

# Borussia Dortmund – QuickView

28 February 2013

## Investment summary: Finding ‘true love’

Borussia Dortmund continues to impress both on and off the field. Q2 revenue gain of 24% at enhanced margin despite vigorous investment is no mean feat and testament to the increasingly positive development of the club’s powerful brand, as well as of course to sustained playing success. Furthermore, the prospect of a significant long-term boost to domestic TV rights tempers concern about player wage pressures and consumer spending. Importantly, strong, disciplined finances should hold the company in good stead in a market subject to growing regulation.

### Q2 easy on the eye

The quarter to December more than maintained the heady pace of Q1 with double-digit top-line increases by all key activities. Advertising and merchandising were again to the fore (+29% and +45% respectively), thanks particularly to a change of kit supplier to PUMA and new Champions League partners, while a successful European campaign boosted broadcasting income. Indeed, the advance in profit was even more marked (EBIT up by a third), which is impressive in view of substantially higher costs associated with the club’s new star signing, Marco Reus, certain key contract renewals, merchandise expansion and stadium refurbishment. There was a useful contribution from lucrative release fees for national players. H1 PBT was up 9% at €16.7m. Net debt at December was €35.9m, ie just 35% gearing and effectively lower, as players are not shown on the balance sheet at market value.

### Forecasts cautious even without Champions League boost

While uncertainty at this critical stage in the season is reasonable, as is management’s traditionally ‘very conservative’ budget, the company’s trading and playing momentum in the year to date suggest scope to surprise. Progress in the Champions League would be a bonus (eliminated at the group stage in FY12) and its recent good performance in the Bundesliga suggests qualification for next season’s competition. Although some transfer profit is included in forecasts, the boost could be as material as last year (sale of Kagawa to Manchester United).

### Valuation: Forsaken

A modest rating (4x FY13 EV/EBITDA, albeit with some transfer gain) disregards the long-term potential of strong brand development, healthy subscriptions and valuable media rights. The company should be further rewarded for its self-sustaining model.

#### Consensus estimates

Year End	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
06/11	152	9.5	0.09	0.00	34.2	N/A
06/12	215	36.6	0.45	0.06	6.8	1.9
06/13e	234	30.4	0.39	0.06	7.9	1.9
06/14e	205	35.0	0.42	0.06	7.3	1.9

Source: Bloomberg

Price **€3.08**  
 Market cap **€189m**

#### Share price graph



#### Share details

Code **BVB**  
 Listing **Frankfurt**  
 Sector **Leisure**  
 Shares in issue **61.4m**

#### Business

The group operates Borussia Dortmund, a leading German football club, current champions of the Bundesliga and competing in this season’s UEFA Champions League.

#### Bull

- Successful player squad with significant transfer value potential.
- One of the best supported clubs in Europe with major brand and stadium assets.
- Strong finances.

#### Bear

- Inherently unpredictable business.
- Pressures on consumer spending.
- Subject to external governing bodies.

#### Analysts

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