

» Investment company «

Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

07 December, 2020

BUY

Before: BUY

Price target **EUR 2.60 (2.60)**
Price* **EUR 2.28 (+14%)**

*XETRA trading price at the close of the previous day

Change	2020e	2021e	2022e
Sales	-	-	-
EBIT	+0.9	-	-
EPS	+0.11	-	-



Source: Factset

Share Data

	2020
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	68.0
Daily turnover (€)	14,528
High (EUR, 52 weeks)	2.36
Low (EUR, 52 weeks)	1.23

Shareholders

Free float	100.0 %
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Company events

Company presentation	Beginning of January
Company presentation	Beginning of February

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Development at the end of the year remains positive

With the publication of the last presentation (December 1, 2020), Scherzer starts with a NAV of EUR 2.70 as of November 30, 2020, 17% above closing price, in the last month of 2020. After the sale (squeeze-out) of the Audi shares and a solid development of the portfolio, we still see the share as a good investment, confirm our BUY recommendation and the price target of EUR 2.60.

Sale of Audi after squeeze-out: Scherzer sold its shares worth EUR 16.9m after the squeeze-out in mid-November. We assume that some of these funds will be used to reduce debt. The volume of rectification rights increased accordingly month-on-month and is now back above EUR 100m with a current level of EUR 112.6m. After the sale, the 10 largest portfolio positions now account for 61% (previously 64%).

Portfolio: GK Software: After the peak prices at the beginning of 2018, GK was continuously one of the large positions in Scherzer's portfolio (currently >10%), but there was nothing left of the high share prices. Since the Corona-dive in March (low price: EUR 36), the plateau in June (around EUR 60) and today above the EUR 100 mark, the development is remarkable! The company recently delivered good Q3/20 figures. **freenet** (8.5% of the portfolio): after good quarterly figures and the debt reduction following the sale of the sunrise stake, the share offers a dividend yield of 7.6% at the current level (17 Euro, Factset dividend estimate of EUR 1.30).

Rocket Internet: after the delisting, Scherzer made further purchases, so that RI currently accounts for 5.8% of the portfolio. The book value of the equity capital was 35% above the repurchase offer.

CMD 2020: Scherzer held its CMD on 10.11. virtually. Besides current developments in the capital markets regarding COVID-19, considerations about Audi were presented and an update about the Swiss market was given. Scherzer is also active in the development of its Arcandor share.

We expect that the current portfolio will provide further value growth and that in the present, very dynamic market environment for Scherzer there will be both further purchase and good (partial) sales opportunities. We therefore **confirm our BUY recommendation** and our **target price of EUR 2.60** per share.

FY End: 31.12. in EURm	CAGR	2017	2018	2019	2020e	2021e	2022e
	(19-22e)						
Net earnings from fin. instruments	85.8%	12.9	9.4	1.1	9.1	6.9	7.1
EBITDA	48.7%	10.2	8.3	1.5	6.9	4.7	4.9
Margin		78.9%	87.9%	134.5%	75.8%	68.2%	68.9%
EBIT	49.1%	10.2	8.3	1.5	6.9	4.7	4.9
Margin		78.8%	87.7%	132.9%	75.6%	67.9%	68.6%
Net result		7.9	-0.9	-2.3	1.1	5.5	5.6
EPS		0.26	-0.03	-0.08	0.04	0.18	0.19
Dividend per share		0.10	0.00	0.00	0.02	0.05	0.06
NAV		82.04	69.16	67.38	68.38	70.38	72.38
Return on NAV		15.7%	13.6%	1.6%	13.3%	9.8%	9.8%
ROE		13.0%	-1.5%	-4.3%	1.9%	8.5%	8.2%
ROA		8.8%	-1.0%	-2.9%	1.3%	6.0%	5.9%

Source: Scherzer, FMR

New estimates

After the sales of the Audi-shares and the latest developments at the stock market we adjust our estimates for 2020e as following:

EURm	2020e neu	2020e alt
Net earnings from financial instruments	9,1	9,1
EBITDA	7,8	6,9
EBIT	7,8	6,9
Net result	4,4	1,1
EPS	0,15	0,04

