

Borussia Dortmund GmbH & Co. KGaA

WKN: 549309 | ISIN: DE0005493092 | Bloomberg: BVB GY

BVB qualified for Champions League 21/22

9M 20/21 still burdened by Corona pandemic: BVB reported a 19% drop to EUR 257.9m in sales for the first nine months, due in particular to a poor first quarter. The development in the advertising and TV marketing segments in particular had a stabilizing effect. 9M group EBIT reached EUR -44.1m, better than our estimate of EUR -50.6m.

Sporting situation significantly better again: The team has shown a clear upward trend in recent weeks. In the Bundesliga, it succeeded in qualifying once again for the financially lucrative UEFA Champions League (UCL) after winning several matches one matchday before the end of the season. In addition, the team won the DFB Cup final. The topic of the European Superliga quickly calmed down again, but is not yet finally over. We assume that from 2024/25 onwards there will be a reformed Champions League competition with more games than before.

EBITDA 20/21 at around EUR 33m: In the adhoc statement on May 25, BVB published a preliminary EBITDA of around EUR 33m (FMR: EUR 23.1m). The group's net result amounted to EUR -75m, which is slightly worse than we expected (FMR: EUR -67.6m). We expect a positive EBIT of EUR 9.5m for 22/23e. In this context, we expect Bundesliga matches to be played with spectator participation again from the 21/22 season onwards.

New price target at EUR 6.80 (6.00) per share: The two main reasons for the increase are a higher market value for the team squad following the good sporting performances of recent weeks: EUR 411m after EUR 352m. In addition, we have reduced the negative Corona effect on earnings from EUR -170m to EUR -119m in view of the ongoing vaccination campaign.

Following the sporting successes of recent weeks, sentiment for the stock has improved. We see the return of spectators to the stadiums in particular, as well as possible transfer deals still to be expected, as further positive drivers for the share price. We confirm our BUY recommendation.

FY End: 30.06.; in EURm	CAGR (20-22e)	16/17	17/18	18/19	19/20	20/21e	21/22e
Sales	1.0%	405.7	536.0	370.3	370.2	329.7	378.0
EBITDA	9.0%	74.1	137.3	116.0	63.0	32.6	74.8
Margin		18.3%	25.6%	31.3%	17.0%	9.9%	19.8%
EBIT	-46.1%	10.7	39.0	23.5	-43.1	-62.4	-12.6
Margin		2.6%	7.3%	6.3%	-11.7%	-18.9%	-3.3%
Net result	-48.2%	8.2	31.7	17.4	-44.0	-74.8	-11.8
EPS	-48.2%	0.09	0.34	0.19	-0.48	-0.81	-0.13
Dividend per share		0.06	0.06	0.06	0.00	0.00	0.06
EV		420.7	423.1	413.0	416.6	615.2	615.2
EV/Sales		1.0	0.8	1.1	1.1	1.9	1.6
EV/EBITDA		5.7	3.1	3.6	6.6	18.8	8.2
P/E		57.7	14.9	27.2	n.m.	n.m.	n.m.
Net debt/EBITDA	1.0%	-0.7	-0.4	-0.5	-0.9	-1.6	-0.6

Source: BVB, FMR

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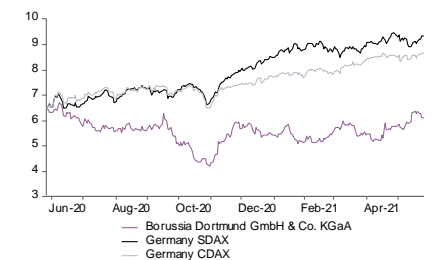
BUY

Before: BUY

Price Target EUR 6.80 (6.00)
Share price* EUR 6.12 (+11%)

*last XETRA closing price

Change	19/20	20/21e	21/22e
Sales, EURm	0.0	-5.5	-16.0
EBIT, EURm	0.0	9.5	-9.1
EPS, EUR	0.00	-0.08	-0.08



