

# Borussia Dortmund

Wind beneath the wings of the team

Borussia Dortmund is one of the most successful football clubs in Europe. It has a consistent record of success in its domestic league, which enables it to participate regularly in the financially lucrative European competitions. It is well positioned to benefit from structural growth drivers of growing global interest in football, which should enable it to continue growing its multiple revenue streams domestically and in international markets. After a relatively disappointing sporting performance and some unexpected disruption due to COVID-19 in FY22, management expects a strong financial recovery in FY23. Continued profit momentum with relatively good visibility on a number of revenue streams, unlike many other consumer-facing business, is attractive given Borussia Dortmund's valuation multiples are low relative to its own history. It continues to look well supported by our asset-backed valuation of €10.50 per share.

Year end	Revenue (€m)	EBITDA* (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
06/21	334.2	39.0	24.3	0.26	0.0	14.1	10.7
06/22	351.6	80.8	63.2	0.63	0.0	5.9	5.1
06/23e	395.0	105.9	91.6	0.76	0.0	4.8	3.9
06/24e	420.5	120.2	105.9	0.88	0.0	4.2	3.5

Note: \*EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## FY22: Sporting success mixed, financials better

The FY21/22 sporting season was relatively with the first team's early exit from European competitions and the German Cup, albeit another top-four Bundesliga finish ensured qualification for the Champions League in FY23. Despite the on-field disappointment, the company's profitability and cash-flow generation recovered strongly as the significant COVID-19-related disruptions of FY20 and FY21 eased a little, although FY22 did not escape the ravages of COVID-19 completely. Better cash-flow generation than expected and the October 2021 equity raise returned it to a net cash position, excluding lease liabilities.

## FY23: Continued recovery anticipated

Our updated estimates for FY23 are in line with management's guidance: revenue of €394m (+12% y-o-y), EBITDA of €101–106m (year-on-year growth of 25–31%), operating profit of €2–7m (FY22 €29m loss) and a net profit of €2–7m (loss of €35m in FY22). While recognising the macroeconomic uncertainty, management's guidance assumes no further disruption from COVID-19. A full stadium and return to normal in the coming season are expected to 'put wind beneath the wings of the team' and fuel the recovery in Borussia Dortmund's profits and cash flow.

## Valuation: Supported by asset backing and multiples

The share price has been weak due to uncertainties around the effects of COVID-19 restrictions and performance of the team. As a result, shares are trading at an FY23e EV/sales of 1.1x, which is below the long-term average of 1.6x, and a little above their own recent low multiples (1.0–1.3x). They continue to trade at a significant discount of 65% to our asset-backed sum-of-the-parts approach of €10.50/share.

Outlook and FY22 results

Travel and leisure

28 October 2022

Price €3.70

Market cap €408m

Net debt (€m) at 30 June 2022 including IFRS16 liabilities 6.6

Shares in issue 110.4m

Free float 62.6%

Code BVB

Primary exchange Frankfurt

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 11.5 (0.2) (22.9)

Rel (local) 2.5 (0.5) (8.4)

52-week high/low €4.96 €3.07

### Business description

The group operates Borussia Dortmund, a leading football club, placed second in the Bundesliga in 2021/22, DFB Super Cup winners in 2019/20 and DFB-Pokal winners in 2020/21. The club has qualified to play in the Champions League in nine of the last 10 seasons.

### Next events

Q123 results 11 November 2022

H123 results February 2023

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**Borussia Dortmund is a research client of Edison Investment Research Limited**

## Investment summary

### Company description: A leading German football club

Borussia Dortmund has been one of the most successful German football clubs for decades. FY22 was relatively disappointing from a sporting perspective versus the club's high standards but with less disruption due to COVID-19-related restrictions than the two prior seasons, there was a strong improvement in the company's financial performance. The first-team squad finished second in the Bundesliga, guaranteeing its place in the Champions League in the current season.

The corporate strategy has been to make its financial success less dependent on short-term sporting success by increasing the domestic and international marketing of the brand. Coupled with this, the team's sporting success must be sustainable (ie without taking on new debt). The relatively consistent on-the-pitch success has enabled the company to generate long-term revenue growth, before the start of the COVID-19 pandemic, of c 12% from multiple revenue sources, while increasing the relative predictability of those revenues. The strength of the brand is reflected in 51.4 million followers across social media platforms.

### Financials: The financial recovery continues

Management's expectation of no disruption from COVID-19 in the coming year and a relative improvement in the first-team success (it looks likely it will qualify from its Champions League group) should provide a welcome boost to the company's revenue, profitability and cash generation. Our FY23 estimates are in line with management's guidance; revenue growth of +12% y-o-y, EBITDA y-o-y growth of 25–31%), operating profit of €2–7m (FY22 €29m loss), and a net profit of €2–7m (loss of €35m in FY22).

#### Exhibit 1: Summary forecast changes

	Revenue (€m)			EBITDA (€m)			EPS normalised (€)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
FY23e	389.0	395.0	1.6	106.5	105.9	(0.6)	0.76	0.76	0.1
FY24e	N/A	420.5	N/A	N/A	120.2	N/A	N/A	0.88	N/A

Source: Edison Investment Research

### Valuation: Strong support from assets and multiples

We value Borussia Dortmund using an asset-backed sum-of-the-parts approach, which separately values the playing squad, the club's brand (last quoted valuation adjusted to reflect estimated market movements) and other assets (at net book value). Our valuation of €10.50/share is at a premium of 184% to the current share price. Using more traditional multiples, the current FY22e EV/sales multiple of 1.1x is at a significant discount to the long-run average of 1.6x, and a little above more recent low multiples (1.0–1.3x), suggesting strong upside potential.

### Sensitivities: Sporting success, squad development and brand

The key near-term sensitivities are those that can affect the more variable revenue streams:

- Success in lucrative knock-out competitions, fan attendance at the stadium and the ability to travel (eg on promotional tours).
- The company has a history of identifying and nurturing young talent that it has ultimately sold for great profits. Continuation of this is important to the company's future profitability.
- Dependence on brand perception is tempered by long-term contracts with major sponsors.
- It is subject to external governing bodies, which may change the structure of the German and European football, and negotiation of key media contracts is outside the company's control.

## Company description: Leading German football club

Borussia Dortmund was formed as Ballspielverein Borussia e.V. Dortmund (Borussia club for ball games) in 1909, hence the BVB 09 logo. 'Borussia' was taken from the brewery name Borussia-Brauerei, today known as Dortmunder Actien Brauerei. Since its formation in 1909, it has become one of Germany's most successful and one of the most valuable global football clubs and brands. The company was listed in October 2000, becoming the first publicly traded football club on the Frankfurt Stock Exchange. It remains one of the few quoted European football clubs, with an investible free float of 62.6%. Note, management includes the stake owned by Ballspielverein Borussia 09 e.V. Dortmund of 4.61% as part of its free float to give its 'quoted' free float of 67.2%. The company has a [relatively complex corporate structure](#).

### Consistent success in the Bundesliga

#### Exhibit 2: Honours

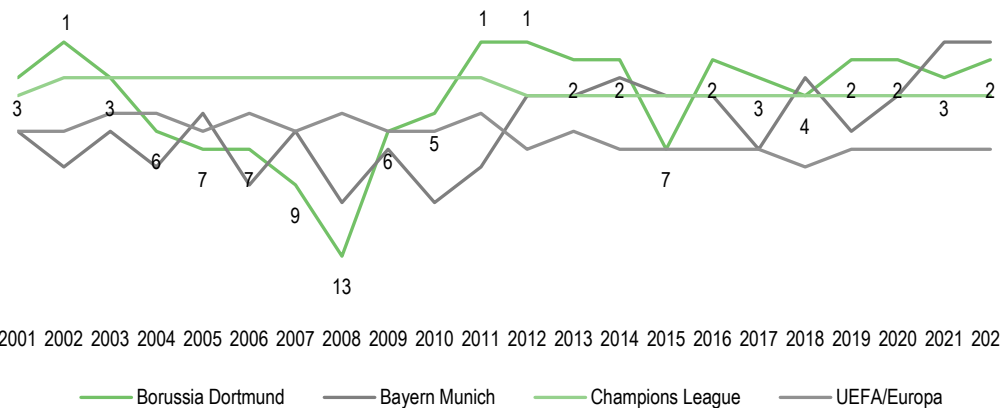
Contest	Seasons
German championship*	1956, 1957, 1963, 1995, 1996, 2002, 2011 and 2012
DFB-Pokal (German Cup)	1965, 1989, 2012, 2017 and 2021
DFL-Supercup	1989, 1995, 1996, 2008 **, 2013, 2014 and 2019
UEFA Champions League	1997
European Cup Winners' Cup	1966
Intercontinental Cup	1997

Source: Borussia Dortmund. Note: \*Bundesliga since 1964. \*\*Unofficial.

