



Borussia Dortmund GmbH & Co KGaA

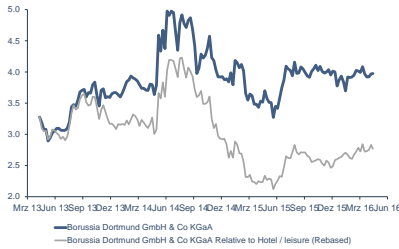
Buy → | Target price : 5.00 EUR

Price : 3.98 EUR | Upside : 26 %

| | Est.chg | 2016e | 2017e |
|-----|---------|--------|-------|
| EPS | | 174.6% | 16.9% |

Mats Hummels, the ultimate defender, fends off a net loss for the year with his transfer to Bayern Munich; top-line performance continues to astonish

Friday 13 May 2016



| Capital | | | |
|----------------------------|------|-----|------|
| BVB GY BVB.DE | | | |
| Market Cap (EURm) | | | 366 |
| Enterprise value (EURm) | | | 318 |
| Extrema 12 months | 3.21 | - | 4.20 |
| Free Float (%) | | | 60.5 |
| Performance (%) | | | |
| | 1m | 3m | 12m |
| Absolute | -1.6 | 7.5 | 14.6 |
| Perf. rel. Country Index | -1.2 | 0.9 | 36.2 |
| Perf. rel. Hotel / leisure | -0.7 | 2.3 | 24.8 |

| P&L | | | |
|-------------------------|--------|--------|--------|
| | 06/16e | 06/17e | 06/18e |
| Sales (EURm) | 351 | 305 | 325 |
| EBITDA (EURm) | 72.8 | 58.3 | 62.2 |
| Adj. EBIT (EURm) | 20.6 | 3.3 | 3.4 |
| Attr. net profit (EURm) | 14.2 | 2.2 | 2.1 |
| Adjusted EPS (EUR) | 0.15 | 0.02 | 0.02 |
| Dividend (EUR) | 0.05 | 0.05 | 0.05 |
| P/E (x) | 25.8 | 166.9 | 174.2 |
| P/B (x) | 1.2 | 1.2 | ns |
| Dividend Yield (%) | 1.3 | 1.3 | 1.3 |
| FCF yield (%) | ns | ns | ns |
| EV/Sales (x) | 0.90 | 1.06 | 1.13 |
| EV/EBITDA (x) | 4.4 | 5.5 | 5.9 |
| EV/Current EBIT (x) | 15.4 | 96.6 | 107.5 |
| Gearing (%) | -16 | -14 | ns |
| Net Debt/EBITDA(x) | ns | ns | ns |

Next Events

Q3 2015/2016 review

Borussia Dortmund published its Q3 report for fiscal 2015-16 (ending 30 June). In a nutshell: top-line growth was strong, but opex continued to burden profitability. Q3 group revenues totalled € 72.4m, up 35% yoy although the club “only” made it to the Europa League and not the Champions League. Note however that the Europa League has improved strongly over the years, so that teams like BVB can benefit more than in years past even if they miss the Champions League. However, opex in Q3 and 9M was another story. As BVB’s Bundesliga performance exceeded all expectations (especially in terms of points), personnel expenses came in higher than anticipated and, therefore, Q3 15-16 EBITDA was down 19% yoy. On the bottom line, BVB posted net losses of € -8.8m for Q3 and € -13.4m for 9M 15-16, representing a € 8.7m deterioration vs € -4.7m in 9M 14-15.

Q3 2015-16 key figures

| | Q3 15-16 | Q3 14-15 | yoy in % | 9M 15-16 |
|------------|----------|----------|----------|----------|
| Revenues | 72.4 | 53.8 | +35% | 240.5 |
| EBITDA | 2.2 | 2.7 | -19% | 27.7 |
| EBIT | -8.1 | -8.2 | -% | -12.0 |
| Net result | -8.8 | -8.4 | -% | -13.4 |

