



Borussia Dortmund GmbH & Co KGaA

Neutral è | Target price : 6.00 EUR

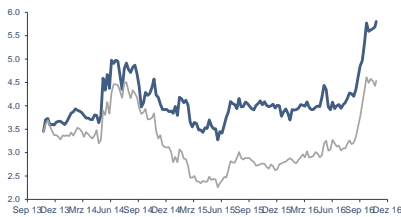
Price (11/22/2016) : 5.80 EUR | Upside : 3 %

Est.chg	2017e	2018e
EPS	-19.0%	-9.9%

Stock up ~44% since our upgrade in mid-August – downgrade to Neutral

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Capital

BVB GY | BVB.DE

Market Cap (EURm)	534
Enterprise value (EURm)	495
Extrema 12 months	3.61 - 5.86
Free Float (%)	60.5

Performance (%)	1m	3m	12m
Absolute	0.6	40.1	41.9
Perf. rel. Country Index	1.5	39.9	58.9
Perf. rel. Hotel / leisure	-1.7	43.3	64.5

P&L	06/16	06/17e	06/18e
Sales (EURm)	376	369	412
EBITDA (EURm)	86.7	80.2	110
Current EBIT (EURm)	36.4	18.1	40.0
Attr. net profit (EURm)	30.5	13.1	29.3
Adjusted EPS (EUR)	0.33	0.14	0.32
Dividend (EUR)	0.06	0.08	0.10

P/E (x)	12.0	40.9	18.2
P/B (x)	1.2	1.7	1.5
Dividend Yield (%)	1.5	1.4	1.7
FCF yield (%)	ns	4.2	6.4
EV/Sales (x)	0.84	1.34	1.13
EV/EBITDA (x)	3.6	6.2	4.2
EV/Current EBIT (x)	8.7	27.3	11.7
Gearing (%)	-16	-12	-19
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

Mixed Q1 results

Borussia Dortmund (BVB) posted its Q1 2016-17 results on 11 Nov with strong yoy improvements on all key KPIs: i/ **Group revenues** up 41% yoy to € 126.8m (€ 89.0m). Excluding transfer income, group revenues were up 11.5% yoy to € 81.6m (€ 73.1m). Nonetheless, the reported numbers (both incl. and excl. transfer income) were below our forecasts of € 137.9m including and € 88.9m excluding transfer income. Transfer income stood at € 45.2m, clearly below our € 49m. **Segment revenues:** Advertising and Merchandising revenues both missed our expectations. Especially Merchandising revenues were a negative surprise given the Asia trip and the team's qualification for the Champions League. We also expected Advertising revenue up yoy, but it was 13% softer yoy (apparently the bonus payments received last season for Europa League qualification via the play-off modus were higher than we expected). Given the revenue shortfall, **group EBITDA** was also a miss: we had forecast € 54.7m vs € 40.1m reported – a 27% miss. However, while Q1 EBITDA looks weak at first glance, the main reason for the miss was on the revenue side; opex of € 103.7m was only marginally above our estimate of € 102.3m. The revenue miss in transfer income (€ ~4m below our estimate) was responsible for one-third of the miss. **Net income** of € 20.7m was 22% below our forecast of € 26.5m, but still clearly higher yoy (Q1 15-16: € -5.6m).

Borussia Dortmund: Q1 2016-17 key figures

	Reported	Oddo Seydler	Gap in %	Q1 15/16
Sales	126.8	137.9	-9%	89.0
EBITDA	40.1	54.7	-27%	13.9
EBIT	24.1	36.5	-33%	-5.2
Net income	20.7	26.5	-22%	-5.6

Source: Oddo Seydler Bank, company data

Conservative guidance maintained; updating our model post Q1 FY 16

As the company does not provide quarterly outlooks, the company's confirmation of its full-year guidance was no surprise: i) group revenues of € 340m, ii) EBIT in the low single-digit € m, iii) D&A of ~€ 61m, iv) EBITDA of ~€ 65m (=EBIT+D&A guidance), v) net income in the single-digit € m range. We have mentioned before that BVB's guidance was very conservative; and even the Q1 run rates exceed it despite the miss. We have updated our model post Q1 figures and now expect full-year 2016-17e group revenues at € 369.5m (€ 333.8m excl. transfer income) and EBITDA of € 80.2m (€ 41.9m excl. transfer income) and net profit of € 13.1m. In most cases we have incorporated the Q1 misses into our full-year forecast.

