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EANS-News: Delticom publishes preliminary figures for FY 2011

Financial Figures/Balance Sheet

Hanover (euro adhoc) - 19 January 2012 - For Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, 2011 was again a successful year. According to today's preliminary figures, revenues in the fiscal year increased by 14.4% to EUR 480.0 million and EBIT by 9.6% to EUR 52.2 million. Earnings per share grew 8.4% to EUR 2.99.

Q411: Successful quarter despite mild winter

The harsh 2010 winter had resulted in a superior business performance for the European tyre trade. Last season, though, the business was hurt by very mild winter weather conditions. At present, industry experts believe that winter tyre sales have dropped substantially below prior-year levels.

After taking the new warehouse into operations in Q211, Delticom stocked up ahead of the season. As a result, the company was able to offer attractive prices to its customers throughout the fourth quarter. Despite the very strong base, Delticom sold more tyres than in Q410. Quarterly revenues increased by 12.1% to EUR 182.3 million (Q410: EUR 162.6 million).

While the 2010 winter had seen massive price hikes driven by market-wide scarcities, Q411 prices developed in a more orderly fashion, as expected. Consequently, gross margin (trade margin ex other operating expenses) retracted to a less inflated 28.4% (Q410: 30.6%). The Q411 EBIT margin came in at 13.2% (Q410: 15.2%).

Fiscal year 2011

Revenues

Over the course of the year, selling prices developed favourably, the mix was stable and volumes were fairly satisfactory. All in all, Delticom was able to generate revenues of EUR 480.0 million, a plus of 14.4% from prior-year's EUR 419.6 million. Revenues in the E-Commerce division were up year-on-year by 12.9%, from EUR 403.7 million to EUR 455.6 million. The revenues of the Wholesale division lifted by 53.4% to EUR 24.4 million, after prior-year revenues of EUR 15.9 million.

Gross margin

The cost of goods sold increased in the reporting period by 16.3%, from EUR 300.1 million in 2010 to EUR 349.1 million. Delticom generated 2011 a greater share of revenues with own inventories, compared to the previous years. In an environment of rising purchasing prices, the company was therefore able to cushion the hikes by early purchasing to a good extent. Thanks to the increased volume Delticom also benefited from economies of scale in the procurement function. Still, the full-year gross margin came down from 28.5% to 27.3%, primarily due to the closing winter quarter.

Personnel expenses

Thanks to the highly efficient operating workflows, the company has been able to keep staff levels low in 2011 despite increasing transaction volumes. In the reporting period on average 116 staff members were employed at Delticom (previous year: 101). Personnel expenses amounted to EUR 7.2 million (previous year: EUR 6.8 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) came down slightly from 1.6% to 1.5%.

Other operating expenses

Overall the other operating expenses totalled EUR 77.7 million in the past financial year, an increase of 11.8% over the prior-year value of EUR 69.5 million.

Among the other operating expenses, transportation costs is the largest line item. It grew in line with the increase in business volume, from EUR 34.5 million by +8.5% to EUR 37.5 million. The share of transportation costs against revenues declined from 8.2% in 2010 to 7.8% in 2011. The reason for this was the significant price effect in the revenues for the last financial year. In addition, economies of scale arising from the centralised warehouse infrastructure helped to further drive down costs.

In the reporting period, costs for advertising totalled EUR 9.9 million, after EUR 9.0 million in 2010. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.1%, flat year-on-year.

Depreciation

In line with our gradual warehouse capacity expansion and the parallel investments into warehousing infrastructure, depreciation rose by 62.3% from EUR 1.3 million in 2010 to EUR 2.1 million. The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings performance

EBIT improved from EUR 47.6 million by 9.6% to EUR 52.2 million. Due to the extraordinarily margin-strong closing quarter 2010, the management had expected a deterioration of year-on-year profitability for 2011. In the end, the EBIT margin showed only minor decline from 11.3% to 10.9%. The continually low Euro money market rates led to flat financial income of EUR 0.1 million. This was balanced by almost the same amount of financial expenses arising from provisions as well as interest costs for the short-term utilisation of credit lines.

The expenditure for income taxes was EUR 16.8 million (previous year: EUR 15.1 million). The tax rate was 32.2% (2010: 31.6%). Consolidated net income for 2011 grew from EUR 32.6 million to EUR 35.4 million. This corresponds to earnings per share (EPS) of EUR 2.99 (undiluted, 2010: EUR 2.76), a step-up of 8.4%.

Working capital

From an exceptionally low prior-year base of EUR 52.2 million which was affected by market-wide shortages, inventories in 2011 increased to EUR 106.5 million. As of 31.12.2011 this equates to 64.0% of the total assets of EUR 166.5 million. The company is well positioned for the upcoming summer business. Accounts payable grew at lower rate of 29.0% year-on-year, from EUR 53.6 million to EUR 69.1 million. Delticom management intends to continue its policy to pay off a significant part of the liabilities ahead of schedule. Taken together with accounts receivable of EUR 10.1 million (31.12.2010: EUR 10.9 million), the net working capital amounted to EUR 43.6 million at year-end (31.12.2010: EUR 1.8 million).

Cash flow and liquidity position

Due to more funds being tied up in working capital, the operating cash flow from ordinary business activities was EUR -9.6 million (2010: EUR 51.7 million). In 2011 Delticom made investments of EUR 8.4 million into property, plant and equipment, most of it into the infrastructure of the new warehouse, which was taken into operations in Q2. With a year-end liquidity of EUR 22.2 million (31.12.2010: EUR 67.8 million) and access to currently unused credit lines, the company has enough funds to grow the business in the months ahead.

Outlook

Over the preceding months, economists have gradually revised growth estimates for Europe. The general expectation is that austerity measures and rising unemployment is going to depress consumer sentiment further. Industry experts believe that the European tyre trade will not remain unaffected.

Independent of those short-term developments, the share of online sales in the tyre market continues to be comparatively low. More and more drivers are turning to the Internet in search of lower-priced alternatives. Delticom as the leading online tyre dealer will be able to capitalise on this trend. Even for a scenario where market and weather do not improve over 2011, Delticom management regards a revenue growth of 10% as achievable. Assuming margins at prior-year levels, earnings should grow in line with revenues.

The full report for the fiscal year 2011 will be published on 22 March 2012 within the "Investor Relations" section of the website www.delti.com.

Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With more than 100 online shops in 41 countries, the company offers its private and business customers an unequalled assortment of excellently priced car tyres, motorcycle tyres, bicycle tyres, truck tyres, bus tyres, special tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. The independent website reifentest.com contains impartial information about tyre tests and helps the customers choose from more than 100 tyre brands and more than 25,000 tyre models. Delticom delivers either directly to the customer's home address, or to one of more than 30,000 service partners - affiliated garages which take delivery of tyres and then install these on the customer's vehicle. Delticom's Wholesale division also sells tyres to wholesalers domestically and abroad.

On the Internet at: www.delti.com

Selected online shops: www.reifendirekt.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

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