Basic share data

Number of shares (million)	92.0
Free Float (in %)	60%
Market Cap (in EURm)	563.0
Trading volume (Ø)	267.5k
High (EUR, 52 weeks)	6.80
Low (EUR, 52 weeks)	4.20

Shareholder structure

Evonik Industries	9.8%
Bernd Geske	9.4%
Free float, others	80.8%

Corporate calendar

Publ. Annual report 20/21	Mid August 2021
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"Company Update"

Valuation

Bor. Dortmund: Price target increased by 13%

EURm	03.03.2021		18.05.2021	
	Present Value (PV)	PV/Share, EUR	Present Value (PV)	PV/Share, EUR
Team squad value	587.0	6.38	587.0	6.38
Discount (to reach marketable team squad value)	-40%		-30%	
Marketable team squad value	352.2	3.83	410.9	4.47
Stadium	235.0	2.55	235.0	2.55
Brand value	234.0	2.54	234.0	2.54
End of Sport Five contract (saved, discounted CF)	232.0	2.52	232.0	2.52
1 & 1 neuer jersey sponsor	50.0	0.54	50.0	0.54
Total Present Value	1,103.2	11.99	1,161.9	12.63
Net excess cash (as of EO FY 19/20)	-4.7	-0.05	-4.7	-0.05
Corona impact on EBITDA	-170.0	-1.85	-119.0	-1.29
Fair value	928.5	10.09	1,038.2	11.28
Discount		-40%		-40%
Price target		6.06		6.77

Source: [transfermarkt.de](https://www.transfermarkt.de), FMR

After reviewing our valuation, we are raising our price target for the BVB share by 13% to a rounded EUR 6.80 (previously: EUR 6.00). The main reasons for our adjustment are as follows:

- Due to the significantly better sporting performance in recent weeks, the team managed to qualify again for the upcoming UCL competition one matchday before the end of the 20/21 Bundesliga season. The "entry fee" for reaching the group stage is approx. EUR 40.0m. In addition, the club also succeeded in winning the DFB Cup competition with a convincing victory against RB Leipzig. By resetting the discount rate for the team squad value to 30% (former: 40%), the team's market value increases to EUR 411m
- Against the background of the ongoing vaccination campaign against the Covid 19 pandemic, we reduced the negative effect on EBITDA by 30% (former 40%). For the upcoming 21/22 season, we expect a return to games with (limited) spectator attendance.

Further highlights during 9M 20/21 and outlook

Financial highlights/other

- As expected, sales were down in the first nine months and were slightly below our expectations at -19%. We had underestimated the declines in some segments
- Segments: Due to the continuing impact of the Corona pandemic (matches without spectators), Match Operations (-98% year-on-year) and Conference, Catering, Other suffered in particular with -82% year-on-year. By contrast, advertising and TV marketing achieved slight increases in sales
- Earnings from transfer deals also fell very significantly from EUR 39m to EUR 9.8m

- EBIT fell from EUR 7.4m (9M 19/20) to EUR -44.1m, slightly better than our estimate of EUR -50.6m. For the full year, we have raised our estimate to EUR -62.4m (previously: EUR -71.9m; for Q4 we again expect a negative EBIT)
- Although the equity ratio decreased, it remained at a good level of 53%.

Bor. Dortmund: 9M and full-year 20/21 EBIT still negative

EURm	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21e	FY 20/21e
Sales	56.6	120.8	80.0	72.4	329.7
EBITDA	-9.3	36.6	7.9	-2.6	32.6
EBIT	-35.8	10.2	-18.5	-18.3	-62.4
EBITDA-margin	neg.	30.3%	9.9%	neg.	9.9%
EBIT-margin	neg.	8.5%	neg.	neg.	neg.
Cashflow from operating activities	-14.7	45.7	0.9	9.6	41.4

Source: BVB, FMR

- At the end of March, the Executive Committee of the Advisory Board of BVB Geschäftsführungs-GmbH announced that the employment contracts for Mr. Watzke, Mr. Treß and Mr. Cramer had been extended early until the end or middle of 2025. In our view, continuity in difficult corona times is a positive signal.

