



# GNAM Investment Competition

**European School of Management and  
Technology (ESMT Berlin)**

Top Investment Idea: Borussia Dortmund (BVB):  
Score Big from A Solid Football Investment

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## Borussia Dortmund: a unique opportunity to invest

<b>Price (Oct 28<sup>th</sup>)</b>	<b>€5.59</b>
<b>Market Cap</b>	<b>€514.56M</b>
Net cash (€M) at June 2016 including finance leases	30.1
Shares in issue	92.0M
Free Float	60.5%
Code	BVB
Primary Exchange	Frankfurt
52-weeks high/low	5.89€ 3.56€

- The only German football club that is publicly traded
- Attractive business model
- Stable performance in Bundesliga
- Well-managed operating expenses
- Shares are currently underpriced, estimated share price is **€8.35**, or +49% to the current market price of **€5.59**

## Borussia Dortmund: a short outlook

- Founded in 1909
- 8 wins in Bundesliga, 3 DFB-Pokals, 5 DFL-Supercups, 1 UEFA Champions League, 1 UEFA Cup Winners' Cup, 1 Intercontinental Cup
- The highest average game attendance of any football club in Europe, 98.9% of the stadium capacity
- BVB's squad is currently valued at 292€ Million by *transfermarkt.co.uk*, making BVB 13th most valuable teams in the world



