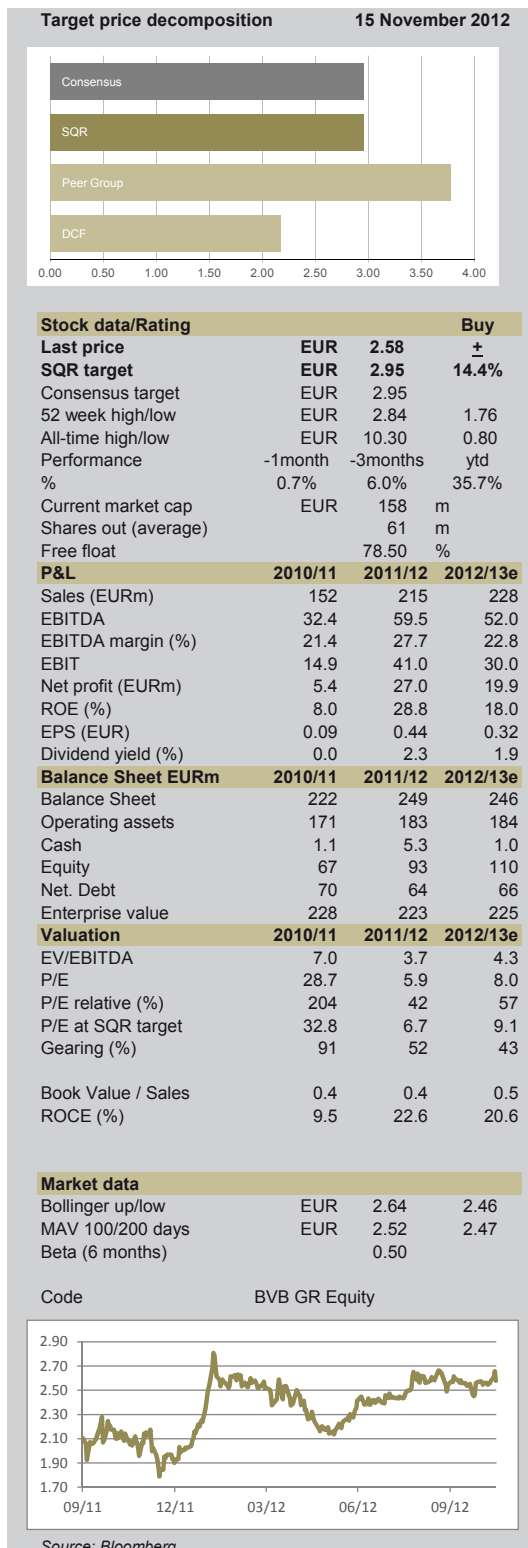




# Borussia Dortmund

# Consumer & Retail



BUY

PT EUR2.95, upside 14%

Q1 figures in expected range - BVB held a convincing presentation at the "Eigenkapitalforum" in Frankfurt - remains a "Buy"

**Facts:** Borussia Dortmund published its Q1 report of financial year 2012/13 on November 14th. On the same day CFO Thomas Treß presented the BVB equity story on the "Eigenkapitalforum" in Frankfurt. Group revenues soared by one fifth to EUR52.0m (2011/12: EUR43.1m) mainly driven by TV (+17% to EUR19.9m) and advertising (+21% to EUR13.5m). Operating profit (EBITDA) declined by 12.5% to EUR9.8m (EUR11.2m) mainly influenced by higher spending in staff (+26% to EUR18.2m) and higher other operating expenses (e.g. ground refurbishment measures +28% to EUR20.1m). EBIT decreased by one third according to higher depreciation (e.g. Reus transfer) to EUR4.2m (2011/12: EUR6.5m). Net income was EUR2.6m (EUR4.2m).

**Assessment:** Q1 figures came in at the lower edge of our expectations. However management's explanation of the earnings drop at the "Eigenkapitalforum" was comprehensible. Therefore we have not changed our model assumptions. At the moment we predict BVB to reach a 3th rank in its Champions League group. After a convincing performance this might be too cautious but highlights the unpredictable football business. We might change our assumptions if BVB finally secures rank 1 or 2, providing them a place in the knock out stages (~ additional EUR5m revenues per round). We still expect 2012/13 group sales to increase by 5.9% to EUR228.0m, driven by growth in all segments. In particular TV revenues (+4.3% to EUR63.0m) should benefit from a better position in the German TV ranking. As result of significantly higher staff costs (+14.6% to EUR92.0m including administration) we expect group operating profit (EBITDA) to decrease by 13.4% to EUR52.0m. EBIT should decline by 25.4% to EUR30.0m as the first amortization of the Reus transfer applies (~EUR3.5m) Overall we expect net earnings to fall by 28.8% to EUR19.9m or an EPS equivalent of EUR0.32. In our perception this is still an excellent earnings level. Therefore we believe that Dortmund will pay a dividend of EUR0.05 for FY2012/13.

**Conclusion:** We confirm our price target of EUR2.95 and reiterate the "Buy" rating. However we want to point out that football business is very cyclical and hardly predictable. The BVB share currently trades at a PER of 8.0 (2012/13e) and an EV/EBITDA of 4.3 while its peers (Recreational Services) trade at a PER of 14.1 (2013e) and an EV/EBITDA of 7.6 (2013e).

