

Delticom AG

Europe's leading online tyre retailer



German Equity Forum
November 16 – 18, 2020

Agenda

Content of presentation


- Delticom Group – Refocusing on core business
- Market environment
- 9M 2020
 - Market conditions under COVID-19
 - Key financials
- Outlook FY 2020
- Business model “Delticom NEW”
- Strategic direction

Delticom Group – Refocusing on core business

Journey, learnings and way forward

- **Profitable growth path between 2006 and 2011** in core online tyre business Europe
- **Increased competition** in online tyre sales **since 2011**
- Strategy of e-commerce diversification into e-food was not successful
- Losses of start-ups and a too strong focus on turnover (market share) brought the group into “the red”
- Development of a **future concept with specialized management consultants** started in H2 2019
- Review of all business units and processes for **profitability**
- **Divestment of loss makers (mainly) done** by end of Q1 2020

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Group revenues (in € million)	259	311	420	480	456	506	502	560	607	668	646	626
Group EBITDA (in € million)	16.9	30.4	48.9	55.1	35.3	22.2	15.3	14.3	15.1	9.3	9.0	-6.6

 Delticom closed the loss-makers, reduced costs and strategically decided to concentrate on its core business and therefore its strength.

Refocusing on core business:

Update on Turnaround Process

Divestment of loss-makers:

non-core activities (loss-makers) closed



Completed

Refocusing on core business in Europe:

Sale of US subsidiary under review due to **lack of synergies**; continuation still a valid option; US subsidiary **operating profitably**



Ongoing

Financing: Negotiating with financing banks a **continuation of the financing** with a term until the end of 2021



Negotiations successfully closed in December 2019

Financing: Evaluation of **options for additional capital** (equity or debt) under way



Ongoing, good progress

Financing: **provisions of collateral** abroad



Ongoing, good progress

Operational business:

- **Review of current shop concept**



Ongoing

- **Margin improvements** by better procurement conditions, optimized use of market places and more specific pricing

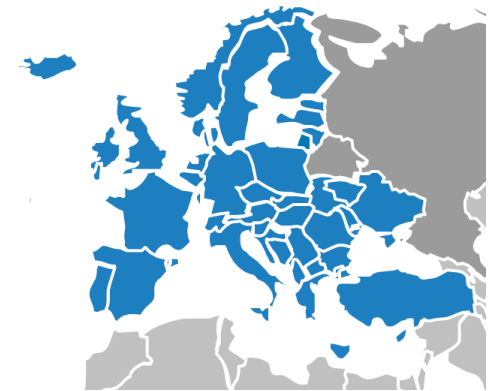


Solidification

Market environment 1/2

Growth potential in promising e-commerce

- European tyre replacement market considered **stable for the coming years**
- **Growth prospects** due to low internet penetration rate in the tyre sector
- **Penetration rate** in Europe is **around 10%**
- Accelerated growth in **tyre resellers**
- **Crisis in the automotive sector** tends to have a **positive impact** on the tyre replacement business
- Number of **online competitors reduced** in 2018 and 2019 (consolidation)



*2020: 394 online shops and
online distribution platforms in
73 countries*

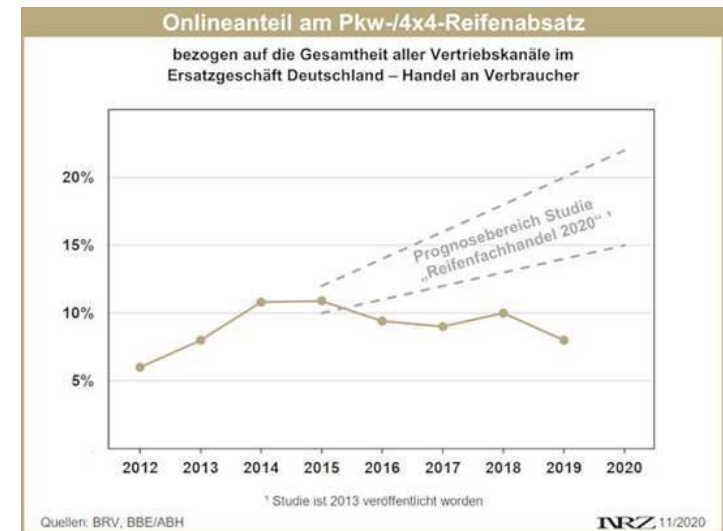


Refocusing on core competencies is the right decision

Market environment 2/2

Growth potential in promising e-commerce

- **Market leadership** was **defended over** the past years despite increased competition in online tyre trade
- Strategy focussed on market leadership instead of driving penetration
- Various European **market players discontinued their online shops** in 2019
- Chance to **increase low Internet penetration rate** in the tyre sector
- As European market leader **Delticom** is in the **pole position**



