

# Borussia Dortmund GmbH & Co. KGaA

**BUY (BUY) | Target EUR 5.00 (EUR 5.00)**

 Price (last closing price) : **EUR 3.91** | Upside : 28%

Est. change	2015e	2016e
EPS	-	-

## 6 games, 6 wins – next step: final qualification for UEFA Europa League (after 4-3 away win in first leg)

Tuesday, 25 August 2015



Capital	
<b>BVB GY   BVB.DE</b>	
Market Cap (EURm)	360
Enterprise value (EURm)	306
Extrema 12 months	4.95 - 3.115
Free Float (%)	68.8%

Performance (%)	1m	3m	12m
Absolute	3.4	8.1	-18.1
Perf. rel. "sector"	15.8	22.7	-29.3
Perf. rel. SDAX	14.4	14.8	-37.4

P & L	6/15e	6/16e	6/17e
Sales (EURm)	285	279	302
EBITDA (EURm)	57.7	51.2	66.9
EBIT (EURm)	14.7	2.4	12.0
Attr. net profit (EURm)	5.6	1.5	8.8
EPS (EUR)	0.06	0.02	0.10
Dividend (EUR)	0.05	0.05	0.05
P/E (x)	64.4	245.9	41.0
P/B (x)	1.3	1.3	1.3
Dividend yield (%)	1%	1%	1%
FCF yield (%)	-15%	-3%	1%
EV/Sales (x)	1.1	1.1	1.0
EV/EBITDA (x)	5.3	6.0	4.6
EV/EBIT (x)	20.8	126.3	25.5
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA(x)	n.s.	n.s.	n.s.

Next Events	
Annual report 2014/2015	25 September 2015

### Preliminary figures 2014-15

On Friday Borussia Dortmund (BVB) published its preliminary figures for 2014-15 (June). Overall, the reported figures can be considered in line with expectations. Although revenues, at € 276.0m, were short of our estimated € 285.3m, BVB's top line excluding transfers and including operating income (the comparable figure for European football clubs) was € 280.6m vs. our assumed € 284.8m. Thus, WHILE reported revenue shows a yoy increase of 5.9%, the comparable figure was up by 7.3% (2013-14: € 261.5m). Last year's comparable top line figure was up 2.1% yoy vs. 2012-13. Opex rose 9.5% to € 237.4m (PY: € 216.8m); EBITDA jumped 13.2% yoy to € 55.6m (Oddo Seydler: € 57.7m; cs: € 51.6m) vs. € 49.in 2013-14. Personnel expenses rose to € 117.9m (42.7% of revenues) from € 107.8m (41.3%) in 2013-14; we had expected € 116.1m. Based on the comparable revenue figure (€ 280.6m), the personnel expense ratio for 2014-15 was 42.0% after 41.2% in 2013-14. Thus, BVB once again managed to keep this key ratio at a very reasonable level, considering that the top clubs in England and Spain have numbers well above >50%, and in Italy this ratio even starts at >70% of total revenues (comparable figure).

All in all, net income stood at € 5.5m, well in line with our est. of € 5.6m (cs: € 4.8m). However, we have to point out that – contrary to our expectations – that the CL contingency insurance payment was not only already booked in 2014-15 (we expected in 2015-16), but the amount received also seems lower than we had assumed (~€ 12m vs. our est. of € 15m). Thus, while this insurance payment has a positive impact on 2014-15, we have to exclude it from our 2015-16e estimates. Stripping out the insurance payment and adjusting for some insurance-related costs, **adjusted EBITDA in 2014-15 would have been ~€ 44.6m** (reported: € 55.6m). Without the insurance payment, BVB most likely would have posted a marginal net loss. Regarding DPS, the company will propose a dividend payment of € 0.05 (PY: € 0.10).

### Changed strategic approach – focus on EBITDA instead of net profit

In the course of the press conference management noted that in the future the company's key fundamental figure will be EBITDA, and no longer net profit – which makes sense for a football club, considering high D&A (>15% of revenues). Given that BVB will invest more in new players in the future, implying a substantial increase in D&A, net earnings and EPS will be negatively affected. On the other hand, since D&A are non-cash, a decline in EPS does not equate to a setback in operational performance. Thus, **now more than ever EBITDA and operating cash flow are BVB's KPIs**. In terms of OCF, consensus currently anticipates an increase from € 16.9m to € 43.2m, and we are even forecasting an improvement to € 53.9m. For **EBITDA we now forecast € 51.2m** (+14.8% yoy vs. adjusted EBITDA 2014-15) compared to consensus of € 48.1m.

### Short-term triggers point to PT of € 5.00; long-term FVpS at € 7.20

As we had pointed out in our last update, our long-term FVpS stands at EUR 7.20; however, considering the volatility of the share price, **we still see a 12 month PT of € 5.00**. The next triggers for the stock are: i) final qualification for UEFA EL (27 August), ii) end of transfer period (there may be some action), iii) continuation of positive momentum in Bundesliga (currently in 1st place). The biggest hidden reserve remains the huge mid- to long-term potential of BVB's own youth.