Domestically, the men's team has won eight national championships (known as the Bundesliga since 1964), five DFB-Pokals (the German knockout cup competition) including in 2020/21, and six DFL-Supercups (played towards the start of a new football season between the winners of the Bundesliga and the DFB-Pokal from the prior season).

Borussia Dortmund's finishing position in the Bundesliga has been relatively consistent, qualifying in the top four in nine of the last 10 seasons, which enabled it to play in the financially lucrative Champions League in the following season. In Exhibit 3 we show Borussia Dortmund's finishing position (quoted) in the Bundesliga in every season since FY01, when the company was listed, of the 18 competing teams, as well as that of its main competitor, Bayern Munich. We also show the lowest finishing position required to compete in the Champions League or the Union of European Football Association (UEFA)/Europa Cup in the following season.

#### Exhibit 3: Borussia Dortmund's Bundesliga position since 2001



Source: Bundesliga, Borussia Dortmund

Borussia Dortmund's relatively consistent long-term success is demonstrated below with cumulative statistics for the top 10 teams in the Bundesliga since FY01 (Exhibit 4). Of the 38 teams to have competed in the Bundesliga since 2001, Borussia Dortmund ranks as the second most successful

in terms of points won, games won, games lost and goals scored. Naturally, there is a survivorship bias given the worst-performing teams are relegated every season, and the long-term record omits the rise of new challengers. Borussia Dortmund is one of only six teams in the 38 that competed in Bundesliga 1 over that time to feature in every season.

**Exhibit 4: Bundesliga cumulative statistics since 2001**

Team	Games won	Games drawn	Games lost	Goals for	Goals against	Goal difference	Points
Bayern Munich	511	133	104	1,750	658	1,092	1,666
<b>Borussia Dortmund</b>	<b>392</b>	<b>180</b>	<b>176</b>	<b>1,429</b>	<b>893</b>	<b>536</b>	<b>1,356</b>
Bayer 04 Leverkusen	361	169	218	1,348	965	383	1,252
Schalke	312	174	228	1,047	906	141	1,110
VfL Wolfsburg	287	188	273	1,136	1,077	59	1,049
Werder Bremen	290	171	253	1,192	1,088	104	1,045
VfB Stuttgart	260	169	251	983	989	(6)	949
Borussia Mönchengladbach	249	172	259	958	971	(13)	917
Hertha Berlin	241	169	270	912	1,005	(93)	892
Hamburger SV	221	155	236	806	889	(83)	818

Source: Bundesliga

Internationally, Borussia Dortmund became the first German team to win a European competition, the European Cup Winners' Cup in 1966, and won the UEFA's most important and financially lucrative competition, the Champions League, in 1997. In the same season, it won the Intercontinental Cup, today known as the FIFA Club World Cup, played between the champions of the Champions League and the South American equivalent, Copa Libertadores.

The success runs deeper than just that of the male team. The female team was established in July 2021 and won its league, the Kreisliga, the seventh tier of the German league system in the 21/22 season, and the under 19 youth squad won its league.

## Financial history

After listing in 2000, the company was at risk of bankruptcy in 2005, broadly attributed to extravagance, notably on foreign players, after winning the Bundesliga in 2002. New management (the current CEO and CFO) implemented a reorganisation programme, including restructuring liabilities through a long-term, fixed-interest loan from Morgan Stanley, cost cutting and a strategy of revenue development and sustainable investment in players. Key initiatives included repurchasing the stadium, eliminating high rental costs and early repayment of the loan via a long-term agreement with marketing partner Sportfive, while early extension of flagship contracts endorsed the advertising strategy. A c €140m fund-raising in 2014, backed by key sponsors and new partnerships, was a strong endorsement of the strategy. In October 2021, the company raised further equity with gross proceeds of €86m to repay the financial debt taken on during the COVID-19 pandemic and provide flexibility if there are more COVID-19-related restrictions.

## Borussia Dortmund's business model

Borussia Dortmund's corporate objective is to defend its position in the top-flight of the Bundesliga, to be achieved by a five-pronged business strategy:

- Sustainably adjusting athletic prospects: maximising sporting success, namely continuing at the top level of the Bundesliga, continuous qualification for the Champions League, and progress in other competitions without incurring new debt.
- Intensifying the promotion of up-and-coming talent: as can be seen from the club's sporting success (above) and transfer activity (see later), Borussia Dortmund has a proven and enviable track record of identifying, through a worldwide scouting network, and nurturing talent. There is potentially a conflict between the club's sporting success and the company's financial interests,

a player may be sold based on financial considerations rather than the potential effect it may have on the team's performance.

- Increasing fan involvement: expanding fan services and opportunities for them to engage with the club via different media, including television and social media.
- Using and maintaining the Borussia Dortmund brand: further domestic and international marketing of the brand name through, for example, the playing of 'friendly' games in international markets, and selling of inventory on digital advertising boards in the stadium to more global/regional advertising partners.
- Structuring business activities and relationships sustainably: to grow the company's multiples revenue streams and actively manage costs so that the company does not incur new debt.

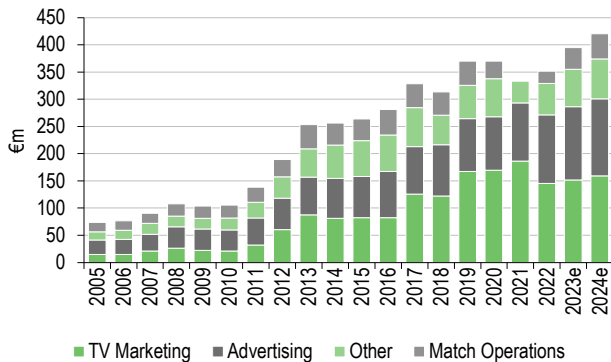
Supporting the above strategy are structural growth drivers of the team is one of the most successful and well-known German football clubs, with one of the highest average number of spectators in Europe, and Germany is one Europe's largest football markets, but it lags other markets in terms of media exploitation rights.

## Sources of revenue

Borussia Dortmund reports revenue from five sources: match operations (ticket receipts for attendance at games), advertising (sponsorship and advertising from companies), TV marketing (broadcast rights), merchandising, and conference, catering and miscellaneous.

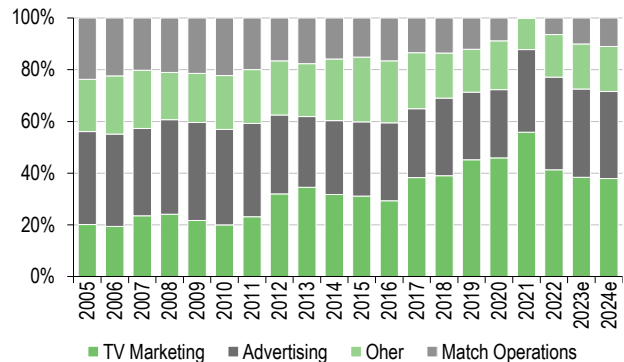
Below we show how the revenue sources have evolved since FY05, when IFRS was adopted. We have combined merchandising and conference, catering and miscellaneous revenues into 'Other' as there was a minor change to revenue disclosure between FY14 and FY15.

