



## Borussia Dortmund GmbH &amp; Co KGaA

Buy ↗ | Target price : 6.00 EUR

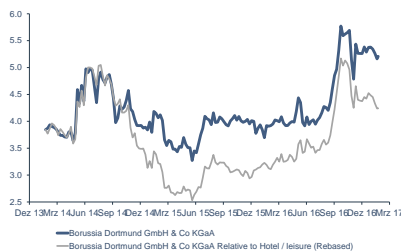
Price (21/02/2017) : 5.21 EUR | Upside : 15 %

	Est.chg	2017e	2018e
EPS		-40.7%	-8.7%

**Q2 miss as opex remains above our forecast, but upcoming newsflow (German Cup, CL) leaves upside vs our current estimates; upgrade to Buy**

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Capital

BVB GY   BVB.DE	
Market Cap (EURm)	479
Enterprise value (EURm)	457
Extrema 12 months	3.74 - 5.86
Free Float (%)	60.5

Performance (%)	1m	3m	12m
Absolute	-3.1	-10.1	32.9
Perf. rel. Country Index	-5.9	-18.0	16.1
Perf. rel. Hotel / Leisure	-6.3	-15.8	32.9

P&L	06/16	06/17e	06/18e
Sales (EURm)	376	382	412
EBITDA (EURm)	86.7	72.7	106
Current EBIT (EURm)	36.4	10.8	36.6
Attr. net profit (EURm)	30.5	7.7	26.7
Adjusted EPS (EUR)	0.33	0.08	0.29
Dividend (EUR)	0.06	0.08	0.10

P/E (x)	12.0	61.8	17.9
P/B (x)	1.2	1.5	1.4
Dividend Yield (%)	1.5	1.5	1.9
FCF yield (%)	ns	1.4	6.6
EV/Sales (x)	0.84	1.19	1.05
EV/EBITDA (x)	3.6	6.3	4.1
EV/Current EBIT (x)	8.7	42.3	11.8
Gearing (%)	-16	-7	-14
Net Debt/EBITDA(x)	ns	ns	ns

## Next Events

28.02.2017	Earnings Release
03.03.2017	Earnings Release
12.05.2017	Earnings Release
18.05.2017	Earnings Release

## Q2 prelims below expectations; opex again higher than expected

Borussia Dortmund (BVB) released mixed preliminary figures for Q2/H1 2016-17 (ending 31 December). While Q2 revenues, at € 87.4m, again met expectations (H1: € 214.2m), earnings missed expectations again. Main reasons for the miss: i/ higher than exp'd personnel expense (€ 1.5m more than exp'd in Q2) and ii/ other operating expenses (c.€ 2m higher than exp'd in Q2). In H1, personnel expense stood at € 82.3m vs. our 80.8m). This led to a 260bp increase in the cost ratio, from 46.1% to 48.7% (as a % of revenues excl. transfers).

Thus, BVB's Q2 16-17 EBITDA of € 9.7m was not only 15% below last year's € 11.6m, but also below our estimate of € 13m. All numbers below the EBITDA line were accordingly lower than expected. Q2 16-17 EBIT fell to € -5.8m vs. € +1.3m in Q2 15-16. The net loss in Q2 2016-17 stood at € -4.2m vs a net profit of € 0.9m in Q2 2015-16.

## Borussia Dortmund: Q2 2016-17 key figures

	Q2 16-17 prelims	Q2 15-16	Yoy change, %	H1 2016-17
Sales	87.4	78.2	+12%	214.2
EBITDA	9.7	11.6	-15%	49.9
EBIT	-5.8	1.3	-	18.2
Net income	-4.2	+0.9	-	15.6

Source: Oddo Seydler Bank, Company Data

## Full-year outlook updated; lowering our net income forecast to € 6.7m

We have updated our full-year 2016-17e estimates in accordance with the recent newsflow. Aside from the Q2 2016-17 numbers, we also include the transfer of Adrian Ramos to the Chinese club Chongqing Lifan for an estimated € 12m, but also the costs and fees related to damage caused by BVB fans after the Leipzig game (we est. total costs of € 0.4m for BVB; loss of revenues from its south stands, which were closed at the next home game, of € 0.3m, a +0.1m surcharge). Including all this data in our model, we now estimate group revenues of € 382.5m (of which € 57.7m transfer income) assuming BVB: i) reaches the German Cup semi-finals (no home game), ii) exits the Champions League this round, i.e. loses to Benfica.

With our adjusted opex forecast of € 319.2m for the full year 2016-17e, we now forecast EBITDA of € 72.7m (down from € 80.2m). Adjusted for transfer income, we estimate EBITDA pre-player income at € 24.7m. As a result, we now estimate 2016-17e net income at € 6.7m (down from € 13.1m).

