



Borussia Dortmund GmbH & Co KGaA

Buy → | Target 6.00 EUR

Price (08/29/2016) : 4.16 EUR | Upside : 44 %

Est.chg	2017e	2018e
EPS	-	-

Dortmund soon to become all-time no. 2 in German football table

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Q2 2016-17 preliminary figures with marginal deviations

BVB reported preliminary Q2 **revenue** growth of +36% yoy (+7% yoy excl. transfers) to € 376.3m, marginally below our € 380.0m due to lower than expected catering revenue. Catering is only a minor part of BVB's growth story, however. **EBITDA** of € 86.7m missed our € 96.6m est. mostly due to higher than expected costs related to transfers (especially for agents). **Net income** came in at € 29.4m vs. our € 33.7m. Group FCF of € 6.1m also missed our € 9.7m estimate. Here we note low visibility in working capital (player transfers) as payment arrangements are not disclosed. As a result, we have to estimate the portion of payments in our model, which will probably lead to deviations in FCF in the future as well.

Good start into season; Champions League draw looks manageable

BVB has started the 2016-17 season with a 2-1 home win over Mainz in the Bundesliga, and a 3-0 away win against Trier in the DFB Pokal (German Cup). In the second round of the DFB Cup, BVB will meet Union Berlin (a 2nd league team) at home. In the Champions League, BVB is grouped with Real Madrid, Sporting Lisbon and Legia Warszawa. Although its group includes Real Madrid, last year's winner, we remain very confident BVB will reach the knockout phase (round of sixteen). We also stick to our view that BVB will reach the quarter finals in the German Cup. Regarding the Bundesliga, we assume BVB will qualify for next season's Champions League (i.e. at least 4th place).

BVB soon to become all-time number 2 in Germany's table (2 and 3 point rule); BVB already clear no. 2 based on last 15 years

Given BVB's strong performance in the Bundesliga over the last 20 years (no. 3 after Bayern Munich and Leverkusen) and especially the last 15 years (no. 2 after Bayern), it is poised to rise to the no. 2 position this season in the all-time Bundesliga table. BVB is currently 2 points shy of no. 2 Werder Bremen (2,233 vs 2,235 points). A combination next weekend of a BVB win (vs newcomer Leipzig) and a Bremen loss to Augsburg would lift BVB into second place in the all-time table (Bayern Munich is the clear no. 1). Once BVB is 5 points clear of Bremen this season – it was already three points clear after last weekend – it will be in second place all-time. Bremen (which barely avoided relegation last season) has averaged 39 points per season the last five seasons vs BVB's 68 points. Comparing the last 5 seasons with the preceding 15, BVB has managed to improve its points per season by 18% on average. The top performer in this respect is Borussia Mönchengladbach (+35%), while Bayern Munich has improved its point totals by 'only' 14%. In absolute terms, however, Bayern still generates 16 points more per season than BVB (average of last 5 seasons).

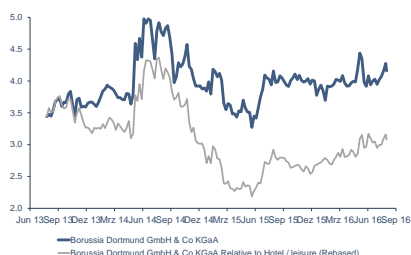
Fundamentals keep improving; long-term prospects not priced into stock; investors still only focus on short-term

Fundamentally, BVB has improved continuously over time. A new Bundesliga TV deal has lifted BVB's financial power to a new level; the new Champions League reform could become the next cash flow trigger. UEFA has yet to publish final figures on this, but recent statements suggest that the general CL bonus payments could increase by more than 50%. We will observe this development and update our model accordingly. Despite the stock's recent uptick, investors still seem to focus only on short-term success rather than the company's strongly improved mid- to long-term prospects. We consider the current dip a buying opportunity given that the improved fundamental outlook does not yet appear to be priced in. We clearly reiterate our Buy rating with an unchanged TP of € 6.00/share.