**Exhibit 5: Sources of revenue**



Source: Borussia Dortmund, Edison Investment Research

**Exhibit 6: Revenue mix**



Source: Borussia Dortmund, Edison Investment Research

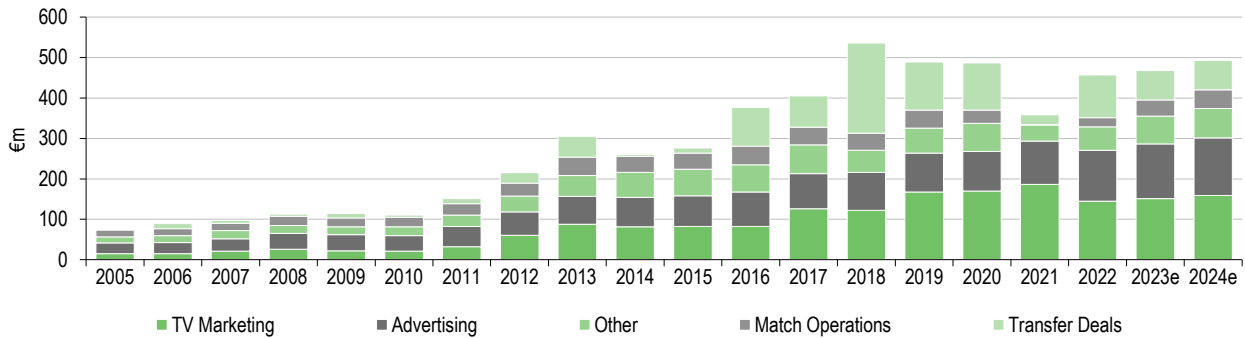
Borussia Dortmund's revenue has grown from €75m in FY05 to €352m in FY22, a CAGR of c 10% per year, significantly ahead of German GDP growth. COVID-19-related restrictions have hampered revenue growth in the last three financial years, revenue was broadly stable in FY20 versus FY19, declined by c 10% in FY21, and partially recovered with growth of 5% in FY22.

Management's success in better national and international exploitation of the brand is demonstrated by a revenue decline in only two years since FY05 and before the COVID-19 pandemic (FY09 and FY18), which followed seasons when the team achieved greater success than in a typical year. TV marketing has become the most important source of revenue, increasing from 20% of the total in FY05 to 41% in FY22. Advertising has become the second most important revenue source at 29% of the total in FY22, having been the most important revenue source in FY05 at 36%. Given their relatively predictable nature, the partnerships for are typically structured under medium-or long-term agreements with key corporate partners and are less dependent on

sporting success, its increased contribution improves the overall visibility of Borussia Dortmund's revenue.

Before a change in accounting standards in FY20, Borussia Dortmund included gross revenue from transfer deals in total group revenue. The charts above exclude transfer deal revenue, which, due to its nature, fluctuates between financial years. In this note, any reference to revenue excludes transfer deals, unless stated otherwise. For completeness, Exhibit 7 shows revenue including transfers.

**Exhibit 7: Revenue including transfers**



Source: Borussia Dortmund, Edison Investment Research

## TV marketing (41% of FY22 revenue)

TV marketing is revenue earned from the broadcasting rights of the games played by the team. It has grown at a CAGR of c 14% since FY05 due to long-term inflation in media rights from increased demand for premium content from competing media platforms and the team's improved and more consistent on-pitch success. It is the company's most important revenue source, with a high degree of visibility in the near and medium term for the largest revenue source (ie domestic, Bundesliga rights), whereas International TV and Domestic Cup are more dependent on success on the pitch.

**Exhibit 8: TV marketing revenue**

€m	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Domestic TV			20.8	20.8	20.4	20.2	26.8	27.9	29.7	39.1	43.6	60.8	66.1	88.0	98.1	97.7	97.8	78.5
International TV							4.9	25.6	55.4	36.2	32.5	17.2	51.0	31.8	68.1	67.4	78.7	62.7
Domestic Cup							0.4	6.9	2.5	6.1	6.0	4.4	8.6	2.6	1.2	4.7	10.1	3.8
Total	14.9	14.8	21.3	26.0	22.4	21.1	32.1	60.4	87.6	81.4	82.1	82.6	125.8	122.3	167.3	169.8	186.7	145.1

Source: Borussia Dortmund

Marketing of media rights is conducted centrally by the organisers of their respective competitions (the Bundesliga and UEFA), hence it is outside Borussia Dortmund's control. However, the system of revenue distribution to clubs is defined well in advance, which provides a high level of visibility.

The German broadcasting rights for the four seasons 2021/22 to 2024/25 were sold for €4.4bn, a reduction of c €240m or 5% from the prior contract. The lower proceeds reflected the timing of the auction during the height of economic uncertainty and COVID-19 lockdowns. The prior domestic Bundesliga contract for the four seasons 2017/18 to 2020/21 was worth €4.64bn or €1.16bn per season, an increase of c 85% on the prior contract for four seasons 2013/14 to 2016/17 of €2.5bn in total or €625m per season. This has been helped by the persistent emergence of new entrants to the media landscape. Management believes there is significant opportunity to further develop Bundesliga rights; it estimates 2020–21 Bundesliga broadcasting revenue of €1.4bn, versus Spain's La Liga at €2bn and England's Premier League at €3.4bn.



Distributions from the broadcasting rights are made based on four 'pillars', or criteria, including the ranking of the teams over different time periods and the playing time of younger players, to encourage youth development, versus two pillars previously. Distributions from international rights are made based on three pillars, with a proportion shared equally between the clubs and the remainder based on performance. To help clubs manage the financial impact of the COVID-19 pandemic, in the first two years of the current contract, a lower share will be split based on team performance, increasing revenue to smaller clubs at the detriment of the larger clubs.

UEFA is responsible for the centralised marketing of all media and commercial rights for all European club competitions, and subsequent distributions to competing clubs. The rights are typically sold in three-year cycles: the current cycle covers the seasons from 2021/22 to 2023/24. The current rights in Germany are held by Amazon, DAZN and ZDF. Distributions to Champions League participants are based on four 'pillars': 25% to the clubs that participate in the group stage; 30% for performance in the latter knockout stages of the competition (ie round of 16 onwards) with escalating fees per game (Borussia Dortmund is currently second in its group after three games); 30% based on a coefficient that ranks a team's 10-year relative success in the competition (the newly added pillar); and 15% based on the value of the club's own TV market relative to all countries (ie the market pool). To highlight the sensitivity of this income to a team's success, in FY21 the winners of the Champions League, Chelsea generated revenue of €120m (source: UEFA Annual Report 2021) versus Borussia Dortmund's €79m from reaching the quarter final, and Villarreal €33m for winning the Europa League.

## **Advertising (36% of FY22 revenue)**

Advertising is the sponsorship income from Borussia Dortmund's key corporate partners as well as advertising on the billboards in the ground and bonuses dependent of the team's success. It has grown at a CAGR of 9% since FY05.

The resilience of the income stream is demonstrated by it growing by c 18% y-o-y to €126m in FY22, following 9% growth in FY21, despite the challenging economic environment due to the COVID pandemic. The increases were due to a combination of new sponsorship deals or extensions to existing major ones (Evonik, 1&1 Telecommunications), higher prize money (FY21) while sponsor hospitality and match day advertising have been a bit more variable, recovering in FY22 after declines in FY21.

Sponsorship revenue is typically earned from multi-year contracts, although there are annual contracts too, with leading international and regional companies that want to be connected with sporting success and to promote their brands. The company has a proven ability to renew at higher prices or by attracting new partners (sponsors).

The company's principal partners, representing approximately half of total advertising revenue, are:

- Evonik Industries, a speciality chemicals group, is the sponsor of the team shirt in international competitions, friendlies abroad and the DFB-Pokal from FY21–25. It has been the shirt sponsor since 2007.
- Signal Iduna, an insurance company, has been connected with the club since 1974. It has been the sponsor of the stadium since December 2005 and the partnership was recently extended to 2031 (from 2026).
- Puma has been the sporting equipment partner since FY13 and the extended contract runs to 2028. Prior sponsors have included Nike and Kappa.
- 1&1, a telecommunications company, sponsor of the first team shirt in the Bundesliga from FY21–25.

