

Borussia Dortmund GmbH & Co. KGaA

Strengthening the brand

17/01/2019

Buy (Buy)
10.00 EUR (10.00 EUR)

Close 14/01/2019 8.74 EUR
 Bloomberg: BVB GY WKN: 549309
 Sector Media

Share price performance

52 week high 10.06 EUR
 52 week low 4.98 EUR
 Compared to Prime All Share
 YTD 6.4%
 1 month 8.7%
 12 months 58.3%



Share data

EV (m EUR; 2019) 778.8
 Market Cap (m EUR) 804.1
 No. of shares (m) 92.0
 Free float 60.8%

Next event

Quarterly Results 28/02/2019

Change in model

	Sales	EBIT	EPS
2018/19e	-	-	2.0%
2019/20e	-	-	1.6%
2020/21e	-	-	1.6%

Analyst

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See end of document for disclaimer.

Following the results of Q1 2018/19, we have to recognise that BVB has clearly strengthened the brand. All in all, we maintain our BUY rating for the stock with an unchanged price target of € 10.00.

INVESTMENT CASE

With the current results on the pitch, the club once again has the opportunity to consolidate its standing as one of Europe's top teams. The prestige associated with the UEFA Champions League, the new models for distributing TV marketing income and the significantly higher payouts are what make participating in the competition so lucrative. At the beginning of the year, BVB implemented fundamental changes concerning the team: The club has hired an experienced coach in Lucien Favre. Furthermore, BVB brought club legend Sebastian Kehl back on board. He functions as a link between the team, the coaching staff and the sporting director. Changes to the strategy and the roster were also co-ordinated with Matthias Sammer. Borussia Dortmund also made substantial changes to the roster, infusing a fresh mix of robust, experienced and also young players, with whom the club hopes to return to the top of the table in the current season.

CATALYSTS

The business case needs the team to be successful in the core competitions, including Bundesliga, DFB Cup and Champions League. The outcome of cup competitions (loss/win or elimination/next round) has a rather large impact on all business segments and thus on numbers.

VALUATION

Our valuation is based on an adjusted "net asset value approach". This approach includes the adjusted value of the squad, the net debt development of the group and the brand value. This leads us to a price target of € 10.00 and we therefore confirm our BUY rating. Our model does not include the Pulisic deal as we model all transfers as usual after the end of the current transfer period.

in m EUR	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Sales	405.7	536.0	443.0	462.5	462.8
EBIT	10.7	36.1	29.0	36.3	36.8
EBIT margin	2.6%	6.7%	6.5%	7.8%	8.0%
Net financial debt	13.0	-16.1	-25.3	-55.5	-87.7
Free cash flow	5.8	27.6	13.9	35.7	37.7
EPS (in EUR)	0.09	0.31	0.21	0.27	0.27
DPS (in EUR)	0.06	0.06	0.06	0.06	0.06
Dividend yield	1.1%	0.7%	0.7%	0.7%	0.7%
EV/sales	1.3	1.5	1.8	1.6	1.5
EV/EBIT	47.6	21.8	26.9	20.6	19.5
P/E	60.2	28.3	41.5	33.0	32.5

Source: Company information, Bankhaus Lampe Research estimates

Company overview

SWOT

Strengths/Opportunities

- Sporting success has a leverage effect on the revenue structure
- Continuity in sporting and commercial management
- Improvement of infrastructure

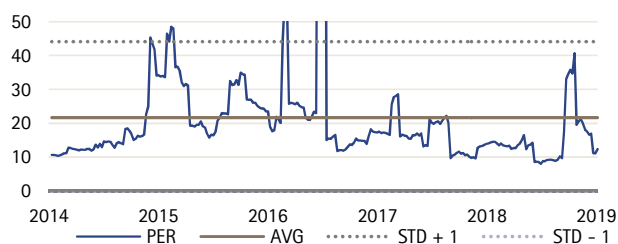
MANAGEMENT

- Hans-Joachim Watzke (CEO)
- Thomas Tress (CFO)
- Carsten Cramer

SHORT-TERM GUIDANCE

- 2018/19: Revenue of € 375 m
- 2018/19: low single-digit EBIT
- 2018/19: Free cash flow of around € 10 m

