

Borussia Dortmund GmbH & Co. KGaA

BUY (BUY) | Target EUR 6.00 (EUR 6.00)

 Price (last closing price) : **EUR 4.07** | Upside : 47%

Est. change	2015e	2016e
EPS	-	-

Final 1H 14/15 figures confirm preliminary figures; surprise in bottom line

Friday, 27 February 2015


Capital
BVB GY | BVB.DE

Market Cap (EURm)		374
Enterprise value (EURm)		337
Extrema 12 months	5.11	- 3.61
Free Float (%)		71.2%

Performance (%)

	1m	3m	12m
Absolute	5.9	-3.5	5.4
Perf. rel. "sector"	0.1	-17.9	-13.9
Perf. rel. SDAX	-0.9	-17.5	-15.7

P & L

	6/15e	6/16e	6/17e
Sales (EURm)	275	284	298
EBITDA (EURm)	57.0	59.7	64.6
EBIT (EURm)	16.8	12.9	12.2
Attr. net profit (EURm)	7.2	9.5	8.1
EPS (EUR)	0.08	0.10	0.09
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	51.8	39.5	46.0
P/B (x)	1.3	1.3	1.3
Dividend yield (%)	2%	2%	2%
FCF yield (%)	-1%	5%	8%
EV/Sales (x)	1.2	1.2	1.1
EV/EBITDA (x)	5.9	5.6	5.2
EV/EBIT (x)	20.0	26.2	27.5
Gearing (%)	n.s.	n.s.	n.s.
Net Debt/EBITDA(x)	n.s.	n.s.	n.s.

Next Events

9M 14/15 result	15 May 2015
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1H 14/15 result: top line in line, bottom line surprised positively

Borussia Dortmund (BVB) released today its half-year report for 14/15 confirming its preliminary figures announced end of last week. Overall, the performance in 1H was not negatively affected by the weak start into the Bundesliga season. Despite the negative momentum of the team the top line came in at EUR 150.3m which was marginally above our estimate of EUR 150m, hence 2Q generated revenues of EUR 80m (as expected). The opex in this current FY are in line with our full-year forecast, but D&A were EUR 1m lower than we had anticipated (EUR 20m vs. EUR 21m). Therefore, group EBIT of EUR 10.1m matched our forecast of EUR 10.5m. Regarding the financial result we had assumed prepayment penalties of EUR 5.5m, however, BVB posted only EUR 4.3m. Hence, net income of EUR 3.7m was roughly EUR 1m above our estimate of EUR 2.7m.

Recently, Mr. Watzke noted that the return of the catering business into BVB's own hand should result in a positive earnings increase. While top line will have no impact, since catering is already consolidated, the possible earnings shift could be the case after a transition phase.

Outlook for 2H 14/15E

While we leave our estimates unchanged (besides some shifts in opex) for the time being, we point out that a total win against Juventus Turin (first leg: 2-1 for Juventus; second leg: 18 March in Dortmund) in the CL – and advance to Quarter final - as well as a win in the DFB Pokal against Dynamo Dresden (Round of last 16; 3 March) would imply that our current estimates are too low. Hence, after these games we will reassess our assumptions. Given the status quo the prospects are strong. A first step into the right direction would be an important win in the DERBY against Schalke 04 (28 March; 15:30 CET).

All in all, we forecast group revenues of EUR 274.9m with an EBITDA of EUR 57.0m (margin: 20.7%; 13/14: 18.8% => +190bp), EBIT at EUR 16.8m and net income of EUR 7.2m, translating into EPS of EUR 0.08. DPS is still expected to be at EUR 0.10.

BUY; stock back above EUR 4 level

Over the last couple of weeks the club managed to get completely back on track and with the aid of almost all teams in the Bundesliga the gap to rank 6 is down to 8 points (12 games remaining). The gap to rank 4 is down to 10 points, hence, all is possible. As we had already noted in our last update, we are more than convinced that BVB will reach at least rank 6. We confirm our PT of EUR 6.00/BUY recommendation (2016e EV/EBITDA multiple of 8x). The current EV/EBITDA multiple of listed peers is ~9x and by **comparing BVB to the team valuations of the Forbes list (most valuable football clubs), multiples of ~12x and higher (indicating stock value of at least EUR 8.40) would be applicable.**

Worth mentioning is also that Macquarie Funds Management Hong Kong Limited now holds a short position of 0.51% of BVB shares as of 23 February.

