

# Borussia Dortmund GmbH & Co. KGaA

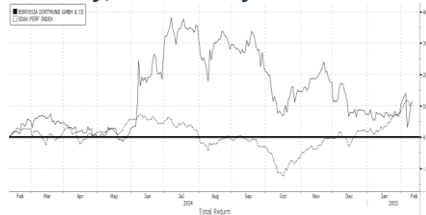
**BUY (BUY) | Target EUR 6.00 (EUR 6.00)**

 Price (last closing price) : **EUR 3.94** | Upside : 52%

E.st. change	<b>2015e</b>	<b>2016e</b>
EPS	-	-

## Marco Reus has extended its contract until 30 June 2019

Tuesday, 10 February 2015



Capital	
<b>BVB GY   BVB.DE</b>	
Market Cap (EURm)	362
Enterprise value (EURm)	329
Extrema 12 months	5.11 - 3.61
Free Float (%)	71.2%

Performance (%)	1m	3m	12m
Absolute	3.8	-8.1	9.0
Perf. rel. "sector"	-6.7	-22.0	-9.3
Perf. rel. SDAX	-2.0	-21.4	-10.2

P & L	6/15e	6/16e	6/17e
Sales (EURm)	275	284	298
EBITDA (EURm)	53.4	59.7	64.6
EBIT (EURm)	11.1	11.6	12.4
Attr. net profit (EURm)	7.4	8.5	8.2
EPS (EUR)	0.08	0.09	0.09
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	49.0	42.6	44.0
P/B (x)	1.3	1.3	1.3
Dividend yield (%)	3%	3%	3%
FCF yield (%)	-3%	6%	8%
EV/Sales (x)	1.2	1.2	1.1
EV/EBITDA (x)	6.2	5.5	5.1
EV/EBIT (x)	29.6	28.5	26.7
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA(x)	n.s.	n.s.	n.s.

Next Events	
1H14/15 results	27 February 2015

### Contract extension and omission of "exit clause"

Today, Borussia Dortmund (BVB) announced that the contract of one of its key players, Marco Reus, has been extended for 2 additional years until 30 June 2019 (so far 30 June 2017). More importantly, as a result of the contract extension, the exit clause is no longer valid, hence, the risks of losing Marco Reus end of this season diminished. **Overall, this is fantastic news, both for the operational prospects as well as for the stock momentum.** Given that the share was under pressure, this positive news should further support the stock momentum after the first win in the second half of the season on Saturday against SC Freiburg (3:0). Next game will be against FSV Mainz on Friday (20:30 CET).

### Implication for next years

While in the beginning of the season the weak start into the Bundesliga was one problem, the ongoing speculations about the exit clause of Marco Reus (estimated at around EUR 30m) and a possible transfer away from BVB also was a burden for the club. Over the last two years two important players (Götze, Lewandowski) left the club towards FC Bayern München and in the case of Götze due to the exit clause (estimated EUR 37m). Hence, the agitation was clear and in combination with the problems on the field, this seesaw was definitely no help for any party involved.

#### What is next on the agenda for BVB after the contract extension:

- 1) This extension and omission of the exit clause should restore calm within the club and also lower the speculations on possible transfers (this season) to a minimum.
- 2) With 14 remaining games to play and 13 points behind rank 6 (Europe League qualification) and 15 points behind rank 4 (Champions League qualification) the main goal is now to purely focus on the next games and close the gap to reach at least rank 6
- 3) New speculations on Reus transfer next season: While the rumours about the exit clause should be done be now, there are still rumours about a transfer of Reus end of next season. While the company will not comment on that, we also do not see any point in speculating such transfers. However, even in case Reus is a possible transfer for end of next season (after 2015/2016), **the purchase price (current market value: EUR 50m) should realistically well above 30m which could become a positive trigger for the stock.** But this can be neglected for now as the main goal is the qualification for EL or CL.
- 4) On 24 February BVB will play against Juventus Turin in round of last 16 in Champions League (return game: 18 March).
- 5) DFB-Pokal: Round of last 16 against Dynamo Dresden on 3 March.

