Borussia Dortmund GmbH & Co KGaA
Germany - Others

HAUCK & AUFHÄUSER
INSTITUTIONAL RESEARCH AG

Buy (Initiation)

Price target: EUR 7.00

Price:	EUR 4.69	**Next result:**	Final FY 13/14: 26.09.14
Bloomberg:	BVB:GR	**Market cap:**	EUR 430.4 m
Reuters:	BVB.DE	**Enterprise Value:**	EUR 353.4 m

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'Echte Liebe 09': Another way of winning

A professional football club might not be considered a proper investment idea given that the business seems hardly predictable. One might cite the fact that historically, publicly traded football clubs have had a weak share price performance with only few exceptions or even state that TV broadcasting revenues in Germany are already on peak levels offering only limited upside.

Words which just do not hold true for Borussia Dortmund: Based on the fact that 'if a game becomes boring, it loses the right to exist', the club's management has created **Europe's most inspiring football project**: It is about playing the same game differently, a thrilling style based on constant movement – **breathtaking in every sense of the word**. The central philosophy is that if an attack has been denied and the possession of the ball is lost anywhere near the other team's penalty area, players do not simply retreat but move further up-field to immediately win possession.

Not only has this new style created a lot of noise nationally as well as internationally - leaving the audience nothing but impressed - it has also done so with players. This has created a **'virtuous circle' enabling the club to transform hungry and talented players into world-class players**. As a result, the squad's market value has not only been sustainably increased over time (+23% CAGR '05/'06-'13/'14) but has also strongly driven the brand value of the club (€ 461m brand value, according to Forbes).

Further, thanks to the increased monetisation of the globalising brand, cash generation looks set to improve strongly. This should be particularly driven by promising advertising/sponsoring (28% of sales) as well as merchandising activities (24% of sales) which should lead to € 300m in sales (excl. transfer gains) by FY '16/'17E.

Thanks to the **recently performed capital increases providing € 140m gross proceeds** this does not only allow to reduce remaining debt of € 42m (eH&A: € 4m less interest expenses from FY '15/'16E onwards; net cash of € 77m) but also to opportunistically invest into the current squad (€ 371m squad value). At the same time, investor interest seems to reach a tipping point with Evonik, Puma and Signal Iduna recently joining the club both as key sponsorship partners and strong anchor investors.

While from a sporting perspective the club is already gradually catching up to its direct peer FC Bayern München (FCB) its valuation is still substantially lagging behind **trading at only 6.8x EV/EBITDA '13/'14P vs. 16.3x at FCB.**

'Echte Liebe 09' is initiated with BUY, PT € 7.00, based on FCFY '16/'17E.

Y/E 30.6 (EUR m)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Sales	151.5	215.2	305.0	260.7	266.5	282.4	299.8
Sales growth	38 %	42 %	42 %	-15 %	2 %	6 %	6 %
EBITDA	32.4	60.0	87.5	49.1	50.4	55.3	62.2
EBIT	14.9	41.4	65.1	18.4	10.0	14.7	23.1
Net income	5.3	27.4	50.8	11.6	2.7	11.5	18.8
Net debt	79.7	66.1	72.2	47.3	-77.0	-88.4	-105.3
Net gearing	118.4 %	71.0 %	51.6 %	32.6 %	-31.2 %	-31.7 %	-36.3 %
Net Debt/EBITDA	2.5	1.1	0.8	1.0	0.0	0.0	0.0
EPS pro forma	0.09	0.45	0.83	0.19	0.03	0.12	0.20
CPS	0.07	0.15	0.16	0.12	0.22	0.32	0.42
DPS	0.00	0.00	0.10	0.10	0.10	0.10	0.10
Dividend yield	0.0 %	0.0 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %
Gross profit margin	94.9 %	94.2 %	94.3 %	92.2 %	92.3 %	92.4 %	92.5 %
EBITDA margin	21.4 %	27.9 %	28.7 %	18.8 %	18.9 %	19.6 %	20.8 %
EBIT margin	9.8 %	19.2 %	21.3 %	7.1 %	3.7 %	5.2 %	7.7 %
ROCE	10.5 %	26.4 %	33.4 %	8.4 %	4.1 %	5.1 %	7.5 %
EV/sales	2.4	1.6	1.2	1.3	1.3	1.2	1.1
EV/EBITDA	11.3	5.9	4.1	6.8	7.0	6.2	5.2
EV/EBIT	24.6	8.5	5.5	18.2	35.4	23.3	14.1
PER	54.1	10.5	5.7	24.9	161.4	37.5	22.9
Adjusted FCF yield	2.9 %	9.1 %	16.7 %	8.3 %	8.8 %	10.3 %	12.7 %

Source: Company data, Hauck & Aufhäuser Close price as of: 10.09.2014

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	5.18 / 3.51
Price/Book Ratio:	2.0
Relative performance (SDAX):	
3 months	12.0 %
6 months	17.5 %
12 months	18.4 %

Changes in estimates

		Sales	EBIT	EPS
2014	*old:*	266.5	10.0	0.03
	Δ	-	-	-
2015	*old:*	282.4	14.7	0.12
	Δ	-	-	-
2016	*old:*	299.8	23.1	0.20
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)*	92.0
Authorised capital: (in € m)	0.0
Book value per share: (in €)	2.4
Ø trading volume: (12 months)	157,000

* post capital increase

Major shareholders:

Free Float	61.1 %
Evonik Industries AG	14.8 %
Bernd Geske	8.2 %
BVB 09 e.V.	5.5 %
Signal Iduna AG	5.4 %
Puma SE	5.0 %

Company description:
Borussia Dortmund GmbH & Co, KGaA operates a professional football club.

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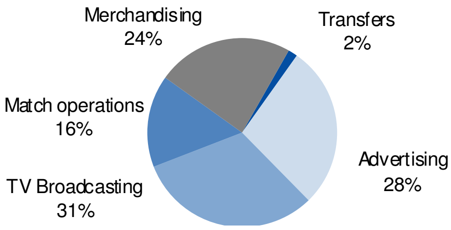
Executive Summary

FY '13/'14P	TV Broadcasting	Advertising	Merchandising*	Match operations	Transfer	Group
Segments						

FY '13/'14P	TV Broadcasting	Advertising	Merchandising*	Match operations	Transfer	Group
Sales (€ m)	81.4	73.0	61.3	40.5	4.5	**260.7**
Sales share	31%	28%	24%	16%	2%	**100%**
Title wins	Intercontinental Cup 1997, UEFA Champions League 1996-97, UEFA Cup 1965-66, UEFA Europa League 1992-93 & 2001-02, UEFA Super Cup 1997; 3x winner of German Bundesliga, 3x German DFB Cup wins, 4x DFL-Supercup					
Most valuable players	Reus (€ 50m), Gündogan (€ 20m), Hummels (€ 35m), Mkhitarian (€ 26m), Subotic (€ 20m), Aubameyang (€ 17m), S Bender (€ 18m), Sokratis (€ 18m), Piszczek (€ 12m), Blaszczykowski (€ 15m), Kagawa (€ 15m) **					
Competitors	**National:** FC Bayern München, FC Schalke 04, Bayern 04 Leverkusen, VfL Wolfsburg, Borussia M'Gladbach **International:** Real Madrid, FC Barcelona, Manchester United, Manchester City, Juventus Turin, Arsenal London					
Sales distribution by segment						
Average match attendance	79,900					**79,900**
EBIT (€ m)	18.4					**18.4**
EBIT-margin	7.1%					**7.1%**
ROCE	8.4%					**8.4%**

*Source: Hauck & Aufhäuser; as of FY 13/14P; * including Catering; ** Source: Transfermarkt*

Company Background

‚Echte Liebe'

Having been founded as early as 1909, Borussia Dortmund has always owned a long-standing club history which is deeply rooted in the Westphalian heartland. As already displayed by 'Borussia' (latinised: Prussia), a dedicated set of values which are deeply rooted in the emotional working class of the Ruhr alley are reflected in the club's DNA. Besides a unique club history and these core values, the club has an impressive track-record of success:

- 8 National Championships,
- 3 DFB Cup wins and most importantly, the
- Champions League and FIFA World Club Championship title in 1997.

These dedicated core values have been widely neglected since the club's historical win of the Champions League title in 1997 and have been even put at risk in 2000 when poor managerial execution led to an inflated cost base and missed sports targets. All of which represented a 'lord of the manor' leadership style which had been rather prominent for southern European football club.

This required severe financial as well as organisational restructuring by the renewed leadership around the club's president Mr Rauball and management board led by Mr Watzke and Mr Treß. Since then, the club has seen an impressive come back from the brink of bankruptcy that marked the beginning of the current renaissance which is unrivalled in Europe.

Competitive Quality

A reliable set of core values drives brand value

The renewed focus on the existing core values of the club was the foundation of the current renaissance: A kind of religion for its supporters far beyond regional borders - 'true love' as one of the guiding club principles states:

(1) Intensity as the compressed energy for the game and its support.

(2) Authenticity sacrificing the long-standing 100-year Westphalian tradition.

(3) Identification as 'family' for its members. Locally, regionally and nationally.

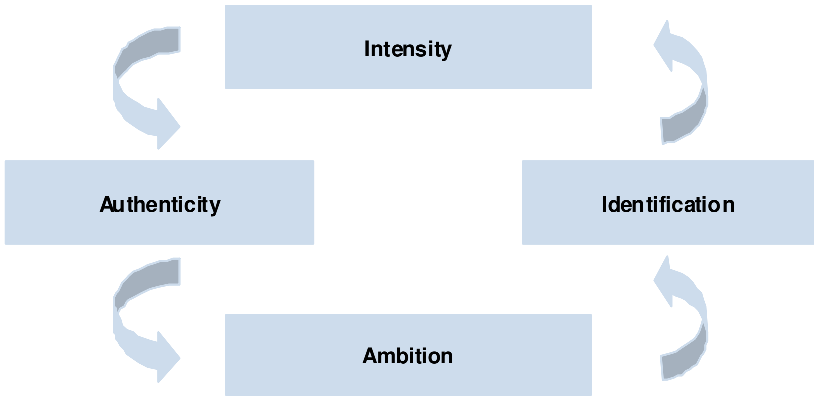
(4) Ambition reflecting the continuous pursuit of success and appreciation.

On top of this, the club's new management team has selected a young, talented and hungry team which remains dedicated to the renewed values: A constantly high physical commitment (> 10km/per match, well above league average) coupled with high accuracy (> 80% pass ratio) are remarkable evidence of this.

As a result, this proper mix has led to outstanding success over the past four years and has created a self-enhancing process which has transformed the brand to a loved and strongly admired club: 2x German Championship titles, 2x Vice-Championships and Champions League finalist in '12/'13.

And it has substantially increased the existing fan base as a platform for future brand monetisation: No less than 11.8m supporters globally as well as 7.1m fans nationally stemming from 650 fan clubs. This is well underpinned by an average match attendance of 80,000 which is league record and consistently the highest in Europe.

BVB: A reliable brand promise



Source: Company data; Hauck & Aufhäuser

A unique squad development helps to increase individual market values

The continued focused on young, talented and 'hungry' players has allowed the club to play the same game differently. Based on the fact that 'if a game becomes boring, it loses the right to exist', its philosophy has transformed into a thrilling style based on constant movement – breathtaking in every sense of the word.

But above all, what stands out is the total team effort which seems to be well in line with the club's core values. The central philosophy is that if an attack has been denied and the possession of the ball is lost anywhere near the other team's penalty area, players do not simply retreat and re-group but move further up-field to win the possession back immediately.

Not only has this new style created a lot of noise nationally as well as internationally - leaving the audience nothing but impressed - it has also done so with potential players.

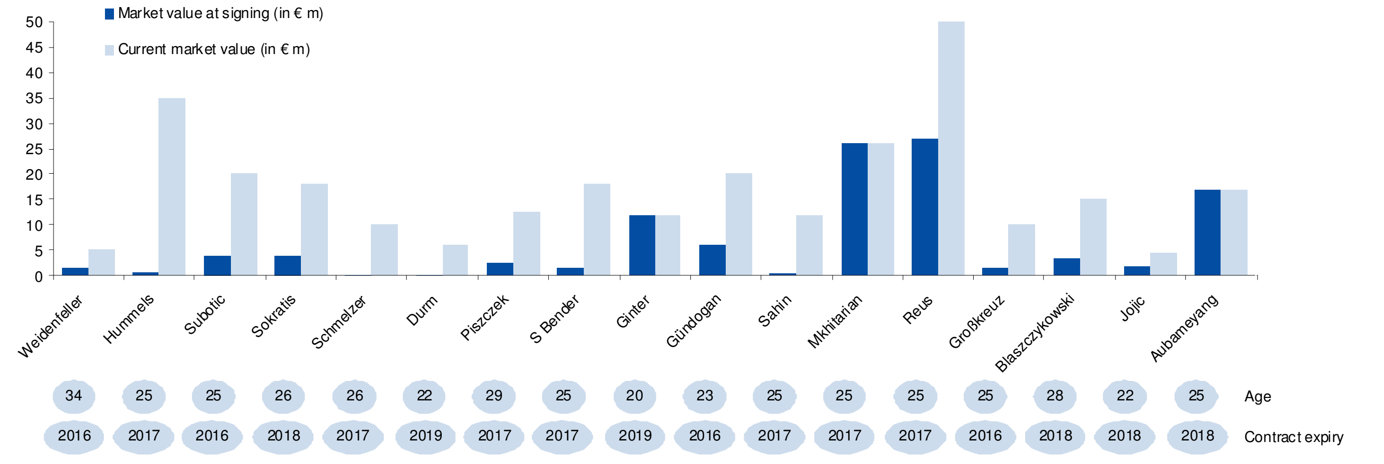
This has created a 'virtuous circle': Players that likely would not have picked Dortmund as their preferred choice five years ago are now even willing to accept a lower salary than at other high calibre clubs (e.g. Reus, Mkhitharian, Immobile and recently signed returning Kagawa). The main reason for this is the unique philosophy and proven ability of the technical team to transform talented into world-class players – substantially increasing their market value (MV). Since 2009, the club has consistently focused its squad development on promising young players allowing for a cost-optimised budget.

Most importantly, the 'BVB academy' presents a state-of-the-art breeding ground for home-grown talents as has been remarkably demonstrated by Reus (current MV: € 50m), Sahin (current MV: € 12m) and Großkreutz (current MV: € 10m). And with new talents such as Durm (€ 6m current MV), Sarr (€ 1.3m current MV) and Hofmann (€ 3m MV), the future pipeline seems to be already well-filled.

The strong value accretion can be easily shown by comparing the player's market value at signing with their current market value. As a result, the sensible squad development represents a substantial competitive advantage and looks set to be hard - if not impossible - to replicate. With the current squad achieving a market value of € 371m (of which only € 62m have been capitalised) this has created substantial hidden reserves.

In contrast to other European Clubs such as Porto F.C. which are forced to continuously release their most valuable players Borussia Dortmund looks set to retain these hidden reserves to sustain long-term sporting success.

Squad development: A healthy surplus to book value



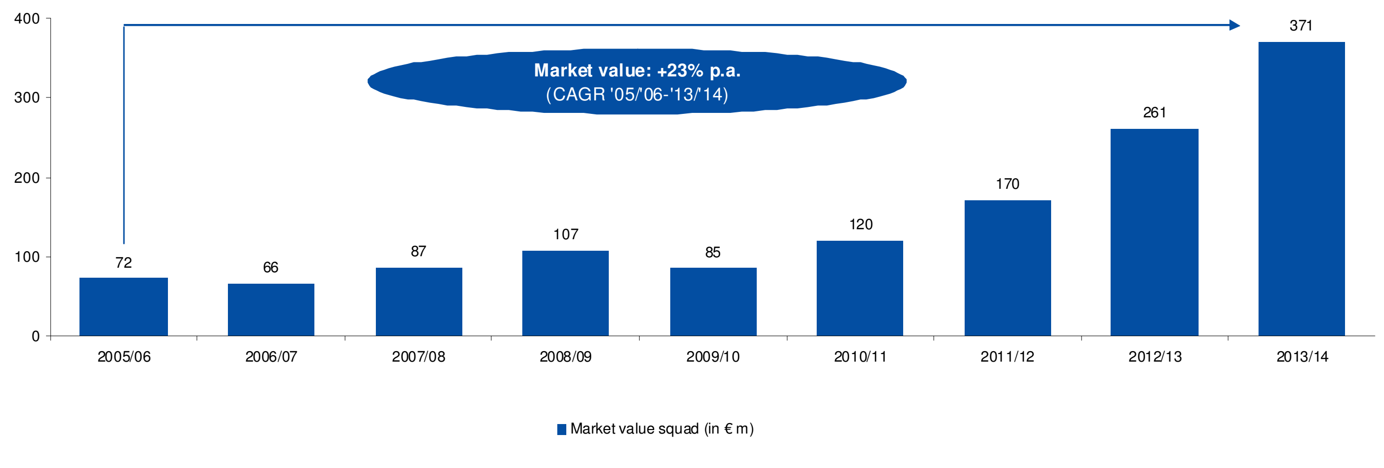
Source: Transfermarkt; Hauck & Aufhäuser

And this is not all: With an average age of only 25 the squad is still far away from its physical performance peak and is contractually well protected by an average contract duration until 2017.