Sporting area

- In mid-April 2021, Deutsche Fußball Liga GmbH (DFL) granted BVB an unrestricted license for the new 2021/22 Bundesliga season. According to the framework calendar, the new season begins on the weekend of August 13 to 15, 2021. FIFA has set the player transfer window between July 1 and August 31, 2021
- BVB won the DFB Cup final against RB Leipzig with 4:1 goals after a convincing performance
- For the European Football Championship (11.06.-11.07.2021), BVB will have with M. Hummels and E. Can two players for the German squad. In total, the club is expected to second just under 10 players for various national teams in return for a financial reward; we expect the amount to be in the low single-digit millions
- UCL participation secured for next season: After the last 34th matchday, BVB is in third place in the Bundesliga with 64 points. This means that the club has again qualified for the sporting and financially lucrative international business in the coming season. Games at group stage level will begin on September 14/15, 2021. Draws on 26.08.2021
- In mid-April, an initiative by twelve top European clubs caused a stir by announcing their intention to create their own European Super League. In doing so, they openly opposed UEFA's reform plans to change the mode of the Champions League in the direction of more teams and more matches. After hot tempered discussions and high media attention, the issue has since calmed down considerably. However, it is not yet clear which side will prevail. The clubs

**European Super League
initiative**

from Madrid, Barcelona and Turin, in particular, continue to take a stand against UEFA

- The core elements of UEFA's reform are an increase in the number of teams from 32 to 36 and the introduction of a new league phase instead of the group phase. As a result, there would be significantly more matches under this model, which is expected to significantly increase revenues, benefiting the clubs. The new mode is scheduled to begin with the 2024/25 season.

From today's perspective, we see a greater likelihood that UEFA will prevail with its reform plans. In particular, the clubs from Madrid, Barcelona and Torino risk exclusion from the Champions League. In this case, the courts will then probably then be called upon. We see BVB as more of a supporter of UEFA's reform plans. In addition, it could also affect the rumored intentions of the player Haaland to move to Real Madrid. Dortmund has secured its participation in the Champions League, while this is uncertain, at least for now, in the event of a move to Madrid. The coming months will provide clarity. We assume that the club plans the coming season with the player. In the case of Sancho, there is apparently a gentleman's agreement with the club that would allow the player to move, as recently stated in the sports press. In our opinion, Sancho is one of the most valuable players in the squad at the moment.

The system of creating more and more games cannot be extended at will. Among other things, we see the risk of a generally increasing load and a higher susceptibility of players to injury. As a possible consequence, there could be an expansion of the player squads could become necessary, with correspondingly higher personnel costs for the clubs. Overall, however, we believe that the financial advantages for the clubs involved will outweigh the possible disadvantages.

