

# Company Presentation

SCC\_Small Cap Conference

01/09-02/09/2014



Scherzer & Co.

1. Executive Summary

2. Investments

3. Portfolio

4. Financials

5. Summary



# Executive Summary

## 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.

It 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, the company gladly seizes upon opportunities to participate in promising capital measures or secondary placings.



# Scherzer & Co. AG

## Mission Statement

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- As mid-term target, to build an investment portfolio with equity financing of at least EUR 100 million.
  - 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.
  - To achieve sustained capital appreciation.
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1. Executive Summary

**2. Investments**

3. Portfolio

4. Financials

5. Summary



# 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:

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### Unknown

- 500-1000 shares without coverage
- Microcaps
- No interest in investor relations
- Illiquid trade

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### Unloved

- Business model is misconceived
- Unpopular sector
- Restructuring scenario
- Earnings power is misconceived

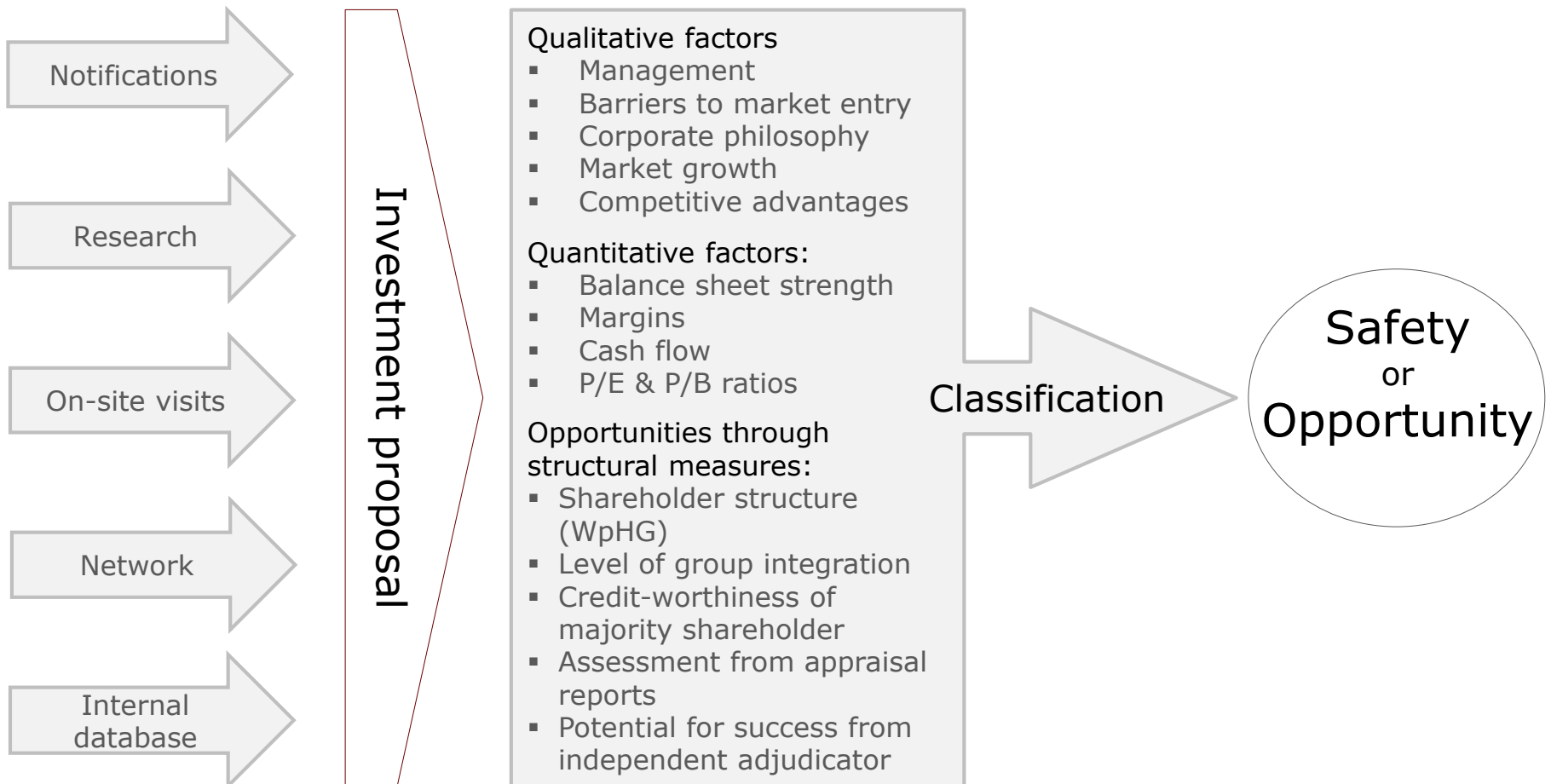
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### Special situation