With its ability to massively increase the MV of its squad the club looks set to join alongside the major football clubs in the world. However, the aim is neither to partner with a US-based private equity investor (e.g. Manchester United), nor a patron from the Arabian world (e.g. Paris St. Germain, Manchester City).

In contrast, while a sustained release of the hidden reserves is no longer part of the business model following the club's successful recovery and against the backdrop of the recently performed capital increases (eH&A: € 140m total gross proceeds), it should nevertheless increase the appeal of institutional investors.

Squad development: Soundly increasing market value



Source: Transfermarkt; Hauck & Aufhäuser

The Signal Iduna Park: A prime asset and the German ‘theatre of dreams’

While the dedicated roster of honest club values guarantees for an outstanding fan loyalty, Borussia Dortmund’s ‘Signal Iduna Park’ stadium (book value: € 130m) forms a unique venue to celebrate the team and thus the club brand. Not only is the arena the biggest football stadium in Germany, it also achieves by far the highest average visitors among all football stadiums in Europe.

Signal Iduna Park: The German 'theatre of dreams'

Signal Iduna Park: 80,000 total capacity (5 year average: 79,000)

'Yellow wall': 25,000 stands (5 year average: fully sold out)

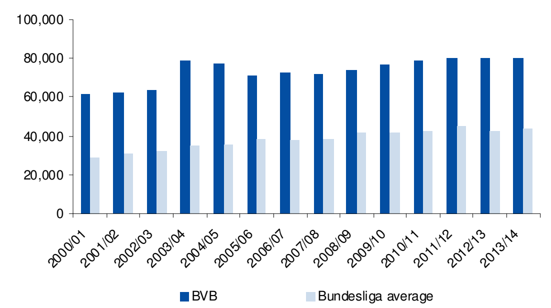
Source: Company data; Hauck & Aufhäuser

This is well underpinned by an average match attendance of 80,000 (> 90% average capacity utilisation over the last 5 years). But even in the worst years of deep restructuring, the average attendance has never been below 70,000. This reflects the high devotion of the Westphalian heartland which is stimulated by the vibrant ‘Yellow Wall’ at the south stand where no less than 25,000 fans support their club.

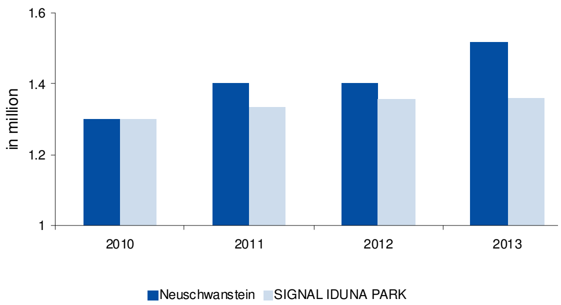
This has transformed the games into Live Entertainment venues which can easily compete against domestic top-notch sights.

Signal Iduna Park: A stand-out centre of gravity - nationally and internationally

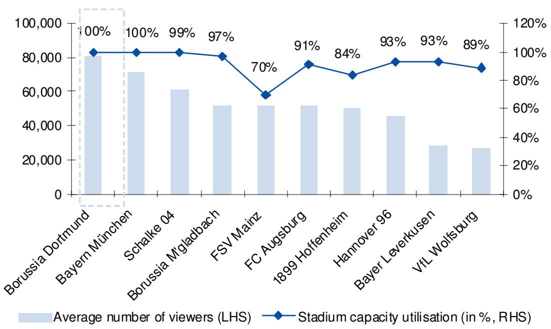
Average visitors per season (vs. Bundesliga average)



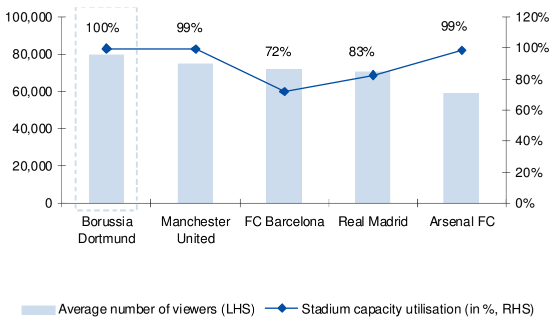
Average visitors (vs. Top 1 German attraction Schloss Neuschwanstein)



Average stadium utilisation (vs. national peers)



Average stadium utilisation (vs. international peers)



Source: Company data, DFB, DFL; Hauck & Aufhäuser

Financial Fair Play (FFP) looks set to increase competitive quality vis-à-vis English and Mediterranean teams

- **Why FFP has been introduced:** Already in 2009, more than 50% of Europe's professional clubs were considered to be loss-making (source: Deloitte). Even though a small percentage of clubs was able to compensate heavy losses thanks to the wealth of their owners (which simply borrow the pursuit of success while chasing the dream of winning titles), at least 20% of clubs were seen to be under financial pressure. This has forced the UEFA to introduce dedicated FFP rules in 2014.

- **How FFP works:** Amid these concerns of heavy spending activity, FFP regulations look set to eventually lead to a financially more balanced playing field. This should come on the back of preventing clubs with wealthy owners from making substantial cash gifts to their clubs and hence gaining unfair advantage over those clubs which are run on a more sustainable business model (e.g. Borussia Dortmund). Consequently, the FFP framework provides sanctions to be taken against those clubs that do not spend within the defined budgetary framework.

  And those are not just empty words as first sanctions have already been put in place as of May 2014. Manchester City as well as Paris St. Germain accepted a € 60m conditional fine associated with transfer and squad restrictions for the upcoming '14/'15 season.

- **FFP should increase competitive quality:** Given that all clubs of the Bundesliga must apply to the German Football Association (DFB) for a license for the upcoming season, access to all transfer data is mandatory. With these strict rules, clubs have historically been strongly educated to follow FFP regulations and hence own a competitive advantage over those which still have to adjust to the rulings. The introduction comes just at the perfect time given that the club does no longer financially depend on the sustained release of players to generate transfer gains.

On top of this, it has become trendy to follow the German Bundesliga as something of a promised land in commercialised football: A competitive and fan-friendly league largely free of financial and otherwise excess.

Business quality has improved dramatically

Recently and on the back of its successful turnaround, Borussia Dortmund has been able to increasingly translate its competitive quality into business quality.

- **Successful turnaround serves as a base for strong profits:** Following the successful restructuring of the club starting already in 2005, management has turned revenues of only € 75m and financial debt worth € 200m into € 261m of revenues (€ 256m adjusted for transfer gains; € 300m sales adj. for transfer gains targeted in the mid-term) and financial debt of only € 42m in FY '13/'14P. Given the performed capital increases (€ 140m total gross proceeds), the club even looks set to be net cash positive in FY '14/'15E (eH&A: € 77m net cash). Based on the strong brand heritage which is expected to be increasingly monetised, this serves as a strong base for future profits.

- **Sound profitability looks sustainable:** As already shown in recent years, the club has managed to sustainably increase profitability significantly from deep operating losses of € 42m in 2004 to € 18m EBIT in FY '13/'14P. Besides the continued sporting success, the main reason for this healthy development is the club's ability to substantially increase the brand monetisation (e.g. broadcasting, sponsoring) while keeping costs under control.

- **FFP should drive further international expansion:** FFP should substantially increase the significance of Borussia Dortmund not only from a sporting point of view but even more importantly as a strongly perceived international advertising platform. The dedicated set of reliable values deeply rooted in the long-standing club history should be increasingly better perceived and monetised as 'purchased success' of anonymous investors from abroad.

All of this should drive healthy returns going forward: Against the backdrop of a continued monetisation of the brand (e.g. TV broadcasting, advertising, merchandising), EBIT margins (adj. for transfer gains) look set to further increase to 7.7% in '16/'17E. Importantly, reported EBIT margins had been elevated by stellar transfer gains in FY '11/'12 and FY '12/'13.

Given that transfer gains are no longer a vital part of the business model, historic EBIT is adjusted in the following graph.

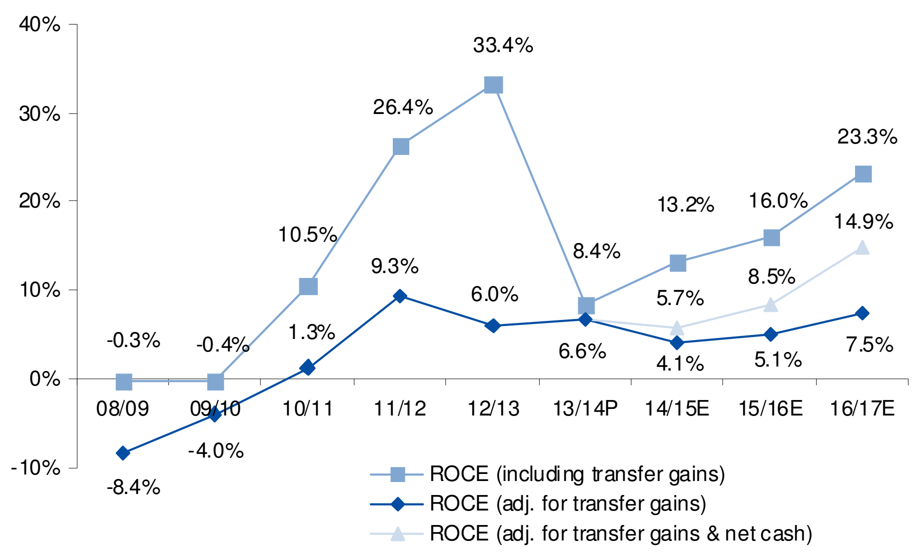
- **Solid ROCE expected:** Despite not reflecting any transfer gains, ROCE (excl. transfer gains) is expected to increase from 6.6% in FY '13/'14P to 7.5% in '16/'17E thanks to increasing EBIT margins driven by a highly profitable increase in sales (e.g. sponsoring revenues). This is still considered as healthy given that capital efficiency has been strongly biased by the recent capital increases (e.g. net cash of € 77m in FY '14/'15E). Adjusting for the healthy cash pillar, ROCE would even stand at 14.9% in FY '16/'17E.

  Conservatively, displayed ROCE fully excludes any potential transfer gains during the entire forecasting period (vs. € 13m p.a. average transfer gain in the past years).

- **FCF looks set to further increase:** Despite capital requirements of c. € 30m p.a. (10% of sales) mostly seen to be invested into the current squad (eH&A: € 18m p.a.) as well as the Signal Iduna Park stadium (eH&A: € 12m p.a.), the club is still expected to generate a positive FCF of € 12.4m (average FY '14/'15E - FY '16/'17E).

  Additionally, with an average increase of the squad's market value of 23% p.a. (CAGR '05/'06 - '13/'14) the club has build a strong track record of investing its capex highly value accretive leading to substantial hidden reserves.

Returns



Source: Company data; Hauck & Aufhäuser

Growth

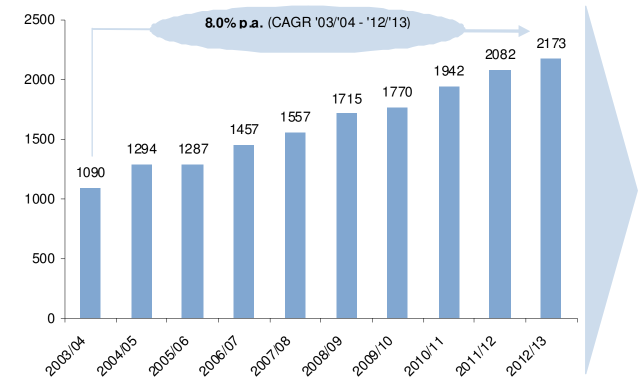
Growing Bundesliga interest is seen to drive healthy demand

Even globally, it has become trendy to follow the German Bundesliga as something of a promised land in commercialised football: A competitive and fan-friendly league largely free of financial and otherwise excess. As a result, revenues have substantially increased to the second highest in Europe.

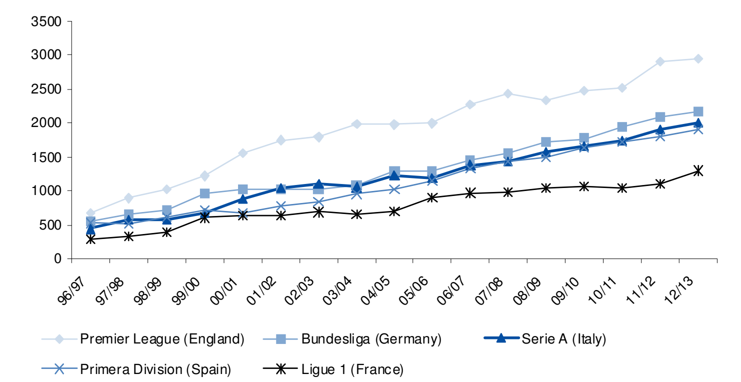
From H2 '14 onwards, the industry should gain additional momentum thanks to the positive FIFA World Cup spill-over and Germany's 4th Championship title.

The increasingly sound interest in the Bundesliga is clearly visible in the steady increase in revenues (8% CAGR, '03/'04 - '12/'13). This also well reflects the increasing monetisation of the prime asset Bundesliga which in fact has just started a few years ago: Football has become an emotional 'centre of gravity' which reaches a critical mass across all social backgrounds and in turn has attracted media and sponsoring interest.

Bundesliga: Total revenues (in € m)



European football leagues: Total revenues (in € m)



Source: DFB; Hauck & Aufhäuser

Monetisation of the Bundesliga still offers substantial catch-up potential

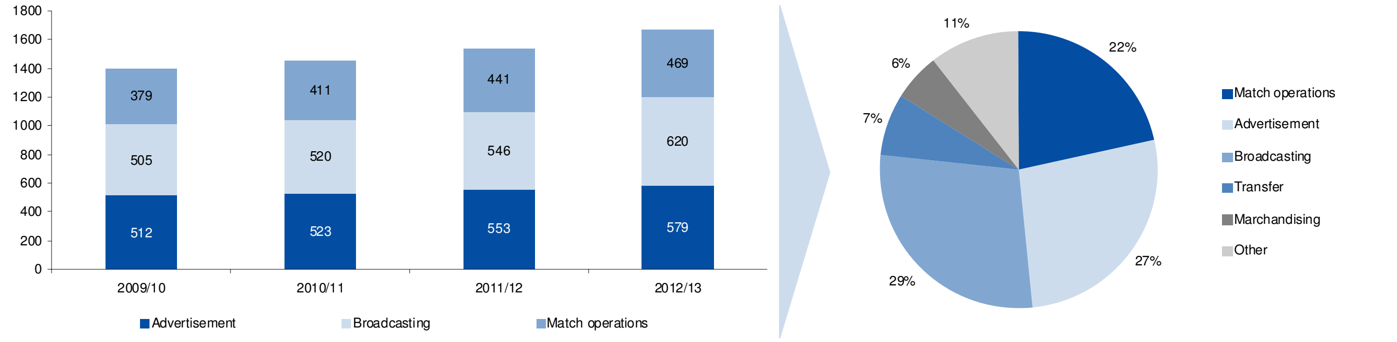
On the back of a growing national and international audience, football has become a billion dollar game for media players. In recent years, the number of media suppliers has increased substantially ranging from pure infrastructure players (e.g. Telekom) to content owners (e.g. Sky Deutschland). Conclusively, this has boosted TV revenues of the Bundesliga in the past and is expected to even accelerate given that the league has started its global monetisation relatively late. All of which still leaves massive catch-up potential to the top-ranked Premier League.

