METZLER Capital Markets

Delticom (DEX GY) | Retail

March 03, 2021

Back on track

We recommend the Delticom share as a BUY with a price target of EUR 15 per share. Delticom is in the final phase of a deep restructuring, and the way back to a solidly growing, profitable company is becoming visible. Like in the years following its IPO in 2006, DEX is still the European market leader for online business with replacement tires. Delticom's current market share should be roughly 30%, and the company is the only pan-European player. Over the next five years, we expect rather slow but steady growth of this position as the company should have optimal procurement conditions in the market as well as the necessary business experience for outside its home market. A likely further increase in penetration of the online tire market (from currently roughly 13%) should drive growth along with moderate market share gains in the next five years.

- EBIT should benefit from the restructuring measures of the past 18 months, e.g. substantial cutting of fixed costs. We expect Delticom will be able to achieve a 4% EBIT margin in 2025e, which would be only roughly one third of the record margin achieved in 2010. 2020 is likely to have ended with a slight profit.
- Our fair price analysis, based on a DCF valuation with rather conservative assumptions like an "eternal" growth rate of 1.5% per year and a beta of 1.2, results in a target price of EUR 15 per share.

Fundamentals (in EUR m)	2017	2018	2019	2020e	2021e	2022e
Sales	668	646	626	550	589	625
EBITDA	9	14	-2	15	24	35
EBIT	2	1	-42	2	12	23
EPS adj. (EUR)	n.a.	-0.16	-3.28	-0.28	0.51	1.35
DPS (EUR)	0.00	0.10	0.00	0.00	0.00	0.00
BVPS (EUR)	n.a.	3.94	0.67	0.66	0.90	2.26
Net Debt incl. Provisions	13	28	94	82	72	56
Ratios	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
EV/EBITDA	1.4	8.3	-62.7	10.5	6.6	4.1
EV/EBIT	6.3	106.9	-3.6	78.4	13.6	6.2
P/E adj.	n.a.	-44.9	-1.4	-21.3	13.8	5.2
Dividend yield (%)	0.0	1.4	0.0	0.0	0.0	0.0
EBITDA margin (%)	1.4	2.2	-0.4	2.7	4.1	5.5
EBIT margin (%)	0.3	0.2	-6.7	0.4	2.0	3.7
Net debt/EBITDA	1.4	2.0	-39.0	5.5	2.9	1.6
ROE (%)	2.7	-3.9	-142.4	-41.9	65.2	85.7
PBV	0.0	1.8	6.8	9.0	7.8	3.1

Sources: Refinitiv, Metzler Research

Buy

initiation of coverage

Price* EUR 7.28

Price target EUR 15.00

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

Market Cap (EUR m)	88
Enterprise Value (EUR m)	160
Free Float (%)	0.0

Performance (in %)	1m	3m	12m
Share	-7.6	19.0	107.4
Rel. to Prime All Share	-7.9	11.3	76.2

Sources: Refinitiv, Metzler Research

Sponsored Research

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Key Data

Company profile

CEO: Andreas Prüfer CFO: Thomas Loock Hanover, Germany

Delticom is Europe's leading tyre retailer. The company operates 137 online shops in 42 countries, including ReifenDirekt and Tirendo. The customer can choose between home delivery and delivery to one of ca. 40,000 service partners worldwide.

Major shareholders

Prüfer/Binder (50.04%)

Key figures

P&L (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Sales	668	10.1	646	-3.3	626	-3.1	550	-12.1	589	7.1	625	6.1
EBITDA	9	-38.0	14	51.6	-2	-117.0	15	725.0	24	61.7	35	43.0
EBITDA margin (%)	1.4	-43.7	2.2	56.8	-0.4	-117.6	2.7	811.1	4.1	50.9	5.5	34.8
EBIT	2	-72.2	1	-45.0	-42	n.m.	2	104.8	12	487.5	23	97.3
EBIT margin (%)	0.3	-74.8	0.2	-43.1	-6.7	n.m.	0.4	105.4	2.0	448.6	3.7	86.0
Financial result	-0	33.3	-1	-75.0	-2	-114.3	-2	0.0	0	100.0	0	n.a.
EBT	2	-75.8	0	-75.0	-44	n.m.	-6	85.1	9	234.6	23	164.9
Taxes	0	-76.2	2	320.0	3	28.6	-3	-211.1	0	100.0	0	n.a.
Tax rate (%)	31.2	n.a.	525.0	n.a.	-6.2	n.a.	46.2	n.a.	0.0	n.a.	0.0	n.a.
Net income	1	-75.6	-2	-254.5	-41	n.m.	-4	91.4	6	282.5	17	164.9
Minority interests	-0	0.0	0	175.0	0	-33.3	0	-100.0	0	n.a.	0	n.a.
Net Income after minorities	2	-69.4	-2	-233.3	-41	n.m.	-4	91.5	6	282.5	17	164.9
Number of shares outstanding (m)	0	n.a.	12	n.a.	12	0.0	12	0.0	12	0.0	12	0.0
EPS adj. (EUR)	n.a.	n.a.	-0.16	n.a.	-3.28	n.m.	-0.28	91.5	0.51	282.5	1.35	164.9
DPS (EUR)	0.00	n.a.	0.10	n.a.	0.00	-100.0	0.00	n.a.	0.00	n.a.	0.00	n.a.
Dividend yield (%)	0.0	n.a.	1.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.

Cash Flow (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Gross Cash Flow	15	-21.8	-12	-176.0	-22	-92.3	-5	77.8	5	200.0	13	160.0
Increase in working capital	10	n.a.	-5	n.a.	103	n.a.	20	n.a.	13	n.a.	7	n.a.
Capital expenditures	-7	-138.7	-7	2.7	-4	37.5	-4	11.1	-4	0.0	-4	0.0
D+A/Capex (%)	-98.6	n.a.	-180.6	n.a.	-880.0	n.a.	-325.0	n.a.	-312.5	n.a.	-287.5	n.a.
Free cash flow (Metzler definition)	18	-30.0	-24	-233.3	76	416.7	11	-85.5	14	27.3	16	14.3
Free cash flow yield (%)	n.a.	n.a.	-26.7	n.a.	133.6	n.a.	14.8	n.a.	15.9	n.a.	18.2	n.a.
Dividend paid	0	n.a.	-1	n.a.	0	100.0	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	18	210.3	-29	-259.4	74	357.5	11	-85.1	14	27.3	16	14.3

Balance sheet (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Assets	202	10.4	232	14.9	188	-19.1	165	-12.3	159	-3.5	163	2.5
Goodwill	35	0.0	35	0.0	35	0.0	35	0.0	35	0.0	35	0.0
Shareholders' equity	53	-9.4	49	-7.0	8	-83.2	8	0.0	11	36.1	28	149.6
Equity/total assets (%)	26.2	n.a.	21.2	n.a.	4.4	n.a.	5.0	n.a.	7.1	n.a.	17.3	n.a.
Net Debt incl. Provisions	13	-15.3	28	118.9	94	236.3	82	-11.9	72	-13.2	56	-22.4
thereof pension provisions	1	-27.8	0	-76.9	0	33.3	0	0.0	0	25.0	0	0.0
Gearing (%)	24.0	n.a.	56.4	n.a.	1126.5	n.a.	992.8	n.a.	632.7	n.a.	196.8	n.a.
Net debt/EBITDA	1.4	n.a.	2.0	n.a.	-39.0	n.a.	5.5	n.a.	2.9	n.a.	1.6	n.a.

Sources: Refinitiv, Metzler Research

Investment Case

On its way back to success

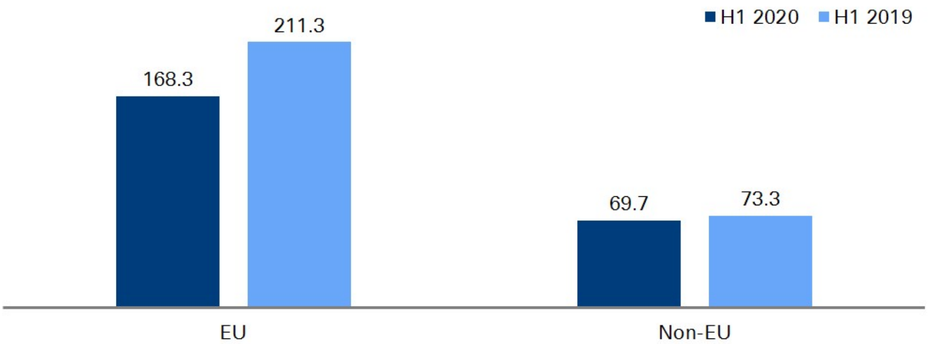
As an early mover in the online tire business and as market leader for web-based tire retailing, Delticom enjoyed great economic success in the first five years after its IPO in 2006. Growth remained in the double digits for years, and DEX's stock market value reached almost EUR 1 billion at its peak. From 2011 on, however, things went downhill with similar momentum. The core business was neglected, and excursions into other businesses like online food retail failed. Ultimately, years of losses and special expenses melted equity to almost zero and market value shrank dramatically to only EUR 20 million at times.

