

Borussia Dortmund GmbH & Co KGaA

Germany - Others



HAUCK & AUFHÄUSER
Investment Banking

Buy (initiation)

Price target: EUR 8.00 (initiation)

Price: EUR 5.92 **Next result:** FY'20/21 (final) 28.09.21
Bloomberg: BVB@GR **Market cap:** EUR 544.6 m
Reuters: BVB.DE **Enterprise Value:** EUR 539.1 m

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The balanced champions – Initiate with BUY

Football is a simple game, and so are the economics behind it. Eventually it all boils down to **maximizing and monetizing brand value in order to manage a successful club**. This becomes clear when considering that the majority of revenues, i.e. 71%, come from TV rights and Advertising.

However, maximizing brand value comes with a pitfall in football as it usually builds on sporting success and generating sporting success is costly. Luckily, **BVB management found a way to balance sporting success and costs**, which shows in its solid profitability. In fact, BVB achieved an average EBITDA margin of 23% between 16/17 and 19/20 vs. 14% industry median.

At the heart of BVB's success is the company's **'scout & develop' strategy**. It rests on the ability to find, attract and develop talents. This is where it clearly **differentiates from peers**, which either struggle to attract talent or fail to develop it. In fact, BVB is not only capable of paying competitive transfer fees and salaries but also offers regular Champions League appearances serving as a stage for talented players to prove themselves.

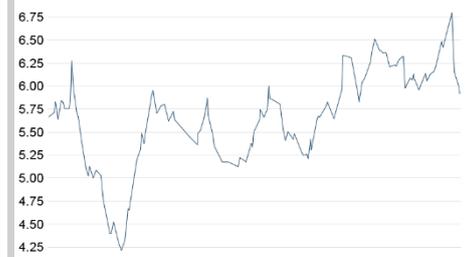
Additionally, BVB is **creating excitement aside from the pure results** through its stadium but also its style of football. Unsurprisingly, BVB has 952 fan clubs with 64k **registered members and more than 36m social media followers**, thus generating substantial reach that is valuable to its sponsors. On the back of this, BVB was able to increase its advertising revenue by 10% in 2020/21 despite the difficult circumstances.

With people returning to stadiums, a new coach and strong squad, the 2021/22 season looks set to be a good one for BVB. While spectators were banned from stadiums in the previous year, **restrictions should be gradually removed and we expect stadium capacity utilization to average 46% in 2021/22 and 88% in 2022/23**.

Going forward, BVB is seen to grow revenues at a CAGR'20/21-23/24 of 8% to € 420m, while growing EBITDA from € 39m to € 126m. Valuation looks attractive considering that shares are still significantly below pre Covid levels despite the expected return of fans to the stadium. A peer group comparison underscores this point as **BVB is trading on merely 1.6x EV/sales 2021/22 vs. the peer median of 2.2x**. Also, note that the current squad has a market value of € 573m vs. € 539m EV. Initiate with **BUY, € 8 PT based on DCF** (7% WACC, 3% LT growth, 9% TY EBIT margin).

Y/E 30.6 (EUR m)	2017/18	2018/19	2019/20	2020/21P	2021/22E	2022/23E	2023/24E
Sales	536.0	370.3	370.2	334.2	342.6	390.0	419.8
Sales growth	32 %	-31 %	0 %	-10 %	3 %	14 %	8 %
EBITDA	137.3	33.1	63.0	39.0	95.9	114.3	126.0
EBIT	39.0	-59.4	-43.1	-72.1	-15.1	1.2	12.6
Net income	31.7	-65.5	-44.0	-72.8	-14.5	0.0	10.2
Net debt	-50.8	-44.4	29.1	76.2	-5.5	-100.6	-196.1
Net gearing	-14.8 %	-12.5 %	9.5 %	32.8 %	-1.9 %	-26.9 %	-42.4 %
Net Debt/EBITDA	0.0	0.0	0.5	2.0	0.0	0.0	0.0
EPS pro forma	0.34	-0.71	-0.48	-0.79	-0.16	0.00	0.11
CPS	0.78	-0.69	-1.16	-1.03	-0.16	-0.03	0.03
DPS	0.06	0.06	0.06	0.00	0.00	0.06	0.06
Dividend yield	1.0 %	1.0 %	1.0 %	0.0 %	0.0 %	1.0 %	1.0 %
Gross profit margin	96.3 %	94.3 %	94.0 %	94.1 %	94.2 %	94.0 %	94.0 %
EBITDA margin	25.6 %	8.9 %	17.0 %	11.7 %	28.0 %	29.3 %	30.0 %
EBIT margin	7.3 %	-16.0 %	-11.7 %	-21.6 %	-4.4 %	0.3 %	3.0 %
ROCE	11.3 %	-16.4 %	-12.2 %	-22.2 %	-4.8 %	0.3 %	2.9 %
EV/sales	0.9	1.4	1.5	1.9	1.6	1.1	0.8
EV/EBITDA	3.6	15.1	9.1	15.9	5.6	3.9	2.8
EV/EBIT	12.7	-8.4	-13.3	-8.6	-35.8	379.5	27.7
PER	17.2	-8.3	-12.4	-7.5	-37.6	n/m	53.4
Adjusted FCF yield	7.4 %	-12.9 %	-7.1 %	-11.6 %	-2.5 %	0.3 %	3.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 25.08.2021



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 6.80 / 4.21

Price/Book Ratio: 1.8

Relative performance (SDAX):

3 months -12.5 %

6 months -3.5 %

12 months -29.5 %

Changes in estimates

		Sales	EBIT	EPS
2021	old:	342.6	-15.1	-0.16
	Δ	-	-	-
2022	old:	390.0	1.2	0.00
	Δ	-	-	-
2023	old:	419.8	12.6	0.11
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 92.0

Authorised capital: (in € m) 18.4

Book value per share: (in €) 3.2

Ø trading volume: (12 months) 318,000

Major shareholders:

Free Float	59.9 %
Evonik Industries AG	9.8 %
Geske Bernd	9.4 %
Ballspielverein Borussia 09 e.V. Dortmund	5.5 %
SIGNAL IDUNA	5.4 %
Puma	5.0 %
Ralph Dommermuth	5.0 %
Beteiligungen GmbH	

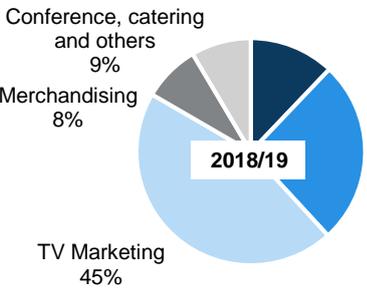
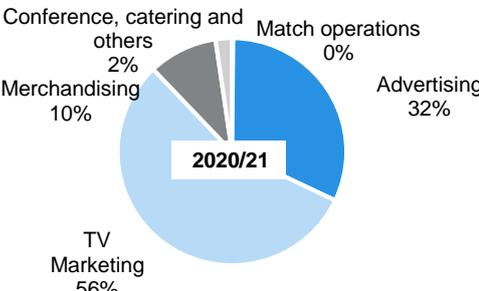
Company description:

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

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BVB in a nutshell

Segments	Match operations	Advertising	TV Marketing	Merchandising	Conference, catering and others	Group
Products	Regular tickets, season tickets, VIP boxes	Various advertising and sponsoring contracts, i.e. jersey, stadium name, boards, etc.	TV rights distributed by the DFL and the DFB as well as the UEFA	Merchandise sales in online and offline stores	Match-day hospitality, non-football events in the stadium as well as fees for players out on loan	
Sales 20/21 (€ m)	0.6	106.6	186.7	32.6	7.7	334.2
Sales share	0%	32%	56%	10%	2%	
Sales 18/19 (€ m)	44.7	96.8	167.3	30.0	31.4	370.3
Sales share	12%	26%	45%	8%	8%	
Sporting history	 8x Bundesliga winner  45 consecutive years in the 1. Bundesliga from 1976 until today	 5x DFB Cup winner	 1x Champions League winner			
Most valuable players	Erling Haaland (€ 130m), Jude Bellingham (€ 55m), Raphaël Guerreiro (€ 40m), Giovanni Reyna (€ 38m), Total Squad value of € 573m					
Social media follower	Facebook 15m, Instagram 15m, Twitter 4m, TikTok 4m, Youtube 1m					
Fanbase	952 fanclubs and c. 64k registered club members, 55k season tickets sold each year					
						
Stadium	SIGNAL IDUNA PARK: Total capacity of 81k people including Europe's largest standing area with a capacity for 25k people, 56 seats and 18 VIP boxes. Largest stadium in Germany. Average utilization 100%, annual payments for name rights € 6m (eH&A)					
Sales distribution by segment						
EBIT 20/21 (€ m)	-72.1					-72.1

Source: Company data, Transfermarkt.de, Deloitte football money league 2020, Hauck & Aufhäuser estimates

Competitive Quality

Competitive quality is based on excellent brand value building on:

- Strong sporting history driven by a **differentiated ‘scout & develop’ strategy**
- Ever **growing reach** including an appealing social media appearance
- The **largest stadium in Germany**, unmatched in terms of atmosphere
- **Experienced management** with proven track record

Business quality is reflected in:

- A sound balance sheet as well as strong visibility on the back of longstanding contracts

Given that the largest part of revenues is typically generated by the sale of TV rights and advertisement, a **football club’s economic success ultimately rests on its ability to attract media and fan attention across all relevant channels**, i.e. in the stadium, on social media and via TV. Therefore, **brand value and brand awareness is the most important asset for a football club**. In this regard, BVB plays among the top clubs in Europe. Two key factors are seen to drive BVB’s reach and brand value:

1) ‘Scout & develop’ strategy ensuring constant sporting success

Sporting success undoubtedly is one of the most important factors driving brand awareness and value, as it is the foundation for airtime on TV and other media channels, which is what sponsors are looking for. Unsurprisingly, Real Madrid, FC Barcelona and FC Bayern, which together have won six out of the last ten UEFA Champions League titles rank one, two and three in terms of revenue in 2019/20 among European football clubs.

While large clubs like Real Madrid and Barcelona often spend hundreds of millions to finance their costly star squads, **BVB follows its own strategy to achieve sporting success, differentiating it from peers**.

BVB focuses on **scouting young talented players and forming them into top-notch players**. It aims to keep the players for longer time periods to ensure consistent success, hence not hunting the quick buck with transfers but rather having the longer term sporting success in mind. Only rarely, when the offers are too good to ignore, **BVB opportunistically sells future super stars**, e.g. Dembélé was sold to Barcelona after only one year at BVB for € 135m vs. a consideration of € 35m that BVB paid in 2016.

