

Delticom (DEX GY) | Retail

January 17, 2022

More focused with less revenues, EBIT after sale of US business

We confirm our Buy recommendation for Delticom as it seems to be on the right way not only out of its financial crisis but to a reasonable profitability. The announced sale of its North American business (of which DEX owned 75%) strengthens the company's balance sheet and enables it to focus its limited management capacities on the core European e-Commerce business. Mathematically, the sale reduces group revenues and operating earnings by an estimated 10% each on an annual basis, and the moderate selling price of between EUR 7 and 8 m results in a slightly reduced fair value of EUR 15 (after EUR 16) according to our calculation. - Business in Q4 seems to have been rather robust; we expect Delticom to have at least achieved if not beaten its financial targets.

- US business: Our impression is that the North American activities have always been profitable. But for DEX in its current shape, it made no real sense to have a significant exposure outside of Europe. And the equity/total assets ratio should go up by almost 400 basis points to a fairly solid 26%.
- The current business in Q4 2021 and also in the first days of 2022 seems to run well. we expect Delticom to have hit its revenue and EBIT margin targets at the upper ends of the ranges.
- Valuation: The fair value, based on a DCF calculation declines slightly from EUR 16 to EUR 15. DEX will miss around 10% of its revenues and operating earnings after the divestment, and effects of the one-time cash in of EUR 7-8 m give no real compensation.

| Fundamentals (in EUR m) ¹ | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|--------------------------------------|-------|-------|------|-------|-------|-------|
| Sales | 646 | 626 | 541 | 572 | 564 | 599 |
| EBITDA | 14 | -2 | 15 | 25 | 32 | 36 |
| EBIT | 1 | -42 | 5 | 15 | 24 | 26 |
| EPS adj. (EUR) | -0.16 | -3.28 | 0.54 | 0.54 | 1.21 | 1.27 |
| DPS (EUR) | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (EUR) | 3.94 | 0.67 | 1.10 | 1.81 | 3.49 | 4.79 |
| Net Debt incl. Provisions | 28 | 94 | 89 | 67 | 52 | 34 |
| Ratios ¹ | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
| EV/EBITDA | 8.3 | -62.5 | 10.8 | 6.4 | 4.6 | 3.7 |
| EV/EBIT | 106.4 | -3.6 | 30.1 | 10.9 | 6.2 | 4.9 |
| P/E adj. | -44.6 | -1.4 | 11.1 | 11.9 | 5.4 | 5.1 |
| Dividend yield (%) | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA margin (%) | 2.2 | -0.4 | 2.8 | 4.4 | 5.8 | 5.9 |
| EBIT margin (%) | 0.2 | -6.7 | 1.0 | 2.6 | 4.3 | 4.4 |
| Net debt/EBITDA | 2.0 | -39.0 | 5.9 | 2.6 | 1.6 | 0.9 |
| PBV | 1.8 | 6.7 | 5.4 | 3.5 | 1.9 | 1.4 |

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 6.52

Price target

EUR 15.00 (16.00)

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

| | |
|---------------------------------------|-----|
| Market Cap (EUR m) ¹ | 97 |
| Enterprise Value (EUR m) ¹ | 149 |
| Free Float (%) ¹ | 0.0 |

Price (in EUR)¹



| Performance (in %) ¹ | 1m | 3m | 12m |
|------------------------------------------|-------|-------|-------|
| Share | 3.8 | -23.5 | -6.3 |
| Rel. to Prime All Share | 1.8 | -24.6 | -18.5 |
| Changes in estimates (in %) ¹ | 2021e | 2022e | 2023e |
| Sales | 0.0 | -8.6 | -8.4 |
| EBIT | 0.0 | -3.4 | -3.5 |
| EPS | 0.0 | -1.6 | -2.6 |

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 | 564 | -1.3 | 599 | 6.2 |
| EBITDA | 14 | 51.6 | -2 | -117.0 | 15 | 729.2 | 25 | 68.3 | 32 | 27.9 | 36 | 9.2 |
| EBITDA margin (%) | 2.2 | 56.8 | -0.4 | -117.6 | 2.8 | 827.4 | 4.4 | 59.4 | 5.8 | 29.6 | 5.9 | 2.8 |
| EBIT | 1 | -45.0 | -42 | n.m. | 5 | 112.9 | 15 | 176.2 | 24 | 60.9 | 26 | 10.4 |
| EBIT margin (%) | 0.2 | -43.1 | -6.7 | n.m. | 1.0 | 114.9 | 2.6 | 161.5 | 4.3 | 63.1 | 4.4 | 4.0 |
| 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 | 91.1 | 26 | 10.2 |
| 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 | 93.5 | 19 | 5.6 |
| 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 | 94.6 | 19 | 5.6 |
| 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 | 1.21 | 123.7 | 1.27 | 5.6 |
| 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. | 0 | n.a. | 0 | 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. | -212.5 | n.a. | -180.0 | n.a. |
| Free cash flow (Metzler definition) | -24 | -233.3 | 76 | 416.7 | 38 | -50.1 | 29 | -23.5 | 19 | -34.5 | 20 | 5.3 |
| Free cash flow yield (%) | -26.9 | n.a. | 134.4 | n.a. | 51.2 | n.a. | 30.6 | n.a. | 19.7 | n.a. | 20.7 | 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 | 19 | -34.5 | 20 | 5.3 |
| Balance sheet (in EUR m) | 2018 | % | 2019 | % | 2020 | % | 2021e | % | 2022e | % | 2023e | % |
| Assets | 232 | 14.9 | 188 | -19.1 | 200 | 6.2 | 189 | -5.3 | 201 | 6.3 | 207 | 2.7 |
| 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 | 52 | 92.9 | 71 | 37.5 |
| Equity/total assets (%) | 21.2 | n.a. | 4.4 | n.a. | 7.4 | n.a. | 14.2 | n.a. | 25.7 | n.a. | 34.4 | 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. | 101.5 | n.a. | 47.1 | n.a. |
| Net debt/EBITDA | 2.0 | n.a. | -39.0 | n.a. | 5.9 | n.a. | 2.6 | n.a. | 1.6 | n.a. | 0.9 | n.a. |

ESG discussion

Co2 emissions caused by the transport of tires to the customers are significant. Delticom will further optimize its distribution with the focus on minimizing the mileage driven.

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): Delticom (DE0005146807) | | | | | |
| 08.10.2021 | Buy | Buy | 8.30 EUR | 16.00 EUR | Pieper, Jürgen |
| 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 | 8.31 EUR | 15.00 EUR | Pieper, Jürgen |
| 29.03.2021 | Buy | Buy | 8.19 EUR | 15.00 EUR | Pieper, Jürgen |
| 03.03.2021 | n.a. | Buy | 7.24 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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| HOLD | The analysed financial instrument is not expected to perform significantly better or worse than similar financial instruments. |
| SELL | The analysed financial instrument is expected to perform worse than similar financial instruments. |

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