Market shook off the Q1 miss, but oCF could be short-term negative trigger; downgrade to Neutral as TP almost reached

Since our upgrade in mid-August the stock has risen more than 40% and currently trades around 4% below our TP of € 6.00/share. All in all, the market has started to price in the strong mid-term outlook BVB derives from the new Bundesliga TV-deal as well the possible reform in UEFA CL. This 'catching-up' is one major reason why the market shrugged off the Q1 figures. While this confirms our long-term case for the stock, we should also point out that oCF in Q1 16-17, at € -27m, was a negative surprise, but not that negative, in our view, as we expect oCF back to normal in Q2. As the stock performance going into the AGM was positive post the Q1 results, we change our rating to Neutral as the stock almost reached our 12m TP of € 6.00/share (current upside ~4%).

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BVB.DE | BVB GY
Leisure | Germany

Neutral

Upside 3.39%

Price 5.80EUR

TP 6.00EUR

PER SHARE DATA (EUR)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Adjusted EPS	0.09	0.45	0.83	0.19	0.06	0.33	0.14	0.32
Reported EPS	0.09	0.45	0.83	0.19	0.06	0.33	0.14	0.32
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-57.1%	ns
Net dividend per share	0.00	0.06	0.10	0.10	0.05	0.06	0.08	0.10
FCF to equity per share	0.21	0.31	0.23	0.29	-0.60	0.00	0.24	0.37
Book value per share	1.10	1.52	2.28	2.36	3.11	3.36	3.51	3.83
Number of shares market cap	61.43	61.43	61.43	61.43	92.00	92.00	92.00	92.00
Number of diluted shares	61.43	61.43	61.43	61.43	92.00	92.00	92.00	92.00
VALUATION	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
12m highest price	3.05	2.80	3.95	5.10	4.21	5.86		
12m lowest price	1.76	1.90	2.64	3.56	3.21	3.61		
(*) Reference price	2.16	2.27	2.80	3.66	4.10	3.97	5.80	5.80
Capitalization	133	140	172	225	378	365	534	534
Restated Net debt	59.6	43.3	34.2	24.8	-51.2	-49.1	-38.4	-66.2
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	192	183	206	250	326	316	495	468
P/E (x)	25.0	5.1	3.4	19.3	68.3	12.0	40.9	18.2
P/CF (x)								
Net Yield (%)	0.0%	2.6%	3.6%	2.7%	1.2%	1.5%	1.4%	1.7%
FCF yield (%)	9.5%	13.7%	8.3%	7.8%	ns	ns	4.2%	6.4%
P/B incl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.65	1.52
P/B excl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.65	1.52
EV/Sales (x)	1.27	0.85	0.68	0.96	1.18	0.84	1.34	1.13
EV/EBITDA (x)	5.9	3.0	2.4	5.1	5.9	3.6	6.2	4.2
EV/EBIT (x)	12.9	4.4	3.2	13.5	24.8	8.7	27.3	11.7
(*) historical average price								
PROFIT AND LOSS (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Sales	151	215	305	261	276	376	369	412
EBITDA	32.4	60	88	49.1	56	87	80	110
Depreciations	-17.5	-18.6	-22.4	-30.7	-42.4	-50.2	-62.1	-70.0
Current EBIT	14.9	41.4	65	18.5	13.2	36.4	18.1	40.0
Published EBIT	14.9	41.4	65	18.5	13.2	36.4	18.1	40.0
Net financial income	-5.4	-4.8	-5.1	-3.9	-7.2	-1.0	-0.3	-0.3
Corporate Tax	-4.1	-9.1	-8.8	-2.6	-0.5	-4.9	-4.8	-10.5
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.1	-0.1	-0.4	-0.3	0.0	0.0	0.0	0.0
Attributable net profit	5.3	27.4	51	11.7	5.5	30.5	13.1	29.3
