

# Borussia Dortmund

Q121 results

## Uncertain times continue

Borussia Dortmund's Q121 results were affected, as expected, by the delayed start to the 2020/21 season, and the severe restrictions on fan attendance at games as experienced towards the end of the prior season. The recent decision by federal and state governments to further restrict attendance at games, in response to the resurgence of COVID-19 in November, highlights the uncertain operating environment for the club. We currently retain our prior forecasts but our SOTP valuation reduces by 8% to €11.96/share.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
06/19	370.3	116.0	101.5	0.88	0.06	5.9	4.9
06/20	370.2	63.0	45.6	0.47	0.00	11.1	9.1
06/21e	336.2	39.5	23.0	0.25	0.00	20.8	14.5
06/22e	346.6	60.8	43.8	0.43	0.00	12.1	9.4

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

## Q121: Delayed start to the new season

Due to the delayed start to the new football season, with fewer games played during Q121 (one home Bundesliga game) than the prior year (three home Bundesliga games and one Champions League game), and fan attendance at games severely restricted due to COVID-19, revenue declined by 46% y-o-y to €56.5m. All sources of revenue fell versus Q120 and the company reported an EBITDA loss of €9.3m. There was good control of costs, where possible. Total operating expenses fell by 20% y-o-y, within which personnel declined by 13%, including among the playing squad, and other operating expenses by 48%. The operating loss and net investment in the playing squad spend of €63m, albeit much lower than the Q120 investment of €116m, led to an increase in the net debt position of €94m vs €29m at the end of FY20. After seven games of the new season, to the date of the quarterly report, the team is third in the Bundesliga with 15 points, three points behind first-placed Bayern Munich.

## FY21: Outlook remains uncertain

At this early stage of the season, and with a high level of uncertainty about when fans will be allowed to return to watch games, we retain our prior forecasts for FY21, as per our recent [Outlook note](#). Following earlier trials to allow a restricted number of fans into the stadium, all games in November are to be played with no fans in attendance, and further disruptions due to COVID-19 are possible.

## Valuation: SOTP valuation reduced to €11.96/share

Our SOTP valuation reduces to €11.96/share from €13.03 to reflect a number of changes: the higher net debt position vs June 2020; the May 2018 brand valuation is adjusted for recent changes in the share prices of quoted peers; and the estimated squad valuation (per Transfermarkt.com) of €587m is adjusted down by the average transfer costs (as a percentage of gross transfer fees) since FY19 of 9.4%.

## Travel & leisure

16 November 2020

**Price** €5.2

**Market cap** €478m

£0.9/€

Net debt (€m) at 30 September 2020 94.1

Shares in issue 92.0m

Free float 59.9%

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 5.3 (13.4) (38.3)

Rel (local) 4.8 (13.9) (37.6)

52-week high/low €9.39 €4.21

## Business description

The group operates Borussia Dortmund, a leading football club, Bundesliga runners up in 2019/20, DFB Super Cup winners in 2019/20 and DFB Cup winners in 2016/17. The club has qualified for the Champions League in eight of the last 10 seasons.

## Next events

H121 results February 2021

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**Exhibit 1: Financial summary**

