

Borussia Dortmund GmbH & Co. KGaA

BUY (BUY) | Target EUR 5.00 (EUR 6.00)

 Price (last closing price) : **EUR 3.54** | Upside : 41%

Est. change	2015e	2016e
EPS	-4%	-

Revised full-year ests: revenues at EUR 285m; net income at EUR 5.5m

Friday, 15 May 2015



Capital	
BVB GY BVB.DE	
Market Cap (EURm)	326
Enterprise value (EURm)	292
Extrema 12 months	5.11 - 3.375
Free Float (%)	71.2%

Performance (%)	1m	3m	12m
Absolute	-1.1	-15.9	-7.3
Perf. rel. "sector"	2.7	-21.5	-31.5
Perf. rel. SDAX	-1.1	-23.9	-31.9

P & L	6/15e	6/16e	6/17e
Sales (EURm)	285	288	303
EBITDA (EURm)	57.7	60.7	65.6
EBIT (EURm)	14.7	12.9	13.2
Attr. net profit (EURm)	5.6	9.5	8.8
EPS (EUR)	0.06	0.10	0.10
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	58.3	34.2	36.8
P/B (x)	1.1	1.1	1.1
Dividend yield (%)	3%	3%	3%
FCF yield (%)	-18%	6%	9%
EV/Sales (x)	1.0	1.0	1.0
EV/EBITDA (x)	5.1	4.8	4.5
EV/EBIT (x)	19.8	22.6	22.1
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA(x)	n.s.	n.s.	n.s.

Next Events	
Annual report 2014/2015	Aug 15

9M 14/15 figures mixed

Borussia Dortmund (BVB) posted today its 9M report (31 March) for FY 14/15 (30 June). Overall, the results were rather mixed: top line well on track, OPEX was slightly higher than exp'd, EBITDA and EBIT down 6.6% and 85% yoy, respectively.

9M 14/15 EBITDA slipped 6.6% yoy to EUR 33.4m (PY: EUR 35.7m) despite 5.8% revenue growth to EUR 204.1m (PY: EUR 193.0m). EBIT fell much more sharply: from EUR 13.1m to EUR 1.9m as D&A soared from EUR 22.7m (run rate EUR ~7m per quarter) to EUR 31.4m (run rate EUR ~10m per quarter). On the bottom line, the company posted a net loss of EUR -4.9m in 9M vs. EUR +8.2m in 9M 13/14

Segment level: **Match operations**: revenues down 8.1% yoy to EUR 28.7m (reason: 2 less home games than in 9M 13/14); **Advertising**: revenues up 8.8% yoy to EUR 55.6m (growth well intact); **TV marketing**: revenues up 6.4% yoy to EUR 65.3m; **Retail, Catering & Merchandising**: revenues up 11.8% to EUR 48.7m (merchandising still a growth driver).

Our revised full-year estimates

Like the 9M figures themselves, our adjustments for the full year 14/15 are rather mixed. We raise our top line now that the team has reached the DFB Cup Final, but we also raise our OPEX following the 9M figures. All in all, we now forecast full-year group **revenues** of EUR 285.3m (previously: EUR 274.9m; +4%). Our earnings estimates, except EBITDA, are all slightly down: **EBITDA** of EUR 57.7m (previously: EUR 57.0m), **EBIT** of EUR 14.7m (previously: EUR 16.8m), **net income** of EUR 5.6m (previously: EUR 7.2m), translating into **EPS** of EUR 0.06.

For **4Qe** these adjustments translate to group **revenues** of EUR 81.1m (4Q 13/14: EUR 67.8m; +19.7% yoy), **EBITDA** of EUR 24.3m (PY: EUR 13.4m; +82% yoy) and **net income** at EUR 10.5m (PY: EUR 3.4m). Reasons for the strong yoy performance: 1) DFB-Cup Final (originally only assumed to reach the quarterfinals); 2) two more home games in 4Q than last year (5 vs. 3); 3) higher TV marketing and advertising revenues (+28% yoy in Advertising; +16% in TV marketing); 4) still-strong merchandising performance (+20% yoy). Regarding next season, we will reassess our estimates as soon as we know whether BVB will qualify for the UEFA Europe League (by winning DFB Pokal or placing at least 7th in Bundesliga; current ranking: 7th, 2 points behind rank 6).