### BUY

We consider this decision of BVB and Marco Reus to extend the contract for additional 2 years as the right decision. Now, the club and the fans should focus on the remaining season with important games upcoming. Since our last update from 29 January the share jumped from EUR 3.84 again above the threshold of EUR 4. On basis of our DCF and peer group multiples our fair value currently stands at EUR 5.97. We confirm our PT of EUR 6.00/BUY recommendation (2016e EV/EBITDA multiple of 8x).

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## Profit and loss account

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>Sales</b>			<b>215.24</b>	<b>305.03</b>	<b>260.74</b>	<b>274.94</b>	<b>283.66</b>	<b>297.84</b>
YoY growth			-	41.7%	-14.5%	5.4%	3.2%	5.0%
Cost of materials			-12.48	-17.49	-20.31	-22.00	-22.69	-26.81
as % of sales			-5.8%	-5.7%	-7.8%	-8.0%	-8.0%	-9.0%
Personnel costs			-79.92	-106.22	-107.79	-112.73	-110.63	-114.67
as % of sales			-37.1%	-34.8%	-41.3%	-41.0%	-39.0%	-38.5%
Other operating income			7.63	2.79	5.23	2.50	3.00	3.50
as % of sales			3.5%	1.3%	2.4%	1.2%	1.4%	1.6%
Other operating expenses			-70.49	-96.58	-88.73	-89.36	-93.61	-95.31
as % of sales			-32.7%	-31.7%	-34.0%	-32.5%	-33.0%	-32.0%
<b>EBITDA</b>			<b>59.98</b>	<b>87.53</b>	<b>49.13</b>	<b>53.36</b>	<b>59.73</b>	<b>64.56</b>
as % of sales			27.9%	28.7%	18.8%	19.4%	21.1%	21.7%
Depreciation and amortisation (incl. PPA depreciation)			-18.59	-22.41	-30.68	-42.22	-48.15	-52.20
as % of sales			-8.6%	-7.3%	-11.8%	-15.4%	-17.0%	-17.5%
<b>EBIT (reported)</b>			<b>41.39</b>	<b>65.12</b>	<b>18.45</b>	<b>11.14</b>	<b>11.58</b>	<b>12.35</b>
as % of sales			19.2%	21.3%	7.1%	4.1%	4.1%	4.1%
Net financial results			-4.86	-5.07	-3.89	-1.14	-0.25	-0.25
<b>EBT (Earnings before income taxes)</b>			<b>36.59</b>	<b>60.04</b>	<b>14.59</b>	<b>10.00</b>	<b>11.33</b>	<b>12.10</b>
as % of sales			17.0%	19.7%	5.6%	3.6%	4.0%	4.1%
Income taxes (incl. other taxes)			-9.06	-8.84	-2.62	-2.30	-2.82	-3.56
as % of EBT			-24.8%	-14.7%	-18.0%	-23.0%	-24.9%	-29.4%
<b>Net income</b>			<b>27.53</b>	<b>51.19</b>	<b>11.97</b>	<b>7.70</b>	<b>8.51</b>	<b>8.55</b>
Minorities			0.12	-0.37	-0.31	-0.30	-	-0.30
<b>Net income attributable to shareholders</b>			<b>27.41</b>	<b>50.82</b>	<b>11.66</b>	<b>7.40</b>	<b>8.51</b>	<b>8.25</b>
as % of sales			12.7%	16.7%	4.5%	2.7%	3.0%	2.8%
Shares outstanding (in m)			61.4	61.4	61.4	92.0	92.0	92.0
<b>Basic earnings per share (EUR)</b>			<b>0.45</b>	<b>0.83</b>	<b>0.19</b>	<b>0.08</b>	<b>0.09</b>	<b>0.09</b>

