

Borussia Dortmund GmbH & Co. KGaA

BUY (BUY) | Target EUR 5.00 (EUR 5.00)

 Price (last closing price) : **EUR 3.57** | Upside : 45%

Est. change	2015e	2016e
EPS	+20%	-

Recap of season 2014/2015; Gündogan sale would lift net income to ~30m

Monday, 01 June 2015


Capital
BVB GY | BVB.DE

Market Cap (EURm)	328
Enterprise value (EURm)	298
Extrema 12 months	5.11 - 3.375
Free Float (%)	68.8%

Performance (%)

	1m	3m	12m
Absolute	0.7	-15.0	-8.8
Perf. rel. "sector"	-1.8	-17.8	-29.2
Perf. rel. SDAX	-4.7	-20.8	-30.5

P & L

	6/15e	6/16e	6/17e
Sales (EURm)	285	279	302
EBITDA (EURm)	57.7	62.1	67.0
EBIT (EURm)	14.7	14.4	15.6
Attr. net profit (EURm)	5.6	10.6	11.2
EPS (EUR)	0.06	0.12	0.12
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	58.8	30.9	29.3
P/B (x)	1.1	1.1	1.1
Dividend yield (%)	3%	3%	3%
FCF yield (%)	-17%	4%	6%
EV/Sales (x)	1.0	1.1	1.0
EV/EBITDA (x)	5.2	4.8	4.4
EV/EBIT (x)	20.2	20.7	19.0
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA(x)	n.s.	n.s.	n.s.

Next Events

Annual report 2014/2015	Aug 15
-------------------------	--------

Review of football season 2014/2015

On Saturday Borussia Dortmund (BVB) lost the DFB Cup final to VfL Wolfsburg 1-3. This was the final game in Germany's 2014/2015 season. The DFB Cup final fittingly framed the season's overall pattern – in the end luck was just not on their side. Nevertheless BVB managed to reach its minimum goal in qualifying for international competition next season. Following their loss on Saturday BVB now has to win the 3rd qualifying round as well as the playoff round to qualify for the UEFA Europa League (EL, 'group stage'), which we do expect them to do. Due to its participation in the 3rd qualifying round, next season will start early, on 30 July, with the second leg on 6 August. The playoff round would be on 20/27 August.

Outlook for FY15/16

We updated our figures for 14/15e in our last update (15 May) and therefore, leave our estimates unchanged: full-year group **revenues** at EUR 285.3m; **EBITDA** at EUR 57.7m and **net income** at EUR 5.6m. Rumour has it that İlkay Gündogan will be sold for EUR ~28m. BVB said it will announce the transfer within the next few days given that Gündogan decided not to extend his contract (to June 2016). If BVB receives the said transfer fee for Gündogan, its net income would leap to EUR ~30m; the company's second highest net income ever. (2012/13; EUR 50.8m).

We have updated our estimates for 2015/16e and now forecast revenues of EUR 279.4m (-2.1% yoy), EBITDA of EUR 62.1m (+8% yoy) and net income of EUR 10.6m (+90% yoy vs. EUR 5.6m in 2014/2015e). Our estimates include the Champion League (CL) contingency insurance (assumed EUR 15m in other operating income) which explains why we estimate revenues down but EBITDA up yoy. Investors' fears that BVB's revenue will dramatically decline with no CL are unfounded. It is true, however, that revenues from international competition will be down from EUR ~43m in 2014/2015e to EUR ~27m in 2015/16e. (We assume BVB will be one of the last 16 teams in the EL.)

However, Bundesliga/DFB-Pokal revenues will significantly increase yoy in 2015/16e due to better terms; TV revenues alone will rise from EUR 42m to EUR 58m. Furthermore, the ongoing increase in Advertising (+5% in 15/16e to EUR 87.7m) and Retail/Catering/Licensing (up by +9% yoy to EUR 70.2m) will predominantly compensate for the decline in CL revenues.

