

# Borussia Dortmund GmbH & Co KGaA

Neutral → | Target price : 6.50 EUR

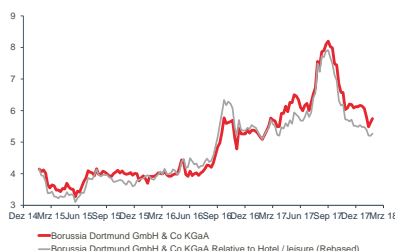
Price (22/02/2018) : 5.75 EUR | Upside : 13 %

	Est.chg	2018e	2019e
EPS		52.8%	-24.1%

**No major surprises in prelim. H1 2017-18 results; adjusting our 2017-18 estimates for recent newsflows; Neutral and TP of €6.50 confirmed**

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Source : Oddo BHF Securities, Fininfo

## Capital

BVB GY   BVB.DE	
Market Cap (EURm)	529
Enterprise value (EURm)	448
Extrema 12 months	5.09 - 8.28
Free Float (%)	60.5

Performance (%)	1m	3m	12m
Absolute	-5.6	-11.1	10.1
Perf. rel. Country Index	-0.2	-9.5	8.0
Perf. rel. Hotel / Leisure	-3.6	-13.8	0.7

P&L	06/17	06/18e	06/19e
Sales (EURm)	406	585	376
EBITDA (EURm)	74.1	206	76.1
Current EBIT (EURm)	10.7	136	8.1
Attr. net profit (EURm)	8.5	97.9	5.6
Adjusted EPS (EUR)	0.09	1.06	0.06
Dividend (EUR)	0.06	0.08	0.08

P/E (x)	56.1	5.4	94.8
P/B (x)	1.5	1.3	1.3
Dividend Yield (%)	1.2	1.4	1.4
FCF yield (%)	1.0	11.3	6.5
EV/Sales (x)	1.09	0.81	1.19
EV/EBITDA (x)	6.0	2.3	5.9
EV/Current EBIT (x)	41.4	3.5	55.4
Gearing (%)	-12	-13	-19
Net Debt/EBITDA(x)	ns	ns	ns

## Next Events

28.02.2018	Q2 Results
15.05.2018	Q3 Results

## Overview of prelim. H1 2017-18 results; net income in line with our estimates

Borussia Dortmund (BVB) published its prelim. H1 2017-18 results today (23 Feb). The figures contained no major surprises. Revenues incl. transfers reached € 311.8m (ODDO BHF est.: € 327.9m), while revenues excl. transfers totalled € 175.6m (ODDO BHF est.: € 191.7m). Net income (€39.4m) was in line with our estimate (€39.5m).

## Overview of prelim. H1 2017-18 results

	Reported	ODDO BHF est.	Change	H1 2016-17 results
Revenues (incl. transfers)	311.8m	327.9m	-4.9%	214.2m
Revenues (excl. transfers)	175.6m	191.7m	-8.4%	169.0m
Net income	39.4m	39.5m	-	15.6m

Source : Oddo BHF; Company Data

## Adjusting our 2017-18 estimates due to recent newsflow; EBITDA pre player income is expected to shrink again

For the full year 2017-18e, we have incorporated in our model the following newsflows: i) BVB's transfer of Pierre-Emerick Aubameyang to Arsenal London for a fixed premium of € 63.8m. Adding the bonus premium of ~10%, we expect this transfer to be worth € 70.1m. ii) The transfers of Marc Batra and Neven Subotic: we expect transfer income of € 10.5m and € 0.5m, respectively. iii) The loan deal for Michy Batshuayi with Chelsea: we expect BVB to pay a loan fee of € 1.5m. iv) The recent acquisitions of Manuel Akanji for € 21.5m and Sergio Gomez for € 3.0m.

In our last update, we mentioned that we expected BVB to advance at least to the quarter-finals of the 2017-18 Europa League. After beating Atalanta Bergamo in the round of 32, BVB drew FC Red Bull Salzburg as its next opponent. This is widely considered a favourable draw for BVB, and thus believe BVB has a good chance to advance to the quarter-finals, in line with our expectation. Overall, we have now raised our 2017-18e estimate for total revenues incl. transfer income to € 585.9m (previously: € 534.0m). Our estimate for total revenues excl. transfer income remains unchanged at € 354.0m. In terms of OPEX, we increase our assumption slightly to € 463.4m (previously: € 459.9m). We now estimate EBITDA pre player income at €33.0m, down from €52.7m previously.

## We confirm our Neutral recommendation; TP unchanged at €6.50

Since the arrival of new coach Peter Stöger, BVB has made very good progress in the Bundesliga and currently stands in 2<sup>nd</sup> place. This puts them on track to qualify for UEFA Champions League in 2018-19. However, due to our reduced EBITDA pre player income expectation, we still see no operational improvement for 2017-18e. As a consequence, we maintain our Neutral recommendation and confirm our TP of €6.50.

