



Borussia Dortmund GmbH & Co KGaA

Buy → | Target 6.00 EUR vs 5.00 EUR ↗

Price (08/17/2016) : 4.03 EUR | Upside : 49 %

	Est.chg	2016e	2017e
EPS		137.5%	636.5%

BVB's outlook has never been better; 12M TP up to € 6.00/share

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Adjusting 2015-16 for transfer income

Tomorrow, 19 August, BVB will report prelim. 2015-16 results (year to 30 June 16). We exp. **net income** of € 33.7m, its 2nd-highest level ever (vs € 50.8m in 12-13, the year of Götze's sale). We also exp. a strong top line at € 380.0m (+38% yoy). Excl. transfer income, we now expect **revenue** of € 285.2m (€ 283m). BVB was quite active in the transfer market in June-July, raising proceeds of € 110m (Mkhitarian € 42m, Hummels € 35m, Gündogan € 27m, Blaszczykowski € 5m, Leitner € 2m), and also spending € 110m (Schürrle € 30m, Götze € 22m, Dembele € 15m, Rode, € 12m, Guerreiro € 12m, Bartra € 8m, Mor € 7m, Merino € 3.75m). We est. **EBITDA** of € 96.6m, leading to **net income** of € 33.7m and **EPS** of € 0.37.

Outlook for 2016-17e

€ 49m of the € 110m transfer income was attributable to July, thus boosting 2016-17; we have adjusted our forecasts accordingly. In total, we estimate 2016-17e group revenues of € 375.9m or € 326.9m (+14.6% yoy) excluding transfer income. Revenue split:

Match operations: We expect ~€ 43.6m assuming BVB reaches the round of sixteen in the Champions League and the quarterfinals in the German Cup.

Advertising: Still very bullish on BVB's strong brand. Due to its strong attraction for new partnerships we estimate advertising revenues up 8% yoy to € 94.7m 16-17e.

TV marketing: Here we forecast a strong 42% yoy increase to € 109.9m, mostly because of BVB's participation in the Champions League (last season only UEFA Europa League), where BVB benefits twice, first by qualifying again for the CL and second because UEFA increased its bonuses for the Champions League.

Retail, Catering, Licensing & others: We forecast € 78.6m, up 12% yoy, due to the higher merchandising sales (Asia trips are very supportive) and the expected increase in the Catering business.

Group EBITDA: We estimate group EBITDA at € 84.3m, down 12.7% yoy, mostly due to the base effect of higher book profits from transfer income in 2015-16. We expect net income at € 16.1m for 2016-17e, translating to EPS of € 0.18.

New TV deal will lift fundamentals to a new level; revenues >€ 400m

We also adjust our 2017-18e estimates for the new Bundesliga TV deal. While the final details of the allocation for each Bundesliga club have yet to set, we expect BVB's TV marketing income to increase by ~€ 60m per season. This comes on top of our existing forecast, which we increase our revenue estimate for 17-18e from € 325m to € 413.6m. We also updated our mid-term forecast for TV-advertising and merchandising. Given the success of its Asian trips this pre-season and last, we expect BVB to generate incremental revenues of € 15-20m per year as a result of its more international approach (especially via improved brand awareness in Asia). We expect group EBITDA in 2017-18e to grow 30.9% yoy to € 110.4m (highest in club history), leading to net income of € 32.5m (old: € 2.1m).

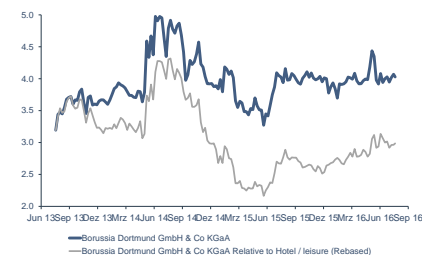
Fair value now € 902m (+35%) or € 9.80 per share

Analysing the fundamentals, the company's prospects have improved significantly and have never been better. This is underlined by our new FV of € 902m or € 9.80/share (previously € 668m/€ 7.50). Taking Manchester United as a benchmark, BVB's implied fair value would be € 1.04bn or € 11.30/share. Although BVB's FV is continuously increasing, its share price does not (yet) reflect the company's strongly improved mid-term prospects. We think this will change over time and, therefore, lift our TP by 20% to € 6.00/share. While this is ~40% below our calculated FV, it still represents upside of ~50%. Buy clearly confirmed.