Key drivers for sustained growth are:

- **A balanced portfolio of appealing clubs:** While the number of over-paid football stars might be bigger in other leagues, the Bundesliga offers the most balanced competition within its portfolio of 18 participating clubs. This results in a substantially higher surprise potential which makes the league entertaining for its broad audience.
- **Intensified bidding competition:** In the past, the insolvency of the Kirch Media Group as well as the generally difficult macro environment have led to subdued bidding prices. Interestingly, the significantly enlarged number of potential bidding parties (15 different bidders in the last auction) and a more professional packaging of rights is expected to strongly drive broadcasting spending going forward. On top of this, the fierce bidding war in the Pay-TV sector (e.g. Sky Deutschland vs. Telekom) is additionally seen to boost broadcasting sales going forward by reaching a global audience (Google, Axel Springer, etc. are seen to join the bidding process)

Going forward, this should enable the Bundesliga to continue to reduce the revenue gap towards the top-ranked Premier League.

Bundesliga: Dynamic growth of all revenue streams (in € m)



Source: DFL; Hauck & Aufhäuser

…all of which should bode well for Dortmund’s top- and bottom-line

- **Advertisement (28% of sales):** On the back of increased brand perception and international brand building, attractiveness for both national but also global sponsoring partners looks set to further increase. This should come alongside with the proven ability to renew existing contracts at higher prices as underpinned by the recent sponsorship renewal of Evonik Industries until 2025 (eH&A: € 20m sponsoring income p.a.) as well as with Puma until 2020 (eH&A: € 6m sponsoring income p.a.) and Signal Iduna until 2026 (eH&A: 5m sponsoring income p.a.).

  Advertising revenues are seen to increase by 7.1% p.a. to € 90m (CAGR ’13/’14P - ‘16/’17E).

- **Merchandising (24% of sales):** Not only the increased national and international appearances (resulting in higher media coverage) on the pitch but even more importantly the club’s style of playing have further increased the club’s fan base. This has generated healthy demand for both license and merchandising revenues. All of which should bode well for both wholesale and retail revenues (recently opened ‘BVB Fan World’ should provide a healthy boost) but also e-commerce sales from the club’s website.

  This is additionally supported by the recent opening of the club’s representative sales office in Singapore which should increase the push towards an existing and potentially new fan base and expand commercial partnerships.

  Merchandising **revenues are seen to increase by 12.3% p.a. to € 87m** (CAGR ’13/’14P - ‘16/’17E).

- **Broadcasting (31% of sales):** As stated before, the increased marketing of media rights centrally distributed by the DFL and UEFA should bode well for Dortmund’s broadcasting sales. While generally, Bundesliga revenues are centrally distributed (based on a five-year allocation system) and defined well in advance on a four year basis, the Deutsche Fussball Liga (DFL) has agreed already in 2012 to the sale of national media rights in ‘13/’14 with a total volume of € 625m per season (+75% vs. the previous contract) of which Sky Deutschland will pay € 486m and other contract partners (e.g. ARD/ZDF, Axel Springer) the remaining € 140m p.a.

  According to industry estimates, a follow-up contract starting from the ‘17/’18 season could well reach € 1bn. All of which underpins the quantum leap of broadcasting spending which is still ahead.

  And this is not all as the most recent international broadcasting deal with 21st Century Fox covering 80 countries globally (including America, Europe and Asia) with a total volume of € 140m per season (+ 100% vs. the previous contract) is starting in ‘15/’16 with a five year contract duration based on a five year national average (Bundesliga is currently ranked 3rd).

Both deals well indicate the increasing attractiveness of the Bundesliga and its appealing catch-up potential to other high-ranked leagues.

Based on prudent working assumptions not reflecting the upside of future contractual agreements, this provides upside potential particularly for Borussia Dortmund (top-ranked in current national allocation system).

Currently, broadcasting revenues should be somewhat compensated by normalised assumptions regarding the club's sporting performance in following record years.

This is the reason why **broadcasting revenues are expected to increase by only 0.6% p.a. to € 83m** (CAGR 13/14P – 16/17E).

Estimated sporting performance: A prudent approach

	11/12	12/13	13/14	14/15E
Bundesliga	# 1	# 2	# 2	# 2
DFB Cup	Title win	Quarter-final	Final	Semi-Final
Champions League	Group phase	Final	Quarter-final	Round of 16

Source: Company data; Hauck & Aufhäuser

- **Match operations (16% of sales):** Undoubtedly, the Signal Iduna Stadium is one of the club's key assets. On the back of the strong average match attendance of c. 80,000 and regularly sold out home matches, the scope for incremental revenue growth already looks set to be on high levels leaving somewhat limited room for future growth following the stellar performance over the past two years (Champions League Final, DFB Cup Final, etc.).

  In any case, as still 2/3 of tickets are sold in advance, visibility on future revenues is seen to remain high and annual traffic of 1.4m alone creates a healthy base for additional catering and merchandising revenues.

  Revenues from match operations are seen to remain virtually flat at € 40m p.a.

- **Transfer gains (2% of sales):** While healthy € 13m average transfer gains ('03/'04 – '13/'14P) historically provided a sound upside to underlying revenues and profits, the continued release of hidden reserves is no longer expected to be a vital part of the club's business model.

  Conservatively, **transfer gains have hence not been at all reflected in our estimates** which could still leave additional upside going forward.

Dortmund's group sales are seen to grow by 5.4% organically (CAGR '14P-'17E) **to € 300m** (excl. transfer gains).

Divisional revenues (in € m)

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
TV Broadcasting		22.4	21.1	32.1	60.4	87.6	81.4	80.2	81.1	83.0
	yoy	-13.8%	-6.0%	52.2%	88.2%	45.1%	-7.0%	-1.5%	1.1%	2.3%
	as % of sales	21.7%	20.0%	23.2%	31.9%	34.6%	31.8%	30.1%	28.7%	27.7%
Advertising		39.2	38.9	50.0	57.8	69.3	73.0	77.7	83.2	89.7
	yoy	15.7%	-0.9%	28.6%	15.7%	19.8%	5.4%	6.4%	7.2%	7.7%
	as % of sales	37.9%	36.9%	36.1%	30.6%	27.3%	28.5%	29.1%	29.5%	29.9%
Merchandising		19.7	21.9	28.7	39.5	48.5	61.3	70.5	78.9	86.8
	yoy	0.1%	11.1%	31.5%	37.4%	22.9%	26.3%	15.0%	12.0%	10.0%
	as % of sales	19.0%	20.8%	20.8%	20.9%	19.2%	23.9%	26.4%	28.0%	29.0%
Match Operations		22.2	23.4	27.7	31.4	48.0	40.5	38.2	39.1	40.3
	yoy	-1.9%	5.5%	18.3%	13.5%	52.8%	-15.6%	-5.7%	2.4%	3.1%
	as % of sales	21.4%	22.2%	20.0%	16.6%	18.9%	15.8%	14.3%	13.8%	13.4%
Transfer Gains		11.3	4.9	13.0	26.1	51.6	4.5	0.0	0.0	0.0
	yoy	108.3%	-56.2%	163.5%	101.1%	97.5%	-91.4%	n.a.	n.a.	n.a.
Total sales		**114.7**	**110.1**	**151.5**	**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
	yoy	6.7%	-4.0%	37.5%	42.1%	41.7%	-14.5%	2.2%	5.9%	6.2%
Total sales (excl. transfer gains)		**103.5**	**105.2**	**138.5**	**189.1**	**253.4**	**256.2**	**266.5**	**282.4**	**299.8**
	yoy	6.7%	1.7%	31.6%	36.6%	34.0%	1.1%	4.0%	5.9%	6.2%

Source: Copmpany data; Hauck & Aufhäuser

Disproportionate bottom-line growth expected

Overall, Borussia Dortmund is generally expected to continue its path of disproportionate bottom-line growth. Key building blocks of the club's cost structure are:

- **Personnel expenses (42% of sales):** As a result of the club's success on the pitch which is expected to be sustained on the back of a young and talented squad, personnel expenses largely attributable to Dortmund's players are seen to further increase by 8.8% (CAGR '13/'14P-'16/'17E) to € 139m still benefitting from the release of the club's striker Lewandowski (eH&A: € 5m annual salary) somewhat eaten up by the recent signing of Immobile, Ginter, Ramos and most recently Kagawa.

- **Other operating expenses (35% of sales):** Following the outstanding success of the club and due to increased fixed payment components, bonus payments as well as agency commissions should normalise and hence decrease by 1.8% (CAGR '13/'14P-'16/'17E) to € 84m.

- **Material expenses (8% of sales):** Cost of materials is mainly related to the production of merchandise products (42% of sales). Given the sound growth potential for the future globalisation of the brand (e.g. US, Asia) material expenses should increase by 3.5% (CAGR '13/'14P-'16/'17E) to € 22.5m. Thanks to the favourable sourcing conditions from Asian sourcing partners, related costs are seen to remain under tight control.

Dortmund's cost structure (as % of group sales)

	09/10	10/11	11/12	12/13	13/14P	14/15E	15/16E	16/17E
Material costs	4.7	7.7	12.5	17.5	20.3	20.5	21.5	22.5
yoy	32.4%	63.5%	62.9%	40.2%	16.1%	1.1%	4.6%	4.8%
as % of sales	4.5%	5.5%	6.6%	6.9%	7.9%	7.7%	7.6%	7.5%
Personnel expenses	48.0	61.5	79.9	106.2	107.8	118.3	128.5	138.7
yoy	-4.1%	28.3%	29.9%	32.9%	1.5%	9.8%	8.6%	7.9%
as % of sales	45.6%	44.4%	42.3%	41.9%	42.1%	44.4%	45.5%	46.3%
Other operating expenses	42.9	54.1	70.5	96.6	88.7	82.6	83.3	83.9
yoy	-7.5%	26.1%	30.2%	37.0%	-8.1%	-6.9%	0.8%	0.8%
as % of sales	40.8%	39.1%	37.3%	38.1%	34.6%	31.0%	29.5%	28.0%
Total	**95.6**	**123.3**	**162.9**	**220.3**	**216.8**	**221.5**	**233.2**	**245.1**
as % of sales	86.8%	81.4%	75.7%	72.2%	83.2%	83.1%	82.6%	81.8%

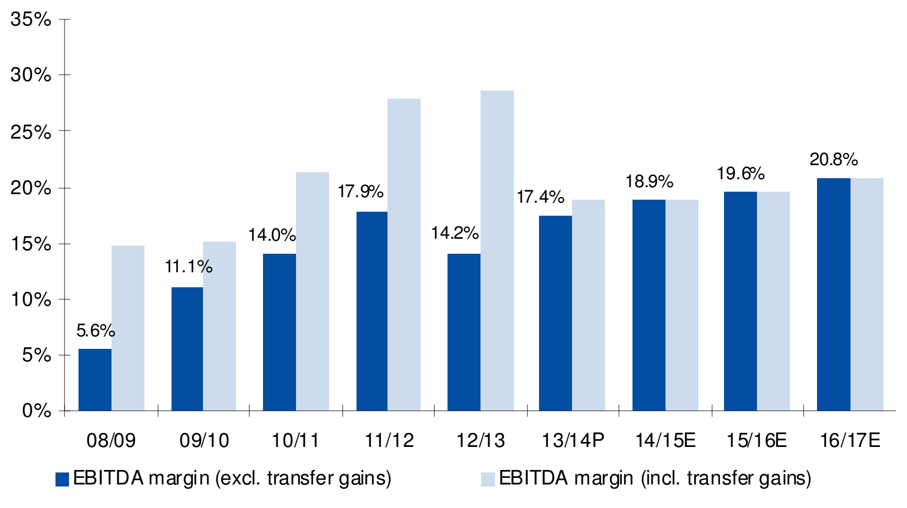
Source: Copmpany data; Hauck & Aufhäuser

EBITDA is seen to grow by 11.7% organically (CAGR '13/'14P – '16/'17E, adj. for transfer gains) **to € 62.2m.**

Already today, Borussia Dortmund is operating healthy double-digit EBITDA margins given the stellar individual sporting success which has enabled the club to increasingly capture the strong interest in Bundesliga football.

On the back of a continued monetisation of the club's brand (e.g. increased sponsoring and merchandising sales) as well as reaping the potential from higher sponsorship deals (e.g. Evonik Industries, eH&A: € 20m p.a. until '24/'25), EBITDA margins (adj. for transfer gains) are seen to further increase by 3.4pp to 20.8% in '16/'17E.

A healthy bottom-line performance expected



Source: Company data; Hauck & Aufhäuser

D&A: (12% of sales): Given that player's licenses are capitalised and depreciated lineally over the contract duration, D&A generally accounted for c. 12% of sales. As shown in the past, the continued focus on young and talented players at moderate transfer prices has reduced the ratio to 7% from 16% in '09/'10. However, D&A is expected to increase disproportionately by 8.5% (CAGR '13/'14P-'16/'17E) to € 39.2m. The main reason for this is the signing of new players (Mkhitaryan, Immobile, Ramos, Ginter and Kagawa).

Sound FCF generation

Despite capital requirements of c. € 30m p.a. (10% of sales) mostly seen to be invested into the current squad (eH&A: € 18m p.a.) as well as the Signal Iduna Park stadium (eH&A: € 12m), the club is still expected to generate a positive FCF of € 12.4m (average FY ‘14/’15P - FY ‘16/’17E).

Additionally, with an average increase of the squad’s market value of 23% p.a. (CAGR ‘05/’06 - ‘13/’14) the club has build a strong track record of investing its capex highly value accretive leading to substantial hidden reserves.

Borussia Dortmund: Bottom-line Assumptions (in € m)

