

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 5.00** (5.00)

13 December 2013

BVB reached the KO stage in Champions League

Despite a back and forth in the last game, BVB is first of the group

▪ **1Q 2013/14:** BVB presented in 1Q 13/14 once again a positive development of top line figures. Group revenues came in at EUR 59.5m, which imply an increase by EUR 7.6m or 14.6% compared to last year's corresponding period. All of the group's revenues streams contributed to the positive development, but especially revenues from retail, catering and licenses pushed the increase in sales. However, EBITDA remained nearly flat at EUR 9.7m (1Q 2012/13: EUR 9.8m) mostly due to notably higher personal expenses (1Q 2012/13: EUR 18.2m and 1Q 2013/14: EUR 22.8m). In addition, D&A increased significantly (+31.2% YoY) because of the newly acquired players. Therefore, operating EBIT was down by more than 45% and amounted to EUR 2.2m (1Q 2012/13: EUR 4.2m). On the bottom line, Borussia Dortmund reported a consolidated net profit of EUR 1.4m (1Q 2012/13: EUR 2.6m). The translating EPS was at EUR 0.02.

▪ **Segment reporting:** To begin with, all segments reported positively improved revenues; however, revenues from the retail, catering and licenses segment contributed nearly 50% to the increase of EUR 7.6m in sales. Revenues of this segment amounted to EUR 15.4m (1Q 13/14: EUR 11.7; +31.6% YoY). New champion partners accounted for the increase in the advertising segment to EUR 14.7m (1Q 2012/13: EUR 13.5m) and match operations achieved segment sales of EUR 7.6m (1Q 2012/13: EUR 6.7m). Due to the switch of Lasse Sobiech and Marvin Bakalorz transfer income amounted to EUR 1.5m (EUR +1.3m YoY). The TV marketing segment grew slightly from EUR 19.9m last year to EUR 20.3m.

▪ **Marginal adjusted estimates:** The recent published 1Q were in line and after reaching the KO stage in the Champions League we do not have to adjust these assumptions. Therefore, top line is still expected to be at EUR 242.5m and EBITDA should come in at EUR 58.1m. The corresponding EPS is anticipated at EUR 0.27 after including a minor tax effect coming from the stadium-related mergers of subsidiaries. For FY14/15E we still forecast revenues of EUR 254.4m with an EBITDA of EUR 66.6m. EPS should translate into EUR 0.34.

▪ **Unchanged PT:** While the performance in the Bundesliga is still roughly in line and the team now reached the expected KO stage as first of the group, we stick to our **BUY recommendation** with an unchanged **PT of EUR 5.00**.

Key data:

Y/E 30 June, EURm	10/11	11/12	12/13	13/14E	14/15E	15/16E
Sales	151.5	215.2	305.0	242.5	254.4	270.9
EBITDA	32.4	60.0	87.5	58.1	66.6	73.2
EBIT (reported)	14.9	41.4	65.1	26.8	32.6	35.5
Net income/loss	5.3	27.4	50.8	16.8	21.2	23.3
EPS	0.09	0.45	0.83	0.27	0.34	0.38
EBITDA margin	21.4%	27.9%	28.7%	24.0%	26.2%	27.0%
EBIT margin	9.8%	19.2%	21.3%	11.0%	12.8%	13.1%
Net margin	3.5%	12.7%	16.7%	6.9%	8.3%	8.6%
EV/EBITDA	8.4	4.5	3.1	4.7	4.1	3.7
EV/EBIT	18.3	6.6	4.2	10.2	8.4	7.7
P/E	43.2	8.4	4.5	13.7	10.8	9.8

Source: Borussia Dortmund GmbH & Co KGaA, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	13/14E		14/15E		15/16E	
	new	old	new	old	new	old
Revenues	-	242.5	-	254.4	-	270.9
EBITDA	58.1	58.4	-	66.6	-	73.2
EPS	0.27	0.28	0.34	0.35	-	0.38

Internet: bvb.de
WKN: 549309
Reuters: BVB.DE

Sector: Entertainment
ISIN: DE0005493092
Bloomberg: BVB GY

Short company profile:

Borussia Dortmund GmbH & Co. KGaA (henceforth Borussia Dortmund, BVB) is one of the most successful companies in European professional football and one of the few clubs listed on a stock exchange (and the only listed club in Germany).

