

Borussia Dortmund

Q223 results

FIFA World Cup affects Bundesliga schedule

Borussia Dortmund's Q223 results reflect the negative effects of the first-time staging of the FIFA World Cup during the football season, offset by underlying improvements due to the absence of COVID-19-related restrictions. The company's financial results are more dependent on H2 than in a typical year due to the changes in scheduling. However, the first team appears well placed in the Bundesliga and has made good progress in the Union of European Football Associations (UEFA) Champions League. Management has reiterated its FY23 guidance. The share price continues to look well supported by our asset-backed sum-of-the-parts valuation, which has increased to €11.3/share (€10.5/share previously).

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
06/21	334.2	39.0	24.3	0.26	0.0	16.3	12.4
06/22	351.6	80.8	63.2	0.63	0.0	6.8	6.0
06/23e	395.0	105.9	91.6	0.76	0.0	5.6	4.5
06/24e	420.5	120.2	105.9	0.88	0.0	4.8	4.0

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

Q223: Fewer games but more fans per game

Borussia Dortmund's Q223 year-on-year revenue decline of 1% to €117.3m includes good growth for match operations, advertising and conference, catering and miscellaneous, but is offset by declines for TV marketing and merchandising. The results reflect fewer home games played, five in the period versus 10 in Q222, but with higher-than-average attendance as the comparative period was negatively affected by COVID-19-related restrictions. The 15% y-o-y decline in EBITDA to €28.9m reflects the lower revenue generated and deleveraging of other operating expenses (mainly higher match day expenses due to greater crowds), which were partially offset by leveraging of personnel expenses. Free cash flow generation was negative, although the outflow of €10.7m was an improvement from Q222's outflow of €16.8m, the key driver to the period-end net debt position increasing to €19.9m from €8.6m at the end of Q123.

FY23: Guidance reiterated

Management has reiterated its FY23 financial guidance, which was issued with the publication of [FY22's results](#). The first team's performance has improved following the end of the FIFA World Cup, moving from sixth in the Bundesliga at the end of Q223 (after seven games) to being joint top at the time of writing (after 22 games), and five points clear of the fifth-place team. On 7 March 2023, the team travels to Chelsea Football Club to play the second game in Round 16 of the UEFA Champions League with a 1–0 advantage. Progression in this competition may be supportive for upgrades to profit estimates.

Valuation: Significant discount

Our sum-of-the-parts valuation increases to €11.3 per share (€10.5 per share previously) to reflect the increase in peer multiples, chiefly the increase in Manchester United's valuation due to takeover offers, as well as updates to Borussia Dortmund's financials. The company's attractive valuation relative to its own trading history was highlighted in our [MediaWatch](#) report.

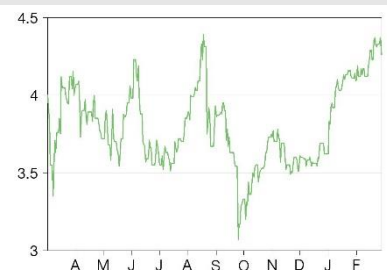
Travel and leisure

1 March 2023

Price €4.28
Market cap €473m

Net debt (€m) at 31 December 2023 including IFRS 16 liabilities	19.9
Shares in issue	110.4m
Free float	62.6%
Code	BVB
Primary exchange	Frankfurt
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	4.1	21.4	5.5
Rel (local)	2.5	13.7	(0.7)
52-week high/low		€4.39	€3.07

Business description

The group operates Borussia Dortmund, a leading football club, placed second in the Bundesliga in 2021/22, DFB Super Cup winners in 2019/20 and DFB-Pokal winners in 2020/21. The club has qualified to play in the Champions League in nine of the last 10 seasons.

Next events

Q323 results	12 May 2023
FY23 results	August 2023

Analysts

Russell Pointon	+44 (0)20 3077 5700
Richard Finch	+44 (0)20 3077 5700

consumer@edisongroup.com

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Exhibit 1: Financial summary