BUY; PT cut to EUR 5.00; 43% upside potential

BVB's remains fundamentally on track, and given the team's respectable performance in the second half of the Bundesliga season, the outlook for next season is promising. However, given the stock's current sideways trend, we have to lower our **PT to EUR 5.00/BUY** as a result of following issues: 1) Short positions still at around ~2% of outstanding shares (BlackRock, Macquarie): BlackRock has started to close some short positions but is still more than 1% short; 2) mostly due to the high short positions, the current trading range is around EUR 3.50. The stock is likely to remain under pressure until the short positions are closed; 4) still uncertainty as to whether BVB will play internationally next season (only a marginal problem given the Champions League insurance with a volume of EUR 15-20m).

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Profit and loss account

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Sales			215.24	305.03	260.74	285.25	288.46	302.88
YoY growth			-	41.7%	-14.5%	9.4%	1.1%	5.0%
Cost of materials			-12.48	-17.49	-20.31	-22.82	-23.08	-27.26
as % of sales			-5.8%	-5.7%	-7.8%	-8.0%	-8.0%	-9.0%
Personnel costs			-79.92	-106.22	-107.79	-116.09	-112.50	-116.61
as % of sales			-37.1%	-34.8%	-41.3%	-40.7%	-39.0%	-38.5%
Other operating income			7.63	2.79	5.23	5.50	3.00	3.50
as % of sales			3.5%	1.3%	2.4%	2.6%	1.4%	1.6%
Other operating expenses			-70.49	-96.58	-88.73	-94.13	-95.19	-96.92
as % of sales			-32.7%	-31.7%	-34.0%	-33.0%	-33.0%	-32.0%
EBITDA			59.98	87.53	49.13	57.70	60.69	65.59
as % of sales			27.9%	28.7%	18.8%	20.2%	21.0%	21.7%
Depreciation and amortisation (incl. PPA depreciation)			-18.59	-22.41	-30.68	-42.99	-47.77	-52.40
as % of sales			-8.6%	-7.3%	-11.8%	-15.1%	-16.6%	-17.3%
EBIT (reported)			41.39	65.12	18.45	14.71	12.92	13.19
as % of sales			19.2%	21.3%	7.1%	5.2%	4.5%	4.4%
Net financial results			-4.86	-5.07	-3.89	-7.04	-0.25	-0.25
EBT (Earnings before income taxes)			36.59	60.04	14.59	7.67	12.67	12.94
as % of sales			17.0%	19.7%	5.6%	2.7%	4.4%	4.3%
Income taxes (incl. other taxes)			-9.06	-8.84	-2.62	-1.79	-3.14	-3.79
as % of EBT			-24.8%	-14.7%	-18.0%	-23.3%	-24.8%	-29.3%
Net income			27.53	51.19	11.97	5.88	9.53	9.14
Minorities			0.12	-0.37	-0.31	-0.30	-	-0.30
Net income attributable to shareholders			27.41	50.82	11.66	5.58	9.53	8.84
as % of sales			12.7%	16.7%	4.5%	2.0%	3.3%	2.9%
Shares outstanding (in m)			61.4	61.4	61.4	92.0	92.0	92.0
Basic earnings per share (EUR)			0.45	0.83	0.19	0.06	0.10	0.10

