



# Borussia Dortmund GmbH & Co KGaA

Buy → | Target 6.50 EUR vs 6.00 EUR ↗

Price (15/03/2017) : 5.32 EUR | Upside : 22 %

Est.chg	2017e	2018e
EPS	65.0%	4.3%

**Model update after both Champions League and German Cup performances surpass our forecast; TP up to € 6.50**

Publication date 16.03.2017 17:11

Writing date 16.03.2017 13:47



Capital			
<b>BVB GY   BVB.DE</b>			
Market Cap (EURm)			489
Enterprise value (EURm)			435
Extrema 12 months	3.74	-	5.86
Free Float (%)			60.5
Performance (%)			
	1m	3m	12m
Absolute	2.1	1.3	36.1
Perf. rel. Country Index	1.1	-3.1	23.7
Perf. rel. Hotel / Leisure	1.3	-1.8	36.2
P&L			
	06/16	06/17e	06/18e
Sales (EURm)	376	395	419
EBITDA (EURm)	86.7	80.8	107
Current EBIT (EURm)	36.4	18.9	38.2
Attr. net profit (EURm)	30.5	12.8	27.9
Adjusted EPS (EUR)	0.33	0.14	0.30
Dividend (EUR)	0.06	0.08	0.10
P/E (x)	12.0	38.3	17.5
P/B (x)	1.2	1.5	1.4
Dividend Yield (%)	1.5	1.5	1.9
FCF yield (%)	ns	2.3	6.8
EV/Sales (x)	0.84	1.17	1.04
EV/EBITDA (x)	3.6	5.7	4.1
EV/Current EBIT (x)	8.7	24.5	11.4
Gearing (%)	-16	-8	-15
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
12.05.2017	Earnings Release
18.05.2017	Earnings Release
24.08.2017	Earnings Release
02.03.2018	Earnings Release

## Champions League: into the quarter-finals

Last week (8 March) BVB played its second leg against Benfica and advanced to the quarter-finals of the tournament with a strong 4-0 victory at home (4-1 on aggregate). As a result, the club surpassed our initial pre-season assumption that it would only reach the round of 16. In terms of additional revenue streams BVB's advance to the quarter-finals means i) it will receive € 6.5m from UEFA for reaching the quarter-finals, ii) it will have one additional home game (also with a positive impact on catering revenues), iii) higher merchandising sales and iv) given Bayer Leverkusen's elimination from the tournament it will receive a bigger share of the German TV media pool. All in all, we estimate incremental revenues for this season due to making the quarter-finals of the Champions League at € ~11m. Should Dortmund advance to the CL semi-finals (not included in our estimates), it would receive another € 7.5m from UEFA + 1 more home game (incl. Catering and more Merchandising). The draw for the CL quarterfinal matches will be on Friday (17 March).

## German Cup: into the semi-finals – against Bayern Munich

On 14 March, BVB met Sportfreunde Lotte in the quarter-finals of the DFB Pokal (German Cup) in an away game and won 3-0. Since this game was rescheduled, there was more TV coverage than two weeks ago. In total incremental revenues resulting from this game amounted to € 1.7m (we had only assumed BVB would reach the quarter-finals). BVB will play against Bayern Munich in the semi-finals of this tournament; this match will be held on 25 April in Munich.

## Change in estimates for 2016-17e; EBITDA estimate raised 11%

In total, we increased our top line assumptions by € 12.7m, now forecasting revenues of € 395.2m (€ 337.5m excluding transfer income). While reported revenues imply 5.0% yoy growth, on an ex transfer income basis we expect the company to grow by 20% yoy. Our current forecast is about 16% above the company's guidance of € ~340m. Even taking the revenues of the last 4 quarters (H1 of the current fiscal year and H2 of 2015-16) we derive a run rate of at least € 352m (excl. transfer income from H2 last year), which shows that the company's guidance is too conservative.

On the operating level, our model update renders EBITDA of € 80.8m, corresponding to a 11%/€ 8.1m increase. All in all, our updated net income forecast stands at € 12.8m (up from € 6.7m).