	€'k	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>										
Revenue		256,280	263,601	281,261	328,375	313,310	370,256	370,196	336,239	346,606
Cost of Sales		(15,857)	(8,237)	69,322	51,388	202,639	(21,273)	(22,392)	(17,066)	(19,384)
Gross Profit		240,423	255,364	350,583	379,763	515,949	348,983	347,804	319,173	327,222
EBITDA		49,132	55,594	86,668	74,073	137,306	115,983	62,992	39,500	60,801
Normalised operating profit		40,976	46,025	75,798	62,597	126,150	103,160	49,050	25,205	46,326
Amortisation of acquired intangibles		(22,523)	(32,865)	(31,899)	(51,939)	(66,814)	(65,850)	(88,285)	(94,972)	(107,072)
Exceptionals		0	0	(7,469)	0	(20,362)	(13,809)	(3,903)	0	0
Reported operating profit		18,453	13,160	36,430	10,658	38,974	23,501	(43,138)	(69,767)	(60,746)
Net Interest		(3,889)	(7,159)	(2,104)	(1,567)	(4,336)	(1,705)	(3,444)	(2,233)	(2,483)
Joint ventures & associates (post tax)		27	0	8	28	13	13	(1)	0	0
Profit Before Tax (norm)		37,114	38,866	73,702	61,058	121,827	101,468	45,605	22,972	43,843
Profit Before Tax (reported)		14,591	6,001	34,334	9,119	34,651	21,809	(46,583)	(72,000)	(63,229)
Reported tax		(2,621)	(469)	(4,898)	(910)	(2,946)	(4,418)	2,630	0	(4,384)
Profit After Tax (norm)		30,447	35,828	63,188	54,965	111,469	80,913	43,030	22,972	39,458
Profit After Tax (reported)		11,970	5,532	29,436	8,209	31,705	17,391	(43,953)	(72,000)	(67,613)
Minority interests		(310)	(281)	(245)	0	0	0	0	0	0
Net income (normalised)		30,137	35,547	62,943	54,965	111,469	80,913	43,030	22,972	39,458
Net income (reported)		11,660	5,251	29,191	8,209	31,705	17,391	(43,953)	(72,000)	(67,613)
Average number of shares outstanding (m)		61.4	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0
EPS - normalised (c)		49.06	38.64	68.42	59.74	121.16	87.95	46.77	24.97	42.89
EPS - diluted normalised (€)		0.49	0.39	0.68	0.60	1.21	0.88	0.47	0.25	0.43
EPS - basic reported (€)		0.19	0.06	0.32	0.09	0.34	0.19	(0.48)	(0.78)	(0.73)
Dividend (€)		0.10	0.05	0.06	0.06	0.06	0.06	0.00	0.00	0.00
Revenue growth (%)		1.1	2.9	6.7	16.8	(-4.6)	18.2	(-0.0)	(-9.2)	3.1
Gross Margin (%)		93.8	96.9	124.6	115.6	164.7	94.3	94.0	94.9	94.4
EBITDA Margin (%)		19.2	21.1	30.8	22.6	43.8	31.3	17.0	11.7	17.5
Normalised Operating Margin		16.0	17.5	26.9	19.1	40.3	27.9	13.2	7.5	13.4
<b>BALANCE SHEET</b>										
Fixed Assets		249,492	289,509	302,765	354,858	351,405	371,715	441,455	390,189	329,642
Intangible Assets		61,602	96,340	65,278	141,521	120,342	163,710	229,667	189,695	137,624
Tangible Assets		184,502	189,518	188,423	184,664	180,693	184,001	193,037	181,742	173,267
Investments & other		3,388	3,651	49,064	28,673	50,370	24,004	18,751	18,751	18,751
Current Assets		42,803	97,030	121,780	123,739	134,207	128,356	76,512	44,802	35,413
Stocks		5,921	9,376	10,158	8,978	5,588	4,569	6,754	5,148	5,847
Debtors		14,923	29,680	51,072	48,776	22,981	30,061	36,520	33,170	34,193
Cash & cash equivalents		17,852	53,739	51,722	49,297	59,464	55,865	3,317	(23,436)	(34,548)
Other		4,107	4,235	8,828	16,688	46,174	37,861	29,921	29,921	29,921
Current Liabilities		(71,014)	(61,627)	(78,811)	(140,912)	(119,026)	(125,388)	(122,609)	(111,633)	(109,310)
Creditors		(59,927)	(58,327)	(69,587)	(128,707)	(113,949)	(119,779)	(110,188)	(89,212)	(86,889)
Tax and social security		(571)	(803)	(5,212)	(732)	(1,962)	(811)	(40)	(40)	(40)
Short term borrowings		(8,889)	0	0	0	0	0	(8,031)	(18,031)	(18,031)
Finance leases		(1,627)	(2,497)	(2,640)	(10,295)	(1,969)	(3,127)	(4,350)	(4,350)	(4,350)
Other		0	0	(1,372)	(1,178)	(1,146)	(1,671)	0	0	0
Long Term Liabilities		(76,032)	(38,834)	(36,192)	(25,383)	(23,001)	(19,764)	(89,911)	(89,911)	(89,911)
Long term borrowings		(32,139)	0	0	0	0	0	0	0	0
Finance leases		(20,142)	(21,630)	(18,990)	(8,695)	(6,726)	(8,381)	(20,054)	(20,054)	(20,054)
Other long term liabilities		(23,751)	(17,204)	(17,202)	(16,688)	(16,275)	(11,383)	(69,857)	(69,857)	(69,857)
Net Assets		145,249	286,078	309,542	312,302	343,585	354,919	305,447	233,447	165,834
Minority interests		(334)	(305)	0	0	0	0	0	0	0
Shareholders' equity		144,915	285,773	309,542	312,302	343,585	354,919	305,447	233,447	165,834
<b>CASH FLOW</b>										
Op Cash Flow before WC and tax		45,270	48,435	84,572	72,534	132,983	111,914	59,547	37,266	58,318
Working capital		(6,672)	(20,851)	29,052	31,488	(9,402)	5,673	(18,011)	(16,020)	(4,045)
Exceptional & other		(4,649)	(3,193)	(76,641)	13,868	52,171	(84,587)	(38,877)	(37,767)	(47,517)
Tax		(3,879)	(200)	(320)	(5,476)	(1,723)	(2,834)	305	0	(4,384)
Operating cash flow		30,070	24,191	36,663	112,414	174,029	30,166	2,964	(16,520)	2,372
Capex		(10,923)	(10,399)	(9,442)	(8,139)	(7,195)	(9,872)	(6,143)	(3,000)	(6,000)
Net investment in intangibles		2,058	(61,682)	(20,038)	(96,526)	(135,556)	(13,643)	(44,646)	(15,000)	(5,000)
Acquisitions/disposals		0	0	(500)	(45)	0	0	0	0	0
Net interest		(3,644)	(7,244)	(1,435)	(2,002)	(3,668)	(1,456)	(3,326)	(2,233)	(2,483)
Equity financing		5	140,708	1	0	0	0	0	0	0
Dividends		(6,523)	(6,451)	(5,124)	(5,519)	(5,519)	(5,519)	(5,519)	0	0
Other		(5,727)	(43,236)	(2,142)	(2,608)	(11,924)	(3,275)	4,122	10,000	0
Net Cash Flow		5,316	35,887	(2,017)	(2,425)	10,167	(3,599)	(52,548)	(26,753)	(11,111)
Opening net debt/(cash)		53,932	44,945	(29,612)	(30,092)	(30,307)	(50,769)	(44,357)	29,118	65,871
Other non-cash movements		3,671	38,670	2,497	2,640	10,295	(2,813)	(20,927)	(10,000)	0
Closing net debt/(cash)		44,945	(29,612)	(30,092)	(30,307)	(50,769)	(44,357)	29,118	65,871	76,983

Source: Company accounts, Edison Investment Research

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