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Sales		**114.7**	**110.1**	**151.5**	**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
	yoy	6.7%	-4.0%	37.5%	42.1%	41.7%	-14.5%	2.2%	5.9%	6.2%
Sales (adj. for transfer gains)		**103.5**	**105.2**	**138.5**	**189.1**	**253.4**	**256.2**	**266.5**	**282.4**	**299.8**
	yoy	6.7%	1.7%	31.6%	36.6%	34.0%	1.1%	4.0%	5.9%	6.2%
Material expenses		3.5	4.7	7.7	12.5	17.5	20.3	20.5	21.5	22.5
	yoy	-24.8%	32.4%	63.5%	62.9%	40.2%	16.1%	1.1%	4.6%	4.8%
	as % of sales	3.1%	4.3%	5.1%	5.8%	5.7%	7.8%	7.7%	7.6%	7.5%
Personnel expenses		50.0	48.0	61.5	79.9	106.2	107.8	118.3	128.5	138.7
	yoy	10.3%	-4.1%	28.3%	29.9%	32.9%	1.5%	9.8%	8.6%	7.9%
	as % of sales	43.6%	43.5%	40.6%	37.1%	34.8%	41.3%	44.4%	45.5%	46.3%
Other operating expenses		46.4	42.9	54.1	70.5	96.6	88.7	82.6	83.3	83.9
	yoy	9.3%	-7.5%	26.1%	30.2%	37.0%	-8.1%	-6.9%	0.8%	0.8%
	as % of sales	40.5%	39.0%	35.7%	32.8%	31.7%	34.0%	31.0%	29.5%	28.0%
Other operating income		2.2	2.1	4.3	7.6	2.8	5.2	5.3	6.2	7.5
	yoy	2.1%	-7.3%	107.1%	77.2%	-63.5%	87.7%	2.0%	16.5%	20.6%
	as % of sales	2.0%	1.9%	2.8%	3.5%	0.9%	2.0%	2.0%	2.2%	2.5%
EBITDA		**17.0**	**16.7**	**32.4**	**60.0**	**87.5**	**49.1**	**50.4**	**55.3**	**62.2**
	yoy	-3.2%	-2.1%	94.8%	84.8%	45.9%	-43.9%	2.6%	9.9%	12.4%
	EBITDA margin	14.8%	15.1%	21.4%	27.9%	28.7%	18.8%	18.9%	19.6%	20.8%
EBITDA (adj. for transfer gains)		**5.8**	**11.7**	**19.4**	**33.8**	**35.9**	**44.6**	**50.4**	**55.3**	**62.2**
	yoy	-3.2%	103.7%	65.9%	74.0%	6.1%	24.4%	12.8%	9.9%	12.4%
	EBITDA margin	5.6%	11.1%	14.0%	17.9%	14.2%	17.4%	18.9%	19.6%	20.8%
D&A		17.4	17.2	17.5	18.6	22.4	30.7	40.4	40.6	39.2
	yoy	-1.3%	-1.4%	2.2%	6.0%	20.6%	36.9%	31.7%	0.6%	-3.7%
	as % of sales	15.2%	15.6%	11.6%	8.6%	7.3%	11.8%	15.2%	14.4%	13.1%
EBIT		**-0.4**	**-0.5**	**14.9**	**41.4**	**65.1**	**18.4**	**10.0**	**14.7**	**23.1**
	yoy	-3.5%	28.9%	n.a.	n.a.	57.3%	-71.7%	-45.9%	47.4%	56.8%
	EBIT margin	-0.3%	-0.5%	9.8%	19.2%	21.3%	7.1%	3.7%	5.2%	7.7%
EBIT (adj. for transfer gains)		**-11.6**	**-5.4**	**1.9**	**15.3**	**13.5**	**14.0**	**10.0**	**14.7**	**23.1**
	yoy	-3.5%	-53.3%	n.a.	n.a.	-11.6%	3.6%	-28.6%	47.4%	56.8%
	EBIT margin	-11.3%	-5.2%	1.4%	8.1%	5.3%	5.5%	3.7%	5.2%	7.7%
Financial result		-5.6	-5.7	-5.4	-4.8	-5.1	-3.8	-6.6	-1.2	-1.2
	yoy	-3.2%	0.9%	-4.5%	-11.3%	5.8%	-25.2%	72.6%	-81.7%	0.0%
	as % of sales	-4.9%	-4.9%	-4.7%	-4.2%	-4.4%	-3.3%	-5.7%	-1.0%	-1.0%
Income taxes		-0.1	0.0	4.1	9.1	8.8	2.7	0.4	1.7	2.7
	yoy	-2.9%	-65.4%	n.a.	n.a.	-2.4%	-69.5%	-84.2%	295.6%	61.9%
	Tax rate	1.3%	0.5%	43.1%	24.8%	14.7%	18.5%	12.5%	12.5%	12.5%
Minority interest		0.1	0.0	0.1	0.1	0.4	0.3	0.3	0.3	0.4
	as % of sales	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Net income		**-6.0**	**-6.2**	**5.3**	**27.4**	**50.8**	**11.6**	**2.7**	**11.5**	**18.8**
	yoy	-3.8%	3.2%	n.a.	n.a.	85.4%	-77.2%	-77.0%	330.3%	63.5%
	Net income margin	-5.2%	-5.6%	3.5%	12.7%	16.7%	4.4%	1.0%	4.1%	6.3%
EPS		**-0.10**	**-0.10**	**0.09**	**0.45**	**0.83**	**0.19**	**0.03**	**0.12**	**0.20**
	yoy	-4.0%	3.4%	-185.9%	420.4%	84.4%	-77.3%	-84.6%	330.3%	63.5%
EPS (adj. for transfer gains)		**-0.28**	**-0.18**	**-0.13**	**0.02**	**-0.01**	**0.08**	**0.03**	**0.12**	**0.20**
	yoy	-4.0%	-35.5%	-30.9%	-116.5%	-163.5%	-690.0%	-62.6%	330.3%	63.5%

Source: Copmpany data; Hauck & Aufhäuser

Valuation

In order to derive a fair value for Borussia Dortmund, the following valuation metrics were used:

- Two stage DCF model
- Adjusted FCF valuation
- Peer valuation

All three methodologies suggest that valuation for the club is undemanding.

Free cash flow yield implies a fair value of € 7.00

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and due to the fact that long-term returns often are flawed by the lack of sufficient visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The main driver of this model is the level of return available to a *controlling* investor, influenced by the cost of capital (opportunity costs) and the purchase price – in this case, the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investors purchase price. The required after tax return equals the model's hurdle rate of 7.5%. Anything less suggests that the stock is expensive; anything above suggests that the stock is cheap.

In Borussia Dortmund's case, the following assumptions were made:

Maintenance capital expenditures of 63% of total annual capex based on management conversations. Overall, 50% of maintenance capex (eH&A: € 19m p.a.) looks set to be related to the investment into new players (eH&A: € 10m) while the remainder (eH&A: € 9m p.a.) is expected to be invested in ongoing maintenance of the Signal Iduna Park. In contrast, normalised investments into the squad will remain at € 19m p.a. this is also the reason why capex are expected to be below D&A going forward.

Given the increased investments into new players in FY '14/'15E (Immobile, Ginter, Ramos, Kagawa; eH&A: € 47m), D&A is expected to substantially increase from currently 12% of sales (€ 31m) in FY '13/'14P to 15% (€ 40.4m) in FY '16/'17E.

- **Tax rate of 12.5%** due to substantial tax loss carry forwards of c. € 100m (eH&A: € 30m fair asset value vs. € 1.3m capitalised as deferred tax assets) which looks sufficient for the next 10 years.

To fully reflect the club's increasing brand monetisation and stronger broadcasting coverage valuation is based on '15/'16E. This is additionally supported by management's sound track record in successfully restructuring the club and increasing the balance sheet quality.

Based on FCFY '16/'17E, an implied fair PT of € 7.00 is yielding an upside of c. 50%.

Borussia Dortmund GmbH & Co KGaA							
FCF yield (excl. transfer gains), year end June. 30		11/12	12/13	13/14P	14/15E	15/16E	16/17E
EBITDA		**60.0**	**87.5**	**49.1**	**50.4**	**55.3**	**62.2**
- Maintenance capex		18.6	19.0	19.0	19.0	19.0	19.0
- Minorities		0.1	0.4	0.3	0.3	0.3	0.4
- tax expenses		9.1	8.8	2.7	0.7	1.8	2.9
= Adjusted Free Cash Flow		**32.2**	**59.3**	**27.1**	**30.4**	**34.2**	**40.0**
Actual Market Cap		**307.0**	**307.0**	**307.0**	**460.0**	**460.0**	**460.0**
+ Net debt (cash)		66.1	72.2	47.3	-77.0	-88.4	-105.3
+ Pension provisions		0.0	0.0	0.0	0.0	0.0	0.0
+ Off balance sheet financing		0.0	0.0	0.0	0.0	0.0	0.0
+ Adjustments prepayments		0.0	0.0	0.0	0.0	0.0	0.0
- Financial assets		-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
- Dividend payment		0.0	-3.7	-6.1	-6.1	-9.2	-9.2
EV Reconciliations		*65.8*	*68.1*	*40.7*	*-83.5*	*-98.0*	*-114.9*
= Actual EV'		**372.8**	**375.2**	**347.8**	**376.5**	**362.0**	**345.1**
Adjusted Free Cash Flow yield		**8.6%**	**15.8%**	**7.8%**	**8.1%**	**9.4%**	**11.6%**
Sales		**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
Actual EV/sales		1.7x	1.2x	1.3x	1.4x	1.3x	1.2x
Hurdle rate		7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
FCF margin		15.0%	19.4%	10.4%	11.4%	12.1%	13.3%
Fair EV/sales		2.0x	2.6x	1.4x	1.5x	1.6x	1.8x
Fair EV		**429.5**	**790.9**	**360.9**	**405.1**	**455.8**	**532.9**
- EV Reconciliations		*65.8*	*68.1*	*40.7*	*-83.5*	*-98.0*	*-114.9*
Fair Market Cap		**363.7**	**722.7**	**320.1**	**488.6**	**553.8**	**647.7**
No. of shares (million)*		61.4	61.4	61.4	92.0	92.0	92.0
Fair value per share		**5.9**	**11.8**	**5.2**	**5.3**	**6.0**	**7.0**
Premium (-) / discount (+) in %		**18.5%**	**135.4%**	**4.3%**	**6.2%**	**20.4%**	**40.8%**
Sensitivity analysis fair value							
Hurdle rate	7.5%	5.9	11.8	5.2	5.3	6.0	7.0
	10.0%	4.2	8.6	3.7	4.2	4.8	5.6
	12.5%	3.1	6.6	2.9	3.5	4.0	4.7
	15.0%	2.4	5.3	2.3	3.1	3.5	4.1

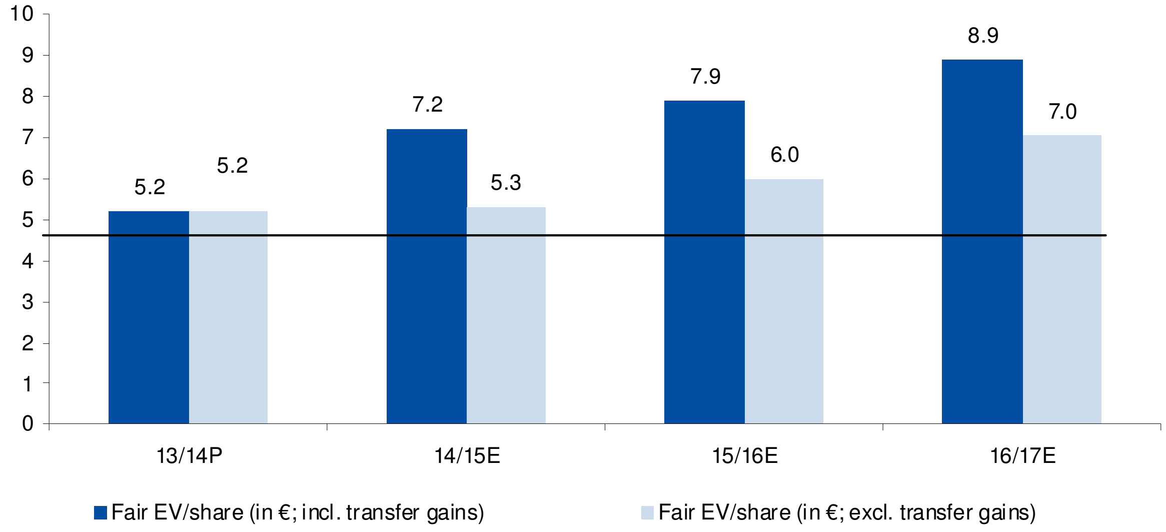
*Source: Hauck & Aufhäuser; * reflecting the recent capital increase*

Transfer gains represent additional upside to our estimates

Currently, valuation has been conservatively based upon organic revenues and profits excluding any potential transfer gains while fully reflecting the continued investment into the squad (maintenance capex of € 19m p.a.).

However, based on generating on average € 13m in annual transfer gains (10y average) this might even provide additional upside going forward. Even considering that a sustained release of hidden reserves is no longer a vital part of the business.

Transfer gains: Additional upside not reflected in current valuation



Source: Company data; Hauck & Aufhäuser

Borussia Dortmund GmbH & Co KGaA

FCF yield (incl. transfer gains), year end June. 30	11/12	12/13	13/14P	14/15E	15/16E	16/17E
EBITDA	**60.0**	**87.5**	**49.1**	**63.4**	**68.3**	**75.2**
- Maintenance capex	18.6	19.0	19.0	19.0	19.0	19.0
- Minorities	0.1	0.4	0.3	0.3	0.3	0.4
- tax expenses	9.1	8.8	2.7	0.7	1.8	2.9
= Adjusted Free Cash Flow	**32.2**	**59.3**	**27.1**	**43.4**	**47.2**	**53.0**
Adjusted Free Cash Flow yield	**8.6%**	**15.8%**	**7.8%**	**11.5%**	**13.0%**	**15.3%**
Sales	**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
Actual EV/sales	1.7x	1.2x	1.3x	1.4x	1.3x	1.2x
Hurdle rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
FCF margin	15.0%	19.4%	10.4%	16.3%	16.7%	17.7%
Fair EV/sales	2.0x	2.6x	1.4x	2.2x	2.2x	2.4x
Fair EV	**429.5**	**790.9**	**360.9**	**578.4**	**629.1**	**706.2**
- EV Reconciliations	*65.8*	*68.1*	*40.7*	*-83.5*	*-98.0*	*-114.9*
Fair Market Cap	**363.7**	**722.7**	**320.1**	**661.9**	**727.1**	**821.1**
No. of shares (million)*	61.4	61.4	61.4	92.0	92.0	92.0
Fair value per share	**5.9**	**11.8**	**5.2**	**7.2**	**7.9**	**8.9**
Premium (-) / discount (+) in %	**18.5%**	**135.4%**	**4.3%**	**43.9%**	**58.1%**	**78.5%**

Sensitivity analysis fair value							
Hurdle rate	7.5%	5.9	11.8	5.2	7.2	7.9	8.9
	10.0%	4.2	8.6	3.7	5.6	6.2	7.0
	12.5%	3.1	6.6	2.9	4.7	5.2	5.9
	15.0%	2.4	5.3	2.3	4.1	4.5	5.1

*Source: Hauck & Aufhäuser; * reflecting the recent capital increase*

Discounted cash flow analysis implies a fair value of € 8.00

Our DCF model points to an implied fair value of € 8.00 per share using a WACC of 8% and a terminal revenue growth rate of 2%. Further, terminal EBIT margin is set at 10% to reflect the expected increase in monetisation.

A sensitivity analysis suggests that valuation is undemanding and looks attractive for investors: Even based on conservative estimates such (e.g. terminal EBIT margin of 8.5%, a WACC of 10% as well as long-term growth of 0%) this still suggests a fair value of € 5.70 per share respectively which still implies a healthy upside of c. 20%).

DCF (EUR m) (except per share data and beta)	12/13	13/14P	14/15E	15/16E	16/17E	17/18E	18/19E	19/20E	Terminal value
NOPAT	55.5	15.0	8.7	12.9	20.2	24.7	27.8	31.3	32.0
Depreciation	22.4	30.7	40.4	40.6	39.2	38.1	37.9	36.9	36.0
Increase/decrease in working capital	-41.4	5.5	-0.1	-0.2	-0.3	-0.2	-0.2	0.8	-0.1
Increase/decrease in long-term provisions and accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-27.5	-30.0	-47.0	-32.0	-33.0	-34.5	-35.0	-35.5	-36.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	137.4	0.0	0.0	0.0	0.0	1.0	0.0
Cash flow	**9.1**	**21.2**	**139.4**	**21.3**	**26.1**	**28.1**	**30.5**	**34.5**	**31.9**
Present value	9.9	21.5	131.0	18.5	21.0	19.4	19.5	20.4	297.3
WACC	7.5%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

DCF per share derived from	
Total present value	559
thereof terminal value	53%
Net debt (net cash) at start of year	66
Financial assets	0
Provisions and off balance sheet debt	0
Equity value	493
No. of shares outstanding	61.4
Discounted cash flow per share	**8.0**
upside/(downside)	**61%**
Share price	**5.00**

DCF avg. growth and earnings assumptions	
Short term growth (2013-2016)	7.4%
Medium term growth (2016 - 2020)	3.0%
Long term growth (2020 - infinity)	2.0%
Terminal year EBIT margin	10.5%

WACC derived from	
Cost of borrowings before taxes	6.0%
Tax rate	12.5%
Cost of borrowings after taxes	5.1%
Required return on invested capital	8.0%
Risk premium	6.0%
Risk-free rate	1.5%
Beta	1.0

Sensitivity analysis DCF

		Long term growth				
		0%	1.0%	2.0%	2.5%	3.0%
WACC	10.0%	5.7	6.0	6.3	6.6	6.8
	9.0%	6.1	6.5	7.0	7.4	7.7
	8.0%	6.7	7.3	8.0	8.5	9.1
	7.0%	7.6	8.3	9.4	10.2	11.1
	6.0%	8.7	9.8	11.6	12.8	14.5

Sensitivity analysis DCF

		EBIT margin terminal year				
		8.5%	9.5%	10.5%	11.5%	12.5%
WACC	10.0%	5.7	6.0	6.3	6.6	6.9
	9.0%	6.3	6.7	7.0	7.4	7.8
	8.0%	7.1	7.6	8.0	8.5	9.0
	7.0%	8.2	8.8	9.4	10.0	10.6
	6.0%	10.0	10.8	11.6	12.4	13.2

Source: Hauck & Aufhäuser

Peer group analysis supports the BUY case

Only a few selected peers were obtained from the STOXX Europe Football Index including both Western and Eastern Europe and Turkey. In order to accurately reflect the breadth of the European football Industry, non-listed and most relevant German peer FC Bayern München has been added to the peer group.

