

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

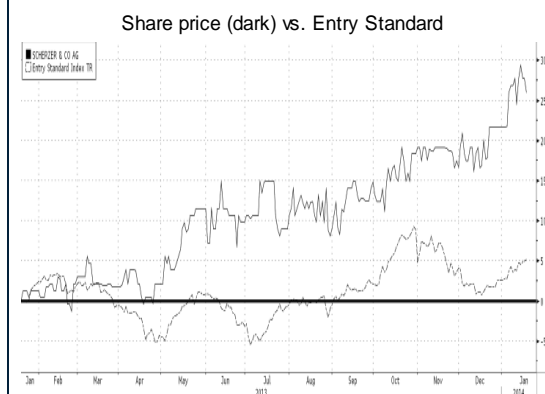
Price Target:

EUR 1.80 (1.70)

20 January 2014

Based on strong preliminaries Scherzer improves its operating earnings by ~70% yoy

- Scherzer & Co. AG recently announced its preliminary results for FY 2013 reporting operating earnings which beat our estimates by 74%. Earnings before interest and taxes (EBIT) are expected to come in at EUR 6.9m (CBSR estimate: EUR 4.0m). In 2012 Scherzer had reported an EBIT of EUR 4.1m. Besides two profitable exits and a pleasant earnings contribution stemming from a purchase price adjustment to a squeeze out, particularly positive valuation effects in 2H13 served as a catalyst in terms of earnings improvement. Evolving "from a problem child to a model student" by providing a true year-end rally, GK Software AG acted as the key driver in this context. Improved preliminary top-line figures, takeover fantasies as well as a major new contract with Migros (Switzerland's largest retailer) have boosted GK Software AG's share price in 4Q13. Accordingly, earnings before taxes (EBT) increased to approx. EUR 6.7m (PY: EUR 4.1m).
- On balance sheet date the 10 largest positions in Scherzer's portfolio accounted for 54.2% of the total portfolio value. Scherzer's core portfolio showed a favourable year-on-year performance, partially reflecting the strong operative result, even though not all companies were portfolio constituents throughout FY 2013. Scherzer's core investments all have gained in value during FY 2013. IBS AG was the best performer (+69.3%) followed by Generali Deutschland Holding AG (+60.3%), Invision AG (+57.9%) and Biotest AG (+55.0%). In the year-on-year comparison the reported NAV increased by over 30% (PY: 14.7%) to EUR 1.74.
- At the end of FY 2013 the potential squeeze-out volume of Scherzer's investments amounted to EUR ~88m (PY: EUR 82.3m), corresponding to EUR 2.94 (PY: EUR 2.75) on a per share basis.
- Considering the performance of Scherzer's core portfolio constituencies in FY 2013 as well as the most recent news flow with special regard to GK Software AG, we believe that Scherzer is well positioned to deliver. Accordingly, we will probably see one or another profitable exit in FY 2014 or some nice profit takings if markets should turn. Nevertheless, we leave our 2014E and 2015E estimates unchanged for the time being. Considering our conservative assumption, we arrive at a new fair value of EUR 1.82 per share. Thus, **we lift our price target to EUR 1.80 and reiterate our BUY recommendation.**



Source: CBS Research AG, Bloomberg, Scherzer & Co. AG

Change	2013P	2014E	2015E
EURm	prelim. est.	new old	new old
Total income	n.a. 7.81	- 8.00	- 8.89
EBIT	6.90 3.96	- 5.04	- 6.05
EPS	n.a. 0.13	- 0.16	- 0.20

www.scherzer-ag.de

WKN: 694280

Reuters: PZSG.DE

Sector: Financial Services

ISIN: DE0006942808

Bloomberg: PZS GY

Short company profile:

Scherzer & Co. AG is a private equity company. The Company invests in a wide range of securities, with a focus on special situations and/or corporate actions.

Share data:

Share price (EUR, latest closing price):	1.50
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	44.9
Enterprise value (EUR m):	53.0
Ø daily trading volume (3 m., no. of shares):	17,308

Performance data:

High 52 weeks (EUR):	1.52
Low 52 weeks (EUR):	1.15
Absolute performance (12 months):	27.7%
Relative performance vs. Entry Standard:	
1 month	5.4%
3 months	12.4%
6 months	4.6%
12 months	25.5%

Shareholders:

Free float	100%
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Financial calendar:

Meeting of the supervisory board	March 21, 2014
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Key data

FY 12/31, EUR m	2010	2011	2012	2013P	2014E	2015E
Total income	7.19	5.13	7.35	n.a.	8.00	8.89
EBIT	4.32	-2.78	4.24	6.90	5.04	6.05
Net income	3.93	-2.77	3.91	n.a.	4.90	5.90
EPS	0.14	-0.10	0.14	n.a.	0.16	0.20
Fin. assets & securities	48.51	43.33	43.33	n.a.	54.64	56.79
ROE	11.8%	-9.0%	10.4%	n.a.	11.2%	11.3%
ROA	7.9%	-6.2%	7.8%	n.a.	8.4%	9.5%
EV/EBIT	12.3	n.a.	12.5	7.7	10.5	8.8
P/E	10.4	n.a.	10.6	n.a.	9.2	7.6

Source: CBS Research AG, Scherzer & Co. AG

Research



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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analyzed in this report:

Date	Recommendation	Price at change date	Price target
20 January 2014	BUY (Update)	EUR 1.50	EUR 1.80
11 November 2013	BUY (Update)	EUR 1.40	EUR 1.70
09 October 2013	BUY (Update)	EUR 1.31	EUR 1.70
29 July 2013	BUY (Update)	EUR 1.28	EUR 1.70
22 March 2013	BUY (Update)	EUR 1.20	EUR 1.70

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LOW: The volatility is expected to be lower than the volatility of the benchmark

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