

» Investment company «

Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

Published: 14.02.2022

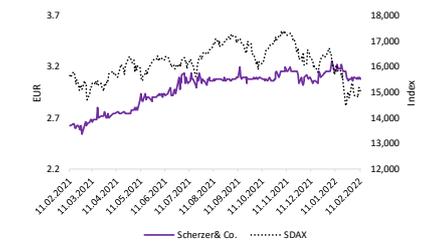
BUY

Before: BUY

Price target **EUR 3.80 (3.80)**
Price* **EUR 3.08 (+23%)**

*XETRA trading price at the close of the previous day

Change	2021e	2022e	2023e
Net Earnings	4.4	3.2	1.9
EBIT	4.2	3.8	2.3
EPS, EUR	0.11	0.04	-0.01



Source: Börse Frankfurt, FMR

NAV down slightly in January '22

2021 with pleasing EBIT increase: On January 24, 2022, Scherzer & Co. published a preliminary EBIT of EUR 11.7m (2020: EUR 12.5m) for the past FY 2021. This is significantly above our expectation of EUR 7.5m. Starting from a NAV of EUR 2.85 at the end of 2020, the value could be continuously increased to EUR 3.72 in 2021.

NAV per share at EUR 3.69 at the end of January 2022: Scherzer reported a NAV of the portfolio, as usual taking into account liabilities, of EUR 3.69 per share at the end of the month. The stock traded about 15% below the reported net asset value. From the data, an absolute value of EUR 110.5m can be calculated (excluding rectification rights). Compared to December '21, there was a slight decrease of 0.8%. Seven of the ten largest portfolio companies can be allocated to security-oriented investments.

Rheiner Management 2021 with increase of the NAV: (10/01/2022) The company, in which Scherzer holds a 49,99% stake, announced preliminary pre-tax earnings of EUR 0.96m for 2021, down from EUR 2.18m a year earlier. NAV per share, on the other hand, improved to a remarkable EUR 44.30 (2020: EUR 34.80).

News on individual portfolio companies: Rocket Internet: The extraordinary AGM at the end of January passed the resolutions for the share buyback offer at EUR 35 per share. **Hella:** Faurecia completed the takeover at the end of January and currently holds just over 80% of Hella. **K+S AG:** Preliminary EBITDA '21 at EUR 960m significantly above market expectations. Further profit increase expected for '22e; K+S share price recently increased significantly.

In a very volatile market environment in January, the Scherzer NAV has shown pleasing stability. Following the latest publications, we confirm our price target and our "BUY" recommendation.

Share Data

Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	92.2
Daily turnover (€)	9,774
High (EUR, 52 weeks)	3.26
Low (EUR, 52 weeks)	2.04

Shareholders

Free float	100.0 %
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Company events

Supervisory Board Meeting	17.03.2022
AGM	23.05.2022

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FY End: 31.12. in EURm	CAGR (20-23e)	2018	2019	2020	2021e	2022e	2023e
		Net earnings from fin. instruments	-17.1%	9.4	1.1	12.7	12.1
EBITDA	-22.5%	8.3	1.5	12.6	11.7	9.5	8.2
Margin		87.9%	134.5%	98.9%	97.1%	92.3%	88.7%
EBIT	-22.5%	8.3	1.5	12.5	11.7	9.5	8.1
Margin		87.7%	132.9%	98.7%	96.9%	92.2%	88.4%
Net result	-15.3%	-0.9	-2.3	12.6	10.4	8.7	7.4
EPS, EUR	-15.3%	-0.03	-0.08	0.42	0.35	0.29	0.25
Dividend per share, EUR		0.00	0.00	0.05	0.05	0.05	0.05
NAV	2.3%	69.16	67.38	85.33	88.83	90.83	92.83
Return on NAV		13.6%	1.6%	14.9%	13.6%	11.3%	9.9%
ROE		-1.5%	-4.3%	18.8%	13.7%	10.4%	8.3%
ROA		-1.0%	-2.9%	14.6%	11.0%	8.5%	6.8%

Source: Scherzer, FMR

Update on selected portfolio companies

Rocket Internet:

At the company's extraordinary AGM on Jan. 31, 2022, resolutions were passed to implement the public share buyback offer at EUR 35 per share. At least two shareholders have submitted objections to the resolution of the AGM for the record, because they see the agreement with Elliott as an unjustified "special treatment". The 20-day acceptance period for the public repurchase offer remains unaffected.

Hella GmbH & Co. KGaA:

On Jan. 31, 2022, Faurecia announced the completion of the acquisition after receiving all regulatory clearances. At this date, 79.5% of the Hella shares were held. On Feb. 7, 2022, further steps regarding the takeover/integration process were announced. The previous CEO, Dr. R. Breidenbach will terminate his contract prematurely on June 30, 2022 and leave the company. In the future, the Group will operate under the joint name FORVIA with two legally independent and listed companies, Faurecia and Hella. In this context, it was also announced that Faurecia now holds "slightly more than 80%" of the shares in Hella. Elliott has in the meantime acquired a 10.75% stake in Hella. In our view, Scherzer will remain involved and a squeeze-out expected at a later date is still possible.

