First Take – Quarterly earnings
Leisure | Germany

Borussia Dortmund GmbH & Co KGaA

Neutral ↘ | Target price : 6.50 EUR vs 7.50 EUR ↘

Price (22/11/2017) : 6.46 EUR | Upside : 1 %

Est.chg	2018e	2019e
EPS	-	-

Limited performance potential in the short term; downgrade to Neutral, TP cut to €6.50

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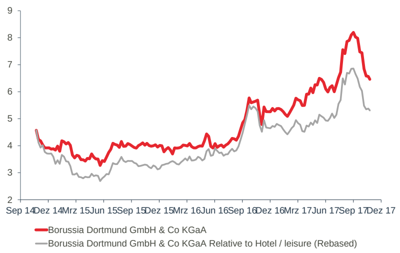

Source : Oddo BHF Securities, Fininfo

Capital			
BVB GY | BVB.DE			
Market Cap (EURm)			595
Enterprise value (EURm)			458
Extrema 12 months		4.76 –	8.28
Free Float (%)			60.5

Performance (%)	**1m**	**3m**	**12m**
Absolute	-13.6	-7.2	11.4
Perf. rel. Country Index	-12.9	-9.9	-1.9
Perf. rel. Hotel / leisure	-14.1	-9.4	-1.8

P&L	**06/17**	**06/18e**	**06/19e**
Sales (EURm)	406	534	413
EBITDA (EURm)	74.1	159	81.6
Current EBIT (EURm)	10.7	89.4	10.6
Attr. net profit (EURm)	8.5	64.0	7.3
Adjusted EPS (EUR)	0.09	0.70	0.08
Dividend (EUR)	0.06	0.08	0.08
P/E (x)	56.1	9.3	80.9
P/B (x)	1.5	1.5	1.5
Dividend Yield (%)	1.2	1.2	1.2
FCF yield (%)	1.0	11.6	11.0
EV/Sales (x)	1.09	0.96	1.11
EV/EBITDA (x)	6.0	3.2	5.6
EV/Current EBIT (x)	41.4	5.8	43.4
Gearing (%)	-12	-20	-35
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
27.11.2017	Annual General meeting
23.02.2018	Earnings Release
02.03.2018	Earnings Release
11.05.2018	Earnings Release

Strong improvement in Q1 2017-18 mainly on high transfer income

Borussia Dortmund (BVB) published its final Q1 2017-18 results on 14 Nov. Overall the figures showed a strong yoy improvement, mostly driven by the high transfer income of € 136.2m (+201.3% yoy). Group revenues (incl. transfers) came in at € 224.8m, 77.3% higher than in Q1 2016-17 (€ 126.8m). Excluding transfer income, group revenues increased yoy by 8.7% to € 88.7m (Q1 2016-17: € 81.6m). However, EBITDA per player was negative at -€ 28.8m (Q1 2016-17: € 2.7m). Despite higher OPEX of € 162.3m (Q1 2016-17: € 103.7m), group Q1 2017-18 EBIT increased +180.5% yoy to € 60.6m (Q1 2016-17: € 21.6m). Net income was up 158.5% yoy to € 51.7m (Q1 2016-17: € 20.0m).

Borussia Dortmund: Q1 2017-18 vs. Q1 2016-17 results

	Reported	Q1 2016-17
Revenues (incl. transfers)	224.8	126.8
Revenues (excl. transfers)	88.7	81.6
EBITDA pre player	-28.8	2.7
Net income	51.7	20.0

Source : Oddo BHF Securities, company

Lowering our estimates for full year 2017-18e; lower EBITDA per player income expected

For several reasons, we have lowered our estimates for the current FY 2017-18: i) BVB will not advance beyond the group stage in the current (2017/18) Champions League competition. Since we had assumed that it would advance; we now initially cut our TV advertising revenue estimate by € 6m. BVB still has a good chance to compete in the Europa League. In this case we expect BVB to advance to the quarter final, which should lead to revenues of € 11.5m from match operations and € 1.75m from TV advertising. ii) In the 3rd round of the German Cup (DFB-Pokal), BVB will face Bayern Munich. Here we do not expect BVB to win, and as such we lower our estimate for revenues from match operations to € 1.5m (previously: € 2.0m) and for TV advertising to € 2.1m (€ 3.0m). All in all, we now expect 2017-18e group revenues (excl. transfer income) of € 384.0m (previously: € 405.7m), resulting in EBITDA pre player income of 52.7m (previously: € 64.2m). Due to lower bonus payments for players, we lower our OPEX assumption for 2017-18 from € 468.0m to now € 459.9m.

