

# Borussia Dortmund GmbH & Co. KGaA

There is still potential

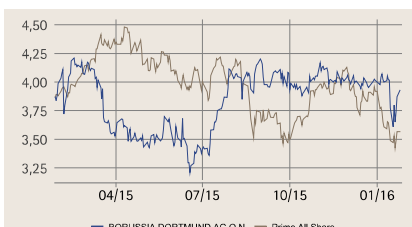
28/01/2016

**Buy** (Buy)  
**5.00 EUR** (5.00 EUR)

Close 25/01/2016 3.93 EUR  
Bloomberg: BVB GY WKN: 549309  
Sector Media

## Share price performance

52 week high 4.21 EUR  
52 week low 3.21 EUR  
Compared to Prime All Share  
YTD 6.9%  
1 month 8.2%  
12 months 10.8%



## Share data

EV (m EUR; 2016) 321.7  
Market Cap (m EUR) 361.4  
No. of shares (m) 92.0  
Free float 60.8%

## Next event

Quarterly Results 26/02/2016

## Change in model

	Sales	EBIT	EPS
2015/16e	---	---	---
2016/17e	---	---	---
2017/18e	---	---	---

## Analyst

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See end of document for disclaimer.

German Small Caps in 2016 - Cloudy with sunny spells

Borussia Dortmund has performed well in all competitions so far this season and thus laid the foundation for a solid second half of the year. We therefore still feel comfortable with our BUY rating for this stock and an unchanged price target of € 5.00.

## INVESTMENT CASE

Due to the capital measures carried out about a year ago resulting in the strengthening of equity capital, and the strategic co-operation with important sponsors, Borussia Dortmund is able to weather even less successful years from an economic perspective. Nevertheless, the recent successes have further strengthened its foundation for continued growth. BVB is regarded as the top contender for the title of the Europa League (odds at bwin as per 25/01/2016: Borussia Dortmund 17/2, Liverpool, Manchester United and Naples all 12:1). In addition, by reaching the quarter finals in the DFB Cup and being in the runner-up spot in the Bundesliga, BVB is in an optimal position to qualify for the Champions League again next season. From an investor's point of view, it should be noted that the risk management still has the highest priority, i.e. avoiding economic risks or keeping them at a manageable level.

## CATALYSTS

In the Bundesliga, BVB next faces Ingolstadt and then plays away against Hertha BSC. In the DFB Cup, the team will play in Stuttgart on 9 February. This match will also be broadcast on public TV. In the Europa League, BVB will meet FC Porto in a home match on 18 February. A week later, the team will play the return match in Portugal. All in all, the tasks ahead are not easy at first glance, but still manageable.

## VALUATION

Our price target of € 5.00 still takes account of the adjusted value of the squad and the brand value minus a risk discount of 25%.

in m EUR	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Sales	260.7	276.0	265.0	278.3	292.2
EBIT	18.5	13.2	10.3	16.5	18.6
EBIT margin	7.1%	4.8%	3.9%	5.9%	6.4%
Net financial debt	43.3	-32.1	-40.0	-44.8	-46.9
Free cash-flow	17.6	-55.5	9.6	9.4	11.3
EPS (in EUR)	0.19	0.06	0.07	0.12	0.13
DPS (in EUR)	0.10	0.05	0.05	0.10	0.10
Dividend yield	3.0%	1.3%	1.3%	2.5%	2.5%
EV/Sales	1.4	1.2	1.2	1.1	1.1
EV/EBIT	19.2	25.0	31.2	19.2	17.0
Price Earnings ratio (P/E)	17.8	65.3	54.6	33.1	29.3

Source: Company information, Bankhaus Lampe Research estimates

28/01/2016

# Company Overview

## SWOT

### Strengths/Opportunities

- Sporting success has a leverage effect on the revenue structure
- Continuity in sporting and commercial management
- Improvement of infrastructure

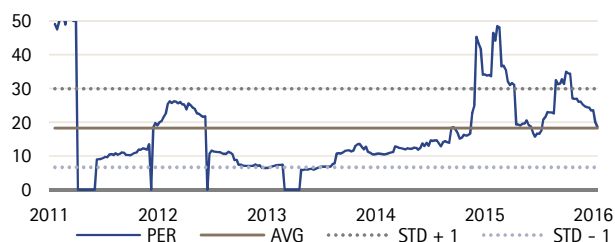
## MANAGEMENT

- Hans-Joachim Watzke (CEO)
- Thomas Tress (CFO)