Before splitting sponsorship by competition from FY21, Evonik had been the sole shirt sponsor since July 2006. Opel became the team's first ever shirt sleeve sponsor from FY18, when clubs

were allowed to find their own partners, prior to which sleeve sponsorship of all Bundesliga teams was sold under a centralised deal. Principal partners tend to be shareholders of the company to strengthen the relationship with the club.

In addition to the principal partners above, there are three different levels of partner, which contribute differing levels of income in return for varying levels of sponsorship benefits: BVB ChampionPartner (10 partners including comdirect, bwin and FIFA 23), BVB PremiumPartner (13 partners including Coca-Cola, L'Oréal and Eurowings) and BVB Partner (18 partners including ARAL and H-Hotels.com).

In FY22, the company added new sponsors including General Logistics Systems Germany (for one year), Sky Deutschland (minimum of four years) and Kettler (one year), and extended sponsorships with bwin (to FY24), Radeberger (to FY28), ESET (to FY25), RWE (to FY26), Eurowing, ATLAS (to FY27), Frostkrone Food Group (to FY23) and Dortmunder Stadtwerke (FY24). Therefore, we can see that long-term relationships are important for other partners outside the principal partners listed above.

We believe the long-term principal partnerships represent over half of Borussia Dortmund's advertising and should be relatively predictable given the multi-year relationships. For other partners, it is likely some revenue is sensitive to the economic cycle.

The activity of seeking new sponsors is currently outsourced to Sportfive, a media group, which receives a commission on revenue generated. For Borussia Dortmund, commission and expenses are reported as Advertising within other operating expenses. Over time, the effective commission rate has reduced from 31% of reported advertising revenue to 25/26%, but a new licensing agreement from FY21 reduced the agency commission to c 10% of revenue.

## Match operations (6% of FY22 revenue)

Match operations represents revenue earned from the attendance of fans at its home ground, Signal Iduna Park, as well as from friendly games played by the team including overseas tours, which typically take place before the start of the new season and during the winter break.

Management regards Signal Iduna Park, Germany's largest football stadium with capacity for 81,365 fans, as its most valuable asset apart from the team.

**Exhibit 9: Match operations revenue**

€m	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Domestic				16.7	18.7	N/D	23.5	24.5	25.6	26.0	26.9	27.1	27.0	27.4	28.2	20.4	0.5	17.7
International						N/D	3.4	4.4	16.2	10.0	7.6	13.4	9.5	9.1	7.5	8.8	0.0	3.8
National Cup				4.1	1.2	N/D		1.9	2.4	3.7	4.5	3.7	5.3	2.2	2.7	2.2	0.0	0.4
Friendlies				1.8	2.3	N/D	0.8	0.6	0.6	0.9	1.0	2.5	2.2	3.5	6.3	1.0	0.0	0.8
Match Operations	17.5	17.2	18.3	22.6	22.2	23.4	27.7	31.4	44.8	40.5	39.9	46.8	43.9	42.3	44.7	32.5	0.6	22.7

Source: Borussia Dortmund

Within match operations, the company separately discloses revenues from domestic (Bundesliga games), international (UEFA competitions), national cup (DFB-Pokal) and friendlies (tours).

Revenue is a function of the number of games played, the number of fans attending and price per ticket. In 'normal' circumstances, there is a relatively predictable element to domestic revenue, the most significant source of revenue, as there are 17 home Bundesliga games in every season, which are typically sold out. Over the long term, there has been a gradual increase in the capacity of the stadium as the ground has been updated, and management's policy with respect to ticket prices is typically to grow them by inflation. The club benefits from the advance sale of 55,000 season tickets, which brings revenue visibility. The ticket price varies depending on location in the ground, the competition and opposition being played and concessions.



Revenue from other competitions is less predictable given these include knockout competitions and revenues are shared in different ways. For example, net income (revenue less stadium costs) from DFB-Pokal games is split equally between the two competing teams, and in the latter stages of the Champions League the home team receives all of the ticket income.

After the disruption caused by COVID-19, match operations revenue should see a strong improvement in FY23, in the absence of further COVID-19-related restrictions. We forecast revenue growth of c 76% in FY23 to c €40m. In FY21, the majority of home games were behind closed doors, ie with no fans, therefore total match operations revenue from all competitions was just €554k versus the pre-COVID peak of €44.7m in FY19. At the start of FY22, the Bundesliga and local authorities allowed the gradual return of fans to games, and the club operated with restricted capacity in other competitions too. In the early (Q122) Bundesliga games, capacity was restricted to 25,000 fans, and gradually built to over 60,000 in the first games in Q222 before the Omicron strain emerged and attendance was restricted again (750–30,000 plus fans through Q322) before reaching full capacity (81,365 fans) for some of the games towards the end of the season. Therefore, over the 21/22 season, the average crowd was c 38,000, well below capacity of 81,365. FY23 has started well with the stadium operating at or near capacity and the club recommenced the sale of the customary 55,000 season tickets.

## Other (16% of FY22 revenue)

We aggregate a number of revenue streams, merchandising and conference, catering and miscellaneous income, as disclosed by the company, into 'other', due to change in disclosure between FY13 to FY14. As well as the more obvious revenue streams, it includes booking fees for the sale of tickets and fees received for squad players who represent their national teams, so it can be variable.

Before COVID-19, the revenue CAGR was 11% per year, but growth was naturally hampered through COVID-19 given the dependence on some of the revenue streams with attendance at the stadiums. Therefore, with expectations of greater fan attendance in FY23 than FY22, we forecast growth of c 19% for the combined revenues to c €69m.

Merchandising represents the award of licences and revenue from the sale of team merchandise (eg replica team kits). In addition to partners' wholesale distribution channels, sales are made via a major FanWelt centre near the stadium, branded stores (FanShops) in Dortmund, sales kiosks at the stadium and e-commerce ([www.bvbonlineshop.com](http://www.bvbonlineshop.com)). Growth should be driven by the increasing global appeal of the brand, as well as the company's ability to increase and improve the range of merchandising.

Conference and catering is closely linked to attendance at the stadium as well as the company's ability to monetise improved (ie higher value) hospitality.

## Squad development and transfers

Borussia Dortmund's strategy has been the development of a competitive team with a focus on identifying promising young players at minimal cost (even free), who can then be further developed at the BVB Academy. It currently has a worldwide network of about 30 scouts.

Over the long term, Borussia Dortmund has a proven track record of prudent investment in talent. Below, we show the net transfer spend per season (amount received less amount spent on the squad) in the last 10 seasons for the first team squads of a range of Borussia Dortmund's competitive peers, including the large/leading clubs in Germany and Europe. We also include cumulative totals for the 23 seasons from 2001–23.

