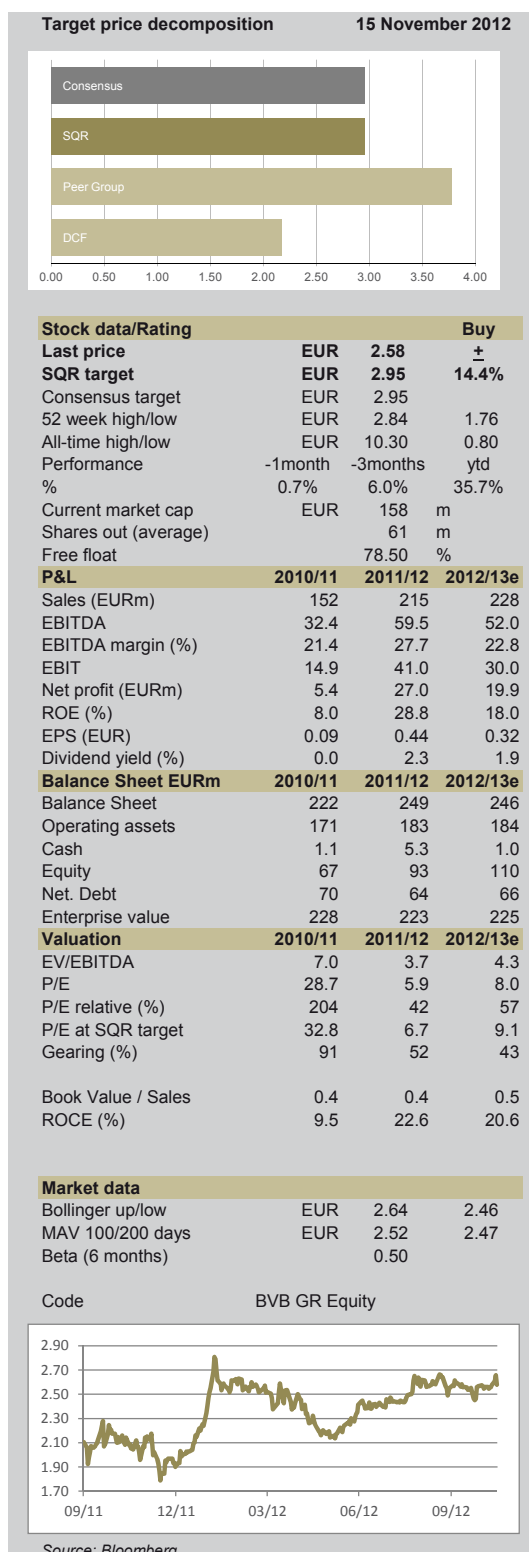




Borussia Dortmund

Consumer & Retail



BUY

PT EUR2.95, upside 14%

Q1 figures in expected range - BVB held a convincing presentation at the "Eigenkapitalforum" in Frankfurt - remains a "Buy"

Facts: Borussia Dortmund published its Q1 report of financial year 2012/13 on November 14th. On the same day CFO Thomas Treß presented the BVB equity story on the "Eigenkapitalforum" in Frankfurt. Group revenues soared by one fifth to EUR52.0m (2011/12: EUR43.1m) mainly driven by TV (+17% to EUR19.9m) and advertising (+21% to EUR13.5m). Operating profit (EBITDA) declined by 12.5% to EUR9.8m (EUR11.2m) mainly influenced by higher spending in staff (+26% to EUR18.2m) and higher other operating expenses (e.g. ground refurbishment measures +28% to EUR20.1m). EBIT decreased by one third according to higher depreciation (e.g. Reus transfer) to EUR4.2m (2011/12: EUR6.5m). Net income was EUR2.6m (EUR4.2m).

Assessment: Q1 figures came in at the lower edge of our expectations. However management's explanation of the earnings drop at the "Eigenkapitalforum" was comprehensible. Therefore we have not changed our model assumptions. At the moment we predict BVB to reach a 3th rank in its Champions League group. After a convincing performance this might be too cautious but highlights the unpredictable football business. We might change our assumptions if BVB finally secures rank 1 or 2, providing them a place in the knock out stages (~ additional EUR5m revenues per round). We still expect 2012/13 group sales to increase by 5.9% to EUR228.0m, driven by growth in all segments. In particular TV revenues (+4.3% to EUR63.0m) should benefit from a better position in the German TV ranking. As result of significantly higher staff costs (+14.6% to EUR92.0m including administration) we expect group operating profit (EBITDA) to decrease by 13.4% to EUR52.0m. EBIT should decline by 25.4% to EUR30.0m as the first amortization of the Reus transfer applies (~EUR3.5m). Overall we expect net earnings to fall by 28.8% to EUR19.9m or an EPS equivalent of EUR0.32. In our perception this is still an excellent earnings level. Therefore we believe that Dortmund will pay a dividend of EUR0.05 for FY2012/13.

Conclusion: We confirm our price target of EUR2.95 and reiterate the "Buy" rating. However we want to point out that football business is very cyclical and hardly predictable. The BVB share currently trades at a PER of 8.0 (2012/13e) and an EV/EBITDA of 4.3 while its peers (Recreational Services) trade at a PER of 14.1 (2013e) and an EV/EBITDA of 7.6 (2013e).

