

# Borussia Dortmund

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Preliminary results

Travel & leisure

As we expected, higher costs, driven by H2 on-field recovery, ensured that FY15 pre-transfer EBITDA increased only thanks to a Champions League revenue loss insurance claim (€11.8m). However, we continue to be encouraged by top-line buoyancy and the prospect of underlying profit resilience in FY16, despite no Champions League. Victory in all six competitive games this season shows a very favourable reaction to new coach Thomas Tuchel. We will fully review our forecasts on confirmation of Europa League group stage participation and release of the annual report.

Year end	Revenue* (€m)	EBITDA* (€m)	PBT** (€m)	EPS** (€)	DPS (€)	EV/EBITDA (x)
06/14	256.3	44.7	37.1	0.51	0.10	9.4
06/15	263.6	48.0***	43.2***	0.42***	0.05	7.2
06/16e	256.0	34.0	27.0	0.25	0.05	10.3

Note: \*Before player transfer income. \*\*PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments. \*\*\*Including €11.8m insurance claim benefit.

## Q4: Costs to the fore

Although Dortmund ended the year strongly with Europa League qualification and progress to the German Cup Final, a 12% increase in labour and operating costs in the quarter to June drove a marked reduction in like-for-like pre-transfer EBITDA, our key metric, ie €4.6m against €13.2m in Q414. This is attributed by management to pressures associated with key player retention and variable expenses associated with progress to the Cup Final, eg player bonuses, advertising agency commissions, administration and match operations. In mitigation, there was an €11.8m benefit of a 'negative outcome' insurance claim to recover income lost by failing to qualify for the Champions League for the first time since 2010. For the year as a whole, advertising (29% of pre-transfer revenue) and merchandising showed further top-line strength (+4% and +12% respectively).

## Current year: So far, so very good

Assuming imminent progress to the Europa League group stage, we expect pre-transfer EBITDA to lag only slightly FY15 (pre-insurance), which is impressive, given the absence of Champions League. Profit should be bolstered by a valuable new deal on the international marketing of Bundesliga media rights (revenues to more than double) and by a rise in Europa League fees.

## Valuation: Long-term play

Dortmund's 'perfect' season start shows that the spectre of no Champions League has been confronted, while sponsors and investors supported management's strategy at a much higher price. At an EV/EBITDA of 10.3x, FY16e recognises the long-term potential of powerful brand development, valuable media rights and strong cash flow, backed by season ticket sales and hidden reserves from player investment. Although surprising, given robust finances, the halving of the FY15 dividend reflects management caution and focus on sporting achievement.

27 June 2016

**Price** €4.08  
**Market cap** €375m

Net cash (€m) at June 2015 including finance leases	29.6
Shares in issue	92.0m
Free float	69%
Code	BVB
Primary exchange	Frankfurt
Secondary exchange	N/A

## Share price performance



%	1m	3m	12m
Abs	6.2	12.1	(16.3)
Rel (local)	20.5	30.4	(19.8)
52-week high/low	€5.0	€3.2	

## Business description

The group operates Borussia Dortmund, a leading German football club, recent back-to-back champions of the Bundesliga and Round of 16 participant in 2014/15 UEFA Champions League (quarter-finalist in 2013/14).

## Next events

Europa League play-off	27 August 2015
Annual report	25 September 2015

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**Exhibit 1: Financial summary**

	€000s	2013	2014	2015	2016e
June		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		253,400	256,300	263,600	256,000
EBITDA		42,100	44,700	48,000*	34,000
Player transfers		45,400	4,400	7,600	0
Operating Profit (before amort. and except.)		76,700	40,900	46,100	26,500
Intangible Amortisation		(11,600)	(22,500)	(32,900)	(30,000)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		65,100	18,400	13,200	(3,500)
Net Interest		(5,100)	(3,800)	(2,900)	500
Other financial items		0	0	(4,300)**	0
Profit Before Tax (norm)		71,600	37,100	43,200	27,000
Profit Before Tax (FRS 3)		60,000	14,600	6,000	(3,000)
Tax		(8,800)	(2,600)	(500)	0
Profit After Tax (norm)		62,800	34,500	42,700	27,000
Profit After Tax (FRS 3)		51,200	12,000	5,500	(3,000)
Average Number of Shares Outstanding (m)		61.4	61.4	87.3	92.0
EPS - normalised (c)		98.5	50.8	41.7	24.7
EPS - (IFRS) (c)		82.7	19.1	6.0	(3.6)
Dividend per share (c)		10.0	10.0	5.0	5.0
EBITDA Margin (%)		16.6	17.4	18.2	13.3
Operating Margin (before GW and except.) (%)		30.3	16.0	17.5	10.4
<b>BALANCE SHEET</b>					
Fixed Assets		212,200	249,500	289,500	279,000
Intangible Assets		28,400	61,600	96,300	83,000
Tangible Assets		178,400	184,500	189,500	192,000
Investments		5,400	3,400	3,700	4,000
Current Assets		90,200	42,800	97,000	94,100
Stocks		7,600	5,900	9,400	10,000
Debtors		65,900	14,900	29,700	30,000
Cash		12,500	17,800	53,700	50,100
Other		4,200	4,200	4,200	4,000
Current Liabilities		(74,400)	(71,000)	(61,600)	(57,300)
Creditors		(68,500)	(60,500)	(59,100)	(54,800)
Short term borrowings		(4,500)	(8,900)	0	0
Finance leases		(1,400)	(1,600)	(2,500)	(2,500)
Long Term Liabilities		(87,300)	(76,000)	(38,800)	(38,800)
Long term borrowings		(40,800)	(32,100)	0	0
Finance leases		(19,700)	(20,100)	(21,600)	(21,600)
Other long term liabilities		(26,800)	(23,800)	(17,200)	(17,200)
Net Assets		140,700	145,300	286,100	277,000
<b>CASH FLOW</b>					
Operating Cash Flow		40,700	32,500	24,300	29,000
Net Interest		(5,000)	(3,900)	(7,900)	500
Tax		(8,800)	(3,900)	(2,000)	(1,500)
Capex		(6,500)	(10,900)	(10,400)	(10,000)
Acquisitions/disposals		(7,600)	2,000	(61,700)	(17,000)***
Financing		0	0	140,700	0
Dividends		(3,600)	(6,100)	(6,100)	(4,600)
Net Cash Flow		9,200	9,700	76,900	(3,600)
Opening net debt/(cash)		64,400	53,900	44,900	(29,600)
Finance leases initiated		1,300	(700)	(2,400)	0
Other		0	0	0	0
Closing net debt/(cash)		53,900	44,900	(29,600)	(26,000)

Source: Edison Investment Research, company accounts. Note: \*Including €11.8m insurance claim benefit. \*\*Early repayment of financial liabilities. \*\*\*Acquisitions of Castro, Bürki and Weigl (estimated by [www.transfermarkt.de](http://www.transfermarkt.de)).

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