

Borussia Dortmund GmbH & Co. KGaA

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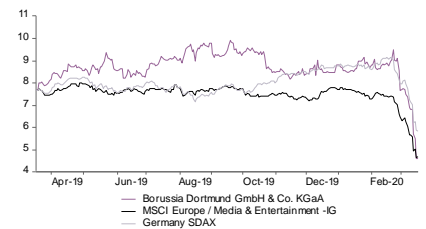
BUY

Before: BUY

Price Target **EUR 9.00 (10.50)**
Share price* EUR 4.63 (+94%)

*last XETRA closing price

Change	19/20e	20/21e	21/22e
Sales	-12.6	-7.0	-3.4
EBIT	-16.5	-5.1	-0.5
EPS	-0.14	-0.04	-0.00



Source: Factset

Scenario analysis COVID-19 effects: Cancellation of the Euro 2020 allows a feasible time window for the Bundesliga

Bundesliga was suspended: It's official: Due to the spread of the COVID-19 virus, the Bundesliga is taking a break until at least 02.04.20. Given the circumstances that many cities still have strict regulations regarding meetings >1000 persons until mid-April, we think that the Bundesliga will resume playing at the Easter weekend (18./19.4) at the earliest; this would mean that 4 regular match days would be cancelled (26th to 29th match day).

Possible scenario analysis for BVB: 1) Complete cancellation of the season without further matches, or 2) Resumption after a break of several weeks with remaining matches in empty stadiums. Regardless of which scenario should occur, BVB will survive this crisis. With a current equity ratio of 65% (H1 19/20) and no financial liabilities, BVB has sufficient possibilities to absorb the possible loss of sales.

1) This would be the worst case not just for BVB but for the Bundesliga as a whole. Not only would ticket revenues be lost completely, but the last instalment of DFL's TV-marketing revenues of EUR 384m for the 36 professional clubs would also be put to the test. The BVB alone is still entitled to a payment of EUR 29.8m. Combined with the loss of up to EUR 3m per matchday from ticketing (incl. VIP), merchandising and catering, this would, according to our calculations, give BVB a negative EBITDA effect of around EUR 45m for the remainder of 2019/2020e and lead to a net loss of EUR -3.3m (previously: EUR +27.0m).

2) Should the season end regularly (i.e. all matchdays) but postponed and completely without ticket holders, we see the negative effect only at EUR 13m (-12%) for the remainder of 2019/2020e.

Our estimates are based on scenario 2, which only had an effect of EUR 0.16 (-1.2%) on our SOTP valuation. However, we are increasing our risk discount from 25% to 35% given the current uncertainties and therefore set our price target at EUR 9.00. BUY rating clearly confirmed.

FY End: 30.06.; in EURm	CAGR (18-21e)	16/17	17/18	18/19	19/20e	20/21e	21/22e
Sales	1.7%	405.7	536.0	489.5	504.4	483.7	515.3
EBITDA	-0.6%	74.1	137.3	116.0	104.3	99.9	113.8
Margin		18.3%	25.6%	23.7%	20.7%	20.7%	22.1%
EBIT	30.4%	10.7	39.0	23.5	19.1	22.1	52.2
Margin		2.6%	7.3%	4.8%	3.8%	4.6%	10.1%
net result	32.3%	8.2	31.7	17.4	13.8	16.2	40.2
EPS	32.3%	0.09	0.34	0.19	0.15	0.18	0.44
Dividend per share		0.06	0.06	0.06	0.06	0.06	0.06
EV		374.6	377.0	366.9	370.5	392.1	396.1
EV/Sales		0.9	0.7	0.7	0.7	0.8	0.8
EV/EBITDA		5.1	2.7	3.2	3.6	3.9	3.5
P/E		52.1	13.5	24.5	31.0	26.4	10.6
Net debt/EBITDA		-0.7	-0.4	-0.5	-0.5	-0.3	-0.3

Source: BVB, FMR

"Company Update"

