

Borussia Dortmund

New FY17 forecasts

Coming into range

A positive annual report and continued on-field success reinforce confidence in our current-year forecasts and a possible step-change in returns in FY17, assuming Champions League qualification. Indeed, forecasts we are now introducing for next year suggest a near-doubling in pre-transfer EBITDA (our key metric) and strong cash generation for player investment (we estimate €74m net cash at June 2017). An EV/EBITDA (pre-transfer) of under 5x FY17e appears to ignore the long-term potential of such powerful brand development and valuable media rights.

Year end	Revenue* (€m)	EBITDA* (€m)	PBT** (€m)	EPS** (€)	DPS (€)	EV/EBITDA* (x)
06/14	256.3	44.7	37.1	0.51	0.10	9.1
06/15	263.6	48.0***	44.2***	0.43***	0.05	6.9
06/16e	256.0	34.0	25.5	0.23	0.05	9.6
06/17e	300.0	60.0	51.0	0.47	0.05	4.8

Note: *Before player transfer income. **PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments. ***Including insurance claim benefit (our estimate c €12m).

Current-year resilience

Assuming progress to the Europa League knock-out stage (on course after two group matches), we expect pre-transfer EBITDA to lag only slightly behind FY15 (before the estimated c €12m benefit of a 'negative outcome' insurance claim), which is impressive, given the absence of the Champions League. Profit should be bolstered by a lucrative new deal on the international marketing of Bundesliga media rights (revenues to more than double) and by a rise in Europa League fees. Excluding transfers, our forecasts are broadly in line with recent annual report guidance. Although surprising, given robust finances, the halving of the FY15 dividend reflects management caution and focus on sporting achievement.

FY17 Champions League kicker

Our forecasts, as detailed on page 2, assume qualification for next year's Champions League (also on track after a quarter of the Bundesliga season) and an advance to its knock-out stage, as in the three years to FY15. As well as clearly boosting advertising and merchandising, the Champions League may thus be expected to generate for Dortmund c €30m more TV marketing revenue than the Europa League in the current period. While mindful of cost pressures associated with success, we look for just a 7% rise in labour expenses as the squad is arguably already run on Champions League lines.

Valuation: Unduly cautious

Dortmund's season has begun as well as could have been envisaged, hence justifiable optimism about renewed access to Champions League riches, yet the FY17e EV/EBITDA rating is not extravagant. In addition, the scope for transfer gains remains high. Albeit notional, the surplus of market value to net player assets is c €190m if the reported June 2015 carrying value of €96m is set against sports website www.transfermarkt.de's current valuation of €287m.

Travel & leisure

22 October 2015

Price €3.94

Market cap €362m

Net cash (€m) at June 2015 including finance leases 29.6

Shares in issue 92.0m

Free float 60.5%

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (4.3) 4.1 (4.8)

Rel (local) (7.0) 18.0 (17.4)

52-week high/low €4.59 €3.23

Business description

The group operates Borussia Dortmund, a leading German football club, recent back-to-back champions of the Bundesliga and competing in this season's UEFA Europa League (Round of 16 participant in 2014/15 UEFA Champions League).

Next events

Q1 results 13 November 2015

AGM 23 November 2015

EKF 24 November 2015

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Exhibit 1: Revenue and profit analysis

Year-end June (€m)	2014	H115	Q315	Q415	FY15	FY16e	FY17e
Home matches							
Bundesliga	17	8	4	5	17	17	17
Champions League	5	3	1	-	4	-	4+qual****
Europa League	-	-	-	-	-	6**	-
DFB Cup	1	-	-	1	1	2***	2
Away matches:							
Champions League	5	3	1	-	4	-	4+qual****
Europa League	-	-	-	-	-	6**	-
DFB Cup	4+Final	2	1	1+Final	4+Final	2***	2***
Revenue							
Match operations:							
Bundesliga	26.0	13.1e	6.3e	7.5e	26.9	27.7	28.5
Champions League	10.0	5.2e	2.2e	-	7.4	-	9.0
Europa League	-	-	-	-	-	8.0	-
DFB Cup	3.7	0.6e	0.3e	3.4e	4.5	3.1	3.2
Other	0.8	0.8e	0.1e	0.3e	1.2	1.2	1.3
Total	40.5	19.8	8.9	11.2	39.9	40.0	42.0
TV marketing:							
Bundesliga	39.1	23.1e	8.7e	11.8e	43.6	57.0	60.0
Champions League	36.2	27.4	5.1	-	32.5	-	38.0
Europa League	-	-	-	-	-	7.0	-
DFB Cup	6.1	0.7e	0.3e	5.0e	6.0	3.0	3.0
Total	81.4	51.2	14.1	16.8	82.1	67.0	101.0
Advertising	73.0	37.5	18.1	20.1	75.7	79.0	83.0
Merchandising	35.0	23.9	6.9	8.5	39.3	41.0	44.0
Catering/other	21.6	12.4	5.5	8.7	26.6	29.0	30.0
Total	256.3	144.7	53.6	65.3	263.6	256.0	300.0
Other operating income	5.2	2.8	0.8	13.4*	17.0*	5.0	5.0
Labour costs	(107.8)	(56.6)	(28.7)	(32.6)	(117.9)	(115.0)	(123.0)
Share of revenue	42%	39%	53%	50%	45%	45%	41%
Material costs	(20.3)	(12.0)	(4.1)	(4.6)	(20.7)	(22.0)	(25.0)
Other operating costs	(88.7)	(49.8)	(19.1)	(25.1)	(94.0)	(90.0)	(97.0)
EBITDA before transfers	44.7	29.1	2.5	16.4	48.0	34.0	60.0
Margin	17%	20%	5%	25%	18%	13%	20%
Profit on disposal of players							
Transfer income	4.4	5.6	0.2	6.6	12.4	12.0	-
Less: Carrying value	Neg.	(4.0)	Neg.	(0.8)	(4.8)	(11.0)	-