Downgrade to Neutral, TP lowered to € 6.5 (€ 7.5)

As we expect BVB's operational performance to be weaker in 2017-18e, we see limited performance potential for the share price in the short term. As a result, we downgrade the shares to Neutral. Our updated fair valuation multiple (increasing our discount vs. peer valuation back to 40%) leads to a new TP of 6.50.

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BVB.DE | BVB GY **Neutral** **Price 6.46EUR**

Leisure | Germany **Upside 0.59%** **TP 6.50EUR**

PER SHARE DATA (EUR)	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
Adjusted EPS	0.45	0.83	0.19	0.06	0.33	0.09	0.70	0.08
Reported EPS	**0.45**	**0.83**	**0.19**	**0.06**	**0.33**	**0.09**	**0.70**	**0.08**
Growth in EPS(%)	ns	85.4%	-77.1%	-68.3%	ns	-72.0%	ns	-88.5%
Net dividend per share	0.06	0.10	0.10	0.05	0.06	0.06	0.08	0.08
FCF to equity per share	0.31	0.23	0.29	-0.60	-0.01	0.05	0.75	0.71
Book value per share	1.52	2.28	2.36	3.11	3.36	3.39	4.22	4.21
Number of shares market cap	61.43	61.43	61.43	92.00	92.00	92.00	92.00	92.00
Number of diluted shares	61.43	61.43	61.43	92.00	92.00	92.00	92.00	92.00
VALUATION	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
12m highest price	2.80	3.95	5.10	4.21	5.86	8.28		
12m lowest price	1.90	2.64	3.56	3.21	3.61	5.09		
(*) Reference price	2.27	2.80	3.66	4.10	3.97	5.22	6.46	6.46
Capitalization	140	172	225	378	365	480	595	595
Restated Net debt	43.3	34.2	24.8	-51.2	-49.1	-39.0	-78.8	-136.7
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	**183**	**206**	**250**	**326**	**316**	**441**	**516**	**458**
P/E (x)	5.1	3.4	19.3	68.3	12.0	56.1	9.3	80.9
P/CF (x)								
Net Yield (%)	2.6%	3.6%	2.7%	1.2%	1.5%	1.2%	1.2%	1.2%
FCF yield (%)	13.7%	8.3%	7.8%	ns	ns	1.0%	11.6%	11.0%
P/B incl. GW (x)	1.50	1.23	1.55	1.32	1.18	1.54	1.53	1.53
P/B excl. GW (x)	1.50	1.23	1.55	1.32	1.18	1.54	1.53	1.53
EV/Sales (x)	0.85	0.68	0.96	1.18	0.84	1.09	0.96	1.11
EV/EBITDA (x)	3.0	2.4	5.1	5.9	3.6	6.0	3.2	5.6
EV/EBIT (x)	**4.4**	**3.2**	**13.5**	**24.8**	**8.7**	**41.4**	**5.8**	**43.4**
(*) historical average price								
PROFIT AND LOSS (EURm)	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
Sales	215	305	261	276	376	406	534	413
EBITDA	60	88	49.1	56	87	74	159	82
Depreciations	-18.6	-22.4	-30.7	-42.4	-50.2	-63.4	-69.3	-71.0
Current EBIT	**41.4**	**65**	**18.5**	**13.2**	**36.4**	**10.7**	**89**	**10.6**
Published EBIT	41.4	65	18.5	13.2	36.4	10.7	89	10.6
Net financial income	-4.8	-5.1	-3.9	-7.2	-1.0	-1.2	-0.3	-0.3
Corporate Tax	-9.1	-8.8	-2.6	-0.5	-4.9	-0.9	-25.1	-3.0
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	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0
Attributable net profit	27.4	51	11.7	5.5	30.5	8.5	64	7.3
Adjusted attributable net profit	**27.4**	**51**	**11.7**	**5.5**	**30.5**	**8.5**	**64**	**7.3**
BALANCE SHEET (EURm)	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	25.7	28.4	61.6	96.3	65.3	142	149	114
Tangible fixed assets	183	178	185	190	188	185	180	174
WCR	2.2	43.7	-13.5	-1.4	36.2	2.0	56.1	42.4
Financial assets	2.1	5.4	3.4	3.7	49.1	28.7	15.9	15.9
Ordinary shareholders equity	93.1	140	145	286	310	312	388	388
Minority interests	0.3	0.6	0.3	0.3	0.0	0.0	0.0	0.0
Shareholders equity	93.5	141	145	286	310	312	388	388
Non-current provisions	75.9	81.1	65.9	53.3	77.1	82.4	91.5	94.9