BVB transfers

Player	Arrival	Transfer fee at arrival (€m)	Departure	Transfer fee at departure (€m)	Current market value (€m)
Ousmane Dembélé	01/07/2016	35	25/08/2017	135	50
Jadon Sancho	31/08/2017	8	23/07/2021	85	100
Christian Pulisic	10/02/2015	(academy)	02/01/2019	64	50
Pierrre-Emerick Aubameyan	04/07/2013	13	31/01/2018	64	25
Henrikh Mkhitaryan	09/07/2016	28	06/07/2016	42	15
Mario Götze	01/07/2001	(academy)	01/07/2013	37	12
Mats Hummels	01/07/2009	4	01/07/2016	35	12
Abdou Diallo	01/07/2018	28	16/07/2019	32	25
Ilkay Gündogan	01/07/2011	6	01/07/2016	27	40
Paco Alcácer	01/07/2019	21	30/01/2020	23	22

Source: transfermarkt.de, H&A

In our view, this **approach is much less risky and especially less costly** compared to buying seasoned players at the peak of their performance cycle. Here BVB would compete with top clubs like Real Madrid, Bayern München and the Premier League top dogs, all of which tend to have deeper pockets.

The chart below demonstrates the advantage of BVB’s approach. While peers cumulatively spent a net amount of more than € 500m for their squads since 2005/06, **BVB actually achieved a cumulated net gain of € 134m.**

Transfer history BVB vs. select peers							
Season	Cumulative value of arrivals between 2005/06 and today (€ m)	Cumulative value of departures between 2005/06 and today (€ m)	Net +proceeds/ - investment (€ m)	Current squad market value	Squad market value 2005/06	squad value creation: Δ squad value - cumulative investment	CAGR squad value
BVB	792	926	134	573	79	629	14%
FC Bayern München	990	458	-533	814	178	103	11%
Real Madrid	1813	1101	-712	707	282	-287	6%
FC Barcelona	1854	1075	-779	781	328	-326	6%
Paris St. Germain	1423	516	-907	791	85	-202	16%
Manchester United	1608	602	-1006	737	257	-527	7%
Manchester City	2120	665	-1455	1030	92	-517	17%

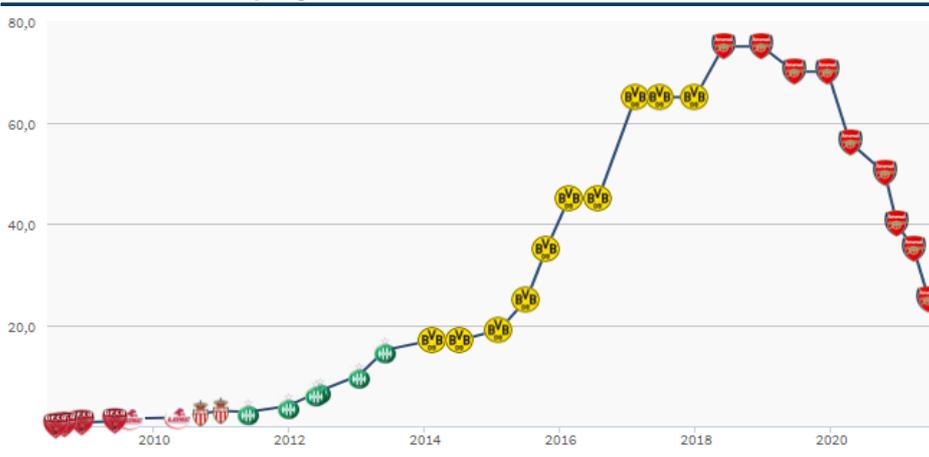
Source: Transfermarkt.de, H&A

At the same time, the **‘scout & develop’ strategy is also less risky compared to the approach of clubs like Porto F.C.**, which also scouts young players but releases them much earlier creating a need to constantly find new talent.

The reason why BVB’s strategy is hard to copy is that it is not only about finding talent but also about attracting and winning it. BVB’s advantage in this regard is that it offers players not only a **world class stage, i.e. Bundesliga and regular Champions League appearance, but also decent salary and especially a proper development opportunity as evidenced by several examples.**

Case in point: Pierre-Emerick Aubameyang. BVB scouted Aubameyang in 2014 at age 24. He came from AS Saint-Étienne for € 13m, while also getting interest from several other clubs including Bayer 04 Leverkusen, Juventus and Newcastle United. Under coach Klopp and Tuchel he developed strongly scoring 141 goals in 213 games. In December 2018 he was sold to Arsenal for € 64m.

Market value Aubameyang over time



Source: Transfermarkt.de

Aside from scouting players from other teams, the **‘BVB academy’ presents a state-of-the-art breeding ground for home-grown talents** as has been remarkably demonstrated by Reus (current MV: € 13m), Reyna (current MV: € 38m) and Moukoko (current MV: € 18m). And with new talents such as

Soumaila Coulibaly (€ 0.75m current MV), Abdoulaye Kamara (€ 1m current MV) as well as Julian Rijkhoff and Jamie Bynoe-Gittens, the future pipeline seems to be already well-filled.

As a result, the sensible squad development represents a substantial competitive advantage and should be hard - if not impossible - to replicate. With the current squad achieving a market value of € 573m (of which only € 193m have been capitalized) this has created **substantial hidden reserves**.

Squad development: Strong market value accretion



Source: Transfermarkt.de, H&A

Its thorough ‘scout & develop’ strategy puts **BVB not far behind the top clubs in terms of sporting success**. Nationally, BVB ranks second in the all-time table behind FC Bayern. Since the 2010/11 season, BVB has won two Bundesliga titles, came in second five times and third twice.

Internationally, **BVB is ranked 13th by the UEFA 10 year club coefficient**, which is based on the success of clubs in international competition, i.e. UEFA Champions League and UEFA Europa League.

Top 15 European football clubs				
Club	UEFA 10y rank	League	National all-time rank	Revenue 2019/20 (€m)
Real Madrid	#1	LaLiga	#1	692
FC Bayern	#2	Bundesliga	#1	634
FC Barcelona	#3	LaLiga	#2	715
Atlético Madrid	#4	LaLiga	#3	332
Chelsea	#5	Premier League	#3	470
Juventus	#6	Serie A	#1	398
Manchester United	#7	Premier League	#1	580
Paris St. Germain	#8	Ligue 1	#10	541
FC Porto	#9	Primeira Liga	#2	n.a.
Manchester City	#10	Premier League	#6	549
Arsenal	#11	Premier League	#2	388
Benfica	#12	Primeira Liga	#1	n.a.
BVB	#13	Bundesliga	#2	370
Sevilla	#14	LaLiga	#6	n.a.
Liverpool	#15	Premier League	#4	559

Source: UEFA, weltfussball.de, Deloitte football money league, company data, H&A

2) Excitement and entertainment create a loyal fan base

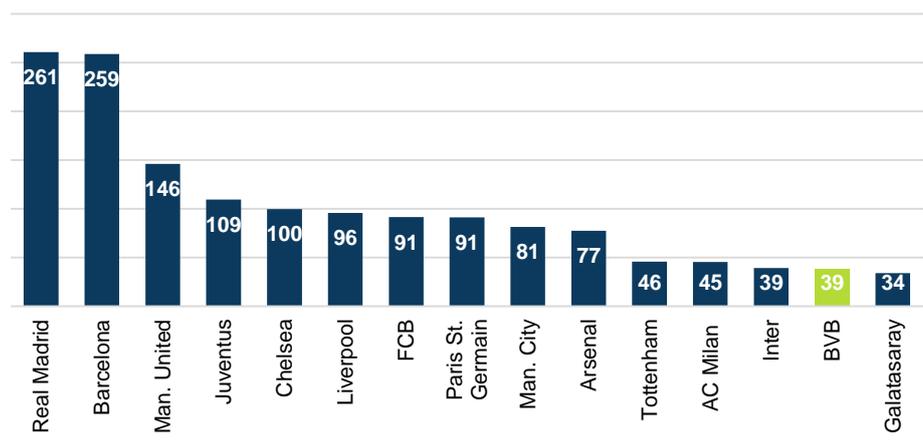
The second important driver of BVB's brand value is its **ability to excite and entertain fans**, which is partly being fueled by sporting success but also defined by its media appearance, game style, values and the atmosphere it creates in the stadium.

Here BVB should have an absolute top-tier position considering that its **stadium is almost completely sold out on every match** and that many come to experience not just the game but the atmosphere and especially the "yellow wall".

On top, BVB manages to create and publish **non-matchday content that fans love to watch**. For instance, BVB filmed a ten-episode documentary called "Stories who we are" that was published by sports streaming provider DAZN.

Lastly, the company constantly posts pictures and videos on social media generating a **reach of more than 39m followers**. Hence, creating additional value for sponsors and advertising partners. To compare, ~23m people in Germany watched the first EURO 2020 match of the German national team on TV.

Social media followers (in m)



Source: Social Media Platforms (facebook, Instagram, Twitter, TikTok, YouTube), H&A

Stadium – SIGNAL IDUNA PARK

Borussia Dortmund fully owns the ‘SIGNAL IDUNA PARK’ stadium, which should represent the majority of its € 183m PP&E as of FY’2020/21. It 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 Temple



Signal Iduna Park: 81,365 total capacity



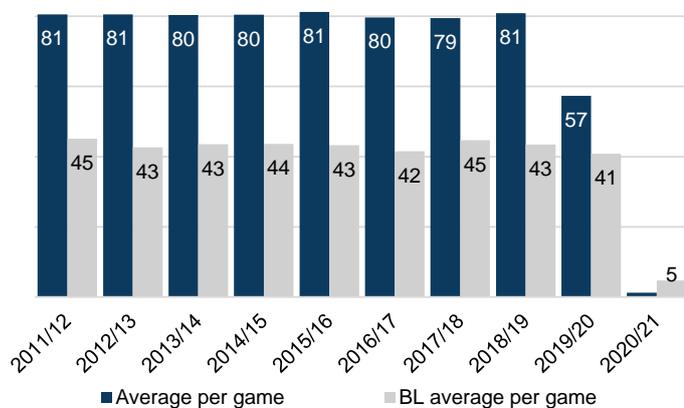
"Yellow wall": 24,451 stands

Source: Company website

This is well underpinned by an **average match attendance of 81k** and 99% average capacity utilization over the last five years before the pandemic. But even in the worst years of deep restructuring, the **average attendance has never been below 70k**. 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 25k fans support their club.

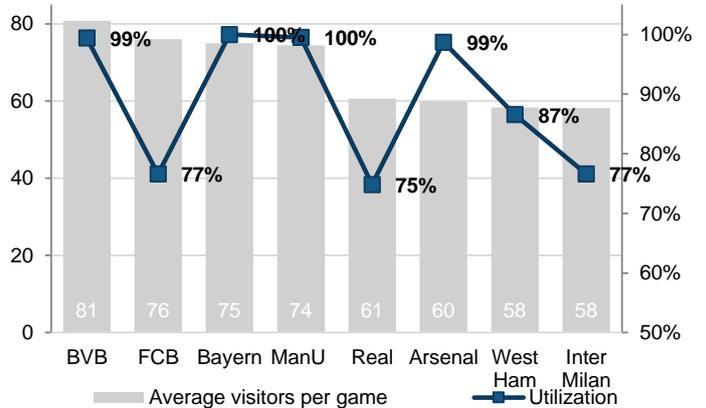
This has transformed the games into Live Entertainment venues, which can easily compete against the most popular domestic attractions. In fact, **with its 1.4m annual visitors the stadium has just as many visitors as Schloss Neuschwanstein** (1.4m in 2019), ranked as the third most popular sight in Germany by DZT (Deutsche Zentrale für Tourismus).