**Exhibit 10: Net transfer spend (€m)**

Club	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Cum. 2014-23	Cum. 2001-23
<b>European peers:</b>												
Atlético Madrid	34	(55)	33	(35)	8	(110)	64	(6)	(63)	(18)	(148)	(262)
Barcelona	(73)	(85)	13	(91)	(142)	5	(148)	30	49	(106)	(548)	(991)
Chelsea	(52)	5	(9)	(24)	(66)	(125)	112	(188)	2	(225)	(570)	(1,323)
Internazionale	(49)	7	13	(141)	(58)	(11)	(125)	(26)	161	(27)	(256)	(429)
Juventus	24	(36)	(101)	13	(19)	(152)	(21)	(36)	3	2	(323)	(631)
Liverpool	(26)	(52)	(36)	5	11	(141)	34	(65)	(12)	(15)	(297)	(593)
Manchester City	(104)	(72)	(141)	(180)	(226)	(21)	(89)	(100)	(89)	20	(1,002)	(1,664)
Manchester United	(75)	(149)	(55)	(138)	(153)	(52)	(154)	(65)	(110)	(227)	(1,178)	(1,496)
Paris Saint-Germain	(109)	(47)	(93)	(75)	(140)	(113)	11	(62)	(74)	(84)	(786)	(1,115)
Real Madrid	(62)	(13)	(70)	8	92	(27)	(220)	104	47	11	(130)	(887)
<b>Bundesliga teams:</b>												
Bayern Munich	(22)	(5)	(58)	(18)	(84)	74	(86)	(40)	(58)	(30)	(327)	(668)
Borussia Dortmund	(5)	(60)	23	(30)	161	24	(16)	(43)	63	(11)	106	26
Bayer 04 Leverkusen	11	(20)	5	(40)	35	14	(63)	45	(11)	(4)	(28)	(53)
Borussia Mönchengladbach	(5)	5	(22)	4	(6)	0	(6)	(14)	(11)	(1)	(56)	(85)
Schalke	(18)	4	20	18	(42)	(16)	(10)	4	39	7	6	(33)
RB Leipzig	(3)	(23)	(24)	(95)	(39)	7	(34)	2	4	15	(191)	(192)

Source: [www.transfermarkt.com](http://www.transfermarkt.com)

Borussia Dortmund has been the only the club to generate a net surplus on transfers over the long-term, from 2001–23, and one of two clubs (including Schalke) to generate a net surplus over the last 10 years, which testimony to its ability to recruit and trade talent over the long term. Although there is an element of subjectivity in valuing the current squad, the above provides some comfort there is unrealised value in the current squad versus its book value.

According to [www.transfermarkt.com](http://www.transfermarkt.com) Borussia Dortmund has the 17th most valuable first-team squad of the 500 valued globally, with an estimated value of c €483m versus the purchase cost of €340m. The estimated value of the squad has declined by 20% y-o-y, primarily due to the sale of Erling Haaland in the summer of 2022, who was, and still is, valued at €150m. Below we show the estimated market values in descending order for the top 20 most valuable global football squads. All but two of the clubs, Manchester United and West Ham United, have squad's that are estimated to have a higher market value than the purchase cost.

**Exhibit 11: Most valuable football squads (€m)**

Club	Country	Market value October 2022 (€m)	Market value October 2021 (€m)	Market value October 2020 (€m)	Change y-o-y (%)	Purchase cost (€m)	Unrealised gain (€m)	Unrealised gain (%)
Manchester City	England	1,060	1,080	1,050	(2)	1,010	50	5
Liverpool	England	925	867	1,090	7	667	258	39
Paris Saint-Germain	France	890	990	842	(10)	730	160	22
Bayern Munich	Germany	879	841	874	5	452	427	95
Chelsea	England	862	891	852	(3)	758	104	14
Real Madrid	Spain	838	756	867	11	639	199	31
Barcelona	Spain	814	672	920	21	468	346	74
Manchester United	England	792	907	813	(13)	893	(100)	(11)
Tottenham Hotspur	England	685	697	756	(2)	439	246	56
Arsenal	England	666	564	625	18	493	173	35
Atlético Madrid	Spain	612	746	731	(18)	527	85	16
Internazionale	Italy	593	526	698	13	294	299	102
AC Milan	Italy	551	477	410	15	240	311	130
Aston Villa	England	506	413	307	22	356	57	16
Juventus	Italy	502	603	690	(17)	436	66	15
RB Leipzig	Germany	485	498	521	(3)	256	229	89
<b>Borussia Dortmund</b>	<b>Germany</b>	<b>483</b>	<b>604</b>	<b>587</b>	<b>(20)</b>	<b>340</b>	<b>143</b>	<b>42</b>
Napoli	Italy	481	519	594	(7)	333	147	44
West Ham United	England	472	354	271	33	376	(22)	(6)
Bayern Leverkusen	Germany	470	387	255	21	245	142	58

Source: [www.transfermarkt.com](http://www.transfermarkt.com), Edison Investment Research

The current first-team squad has 31 players. Following the significant sales of Jadon Sancho in the summer of 2021 and Erling Haaland in the summer of 2022, the estimated value of the squad is more balanced than it has been; the current highest-valued player is Jude Bellingham at €90m, c 19% of the total squad's value. In recent months, several newspaper articles have indicated a high level of interest from other European clubs (Chelsea, Liverpool, Manchester City and Real Madrid) in signing Bellingham in the summer 2023 transfer window. We believe Bellingham does not have a release clause in his contract, as we believe Haaland had, so the club may achieve a selling price for Bellingham that is closer to his estimated market value in a potential bidding war between the major clubs.

The main new additions to the first-team squad, involving a transfer fee, in the current season have been: Haller (centre forward for €31m from Ajax), Adeyemi (right wing for €30m from RB Salzburg); Schlotterbeck (centre back for €20m from SC Freiburg), Modeste (centre forward for €5m from FC Köln) and Özcan (midfield for €5m from FC Köln). In FY22/23 to determine whether there is any bias in the estimated valuations of players versus eventual transfer fees, we have examined all of Borussia Dortmund's transfers during the last six years and compared the fee to estimated value. Over this period, the fees realised were 9% higher than estimated market values, with a wide range of apparent under and over valuations for individual players. The average can, naturally, be skewed by significant one-off gains, for example Dembélé was sold in the 17/18 season for €135m versus an estimated market value of €33m, but Haaland was sold for €60m versus his estimated market value of €150m. Excluding these two transfers, the cumulative realised transfer fees were 10% higher than the estimated market values. Therefore, we believe the estimated market values are a reasonable proxy for the aggregate squad valuation over the long term.

At the end of June 2022, the weighted average remaining contract terms was 3.55 years (2.44 years end June 2021). For the current squad of 31 players listed above, the expiry dates of the contracts are eight in FY23, 12 in FY24, three in FY25, five in FY26, and two in FY27, and one has no expiry date.

## Management

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- **Chief executive: Hans-Joachim Watzke.** Before his appointment in 2005, Mr Watzke was treasurer of the football club. His contract has been extended to December 2025. He is also the owner-founder of Watex, a leading manufacturer of protective clothing for industrial workers and firefighters.
- **Chief financial officer: Thomas Treß** was appointed second managing director in 2005. He has been responsible for finance since 2006 and is responsible for other parts of the organisation including stadium management and security. His contract has also been extended to 2025. He was previously a partner at Röf'sPartner, one of the leading business consultancies in Germany. He was awarded CFO of the year 2013 by the German Finance Magazin.
- **Managing director: Carsten Cramer** became a further managing director in 2018, having served as sales & marketing director since 2010. His contract has been extended to 2025. He joined from leading sports marketing agency Sportfive (now Lagardère Sports), where he served latterly as a team leader at BVB and then as senior VP with nationwide duties.
- **Sporting director: Sebastian Kehl** retired as a player in 2015 having lifted the Bundesliga title in 2002, 2011 and 2012 with Borussia Dortmund. Following his retirement from playing football he completed a management course with UEFA and acquired his A Licence as a coach. He has been head of the players department since the beginning of the 2018/19 season. His contract as sporting director runs until June 2025.

- **Head Coach: Edin Terzic** was appointed as head coach in May 2022. Having been a player in lower leagues in Germany, he was scout and assistant coach at Borussia Dortmund (2010–13), assistant coach at Beşiktaş (2013–15), assistant coach at West Ham United (2015–17), and returned to Borussia Dortmund as assistant coach in 2018. His contract at Dortmund runs until June 2025.