Source : Oddo Seydler Bank, Company Data

Outlook for Q4e: Mats Hummels saves the day

Looking solely at the financial fundamentals, investors should thank Mats Hummels for leaving as his sale to Bayern Munich saved the club from a net loss for the full-year 2015-16. Due to the Hummels transaction, the club now expects net income in the 2-digit € m range vs small a single-digit € m profit forecast in the annual report. The price for Mats Hummels will range from € 32m to € 38m and also includes “earn-out” components (bonus fees paid to BVB if Hummels wins titles, etc.). We estimate the overall final price for Mats Hummels at € 40m or even higher. The fixed component should be c.€ 35m. Furthermore, we believe BVB will receive additional bonus payments of at least € 4-5m in the coming years. Based on BVB’s 9M release we have updated our model and raised our revenue estimate from € 304m to € 351m, including € 35m for the sale of Mats Hummels. Given that Q3 revenues were slightly better than expected, we have adjusted our forecast for Q4e, increasing our pre-Hummels revenue estimate by € 12m to € 316m. We have also adjusted our opex assumptions. All in all, we arrive at a new EBITDA estimate for 2015-16e of € 72.8m (up from € 59.8m). On the bottom line, we now forecast net income of € 14.0m up from € 5.2m previously.

Stock still clearly undervalued; need special trigger

Fundamentally – especially in terms of its top line – BVB is well prepared for the next few years, but the stock is not pricing in the team’s strong upside potential. Some say that potential depends on who BVB finds to replace Hummels in the defence and how much he will cost; and also on whether additional key players leave the club like Gündogan, Aubameyang, Mchitarjan, and/or Reus. We advise investors to wait for the new Bundesliga TV deal for better visibility on the next few years. From a sporting perspective, BVB had a strong season: Quarter finals of the Europa League; second place in the Bundesliga; Finals and possibly winners of the DFB-Pokal (German Cup) (to be played on 21 May). We continue to highlight that the company’s fair value per share stands at around € 7.50, which would suggest upside of 88% from the stock’s current trading range, i.e. a clear undervaluation. However, it seems the stock will need special triggers going forward to exit its trading range around € 4 and close the gap to its fair value. We stick to our 12M price target of € 5.00. Buy recommendation.

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BVB.DE | BVB GY
Leisure | Germany

