



Borussia Dortmund GmbH & Co KGaA

Buy → | Target price : 6.50 EUR

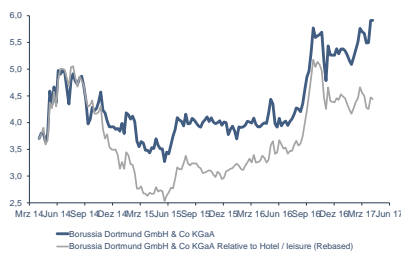
Price (05/05/2017) : 5.91 EUR | Upside : 10 %

	Est.chg	2017e	2018e
EPS		-26.7%	0,0%

Q3 figures shy of expectations; positive Q4 effects to compensate for that

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Capital

BVB GY BVB.DE	
Market Cap (EURm)	544
Enterprise value (EURm)	493
Extrema 12 months	3,74 - 5,94
Free Float (%)	60,5

Performance (%)	1m	3m	12m
Absolute	3,2	10,7	46,8
Perf. rel. Country Index	-0,6	2,1	23,9
Perf. rel. Hotel / Leisure	-2,9	-0,4	30,0

P&L	06/16	06/17e	06/18e
Sales (EURm)	376	392	419
EBITDA (EURm)	86,7	76,6	107
Current EBIT (EURm)	36,4	14,7	38,2
Attr. net profit (EURm)	30,5	9,4	27,9
Adjusted EPS (EUR)	0,33	0,10	0,30
Dividend (EUR)	0,06	0,08	0,10
P/E (x)	12,0	58,0	19,5
P/B (x)	1,2	1,7	1,6
Dividend Yield (%)	1,5	1,4	1,7
FCF yield (%)	ns	1,5	6,0
EV/Sales (x)	0,84	1,33	1,18
EV/EBITDA (x)	3,6	6,8	4,6
EV/Current EBIT (x)	8,7	35,4	12,9
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

Q3 results miss our forecast; bigger than expected net loss

On Friday, BVB reported its preliminary results for Q3/9M 2016-17 (ending 31 March) which were below our expectations. While the company won't publish its detailed figures until Friday, 12 May, we assume that our forecast for TV advertising revenues was too optimistic. The slower revenue growth in Q3 (Q1: +11.5% yoy; Q2: 17.8% yoy; Q3: +9.3% yoy) was attributable to a base effect, as in Q3 2015-16 BVB had 7 home games vs just 5 in Q3 2016-17. EBITDA came in at € 0.7m in Q3 and € 50.6m for 9M, with both figures below our estimates (€ 6.6m and € 56.5m respectively). In addition to the ~11% revenue miss, opex was also higher than we had assumed. We now assume personnel expenses exceeded our estimate of € 126.2m for 9M. All in all, the company posted a net loss for Q3 2016-17 of € -14.2m, c.€ 6m lower than we had anticipated (€ -8.3m). Hence, all reported numbers below the EBITDA line maintained the same shortfall to our estimates as with EBITDA.

Q3/9M 2016-17 key figures

	Q3	Oddo Seydler	Gap in %	9M
Revenues (incl. transfers)	71.3	80.3	-11.3%	285.5
Revenues (excl. transfers)	70.2	79.2	-11.3%	239.2
EBITDA	0.7	6.6	-89.4%	50.6
Net result	-14.2	-8.3	-	1.4

Source : Oddo Seydler Bank, company data

Q4 outlook: positive effects to roughly compensate for weakish Q3

No matter how this season ends for BVB (best scenario from today's perspective: German Cup (DFB-Pokal) winners, 3rd place in Bundesliga), we will NEVER know how the season would have played out if the team's bus had not been attacked immediately before its Champions League quarter-final home game against Monaco. Both teams were considered to have an equal chance to advance to the semi-final. Hence, this season will always have an asterisk attached to it.

From a financial view, Q4 16-17 will entail some "positive" P&L effects that will largely offset the miss in Q3: i) Advancing to the German Cup final – we did not include this in our estimates and it should bring in additional revenues of € ~5.5m. If BVB wins we add another € 3m. ii) Champions League: since Bayern Munich also exited in the quarter-finals, the German TV media budget will not be divided up in Bayern Munich's favour, as expected. From this effect we expect an additional of ~€ 0.5m for BVB in Q4. iii) Mario Götze: Götze has been out since mid-/end-Q3, hence, he will not be paid a full quarterly salary. We expect this effect to reduce opex by c.€ 1.5m. All in all, factoring in the miss in Q3 and the positive effects we expect in Q4, we lower our full-year EBITDA from € 80.8m to € 76.6m, leading to a new net profit estimate of € 9.4m (12.8m). But all will change if the speculated transfer of Aubameyang goes through for more than € 70m. If that happens, 2016-17 net income will be highest in the company's history.