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Capital

BVB GY BVB.DE	
Market Cap (EURm)	383
Enterprise value (EURm)	341
Extrema 12 months	3.61 - 4.48
Free Float (%)	60.5

Performance (%)	1m	3m	12m
Absolute	5.4	-0.5	0.0
Perf. rel. Country Index	5.0	1.3	5.9
Perf. rel. Hotel / leisure	4.4	7.9	5.6

P&L	06/16	06/17e	06/18e
Sales (EURm)	380	376	414
EBITDA (EURm)	96.6	84.3	110
Current EBIT (EURm)	44.3	22.3	44.4
Attr. net profit (EURm)	33.7	16.1	32.5
Adjusted EPS (EUR)	0.37	0.18	0.35
Dividend (EUR)	0.06	0.08	0.10
P/E (x)	10.9	23.7	11.8
P/B (x)	1.2	1.2	1.1
Dividend Yield (%)	1.5	1.9	2.4
FCF yield (%)	2.7	ns	9.1
EV/Sales (x)	0.83	0.91	0.76
EV/EBITDA (x)	3.3	4.0	2.8
EV/Current EBIT (x)	7.1	15.3	7.0
Gearing (%)	-16	-13	-20
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

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BVB.DE | BVB GY
Leisure | Germany

	Buy				Price	4.16EUR			
	Upside	44.23%			TP	6.00EUR			
	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
PER SHARE DATA (EUR)									
Adjusted EPS	0.09	0.45	0.83	0.19	0.06	0.37	0.18	0.35	
Reported EPS	0.09	0.45	0.83	0.19	0.06	0.37	0.18	0.35	
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-52.0%	ns	
Net dividend per share	0.00	0.06	0.10	0.10	0.05	0.06	0.08	0.10	
FCF to equity per share	0.21	0.31	0.23	0.29	-0.60	0.11	-0.05	0.38	
Book value per share	1.10	1.52	2.28	2.36	3.11	3.36	3.53	3.88	
Number of shares market cap	61.43	61.43	61.43	61.43	92.00	92.00	92.00	92.00	
Number of diluted shares	61.43	61.43	61.43	61.43	92.00	92.00	92.00	92.00	
VALUATION	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
12m highest price	3.05	2.80	3.95	5.10	4.21	4.48			
12m lowest price	1.76	1.90	2.64	3.56	3.21	3.61			
(*) Reference price	2.16	2.27	2.80	3.66	4.10	3.97	4.16	4.16	
Capitalization	133	140	172	225	378	365	383	383	
Restated Net debt	60	43	34	25	-51.2	-49.1	-41.9	-70.3	
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	
Enterprise Value	192	183	206	250	326	316	341	312	
P/E (x)	25	5.1	3.4	19	68	11	24	12	
P/CF (x)									
Net Yield (%)	0.0%	2.6%	3.6%	2.7%	1.2%	1.5%	1.9%	2.4%	
FCF yield (%)	9.5%	13.7%	8.3%	7.8%	ns	2.7%	ns	9.1%	
P/B incl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.18	1.07	
P/B excl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.18	1.07	
EV/Sales (x)	1.27	0.85	0.68	0.96	1.18	0.83	0.91	0.76	
EV/EBITDA (x)	5.9	3.0	2.4	5.1	5.9	3.3	4.0	2.8	
EV/EBIT (x)	13	4.4	3.2	14	25	7.1	15	7.0	
(*) historical average price									
PROFIT AND LOSS (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
Sales	151	215	305	261	276	380	376	414	
EBITDA	32.4	60	88	49.1	56	97	84	110	
Depreciations	-17.5	-18.6	-22.4	-30.7	-42.4	-52.3	-62.0	-66.0	
Current EBIT	14.9	41.4	65	18.5	13.2	44.3	22.3	44.4	
Published EBIT	14.9	41.4	65	18.5	13.2	44.3	22.3	44.4	
Net financial income	-5.4	-4.8	-5.1	-3.9	-7.2	-1.0	-0.3	-0.3	
Corporate Tax	-4.1	-9.1	-8.8	-2.6	-0.5	-9.6	-5.9	-11.6	
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	-0.1	-0.4	-0.3	0.0	0.0	0.0	0.0	
Attributable net profit	5.3	27.4	51	11.7	5.5	33.7	16.1	32.5	
