

Borussia Dortmund GmbH & Co KGaA

Others - Germany

Buy (old: Buy)

09.01.2024

EUR 5.50 (old: EUR 5.50)

Watzke to step down in 2025 / crucial months ahead

Yesterday, BVB published an ad-hoc stating that CEO **Hans-Joachim Watzke will not extend his contract** and will step down from management in the fall of 2025, when his contract expires.

Watzke was appointed as CEO in February 2005 when the club was in a financially precarious situation. After the turn of the millennium, an inflated cost base paired with a lack of sporting success brought the club to the brink of bankruptcy. Watzke is regarded as the man who turned matters around for the BVB at a creditors' meeting in March 2005. From then on, the club continuously reduced its debt while at the same time developing into a European top club under Watzke's leadership, winning two Bundesliga titles, three DFB Cups and reaching the final of the Champions League in 2013. Watzke's departure is therefore certainly a bitter blow for the club as he is likely not replaceable on a one-to-one basis. However, **as there are almost two years left until his departure, we are convinced that a suitable successor will be found** in cooperation with the current CEO.

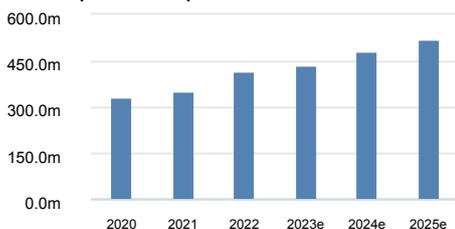
That said, it is also worthwhile looking at the current sporting performance of BVB, which is kind of a mixed bag. Although reaching the knock-out stage of the Champions League (CL), the club is only sitting in 5th place in the Bundesliga, six points behind Leipzig in 4th after failing to win a match in December. However, thanks to the depth and experience of the squad and the fact that Stuttgart (3rd, +7 points) will have to withdraw several key players for the Africa Cup and the Asian games in Q1, BVB should still have a valid opportunity to secure 4th place, which is crucial to qualify for the **newly formatted 2024/25 CL under which participants overall price money will increase by a third**. Moreover, 5th place might also be sufficient should Germany remain 2nd in the UEFA clubs coefficient which however appears unlikely given the strength of the clubs from Spain and England as well as the slim advantage of only 0.017 points (see p. 2 for more detail). Hence, while there is upside to this years estimate given a feasible opponent in the CL round of sixteen (Eindhoven), our 24/25e could serve as too bullish should the club not participate in the CL at all (eNuW: round of sixteen).

Despite the recent performance dip, valuation remains undemanding, in our view, as BVB shares are trading at only 1.0x EV/Sales 2023/24, which marks a notable discount to its peers Juventus (2.1x), OL (2.5x) and Manchester United (4.6x). We reiterate **BUY with an unchanged PT of € 5.50** based on DCF.

Y/E 30.06 (EUR m)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Sales	334.2	351.6	418.2	438.1	482.7	519.3
Sales growth	-9.7%	5.2%	18.9%	4.7%	10.2%	7.6%
EBITDA	38.9	80.8	123.2	137.2	147.2	166.2
Net debt (if net cash=0)	76.2	6.6	67.5	44.2	18.9	3.5
FCF	-46.1	-16.1	-22.3	23.3	25.3	22.0
Net Debt/EBITDA	2.0	0.1	0.5	0.3	0.1	0.0
EPS pro forma	-0.66	-0.32	0.09	0.22	0.16	0.24
EBITDA margin	11.7%	23.0%	29.5%	31.3%	30.5%	32.0%
ROCE	-22.2%	-9.6%	5.2%	7.6%	7.0%	9.8%
EV/sales	2.1	1.2	1.1	1.0	0.9	0.8
EV/EBITDA	17.8	5.0	3.8	3.2	2.8	2.4
PER	-5.5	-11.4	41.8	16.8	22.7	15.3
Adjusted FCF yield	-10.4%	-7.6%	3.4%	5.7%	4.5%	7.0%

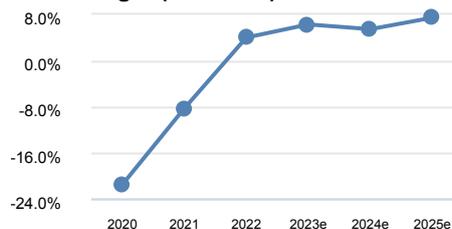
Source: Company data, NuWays, Close price as of 04.01.2024

Sales (2020-25e)



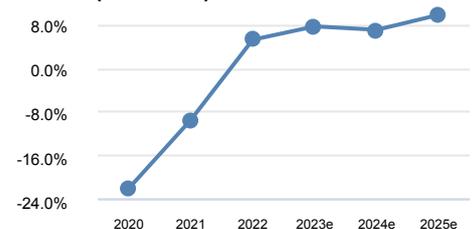
Source: NuWays Research

EBIT margin (2020-25e)