Source: Neue Reifenzeitung, www.reifenpresse.de, "Wie entwickelt sich das Onlinereifengeschäft mit dem Endverbraucher", 11.11.2020

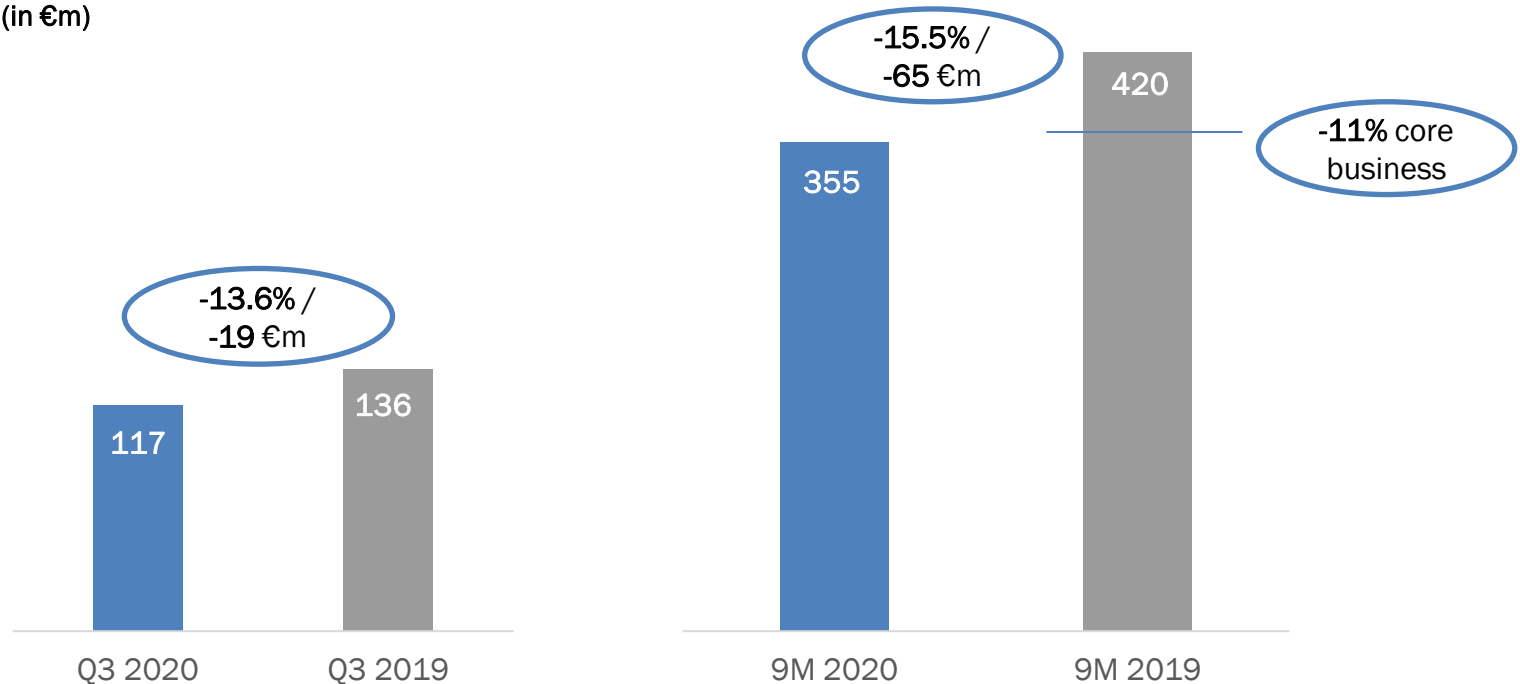
▶ Growth opportunities available for the coming years

