



Borussia Dortmund GmbH & Co. KGaA

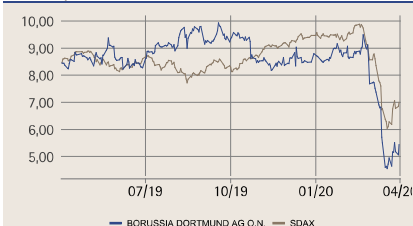
Share price has fallen excessively

02/04/2020**Buy** (Buy)
9.00 EUR (12.00 EUR)Close 31/03/2020 5.44 EUR
Bloomberg: BVB GY WKN: 549309
Sector Media

Share price performance

52 week high / low 9.93 / 4.56 EUR
YTD -38.2%
12 months -35.0%

Share price vs. SDAX



Next event

Quarterly Results 15/05/2020

Change in model

	Sales	EBITDA	EPS
2019/20e	-11.3%	-29.0%	-137.0%
2020/21e	0.0%	0.0%	0.0%
2021/22e	0.1%	0.0%	-30.0%

Share data

Market Cap (m EUR)	500.5
No. of shares (m)	92.0
Free float	60.8%

Analyst

Igor Kim, CFA
Phone: +49 211 4952-864
igor.kim@bankhaus-lampe.de

See end of document for disclaimer.

The Bundesliga season is expected to resume in May "behind closed doors". This would allow BVB to secure revenue from TV rights, and the partial salary waiver announced by the BVB squad and staff should also mitigate the coronavirus impact. The pandemic has hit BVB (-47% since late Feb.) much more severely than its peers (-20% to -28%). The current market capitalisation of € 477 m suggests that the market ascribes zero value either to the BVB brand or its squad, which is unjustified, in our view.

INVESTMENT CASE

Following the turbulent coronavirus events in recent weeks, the Bundesliga season should be resumed in May in a "behind-closed-doors" format. UEFA has postponed the EURO 2020 tournament until next year (11 June to 11 July), which will also allow the Bundesliga season to be completed by the end of June. While the matches "behind closed doors" will cost BVB about € 3 m/match in EBT (five home games still to be played), it is still a much better option than no matches at all. This scenario secures the revenue from TV rights, which was at risk if no matches were played. We have cut our 2019/20e estimates to reflect the matches without spectators and lower transfer income given that clubs will probably not be willing or able to pay adequate market prices for players in the near term. Our estimates also reflect the reduction in personnel costs arising from the decision by the players, managers and squad to waive part of their salaries for 2019/20.

CATALYSTS

- Potential transfers during the summer transfer window May-August
- The business case needs the team to be successful in the core competitions Bundesliga, DFB Cup and Champions League.

VALUATION

We have applied a discount rate of 30% to our SOTP valuation to reflect the uncertainty about the future course of the pandemic. We have cut our price target to € 9.00, but confirm our BUY rating.

in m EUR	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Sales	536.1	489.6	450.5	483.1	498.1
EBITDA	126.7	116.0	77.1	131.9	107.3
EBITDA margin	23.6%	23.7%	17.1%	27.3%	21.5%
Net financial debt	-16.1	-10.7	13.2	-11.2	-15.8
Free cash flow	27.6	1.1	-11.8	29.9	10.1
EPS (in EUR)	0.31	0.19	-0.07	0.40	0.19
DPS (in EUR)	0.06	0.06	0.06	0.06	0.06
Dividend yield	0.7%	1.1%	1.1%	1.1%	1.1%
EV/sales	1.4	1.0	1.1	1.0	1.0
EV/EBITDA	5.9	4.2	6.7	3.7	4.5
P/E	26.7	28.5	-73.7	13.5	28.8

Source: Company information, Bankhaus Lampe Research estimates

SIGNIFICANTLY UNDERVALUED VERSUS PEERS

Looking at other listed football clubs, BVB seems to be considerably undervalued. We have selected Juventus Turin, Manchester United, Ajax and A.S. Roma for our peer group. Similar to the valuation of BVB, we have derived their implied fair value based on the market value of the squad (from transfermarkt.de) and estimated brand value (based on Brand Finance report).

