

Borussia Dortmund

Annual report

Scoring for fun

Bundesliga leaders and unbeaten in their last 13 matches in all competitions, Borussia Dortmund could not have wished for a stronger start under new head coach, Lucien Favre. Indeed, an impressive win over Atlético Madrid already all but assures qualification for the knockout stages of the Champions League, which is in marked contrast to last season's disappointment. We are therefore confidently maintaining our current-year forecast of robust pre-transfer revenue growth (c 12%), driven by international TV marketing, even if the bumper transfers of Dembélé and Aubameyang make FY18 a hard act to follow. Progress may be more measured in FY20 but subject as ever to surprise from Dortmund's ability to generate substantial hidden reserves from player transfers.

| Year end | Revenue* (€m) | EBITDA (€m) | PBT** (€m) | EPS** (€) | DPS (€) | EV/EBITDA (x) |
|----------|------------------|----------------|---------------|--------------|------------|------------------|
| 06/17 | 328.4 | 74.1 | 61.1 | 0.56 | 0.06 | 10.7 |
| 06/18 | 313.3 | 126.6 | 111.2 | 1.03 | 0.06 | 6.2 |
| 06/19e | 350.0 | 87.0 | 76.0 | 0.70 | 0.06 | 9.1 |
| 06/20e | 365.0 | 90.0 | 80.0 | 0.74 | 0.06 | 8.8 |

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

Q418: Tough comparative

The quarter to June was predictably subdued as a lack of involvement in UEFA and DFB Cup competition, fewer Bundesliga home games (3 vs 5) and a halving of transfer activity drove revenue down by a third. However, domestic TV marketing was a rare bright spot owing to the new broadcasting deal and new Champion Partners buoyed advertising. The impact on profit was at least mitigated by a 12% reduction in bonus-led labour costs and a halving of material costs in line with revenue. Finances remained typically disciplined with net cash €50m at year end.

Shaping up

Despite current elation, epitomised by Atlético Madrid's record Champions League defeat, we are not changing our assumption of Champions League Round of 16. It is early days and we are mindful that last year Dortmund's Bundesliga season also began well (just one less point than now) only to fall apart with a 29-point deficit to winners, Bayern. We maintain our forecast of 12% higher pre-transfer revenue (see page 2) thanks largely to a doubling (our estimate) from the revamped Champions League. Our EBITDA forecast is also held but only as we now assume a further €15m rise in transfers to make up for higher operating costs than expected. Our new FY20 forecast sees continued progress and scope for transfer gain surprise.

Valuation: So far, so good

An EV/EBITDA of 9.1x FY19e does not fully recognise the long-term potential of powerful brand development, valuable media rights and strong cash flow, backed by season ticket sales and hidden reserves from player investment (broadly, c €300m surplus of market value to net player assets, per www.transfermarkt.de).

Travel & leisure

29 October 2018

Price €9.14

Market cap €841m

Net cash (€m) at end June 2018 including finance leases 50.8

Shares in issue 92.0m

Free float 60.1%

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 17.5 44.9 21.8

Rel (local) 29.9 65.7 42.8

52-week high/low €9.2 €4.9

Business description

The group operates Borussia Dortmund, a leading German football club, DFB Cup winners in 2016/17 and competing in this season's UEFA Champions League (quarter-finalists in 2016/17).

Next events

Champions League against Atlético Madrid 6 November 2018

Bundesliga against Bayern Munich 10 November 2018

Q119 results 14 November 2018

Analysts

Richard Finch +44 (0)20 3077 5700

Paul Hickman +44 (0)20 3681 2501

consumer@edisongroup.com
[Edison profile page](#)

