

# Borussia Dortmund

Q120 results

Exciting viewing ahead

**Borussia Dortmund's Q120 results exhibited typical volatility due to the key summer transfer window. Excluding the volatile transfer revenue, there was good growth with other revenue up c 15%. We maintain our forecasts but note there is a key Champions League game in less than two weeks and results in the Bundesliga must improve to ensure qualification for the competition next season. The shares continue to look well supported by its player assets and the FY20e EV/EBITDA multiple of 5.8x.**

Year end	Revenue* (€m)	EBITDA (€m)	PBT** (€m)	EPS** (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
06/18	313.3	137.3	121.9	1.13	0.06	7.3	5.4
06/19	369.3	116.0	101.5	0.94	0.06	8.8	6.4
06/20e	394.0	128.0	113.0	1.05	0.06	7.8	5.8
06/21e	414.0	132.0	116.0	1.07	0.06	7.7	5.6

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

## Q120: Heavily skewed by transfer activity

The first quarter was a busy period for transfer activity as the coaching staff (second full season) re-shaped the team with five players sold and six players added (including option exercises). Total revenue increased by c 33% y-o-y to €175.2m, compared to a relatively subdued quarter for transfer activity in Q119 with just two players sold. Excluding transfers (+70% y-o-y), total revenue increased by c 15%, with good growth from other sources, excluding match operations (c 5% of revenue). Match operations revenue declined by c 20% y-o-y, mainly due to fewer pre-season friendlies. Successful exploitation of the brand came through more partnership relationships and a documentary of the club on Amazon. There were encouraging signs of an improvement in Merchandising, with the key Christmas period coming. Operating income was affected by player sales: an operating loss of €757k in Q120 versus a profit of €6.4m in Q119.

## Key Champions League fixture imminent

As it is still the early stages of the season, we leave our forecasts unchanged. Our key assumptions are that the team progresses through to the Champions League Round of 16 of and finishes in the top four of the Bundesliga. The team is placed second from four in a tight Champions League group, with a tough away game to FC Barcelona on 27 November, before a home game against Slavia Prague. In the Bundesliga, the results have been more mixed: the current league position is sixth, albeit in a relatively compact league, against a leading position this time last year.

## Valuation: Share price affected by playing results

The shares have underperformed due to a less successful domestic start than the 2018/19 season. The latest squad valuation per [www.transfermarkt.de](http://www.transfermarkt.de) is c €576m (down from c €610m in our most recent prior [note](#)) compared to the balance sheet value of player registrations and assets held for sale of €269m, which highlights the hidden value in a club with a proven track record of successful value realisation. The EV/EBITDA multiples for FY20e and FY21e are 5.8x and 5.6x, respectively.

Travel & leisure

15 November 2019

**Price** €8.23  
**Market cap** €757m

Net cash (€m) at 30 September 2020	17
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	(12.4)	(13.1)	(12.0)
Rel (local)	(17.0)	(24.3)	(23.8)
52-week high/low		€9.95	€7.02

### Business description

The group operates Borussia Dortmund, a leading German football club, Bundesliga runners-up in 2018/19, DFB Super Cup winners in 2019/20, DFB Cup winners in 2016/17 and competing in this season's UEFA Champions League (Round of 16 participants in 2018/19).

### Next events

Champions League against Barcelona	27 November 2019
Interim results	February 2020

### Analysts

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**Exhibit 1: Financial summary**

	€'000s	2018	2019	2020e	2021e
Year end June		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		536,000	489,500	534,000	564,000
EBITDA		137,300	116,000	128,000	132,000
Operating Profit (before amort. and except.)		126,200	103,200	114,000	117,000
Intangible Amortisation		(66,800)	(65,900)	(85,000)	(90,000)
Exceptionals		(20,400)	(13,800)	0	0
Other		0	0	0	0
Operating Profit		39,000	23,500	29,000	27,000
Net Interest		(4,300)	(1,700)	(1,000)	(1,000)
Other financial items		0	0	0	0
Profit Before Tax (norm)		121,900	101,500	113,000	116,000
Profit Before Tax (FRS 3)		34,700	21,800	28,000	26,000
Tax		(3,000)	(4,400)	(5,000)	(5,000)
Profit After Tax (norm)		103,600	86,300	96,100	98,600
Profit After Tax (FRS 3)		31,700	17,400	23,000	21,000
Minority interests		0	0	0	0
Net income (normalised)		103,600	86,300	96,100	98,600
Profit after tax (FRS3)		31,700	17,400	23,000	21,000
Average Number of Shares Outstanding (m)		92.0	92.0	92.0	92.0
EPS - normalised (c)		112.6	93.8	104.5	107.2
EPS - (IFRS) (c)		34.5	18.9	25.0	22.8
Dividend per share (c)		6.0	6.0	6.0	6.0
EBITDA Margin (%)		25.6	23.7	24.0	23.4
Operating Margin (before GW and except.) (%)		23.5	21.1	21.3	20.7
<b>BALANCE SHEET</b>					
Fixed Assets		351,400	371,700	414,000	445,000
Intangible Assets		120,300	163,700	200,000	230,000
Tangible Assets		180,700	184,000	181,000	180,000
Investments		50,400	24,000	33,000	35,000
Current Assets		134,200	128,400	114,000	101,000
Stocks		5,600	4,600	5,000	5,000
Debtors		23,000	30,100	32,000	34,000
Cash		59,500	55,900	44,000	29,000
Other		46,100	37,800	33,000	33,000
Current Liabilities		(119,000)	(128,100)	(132,000)	(134,000)
Creditors		(117,000)	(125,000)	(129,000)	(131,000)
Short term borrowings		0	0	0	0
Finance leases		(2,000)	(3,100)	(3,000)	(3,000)
Long Term Liabilities		(23,000)	(17,100)	(17,000)	(18,000)
Long term borrowings		0	0	0	0
Finance leases		(6,700)	(8,400)	(8,000)	(6,000)
Other long term liabilities		(16,300)	(8,700)	(9,000)	(12,000)
Net Assets		343,600	354,900	379,000	394,000
<b>CASH FLOW</b>					
Operating Cash Flow		168,100	150,700	150,000	154,000
Net Interest		(3,700)	(1,500)	(1,000)	(1,000)
Tax		(1,700)	(2,800)	(4,000)	(4,000)
Capex		(7,200)	(9,900)	(10,900)	(11,500)
Acquisitions/disposals		(135,600)	(129,500)	(140,000)	(145,000)
Financing		6,100	(7,900)	0	0
Dividends		(5,500)	(5,500)	(5,500)	(5,500)
Net Cash Flow		20,500	(6,400)	(11,400)	(13,000)
Opening net debt/(cash)		(30,300)	(50,800)	(44,400)	(33,000)
Finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(50,800)	(44,400)	(33,000)	(20,000)

Source: Company accounts, Edison Investment Research

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