Average visitors per game vs. Bundesliga average



Source: transfermarkt.de, H&A

Average visitors per game and utilization vs. select peers

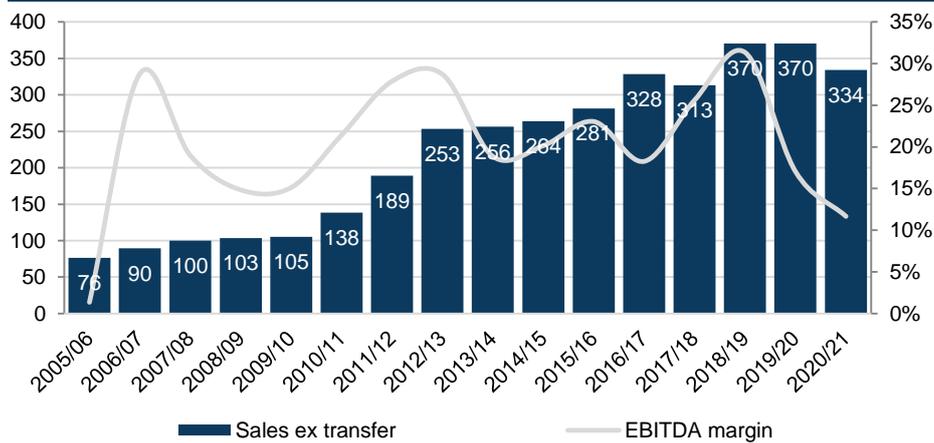


Source: transfermarkt.de, H&A

Management Quality

In managing a football club, **finding the right balance between sporting success and business success** is one of the greatest challenges. BVB management however has proven that this is where it excels considering that it entered in 2005 while the club was near-bankrupt and developed it into **one of the most successful clubs in the Bundesliga**, where (setting covid aside) the business is more profitable than ever.

Management track record



Source: Company data, H&A

Hans-Joachim Watzke, the CEO, and CFO Thomas Treß both joined BVB in 2005 and thus have a solid long-standing track record. In fact, until Covid, BVB achieved **positive net income in every year since 2011 and EBITDA exceeded € 30m every year since 2011**. Revenue excluding transfer gains grew by 12% p.a. from € 76m to € 370m during management’s tenure.

All the while the club managed to win two of its eight Bundesliga titles and three of its five DFB Cup wins. Over the years, **management has become one of the most experienced in the Bundesliga**.

At the same time, **BVB paid a regular dividend of € 0.06 per share** underscoring management’s dedication to shareholders and focus on operating a profitable business.

At age 62 and given the local roots we think the CEO will stay on board for at least a few more years. The same holds true for the CFO.

Business quality

Healthy balance sheet structure as of FY 2020/21

Assets

43% of BVB's assets consist of intangible assets, which are mainly player registrations. Player registrations are capitalized at the time of a transfer and amortized on a straight line over the duration of the individual contract of each player. Comparing the current book value of player registrations, i.e. € 193m, with the market value of € 573m suggests **substantial hidden reserves**.

PP&E account for 41% of total assets and include buildings and training facilities as well as the SIGNAL IDUNA PARK stadium, which has a book value of ca. € 71m (eH&A) and is depreciated with an annual depreciation amount of € 3m. It should be fully written off in 2045 (eH&A).

The remaining 16% of assets include receivables (9% of total assets) as well as inventories (2%), liquid assets and others (6%).

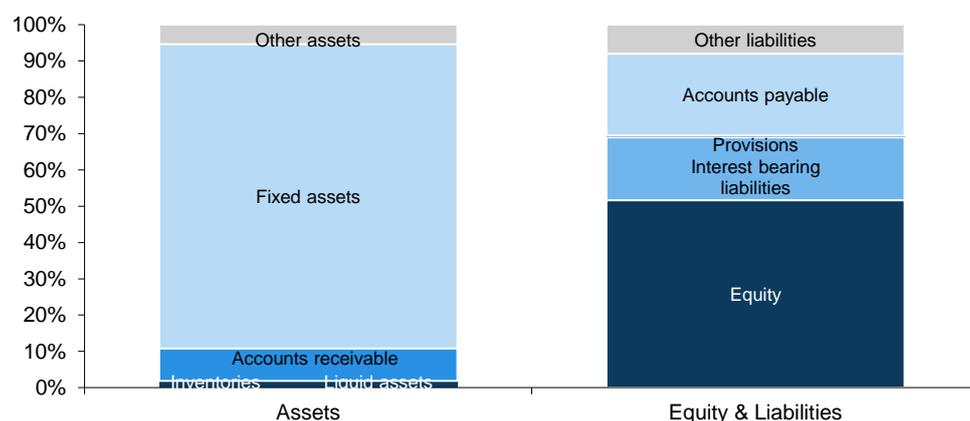
Equity & Liabilities

The equity ratio stands at a healthy 52%, i.e. € 233m as of FY'20/21. This compares to **interest bearing liabilities to the tune of € 78m**, 17% of the balance sheet total. Interest bearing liabilities include mainly lease liabilities for buildings and training facilities (€ 21m) as well as bank loans (€ 57m).

Trade Payables amount to € 101m, 23% of the BS and consist mainly of transfer related payables.

Other liabilities amount to € 39m, 9% of BS total, and include deferred income from the sale of season tickets and upfront payments from sponsors as well as refund liabilities from the sale of merchandise and tickets.

Balance sheet



Source: Company data, H&A

Overall, the **balance sheet seems healthy** thanks to the **high equity ratio as well as substantial hidden reserves** inherent in intangible assets for player registrations. **FCF was consistently positive over the past three years before the pandemic**. In our view, this reflects management's diligent focus on business success.

Recurring revenue provides decent visibility

Given the nature of BVB's contracts with sponsors as well as the distribution of TV money by DFL and UEFA; **a substantial part of BVB'S revenue can be considered recurring.**

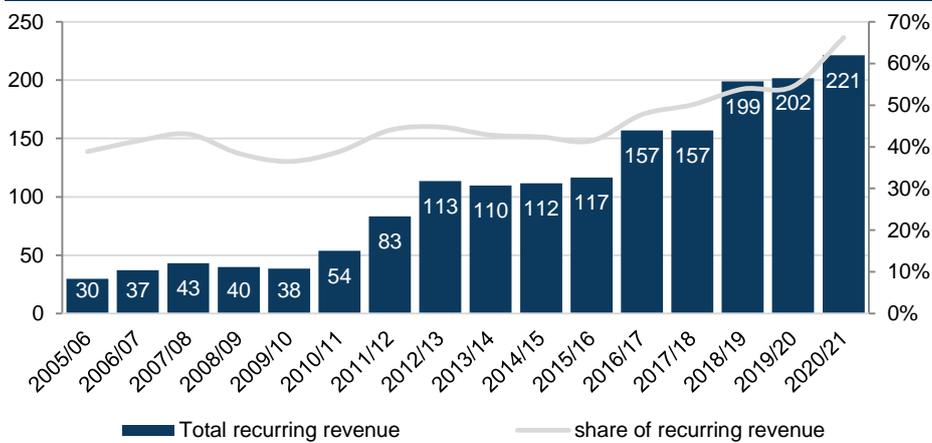
In fact, the distribution of TV money, particularly by the DFL **depends on 5-year historic sporting success, providing sound visibility** and making it somewhat recurring. Even in particularly unsuccessful sporting years or during the pandemic, TV revenues have never declined by more than 8% yoy.

Similarly, sponsoring and advertising revenues are bound by long-term contracts, with an average duration of more than six years. Hence, **about 50% of the total advertising revenues can be qualified as recurring revenue**, in our view.

Taking 90% of the TV revenues as well as sponsorship contracts with a remaining life of at least 3 years into account (50% on average eH&A), **BVB's recurring revenue stands at € 221m in 2020/21, i.e. 66% share of total revenue.** Looking at the historic development shows that at least 40% of revenue can be considered recurring with the share rising strongly thanks to an increasing share of TV and advertising revenue.

Clearly this provides **good visibility and a certain degree of consistency** even during crisis years as seen over the last two seasons. Going forward, TV and advertising revenue look set to remain the key growth drivers, hence further increasing the share of recurring revenue.

Recurring revenue



Source: Company data; H&A estimates

Growth

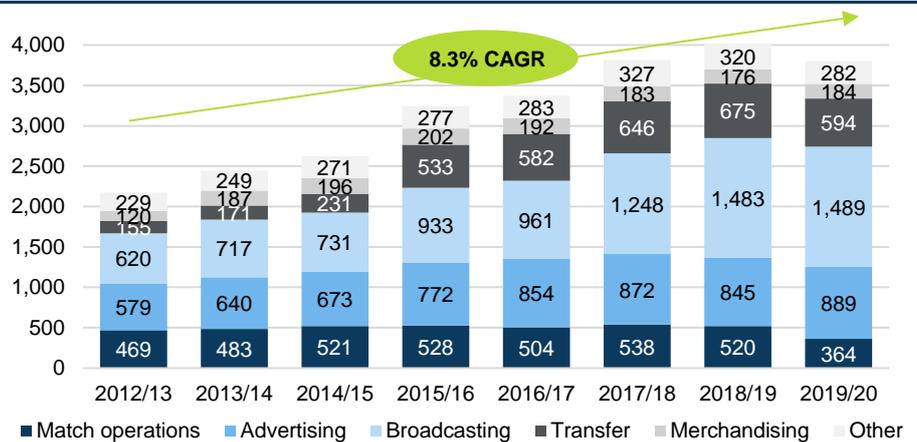
Topline growth of 8% CAGR into 2023/24 to € 420m expected:

- Bundesliga shows catch-up potential to other European leagues
- TV rights grant decent visibility
- Returning fans look set to drive match day revenue
- Improving brand value and new marketing strategies should continue to fuel advertising income

Significant EBIT growth driven by conscious spending as well as an unchanged transfer strategy

Since the 2012/13 season, **total revenue of all Bundesliga clubs increased by 8% p.a. to € 4.02bn** demonstrating healthy market growth. Notably, this includes transfer income, which is not recognized as revenue in BVB's P&L. Adjusting for transfer income, growth still stood at a strong 7% p.a.