Relative valuation vs. peers: Breakdown of valuation by squad value and brand value

	Juventus Turin	Manchester United	Ajax	A.S. Roma	BVB	Comments
Squad value (adj.*)	749.5	785.3	428.4	431.0	550.6	Transfer prices likely to be under pressure in near term
Brand**	668.8	1472.0	218.1	240.0	639.2	Brand value is more resilient to short term shocks
Net debt	452	221.4	-86	209.0	13.2	Last reported
Implied FV	966.3	2035.9	692.6	462.0	1176.6	Squad value + Brand value less Net Debt
Market cap	1031.0	2546.0	266.0	280.0	477.0	Current market cap
Discount (-)/ premium (+) to market cap:						
Implied FV	7%	25%	-62%	-39%	-59%	BVB FV is at 59% discount to market cap
Brand only	376%	104%	-13%	803%	-24%	Brand only valuation assumes Squad has zero value
Squad only	247%	352%	-48%	26%	-11%	Squad only valuation assumes Brand has zero value
Share price decline since end Feb.	23%	20%	26%	28%	48%	BVB share price dropped disproportionately vs other peers

Source: Bankhaus Lampe Research, *transfermarkt.de, **based on Brand Finance report

- At its current share price and market capitalisation (€ 477 m), BVB is trading at 59% discount to its implied fair value € 1,176.6 m (squad + brand – net debt).
- Only Ajax shows a similar huge discount of brand + squad fair value to market cap., while Manchester United and Juventus are trading at premiums.
- Even if we exclude squad value from our NAV calculation, the resulting fair value for BVB based on its brand alone still suggests it is trading at a 24% discount.
- Similarly, if we assume the brand is worth nothing, the "squad only"- based FV implies an 11% discount.
- In the near term, we believe the market will apply a heavy discount to any squad value because the current environment is likely to depress transfer prices significantly.
- Unlike its peers, whose share prices have fallen by 20-28% since the end of February, BVB's share price has almost halved (-48%) - even though they are all impacted by coronavirus in a similar way.

Sum-of-the parts valuation

ADJUSTED NAV CALCULATION		Valuation
adj. value of the squad [mn €]		550.6
Net liquidity		-13.2
Brand Value		639.2
Total		1,176.6
Num. of shares [mill.]		92.00
Discount		30%
Fair value per share [€]		8.95
Sensitivity of fair value per share		
Change in adj. Value of the squad or Brand Value	+100 m	13.88
	+50 m	13.33
	0 m	12.79
	-50 m	12.25
	-100 m	11.70

Source: Company information, Bankhaus Lampe Research

30% discount applied to reflect the following risk factors: 1) Uncertainty regarding the dynamic of Covid-19 pandemic (10%); 2) Potentially low interest in transfers (game changer in full-year earnings), due to postponement of EURO 2020 tournament to next year (10%) and tougher financial situation of potential buyers; 3) Even after the pandemic officially comes to an end people may still avoid events with large crowds (10%).

Changes in our estimates

(€ m)	19/20e			20/21e			21/22e		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	508.1	450.5	-11.3%	483.1	483.1	0.0%	497.8	498.1	0.1%
EBITDA	108.5	77.1	-29.0%	131.9	131.9	0.0%	107.3	107.3	0.0%

Source: Bankhaus Lampe Research estimates

We have cut our estimates for the 2019/20 season to reflect the matches "behind closed doors":

- We expect revenues from catering, merchandising and match operations to be significantly impacted in H2/2019/2020.
- Matches "behind closed doors" will cost BVB between € 2.5 m and € 3 m per match in EBT (five home games still to be played for this Bundesliga season).
- We also expect lower income from transfers in the current year.
- Partial salary waived by the squad, management and administration will offset some of the impact of lost revenue.

MAIN RISKS TO OUR INVESTMENT CASE

The impact of the Covid-19 pandemic could be harsher or more protracted than we expect.

The main risk to our investment case is the fact that sporting success cannot be relied upon. Elimination from a cup competition reduces the brand value, while going through to the next round is positive. Moreover, a higher-than-expected bid for a player could drive up the squad value, while an injury of a highly valued player could drive it down. And in terms of numbers, major deviations from our forecasts are possible as transfers are unpredictable.