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Assets								
Non-current assets			210.40	212.22	249.49	285.93	273.31	251.01
as % of total assets			84.6%	70.2%	85.4%	71.3%	68.1%	62.3%
Intangible assets			25.75	28.43	61.60	96.35	85.96	67.19
Property, plant and equipment			182.60	178.38	184.50	186.12	183.84	180.30
Financial assets			0.35	0.38	0.38	0.35	0.35	0.35
Income tax claims			1.67	1.45	1.25	1.81	1.86	1.86
Other assets			0.03	0.79	0.50	0.05	0.05	0.05
Other long-term receivables			0.00	2.79	1.26	1.26	1.26	1.26
Current assets			38.30	90.20	42.80	115.06	128.17	151.88
as % of total assets			15.4%	29.8%	14.6%	28.7%	31.9%	37.7%
Inventories			5.81	7.54	5.92	8.56	8.65	9.09
Accounts receivable, other receivables and other assets			27.22	70.12	18.84	52.28	54.05	57.48
Cash and cash equivalents			5.27	12.54	17.85	54.03	65.28	85.13
Total assets			248.71	302.42	292.30	401.00	401.48	402.89
Shareholders' equity and liabilities								
Shareholders' equity			93.46	140.62	145.25	285.70	286.03	285.97
as % of total equity and liabilities			37.6%	46.5%	49.7%	71.2%	71.2%	71.0%
Subscribed capital			61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others			31.81	78.72	83.61	193.18	193.51	193.15
Own shares			-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
Equity attributable to shareholders			93.11	140.03	144.92	285.06	285.39	285.04
Minorities			0.35	0.59	0.33	0.63	0.63	0.93
Current provisions and liabilities			61.95	74.42	71.01	71.34	71.09	72.55
as % of total equity and liabilities			24.9%	24.6%	24.3%	17.8%	17.7%	18.0%
Financial lease			1.28	1.38	1.63	2.46	2.46	2.46
Financial liabilities			5.97	4.50	8.89	0.00	0.00	0.00
Current provisions			19.22	13.95	21.02	28.67	28.09	28.38
Accounts payable			9.64	14.20	18.12	23.44	23.71	24.89
Current income tax liabilities			3.83	3.45	0.57	0.57	0.63	0.63
Other current liabilities			22.01	36.94	20.79	16.19	16.19	16.19
Non-current provisions and liabilities			93.31	87.38	76.03	43.96	44.37	44.37
as % of total equity and liabilities			37.5%	28.9%	26.0%	11.0%	11.1%	11.0%
Financial liabilities			41.27	40.83	32.14	0.00	0.00	0.00
Financial lease			21.15	19.77	20.14	22.21	22.21	22.21
Deferred tax liabilities			0.00	0.00	0.00	0.00	0.00	0.00
Other payables and liabilities			30.89	26.79	23.75	21.75	22.16	22.16
Total equity and liabilities			248.71	302.42	292.30	401.00	401.48	402.89

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
EBT (Earnings before income taxes)			36.59	60.04	14.59	7.67	12.67	12.94
Depreciation and amortisation			18.59	22.41	30.68	42.99	47.77	52.40
Other transactions incl. non-cash			-28.22	-57.16	-12.17	-0.46	-3.14	-3.79
Change in Working Capital			1.08	3.31	-6.67	-29.25	-1.76	-2.40
Cash flow from operating activities			28.04	28.60	26.43	20.95	55.54	59.15
CAPEX			-28.28	-27.51	-62.37	-81.20	-35.10	-30.10
Other investing activities			19.57	13.27	53.53	0.00	0.00	0.00
Cash flow from investing activities			-8.70	-14.25	-8.84	-81.20	-35.10	-30.10
Change in debt			-11.69	-1.99	-4.30	-41.03	0.00	0.00
Repayment of liabilities under finance lease			-1.13	-1.29	-1.45	2.90	0.00	0.00
Paid interests			0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from capital increase & right capital			0.00	0.00	0.00	140.71	0.00	0.00
Acquisition of treasury shares			0.01	0.01	0.01	0.00	0.00	0.00
Dividend payments			-0.10	-3.81	-6.52	-6.14	-9.20	-9.20
Cash flow from financing activities			-12.91	-7.08	-12.27	96.43	-9.20	-9.20
Total change in cash and cash equivalents			6.43	7.27	5.32	36.18	11.24	19.85
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			-1.16	5.27	12.54	17.85	54.03	65.28
Cash and cash equivalents at year's end			5.27	12.54	17.85	54.03	65.28	85.13

Source: Company Data, Oddo Seydler Bank AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
15 May 2015	BUY	EUR 3.54	EUR 5.00
27 February 2015	BUY	EUR 4.07	EUR 6.00
10 February 2015	BUY	EUR 3.94	EUR 6.00
29 January 2015	BUY	EUR 3.84	EUR 6.00
18 November 2014	BUY	EUR 4.40	EUR 6.00
14 August 2014	BUY	EUR 4.79	EUR 6.00
27 June 2014	BUY	EUR 4.53	EUR 6.00
16 June 2014	BUY	EUR 4.41	EUR 6.00



19 May 2014	BUY	EUR 3.86	EUR 5.00
16 April 2014	BUY	EUR 3.82	EUR 5.00

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