## SHORT-TERM GUIDANCE

- 2014/15: Revenue of more than € 220 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 26/02/2016 Quarterly Results

## KEY RATIOS

	2013/1	2014/1	2015/1	2016/1	2017/1
RE&D/Sales	-	-	-	-	-
Capex/Sales	4.2%	3.8%	19.7%	18.0%	17.1%
Capex/Depreciation	0.4	0.2	1.1	1.0	1.0
ROCE	8.9%	4.3%	3.3%	5.3%	5.8%
Free cash flow yield	6.0%	-17.9%	2.6%	2.5%	3.0%
Equity ratio	49.7%	74.0%	73.2%	73.5%	73.5%
Net debt / Equity	30%	-11%	-14%	-15%	-16%
Net debt / EBITDA	0.9	-0.6	-0.7	-0.7	-0.7
Interest cover	> 10	> 10	0.0	0.0	0.0

### Weaknesses/Threats (Risks)

- It is a challenge to accommodate both sporting and financial objectives
- There is a particular need to improve marketing in Asia
- Sporting success cannot be relied upon
- Sporting injuries and periods of weak form are imponderables

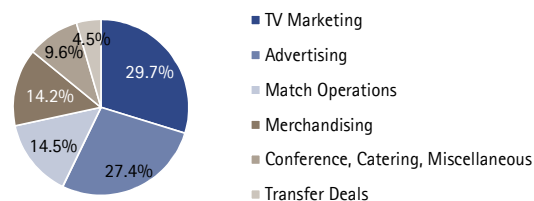
## COMPANY BACKGROUND

Borussia Dortmund GmbH & Co. KGaA operates a professional football club. The company generates most of its revenues from ticketing, marketing television broadcast rights, advertising, the sale of merchandise, and transfers. The company was founded in 1909.

## MEDIUM-TERM GUIDANCE

- 2018: Revenues of € 300 m

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

Evonik	14.8
Bernd Geske	7.9
BV Borussia 09 e.V. Dortmund	4.8

## BHL VS. CONSENSUS

	2015/16e	2016/17e	2017/18e
<b>Sales (in m EUR)</b>			
BHL	265.0	278.3	292.2
Consensus	290.9	302.4	323.5
<b>EBIT (in m EUR)</b>			
BHL	10.3	16.5	18.6
Consensus	27.4	12.0	12.9
<b>EPS (EUR)</b>			
BHL	0.07	0.12	0.13
Consensus	0.25	0.10	0.10

Source: Company information, FactSet, BHL estimates

# Key figures

## Borussia Dortmund GmbH & Co. KGaA – Income statement

in m EUR	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Sales	260.7	276.0	265.0	278.3	292.2
Own work capitalised	0.0	0.0	0.0	0.0	0.0
Total sales	260.7	276.0	265.0	278.3	292.2
Material expenses	-20.3	-20.7	-20.7	-21.7	-22.8
Personnel expenses	-107.8	-117.9	-115.0	-119.0	-119.8
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-83.5	-81.8	-71.0	-73.0	-83.0
EBITDA	49.1	55.6	58.3	64.5	66.6
Depreciation	30.7	42.4	48.0	48.0	48.0
EBITA	18.5	13.2	10.3	16.5	18.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	18.5	13.2	10.3	16.5	18.6
Financial result	-3.9	-7.2	-0.7	-0.7	-0.7
Income on ordinary activities	14.6	6.0	9.6	15.8	17.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	14.6	6.0	9.6	15.8	17.9
Taxes	-2.6	-0.5	-3.0	-4.9	-5.5
Net income from cont. operations	12.0	5.5	6.6	10.9	12.3
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.3	0.0	0.0	0.0	0.0
Net income (adj.)	11.7	5.5	6.6	10.9	12.3
No. of shares	61.4	92.0	92.0	92.0	92.0
EPS	0.19	0.06	0.07	0.12	0.13