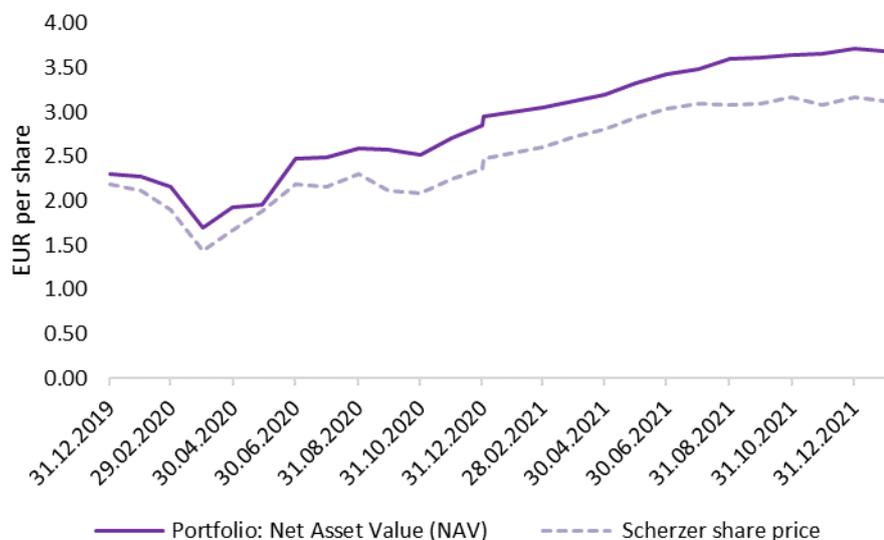
K+S AG:

At the beginning of February, K+S reported preliminary EBITDA from continuing operations of about EUR 960m for 2021 (2020: EUR 266.9m). At the time of publication, this was around EUR 100m above analysts' consensus expectations. This figure includes a non-cash one-off income of around EUR 220m resulting from the REKS transaction. Even without this effect, EBITDA would have increased by around 175% yoy. The full consolidated financial statements will be published on March 10, 2022.

K+S is currently one of Scherzer's ten most important holdings. The K+S share price has developed significantly positively over the past three months, rising by around 24%.

The following chart shows the NAV development since the outbreak of the Corona pandemic. Throughout 2021, management achieved a continuous increase in NAV and the discount of the Scherzer share price to the NAV was recently narrowed again somewhat.

Scherzer: NAV slightly declines in January



Source: Scherzer, FMR

According to our own calculation, the absolute NAV for December 2021 is EUR 111.4m. Since June 2021, the value has been continuously above the EUR 100m mark. In January 2022, the NAV of the portfolio was down slightly by 0.8% to EUR 3.69 per share. In our view, the portfolio has thus shown good resilience to the volatile overall market development. The DAX40P index lost 2.6% in the same period, while the SDAX fell by as much as 7.9%.

Appendix

Profit and loss account

in EUR m (IFRS)	2018	2019	2020	2021e	2022e	2023e
Revenues	9.4	1.1	12.7	12.1	10.3	9.2
YoY growth	0.0%	-88.3%	1054.6%	-4.7%	-14.9%	-10.7%
Increase/Decrease in inventories of finished goods and work in progress as % of revenues	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Output	9.4	1.1	12.7	12.1	10.3	9.2
YoY growth	0.0%	-88.3%	1054.6%	-4.7%	-14.9%	-10.7%
Cost of Materials as % of revenues	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	9.4	1.1	12.7	12.1	10.3	9.2
as % of revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Personnel expenses as % of revenues	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8
	-7.3%	-62.7%	-6.2%	-6.6%	-7.7%	-8.8%
Other operating expenses as % of revenues	-0.7	-0.7	-1.5	-1.5	-1.4	-1.5
	-7.6%	-63.6%	-12.0%	-12.3%	-14.0%	-16.5%
Other operating income as % of revenues	0.3	1.8	2.2	1.9	1.4	1.3
	3.2%	160.9%	17.1%	16.0%	14.0%	14.0%
EBITDA reported	8.3	1.5	12.5	11.7	9.5	8.2
as % of revenues	88.3%	134.5%	98.1%	97.1%	92.3%	88.7%
Depreciation of property, plant and equipment, and amortisation of intangible assets as % of revenues	0.0	0.0	0.0	0.0	0.0	0.0
	-0.2%	-1.6%	-0.2%	-0.2%	-0.2%	-0.2%
EBIT reported	8.3	1.5	12.5	11.7	9.5	8.1
as % of revenues	88.1%	132.9%	98.7%	96.9%	92.1%	88.5%
Financial result (net)	-7.6	-3.8	0.0	0.0	0.1	0.1
EBT (Earnings before taxes)	0.7	-2.3	12.6	11.7	9.6	8.2
as % of revenues	7.7%	-211.3%	98.8%	96.7%	93.4%	89.5%
Income taxes as % of EBT	-1.6	0.0	0.0	-1.2	-1.0	-0.8
	-216.1%	0.3%	-0.1%	-10.0%	-10.0%	-10.0%
Net income	-0.8	-2.3	12.5	10.5	8.7	7.4
as % of revenues	-8.9%	-212.0%	98.7%	87.0%	84.0%	80.6%
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders	-0.8	-2.3	12.5	10.5	8.7	7.4
as % of revenues	-8.9%	-212.0%	98.7%	87.0%	84.0%	80.6%
Shares outstanding (in m), weighted	29.94	29.94	29.94	29.94	29.94	29.94
Basic earnings per share (EUR)	-0.03	-0.08	0.42	0.35	0.29	0.25