## Back to Buy; upcoming newsflow to trigger stock; leaving TP at € 6.00

Ignoring the mixed Q2 2016-17 numbers, we upgrade our rating back to Buy. 1) the current upside potential is ~16% vs. 3% when we downgraded to Neutral. 2) More importantly in our view, BVB's next games will be crucial for the remainder of the FY. 1) **DFB Pokal (German Cup)**: On 28 Feb BVB will play the 3<sup>rd</sup>-league team Sportfreunde Lotte in the quarterfinals of the German Cup, which we expect BVB to win. The draw for the semi-finals will reveal BVB's chances of making the finals. 2) **Champions League**: On 8 March BVB will play its return leg against Benfica (it lost the first leg 1-0 in Portugal). Our model assumes BVB does NOT advance to the CL quarterfinals; hence, if BVB does reach the next round, this will be a positive earnings surprise vs. our current estimate. This game leaves upside for the stock. If BVB loses, the negative impact on the stock would be marginal, while, if BVB advances to the quarterfinals, it should lift the share price. Adding the possibility of strong transfer income at end-Q4 (e.g. Aubameyang, assumed transfer price >€ 60m), now is a favourable time to Buy the stock ahead of expected positive newsflow. TP unchanged at € 6.00.

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

**Buy**

Upside 15.21%

Price 5.21EUR

TP 6.00EUR

PER SHARE DATA (EUR)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
Adjusted EPS	0.09	0.45	0.83	0.19	0.06	0.33	0.08	0.29
<b>Reported EPS</b>	<b>0.09</b>	<b>0.45</b>	<b>0.83</b>	<b>0.19</b>	<b>0.06</b>	<b>0.33</b>	<b>0.08</b>	<b>0.29</b>
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-74.6%	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	0.00	0.08	0.35
Book value per share	1.10	1.52	2.28	2.36	3.11	3.36	3.44	3.73
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	5.86	5.47	479
12m lowest price	1.76	1.90	2.64	3.56	3.21	3.61	5.16	-47.6
(*) Reference price	2.16	2.27	2.80	3.66	4.10	3.97	5.21	5.21
Capitalization	133	140	172	225	378	365	479	479
Restated Net debt	59.6	43.3	34.2	24.8	-51.2	-49.1	-22.2	-47.6
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>192</b>	<b>183</b>	<b>206</b>	<b>250</b>	<b>326</b>	<b>316</b>	<b>457</b>	<b>432</b>
P/E (x)	25.0	5.1	3.4	19.3	68.3	12.0	61.8	17.9
P/CF (x)								
Net Yield (%)	0.0%	2.6%	3.6%	2.7%	1.2%	1.5%	1.5%	1.9%
FCF yield (%)	9.5%	13.7%	8.3%	7.8%	ns	ns	1.4%	6.6%
P/B incl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.51	1.40
P/B excl. GW (x)	1.97	1.50	1.23	1.55	1.32	1.18	1.51	1.40
EV/Sales (x)	1.27	0.85	0.68	0.96	1.18	0.84	1.19	1.05
EV/EBITDA (x)	5.9	3.0	2.4	5.1	5.9	3.6	6.3	4.1
<b>EV/EBIT (x)</b>	<b>12.9</b>	<b>4.4</b>	<b>3.2</b>	<b>13.5</b>	<b>24.8</b>	<b>8.7</b>	<b>42.3</b>	<b>11.8</b>
(*) 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	376	382	412
EBITDA	32.4	60	88	49.1	56	87	73	106
Depreciations	-17.5	-18.6	-22.4	-30.7	-42.4	-50.2	-61.9	-69.3
<b>Current EBIT</b>	<b>14.9</b>	<b>41.4</b>	<b>65</b>	<b>18.5</b>	<b>13.2</b>	<b>36.4</b>	<b>10.8</b>	<b>36.6</b>
Published EBIT	14.9	41.4	65	18.5	13.2	36.4	10.8	36.6
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	-4.9	-2.8	-9.6
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	30.5	7.7	26.7
<b>Adjusted attributable net profit</b>	<b>5.3</b>	<b>27.4</b>	<b>51</b>	<b>11.7</b>	<b>5.5</b>	<b>30.5</b>	<b>7.7</b>	<b>26.7</b>
