

# Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

19 December, 2019

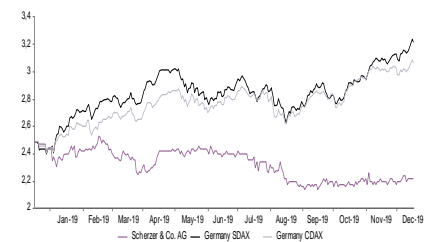
**HOLD**

Before: HOLD

Price target **EUR 2.40 (2.60)**  
Price\* **EUR 2.20 (+9.1%)**

\*XETRA trading price at the close of the previous day

Change	2019e	2020e	2021e
Sales	-3.7	-	-
EBIT	-1.9	-	-
EPS	-0.2	-	-



Source: Factset

## Share Data

	2019
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EUR millions)	66.0
Daily turnover (€)	6,481
High (EUR, 52 weeks)	3.55
Low (EUR, 52 weeks)	2.06

## Shareholders

Free float	100.0 %
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## Company events

January presentation	Beginning of January
February presentation	Beginning of February

## Analyst

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Analyst

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## In cooperation with:



## Capital Markets Day Feedback

On 13.12.2019, the management of Scherzer & Co. gave an update on the largest positions in the portfolio at its Capital Market Day, discussed the opportunities of 5G in the telecommunications sector with the guests and offered a good overview of the Swiss capital market, in which Scherzer generates added value for its shareholders with several investments. We are adjusting our price target to EUR 2.40 (EUR 2.60) and confirm our HOLD recommendation.

**NAV development with -2.2% YTD under German indices DAX, MDAX, SDAX:** According to the published data from Scherzer, the NAV as of November 30, 2019 is at EUR 2.26 per share and thus 3.54% above the closing price of EUR 2.18. YTD, NAV fell by -2.2% and the share price by -10.7%. Scherzer is thus behind the YTD performance of the DAX (+25.1%), MDAX (+27.2%) and SDAX (+27.9%) indices.

The 10 largest positions in Scherzer's portfolio currently account for about 49.8%. These are: GK Software SE (9.90% of the portfolio), freenet AG (7.76%), Audi AG (5.29%), Allerthal-Werke AG (4.90%), Weleda AG PS (4.36%), Horus AG (3.84%), AG f. Erstellung billiger Wohnhäuser in Winterthur (3.72%), K+S AG (3.61%), Mobotix AG (3.45%) and Lotto24 AG (3.01%).

**Estimates for 2019 reduced:** Due to the (expected) development of the securities held by Scherzer, we are adjusting our estimates as follows: for 2019e we are reducing net income from financial instruments from EUR 6.2m to EUR 2.5m, our EBIT from EUR 3.8m to EUR 1.9m and net income for the year from EUR 5.1m to EUR 0.4m. For 2020e, we are reducing the estimate for our net profit for the year from EUR 5.3m to EUR 4.7m.

We are convinced of the Scherzer management approach and believe that it allows shareholders to participate in special situations (Switzerland, rights of rectification). Currently, the shares are trading at EUR 2.20 (last NAV announcement at EUR 2.26 on 30.11.2019). The historical discount in 2019 was -0.8%.

**HOLD, price target EUR 2.40:** We have updated our estimates for the development of the portfolio. Our new target price is EUR 2.40 (2.60) and corresponds to a P/E ratio of 15.0x for 2020e. We have not taken into account any rights to rectification, which currently stand at EUR 139 million (c. EUR 20m for Linde). We maintain our HOLD recommendation.

