

# Company presentation

## April 2017



Scherzer & Co.

## Executive Summary

### About Scherzer & Co. AG

Scherzer & Co. AG is a Cologne, Germany-based investment holding company whose object is to pursue long-term capital appreciation for its shareholders through investments that are both safety-oriented and opportunistic.

From safety-oriented aspects investments are undertaken in takeover bid/squeeze-out stocks and value stocks where the market price appears underpinned on the downside.

Price-stabilising features may be a “natural floor” in the case of structural measures, either announced or in progress, or excellent balance sheet and earnings quality in the case of value stocks.

Scherzer also invests in companies offering enhanced opportunity potential at predictable risk, focusing especially on select growth companies with a sustainable business model.

However, the market is also analysed for special situations that can offer attractive risk-reward profiles for diverse reasons. In addition, Scherzer gladly seizes upon opportunities to participate in promising capital measures or secondary placings.

## Executive Summary

### Mission Statement of Scherzer & Co. AG

- Target is to achieve sustained capital appreciation,
- to establish the company as one of the top quoted investment holding companies in the area of special situations and corporate actions,
- the position of the company as a relevant partner for transactions in the area of special situations,
- and to build an investment portfolio with equity financing of at least EUR 100 million.

# Investments

## Investment universe

We primarily analyse investment in regions under German jurisdiction. However, Scherzer & Co. AG basically invests opportunistic. We believe that most market valuations are efficient. But due to human irrationality, valuations are occasionally incorrect, creating investment opportunities on the market.

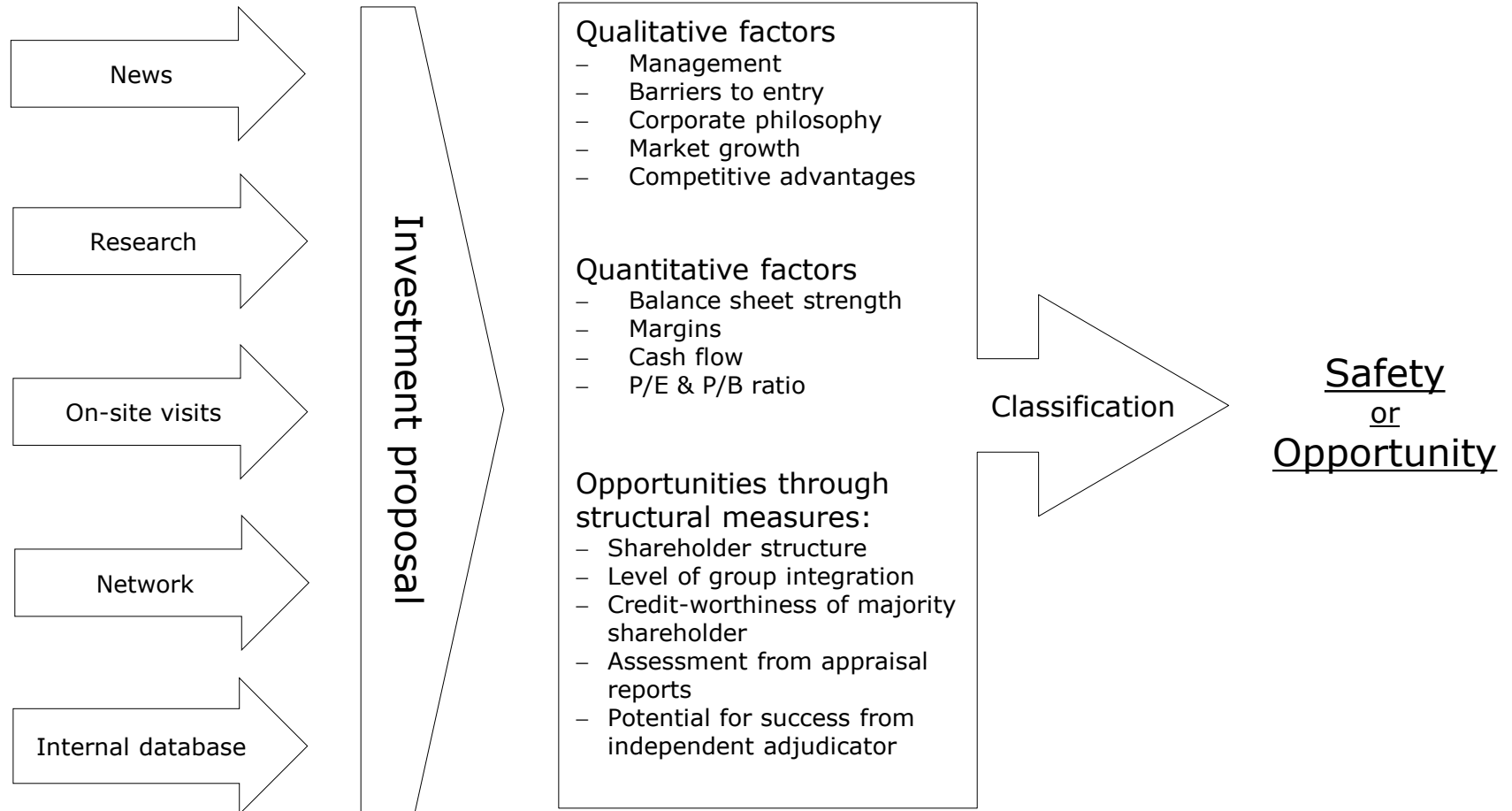
We aim to use these opportunities on a focused portfolio. A company's market capitalization or listing on an index are of rather minor importance. We also do not focus in any one sector. Any plausible and convincing business model is of potential interest for us.

