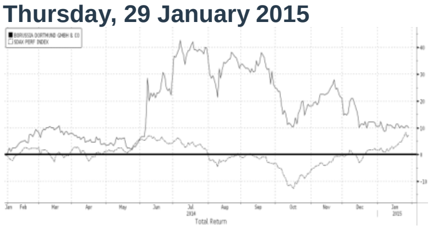
Borussia Dortmund GmbH & Co. KGaA

BUY (BUY) | Target EUR 6.00 (EUR 6.00)
Price (last closing price) : **EUR 3.84** | Upside : 56%

E.st. change	2015e	2016e
EPS	-8%	-12%

Preview for second half of Bundesliga season 2014/2015

Thursday, 29 January 2015



Capital			
BVB GY | BVB.DE			
Market Cap (EURm)			353
Enterprise value (EURm)			313
Extrema 12 months		5.11 -	3.54
Free Float (%)			71.2%

Performance (%)	1m	3m	12m
Absolute	-1.8	-9.5	7.4
Perf. rel. "sector"	-9.7	-24.7	-10.6
Perf. rel. SDAX	-10.3	-26.6	-12.7

P&L	6/15e	6/16e	6/17e
Sales (EURm)	275	284	298
EBITDA (EURm)	53.4	59.7	64.6
EBIT (EURm)	11.1	11.6	12.4
Attr. net profit (EURm)	7.4	8.5	8.2
EPS (EUR)	0.08	0.09	0.09
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	47.7	41.5	42.8
P/B (x)	1.2	1.2	1.2
Dividend yield (%)	3%	3%	3%
FCF yield (%)	-3%	6%	8%
EV/Sales (x)	1.1	1.1	1.1
EV/EBITDA (x)	5.9	5.2	4.8
EV/EBIT (x)	28.1	27.0	25.3
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA (x)	n.s.	n.s.	n.s.

Next Events	
1H14/15 results	27 February 2015

BVB needs a good start into second half

This weekend is the start of the second half of the Bundesliga season 2014/2015 and Borussia Dortmund (BVB) has to catch up 12 points to reach the important rank 4 which enlists BVB for the Champions League qualification round next season. In the first half of the season the team disappointed with rank 17 (direct relegation) in the Bundesliga while still being on track in the National Cup (DFB-Pokal) and of course in the CL (qualification to 1/16 round vs. Juventus Turin). We consider it very essential that BVB will start with some wins into the second half given that the two first opponents are Bayer Leverkusen (rank 3, +13 points vs BVB) and next week FC Augsburg (rank 6, +12 points vs BVB). With hopefully 2 wins the gap is down to ~9 points vs the targeted clubs.

Chances for BVB to reach at least rank 6 (qualifies for Euro League)

Analysing the performance of BVB in the first half of the season the outlook would be quite negative. Since the employment of Jürgen Klopp as Head-Coach the team has, so far, never showed such weak performances as this season. However, the average performance of BVB in the second half of the season is normally better. Astonishingly the lowest points have been collected in the National Championship season 2010/2011. On average the team of Jürgen Klopp achieved 35 points in the Second half (Klopp era). Calculating the average numbers for all Clubs (average of last five seasons in 1. Bundesliga), Bayern should still become National Champion with VFL Wolfsburg as runner-Up and Schalke 04 on 3rd place. In this calculation **BVB is assumed to improve to 6th place, hence qualifies for UEFA Euro League. Statistically speaking this is the most common outcome**.

For BVB achieving at least 4th place, the team would have to outplay the miraculous performances of VFL Wolfsburg in 2008/2009 (from rank 9 to rank 1 with 42 points in second half) and the tremendous catch-up of VFB in season 2009/2010 improving from rank 15 to 6 (39 points in second half). **To summarise: we do not assume a relegation place at the end of the season; rather a fight for rank 6 (or even 4th place) which qualifies for international competition next season.** In the case BVB won't reach at least rank 6 or win the National Cup the revenue shortfall will be at least EUR 40m. Furthermore, it would be very tough to keep players like Reus as well as convince new players to come to BVB.