## Sensitivities

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We view the key sensitivities for Borussia Dortmund as follows:

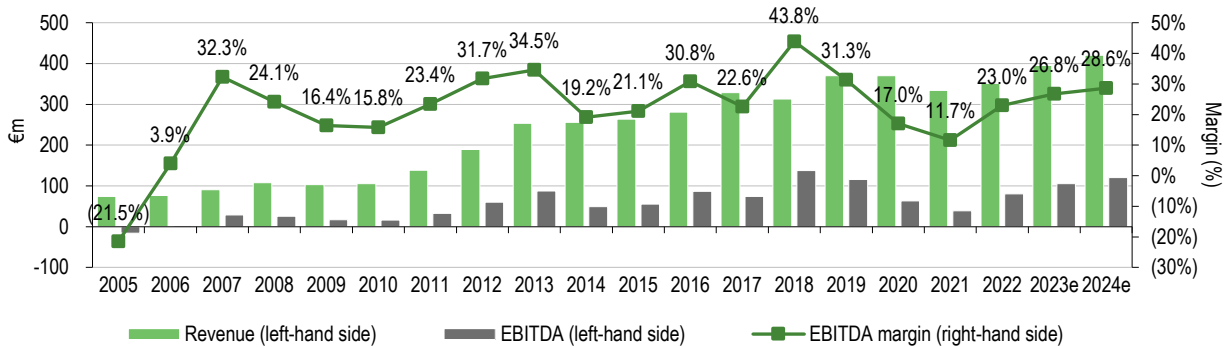
- The company's financials are dependent on sporting success. A weak performance could cause revenue to fall and affect the ability to attract and retain players and coaches. Participation in lucrative UEFA competitions cannot be relied on, although the club has qualified regularly.
- The company's financial performance depends on the team's ability to play in competitive and non-competitive games, for example friendlies, both domestically and internationally, and on fans attending games. Any restrictions on the ability to travel and compete in games due to, for example, a pandemic may therefore affect financial performance.
- While serious injuries cannot be anticipated, the club maintains a strong squad and minimises the risk of poor investment in new players by intensive scouting and medical examinations.
- The company competes for a share of disposable consumer income, which may be eroded by economic downturn. However, attendance at home matches is resilient (much the highest in the Bundesliga) and ticket prices are lower than those of leading competitors.
- Dortmund is dependent on the strength and perception of its brand. While damage may impair its ability to attract sponsors, the company invests in its squad and infrastructure to ensure consistent success.
- Long-term contracts with major sponsors provide security independent of sporting performance.
- Dortmund is subject to external governing bodies, such as the Bundesliga, DFB (German Football Association), UEFA and FIFA, which may change the structure of German and European football. In terms of finances, the company is in tune with a market subject to growing regulation, notably the break-even requirement for participation in UEFA competitions.
- Negotiation and pricing of key media contracts are outside the company's control and those contracts may change.
- The company's digital media strategy is still developing. Piracy and illegal live streaming may adversely affect its broadcasting and new media and mobile revenue.
- The club is obliged to pay players and coaching staff in line with competitors. Labour costs have risen sharply, accounting for c 58% of its revenue excluding transfers, similar to key peers.
- Substantial increases in the cost of signing new players could adversely affect the business, but the company's strategy for talent development and its financial success to date suggest this is less of a risk than for other clubs.
- There is a potential conflict between sporting objectives and financial requirements, highlighted by an increased reliance on transfers.

## Financials

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We have highlighted the growth drivers of Borussia Dortmund's revenues in the individual sections above.

**Exhibit 12: Revenue and EBITDA profile**



Source: Borussia Dortmund, Edison Investment Research

Following a challenging FY20 and FY21, which were both heavily affected by COVID-19-related disruptions, Borussia Dortmund's FY22 revenue grew by c 5% y-o-y to €352m (FY21 €334m), EBITDA more than doubled to €81m (FY21 €39m), and the net loss improved to €35m versus €73m in the prior year. Management's guidance at the start of the period was for revenue of €374m, EBITDA of €92–97m, and a net loss of €12–17m. As the year progressed, guidance was reduced on two occasions. The first downgrade, in February 2022, to an expected loss of €17–24m reflected the unexpected disruption of the Omicron strain of COVID-19, and the relatively poor performance on the pitch (elimination from Champions League at the group stage, early exit from UEFA Europa League and early exit from DFB Cup). The second downgrade, in June 2022, incorporated the costs of replacing the previous head coach and his supporting staff.

The operating loss of €29m, was the third consecutive operating loss reported by Borussia Dortmund, solely attributable to the COVID-19-related disruptions. Total operating costs increased by 8% y-o-y in FY22, higher than the 5% reported revenue growth. The 1% decline y-o-y in depreciation and amortisation, was more than compensated for by growth in personnel expenses of 7%, and other operating expenses of 19%. The absolute growth in EBITDA of €41.9m was solely attributable to the year-on-year improvement in net transfer income of €46.5m to €61.9m, offset by the negative operational gearing above.

### New forecasts: Upgrade for FY23

While recognising the potential for further COVID-19 outbreaks, the threat of a recession and the macroeconomic pressures on consumer discretionary income, management anticipates a strong improvement in FY23 results, continuing the recovery from FY22. Management's guidance is for FY23 revenue of €394m (+12% y-o-y), EBITDA of €101–106m (growth of 25–31%), operating profit of €2–7m (FY22 €29m loss), and a net profit of €2–7m (loss of €35m in FY22). Total operating proceeds (ie including gross transfer proceeds) is guided to be €489m, c 7% higher than FY22's €457m suggests another good year for player sales, with gross proceeds of €95m versus €105m in FY22 and an average of €91m in the last four seasons.

The key drivers to management's expectations for improved financial performance include greater relative success on the pitch, no disruption to fan attendance due to COVID-19, and further gains in sponsorship. As ever, cost management is a priority, but more so given the expectations of greater inflationary pressures in commodity, energy and food expenses.

Our updated forecasts for FY23 and new forecasts for FY24 are shown in Exhibit 13 and are in line with management's guidance. Our typical working assumption is the team finishes in the top four of the Bundesliga qualifies from the Champions League group stage. At the time of writing, after the

fifth of six qualifying games in the Champions League, the team has qualified for the next round of the competition, the Round of 16.

**Exhibit 13: Summary of new estimates**

€m	FY22	FY23e old	FY23e new	Change	FY24e new
Revenue	351.6	389.0	395.0	1.6%	420.5
Growth y-o-y		10.6%	12.3%		6.4%
- Match operations	22.7	40.0	39.8	(0.5%)	46.2
- Advertising	126.1	128.4	135.0	5.1%	141.7
- TV marketing	145.1	153.9	151.5	(1.6%)	159.4
- Merchandising	31.8	34.6	35.0	1.0%	36.0
- Conference, catering and misc.	26.0	32.0	33.8	5.6%	37.2
Net transfer income	61.9	60.0	60.0	0.0%	60.0
EBITDA	80.8	106.5	105.9	(0.6%)	120.2
Margin	23.0%	27.4%	26.8%		28.6%
Growth y-o-y		31.9%	31.1%		13.6%
Operating income (reported)	(29.2)	(4.8)	6.9	N/M	12.3
Profit before tax (reported)	(33.4)	(5.8)	6.2	N/M	12.0
Profit after tax (reported)	(35.1)	(5.8)	6.2	N/M	12.0
EPS reported (€)	(0.33)	(0.05)	0.06	N/M	0.11
EPS normalised (€)	0.63	0.76	0.76	0.1%	0.88
DPS (€)	0.00	0.00	0.00	N/M	0.00

Source: Borussia Dortmund, Edison Investment Research

Our forecasts include year-on-year growth for all revenue streams. Our revenue forecasts for FY23 and FY24 of €395m and €421m compare with FY19's pre-COVID-19 revenue of €370m. Our EBITDA forecast of €106m and €120m for FY23 and FY24 respectively compare with FY19's EBITDA of €116m.

We assume a zero effective tax rate in FY22 and FY23 given corporate tax loss carry forwards of €155m and trade tax loss carry forwards of €127m. For normalised earnings we assume a tax rate of 8%.

Before the COVID-19 pandemic, Borussia Dortmund regularly paid an annual dividend to shareholders, but the reported net loss in the last three financial years led to no dividends being paid. Management's FY23 guidance for a net profit may lead to management considering a dividend after the period end, which we do not include for the time being.

## Cash flow: Net cash position, helped by equity raise

With a more favourable backdrop than the prior year, the improved financial performance in FY21 led to better operating cash flow generation with an inflow of €35m versus €16m in FY21. This was a strong performance against management's initial guidance of €30m, given the disruption from COVID-19. Although free cash generated remained negative, it continued to improve from the more challenging years that have followed the end of the pandemic, moving from an outflow of €51m in FY20 and outflow of €46m in FY21 to an outflow of €16m in FY22. Again, this exceeded management's initial guidance for an outflow of €26m.