Around a year ago, the company initiated a turnaround due to losses. First successes from strict cost-cutting measures could be seen in 2020. At the beginning of 2021, it looked like Delticom would be able to get back on track. We are optimistic about Delticom's growth and earnings prospects even though it will likely be a while before the restructuring process is reflected positively in the balance sheet.

Currently, 70% of Delticom's sales are generated in the EU (an estimated 40% of which in Germany). In 2020, EU sales fell relatively sharply because the corona-induced sales slump in the home market was very significant at -20% year-on-year, while sales remained quite stable outside the EU (-4.9%). In future, the company is likely to focus more on the home market again.

Regional profile of Delticom: EU accounts for 70% of sales

Sales by region, H1 2020 vs. H1 2019, in EUR m



Source: Delticom

We see several factors that speak in favor of a renewed Delticom success story and are likely to take effect in 2021. We will point out these factors in this analysis and outline models for assessing the company's prospects.

The proportion of online buyers continues to grow

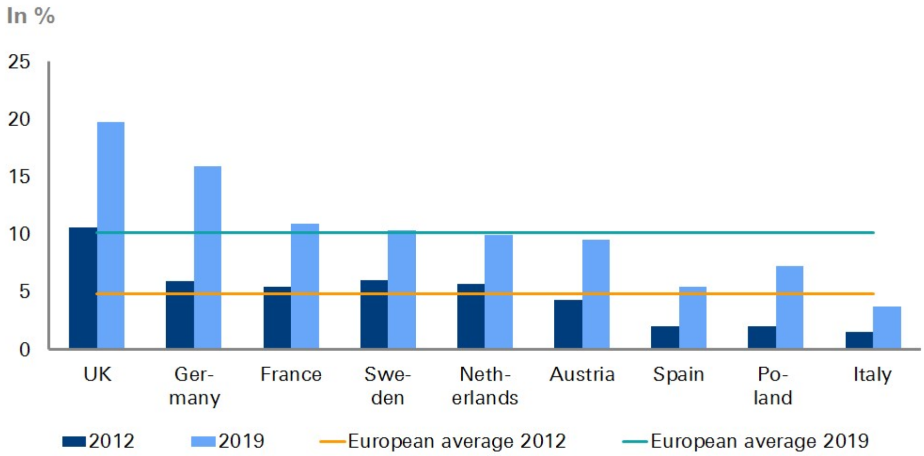
Number of online tire purchases still moderate

As in many other markets, the share of online purchases in the tire business is growing at the expense of transactions in retail stores. In 2005, one year before Delticom's IPO, the number of online tire orders was probably noteworthy for the first time. Today, the company estimates that online business accounts for around 13% of the total tire market at end-consumer level. In the past 15 years, the internet has boosted tire trading at a fairly steady pace of around one percentage point per year, but this is rather slow compared to other goods like clothing, books, etc.

Growth of the overall European e-commerce market is in the double digits

In general, the e-commerce market in Europe continues to be characterized by growth rates well above average. Sales on the European B2C market between FY 2015 and FY 2019 rose from EUR 373 bn to around EUR 636 bn. This corresponds to an annual growth rate of around 14%. According to current estimates by RetailX, these revenues are expected to have increased to around EUR 717 bn in FY 2020 (+13% y-o-y). Based on these figures, the European e-commerce market accounts for ~20% of global online sales:

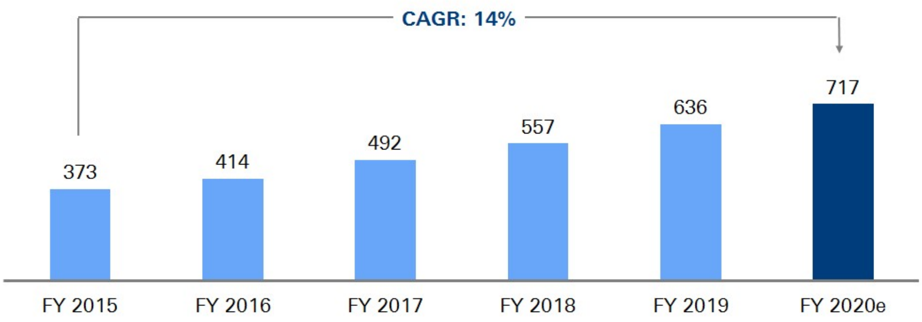
European E-commerce sales as % of total retail sales



Sources: Centre for Retail Research, Metzler Research

European online B2C sales in Europe

Sales in EUR bn



Sources: National Ecommerce Associations, RetailX, Metzler Research

In Europe, most online sales are generated in western Europe. The western European market accounts for around 70% of total sales. Southern Europe comes in second place with around 15% of sales. Eastern Europe comes in last place but has a lot of catch-up potential. In addition to lower wages, low sales in eastern Europe are driven by continued below-average access to (broadband) internet.

~90% of total retail sales is still generated offline
It is often claimed that the typical brick-and-mortar stores will disappear over time and shopping malls will become ghost towns. While brick-and-mortar stores are obviously facing increased competition from their online counterparts, 90% of total retail sales in Europe is still generated offline. This leaves untapped growth potential for e-commerce companies going forward:

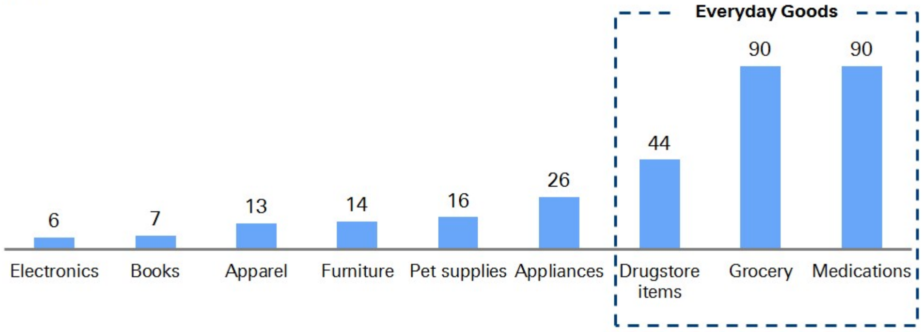
Covid-19 is accelerating the trend towards e-commerce

The positive impact of the global Covid-19 pandemic is obvious. Purchasing online has become significantly more popular, due at least in part to the numerous lockdown measures in many countries and the associated closure of brick-and-mortar stores. In addition, many consumers still fear a Covid-19 infection and thus prefer to shop online from the comfort of their homes.

This increased popularity is reflected in the German e-commerce market. The figures of the BEVH (Bundesverband E-Commerce und Versandhandel Deutschland) show e-commerce growth of 16.5% for Q2/20, following a corona-induced stagnation of 1.5% in Q1/20. When analyzing these growth rates, it must be taken into account that digital services like electronic tickets, downloads, hotel bookings etc. recorded a collapse of more than 70%. Particularly internet pure players benefited from higher online sales with growth of 13% in the first half of the year and 21% in Q2/20.

E-commerce growth in Q2/20 per product category

In %



Sources: BEVH, Metzler Research

Shift towards online should be sustainable

This positive momentum continued in Q3/20. As the driving force behind overall retail, online sales grew more strongly in Q3/20 than in the corresponding quarter of the previous year (+12%) with a plus of 13.3% – and there is no reason to expect a slowdown in the fourth quarter either, partly due to the continuous rise in Covid-19 infection rates. RetailX recently updated its growth forecast for the German market to 16% in FY 2020.

It will be interesting to see how and whether consumer behavior has changed after the Covid-19 pandemic is over. However, we believe that the shift towards online purchasing is sustainable for the following reasons:

- Convenience beats price as the #1 reason for online shopping: Given the strong increase in online trading, consumers are getting used to the high convenience factor and new habits are quickly becoming persistent. Last year, convenience even topped the list of reasons in favor of online shopping. Essential product categories, such as beverages and fresh food, may be particularly susceptible to the convenience wave. We also note that the National Retail Federation (NRF) recently released a report showing that 83% of consumers say shopping convenience is more important to them than it was five years ago. For years, selling price was the decisive factor, but now it looks like the price gap between online and offline has shrunk and customers have come to enjoy the online shopping experience as such.
- New storage and logistics capacity: Distribution companies are still experiencing high demand for last-mile contactless delivery, and this has enabled them to build up new capacity. In addition, many logistics companies have made significant investments in order to be able to handle parcels even faster going forward. Faster delivery times enhance the online shopping experience for consumers, who, in turn, could increase their online shopping habits even further.
- Continued social distancing given the risk of a pandemic setback: In general, there is still underlying concern about a pandemic setback in the medium term. The increased focus on personal hygiene and social distancing will thus

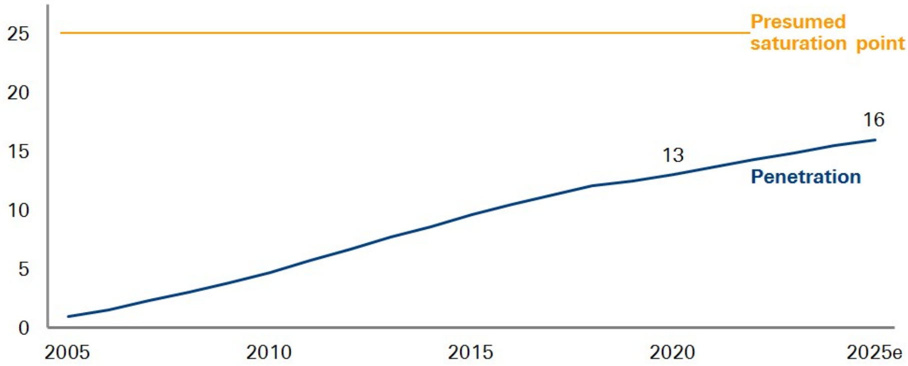
most likely continue to encourage online shopping and reinforce a behavioral shift in the long term.

