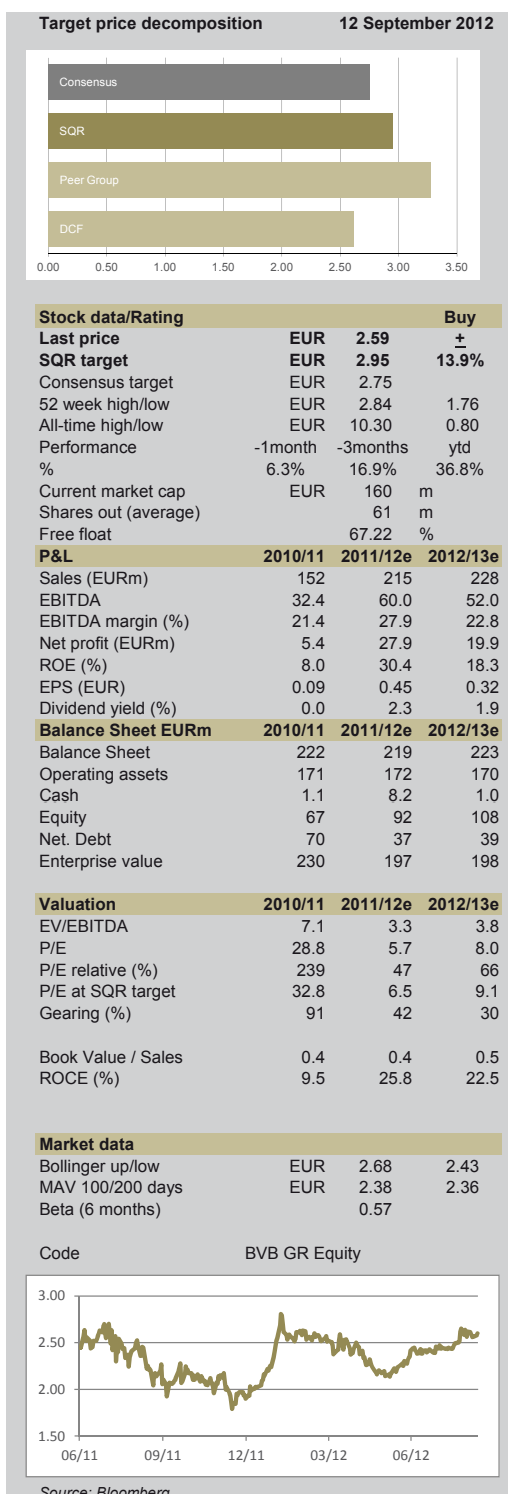




Borussia Dortmund

Consumer & Retail



BUY (NEUTRAL),

PT EUR2.95, upside 14%

SQ model revision: short term bright perspectives for Borussia Dortmund on the pitch as well as in financial terms - recommendation changes to "Buy"

Facts: After the annual press conference we have revised our model for Borussia Dortmund. Our basic assumption is that Borussia will proceed to UEFA Europa League in its challenging UEFA Champions League (UCL) group 2012/13. For the current Bundesliga season we expect Dortmund to secure rank 1 to 3, which enables participation in 2013/14 UCL group stage. Borussia announced yesterday to pay a dividend of 6 cent per share.

Assesment: The dividend proposal was slightly disappointing in our view. However we 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 EUR63.0) should benefit from a better position in the German TV ranking. Further growth perspectives will apply next season (2013/14) when the new TV contract applies (SQRe EUR74.0m). Taking into account that four contracts (e.g Lewandowski, Subotic) will expire in 2014 we believe that transfer revenues will remain around EUR25m. Match operations (ticketing sales) should increase only slightly by 3.8% to EUR31.4m as there are limited growth perspectives (utilization in Bundesliga games: ~100%). Advertising revenues should grow by 5.5% to EUR61.0m. Catering, licensing and other sales are expected to increase by 16.6% to EUR20.4m. According to management there are further growth opportunities from 2015 and beyond when the current catering contract expires. As a 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: According to our model changes we lift our price target by 5 cents to EUR2.95 which implies a "Buy" rating (was "Neutral"). 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 3.8 while its peers trade at a PER of 12.0 (2013e) and an EV/EBITDA of 7.6 (2013e).

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 Please inform yourself of important disclosures and disclaimers in the appendix

Borussia Dortmund (Group Accounts)

Consolidated income statement (Financial year ends 30.06)

EURm	2009/10	2010/11	2011/12e	2012/13e	2013/14e	2014/15e	CAGR
Net Sales	110.1	151.5	215.2	228.0	232.0	216.0	14.4%
Other operating income	2.1	4.3	7.7	9.0	11.0	12.0	41.7%
Total overall performance	112.2	155.8	222.9	237.0	243.0	228.0	15.2%
Cost of materials	4.7	7.7	10.0	11.0	12.0	10.0	16.3%
Staff costs (including administration)	48.0	61.5	80.3	92.0	94.0	96.0	14.9%
Other operating expenses	42.9	54.1	72.6	82.0	74.0	76.0	12.1%
EBITDA	16.6	32.4	60.0	52.0	63.0	46.0	22.6%
depreciation and amortisation	17.2	17.5	19.8	22.0	23.0	23.8	6.8%
EBIT	-0.5	14.9	40.2	30.0	40.0	22.2	10.4%
Net financial result	-5.7	-5.4	-5.2	-5.0	-5.0	-5.0	-2.6%
Pre tax profits	-6.2	9.5	35.0	25.0	35.0	17.2	15.9%
Income and other taxes	-0.1	4.1	7.0	5.0	7.0	3.4	-4.3%
<i>Tax rate</i>	2%	43%	20%	20%	20%	20%	n.a.
Net profit	-6.1	5.4	28.0	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.
Attributable net income	-6.0	5.4	27.9	19.9	27.9	13.7	26.1%
EPS	-0.10	0.09	0.45	0.32	0.45	0.22	25.5%
PE	-25.8	28.7	5.7	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	2011/12e	2012/13e	2013/14e	2014/15e
Transfers	4.9	13.0	26.1	25.0	10.0	10.0
Catering, Licensing & Other	21.9	14.6	17.5	20.4	23.2	24.0
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
Merchandising		14.2	22.0	26.0	28.0	24.0
Other and consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales	110.1	151.5	215.2	228.0	232.0	216.0