Share data:

Share price (last closing price):	EUR 3.74
Shares outstanding (m):	61.4
Market capitalisation (EURm):	229.7
Enterprise value (EURm):	272.7
Ø daily trading volume (3 m., no. of shares):	179,013

Performance data:

High 52 weeks:	EUR 4.03
Low 52 weeks:	EUR 2.70
Absolute performance (12 months):	40.0%
Relative performance (vs. SDAX):	
1 month	2.0%
3 months	-2.3%
6 months	5.0%
12 months	1.7%

Shareholders (preferred shares):

Bernd Geske:	11.7%
BVB (own shares):	7.2%
Free Float, others:	81.1%

Financial calendar:

1H 13/14 report	28 February 2014
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Merger with subsidiaries

To improve the visibility of the group structure and end the complex income tax consolidation, Borussia Dortmund GmbH & Co KGaA has merged with its three subsidiaries: BVB Stadion Holding GmbH, BVB Beteiligungs-GmbH and BVB Stadion GmbH. In the course of the merger, the ownership of the stadium and the heritable building right were also transferred directly to the parent company. Overall, this will only have a minor tax effect on the P&L.

Appendix

Profit and loss account

	IFRS	EURm	10/11	11/12	12/13	13/14E	14/15E	15/16E
Sales			151.48	215.24	305.03	242.46	254.42	270.86
YoY growth			-	42.1%	41.7%	-20.5%	4.9%	6.5%
Cost of materials			-7.66	-12.48	-17.49	-14.55	-15.27	-16.25
as % of sales			-5.1%	-5.8%	-5.7%	-6.0%	-6.0%	-6.0%
Personnel costs			-61.54	-79.92	-106.22	-101.84	-101.77	-102.93
as % of sales			-40.6%	-37.1%	-34.8%	-42.0%	-40.0%	-38.0%
Other operating income			4.31	7.63	2.79	7.50	5.50	5.50
as % of sales			2.8%	5.0%	1.8%	5.0%	3.6%	3.6%
Other operating expenses			-54.14	-70.49	-96.58	-75.46	-76.33	-83.97
as % of sales			-35.7%	-32.7%	-31.7%	-31.1%	-30.0%	-31.0%
EBITDA			32.44	59.98	87.53	58.12	66.56	73.22
as % of sales			21.4%	27.9%	28.7%	24.0%	26.2%	27.0%
Depreciation and amortisation (incl. PPA depreciation)			-17.53	-18.59	-22.41	-31.33	-33.97	-37.74
as % of sales			-11.6%	-8.6%	-7.3%	-12.9%	-13.4%	-13.9%
EBIT (reported)			14.91	41.39	65.12	26.79	32.59	35.48
as % of sales			9.8%	19.2%	21.3%	11.0%	12.8%	13.1%
Net financial results			-5.44	-4.86	-5.07	-2.59	-2.60	-2.43
EBT (Earnings before income taxes)			9.50	36.59	60.04	24.20	29.98	33.05
as % of sales			6.3%	17.0%	19.7%	10.0%	11.8%	12.2%
Income taxes (incl. other taxes)			-4.10	-9.06	-8.84	-7.18	-8.50	-9.35
as % of EBT			-43.1%	-24.8%	-14.7%	-29.7%	-28.3%	-28.3%
Net income			5.40	27.53	51.19	17.02	21.49	23.70
Minorities			0.09	-0.12	-0.37	-0.25	-0.30	-0.35
Net income attributable to shareholders			5.31	27.41	50.82	16.77	21.19	23.35
as % of sales			3.5%	12.7%	16.7%	6.9%	8.3%	8.6%
Shares outstanding (in m)			61.4	61.4	61.4	61.4	61.4	61.4
Basic earnings per share (EUR)			0.09	0.45	0.83	0.27	0.34	0.38

Source: Borussia Dortmund GmbH & Co KGaA, CBS Research AG

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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
23 May 2013	BUY (Initial Coverage)	EUR 3.17	EUR 5.00
08 August 2013	BUY	EUR 3.10	EUR 5.00
26 August 2013	BUY	EUR 3.50	EUR 5.00
02 October 2013	BUY	EUR 3.76	EUR 5.00
13 December 2013	BUY	EUR 3.74	EUR 5.00

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