Source: FMR Research AG

Appendix

Profit and loss account

HGB	EURm	2017A	2018A	2019A	2020e	2021e	2022e
Net income from financial instruments		12.9	9.4	1.1	9.1	6.9	7.1
YoY growth		115.2%	-26.9%	-88.3%	726.8%	-24.3%	2.9%
Personnel expense as % of sales		-2.7 -20.8%	-0.7 -7.3%	-0.7 -62.7%	-0.7 -7.7%	-1.5 -21.7%	-1.5 -21.1%
Other operating income as % of sales		0.9 7.3%	0.3 2.8%	1.8 160.7%	1.4 15.4%	0.0 0.0%	0.0 0.0%
Other operating expenses as % of sales		-1.0 -7.6%	-0.7 -7.6%	-0.7 -63.5%	-2.0 -22.1%	-0.7 -10.1%	-0.7 -9.9%
EBITDA		10.2	8.3	1.5	7.8	4.7	4.9
as % of sales		78.9%	87.9%	134.5%	85.6%	68.1%	69.0%
Depreciation and amortization as % of sales		0.0 -0.1%	0.0 -0.2%	0.0 -1.7%	0.0 -0.2%	0.0 -0.3%	0.0 -0.3%
EBIT		10.2	8.3	1.5	7.8	4.7	4.9
as % of sales		78.8%	87.7%	132.9%	85.4%	67.9%	68.8%
Net financial results as % of sales		-2.2 -17.2%	-7.6 -80.3%	-3.8 -343.6%	-2.8 -31.3%	1.4 20.0%	1.4 20.0%
EBT		7.9	0.7	-2.3	4.9	6.1	6.3
as % of sales		61.7%	7.5%	-210.8%	54.1%	87.8%	88.7%
Income tax as % of EBT		0.0 -0.4%	-1.6 -221.6%	0.0 0.3%	-0.5 -10.0%	-0.6 -10.0%	-0.6 -10.0%
Net income		7.9	-0.9	-2.3	4.4	5.5	5.7
EPS in EUR		0.26	-0.03	-0.08	0.15	0.18	0.19

Source: Scherzer, FMR

Balance							
HGB	EURm	2017A	2018A	2019A	2020e	2021e	2022e
	Other fixed assets	2.4	2.1	2.7	2.2	2.2	2.2
	Financial assets as % of total assets	33.8 37.6%	29.9 35.4%	24.7 30.3%	24.7 27.4%	25.7 27.1%	26.7 26.9%
	Non current assets as % of total assets	36.2 40.3%	32.0 38.0%	27.4 33.6%	26.9 29.9%	27.9 29.4%	28.9 29.2%
	Other receivables and other assets	5.1	1.0	0.3	1.4	0.9	1.0
	Securities as % of total assets	47.4 52.8%	49.2 58.3%	52.7 64.6%	53.7 59.6%	54.7 57.6%	55.7 56.2%
	Cash and cash equivalents	1.1	2.1	0.7	8.0	11.3	13.5
	Current assets as % of total assets	53.5 59.7%	52.3 62.0%	54.1 66.4%	63.1 70.1%	66.9 70.6%	70.1 70.8%
	Accruals and deferrals	0.0	0.0	0.5	0.0	0.0	0.0
	Totals assets	89.7	84.4	81.5	90.0	94.8	99.0
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	30.7	26.8	24.5	32.9	37.8	41.9
	Minority interests	0.0	0.0	0.0	0.0	0.0	1.0
	Total equity as % of total assets	60.6 67.5%	56.7 67.3%	54.4 66.8%	62.9 69.8%	67.7 71.4%	71.9 72.6%
	Provisions	3.9	1.8	3.6	3.6	3.6	3.6
	Financial liabilities	25.1	25.7	23.3	23.3	23.3	23.3
	Other liabilities	0.1	0.1	0.1	0.2	0.1	0.1
	Total liabilities and provisions as % of total assets	29.1 32.5%	29.4 34.9%	27.0 33.2%	27.1 30.2%	27.1 28.6%	27.1 27.4%
	Equity and liabilities	89.7	84.4	81.5	90.0	94.8	99.0

Source: Scherzer, FMR

Cash flow statement

HGB	EURm	2017A	2018A	2019A	2020e	2021e	2022e
Net income		7.9	-0.9	-2.3	4.4	5.5	5.7
Depreciation and amortisation		0.0	0.0	5.3	0.0	0.0	0.0
Other transactions incl. non-cash		4.9	7.9	1.8	11.0	0.0	0.0
Change in Working Capital		-4.1	3.9	0.3	-0.6	0.5	0.0
Cash flow from operating activities		8.7	11.0	5.1	14.8	5.9	5.6
Cash flow form investing activities		-12.7	-7.6	-4.0	-7.5	-2.0	-2.0
Change in debt		6.3	0.6	-2.4	0.0	0.0	0.0
Dividend payments		-1.5	-3.0	0.0	0.0	-0.6	-1.5
Other financing activities		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities		4.8	-2.4	-2.4	0.0	-0.6	-1.5
Total change in cash and cash equivalents		0.8	1.0	-1.4	7.3	3.3	2.2
Effect of exchange rate changes and other changes		0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period		0.2	1.1	2.1	0.7	8.0	11.3
Cash and cash equivalents at year's end		1.1	2.1	0.7	8.0	11.3	13.5

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.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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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:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
Scherzer & Co. AG	-

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(i.) has an involvement in the share capital of the issuer of at least 5 per cent;

(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:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

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

Valuation history for the last 12 months:

Date	Recommendation	Share price at publishing date	Target price
19.12.2019	HOLD	2.20	2.40
28.01.2020	HOLD	2.18	2.40
06.03.2020	HOLD	1.94	2.30
19.06.2020	HOLD	2.04	2.20
17.08.2020	BUY	2.28	2.60
28.08.2020	BUY	2.28	2.60
04.11.2020	BUY	2.10	2.60
07.12.2020	BUY	2.28	2.60

4. Creation and distribution

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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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5. Investment recommendation details

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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