Source: Scherzer, FMR

Balance sheet

HGB	EURm	2018	2019	2020	2021e	2022e	2023e
	Other fixed assets	2.1	2.7	3.4	2.9	2.9	3.0
	Financial assets	29.9	24.7	24.6	26.4	27.4	28.4
	as % of total assets	35.4%	30.3%	28.6%	27.8%	26.8%	26.3%
	Non current assets	32.0	27.4	28.0	29.4	30.4	31.4
	as % of total assets	38.0%	33.6%	32.6%	30.9%	29.7%	29.0%
	Other receivables and other assets	1.0	0.3	0.7	1.4	1.3	1.2
	Securities	49.2	52.7	55.9	57.6	58.6	59.6
	as % of total assets	58.3%	64.6%	65.0%	60.6%	57.3%	55.1%
	Cash and cash equivalents	2.1	0.7	1.2	6.7	12.0	16.0
	Current assets	52.3	54.1	58.0	65.8	71.9	76.8
	as % of total assets	62.0%	66.4%	67.4%	69.1%	70.3%	71.0%
	Accruals and deferrals	0.0	0.5	0.2	0.0	0.0	0.0
	Totals assets	84.4	81.5	86.1	95.2	102.3	108.2
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	26.8	24.5	37.1	46.0	53.2	59.1
	Minority interests	0.0	0.0	0.0	0.0	1.0	1.0
	Total equity	56.7	54.4	67.0	75.9	83.1	89.0
	as % of total assets	67.3%	66.8%	77.8%	79.8%	81.2%	82.3%
	Provisions	1.8	3.6	2.8	2.8	2.8	2.8
	Financial liabilities	25.7	23.3	16.2	16.2	16.2	16.2
	Other liabilities	0.1	0.1	0.1	0.2	0.2	0.2
	Total liabilities and provisions	29.4	27.0	21.9	19.2	19.2	19.2
	as % of total assets	34.9%	33.2%	25.4%	20.2%	18.8%	17.7%
	Equity and liabilities	84.4	81.5	86.1	95.2	102.3	108.2

Source: Scherzer, FMR

Cashflow statement

HGB EURm	2018	2019	2020	2021e	2022e	2023e
Net income	-0.9	-2.3	12.6	10.4	8.7	7.4
Depreciation and amortisation	0.0	5.3	3.9	0.0	0.0	0.0
Other transactions incl. non-cash	7.9	1.8	2.4	1.7	1.6	1.5
Change in Working Capital	3.9	0.3	-5.0	-0.4	0.2	0.1
Cash flow from operating activities	11.0	5.1	15.4	11.7	10.5	9.0
Cash flow form investing activities	-7.6	-4.0	-7.8	-4.7	-3.6	-3.5
Change in debt	0.6	-2.4	-7.1	0.0	0.0	0.0
Dividend payments	-3.0	0.0	0.0	-1.5	-1.5	-1.5
Other financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-2.4	-2.4	-7.1	-1.5	-1.5	-1.5
Total change in cash and cash equivalents	1.0	-1.4	0.5	5.5	5.3	4.0
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	1.1	2.1	0.7	1.2	6.7	12.0
Cash and cash equivalents at year's end	2.1	0.7	1.2	6.7	12.0	16.0

Source: Scherzer, FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- a) First publication: 14.02.2022
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Marie-Curie-Straße 24-28, 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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(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

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Company Disclosure(s)

Scherzer & Co. AG

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(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

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Recommendation history for the last 12 months:

Date	Recommendation	Share price at publishing date	Target price
04.11.2020	BUY	2.10	2.60
07.12.2020	BUY	2.28	2.60
28.01.2021	BUY	2.46	2.90
10.06.2021	BUY	2.96	3.30
27.10.2021	BUY	3.14	3.80
14.02.2022	BUY	3.08	3.80

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

Winfried Becker, Senior Equity 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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The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

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