Buy

Upside 25.79%

Price

3.98EUR

TP

5.00EUR

| PER SHARE DATA (EUR) | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
|--|--------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|
| Adjusted EPS | 0.09 | 0.45 | 0.83 | 0.19 | 0.06 | 0.15 | 0.02 | 0.02 |
| Reported EPS | 0.09 | 0.45 | 0.83 | 0.19 | 0.06 | 0.15 | 0.02 | 0.02 |
| Growth in EPS(%) | - | ns | 85.4% | -77.1% | -68.3% | ns | -84.5% | -4.2% |
| Net dividend per share | 0.00 | 0.06 | 0.10 | 0.10 | 0.05 | 0.05 | 0.05 | 0.05 |
| FCF to equity per share | 0.21 | 0.31 | 0.23 | 0.29 | -0.60 | -0.03 | -0.01 | 0.00 |
| Book value per share | 1.10 | 1.52 | 2.28 | 2.36 | 3.11 | 3.25 | 3.22 | 0.00 |
| Number of shares market cap | 61.43 | 61.43 | 61.43 | 61.43 | 92.00 | 92.00 | 92.00 | 92.00 |
| Number of diluted shares | 61.43 | 61.43 | 61.43 | 61.43 | 92.00 | 92.00 | 92.00 | 92.00 |
| VALUATION | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| 12m highest price | 3.05 | 2.80 | 3.95 | 5.10 | 4.21 | 4.09 | | |
| 12m lowest price | 1.76 | 1.90 | 2.64 | 3.56 | 3.21 | 3.61 | | |
| (*) Reference price | 2.16 | 2.27 | 2.80 | 3.66 | 4.10 | 3.98 | 3.98 | 3.98 |
| Capitalization | 133 | 140 | 172 | 225 | 378 | 366 | 366 | 366 |
| Restated Net debt | 60 | 43 | 34 | 25 | -51.2 | -47.9 | -42.8 | 0.0 |
| Minorities (fair value) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial fixed assets (fair value) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Enterprise Value | 192 | 183 | 206 | 250 | 326 | 318 | 323 | 366 |
| P/E (x) | 25 | 5.1 | 3.4 | 19 | 68 | 26 | 167 | 174 |
| P/CF (x) | | | | | | | | |
| Net Yield (%) | 0.0% | 2.6% | 3.6% | 2.7% | 1.2% | 1.3% | 1.3% | 1.3% |
| FCF yield (%) | 9.5% | 13.7% | 8.3% | 7.8% | ns | ns | ns | ns |
| P/B incl. GW (x) | 1.97 | 1.50 | 1.23 | 1.55 | 1.32 | 1.22 | 1.23 | ns |
| P/B excl. GW (x) | 1.97 | 1.50 | 1.23 | 1.55 | 1.32 | 1.22 | 1.23 | ns |
| EV/Sales (x) | 1.27 | 0.85 | 0.68 | 0.96 | 1.18 | 0.90 | 1.06 | 1.13 |
| EV/EBITDA (x) | 5.9 | 3.0 | 2.4 | 5.1 | 5.9 | 4.4 | 5.5 | 5.9 |
| EV/EBIT (x) | 13 | 4.4 | 3.2 | 14 | 25 | 15 | 97 | 107 |
| (*) historical average price | | | | | | | | |
| PROFIT AND LOSS (EURm) | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| Sales | 151 | 215 | 305 | 261 | 276 | 351 | 305 | 325 |
| EBITDA | 32.4 | 60 | 88 | 49.1 | 56 | 73 | 58 | 62 |
| Depreciations | -17.5 | -18.6 | -22.4 | -30.7 | -42.4 | -52.3 | -55.0 | -58.8 |
| Adj. EBIT | 14.9 | 41.4 | 65 | 18.5 | 13.2 | 20.6 | 3.3 | 3.4 |
| Published EBIT | 14.9 | 41.4 | 65 | 18.5 | 13.2 | 20.6 | 3.3 | 3.4 |
| Net financial income | -5.4 | -4.8 | -5.1 | -3.9 | -7.2 | -1.0 | -0.3 | -0.3 |
| Corporate Tax | -4.1 | -9.1 | -8.8 | -2.6 | -0.5 | -5.4 | -0.9 | -1.1 |
| Net income of equity-accounted companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/loss of discontinued activities (after tax) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minority interests | -0.1 | -0.1 | -0.4 | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Attributable net profit | 5.3 | 27.4 | 51 | 11.7 | 5.5 | 14.2 | 2.2 | 2.1 |
| Adjusted attributable net profit | 5.3 | 27.4 | 51 | 11.7 | 5.5 | 14.2 | 2.2 | 2.1 |
| BALANCE SHEET (EURm) | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other intangible assets | 18 | 26 | 28 | 62 | 96 | 115 | 124 | 0.0 |
| Tangible fixed assets | 171 | 183 | 178 | 185 | 190 | 184 | 180 | 0.0 |