Borussia Dortmund invested a net €49m in the playing squad, slightly lower than the prior year's €59m. We highlight that cash flows with respect to player purchases and sales will differ to the net proceeds identified earlier (Exhibit 10) as cash payments/receipts for transfers can be made/received over a number of years.

The October equity raise of €86m was partially used to repay the debt acquired since the beginning of the COVID-19 pandemic of €57m. By the period end, the company had a closing cash position of €11m. The only debt at the end of FY22 was IFRS16 liabilities of €17m, giving a net debt position of €7m (subject to rounding).



For FY23, management has guided to operating cash flow of €45m (Edison forecast €49m), €10m higher than what was generated in FY22, and free cash flow of zero, implying investment in fixed and intangible assets of €45m.

## Balance sheet: Asset heavy

Borussia Dortmund's net assets increased to €281m at the end of FY22 as the October 2021 equity raise offset the reported net loss. The most significant assets on the balance sheet at the end of June 2022 were the playing squad with a net book value of €124m, well below the estimated market values and fixed assets, including the stadium, with a net book value of €172m.

## Valuation

### SOTP valuation: Discount to estimated value

Our primary valuation method for Borussia Dortmund is an asset-backed sum-of-the-parts approach, which incorporates the unrealised value of the football squads and the brand name. Our updated valuation of €10.50 per share represents significant upside from the current share price of €3.70. The share price is lower than the value of the squad in isolation, and our estimate of the brand value in isolation, implying a lower value is being attributed to at least one of them.

**Exhibit 14: Sum-of-the-parts valuation**

	€m	Per share (€)	Comments
Value of squad	441.1	4.00	Per Transfermarkt.com less discount of 13%
Brand value	551.8	5.00	Brand Finance (May 2018) \$587m less discount of 6%
Stadium	172.5	1.56	Net book value at 30 June 2022
Enterprise value	1,165.4	10.56	
Net cash/ (debt)	(6.6)	(0.06)	
Equity value	1,158.8	10.50	
Shares (m)	110.4		
Current share price		3.70	
Premium to current share price		184%	

Source: Edison Investment Research

The current value of all of Borussia Dortmund's football squads (ie the Bundesliga, UEFA under 19s, 3. Liga and the juniors) is €507m (source: [www.transfermarkt.com](http://www.transfermarkt.com)), including €483m for the Bundesliga first-team squad. To this we apply a discount of 13%, which is the average cost of transfers expensed through the income statement on all disposals since FY19. The size of the discount has increased from the 8% we applied in our [November 2021 note](#) due to the higher transfer costs (c 23% of gross proceeds) for those completed in FY22. The squad valuations are at a premium of 257% to the June 2022 net book value of €124m. Management's long-term record in realising gains on player disposals provides comfort the squad market values are at a premium to book value. The book value of the squads at the end of June 2022 was equivalent to €1.12/share, and the unrealised gain of €318m represents €2.88 per share.

The last quoted valuation of the Borussia Dortmund brand by Brand Finance of U\$587m was made in May 2018, equivalent to €587m at the current exchange rate of U\$1.0/€. To estimate the potential change in the brand value, we use the change in the market values of Borussia Dortmund's listed peers since the end of May 2018 as a proxy.

**Exhibit 15: Peer valuations**

	Year-end	Ccy	Share price	Market value current (m)	Market value 31 May 2018 (m)	Change (%)	EV/Sales FY1 (x)	EV/Sales FY2 (x)	EV/EBITDA FY1 (x)	EV/EBITDA FY2 (x)
Ajax	Jun	€	11.55	214	221	(3)	1.7	N/A	4.1	N/A
Juventus	Jun	€	0.28	728	595	22	1.6	1.6	8.2	6.6
Manchester United	Jun	\$	13.32	2,194	3,440	(36)	4.2	3.8	22.4	16.0
Olympique Lyonnais	Jun	€	2.75	164	178	(8)	1.6	1.3	12.2	6.5
<b>Average of football clubs</b>						<b>(6)</b>	<b>2.5</b>	<b>2.7</b>	<b>11.6</b>	<b>11.3</b>
Madison Square Garden	Jun	\$	150.74	3,668	6,201	(41)	4.8	4.6	42.9	38.8
World Wrestling Entertainment	Dec	\$	78.44	5,836	4,467	31	4.6	4.4	15.8	14.5
<b>Average of other sports/ entertainment</b>						<b>(5)</b>	<b>4.7</b>	<b>4.5</b>	<b>29.3</b>	<b>26.7</b>
<b>Average of four largest companies</b>						<b>(6)</b>				
Borussia Dortmund	Jun	€	3.70	408	542	(25)	1.1	1.0	3.9	3.5
Premium/ (discount) to average football club							(58%)	(63%)	(66%)	(69%)
Premium/ (discount) to average other sports/ entertainment							(78%)	(78%)	(87%)	(87%)

Source: Refinitiv, Edison Investment Research. Note: priced 27 October 2022

The average market values of the four quoted football peers have fallen by 6% since the end of May 2018. The two largest quoted peers have experienced very different fortunes: Juventus's value has increased by 22%, while Manchester United's has fallen by 36%, partly reflecting relative sporting success. The other quoted sports/entertainment peers have declined by an average of 5%. If we consider the four largest companies (Juventus, Madison Square Garden, Manchester United and World Wrestling Entertainment), the average decline has been 6%. Applying this discount to the last quoted brand valuation produces €552m or €5.00/share.

### Peer group comparison: Significant discount

As can be seen from Exhibit 15 above, Borussia Dortmund is trading at a significant discount to its quoted football club peers and the wider universe of other companies with sports/entertainment exposure.

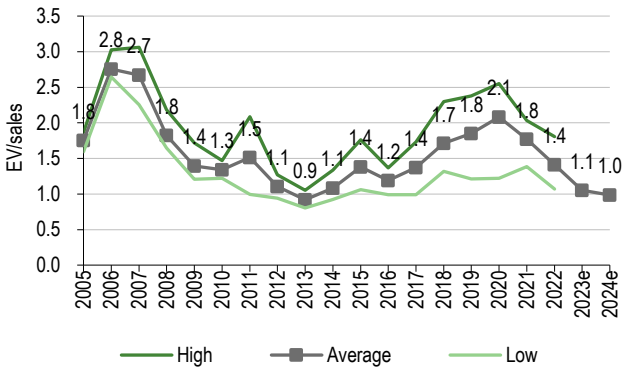
Borussia Dortmund's FY1 EV/sales multiple of 1.1x is a 58% discount to the average of the football peers 2.5x, with larger clubs at Juventus (1.6x) and Manchester United (4.2x) trading at a premium to the smaller clubs.

The football clubs also have a wide range of EV/EBITDA multiples within an average for the group for FY1 of 11.6x. Borussia Dortmund's multiple of 3.9x is at a discount to the average for the group.

### Borussia Dortmund's long-term valuation

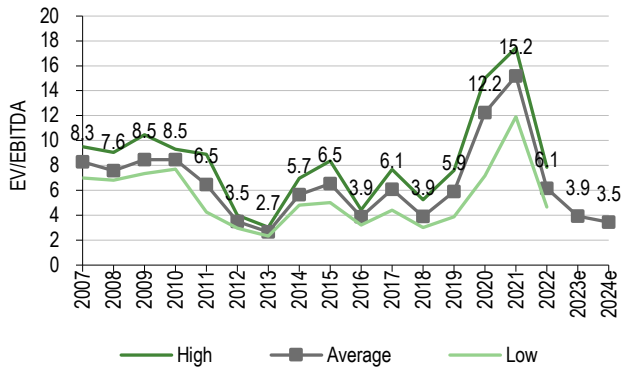
Below we show Borussia Dortmund's prospective EV/sales and EV/EBITDA (current EV) multiples for FY23e and FY24e versus historical multiples (historical enterprise values) with the high, average (quoted) and low multiples shown for each year. We exclude FY05 and FY06 from the EV/EBITDA charts as the company was emerging from its financial troubles and was either loss-making (FY05) or generating low EBITDA (FY06) and therefore valued on much higher multiples, which are less representative.