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.

All information refers to the date of the publication: [Date, time, refer to the date at the end of the disclaimer]

2.2.2. Summary of the basis of valuation and the valuation methods used during the preparation:

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.

Silvia Quandt Research GmbH uses a 3-stage absolute share rating system. The respective recommendations /classifications /ratings refer to a time frame of at least 6 to a maximum of 18 months and are connected with the following expectations:

BUY: The expected yield, based on the determined target price, incl. dividend payment within the respective suitable time frame amounts to $> + 10\%$.

NEUTRAL: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to between -10% and $<+10\%$.

AVOID: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to $\leq - 10\%$.

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A specific update of the present analysis at a firm time has currently not yet been determined. The analysis and the opinions and assessments contained therein merely reflect the perspective taken at the date stated on the first page of the analysis. Silvia Quandt Research GmbH reserves the right to make an update of the analysis or the opinions and assessments contained therein without prior notice. The decision whether and when an update is made lies solely in the discretion of Silvia Quandt Research GmbH.

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According to section 34b WpHG and according to the FinAnV, among other things, when preparing a financial analysis an obligation exists to point out possible conflicts of interest in relation to the analysed finance instrument or the issuer.

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2. The remuneration of the aforementioned persons and/or enterprises is dependent on investment banking transactions of their own enterprise or of enterprises affiliated with them within the scope of the activity as an intermediary bound by contract with biw bank für Investments und Wertpapiere AG.
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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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2. The remuneration of the aforementioned persons and/or enterprises is dependent on investment banking transactions of their own enterprise or of affiliated enterprises.
3. In their trading portfolio the aforementioned Persons and/or enterprises regularly hold financial instruments which or the issuer of which are subjected to the financial analysis.
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.
5. The aforementioned persons and/or enterprises supervise financial instruments, which or the issuer of which are subjected to the financial analysis, in a market by placing purchase or selling orders (Market Making/ Designated Sponsoring).
6. The aforementioned persons and/or enterprises were involved within the preceding twelve months in lead managing a consortium for in the public offering of financial instruments, which or the issuer of which are subjected to the financial analysis.
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.
8. The aforementioned persons and/or enterprises, within the preceding twelve months and towards the issuer, who or whose financial instruments are subjected to the financial analysis, were bound by an agreement about services in connection with investment banking transactions or received

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.

11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.

12. The aforementioned persons and/or members of the management board of the aforementioned enterprises hold seats on the board of directors or seats on the supervisory board with issuers, who or whose financial instruments are subjected to the financial analysis.

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Issuer of the analysed finance instrument is Borussia Dortmund KGaA AG.

3.2. Date of the first publication and date and price at the time of financial instruments

Company	First Publication	Price EUR	Recommendation	Target Price EUR
Borussia Dortmund	08.02.2012	2,75	Neutral	2,90

3.3. Overview of our most recent financial analyses of securities of the issuers within the past 12 months*

Company	Date of Issue	Price EUR	Recommendation	Target Price EUR
Borussia Dortmund	27.02.2012	2,62	Neutral	2,90
Borussia Dortmund	24.08.2012	2,62	Neutral	2,90

*For further disclosure, please refer to our homepage (www.silviaquandt.de)

3.4.1. Conflicts of interest with Silvia Quandt Research GmbH

2.4.1.1.	2.4.1.2.	2.4.1.3.	2.4.1.4.	2.4.1.5.	2.4.1.6.	2.4.1.7.	2.4.1.8.	2.4.1.9.	2.4.1.10.	2.4.1.11.	2.4.1.12.	2.4.1.13.
Bet: >5%	Comp.	Trade	Short >1%	DS	ECM act.	IPO	Co.Res.	Co.ECM	Contract	Inform.	Mandate	Hldg

3.4.2. Conflicts of interest with biw bank für Investments und Wertpapiere AG when transmitting the financial analysis

2.4.2.1.	2.4.2.2.	2.4.2.3.	2.4.2.4.	2.4.2.5.	2.4.2.6.	2.4.2.7.	2.4.2.8.	2.4.2.9.	2.4.2.10.	2.4.2.11.	2.4.2.12.	2.4.2.13.
Bet: >5%	Comp.	Trade	Short >1%	DS	ECM act.	IPO	Co.Res.	Co.ECM	Contract	Inform.	Mandate	Hldg
		x										

3.5. Publication according to article 5 (4) no. 3 of the German Regulation concerning the analysis of financial instruments (Finanzanalyseverordnung):

Companies under coverage by Silvia Quandt Research GmbH	Total	% of Total	thereof recommendations for issuers to which investment banking services were provided during the preceding 12 months
Buy	74	52%	25
Neutral	58	41%	8
Avoid	9	6%	0

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