Basic share data

Number of shares (million)	92.0
Free Float (in %)	60%
Market Cap (in million EUR)	426
Trading volume (Ø)	283k
High (EUR, 52 weeks)	10.29
Low (EUR, 52 weeks)	4.33

Shareholder structure

Evonik Industries	9.8%
Bernd Geske	9.4%
Free float, others	80.8%

Corporate calendar

9M figures	15.05.2020
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ODDO SEYDLER

European Championship postponement important decision to end Bundesliga

"regularly": Yesterday UEFA officially confirmed that the European Championship 2020 will be postponed by 1 year, especially to allow European leagues to finish the seasons still "regularly". With regard to the Bundesliga, this decision allows for an additional time frame of up to 6 weeks (previously end of season 16.05; now it is enough until 30.06.) So currently there is enough time to complete the last 9 matchdays (in the worst case, 9 games will be completed in 3 weeks, so 3 games per week).

Due to the current situation and the low transparency we have analysed the following 2 scenarios.

The visibility on the behaviour of the transfer market after the season cannot be assessed at present, but a clouding of "prices" is likely to be accompanied by the Europe-wide loss of sales due to the lost ticket revenues. Even though it is still far too early to talk about price developments on the transfer market, we already believe that at least for the next transfer window at the end of the season, fewer higher-priced players will be transferred and/or prices will be significantly lower on average than in previous transfer periods. Since we don't calculate with large transfers for BVB anyway, we have currently excluded this point from our scenario analysis.

1) Complete cancellation of the season without further matches

This would be the worst case scenario not just for BVB, but for the entire Bundesliga. Not only would ticket revenues be lost completely, but the last instalment of DFL's TV-marketing revenues of EUR 384m for the 36 professional clubs would also be put to the test. The BVB alone is still entitled to a payment of EUR 29.8m. Combined with the loss of up to EUR 3m per match from ticketing (incl. VIP), merchandising and catering, this would, according to our calculations, have a negative EBITDA effect of around EUR 45m for the rest of 2019/2020e and result in a net loss of EUR -3.3m (previously profit: EUR +27.0m).

Furthermore, we also assumed for the 2020/2021e season that at least the first three matches will still be played in empty stadiums (effect: EUR -8m) and that smaller advertising partners in particular will plan fewer bookings and/or contract terminations. However, since we do not see any need for the majority of major customers to change their contracts, we see only a minimal effect of around EUR 3m for the next season. Since BVB can also work on operating costs after this season, we currently see the total negative effect on EBITDA at around EUR 48m for 2019/2020e and 2020/2021e. In relation to our SOTP valuation, however, this only represents a decline of 3.9% and is thus only a small dent in the continuing growth story.

Overall, BVB is in a financially sound position and can even absorb a loss of EUR 3m in our worst-case scenario. It should also be mentioned here that BVB has no financial liabilities to date and should therefore not run into financial difficulties if there is a prolonged "virus break". The situation will be different for a large number of other Bundesliga clubs (especially from the 2nd division onwards), which either

already have high liabilities and/or negative equity (BVB' equity: EUR 355m at the end of 2018/2019, equity ratio at 71%).

2) Resumption after a break of several weeks with games exclusively in empty stadiums in Bundesliga

Although it is not official at the moment, we believe that even if the Bundesliga season is resumed, the matches will be played in empty stadiums until the end of the season, which would make sense at the current state of affairs. As described above, the financial negative effect per match is EUR 3m and with 5 remaining home matches this season, we see the negative effect at EUR 13m (-12%) for the remaining 2019/2020e.

For 2020/2021e we assume a normal season again, but as in scenario 1) we still assume that there will be less growth momentum in advertising bookings, as smaller companies in particular will be relatively more financially burdened by this virus. Our EBITDA estimate therefore falls slightly by 5% to EUR 99.9m compared to our last update.