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Capital			
BVB GY BVB.DE			
Market Cap (EURm)			371
Enterprise value (EURm)			304
Extrema 12 months	3.61	-	4.48
Free Float (%)			60.5
Performance (%)			
	1m	3m	12m
Absolute	0.7	0.0	-1.4
Perf. rel. Country Index	-0.1	-1.7	12.2
Perf. rel. Hotel / Leisure	-0.4	4.4	10.6
P&L			
	06/16e	06/17e	06/18e
Sales (EURm)	380	376	414
EBITDA (EURm)	96.6	84.3	110
Current EBIT (EURm)	44.3	22.3	44.4
Attr. net profit (EURm)	33.7	16.1	32.5
Adjusted EPS (EUR)	0.37	0.18	0.35
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	10.9	23.0	11.4
P/B (x)	1.1	1.1	1.0
Dividend Yield (%)	2.5	2.5	2.5
FCF yield (%)	2.7	4.1	12.4
EV/Sales (x)	0.80	0.81	0.65
EV/EBITDA (x)	3.2	3.6	2.4
EV/Current EBIT (x)	6.9	13.6	6.0
Gearing (%)	-19	-20	-29
Net Debt/EBITDA(x)	ns	ns	ns

Next Events**Conflict of interests:**

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BVB.DE | BVB GY
Leisure | Germany