Still relatively low degree of saturation in online tire purchasing

We assume that e-commerce will continue to expand in the tire business in the future due to the still-low degree of saturation, estimated at around 13%, and the largely satisfied reactions of buyers. Online purchasing has tangible advantages for customers: generally lower prices, less time pressure when buying, and larger selection. Delticom can deliver almost any type of tire at short notice. In addition, the emergence of younger, internet-savvy buyers speaks in favor of further growth in online purchases.

Online tire sales have been steadily gaining market share

Penetration of the market for online tire sales in Europe, in % of the overall market



Source: Metzler Research

Relevant surveys like one conducted by the Association of German Tire Dealers (BRV) indicate that the saturation point with regard to further expansion of online sales has by no means already been reached for tires. In the past five years, annual growth in online retail was between about 5 and 10%. The phase of rapid, double-digit growth is therefore probably over, but further penetration of the tire market via online retailing, with an increase in penetration of just under one percentage point per year, should still result in sales increases of around 5% per annum – and there could be other growth drivers as well.
It is difficult to estimate a saturation point and thus an end to growth stemming from market penetration. After discussions with the management at Delticom and Continental, we assume a mark of at least 25%. Our concrete 5-year forecast assumes saturation of 16% in 2025e.

Delticom's systematic approach to countering purchasing obstacles has been successful

There are also some practical obstacles that arise when buying tires online. Tires are relatively large and heavy, which makes them less suitable for home delivery, and changing tires is cumbersome work. The vast majority of buyers prefer to use a workshop for tire service and conveniently buy the new tires needed at the shop. Delticom recognized this critical point in the buying process early on and has remedied this situation by providing customers with an overview of workshops for fitting new tires in their vicinity. This has also worked well in practice. According to customer surveys, having tires purchased from Delticom delivered to a workshop and fitted there at a low price has generally gone smoothly.

Market share gains could prove to be another growth driver

Other possible growth drivers, besides further advancement of e-commerce, include regional expansion, the development of new business areas and/or acquisitions. However, these options are likely to remain closed to Delticom for the time being, as the company's strained financial situation means it lacks the funds to take these steps.

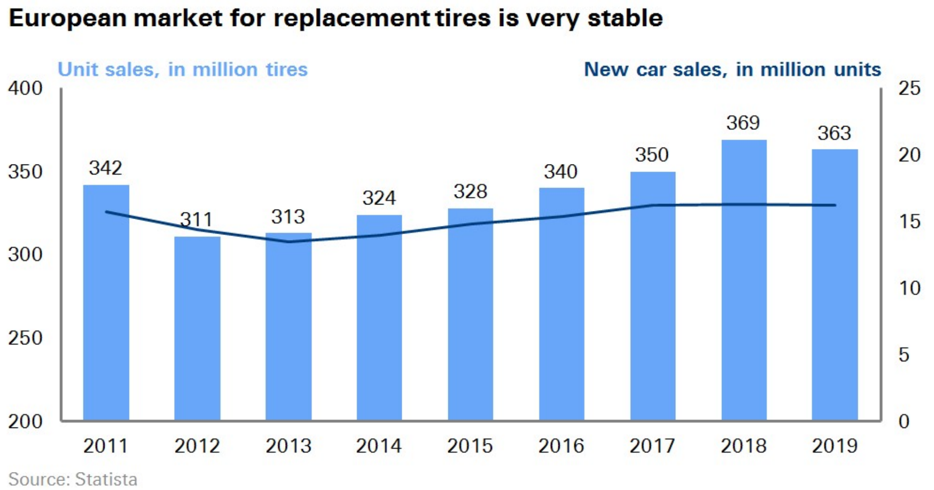
Delticom should be able to increase market share in the EU by 0.5% p.a.

Gaining market share in online tire trading, Delticom’s core business, remains a potential growth driver. According to rough estimates by the company, Delticom currently has a share of around 30% of online tire sales in the EU. In the first years after the IPO, this share was significantly higher – estimated at up to 50%. For good reason, the company has not placed particular emphasis on maximizing its market share, especially during its recent phase of financial recovery, but this could change in the next few years and become one element of a moderate growth strategy. However, even if DEX remains cautious about increasing its market share in Europe, there is still much to suggest that the company will indeed gain market share. Delticom still holds a strong position in online tire retailing, is able to procure virtually any tire model in a short time, has efficient logistics, and can also be a leader in the price competition.

Ultimately, the company should be able to increase its market share in the EU, its core region, by half a percentage point every year up to and including 2025. Delticom would then stand at 32.5% in four years' time, which is still well below the 50% that was achieved for several years previously. We base our growth model for DEX on this assumption.

It may also be possible to implement price increases for direct tire sales in the future. In this case, sales growth in the medium and long term could be even more dynamic than growth based solely on volume. However, history does not provide any clear indications in this respect as there have been phases of declining prices as well as rising prices. We therefore do not currently take price increases into account for our forecast model for DEX. At present, the price environment appears to be stable.

The tire market in Europe is stable or shows slight growth – strong jump possible in 2021



Corona-related pent-up demand for tires is likely to cause a growth spurt in 2021

Like last decade, the EU tire market is likely to remain stable in terms of both demand and manufacturers' supply structure. The supply structure is dominated by five globally active suppliers with market positions that have remained virtually unchanged since 2010. Demand for replacement tires – and only this sub-market is relevant for Delticom – grew by around 1% per year worldwide in the past decade and by just under 0.5% in Europe.

Sales figures could rise significantly in 2021. Following the corona-induced reluctance to buy last year – with replacement tire purchases presumably postponed to a considerable extent – growth in the current year is likely to be an estimated 5%. Several leading tire manufacturers have already commented to this effect. To be on the conservative side in Delticom's case, we have not yet added any market expansion to DEX's growth model.

It will be interesting to see whether there is any change in widespread purchasing behavior in Europe where both summer and winter tires are purchased due mainly to legal requirements. In 16 European countries, drivers are required to have winter tires during the cold season. However, the wording of the regulations is often "soft", e.g. special tires are mandatory in "winter conditions" in Germany, and this leaves room to maneuver. Regulations can also change rapidly as the climate changes.

Rising demand for all-season tires should boost tire purchases

For many buyers, so-called all-season tires are becoming more and more attractive. Demand for these tires has been on the rise for more than a year now, as they can be used all year round and save consumers the hassle of changing tires. What would it mean if this trend, which should also be driven by global warming, were to continue?

What looks at first glance like a threat to the tire industry becomes, upon closer examination, a rather neutral, possibly even positive effect for tire manufacturers.

The trend towards all-season tires bears opportunities

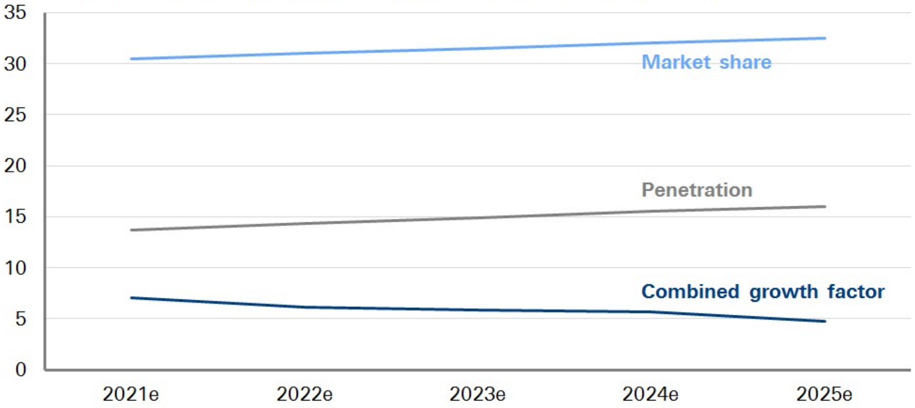
Criteria	Winter/summer tires	All-season tires
Regulations	In 16 European countries obligation to use winter tires, sometimes "soft" rule	
Tire change	Twice a year, for roughly 50 EUR/change	No change
Price	■ Summer tires: generally low ■ Winter tires: high	Medium to high
Duration	■ Summer tires: roughly 50,000 km ■ Winter tires: 40,000 km	Roughly 40,000 km

Source: Metzler Research

With all-season tires, only one type of tire is purchased. However, these tires last only half as long (roughly calculated) as special tires that are only used for about half a year. All-season tires need to be replaced about every 2.5 to 3 years based on an average mileage of 15,000 km per year while summer and winter tires are used about twice as long. Tires that can be used all year round bring advantages for the tire producer and dealer as well as for the buyer. Although the advantages for the seller are not immediately reflected in the profit and loss account, they are likely to be noticeable in the long term. They stem from more intensive customer loyalty to the dealer, regular purchases at shorter intervals, and more steady development of sales and profits. The customer has the advantage of not having to change tires twice a year, which is annoying and (even when buying online) costs no small amount of 80–120 EUR per year. This convenience advantage could emerge in the form of more attractive prices (and thus margins) for all-season tires compared to the average of summer and winter tires – and become relevant for earnings.

