



Borussia Dortmund GmbH & Co. KGaA

Q4 2019/20 guidance weaker than expected

30/06/2020

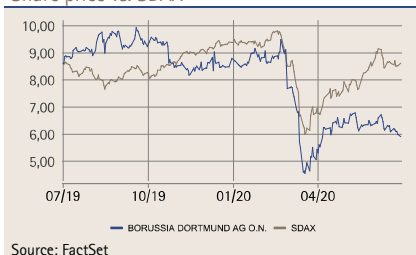
Buy
8.60 EUR

Close 29/06/2020	5.92 EUR
Bloomberg: BVB GY	WKN: 549309
Sector	Media

Share price performance

52 week high / low	9.93 / 4.56 EUR
YTD	-32.8%
12 months	-28.5%

Share price vs. SDAX



Share data

Market Cap (m EUR)	544.2
No. of shares (m)	92.0
Free float	60.8%
Trading vol. Ø (m EUR)	2.4

Next event

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See end of document for disclaimer.

BVB yesterday published its guidance for FY 2019/20 after the end of the season, indicating that it fell short of our estimates. Despite the weak implications, we do not see our general positive view overturned as we assume that BVB will continue to improve its brand value by relying on its strong track record post Covid-19.

GUIDANCE SUGGESTS STRONG MISS IN Q4 2019/20

- The company indicated EBITDA of € 62 m and net income of € -45 m for FY 2019/20 (ending June 2020). Since March, no guidance had been published. The figures are clearly below our expectations (for EBITDA -28%; and we had forecast a net loss of only € -8 m).
- The deviation is probably due to higher-than-expected refunds (i.e. hospitality and match tickets). We had assumed flat transfers in Q4 2019/20e.

POSITIVE STANCE STILL VALID

- Despite the disappointing implications, we stick to our positive stance, which is based on (i) an excellent track record of transfer surplus and (ii) brand value improvement while (iii) safeguarding financial flexibility.
- We acknowledge that the transfer market has become illiquid due to Covid-19, but indications from transfermarkt.de suggest that values are not collapsing (e.g. T. Werner was traded to Chelsea and Barcelona, and Juventus Turin swapped key players). We see no indications that values are collapsing, although Q1 2020/21e is set to suffer from ongoing uncertainty.
- The drop in net income in Q4 should cause the equity ratio to decline to c. 60%, which still is a soft cushion, in our view. Management therefore has headroom to deal with bans on major events planned until October 2020 in Germany.
- Based on yesterday's close, the valuation discount to our price target amounted to 30%, and we have already applied a 30% illiquid discount on our SOTP valuation (squad and brand value). A back-of-the-envelope calculation yields only € 0.1 downside to our price target.

in m EUR	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Sales	536.1	489.6	417.4	417.5	446.9
EBITDA	126.7	116.0	86.5	109.4	113.9
EBITDA margin	23.6%	23.7%	20.7%	26.2%	25.5%
Net financial debt	-16.1	-10.7	14.8	12.1	11.5
Free cash flow	27.6	1.1	-13.4	2.7	6.1
EPS (in EUR)	0.31	0.19	-0.09	0.11	0.15
DPS (in EUR)	0.06	0.06	0.00	0.06	0.06
Dividend yield	0.7%	1.0%	0.0%	1.0%	1.0%
EV/sales	1.4	1.1	1.3	1.3	1.2
EV/EBITDA	5.9	4.6	6.5	5.1	4.9
P/E	26.7	31.0	-64.5	55.3	40.5

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

The creation of this recommendation was finalised on 30/06/2020 08:46 AM (CEST) and first published on 30/06/2020 08:50 AM (CEST).

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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 (29/06/2020): 5.92 EUR, Analyst: Jasko Terzic (Analyst).

Date of publication	Price at recommendation	Rating	Price target
28/05/2020	6.42 EUR	Buy	8.60 EUR
02/04/2020	5.32 EUR	Buy	9.00 EUR
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	55.6%	85.7%
Hold	36.1%	14.3%
Sell	8.3%	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.

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Company	Disclosure
Borussia Dortmund GmbH & Co. KGaA	9

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30 June 2020

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