Bundesliga revenue



Source: DFL, H&A

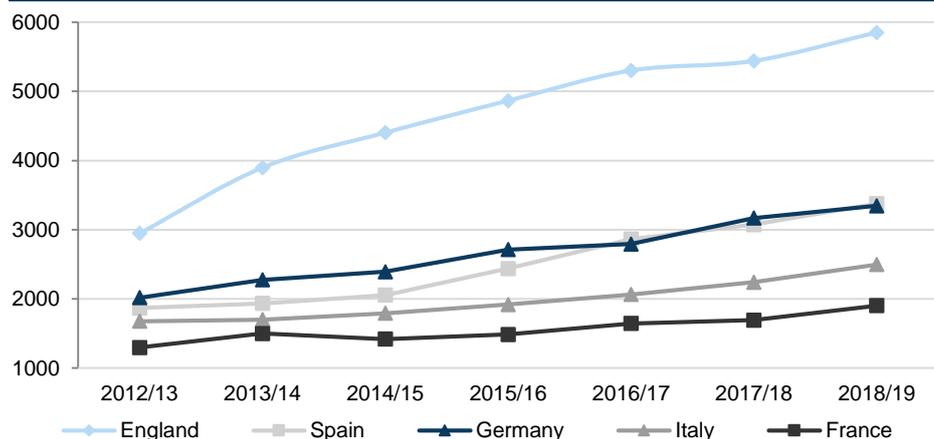
Accounting for 39% of total market sales, **TV has been the key growth driver in recent years with a 13% CAGR13-20**. This should be driven by increased competition, especially from streaming providers like DAZN. Considering that new players like amazon are also starting to tap into the sports streaming market, this **trend looks set to continue going forward**.

The second big growth driver was the **advertising business, which grew by a CAGR of 6% to € 889m in 2019/20**, i.e. 23% of total market sales.

Notably, match operations developed rather stable, i.e. 2% CAGR (pre Covid) as the utilization of stadiums remained on high levels and limited capacities narrow further growth potential. **Going forward match operations should continue to provide a solid stable income stream for clubs**, assuming fans are allowed to return to the stadiums.

Additionally, the Bundesliga revenues are comparing favourably in an international comparison, proving the attractiveness of the league. Still, the Premier League is by far the most successful league with almost € 6bn in total revenue. Hence offering some **catch up potential** for other countries like Spain and Germany.

Revenue of Big Five leagues (excluding transfers, €m)



Source: Statista, H&A

BVB top-line growth

BVB's revenue is seen to grow at an 8% CAGR into 2023/24. Key growth drivers should be TV Marketing and Advertising.

BVB revenue forecast	2020/21	2021/22E	2022/23E	2023/24E
Match operations	0.6	20.6	39.1	47.4
yoy	-98.3%	nm	89.9%	21.2%
in % of group	0.2%	6.0%	10.0%	11.3%
TV marketing	186.7	146.8	150.9	154.8
yoy	9.9%	-21.3%	2.8%	2.6%
in % of group	55.9%	42.9%	38.7%	36.9%
Advertising	106.6	116.2	126.6	138.0
yoy	8.7%	9.0%	9.0%	9.0%
in % of group	31.9%	33.9%	32.5%	32.9%
Merchandising	32.6	35.9	38.8	41.5
yoy	-2.0%	10.0%	8.0%	7.0%
in % of group	9.8%	10.5%	9.9%	9.9%
Conference, catering & others	7.7	23.1	34.7	38.2
yoy	-78.8%	198.8%	50.0%	10.0%
in % of group	2.3%	6.8%	8.9%	9.1%
Total	334.2	342.6	390.0	419.8
yoy	-9.7%	2.5%	13.8%	7.6%

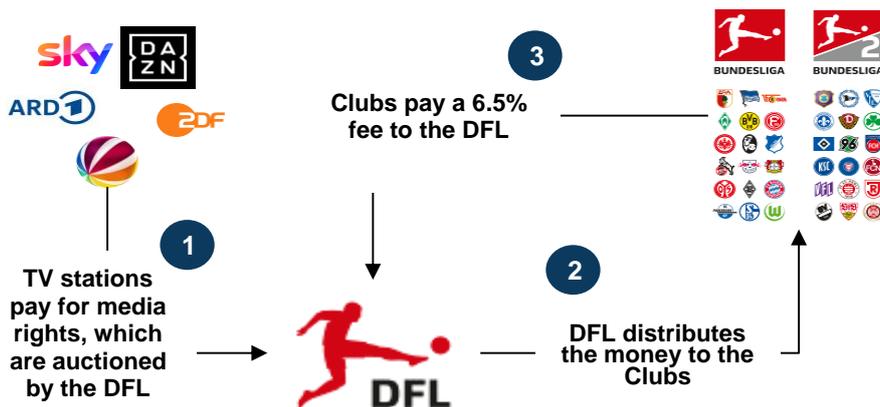
Source: Company data, H&A estimates

TV Marketing (56% of sales)

Over the last twenty years, TV revenues were among the key growth drivers for Bundesliga clubs as the **total auctioned volume increased from € 355m per season in 2001 to € 1.1bn per season in the most recent auction (6% CAGR)**.

According to Sky, **BVB is the second most popular team in Germany in terms of TV viewership**. In fact, 910k people watched the games on average during the 2019/20 season. However, the distribution of TV rights is centralized in Germany. Here is how it works:

TV payments procedure



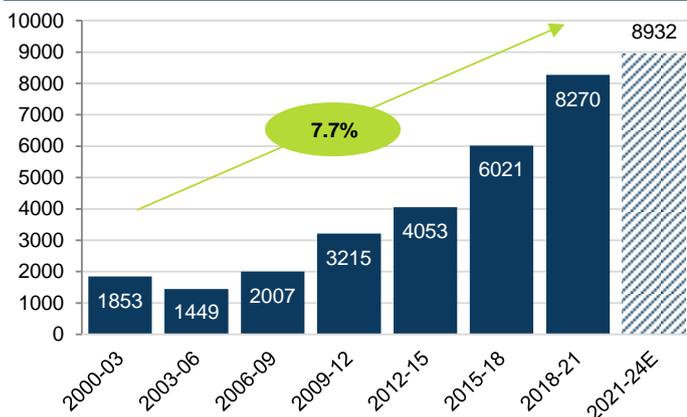
Source: DFL, H&A

All clubs are members of the DFL (Deutsche Fußball Liga), which auctions the TV packages to broadcasters. Subsequently, **DFL distributes the auction proceeds among the teams according to a fixed procedure**, which ranks the teams based on historic sporting performance.

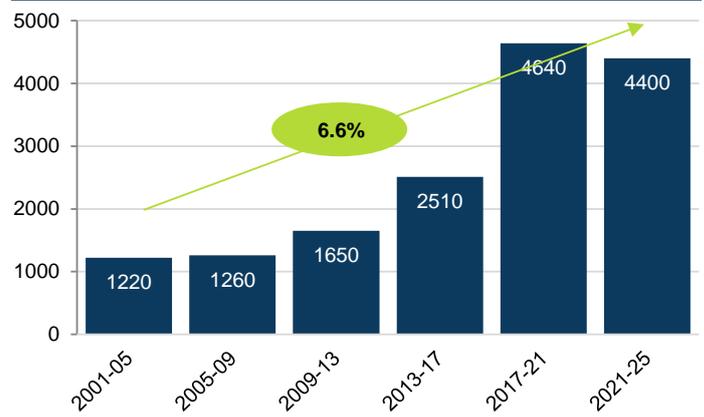
The media contracts are usually auctioned for a period of four years, which provides **good visibility** on this revenue stream. Importantly, the **ranking not only takes the last year's performance into account but the last five years** and to some extent even the last ten years.

For the four seasons from 2020/21 to 2024/25 the **rights were auctioned for € 4.4bn, i.e. € 1.1bn per season on average**. The 2. Bundesliga usually receives c. 20% of this and 1. Bundesliga the remaining 80%.

UEFA media rights revenue, e.g. Champions League (€ m)



Bundesliga media rights revenue (€ m)

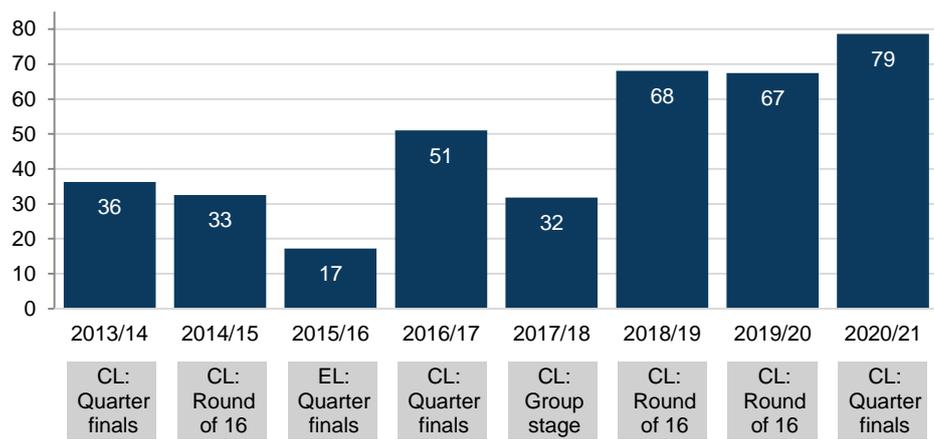


Source: UEFA, DFL, H&A estimates

BVB not only receives TV revenues from national broadcasting but also from the international marketing of the Bundesliga as well as from activities such as the Champions League or the Europa League. The latter are **centrally distributed by the UEFA** and dependent on performance but also the overall strength of the respective national league of a club and its marketing power.

Over the past 8 years **BVB earned some € 48m per season on average from UEFA distributions** (eH&A) as it only missed the round of 16 in two years, i.e. 2015/16 and 2017/18.

BVB UEFA revenue (€m)



Source: UEFA

Note that **TV revenue has hardly been impacted by the pandemic** underscoring its recurring character.

Our base assumption is that BVB will finish within the top three in the Bundesliga over the next years as well as the round of 16 in the UEFA Champions League. Based on these assumptions TV revenue is seen to take a dip in 2021/22 given the strong Champions League performance and DFB Cup performance in 2020/2021. From there TV revenue is seen to rise to € 155m by 2023/24E. Potentially **stronger performance in the national cup competition or the Champions League present upside chances to our estimates.**

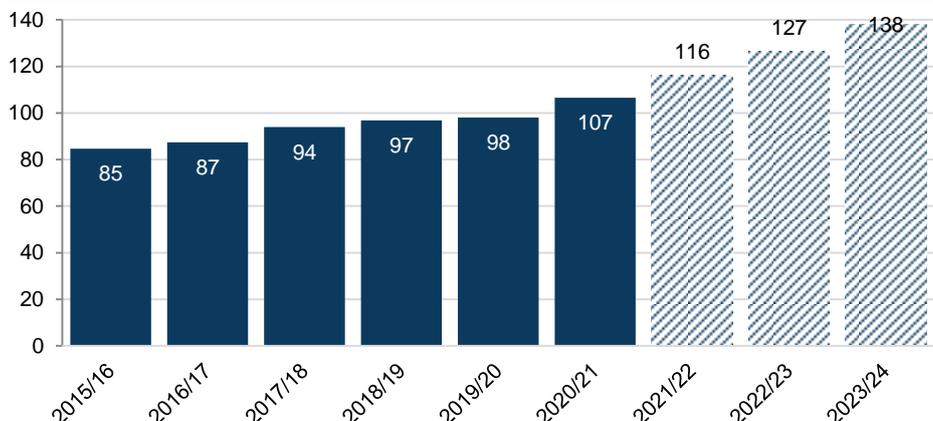
BVB TV Revenue	2020/2021	2021/22	2022/23	2023/24
Bundesliga	98	79	84	87
UEFA	79	61	61	61
Cups	10	6	6	6
Total	187	147	151	155
yoy	9.9%	-21.3%	2.8%	2.6%

Source: H&A estimates

Advertising (32% of sales)

Advertising has been the **number two revenue stream for BVB** in recent years and a key growth driver with **5% CAGR since 2015/16**.