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## Borussia Dortmund (Group Accounts)

Consolidated income statement (Financial year ends 30.06)

EURm	2009/10	2010/11	2011/12	2012/13e	2013/14e	2014/15e	CAGR
<b>Net Sales</b>	<b>110,1</b>	<b>151,5</b>	<b>214,8</b>	<b>228,0</b>	<b>232,0</b>	<b>216,0</b>	<b>14,4%</b>
Other operating income	2,1	4,3	7,6	9,0	11,0	12,0	41,7%
<b>Total overall performance</b>	<b>112,2</b>	<b>155,8</b>	<b>222,4</b>	<b>237,0</b>	<b>243,0</b>	<b>228,0</b>	<b>15,2%</b>
Cost of materials	4,7	7,7	12,5	11,0	12,0	10,0	16,3%
Staff costs (including administration)	48,0	61,5	79,9	92,0	94,0	96,0	14,9%
Other operating expenses	42,9	54,1	70,5	82,0	74,0	76,0	12,1%
<b>EBITDA</b>	<b>16,6</b>	<b>32,4</b>	<b>59,5</b>	<b>52,0</b>	<b>63,0</b>	<b>46,0</b>	<b>22,6%</b>
depreciation and amortisation	17,2	17,5	18,6	22,0	23,0	23,8	6,8%
<b>EBIT</b>	<b>-0,5</b>	<b>14,9</b>	<b>41,0</b>	<b>30,0</b>	<b>40,0</b>	<b>22,2</b>	<b>10,4%</b>
Net financial result	-5,7	-5,4	-4,8	-5,0	-5,0	-5,0	-2,6%
<b>Pre tax profits</b>	<b>-6,2</b>	<b>9,5</b>	<b>36,2</b>	<b>25,0</b>	<b>35,0</b>	<b>17,2</b>	<b>15,9%</b>
Income and other taxes	-0,1	4,1	9,1	5,0	7,0	3,4	-4,3%
Tax rate	2%	43%	25%	20%	20%	20%	n.a.
<b>Net profit</b>	<b>-6,1</b>	<b>5,4</b>	<b>27,1</b>	<b>20,0</b>	<b>28,0</b>	<b>13,8</b>	<b>26,2%</b>
Minority Inter. / Extraord. Effects	0,1	0,0	-0,1	-0,1	-0,1	-0,1	n.a.
<b>Atributable net income</b>	<b>-6,0</b>	<b>5,4</b>	<b>27,0</b>	<b>19,9</b>	<b>27,9</b>	<b>13,7</b>	<b>26,1%</b>
<b>EPS</b>	<b>-0,10</b>	<b>0,09</b>	<b>0,44</b>	<b>0,32</b>	<b>0,45</b>	<b>0,22</b>	<b>25,5%</b>
<b>PE</b>	<b>-25,8</b>	<b>28,7</b>	<b>5,9</b>	<b>8,0</b>	<b>5,7</b>	<b>11,6</b>	<b>n.a.</b>
<b>DPS</b>	<b>0,00</b>	<b>0,00</b>	<b>0,06</b>	<b>0,05</b>	<b>0,05</b>	<b>0,05</b>	<b>n.a.</b>

Source: Borussia Dortmund, SQR estimates

Operating segment sales (Mio. EUR)	2009/10	2010/11	2011/12	2012/13e	2013/14e	2014/15e
Transfers	4,9	13,0	26,1	25,0	10,0	10,0
Retail, Catering, Licensing & Other	21,9	28,7	39,1	46,4	51,2	48,0
TV Marketing	21,1	32,1	60,4	63,0	74,0	64,0
Advertising	38,9	50,0	57,8	61,0	63,0	62,0
Match Operations	23,4	27,7	31,4	32,6	33,8	32,0
Other and consolidation	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total Sales</b>	<b>110,1</b>	<b>151,5</b>	<b>214,8</b>	<b>228,0</b>	<b>232,0</b>	<b>216,0</b>

Source: Borussia Dortmund, SQR Estimates

EURm	2009/10	2010/11	2011/12	2012/13e	2013/14e	CAGR
<b>Total equity and liabilities</b>	<b>215,1</b>	<b>221,7</b>	<b>248,6</b>	<b>246,4</b>	<b>244,8</b>	<b>3,28%</b>
Total Non-current assets	204,6	196,6	210,4	224,3	220,4	1,88%
Total Current assets	10,6	25,1	38,3	22,1	24,4	23,26%
<b>Cash and cash equivalents</b>	<b>1,1</b>	<b>1,1</b>	<b>5,3</b>	<b>1,0</b>	<b>1,4</b>	<b>6,21%</b>
<b>Equity</b>	<b>67,6</b>	<b>93,5</b>	<b>110,3</b>	<b>135,1</b>	<b>145,7</b>	<b>21,17%</b>
<b>Bank Debt</b>	<b>59,7</b>	<b>51,1</b>	<b>45,1</b>	<b>33,4</b>	<b>20,9</b>	<b>-23,06%</b>
<b>Net debt (incl. Finance lease)</b>	<b>80,2</b>	<b>69,9</b>	<b>64,4</b>	<b>66,1</b>	<b>48,8</b>	<b>-11,67%</b>
<b>Enterprise Value</b>	<b>238,6</b>	<b>228,3</b>	<b>222,9</b>	<b>224,6</b>	<b>207,3</b>	<b>-3,46%</b>

Source: Borussia Dortmund, SQR estimates

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Author of the present financial analysis: Klaus Kraenzle, Senior Analyst consumer & retail

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4. The aforementioned persons and/or enterprises hold in respect of the financial instruments, which or the issuer of which are subjected to the financial analysis, a net short (short position) of at least 1 percent of the share capital of the issuer.
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