Growth driven by ongoing e-commerce penetration and market share gains

Delticom's market share in online tire sales in the EU (in %), and combined penetration/market share gain factors (in % y-o-y)



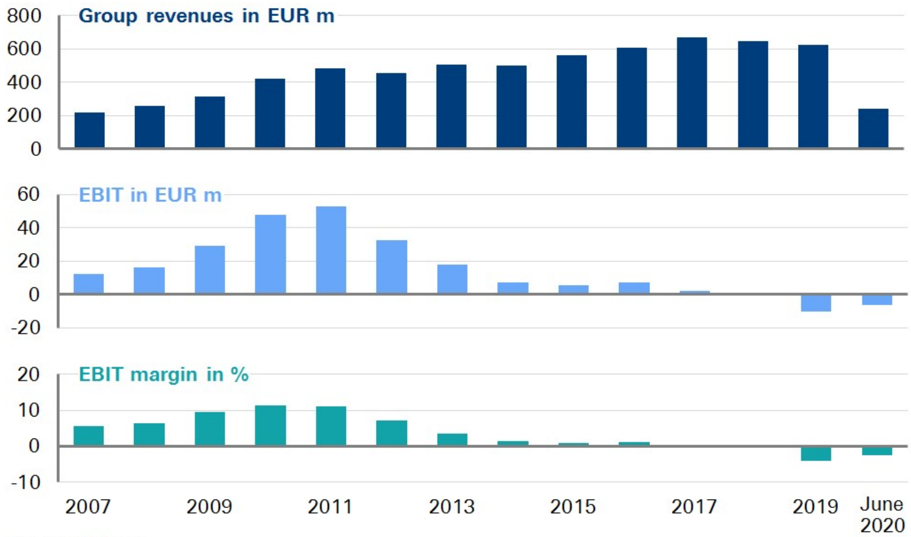
Source: Metzler Research

We expect sales growth to increase by 5–7% by 2025

Based on our assumptions, our model forecast shows that volume growth in the five years leading up to and including 2025 should be in a range between just short of 5% and a good 7% per year. This is not a high growth rate for an online retailer, and Delticom even recorded much higher growth in its early years. Measured against the revenue trend of the last five years, however, these would be very respectable growth rates. We believe currency effects are relatively low and do not expect any significant changes in the price or product mix for the time being, which is why the sales and revenue trends should be very similar.

EBIT margin was in the double digits at its peak

After the boom, a 10-year decline



Source: Delticom

After its IPO in 2006, Delticom had a very successful period of several years in which it not only grew at a high double-digit rate but also was very profitable. In 2010 and 2011, the company even achieved EBIT returns of over 10% each.

What distinguished Delticom in the early years and what has changed fundamentally since then? As a first mover, the company, which emerged from a small subsidiary of Continental, quickly conquered the position of leading e-commerce provider in the tire business and consistently claimed over 50% of the European market.

Moreover, the young company was characterized by a very lean structure. The number of employees was very low, and no major investments were made in either administration or logistics.

In the 2010s, profitability and – with fluctuations – growth dynamics declined significantly until, under the pressure of high losses, a deep reorganization was initiated in 2019. We want to analyze the causes of this decline in order to identify potential opportunities for a possible resurrection.

Too many strategy shifts, more focus in the future

- Unclear strategy: In our opinion, there have been too many strategy shifts in recent years. They ranged from the desire to expand market share and pursue optimum profitability. Expansion of the business to North America and Asia was not prepared carefully enough. In the future, Delticom is likely to focus again on its core business: online retailing in Europe.

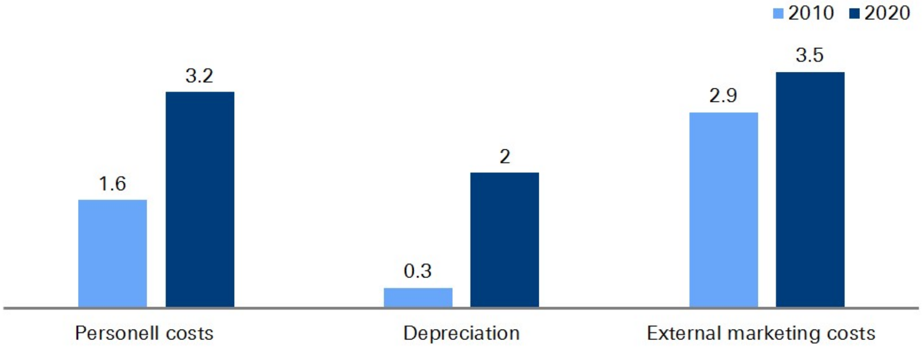
- Expansion to include other products: The company did not succeed in its attempt to sell other products. These adventures are also unlikely to be repeated.

- Acquisitions have not brought success: The takeover of competitor Tirendo (2013) accelerated Delticom's downward slide. In theory, it brought an advantage of scale, but in view of the company's clear market leadership in Europe, this added hardly any value. On the contrary, high integration costs led to further erosion of operating margins. In our view, acquisitions are virtually out of the question for the next three to five years.

- In our view and as the following chart also shows, Delticom gradually became more inefficient in the 2010s. Growth during this period not only failed to bring efficiency gains through economies of scale, but the opposite was observed. In our view, the reasons for this included a certain amount of administrative bloat and rising depreciation and amortization due to a slight change in investment behavior. With the current reorganization, significantly more emphasis is likely to be placed on efficiency gains again.

Delticom should become a lean company again

Cost ratios 2010 and 2020 (January—June), in % of sales



Source: Delticom

Over the course of the 2010s, Delticom's margin lost 400 basis points and numerous other costs went up due to increases in the personnel cost ratio, the depreciation ratio, and the external costs for advertising in proportion to sales. Plausible reasons for this increase in expenses in proportion to business volume could be that DEX had to invest in a central warehouse once it reached a certain size and that certain regulatory conditions had to be met, such as the creation of a compliance department. On the other hand, economies of scale could have had a positive impact, so from this perspective it seems possible that Delticom will be able to make up for these 400 basis points.

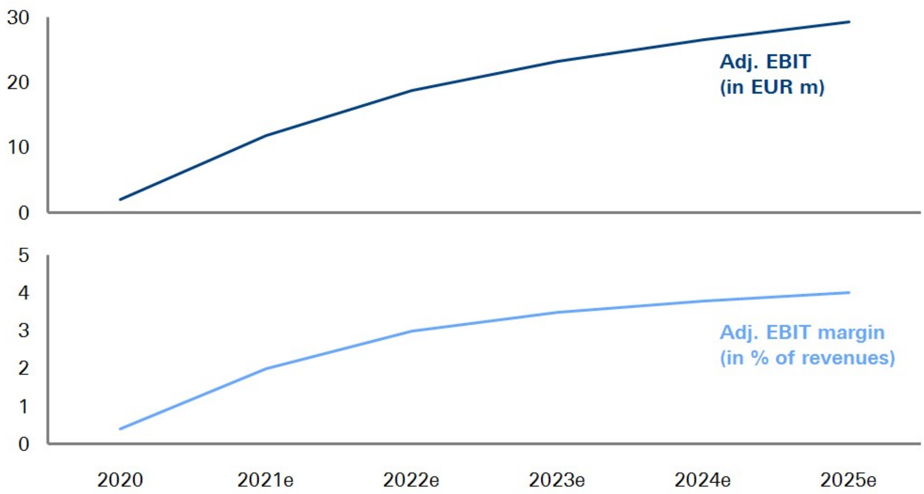
EBIT margin should be able to reach at least one third of its previous level

Delticom aims to achieve EBIT margin of 3% in the medium term

Delticom currently expects to be able to achieve an EBIT margin of 3% in the medium term. The company is making this forecast against the backdrop of considerable losses incurred over the past two years and the subsequent need for restructuring.