Advertising revenue (€m)



Source: Company data, H&A

Given its large fan base as well as its media presence on TV and social media channels, **BVB has consistently managed to win top-notch advertising partners**. On top, existing contracts provide sound visibility on future advertising income.

Currently, contracts are running with Evonik Industries as well as 1&1 as shirt sponsors (contracts fixed until 2025), PUMA as equipment supplier (contract fixed until 2028), SIGNAL IDUNA for the name rights of the stadium (contract until 2026) as well as OPEL as sleeve sponsor (contract until 2022). **These top 5 partners should account for some 67% of total advertising revenue in 2021/22 (eH&A)**.

BVB top ten sponsors

Partner	Company	Sector	Contract start	Contract end	Remaining years	Annual pay €m
#1 Equipment supplier	Puma	Sports wear	01.07.2013	30.06.2028	7	30
#2 Shirt sponsor	1&1	Telecoms	01.07.2020	30.06.2025	4	20
#3 Shirt sponsor	Evonik	Miscellaneous	01.07.2014	30.06.2025	4	15
#4 Sleeve sponsor	Opel	Automotive	01.08.2017	30.06.2022	1	8
#5 Name right partner	Signal Iduna	Insurance	01.07.2014	30.06.2026	5	5.8
#6 ChampionPartner	Wilo	Engineering	01.07.2016	30.06.2024	3	3
#7 ChampionPartner	comdirect Bank	Banking	01.07.2019	30.06.2023	2	2.7
#8 ChampionPartner	Eset	IT	01.07.2019	30.06.2022	1	2.5
#9 ChampionPartner	Brinkhoff's	Beverages	01.07.2016	30.06.2023	2	2
#10 ChampionPartner	Rowe	Engineering	01.07.2017	30.06.2025	4	2
Total						91

Source: SPONSORS, H&A

On the back of its constantly growing reach as well as sound sporting performance, **advertising revenue should continue to grow going forward**. Reassuring in this regard: Even during the pandemic BVB managed to win new sponsors and renegotiate contracts with existing sponsors leading to a **9% yoy increase in advertising revenue in FY'20/21**.

An **additional driver should be the company's internationalization**: Here, BVB is regularly touring different continents particularly North America and Asia to strengthen its brand position.

A **new way of monetizing its brand value abroad are virtual advertising boards**, which have been used on a regular basis during international live broadcasts of the first and second Bundesliga divisions since the start of the 2018/2019 financial year. Whereas fans in stadiums and viewers at home in the DACH region see the original adverts as they are presented, the stadium's **existing physical advertising boards can be digitally overlaid in the broadcast signal to target different TV audiences when broadcasting matches abroad.**

Digital advertising boards



Source: Company presentation

To date this type of revenue reflects still only a small fraction of BVB's advertising revenue but going forward it is seen to become a relevant growth driver. In sum, **advertising revenue is seen to grow at 9% CAGR into 2023/24 to € 138m.**

Match operations (0% of sales in 2020/21, 9% in 18/19)

This segment includes ticket sales and thus is dependent on the number of fans coming to the stadium to follow their team. Due to the pandemic, most of the matches in the past season were held behind closed doors, leading to a slump in ticket revenue.

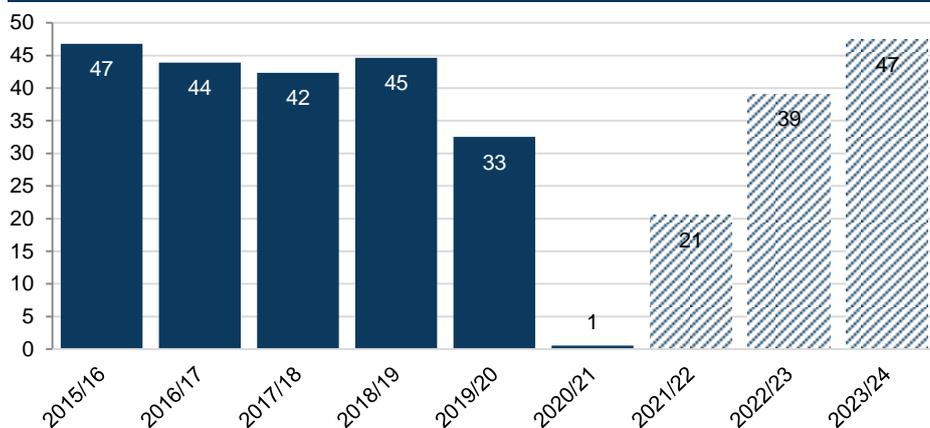
For the upcoming season however the German government ruled that fans will be allowed in the stadiums to a certain extent, i.e. a maximum of 25k people or 50% of total capacity. Therefore, we expect a sharp rebound of ticket sales, given that people should be desperately missing live events. Naturally, progressing vaccination should facilitate a return to full stadiums by the 2022/23 season at the latest.

To this end, the UEFA EURO served as testing ground proving that fans are eagerly waiting to get back. For instance, the semi finals and the final were played in front of more than 60k fans, i.e. 75% of capacity of the Wembley stadium.

In 2021/22 capacity utilization looks set to reach 46% before returning to 88% in 2022/23 and 100% from 2023/24. Hence, revenue looks set to return to € 47m by 2023/24.

In the mid to long term, ticket sales should rather be growing with inflation, however not disproportionately as BVB is not intending to raise prices and matches are usually sold out.

Match operations revenue (€m)



Source: Company data, H&A estimates

Merchandising (10% of sales)

Merchandising revenue comprises income from the sale of shirts and other fan articles in BVB's own fan shops, online and offline. Arguably, at 10% EBIT margin (eH&A), **this revenue stream is of rather limited relevance for the group**. Nevertheless, BVB should be able to grow revenues and profitability in this segment by **shifting towards online sales as well as opening new stores** in Germany but also internationally.

While stores were partially closed during the pandemic, **consumers switched to online channels allowing to keep revenue roughly flat yoy in 2020/21**.

On the back of easing restrictions and the reopening of stores as well as the return of fans to the stadium **merchandising revenue looks set to show accelerating growth in 2021/22**. In fact, we expect BVB to grow its merchandise sales at **10% yoy to € 36m in 2021/22**. From there the segment is seen to grow at mid to high single digit growth rates.

Conference, catering and other (2% of sales in 2020/21, 6% in 18/19)

Conference, catering and miscellaneous income includes revenue from hospitality areas and public catering during matches and events as well as advance booking fees, rental and lease income, release fees for national team players and fees for players on loan.

Due to the banning of fans and large events this income stream has been materially affected by the pandemic. Similar to ticketing revenue, **this segment is seen to show a quick recovery once restrictions are lifted** before returning to mid-single digit growth rates in the mid-term.

Transfer deals (0% of sales)

Lastly, BVB reaps the fruits of its 'scout & develop' strategy, by selling players to other clubs. While transfer proceeds were historically booked as revenue, they are accounted for on a net basis, i.e. net gain on disposal less any residual carrying amount, in a **separate line item called "net transfer income" on the income statement since FY 2019/20** – in line with IFRS. Note that transfer payments were also shifted from operating cash flow to investing cash flow with no effect on FCF.

That said, **BVB has achieved a net transfer income of ~€ 60m p.a. (eH&A) on average over the past 6 years**. While transfer income is lumpy in nature, it is the result of BVB's successful 'scout & develop' strategy, which is why the company should be capable of achieving at least a similar average in the years to come, in our view.

Given the strong current prospects with players like Haaland, Bellingham and Reyna with a combined market value of € 223m and contracts at least until 2024, **transfer income in the coming years should even be above the historic average**. In fact, the recently closed transfers of Jadon Sancho for € 85m to Manchester United and Leonardo Balerdi for € 11m to Marseille provide good visibility on 2021/22 transfer income of € 93m (eH&A).

BVB bottom-line growth

On the back of conscious spending as well as returning top-line momentum, margins look set to rebound strongly following the negative trajectory in 2019/20 and 2020/21. In fact, **EBITDA is seen to grow by 48% CAGR into 2023/24 to € 126m**. Here are the key building blocks on the cost side:

Material expenses (6% of sales) include mainly costs of goods sold for catering and merchandise. These expenses should come back with fans returning to the stadium.

Personnel costs (65% of sales) are the biggest cost factor with the squad being the driver behind it. As BVB continued to pay its players during the pandemic, the cost ratio is somewhat inflated and should show a reversion to the mean of 53% of sales going forward.

Other expenses (26% of sales) are split into the revenue segments with the biggest parts being match operations 43%, advertising 12% and admin 27%. Similar to material expense, these costs should be increasing going forward as fans return to the stadium.

In sum, EBITDA is seen to bounce back to pre crisis levels in 2021/22 driven by strong transfer gains and the return of fans. Similarly, **EBIT is seen to grow from negative € 72m in 2020/21 to € 13m in 2023/24**.

D&A (33% of sales) includes depreciation of the facilities and stadium as well as amortization of player registrations, which explain the majority of D&A.