Valuation depends on international qualification

Up to now we only adjusted some minor revenue assumptions for the next few years and updated our D&A after the most recent purchase of Kevin Kampl (assumed EUR 12m; term: 4 years until 2019). Worth mentioning is that we still assume that BVB will reach Champions League for next season (2015/2016), given that the gap of 12 points is still manageable. **However, as soon as BVB fails to deliver some wins over the next games, we will reassess our estimates and valuation**. The share of BVB should remain volatile for a while. We reiterate for the time being our PT of EUR 6.00/BUY recommendation. On basis of our DCF and peer group multiples our fair value currently stands at EUR 5.97.

Marcus Silbe (Analyst)
+49 (0)69 920 54 814
Marcus.silbe@oddoseydler.com

Profit and loss account

IFRS EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Sales	**215.24**	**305.03**	**260.74**	**274.94**	**283.66**	**297.84**
YoY growth	-	41.7%	-14.5%	5.4%	3.2%	5.0%
Cost of materials	-12.48	-17.49	-20.31	-22.00	-22.69	-26.81
as % of sales	-5.8%	-5.7%	-7.8%	-8.0%	-8.0%	-9.0%
Personnel costs	-79.92	-106.22	-107.79	-112.73	-110.63	-114.67
as % of sales	-37.1%	-34.8%	-41.3%	-41.0%	-39.0%	-38.5%
Other operating income	7.63	2.79	5.23	2.50	3.00	3.50
as % of sales	3.5%	1.3%	2.4%	1.2%	1.4%	1.6%
Other operating expenses	-70.49	-96.58	-88.73	-89.36	-93.61	-95.31
as % of sales	-32.7%	-31.7%	-34.0%	-32.5%	-33.0%	-32.0%
EBITDA	**59.98**	**87.53**	**49.13**	**53.36**	**59.73**	**64.56**
as % of sales	27.9%	28.7%	18.8%	19.4%	21.1%	21.7%
Depreciation and amortisation (incl. PPA depreciation)	-18.59	-22.41	-30.68	-42.22	-48.15	-52.20
as % of sales	-8.6%	-7.3%	-11.8%	-15.4%	-17.0%	-17.5%
EBIT (reported)	**41.39**	**65.12**	**18.45**	**11.14**	**11.58**	**12.35**
as % of sales	19.2%	21.3%	7.1%	4.1%	4.1%	4.1%
Net financial results	-4.86	-5.07	-3.89	-1.14	-0.25	-0.25
EBT (Earnings before income taxes)	**36.59**	**60.04**	**14.59**	**10.00**	**11.33**	**12.10**
as % of sales	17.0%	19.7%	5.6%	3.6%	4.0%	4.1%
Income taxes (incl. other taxes)	-9.06	-8.84	-2.62	-2.30	-2.82	-3.56
as % of EBT	-24.8%	-14.7%	-18.0%	-23.0%	-24.9%	-29.4%
Net income	**27.53**	**51.19**	**11.97**	**7.70**	**8.51**	**8.55**
Minorities	0.12	-0.37	-0.31	-0.30	-	-0.30
Net income attributable to shareholders	**27.41**	**50.82**	**11.66**	**7.40**	**8.51**	**8.25**
as % of sales	12.7%	16.7%	4.5%	2.7%	3.0%	2.8%
Shares outstanding (in m)	61.4	61.4	61.4	92.0	92.0	92.0
Basic earnings per share (EUR)	**0.45**	**0.83**	**0.19**	**0.08**	**0.09**	**0.09**