HISTORICAL P/E



COMPANY EVENTS

Next event: 28/02/2019 Quarterly Results

KEY RATIOS

	16/17	17/18	18/19e	19/20e	20/21e
R&D/Sales	-	-	-	-	-
Capex/Sales	0.0%	24.4%	13.0%	10.2%	10.2%
Capex/Depreciation	0.0	1.4	0.8	0.7	0.7
ROCE	2.8%	9.5%	7.7%	9.2%	8.9%
Free cash flow yield	1.0%	4.5%	2.3%	5.8%	6.1%
Equity ratio	65.3%	70.3%	74.7%	75.9%	76.8%
Net debt / equity	4%	-5%	-7%	-15%	-23%
Net debt / EBITDA	0.2	-0.1	-0.3	-0.5	-0.8
Interest cover	4.7	7.4	0.0	0.0	0.0

Weaknesses/Threats (Risks)

- Challenge of accommodating both sporting and financial objectives
- Particular need to improve marketing in Asia
- Sporting success cannot be relied upon
- Sporting injuries and periods of weak form are imponderables

COMPANY BACKGROUND

Borussia Dortmund GmbH & Co. KGaA operates a professional football club. The company generates most of its revenues from ticketing, marketing television broadcast rights, advertising, the sale of merchandise, and transfers. The company was founded in 1909.

MEDIUM-TERM GUIDANCE

- -

REVENUE BREAKDOWN (LAST ACTUAL YEAR)



MAJOR SHAREHOLDERS (%)

Evonik	14.8
Bernd Geske	9.3
BV Borussia 09 e.V. Dortmund	5.5

BHL VS. CONSENSUS

	18/19e	19/20e	20/21e
Sales (in m EUR)			
BHL	443.0	462.5	462.8
Consensus	475.0	0.0	0.0
EBIT (in m EUR)			
BHL	29.0	36.3	36.8
Consensus	11.0	0.0	0.0
EPS (EUR)			
BHL	0.21	0.27	0.27
Consensus	0.74	0.00	0.00

Source: Company information, FactSet, BHL estimates

Key figures

Borussia Dortmund GmbH & Co. KGaA – Income statement

in m EUR	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Sales	405.7	536.0	443.0	462.5	462.8
Own work capitalised	0.0	0.0	0.0	0.0	0.0
Total sales	405.7	536.0	443.0	462.5	462.8
Material expenses	-25.9	-20.1	-26.0	-26.5	-27.0
Personnel expenses	-177.9	-186.7	-190.0	-195.7	-196.0
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-127.7	-202.6	-128.0	-134.0	-133.0
EBITDA	74.1	126.6	99.0	106.3	106.8
Depreciation	63.4	90.6	70.0	70.0	70.0
EBITA	10.7	36.1	29.0	36.3	36.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	10.7	36.1	29.0	36.3	36.8
Financial result	-1.5	-4.3	-0.9	-0.9	-0.9
Income on ordinary activities	9.1	31.8	28.1	35.4	35.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	9.1	31.8	28.1	35.4	35.9
Taxes	-0.9	-3.3	-8.7	-11.0	-11.1
Net income from cont. operations	8.2	28.5	19.4	24.4	24.7
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Net income (adj.)	8.2	28.5	19.4	24.4	24.7
No. of shares	92.0	92.0	92.0	92.0	92.0
EPS	0.09	0.31	0.21	0.27	0.27

Source: Company information, Bankhaus Lampe Research estimates

	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Gross margin	93.6%	96.3%	94.1%	94.3%	94.2%
EBITDA margin	18.3%	23.6%	22.3%	23.0%	23.1%
EBITA margin	2.6%	6.7%	6.5%	7.8%	8.0%
EBIT margin	2.6%	6.7%	6.5%	7.8%	8.0%
EBT margin	2.2%	5.9%	6.3%	7.6%	7.7%
Net profit margin	2.0%	5.3%	4.4%	5.3%	5.3%
Tax rate	10.0%	10.4%	31.0%	31.0%	31.0%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Sales	7.8%	32.1%	-17.4%	4.4%	0.1%
EBITDA	-14.5%	71.0%	-21.8%	7.4%	0.5%
EBIT	-70.7%	>100%	-19.6%	25.2%	1.4%
EBT	-73.4%	>100%	-11.6%	26.0%	1.4%
Net income (adj.)	-72.1%	>100%	-32.0%	26.0%	1.4%
EPS	-72.1%	>100%	-32.0%	26.0%	1.4%