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**BVB.DE | BVB GY**  
**Leisure | Germany**

**Neutral**

Upside 13.14%

Price 5.75EUR

TP 6.50EUR

PER SHARE DATA (EUR)	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
Adjusted EPS	0.45	0.83	0.19	0.06	0.33	0.09	1.06	0.06
<b>Reported EPS</b>	<b>0.45</b>	<b>0.83</b>	<b>0.19</b>	<b>0.06</b>	<b>0.33</b>	<b>0.09</b>	<b>1.06</b>	<b>0.06</b>
Growth in EPS(%)	ns	85.4%	-77.1%	-68.3%	ns	-72.0%	ns	-94.3%
Net dividend per share	0.06	0.10	0.10	0.05	0.06	0.06	0.08	0.08
FCF to equity per share	0.31	0.23	0.29	-0.60	-0.01	0.05	0.65	0.38
Book value per share	1.52	2.28	2.36	3.11	3.36	3.39	4.59	4.57
Number of shares market cap	61.43	61.43	61.43	92.00	92.00	92.00	92.00	92.00
Number of diluted shares	61.43	61.43	61.43	92.00	92.00	92.00	92.00	92.00
VALUATION	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
12m highest price	2.80	3.95	5.10	4.21	5.86	8.28	6.25	
12m lowest price	1.90	2.64	3.56	3.21	3.61	5.09	5.49	
(*) Reference price	2.27	2.80	3.66	4.10	3.97	5.22	5.75	5.75
Capitalization	140	172	225	378	365	480	529	529
Restated Net debt	43.3	34.2	24.8	-51.2	-49.1	-39.0	-53.0	-80.2
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>183</b>	<b>206</b>	<b>250</b>	<b>326</b>	<b>316</b>	<b>441</b>	<b>476</b>	<b>448</b>
P/E (x)	5.1	3.4	19.3	68.3	12.0	56.1	5.4	94.8
P/CF (x)								
Net Yield (%)	2.6%	3.6%	2.7%	1.2%	1.5%	1.2%	1.4%	1.4%
FCF yield (%)	13.7%	8.3%	7.8%	ns	ns	1.0%	11.3%	6.5%
P/B incl. GW (x)	1.50	1.23	1.55	1.32	1.18	1.54	1.25	1.26
P/B excl. GW (x)	1.50	1.23	1.55	1.32	1.18	1.54	1.25	1.26
EV/Sales (x)	0.85	0.68	0.96	1.18	0.84	1.09	0.81	1.19
EV/EBITDA (x)	3.0	2.4	5.1	5.9	3.6	6.0	2.3	5.9
<b>EV/EBIT (x)</b>	<b>4.4</b>	<b>3.2</b>	<b>13.5</b>	<b>24.8</b>	<b>8.7</b>	<b>41.4</b>	<b>3.5</b>	<b>55.4</b>
(*) historical average price								
PROFIT AND LOSS (EURm)	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
Sales	215	305	261	276	376	406	585	376
EBITDA	60	88	49.1	56	87	74	206	76
Depreciations	-18.6	-22.4	-30.7	-42.4	-50.2	-63.4	-69.3	-68.0
<b>Current EBIT</b>	<b>41.4</b>	<b>65</b>	<b>18.5</b>	<b>13.2</b>	<b>36.4</b>	<b>10.7</b>	<b>136</b>	<b>8.1</b>
Published EBIT	41.4	65	18.5	13.2	36.4	10.7	136	8.1
Net financial income	-4.8	-5.1	-3.9	-7.2	-1.0	-1.2	-0.3	-0.3
Corporate Tax	-9.1	-8.8	-2.6	-0.5	-4.9	-0.9	-38.2	-2.3
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.1	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0
Attributable net profit	27.4	51	11.7	5.5	30.5	8.5	98	5.6
<b>Adjusted attributable net profit</b>	<b>27.4</b>	<b>51</b>	<b>11.7</b>	<b>5.5</b>	<b>30.5</b>	<b>8.5</b>	<b>98</b>	<b>5.6</b>
BALANCE SHEET (EURm)	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	25.7	28.4	61.6	96.3	65.3	142	219	217
Tangible fixed assets	183	178	185	190	188	185	180	174
WCR	2.2	43.7	-13.5	-1.4	36.2	2.0	45.7	28.0
Financial assets	2.1	5.4	3.4	3.7	49.1	28.7	15.9	15.9
Ordinary shareholders equity	93.1	140	145	286	310	312	422	420
Minority interests	0.3	0.6	0.3	0.3	0.0	0.0	0.0	0.0
Shareholders equity	93.5	141	145	286	310	312	422	420
Non-current provisions	75.9	81.1	65.9	53.3	77.1	82.4	91.5	94.9
<b>Net debt</b>	<b>43.3</b>	<b>34.2</b>	<b>24.8</b>	<b>-51.2</b>	<b>-49.1</b>	<b>-39.0</b>	<b>-53.0</b>	<b>-80.2</b>
