

Borussia Dortmund

Forecast upgrade

Goal!

Reaching the knockout stage of the Champions League should pay off well for Borussia Dortmund as broadcasting and sponsor bonuses bring lucrative incremental income and merchandising potential. We are therefore raising our current year EBITDA forecast by €4m after adjusting for costs, notably player bonuses. Even our possibly cautious assumption of exit in the Round of 16 shows the creation of a sustainable high-margin business before transfer activity.

Year end	Revenue (€m)	EBITDA* (€m)	PBT** (€m)	EPS** (€)	DPS (€)	EV/EBITDA* (x)
06/12	189.1	36.8	45.1	0.55	0.06	7.8
06/13	253.4	42.1	71.6	0.99	0.10	6.8
06/14e	234.0	41.0	29.5	0.41	0.06	7.0
06/15e	236.0	40.0	27.5	0.38	0.06	7.1

Note: *Before player transfer income. **PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Qualification boosts forecasts

Borussia Dortmund's success as group winner in the Champions League brings an assured financial return in terms of a €3.5m UEFA broadcasting fee for participation in the Round of 16 on 25 February and 19 March, as well as bonuses from company sponsors. Our revenue forecast for the current year has therefore been increased by €8m. The boost at the EBITDA level could be reduced by associated costs (player bonuses, travel and accommodation etc) to c €4m, but this may be cautious as it does not take into account merchandising potential in particular. Victory over Zenit St Petersburg in the Round of 16 would secure, from UEFA alone, a €3.9m fee for participation in the quarter-finals and further income from its broadcasting market pool. There may also be higher sponsor bonuses.

Still playing safe

While Dortmund's group winner status may suggest confidence in its first-ever meeting with Zenit, our forecasts assume elimination at this stage. We look for the club to finish in the top three in the Bundesliga, which brings automatic qualification for next season's Champions League (almost at the midpoint of the season, Dortmund is third on goal difference).

Valuation: Long-term value

Despite a lower than forecast FY13 result at pre-transfer EBITDA level, share price strength suggests growing acceptance of the sustainability of the business model and scope for value creation, and confidence that Dortmund will again go deep in the Champions League. In terms of pre-transfer EV/EBITDA, a rating of 7.0x on possibly conservative FY14 forecasts fits the long-term potential of strong brand development, valuable media rights and positive cash flow, backed by substantial season ticket sales and hidden reserves from player investment.

Travel & leisure

18 December 2013

Price €3.63

Market cap €223m

Net debt (€m) including finance leases at end Sept 2013 62.2

Shares in issue 61.4m

Free float 81%

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	0.9	(2.0)	35.9
Rel (local)	1.9	(7.3)	13.7
52-week high/low		€4.1	€2.7

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 Champions League (finalist last season).

Next events

Champions League Round of 16 (1st leg) 25 February 2014

Half-year results 28 February 2014

Champions League Round of 16 (2nd leg) 19 March 2014

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Exhibit 1: Financial summary

	€000s	2012	2013	2014e	2015e
June		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		189,100	253,400	234,000	236,000
EBITDA		36,800	42,100	41,000	40,000
Player transfers		23,200	45,400	1,500	0
Operating Profit (before amort. and except.)		49,900	76,700	33,500	31,000
Intangible Amortisation		(8,500)	(11,600)	(22,000)	(22,000)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		41,400	65,100	11,500	9,000
Net Interest		(4,800)	(5,100)	(4,000)	(3,500)
Profit Before Tax (norm)		45,100	71,600	29,500	27,500
Profit Before Tax (FRS 3)		36,600	60,000	7,500	5,500
Tax		(9,100)	(8,800)	(1,100)	(800)
Profit After Tax (norm)		36,000	62,800	28,400	26,700
Profit After Tax (FRS 3)		27,500	51,200	6,400	4,700
Average Number of Shares Outstanding (m)		61.4	61.4	61.4	61.4
EPS - normalised (c)		55.0	99.2	40.9	38.1
EPS - (IFRS) (c)		44.8	83.4	10.4	7.7
Dividend per share (c)		6.0	10.0	6.0	6.0
EBITDA Margin (%)		19.5	16.6	17.5	16.9
Operating Margin (before GW and except.) (%)		26.4	30.3	14.3	13.1
BALANCE SHEET					
Fixed Assets		210,400	212,200	234,400	214,000
Intangible Assets		25,700	28,400	52,000	33,000
Tangible Assets		182,600	178,400	176,000	174,000
Investments		2,100	5,400	6,400	7,000
Current Assets		38,300	90,200	50,000	68,000
Stocks		5,800	7,600	7,000	8,000
Debtors		24,500	65,900	26,000	27,000
Cash		5,300	12,500	14,000	29,000
Other		2,700	4,200	3,000	4,000
Current Liabilities		(61,900)	(74,400)	(60,500)	(57,000)
Creditors		(55,900)	(69,900)	(55,500)	(52,000)
Short term borrowings		(6,000)	(4,500)	(5,000)	(5,000)
Long Term Liabilities		(93,300)	(87,400)	(82,000)	(82,000)
Long term borrowings		(41,300)	(40,800)	(41,000)	(41,000)
Finance leases		(21,100)	(19,800)	(19,000)	(19,000)
Other long term liabilities		(30,900)	(26,800)	(22,000)	(22,000)
Net Assets		93,500	140,600	141,900	143,000
CASH FLOW					
Operating Cash Flow		32,700	40,700	36,000	35,000
Net Interest		(4,900)	(5,000)	(3,500)	(3,500)
Tax		(1,100)	(8,800)	(8,000)	(3,000)
Capex		(7,300)	(6,500)	(6,600)	(6,800)
Acquisitions/disposals		(1,500)	(7,600)	(11,000)	(3,000)
Financing		0	0	0	0
Dividends		100	(3,600)	(6,100)	(3,700)
Net Cash Flow		18,000	9,200	800	15,000
Opening net debt/(cash)		60,000	42,000	32,800	32,000
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		42,000	32,800	32,000	17,000

Source: Borussia Dortmund accounts, Edison Investment Research

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