- Takeover situation
  - Squeeze-out seems likely
  - Affiliation agreement seems likely
  - Capital measures
  - Reorientation
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# Investments Selection process





# Investments

## Safety and Opportunity

Risk-reduced capital appreciation while 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



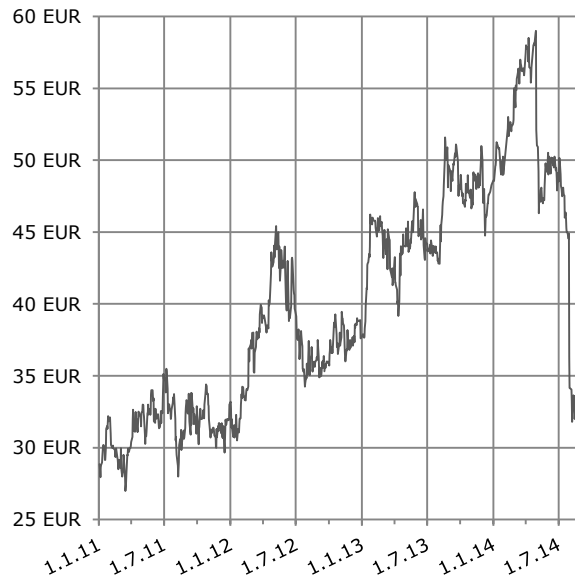


# Investments

## Example: Opportunity

### Tipp24 SE

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#### Business model:

Tipp24 SE holds equity interests in a number of companies in the UK and Spain which enable participation in lottery-based games via the Internet.

#### Investment case:

- The transfer of headquarters to the UK was carried out in February of 2014.
- The Company will at the end of April issue a one-off special dividend in the amount of EUR 7.50. The yearly dividend should be at least EUR 1.50.
- The Company's own IT infrastructure and its process know-how additionally constitute a significant asset for third parties as well and could be licensed out or monetarised on a transaction-by-transaction basis.
- End of July 2014 in a newspaper article was published possible actions that could jeopardize the business environment of foreign internet lotteries such as Tipp24. A few days later, the company also gave out an adjustment of its earnings forecast.

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WKN: TPP 024

Sector: Internet lottery

Market capitalisation: EUR 286 million

Majority Shareholder: 24.99% Oliver Jaster

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# Investments

## Example: Safety

### WMF AG



WKN: 780 303 preferred stocks

Sector: Tabelware

Market capitalisation: EUR 267 million

Majority shareholder: KKR 96.83%  
common stocks, 6.17% preferred stocks

#### Business model:

In August 2012, Finedining Capital GmbH, a KKR subsidiary, made an offer of EUR 47.00 for common shares and EUR 31.80 for preferred shares. The price offered for the common shares represents a premium of 24% relative to the closing price on 5 July 2012. However, the premium on preferred shares only amounts to 0.15%. This was only equal to the three-month average and therefore the statutory minimum price.

#### Investment-Case:

- In August 2012, Finedining Capital GmbH, a KKR subsidiary, made an offer of EUR 47.00 for common shares and EUR 31.80 for preferred shares. The price offered for the common shares represents a premium of 24% relative to the closing price on 5 July 2012. However, the premium on preferred shares only amounts to 0.15%. This was only equal to the three-month average and therefore the statutory minimum price.
- On 14/07/2014 the Fine Dining Capital GmbH has re-published a public tender offer for the preferred shares. The initial offer price increased on 06/08/2014 by 53 euros to 58 euros per preferred share. It is aiming to exclude the minority shareholders. The offer is only completed if KKR holds at least 90% of the registered capital.



# Investments

## Example: Opportunity

### GK Software AG

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#### Business model:

GK Software AG is a technologically leading software partner to retail with extensive solutions for branches and central corporate sites. Well-known customers like Galeria Kaufhof, Douglas, EDEKA, Lidl, Netto Marken-Discount and Tchibo are served.

#### Investment-Case:

- GK software is in use worldwide, in more than 35 countries and in more than 36,000 branches using 175,800 installations.
- In December 2013, SAP and GK Software were given the award by the largest Swiss retailer Migros to carry out one of the most significant European retail projects. In tandem, SAP AG has joined GK Software via a 5.29% cash increase in capital. SAP AG has subscribed to 100,000 new shares at EUR 37.82.
- SAP AG has additionally been granted a purchase option for the directly and indirectly held shares of the founders, valid up through the end of 2020.

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WKN: 757 142

Sector: Software

Market capitalisation: EUR 85 million

Majority shareholder: 55.21% company founder, 7% Scherzer & Co. AG, 5.29% SAP AG

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# Investments

## Example: Safety

### MAN SE



#### Business model:

The MAN Group is one of Europe's leading commercial vehicle, engine and mechanical engineering companies, generating annual revenue of around EUR 15.8 billion and employing a workforce of approx. 54,300 worldwide. MAN is a supplier of trucks, buses, diesel engines, turbomachinery and turnkey power plants, with all corporate divisions holding leading market positions.