Such investment opportunities usually occur in the following three categories, which is why Scherzer & Co. AG focuses in them:

Unknown	Unloved	Special situations
<ul style="list-style-type: none"><li>- 500-1000 shares without coverage</li><li>- Microcaps</li><li>- No Interest in investors relations</li><li>- Illiquid trade</li></ul>	<ul style="list-style-type: none"><li>- Business model is misconceived</li><li>- Unpopular sector</li><li>- Earnings power is misconceived</li><li>- Restructuring scenario</li></ul>	<ul style="list-style-type: none"><li>- Affiliation agreement seems likely</li><li>- Takeover situation</li><li>- Squeeze-out seems likely</li><li>- Capital measures</li><li>- Reorientation</li></ul>

# Investments

## Process of selection



# Investments

## Safety & Opportunity

Risk-reduced capital accumulation while at the same time seizing upon interesting capital market opportunities

### Safety

- Investments with a natural „Floor“
- Special balance sheet quality:  
net cash position, little/no debt, share price (significantly) below book value
- Strong and/or strategic principal shareholder
- Special earnings quality:  
sustained, positive earnings, as far as possible non-cyclical business, dividend continuity, sustained free cash flows

### Opportunity

- Investments in sustainable models with appropriate growth potential
- Special situations
- Seizing upon opportunity potential presented by capital measures (restructurings, recapitalizations, growth financials)
- Participating in corporate Realignments

# Portfolio

## Top 10 largest equity positions\*

Equity position	WKN	%**	
1. GK Software AG <sup>1</sup>	757 142	8.71	Opportunity
2. freenet AG	A0Z 2ZZ	8.58	Opportunity
3. W&W Wüstenrot und Württ. AG	805 100	6.04	Opportunity
4. Allerthal-Werke AG <sup>1</sup>	503 420	4.94	Safety
5. Mobotix AG <sup>1</sup>	521 830	4.90	Safety
6. Lotto24 AG <sup>1</sup>	LTT 024	4.21	Opportunity
7. K+S AG <sup>1</sup>	KSA G88	3.94	Opportunity
8. Pfeiffer Vacuum Technology AG AG <sup>1</sup>	691 660	3.67	Safety
9. MAN SE, Vorzüge	593 703	3.18	Safety
10. Horus AG	520 412	2.83	Safety
	<b>Total:</b>	<b>51.00</b>	

\* In order to portfolio size based on share prices as of 31 March 2017

\*\* percentage of total portfolio

<sup>1</sup> summed up current/ non-current assets

# Investments – Opportunity

## GK Software AG

WKN: 757 142

Sector: Software

Market capitalization: ~122 Mio. EUR

Largest Shareholder:

55.21% founder,

6.81% Scherzer & Co. AG,

6,55% Wilhelm K.T. Zours,

5.29% SAP SE



GK Software AG is technologically a leading software partner to retail trade in Europe, North America and Asia with comprehensive solutions for branch stores and corporate headquarters. Well-known customers like Galeria Kaufhof, Douglas, EDEKA, Lidl, Netto Marken-Discount, Tchibo, Migros and Coop (Switzerland) are currently serviced. Worldwide, in more than 40 countries in about 41,700 branch stores more than 223,000 installations of GK Software are in use.