	Buy				Price	4.03EUR		
	Upside	48.96%			TP	6.00EUR		
PER SHARE DATA (EUR)	06/11	06/12	06/13	06/14	06/15	06/16e	06/17e	06/18e
Adjusted EPS	0.09	0.45	0.83	0.19	0.06	0.37	0.18	0.35
Reported EPS	0.09	0.45	0.83	0.19	0.06	0.37	0.18	0.35
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-52.0%	ns
Net dividend per share	0.00	0.06	0.10	0.10	0.05	0.10	0.10	0.10
FCF to equity per share	0.21	0.31	0.23	0.29	-0.60	0.11	0.16	0.50
Book value per share	1.10	1.52	2.28	2.36	3.11	3.46	3.54	3.89
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	06/16e	06/17e	06/18e
12m highest price	3.05	2.80	3.95	5.10	4.21	4.48		
12m lowest price	1.76	1.90	2.64	3.56	3.21	3.61		
(*) Reference price	2.16	2.27	2.80	3.66	4.10	3.97	4.03	4.03
Capitalization	133	140	172	225	378	365	371	371
Restated Net debt	60	43	34	25	-51.2	-60.9	-66.8	-103.4
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	304	304	267
P/E (x)	25	5.1	3.4	19	68	11	23	11
P/CF (x)								
Net Yield (%)	0.0%	2.6%	3.6%	2.7%	1.2%	2.5%	2.5%	2.5%
FCF yield (%)	9.5%	13.7%	8.3%	7.8%	ns	2.7%	4.1%	12.4%
P/B incl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.15	1.14	1.03
P/B excl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.15	1.14	1.03
EV/Sales (x)	1.27	0.85	0.68	0.96	1.18	0.80	0.81	0.65
EV/EBITDA (x)	5.9	3.0	2.4	5.1	5.9	3.2	3.6	2.4
EV/EBIT (x)	13	4.4	3.2	14	25	6.9	14	6.0
<i>(*) historical average price</i>								
PROFIT AND LOSS (EURm)	06/11	06/12	06/13	06/14	06/15	06/16e	06/17e	06/18e
Sales	151	215	305	261	276	380	376	414
EBITDA	32.4	60	88	49.1	56	97	84	110
Depreciations	-17.5	-18.6	-22.4	-30.7	-42.4	-52.3	-62.0	-66.0
Current EBIT	14.9	41.4	65	18.5	13.2	44.3	22.3	44.4
Published EBIT	14.9	41.4	65	18.5	13.2	44.3	22.3	44.4
Net financial income	-5.4	-4.8	-5.1	-3.9	-7.2	-1.0	-0.3	-0.3
Corporate Tax	-4.1	-9.1	-8.8	-2.6	-0.5	-9.6	-5.9	-11.6
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	33.7	16.1	32.5
Adjusted attributable net profit	5.3	27.4	51	11.7	5.5	33.7	16.1	32.5
BALANCE SHEET (EURm)	06/11	06/12	06/13	06/14	06/15	06/16e	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	26	28	62	96	100	114	118
Tangible fixed assets	171	183	178	185	190	184	180	176
WCR	2.1	2.2	44	-13.5	-1.4	40	25	7.0
Financial assets	7.4	2.1	5.4	3.4	3.7	3.5	3.5	3.5
Ordinary shareholders equity	67	93	140	145	286	319	326	358
Minority interests	0.3	0.3	0.6	0.3	0.3	0.3	0.3	0.3
Shareholders equity	68	93	141	145	286	319	326	358
Non-current provisions	71	76	81	66	53	69	64	49
Net debt	60	43	34	25	-51.2	-60.9	-66.8	-103.4
CASH FLOW STATEMENT (EURm)	06/11	06/12	06/13	06/14	06/15	06/16e	06/17e	06/18e
EBITDA	32.4	60.0	87.5	49.1	55.6	96.6	84.3	110.4
Change in WCR	5.8	1.1	3.3	-6.7	-20.9	-25.2	10.0	7.4
Interests & taxes	-6.4	-6.1	-13.9	-7.5	-7.4	-11.3	-6.1	-11.9
Others	-11.1	-27.0	-48.4	-8.5	-10.4	-0.2	0.0	0.0
Operating Cash flow	20.7	28.0	28.6	26.4	16.9	59.8	88.2	105.9
CAPEX	-8.1	-8.9	-14.3	-8.9	-72.1	-50.1	-73.1	-60.1
Free cash-flow	12.6	19.2	14.3	17.6	-55.1	9.7	15.1	45.8
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	0.0	-9.2	-9.2
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	9.7	5.9	36.3
GROWTH MARGINS PRODUCTIVITY	06/11	06/12	06/13	06/14	06/15	06/16e	06/17e	06/18e
Sales growth	-	42.1%	41.7%	-14.5%	5.9%	37.7%	-1.1%	10.0%
Lfl sales growth	-	-	41.7%	-14.5%	5.9%	37.7%	-1.1%	-
Current EBIT growth	-	ns	57.3%	-71.7%	-28.7%	ns	-49.7%	99.3%
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-52.0%	ns
Net margin	3.5%	12.7%	16.7%	4.5%	2.0%	8.9%	4.3%	7.9%
EBITDA margin	21.4%	27.9%	28.7%	18.8%	20.1%	25.4%	22.4%	26.7%
Current EBIT margin	9.8%	19.2%	21.3%	7.1%	4.8%	11.7%	5.9%	10.7%
CAPEX / Sales	-7.5%	-13.1%	-9.0%	-23.9%	-28.5%	-13.2%	-19.4%	-14.5%
WCR / Sales	1.4%	1.0%	14.3%	-5.2%	-0.5%	10.4%	6.6%	1.7%
Tax Rate	43.1%	24.8%	14.7%	18.0%	7.8%	22.3%	26.7%	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	1.3
ROCE post-tax (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	10.2%	4.9%	10.0%
ROCE post-tax hors GW (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	10.2%	4.9%	10.0%
ROE	-	34.2%	43.6%	8.2%	2.6%	11.1%	5.0%	9.5%
DEBT RATIOS	06/11	06/12	06/13	06/14	06/15	06/16e	06/17e	06/18e
Gearing	88%	46%	24%	17%	-18%	-19%	-20%	-29%
Net Debt / Market Cap	0.45	0.31	0.20	0.11	-0.14	-0.17	-0.18	-0.28
Net debt / EBITDA	1.84	0.72	0.39	ns	ns	ns	ns	ns
EBITDA / net financial charges	6.0	12.3	17.3	12.6	7.8	92.3	337.3	441.6

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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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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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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
18.08.16	Achat	6.00	4.03	Marcus Silbe, CEFA

Recommendation split				
		Buy	Neutral	Reduce
Our whole coverage	(412)	52%	37%	11%
Liquidity providers coverage	(136)	63%	32%	6%
Research service coverage	(64)	67%	30%	3%
Investment banking services	(23)	65%	30%	4%

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