Adjusted attributable net profit	5.3	27.4	51	11.7	5.5	30.5	13.1	29.3
BALANCE SHEET (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	18.4	25.7	28.4	61.6	96.3	65.3	140	139
Tangible fixed assets	171	183	178	185	190	188	185	180
WCR	2.1	2.2	43.7	-13.5	-1.4	36.2	40.4	42.4
Financial assets	7.4	2.1	5.4	3.4	3.7	49.1	16.1	15.9
Ordinary shareholders equity	67.3	93.1	140	145	286	310	323	352
Minority interests	0.3	0.3	0.6	0.3	0.3	0.0	0.0	0.0
Shareholders equity	67.6	93.5	141	145	286	310	323	352
Non-current provisions	71.5	75.9	81.1	65.9	53.3	77.1	95.2	91.5
Net debt	59.6	43.3	34.2	24.8	-51.2	-49.1	-38.4	-66.2
CASH FLOW STATEMENT (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
EBITDA	32.4	60.0	87.5	49.1	55.6	86.7	80.2	110.1
Change in WCR	5.8	1.1	3.3	-6.7	-20.9	-25.2	49.1	-5.0
Interests & taxes	-6.4	-6.1	-13.9	-7.5	-7.4	-11.3	-10.1	-10.8
Others	-11.1	-27.0	-48.4	-8.5	-10.4	-0.2	-37.5	0.0
Operating Cash flow	20.7	28.0	28.6	26.4	16.9	49.9	81.8	94.3
CAPEX	-8.1	-8.9	-14.3	-8.9	-72.1	-50.1	-59.5	-60.1
Free cash-flow	12.6	19.2	14.3	17.6	-55.1	-0.2	22.2	34.2
Acquisitions / disposals	0.1	0.2	0.1	0.0	-0.4	0.0	0.0	-0.4
Dividends	-0.4	-1.2	-5.1	-8.0	-8.3	-4.6	-3.0	-6.4
Net capital increase	0.0	0.0	0.0	0.0	140.7	0.0	0.0	0.0
Others	-6.5	-11.7	-2.0	-4.3	-41.0	0.0	0.0	-41.0
Change in net debt	10.3	18.1	9.3	9.6	76.9	-4.8	19.2	27.4
GROWTH MARGINS PRODUCTIVITY	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Sales growth	-	42.1%	41.7%	-14.5%	5.9%	36.3%	-1.8%	11.6%
Lfl sales growth	-	-	41.7%	-14.5%	5.9%	36.3%	-1.8%	-
Current EBIT growth	-	ns	57.3%	-71.7%	-28.7%	ns	-50.2%	ns
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-57.1%	ns
Net margin	3.5%	12.7%	16.7%	4.5%	2.0%	8.1%	3.5%	7.1%
EBITDA margin	21.4%	27.9%	28.7%	18.8%	20.1%	23.0%	21.7%	26.7%
Current EBIT margin	9.8%	19.2%	21.3%	7.1%	4.8%	9.7%	4.9%	9.7%
CAPEX / Sales	-7.5%	-13.1%	-9.0%	-23.9%	-28.5%	-13.3%	-24.7%	-14.6%
WCR / Sales	1.4%	1.0%	14.3%	-5.2%	-0.5%	9.6%	10.9%	10.3%
Tax Rate	43.1%	24.8%	14.7%	18.0%	7.8%	13.8%	26.9%	26.4%
Normative tax rate	-70.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	1.1	1.3	1.1	1.1	1.3	1.1	1.1
ROCE post-tax (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	8.9%	3.9%	7.7%
ROCE post-tax hors GW (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	8.9%	3.9%	7.7%
ROE	-	34.2%	43.6%	8.2%	2.6%	10.2%	4.1%	8.7%
DEBT RATIOS	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Gearing	88%	46%	24%	17%	-18%	-16%	-12%	-19%
Net Debt / Market Cap	0.45	0.31	0.20	0.11	-0.14	-0.13	-0.07	-0.12
Net debt / EBITDA	1.84	0.72	0.39	0.50	ns	ns	ns	ns
EBITDA / net financial charges	6.0	12.3	17.3	12.6	7.8	82.9	320.8	440.3

Mention of conflicts of interest

• Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
22.11.16	Neutral	6.00	5.80	Marcus Silbe, CEFA
18.08.16	Buy	6.00	4.00	Marcus Silbe, CEFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(415)	49%	41%	10%
Liquidity providers coverage	(147)	51%	44%	5%
Research service coverage	(67)	64%	33%	3%
Investment banking services	(38)	68%	29%	3%

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