Market conditions 9M 2020

- **COVID19: Shutdown decisions** in various European countries weighed on demand
- Demand for replacement tyres influenced by **weather-related shifting effects** (start of the winter season slightly delayed)
- **German** passenger car replacement tyre **market decreased by 15.1%** in 9M 2020 according to WdK and ETRMA; decline in **summer tyres: -22.0%**; decline in **winter tyres: -19.2%**; increase in **all-season tyres: +5.2%**
- German replacement tyre market development in line with **European Market** as a whole
- **Revenues in German e-commerce increased by 10.6% to 56 €bn** in 9M 2020 according to bevh; **+13.3%** in Q3 2020

9M 2020: Revenues development

Revenues (in €m)

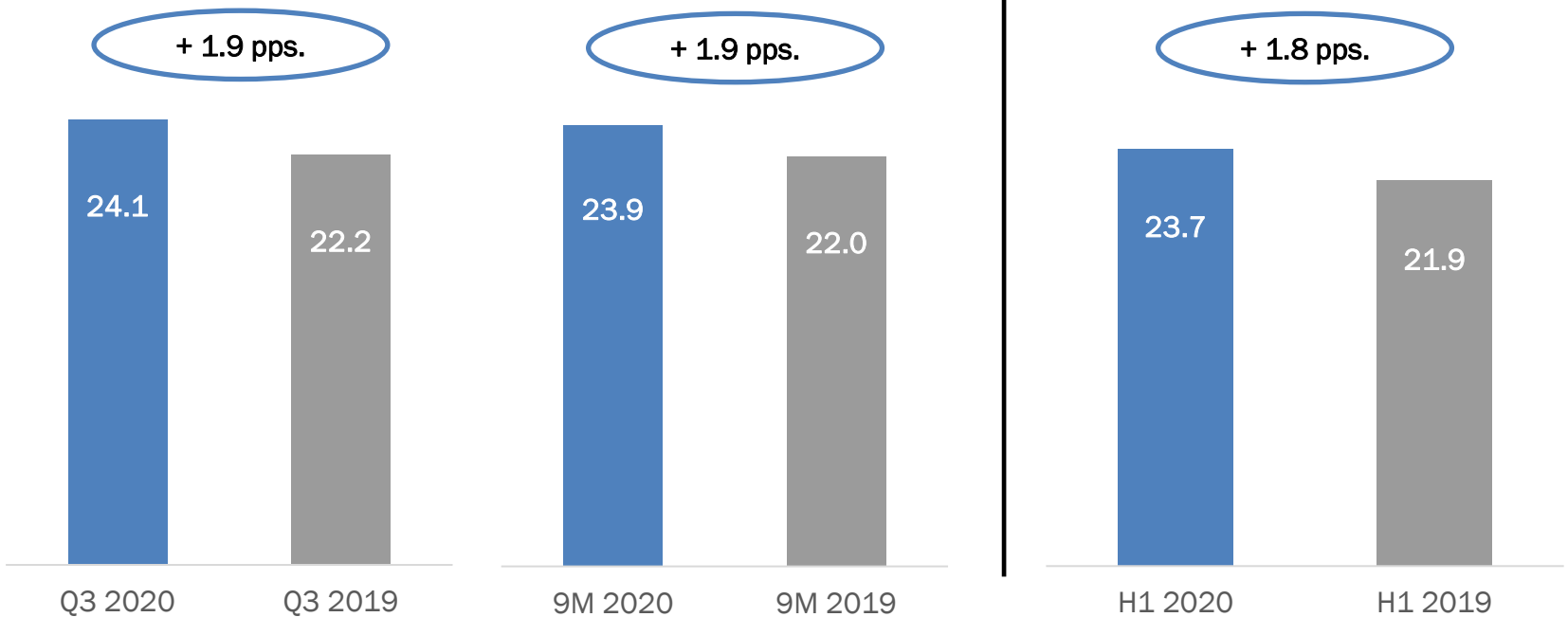


* excluding effect from closed operations

- **Corona pandemic** affects tyre business in 9M/2020 (e.g. massive shutdown in southern European countries in H1/2020); relaxation of corona restrictions lead to **catch-up effects in selected countries**
- **€ -22.0 million** reduction in revenues due to divestment of loss-making businesses