We think this 3% mark should be seen as an interim target, and we estimate it can be reached in 2023e. In the next five years, we believe a return to 4% is realistic, i.e. a good third of the previous peak. The main drivers here are likely to be efficiency gains from the restructuring, a more focused strategy, and economies of scale from expected growth.

Back to profitability with focus on core business



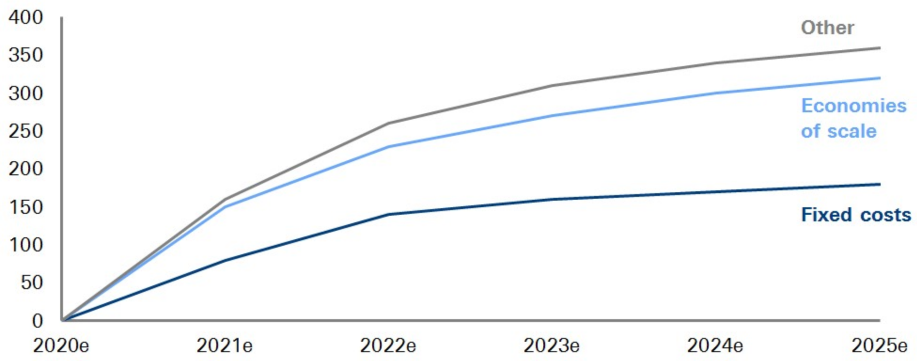
Source: Metzler Research

According to statements by Delticom, restructuring measures to date have been aimed at improving the liquidity position and thus have affected all cost types. We expect restructuring measures to lead to a positive EBIT margin this year – at least before restructuring costs which could account for another EUR 3–4 million. By 2020, the company should have achieved a roughly break-even operating result.

In the years to come, the following measures should gradually take effect: considerable reduction of the headcount, restrained investment behavior, and a reduction of marketing expenses which was specifically mentioned by the company as a cost-cutting objective. At the same time, expected growth should have a slightly margin-improving effect.

Reduction of fixed costs and economies of scale are key margin drivers

Sources of margin increase 2021e—2025e, in basis points



Source: Metzler Research

Turnaround of free cash flow has likely been achieved

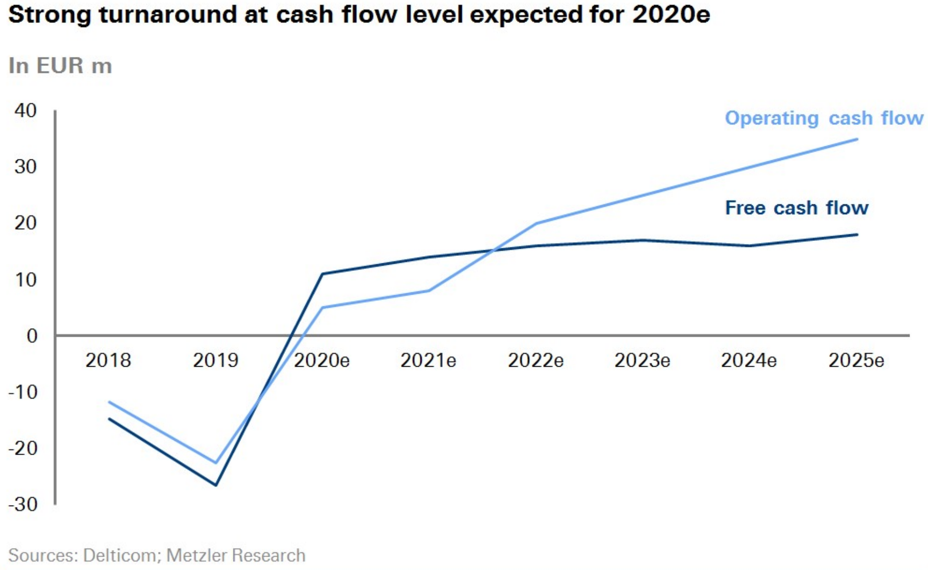
Progress has been made in reducing high financial debt

Since the start of the restructuring process at the beginning of 2020, ending the recently very considerable cash outflow has been the top priority – and understandably so, given the company's high indebtedness. At the end of 2019, reported financial debt of EUR 93.2 million contrasted with very slim equity of just EUR 8.3 million. This already represented a threatening situation given the pronounced negative earnings and cash flow trend.

At EUR 26.5 million, cash outflow in 2019 had doubled compared to 2018 (EUR 14.8 million). Ending this development quickly in the course of 2020 was therefore of utmost urgency.

This goal has likely been achieved. Since the formulation of financial targets in spring of 2020, a high single-digit positive free cash flow was targeted for the previous fiscal year. This target was upheld until the end of the year while the benchmarks for sales and EBIDTA changed several times – forecasts for sales were lowered while forecasts for EBITDA were raised.

From discussions with the company and considering the interim results, it can also be concluded that a visibly positive cash surplus was indeed achieved. As of June 30, 2020, free cash flow was improved very significantly from EUR -28.9 million to EUR +6 million – and this was achieved under market conditions that were very tough at times due to coronavirus. Group revenues declined by 16.4% to EUR 238 million in the first six months of 2020 compared to the first half of 2019, and net income remained negative at EUR -5.9 million, compared to EUR -8 million in the first half of the year due to a contraction of revenues. Further adjustments were made to the relevant parameters: reduction of investments, improved working capital management, and a (slight) reduction of losses. The second half of the year was therefore likely similar, albeit with a significantly better sales performance. We estimate free cash flow of EUR 11 million for the full year 2020, in line with the company's guidance, and we consider an upward deviation from this estimate to be more likely than a downward deviation.



In the years leading up to and including 2025e, we expect a steady increase in cash surplus stemming from an improved earnings situation and a reduction in capital expenditure and working capital. Towards the end of the period under review, capital expenditure should then gradually increase again.

The difficult years are reflected in the balance sheet

The balance sheet at mid-year 2020 shows that the last few years of initially inadequate profitability and eventually losses have left deep scars. At EUR 1.9 million (1.1% of total assets), equity capital was extremely low. Long-term fixed assets of almost EUR 87 million were only covered to around 40% by long-term equity and debt capital. Without a sustained, immediate turnaround in earnings, the situation would have become dangerous.

However, we believe a positive turnaround has already begun and will be reflected in the year-end balance sheet, showing a slight improvement in the relevant variables. Above all, we expect the improvement trends to continue at an accelerated pace.

Very stressed balance sheet as of June 30, 2020

Balance sheet structure, in % of total assets

Assets		Liabilities	
Fixed assets	5.8	Equity	1.9
Other non-current assets	43.3	Provisions	2.8
Inventories	34.8	Financial liabilities	49.0
Other current assets	13.4	Other liabilities	46.3
Cash	2.7		

Balance sheet total: EUR 177 m

Source: Delticom

By the end of 2022e, own funds are expected to account for around 10% of total assets again

At the end of the year, Delticom's balance sheet should look slightly better than at mid-year, but the group's equity is still expected to be close to zero. Over the next two years, a gradual reduction of debt and a steady strengthening of equity should emerge in line with the expected gradual improvement in earnings. We expect equity capital to account for at least 10% of total assets again by the end of 2022e.

Real improvements at the earnings level in the third quarter

2020 results reflect restructuring success

In the most recently reported quarter from July to September 2020, improvements were more apparent than before, particularly at the earnings level. As revenues were down and no extraordinary factors were discernible, this clearly demonstrates the success of the restructuring measures. In our opinion, the targeted savings were more than achieved in all areas of the company. We expect this to have continued in the final quarter of 2020.

This is supported above all by the earnings targets for the fiscal year 2020, which have been revised upwards twice within a short period of less than three weeks. With the announcement of the 9-month figures on November 12, 2020, Delticom raised the target earnings range for consolidated EBITDA from EUR 10–13 EUR to EUR 12–15 million, and on December 1, it was significantly increased again to EUR 21–24 million (before special effects both times).

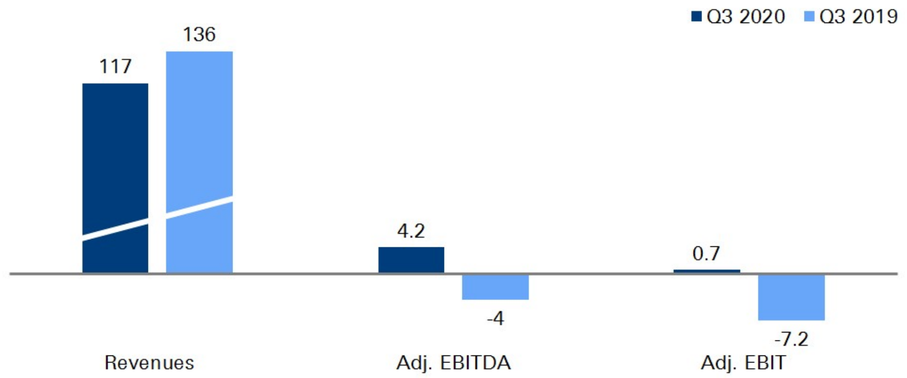
The market environment did not help. In the third quarter, the company's sales barely developed any better than in the first six months of last year when they were heavily burdened by the coronavirus pandemic. Three-month sales contracted by almost 14% to EUR 136 million; in the first nine months, revenues fell by a somewhat steeper 15.5% to EUR 355 million, around a third of which was attributable to the divestment of non-core activities.