### News:

- According to information from Lebensmittelzeitung in February 2016 the company could win over ALDI Nord for its software solution. After Swiss Migros AG, this was another major customer to be convinced, sending a clear signal to others.
- In August 2016 GK acquired an important new customer: GERRY WEBER International AG has decided to launch the SAP Omnichannel Point-of-Sale by GK in its more than 1.000 GERRY WEBER- and HALLHUBER-stores in 18 countries.
- According to provisional figures, GK Software AG increased its turnover by 23.5% to 77.33 Mio. Euro in 2016 (2015: 62.6 Mio. Euro). The EBITDA reached 7.80 Mio. Euro, therefore improving by 258% (2015: 2.2 Mio. Euro). Revenue from cloud solutions developed positively. Overall, profits for 2016 were at the upper end of expectations.



# Investments – Opportunity

## freenet AG

WKN: A0Z 2ZZ

Sector: Telecommunications

Market capitalization: ~3.62 Mrd. EUR

Largest shareholder:

5.55% Flossbach v. Storch

0.16% Scherzer & Co. AG



The freenet Group is the largest network-independent telecommunications provider in Germany. In addition, the Group is establishing itself as a provider of solutions for the customer in the area of digital lifestyle. Freenet addresses its customers via the main brand mobilcom-debitel as well as the discount brands klarmobil.de, callmobil and debitel light. In addition, mobile telephony services from Telekom, Vodafone and O2 are marketed in Germany under its own brand.

### News:

- Freenet AG exceeded its forecast for the 2016 financial year. The company generated consolidated sales of EUR 3,362 million in 2016 (previous year: EUR 3,188 million). At EUR 898.7 million, gross profit was well above the previous year (EUR 790.4 million). The dividend proposal amounts to EUR 1.60 (previous year: EUR 1.55).
- The number of contract customers with 2-year-contracts recorded a year-on-year increase of 203,000 to 6.5 million. Postpaid ARPU (average monthly sales per contract customer) is at EUR 21.40 at the previous year's level.
- Due to the saturation of the German mobile market, the company is consistently pursuing a further development of the strategy in the direction of digital lifestyle and has made three acquisitions in 2016: Media Broadcast Group "DVB-T2 HD" (100%), Exaring "waipu.tv" (25%) and Sunrise Communications Group (24.95%).
- At the end of March 2017, the old DVB-T standard was switched off. Freenet TV is the only commercial provider of the new DVB-T2 HD standard in Germany.

# Investments – Opportunity

## Lotto24 AG

WKN: LTT 024

Sector: Lottery brokerage

Market capitalization: ~223 Mio. EUR

Largest shareholder:

ca. 32% Günther-Gruppe

1.80% Scherzer & Co. AG



Lotto24 is the leading German broker of state licensed lotteries on the internet. To do this, the company on behalf of customers signs gaming contracts for lottery products such as Lotto 6aus49, Spiel 77, Super 6, EuroJackpot and Glücksspirale with each particular lottery organizer.

News:

- In September 2016 Lotto24 AG signed a loan agreement of 3.5 Mio. Euro with Günther-Group. The company expects no further financial needs until break even. This is expected for the first time in 2017.
- Lotto24 reported on 10/01/2017 successful results for 2016. The transaction volume reached EUR 200.5 million (last year: EUR 136.3 million) and thus increased by 47%. The gross margin rose from 9.9% to 11.3%.
- By 31/12/2016 the number of registered customers came up to 1.28 million (last year: 521,000). The CPL (cost per lead) could be lowered significantly from EUR 32.99 to EUR 27.13.
- In addition, Lotto24 could expand its market leadership in Germany. Its share in online lotto business rose from 26% last year to more than 30%.