Manchester United FC operates and manages professional sports team. The company operates its business through three principal streams: Commercial, Broadcasting and Matchday. Manchester United was founded on April 30, 2012 and is headquartered in Manchester, the United Kingdom.

Arsenal Holdings PLC operates professional football club and provides related commercial activities. The company is also engaged in a number of property developments associated with its relocation to the Emirates Stadium. It operates through two business segments: Football and Property Development, Arsenal Holdings was founded in 1886 and is headquartered in London, the United Kingdom.

Juventus Football Club SpA engages in the operation of a professional football club. Its core businesses are participation in national and international competitions and organisation of matches. Juventus Football Club carries out its operations through the management of sports events, of the Juventus brand and of the image of the First Team as well as the licensing of television and media rights, sponsorship, and sales of advertising space. The club was founded on November 1, 1897 and is headquartered in Turin, Italy.

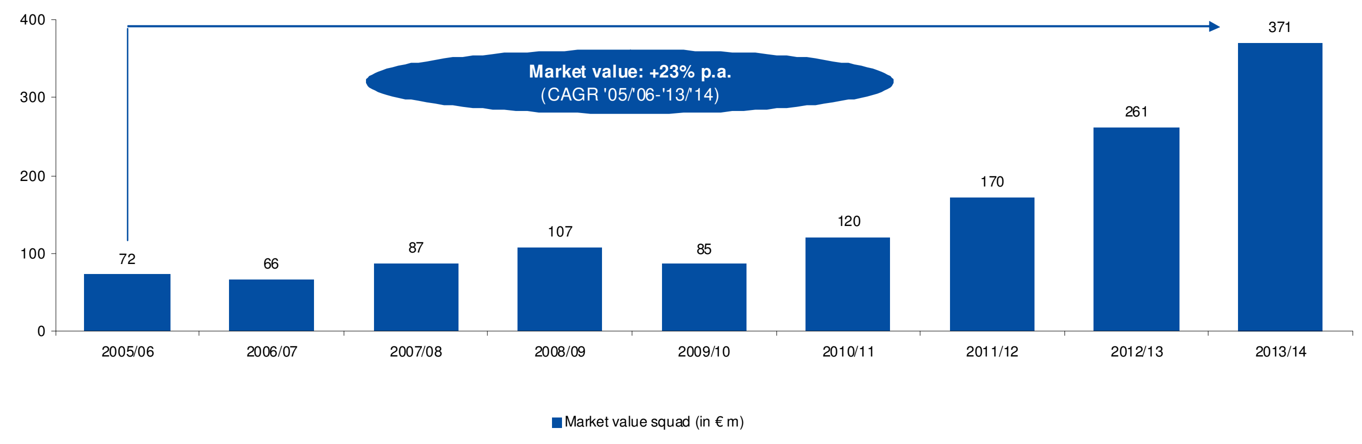
AS Roma SpA is engaged in the operation and management of professional football franchise Roma. Its activities include equity investment on national and international football competitions and licensing of media rights for the television, telephone, and internet. The company was founded on July 22, 1927 and is headquartered in Rome, Italy.

Galatasaray Sportif AS engages in commercial and industrial activities related to the sport of football. Its activities include media publications, advertising, sponsorship related to football. The company was founded on November 26, 1997 and is headquartered in Istanbul, Turkey.

FC Bayern München is a German sports club based in Munich, Bavaria. It is best known for its professional football team, which plays in the Bundesliga, the top tier of the German football league system, and is so far the most successful club in German football history, having won a record 24 national titles and 17 national cups.

The **peer group valuation supports Borussia Dortmund's attractive valuation**: While the squad's market value is largely en par with other European heavyweights such as Manchester United or Arsenal FC, the underlying market cap seems to be still lagging behind.

Squad development: Soundly increasing market value

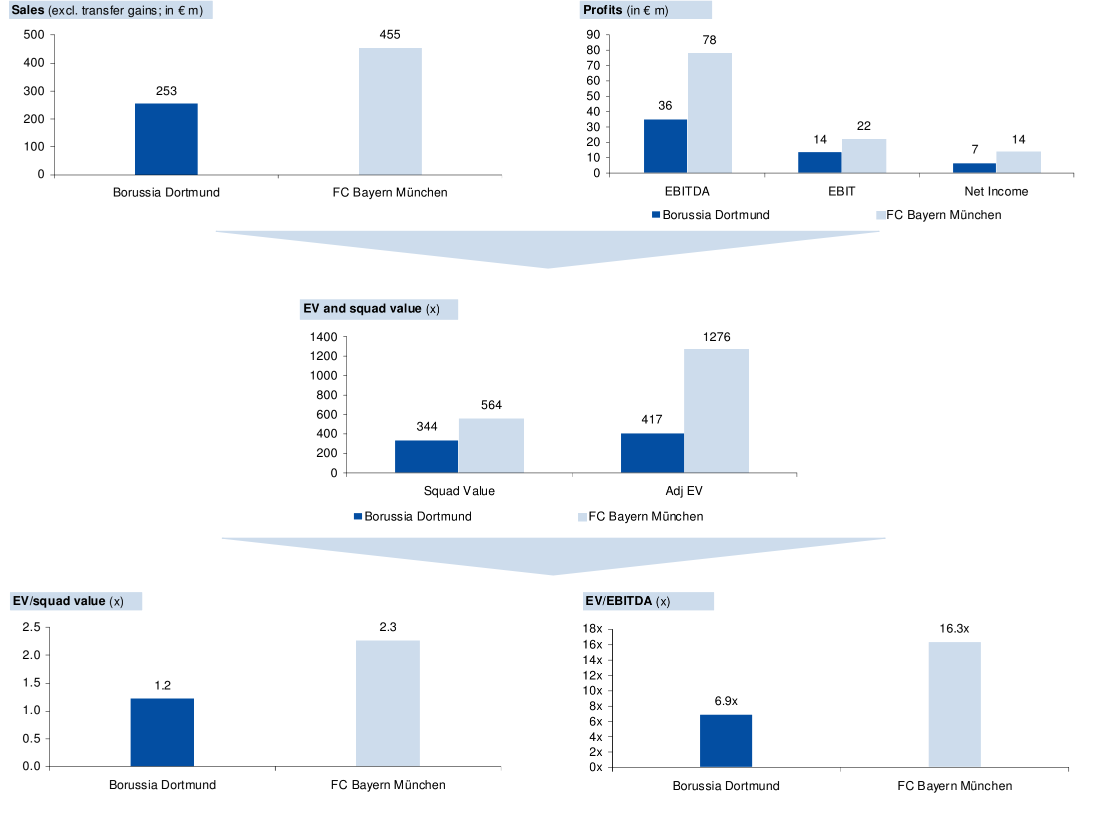


Source: Transfermarkt; Hauck & Aufhäuser

Even the comparison with Bayern Munich FC, which currently has a € 592m market value of its squad (vs. € 371m for Borussia Dortmund), does not justify an implicit market value of 4.5x the value of Borussia Dortmund (based on an 8% stake acquired in Bayern Munich by Allianz in February ’14 for € 110m).

Looking at Dortmund’s (1) strong track record and (2) unique brand heritage, discount looks deeply unjustified given that the club has moved into a promising position to sustainably challenge Bayern’s dominance in German football.

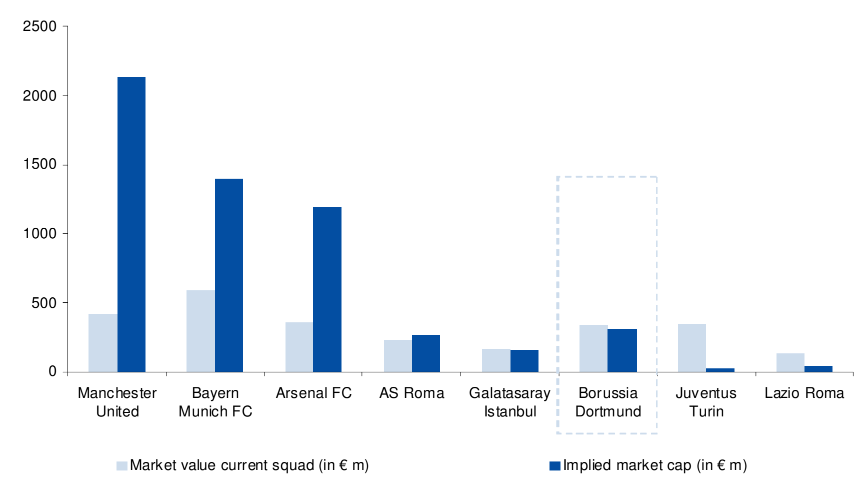
Peer valuation underlines the attractive valuation



Source: Company data, Hauck & Aufhäuser

And this is no exception as just recently KKR acquired a 9.7% in Hertha BSC Berlin for € 61.2m and became a long-term partner ship enabling the club to deleverage and repurchase licensing right. Impressively, this implicitly valued the club which sporting success is regarded as only mediocre at € 631m (vs. € 354m for Borussia Dortmund).

Peer valuation: Hidden reserves at a bargain



Source: Transfermarkt.de; Hauck & Aufhäuser

Theme

Investor interest seems to reach a tipping point

Evidently, it has become increasingly inspiring for a global audience to follow the German Bundesliga as something of a promised land in commercialised football: A competitive and fan-friendly league with strong community ties largely free of financial and otherwise excess. And this is not all as the Bundesliga looks set to catch up to the highest-ranked UK Premier League and open up for increased commercialisation.

Only recently, KKR acquired a 9.7% stake in Hertha BSC Berlin for € 61.2m and became a long-term partner ship enabling the club to deleverage and repurchase licensing right. Impressively, this implicitly valued the club which sporting success is regarded as only mediocre at € 631m.

Even more importantly, it is Borussia Dortmund which looks set to be the epitome of a fan club with > 100,000 members and an average match attendance of 80,000 which is a testimony to the level of affection.

Capital increase and strong investor commitment is a 'quantum leap'

Following the initial interest of Deutsche Bank and shortly after the extended sponsorship agreement of long-standing partner Evonik Industries (prolonged until '24/'25; eH&A: € 20m sponsoring revenue p.a.) the recently performed capital increase (€ 114m gross proceeds) marks a historic milestone both in terms of investor interest as well as financial implications for the club.

- **Details of the deal:** Overall, outstanding share capital was increased by 36% to € 98m at a subscription price of € 4.66/share implying a 5% discount. This led to gross proceeds of € 114m. Already in advance of the subscription period, long-standing sponsorship partners such as Evonik Industries AG, Puma SE and Signal Iduna (prolonged advertising contract until 2026) had subscribed >70% of new shares (17.6m of new shares).
- **Implications:** Hence, the recent capital increase (24.5m new shares) is a big step forward increasing the club's competitive positioning. Moreover, it highlights the strong corporate interest (e.g. Evonik, Puma, Signal Iduna) in strong German football brands while further improving the club's balance sheet (€ 140 total gross proceeds incl. small capital increase of € 27m in June '14 along with a 9% shareholding by Evonik).

  Total gross proceeds of € 140m are primarily intended to reduce remaining debt of € 42m with the excess amount to be held as liquidity reserve and to invest into future growth.

Overall, the healthy commitment of the club's new main shareholders looks highly reassuring and underpins the attractiveness of Dortmund's reliable club values ('Echte Liebe') coupled with an impressive track record. All of which has created a brand with a unique heritage. Not only will the planned cash injection fully eliminate the remaining debt of € 42m, it also allows for the full acquisition of leasing agreements (e.g. Signal Iduna Park, training facilities) ahead of schedule. All of which looks set to lead to reduced interest expenses (eH&A: € 1.3m p.a.) from FY '15/'16E onwards (eH&A: € 6.7m interest expenses for '14/'15E incl. € 4.7m related to early discharges).

On the back of dynamically increasing fan interest (the club has been recently awarded as 'Germany's most liked football club'), undertaken infrastructure investments such as the 'BVB Fan World' should not only boost merchandising sales (€ 400,000 revenue contribution alone during the day of the SuperCup) but also visible consumer touchpoints for further brand monetisation.

Finally, increased flexibility of player signings also allows the club to further improve the timing and hence the costs for new players: While average transfer fees peak shortly after big tournaments (e.g. Suarez: € 81m paid by Barcelona FC; Rodiguez: € 80m paid by Real Madrid) a better flexibility generally decreases the risk of being forced to pay a large premium.

Massive hidden reserves have created an attractive valuation gap

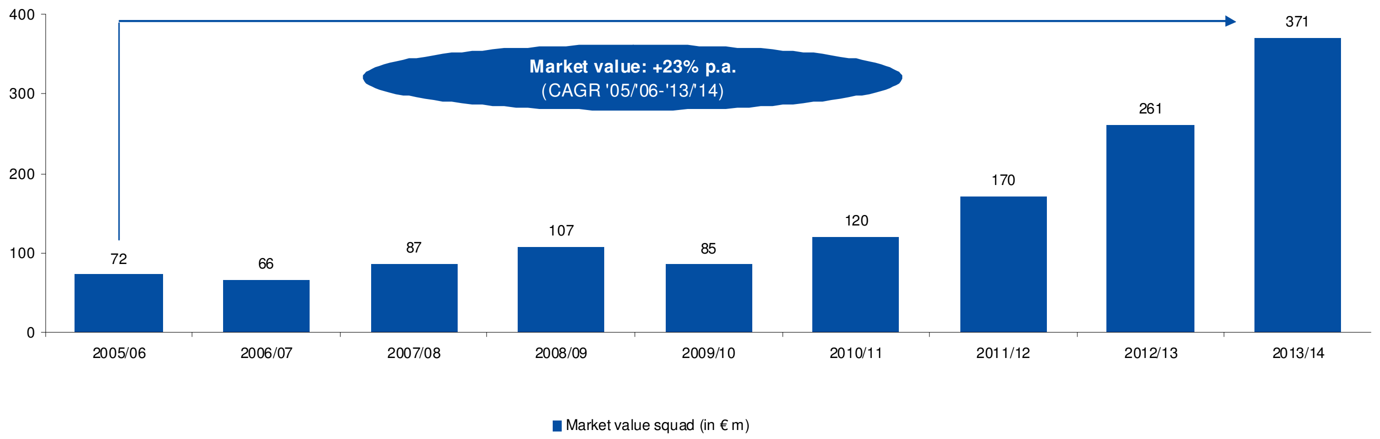
As investor interest seems to be strongly increasing, the attractiveness looks set to be fundamentally backed by a healthy squad development:

- **Forming talented into world-class players:** The main reason for this is the ability of the technical team to have proven to form talented into world-class players – substantially increasing their market value. Since 2009, the club has consistently focused its squad development on promising young players allowing for a cost-optimised budget.

  The strong value accretion can be easily shown by comparing the player's market value at signing with their current market value. At the same time, it is the basis for sustained sporting success.

  Conservatively, **transfer gains have hence not been at all reflected in our estimates** which could still leave additional upside going forward.

Squad development: Soundly increasing market value



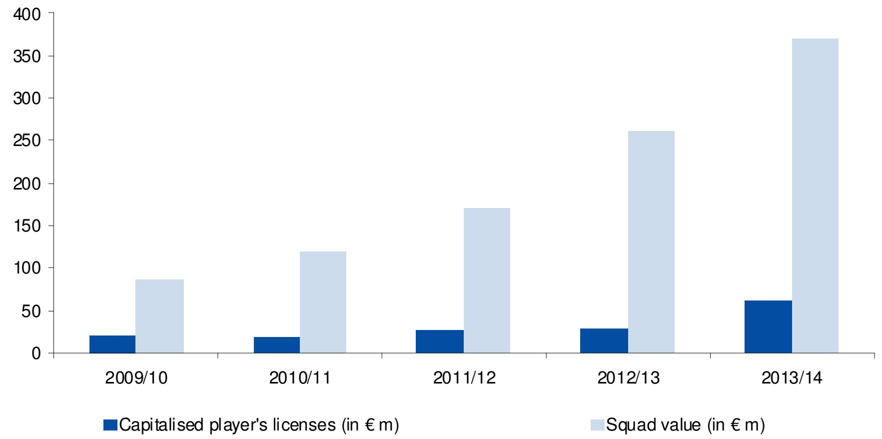
Source: Transfermarkt; Hauck & Aufhäuser

Returns Analysis

Balance sheet structure

Generally, Dortmund's business model requires a substantial amount of capital to invest in players as the club's most productive capital (accounted for as capex, amortised on a straight line over the contract duration). Hence, intangible assets of € 62m represent 21% of total assets and mainly consist of purchased player's licenses (average contract duration outstanding: 3.38 years). In addition, due to the ownership of the Signal Iduna Park stadium (80,000 seats, € 121m book value), PPE accounted for c. 63% of total assets in FY '13/'14P, (€ 185m).