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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	274.94	283.66	297.84
YoY growth			-	41.7%	-14.5%	5.4%	3.2%	5.0%
Cost of materials			-12.48	-17.49	-20.31	-22.00	-22.69	-26.81
as % of sales			-5.8%	-5.7%	-7.8%	-8.0%	-8.0%	-9.0%
Personnel costs			-79.92	-106.22	-107.79	-112.73	-110.63	-114.67
as % of sales			-37.1%	-34.8%	-41.3%	-41.0%	-39.0%	-38.5%
Other operating income			7.63	2.79	5.23	7.50	3.00	3.50
as % of sales			3.5%	1.3%	2.4%	3.5%	1.4%	1.6%
Other operating expenses			-70.49	-96.58	-88.73	-90.73	-93.61	-95.31
as % of sales			-32.7%	-31.7%	-34.0%	-33.0%	-33.0%	-32.0%
EBITDA			59.98	87.53	49.13	56.99	59.73	64.56
as % of sales			27.9%	28.7%	18.8%	20.7%	21.1%	21.7%
Depreciation and amortisation (incl. PPA depreciation)			-18.59	-22.41	-30.68	-40.17	-46.87	-52.34
as % of sales			-8.6%	-7.3%	-11.8%	-14.6%	-16.5%	-17.6%
EBIT (reported)			41.39	65.12	18.45	16.82	12.86	12.22
as % of sales			19.2%	21.3%	7.1%	6.1%	4.5%	4.1%
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	9.78	12.61	11.97
as % of sales			17.0%	19.7%	5.6%	3.6%	4.4%	4.0%
Income taxes (incl. other taxes)			-9.06	-8.84	-2.62	-2.25	-3.13	-3.52
as % of EBT			-24.8%	-14.7%	-18.0%	-23.0%	-24.8%	-29.4%
Net income			27.53	51.19	11.97	7.53	9.49	8.45
Minorities			0.12	-0.37	-0.31	-0.30	-	-0.30
Net income attributable to shareholders			27.41	50.82	11.66	7.23	9.49	8.15
as % of sales			12.7%	16.7%	4.5%	2.6%	3.3%	2.7%
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	0.08	0.10	0.09

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	282.75	271.03	248.80
as % of total assets			84.6%	70.2%	85.4%	68.0%	65.0%	59.5%
Intangible assets			25.75	28.43	61.60	93.16	83.68	64.98
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	133.05	146.14	169.32
as % of total assets			15.4%	29.8%	14.6%	32.0%	35.0%	40.5%
Inventories			5.81	7.54	5.92	8.25	8.51	8.94
Accounts receivable, other receivables and other assets			27.22	70.12	18.84	50.87	53.39	56.78
Cash and cash equivalents			5.27	12.54	17.85	73.74	84.05	103.41
Total assets			248.71	302.42	292.30	415.80	417.17	418.12
Shareholders' equity and liabilities								
Shareholders' equity			93.46	140.62	145.25	287.34	287.63	286.87
as % of total equity and liabilities			37.6%	46.5%	49.7%	69.1%	68.9%	68.6%
Subscribed capital			61.43	61.43	61.43	92.00	92.00	92.00
Capital reserve and others			31.81	78.72	83.61	194.82	195.11	194.06
Own shares			-0.12	-0.12	-0.12	-0.12	-0.12	-0.12
Equity attributable to shareholders			93.11	140.03	144.92	286.71	286.99	285.94
Minorities			0.35	0.59	0.33	0.63	0.63	0.93
Current provisions and liabilities			61.95	74.42	71.01	75.32	75.83	77.53
as % of total equity and liabilities			24.9%	24.6%	24.3%	18.1%	18.2%	18.5%
Financial lease			1.28	1.38	1.63	1.41	1.41	1.41
Financial liabilities			5.97	4.50	8.89	0.00	0.00	0.00
Current provisions			19.22	13.95	21.02	22.70	22.25	22.47
Accounts payable			9.64	14.20	18.12	28.62	29.53	31.01
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	22.01	22.01	22.01
Non-current provisions and liabilities			93.31	87.38	76.03	53.14	53.72	53.72
as % of total equity and liabilities			37.5%	28.9%	26.0%	12.8%	12.9%	12.8%
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	30.94	31.51	31.51
Total equity and liabilities			248.71	302.42	292.30	415.80	417.17	418.12

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	9.78	12.61	11.97
Depreciation and amortisation			18.59	22.41	30.68	40.17	46.87	52.34
Other transactions incl. non-cash			-28.22	-57.16	-12.17	-0.92	-3.12	-3.52
Change in Working Capital			1.08	3.31	-6.67	-13.32	-1.75	-2.12
Cash flow from operating activities			28.04	28.60	26.43	35.71	54.61	58.66
CAPEX			-28.28	-27.51	-62.37	-75.20	-35.10	-30.10
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	-75.20	-35.10	-30.10
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	1.85	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	95.38	-9.20	-9.20
Total change in cash and cash equivalents			6.43	7.27	5.32	55.89	10.31	19.36
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	73.74	84.05
Cash and cash equivalents at year's end			5.27	12.54	17.85	73.74	84.05	103.41

Source: Company Data, Oddo Seydler Bank AG



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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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

Date	Recommendation	Price at change date	Price target
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
19 May 2014	BUY	EUR 3.86	EUR 5.00



16 April 2014	BUY	EUR 3.82	EUR 5.00
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