# Investments – Safety

## Pfeiffer Vacuum Technology AG

WKN: 691 660

Sector: Mechanical Engineering

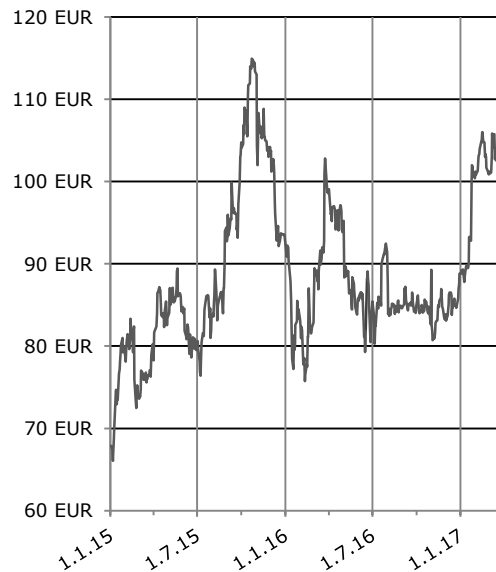
Market capitalization: ~1 Mrd. EUR

Largest shareholder:

<30,00% Pangea/Busch,

3.48% Hakuto (Japan),

3.33% State Norway



Since more than 125 years, Pfeiffer Vacuum is known for its business with vacuum technology. A milestone was the invention of the so called Turbo pump more than 50 years ago. The company is the technological world market leader. Their service program extends from vacuum pumps through measurement and analysis equipment right up to complete vacuum systems. Pfeiffer Vacuum has over 2,400 employees worldwide and more than 20 subsidiaries.

### News:

- In 2015 the competitor Busch vacuum pumps bought stocks in Pfeiffer. The share rose to around 27% in 2016. In January 2017, the Busch Group announced a voluntary takeover offer of 96.20 euro per share. In addition, Busch bought additional shares, which means that its stake in Pfeiffer is now 29.98%. On March 14, 2017 Busch withdrew its offer surprisingly. On 29.03.2017, Busch announced a renewed voluntary cash offer of 110 euro.
- In 2016, the company achieved sales of EUR 474.2 million (previous year: EUR 451.5 million) and achieved EBIT of EUR 68.0 million. This corresponds to an EBIT margin of 14.3%. Order intake amounted to EUR 481.9 million (previous year: EUR 456.9 million). The dividend proposal is 3.60 Euro per share.
- Pfeiffer Vacuum has a strong positive cash flow, high liquidity and is debt-free on balance.

# Investments – Opportunity

## Wüstenrot & Württembergische AG

WKN: 805 100 (Namen)

Sector: Insurance

Market capitalization: ~1.74 Mrd. EUR

Largest shareholder:  
39.91% Wüstenrot Holding AG,  
26.40% WS Holding AG

0.33% Scherzer & Co. AG



Emerging in 1999 from the merger of two long-established national companies Wüstenrot and Württembergische, this publicly traded corporate group with its headquarters in Stuttgart combines building society savings and insurance as its equally strong pillars. Therefore, the W&W Group can put together an all-round financial care package and personal financial benefit solutions from a single source. The W&W Group has almost six million customers throughout Germany and employs 7,000 people as well as an additional 6,000 field service partners.

News:

- Currently, increasing capital market communications are also bearing fruit. Thus, on 21 March 2016, W&W AG was included in the SDAX by Deutsche Börse AG.
- The W&W-Group successfully gained new business in 2016 and won market share. Final figures for 2016 surpassed forecasts. Consolidated net earnings totaled 253,3 Mio. Euros (2015: 274,3 Mio. Euros) as planned below last year's record figure.
- The W&W Group expanded its range of digital offers under the W&W@2020 programme. In 2016, Wüstenrot introduced computer-aided advice technology (robo-advising).
- German banks have won the right to untangle themselves from punishing long-term home-loan products. The ruling could be key to their survival in a low-interest rate era, and helps W&W Group earnings.

# Investments – Safety

## Mobotix AG

WKN: 521 830

Sector: Software, Visual technology

Market capitalization: ~196 Mio. EUR

Largest shareholder:  
~65% Konica Minolta

2.42% Scherzer & Co. AG



Mobotix AG is a software company with its own hardware development in the field of digital, high-resolution and network-based video security solutions. The focus is on the development of user-friendly complete system solutions. The company is not only an innovator for network camera technology, but its decentralized camera concept makes it possible to achieve high-resolution video systems in reality. Mobotix's Video systems have been in use on all continents for years.

