

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 5.00** (5.00)

08 August 2013

Good start into the new season

Supercup win and advancement to round 2 of DFB-Pokal

- Transfer updates:** Comparing transfer income and transfer expenditures Borussia Dortmund is expected to post a negative net transfer result for fiscal year 2012/13. We forecast that the net transfer result will amount to EUR -4m. We anticipate transfer expenditures of EUR 48m (including Mkhitarian, Aubemeyang, Sokratis), according to our estimates. On the contrary transfer income will approx. amount to EUR 44m, of which EUR 37m are attributable to the sale of Mario Götze. Additional sold players are Leonardo Bittencourt, Julian Koch, Daniel Ginczek, Marvin Bakalorz and Felipe Santana. Furthermore, Lasse Sobiech was sold in July 2013 and therefore his transfer fee will be effective in fiscal year 2013/2014.
- Change in estimates:** Given the aforementioned transfer updates, we adjusted our estimates accordingly. While we had previously only adapted the Götze transfer in the amount of EUR 37m we now also include the income from the earlier mentioned deals, summing up to EUR 44m for 2012/2013E. However, on the contrary side we had to cut our forecast for the Champions League media pool payments down to EUR 21.8m (CBSR: EUR 27m). Overall, the additional transfer income offsets this decline, hence our new revenue estimates for 2012/2013E are even up to EUR 291.1m (prev.: EUR 289.4m). Group EBITDA may also come in at EUR 93.1m after previously expected EUR 92.5m. EPS however is slightly down from EUR 0.82 to EUR 0.81 mostly due to higher D&A expenses. For this fiscal year 2013/2014E BVB's win of the Supercup lifts the other revenues in the Match Operations segment by EUR 1.25m. Additionally, the sale of the player Sobiech will also increase the transfer income by estimated EUR ~1m. As a result, revenues for 2013/2014E are now anticipated to amount to EUR 242.5m (previously: EUR 240.2m). The revenue increase should also lead to marginal higher EBITDA (EUR 62.1m vs. previously: EUR 61.5m). Regarding the bottom line, the EPS estimates are down due to higher D&A expenses (after including the new players worth EUR ~48m).
- Unchanged PT:** After the defeat in the Champions League Final it was remarkable that the stock was able remain in its current trading channel around EUR 3 which was traditionally not the case in the off-season. It seems that the investors are optimistic and the long-term perspective is still fully intact. Therefore, we stick to our **unchanged price target of EUR 5.00** and **reiterate our BUY recommendation**.

Key data:

Y/E 31 Dec, EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
Sales	110.1	151.5	215.2	291.1	242.5	254.4
EBITDA	16.7	32.4	60.0	93.1	62.1	67.8
EBIT (reported)	-0.5	14.9	41.4	75.2	30.7	33.9
Net income/loss	-6.2	5.3	27.4	49.5	20.0	22.2
EPS	-0.10	0.09	0.45	0.81	0.33	0.36
EBITDA margin	15.1%	21.4%	27.9%	32.0%	25.6%	26.7%
EBIT margin	-0.5%	9.8%	19.2%	25.8%	12.7%	13.3%
Net margin	-5.6%	3.5%	12.7%	17.0%	8.3%	8.7%
EV/EBITDA	14.0	7.2	3.9	2.5	3.8	3.4
EV/EBIT	n.m.	15.7	5.6	3.1	7.6	6.9
P/E	n.m.	35.8	6.9	3.8	9.5	8.6

Source: Borussia Dortmund GmbH & Co KGaA, CBS Research AG

Share price (dark) vs. SDAX



Sources: CBS Research AG, Bloomberg

Change	12/13E		13/14E		14/15E	
	new	old	new	old	new	old
Revenues	291.1	289.4	242.5	240.2	-	254.4
EBITDA	93.1	92.5	62.1	61.5	-	67.8
EPS	0.81	0.82	0.33	0.40	0.36	0.43

Internet: bvb.de
WKN: 549309
Reuters: BVB.DE

Sector: Entertainment
ISIN: DE0005493092
Bloomberg: BVB GY

Short company profile:

Borussia Dortmund GmbH & Co KGaA is a Germany-based company engaged in the operation of Ballspielverein Borussia (BVB), a professional football club based in Dortmund, Germany.

