/24, reaching the lower end of Delticom's FY24 guidance would require EUR131mn, -27% yoy reported sales, while operating EBITDA would need to come in at EUR8.4mn, implying a 6.4% margin in Q4 (flat vs. Q4/23). While top-line guidance looks undemanding, we do not expect comparable winter tyre demand this year as seen in Q4/23. This is an important implication for the operating EBITDA performance, given that winter (and also the all-season tyres) tend to have a higher margin compared to summer tyres, according to our calculations.

### What Delticom needs to deliver in Q4/24 to meet the FY24 guidance

EURmn	9M/24	Low		Mid		High	
		Q4/24	FY24E	Q4/24	FY24E	Q4/24	FY24E
<b>Sales</b>	<b>319</b>	<b>131</b>	<b>450</b>	<b>141</b>	<b>460</b>	<b>151</b>	<b>470</b>
<i>% change yoy</i>	8%	-27%	-5%	-22%	-3%	-16%	-1%
<b>Operating EBITDA</b>	<b>10,6</b>	<b>8,4</b>	<b>19,0</b>	<b>9,4</b>	<b>20,0</b>	<b>10,4</b>	<b>21,0</b>
<i>Operating EBITDA margin</i>	3,3%	6,4%	4,2%	6,7%	4,3%	6,9%	4,5%

Source: Metzler Research

# company note

## Valuation

We continue to value Delticom using a peer multiple approach. Our valuation includes Polish tire company Oponeo, which is currently trading at a EV/EBITDA for FY25 of 8.8x. In our view, a certain discount for Delticom is applicable. First, the company remarked that it does not expect a similarly strong winter tire business in FY24 as seen in FY23. Second, the operating EBITDA outlook of EUR19-21mn suggests a certain degree of operational deleverage. Thus, we apply a 25% discount. This drives our price target of EUR2.30.

**Our view on Delticom - structural drivers intact, but executional evidence required for re-rating**

We continue to remain on the sidelines for now. Looking ahead beyond FY24, as OEMs are increasingly driving omni-channel, thus allowing their customers to buy vehicles both online and offline, this may lead to a relatively higher share of consumers buying tyres online. However, up until material evidence of the aforementioned trends, Delticom remains a 'show me' story to us.

# company note

## Key Data

### Company profile

CEO: Andreas Prüfer

CFO: Melanie Becker

Hanover, Germany

Delticom is Europe's leading online tire retailer. The company operates >300 online shops and sales platforms in >70 countries worldwide, including ReifenDirekt and Tirendo. The customer can choose between home delivery and delivery to one of ca. 38.000 service partners worldwide.

### Major shareholders

Prüfer/Binder (50.04%)