Revenue targets for 2020 lowered by the company

Unlike the earnings forecast, the sales expectation was lowered after the third quarter (and then confirmed on December 1) – from EUR 600–630 million to EUR 550–570 million for the full year 2020. Apparently, tailwind from the market is not to be expected.

Operating break-even achieved on a quarterly basis

Q3 2020 group key financials vs. Q3 2019, in EUR m



Source: Delticom

The fourth quarter was likely similar to the third with a significant improvement in profitability. Weather conditions are a key factor influencing the winter tire business. Most recently, business has been burdened somewhat by overall warming and it is unlikely to have been exceptionally good in the most recent three-month period either.

Delticom sees itself as a "one-product company" – segment reporting has thus been halted

There is no (more) segment reporting for the Delticom group as the company now sees itself as a "one-product company". Its core business, e-commerce of tires and wheels in Europe, is estimated to account for almost 90% of group revenues in the medium and long term. Non-European activities, consisting primarily of online sales in the USA, are to be sold off, but there is no pressure to act, according to repeated statements by company representatives, as these businesses do generate a "slight profit". US business is still included in our model calculation.

2021e: Returning to profit

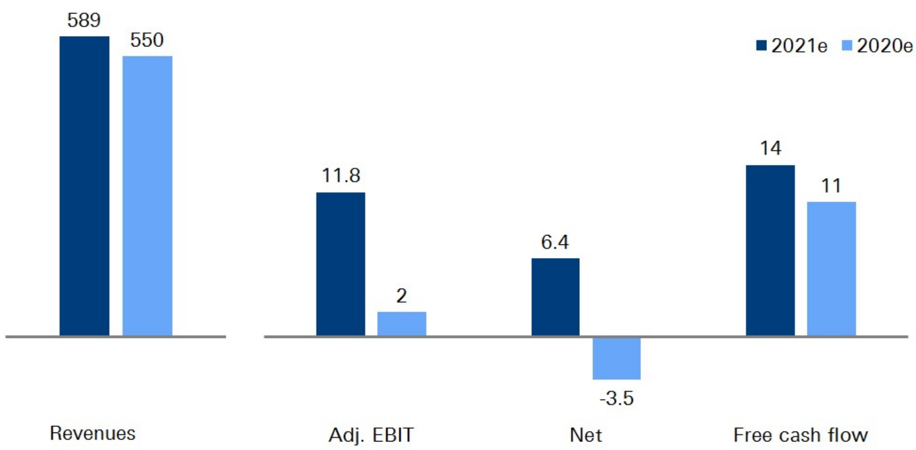
This year, we believe Delticom's turnaround that started in the second half of last year should continue. Several driving forces should advance sales and earnings and end the loss-making period:

A sales increase of 7% y-o-y in 2021 could be realistic

In terms of sales, we expect an increase to an estimated EUR 589 million which corresponds to around 7% compared to 2020. Compared to the less dynamic development of previous years, this increase looks high at first. It is based on our model assumption that DEX will be able to slightly increase its market share in the tire business via online sales starting in 2021. In addition, this year is likely to be strongly influenced by overall economic recovery, and the forecast may even turn out to be cautious in the end. With Michelin (no Metzler coverage), the global market leader for tires has forecast a strong 6-8% increase in sales of new tires worldwide for 2021e. This refers to tires for passenger cars and light commercial vehicles. The market for replacement tires is expected to grow somewhat more slowly than the market for original equipment with direct delivery to car manufacturers. However, growth of around 5% can also be expected this year for the part of the tire market that is relevant from the dealer's point of view, provided the pandemic does not lead to trade restrictions in the long term.

Key financials 2021e: Success to become visible

In EUR m



Source: Metzler Research

As already outlined, we believe the operating result will benefit from the reduction of all major expenses in the course of the restructuring. In particular, the reduction of fixed costs such as personnel expenses is crucial for Delticom's sustained success. Robust growth should also have a positive effect via economies of scale. According to the company's statements, restructuring costs should only amount to approximately EUR 3 million. The burden of efficiency-enhancing measures should then have been absorbed.

Delticom's cash surplus is likely to increase relatively slightly from EUR 11 million to EUR 14 million in 2021 (both Metzler estimates). Earnings are expected to increase much more strongly, but a high reduction of working capital similar to 2020 (estimated by us: EUR 20 million) can probably not be repeated.

Valuation

Valuation: fair value of EUR 15 per share

We assume medium-term growth of around 5% per annum

Our preferred valuation tool for Delticom is DCF analysis. Delticom is an online retailer with homogeneous business content, and it seems to us it should be relatively easy to predict future sales and revenue development or the expected course of other financial variables. On the other hand, there are not very many companies in the industry that are well suited for comparison so a multiples valuation in a peer group comparison is difficult.

DCF model: fair value of EUR 15 per share

In EUR m

	2020	2021	2022	2023	2024	2025	2026	2027	TV year
Year	0	1	2	3	4	5	6	7	
Discounting period (years)		0.85	1.85	2.85	3.85	4.85	5.85	6.85	7.85
Sales		550	589	625	662	700	735	772	783
Sales growth (%)		-12.1	7.1	6.1	5.9	5.0	5.0	5.0	1.5
Operating margin (%)		2.2	2.0	3.0	3.5	3.8	4.0	4.0	3.0
EBIT		12	12	19	23	27	29	31	23
Taxes		3	3	5	6	7	8	8	6
Tax rate (%)		25	27	27	27	27	27	27	25
Depreciation		13	12	11	10	11	11	12	12
Amortization (ppa etc.)									
Gross cash flow		**5**	**13**	**18**	**30**	**33**	**36**	**38**	**33**
Capex		4	4	5	10	11	11	12	12
Change in working capital		13	7	4	-2	-2	-2	-2	-1
Free cash flow	**11**	**14**	**16**	**17**	**16**	**18**	**20**	**22**	**18**
Discounted free cash flow		13	15	15	13	15	15	12	18

Sum of DCF	98
TV	175
Net debt	84
Fair equity value	188
Number of shares (in m)	12.5
Fair value per share (in EUR)	**15.0**

WACC calculation			
Cost of debt (in %)	3.0	Financial debt	88
Cost of equity (in %)	9.0	Total capital	96
Equity	8	WACC (in %)	8.5*
Beta	1.2		

* Estimated as calculation leads to an extremely low value
Source: Metzler Research

With DCF analysis, we determine a fair value of EUR 15 per share for the Delticom share

In our DCF analysis, we assume medium-term revenue growth for Delticom averaging a good 5% per year. As described above, we derive this average value and the forecast growth rates for the individual years up to and including 2025 from the two presumed growth drivers of retail penetration: online sales and changes in market share. We are cautious with regard to Delticom's recent eventful past insofar as we exclude other possible drivers such as an expansion of the tire market at least in the two post-recession years 2021e and 2022e. We also by far do not grant Delticom growth rates like other online companies analyzed by us. As a "perpetual growth rate", we use a value of +1.5% per annum, which corresponds to the average of all companies analyzed by us. This can also be described as cautious considering the further expansion potential of online sales.

We believe EBIT margins in the medium and long term of 4% and 3% respectively are achievable. In our detailed forecast of sales and revenues over the next five years, we assume a gradual increase in EBIT margin from an estimated 0.4% in 2020 to 4% in 2025e. The company currently expects 3%. These estimated figures are a middle ground between the return potential we consider possible and Delticom's forecast, which is characterized by caution in the course of restructuring.

We also take a very cautious approach with regard to beta factor, i.e. the mathematical consideration of the assumed share price volatility, by deviating very significantly from the beta factor of the previous year (0.76 according to Bloomberg). The value of 1.2 used in our model reflects a relatively high fluctuation risk.

We arrive at a fair value of EUR 15 per share.

Sensitivity analysis: margin matters more than growth

		EBIT margin (%) 3.2	3.6	4.0	4.4	4.9
Sales growth (%, p.a.)	4.0	12.6	13.3	13.9	14.5	15.2
	4.5	13.1	13.8	14.4	15.1	15.8
	5.0	13.6	14.3	15.0	15.7	16.3
	5.5	14.1	14.8	15.5	16.2	16.9
	6.0	14.6	15.3	16.0	16.7	17.5

Source: Metzler Research

The fair value of the Delticom share is moderately sensitive to changes in the assumed sales growth or operating margin compared with other companies analyzed. In the event of a change in both variables of 10% each in relation to the base case (5% growth, 4% margin), the fair value per Delticom share changes by 4–5%. The fair value reacts somewhat more strongly to changes in returns (by 5% on average) than to changes in estimated growth (4%).