CASH FLOW STATEMENT (EURm)	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
<b>EBITDA</b>	<b>60.0</b>	<b>87.5</b>	<b>49.1</b>	<b>55.6</b>	<b>86.7</b>	<b>74.1</b>	<b>205.6</b>	<b>76.1</b>
Change in WCR	1.1	3.3	-6.7	-20.9	-25.2	47.4	-30.0	21.1
Interests & taxes	-6.1	-13.9	-7.5	-7.4	-12.2	-10.7	-39.0	-2.5
Others	-27.0	-48.4	-8.5	-10.4	-0.2	-37.5	-178.1	-9.0
Operating Cash flow	28.0	28.6	26.4	16.9	49.0	73.3	-41.5	85.7
CAPEX	-8.9	-14.3	-8.9	-72.1	-50.1	-68.5	101.0	-51.1
<b>Free cash-flow</b>	<b>19.2</b>	<b>14.3</b>	<b>17.6</b>	<b>-55.1</b>	<b>-1.1</b>	<b>4.8</b>	<b>59.5</b>	<b>34.6</b>
Acquisitions / disposals	0.2	0.1	0.0	-0.4	0.0	0.0	-53.0	0.0
Dividends	-1.2	-5.1	-8.0	-8.3	-4.6	-3.0	-0.4	-7.4
Net capital increase	0.0	0.0	0.0	140.7	0.0	0.0	0.0	0.0
Others	-11.7	-2.0	-4.3	-41.0	0.0	0.0	0.0	0.0
Change in net debt	18.1	9.3	9.6	76.9	-5.7	1.8	6.1	27.2
GROWTH MARGINS PRODUCTIVITY	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
Sales growth	42.1%	41.7%	-14.5%	5.9%	36.3%	7.8%	44.2%	-35.7%
<b>Lfl sales growth</b>	<b>-</b>	<b>41.7%</b>	<b>-14.5%</b>	<b>5.9%</b>	<b>36.3%</b>	<b>7.8%</b>	<b>-</b>	<b>-</b>
Current EBIT growth	ns	57.3%	-71.7%	-28.7%	ns	-70.7%	ns	-94.1%
Growth in EPS(%)	ns	85.4%	-77.1%	-68.3%	ns	-72.0%	ns	-94.3%
Net margin	12.7%	16.7%	4.5%	2.0%	8.1%	2.1%	16.7%	1.5%
<b>EBITDA margin</b>	<b>27.9%</b>	<b>28.7%</b>	<b>18.8%</b>	<b>20.1%</b>	<b>23.0%</b>	<b>18.3%</b>	<b>35.1%</b>	<b>20.2%</b>
<b>Current EBIT margin</b>	<b>19.2%</b>	<b>21.3%</b>	<b>7.1%</b>	<b>4.8%</b>	<b>9.7%</b>	<b>2.6%</b>	<b>23.3%</b>	<b>2.1%</b>
CAPEX / Sales	-13.1%	-9.0%	-23.9%	-28.5%	-13.3%	-24.7%	-22.2%	-16.0%
WCR / Sales	1.0%	14.3%	-5.2%	-0.5%	9.6%	0.5%	7.8%	7.4%
Tax Rate	24.8%	14.7%	18.0%	7.8%	13.8%	9.6%	28.1%	28.9%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	1.1	1.3	1.1	1.1	1.3	1.3	1.5	0.9
<b>ROCE post-tax (normative tax rate)</b>	<b>14.5%</b>	<b>19.8%</b>	<b>5.3%</b>	<b>3.6%</b>	<b>8.9%</b>	<b>2.4%</b>	<b>24.7%</b>	<b>1.3%</b>
ROCE post-tax hors GW (normative tax rate)	14.5%	19.8%	5.3%	3.6%	8.9%	2.4%	24.7%	1.3%
ROE	34.2%	43.6%	8.2%	2.6%	10.2%	2.7%	26.7%	1.3%
DEBT RATIOS	06/12	06/13	06/14	06/15	06/16	06/17	06/18e	06/19e
Gearing	46%	24%	17%	-18%	-16%	-12%	-13%	-19%
Net Debt / Market Cap	0.31	0.20	0.11	-0.14	-0.13	-0.08	-0.10	-0.15
<b>Net debt / EBITDA</b>	<b>0.72</b>	<b>0.39</b>	<b>0.50</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	12.3	17.3	12.6	7.8	82.9	61.7	822.5	304.4

Source: ODDO BHF Securities, Fininfo



• **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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**Recommendation and target price changes history over the last 12 months for the company analysed in this report**

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
23.11.17	Neutral	6.50	6.11	Marcus Silbe, CEFA
23.08.17	Buy	7.50	7.14	Marcus Silbe, CEFA
16.03.17	Buy	6.50	5.35	Marcus Silbe, CEFA

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link [Web lien](#)

Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(409)	50%	39%	10%
Liquidity providers coverage	(132)	41%	52%	8%
Research service coverage	(57)	53%	44%	4%
Investment banking services	(52)	77%	15%	8%

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