	€m	2020	2021	2022	2023e	2024e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		370.2	334.2	351.6	395.0	420.5
Cost of Sales		(22.4)	(19.6)	(22.6)	(25.2)	(26.3)
Gross Profit		347.8	314.6	329.0	369.9	394.2
EBITDA		63.0	39.0	80.8	105.9	120.2
Operating profit (before amort. and excepts.)		49.1	25.3	67.4	92.2	106.3
Amortisation of acquired intangibles		(88.3)	(92.6)	(87.5)	(85.4)	(93.9)
Exceptionals		(3.9)	(4.8)	(9.1)	0.0	0.0
Reported operating profit		(43.1)	(72.1)	(29.2)	6.9	12.3
Net Interest		(3.4)	(1.1)	(4.2)	(0.6)	(0.3)
Joint ventures & associates (post tax)		(0.0)	0.1	0.1	0.0	0.0
Profit Before Tax (norm)		45.6	24.3	63.2	91.6	105.9
Profit Before Tax (reported)		(46.6)	(73.2)	(33.4)	6.2	12.0
Reported tax		2.6	0.3	(1.7)	0.0	0.0
Profit After Tax (norm)		43.0	24.2	66.4	84.3	97.5
Profit After Tax (reported)		(44.0)	(72.8)	(35.1)	6.2	12.0
Minority interests		0.0	0.0	0.0	0.0	0.0
Net income (normalised)		43.0	24.2	66.4	84.3	97.5
Net income (reported)		(44.0)	(72.8)	(35.1)	6.2	12.0
Average Number of Shares Outstanding (m)		92.0	92.0	105.4	110.4	110.4
EPS - normalised (c)		46.8	26.3	63.0	76.3	88.3
EPS - normalised fully diluted (c)		46.8	26.3	63.0	76.3	88.3
EPS - basic reported (€)		(0.48)	(0.79)	(0.33)	0.06	0.11
Dividend (€)		0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		(0.0)	(9.7)	5.2	12.3	6.4
Gross Margin (%)		94.0	94.1	93.6	93.6	93.7
EBITDA Margin (%)		17.0	11.7	23.0	26.8	28.6
Normalised Operating Margin		13.2	7.6	19.2	23.3	25.3
BALANCE SHEET						
Fixed Assets		441.5	389.8	358.4	364.4	355.6
Intangible Assets		229.7	193.4	124.4	132.0	131.1
Tangible Assets		193.0	183.5	172.5	170.8	162.9
Investments & other		18.8	12.9	61.6	61.6	61.6
Current Assets		76.5	60.7	96.6	99.3	115.7
Stocks		6.8	6.8	4.4	4.4	4.4
Debtors		36.5	29.9	45.8	49.8	49.8
Cash & cash equivalents		3.3	1.7	10.6	9.3	25.7
Other		29.9	22.2	35.8	35.8	35.8
Current Liabilities		(122.6)	(163.6)	(130.6)	(133.1)	(133.1)
Creditors		(110.2)	(100.1)	(125.9)	(132.9)	(132.9)
Tax and social security		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Short term borrowings		(8.0)	(56.9)	0.0	0.0	0.0
Finance leases		(4.4)	(4.2)	(4.6)	(0.1)	(0.1)
Other		0.0	(2.3)	0.0	0.0	0.0
Long Term Liabilities		(89.9)	(54.3)	(44.0)	(44.0)	(39.5)
Long term borrowings		0.0	0.0	0.0	0.0	0.0
Finance leases		(20.1)	(16.8)	(12.5)	(12.5)	(12.5)
Other long-term liabilities		(69.9)	(37.5)	(31.4)	(31.4)	(26.9)
Net Assets		305.4	232.6	280.5	286.7	298.7
Minority interests		0.0	0.0	0.0	0.0	0.0
Shareholders' equity		305.4	232.6	280.5	286.7	298.7
CASH FLOW						
Operating Cash Flow		59.5	37.9	76.6	105.2	119.9
Working capital		(18.0)	(6.9)	16.3	(4.0)	0.0
Exceptional & other		(38.9)	(13.6)	(57.5)	(52.4)	(59.7)
Tax		0.3	0.0	0.0	0.0	0.0
Net operating cash flow		3.0	17.4	35.4	48.9	60.2
Capex		(6.1)	(3.4)	(1.7)	(12.0)	(6.0)
Net investment in intangibles		(44.6)	(58.6)	(49.4)	(33.0)	(33.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0
Net interest		(3.3)	(1.4)	(0.3)	(0.6)	(0.3)
Equity financing		0.0	0.0	86.5	0.0	0.0
Dividends		(5.5)	0.0	0.0	0.0	0.0
Other		(3.9)	52.5	(61.6)	(4.5)	(4.5)
Net Cash Flow		(60.6)	6.4	8.8	(1.3)	16.4
Opening net debt/(cash)		(44.4)	29.1	76.2	6.6	3.4
Other non-cash movements		(12.9)	(53.6)	60.8	4.5	0.0
Closing net debt/(cash)		29.1	76.2	6.6	3.4	(13.0)

Source: Borussia Dortmund, Edison Investment Research

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