BVB P&L (€m)	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Sales	370.2	334.2	342.6	390.0	419.8
yoy		-9.7%	2.5%	13.8%	7.6%
Material expense	22.4	19.6	19.9	23.4	25.2
yoy		-12.5%	1.4%	17.8%	7.6%
in % of sales	6.0%	5.9%	5.8%	6.0%	6.0%
Gross profit	347.8	314.6	322.7	366.6	394.7
yoy		-9.6%	2.6%	13.6%	7.6%
Gross profit margin	94.0%	94.1%	94.2%	94.0%	94.0%
Personnel	215.2	215.7	215.8	216.1	222.5
yoy		0.2%	0.1%	0.1%	3.0%
in % of sales	58.1%	64.5%	63.0%	55.4%	53.0%
Other income	9.2	10.4	10.6	13.7	14.7
yoy		12.9%	2.5%	28.3%	7.6%
in % of sales	2.5%	3.1%	3.1%	3.5%	3.5%
Transfer income	40.2	15.4	92.5	85.8	79.8
yoy		-61.7%	500.6%	-7.2%	-7.0%
in % of sales	10.8%	4.6%	27.0%	22.0%	19.0%
Other expense	119.0	85.8	114.1	135.7	140.6
yoy		-27.9%	33.1%	19.0%	3.6%
in % of sales	32.1%	25.7%	33.3%	34.8%	33.5%
EBITDA	63.0	39.0	95.9	114.3	126.0
yoy		-38.2%	146.3%	19.1%	10.2%
EBITDA margin	17.0%	11.7%	28.0%	29.3%	30.0%
D&A	106.1	111.0	111.0	113.1	113.4
yoy		4.6%	0.0%	1.9%	0.2%
in % of sales	28.7%	33.2%	32.4%	29.0%	27.0%
EBIT	-43.1	-72.1	-15.1	1.2	12.6
yoy		67.1%	nm	nm	nm
EBIT margin	-11.7%	-21.6%	-4.4%	0.3%	3.0%
interest expense	3.7	1.7	1.7	2.0	2.1
yoy		-55.2%	2.5%	13.8%	7.6%
in % of sales	1.0%	0.5%	0.5%	0.5%	0.5%
Interest income	0.3	0.7	0.7	0.8	0.8
yoy		132.9%	2.5%	13.8%	7.6%
in % of sales	0.1%	0.2%	0.2%	0.2%	0.2%
EBT	-46.6	-73.1	-16.1	0.0	11.3
yoy		56.9%	nm	nm	nm
EBT margin	-12.6%	-21.9%	-4.7%	0.0%	2.7%
Tax	-2.6	-0.3	-1.6	0.0	1.1
Tax rate	5.6%	0.5%	10.0%	nm	10.0%
Net Profit	-44.0	-72.8	-14.5	0.0	10.2
yoy		65.5%	nm	nm	nm
Net profit margin	-11.9%	-21.8%	-4.2%	0.0%	2.4%
# shares (m)	92	92	92	92	92
EPS (€)	-0.48	-0.79	-0.16	0.00	0.11

Source: Company data, H&A estimates

Valuation

- Our **€ 8 PT** is based on a DCF valuation and yields 35% upside to current levels
- A peer group comparison indicates a fair value of **€ 8.86 per share**, confirming the upside

DCF

Our DCF model points at a **fair value per share of € 8**. This yields **35% upside to current levels**. The main assumptions of our DCF model are:

- **Terminal year EBIT margin of 9%** seems fair as it compares to the historic average of 8% and revenue growth, particularly in the TV and advertising segment, should enable some scale effects.
- **Long term growth rate of 3% compares to overall Bundesliga market growth of 8%.**
- **7% WACC** based on a beta of 1.1x, an equity risk premium of 6% and a risk free rate 0.5%.

Notably, the **DCF model** includes neither **potential upside from better than expected Champions League performance**, which can lift EBIT margins well above 20%, nor the **market value of the squad, i.e. € 573m vs. € 539m EV on current levels**.

DCF (EUR m) (except per share data and beta)	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	Terminal value
NOPAT	-13.6	1.1	11.3	15.5	24.9	29.7	33.7	35.4	37.5
Depreciation	111.0	113.1	113.4	114.9	116.3	117.4	119.4	125.2	131.2
Increase/decrease in working capital	-0.2	-3.2	-7.6	-9.8	-4.0	-5.3	-6.0	-6.7	0.5
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	-91.7	-93.5	-98.6	-104.9	-111.3	-117.4	-119.4	-125.2	-131.2
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	5.5	17.5	18.5	15.6	26.0	24.4	27.7	28.7	38.0
Present value	5.4	16.0	15.8	12.5	19.4	18.1	18.1	17.5	691.7
WACC	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

DCF per share derived from	
Total present value	814
thereof terminal value	85%
Net debt (net cash) at start of year	76
Financial assets	0
Provisions and off balance sheet debt	2
Equity value	736
No. of shares outstanding	92.0
Discounted cash flow per share	8.00
upside/(downside)	35%

DCF avg. growth and earnings assumptions	
Short term growth (2020/21-2023/24)	8%
Medium term growth (2023/24 - 2029/30)	5%
Long term growth (2028 - infinity)	3%
Terminal year EBIT margin	9%

WACC derived from	
Cost of borrowings before taxes	4%
Tax rate	30%
Cost of borrowings after taxes	4%
Required return on invested capital	7%
Risk premium	6%
Risk-free rate	1%
Beta	1.1x

Share price	
	5.92

Sensitivity analysis DCF						
		Long term growth				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	9%	4.29	4.61	4.98	5.42	5.95
	8%	5.17	5.63	6.18	6.85	7.69
	7%	6.43	7.13	8.00	9.13	10.65
	6%	8.33	9.51	11.08	13.31	16.67
	5%	11.54	13.86	17.36	23.28	35.43

Sensitivity analysis DCF						
		EBIT margin terminal year				
		7%	8%	9%	10%	11%
WACC	9%	4.02	4.50	4.98	5.46	5.94
	8%	4.97	5.58	6.18	6.78	7.39
	7%	6.41	7.21	8.00	8.80	9.60
	6%	8.84	9.96	11.08	12.21	13.33
	5%	13.79	15.58	17.36	19.15	20.93

Source: H&A estimates

Peer Group

To confirm our DCF valuation, we compare BVB to other listed European football clubs of similar size and relevance. Note that the availability of consensus estimates is limiting the number of available peers. The peer group includes:

Ajax Amsterdam is one of the leading clubs in the Netherlands with 35 national championships and four Champions League titles. Similar to BVB it is renowned for its academy that regularly brings out top talent. Among all clubs in our peer group, it is the cheapest one, which might be due to the fact that it is not playing in one of Europe's Big Five leagues and thus lacks access to better sponsors and TV marketing.

Juventus Turin has a long-standing tradition in Italy's Serie A. It won 36 national championships and topped the Champions League twice in its history. In contrast to BVB Juve is also buying older players such as Cristiano Ronaldo.

Olympique Lyon is a renowned European football club playing in the French Ligue 1. It has won 7 national championships as well as several national cup titles. The squad value currently stands at € 332m. Olympique has historically achieved rather a surplus in player transfers and also focuses on developing its own talents.

Manchester United has the highest valuation within the peer group. It is listed in the US and plays in Europe's top league, the Premier League, which enjoys the greatest fan attention. Manchester's squad is currently valued at € 872m. In the past, the club won 20 national championships as well as three Champions League titles.

Taking the average of the 2022 EV/Sales and 2022 EV/EBITDA multiple of the peer group implies a **fair value per share of € 8.86 for BVB**. Hence confirming upside to current market value.

Name	Market cap (€m)	EV/Sales			EV/EBITDA		
		2021	2022	2023	2021	2022	2023
AJAX	265	1.9	1.2	1.2	3.3	2.1	2.1
JUVENTUS FOOTBAL	1,027	2.9	2.4	2.5	17.8	7.9	-
OL GROUPE	133	2.6	1.9	1.5	-	30.5	7.5
MANCHESTER UNI-A	2,453	5.3	4.3	3.9	24.3	13.8	-
Median		2.7x	2.2x	2.0x	17.8x	10.9x	4.8x
BVB metrics (€m)		334	343	390	39	96	114
Implied EV BVB (€m)		919	739	780	694	1,044	550
Net debt (€m)		76	76	76	76	76	76
Fair equity value BVB (€m)		843	663	704	618	968	474
No. of shares (m)		92	92	92	92	92	92
Fair value per share (€)		9.16	7.20	7.65	6.72	10.52	5.15

Source: Bloomberg as of 24/08/2021, H&A estimates

Theme

Financial fair play and salary caps to improve competitiveness

According to recent press, the European football association **UEFA plans to abolish the Financial Fair Play (FFP) rules**. Under the FFP, clubs are allowed to show a deficit of a maximum of € 30m over the past three years.

FFP is to be replaced with a salary cap for football clubs. The new rules would apply from 2022 for an initial three years. As in the Spanish league, clubs would then only be allowed to use **70 percent of their revenue for player salaries**. If clubs exceed the cap, a “luxury tax” must be paid as a penalty, which is then distributed to the remaining clubs. Repeat **offenders are threatened with exclusion from European competition**. The new rules are to be adopted at a summit on the future of European football in Switzerland next month.

BVB spent ca. 65% of revenue for salaries in 2020/21. Under normal circumstances it is even less, i.e. 53%. Therefore, **a salary cap should not have a direct impact on BVB**. However, some of its peers, tend to exceed this mark. Hence, the new rules limit the possibility for these teams to lure players to their franchise with highly remunerative contracts. Therefore, the **new rulebooks should increase BVB’s chances to succeed in international competition**.

Transfer gains around the corner

The Bundesliga Transfer window is open twice a year: In the summer usually in July and August and in winter, i.e. January. This summer season **BVB already made a few deals confirming its outstanding scouting and development capabilities**. One of them, Jadon Sancho was bought for € 8m in 2017 and was now sold to Manchester United for € 85m.

On the other hand, BVB acquired new players including 22-year-old Donyell Malen who came from PSV for € 30m and could become a typical BVB story.

Heated **discussions are ongoing regarding Erling Haaland**, arguably BVB’s most valuable player (€ 130m market value according to transfermarkt.de). In fact, **rumors have it that Chelsea made an offer of € 175m for him**. BVB however confirmed that Haaland will stay in Dortmund for at least another year knowing that he **still has a contract until the end of the 2023/24 season**. There is however a special clause in his contract allowing him to leave the club in summer 2022 for a fixed fee of € 75m.

Considering that Haaland came for a € 20m fee from Salzburg in 2020, it is going to be a major windfall for BVB either way. On top, with Haaland, BVB might have better chances of proceeding into the final stages of the Champions League and potentially winning the Bundesliga. Still, a **sale could be a strong catalyst for the stock in our view**.

Company Background

History

Having been founded in 1909, Borussia Dortmund can fall back on a long-standing club history which is deeply rooted in the Westphalian heartland. As already displayed by the name 'Borussia' (Latinised: Prussia), a dedicated set of values which are deeply rooted in the working class of the Ruhr valley are reflected in the club's DNA. Besides a unique club history and these core values, the club has an impressive track-record:

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

These dedicated core values have been temporarily neglected after 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 this represented a 'lord of the manor' leadership style which had been rather prominent at southern European football clubs.

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

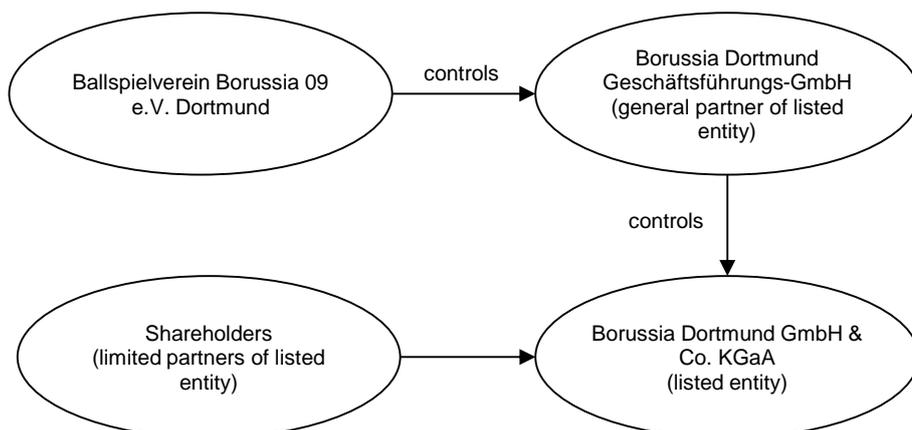
Company structure

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

The German football licensing scheme requires 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 and thus controls the company.