Source: NuWays Research

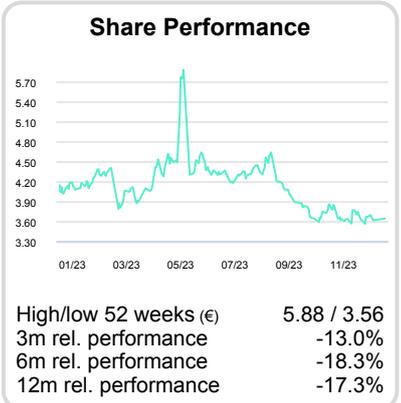
ROCE (2020-25e)



Source: NuWays Research

Company description

Borussia Dortmund operates a professional football club with a strong brand power and reputation in both national and international football. The main revenues are generated from sponsorship, ticketing, transfers and merchandising.



Market data

Share price (in €)	3.63
Market cap (in € m)	399.6
Number of shares (in m pcs)	110.4
Enterprise value (in € m)	418.5
Ø trading volume (6 months)	136,745

Identifier

Bloomberg	BVB GR
Reuters	BVB.DE
WKN	549309
ISIN	DE0005493092

Key shareholders

Evonik Industries AG	9.8%
Geske Bernd	9.4%
Ballspielverein Borussia 09 e.V. Dortmund	5.5%
SIGNAL IDUNA	5.4%
Free Float	69.9%

Estimates changes

	2023/24e	2024/25e	2025/26e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Guidance

- Sales: ≥ € 427m
- EBITDA: € 104-114m
- EBT: € 15-25m

UEFA Association Club Coefficient 2023/24			
Country	Clubs*	Avg. Points	Extra CL Spot
1 Italy	7/7	14.000	✓
2 Germany	6/7	13.642	✓
3 England	6/8	13.625	
4 Spain	6/8	12.687	
5 Czech Republic	3/4	12.000	
6 Belgium	3/5	11.600	
7 France	6/6	11.583	
8 Turkey	2/4	10.500	
9 Netherlands	3/5	8.600	
10 Denmark	1/4	8.500	

Source: NuWays, UEFA; Clubs still in UEFA competitions as of January

How to get points			
	Champions League	Europa League	Conference League
Play-off win	1	1	1
Play-off draw	0.5	0.5	0.5
Group stage participation	4	0	0
Win	2	2	2
Draw	1	1	1
Group winner	4	4	2
Group runner up	4	2	1
Each additional KO stage	1	1	1*

Source: NuWays, UEFA; * only from the semi finals

Financials

Profit and loss (EUR m)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Net sales	334.2	351.6	418.2	438.1	482.7	519.3
<i>Sales growth</i>	-9.7%	5.2%	18.9%	4.7%	10.2%	7.6%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	334.2	351.6	418.2	438.1	482.7	519.3
Other operating income	25.8	85.4	79.3	115.3	108.6	116.8
Material expenses	19.6	22.6	24.1	24.1	26.5	28.6
Personnel expenses	215.6	231.2	236.2	238.7	251.0	259.6
Other operating expenses	85.8	102.4	114.0	153.3	166.5	181.7
Total operating expenses	295.2	270.9	295.0	300.8	335.5	353.1
EBITDA	38.9	80.8	123.2	137.2	147.2	166.2
Depreciation	14.6	14.4	14.0	14.4	15.9	16.7
EBITA	24.4	66.3	109.3	122.8	131.4	149.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	96.5	95.5	92.3	95.1	104.8	110.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-72.1	-29.2	16.9	27.7	26.5	38.9
Interest income	0.7	0.7	0.0	0.9	1.0	1.0
Interest expenses	1.7	4.9	6.1	2.2	2.4	2.6
Investment income	-0.1	0.0	0.0	0.0	0.0	0.0
Financial result	-1.1	-4.2	-6.1	-1.3	-1.4	-1.6
Recurring pretax income from continuing operations	-73.2	-33.4	10.8	26.4	25.1	37.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-73.2	-33.4	10.8	26.4	25.1	37.4
Income tax expense	-0.3	1.7	1.2	2.6	7.5	11.2
Net income from continuing operations	-72.8	-35.1	9.6	23.8	17.6	26.2
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-72.8	-35.1	9.6	23.8	17.6	26.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-72.8	-35.1	9.6	23.8	17.6	26.2
Average number of shares	110.4	110.4	110.4	110.4	110.4	110.4
EPS reported	-0.66	-0.32	0.09	0.22	0.16	0.24