**Exhibit 16: Borussia Dortmund's EV/Sales multiple**



Source: Refinitiv, Edison Investment Research. Note: priced 27 October 2022

**Exhibit 17: Borussia Dortmund's EV/EBITDA multiple**



Source: Refinitiv, Edison Investment Research. Note: priced 27 October 2022

Borussia Dortmund's EV/sales multiples of 1.1x for FY23e and 1.0x for FY24e are a large discount to the long-run average of 1.6x, and a little above its typical low multiples of 1.0–1.3x since FY15.

The prospective EV/EBITDA multiples for FY23e and FY24e of 3.9x and 3.5x are well below the long-run average (since FY07) of 6.9x, which is skewed by the high valuations of FY20 and FY21 when profitability was affected by the COVID-19 pandemic. Excluding FY20 and FY21, the average long-term multiple reduces to 6.0x so it remains below the long-run average. The above would suggest potential for strong share price performance, even with only a normalisation to prior average multiples.

**Exhibit 18: Financial summary**

	€m	2020	2021	2022	2023e	2024e
		IFRS	IFRS	IFRS	IFRS	IFRS
30-June						
<b>INCOME STATEMENT</b>						
Revenue		370.2	334.2	351.6	395.0	420.5
Cost of Sales		(22.4)	(19.6)	(22.6)	(25.2)	(26.3)
Gross Profit		347.8	314.6	329.0	369.9	394.2
EBITDA		63.0	39.0	80.8	105.9	120.2
Operating profit (before amort. and excepts.)		49.1	25.3	67.4	92.2	106.3
Amortisation of acquired intangibles		(88.3)	(92.6)	(87.5)	(85.4)	(93.9)
Exceptionals		(3.9)	(4.8)	(9.1)	0.0	0.0
Reported operating profit		(43.1)	(72.1)	(29.2)	6.9	12.3
Net Interest		(3.4)	(1.1)	(4.2)	(0.6)	(0.3)
Joint ventures & associates (post tax)		(0.0)	0.1	0.1	0.0	0.0
Profit Before Tax (norm)		45.6	24.3	63.2	91.6	105.9
Profit Before Tax (reported)		(46.6)	(73.2)	(33.4)	6.2	12.0
Reported tax		2.6	0.3	(1.7)	0.0	0.0
Profit After Tax (norm)		43.0	24.2	66.4	84.3	97.5
Profit After Tax (reported)		(44.0)	(72.8)	(35.1)	6.2	12.0
Minority interests		0.0	0.0	0.0	0.0	0.0
Net income (normalised)		43.0	24.2	66.4	84.3	97.5
Net income (reported)		(44.0)	(72.8)	(35.1)	6.2	12.0
Average Number of Shares Outstanding (m)		92.0	92.0	105.4	110.4	110.4
EPS - normalised (c)		46.8	26.3	63.0	76.3	88.3
EPS - normalised fully diluted (c)		46.8	26.3	63.0	76.3	88.3
EPS - basic reported (€)		(0.48)	(0.79)	(0.33)	0.06	0.11
Dividend (€)		0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		(0.0)	(9.7)	5.2	12.3	6.4
Gross Margin (%)		94.0	94.1	93.6	93.6	93.7
EBITDA Margin (%)		17.0	11.7	23.0	26.8	28.6
Normalised Operating Margin		13.2	7.6	19.2	23.3	25.3
<b>BALANCE SHEET</b>						
Fixed Assets		441.5	389.8	358.4	364.4	355.6
Intangible Assets		229.7	193.4	124.4	132.0	131.1
Tangible Assets		193.0	183.5	172.5	170.8	162.9
Investments & other		18.8	12.9	61.6	61.6	61.6
Current Assets		76.5	60.7	96.6	99.3	115.7
Stocks		6.8	6.8	4.4	4.4	4.4
Debtors		36.5	29.9	45.8	49.8	49.8
Cash & cash equivalents		3.3	1.7	10.6	9.3	25.7
Other		29.9	22.2	35.8	35.8	35.8
Current Liabilities		(122.6)	(163.6)	(130.6)	(133.1)	(133.1)
Creditors		(110.2)	(100.1)	(125.9)	(132.9)	(132.9)
Tax and social security		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Short term borrowings		(8.0)	(56.9)	0.0	0.0	0.0
Finance leases		(4.4)	(4.2)	(4.6)	(0.1)	(0.1)
Other		0.0	(2.3)	0.0	0.0	0.0
Long Term Liabilities		(89.9)	(54.3)	(44.0)	(44.0)	(39.5)
Long term borrowings		0.0	0.0	0.0	0.0	0.0
Finance leases		(20.1)	(16.8)	(12.5)	(12.5)	(12.5)
Other long term liabilities		(69.9)	(37.5)	(31.4)	(31.4)	(26.9)
Net Assets		305.4	232.6	280.5	286.7	298.7
Minority interests		0.0	0.0	0.0	0.0	0.0
Shareholders' equity		305.4	232.6	280.5	286.7	298.7
<b>CASH FLOW</b>						
Operating Cash Flow		59.5	37.9	76.6	105.2	119.9
Working capital		(18.0)	(6.9)	16.3	(4.0)	0.0
Exceptional & other		(38.9)	(13.6)	(57.5)	(52.4)	(59.7)
Tax		0.3	0.0	0.0	0.0	0.0
Net operating cash flow		3.0	17.4	35.4	48.9	60.2
Capex		(6.1)	(3.4)	(1.7)	(12.0)	(6.0)
Net investment in intangibles		(44.6)	(58.6)	(49.4)	(33.0)	(33.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0
Net interest		(3.3)	(1.4)	(0.3)	(0.6)	(0.3)
Equity financing		0.0	0.0	86.5	0.0	0.0
Dividends		(5.5)	0.0	0.0	0.0	0.0
Other		(3.9)	52.5	(61.6)	(4.5)	(4.5)
Net Cash Flow		(60.6)	6.4	8.8	(1.3)	16.4
Opening net debt/(cash)		(44.4)	29.1	76.2	6.6	3.4
Other non-cash movements		(12.9)	(53.6)	60.8	4.5	0.0
Closing net debt/(cash)		29.1	76.2	6.6	3.4	(13.0)

Source: Borussia Dortmund, Edison Investment Research

<b>Contact details</b>		<b>Revenue by geography</b>	
11 Rheinlanddamm 207–209 D-44137 Dortmund Germany +49 (0) 231 90 20 745 <a href="http://www.bvb.de/aktie">www.bvb.de/aktie</a>		N/A	
<b>Management team</b>			
<b>Chief executive: Hans-Joachim Watzke</b>		<b>Chief financial officer: Thomas Treß</b>	
Before his appointment in 2005, Mr Watzke had been treasurer of the football club for four years. His contract as CEO runs to June 2025. He is also the owner-founder of Watex, a leading manufacturer of protective clothing for industrial workers and firefighters.		Thomas Treß was appointed second managing director in 2005 and has been responsible for finance since the start of 2006. His contract has been extended to June 2025. He was previously a partner at RölfsPartner, one of the leading business consultancies in Germany. He was awarded CFO of the year 2013 by the German Finance Magazin.	
<b>Managing director: Carsten Cramer</b>			
Carsten Cramer joined the board in 2018, having served as sales and marketing director since 2010. He was previously at leading sports marketing agency Sportfive (now Lagardère Sports) where he served as a team leader at BVB and then as senior VP with nationwide duties.			
<b>Principal shareholders</b>			<b>(%)</b>
Bernd Geske			8.24
Evonik Industries			8.19
Signal Iduna			5.98
Puma			5.32
Ralph Dommermuth Beteiligungen			5.03
Ballspielverein Borussia 09 e.V. Dortmund			4.61

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