Scenario analysis: impact on P&L

	in EURm	18/19	19/20e alt	Scenario 1	Scenario 2
Revenues		489.5	517.0	474.6	504.4
YoY growth		-8.7%	5.6%	-3.1%	3.0%
Cost of revenues		-21.3	-26.2	-24.7	-26.5
as % of revenues		-4.3%	-5.1%	-5.2%	-5.3%
Gross profit		468.3	490.8	449.9	477.9
as % of revenues		95.7%	94.9%	94.8%	94.7%
Personnel costs		-205.1	-209.2	-206.0	-208.3
as % of revenues		-41.9%	-40.5%	-43.4%	-41.3%
Other operating income/expenses		-147.2	-160.8	-161.4	-165.3
as % of revenues		-30.1%	-31.1%	-34.0%	-32.8%
Reported EBITDA		116.0	120.8	82.5	104.3
as % of revenues		23.7%	23.4%	17.4%	20.7%
Depreciation and amortisation (incl. PPA)		-92.5	-85.2	-85.2	-85.2
as % of revenues		-18.9%	-16.5%	-17.9%	-16.9%
Reported EBIT		23.5	35.6	-2.6	19.1
as % of revenues		4.8%	6.9%	-0.6%	3.8%
Net income attributable to shareholders		17.4	27.0	-3.3	13.8
Net margin in %		3.6%	5.2%	-0.7%	2.7%
Shares outstanding (in m)		92.0	92.0	92.0	92.0
Basic earnings per share (EUR)		0.19	0.29	-0.04	0.15

Source: BVB, FMR

Valuation

	Present Value (PV)	PV/Share
Roster Value	642	6.98
Discount (to reach marketable roster value)	-30%	
Marketable roster value	449	4.88
Stadium	235	2.55
Brand value	213	2.31
End of Sport Five contract (saved discounted Cash Flow)	260	2.82
1&1 new Jersey sponsor	50	0.54
Total Present Value	1,207	13.12
Net excess cash (as of EO FY 18/19)	39.1	0.43
Fair value	1,246	13.54
Discount		-35.0%
Target price		9.00
EBITDA impact empty stadiums 2019/2020e	15	0.16
Fair value adjusted by empty stadiums	1,231	13.38
Discount		-35.0%
Implied target price		8.70
Worst Case EBITDA decline in 2019/2020e & 2020/2021e	48	0.52
Fair value "Worst-case-scenario"	1,198	13.02
Discount		-40.0%
Implied target price		7.81

Source: BVB, FMR PV: in EURm

Although our fair value per share is only reduced by 3.9% even in a worst-case scenario, we are lowering our price target from EUR 10.50 to EUR 9.00, as the share price has virtually halved and continues to struggle with extreme risk discounts. Accordingly, we have increased our risk discount from 25% to 35%.

Even in a worst-case scenario, the implied price target of EUR 7.81 would be significantly higher than the current price of EUR 4.63. We confirm our BUY recommendation, but would like to point out that the share will probably remain very volatile for the next few weeks and will only pick up again once it is known how the Bundesliga will continue. Should scenario 2 emerge, we see significant price potential in the second half of the year.