9M 2020: Gross margin

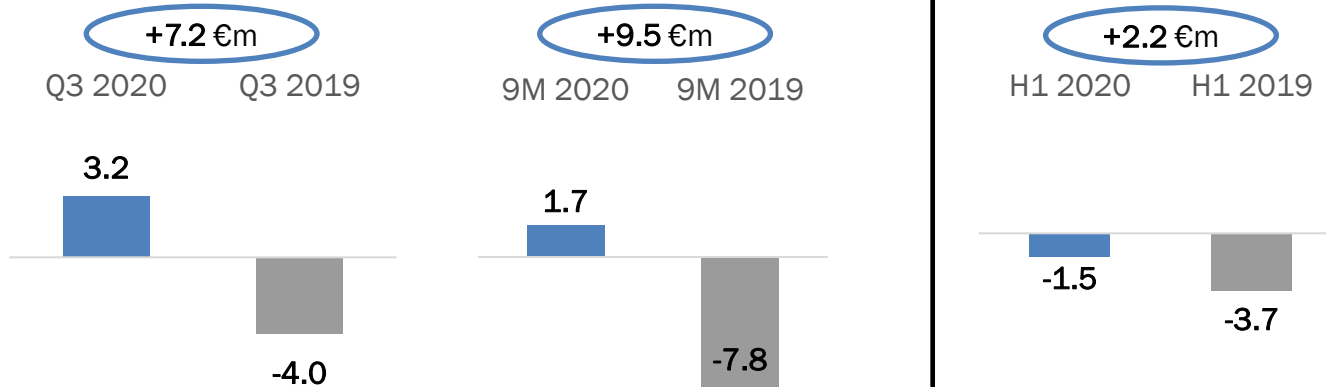
Gross margin
(Revenues less COGS;
in % of revenues)



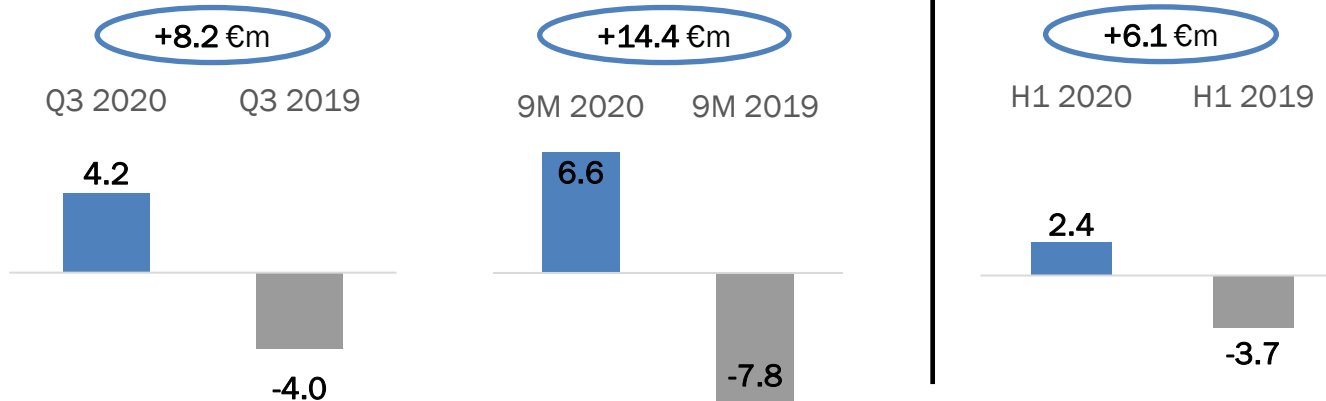
- Gross margin **increase** despite difficult market environment

9M 2020: Reported & Operating EBITDA

Reported EBITDA (in €m)