Appendix

P&L					
in EURm (IFRS)	17/18	18/19	19/20	20/21e	21/22e
Revenues	536.0	370.3	370.2	329.7	378.0
YoY growth	0.0%	-30.9%	0.0%	-10.9%	14.6%
Cost of revenues	-20.1	-21.3	-22.4	-21.4	-23.4
as % of revenues	-3.8%	-5.8%	-6.1%	-6.5%	-6.2%
Gross Profit	515.9	349.0	347.8	308.3	354.6
as % of revenues	96.3%	94.2%	93.9%	93.5%	93.8%
Personnel costs	-186.7	-205.1	-215.1	-197.8	-196.6
as % of revenues	-34.8%	-55.4%	-58.1%	-60.0%	-52.0%
Other operating income/expenses	-191.9	-27.9	-69.8	-77.8	-83.2
as % of revenues	-35.8%	-7.5%	-18.8%	-23.6%	-22.0%
EBITDA reported	137.3	116.0	63.0	32.6	74.8
as % of revenues	25.6%	31.3%	17.0%	9.9%	19.8%
Depreciation and amortisation (incl. PPA)	-98.3	-92.5	-106.1	-95.0	-87.4
as % of revenues	-18.3%	-25.0%	-28.7%	-28.8%	-23.1%
Reported EBIT	39.0	23.5	-43.1	-62.4	-12.6
as % of revenues	7.3%	6.3%	-11.7%	-18.9%	-3.3%
Net financial results incl. equity results	-4.4	-1.7	-3.5	-1.9	-1.3
EBT (Earnings before income taxes)	34.6	21.8	-46.6	-64.2	-13.9
as % of revenues	6.5%	5.9%	-12.6%	-19.5%	-3.7%
Income taxes	-2.9	-4.4	2.6	-10.6	2.1
as % of EBT	-8.4%	-20.2%	-5.6%	16.5%	-15.0%
Income from continuing operations	31.7	17.4	-44.0	-74.8	-11.8
as % of revenues	5.9%	4.7%	-11.9%	-22.7%	-3.1%
Income from discontinuing operations, net of taxes	0.0	0.0	0.0	0.0	0.0
Net income	31.7	17.4	-44.0	-74.8	-11.8
Minorities	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders	31.7	17.4	-44.0	-74.8	-11.8
as % of revenues	5.9%	4.7%	-11.9%	-22.7%	-3.1%
Shares outstanding (in m)	92.0	92.0	92.0	92.0	92.0
Basic earnings per share (EUR)	0.34	0.19	-0.48	-0.81	-0.13

Source: BVB, FMR

Balance sheet

in EURm (IFRS)	17/18	18/19	19/20	20/21e	21/22e
Assets					
Non-current assets	351.4	371.7	441.5	432.5	415.2
as % of total assets	72.4%	74.3%	85.2%	86.9%	85.0%
Intangible assets (incl. Goodwill)	120.3	163.7	229.7	224.7	214.7
Property, plant and equipment	180.7	184.0	193.0	189.0	181.7
Long-term investments	0.4	0.4	0.4	0.4	0.4
Deferred tax assets, long-term	0.0	0.0	0.0	0.0	0.0
Other assets	50.0	23.6	18.4	18.4	18.4
Current assets	134.2	128.4	76.5	65.1	73.4
as % of total assets	27.6%	25.7%	14.8%	13.1%	15.0%
Inventories	5.6	4.6	6.8	6.6	6.8
Accounts receivable and other assets	68.5	66.1	66.1	56.8	59.1
Current income tax claims	0.6	1.8	0.4	0.4	0.4
Cash and cash equivalents	59.5	55.9	3.3	1.2	7.2
Total assets	485.6	500.1	518.0	497.6	488.7
Shareholders' equity and liabilities					
Shareholders' equity	343.6	354.9	305.5	230.7	218.9
as % of total equity and liabilities	70.8%	71.0%	59.0%	46.4%	44.8%
Subscribed capital	92.0	92.0	92.0	92.0	92.0
Capital reserve	251.7	263.0	213.6	213.6	213.6
Treasury stocks	-0.1	-0.1	-0.1	-0.1	-0.1
Other equity items	0.0	0.0	0.0	-74.8	-86.6
Minority interest on equity	0.0	0.0	0.0	0.0	0.0
Non-current provisions/liabilities	24.1	18.8	89.9	91.6	95.3
as % of total equity and liabilities	5.0%	3.8%	17.4%	18.4%	19.5%
Non-current pension provisions	0.0	0.0	0.0	0.0	0.0
Other non-current provisions	1.1	1.7	0.2	0.2	0.2
Non-current financial liabilities	6.7	8.4	20.1	21.1	21.3
Non-current deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	16.3	8.7	69.6	70.3	73.8
Current liabilities and provisions	117.9	126.4	122.6	175.3	174.5
as % of total equity and liabilities	24.3%	25.3%	23.7%	35.2%	35.7%
Other provisions	24.7	25.5	3.6	3.7	3.8
Financial liabilities	2.0	3.1	12.4	31.7	32.7
Accounts payable	54.6	60.7	67.4	74.2	74.2
Current prepayments received	0.0	0.0	0.0	0.0	0.0
Tax liabilities	2.0	3.5	0.0	0.0	0.0
Current deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	34.7	33.7	39.1	65.7	63.7
Advance payments received	0.0	0.0	0.0	0.0	0.0
Total equity and liabilities	485.6	500.1	518.0	497.6	488.7