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Balance sheet

Assets (in m EUR)	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Fixed assets	354.9	341.9	329.5	306.5	283.5
Property, plant and equipment	184.7	180.7	178.0	175.0	172.0
Intangible assets	141.5	109.7	100.0	80.0	60.0
Financial assets	0.1	0.1	0.1	0.1	0.1
Other long-term assets	28.6	51.5	51.5	51.5	51.5
Current assets	123.7	136.4	139.3	179.5	221.7
Inventories	9.0	5.6	9.0	9.0	9.0
Accounts receivable	48.8	23.0	50.0	60.0	70.0
Other current assets	16.7	48.4	30.0	30.0	30.0
Securities	0.0	0.0	0.0	0.0	0.0
Cash	49.3	59.5	50.3	80.5	112.7
Total assets	478.6	478.3	468.8	486.0	505.3
Equity and liabilities in m EUR					
Shareholders' equity	312.3	336.3	350.1	369.0	388.3
Shareholders' equity (before minority)	312.3	336.3	350.1	369.0	388.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	25.4	23.0	17.0	17.0	17.0
Pension provisions	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0
Long-term financial debt	8.7	6.7	0.0	0.0	0.0
Other long-term debt	16.7	16.3	17.0	17.0	17.0
Current liabilities	140.9	119.0	101.7	100.0	100.0
Short-term debt	53.6	36.6	25.0	25.0	25.0
Other accruals short-term	1.2	1.1	0.0	0.0	0.0
Accounts payable	63.6	54.6	50.0	50.0	50.0
Other liabilities	22.6	26.7	26.7	25.0	25.0
Total equity and liabilities	478.6	478.3	468.8	486.0	505.3

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Balance sheet structure

Assets	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Fixed assets	74.1%	71.5%	70.3%	63.1%	56.1%
Property, plant and equipment	38.6%	37.8%	38.0%	36.0%	34.0%
Intangible assets	29.6%	22.9%	21.3%	16.5%	11.9%
Current assets	25.9%	28.5%	29.7%	36.9%	43.9%
Inventories	1.9%	1.2%	1.9%	1.9%	1.8%
Accounts receivable	10.2%	4.8%	10.7%	12.3%	13.9%
Cash	10.3%	12.4%	10.7%	16.6%	22.3%
Equity and liabilities					
Shareholders' equity	65.3%	70.3%	74.7%	75.9%	76.8%
Non-current liabilities	5.3%	4.8%	3.6%	3.5%	3.4%
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	1.8%	1.4%	0.0%	0.0%	0.0%
Current liabilities	29.4%	24.9%	21.7%	20.6%	19.8%
Short-term debt	11.2%	7.7%	5.3%	5.1%	4.9%
Accounts payable	13.3%	11.4%	10.7%	10.3%	9.9%

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

The creation of this recommendation was finalised on 16/01/2019 06:36 PM (CET) and first published on 17/01/2019 07:01 AM (CET).

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Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Details on the concepts and methods as well as the valuation models employed are available on our website.

Overview of changes in our recommendations/price targets in the previous twelve months for: Akasol AG (ASL GY), Close (14/01/2019): 34.43 EUR, Analyst: Dr. Karsten Iltgen (Analyst).

Date of publication	Price at recommendation	Rating	Price target
20/08/2018	49.53 EUR	Buy	70.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: Amadeus FiRe AG (AAD GY), Close (14/01/2019): 86.10 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
26/09/2018	97.00 EUR	Hold	102.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: Aumann AG (AAG GY), Close (14/01/2019): 31.40 EUR, Analyst: Gordon Schönell (CIIA, CEFA).

Date of publication	Price at recommendation	Rating	Price target
14/12/2018	32.15 EUR	Buy	50.00 EUR
02/05/2018	50.10 EUR	Buy	100.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: BAUER Aktiengesellschaft (B5A GY), Close (14/01/2019): 13.26 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

Date of publication	Price at recommendation	Rating	Price target
07/11/2018	15.64 EUR	Buy	20.00 EUR
01/08/2018	18.94 EUR	Buy	28.00 EUR
12/04/2018	19.04 EUR	Buy	30.00 EUR
17/01/2018	28.40 EUR	Hold	29.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: BayWa AG (BYW6 GY), Close (14/01/2019): 22.50 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

Date of publication	Price at recommendation	Rating	Price target
13/12/2018	22.55 EUR	Hold	22.00 EUR
09/04/2018	27.65 EUR	Hold	31.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: Bertrandt AG (BDT GY), Close (14/01/2019): 71.15 EUR, Analyst: David Klus (Analyst).