Adjusted attributable net profit	5.3	27.4	51	11.7	5.5	33.7	16.1	32.5	
BALANCE SHEET (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other intangible assets	18	26	28	62	96	65	85	88	
Tangible fixed assets	171	183	178	185	190	188	185	180	
WCR	2.1	2.2	44	-13.5	-1.4	36	30	30	
Financial assets	7.4	2.1	5.4	3.4	3.7	49	47	41	
Ordinary shareholders equity	67	93	140	145	286	310	325	357	
Minority interests	0.3	0.3	0.6	0.3	0.3	0.0	0.0	0.0	
Shareholders equity	68	93	141	145	286	310	325	357	
Non-current provisions	71	76	81	66	53	77	64	49	
Net debt	60	43	34	25	-51.2	-49.1	-41.9	-70.3	
CASH FLOW STATEMENT (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
EBITDA	32.4	60.0	87.5	49.1	55.6	96.6	84.3	110.4	
Change in WCR	5.8	1.1	3.3	-6.7	-20.9	-25.2	-4.4	-3.5	
Interests & taxes	-6.4	-6.1	-13.9	-7.5	-7.4	-11.3	-11.2	-11.9	
Others	-11.1	-27.0	-48.4	-8.5	-10.4	-0.2	0.0	0.0	
Operating Cash flow	20.7	28.0	28.6	26.4	16.9	59.8	68.8	95.0	
CAPEX	-8.1	-8.9	-14.3	-8.9	-72.1	-50.1	-73.1	-60.1	
Free cash-flow	12.6	19.2	14.3	17.6	-55.1	9.7	-4.3	34.9	
Acquisitions / disposals	0.1	0.2	0.1	0.0	-0.4	0.0	0.0	-0.4	
Dividends	-0.4	-1.2	-5.1	-8.0	-8.3	-4.6	-3.0	-6.4	
Net capital increase	0.0	0.0	0.0	0.0	140.7	0.0	0.0	0.0	
Others	-6.5	-11.7	-2.0	-4.3	-41.0	0.0	0.0	-41.0	
Change in net debt	10.3	18.1	9.3	9.6	76.9	5.1	-7.4	28.0	
GROWTH MARGINS PRODUCTIVITY	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
Sales growth	-	42.1%	41.7%	-14.5%	5.9%	37.7%	-1.1%	10.0%	
Lfl sales growth	-	-	41.7%	-14.5%	5.9%	37.7%	-1.1%	-	
Current EBIT growth	-	ns	57.3%	-71.7%	-28.7%	ns	-49.7%	99.3%	
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-52.0%	ns	
Net margin	3.5%	12.7%	16.7%	4.5%	2.0%	8.9%	4.3%	7.9%	
EBITDA margin	21.4%	27.9%	28.7%	18.8%	20.1%	25.4%	22.4%	26.7%	
Current EBIT margin	9.8%	19.2%	21.3%	7.1%	4.8%	11.7%	5.9%	10.7%	
CAPEX / Sales	-7.5%	-13.1%	-9.0%	-23.9%	-28.5%	-13.2%	-19.4%	-14.5%	
WCR / Sales	1.4%	1.0%	14.3%	-5.2%	-0.5%	9.5%	8.0%	7.2%	
Tax Rate	43.1%	24.8%	14.7%	18.0%	7.8%	22.3%	26.7%	26.4%	
Normative tax rate	-70.0%	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	1.4	
ROCE post-tax (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	10.8%	5.3%	10.4%	
ROCE post-tax hors GW (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	10.8%	5.3%	10.4%	
ROE	-	34.2%	43.6%	8.2%	2.6%	11.3%	5.1%	9.5%	
DEBT RATIOS	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e	
Gearing	88%	46%	24%	17%	-18%	-16%	-13%	-20%	
Net Debt / Market Cap	0.45	0.31	0.20	0.11	-0.14	-0.13	-0.11	-0.18	
Net debt / EBITDA	1.84	0.72	0.39	0.50	ns	ns	ns	ns	
EBITDA / net financial charges	6.0	12.3	17.3	12.6	7.8	92.3	337.3	441.6	

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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 r

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
18.08.16	Achat	6.00	4.00	Marcus Silbe, CEFA

Recommendation split				
		Buy	Neutral	Reduce
Our whole coverage	(412)	51%	38%	11%
Liquidity providers coverage	(136)	63%	32%	5%
Research service coverage	(65)	66%	31%	3%
Investment banking services	(23)	65%	35%	

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