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	18.4	25.7	28.4	61.6	96.3	65.3	149	149
Tangible fixed assets	171	183	178	185	190	188	185	180
WCR	2.1	2.2	43.7	-13.5	-1.4	36.2	41.2	42.4
Financial assets	7.4	2.1	5.4	3.4	3.7	49.1	16.1	15.9
Ordinary shareholders equity	67.3	93.1	140	145	286	310	317	343
Minority interests	0.3	0.3	0.6	0.3	0.3	0.0	0.0	0.0
Shareholders equity	67.6	93.5	141	145	286	310	317	343
Non-current provisions	71.5	75.9	81.1	65.9	53.3	77.1	95.2	91.5
<b>Net debt</b>	<b>59.6</b>	<b>43.3</b>	<b>34.2</b>	<b>24.8</b>	<b>-51.2</b>	<b>-49.1</b>	<b>-22.2</b>	<b>-47.6</b>
CASH FLOW STATEMENT (EURm)	06/11	06/12	06/13	06/14	06/15	06/16	06/17e	06/18e
<b>EBITDA</b>	<b>32.4</b>	<b>60.0</b>	<b>87.5</b>	<b>49.1</b>	<b>55.6</b>	<b>86.7</b>	<b>72.7</b>	<b>106.0</b>
Change in WCR	5.8	1.1	3.3	-6.7	-20.9	-25.2	48.3	-4.2
Interests & taxes	-6.4	-6.1	-13.9	-7.5	-7.4	-11.3	-8.1	-9.9
Others	-11.1	-27.0	-48.4	-8.5	-10.4	-0.2	-37.5	0.0
Operating Cash flow	20.7	28.0	28.6	26.4	16.9	49.9	75.4	91.9
CAPEX	-8.1	-8.9	-14.3	-8.9	-72.1	-50.1	-68.5	-60.1
<b>Free cash-flow</b>	<b>12.6</b>	<b>19.2</b>	<b>14.3</b>	<b>17.6</b>	<b>-55.1</b>	<b>-0.2</b>	<b>6.9</b>	<b>31.8</b>
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	-4.8	3.9	25.0
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%	36.3%	1.6%	7.8%
<b>Lfi sales growth</b>	<b>-</b>	<b>-</b>	<b>41.7%</b>	<b>-14.5%</b>	<b>5.9%</b>	<b>36.3%</b>	<b>1.6%</b>	<b>-</b>
Current EBIT growth	-	ns	57.3%	-71.7%	-28.7%	ns	-70.3%	ns
Growth in EPS(%)	-	ns	85.4%	-77.1%	-68.3%	ns	-74.6%	ns
Net margin	3.5%	12.7%	16.7%	4.5%	2.0%	8.1%	2.0%	6.5%
<b>EBITDA margin</b>	<b>21.4%</b>	<b>27.9%</b>	<b>28.7%</b>	<b>18.8%</b>	<b>20.1%</b>	<b>23.0%</b>	<b>19.0%</b>	<b>25.7%</b>
<b>Current EBIT margin</b>	<b>9.8%</b>	<b>19.2%</b>	<b>21.3%</b>	<b>7.1%</b>	<b>4.8%</b>	<b>9.7%</b>	<b>2.8%</b>	<b>8.9%</b>
CAPEX / Sales	-7.5%	-13.1%	-9.0%	-23.9%	-28.5%	-13.3%	-26.2%	-14.6%
WCR / Sales	1.4%	1.0%	14.3%	-5.2%	-0.5%	9.6%	10.8%	10.3%
Tax Rate	43.1%	24.8%	14.7%	18.0%	7.8%	13.8%	26.6%	26.5%
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	1.2	1.1
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>14.5%</b>	<b>19.8%</b>	<b>5.3%</b>	<b>3.6%</b>	<b>8.9%</b>	<b>2.3%</b>	<b>6.9%</b>
ROCE post-tax hors GW (normative tax rate)	-	14.5%	19.8%	5.3%	3.6%	8.9%	2.3%	6.9%
ROE	-	34.2%	43.6%	8.2%	2.6%	10.2%	2.5%	8.1%
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%	-7%	-14%
Net Debt / Market Cap	0.45	0.31	0.20	0.11	-0.14	-0.13	-0.05	-0.10
<b>Net debt / EBITDA</b>	<b>1.84</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>
EBITDA / net financial charges	6.0	12.3	17.3	12.6	7.8	82.9	290.9	423.8

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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 Securities' 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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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).

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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
21.02.17	Buy	6.00	5.21	Marcus Silbe, CEFA
22.11.16	Neutral	6.00	5.80	Marcus Silbe, CEFA
18.08.16	Buy	6.00	4.00	Marcus Silbe, CEFA

### Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(417)	48%	43%	9%
Liquidity providers coverage	(152)	52%	43%	5%
Research service coverage	(67)	58%	39%	3%
Investment banking services	(40)	75%	20%	5%

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