

Borussia Dortmund

Progressing nicely

Increased FY24 guidance

Travel and leisure

18 March 2024

Price €3.51

Market cap €387m

Net debt (€m) at 31 December 2023 41.2

Shares in issue 110.4m

Free float 67.2%

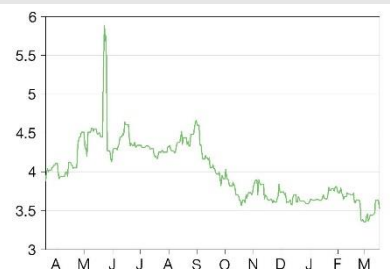
(includes 4.7% holding of founding football club)

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (4.7) (4.7) (10.5)

Rel (local) (9.5) (11.0) (26.5)

52-week high/low €5.88 €3.36

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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Borussia Dortmund's first team was successful in progressing through to quarter finals of the Champions League, which naturally leads to an upgrade in profit guidance for the year, as reaching the 'round of 16' was in prior guidance. This follows confirmation that the first team will compete in the revamped FIFA Club World Cup to be played in the summer of 2025, which is likely to be significant for financial results and very helpful in the long-term development of the brand and fanbase.

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	4.8	5.7	N/A
06/23	418.2	123.2	104.1	0.63	0.00	3.3	5.5	N/A
06/24e	449.7	123.3	113.1	0.69	0.00	3.3	5.1	1.7
06/25e	456.8	121.3	111.5	0.68	0.06	3.3	5.2	1.7

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

Champions League success drives upgrade for FY24

In March 2024, the first team was successful in beating PSV Eindhoven by three to one over the two legs of the 'round of 16'. Progression to the quarter final of the competition, where they will play Atlético Madrid in April, means management has increased net income guidance for FY24 by €10m to €25–35m from €15–25m. We have increased our FY24 estimate accordingly to €26.4m.

FIFA Club World Cup 2025 likely to be material

The FIFA Club World Cup tournament's new format, which is expanding to 32 teams from seven teams previously and changing from an annual event to occurring every four years, will be played in the US from the middle of June 2025 through to mid-July 2025. The financial rewards for the participating teams have not yet been disclosed, but media reports suggest total prize money of €2.5bn, with qualification alone worth a minimum of €50m per team and the winning team earning c €100m. The event will straddle Borussia Dortmund's June financial year-end so may benefit two financial years: FY25 and FY26. The associated costs of taking part, as well as likely revenues, remain unconfirmed. We have not included any benefit from this event given the uncertainty but it is clear it could be significant for Borussia Dortmund's reported results. €50m revenue would represent an incremental 11% to our current FY25 revenue forecast. The US is an important market for Borussia Dortmund to develop its brand and following, so participating in the competition should be very helpful. Taking part is also likely to be positive for attracting new players in the summer 2024 transfer window.

Valuation: Significant undervaluation

The share price is at a significant discount to our asset-backed sum-of-the-parts valuation of €10.4 per share. The low valuation is further emphasised by prospective EV/EBITDA multiples of 3.3x being at a significant discount to the long-term average (since FY07) of 6.7x.

Exhibit 1: Financial summary

	€m	2022	2023	2024e	2025e
Year end 30 June		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		351.6	418.2	449.7	456.8
Cost of Sales		(22.6)	(24.1)	(24.3)	(25.1)
Gross Profit		329.0	394.1	425.5	431.6
EBITDA		83.8	123.2	123.3	121.3
Operating profit (before amort. and excepts.)		70.5	110.3	109.7	107.3
Amortisation of acquired intangibles		(87.4)	(89.7)	(83.8)	(83.8)
Exceptionals		(9.1)	(3.6)	0.0	0.0
Reported operating profit		(26.0)	16.9	25.9	23.5
Net Interest		(4.2)	(6.1)	3.5	4.2
Joint ventures & associates (post tax)		0.1	0.0	0.0	0.0
Profit Before Tax (norm)		66.3	104.1	113.1	111.5
Profit Before Tax (reported)		(30.2)	10.8	29.4	27.7
Reported tax		(1.7)	(1.2)	(3.0)	(3.0)
Profit After Tax (norm)		64.6	70.0	76.0	74.9
Profit After Tax (reported)		(31.9)	9.6	26.4	24.7
Net income (normalised)		64.6	70.0	76.0	74.9
Net income (reported)		(31.9)	9.6	26.4	24.7
Average Number of Shares Outstanding (m)		105.6	110.4	110.4	110.4
EPS - normalised (c)		61.2	63.4	68.9	67.9
EPS - normalised fully diluted (c)		61.2	63.4	68.9	67.9
EPS - basic reported (€)		(0.30)	0.09	0.24	0.22
Dividend (€)		0.00	0.00	0.06	0.06
Revenue growth (%)		5.2	18.9	7.5	1.6
Gross Margin (%)		93.6	94.2	94.6	94.5
EBITDA Margin (%)		23.8	29.5	27.4	26.6
Normalised Operating Margin (%)		20.0	26.4	24.4	23.5
BALANCE SHEET					
Fixed Assets		361.9	440.7	481.3	461.2
Intangible Assets		127.8	169.7	159.9	147.8
Tangible Assets		172.5	182.3	183.6	175.7
Investments & other		61.6	88.8	137.8	137.8
Current Assets		96.6	71.1	52.7	86.8
Stocks		4.4	5.4	5.4	5.4
Debtors		45.8	38.2	38.6	39.0
Cash & cash equivalents		10.6	4.5	(14.3)	19.4
Other		35.7	22.9	22.9	22.9
Current Liabilities		(137.3)	(161.0)	(161.9)	(169.4)
Creditors		(132.6)	(144.5)	(145.3)	(146.2)
Tax and social security		(0.0)	(1.1)	(1.1)	(1.1)
Short term borrowings		0.0	(12.8)	(12.8)	(12.8)
Finance leases		(4.6)	(2.6)	(2.6)	(2.6)
Other		0.0	0.0	0.0	(6.6)
Long Term Liabilities		(48.0)	(68.1)	(63.1)	(58.1)
Long term borrowings		0.0	(8.8)	(8.8)	(8.8)
Finance leases		(12.5)	(10.4)	(5.4)	(0.4)
Other long term liabilities		(35.5)	(48.9)	(48.9)	(48.9)
Net Assets		273.2	282.7	309.1	320.5
Shareholders' equity		273.2	282.7	309.1	320.5
CASH FLOW					
Operating Cash Flow		79.6	117.1	126.7	125.5
Working capital		12.7	8.9	0.5	0.5
Exceptional & other		(56.9)	(70.5)	(85.5)	(76.7)
Tax		0.0	0.0	(3.0)	(3.0)
Net operating cash flow		35.4	55.5	38.7	46.3
Capex		(1.7)	(21.4)	(15.0)	(6.0)
Net investment in intangibles		(49.4)	(55.3)	(41.0)	0.8
Acquisitions/disposals		0.0	0.0	0.0	0.0
Net interest		(0.3)	(1.1)	3.5	4.2
Equity financing		86.5	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	(6.6)
Other		(61.6)	16.3	(5.0)	(5.0)
Net Cash Flow		8.8	(6.1)	(18.8)	33.7
Opening net debt/(cash)		76.2	6.6	30.1	48.8
Other non-cash movements		60.8	(17.4)	0.0	0.0
Closing net debt/(cash)		6.6	30.1	48.8	15.2

Source: Company accounts, Edison Investment Research

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