Capitalised player's licenses vs. historic market value of the squad



Source: Company data; Hauck & Aufhäuser

Altogether, fixed assets represent around 84% of total assets.

Besides cash and cash equivalents of € 17.8m (6% of total assets), which underpins Borussia Dortmund's healthy cash pillow following the successful restructuring undertaken in 2005, accounts receivables (€ 16m, 5% of total assets) represent only a minor proportion of total assets. Receivables are mainly related to transfers where payments still had been pending.

Current assets represent around 30% of total assets.

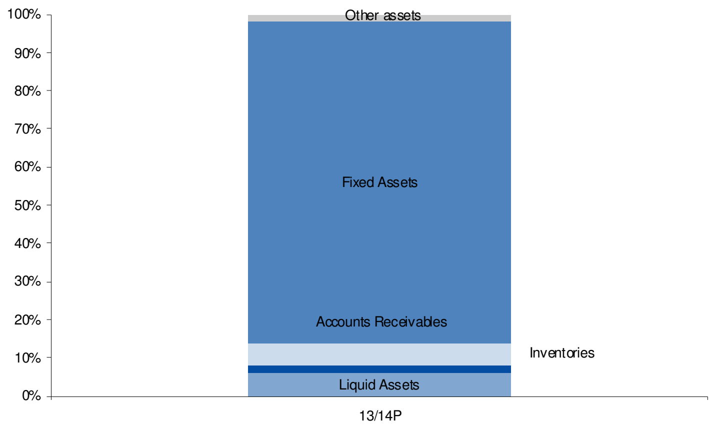
Assets are to a large degree financed by equity which stood at € 145m implying a healthy equity ratio of 50% as of FY '13/'14P. This ratio has sustainably increased from 30% in FY '08/'09 to currently to even 46% underpinning the successful financial restructuring.

Accounts payable (€ 18m, 6% of total liabilities) generally represent contractually fixed transfer acquisitions where final payments are still outstanding.

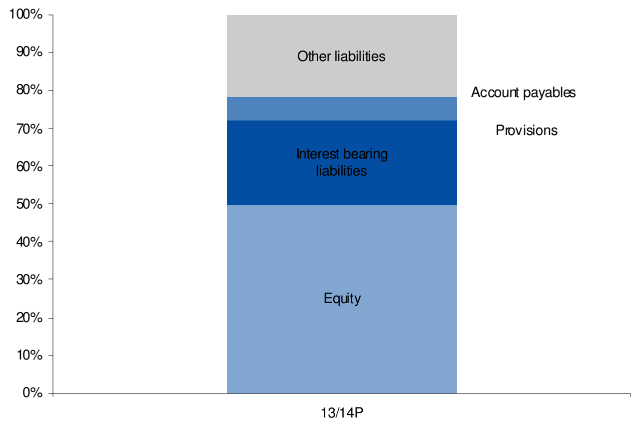
Interest-bearing liabilities still account for € 65m (22% of total liabilities) of which € 41m (14% of total liabilities) have a long-term maturity profile (maturity only between 2020 and 2026). Other liabilities of € 21m (13% of total liabilities) are related to financial lease obligations for the club's training facilities (of which c. 80% expire only after 2019).

Positively, on the back of the performed capital increases (€ 140m total gross proceeds), financial liabilities look set to be fully paid down resulting into a healthy net cash position of c. € 77m (eH&A). As a result, the equity ratio is even seen to increase to 50% (vs. 46% pre-capital increase).

Balance sheet - Assets



Balance sheet - Liabilities



Source: Hauck & Aufhäuser

Capital employed

Overall, capital employed of € 211m (80% of sales) are mainly tied up in the club's fixed assets related to the Signal Iduna Park (€ 130m book value) as well as intangibles of € 62m related to capitalised player's licenses.

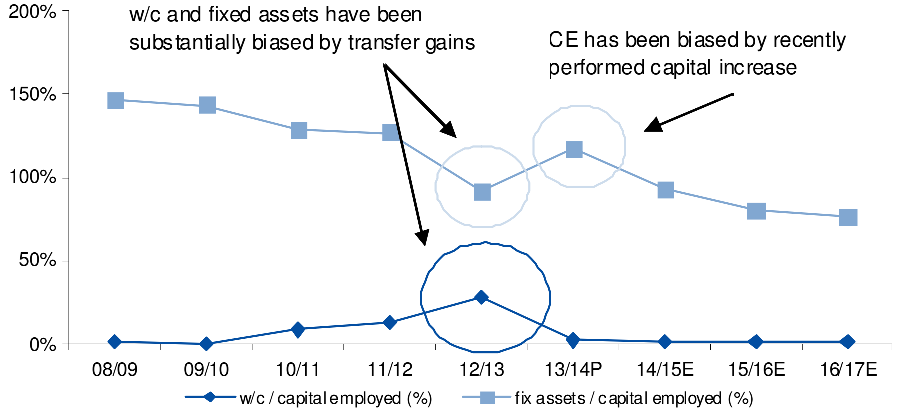
The Signal Iduna Park is considered as one of the club's key assets which is generating a foreseeable and stable amount of cash (c. 80,000 match attendance on average, € 39m revenues from match operations p.a.) requiring only maintenance capex of € 9m p.a.

Given the limited capex spending from '08/'09 to '12/'13, fixed assets as % of capital employed decreased from 146% in FY '08/'09 to 117%.

While this trend is expected to generally continue driven by reduced w/c which had been inflated in FY '12/'13 due to outstanding transfer gains paid down in the following year, CE looks set to be additionally biased by the recently performed capital increases.

Overall, w/c is considered as irrelevant given that receivables relating to outstanding transfer payments are largely financed by payables.

Capital employed

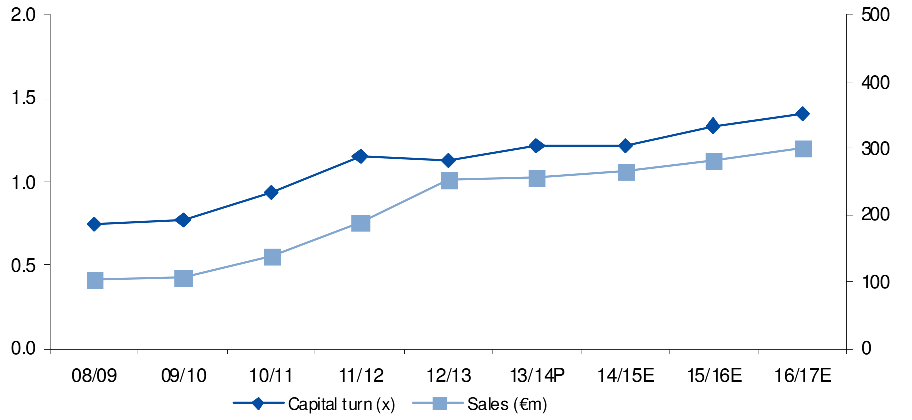


Source: Hauck & Aufhäuser

Capital efficiency

Dortmund's capital turn looks decent at 1x somewhat considering that Borussia Dortmund own the Signal Iduna Park stadium and the high amount of capital tied up in the club's squad. Moreover, capital turn is expected to further improve thanks to healthy sales growth given the continued monetisation of the club's brand.

Capital employed turnover and sales (adj. for transfer gains)

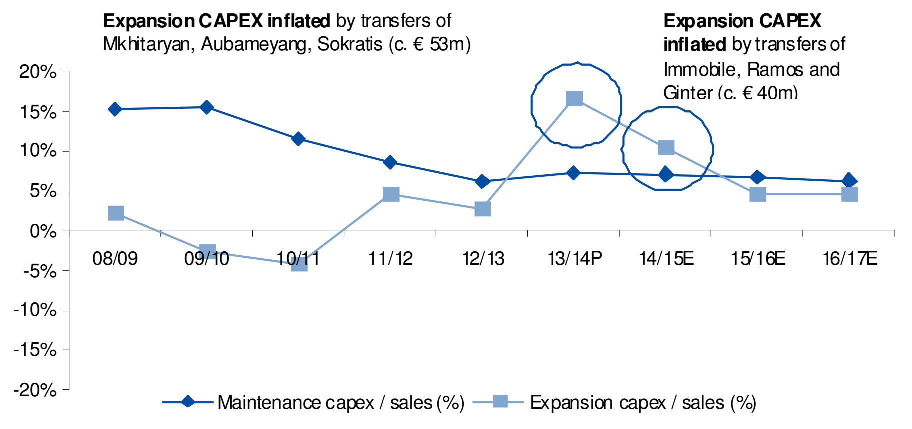


Source: Hauck & Aufhäuser

Capex requirements

Most of the total capex of € 30m are invested into the ongoing development of the club's squad (eH&A: € 18m p.a.) and into maintenance of the stadium (eH&A: € 12m p.a.). Following the release of some key players after the '12/'13 as well as the '13/'14 season followed by recent signings of new players, capex looks set to be only temporarily inflated to € 47m in FY '14/'15E and to € 62m in FY '13/'14P.

Capex cycle



Source: Hauck & Aufhäuser

Overall capex is seen to generally remain under control given Dortmund's sustained strategy to increase the quality of its squad at limited costs. This proven strategy is achieved on the back of focusing primarily on young and talented players and transforming them into world-class players rather than to being willing to pay a premium for presumed stars. While accordingly, the recent capital increase is not seen as operationally needed, it should allow for a sound flexibility to act opportunistically regarding the signing of players.

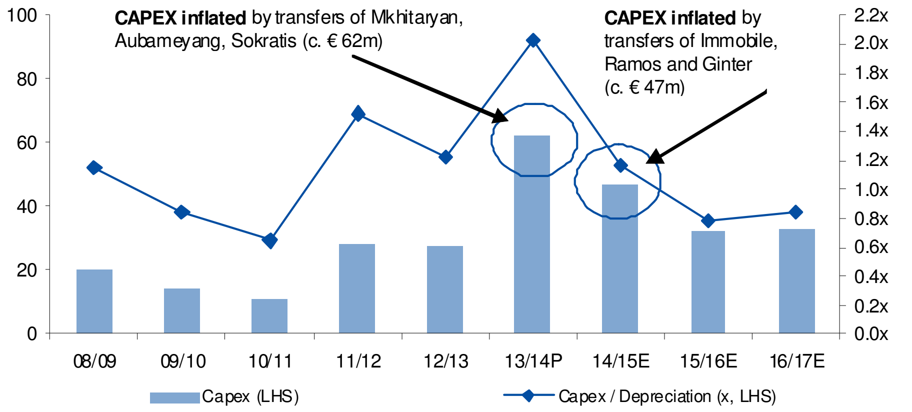
Going forward, a sustained level of capex of > € 30m is expected which is above the historic average (€ 20m, ’09-’13) given the investments into the squad. In line with this, total capex/D&A should slightly increase to 0.9x.

Borussia Dortmund is expected to generate a healthy level of cash. Despite capex requirements for the development of the squad (eH&A: € 19m), these investments are seen to be highly value accretive given the proven ability to increase the player market value (+ 23% market value increase p.a.).

In light of the solid cash generation, the club looks set to fully finance its capex requirements with cash generated from operating activities.

Hence, the recently performed capital increases enables the club to reduce its debt of € 42m while at the same time have sufficient financial flexibility to act opportunistically in terms of signing new players at favourable conditions.

Capex bar and Capex/depreciation



Source: Hauck & Aufhäuser

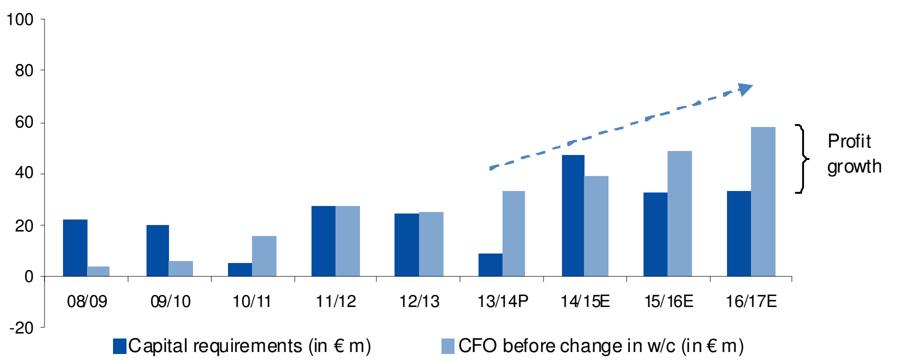
While cash generation was still at subdued levels in 2008 and 2009 due to the lacklustre operating performance (missed sports targets coupled with an excessive cost structure), this has normalised in recent years.

Moreover, transfer gains of € 42m fuelled net results in FY ‘13/’14E while the respective cash inflow however became effective in the following period. This explains the low capital requirements in of only € 9m ‘13/’14P (investments of € 62m in new players vs. cash inflow of € 54m from asset disposals).

Even more importantly, Dortmund’s cash generation looks set to further improve going forward on the back of a healthy operating performance (highly profitable TV broadcasting, merchandising and sponsoring sales).

This should result in a FCF of € 25m (8.3% of sales) in ‘16/’17E.

Capital requirements and CFO before changes in w/c



Source: Hauck & Aufhäuser

Cash flow analysis

A better operational efficiency and a growing global monetisation of the brand heritage should feed through to improved EBIT margins which is the reason why also CFO margins are expected to increase to 11.6% by 16/17E from 7.8% in '13/'14P.

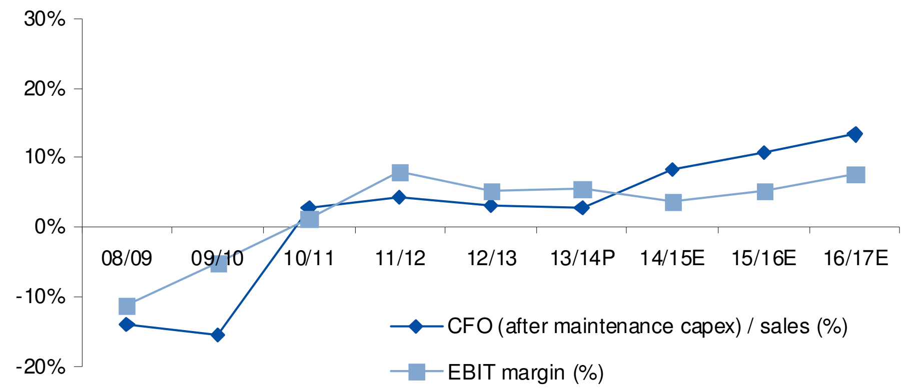
Importantly, the CFO was substantially subdued in FY '12/'13 due a strong increase in w/c (€ -41m) resulting from the transfer gains which have not been paid. Adjusted for this, the CFO would have been at € 70m.

In any case, Borussia Dortmund has substantially increased its ability to transform sales into cash and CFO margins are expected to move even above EBIT margins again underlining the club's improved earnings quality.

Generally, the business model does not require a large proportion of w/c and hence no inventory as receivables are fully financed by payables.

Going forward, the club is expected to increase the CFO/sales ratio thanks to increased profitability.

CFO/sales and EBIT margin (adj. for transfer gains)



Source: Hauck & Aufhäuser

Pricing and operating leverage

Generally, all of the club's revenue streams are seen to have healthy structural growth potential.

Most importantly, both merchandising (24% of sales; eH&A: 12.3% p.a. to € 87m in FY '16/'17E) as well as advertising/sponsoring revenues (28% of sales; eH&A: 7.1% p.a. to € 90m in FY '16/'17E) are seen to have the biggest growth potential.