Profit and loss (common size)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	-9.7%	5.2%	18.9%	4.7%	10.2%	7.6%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	7.7%	24.3%	19.0%	26.3%	22.5%	22.5%
Material expenses	5.9%	6.4%	5.8%	5.5%	5.5%	5.5%
Personnel expenses	64.5%	65.8%	56.5%	54.5%	52.0%	50.0%
Other operating expenses	25.7%	29.1%	27.3%	35.0%	34.5%	35.0%
Total operating expenses	88.3%	77.0%	70.5%	68.7%	69.5%	68.0%
EBITDA	11.7%	23.0%	29.5%	31.3%	30.5%	32.0%
Depreciation	4.4%	4.1%	3.3%	3.3%	3.3%	3.2%
EBITA	7.3%	18.9%	26.1%	28.0%	27.2%	28.8%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	28.9%	27.2%	22.1%	21.7%	21.7%	21.3%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-21.6%	-8.3%	4.0%	6.3%	5.5%	7.5%
Interest income	0.2%	0.2%	0.0%	0.2%	0.2%	0.2%
Interest expenses	0.5%	1.4%	1.5%	0.5%	0.5%	0.5%
Investment income	-0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-21.9%	-9.5%	2.6%	6.0%	5.2%	7.2%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-21.9%	-9.5%	2.6%	6.0%	5.2%	7.2%
Tax rate	0.5%	-5.1%	11.4%	10.0%	30.0%	30.0%
Net income from continuing operations	-21.8%	-10.0%	2.3%	5.4%	3.6%	5.0%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-21.8%	-10.0%	2.3%	5.4%	3.6%	5.0%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-21.8%	-10.0%	2.3%	5.4%	3.6%	5.0%

Source: Company data, NuWays

Balance sheet (EUR m)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Intangible assets	193.4	124.4	169.7	155.4	144.9	139.4
Property, plant and equipment	183.5	172.5	182.3	182.3	182.3	182.3
Financial assets	0.4	0.7	0.5	0.5	0.5	0.5
FIXED ASSETS	377.3	297.6	352.4	338.1	327.6	322.1
Inventories	6.8	4.4	5.4	5.7	6.3	6.8
Accounts receivable	40.3	105.4	125.5	120.0	119.0	113.8
Other assets and short-term financial assets	9.5	24.0	11.0	11.0	11.0	11.0
Liquid assets	1.7	10.6	4.5	27.7	53.1	68.4
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	14.8	13.1	13.0	13.0	13.0	13.0
CURRENT ASSETS	73.2	157.5	159.4	177.5	202.4	213.0
TOTAL ASSETS	450.5	455.1	511.8	515.6	530.0	535.1

SHAREHOLDERS EQUITY	232.6	280.5	282.7	299.3	314.7	339.3
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	2.3	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	56.9	0.0	12.8	12.8	12.8	12.8
Accounts payable	101.4	98.5	132.9	120.0	119.0	99.6
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	31.1	38.9	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	1.1	1.1	1.1	1.1
Deferred income	5.1	19.9	23.2	23.2	23.2	23.2
CURRENT LIABILITIES	132.5	137.4	132.9	120.0	119.0	99.6
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	450.5	455.1	511.8	515.6	530.0	535.1

