

Delticom (DEX GY) | Retail

October 08, 2021

Returning to a solid growth path

We confirm our Buy recommendation for Delticom with an unchanged price target of EUR 16. Our impression is that DEX has returned to a moderate growth path in Q3 after group revenues had declined slightly on a comparable basis in Q2. As a first rough estimate, revenues should have expanded by some 5% yoy to EUR 123 m in the summer quarter. Overall, the (slightly) growing penetration of eCommerce in the tire retail business should have contributed to the growth. DEX characterizes the development in the individual markets still as fairly heterogenous. It looks like Northern Europe including Germany is already in a robust situation and benefits from rising road mileages there: Southern Europe is still suffering under a post-covid weakness. At the EBITDA level, Delticom is moving towards the upper end of the targeted EUR 16-20 m range and could even beat it if the winter tire business should start early, we think.

- Q3e: While group revenues should have expanded by roughly 5% yoy, EBITDA could have doubled from the EUR 3.2 m level of last year. The efficiency improvements of the past 24 months are the main profitability driver.
- Valuation: With unchanged earnings estimates, we come to an unchanged fair value of EUR 16 in our DCF analysis which takes conservative assumptions like a bety of 1.2 and a long-term growth rate of 1.5% into account.

| Fundamentals (in EUR m) | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|---------------------------|-------|--------|------|-------|-------|-------|
| Sales | 646 | 626 | 541 | 572 | 617 | 654 |
| EBITDA | 14 | -2 | 15 | 25 | 34 | 37 |
| EBIT | 1 | -42 | 5 | 15 | 25 | 27 |
| EPS adj. (EUR) | -0.16 | -3.28 | 0.54 | 0.54 | 1.23 | 1.31 |
| DPS (EUR) | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (EUR) | 3.94 | 0.67 | 1.10 | 1.81 | 2.95 | 4.25 |
| Net Debt incl. Provisions | 28 | 94 | 89 | 67 | 52 | 34 |
| Ratios | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
| EV/EBITDA | 8.3 | -62.7 | 10.8 | 7.5 | 5.1 | 4.2 |
| EV/EBIT | 106.9 | -3.6 | 30.2 | 12.7 | 7.1 | 5.7 |
| P/E adj. | -44.9 | -1.4 | 11.1 | 15.4 | 6.8 | 6.3 |
| Dividend yield (%) | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA margin (%) | 2.2 | -0.4 | 2.8 | 4.4 | 5.6 | 5.7 |
| EBIT margin (%) | 0.2 | -6.7 | 1.0 | 2.6 | 4.0 | 4.2 |
| Net debt/EBITDA | 2.0 | -39.0 | 5.9 | 2.6 | 1.5 | 0.9 |
| ROE (%) | -3.9 | -142.4 | 60.4 | 45.3 | 51.6 | 36.3 |
| PBV | 1.8 | 6.8 | 5.4 | 4.6 | 2.8 | 2.0 |

Sources: Refinitiv, Metzler Research

Buy
 **unchanged**
Price*
EUR 8.30
Price target
EUR 16.00 (unchanged)

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

| | |
|--------------------------|-----|
| Market Cap (EUR m) | 123 |
| Enterprise Value (EUR m) | 190 |
| Free Float (%) | 0.0 |

Price (in EUR)



| Performance (in %) | 1m | 3m | 12m |
|-------------------------|------|-------|-------|
| Share | -1.9 | -15.0 | 126.2 |
| Rel. to Prime All Share | 1.2 | -14.2 | 90.3 |

Sources: Refinitiv, Metzler Research

| Changes in estimates (in %) | 2021e | 2022e | 2023e |
|-----------------------------|-------|-------|-------|
| Sales | 0.0 | 0.0 | 0.0 |
| EBIT | 0.0 | 0.0 | 0.0 |
| EPS | 0.0 | 0.0 | 0.0 |