Borussia Dortmund is a client of Edison Investment Research Limited

Revenue and profit analysis

| Exhibit 1: Revenue and profit analysis | | | | | | | | |
|--|----------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|
| Year end June (€m) | Q1-Q317 | Q417 | FY17 | Q1-Q318 | Q418 | FY18 | 2019e | 2020e |
| Home matches | | | | | | | ▲ | ▲ |
| Bundesliga | 12 | 5 | 17 | 14 | 3 | 17 | 17 | 17 |
| Champions League | 4 | 1 | 5 | 3 | - | 3 | 4 | 4 |
| Europa League | - | - | - | 2 | - | 2 | - | - |
| Domestic cups | 2 | - | 3 | 1 | - | 1 | 2 | 2 |
| Away matches: | | | | | | | | |
| Champions League | 4 | 1 | 5 | 3 | - | 3 | 4 | 4 |
| Europa League | - | - | - | 2 | - | 2 | - | - |
| Domestic cups | 2 | 1+Final | 3+Final | 3 | - | 3 | 2 | 2 |
| Revenue | | | | | | | | |
| Match operations: | | | | | | | | |
| Bundesliga | 19.3e | 7.7e | 27.0 | 22.3e | 5.1e | 27.4 | 28.0 | 28.5 |
| Champions League | 7.6e | 1.9e | 9.5 | 5.8e | - | 5.8 | 8.0 | 8.2 |
| Europa League | - | - | - | 3.3e | - | 3.3 | - | - |
| Domestic cups | 3.3e | 2.0e | 5.3 | 2.2e | - | 2.2 | 3.5 | 4.0 |
| Other | 2.0e | 0.2e | 2.2 | 2.9e | 0.6e | 3.5 | 3.0 | 3.3 |
| Total | 32.1 | 11.8 | 43.9 | 36.6 | 5.7 | 42.3 | 42.5 | 44.0 |
| TV marketing: | | | | | | | | |
| Bundesliga | 48.7 | 17.4 | 66.1 | 65.0 | 23.0 | 88.0 | 92.0 | 96.5 |
| Champions League | 41.7 | 8.4 | 50.1 | 28.1 | - | 28.1 | 55.0 | 58.0 |
| Europa League | 0.9 | - | 0.9 | 2.9 | 0.7 | 3.6 | - | - |
| Domestic cups | 2.8 | 5.8 | 8.6 | 2.6 | - | 2.6 | 4.0 | 4.5 |
| Total | 94.1 | 31.7 | 125.8 | 98.6 | 23.7 | 122.3 | 151.0 | 159.0 |
| Advertising | 60.8 | 26.6 | 87.4 | 67.5 | 26.5 | 94.0 | 99.0 | 101.0 |
| Merchandising | 29.7 | 9.8 | 39.5 | 24.9 | 4.6 | 29.5 | 30.0 | 32.0 |
| Catering/other | 22.6 | 9.3 | 31.9 | 18.7 | 6.5 | 25.2 | 27.5 | 29.0 |
| Revenue before transfers | 239.3 | 89.1 | 328.4 | 246.5 | 66.8 | 313.3 | 350.0 | 365.0 |
| Transfers | 46.2 | 31.1 | 77.3 | 208.8* | 13.9 | 222.7 | 105.0** | 110.0** |
| Total | 285.5 | 120.2 | 405.7 | 455.4 | 80.7 | 536.0 | 455.0 | 475.0 |
| Other operating income | 2.0 | 2.2 | 4.2 | 3.0 | 0.9 | 3.9 | 4.0 | 4.5 |
| Labour costs: | | | | | | | | |
| Squad | n/a | n/a | (146.9) | n/a | n/a | (151.7) | (163.0) | (172.0) |
| Retail / admin | n/a | n/a | (23.6) | n/a | n/a | (26.2) | (27.5) | (28.0) |
| Other | n/a | n/a | (7.4) | n/a | n/a | (8.8) | (9.5) | (10.0) |
| Total | (123.9) | (54.0) | (177.9) | (139.3) | (47.4) | (186.7) | (200.0) | (210.0) |
| Material costs | (19.1) | (6.8) | (25.9) | (16.5) | (3.6) | (20.1) | (20.0) | (20.5) |
| Other operating costs | (93.7) | (38.3) | (132.0) | (174.1) | (32.4) | (206.5) | (152.0) | (159.0) |
| EBITDA | 50.6 | 23.5 | 74.1 | 128.5 | (1.9) | 126.6 | 87.0 | 90.0 |

Source: Edison Investment Research. Note: ▲ Assuming Champions League round of 16 and DFB Cup semi-final. *Including disposals of Dembélé and Aubameyang. **Notional (assumed average of transfer revenue of three previous years excluding "exceptional" Dembélé and Aubameyang transactions).