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## Profit and loss account

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>Sales</b>			<b>215.24</b>	<b>305.03</b>	<b>260.74</b>	<b>285.27</b>	<b>279.37</b>	<b>302.36</b>
YoY growth			-	41.7%	-14.5%	9.4%	-2.1%	8.2%
Cost of materials			-12.48	-17.49	-20.31	-22.82	-24.30	-27.21
as % of sales			-5.8%	-5.7%	-7.8%	-8.0%	-8.7%	-9.0%
Personnel costs			-79.92	-106.22	-107.79	-116.10	-114.54	-120.94
as % of sales			-37.1%	-34.8%	-41.3%	-40.7%	-41.0%	-40.0%
Other operating income			7.63	2.79	5.23	5.50	9.00	9.50
as % of sales			3.5%	1.3%	2.4%	2.6%	4.2%	4.4%
Other operating expenses			-70.49	-96.58	-88.73	-94.14	-98.34	-96.76
as % of sales			-32.7%	-31.7%	-34.0%	-33.0%	-35.2%	-32.0%
<b>EBITDA</b>			<b>59.98</b>	<b>87.53</b>	<b>49.13</b>	<b>57.70</b>	<b>51.18</b>	<b>66.95</b>
as % of sales			27.9%	28.7%	18.8%	20.2%	18.3%	22.1%
Depreciation and amortisation (incl. PPA depreciation)			-18.59	-22.41	-30.68	-42.99	-48.76	-54.95
as % of sales			-8.6%	-7.3%	-11.8%	-15.1%	-17.5%	-18.2%
<b>EBIT (reported)</b>			<b>41.39</b>	<b>65.12</b>	<b>18.45</b>	<b>14.72</b>	<b>2.42</b>	<b>12.00</b>
as % of sales			19.2%	21.3%	7.1%	5.2%	0.9%	4.0%
Net financial results			-4.86	-5.07	-3.89	-7.04	-0.25	-0.25
<b>EBT (Earnings before income taxes)</b>			<b>36.59</b>	<b>60.04</b>	<b>14.59</b>	<b>7.68</b>	<b>2.17</b>	<b>11.75</b>
as % of sales			17.0%	19.7%	5.6%	2.7%	0.8%	3.9%
Income taxes (incl. other taxes)			-9.06	-8.84	-2.62	-1.79	-0.71	-2.98
as % of EBT			-24.8%	-14.7%	-18.0%	-23.3%	-32.6%	-25.4%
<b>Net income</b>			<b>27.53</b>	<b>51.19</b>	<b>11.97</b>	<b>5.89</b>	<b>1.46</b>	<b>8.77</b>
Minorities			0.12	-0.37	-0.31	-0.30	-	-
<b>Net income attributable to shareholders</b>			<b>27.41</b>	<b>50.82</b>	<b>11.66</b>	<b>5.59</b>	<b>1.46</b>	<b>8.77</b>
as % of sales			12.7%	16.7%	4.5%	2.0%	0.5%	2.9%
Shares outstanding (in m)			61.4	61.4	61.4	92.0	92.0	92.0
<b>Basic earnings per share (EUR)</b>			<b>0.45</b>	<b>0.83</b>	<b>0.19</b>	<b>0.06</b>	<b>0.02</b>	<b>0.10</b>