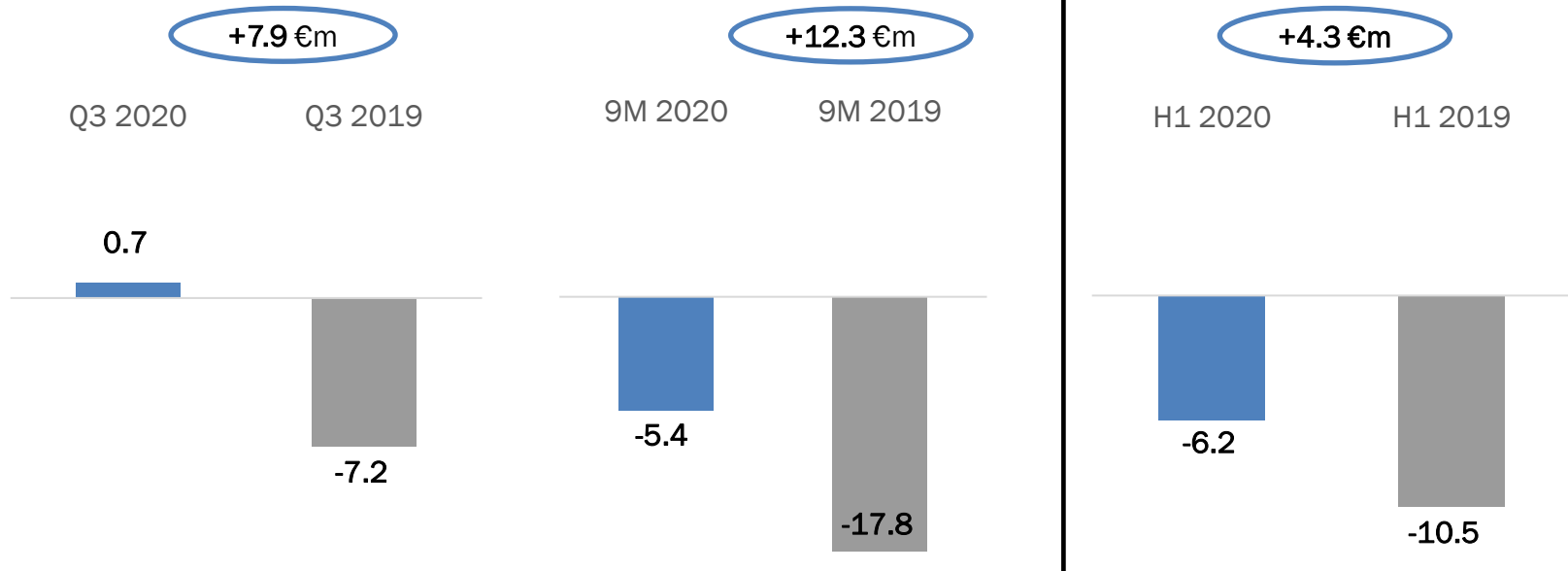
Operating EBITDA (before restructuring costs; in €m)



- Earnings improvement due to **divestment** and **higher costs efficiency in the core business**

9M 2020: EBIT

EBIT (in €m)



- **Positive EBIT** in Q3 2020, sustained improvement ongoing (Q2 2020: +1,5 €m)
- **Declining depreciation** in 9M 2020 (7.2 €m) compared to 9M 2019 (10.0 €m)

9M 2020: P&L

	Unit	9M 2020	9M 2019	
Revenues	€m	355.3	420.3	-15.5%
Gross profit	€m	100.9	113.2	-10.9%
Personnel expenses	€m	11.0	14.3	-23.2%
Advertising costs	€m	12.6	21.5	-41.4%
Other operating expenses	€m	75.6	85.2	-11.3%
EBITDA	€m	1.7	-7.8	+9.5€m
Depreciation	€m	7.2	10.0	-28.4%
EBIT	€m	-5.4	-17.8	+12.3€m

Positive impact from divestment of loss-making subsidiaries

Efficiency measures for cost reduction in the core business implemented last year

Focused cost management

Incl. €m 4.9 restructuring costs; operational costs under control

9M 2020: Working Capital

	Unit	30.09.2020	31.12.2019	30.09.2019
Inventories	€m	75.9	62.9	103.1
Trade payables	€m	83.7	69.4	119.0
Trade receivables	€m	21.2	10.5	27.9

Further optimization of stock delivery times

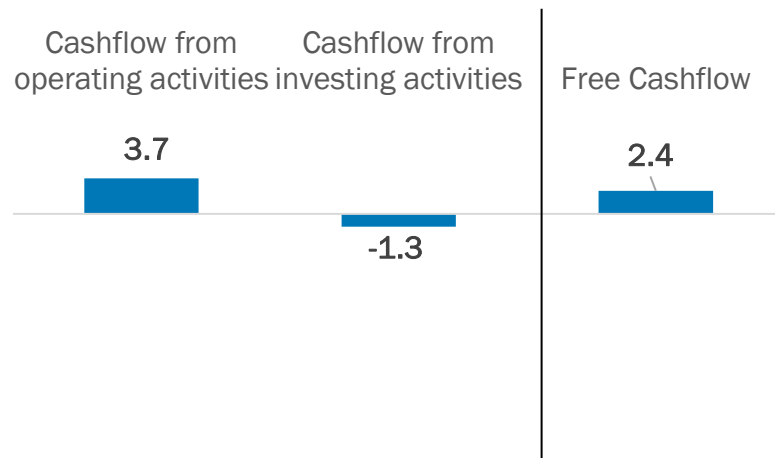
Discontinuation of unprofitable business units