FY End: 31.12. in EUR m	CAGR (17-20e)	2016	2017	2018	2019e	2020e	2021e
Net earnings from fin. instruments	-11.6%	6.0	12.9	9.4	2.5	6.4	6.5
EBITDA	-20.9%	5.0	10.2	8.3	1.9	4.0	4.1
Margin		84.1%	78.9%	87.9%	76.1%	62.2%	63.1%
EBIT	-20.9%	5.0	10.2	8.3	1.9	3.9	4.1
Margin		84.0%	78.8%	87.7%	74.7%	61.6%	62.9%
Net result	-279.8%	4.5	7.9	-0.9	0.4	4.7	5.0
EPS	-279.8%	0.15	0.26	-0.03	0.01	0.16	0.17
Dividend per share		0.05	0.05	0.10	0.00	0.00	0.00
NAV		68.56	82.04	69.16	75.05	79.05	83.05
Return on NAV		8.7%	15.7%	13.6%	3.3%	8.0%	7.8%
ROE		8.2%	13.0%	-1.5%	0.6%	7.4%	7.3%
ROA		5.9%	8.8%	-1.0%	0.4%	5.1%	5.1%

Source: Scherzer, FMR

## Appendix

### Profit and loss account

HGB	EURm	2016A	2017A	2018A	2019E	2020E	2021E
<b>Net income from financial instruments</b>		<b>6.0</b>	<b>12.9</b>	<b>9.4</b>	<b>2.5</b>	<b>6.4</b>	<b>6.5</b>
YoY growth		9.9%	115.2%	-26.9%	-73.4%	153.5%	2.3%
Personnel expense as % of sales		-1.3 -21.3%	-2.7 -20.8%	-0.7 -7.3%	-0.7 -27.9%	-1.5 -23.6%	-1.5 -23.1%
Other operating income as % of sales		0.9 15.2%	0.9 7.3%	0.3 2.8%	1.0 39.9%	0.0 0.0%	0.0 0.0%
Other operating expenses as % of sales		-0.6 -9.7%	-1.0 -7.6%	-0.7 -7.6%	-0.9 -35.9%	-0.9 -14.2%	-0.9 -13.9%
<b>EBITDA</b> as % of sales		<b>5.0</b> 84.1%	<b>10.2</b> 78.9%	<b>8.3</b> 87.9%	<b>1.9</b> 76.1%	<b>4.0</b> 62.2%	<b>4.1</b> 63.1%
Depreciation and amortization as % of sales		0.0 -0.1%	0.0 -0.1%	0.0 -0.2%	0.0 -1.3%	0.0 -0.6%	0.0 -0.2%
<b>EBIT</b> as % of sales		<b>5.0</b> 84.0%	<b>10.2</b> 78.8%	<b>8.3</b> 87.7%	<b>1.9</b> 74.7%	<b>3.9</b> 61.6%	<b>4.1</b> 62.9%
Net financial results as % of sales		-0.3 -4.8%	-2.2 -17.2%	-7.6 -80.3%	-1.4 -57.0%	2.0 31.4%	2.2 34.0%
<b>EBT</b> as % of sales		<b>4.7</b> 79.2%	<b>7.9</b> 61.7%	<b>0.7</b> 7.5%	<b>0.4</b> 17.8%	<b>5.9</b> 93.0%	<b>6.3</b> 96.9%
Income tax as % of EBT		-0.3 -5.8%	0.0 -0.4%	-1.6 -221.6%	-0.1 -21.0%	-1.2 -21.0%	-1.3 -21.0%
<b>Net income</b>		<b>4.5</b>	<b>7.9</b>	<b>-0.9</b>	<b>0.4</b>	<b>4.7</b>	<b>5.0</b>
<b>EPS in EUR</b>		<b>0.15</b>	<b>0.26</b>	<b>-0.03</b>	<b>0.01</b>	<b>0.16</b>	<b>0.17</b>