| WCR | 2.1 | 2.2 | 44 | -13.5 | -1.4 | 2.9 | 0.7 | 0.0 |
| Financial assets | 7.4 | 2.1 | 5.4 | 3.4 | 3.7 | 3.5 | 3.5 | 0.0 |
| Ordinary shareholders equity | 67 | 93 | 140 | 145 | 286 | 299 | 297 | 0.0 |
| Minority interests | 0.3 | 0.3 | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 |
| Shareholders equity | 68 | 93 | 141 | 145 | 286 | 299 | 297 | 0.0 |
| Non-current provisions | 71 | 76 | 81 | 66 | 53 | 54 | 54 | 0.0 |
| Net debt | 60 | 43 | 34 | 25 | -51.2 | -47.9 | -42.8 | 0.0 |
| CASH FLOW STATEMENT (EURm) | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| EBITDA | 32.4 | 60.0 | 87.5 | 49.1 | 55.6 | 72.8 | 58.3 | 62.2 |
| Change in WCR | 5.8 | 1.1 | 3.3 | -6.7 | -20.9 | -3.6 | 2.4 | -1.1 |
| Interests & taxes | -6.4 | -6.1 | -13.9 | -7.5 | -7.4 | -7.0 | -1.2 | -1.3 |
| Others | -11.1 | -27.0 | -48.4 | -8.5 | -10.4 | -0.2 | 0.0 | 0.0 |
| Operating Cash flow | 20.7 | 28.0 | 28.6 | 26.4 | 16.9 | 62.0 | 59.6 | 59.7 |
| CAPEX | -8.1 | -8.9 | -14.3 | -8.9 | -72.1 | -65.1 | -60.1 | -60.1 |
| Free cash-flow | 12.6 | 19.2 | 14.3 | 17.6 | -55.1 | -3.1 | -0.5 | -0.4 |
| Acquisitions / disposals | 0.1 | 0.2 | 0.1 | 0.0 | -0.4 | 0.0 | 0.0 | -0.4 |
| Dividends | -0.4 | -1.2 | -5.1 | -8.0 | -8.3 | 0.0 | -4.6 | -4.6 |
| Net capital increase | 0.0 | 0.0 | 0.0 | 0.0 | 140.7 | 0.0 | 0.0 | 0.0 |
| Others | -6.5 | -11.7 | -2.0 | -4.3 | -41.0 | 0.0 | 0.0 | -41.0 |
| Change in net debt | 10.3 | 18.1 | 9.3 | 9.6 | 76.9 | -3.1 | -5.1 | -5.3 |
| GROWTH MARGINS PRODUCTIVITY | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| Sales growth | - | 42.1% | 41.7% | -14.5% | 5.9% | 27.2% | -13.2% | 6.4% |
| Lfl sales growth | - | - | 41.7% | -14.5% | 5.9% | 27.2% | -13.2% | - |
| Current EBIT growth | - | ns | 57.3% | -71.7% | -28.7% | 56.3% | -83.7% | 1.8% |
| Growth in EPS(%) | - | ns | 85.4% | -77.1% | -68.3% | ns | -84.5% | -4.2% |
| Net margin | 3.5% | 12.7% | 16.7% | 4.5% | 2.0% | 4.0% | 0.7% | 0.6% |
| EBITDA margin | 21.4% | 27.9% | 28.7% | 18.8% | 20.1% | 20.7% | 19.1% | 19.2% |
| Current EBIT margin | 9.8% | 19.2% | 21.3% | 7.1% | 4.8% | 5.9% | 1.1% | 1.0% |
| CAPEX / Sales | -7.5% | -13.1% | -9.0% | -23.9% | -28.5% | -18.5% | -19.7% | -18.5% |
| WCR / Sales | 1.4% | 1.0% | 14.3% | -5.2% | -0.5% | 0.8% | 0.2% | 0.0% |
| Tax Rate | 43.1% | 24.8% | 14.7% | 18.0% | 7.8% | 27.4% | 29.2% | 33.4% |
| Normative tax rate | -70.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| Asset Turnover | - | 1.1 | 1.3 | 1.1 | 1.1 | 1.2 | 1.0 | 2.1 |
| ROCE post-tax (normative tax rate) | - | 14.5% | 19.8% | 5.3% | 3.6% | 4.9% | 0.8% | 1.6% |
| ROCE post-tax hors GW (normative tax rate) | - | 14.5% | 19.8% | 5.3% | 3.6% | 4.9% | 0.8% | 1.6% |
| ROE | - | 34.2% | 43.6% | 8.2% | 2.6% | 4.8% | 0.7% | 1.4% |
| DEBT RATIOS | 06/11 | 06/12 | 06/13 | 06/14 | 06/15 | 06/16e | 06/17e | 06/18e |
| Gearing | 88% | 46% | 24% | 17% | -18% | -16% | -14% | ns |
| Net Debt / Market Cap | 0.45 | 0.31 | 0.20 | 0.11 | -0.14 | -0.13 | -0.12 | 0.00 |
| Net debt / EBITDA | 1.84 | 0.72 | 0.39 | 0.50 | ns | ns | ns | ns |
| EBITDA / net financial charges | 6.0 | 12.3 | 17.3 | 12.6 | 7.8 | 69.6 | 233.2 | 248.7 |


Recommendation and target price changes history over the last 12 months for the company analysed in this report

| Date | Reco | Price Target (EUR) | Price (EUR) |
|--|---|--------------------|-------------|
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