Source: Edison Investment Research. Note: *Including estimated c €12m insurance claim benefit. **Assuming exit in Round of 32. ***Assuming exit in quarter-final. ****Assuming exit in Round of 16.

Exhibit 2: Financial summary

	€000s	2013	2014	2015	2016e	2017e
Year-end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		253,400	256,300	263,600	256,000	300,000
EBITDA		42,100	44,700	48,000*	34,000	60,000
Player transfers		45,400	4,400	7,600	1,000	0
Operating Profit (before amort. and except.)		76,700	40,900	46,100	25,000	50,000
Intangible Amortisation		(11,600)	(22,500)	(32,900)	(38,000)	(38,000)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		65,100	18,400	13,200	(13,000)	12,000
Net Interest		(5,100)	(3,800)	(1,900)	500	1,000
Other financial items		0	0	(5,300)**	0	0
Profit Before Tax (norm)		71,600	37,100	44,200	25,500	51,000
Profit Before Tax (FRS 3)		60,000	14,600	6,000	(12,500)	13,000
Tax		(8,800)	(2,600)	(500)	0	(1,000)
Profit After Tax (norm)		62,800	34,500	43,700	25,500	50,000
Profit After Tax (FRS 3)		51,200	12,000	5,500	(12,500)	12,000
Average Number of Shares Outstanding (m)		61.4	61.4	87.3	92.0	92.0
EPS - normalised (c)		98.5	50.8	42.7	23.3	46.7
EPS - (IFRS) (c)		82.7	19.1	6.0	(13.9)	12.7
Dividend per share (c)		10.0	10.0	5.0	5.0	5.0
EBITDA Margin (%)		16.6	17.4	18.2	13.3	20.0
Operating Margin (before GW and except.) (%)		30.3	16.0	17.5	9.8	16.7
BALANCE SHEET						
Fixed Assets		212,200	249,500	289,500	263,000	228,000
Intangible Assets		28,400	61,600	96,300	67,000	29,000
Tangible Assets		178,400	184,500	189,500	192,000	195,000
Investments		5,400	3,400	3,700	4,000	4,000
Current Assets		90,200	42,800	97,000	103,100	143,100
Stocks		7,600	5,900	9,400	10,000	10,500
Debtors		65,900	14,900	29,700	30,000	30,500
Cash		12,500	17,800	53,700	59,100	98,100
Other		4,200	4,200	4,200	4,000	4,000
Current Liabilities		(74,400)	(71,000)	(61,600)	(57,500)	(53,800)
Creditors		(68,500)	(60,500)	(59,100)	(55,000)	(51,300)
Short term borrowings		(4,500)	(8,900)	0	0	0
Finance leases		(1,400)	(1,600)	(2,500)	(2,500)	(2,500)
Long Term Liabilities		(87,300)	(76,000)	(38,800)	(40,800)	(41,300)
Long term borrowings		(40,800)	(32,100)	0	0	0
Finance leases		(19,700)	(20,100)	(21,600)	(21,600)	(21,600)
Other long term liabilities		(26,800)	(23,800)	(17,200)	(19,200)	(19,700)
Net Assets		140,700	145,300	286,100	267,800	276,000
CASH FLOW						
Operating Cash Flow		40,700	32,000	21,800	29,000	55,000
Net Interest		(5,000)	(3,600)	(7,200)	500	1,000
Tax		(8,800)	(3,800)	(200)	(1,500)	(2,000)
Capex		(6,500)	(10,900)	(10,400)	(10,000)	(10,400)
Acquisitions/disposals		(7,600)	2,100	(61,700)	(8,000)***	0
Financing		0	0	140,700	0	0
Dividends		(3,600)	(6,100)	(6,100)	(4,600)	(4,600)
Net Cash Flow		9,200	9,700	76,900	5,400	39,000
Opening net debt/(cash)		64,400	53,900	44,900	(29,600)	(35,000)
Finance leases initiated		1,300	(700)	(2,400)	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		53,900	44,900	(29,600)	(35,000)	(74,000)

Source: Edison Investment Research, company accounts. Note: *Including estimated c €12m insurance claim benefit. **Early repayment of financial liabilities. ***Including acquisitions of Castro, Bürki, Weigl and Park and disposals of Immobile and Grosskreutz (valuations estimated by www.transfermarkt.de).

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