Key figures

Borussia Dortmund GmbH & Co. KGaA – Income statement

in m EUR	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Sales	536.1	489.6	450.5	483.1	498.1
Own work capitalised	0.0	0.0	0.0	0.0	0.0
Total sales	536.1	489.6	450.5	483.1	498.1
Material expenses	-20.1	-21.3	-17.3	-22.5	-23.6
Personnel expenses	-186.7	-205.1	-211.8	-205.4	-212.5
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-202.6	-147.2	-144.4	-123.3	-154.7
EBITDA	126.7	116.0	77.1	131.9	107.3
Depreciation	90.6	92.5	85.0	85.0	85.0
EBITA	36.1	23.5	-7.9	46.9	22.3
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	36.1	23.5	-7.9	46.9	22.3
Financial result	-4.3	-1.6	-0.6	-0.6	-0.6
Income on ordinary activities	31.8	22.0	-8.5	46.4	21.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	31.8	22.0	-8.5	46.4	21.8
Taxes	-3.3	-4.4	1.7	-9.3	-4.4
Net income from cont. operations	28.5	17.6	-6.8	37.0	17.4
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Net income (adj.)	28.5	17.6	-6.8	37.0	17.4
No. of shares	92.0	92.0	92.0	92.0	92.0
EPS	0.31	0.19	-0.07	0.40	0.19

Source: Company information, Bankhaus Lampe Research estimates

	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Gross margin	96.3%	95.7%	96.2%	95.3%	95.3%
EBITDA margin	23.6%	23.7%	17.1%	27.3%	21.5%
EBITA margin	6.7%	4.8%	-1.8%	9.7%	4.5%
EBIT margin	6.7%	4.8%	-1.8%	9.7%	4.5%
EBT margin	5.9%	4.5%	-1.9%	9.6%	4.4%
Net profit margin	5.3%	3.6%	-1.5%	7.7%	3.5%
Tax rate	10.3%	20.1%	20.2%	20.1%	20.1%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Sales	32.1%	-8.7%	-8.0%	7.2%	3.1%
EBITDA	70.9%	-8.4%	-33.6%	71.2%	-18.6%
EBIT	>100%	-34.8%	-	-	-52.4%
EBT	>100%	-30.9%	-	-	-53.1%
Net income (adj.)	>100%	-38.4%	-	-	-53.1%
EPS	>100%	-38.4%	-	-	-53.1%

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Balance sheet

Assets (in m EUR)	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Fixed assets	341.9	371.7	377.4	384.9	392.6
Property, plant and equipment	180.7	184.0	185.8	189.6	193.3
Intangible assets	109.7	163.7	167.0	170.3	173.7
Financial assets	0.1	0.1	0.1	0.1	0.1
Other long-term assets	51.5	24.0	24.4	24.9	25.4
Current assets	136.4	128.4	105.7	132.2	137.7
Inventories	5.6	4.6	5.0	5.1	5.2
Accounts receivable	23.0	30.1	30.1	30.7	31.3
Other current assets	48.4	37.9	38.6	39.4	40.2
Securities	0.0	0.0	0.0	0.0	0.0
Cash	59.5	55.9	32.0	57.1	61.0
Total assets	478.3	500.1	483.0	517.1	530.3
Equity and liabilities in m EUR					
Shareholders' equity	336.3	354.9	336.0	367.5	379.4
Shareholders' equity (before minority)	336.3	354.9	336.0	367.5	379.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	23.0	17.1	17.1	17.1	15.7
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	6.7	8.4	8.4	8.4	7.0
Other long-term debt	16.3	8.7	8.7	8.7	8.7
Current liabilities	119.0	128.1	129.9	132.5	135.1
Short-term debt	36.6	36.8	36.8	37.5	38.3
Other accruals short-term	1.1	1.7	1.7	1.7	1.8
Accounts payable	54.6	60.7	61.9	63.1	64.4
Other liabilities	26.7	29.0	29.5	30.1	30.7
Total equity and liabilities	478.3	500.1	483.0	517.1	530.3