Source: Company information, Bankhaus Lampe Research estimates

	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Gross margin	92.2%	92.5%	92.2%	92.2%	92.2%
EBITDA margin	18.8%	20.1%	22.0%	23.2%	22.8%
EBITA margin	7.1%	4.8%	3.9%	5.9%	6.4%
EBIT margin	7.1%	4.8%	3.9%	5.9%	6.4%
EBT margin	5.6%	2.2%	3.6%	5.7%	6.1%
Net profit margin	4.5%	2.0%	2.5%	3.9%	4.2%
Tax rate	18.0%	7.8%	31.0%	31.0%	31.0%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Sales	-14.5%	5.9%	-4.0%	5.0%	5.0%
EBITDA	-43.9%	13.2%	4.9%	10.7%	3.2%
EBIT	-71.7%	-28.7%	-21.7%	60.3%	12.3%
EBT	-75.7%	-58.9%	60.0%	64.7%	12.9%
Net income (adj.)	-77.1%	-52.6%	19.7%	64.7%	12.9%
EPS	-77.1%	-68.3%	19.7%	64.7%	12.9%

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Balance sheet

Assets (in m EUR)	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Fixed assets	249.5	289.5	293.7	295.7	297.7
Property, plant and equipment	184.5	189.5	188.0	190.0	192.0
Intangible assets	61.6	96.3	102.0	102.0	102.0
Financial assets	0.1	0.5	0.5	0.5	0.5
Other long-term assets	3.3	3.2	3.2	3.2	3.2
Current assets	42.8	97.0	100.0	104.8	106.9
Inventories	5.9	9.4	8.0	8.0	8.0
Accounts receivable	14.9	29.7	20.0	20.0	20.0
Other current assets	4.1	4.2	12.0	12.0	12.0
Securities	0.0	0.0	0.0	0.0	0.0
Cash	17.9	53.7	60.0	64.8	66.9
Total assets	292.3	386.5	393.6	400.4	404.5
Equity and liabilities in m EUR					
Shareholders' equity	145.2	286.1	288.1	294.4	297.5
Shareholders' equity (before minority)	144.9	285.8	287.8	294.1	297.2
Minorities	0.3	0.3	0.3	0.3	0.3
Non-current liabilities	76.0	38.8	40.0	40.0	40.0
Pension provisions	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0
Long-term financial debt	52.3	21.6	20.0	20.0	20.0
Other long-term debt	23.8	17.2	20.0	20.0	20.0
Current liabilities	71.0	61.6	65.5	66.0	67.0
Short-term debt	8.9	0.0	0.0	0.0	0.0
Other accruals short-term	0.0	0.0	0.0	0.0	0.0
Accounts payable	18.1	22.8	24.5	25.0	26.0
Other liabilities	44.0	38.8	41.0	41.0	41.0
Total equity and liabilities	292.3	386.5	393.6	400.4	404.5

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Balance sheet structure

Assets	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Fixed assets	85.4%	74.9%	74.6%	73.8%	73.6%
Property, plant and equipment	63.1%	49.0%	47.8%	47.5%	47.5%
Intangible assets	21.1%	24.9%	25.9%	25.5%	25.2%
Current assets	14.6%	25.1%	25.4%	26.2%	26.4%
Inventories	2.0%	2.4%	2.0%	2.0%	2.0%
Accounts receivable	5.1%	7.7%	5.1%	5.0%	4.9%
Cash	6.1%	13.9%	15.2%	16.2%	16.5%
Equity and liabilities					
Shareholders' equity	49.7%	74.0%	73.2%	73.5%	73.5%
Non-current liabilities	26.0%	10.0%	10.2%	10.0%	9.9%
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	17.9%	5.6%	5.1%	5.0%	4.9%
Current liabilities	24.3%	15.9%	16.6%	16.5%	16.6%
Short-term debt	3.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	6.2%	5.9%	6.2%	6.2%	6.4%