Net debt	**43.3**	**34.2**	**24.8**	**-51.2**	**-49.1**	**-39.0**	**-78.8**	**-136.7**
CASH FLOW STATEMENT (EURm)	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
EBITDA	**60.0**	**87.5**	**49.1**	**55.6**	**86.7**	**74.1**	**158.8**	**81.6**
Change in WCR	1.1	3.3	-6.7	-20.9	-25.2	47.4	-40.3	17.0
Interests & taxes	-6.1	-13.9	-7.5	-7.4	-12.2	-10.7	-26.0	-3.2
Others	-27.0	-48.4	-8.5	-10.4	-0.2	-37.5	-114.0	-9.0
Operating Cash flow	28.0	28.6	26.4	16.9	49.0	73.3	-21.5	86.4
CAPEX	-8.9	-14.3	-8.9	-72.1	-50.1	-68.5	90.4	-21.1
Free cash-flow	**19.2**	**14.3**	**17.6**	**-55.1**	**-1.1**	**4.8**	**68.9**	**65.3**
Acquisitions / disposals	0.2	0.1	0.0	-0.4	0.0	0.0	-36.5	0.0
Dividends	-1.2	-5.1	-8.0	-8.3	-4.6	-3.0	-0.4	-7.4
Net capital increase	0.0	0.0	0.0	140.7	0.0	0.0	0.0	0.0
Others	-11.7	-2.0	-4.3	-41.0	0.0	0.0	0.0	0.0
Change in net debt	18.1	9.3	9.6	76.9	-5.7	1.8	32.0	57.9
GROWTH MARGINS PRODUCTIVITY	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
Sales growth	42.1%	41.7%	-14.5%	5.9%	36.3%	7.8%	31.7%	-22.8%
Lfl sales growth	**-**	**41.7%**	**-14.5%**	**5.9%**	**36.3%**	**7.8%**	**-**	**-**
Current EBIT growth	ns	57.3%	-71.7%	-28.7%	ns	-70.7%	ns	-88.2%
Growth in EPS(%)	ns	85.4%	-77.1%	-68.3%	ns	-72.0%	ns	-88.5%
Net margin	12.7%	16.7%	4.5%	2.0%	8.1%	2.1%	12.0%	1.8%
EBITDA margin	**27.9%**	**28.7%**	**18.8%**	**20.1%**	**23.0%**	**18.3%**	**29.7%**	**19.8%**
Current EBIT margin	**19.2%**	**21.3%**	**7.1%**	**4.8%**	**9.7%**	**2.6%**	**16.7%**	**2.6%**
CAPEX / Sales	-13.1%	-9.0%	-23.9%	-28.5%	-13.3%	-24.7%	-11.2%	-7.3%
WCR / Sales	1.0%	14.3%	-5.2%	-0.5%	9.6%	0.5%	10.5%	10.3%
Tax Rate	24.8%	14.7%	18.0%	7.8%	13.8%	9.6%	28.2%	28.7%
Normative tax rate	30.0%	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	1.3	1.5	1.2
ROCE post-tax (normative tax rate)	**14.5%**	**19.8%**	**5.3%**	**3.6%**	**8.9%**	**2.4%**	**17.6%**	**2.1%**
ROCE post-tax hors GW (normative tax rate)	14.5%	19.8%	5.3%	3.6%	8.9%	2.4%	17.6%	2.1%
ROE	34.2%	43.6%	8.2%	2.6%	10.2%	2.7%	18.3%	1.9%
DEBT RATIOS	**06/12**	**06/13**	**06/14**	**06/15**	**06/16**	**06/17**	**06/18e**	**06/19e**
Gearing	46%	24%	17%	-18%	-16%	-12%	-20%	-35%
Net Debt / Market Cap	0.31	0.20	0.11	-0.14	-0.13	-0.08	-0.13	-0.23
Net debt / EBITDA	**0.72**	**0.39**	**0.50**	**ns**	**ns**	**ns**	**ns**	**ns**
EBITDA / net financial charges	12.3	17.3	12.6	7.8	82.9	61.7	635.1	326.3

Source: ODDO BHF Securities, Fininfo

- **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 BHF' 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.

- **Sensitivity of the result of the analysis/ risk classification:**

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.

- **Our stock market recommendations**

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).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**
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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
17.11.17	Neutral	6.50	6.57	Marcus Silbe, CEFA
23.08.17	Buy	7.50	7.14	Marcus Silbe, CEFA
16.03.17	Buy	6.50	5.35	Marcus Silbe, CEFA
22.02.17	Buy	6.00	5.22	Marcus Silbe, CEFA

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Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(424)	47%	42%	11%
Liquidity providers coverage	(147)	40%	52%	7%
Research service coverage	(58)	50%	48%	2%
Investment banking services	(52)	69%	25%	6%

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