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Balance sheet structure

Assets	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Fixed assets	71.5%	74.3%	78.1%	74.4%	74.0%
Property, plant and equipment	37.8%	36.8%	38.5%	36.7%	36.5%
Intangible assets	22.9%	32.7%	34.6%	32.9%	32.8%
Current assets	28.5%	25.7%	21.9%	25.6%	26.0%
Inventories	1.2%	0.9%	1.0%	1.0%	1.0%
Accounts receivable	4.8%	6.0%	6.2%	5.9%	5.9%
Cash	12.4%	11.2%	6.6%	11.0%	11.5%
Equity and liabilities					
Shareholders' equity	70.3%	71.0%	69.6%	71.1%	71.6%
Non-current liabilities	4.8%	3.4%	3.5%	3.3%	3.0%
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	1.4%	1.7%	1.7%	1.6%	1.3%
Current liabilities	24.9%	25.6%	26.9%	25.6%	25.5%
Short-term debt	7.7%	7.4%	7.6%	7.3%	7.2%
Accounts payable	11.4%	12.1%	12.8%	12.2%	12.1%

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Cash flow statement

in m EUR	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Net income (adj.)	31.8	17.6	-6.8	37.0	17.4
Depreciation	90.6	92.5	85.0	85.0	85.0
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0
Change of provisions	0.0	0.5	0.0	0.0	0.0
Other	45.1	0.0	38.0	32.8	38.7
Operating cash flow before changes in w/c	167.4	110.6	116.3	154.9	141.1
Change in inventory	0.0	1.0	-0.4	-0.1	-0.1
Change in accounts receivable	5.0	-7.1	0.0	-0.6	-0.6
Change in accounts payable	-8.7	6.1	1.2	1.2	1.3
Change in other assets	-5.4	12.8	-0.2	-0.2	-0.2
Operating cash flow	158.4	123.4	116.9	155.3	141.5
Capex, incl. capitalized R&D	-130.8	-122.3	-128.6	-125.4	-131.4
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0
Income from financial investments	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-130.7	-122.3	-128.7	-125.4	-131.4
Free cash flow	27.6	1.1	-11.8	29.9	10.1
Capital measures	0.0	0.0	0.0	0.0	0.0
Increase/decrease in debt position	-11.9	1.8	0.0	0.7	-0.6
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Other financing Cash-flow	0.0	-7.6	0.0	0.0	0.0
Dividend paid	-5.5	-5.5	-5.5	-5.5	-5.5
Cash flow from financing activities	-17.5	-11.3	-5.5	-4.8	-6.2
Increase/ decrease in liquid assets	10.2	-10.2	-17.3	25.1	3.9
Effects of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Cash at beginning of period	49.3	59.5	49.3	32.0	57.1
Change in total cash and cash equivalents	10.2	-10.2	-17.3	25.1	3.9
Cash at end of period	59.5	49.3	32.0	57.1	61.0