For 2017-18e we only increased our estimate for revenues from merchandising given the assumed higher basis at the end of 2016-17e; as a result, our 2017-18 earnings estimate is only slightly higher than before.

## Share's momentum should stay positive; TP raised ~8% to € 6.50, leaving ~20% upside on a 12M horizon

Since our renewed upgrade to Buy on 22 February, the shares have appreciated ~3%; momentum should remain positive given the positive newsflow from the recently generated earnings surprise (Champions League + DFB Cup). In terms of valuation, our fundamental FVpS rose to € 10.27 while the peer-group multiple (avg. EV/EBITDA 2018e of ~10x) would indicate a current fair value of € 12.72. The shares are currently trading at a 60% discount to closest peer ManUnited. Lowering our discount to ManUnited by another 5%, from 55% to 50%, we arrive at our TP to € 6.50, which suggests 20% upside for the next 12M. Buy rating clearly confirmed.

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**BVB.DE | BVB GY**  
**Leisure | Germany**

**Buy**

Price 5.32EUR

Upside

22.18%

TP 6.50EUR

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	0.30
<b>Reported EPS</b>	<b>0.09</b>	<b>0.45</b>	<b>0.83</b>	<b>0.19</b>	<b>0.06</b>	<b>0.33</b>	<b>0.14</b>	<b>0.30</b>
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-58.1%	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	0.12	0.36
Book value per share	1.10	1.52	2.28	2.36	3.11	3.36	3.51	3.81
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	5.47	
12m lowest price	1.76	1.90	2.64	3.56	3.21	3.61	5.09	
(*) Reference price	2.16	2.27	2.80	3.66	4.10	3.97	5.32	5.32
Capitalization	133	140	172	225	378	365	489	489
Restated Net debt	59.6	43.3	34.2	24.8	-51.2	-49.1	-27.3	-54.0
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
<b>Enterprise Value</b>	<b>192</b>	<b>183</b>	<b>206</b>	<b>250</b>	<b>326</b>	<b>316</b>	<b>462</b>	<b>435</b>
P/E (x)	25.0	5.1	3.4	19.3	68.3	12.0	38.3	17.5
P/CF (x)								
Net Yield (%)	0.0%	2.6%	3.6%	2.7%	1.2%	1.5%	1.5%	1.9%
FCF yield (%)	9.5%	13.7%	8.3%	7.8%	ns	ns	2.3%	6.8%
P/B incl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.52	1.40
P/B excl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.52	1.40
EV/Sales (x)	1.27	0.85	0.68	0.96	1.18	0.84	1.17	1.04
EV/EBITDA (x)	5.9	3.0	2.4	5.1	5.9	3.6	5.7	4.1
<b>EV/EBIT (x)</b>	<b>12.9</b>	<b>4.4</b>	<b>3.2</b>	<b>13.5</b>	<b>24.8</b>	<b>8.7</b>	<b>24.5</b>	<b>11.4</b>
(*) 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	395	419
EBITDA	32.4	60	88	49.1	56	87	81	107
Depreciations	-17.5	-18.6	-22.4	-30.7	-42.4	-50.2	-61.9	-69.3
<b>Current EBIT</b>	<b>14.9</b>	<b>41.4</b>	<b>65</b>	<b>18.5</b>	<b>13.2</b>	<b>36.4</b>	<b>18.9</b>	<b>38.2</b>
Published EBIT	14.9	41.4	65	18.5	13.2	36.4	18.9	38.2
Net financial income	-5.4	-4.8	-5.1	-3.9	-7.2	-1.0	-1.2	-0.3
Corporate Tax	-4.1	-9.1	-8.8	-2.6	-0.5	-4.9	-4.9	-10.0
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	12.8	27.9
<b>Adjusted attributable net profit</b>	<b>5.3</b>	<b>27.4</b>	<b>51</b>	<b>11.7</b>	<b>5.5</b>	<b>30.5</b>	<b>12.8</b>	<b>27.9</b>
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	149	149