Date of publication	Price at recommendation	Rating	Price target
19/10/2018	71.65 EUR	Hold	79.00 EUR
02/05/2018	92.75 EUR	Hold	95.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: Borussia Dortmund GmbH & Co. KGaA (BVB GY), Close (14/01/2019): 8.74 EUR, Analyst: Christoph Schlienke (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
14/09/2018	6.73 EUR	Buy	10.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: CEWE Stiftung & Co. KGaA (CWC GY), Close (14/01/2019): 65.60 EUR, Analyst: Christoph Schlienke (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
07/11/2018	68.40 EUR	Buy	98.00 EUR
07/03/2018	78.90 EUR	Buy	103.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: CORESTATE Capital Holding S.A. (CCAP GY), Close (14/01/2019): 29.40 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
12/12/2018	31.90 EUR	Buy	57.00 EUR
05/07/2018	43.80 EUR	Buy	66.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: cyan AG (CYR GY), Close (14/01/2019): 26.00 EUR, Analyst: Christoph Schlienke (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
16/01/2019	26.10 EUR	Buy	47.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: comdirect bank AG (COM GR), Close (14/01/2019): 10.14 EUR, Analyst: Neil Smith (ACA).

Date of publication	Price at recommendation	Rating	Price target
02/11/2018	10.28 EUR	Buy	13.00 EUR
10/08/2018	11.82 EUR	Buy	14.00 EUR
26/04/2018	12.18 EUR	Buy	15.00 EUR
12/03/2018	11.80 EUR	Buy	14.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: euromicron AG (EUCA GY), Close (14/01/2019): 2.93 EUR, Analyst: Wolfgang Specht (Analyst).

Date of publication	Price at recommendation	Rating	Price target
06/12/2018	3.51 EUR	Hold	3.50 EUR
22/05/2018	7.16 EUR	Hold	7.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: paragon GmbH & Co. KGaA (PGN GY), Close (14/01/2019): 19.12 EUR, Analyst: Christian Ludwig (CFA).

Date of publication	Price at recommendation	Rating	Price target
16/11/2018	23.15 EUR	Buy	39.00 EUR
31/01/2018	81.70 EUR	Buy	105.00 EUR

Overview of changes in our recommendations/price targets in the previous twelve months for: technotrans SE (TTR1 GY), Close (14/01/2019): 25.30 EUR, Analyst: Gordon Schönell (CIIA, CEFA).

Date of publication	Price at recommendation	Rating	Price target
17/09/2018	34.25 EUR	Buy	50.00 EUR
13/04/2018	42.20 EUR	Buy	54.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/01/2019)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	58.3%	60.0%
Hold	38.1%	40.0%
Sell	3.1%	0.0%
Under Review	0.0%	0.0%

Frequency of updates

The Bank intends to publish at least one research report per year for the aforementioned stock/stocks.

Complete list of recommendations

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Company	Disclosure
Akasol AG	4
Amadeus FiRe AG	7
Aumann AG	-
BAUER Aktiengesellschaft	7
BayWa AG	-
Bertrandt AG	-
Borussia Dortmund GmbH & Co. KGaA	9
CEWE Stiftung & Co. KGaA	6
CORESTATE Capital Holding S.A.	6
Cyan AG	-
DATRON AG	6
DIC Asset AG	5
Deutsche Beteiligungs AG	6
Deutsche Konsum REIT AG	-
ElringKlinger AG	5, 6
Gesco AG	-
Grammer AG	6
Hamburger Hafen und Logistik AG	-
Heidelberger Druckmaschinen AG	-
HelloFresh SE	6
HolidayCheck Group AG	-
Home24 SE	-
JOST Werke AG	7
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Masterflex SE	-
MLP AG	-
Manz AG	-
OHB SE	-
ProCredit Holding AG & Co KGaA	-
QSC AG	-
R. STAHL AG	6
RHÖN-KLINIKUM AG	-
SGL CARBON SE	-
SHW AG	6
Schaltbau Holding AG	-
SÜSS MicroTec AG	-
TAKKT AG	-
Tele Columbus AG	-
TLG Immobilien AG	-
VIB Vermögen AG	7
Voltabox AG	4, 6
Wacker Neuson SE	6
Wüstenrot & Württembergische AG	-
comdirect bank AG	5, 6, 7
euromicron AG	-
paragon GmbH & Co. KGaA	5
technotrans SE	6

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