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Cash flow statement

in m EUR	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Net income (adj.)	14.6	5.5	6.6	10.9	12.3
Depreciation	30.7	42.4	48.0	48.0	48.0
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0
Change of provisions	0.0	0.0	0.0	0.0	0.0
Other	-65.2	-12.2	0.0	0.0	0.0
Operating Cash-flow before changes in w/c	-19.9	35.8	54.6	58.9	60.3
Change in inventory	1.6	-3.5	1.4	0.0	0.0
Change in accounts receivable	51.0	-14.8	9.7	0.0	0.0
Change in accounts payable	3.9	4.7	1.7	0.5	1.0
Change in other working capital positions	-10.2	-5.3	-5.6	0.0	0.0
Operating Cash-flow	26.4	16.9	61.8	59.4	61.3
Capex, excluding maintenance	-10.9	-10.4	-52.1	-50.0	-50.0
Payments for acquisitions	-51.4	-68.7	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	53.5	6.6	0.0	0.0	0.0
Income from financial investments	0.0	0.1	0.0	0.0	0.0
Cash-flow from investing activities	-8.8	-72.5	-52.1	-50.0	-50.0
Free cash-flow	17.6	-55.5	9.6	9.4	11.3
Capital measures	0.0	140.7	0.0	0.0	0.0
Increase/decrease in debt position	-5.7	-42.9	-1.6	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Other financing Cash-flow	-0.4	-0.3	2.8	0.0	0.0
Dividend paid	-6.1	-6.1	-4.6	-4.6	-9.2
Cash-flow from financing activities	-12.3	91.4	-3.4	-4.6	-9.2
Increase/ decrease in liquid assets	5.3	35.9	6.2	4.8	2.1
Effects of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Cash at beginning of period	12.5	17.9	53.7	60.0	64.8
Change in total cash and cash equivalents	5.3	35.9	6.2	4.8	2.1
Cash at end of period	17.9	53.7	60.0	64.8	66.9

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Ratios

	2013/14	2014/15	2015/16e	2016/17e	2017/18e
<b>Per Share Data</b>					
EPS	0.19	0.06	0.07	0.12	0.13
Book value per share	2.37	3.11	3.13	3.20	3.23
Free Cash-flow per share	0.29	-0.60	0.10	0.10	0.12
Dividend per share	0.10	0.05	0.05	0.10	0.10
<b>Valuation ratios</b>					
EV/Sales	1.4	1.2	1.2	1.1	1.1
EV/EBITDA	7.2	5.9	5.5	4.9	4.7
EV/EBIT	19.2	25.0	31.2	19.2	17.0
Price Earnings ratio (P/E)	17.8	65.3	54.6	33.1	29.3
Price to book (total equity)	1.4	1.3	1.3	1.2	1.2
Dividend yield	3.0%	1.3%	1.3%	2.5%	2.5%
<b>Profitability ratios</b>					
EBITDA margin	18.8%	20.1%	22.0%	23.2%	22.8%
EBIT margin	7.1%	4.8%	3.9%	5.9%	6.4%
Net return on sales	4.5%	2.0%	2.5%	3.9%	4.2%
Return on capital employed (ROCE)	8.9%	4.3%	3.3%	5.3%	5.8%
<b>Productivity ratios</b>					
Capital turnover	96.7%	110.8%	112.1%	107.3%	102.6%
Operating leverage	4.9	-4.9	5.4	12.1	2.5
Sales per employee	458,234	456,278	434,426	452,439	471,230
EBIT per employee	32,431	21,752	16,885	26,854	29,926
Number of employees (in thousands)	0.6	0.6	0.6	0.6	0.6
<b>Financial ratios</b>					
Equity ratio	49.7%	74.0%	73.2%	73.5%	73.5%
Net financial debt (in m EUR)	43.3	-32.1	-40.0	-44.8	-46.9
Net debt / Equity	29.8%	-11.2%	-13.9%	-15.2%	-15.8%
Interest cover	> 10	> 10	0.0	0.0	0.0
Net debt / EBITDA	0.88	-0.58	-0.69	-0.69	-0.70
Working Capital (in m EUR)	2.7	16.2	3.5	3.0	2.0
Change Working Capital (in m EUR)	-56.5	13.5	-12.7	-0.5	-1.0
WC /sales	1.0%	5.9%	1.3%	1.1%	0.7%
Stocks in days of sales	8	12	11	10	10
Trade debtors in days of sales	21	39	28	26	25
Trade creditors in days of COGS/Material cost	25	30	34	33	32
Cash conversion cycle	4	21	5	3	3
Invest. (property/plant/equity) / Depreciation	35.6%	24.5%	108.6%	104.2%	104.2%
<b>Others</b>					
Sales CAGR (last 3 years)	19.8%	8.6%	-4.6%	2.2%	1.9%
EBIT CAGR (last 3 years)	7.4%	-31.7%	-45.9%	-3.6%	12.1%
Net income CAGR (last 3 years)	30.0%	-41.3%	-49.3%	-2.2%	30.6%
Pay out ratio	52.7%	83.2%	69.4%	84.3%	74.7%
Free cash-flow (in m EUR)	17.6	-55.5	9.6	9.4	11.3
Free cash flow yield	5.7%	-15.4%	2.7%	2.6%	3.1%

Source: Company information, Bankhaus Lampe Research estimates