BUY; PT at EUR 5.00 but stock needs new growth story

While we believe the company is fundamentally undervalued with an assumed total fair value of EUR 660m (FvpS: EUR 7.27), the stock remains under pressure, facing three big issues: 1) BlackRock's short positions (~1.36% as of last filing). Taking the most recent bigger trades from several brokers into consideration (data by Bloomberg) we assume short positions should be closed within the next few weeks. 2) The team has lost some of its star appeal of recent years due to the departure of players like Götze, Lewandowski, now Gündogan and of course the coach Jürgen Klopp. New coach Thomas Tuchel has to prove his worth by qualifying the team for the CL – already in his first season. 3) The uncertainties regarding CL: While fundamentally BVB can afford to miss CL once or twice, **equity story is based on success in the CL, not the EL**. Over the last three years the stock has risen in the summer period; therefore, we stick to our PT of EUR 5.00/BUY, which translates into an upside potential of ~45%, however we must point out that the **equity story lacks lustre; EL alone will not be enough**.

Marcus Silbe (Analyst)
 +49 (0)69 920 54 814
 Marcus.silbe@oddoseydler.com



Recap of season 2014/2015

Bundesliga: At the beginning, the goal was to be ranked 4 or higher which qualifies them for UEFA Champions League (CL). However, at the end of the first half of the season, BVB was in 17th place (direct relegation) and in week 19 it was even in last place (18th). However, we remained positive in our update (29 January: prior to start of second half of the season) and to quote: “[...] BVB is assumed to improve to 6th place, hence qualifying for UEFA Euro League. Statistically speaking this is the most common outcome.” Despite being ranked at 7, BVB still managed to qualify for EL.

Champions League: The goal was to at least reach the round of 16 which BVB fulfilled. In that round BVB lost to Juventus Turin (1:5 on aggregate).

DFB-Pokal: The minimum goal was to reach the quarterfinals; BVB surpassed themselves by reaching the Final.

Profit and loss account

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Sales			215.24	305.03	260.74	285.27	279.37	302.36
YoY growth			-	41.7%	-14.5%	9.4%	-2.1%	8.2%
Cost of materials			-12.48	-17.49	-20.31	-22.82	-27.94	-28.72
as % of sales			-5.8%	-5.7%	-7.8%	-8.0%	-10.0%	-9.5%
Personnel costs			-79.92	-106.22	-107.79	-116.10	-111.75	-114.90
as % of sales			-37.1%	-34.8%	-41.3%	-40.7%	-40.0%	-38.0%
Other operating income			7.63	2.79	5.23	5.50	18.00	5.00
as % of sales			3.5%	1.3%	2.4%	2.6%	8.4%	2.3%
Other operating expenses			-70.49	-96.58	-88.73	-94.14	-95.54	-96.76
as % of sales			-32.7%	-31.7%	-34.0%	-33.0%	-34.2%	-32.0%
EBITDA			59.98	87.53	49.13	57.70	62.14	66.98
as % of sales			27.9%	28.7%	18.8%	20.2%	22.2%	22.2%
Depreciation and amortisation (incl. PPA depreciation)			-18.59	-22.41	-30.68	-42.99	-47.77	-51.36
as % of sales			-8.6%	-7.3%	-11.8%	-15.1%	-17.1%	-17.0%
EBIT (reported)			41.39	65.12	18.45	14.72	14.37	15.63
as % of sales			19.2%	21.3%	7.1%	5.2%	5.1%	5.2%
Net financial results			-4.86	-5.07	-3.89	-7.04	-0.25	-0.25
EBT (Earnings before income taxes)			36.59	60.04	14.59	7.68	14.12	15.38
as % of sales			17.0%	19.7%	5.6%	2.7%	5.1%	5.1%
Income taxes (incl. other taxes)			-9.06	-8.84	-2.62	-1.79	-3.49	-3.85
as % of EBT			-24.8%	-14.7%	-18.0%	-23.3%	-24.7%	-25.0%
Net income			27.53	51.19	11.97	5.89	10.63	11.53
Minorities			0.12	-0.37	-0.31	-0.30	-	-0.30
Net income attributable to shareholders			27.41	50.82	11.66	5.59	10.63	11.23
as % of sales			12.7%	16.7%	4.5%	2.0%	3.8%	3.7%
Shares outstanding (in m)			61.4	61.4	61.4	92.0	92.0	92.0
Basic earnings per share (EUR)			0.45	0.83	0.19	0.06	0.12	0.12