Tangible fixed assets	171	183	178	185	190	188	185	180
WCR	2.1	2.2	43.7	-13.5	-1.4	36.2	42.1	43.1
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	351
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	351
Non-current provisions	71.5	75.9	81.1	65.9	53.3	77.1	95.2	91.5
<b>Net debt</b>	<b>59.6</b>	<b>43.3</b>	<b>34.2</b>	<b>24.8</b>	<b>-51.2</b>	<b>-49.1</b>	<b>-27.3</b>	<b>-54.0</b>
CASH FLOW STATEMENT (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
<b>EBITDA</b>	<b>32.4</b>	<b>60.0</b>	<b>87.5</b>	<b>49.1</b>	<b>55.6</b>	<b>86.7</b>	<b>80.8</b>	<b>107.5</b>
Change in WCR	5.8	1.1	3.3	-6.7	-20.9	-25.2	47.4	-4.0
Interests & taxes	-6.4	-6.1	-13.9	-7.5	-7.4	-11.3	-11.2	-10.3
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	79.6	93.2
CAPEX	-8.1	-8.9	-14.3	-8.9	-72.1	-50.1	-68.5	-60.1
<b>Free cash-flow</b>	<b>12.6</b>	<b>19.2</b>	<b>14.3</b>	<b>17.6</b>	<b>-55.1</b>	<b>-0.2</b>	<b>11.1</b>	<b>33.1</b>
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	8.1	26.3
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%	5.0%	6.0%
<b>Lfl sales growth</b>	<b>-</b>	<b>-</b>	<b>41.7%</b>	<b>-14.5%</b>	<b>5.9%</b>	<b>36.3%</b>	<b>5.0%</b>	<b>-</b>
Current EBIT growth	-	ns	57.3%	-71.7%	-28.7%	ns	-48.1%	ns
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-58.1%	ns
Net margin	3.5%	12.7%	16.7%	4.5%	2.0%	8.1%	3.2%	6.7%
<b>EBITDA margin</b>	<b>21.4%</b>	<b>27.9%</b>	<b>28.7%</b>	<b>18.8%</b>	<b>20.1%</b>	<b>23.0%</b>	<b>20.5%</b>	<b>25.7%</b>
<b>Current EBIT margin</b>	<b>9.8%</b>	<b>19.2%</b>	<b>21.3%</b>	<b>7.1%</b>	<b>4.8%</b>	<b>9.7%</b>	<b>4.8%</b>	<b>9.1%</b>
CAPEX / Sales	-7.5%	-13.1%	-9.0%	-23.9%	-28.5%	-13.3%	-25.4%	-14.4%
WCR / Sales	1.4%	1.0%	14.3%	-5.2%	-0.5%	9.6%	10.6%	10.3%
Tax Rate	43.1%	24.8%	14.7%	18.0%	7.8%	13.8%	27.8%	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	1.2	1.1
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>14.5%</b>	<b>19.8%</b>	<b>5.3%</b>	<b>3.6%</b>	<b>8.9%</b>	<b>4.0%</b>	<b>7.1%</b>
ROCE post-tax hors GW (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	8.9%	4.0%	7.1%
ROE	-	34.2%	43.6%	8.2%	2.6%	10.2%	4.0%	8.3%
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%	-8%	-15%
Net Debt / Market Cap	0.45	0.31	0.20	0.11	-0.14	-0.13	-0.06	-0.11
<b>Net debt / EBITDA</b>	<b>1.84</b>	<b>0.72</b>	<b>0.39</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	6.0	12.3	17.3	12.6	7.8	82.9	67.4	430.0

• **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.

• **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **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
16.03.17	Buy	6.50	5.32	Marcus Silbe, CEFA
22.02.17	Buy	6.00	5.22	Marcus Silbe, CEFA
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	(414)	48%	43%	9%
Liquidity providers coverage	(152)	52%	43%	5%
Research service coverage	(66)	56%	41%	3%
Investment banking services	(39)	69%	26%	5%

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Have those responsible for the drafting of the present document acquired shares from the issuer concerned by the present financial analysis?	No
Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive?	No

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