### News:

- On March 29, 2016, Mobotix AG reported that the Japanese camera specialist Konica Minolta took over 65% of Mobotix shares. It is assumed that the purchase price is in a corridor between EUR 18 and 27 per share. Sellers are company founders Dr. Ralf Hinkel and Martin Putsch (Recaro seats). Due to the weakly regulated Entry Standard, no compensation offer is required to the free remaining shareholders.
- In July 2016, the company revised down its sales and earnings forecast for the 2015/16 financial year. EBIT declined to EUR -1.03 million (previous year EUR 6.6 million).
- The integration of the Mobotix products into the strong global marketing network of Konica Minolta is expected to lead to significant business growth in the coming years.

# Investments – Opportunity

## MAX Automation AG

WKN: A2DA58

Sector: Mechanical Engineering

Market capitalization: ~177 Mio. EUR

Largest shareholder:  
31.4% Günther-Group

1.38% Scherzer & Co. AG



MAX Automation AG is an international high-tech machine tool manufacturer and leading complete supplier of integrated and complex system and component solutions in the segments of industrial automation (2/3 share in sales) and environmental engineering (1/3 share in sales). The company, founded in 1991, employs 1,800 employees.

### News:

- The Günther Group in November 2015 published a mandatory offer for gaining control to the shareholders of MAX at EUR 5.30. After completion of the offer in December, the main shareholder holds 31.4% of the company's shares. Since the Günther Group became leading shareholder, there has been a consistent transformation from a holding company in the direction of a decentralized structured mechanical engineering group.
- The continuous expansion of the technology portfolio by both R&D efforts and acquisitions, lead to synergies and significant increases in profits. In this way, MAX plans sales growth of at least 5% per year and an EBIT margin of at least 8%.
- In January 2017, MAX announced a strategic stake in ESSERT GmbH, a specialist for Augmented Reality applications in the growth market Internet of Things (IoT).
- MAX had to report a declining sales and earnings development for 2016 despite a record value of the order backlog (EUR 193.8 million). The company reported consolidated sales of EUR 337.1 million, combined with EBIT before PPA-depreciation of EUR 17.4 million.

# Portfolio

## Current news

- After the Busch Group (via Pangea GmbH) had withdrawn its voluntary takeover offer of 96.20 euros for our investment Pfeiffer Vacuum Technology AG in the middle of March 2017, it announced a renewed cash offer of 110 euros per share on 29 March 2017.
- Biotest AG, in which we once again established a position in common stocks, announced on 29 March 2017 that it is in talks with the Chinese investment group Creat Group Corporation about a business combination. An offer price of EUR 28.50 per share is discussed.
- Scherzer & Co. AG has increased its investment in the msg life ag, only listed in Hamburg since 23 March 2017.
- On March 24, 2017, the extraordinary general meeting of Strabag AG, in which Scherzer & Co. AG is invested, decided to squeeze out the minority shareholders.
- The current value of Scherzer & Co. AG's portfolio currently amounts to EUR 2.40 per share. Based on a share price of EUR 2.34, Scherzer & Co. AG is trading with a discount of approximately 2.54% on the net asset value as of 31 March 2017, taking into account its liabilities. It should be noted that the calculated value is not derived from audited financial statements. The portfolio valuation does not take into account subsequent improvement rights and taxes.

## Portfolio

### Subsequent improvement volume

- An interesting corollary of investments in takeover bid/squeeze-out stocks are the successive, significant volumes of subsequent improvement rights (additional settlement claims). They represent potential claims arising from court arbitration awards sought in the wake of structural measures at listed companies.
- The volume tendered as of 31 March 2017 is approximately EUR 95.2 million.
- The subsequent improvement rights are not carried on the balance sheet.



## Portfolio Selected project completions

Deutsche Postbank AG	Data Modul AG	Sky Deutschland AG	Colonia Real Estate AG
WMF AG	Fidor Bank AG	Pironet NDH AG	Generali Deutschland Holding AG
hotel.de AG	IBS AG	SAF AG	Repower Systems SE
buch.de AG	Miba AG	Schering AG	AXA Konzern AG

## Financials

### Balance sheet figures

		31/12/2016	31/12/2015
Securities classified as non-current assets	EUR `000	42,419	31,653
Securities classified as current assets	EUR `000	30,119	33,729
Total assets	EUR `000	75,857	70,065
Shareholders` equity	EUR `000	54,193	51,225
Subscribed equity	EUR `000	29,940	29,940
Net bank liabilities	EUR `000	18,571	15,404
Equity ratio	%	71.44	73.11