Share data:

Share price (last closing price):	EUR 3.10
Shares outstanding (m):	61.4
Market capitalisation (EURm):	190.4
Enterprise value (EURm):	233.4
Ø daily trading volume (3 m., no. of shares):	204,426

Performance data:

High 52 weeks:	EUR 3.44
Low 52 weeks:	EUR 2.41
Absolute performance (12 months):	30.4%
Relative performance (vs. SDAX):	
1 month	-6.0%
3 months	-12.2%
6 months	-13.3%
12 months	-1.2%

Shareholders (preferred shares):

Bernd Geske:	11.7%
BVB (own shares):	7.2%
Free Float, others:	81.1%

Financial calendar:

2012/2013 preliminary report	22 August 2013
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Details on transfer movements

Transfer expenditures (according to newspaper reports) move in a range between EUR 48m and EUR 50m and consist of the purchase of the three players: Henrikh Mkhitaryan (24, offensive midfield, estimated transfer fee between EUR 25m to 27.5m, contract until 2017), Pierre-Emerick Aubameyang (24, forward, estimated transfer fee EUR 13m, contract until 2018) and Sokratis Papastathopoulos (25, central defender, estimated transfer fee EUR 9.5m, contract until 2018).

Team results & outlook for the season opening

While the new Bundesliga season will start on the 10 August (first match FC Augsburg - BVB on 11 August), Borussia Dortmund already completed successfully two regular matches (the first round of the DFB-Pokal and the final of the Supercup). In the first round of the DFB-Pokal Borussia played against regional-league team SV Wilhelmshaven sealing a 3-0 win. The drawing for the next round of the DFB-Pokal will be coming Saturday (11 August). In the Supercup final BVB played against its currently closest competitor Bayern Munich. Whereas the combination of the two teams reminded of the final in the Champions League 2012/13 the result of the match does not; BVB won with 4-2 and received a bonus of EUR 1.25m.

Solid transfers

BVB defeats Bayern Munich in Supercup final

Appendix

Profit and loss account

	IFRS	EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
Sales			110.14	151.48	215.24	291.14	242.46	254.42
YoY growth			-	37.5%	42.1%	35.3%	-16.7%	4.9%
Cost of materials			-4.68	-7.66	-12.48	-17.11	-14.55	-15.27
as % of sales			-4.3%	-5.1%	-5.8%	-5.9%	-6.0%	-6.0%
Personnel costs			-47.96	-61.54	-79.92	-94.80	-94.56	-96.68
as % of sales			-43.5%	-40.6%	-37.1%	-32.6%	-39.0%	-38.0%
Other operating income			2.08	4.31	7.63	4.92	7.50	5.50
as % of sales			1.9%	3.9%	6.9%	4.5%	6.8%	5.0%
Other operating expenses			-42.93	-54.14	-70.49	-91.00	-78.80	-80.14
as % of sales			-39.0%	-35.7%	-32.7%	-31.3%	-32.5%	-31.5%
EBITDA			16.65	32.44	59.98	93.15	62.05	67.83
as % of sales			15.1%	21.4%	27.9%	32.0%	25.6%	26.7%
Depreciation and amortisation (incl. PPA depreciation)			-17.16	-17.53	-18.59	-17.94	-31.33	-33.97
as % of sales			-15.6%	-11.6%	-8.6%	-6.2%	-12.9%	-13.4%
EBIT (reported)			-0.51	14.91	41.39	75.20	30.72	33.86
as % of sales			-0.5%	9.8%	19.2%	25.8%	12.7%	13.3%
Net financial results			-5.74	-5.44	-4.86	-4.74	-2.59	-2.60
EBT (Earnings before income taxes)			-6.18	9.50	36.59	70.46	28.14	31.26
as % of sales			-5.6%	6.3%	17.0%	24.2%	11.6%	12.3%
Income taxes (incl. other taxes)			0.03	-4.10	-9.06	-20.79	-7.88	-8.75
as % of EBT			-0.5%	-43.1%	-24.8%	-29.5%	-28.0%	-28.0%
Net income			-6.15	5.40	27.53	49.68	20.26	22.50
Minorities			0.04	-0.09	-0.12	-0.21	-0.25	-0.30
Net income attributable to shareholders			-6.19	5.31	27.41	49.47	20.01	22.20
as % of sales			-5.6%	3.5%	12.7%	17.0%	8.3%	8.7%
Shares outstanding (in m)			61.4	61.4	61.4	61.4	61.4	61.4
Basic earnings per share (EUR)			-0.10	0.09	0.45	0.81	0.33	0.36

Source: Borussia Dortmund GmbH & Co KGaA, CBS Research AG

Research



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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
23 May 2013	BUY (Initial Coverage)	EUR 3.17	EUR 5.00
08 August 2013	BUY	EUR 3.10	EUR 5.00

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