

Borussia Dortmund

Q224 results

A more normal schedule

Borussia Dortmund's Q224 results reflect the positive effects of a more normal football season versus the disruption from the FIFA World Cup in the comparative Q223 period. The reiterated financial guidance for FY24 looks well underpinned given the phasing of games and with the excitement of the final stages of the Champions League to come. The share price continues to look very attractive versus our slightly adjusted sum-of-the-parts valuation of €10.40/share and its own historical multiples.

| Year end | Revenue (€m) | EBITDA (€m) | PBT* (€m) | EPS* (€) | DPS (€) | EV/EBITDA (x) | P/E (x) | Yield (%) |
|----------|--------------|-------------|-----------|----------|---------|---------------|---------|-----------|
| 06/22 | 351.6 | 83.8 | 66.3 | 0.61 | 0.00 | 4.7 | 5.6 | N/A |
| 06/23 | 418.2 | 123.2 | 104.1 | 0.63 | 0.00 | 3.2 | 5.4 | N/A |
| 06/24e | 433.6 | 113.6 | 103.5 | 0.63 | 0.06 | 3.5 | 5.4 | 1.8 |
| 06/25e | 457.0 | 121.3 | 111.5 | 0.68 | 0.06 | 3.2 | 5.0 | 1.8 |

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

More games equal revenue and margin growth

More home games in Q224 (10) than in Q223 (five) drove a significant c 32% y-o-y increase in Borussia Dortmund's revenue to €154.3m (Q223: €117.3m). This included growth in all revenue streams but especially for those that vary according to the number of games, like Match Operations (+72% y-o-y), TV Marketing (+40%), Merchandising (+26%) and Conference and Catering (+34%), versus Advertising (+8%). Naturally, more games lead to higher game-related expenses but EBITDA still grew at a healthier rate, c 46% y-o-y to €42.1m (Q223: €28.9m), than revenue. Free cash flow generation deteriorated a little year-on-year, mainly due to higher investment in working capital and the asset base. As a result, the net debt position increased from €17.9m at the end of Q124 to €41.2m.

FY24 guidance reiterated

Management has reiterated its FY24 guidance issued with the publication of the FY23 results, not untypical at this stage given the first team remains active in the Champions League. There is room for improvement in the first team's Bundesliga form. At the time of writing, the team is placed fourth, just one point above the fifth-place team, and some 20 points from the leaders, Bayer Leverkusen. Fewer games in H224 versus H124, assuming no progress beyond the 'round of 16' in the Champions League, and the absence of net transfer income, means that FY24 guidance includes lower absolute revenue and an EBITDA loss in H224 versus H124. We maintain our estimates.

Valuation: Significant discount persists

Our asset-backed sum-of-the-parts valuation has reduced to €10.40 per share from €10.63 per share, predominantly due to the company's higher net debt position. The prospective FY24e EV/EBITDA of 3.5x, a substantial discount to the average since FY07 of 6.7x, supports our belief the share price is significantly undervalued. The recent weakness in the share price likely reflects concerns about the first team's current Bundesliga position.

Travel and leisure

5 March 2024

Price **€3.4**

Market cap **€393m**

Net debt (€m) at 31 December 2023 41.2

Shares in issue 110.4m

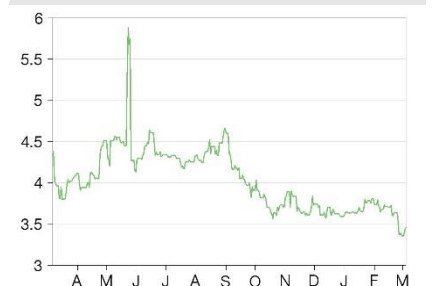
Free float 67.2%
(includes 4.7% holding of founding football club)

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (8.5) (7.4) (20.6)

Rel (local) (12.7) (14.2) (30.2)

52-week high/low €5.9 €3.4

Business description

The group operates Borussia Dortmund, a leading football club, placed second in the Bundesliga in 2022/23, DFB Super Cup winners in 2019/20 and DFB-Pokal winners in 2020/21. The club has qualified for the Champions League in 12 of the last 13 seasons.