# Financials

## Income statement

		01/01-31/12/16	01/01-31/12/15
Profit on ordinary activities	EUR '000	4,741	6,701
Net income	EUR '000	4,465	5,319
Earnings per share	EUR	0.15	0.18
Dividend	EUR	0.05*	0.05

\* Management and Supervisory Board proposal

# Financials

## Income statement

		01/01-31/12/16	01/01-31/12/15
Realized gains	EUR `000	6,718	10,904
Realized losses	EUR `000	730	5,456
Other operating gains	EUR `000	910	1,870
Dividend income	EUR `000	1,664	1,589
Other interest and similar income	EUR `000	144	981

# Financials

## Income statement

		01/01-31/12/16	01/01-31/12/15
Wages and salaries	EUR `000	1,241	751
Write-downs	EUR `000	7	8
Other operating expenses	EUR `000	581	476
Write-downs to fair value at reporting date	EUR `000	1,809	1,502
Interest and similar expenses	EUR `000	287	420
Taxes on income	EUR `000	276	1,383

# Financials

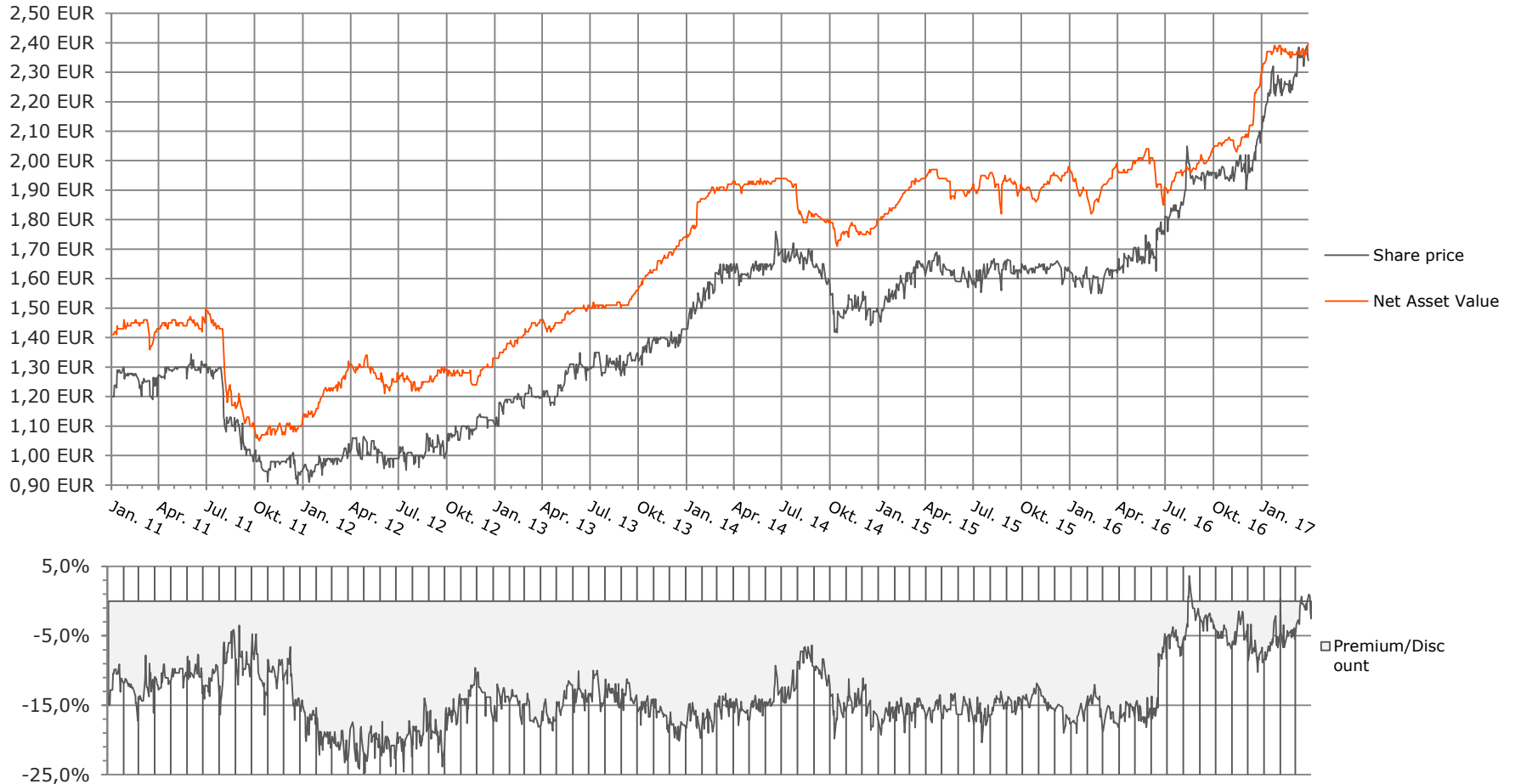
## Share/NAV performance

		2017	2016	2015	2014	2013	2012
Market capitalization	EUR '000	70,060	62,575	48,802	44,910	42,784	33,533
Peak/low	EUR	2.50/2.11	2.10/1.50	1.69/1.45	1.82/1.40	1.49/1.10	1.15/0.89
Closing value	EUR	2.34	2.09	1.63	1.50	1.43	1.12
Share performance		+11.96%	+28.22%	+8.67%	+4.97%	+27.59%	+18.39%
NAV	EUR	2.40	2.29	1.98	1.80	1.74	1.33
NAV performance		+4.80%	+18.18%*	+12.78%*	+3.45%	+30.83%	+14.65%

\* The calculation of NAV performance includes a dividend payout per share of EUR 0.05

# Financials

## Share/NAV performance



\* Net Asset Value: The present value of portfolio positions after considering company liabilities (subsequent improvement rights and any tax incurred are not included in the portfolio valuation)

# Scherzer & Co. AG Listing



Share capital	EUR 29,940,000.00, divided in 29,940,000 bearer shares
Exchange	Segment SCALE Frankfurt Stock Exchange; OTC Markets Berlin, Düsseldorf and Stuttgart Exchanges; XETRA and Tradegate