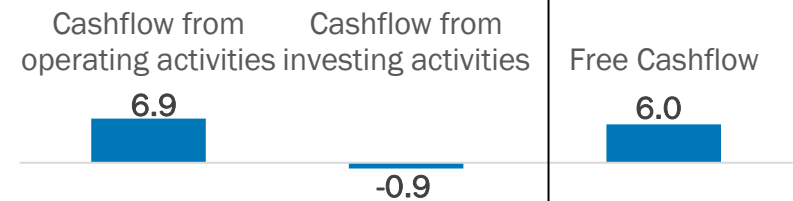
Streamlined working capital management in order to improve cash flow from operating activities on a sustained basis

9M 2020: Free Cashflow

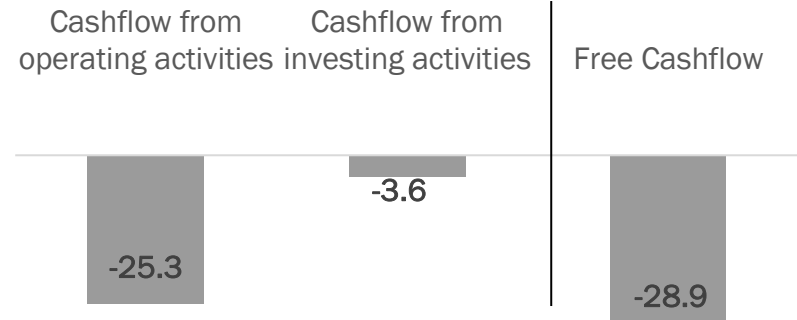
Free Cashflow 9M 2020 (€m)



Free Cashflow H1 2020 (€m)