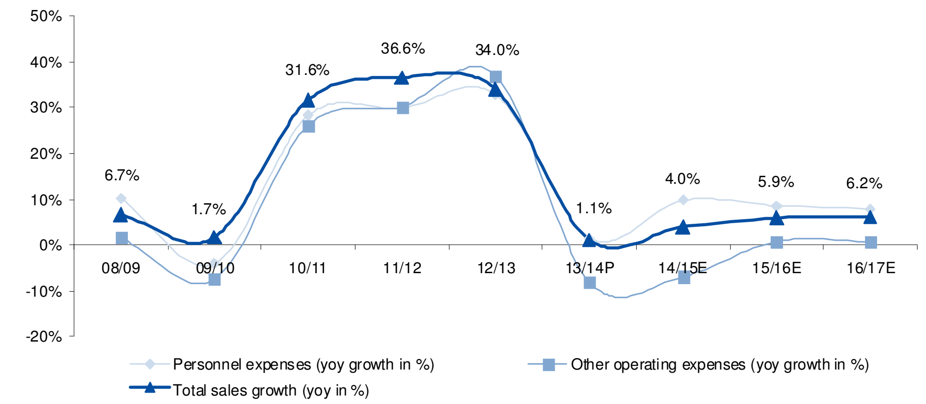
In merchandising, the club should benefit from increased international media coverage and sustained Champions League participation which is seen to create healthy demand both nationally as well as internationally (recent opening of a sales office in Singapore coupled with the signing of popular Kagawa should allow for significantly increased reach). In advertising the club should benefit from its attractiveness for national but also global sponsoring partners of which the recent contract renewal of Evonik, Puma and Signal Iduna are only are seen to be a starting point.

While in TV broadcasting (31% of sales) revenues are expected to benefit from structurally increasing broadcasting deals (e.g. 21st Century Fox deal, € 140m p.a. starting from '15/'16 season). However, given that these revenues are strongly tied to the sporting success which also holds true for match operations (16% of sales) prudent working assumptions have been applied (see page 13).

Given that by far personnel expenses (42% of sales) are expected to be the most relevant cost item, increasing fixed salaries for players should however result in only limited operating leverage.

Following the successful years '11/'12 (German Bundesliga Champion, DfB Cup winner) and '12/'13 (Champions League finalist), revenues increased by 35% on average p.a. while other operating expenses (mostly variable bonus payments) increased by 34% on average p.a.

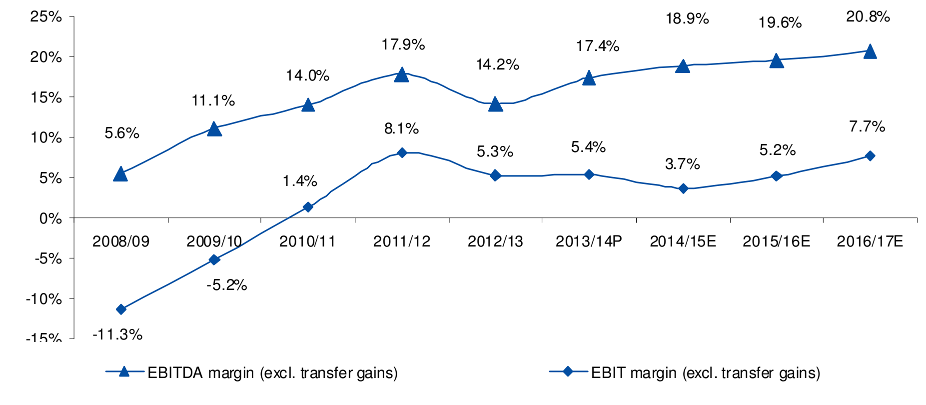
Only limited operating leverage to be expected



Source: Copmpany data; Hauck & Aufhäuser

Accordingly, EBITDA margin expansion (excl. transfer gains) of 3.4pp to 20.8% in FY '16/'17E should be driven by positive mix effects (increase of high margin sponsorship revenues) rather than by operating leverage.

Margin expansion mostly thanks to mix effects



Source: Copmpany data; Hauck & Aufhäuser

Solvency

Thanks to the successful turnaround led by the Club's new management under Mr Watzke and Mr Treß, the club's balance sheet has substantially improved which is impressively reflected by:

Solvency has substantially improved (pre- vs. post capital increase)

	Pre capital increase*	**Post** capital increase
Equity ratio	46%	50%
Net debt/net cash	€ 47.3m	€ -77m
Net debt/EBITDA	1.0x	0.0x
Net gearing	33%	-31%

*Source: Company data; Hauck & Aufhäuser; * as of 30.06.13*

Before the recent capital increase, Borussia Dortmund was levered at 1.0x net debt/EBITDA which looks decent. Moreover, net debt of € 47m is expected to be paid down thanks to total gross proceeds of € 140m.

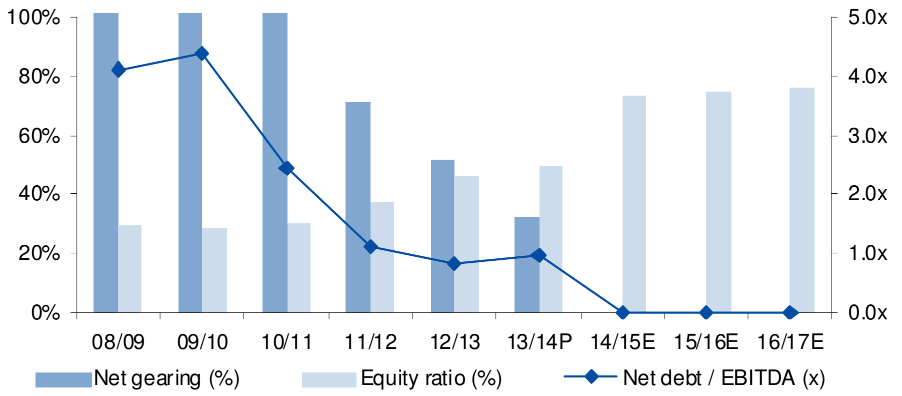
As a result of the restructuring measures taken (e.g. re-financing of debt, cost-cutting, marketing of naming rights to Signal Iduna, new sponsorship deals), the club has managed to strongly reduce its net gearing from c. 103% in 2009 to 33% in 13/14P (e.g. 31% post capital increase).

Following the intended reduction of debt, this ratio should further decrease to even -36% by 16/17E on the back of a further improvement of the operating performance and the retention of earnings as well as the recent capital increase (€ 140m in gross proceeds).

This should also increase the equity ratio to 76% in 16/17E from only 29% in 2009.

Consequently, the net cash position should substantially improve from € 0.7m in 2009 to € 105m in ‘16/’17E and besides investments into infrastructure as well as into the current squad should also leave room for a stable dividend policy (eH&A: € 0.10 p.a.).

Solvency



Source: Hauck & Aufhäuser

On the back of the performed capital increase, Borussia Dortmund looks set to fully pay down its debt consisting of traditional bank financing which still accounts for € 42m (weighted average interest rate: 5.4% p.a. and € 4.5m short-term, weighted average interest rate: 6.1% p.a.).

Accordingly, solvency cannot be considered to be an issue for the club.

Value creation

On the back of its successful turnaround, Borussia Dortmund is increasingly translating its sound competitive quality into a high business quality.

- **Successful turnaround serves as a base for strong profits:** Following the successful restructuring of the club starting already in 2005, management has turned revenues of only € 75 and financial debt worth € 200m within only one decade into € 267m of revenues (excl. transfer gains) with financial debt limited to only € 42m in FY '13/'14P. Moreover, the club has managed to sustainably increase profit significantly from deep losses of € 55m in 2004 to € 14m of EBIT in FY '13/'14P (excl. transfer gains). Based on the strong brand heritage which looks set to be increasingly monetised, this serves as a strong base for future profits.

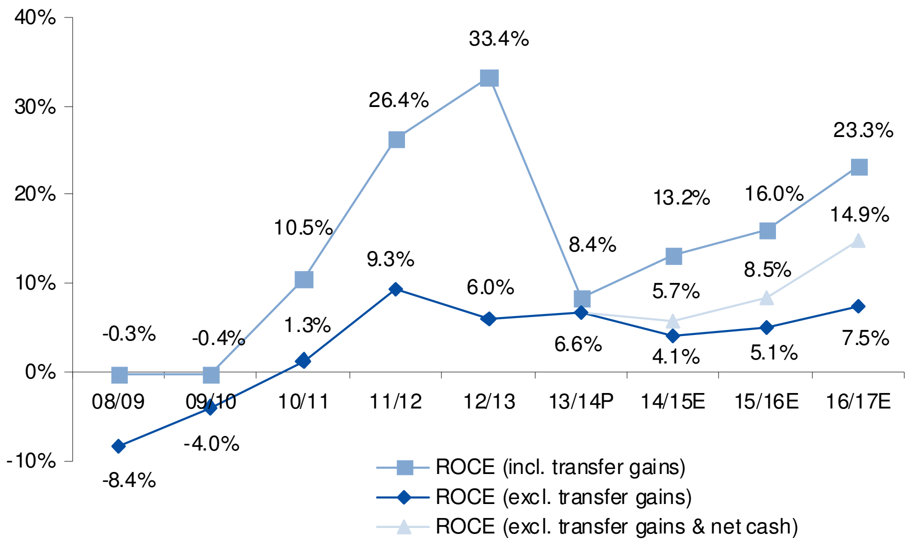
- **Sound profitability looks sustainable and should even increase:** Against the backdrop of a continued monetisation of the brand (e.g. increased broadcasting and merchandising sales) and continued sporting success EBIT margins (excl. transfer gains) look set to further increase to 7.7% in '16/'17E.

  Future monetisation and internationalisation of the brand is expected thanks to high margin advertising/sponsoring but also merchandising revenues leveraging the strong club heritage.

- **Improved capital efficiency:** Finally, an increasing capital turn expected to grow from 1.2x in FY '13/'14 (excl. transfer gains and excess cash) to 1.9x in FY '16/'17E adjusted for the recently undertaken capital increase. All of this should come mostly on the back of healthy sales growth and should additionally contribute to a healthy increase of ROCE.

As a result, underlying ROCE is expected to triple from 7% in FY '13/'14P to 14.9% by '16/'17E (excl. transfer gains and excess cash) well in excess of pre-tax WACC of c. 8%. Including transfer gains ROCE is expected to even increase to 23.3% by FY '16/'17E.

Returns



Source: Company data; Hauck & Aufhäuser

Company Background

Management

Hans-Joachim Watzke

As a keen fan of Borussia Dortmund since his childhood, Mr Watzke was appointed as the club's managing director in 2005. He holds a degree in business administration and founded a company specified in manufacturing protective clothing in the Sauerland region of which he remains the biggest stakeholder.

Responsibilities: Sport, Sales & Marketing, Communication

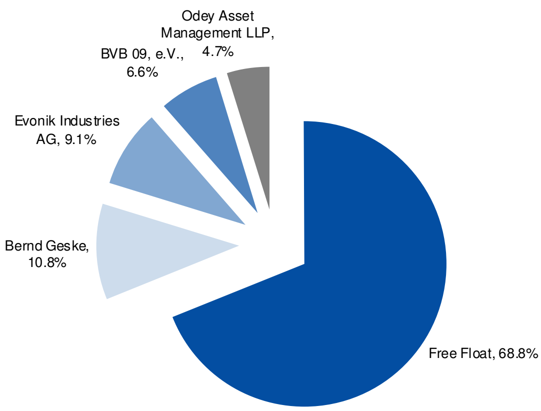
Thomas Treß

As a tax advisor, auditor, and business graduate, Mr Treß was appointed as managing director of the club in 2005. Moreover, he simultaneously operates the club's subsidiaries as managing director, namely 'BVB Stadion Holding GmbH' and 'Sports & Bytes GmbH'. Before joining Borussia Dortmund, Mr Treß was a key figure in the restructuring process of Borussia Dortmund holding various management positions at Rölfs & Partner.

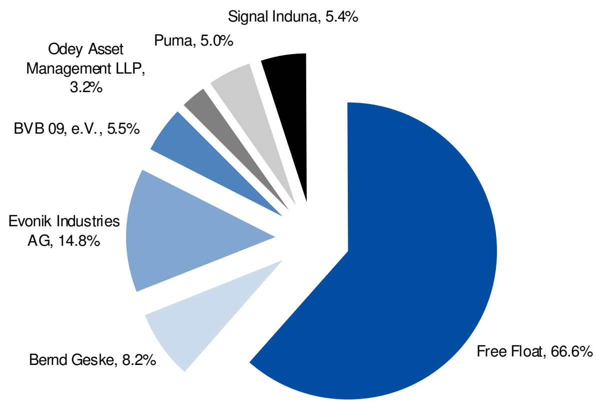
Responsibilities: Finance, Organisation

Shareholder Structure

Shareholder structure (as of 30/06/13): Pre capital increase



Shareholder structure (as of 09/09/13): Post capital increase



Source: Company data; Hauck & Aufhäuser

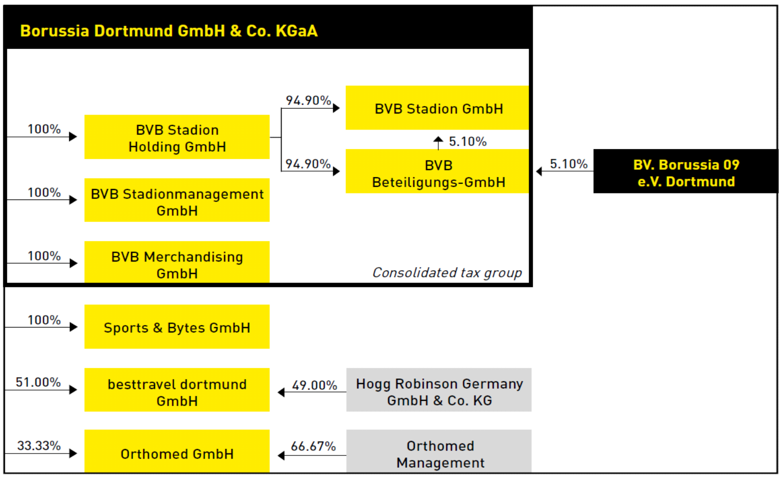
Corporate structure and legal status

Generally, Borussia Dortmund operates under the legal status of a 'Kommanditgesellschaft auf Aktien' (limited partnership by shares).

The German football licensing scheme requires in general that football clubs hold the majority stake of the respective club which is commonly referred to under the '50+1 rule'. In more detail and in the case of the specific entity 'Kommanditgesellschaft auf Aktien' it is required that the club holds 100% of the stakes of the general partner as well as the limited partner (listed on the stock exchange) to ensure greater flexibility regarding its operations.

Accordingly, the professional football team as well as its amateur and U19 youth team operate within the stock exchange listed company while the remaining divisions of the club (e.g. handball, table tennis, etc.) operate within the overall club.