Our valuation model reacts to variations in the beta factor in a similar way to changes in sales growth or EBIT margin. Here, an increase or decrease in beta by 10% leads to a reduction or increase in the fair value by just under 5% in each case. The reaction to the investment-related ratio of depreciation/amortization to new investments is much more sensitive. If this ratio is changed by 10%, for example from 1.0 to 0.91, the fair value of DEX shifts by a striking 13%. This illustrates the high dependency of a low personnel-intensive e-commerce company on investment behavior.

Peer group analysis would lead to a significantly higher fair value – but there are (still) several relative factors

The only relevant peer is Polish online tire retailer Oponeo

A second valuation approach, the peer group analysis, is only cited here as additional information. It is less useful in Delticom's current situation because, firstly, the vast majority of e-commerce companies differ very significantly from Delticom in terms of expected growth and estimated profitability – and even more so in terms of valuation ratios. In the following overview, this is visible in the large differences between the Polish company Oponeo, which is Delticom's only real peer (Oponeo is the market leader for online tire sales in Poland), and all other online retailers we selected. For both relevant valuation ratios EV/sales and EV/EBITDA, Oponeo scores far lower than the retailers of other goods.

One major reason for the very large differences in valuation is probably the lack of transparency in the online tire business. Even the companies concerned are unable to provide a complete overview of all major suppliers in Europe and worldwide. More important, however, is the fact that a tire purchase, whether in a stationary shop or online, has a much more sporatic character than purchases of other goods. It takes place only seldom and the brand names of producers and dealers do not appear to be strong enough for genuine customer loyalty to develop.

On the other hand, a comparison only with Oponeo, which with current growth of well over 10% per annum and a current EBIT margin of around 3% is in a much better position than Delticom, would be too thin a starting point for a peer group analysis.

Peer group analysis - European e-commerce players

									EV/Sales		EV/EBITDA	
Company	Ticker	Rating	FX	Price 02/03/21	Market Cap (in m)	Sales CAGR 20'-22'*	EBIT margin 12m	EBIT margin 24m	12m	24m	12m	24m
AO World	AO/ LN	Not rated	GBp	2.9	1,608	21.9%	3.4%	n/a	0.8x	0.7x	17.0x	14.2x
Asos	ASC LN	Not rated	EUR	56.4	6,509	23.7%	4.4%	4.5%	1.3x	1.1x	16.1x	13.9x
Boohoo	BOO LN	Not rated	EUR	3.3	4,852	36.9%	7.7%	7.8%	1.7x	1.4x	18.5x	14.9x
HelloFresh	HFG GY	BUY	EUR	63.7	11,075	20.0%	8.8%	9.4%	2.3x	2.0x	21.4x	17.7x
Oponeo	**OPN PW**	**Not rated**	**PLN**	**38.9**	**120**	**16.2%**	**3.0%**	**3.1%**	**0.4x**	**0.4x**	**10.1x**	**9.8x**
Shop Apotheke	SAE GY	BUY	EUR	202.0	3,623	36.0%	1.0%	2.4%	2.9x	2.2x	103.3x	54.3x
Zalando	ZAL GY	Not rated	EUR	87.7	22,392	24.4%	4.3%	4.8%	2.2x	1.9x	32.1x	25.3x
Zooplus	ZO1 GY	SELL	EUR	202.0	1,444	17.4%	1.2%	1.4%	0.7x	0.6x	25.5x	20.2x
Mean	-	-	-	-	6,453	24.5%	4.2%	4.8%	1.5x	1.4x	30.5x	21.3x

* Calculation based on LTM sales and 24m fwd sales

Sources: Bloomberg, Metzler Research

If we use only Oponeo's current valuation ratios as a comparison, we currently arrive at an appropriate enterprise value of EUR 295 million for Delticom. Here, we use the four values EV/sales and EV/EBITDA, estimated in advance for 12 and 24 months, and average them. This results in a reasonable value of EUR 17.2 per share. At present, we refrain from citing this value as the result of an alternative valuation. As soon as other European online tire retailers become listed or when Delticom has completed its turnaround, this could become a meaningful valuation approach.

Balance sheet

(in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Assets	202	10.4	232	14.9	188	-19.1	165	-12.3	159	-3.5	163	2.5
Fixed assets	**75**	**0.1**	**82**	**9.3**	**85**	**3.5**	**75**	**-11.6**	**64**	**-14.7**	**66**	**3.1**
Intangible fixed assets	57	-3.2	60	4.6	66	10.4	60	-9.0	50	-16.7	52	4.0
Goodwill	35	0.0	35	0.0	35	0.0	35	0.0	35	0.0	35	0.0
Other intangible assets	22	-8.0	24	11.9	31	25.4	25	-19.3	15	-40.5	17	13.6
Tangible assets	17	16.9	22	25.4	10	-52.1	8	-23.1	7	-12.5	7	0.0
Technical plant and equipment	10	-11.5	10	2.0	4	-59.8	3	-26.8	3	0.0	3	0.0
Financial assets	0	-50.0	0	0.0	8	n.m.	7	-17.6	7	0.0	7	0.0
Other financial assets	0	-62.5	0	66.7	8	n.m.	7	-17.6	7	0.0	7	0.0
Current assets	**123**	**17.7**	**147**	**19.0**	**99**	**-32.2**	**90**	**-9.5**	**91**	**1.1**	**92**	**1.1**
Inventories	80	27.3	100	24.8	63	-36.7	50	-20.6	47	-6.0	46	-2.1
Receivables and other assets	40	11.9	44	10.4	31	-28.7	25	-19.6	25	0.0	26	4.0
Cash and cash items	4	-41.8	3	-12.8	5	55.9	15	183.0	16	6.7	18	12.5
Deferred taxes	4	13.2	4	-7.0	4	0.0	0	-100.0	1	n.a.	2	83.3
Shareholders' equity and liabilities	202	10.4	232	14.9	188	-19.0	165	-12.4	159	-3.5	163	2.5
Shareholders' equity	**53**	**-9.4**	**49**	**-7.0**	**8**	**-83.2**	**8**	**0.0**	**11**	**36.1**	**28**	**149.6**
Subscribed capital	12	0.0	12	0.0	12	0.0	12	0.0	12	0.0	12	0.0
Reserves	40	-11.1	37	-8.0	-4	-111.2	-8	-85.4	-1	84.2	16	n.m.
Minority interests	1	-45.5	0	-83.3	-0	-200.0	0	100.0	n.a.	n.a.	n.a.	n.a.
Outside capital	**149**	**19.7**	**180**	**20.8**	**180**	**-0.4**	**157**	**-12.8**	**148**	**-5.6**	**135**	**-8.7**
Liabilities	148	20.4	179	21.1	176	-1.9	153	-13.1	144	-5.8	131	-9.0
Financial debt	15	-23.1	31	102.0	93	201.6	88	-5.6	78	-11.4	63	-19.2
Accounts payable, trade	114	28.5	131	14.9	69	-47.2	58	-16.4	59	1.7	60	1.7
Other liabilities	18	30.5	17	-7.6	13	-21.8	7	-48.1	7	1.4	8	14.3
Deferred taxes liabilities	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Balance sheet total	202	10.4	232	14.9	188	-19.1	165	-12.3	159	-3.5	163	2.5