Appendix

P&L							
	in EURm	16/17	17/18	18/19	19/20e	20/21e	21/22e
Revenues		405.7	536.0	489.5	504.4	483.7	515.3
YoY growth		7.8%	32.1%	-8.7%	3.0%	-4.1%	6.5%
Cost of revenues		-25.9	-20.1	-21.3	-26.5	-27.6	-27.3
as % of revenues		-6.4%	-3.7%	-4.3%	-5.3%	-5.7%	-5.3%
Gross profit		379.8	515.9	468.3	477.9	456.0	488.0
as % of revenues		93.6%	96.3%	95.7%	94.7%	94.3%	94.7%
Personnel costs		-177.9	-186.7	-205.1	-208.3	-226.1	-232.2
as % of revenues		-43.9%	-34.8%	-41.9%	-41.3%	-46.7%	-45.1%
Other operating income/expenses		-127.7	-191.9	-147.2	-165.3	-130.0	-141.9
as % of revenues		-31.5%	-35.8%	-30.1%	-32.8%	-26.9%	-27.5%
Reported EBITDA		74.1	137.3	116.0	104.3	99.9	113.8
as % of revenues		18.3%	25.6%	23.7%	20.7%	20.7%	22.1%
Depreciation and amortisation (incl. PPA)		-63.4	-98.3	-92.5	-85.2	-77.9	-61.7
as % of revenues		-15.6%	-18.3%	-18.9%	-16.9%	-16.1%	-12.0%
Reported EBIT		10.7	39.0	23.5	19.1	22.1	52.2
as % of revenues		2.6%	7.3%	4.8%	3.8%	4.6%	10.1%
Net financial results incl. equity results		-1.6	-4.3	-1.7	-1.5	-1.5	-1.5
EBT (Earnings before income taxes)		9.1	34.6	21.8	17.6	20.6	50.7
as % of revenues		2.2%	6.5%	4.5%	3.5%	4.3%	9.8%
Income taxes		-0.9	-2.9	-4.4	-3.8	-4.4	-10.4
as % of EBT		-10.0%	-8.5%	-20.3%	-21.7%	-21.5%	-20.6%
Income from continuing operations		8.2	31.7	17.4	13.8	16.2	40.2
Income from discontinued operations, net of taxes		0.0	0.0	0.0	0.0	0.0	0.0
Net income		8.2	31.7	17.4	13.8	16.2	40.2
Minorities		0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders		8.2	31.7	17.4	13.8	16.2	40.2
Net margin in %		2.0%	5.9%	3.6%	2.7%	3.3%	7.8%
Shares outstanding (in m)		92.0	92.0	92.0	92.0	92.0	92.0
Basic earnings per share (EUR)		0.09	0.34	0.19	0.15	0.18	0.44

Source: BVB, FMR

Balance sheet

	in EURm	16/17	17/18	18/19	19/20e	20/21e	21/22e
Assets							
Non-current assets		354.9	351.4	371.7	440.1	432.3	440.8
as % of total assets		74.1%	72.4%	74.3%	78.4%	76.9%	73.0%
Intangible assets (incl. Goodwill)		141.5	120.3	163.7	226.9	210.4	210.0
Property, plant and equipment		184.7	180.7	184.0	192.8	201.5	210.3
Long-term investments		0.4	0.4	0.4	0.4	0.4	0.4
Income tax claims (incl. Deferred)		1.1	0.0	0.0	0.0	0.0	0.0
Other assets		27.1	50.0	23.6	20.1	20.1	20.1
Current assets		123.7	134.2	128.4	121.1	129.9	163.3
as % of total assets		25.9%	27.6%	25.7%	21.6%	23.1%	27.0%
Inventories		9.0	5.6	4.6	15.1	14.5	15.5
Accounts receivable and other assets		65.3	68.5	66.1	71.1	84.5	90.1
Current income tax claims		0.2	0.6	1.8	0.6	0.6	0.6
Cash and cash equivalents		49.3	59.5	55.9	34.2	30.2	57.1
Total assets		478.6	485.6	500.1	561.1	562.2	604.0
Shareholders' equity and liabilities							
Shareholders' equity		312.3	343.6	354.9	363.1	379.2	419.5
as % of total equity and liabilities		65.3%	70.8%	71.0%	64.7%	67.5%	69.4%
Subscribed capital		92.0	92.0	92.0	92.0	92.0	92.0
Capital reserve		220.4	251.7	263.0	271.2	287.3	327.6
Accumulated and other comprehensive income		0.0	0.0	0.0	0.0	0.0	0.0
Treasury shares		-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Equity attributable to shareholders		312.3	343.6	354.9	363.1	379.2	419.5
Minorities		0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities and provisions		139.7	117.9	126.4	176.7	161.6	163.2
as % of total equity and liabilities		29.2%	24.3%	25.3%	31.5%	28.7%	27.0%
Financial liabilities		10.3	2.0	3.1	2.0	2.0	2.0
Advance payments received		0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable		63.6	54.6	60.7	69.1	66.3	70.6
Tax liabilities		0.7	2.0	3.5	2.0	2.0	2.0
Other provisions		21.9	24.7	25.5	56.6	39.6	31.7
Other liabilities		43.3	34.7	33.7	47.1	51.8	57.0
Non-current liabilities and provisions		26.6	24.1	18.8	21.3	21.3	21.3
as % of total equity and liabilities		5.5%	5.0%	3.8%	3.8%	3.8%	3.5%
Pension provisions and similar obligations		0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities		8.7	6.7	8.4	3.9	3.9	3.9
Deferred tax liabilities		0.0	0.0	0.0	0.0	0.0	0.0
Provisions		1.2	1.1	1.7	1.1	1.1	1.1
Other liabilities		16.7	16.3	8.7	16.3	16.3	16.3
Total equity and liabilities		478.6	485.6	500.1	561.1	562.2	604.0