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

IFRS EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Assets						
Non-current assets	**210.40**	**212.22**	**249.49**	**280.70**	**267.70**	**245.59**
as % of total assets	84.6%	70.2%	85.4%	64.5%	61.5%	56.3%
Intagible assets	25.75	28.43	61.60	91.11	80.34	61.77
Property, plant and equipment	182.60	178.38	184.50	186.12	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
Current assets	**38.30**	**90.20**	**42.80**	**154.41**	**167.50**	**190.90**
as % of total assets	15.4%	29.8%	14.6%	35.5%	38.5%	43.7%
Inventories	5.81	7.54	5.92	8.25	8.51	8.94
Accounts receivable, other receivables and other assets	27.22	70.12	18.84	42.76	44.46	46.97
Cash and cash equivalents	5.27	12.54	17.85	103.22	114.34	134.81
Total assets	**248.71**	**302.42**	**292.30**	**435.11**	**435.20**	**436.50**
Shareholders´ equity and liabilities						
Shareholders´ equity	**93.46**	**140.62**	**145.25**	**287.51**	**286.82**	**286.17**
as % of total equity and liabilities	37.6%	46.5%	49.7%	66.1%	65.9%	65.6%
Subscribed capital	61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others	31.81	78.72	83.61	194.99	194.30	193.35
Own shares	-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
Equity attributable to shareholders	**93.11**	**140.03**	**144.92**	**286.88**	**286.19**	**285.23**
Minorities	0.35	0.59	0.33	0.63	0.63	0.93
Current provisions and liabilities	**61.95**	**74.42**	**71.01**	**94.46**	**94.66**	**96.61**
as % of total equity and liabilities	24.9%	24.6%	24.3%	21.7%	21.8%	22.1%
Financial lease	1.28	1.38	1.63	1.41	1.41	1.41
Financial liabilities	5.97	4.50	8.89	0.00	0.00	0.00
Current provisions	19.22	13.95	21.02	40.34	39.53	39.92
Accounts payable	9.64	14.20	18.12	30.13	31.09	32.64
Current income tax liabilities	3.83	3.45	0.57	0.57	0.63	0.63
Other current liabilities	22.01	36.94	20.79	22.01	22.01	22.01
Non-current provisions and liabilities	**93.31**	**87.38**	**76.03**	**53.14**	**53.72**	**53.72**
as % of total equity and liabilities	37.5%	28.9%	26.0%	12.2%	12.3%	12.3%
Financial liabilities	41.27	40.83	32.14	0.00	0.00	0.00
Financial lease	21.15	19.77	20.14	22.21	22.21	22.21
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	30.94	31.51	31.51
Total equity and liabilities	**248.71**	**302.42**	**292.30**	**435.11**	**435.20**	**436.50**

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

IFRS EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
EBT (Earnings before income taxes)	**36.59**	**60.04**	**14.59**	**10.00**	**11.33**	**12.10**
Depreciation and amortisation	18.59	22.41	30.68	42.22	48.15	52.20
Other transactions incl. non-cash	-28.22	-57.16	-12.17	-0.97	-2.82	-3.56
Change in Working Capital	1.08	3.31	-6.67	13.93	-1.24	-0.98
Cash flow from operating activities	**28.04**	**28.60**	**26.43**	**65.18**	**55.42**	**59.77**
CAPEX	-28.28	-27.51	-62.37	-75.20	-35.10	-30.10
Other investing activities	19.57	13.27	53.53	0.00	0.00	0.00
Cash flow from investing activities	**-8.70**	**-14.25**	**-8.84**	**-75.20**	**-35.10**	**-30.10**
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	1.85	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	-6.14	-9.20	-9.20
Cash flow from financing activities	**-12.91**	**-7.08**	**-12.27**	**95.38**	**-9.20**	**-9.20**
Total change in cash and cash equivalents	**6.43**	**7.27**	**5.32**	**85.37**	**11.12**	**20.47**
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	103.22	114.34
Cash and cash equivalents at year´s end	**5.27**	**12.54**	**17.85**	**103.22**	**114.34**	**134.81**

Source: Company Data, Oddo Seydler Bank AG

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This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
29 January 2015	BUY	EUR 3.84	EUR 6.00
18 November 2014	BUY	EUR 4.40	EUR 6.00
14 August 2014	BUY	EUR 4.79	EUR 6.00
27 June 2014	BUY	EUR 4.53	EUR 6.00
16 June 2014	BUY	EUR 4.41	EUR 6.00
19 May 2014	BUY	EUR 3.86	EUR 5.00
16 April 2014	BUY	EUR 3.82	EUR 5.00

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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Responsible Supervisory Authority:
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800