Shares' momentum should continue

The share price quickly recovered from the "bus attack" and is currently close to € 6.00. Since we upgraded to Buy on 18 August 2016 (TP raised to € 6.00 from € 5.00), the share price has increased by 50% reaching our old price target. On 16 March we increased our TP to € 6.50 (share price was then € 5.32), and we are comfortable at the moment with this TP. We reiterate our Buy rating.

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BVB.DE | BVB GY
Leisure | Germany

Buy

Upside 9,93%

Price 5.91EUR

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	0,10	0,30
Reported EPS	0,09	0,45	0,83	0,19	0,06	0,33	0,10	0,30
Growth in EPS(%)	-	ns	85,4%	-77,1%	-68,3%	ns	-69,2%	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	0,09	0,36
Book value per share	1,10	1,52	2,28	2,36	3,11	3,36	3,47	3,77
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	5,94	
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	5,91	5,91
Capitalization	133	140	172	225	378	365	544	544
Restated Net debt	59,6	43,3	34,2	24,8	-51,2	-49,1	-24,1	-50,6
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	520	493
P/E (x)	25,0	5,1	3,4	19,3	68,3	12,0	58,0	19,5
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	1,5%	6,0%
P/B incl. GW (x)	1,97	1,50	1,23	1,55	1,32	1,18	1,70	1,57
P/B excl. GW (x)	1,97	1,50	1,23	1,55	1,32	1,18	1,70	1,57
EV/Sales (x)	1,27	0,85	0,68	0,96	1,18	0,84	1,33	1,18
EV/EBITDA (x)	5,9	3,0	2,4	5,1	5,9	3,6	6,8	4,6
EV/EBIT (x)	12,9	4,4	3,2	13,5	24,8	8,7	35,4	12,9
(*) 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	392	419
EBITDA	32,4	60	88	49,1	56	87	77	107
Depreciations	-17,5	-18,6	-22,4	-30,7	-42,4	-50,2	-61,9	-69,3
Current EBIT	14,9	41,4	65	18,5	13,2	36,4	14,7	38,2
Published EBIT	14,9	41,4	65	18,5	13,2	36,4	14,7	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	-4,1	-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	9,4	27,9
Adjusted attributable net profit	5,3	27,4	51	11,7	5,5	30,5	9,4	27,9
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	41,8	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	319	347
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	319	347
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	-24,1	-50,6
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	76,6	107,5
Change in WCR	5,8	1,1	3,3	-6,7	-20,9	-25,2	47,7	-4,3
Interests & taxes	-6,4	-6,1	-13,9	-7,5	-7,4	-11,3	-10,4	-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	76,5	93,0
CAPEX	-8,1	-8,9	-14,3	-8,9	-72,1	-50,1	-68,5	-60,1
Free cash-flow	12,6	19,2	14,3	17,6	-55,1	-0,2	7,9	32,9
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	4,9	26,0
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%	4,1%	6,9%
Lfl sales growth	-	-	41,7%	-14,5%	5,9%	36,3%	4,1%	-
Current EBIT growth	-	ns	57,3%	-71,7%	-28,7%	ns	-59,7%	ns
Growth in EPS(%)	-	ns	85,4%	-77,1%	-68,3%	ns	-69,2%	ns
Net margin	3,5%	12,7%	16,7%	4,5%	2,0%	8,1%	2,4%	6,7%
EBITDA margin	21,4%	27,9%	28,7%	18,8%	20,1%	23,0%	19,6%	25,7%
Current EBIT margin	9,8%	19,2%	21,3%	7,1%	4,8%	9,7%	3,7%	9,1%
CAPEX / Sales	-7,5%	-13,1%	-9,0%	-23,9%	-28,5%	-13,3%	-25,6%	-14,4%
WCR / Sales	1,4%	1,0%	14,3%	-5,2%	-0,5%	9,6%	10,7%	10,3%
Tax Rate	43,1%	24,8%	14,7%	18,0%	7,8%	13,8%	30,5%	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
ROCE post-tax (normative tax rate)	-	14,5%	19,8%	5,3%	3,6%	8,9%	3,1%	7,1%
ROCE post-tax hors GW (normative tax rate)	-	14,5%	19,8%	5,3%	3,6%	8,9%	3,1%	7,1%
ROE	-	34,2%	43,6%	8,2%	2,6%	10,2%	3,0%	8,4%
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	-0,04	-0,09
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	63,8	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.

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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.

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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	5,35	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	(421)	48%	43%	9%
Liquidity providers coverage	(155)	51%	44%	5%
Research service coverage	(66)	55%	42%	3%
Investment banking services	(42)	67%	29%	5%

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