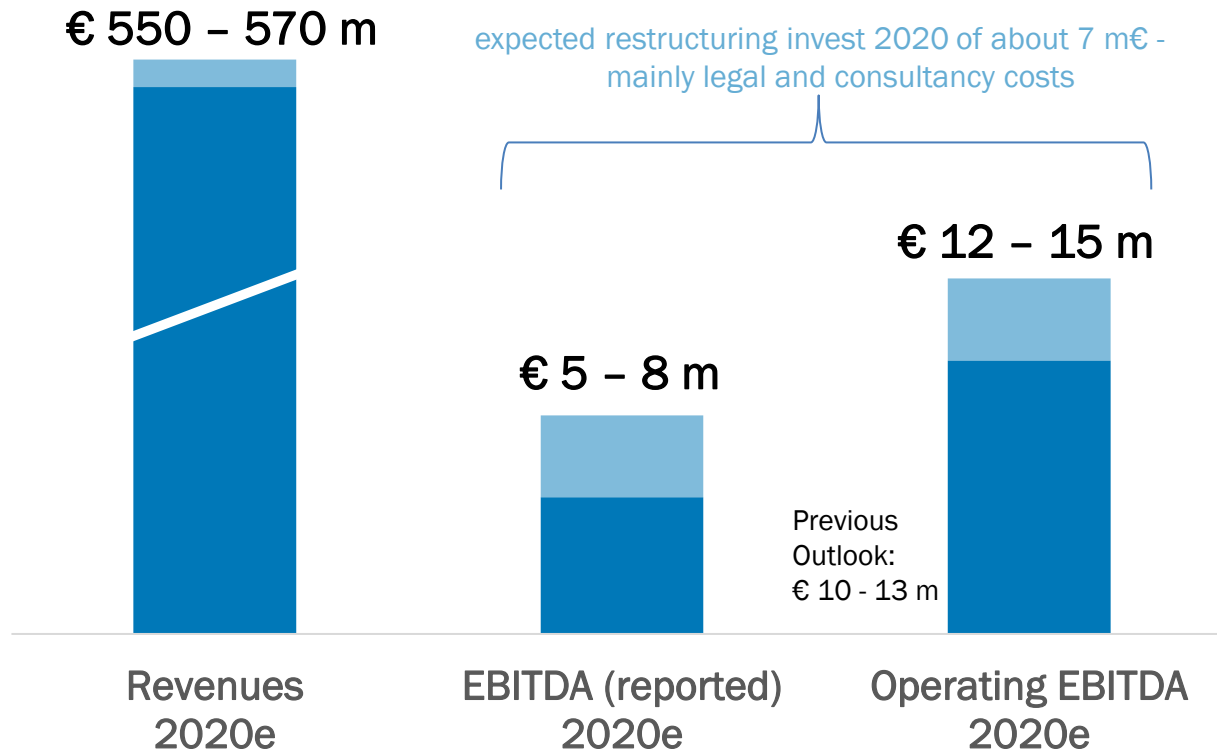


Free Cashflow H1 2019 (€m)



▶ Seasonal business - positive free cash flow in the single-digit million range is expected for the 2020 fiscal year as a whole

Revised Outlook FY2020: Revenues and EBITDA Guidance



▶ Strong focus on profitability: Return to positive group EBITDA in 2020

Milestones achieved

Overall strategic direction



Objective: Delticom is Europe's strongest and most profitable company in online tyre retailing

- Successful Turnaround Management
- Continuous **improvement of profitability**
- Sale and **discontinuation** of **unprofitable business** areas is nearly done
- **Focus** on the **core business** of online tyre retailing in Europe
- Realizing **growth potential** in promising online tyres business
- Business model "Delticom NEW": use and **expand strengths in the market**
- Actions to **optimize distribution costs** and **customer satisfaction** under way
- Aligning **management & organizational structure** is done



With the milestones already achieved, Delticom is well on track to successfully implement its clearly defined strategic agenda

Business model “Delticom NEW” 1/2



Objective: Using and expanding the strengths in the market

- High level of awareness of flagship stores such as ReifenDirekt.de, 123pneus.fr and others
- High confidence of 15 million customers due to outstanding processing competence
- Based on 20 years of market presence, unique automated systems for delivery and storage, ordering and payment
- Strong presence also on market places such as ebay
- Prices 20 - 40 percent below those of car repair shops
- Around 39,000 authorized workshops in Europe
- Present in 73 countries with 394 online shops and online distribution platforms
- Online shops consistently developed further with regard to customer needs (e.g. tyre consultants, product and order information)



Outstanding competitive position maintained, market potential still far from exhausted

Business model “Delticom NEW” 2/2



Objective: Using and expanding the strengths in the market

- Extensive product portfolio with **100 brands** and over **18,000 tyre models**
- **40 percent** of telephone customer contacts automated through self-service
- Rims and complete wheels **for almost all vehicles** with 360 degree complete wheel configurator
- **Own assembly lines** for tyre/rim fitting including runflat and tyre pressure monitoring systems (TMPS)
- **Optimised, decentralised warehouse infrastructure** with connection to local courier, express and parcel services
- Wide range of services for B2B customers
- With Reifen.de, Reifen.at, Pneus.fr, Pneumatici.it, etc. own information and price comparison portal



Delticom continues to develop its very good foundation and remains No. 1 in online tyre trading

Perspective

▶ Objective: Sustainable return to profitability

The package of measures in the tyre business promises attractive prospects:

- **Sustainable sales** in the core business online tyres Europe of around **half a billion euros p. a.**
- At margin level: lower purchase prices, effects of cost depression, reduction of operating costs and slight price increases to **improve margins**
- An **operating EBIT of 2-3 percent** could be achieved in the medium term



▶ **Result:** Delticom leaves the “loss zone” and expects a positive operating result after depreciation

Conclusion

▶ Objective: Success in online tyre sales

- Delticom has **disposed** almost all **loss-making activities**
- The **restructuring process** is proceeding **successfully**
- **Core tyre business returns to profitability in 2020** without extraordinary effects
- **Market prospects** in the online tyre sales channel are **promising**
- **ReifenDirekt** is and remains **market leader in Europe**



▶ Result: ReifenDirekt is the best choice for the customer

Q&A



A firm grip on the
road to success