Ticker symbol	PZS
Reuters	PZSG.DE (Xetra), PZSG.F (Frankfurt), PZSG.TG (Tradegate) PZSG.BE (Berlin), PZSG.D (Düsseldorf), PZSG.SG (Stuttgart)
Bloomberg	PZS
Research	Solventis Beteiligungen GmbH Oddo Seydler Bank AG GSC Research GmbH
Designated Sponsor	Oddo Seydler Bank AG
WKN / ISIN	694 280 / DE 000 694 280 8
Shareholders	Majority held by institutional investors, >400 private shareholders



# Scherzer & Co. AG

## Organizational bodies

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### Board of Management

Dr. Georg Issels

Managing Director, Scherzer & Co. AG, since 2002  
Managing Director, RM Rheiner Management AG, since 2008

Hans Peter Neuroth

Managing Director of Scherzer & Co. AG since, 2013  
Managing Director of RM Rheiner Management AG, since 2010

### Supervisory Board

Dr. Stephan Göckeler  
Chairman

Lawyer  
Partner, Flick Gocke Schaumburg,  
Bonn, Frankfurt, Berlin and Munich

Rolf Hauschildt  
Deputy Chairman

Investor  
Managing Director, VM Value Management GmbH,  
Düsseldorf

Dr. Dirk Rüttgers

Asset Manager  
Managing Director, Do Investment AG,  
Munich

# Scherzer & Co. AG

## Contact & Financial Calendar

### Contact

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Scherzer & Co. Aktiengesellschaft  
Friesenstraße 50  
D-50670 Köln

Telefon +49 221 - 8 20 32 0  
Telefax +49 221 - 8 20 32 30

[info@scherzer-ag.de](mailto:info@scherzer-ag.de)  
[www.scherzer-ag.de](http://www.scherzer-ag.de)

Commercial register: Amtsgericht Köln,  
Reg-No. HRB 56235

### Financial Calendar 2017

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- 31/03/2017: Supervisory Board Meeting
- 29/05/2017: Annual General Meeting
- 29/05/2017: Supervisory Board Meeting
- 29/09/2017: Supervisory Board Meeting
- 01/12/2017: Supervisory Board Meeting

# Scherzer & Co. AG

## Disclaimer

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