## Borussia Dortmund: 'Industry' Context

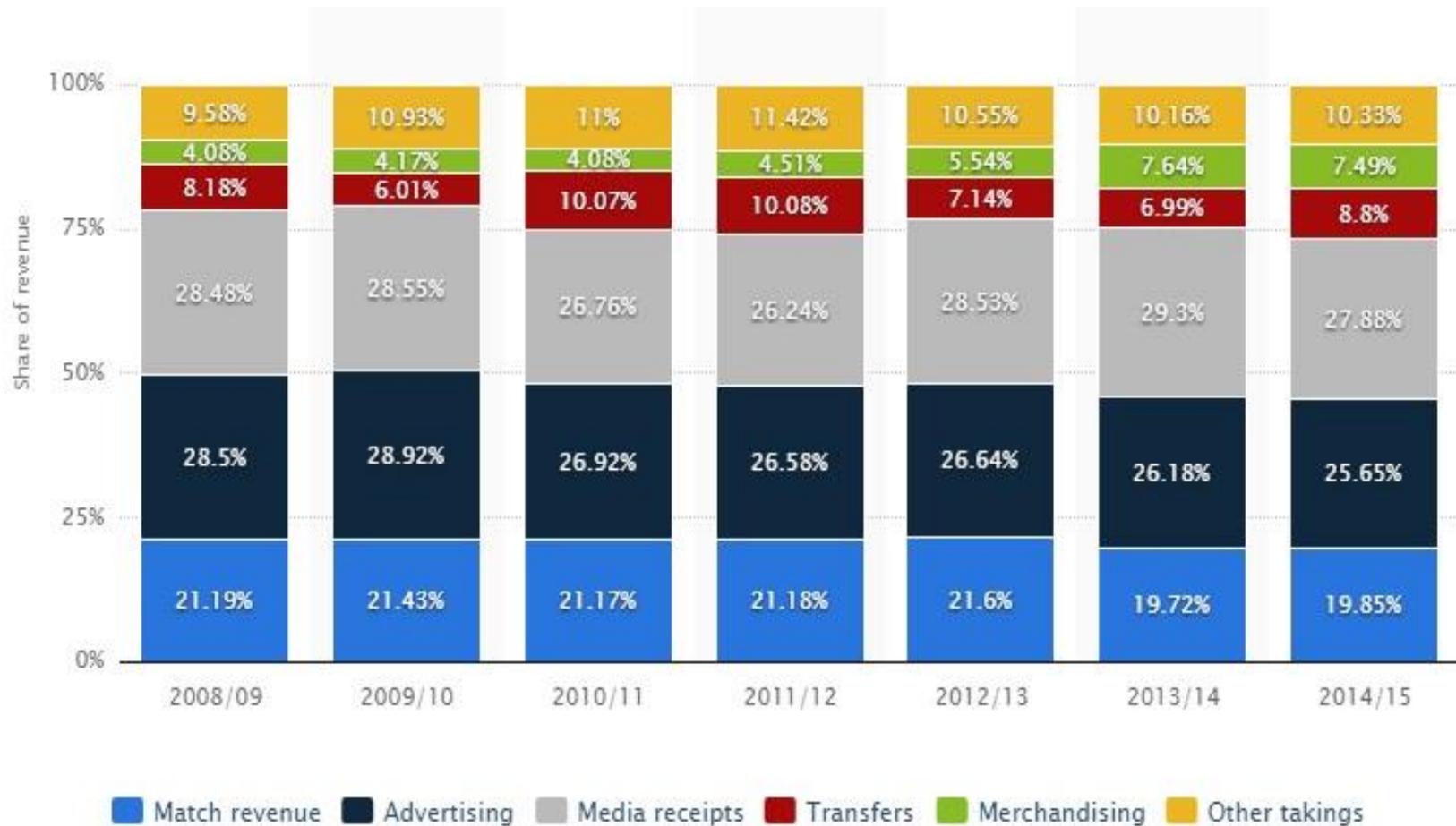


**BUNDESLIGA**

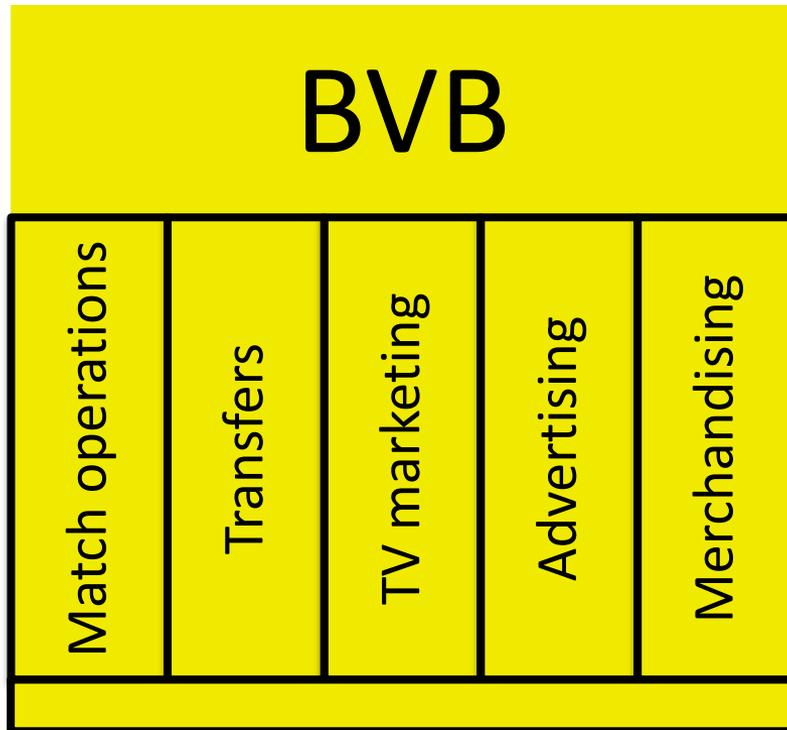
- Significant growth of revenues distributed by UEFA among clubs
- Increasing fan base
- Increased access to the Champions League broadcasts around the world
- In Bundesliga, BVB is one of the top players, with the champion title in 1956, 1957, 1963, 1995, 1996, 2002, 2011, 2012
- Currently BVB is 5th, 8 points shy of the leading team (Bayer)