Next event

Q324 results 10 May 2024

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Exhibit 1: Financial summary

| | €m | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e |
|---|----|---------|---------|---------|---------|---------|---------|
| Year end 30 June | | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| INCOME STATEMENT | | | | | | | |
| Revenue | | 370.2 | 334.2 | 351.6 | 418.2 | 433.6 | 457.0 |
| Cost of Sales | | (22.4) | (19.6) | (22.6) | (24.1) | (24.3) | (25.1) |
| Gross Profit | | 347.8 | 314.6 | 329.0 | 394.1 | 409.3 | 431.8 |
| EBITDA | | 63.0 | 39.0 | 83.8 | 123.2 | 113.6 | 121.3 |
| Operating profit (before amort. and excepts.) | | 49.1 | 25.3 | 70.5 | 110.3 | 100.0 | 107.3 |
| Amortisation of acquired intangibles | | (88.3) | (92.6) | (87.4) | (89.7) | (83.8) | (83.8) |
| Exceptionals | | (3.9) | (4.8) | (9.1) | (3.6) | 0.0 | 0.0 |
| Reported operating profit | | (43.1) | (72.1) | (26.0) | 16.9 | 16.3 | 23.6 |
| Net Interest | | (3.4) | (1.1) | (4.2) | (6.1) | 3.5 | 4.2 |
| Joint ventures & associates (post tax) | | (0.0) | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Profit Before Tax (norm) | | 45.6 | 24.3 | 66.3 | 104.1 | 103.5 | 111.5 |
| Profit Before Tax (reported) | | (46.6) | (73.2) | (30.2) | 10.8 | 19.7 | 27.7 |
| Reported tax | | 2.6 | 0.3 | (1.7) | (1.2) | (3.0) | (3.0) |
| Profit After Tax (norm) | | 30.6 | 16.3 | 64.6 | 70.0 | 69.6 | 74.9 |
| Profit After Tax (reported) | | (44.0) | (72.8) | (31.9) | 9.6 | 16.7 | 24.7 |
| Minority interests | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income (normalised) | | 30.6 | 16.3 | 64.6 | 70.0 | 69.6 | 74.9 |
| Net income (reported) | | (44.0) | (72.8) | (31.9) | 9.6 | 16.7 | 24.7 |
| Average Number of Shares Outstanding (m) | | 92.0 | 92.0 | 105.6 | 110.4 | 110.4 | 110.4 |
| EPS - normalised (c) | | 33.3 | 17.7 | 61.2 | 63.4 | 63.0 | 67.9 |
| EPS - normalised fully diluted (c) | | 33.3 | 17.7 | 61.2 | 63.4 | 63.0 | 67.9 |
| EPS - basic reported (€) | | (0.48) | (0.79) | (0.30) | 0.09 | 0.15 | 0.22 |
| Dividend (€) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.06 |
| Revenue growth (%) | | (0.0) | (9.7) | 5.2 | 18.9 | 3.7 | 5.4 |
| Gross Margin (%) | | 94.0 | 94.1 | 93.6 | 94.2 | 94.4 | 94.5 |
| EBITDA Margin (%) | | 17.0 | 11.7 | 23.8 | 29.5 | 26.2 | 26.5 |
| Normalised Operating Margin (%) | | 13.2 | 7.6 | 20.0 | 26.4 | 23.1 | 23.5 |
| BALANCE SHEET | | | | | | | |
| Fixed Assets | | 441.5 | 389.8 | 361.9 | 440.7 | 481.3 | 461.2 |
| Intangible Assets | | 229.7 | 193.4 | 127.8 | 169.7 | 159.9 | 147.8 |