Exhibit 2: Financial summary

| | €'000s | 2017 | 2018 | 2019e | 2020e |
|--|--------|-----------|-----------|-----------|-----------|
| June | | IFRS | IFRS | IFRS | IFRS |
| PROFIT & LOSS | | | | | |
| Revenue | | 405,700 | 536,000 | 455,000 | 475,000 |
| EBITDA | | 74,100 | 126,600 | 87,000 | 90,000 |
| Operating Profit (before amort. and except.) | | 62,600 | 115,500 | 76,000 | 79,000 |
| Intangible Amortisation | | (51,900) | (79,400) | (65,000) | (68,000) |
| Exceptionals | | 0 | 0 | 0 | 0 |
| Other | | 0 | 0 | 0 | 0 |
| Operating Profit | | 10,700 | 36,100 | 11,000 | 11,000 |
| Net Interest | | (1,500) | (4,300) | 0 | 1,000 |
| Other financial items | | 0 | 0 | 0 | 0 |
| Profit Before Tax (norm) | | 61,100 | 111,200 | 76,000 | 80,000 |
| Profit Before Tax (FRS 3) | | 9,200 | 31,800 | 11,000 | 12,000 |
| Tax | | (900) | (3,300) | (1,000) | (1,000) |
| Profit After Tax (norm) | | 51,900 | 94,500 | 64,600 | 68,000 |
| Profit After Tax (FRS 3) | | 8,300 | 28,500 | 10,000 | 11,000 |
| Minority interests | | 0 | 0 | 0 | 0 |
| Net income (normalised) | | 51,900 | 94,500 | 64,600 | 68,000 |
| Profit after tax (FRS3) | | 8,300 | 28,500 | 10,000 | 11,000 |
| Average Number of Shares Outstanding (m) | | 92.0 | 92.0 | 92.0 | 92.0 |
| EPS - normalised (c) | | 56.4 | 102.7 | 70.2 | 73.9 |
| EPS - (IFRS) (c) | | 9.0 | 31.0 | 10.9 | 12.0 |
| Dividend per share (c) | | 6.0 | 6.0 | 6.0 | 6.0 |
| EBITDA Margin (%) | | 18.3 | 23.6 | 19.1 | 18.9 |
| Operating Margin (before GW and except.) (%) | | 15.4 | 21.5 | 16.7 | 16.6 |
| BALANCE SHEET | | | | | |
| Fixed Assets | | 354,900 | 341,900 | 384,000 | 395,000 |
| Intangible Assets | | 141,500 | 109,700 | 159,000 | 173,000 |
| Tangible Assets | | 184,700 | 180,700 | 178,000 | 175,000 |
| Investments | | 28,700 | 51,500 | 47,000 | 47,000 |
| Current Assets | | 123,700 | 136,400 | 101,000 | 95,000 |
| Stocks | | 9,000 | 5,600 | 6,000 | 6,000 |
| Debtors | | 48,800 | 23,000 | 28,000 | 28,000 |
| Cash | | 49,300 | 59,500 | 47,000 | 41,000 |
| Other | | 16,600 | 48,300 | 20,000 | 20,000 |
| Current Liabilities | | (140,900) | (119,000) | (122,000) | (122,000) |
| Creditors | | (130,600) | (117,000) | (122,000) | (122,000) |
| Short term borrowings | | 0 | 0 | 0 | 0 |
| Finance leases | | (10,300) | (2,000) | 0 | 0 |
| Long Term Liabilities | | (25,400) | (23,000) | (22,000) | (22,000) |
| Long term borrowings | | 0 | 0 | 0 | 0 |
| Finance leases | | (8,700) | (6,700) | (7,000) | (7,000) |
| Other long term liabilities | | (16,700) | (16,300) | (15,000) | (15,000) |
| Net Assets | | 312,300 | 336,300 | 341,000 | 346,000 |
| CASH FLOW | | | | | |
| Operating Cash Flow | | 117,900 | 163,500 | 109,000 | 114,000 |
| Net Interest | | (2,100) | (3,700) | 0 | 1,000 |
| Tax | | (5,500) | (1,700) | (6,000) | (2,000) |
| Capex | | (8,100) | (7,200) | (8,300) | (8,500) |
| Acquisitions/disposals | | (96,500) | (123,600) | (100,000) | (105,000) |
| Financing | | 0 | (1,300) | 0 | 0 |
| Dividends | | (5,500) | (5,500) | (5,500) | (5,500) |
| Net Cash Flow | | 200 | 20,500 | (10,800) | (6,000) |
| Opening net debt/(cash) | | (30,100) | (30,300) | (50,800) | (40,000) |
| Finance leases initiated | | 0 | 0 | 0 | 0 |
| Other | | 0 | 0 | 0 | 0 |
| Closing net debt/(cash) | | (30,300) | (50,800) | (40,000) | (34,000) |

Source: Company data, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Borussia Dortmund and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.