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Borussia Dortmund (Group Accounts)

Consolidated income statement (Financial year ends 30.06)

EURm	2009/10	2010/11	2011/12	2012/13e	2013/14e	2014/15e	CAGR
Net Sales	110,1	151,5	214,8	228,0	232,0	216,0	14,4%
Other operating income	2,1	4,3	7,6	9,0	11,0	12,0	41,7%
Total overall performance	112,2	155,8	222,4	237,0	243,0	228,0	15,2%
Cost of materials	4,7	7,7	12,5	11,0	12,0	10,0	16,3%
Staff costs (including administration)	48,0	61,5	79,9	92,0	94,0	96,0	14,9%
Other operating expenses	42,9	54,1	70,5	82,0	74,0	76,0	12,1%
EBITDA	16,6	32,4	59,5	52,0	63,0	46,0	22,6%
depreciation and amortisation	17,2	17,5	18,6	22,0	23,0	23,8	6,8%
EBIT	-0,5	14,9	41,0	30,0	40,0	22,2	10,4%
Net financial result	-5,7	-5,4	-4,8	-5,0	-5,0	-5,0	-2,6%
Pre tax profits	-6,2	9,5	36,2	25,0	35,0	17,2	15,9%
Income and other taxes	-0,1	4,1	9,1	5,0	7,0	3,4	-4,3%
Tax rate	2%	43%	25%	20%	20%	20%	n.a.
Net profit	-6,1	5,4	27,1	20,0	28,0	13,8	26,2%
Minority Inter. / Extraord. Effects	0,1	0,0	-0,1	-0,1	-0,1	-0,1	n.a.
Atributable net income	-6,0	5,4	27,0	19,9	27,9	13,7	26,1%
EPS	-0,10	0,09	0,44	0,32	0,45	0,22	25,5%
PE	-25,8	28,7	5,9	8,0	5,7	11,6	n.a.
DPS	0,00	0,00	0,06	0,05	0,05	0,05	n.a.

Source: Borussia Dortmund, SQR estimates

Operating segment sales (Mio. EUR)	2009/10	2010/11	2011/12	2012/13e	2013/14e	2014/15e
Transfers	4,9	13,0	26,1	25,0	10,0	10,0
Retail, Catering, Licensing & Other	21,9	28,7	39,1	46,4	51,2	48,0
TV Marketing	21,1	32,1	60,4	63,0	74,0	64,0
Advertising	38,9	50,0	57,8	61,0	63,0	62,0
Match Operations	23,4	27,7	31,4	32,6	33,8	32,0
Other and consolidation	0,0	0,0	0,0	0,0	0,0	0,0
Total Sales	110,1	151,5	214,8	228,0	232,0	216,0

Source: Borussia Dortmund, SQR Estimates

EURm	2009/10	2010/11	2011/12	2012/13e	2013/14e	CAGR
Total equity and liabilities	215,1	221,7	248,6	246,4	244,8	3,28%
Total Non-current assets	204,6	196,6	210,4	224,3	220,4	1,88%
Total Current assets	10,6	25,1	38,3	22,1	24,4	23,26%
Cash and cash equivalents	1,1	1,1	5,3	1,0	1,4	6,21%
Equity	67,6	93,5	110,3	135,1	145,7	21,17%
Bank Debt	59,7	51,1	45,1	33,4	20,9	-23,06%
Net debt (incl. Finance lease)	80,2	69,9	64,4	66,1	48,8	-11,67%
Enterprise Value	238,6	228,3	222,9	224,6	207,3	-3,46%

Source: Borussia Dortmund, SQR estimates

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Author of the present financial analysis: Klaus Kraenzle, Senior Analyst consumer & retail

2.2. Sources of information and summary of the basis of valuation and the valuation methods applied during the preparation

2.2.1. Sources of information:

Essential sources of information for the preparation of this document are publications in interior and foreign media like information services (e.g., Reuters, VWD, Bloomberg, dpa-AFX, among others), business press (e.g., "Börsenzeitung" (financial paper), "Handelsblatt", "Frankfurter Allgemeine Zeitung", Financial Times, among others), specialized press, published statistics, rating agencies as well as publications of the analysed issuers.

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Within the scope of the evaluation of enterprises the following valuation methods are applied: multiplier models (stock exchange value / profit, stock exchange value / cash flow, stock exchange value / book value, Enterprise Value (EV) / turnover, EV / EBIT, EV / EBITA, EV / EBITDA), Peer Group comparisons, historic valuation methods, discounting models (DCF, DDM, EVA, RIM), Break-up-Value- and Sum-of-the-Parts-approaches, substance-valuation methods or a combination of different methods. The valuation models are dependent on economic parameters like interest rates, currencies, resources and on economic assumptions. Moreover, market moods influence the valuations of enterprises. Also, the approaches are based on expectations that may change rapidly and without advance warning according to developments specific for the respective branch. Therefore, the valuation results and fair values derived from the models may also change accordingly. The results of the evaluation basically refer to a period of 12 months. Nevertheless, they are also subjected to market conditions and constitute merely a snapshot. They may be reached faster or slower or may be scaled up or down.

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4. The aforementioned persons and/or enterprises hold in respect of the financial instruments, which or the issuer of which are subjected to the financial analysis, a net short (short position) of at least 1 percent of the share capital of the issuer.
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7. The aforementioned persons and/or enterprises acted as an issuing bank or a selling agent within the scope of the listing on the stock exchange of the issuer, who or whose financial instruments are subjected to the financial analysis.
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in this period from such an agreement a benefit or a performance promise.

9. The aforementioned persons and/or enterprises expect from the issuer, who or whose financial instruments are subjected to the financial analysis, during the next three months remunerations for services in connection with investment banking transactions or seek at such remunerations.

10. The aforementioned persons and/or enterprises have concluded an agreement for the preparation of a financial analysis with the issuer, who or whose financial instruments are subjected to the financial analysis.

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