| Tangible Assets | | 193.0 | 183.5 | 172.5 | 182.3 | 183.6 | 175.7 |
| Investments & other | | 18.8 | 12.9 | 61.6 | 88.8 | 137.8 | 137.8 |
| Current Assets | | 76.5 | 60.7 | 96.6 | 71.1 | 43.1 | 77.2 |
| Stocks | | 6.8 | 6.8 | 4.4 | 5.4 | 5.4 | 5.4 |
| Debtors | | 36.5 | 29.9 | 45.8 | 38.2 | 38.6 | 39.0 |
| Cash & cash equivalents | | 3.3 | 1.7 | 10.6 | 4.5 | (23.9) | 9.8 |
| Other | | 29.9 | 22.2 | 35.7 | 22.9 | 22.9 | 22.9 |
| Current Liabilities | | (122.6) | (163.6) | (137.3) | (161.0) | (161.9) | (169.4) |
| Creditors | | (110.2) | (100.1) | (132.6) | (144.5) | (145.3) | (146.2) |
| Tax and social security | | (0.0) | (0.0) | (0.0) | (1.1) | (1.1) | (1.1) |
| Short term borrowings | | (8.0) | (56.9) | 0.0 | (12.8) | (12.8) | (12.8) |
| Finance leases | | (4.4) | (4.2) | (4.6) | (2.6) | (2.6) | (2.6) |
| Other | | 0.0 | (2.3) | 0.0 | 0.0 | 0.0 | (6.6) |
| Long Term Liabilities | | (89.9) | (54.3) | (48.0) | (68.1) | (63.1) | (58.1) |
| Long term borrowings | | 0.0 | 0.0 | 0.0 | (8.8) | (8.8) | (8.8) |
| Finance leases | | (20.1) | (16.8) | (12.5) | (10.4) | (5.4) | (0.4) |
| Other long term liabilities | | (69.9) | (37.5) | (35.5) | (48.9) | (48.9) | (48.9) |
| Net Assets | | 305.4 | 232.6 | 273.2 | 282.7 | 299.4 | 310.9 |
| Minority interests | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity | | 305.4 | 232.6 | 273.2 | 282.7 | 299.4 | 310.9 |
| CASH FLOW | | | | | | | |
| Operating Cash Flow | | 59.5 | 37.9 | 79.6 | 117.1 | 117.1 | 125.5 |
| Working capital | | (18.0) | (6.9) | 12.7 | 8.9 | 0.5 | 0.5 |
| Exceptional & other | | (38.9) | (13.6) | (56.9) | (70.5) | (85.5) | (76.7) |
| Tax | | 0.3 | 0.0 | 0.0 | 0.0 | (3.0) | (3.0) |
| Net operating cash flow | | 3.0 | 17.4 | 35.4 | 55.5 | 29.1 | 46.3 |
| Capex | | (6.1) | (3.4) | (1.7) | (21.4) | (15.0) | (6.0) |
| Net investment in intangibles | | (44.6) | (58.6) | (49.4) | (55.3) | (41.0) | 0.8 |
| Acquisitions/disposals | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest | | (3.3) | (1.4) | (0.3) | (1.1) | 3.5 | 4.2 |
| Equity financing | | 0.0 | 0.0 | 86.5 | 0.0 | 0.0 | 0.0 |
| Dividends | | (5.5) | 0.0 | 0.0 | 0.0 | 0.0 | (6.6) |
| Other | | (3.9) | 52.5 | (61.6) | 16.3 | (5.0) | (5.0) |
| Net Cash Flow | | (60.6) | 6.4 | 8.8 | (6.1) | (28.4) | 33.7 |
| Opening net debt/(cash) | | (44.4) | 29.1 | 76.2 | 6.6 | 30.1 | 58.5 |
| Other non-cash movements | | (12.9) | (53.6) | 60.8 | (17.4) | 0.0 | 0.0 |
| Closing net debt/(cash) | | 29.1 | 76.2 | 6.6 | 30.1 | 58.5 | 24.8 |

Source: Company accounts, Edison Investment Research

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