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
Assets								
Non-current assets			210.40	212.22	249.49	285.93	283.31	272.06
as % of total assets			84.6%	70.2%	85.4%	71.3%	70.5%	67.0%
Intangible assets			25.75	28.43	61.60	96.35	95.96	88.24
Goodwill			0.00	0.00	0.00	0.00	0.00	0.00
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
Current assets			38.30	90.20	42.80	115.07	118.52	134.28
as % of total assets			15.4%	29.8%	14.6%	28.7%	29.5%	33.0%
Inventories			5.81	7.54	5.92	8.56	8.38	9.07
Accounts receivable, other receivables and other assets			27.22	70.12	18.84	48.38	48.97	53.26
Current tax assets			0.00	0.00	0.19	0.19	0.19	0.19
Cash and cash equivalents			5.27	12.54	17.85	57.94	60.98	71.76
Total assets			248.71	302.42	292.30	401.00	401.84	406.33
Shareholders' equity and liabilities								
Shareholders' equity			93.46	140.62	145.25	285.70	287.13	289.46
as % of total equity and liabilities			37.6%	46.5%	49.7%	71.2%	71.5%	71.2%
Subscribed capital			61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others			31.81	78.72	83.61	193.18	194.61	196.64
Own shares			-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
Equity attributable to shareholders			93.11	140.03	144.92	285.07	286.50	288.52
Minorities			0.35	0.59	0.33	0.63	0.63	0.93
Current provisions and liabilities			61.95	74.42	71.01	71.34	70.34	72.51
as % of total equity and liabilities			24.9%	24.6%	24.3%	17.8%	17.5%	17.8%
Financial lease			1.28	1.38	1.63	2.46	2.46	2.46
Financial liabilities			5.97	4.50	8.89	0.00	0.00	0.00
Current provisions			19.22	13.95	21.02	28.67	28.09	28.38
Accounts payable			9.64	14.20	18.12	23.45	22.96	24.85
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	16.19	16.19	16.19
Non-current provisions and liabilities			93.31	87.38	76.03	43.96	44.37	44.37
as % of total equity and liabilities			37.5%	28.9%	26.0%	11.0%	11.0%	10.9%
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	21.75	22.16	22.16
Total equity and liabilities			248.71	302.42	292.30	401.00	401.84	406.33

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	11/12	12/13	13/14	14/15E	15/16E	16/17E
EBT (Earnings before income taxes)			36.59	60.04	14.59	7.68	14.12	15.38
Depreciation and amortisation			18.59	22.41	30.68	42.99	47.77	51.36
Other transactions incl. non-cash			-28.22	-57.16	-12.17	-0.46	-3.49	-3.85
Change in Working Capital			1.08	3.31	-6.67	-25.34	-1.07	-2.81
Cash flow from operating activities			28.04	28.60	26.43	24.86	57.34	60.08
CAPEX			-28.28	-27.51	-62.37	-81.20	-45.10	-40.10
Other investing activities			19.57	13.27	53.53	0.00	0.00	0.00
Cash flow from investing activities			-8.70	-14.25	-8.84	-81.20	-45.10	-40.10
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	2.90	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
Cash flow from financing activities			-12.91	-7.08	-12.27	96.43	-9.20	-9.20
Total change in cash and cash equivalents			6.43	7.27	5.32	40.09	3.04	10.78
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	57.94	60.98
Cash and cash equivalents at year's end			5.27	12.54	17.85	57.94	60.98	71.76

Source: Company Data, Oddo Seydler Bank AG

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Oddo Seydler Bank AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Oddo Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Oddo Seydler Bank AG is a subsidiary of Oddo & Cie, Paris (hereafter ‘Oddo’, together ‘Oddo Group’). However, Oddo Seydler Bank AG (hereafter ‘Oddo Seydler’) provides its research work independent from Oddo. Oddo Group is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). Oddo Group may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. Oddo Group holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. Oddo Group was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. Oddo Group has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. Oddo Group acts as designated sponsor for the company's securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement Oddo Group may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. Oddo Seydler and the analysed company have a contractual agreement about the preparation of research reports. Oddo Seydler receives a compensation in return.
- g. Oddo Group has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d

Oddo Group and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. Oddo Group may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

Recommendation System:

Oddo Seydler uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
01 June 2015	BUY	EUR 3.57	EUR 5.00
15 May 2015	BUY	EUR 3.54	EUR 5.00
27 February 2015	BUY	EUR 4.07	EUR 6.00
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
--------------	-----	----------	----------

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.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance



companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident there of.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800