Balance sheet (common size)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Intangible assets	42.9%	27.3%	33.1%	30.1%	27.3%	26.0%
Property, plant and equipment	40.7%	37.9%	35.6%	35.3%	34.4%	34.1%
Financial assets	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
FIXED ASSETS	83.8%	65.4%	68.9%	65.6%	61.8%	60.2%
Inventories	1.5%	1.0%	1.1%	1.1%	1.2%	1.3%
Accounts receivable	9.0%	23.2%	24.5%	23.3%	22.5%	21.3%
Other assets and short-term financial assets	2.1%	5.3%	2.2%	2.1%	2.1%	2.1%
Liquid assets	0.4%	2.3%	0.9%	5.4%	10.0%	12.8%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	3.3%	2.9%	2.5%	2.5%	2.5%	2.4%
CURRENT ASSETS	16.2%	34.6%	31.1%	34.4%	38.2%	39.8%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	51.6%	61.6%	55.2%	58.1%	59.4%	63.4%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	12.6%	0.0%	2.5%	2.5%	2.4%	2.4%
Accounts payable	22.5%	21.7%	26.0%	23.3%	22.5%	18.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	6.9%	8.5%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%
Deferred income	1.1%	4.4%	4.5%	4.5%	4.4%	4.3%
CURRENT LIABILITIES	29.4%	30.2%	26.0%	23.3%	22.5%	18.6%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Net profit/loss	-72.8	-35.1	9.6	23.8	17.6	26.2
Depreciation of fixed assets (incl. leases)	14.6	14.4	14.0	14.4	15.9	16.7
Amortisation of goodwill & intangible assets	96.5	95.5	92.3	95.1	104.8	110.5
Others	0.0	0.0	n.a.	0.0	0.0	0.0
Cash flow from operating activities	-95.1	-74.9	-51.9	-71.9	-79.5	-88.5
Increase/decrease in inventory	-0.1	2.4	-1.0	-0.3	-0.6	-0.5
Increase/decrease in accounts receivable	8.9	-65.0	-20.1	5.5	1.0	5.2
Increase/decrease in accounts payable	-35.7	-2.8	34.3	-12.8	-1.0	-19.4
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-26.9	-65.5	13.2	-7.6	-0.6	-14.7
Cash flow from operating activities	15.9	35.1	54.4	37.6	41.2	38.7
CAPEX	91.7	81.1	147.9	95.2	110.2	121.7
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.2	0.0	0.0	0.0	0.0
Income from asset disposals	29.7	30.0	71.1	80.9	94.3	105.0
Cash flow from investing activities	-62.0	-51.4	-76.8	-14.4	-15.9	-16.7
Cash flow before financing	-46.1	-16.3	-22.3	23.3	25.3	15.4
Increase/decrease in debt position	52.5	-61.3	16.2	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	86.5	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	6.6
Others	0.0	0.0	n.a.	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	52.5	25.1	16.2	0.0	0.0	-6.6
Increase/decrease in liquid assets	6.4	8.8	-6.1	23.3	25.3	15.4
Liquid assets at end of period	1.7	10.6	4.5	27.7	53.1	68.4

Key ratios (EUR m)	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
P&L growth analysis						
Sales growth	-9.7%	5.2%	18.9%	4.7%	10.2%	7.6%
EBITDA growth	-38.2%	107.3%	52.6%	11.4%	7.3%	12.9%
EBIT growth	67.1%	-59.5%	-158.0%	63.9%	-4.2%	46.7%
EPS growth	38.1%	-51.8%	-127.2%	148.8%	-26.1%	48.9%
Efficiency						
Sales per employee	385.2	387.1	456.6	469.8	508.1	535.3
EBITDA per employee	44.9	88.9	134.5	147.2	155.0	171.3
No. employees (average)	868	908	916	932	950	970
Balance sheet analysis						
Avg. working capital / sales	-20.2%	-6.1%	1.1%	0.4%	1.2%	2.6%
Inventory turnover (sales/inventory)	49.1	79.6	76.8	76.8	76.8	76.8
Accounts receivable turnover	44.0	109.4	109.5	100.0	90.0	80.0
Accounts payable turnover	110.7	102.3	116.0	100.0	90.0	70.0
Cash flow analysis						
Free cash flow	-46.1	-16.1	-22.3	23.3	25.3	22.0
Free cash flow/sales	-13.8%	-4.6%	-5.3%	5.3%	5.2%	4.2%
FCF / net profit	63.3%	45.9%	neg.	97.8%	144.1%	84.0%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	76.2	6.6	67.5	44.2	18.9	3.5
Net Debt/EBITDA	2.0	0.1	0.5	0.3	0.1	0.0
Dividend payout ratio	0.0%	0.0%	69.4%	27.9%	37.7%	25.3%
Interest paid / avg. debt	3.0%	10.3%	13.8%	3.0%	3.4%	3.6%
Returns						
ROCE	-22.2%	-9.6%	5.2%	7.6%	7.0%	9.8%
ROE	-31.3%	-12.5%	3.4%	7.9%	5.6%	7.7%
Adjusted FCF yield	-10.4%	-7.6%	3.4%	5.7%	4.5%	7.0%
Dividend yield	0.0%	0.0%	1.7%	1.7%	1.7%	1.7%
DPS	0.0	0.0	0.1	0.1	0.1	0.1
EPS reported	-0.66	-0.32	0.09	0.22	0.16	0.24
Average number of shares	110.4	110.4	110.4	110.4	110.4	110.4
Valuation ratios						
P/BV	1.7	1.4	1.4	1.3	1.3	1.2
EV/sales	2.1	1.2	1.1	1.0	0.9	0.8
EV/EBITDA	17.8	5.0	3.8	3.2	2.8	2.4
EV/EBIT	-9.6	-13.9	27.6	16.0	15.8	10.4

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

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Company	Disclosures
Borussia Dortmund GmbH & Co KGaA	2

Historical target price and rating changes for Borussia Dortmund GmbH & Co KGaA

Company	Date	Analyst	Rating	Target Price	Close
Borussia Dortmund GmbH & Co KGaA	07.06.2023	Sennewald, Philipp	n.a.	EUR 5.50	EUR 4.32

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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