

Borussia Dortmund

Q1 results

Success at a price

While Q1 saw continuing pressures on costs (notably in terms of labour, up by a quarter), a 12% rise in underlying revenue was further evidence of positive brand development and impressive against a tough comparative. For the full year, our unchanged revenue and pre-transfer EBITDA forecast assumes Borussia's growing trading momentum in advertising and merchandising, as well as a substantial boost to domestic TV rights, may materially offset a possible failure to qualify for the knockout stage of the Champions League.

Year end	Revenue* (€m)	EBITDA* (€m)	PBT** (€m)	EPS** (€)	DPS (€)	EV/EBITDA* (x)
06/12	189.1	36.8	45.1	0.55	0.06	7.6
06/13	253.4	42.1	71.6	0.99	0.10	6.6
06/14e	226.0	37.0	25.5	0.35	0.06	7.5
06/15e	236.0	40.0	27.5	0.38	0.06	7.0

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

The quarter to September was marked by four home Bundesliga fixtures (three in the corresponding period) and hosting the German Super Cup, but there was no home Champions League game (one in Q113). A double-digit increase in revenue, driven by merchandising and advertising, was thus all the more creditable, given a lower UEFA Champions League distribution for having finished as runner-up in the Bundesliga last season, compared with being champions in FY12. However, costs were again an issue, especially variable labour costs reflecting the club's playing success (19 Bundesliga points against 10, plus Super Cup victory). Adjusting for €1.5m transfer profit, underlying EBITDA, our key metric, was down 16% to €8.2m. We have adjusted PBT and EPS for the transfer gain.

Playing safe

Our assumption of exit from the Champions League at the group stage may prove cautious as Dortmund's group remains finely poised ahead of the game against Napoli on 26 November (defeat would mean elimination). We look for the club to finish in the top three in the Bundesliga (after a third of the season, Dortmund is six points clear of fourth place).

Valuation: Long-term value

Despite a lower than forecast FY13 result at pre-transfer EBITDA level, share price strength suggests growing acceptance of the sustainability of the business model and scope for value creation, and confidence that Dortmund will again go deep in the Champions League. While the latter may prove misplaced, in terms of pre-transfer EV/EBITDA, a rating of 7.5x on possibly conservative FY14 forecasts fits the long-term potential of strong brand development, valuable media rights and positive cash flow, backed by substantial season ticket sales and hidden reserves from player investment.

Travel & leisure

22 November 2013

Price €3.51
Market cap €216m

Net debt (€m) including finance leases at end Sept 2013	62.2
Shares in issue	61.4m
Free float	81%
Code	BVB
Primary exchange	Frankfurt
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(1.3)	1.2	26.8
Rel (local)	(4.8)	(8.8)	(0.9)
52-week high/low		€4.1	€2.6

Business description

The group operates Borussia Dortmund, a leading German football club, recent back-to-back champions of the Bundesliga and competing in this season's UEFA Champions League (finalist last season).

Next events

AGM	25 November 2013
Half-year results	February 2014

Analysts

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Exhibit 1: Financial summary

	€'000s	2012	2013	2014e	2015e
June		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		189,100	253,400	226,000	236,000
EBITDA		36,800	42,100	37,000	40,000
Player transfers		23,200	45,400	1,500	0
Operating Profit (before amort. and except.)		49,900	76,700	29,500	31,000
Intangible Amortisation		(8,500)	(11,600)	(22,000)	(22,000)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		41,400	65,100	7,500	9,000
Net Interest		(4,800)	(5,100)	(4,000)	(3,500)
Profit Before Tax (norm)		45,100	71,600	25,500	27,500
Profit Before Tax (FRS 3)		36,600	60,000	3,500	5,500
Tax		(9,100)	(8,800)	(500)	(800)
Profit After Tax (norm)		36,000	62,800	25,000	26,700
Profit After Tax (FRS 3)		27,500	51,200	3,000	4,700
Average Number of Shares Outstanding (m)		61.4	61.4	61.4	61.4
EPS - normalised (c)		55.0	99.2	35.3	38.1
EPS - (IFRS) (c)		44.8	83.4	4.9	7.7
Dividend per share (c)		6.0	10.0	6.0	6.0
EBITDA Margin (%)		19.5	16.6	16.4	16.9
Operating Margin (before GW and except.) (%)		26.4	30.3	13.1	13.1
BALANCE SHEET					
Fixed Assets		210,400	212,200	234,400	214,000
Intangible Assets		25,700	28,400	52,000	33,000
Tangible Assets		182,600	178,400	176,000	174,000
Investments		2,100	5,400	6,400	7,000
Current Assets		38,300	90,200	46,000	64,000
Stocks		5,800	7,600	7,000	8,000
Debtors		24,500	65,900	26,000	27,000
Cash		5,300	12,500	10,000	25,000
Other		2,700	4,200	3,000	4,000
Current Liabilities		(61,900)	(74,400)	(60,500)	(57,000)
Creditors		(55,900)	(69,900)	(55,500)	(52,000)
Short term borrowings		(6,000)	(4,500)	(5,000)	(5,000)
Long Term Liabilities		(93,300)	(87,400)	(82,000)	(82,000)
Long term borrowings		(41,300)	(40,800)	(41,000)	(41,000)
Finance leases		(21,100)	(19,800)	(19,000)	(19,000)
Other long term liabilities		(30,900)	(26,800)	(22,000)	(22,000)
Net Assets		93,500	140,600	137,900	139,000
CASH FLOW					
Operating Cash Flow		32,700	40,700	32,000	35,000
Net Interest		(4,900)	(5,000)	(3,500)	(3,500)
Tax		(1,100)	(8,800)	(8,000)	(3,000)
Capex		(7,300)	(6,500)	(6,600)	(6,800)
Acquisitions/disposals		(1,500)	(7,600)	(11,000)	(3,000)
Financing		0	0	0	0
Dividends		100	(3,600)	(6,100)	(3,700)
Net Cash Flow		18,000	9,200	(3,200)	15,000
Opening net debt/(cash)		60,000	42,000	32,800	36,000
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		42,000	32,800	36,000	21,000

Source: Borussia Dortmund accounts, Edison Investment Research

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