Source: Company Data, Oddo Seydler Bank AG

## Balance Sheet

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>Assets</b>								
<b>Non-current assets</b>			<b>210.40</b>	<b>212.22</b>	<b>249.49</b>	<b>289.32</b>	<b>305.71</b>	<b>310.86</b>
as % of total assets			84.6%	70.2%	85.4%	74.1%	78.1%	78.1%
Intangible assets			25.75	28.43	61.60	96.34	118.36	127.04
Goodwill			0.00	0.00	0.00	0.00	0.00	0.00
Property, plant and equipment			182.60	178.38	184.50	189.52	183.84	180.30
Financial assets			0.35	0.38	0.38	0.35	0.35	0.35
Income tax claims			1.67	1.45	1.25	1.81	1.86	1.86
Other assets			0.03	0.79	0.50	0.05	0.05	0.05
Other long-term receivables			0.00	2.79	1.26	1.26	1.26	1.26
<b>Current assets</b>			<b>38.30</b>	<b>90.20</b>	<b>42.80</b>	<b>101.08</b>	<b>85.61</b>	<b>87.03</b>
as % of total assets			15.4%	29.8%	14.6%	25.9%	21.9%	21.9%
Inventories			5.81	7.54	5.92	9.38	8.38	9.07
Accounts receivable, other receivables and other assets			27.22	70.12	18.84	37.62	38.86	42.13
Current tax assets			0.00	0.00	0.19	0.19	0.19	0.19
Cash and cash equivalents			5.27	12.54	17.85	53.90	38.18	35.64
<b>Total assets</b>			<b>248.71</b>	<b>302.42</b>	<b>292.30</b>	<b>390.40</b>	<b>391.32</b>	<b>397.89</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>93.46</b>	<b>140.62</b>	<b>145.25</b>	<b>285.39</b>	<b>282.25</b>	<b>286.42</b>
as % of total equity and liabilities			37.6%	46.5%	49.7%	73.1%	72.1%	72.0%
Subscribed capital			61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others			31.81	78.72	83.61	193.18	190.04	194.21
Own shares			-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
<b>Equity attributable to shareholders</b>			<b>93.11</b>	<b>140.03</b>	<b>144.92</b>	<b>285.07</b>	<b>281.93</b>	<b>286.10</b>
Minorities			0.35	0.59	0.33	0.32	0.32	0.32
<b>Current provisions and liabilities</b>			<b>61.95</b>	<b>74.42</b>	<b>71.01</b>	<b>61.63</b>	<b>65.28</b>	<b>67.68</b>
as % of total equity and liabilities			24.9%	24.6%	24.3%	15.8%	16.7%	17.0%
Financial lease			1.28	1.38	1.63	2.50	2.50	2.50
Financial liabilities			5.97	4.50	8.89	0.00	0.00	0.00
Current provisions			19.22	13.95	21.02	20.51	20.10	20.30
Accounts payable			9.64	14.20	18.12	22.81	26.79	28.99
Current income tax liabilities			3.83	3.45	0.57	0.80	0.88	0.88
Other current liabilities			22.01	36.94	20.79	15.01	15.01	15.01
<b>Non-current provisions and liabilities</b>			<b>93.31</b>	<b>87.38</b>	<b>76.03</b>	<b>43.38</b>	<b>43.79</b>	<b>43.79</b>
as % of total equity and liabilities			37.5%	28.9%	26.0%	11.1%	11.2%	11.0%
Financial liabilities			41.27	40.83	32.14	0.00	0.00	0.00
Financial lease			21.15	19.77	20.14	21.63	21.63	21.63
Deferred tax liabilities			0.00	0.00	0.00	0.00	0.00	0.00
Other payables and liabilities			30.89	26.79	23.75	21.75	22.16	22.16
<b>Total equity and liabilities</b>			<b>248.71</b>	<b>302.42</b>	<b>292.30</b>	<b>390.40</b>	<b>391.32</b>	<b>397.89</b>

Source: Company Data, Oddo Seydler Bank AG

## Cash flow statement

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>EBT (Earnings before income taxes)</b>			<b>36.59</b>	<b>60.04</b>	<b>14.59</b>	<b>7.68</b>	<b>2.17</b>	<b>11.75</b>
Depreciation and amortisation			18.59	22.41	30.68	42.99	48.76	54.95
Other transactions incl. non-cash			-28.22	-57.16	-12.17	-9.53	-0.68	-2.98
Change in Working Capital			1.08	3.31	-6.67	-25.38	3.73	-1.56
<b>Cash flow from operating activities</b>			<b>28.04</b>	<b>28.60</b>	<b>26.43</b>	<b>15.75</b>	<b>53.99</b>	<b>62.16</b>
CAPEX			-28.28	-27.51	-62.37	-71.10	-65.10	-60.10
Other investing activities			19.57	13.27	53.53	0.00	0.00	0.00
<b>Cash flow from investing activities</b>			<b>-8.70</b>	<b>-14.25</b>	<b>-8.84</b>	<b>-71.10</b>	<b>-65.10</b>	<b>-60.10</b>
Change in debt			-11.69	-1.99	-4.30	-41.03	0.00	0.00
Repayment of liabilities under finance lease			-1.13	-1.29	-1.45	-1.83	0.00	0.00
Paid interests			0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from capital increase & right capital			0.00	0.00	0.00	140.71	0.00	0.00
Acquisition of treasury shares			0.01	0.01	0.01	0.00	0.00	0.00
Dividend payments			-0.10	-3.81	-6.52	-6.45	-4.60	-4.60
<b>Cash flow from financing activities</b>			<b>-12.91</b>	<b>-7.08</b>	<b>-12.27</b>	<b>91.39</b>	<b>-4.60</b>	<b>-4.60</b>
<b>Total change in cash and cash equivalents</b>			<b>6.43</b>	<b>7.27</b>	<b>5.32</b>	<b>36.05</b>	<b>-15.71</b>	<b>-2.54</b>
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			-1.16	5.27	12.54	17.85	53.90	38.18
<b>Cash and cash equivalents at year's end</b>			<b>5.27</b>	<b>12.54</b>	<b>17.85</b>	<b>53.90</b>	<b>38.18</b>	<b>35.64</b>

Source: Company Data, Oddo Seydler Bank AG

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HOLD: The expected performance of the share price is between 0% and +10%.

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
25 August 2015	BUY	EUR 3.91	EUR 5.00
01 June 2015	BUY	EUR 3.57	EUR 5.00
15 May 2015	BUY	EUR 3.54	EUR 5.00
27 February 2015	BUY	EUR 4.07	EUR 6.00
10 February 2015	BUY	EUR 3.94	EUR 6.00
29 January 2015	BUY	EUR 3.84	EUR 6.00
18 November 2014	BUY	EUR 4.40	EUR 6.00

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow,



price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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