Sponsored Research


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company note

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) | 2018 | % | 2019 | % | 2020 | % | 2021e | % | 2022e | % | 2023e | % |
|--|--------------|---------------|--------------|---------------|-------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Sales | 646 | -3.3 | 626 | -3.1 | 541 | -13.5 | 572 | 5.6 | 617 | 8.0 | 654 | 5.9 |
| EBITDA | 14 | 51.6 | -2 | -117.0 | 15 | 729.2 | 25 | 68.3 | 34 | 35.1 | 37 | 9.1 |
| EBITDA margin (%) | 2.2 | 56.8 | -0.4 | -117.6 | 2.8 | 827.4 | 4.4 | 59.4 | 5.6 | 25.1 | 5.7 | 3.0 |
| EBIT | 1 | -45.0 | -42 | n.m. | 5 | 112.9 | 15 | 176.2 | 25 | 66.6 | 27 | 10.6 |
| EBIT margin (%) | 0.2 | -43.1 | -6.7 | n.m. | 1.0 | 114.9 | 2.6 | 161.5 | 4.0 | 54.2 | 4.2 | 4.4 |
| Financial result | -1 | -75.0 | -2 | -114.3 | -3 | -86.7 | n.a. | n.a. | -1 | n.a. | -1 | -10.0 |
| EBT | 0 | -75.0 | -44 | n.m. | 3 | 106.0 | 12 | 373.1 | 24 | 93.5 | 26 | 10.9 |
| Taxes | 2 | 320.0 | 3 | 28.6 | 4 | 59.3 | 0 | -100.0 | 0 | n.a. | 0 | n.a. |
| Tax rate (%) | 525.0 | n.a. | -6.2 | n.a. | 165.4 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. |
| Net income | -2 | -254.5 | -41 | n.m. | 7 | 116.9 | 9 | 34.8 | 18 | 96.8 | 20 | 6.6 |
| Minority interests | 0 | 175.0 | 0 | -33.3 | 0 | 0.0 | 0 | -50.0 | 0 | 0.0 | 0 | 0.0 |
| Net Income after minorities | -2 | -233.3 | -41 | n.m. | 7 | 116.3 | 9 | 37.3 | 18 | 97.8 | 19 | 6.6 |
| Number of shares outstanding (m) | 12 | n.a. | 12 | 0.0 | 12 | 0.0 | 15 | 18.6 | 15 | 0.0 | 15 | 0.0 |
| EPS adj. (EUR) | -0.16 | n.a. | -3.28 | n.m. | 0.54 | 116.3 | 0.54 | 0.6 | 1.23 | 127.5 | 1.31 | 6.6 |
| DPS (EUR) | 0.10 | n.a. | 0.00 | -100.0 | 0.00 | n.a. | 0.00 | n.a. | 0.00 | n.a. | 0.00 | n.a. |
| Dividend yield (%) | 1.4 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. |
| Cash Flow (in EUR m) | 2018 | % | 2019 | % | 2020 | % | 2021e | % | 2022e | % | 2023e | % |
| Gross Cash Flow | -12 | -176.0 | -22 | -92.3 | 15 | 166.7 | 20 | 33.3 | 23 | 15.0 | 25 | 8.7 |
| Increase in working capital | -5 | n.a. | 103 | n.a. | 24 | n.a. | 13 | n.a. | 8 | n.a. | 6 | n.a. |
| Capital expenditures | -7 | 2.7 | -4 | 37.5 | -1 | 75.6 | -4 | -263.6 | -4 | 0.0 | -5 | -25.0 |
| D+A/Capex (%) | -180.6 | n.a. | -880.0 | n.a. | -881.8 | n.a. | -262.5 | n.a. | -237.5 | n.a. | -200.0 | n.a. |
| Free cash flow (Metzler definition) | -24 | -233.3 | 76 | 416.7 | 38 | -50.1 | 29 | -23.5 | 27 | -6.9 | 26 | -3.7 |
| Free cash flow yield (%) | -26.7 | n.a. | 133.6 | n.a. | 50.9 | n.a. | 23.6 | n.a. | 21.9 | n.a. | 21.1 | n.a. |
| Dividend paid | -1 | n.a. | 0 | 100.0 | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. |
| Free cash flow (post dividend) | -29 | -259.4 | 74 | 357.5 | 37 | -49.4 | 29 | -22.5 | 27 | -6.9 | 26 | -3.7 |
| Balance sheet (in EUR m) | 2018 | % | 2019 | % | 2020 | % | 2021e | % | 2022e | % | 2023e | % |
| Assets | 232 | 14.9 | 188 | -19.1 | 200 | 6.2 | 189 | -5.3 | 193 | 2.1 | 199 | 2.8 |
| Goodwill | 35 | 0.0 | 35 | 0.0 | 55 | 55.2 | 35 | -35.6 | 35 | 0.0 | 35 | 0.0 |
| Shareholders' equity | 49 | -7.0 | 8 | -83.2 | 15 | 78.3 | 27 | 81.1 | 44 | 63.1 | 63 | 44.4 |
| Equity/total assets (%) | 21.2 | n.a. | 4.4 | n.a. | 7.4 | n.a. | 14.2 | n.a. | 22.6 | n.a. | 31.8 | n.a. |
| Net Debt incl. Provisions | 28 | 118.9 | 94 | 236.3 | 89 | -5.2 | 67 | -24.4 | 52 | -21.6 | 34 | -36.2 |
| thereof pension provisions | 0 | -76.9 | 0 | 33.3 | 0 | -75.0 | 0 | 400.0 | 0 | 0.0 | 0 | 0.0 |
| Gearing (%) | 56.4 | n.a. | 1126.5 | n.a. | 598.6 | n.a. | 250.0 | n.a. | 120.1 | n.a. | 53.1 | n.a. |
| Net debt/EBITDA | 2.0 | n.a. | -39.0 | n.a. | 5.9 | n.a. | 2.6 | n.a. | 1.5 | n.a. | 0.9 | n.a. |

Sources: Refinitiv, Metzler Research

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| Date of dissemination | Metzler recommendation * Previous | Current | Current price ** | Price target * | Author *** |
|--|--------------------------------------|---------|------------------|----------------|----------------|
| Issuer/Financial Instrument (ISIN): Delticom (DE0005146807) | | | | | |
| 19.08.2021 | Buy | Buy | 8.64 EUR | 16.00 EUR | Pieper, Jürgen |
| 28.06.2021 | Buy | Buy | 9.08 EUR | 15.00 EUR | Pieper, Jürgen |
| 03.05.2021 | Buy | Buy | 8.36 EUR | 15.00 EUR | Pieper, Jürgen |
| 29.03.2021 | Buy | Buy | 8.24 EUR | 15.00 EUR | Pieper, Jürgen |
| 03.03.2021 | n.a. | Buy | 7.28 EUR | 15.00 EUR | Pieper, Jürgen |

* 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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| | |
|------|--|
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| | |
|------|--|
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