

Borussia Dortmund

Travel & leisure
15 October 2020

Leading global football brand

The 2019/20 season was typically successful from a sporting perspective, which reaffirmed Borussia Dortmund's position as one of the leading football teams in Germany and Europe. The coming year is likely to be more challenging financially due to the operating restrictions necessitated by COVID-19, but the company is well placed to deliver a strong recovery in earnings if restrictions ease, albeit visibility on these is limited. The valuation reflects the uncertain outlook as it is trading at a significant discount to our sum-of-the-parts valuation, broadly in line with historic sales multiples, and at a discount to its peers.

Sustainable investment drives performance

Borussia Dortmund has demonstrated relatively consistent on-pitch performance over the long term, which has positioned it as one of the leading football clubs in Europe. In 'normal' times, this enabled it to generate strong revenue growth, improve profitability and gain a secure financial position as investment in the squad was made in a responsible way in a competitive market. Despite near-term earnings uncertainty due to the outbreak of COVID-19, the company has strong structural growth drivers of increasing domestic and global interest, which should enable it to monetise the brand globally.

FY21: Cautious outlook due to COVID-19

For the coming year, management estimates the restrictions required to counter COVID-19 will lead to a 5% decline in revenue which, coupled with other effects, such as lower transfer activity and high operational gearing, will translate into a reported operating loss with the inclusion of amortisation of intangibles. Our forecasts assume no significant improvement in the operating environment through FY21 and FY22, providing good scope for upgrades if and when operating restrictions end.

Valuation: Well supported by asset backing

The share price has been weak since the outbreak of COVID-19. Our asset-backed valuation of €13.03, which takes into account the unrealised value in the playing squad and brand, points to significant upside for the share price. The share price is attributing a lower value to the brand and the playing squad, which likely reflects the uncertain outlook for revenue and profitability given the high level of operational leverage. The EV/sales multiple of 1.4x is in line with its long-run average, but at a significant discount to its peers.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
06/19	370.3	101.5	0.88	0.06	5.5	1.3
06/20	370.2	45.6	0.47	0.00	10.3	0.0
06/21e	336.2	23.0	0.25	0.00	19.2	0.0
06/22e	346.6	43.8	0.43	0.00	11.2	0.0

Source: Edison Investment Research

Price €4.8
Market cap €442m

Share price graph



Share details

Code	BVB
Shares in issue	92.0m
Net debt (€m) at 30 June 2020 (including finance leases)	29.1

Business description

The group operates Borussia Dortmund, a leading football club. The club has finished in the top four of the Bundesliga in nine of the last 10 seasons, enabling it to compete in the financially-lucrative European competitions.

Bull

- One of the most successful and well-known German football clubs.
- Increasing domestic and international marketing of the brand through multiple revenue streams.
- Sustainable investment in the playing squad with high level of success in developing young talent.

Bear

- COVID-19 restrictions affecting revenue and profitability.
- Profitability relies, in part, on realising gains on the transfers of players.
- Dividends unlikely until financial performance improves.

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