Borussia Dortmund KGaA: Corporate & legal structure



Source: Company data; Hauck & Aufhäuser

Financials

Profit and loss (EUR m)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Net sales	**151.5**	**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
Sales growth	*37.5 %*	*42.1 %*	*41.7 %*	*-14.5 %*	*2.2 %*	*5.9 %*	*6.2 %*
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**151.5**	**215.2**	**305.0**	**260.7**	**266.5**	**282.4**	**299.8**
Other operating income	4.3	7.6	2.8	5.2	5.3	6.2	7.5
Material expenses	7.7	12.5	17.5	20.3	20.5	21.5	22.5
Personnel expenses	61.5	79.9	106.2	107.8	118.3	128.5	138.7
Other operating expenses	54.1	70.5	96.6	88.7	82.6	83.3	83.9
Total operating expenses	119.0	155.3	217.5	211.6	216.2	227.0	237.6
EBITDA	**32.4**	**60.0**	**87.5**	**49.1**	**50.4**	**55.3**	**62.2**
Depreciation	8.9	10.1	10.8	9.8	10.1	10.4	10.8
EBITA	**23.5**	**49.9**	**76.7**	**39.3**	**40.2**	**44.9**	**51.4**
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	8.6	8.5	11.6	20.9	30.3	30.2	28.4
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**14.9**	**41.4**	**65.1**	**18.4**	**10.0**	**14.7**	**23.1**
Interest income	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Interest expenses	5.7	5.0	5.2	3.9	6.7	1.3	1.3
Other financial result	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financial result	-5.4	-4.8	-5.1	-3.8	-6.6	-1.2	-1.2
Recurring pretax income from continuing operations	**9.5**	**36.6**	**60.0**	**14.6**	**3.4**	**13.5**	**21.9**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**9.5**	**36.6**	**60.0**	**14.6**	**3.4**	**13.5**	**21.9**
Taxes	4.1	9.1	8.8	2.7	0.4	1.7	2.7
Net income from continuing operations	**5.4**	**27.5**	**51.2**	**11.9**	**3.0**	**11.8**	**19.1**
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**5.4**	**27.5**	**51.2**	**11.9**	**3.0**	**11.8**	**19.1**
Minority interest	0.1	0.1	0.4	0.3	0.3	0.3	0.4
Net income (net of minority interest)	**5.3**	**27.4**	**50.8**	**11.6**	**2.7**	**11.5**	**18.8**
Average number of shares	61.4	61.4	61.4	61.4	92.0	92.0	92.0
EPS reported	**0.09**	**0.45**	**0.83**	**0.19**	**0.03**	**0.12**	**0.20**

Profit and loss (common size)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating income	2.8 %	3.5 %	0.9 %	2.0 %	2.0 %	2.2 %	2.5 %
Material expenses	5.1 %	5.8 %	5.7 %	7.8 %	7.7 %	7.6 %	7.5 %
Personnel expenses	40.6 %	37.1 %	34.8 %	41.3 %	44.4 %	45.5 %	46.3 %
Other operating expenses	35.7 %	32.7 %	31.7 %	34.0 %	31.0 %	29.5 %	28.0 %
Total operating expenses	78.6 %	72.1 %	71.3 %	81.2 %	81.1 %	80.4 %	79.3 %
EBITDA	**21.4 %**	**27.9 %**	**28.7 %**	**18.8 %**	**18.9 %**	**19.6 %**	**20.8 %**
Depreciation	5.9 %	4.7 %	3.6 %	3.8 %	3.8 %	3.7 %	3.6 %
EBITA	**15.5 %**	**23.2 %**	**25.1 %**	**15.1 %**	**15.1 %**	**15.9 %**	**17.2 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	5.7 %	3.9 %	3.8 %	8.0 %	11.4 %	10.7 %	9.5 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**9.8 %**	**19.2 %**	**21.3 %**	**7.1 %**	**3.7 %**	**5.2 %**	**7.7 %**
Interest income	0.2 %	0.1 %	0.0 %	0.0 %	0.1 %	0.0 %	0.0 %
Interest expenses	3.8 %	2.3 %	1.7 %	1.5 %	2.5 %	0.5 %	0.4 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-3.6 %	-2.2 %	-1.7 %	-1.5 %	-2.5 %	-0.4 %	-0.4 %
Recurring pretax income from continuing operations	**6.3 %**	**17.0 %**	**19.7 %**	**5.6 %**	**1.3 %**	**4.8 %**	**7.3 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**6.3 %**	**17.0 %**	**19.7 %**	**5.6 %**	**1.3 %**	**4.8 %**	**7.3 %**
Tax rate	43.1 %	24.8 %	14.7 %	18.5 %	12.5 %	12.5 %	12.5 %
Net income from continuing operations	**3.6 %**	**12.8 %**	**16.8 %**	**4.6 %**	**1.1 %**	**4.2 %**	**6.4 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**3.6 %**	**12.8 %**	**16.8 %**	**4.6 %**	**1.1 %**	**4.2 %**	**6.4 %**
Minority interest	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Net income (net of minority interest)	**3.5 %**	**12.7 %**	**16.7 %**	**4.4 %**	**1.0 %**	**4.1 %**	**6.3 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Intangible assets	**18.4**	**25.7**	**28.4**	**61.6**	**67.3**	**57.1**	**48.8**
Property, plant and equipment	170.7	182.6	178.4	184.5	185.4	186.9	189.1
Financial assets	1.4	0.4	0.4	0.4	0.4	0.4	0.4
FIXED ASSETS	**190.6**	**208.7**	**207.2**	**246.5**	**253.1**	**244.4**	**238.3**
Inventories	2.3	5.8	7.5	5.9	6.1	6.4	6.8
Accounts receivable	20.6	24.5	68.7	16.2	16.5	17.5	18.6
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	1.1	5.3	12.5	17.8	101.9	112.5	129.4
Deferred taxes	4.9	1.7	1.5	1.3	1.3	1.3	1.3
Deferred charges and prepaid expenses	2.2	2.7	5.0	4.4	4.4	4.4	4.4
CURRENT ASSETS	31.1	40.0	95.2	45.6	130.2	142.1	160.5
TOTAL ASSETS	**221.7**	**248.7**	**302.4**	**292.1**	**383.2**	**386.6**	**398.7**
SHAREHOLDERS EQUITY	67.3	93.1	140.0	145.0	246.5	279.2	290.1
MINORITY INTEREST	0.3	0.3	0.6	0.3	0.3	0.3	0.3
Long-term debt	67.6	65.4	80.2	56.2	24.9	24.1	24.1
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**67.6**	**65.4**	**80.2**	**56.2**	**24.9**	**24.1**	**24.1**
short-term liabilities to banks	13.2	6.0	4.5	8.9	0.0	0.0	0.0
Accounts payable	10.5	9.6	14.2	18.1	18.5	19.6	20.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	10.0	22.4	21.1	21.8	21.8	21.8	21.8
Deferred taxes	3.2	3.8	3.4	0.6	0.6	0.6	0.6
Deferred income	49.7	48.0	38.3	41.0	41.0	41.0	41.0
Current liabilities	**86.5**	**89.8**	**81.6**	**90.4**	**81.9**	**83.0**	**84.2**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**221.7**	**248.7**	**302.4**	**291.9**	**383.2**	**386.6**	**398.7**

Balance sheet (common size)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Intangible assets	**8.3 %**	**10.4 %**	**9.4 %**	**21.1 %**	**17.6 %**	**14.8 %**	**12.2 %**
Property, plant and equipment	77.0 %	73.4 %	59.0 %	63.2 %	48.4 %	48.4 %	47.4 %
Financial assets	0.6 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
FIXED ASSETS	**86.0 %**	**83.9 %**	**68.5 %**	**84.4 %**	**66.0 %**	**63.2 %**	**59.8 %**
Inventories	1.0 %	2.3 %	2.5 %	2.0 %	1.6 %	1.7 %	1.7 %
Accounts receivable	9.3 %	9.9 %	22.7 %	5.5 %	4.3 %	4.5 %	4.7 %
Other current assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Liquid assets	0.5 %	2.1 %	4.1 %	6.1 %	26.6 %	29.1 %	32.4 %
Deferred taxes	2.2 %	0.7 %	0.5 %	0.4 %	0.3 %	0.3 %	0.3 %
Deferred charges and prepaid expenses	1.0 %	1.1 %	1.6 %	1.5 %	1.2 %	1.1 %	1.1 %
CURRENT ASSETS	14.0 %	16.1 %	31.5 %	15.6 %	34.0 %	36.8 %	40.2 %
TOTAL ASSETS	**100.0 %**	**100.0 %**	**100.0 %**	**100.1 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	30.4 %	37.4 %	46.3 %	49.7 %	64.3 %	72.2 %	72.8 %
MINORITY INTEREST	0.1 %	0.1 %	0.2 %	0.1 %	0.1 %	0.1 %	0.1 %
Long-term debt	30.5 %	26.3 %	26.5 %	19.3 %	6.5 %	6.2 %	6.0 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Non-current liabilities	**30.5 %**	**26.3 %**	**26.5 %**	**19.3 %**	**6.5 %**	**6.2 %**	**6.0 %**
short-term liabilities to banks	6.0 %	2.4 %	1.5 %	3.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	4.7 %	3.9 %	4.7 %	6.2 %	4.8 %	5.1 %	5.2 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	4.5 %	9.0 %	7.0 %	7.5 %	5.7 %	5.6 %	5.5 %
Deferred taxes	1.4 %	1.5 %	1.1 %	0.2 %	0.1 %	0.1 %	0.1 %
Deferred income	22.4 %	19.3 %	12.7 %	14.1 %	10.7 %	10.6 %	10.3 %
Current liabilities	**39.0 %**	**36.1 %**	**27.0 %**	**31.0 %**	**21.4 %**	**21.5 %**	**21.1 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
Net profit/loss	5.4	27.5	51.2	11.9	3.0	11.8	19.1
Depreciation of fixed assets (incl. leases)	8.9	10.1	10.8	9.8	10.1	10.4	10.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	8.6	8.5	11.6	20.9	30.3	30.2	28.4
Others	-7.0	-19.1	-48.3	-9.6	-4.0	-4.0	0.0
Cash flow from operations before changes in w/c	15.9	27.0	25.3	33.0	39.4	48.5	58.3
Increase/decrease in inventory	-7.8	-5.9	-10.8	4.3	-0.1	-0.4	-0.4
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	-0.4	-1.0	-1.1
Increase/decrease in accounts payable	13.6	7.0	14.1	-11.0	0.4	1.1	1.2
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	5.8	1.1	3.3	-6.7	-0.1	-0.2	-0.3
Cash flow from operating activities	**21.7**	**28.0**	**28.6**	**26.4**	**39.3**	**48.2**	**58.0**
CAPEX	11.2	28.3	27.4	62.4	47.0	32.0	33.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.2	0.0	0.1	0.0	0.0	0.0	0.0
Income from asset disposals	3.3	19.6	13.3	53.5	0.0	0.0	0.0
Cash flow from investing activities	**-8.0**	**-8.7**	**-14.2**	**-8.8**	**-47.0**	**-32.0**	**-33.0**
Cash flow before financing	13.7	19.3	14.4	17.5	-7.7	16.2	25.0
Increase/decrease in debt position	-5.5	-11.7	-2.0	-4.3	-40.2	-0.8	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	137.4	0.0	0.0
Dividends paid	0.0	0.0	3.7	6.1	6.1	9.2	9.2
Others	-0.4	-1.2	-1.4	-1.8	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**-5.9**	**-12.9**	**-7.1**	**-12.3**	**91.0**	**-10.0**	**-9.2**
Increase/decrease in liquid assets	7.8	6.4	7.3	5.2	83.3	6.2	15.8
Liquid assets at end of period	**1.1**	**5.3**	**12.5**	**17.8**	**101.9**	**112.5**	**129.4**

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2010/11	2011/12	2012/13	2013/14P	2014/15E	2015/16E	2016/17E
P&L growth analysis							
Sales growth	37.5 %	42.1 %	41.7 %	-14.5 %	2.2 %	5.9 %	6.2 %
EBITDA growth	94.8 %	84.9 %	45.9 %	-43.9 %	2.6 %	9.9 %	12.4 %
EBIT growth	-3034.6	177.6 %	57.3 %	-71.7 %	-45.8 %	47.4 %	56.8 %
EPS growth	-185.9 %	420.2 %	84.4 %	-77.3 %	-84.6 %	330.3 %	63.5 %
Efficiency							
Total operating costs / sales	78.6 %	72.1 %	71.3 %	81.2 %	81.1 %	80.4 %	79.3 %
Sales per employee	437.2	523.1	612.5	487.3	498.2	527.8	560.4
EBITDA per employee	93.6	145.8	175.8	91.8	94.2	103.5	116.3
Balance sheet analysis							
Avg. working capital / sales	4.2 %	7.7 %	13.6 %	12.7 %	1.5 %	1.5 %	1.5 %
Inventory turnover (sales/inventory)	65.1	37.1	40.4	44.0	44.0	44.0	44.0
Trade debtors in days of sales	49.6	41.6	82.2	22.7	22.7	22.7	22.7
A/P turnover [(A/P*365)/sales]	25.4	16.3	17.0	25.4	25.4	25.4	25.4
Cash conversion cycle (days)	-341.1	-70.4	-56.7	-196.6	-199.0	-201.9	-204.9
Cash flow analysis							
Free cash flow	10.6	-0.2	1.2	-36.0	-7.7	16.2	25.0
Free cash flow/sales	7.0 %	-0.1 %	0.4 %	-13.8 %	-2.9 %	5.7 %	8.3 %
FCF / net profit	198.7 %	-0.8 %	2.3 %	-311.5 %	-289.0 %	141.3 %	133.3 %
Capex / depn	64.6 %	152.1 %	122.7 %	203.1 %	116.3 %	78.7 %	84.3 %
Capex / maintenance capex	11.9 %	39.4 %	34.5 %	52.6 %	57.9 %	63.2 %	68.4 %
Capex / sales	7.5 %	n/a	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	79.7	66.1	72.2	47.3	-77.0	-88.4	-105.3
Net Debt/EBITDA	2.5	1.1	0.8	1.0	0.0	0.0	0.0
Net debt / equity	1.2	0.7	0.5	0.3	-0.3	-0.3	-0.4
Interest cover	2.6	8.3	12.6	4.7	1.5	11.3	17.7
Dividend payout ratio	0.0 %	0.0 %	12.1 %	53.1 %	345.1 %	80.2 %	49.0 %
Asset utilisation							
Capital employed turnover	1.0	1.3	1.4	1.2	1.0	0.9	1.0
Operating assets turnover	0.8	1.1	1.3	1.4	1.4	1.5	1.5
Plant turnover	0.9	1.2	1.7	1.4	1.4	1.5	1.6
Inventory turnover (sales/inventory)	65.1	37.1	40.4	44.0	44.0	44.0	44.0
Returns							
ROCE	10.5 %	26.4 %	33.4 %	8.4 %	4.1 %	5.1 %	7.5 %
ROE	7.9 %	29.4 %	36.3 %	8.0 %	1.1 %	4.1 %	6.5 %
Other							
Interest paid / avg. debt	7.3 %	6.6 %	6.6 %	5.2 %	14.9 %	5.3 %	5.4 %
No. employees (average)	347	412	498	535	535	535	535
Number of shares	61.4	61.4	61.4	61.4	92.0	92.0	92.0
DPS	0.0	0.0	0.1	0.1	0.1	0.1	0.1
EPS reported	0.09	0.45	0.83	0.19	0.03	0.12	0.20
Valuation ratios							
P/BV	4.3	3.1	2.1	2.0	1.7	1.5	1.5
EV/sales	2.4	1.6	1.2	1.3	1.3	1.2	1.1
EV/EBITDA	11.3	5.9	4.1	6.8	7.0	6.2	5.2
EV/EBITA	15.6	7.1	4.7	8.5	8.8	7.6	6.3
EV/EBIT	24.6	8.5	5.5	18.2	35.4	23.3	14.1
EV/FCF	34.8	-1690.8	302.8	-9.3	-45.9	21.1	13.0
Adjusted FCF yield	2.9 %	9.1 %	16.7 %	8.3 %	8.8 %	10.3 %	12.7 %
Dividend yield	0.0 %	0.0 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %

Source: Company data, Hauck & Aufhäuser

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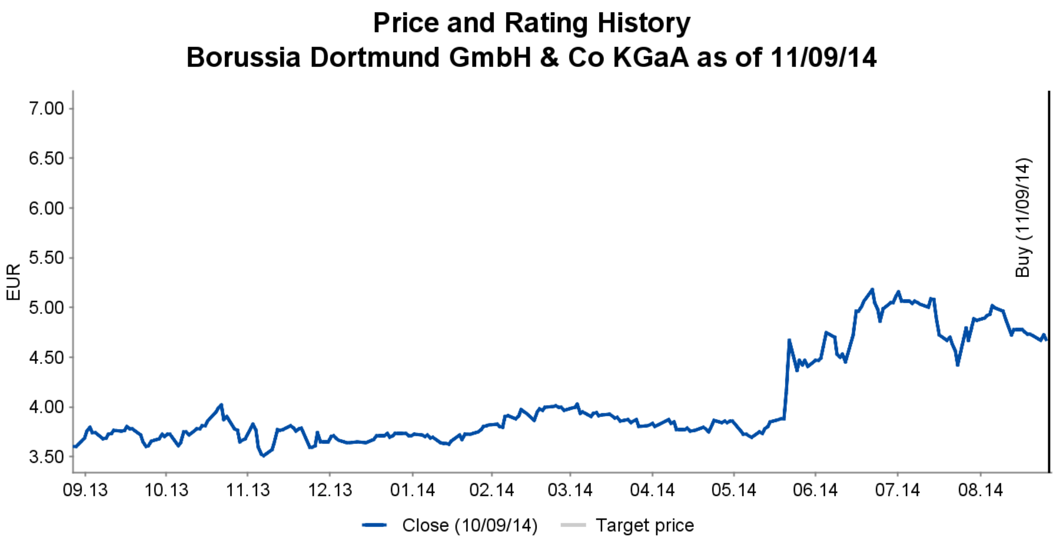

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