Source: BVB, FMR

Cashflow Statement

in EURm (IFRS)	17/18	18/19	19/20	20/21e	21/22e
EBT	34.6	21.8	-46.6	-64.2	-13.9
Depreciation and amortisation	90.6	90.1	106.1	95.0	87.4
Change in pension and similar provisions					
Other transactions incl. non-cash	48.8	-88.9	-41.9	-32.2	9.0
Change in Working Capital	-3.6	5.7	-18.0	42.8	-4.2
Cashflow from operating activities	170.4	28.7	-0.4	41.4	78.3
CAPEX	-142.7	-23.6	-50.9	-86.0	-70.1
Change in consolidation, net cash	0.0	0.0	0.0	0.0	0.0
Other investing activities	0.0	0.1	0.1	0.0	0.0
Cashflow from investing activities	-142.7	-23.5	-50.8	-86.0	-70.1
Change in debt	0.0	0.0	0.0	20.3	1.2
Net proceeds from capital increase & right capital & change in capital reserve	0.0	0.0	0.0	0.0	0.0
Dividend payments	-5.5	-5.5	-5.5	0.0	0.0
Acquisition of treasury shares & minority stakes	0.0	0.0	0.0	0.0	0.0
Other financing activities	-11.9	-3.3	-3.9	-1.9	-1.3
Cashflow from financing activities	-17.4	-8.8	-9.4	18.5	-0.2
Total change in cash and cash equivalents	10.2	-3.6	-60.6	-26.2	8.0
Effect of exchange rate changes on cash	0.0	0.0	0.1	0.0	0.0
Other changes in cash and cash equivalents	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	49.3	59.5	55.9	-4.7	-30.8
Cash and cash equivalents: End of period	59.5	55.9	-4.7	-30.8	-22.8
of which					
Cash and equivalents	59.5	55.9	3.3	1.2	7.2
Current account	0.0	0.0	-8.0	-32.0	-30.0

Source: BVB, FMR

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
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(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
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Borussia Dortmund GmbH & Co. KGaA	vi-
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Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date (EUR)	Price target (EUR)
03.03.2020	BUY	7.72	10.50
18.03.2020	BUY	4.63	9.00
11.05.2020	BUY	6.75	8.00
03.07.2020	BUY	6.07	8.00
18.08.2020	BUY	5.70	8.00
09.11.2020	BUY	4.66	6.00
18.12.2020	BUY	5.59	6.00
12.02.2021	BUY	5.14	6.00
03.03.2021	BUY	5.75	6.00
27.05.2021	BUY	6.13	6.80

4. Creation and distribution

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FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Winfried Becker, Senior Analyst

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BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

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etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest

Employees of FMR Frankfurt Main Research AG who are involved with the compilation and/or presentation of financial analyses are subject to the internal compliance regulations. The internal compliance regulations correspond to the provisions of the directive for the substantiation of the organisational obligations of investment service companies pursuant to Section 80 Securities Trading Act and EU/ESMA legislation on the basis of the Market Abuse Regulation.

The analysts of FMR Frankfurt Main Research AG do not receive any direct or indirect remuneration from the investment banking business of FMR Frankfurt Main Research AG.

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