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.

Organizational structure



Source: Company data, H&A

Shareholder structure

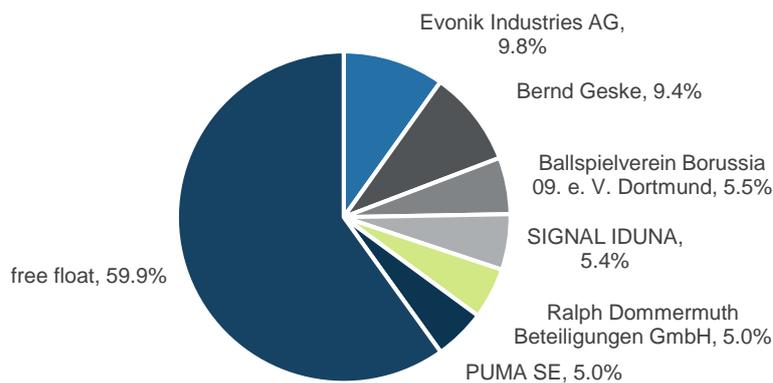
As described above BVB is listed as Borussia Dortmund GmbH & Co. KGaA, a limited commercial partnership. This means that regardless of the amount of provided capital, the general partner keeps control of the company as it appoints management and its approval is required for important decisions. Hence, while Ballspielverein Borussia 09 e.V. Dortmund holds only 5.3% of the shares, it still has control over the company via Borussia Dortmund Geschäftsführungs-GmbH.

BVB's most important sponsors are also among its biggest shareholders. In fact, Evonik Industries AG (9.8% stake), SIGNAL IDUNA (5.4%), Ralph Dommermuth Beteiligungen GmbH (5%, CEO and major shareholder of United Internet and 1&1) and PUMA SE (5%) all hold a meaningful share. In our view, this underpins that they take a long-term approach providing confidence in future advertising contracts.

Bernd Geske is a member of the supervisory board since 2005. His current contract runs until 2024 and he holds a 9% stake in BVB.

The remaining ~60% are in free float.

Shareholder structure



Source: Company data, Bloomberg

Management

Hans-Joachim Watzke - CEO

Hans-Joachim Watzke was appointed CEO in February 2005. He is responsible for the company's strategy and the divisions "sports", "communication" and "sponsoring".

Before joining BVB, Hans-Joachim Watzke worked as sole managing partner of Watex-Schutz-Bekleidungs GmbH a protection clothing company that he founded. He holds a degree in business administration.



Thomas Treß - CFO

Having been appointed CFO in 2005, Thomas Treß oversees the divisions for "finances" but also "organization" at BVB.

Previously, Thomas Treß worked as a Partner with general powers of representation at auditing firm "Rölfs & Partner". He holds a degree in business administration and is certified public accountant as well as tax advisor.



Carsten Cramer - CMO

Carsten Cramer is the latest addition to the management board of BVB. He joined the board as CMO in 2018 and is taking responsibilities for "sales", "marketing" and digitalization. Additionally, Carsten Cramer focuses on the internationalization of BVB.

Before his move to BVB he gained valuable experience as Vice President at Lagardère Sports (Sportfive), an internationally active, full-service sports and entertainment agency.



Investment risks

Naturally, an investment in BVB is linked to certain risks. The key aspects are as follows:

- The economic success of BVB can be somewhat volatile in the short-term as particularly the transfer of players as well as Champions League performance can have a big impact on the company's financials. Taking a longer-term perspective however, BVB should be able to continue its solid track record of finding and developing strong players and making regular Champions League appearances.
- Sporting success ultimately depends on the players and coaches. Hence, injuries, or loss of form of important players can cause a negative sporting development affecting TV and sponsoring income.
- Regulatory and market risk: The Bundesliga is currently among the five most attractive leagues in Europe. This ensures decent marketability of TV rights and sponsorships. Any change in regulation or general perception of the league by fans, in Germany or abroad, could potentially lead to a shift in attractiveness and thus marketability.

Financials

Profit and loss (EUR m)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Net sales	536.0	370.3	370.2	334.2	342.6	390.0	419.8
<i>Sales growth</i>	32.1 %	-30.9 %	0.0 %	-9.7 %	2.5 %	13.8 %	7.6 %
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	536.0	370.3	370.2	334.2	342.6	390.0	419.8
Other operating income	3.9	7.7	49.4	25.8	103.1	99.5	94.5
Material expenses	20.1	21.3	22.4	19.6	19.9	23.4	25.2
Personnel expenses	186.7	205.1	215.2	215.7	215.8	216.1	222.5
Other operating expenses	195.8	118.5	119.0	85.8	114.1	135.7	140.6
Total operating expenses	398.7	337.2	307.2	295.2	246.7	275.8	293.9
EBITDA	137.3	33.1	63.0	39.0	95.9	114.3	126.0
Depreciation	18.9	12.8	13.9	14.6	14.6	14.9	14.9
EBITA	118.4	20.3	49.1	24.4	81.3	99.4	111.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	79.4	79.7	92.2	96.5	96.4	98.3	98.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	39.0	-59.4	-43.1	-72.1	-15.1	1.2	12.6
Interest income	0.6	0.4	0.3	0.7	0.7	0.8	0.8
Interest expenses	4.9	2.1	3.7	1.7	1.7	2.0	2.1
Other financial result	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Financial result	-4.3	-1.7	-3.4	-1.1	-1.0	-1.2	-1.3
Recurring pretax income from continuing operations	34.7	-61.1	-46.6	-73.2	-16.1	0.0	11.3
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	34.7	-61.1	-46.6	-73.2	-16.1	0.0	11.3
Taxes	2.9	4.4	-2.6	-0.3	-1.6	0.0	1.1
Net income from continuing operations	31.7	-65.5	-44.0	-72.8	-14.5	0.0	10.2
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	31.7	-65.5	-44.0	-72.8	-14.5	0.0	10.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	31.7	-65.5	-44.0	-72.8	-14.5	0.0	10.2
Average number of shares	92.0	92.0	92.0	92.0	92.0	92.0	92.0
EPS reported	0.34	-0.71	-0.48	-0.79	-0.16	0.00	0.11

Profit and loss (common size)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Net sales	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 %						
Other operating income	0.7 %	2.1 %	13.3 %	7.7 %	30.1 %	25.5 %	22.5 %
Material expenses	3.7 %	5.7 %	6.0 %	5.9 %	5.8 %	6.0 %	6.0 %
Personnel expenses	34.8 %	55.4 %	58.1 %	64.5 %	63.0 %	55.4 %	53.0 %
Other operating expenses	36.5 %	32.0 %	32.1 %	25.7 %	33.3 %	34.8 %	33.5 %
Total operating expenses	74.4 %	91.1 %	83.0 %	88.3 %	72.0 %	70.7 %	70.0 %
EBITDA	25.6 %	8.9 %	17.0 %	11.7 %	28.0 %	29.3 %	30.0 %
Depreciation	3.5 %	3.5 %	3.8 %	4.4 %	4.3 %	3.8 %	3.5 %
EBITA	22.1 %	5.5 %	13.2 %	7.3 %	23.7 %	25.5 %	26.5 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	14.8 %	21.5 %	24.9 %	28.9 %	28.1 %	25.2 %	23.5 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	7.3 %	neg.	neg.	neg.	neg.	0.3 %	3.0 %
Interest income	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %	0.2 %
Interest expenses	0.9 %	0.6 %	1.0 %	0.5 %	0.5 %	0.5 %	0.5 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.						
Recurring pretax income from continuing operations	6.5 %	neg.	neg.	neg.	neg.	0.0 %	2.7 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	6.5 %	neg.	neg.	neg.	neg.	0.0 %	2.7 %
Tax rate	8.5 %	-7.2 %	5.6 %	0.5 %	10.0 %	10.0 %	10.0 %
Net income from continuing operations	5.9 %	neg.	neg.	neg.	neg.	0.0 %	2.4 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	5.9 %	neg.	neg.	neg.	neg.	0.0 %	2.4 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	5.9 %	neg.	neg.	neg.	neg.	0.0 %	2.4 %

Source: Company data, Hauck & Aufhäuser

Borussia Dortmund GmbH & Co KGaA

Balance sheet (EUR m)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Intangible assets	120.3	163.7	229.7	193.4	174.1	154.5	139.7
Property, plant and equipment	180.7	184.0	193.0	183.5	183.5	183.5	183.5
Financial assets	0.4	0.4	0.4	0.4	0.4	0.4	0.4
FIXED ASSETS	301.4	348.1	423.1	377.3	358.0	338.4	323.6
Inventories	5.6	4.6	6.8	6.8	7.0	7.9	8.6
Accounts receivable	62.6	39.8	49.2	40.3	37.5	42.7	46.0
Other current assets	31.7	22.8	20.0	9.5	9.5	9.5	9.5
Liquid assets	59.5	55.9	3.3	1.7	26.6	121.6	217.1
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	24.8	28.9	15.6	14.8	14.8	14.8	14.8
CURRENT ASSETS	184.2	152.0	94.9	73.2	95.4	196.6	296.0
TOTAL ASSETS	485.6	500.1	518.0	450.5	453.5	535.0	619.7
SHAREHOLDERS EQUITY	343.6	354.9	305.4	232.6	295.2	373.8	462.2
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	8.7	11.5	24.4	21.1	21.1	21.1	21.1
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	3.1	2.5	0.0	2.4	2.4	2.4	2.4
Non-current liabilities	11.8	14.0	24.4	23.4	23.4	23.4	23.4
short-term liabilities to banks	0.0	0.0	8.0	56.9	0.0	0.0	0.0
Accounts payable	64.3	62.2	137.1	101.4	98.6	101.5	97.8
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)	37.2	40.9	39.1	31.1	31.1	31.1	31.1
Deferred taxes	0.0	2.7	0.0	0.0	0.0	0.0	0.0
Deferred income	28.7	25.5	3.9	5.1	5.1	5.1	5.1
Current liabilities	130.2	131.2	188.1	194.4	134.8	137.7	134.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	485.6	500.1	518.0	450.5	453.4	535.0	619.6