Sources: Refinitiv, Metzler Research

Profit & loss account

(in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Sales	668	10.1	646	-3.3	626	-3.1	550	-12.1	589	7.1	625	6.1
Change in finished goods and work in progress	0	n.a.	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.
Own work capitalised	0	n.a.	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.
Total output	**668**	**10.1**	**646**	**-3.3**	**626**	**-3.1**	**550**	**-12.1**	**589**	**7.1**	**625**	**6.1**
Other operating income	26	25.2	38	47.7	38	-1.3	32	-14.9	33	3.1	34	3.0
Operating expenses	691	11.5	683	-1.3	705	3.3	580	-17.8	610	5.2	636	4.2
Cost of materials	530	13.8	505	-4.8	491	-2.9	430	-12.4	457	6.3	478	4.6
Personnel expenses	11	7.9	16	45.9	20	25.2	14	-29.6	12	-14.3	10	-16.7
Depreciation and amortization	7	-6.4	13	78.1	40	204.6	13	-67.2	12	-3.8	12	-8.0
Write-downs on intang. fixed assets and tang. assets	7	-6.4	8	8.2	36	349.4	13	-63.4	12	-3.8	12	-8.0
Other operating expenses	143	5.1	149	4.0	155	4.4	123	-20.8	129	4.7	136	5.8
EBIT	2	-72.2	1	-45.0	-42	n.m.	2	104.8	12	487.5	23	97.3
Financial result	-0	33.3	-1	-75.0	-2	-114.3	-2	0.0	0	100.0	0	n.a.
Income from investments	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Interest income (net)	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Result of ordinary activities	**2**	**-75.8**	**0**	**-75.0**	**-44**	**n.m.**	**0**	**101.1**	**12**	**n.m.**	**23**	**97.3**
EBT	2	-75.8	0	-75.0	-44	n.m.	-6	85.1	9	234.6	23	164.9
Taxes on income	0	-76.2	2	320.0	3	28.6	-3	-211.1	2	178.8	6	164.9
Tax rate (%)	31.2	-1.8	525.0	n.m.	-6.2	-101.2	46.2	843.6	0.0	-100.0	0.0	n.a.
Net income	1	-75.6	-2	-254.5	-41	n.m.	-4	91.4	6	282.5	17	164.9
Minority interests	-0	0.0	0	175.0	0	-33.3	0	-100.0	0	n.a.	0	n.a.
Minority rate (%)	-36.4	-309.1	-17.6	51.5	-0.5	97.2	0.0	100.0	0.0	n.a.	0.0	n.a.
Net Income after minorities	2	-69.4	-2	-233.3	-41	n.m.	-4	91.5	6	282.5	17	164.9
Unappropriated consolidated net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Adjustment calculation												
Net Income after minorities	2	-69.4	-2	-233.3	-41	n.m.	-4	91.5	6	282.5	17	164.9
Adjustments of net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Adjustment rate (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Adj. net income after minorities	0	n.a.	-2	n.a.	-41	n.m.	-4	91.5	6	282.5	17	164.9
Number of shares outstanding	0	n.a.	12	n.a.	12	0.0	12	0.0	12	0.0	12	0.0
EPS (EUR)	n.a.	n.a.	-0.16	n.a.	-3.28	n.m.	-0.28	91.5	0.51	282.5	1.35	164.9
EPS adj. (EUR)	n.a.	n.a.	-0.16	n.a.	-3.28	n.m.	-0.28	91.5	0.51	282.5	1.35	164.9

Sources: Refinitiv, Metzler Research

Cash flow/ratios/valuation

	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Cash Flow/ Net Debt (in EUR m)												
Gross Cash Flow	15	-21.8	-12	-176.0	-22	-92.3	-5	77.8	5	200.0	13	160.0
Increase in working capital	10	9.9	-5	-151.0	103	n.m.	20	-80.6	13	-35.0	7	-46.2
Capital expenditures	-7	n.a.	-7	n.a.	-4	n.a.	-4	n.a.	-4	n.a.	-4	n.a.
D+A/Capex (%)	-98.6	n.a.	-180.6	n.a.	-880.0	n.a.	-325.0	n.a.	-312.5	n.a.	-287.5	n.a.
Free cash flow (Metzler definition)	18	-30.0	-24	-233.3	76	416.7	11	-85.5	14	27.3	16	14.3
Free cash flow yield (%)	n.a.	n.a.	-26.7	n.a.	133.6	n.a.	14.8	n.a.	15.9	n.a.	18.2	n.a.
Dividend paid	0	n.a.	-1	n.a.	0	100.0	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	18	210.3	-29	-259.4	74	357.5	11	-85.1	14	27.3	16	14.3
Net Debt incl. Provisions	13	-15.3	28	118.9	94	236.3	82	-11.9	72	-13.2	56	-22.4
Gearing (%)	24.0	n.a.	56.4	n.a.	1126.5	n.a.	992.8	n.a.	632.7	n.a.	196.8	n.a.
Net debt/EBITDA	1.4	n.a.	2.0	n.a.	-39.0	n.a.	5.5	n.a.	2.9	n.a.	1.6	n.a.
Ratios (in %)												
Liquidity												
Quick ratio	170.9	n.a.	101.3	n.a.	46.8	n.a.	100.0	n.a.	124.2	n.a.	191.3	n.a.
Current ratio	485.0	n.a.	315.9	n.a.	127.9	n.a.	225.0	n.a.	275.8	n.a.	400.0	n.a.
Pay-out ratio	n.a.	n.a.	-62.5	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Balance sheet structure												
Equity/total assets	26.2	n.a.	21.2	n.a.	4.4	n.a.	5.0	n.a.	7.1	n.a.	17.3	n.a.
Equity to fixed assets	70.0	n.a.	60.1	n.a.	9.9	n.a.	11.1	n.a.	17.7	n.a.	42.7	n.a.
Long-term capital to total assets	29.8	n.a.	22.8	n.a.	19.7	n.a.	34.1	n.a.	35.4	n.a.	41.8	n.a.
Long-term capital to fixed assets and inventories	39.0	n.a.	29.3	n.a.	25.1	n.a.	45.0	n.a.	50.7	n.a.	60.9	n.a.
Liabilities to equity (leverage)	279.4	n.a.	363.7	n.a.	2119.3	n.a.	1842.2	n.a.	1274.3	n.a.	464.5	n.a.
Profitability/efficiency												
Working capital to sales	-1.5	n.a.	-1.2	n.a.	0.7	n.a.	0.0	n.a.	-0.7	n.a.	-0.8	n.a.
EBIT margin	0.3	n.a.	0.2	n.a.	-6.7	n.a.	0.4	n.a.	2.0	n.a.	3.7	n.a.
EBITDA margin	1.4	n.a.	2.2	n.a.	-0.4	n.a.	2.7	n.a.	4.1	n.a.	5.5	n.a.
Net ROS	0.2	n.a.	-0.3	n.a.	-6.6	n.a.	-0.6	n.a.	1.1	n.a.	2.7	n.a.
Cash flow margin	2.3	n.a.	-1.8	n.a.	-3.6	n.a.	-0.9	n.a.	0.8	n.a.	2.1	n.a.
ROE (after Tax/Min.)	2.7	n.a.	-3.9	n.a.	-142.4	n.a.	-41.9	n.a.	65.2	n.a.	85.7	n.a.
Productivity												
Average number of employees ('000)	0.0	n.a.	340.0	n.a.	295.0	-13.2	193.0	-34.6	152.0	-21.2	154.0	1.3
Sales per employee (EUR '000)	n.a.	n.a.	1.9	n.a.	2.1	11.7	2.8	34.3	3.9	36.0	4.1	4.7
EBIT per employee (EUR '000)	n.a.	n.a.	0.0	n.a.	-0.1	n.m.	0.0	107.3	0.1	646.0	0.2	94.7
Valuation												
PER adj.	n.a.	n.a.	-44.9	n.a.	-1.4	n.a.	-21.3	n.a.	13.8	n.a.	5.2	n.a.
PBV	0.0	n.a.	1.8	n.a.	6.8	n.a.	9.0	n.a.	7.8	n.a.	3.1	n.a.
EV/EBITDA	1.4	n.a.	8.3	n.a.	-62.7	n.a.	10.5	n.a.	6.6	n.a.	4.1	n.a.
EV/EBIT	6.3	n.a.	106.9	n.a.	-3.6	n.a.	78.4	n.a.	13.6	n.a.	6.2	n.a.
Dividend yield (%)	0.0	n.a.	1.4	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.

Sources: Refinitiv, Metzler Research

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Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
Issuer/Financial Instrument (ISIN): HelloFresh (DE000A161408)					
19.02.2021	Buy	Buy	70.85 EUR	85.00 EUR	Diedrich, Tom
05.11.2020	Buy	Buy	50.25 EUR	69.00 EUR	Diedrich, Tom
19.10.2020	Buy	Buy	54.55 EUR	65.00 EUR	Diedrich, Tom
12.08.2020	Buy	Buy	46.14 EUR	65.00 EUR	Diedrich, Tom
14.07.2020	Buy	Buy	49.44 EUR	63.00 EUR	Diedrich, Tom
06.07.2020	Buy	Buy	50.40 EUR	58.00 EUR	Diedrich, Tom
08.06.2020	n.a.	Buy	36.00 EUR	45.00 EUR	Diedrich, Tom
Issuer/Financial Instrument (ISIN): Shop Apotheke Europe (NL0012044747)					
08.09.2020	Buy	Buy	130.60 EUR	158.00 EUR	Diedrich, Tom
07.08.2020	Buy	Buy	138.00 EUR	158.00 EUR	Diedrich, Tom
23.07.2020	Buy	Buy	139.20 EUR	152.00 EUR	Diedrich, Tom
29.04.2020	Buy	Buy	70.30 EUR	82.00 EUR	Diedrich, Tom
18.03.2020	Buy	Buy	46.70 EUR	55.00 EUR	Diedrich, Tom
Issuer/Financial Instrument (ISIN): Zooplus (DE0005111702)					
08.02.2021	Sell	Sell	200.00 EUR	142.00 EUR	Diedrich, Tom
15.07.2020	Sell	Sell	141.00 EUR	122.00 EUR	Diedrich, Tom
18.05.2020	Hold	Sell	136.80 EUR	118.00 EUR	Diedrich, Tom
27.03.2020	Hold	Hold	99.30 EUR	98.00 EUR	Diedrich, Tom

* 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

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