### Key figures

P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
<b>Sales</b>	<b>585</b>	<b>8.2</b>	<b>509</b>	<b>-13.0</b>	<b>476</b>	<b>-6.6</b>	<b>460</b>	<b>-3.3</b>	<b>476</b>	<b>3.4</b>	<b>490</b>	<b>3.0</b>
<b>EBITDA</b>	<b>17</b>	<b>13.7</b>	<b>15</b>	<b>-12.2</b>	<b>21</b>	<b>37.6</b>	<b>19</b>	<b>-7.5</b>	<b>21</b>	<b>12.1</b>	<b>23</b>	<b>7.5</b>
EBITDA margin (%)	2.9	5.1	2.9	0.9	4.3	47.3	4.1	-4.3	4.5	8.4	4.7	4.4
<b>EBIT</b>	<b>7</b>	<b>31.8</b>	<b>4</b>	<b>-40.2</b>	<b>12</b>	<b>172.7</b>	<b>10</b>	<b>-14.1</b>	<b>12</b>	<b>20.2</b>	<b>13</b>	<b>11.2</b>
EBIT margin (%)	1.2	21.8	0.8	-31.2	2.4	191.9	2.1	-11.2	2.5	16.3	2.7	8.0
<b>Financial result</b>	<b>-2</b>	<b>23.6</b>	<b>-1</b>	<b>50.7</b>	<b>-1</b>	<b>-32.1</b>	<b>-2</b>	<b>-51.0</b>	<b>-2</b>	<b>7.3</b>	<b>-2</b>	<b>7.9</b>
<b>EBT</b>	<b>5</b>	<b>91.0</b>	<b>3</b>	<b>-35.6</b>	<b>10</b>	<b>218.7</b>	<b>8</b>	<b>-23.0</b>	<b>10</b>	<b>27.5</b>	<b>11</b>	<b>14.9</b>
Taxes	-2	56.4	0	119.9	2	470.6	2	10.7	3	27.5	3	14.9
Tax rate (%)	-37.7	n.a.	11.7	n.a.	20.9	n.a.	30.0	n.a.	30.0	n.a.	30.0	n.a.
Net income	7	-0.8	3	-58.7	8	185.4	5	-31.8	7	27.5	8	14.9
Minority interests	0	-53.7	0	-100.0	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Net Income after minorities</b>	<b>7</b>	<b>0.2</b>	<b>3</b>	<b>-58.3</b>	<b>8</b>	<b>185.4</b>	<b>5</b>	<b>-31.8</b>	<b>7</b>	<b>27.5</b>	<b>8</b>	<b>14.9</b>
Number of shares outstanding (m)	15	18.6	15	0.0	15	0.0	15	0.0	15	0.0	15	0.0
<b>EPS adj. (EUR)</b>	<b>0.46</b>	<b>-15.5</b>	<b>0.19</b>	<b>-58.3</b>	<b>0.54</b>	<b>185.4</b>	<b>0.37</b>	<b>-31.8</b>	<b>0.47</b>	<b>27.5</b>	<b>0.54</b>	<b>14.9</b>
<b>DPS (EUR)</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>
Dividend yield (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>	<b>2026e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>18</b>	<b>49.7</b>	<b>13</b>	<b>-27.2</b>	<b>22</b>	<b>66.9</b>	<b>17</b>	<b>-22.7</b>	<b>16</b>	<b>-2.0</b>	<b>18</b>	<b>8.0</b>
<b>Increase in working capital</b>	<b>1</b>	<b>n.a.</b>	<b>19</b>	<b>n.a.</b>	<b>-11</b>	<b>n.a.</b>	<b>9</b>	<b>n.a.</b>	<b>10</b>	<b>n.a.</b>	<b>10</b>	<b>n.a.</b>
<b>Capital expenditures</b>	<b>0</b>	<b>-75.3</b>	<b>3</b>	<b>568.6</b>	<b>6</b>	<b>115.2</b>	<b>5</b>	<b>-16.3</b>	<b>3</b>	<b>-28.9</b>	<b>3</b>	<b>3.0</b>
D+A/Capex (%)	2579.4	n.a.	414.4	n.a.	162.9	n.a.	196.4	n.a.	285.7	n.a.	285.7	n.a.
<b>Free cash flow (Metzler definition)</b>	<b>17</b>	<b>-51.8</b>	<b>-8</b>	<b>-149.1</b>	<b>27</b>	<b>438.1</b>	<b>3</b>	<b>-87.4</b>	<b>3</b>	<b>-10.4</b>	<b>5</b>	<b>51.6</b>
Free cash flow yield (%)	17.4	n.a.	-23.2	n.a.	83.8	n.a.	10.3	n.a.	9.2	n.a.	13.9	n.a.
Dividend paid	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Free cash flow (post dividend)</b>	<b>16</b>	<b>-55.6</b>	<b>-8</b>	<b>-153.5</b>	<b>27</b>	<b>415.9</b>	<b>4</b>	<b>-85.2</b>	<b>3</b>	<b>-20.6</b>	<b>5</b>	<b>51.6</b>
<b>Balance sheet (in EUR m)</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>	<b>2026e</b>	<b>%</b>
<b>Assets</b>	<b>217</b>	<b>8.9</b>	<b>195</b>	<b>-10.2</b>	<b>192</b>	<b>-1.9</b>	<b>169</b>	<b>-11.8</b>	<b>170</b>	<b>0.4</b>	<b>172</b>	<b>1.1</b>
<b>Goodwill</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>
<b>Shareholders' equity</b>	<b>38</b>	<b>156.6</b>	<b>40</b>	<b>4.4</b>	<b>48</b>	<b>20.1</b>	<b>53</b>	<b>11.8</b>	<b>60</b>	<b>13.1</b>	<b>68</b>	<b>13.3</b>
Equity/total assets (%)	17.5	n.a.	20.3	n.a.	24.9	n.a.	31.5	n.a.	35.5	n.a.	39.8	n.a.
<b>Net Debt incl. Provisions</b>	<b>51</b>	<b>-42.1</b>	<b>71</b>	<b>37.7</b>	<b>48</b>	<b>-31.6</b>	<b>45</b>	<b>-6.3</b>	<b>42</b>	<b>-7.3</b>	<b>37</b>	<b>-11.2</b>
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	134.9	n.a.	177.9	n.a.	101.4	n.a.	85.0	n.a.	69.7	n.a.	54.6	n.a.
Net debt/EBITDA	3.0	n.a.	4.7	n.a.	2.3	n.a.	2.4	n.a.	2.0	n.a.	1.6	n.a.

### ESG discussion

CO2 emissions caused by the transport of tires to the customers are significant. Delticom will further optimize its distribution with a focus on minimizing the mileage driven. In the long term, we expect a significant improvement in the environmental footprint of the Group due to the generally lower tailpipe and tire-related emissions as a result of the e-mobility transition, tighter regulation and further environmental advancements on the tire manufacturers' side.

Sources: Bloomberg, Metzler Research

# company note

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Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			

#### Issuer/Financial Instrument (ISIN): Continental (DE0005439004)

26.02.2024	Hold	Hold	74.36 EUR	74.00 EUR	Skirta, Pal
07.12.2023	Hold	Hold	73.28 EUR	74.00 EUR	Skirta, Pal

#### Issuer/Financial Instrument (ISIN): Delticom (DE0005146807)

15.08.2024	Hold	Hold	2.10 EUR	2.30 EUR	Dennl, Felix
14.05.2024	Hold	Hold	3.50 EUR	3.70 EUR	Dennl, Felix
22.04.2024	Hold	Hold	2.58 EUR	3.90 EUR	Dennl, Felix
16.11.2023	Hold	Hold	2.18 EUR	2.50 EUR	Skirta, Pal

\* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

\*\* XETRA trading price at the close of the previous day unless stated otherwise herein

\*\*\* All authors are financial analysts

#### Delticom

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The company responsible for preparing this document is B. Metzler seel. Sohn & Co. AG, Untermainanlage 1, 60329 Frankfurt am Main, Germany, which is subject to supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin*), Marie-Curie-Straße 24–28, 60439 Frankfurt/Main, Germany, and by the European Central Bank (ECB), Sonnemannstraße 20, 60314 Frankfurt/Main, Germany.

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# company note

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# company note

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