Source: Company Data, Oddo Seydler Bank AG

## Balance Sheet

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>Assets</b>								
<b>Non-current assets</b>			<b>210.40</b>	<b>212.22</b>	<b>249.49</b>	<b>280.70</b>	<b>267.70</b>	<b>245.59</b>
as % of total assets			84.6%	70.2%	85.4%	64.5%	61.5%	56.3%
Intangible assets			25.75	28.43	61.60	91.11	80.34	61.77
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
<b>Current assets</b>			<b>38.30</b>	<b>90.20</b>	<b>42.80</b>	<b>154.41</b>	<b>167.50</b>	<b>190.90</b>
as % of total assets			15.4%	29.8%	14.6%	35.5%	38.5%	43.7%
Inventories			5.81	7.54	5.92	8.25	8.51	8.94
Accounts receivable, other receivables and other assets			27.22	70.12	18.84	42.76	44.46	46.97
Cash and cash equivalents			5.27	12.54	17.85	103.22	114.34	134.81
<b>Total assets</b>			<b>248.71</b>	<b>302.42</b>	<b>292.30</b>	<b>435.11</b>	<b>435.20</b>	<b>436.50</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>93.46</b>	<b>140.62</b>	<b>145.25</b>	<b>287.51</b>	<b>286.82</b>	<b>286.17</b>
as % of total equity and liabilities			37.6%	46.5%	49.7%	66.1%	65.9%	65.6%
Subscribed capital			61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others			31.81	78.72	83.61	194.99	194.30	193.35
Own shares			-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
<b>Equity attributable to shareholders</b>			<b>93.11</b>	<b>140.03</b>	<b>144.92</b>	<b>286.88</b>	<b>286.19</b>	<b>285.23</b>
Minorities			0.35	0.59	0.33	0.63	0.63	0.93
<b>Current provisions and liabilities</b>			<b>61.95</b>	<b>74.42</b>	<b>71.01</b>	<b>94.46</b>	<b>94.66</b>	<b>96.61</b>
as % of total equity and liabilities			24.9%	24.6%	24.3%	21.7%	21.8%	22.1%
Financial lease			1.28	1.38	1.63	1.41	1.41	1.41
Financial liabilities			5.97	4.50	8.89	0.00	0.00	0.00
Current provisions			19.22	13.95	21.02	40.34	39.53	39.92
Accounts payable			9.64	14.20	18.12	30.13	31.09	32.64
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	22.01	22.01	22.01
<b>Non-current provisions and liabilities</b>			<b>93.31</b>	<b>87.38</b>	<b>76.03</b>	<b>53.14</b>	<b>53.72</b>	<b>53.72</b>
as % of total equity and liabilities			37.5%	28.9%	26.0%	12.2%	12.3%	12.3%
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	30.94	31.51	31.51
<b>Total equity and liabilities</b>			<b>248.71</b>	<b>302.42</b>	<b>292.30</b>	<b>435.11</b>	<b>435.20</b>	<b>436.50</b>

Source: Company Data, Oddo Seydler Bank AG

## Cash flow statement

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
<b>EBT (Earnings before income taxes)</b>			<b>36.59</b>	<b>60.04</b>	<b>14.59</b>	<b>10.00</b>	<b>11.33</b>	<b>12.10</b>
Depreciation and amortisation			18.59	22.41	30.68	42.22	48.15	52.20
Other transactions incl. non-cash			-28.22	-57.16	-12.17	-0.97	-2.82	-3.56
Change in Working Capital			1.08	3.31	-6.67	13.93	-1.24	-0.98
<b>Cash flow from operating activities</b>			<b>28.04</b>	<b>28.60</b>	<b>26.43</b>	<b>65.18</b>	<b>55.42</b>	<b>59.77</b>
CAPEX			-28.28	-27.51	-62.37	-75.20	-35.10	-30.10
Other investing activities			19.57	13.27	53.53	0.00	0.00	0.00
<b>Cash flow from investing activities</b>			<b>-8.70</b>	<b>-14.25</b>	<b>-8.84</b>	<b>-75.20</b>	<b>-35.10</b>	<b>-30.10</b>
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	1.85	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
<b>Cash flow from financing activities</b>			<b>-12.91</b>	<b>-7.08</b>	<b>-12.27</b>	<b>95.38</b>	<b>-9.20</b>	<b>-9.20</b>
<b>Total change in cash and cash equivalents</b>			<b>6.43</b>	<b>7.27</b>	<b>5.32</b>	<b>85.37</b>	<b>11.12</b>	<b>20.47</b>
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	103.22	114.34
<b>Cash and cash equivalents at year's end</b>			<b>5.27</b>	<b>12.54</b>	<b>17.85</b>	<b>103.22</b>	<b>114.34</b>	<b>134.81</b>

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%.

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

Date	Recommendation	Price at change date	Price target
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



The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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