Balance sheet (common size)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Intangible assets	24.8 %	32.7 %	44.3 %	42.9 %	38.4 %	28.9 %	22.6 %
Property, plant and equipment	37.2 %	36.8 %	37.3 %	40.7 %	40.5 %	34.3 %	29.6 %
Financial assets	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
FIXED ASSETS	62.1 %	69.6 %	81.7 %	83.8 %	79.0 %	63.2 %	52.2 %
Inventories	1.2 %	0.9 %	1.3 %	1.5 %	1.5 %	1.5 %	1.4 %
Accounts receivable	12.9 %	8.0 %	9.5 %	9.0 %	8.3 %	8.0 %	7.4 %
Other current assets	6.5 %	4.6 %	3.9 %	2.1 %	2.1 %	1.8 %	1.5 %
Liquid assets	12.2 %	11.2 %	0.6 %	0.4 %	5.9 %	22.7 %	35.0 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	5.1 %	5.8 %	3.0 %	3.3 %	3.3 %	2.8 %	2.4 %
CURRENT ASSETS	37.9 %	30.4 %	18.3 %	16.2 %	21.0 %	36.8 %	47.8 %
TOTAL ASSETS	100.0 %						
SHAREHOLDERS EQUITY	70.8 %	71.0 %	59.0 %	51.6 %	65.1 %	69.9 %	74.6 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	1.8 %	2.3 %	4.7 %	4.7 %	4.6 %	3.9 %	3.4 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.6 %	0.5 %	0.0 %	0.5 %	0.5 %	0.4 %	0.4 %
Non-current liabilities	2.4 %	2.8 %	4.7 %	5.2 %	5.2 %	4.4 %	3.8 %
short-term liabilities to banks	0.0 %	0.0 %	1.6 %	12.6 %	0.0 %	0.0 %	0.0 %
Accounts payable	13.2 %	12.4 %	26.5 %	22.5 %	21.7 %	19.0 %	15.8 %
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)	7.7 %	8.2 %	7.6 %	6.9 %	6.9 %	5.8 %	5.0 %
Deferred taxes	0.0 %	0.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred income	5.9 %	5.1 %	0.7 %	1.1 %	1.1 %	1.0 %	0.8 %
Current liabilities	26.8 %	26.2 %	36.3 %	43.2 %	29.7 %	25.7 %	21.6 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %						

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Net profit/loss	31.7	-65.5	-44.0	-72.8	-14.5	0.0	10.2
Depreciation of fixed assets (incl. leases)	18.9	12.8	13.9	14.6	14.6	14.9	14.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	79.4	79.7	92.2	96.5	96.4	98.3	98.5
Others	49.7	-4.0	-44.5	4.6	0.0	0.0	0.0
Cash flow from operations before changes in w/c	179.8	23.0	17.6	42.8	96.5	113.1	123.6
Increase/decrease in inventory	3.4	1.0	-2.2	-0.1	-0.2	-1.0	-0.6
Increase/decrease in accounts receivable	-3.6	22.8	-9.4	8.9	2.8	-5.2	-3.3
Increase/decrease in accounts payable	0.3	-2.2	74.9	-35.7	-2.8	3.0	-3.7
Increase/decrease in other working capital positions	-9.5	-16.0	-81.3	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-9.4	5.7	-18.0	-26.9	-0.2	-3.2	-7.6
Cash flow from operating activities	170.4	28.7	-0.4	15.9	96.3	109.9	115.9
CAPEX	143.0	139.4	158.9	91.7	91.7	93.5	98.6
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.3	115.9	108.2	29.7	77.1	78.6	83.7
Cash flow from investing activities	-142.7	-23.5	-50.8	-62.0	-14.6	-14.9	-14.9
Cash flow before financing	27.6	5.2	-51.1	-46.1	81.7	95.0	101.0
Increase/decrease in debt position	-10.3	-3.3	4.1	52.5	-56.9	0.0	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	0.0	0.0	0.0
Dividends paid	5.5	5.5	5.5	0.0	0.0	0.0	5.5
Others	-1.7	0.0	0.0	0.0	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	-17.5	-8.8	-1.4	52.5	-56.9	0.0	-5.5
Increase/decrease in liquid assets	10.2	-3.6	-52.5	6.4	24.8	95.0	95.5
Liquid assets at end of period	59.5	55.9	3.3	1.7	26.6	121.6	217.1

Source: Company data, Hauck & Aufhäuser

Borussia Dortmund GmbH & Co KGaA

Key ratios (EUR m)	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
P&L growth analysis							
Sales growth	32.1 %	-30.9 %	0.0 %	-9.7 %	2.5 %	13.8 %	7.6 %
EBITDA growth	85.4 %	-75.9 %	90.3 %	17.7 %	52.3 %	193.4 %	31.3 %
EBIT growth	265.7 %	-252.4 %	-27.4 %	21.4 %	-65.1 %	-101.6 %	-183.6 %
EPS growth	286.2 %	-306.6 %	-32.9 %	11.2 %	-67.0 %	-100.0 %	-170.4 %
Efficiency							
Total operating costs / sales	74.4 %	91.1 %	83.0 %	88.3 %	72.0 %	70.7 %	70.0 %
Sales per employee	687.2	452.4	426.7	385.2	377.1	425.8	450.2
EBITDA per employee	176.0	40.4	72.6	44.9	105.6	124.8	135.1
Balance sheet analysis							
Avg. working capital / sales	0.7 %	neg.	neg.	neg.	neg.	neg.	neg.
Inventory turnover (sales/inventory)	95.9	81.0	54.8	49.1	49.1	49.1	49.1
Trade debtors in days of sales	42.6	39.2	48.5	44.0	40.0	40.0	40.0
A/P turnover [(A/P*365)/sales]	43.8	61.3	135.1	110.7	105.0	95.0	85.0
Cash conversion cycle (days)	-1,024.2	-948.7	-2,075.5	-1,717.6	-1,642.2	-1,419.4	-1,252.8
Cash flow analysis							
Free cash flow	27.3	-110.7	-51.1	-46.1	81.7	95.0	101.0
Free cash flow/sales	5.1 %	-29.9 %	-13.8 %	-13.8 %	23.9 %	24.4 %	24.1 %
FCF / net profit	86.2 %	neg.	neg.	neg.	neg.	1056109	990.4 %
Capex / deprn	145.5 %	150.7 %	149.8 %	82.6 %	82.6 %	82.6 %	87.0 %
Capex / maintenance capex	7.6 %	10.7 %	5.8 %	3.1 %	13.1 %	13.1 %	13.1 %
Capex / sales	n/a						
Security							
Net debt	-50.8	-44.4	29.1	76.2	-5.5	-100.6	-196.1
Net Debt/EBITDA	0.0	0.0	0.5	2.0	0.0	0.0	0.0
Net debt / equity	neg.	neg.	0.1	0.3	neg.	neg.	neg.
Interest cover	8.0	0.0	0.0	0.0	0.0	0.6	6.0
Dividend payout ratio	17.4 %	100.0 %	100.0 %	0.0 %	0.0 %	613333.3	54.1 %
Asset utilisation							
Capital employed turnover	1.5	1.0	1.1	1.1	1.1	1.0	0.9
Operating assets turnover	2.9	2.2	3.3	2.6	2.6	2.9	3.0
Plant turnover	3.0	2.0	1.9	1.8	1.9	2.1	2.3
Inventory turnover (sales/inventory)	95.9	81.0	54.8	49.1	49.1	49.1	49.1
Returns							
ROCE	11.3 %	-16.4 %	-12.2 %	-22.2 %	-4.8 %	0.3 %	2.9 %
ROE	9.2 %	-18.5 %	-14.4 %	-31.3 %	-4.9 %	0.0 %	2.2 %
Other							
Interest paid / avg. debt	35.3 %	21.1 %	17.0 %	3.0 %	3.5 %	9.3 %	10.0 %
No. employees (average)	780	819	868	868	909	916	933
Number of shares	92.0	92.0	92.0	92.0	92.0	92.0	92.0
DPS	0.1	0.1	0.1	0.0	0.0	0.1	0.1
EPS reported	0.34	-0.71	-0.48	-0.79	-0.16	0.00	0.11
Valuation ratios							
P/BV	1.6	1.5	1.8	2.3	1.8	1.5	1.2
EV/sales	0.9	1.4	1.5	1.9	1.6	1.1	0.8
EV/EBITDA	3.6	15.1	9.1	15.9	5.6	3.9	2.8
EV/EBITA	4.2	24.7	11.7	25.5	6.6	4.5	3.1
EV/EBIT	12.7	-8.4	-13.3	-8.6	-35.8	379.5	27.7
EV/FCF	18.1	-4.5	-11.2	-13.5	6.6	4.7	3.4
Adjusted FCF yield	7.4 %	-12.9 %	-7.1 %	-11.6 %	-2.5 %	0.3 %	3.3 %
Dividend yield	1.0 %	1.0 %	1.0 %	0.0 %	0.0 %	1.0 %	1.0 %

Source: Company data, Hauck & Aufhäuser

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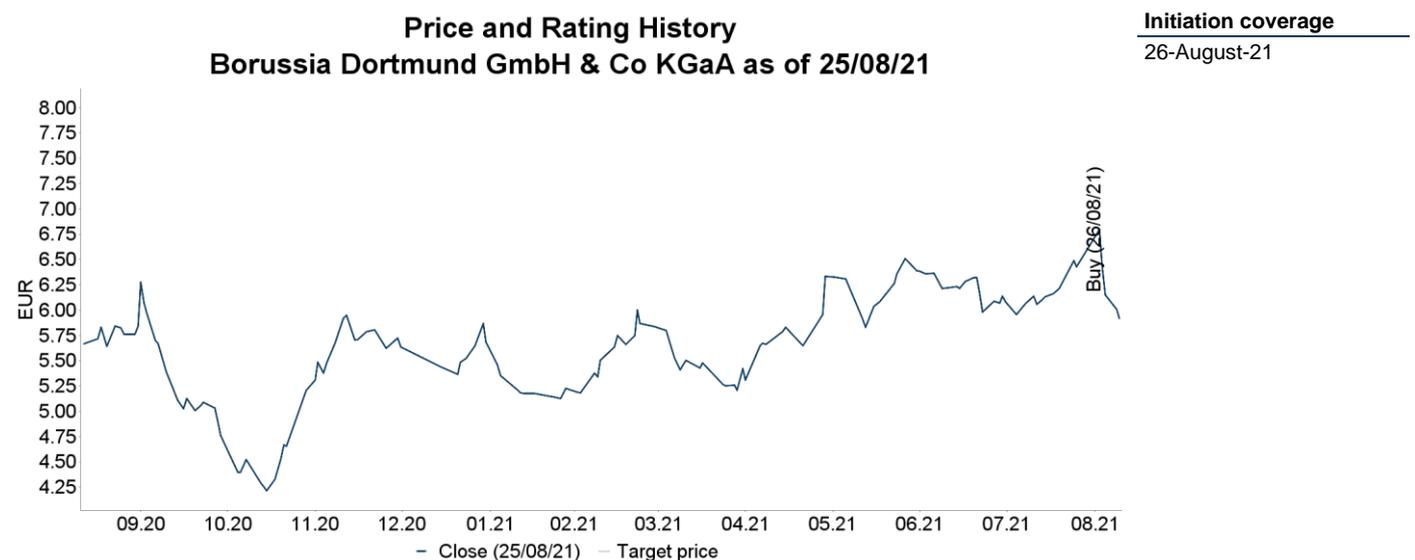
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Company	Disclosure
Borussia Dortmund GmbH & Co KGaA	2, 8

Historical target price and rating changes for Borussia Dortmund GmbH & Co KGaA in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
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Buy	75.86 %	96.55 %
Sell	4.83 %	0.00 %
Hold	19.31 %	3.45 %

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