Source: Company information, Bankhaus Lampe Research estimates

Borussia Dortmund GmbH & Co. KGaA – Ratios

	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Per Share Data					
EPS	0.31	0.19	-0.07	0.40	0.19
Book value per share	3.66	3.86	3.65	3.99	4.12
Free Cash-flow per share	0.30	0.01	-0.13	0.32	0.11
Dividend per share	0.06	0.06	0.06	0.06	0.06
Valuation ratios					
EV/Sales	1.4	1.0	1.1	1.0	1.0
EV/EBITDA	5.9	4.2	6.7	3.7	4.5
EV/EBIT	20.6	20.8	-64.7	10.4	21.7
P/E	26.7	28.5	-73.7	13.5	28.8
Price to book (total equity)	2.3	1.4	1.5	1.4	1.3
Dividend yield	0.7%	1.1%	1.1%	1.1%	1.1%
Profitability ratios					
EBITDA margin	23.6%	23.7%	17.1%	27.3%	21.5%
EBIT margin	6.7%	4.8%	-1.8%	9.7%	4.5%
Net return on sales	5.3%	3.6%	-1.5%	7.7%	3.5%
Return on capital employed (ROCE)	9.5%	5.9%	-2.1%	11.4%	5.3%
Productivity ratios					
Capital turnover	58.9%	70.6%	77.8%	74.0%	73.2%
Operating leverage	7.4	4.0	16.8	-95.5	-17.0
Sales per employee (in thousands)	666,760	611,946	563,179	603,926	622,598
EBIT per employee (in thousands)	44,908	29,418	0	58,669	27,913
Number of employees (in thousands)	0.8	0.8	0.8	0.8	0.8
Financial ratios					
Equity ratio	70.3%	71.0%	69.6%	71.1%	71.6%
Net financial debt (in m EUR)	-16.1	-10.7	13.2	-11.2	-15.8
Net debt / Equity	-4.8%	-3.0%	3.9%	-3.0%	-4.2%
Interest cover	8.4	0.0	< -10	0.0	0.0
Net debt / EBITDA	-0.13	-0.09	0.17	-0.08	-0.15
Working Capital (in m EUR)	-26.0	-26.0	-26.8	-27.3	-27.9
Change in working capital (in m EUR)	-20.2	0.0	-0.8	-0.5	-0.5
WC /sales	-4.9%	-5.3%	-5.9%	-5.7%	-5.6%
Stocks in days of sales	4	3	4	4	4
Trade debtors in days of sales	16	22	24	23	23
Trade creditors in days of COGS/sales	37	45	50	48	47
Cash conversion cycle	-17	-20	-22	-21	-20
Invest. (property/plant/equity) / Depreciation	144.4%	132.2%	151.3%	147.5%	154.5%
Others					
Sales CAGR (last 3 years)	24.8%	9.2%	3.6%	-3.4%	0.6%
EBIT CAGR (last 3 years)	40.0%	-13.0%	-190.6%	9.1%	-1.7%
Net income CAGR (last 3 years)	72.7%	-15.2%	-193.6%	9.1%	-0.3%
Pay-out ratio	19.4%	31.4%	-81.3%	14.9%	31.7%
Free cash flow (in m EUR)	27.6	1.1	-11.8	29.9	10.1
Free cash flow yield	3.6%	0.2%	-2.4%	6.0%	2.0%

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

The creation of this recommendation was finalised on 01/04/2020 12:02 PM (CEST) and first published on 02/04/2020 07:01 AM (CEST).

Analyst declaration

The relevant research analysts, as named on the front cover of this research report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this research report; and (b) that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this research report.

Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Details on the concepts and methods as well as the valuation models employed are available on our [website](#).

Overview of changes in our recommendations/price targets in the previous twelve months for: Borussia Dortmund GmbH & Co. KGaA (BVB GY), Close (31/03/2020): 5.44 EUR, Analyst: Igor Kim (CFA).

Date of publication	Price at recommendation	Rating	Price target
06/08/2019	9.09 EUR	Buy	12.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/04/2020)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	48.1%	62.5%
Hold	45.9%	37.5%
Sell	6.0%	0.0%
Under Review	0.0%	0.0%

Frequency of updates

The Bank intends to publish at least one research report per year for the aforementioned stock/stocks.

Complete list of recommendations

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Potential conflicts of interests may exist in the following companies named in this research report.

Company	Disclosure
Borussia Dortmund GmbH & Co. KGaA	9

9. Bankhaus Lampe KG or an affiliated company has entered into an agreement with the company or a person close to the company on the production of this financial analysis.

Responsible regulatory authority:

Federal Financial Supervisory Authority – Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, D-60439 Frankfurt

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Contacts

GENERAL PARTNER

Ute Gerbaulet

+ 49 (0)211 4952-656

ute.gerbaulet@bankhaus-lampe.de

EQUITY CHAIRMAN

Dr Karsten Iltgen

+ 49 (0)211 4952-351

karsten.iltgen@bankhaus-lampe.de

HEAD OF RESEARCH

Christian Ludwig

+ 49 (0)211 4952-126

christian.ludwig@bankhaus-lampe.de

HEAD OF EQUITY SALES & TRADING EUROPE

Guido Rohlfing

+ 49 (0)211 4952-832

guido.rohlfing@bankhaus-lampe.de

HEAD OF EQUITY SALES TRADING

Nils Carstens

+ 49 (0)211 4952-758

nils.carstens@bankhaus-lampe.de

HEAD OF EQUITY SALES IN US

Per Hallgren

+ 1 212 218 7415

per.hallgren@lampe-capital-us.com

HEAD OF EQUITY SALES IN UK

Yusuf Bilgic

+ 44 (0)203 405 4318

yb@lampe-capital.com

Bankhaus Lampe Research

Schwannstraße 10

D - 40476 Düsseldorf

research@bankhaus-lampe.de

📞 + 49 (0)211 4952-678

📠 + 49 (0)211 4952-494