Source: BVB, FMR

Cash Flow Statement

in EURm	16/17	17/18	18/19	19/20e	20/21e	21/22e
EBT	9.1	34.7	21.8	17.6	20.6	50.7
Depreciation and amortisation	63.4	90.6	92.5	85.2	77.9	61.7
Other transactions incl. non-cash	6.4	48.8	30.2	-76.9	1.1	-4.9
Change in Working Capital	31.5	-3.6	0.0	38.7	-33.5	-10.4
Cash flow from operating activities	110.4	170.4	144.5	64.6	66.1	97.0
CAPEX	-104.7	-142.8	-139.3	-72.2	-64.6	-64.6
Change in consolidation, net cash	0.0	0.0	0.0	0.0	0.0	0.0
Other investing activities	0.1	0.0	0.0	-3.0	0.0	0.0
Cash flow from investing activities	-104.6	-142.7	-139.3	-75.2	-64.6	-64.6
Change in debt	0.0	0.0	0.0	0.0	0.0	0.0
Net proceeds from capital increase & right capital & change in capital reserve	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of treasury shares & minority stakes	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payments	-5.6	-5.5	-5.5	-5.5	-5.5	-5.5
Other financing activities	-2.6	-11.9	-3.3	-5.6	0.0	0.0
Cash flow from financing activities	-8.2	-17.5	-8.8	-11.1	-5.5	-5.5
Total change in cash and cash equivalents	-2.4	10.2	-3.6	-21.6	-4.0	26.9
Effect of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Other changes in cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	51.7	49.3	59.5	55.9	34.2	30.2
Cash and cash equivalents at year's end	49.3	59.5	55.9	34.2	30.2	57.1

Source: BVB, FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- a) First publication: 18.03.2020,
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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Company	Disclosure(s)
Borussia Dortmund GmbH & Co. KGaA	-

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

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Company	Disclosure(s)
Borussia Dortmund GmbH & Co. KGaA	iii, vi

Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date (EUR)	Price target (EUR)
24.05.2019	BUY	9.10	10.50
16.08.2019	BUY	9.00	10.50
11.11.2019	BUY	8.52	10.50
22.11.2019	BUY	8.45	10.50
11.12.2019	BUY	8.35	10.50
20.02.2020	BUY	8.99	10.50
24.02.2020	BUY	9.49	10.50
03.03.2020	BUY	7.72	10.50
18.03.2020	BUY	4.63	9.00

4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Marcus Silbe, Head of Research, Senior Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

5. Investment recommendation details

Investment recommendation details - stocks:

BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

7. Key sources of information

We have acquired the information upon which this document is based from sources that we consider in principle to be reliable. However, we have not verified all this information. Therefore, we cannot guarantee or ensure the accuracy, completeness or correctness of the information or opinions contained in this document. National and international media and information services (e.g. Factset, Bloomberg etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest

Employees of FMR Frankfurt Main Research AG who are involved with the compilation and/or presentation of financial analyses are subject to the internal compliance regulations. The internal compliance regulations correspond to the provisions of the directive for the substantiation of the organisational obligations of investment service companies pursuant to Section 80 Securities Trading Act and EU/ESMA legislation on the basis of the Market Abuse Regulation.

The analysts of FMR Frankfurt Main Research AG do not receive any direct or indirect remuneration from the investment banking business of FMR Frankfurt Main Research AG.

On acceptance of the financial analysis, the recipient accepts that the above restrictions are binding.