## Borussia Dortmund: Revenue Structure in Bundesliga



# Borussia Dortmund: The Football Business model



- Match operations: 14.4% of revenues in 15/16, stable income streams due to good performance in championships
- Transfers: 29.3% of revenues in 15/16, Aubameyang's transfer is probable during the January transfer window
- TV marketing: 25.5% of the total sales in 15/16, significant potential increase due to participation in the UEFA Champions League
- Advertising: 26.1% of the revenue, fastest growing part, significant potential growth in Asia
- Merchandising: 4.7% of the sales, growth opportunities in Asian market



# Borussia Dortmund: Comparative Business Analysis (1)

Oct 30, 2015 - Oct 28, 2016

● BIT:JUVE +10.25% ● NYSE:MANU -15.36% ● EPA:OLG +38.92% ● BVB +39.61%



*There is a favorable trend of market sentiment towards BVB's performance compared with its competitors for the last year*

## Borussia Dortmund: Comparative Business Analysis (2)

*The comparison of BVB's profitability and management efficiency with that of its closest competitors highlights the high quality, solid underlying fundamentals, and strong long-term business growth of BVB stock*

Company	Currency	Market Cap (in millions)	EV (in millions)	EBITDA (in millions)	Sales (in millions)	EPS (US\$)	P/E	P/B	ROE	Dividen d Yield	Revenue per employee
BVB	EUR	514.6	484.8	83.6	376.3	0.32	17.63	1.2	9.81%	1.07%	535,219
JUVE	EUR	295.6	553.71	45.6	299.8	0.04	6.67	5.54	N/A	N/A	1,123,346
OLG	EUR	130.7	N/A	41	218.1	0.21	17.24	0.85	6.20%	N/A	472,219
MANU	USD	2,490	2,830	267.3	763.4	0.33	46.2	4.49	7.77%	1.18%	785,593

## Borussia Dortmund: Valuation (1)

Company / club	Currency	Enterprise value (EV)			
		12/13	13/14	14/15	15/16
Juventus	EUR	259,412,332	283,895,332	315,369,998	359,720,665
Lyon	EUR	46,503,941	41,324,585	n/a	n/a
Manchester United	GBP	2,876,329,400	3,118,722,300	3,180,108,700	2,866,101,700

Company / club	Currency	Sales			
		12/13	13/14	14/15	15/16
Juventus	EUR	283,801,000	315,783,000	348,194,000	389,692,000
Lyon	EUR	137,600,000	120,500,000	n/a	n/a
Manchester United	GBP	363,189,000	433,164,000	395,178,000	515,345,000

Company / club	Currency	EV/Sales				Average
		12/13	13/14	14/15	15/16	
Juventus	EUR	0.91	0.90	0.91	0.92	0.91
Lyon	EUR	0.34	0.34	n/a	n/a	0.34
Manchester United	GBP	7.92	7.20	8.05	5.56	7.18
						<b>2.81</b>

*EV/Sales multiple was used, as earnings are negative for some of the peers for the period considered, and consequently P/E multiple cannot be employed*

## Borussia Dortmund: Valuation (2)

**The analysis shows a significant potential upside for BVB share**

	Average	
	0.91	
	0.34	
	7.18	
	<b>2.81</b>	[1]
BVB sales 15/16	327,117,000	[2]
BVB EV as at 30/06/16 based on peer valuation, EUR	919,526,855	[3] = 1*2
Plus: BVB cash and cash equivalents, 30/06/16, EUR	49,682,000	[4]
Less: BVB borrowings, 30/06/16, EUR	8,931,000	[5]
Equity market value of BVB as at 30/06/16 based on peer valuation, EUR	960,277,855	[6] = 3+4-5
Less: Discount 20% for non-controlling based on German '50+1' ruling, EUR	192,055,571	[7] = 6*20%
Estimated equity market value of BVB as at 30/06/16, EUR	768,222,284	[8] = 6-7
BVB number of shares	92,000,000	[9]
<b>Target share price, EUR</b>	<b>8.35</b>	<b>[10] = 8/9</b>