Source: Scherzer, FMR

<b>Balance</b>							
<b>HGB</b>	<b>EURm</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
	Other fixed assets	2.1	2.4	2.1	2.1	2.1	2.1
	Financial assets	42.4	33.8	29.9	35.0	37.0	39.0
	as % of total assets	55.9%	37.6%	35.4%	40.2%	40.3%	40.3%
	<b>Non current assets</b>	<b>44.5</b>	<b>36.2</b>	<b>32.0</b>	<b>37.1</b>	<b>39.1</b>	<b>41.1</b>
	as % of total assets	58.7%	40.3%	38.0%	42.6%	42.6%	42.5%
	Other receivables and other assets	0.9	5.1	1.0	0.5	0.9	0.9
	Securities	30.1	47.4	49.2	50.0	52.0	54.0
	as % of total assets	39.7%	52.8%	58.3%	57.4%	56.6%	55.8%
	Cash and cash equivalents	0.2	1.1	2.1	-0.5	-0.2	0.8
	<b>Current assets</b>	<b>31.3</b>	<b>53.5</b>	<b>52.3</b>	<b>50.0</b>	<b>52.7</b>	<b>55.7</b>
	as % of total assets	41.3%	59.7%	62.0%	57.4%	57.4%	57.5%
	Accruals and deferrals	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Totals assets</b>	<b>75.9</b>	<b>89.7</b>	<b>84.4</b>	<b>87.1</b>	<b>91.8</b>	<b>96.8</b>
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	24.3	30.7	26.8	28.4	33.0	38.0
	Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total equity</b>	<b>54.2</b>	<b>60.6</b>	<b>56.7</b>	<b>58.3</b>	<b>63.0</b>	<b>67.9</b>
	as % of total assets	71.4%	67.5%	67.3%	66.9%	68.6%	70.2%
	Provisions	2.8	3.9	1.8	1.8	1.8	1.8
	Financial liabilities	18.8	25.1	25.7	26.9	26.9	26.9
	Other liabilities	0.1	0.1	0.1	0.1	0.1	0.1
	<b>Total liabilities and provisions</b>	<b>21.7</b>	<b>29.1</b>	<b>29.4</b>	<b>28.8</b>	<b>28.9</b>	<b>28.9</b>
	as % of total assets	28.6%	32.5%	34.9%	33.1%	31.4%	29.8%
	<b>Equity and liabilities</b>	<b>75.9</b>	<b>89.7</b>	<b>84.4</b>	<b>87.1</b>	<b>91.8</b>	<b>96.8</b>

Source: Scherzer, FMR

**Cash flow statement**

HGB	EURm	2016A	2017A	2018A	2019E	2020E	2021E
<b>Net income</b>		<b>4.5</b>	<b>7.9</b>	<b>-0.9</b>	<b>0.4</b>	<b>4.7</b>	<b>5.0</b>
Depreciation and amortisation		0.0	0.0	0.0	0.0	0.0	0.0
Other transactions incl. non-cash		1.4	3.8	19.5	23.7	27.2	27.4
Change in Working Capital		-0.6	-8.8	-1.3	3.4	2.6	4.7
<b>Cash flow from operating activities</b>		<b>6.0</b>	<b>5.6</b>	<b>15.1</b>	<b>3.9</b>	<b>4.4</b>	<b>5.0</b>
<b>Cash flow form investing activities</b>		<b>-9.2</b>	<b>-8.9</b>	<b>2.3</b>	<b>-5.9</b>	<b>-4.0</b>	<b>-4.0</b>
Change in debt		1.6	6.3	0.6	1.2	0.0	0.0
Dividend payments		-1.5	-1.5	-3.0	0.0	0.0	0.0
Other financing activities		0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>		<b>0.1</b>	<b>4.8</b>	<b>-2.4</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Total change in cash and cash equivalents</b>		<b>-3.1</b>	<b>1.5</b>	<b>15.0</b>	<b>-0.7</b>	<b>0.4</b>	<b>1.0</b>
Effect of exchange rate changes and other changes		1.8	0.4	-14.1	-1.8	0.0	0.0
Cash and cash equivalents at the start of the period		1.8	0.2	1.1	2.1	-0.5	-0.2
<b>Cash and cash equivalents at year's end</b>		<b>0.2</b>	<b>1.1</b>	<b>2.1</b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.8</b>

Source: Scherzer, FMR

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
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Company	Disclosure(s)
Scherzer & Co. AG	-

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

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Company	Disclosure(s)
Scherzer & Co. AG	iii, vi

Valuation history for the last 12 months:

Date	Recommendation	Share price at publishing date	Target price
19.03.2019	HOLD	2,38	2,60
22.03.2019	HOLD	2,36	2,60
19.12.2019	HOLD	2,20	2,40

#### 4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Felix Lutz, Analyst

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Investment recommendation details - stocks:

**BUY:** In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

**HOLD:** In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

**Sell:** In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

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