#### Investment-Case:

- More than 75% of VW Group's share capital is held by Truck & Bus GmbH.
- A profit and loss transfer agreement with Volkswagen AG was resolved at the shareholders' meeting held on 6 June 2013.
- Under this structural measure, the company will pay a cash settlement of EUR 80.89 per ordinary and preferred share as well as compensation to the net sum of EUR 3.07 per ordinary and preferred share.

WKN: 593 700 common stocks

Sector: Automotive industry

Market capitalisation: EUR 12.70 billion

Majority shareholder: 75.03% Volkswagen AG

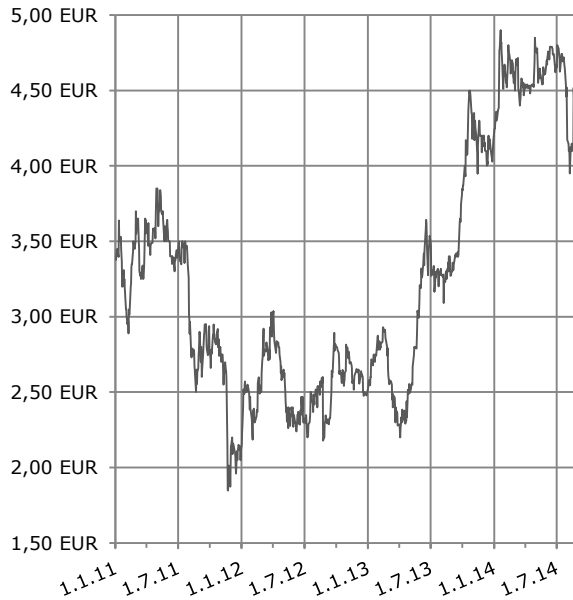


# Investments

## Example: Opportunity

### Francotyp-Postalia Holding AG

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WKN: FPH 900

Sector: Industry

Market capitalisation: EUR 71 million

Majority shareholder: 10.3% Klaus Röhrig,  
3.03% Scherzer & Co. AG,  
82.14% free-float

#### Business model:

Francotyp-Postalia is an expert in communication by letter. With 11 subsidiaries and more than 80 retailers the company is present in all of the most important world markets and has with more than 250,000 installed franking machines a global market share of about 10%.

#### Investment-Case:

- After a successful turnaround, Francotyp-Postalia AG has continued to show good annual profits. For 2013 sales and most especially profits were starkly improved. While sales grew by 2%, consolidated profits could be increased by more than 23%. There are good prospects that a dividend will already be paid for the business year just ended.
- The new marketing strategy has shown very promising initial success. In its traditional business, there is still considerable potential for improving sales and especially for profits. Rising dividends are probable in the coming years.
- Mentana Claimsoft GmbH, a subsidiary of FPH AG, is the first accredited DE mail service provider and with that has access to a potentially highly attractive market for the future. Well-known clients have already been recruited in the face of strong competition.

1. Executive Summary
2. Investments
- 3. Portfolio**
4. Financials
5. Summary



# Portfolio

## The 10 largest equity positions\*

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1.	MAN SE common stocks	WKN 593 700	8.02 %	Safety
2.	GK Software AG <sup>1</sup>	WKN 757 142	7.22 %	Opportunity
3.	Württ. Lebensversicherung AG	WKN 840 502	6.26 %	Opportunity
4.	WMF AG preferred stocks	WKN 780 303	4.82 %	Safety
5.	Allerthal-Werke AG	WKN 503 420	4.73 %	Safety
6.	Invision AG	WKN 585 969	4.17 %	Opportunity
7.	MAN SE preferred stocks	WKN 593 703	4.16 %	Safety
8.	Biotest AG common stocks	WKN 522 720	3.81 %	Opportunity
9.	R.Stahl AG	WKN A1P HBB	3.45 %	Opportunity
10.	Highlight Communications AG	WKN 920 299	2.89 %	Opportunity
		Total:	49.53 %	

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\* In order to portfolio size based on share prices as of 22 August 2014

\*\* percentage of the total portfolio

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



# Portfolio News

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- Scherzer & Co. AG has tendered its entire position in the context of increased offer of 58 EUR for WMF AG preferred shares.
  - After the announcement of a takeover bid by Dürr Technologies GmbH an participation in Homag Group AG has been built up.
  - Share position continued to be extended at Württembergische Lebensversicherung AG.
  - The current value of Scherzer & Co. AG's portfolio currently amounts to EUR 1.83 per share. Based on a share price of EUR 1.70, Scherzer & Co. AG is quoted down approximately 7.10% on the asset value as of 22 August 2014, 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 improvement rights and taxes.
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# Portfolio

## Subsequent improvement volume

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- 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 22 August 2014 is approximately **EUR 100 million**.
  - The subsequent improvement rights are not carried on the balance sheet.
  - Scherzer & Co. AG's tendered volume amounts to in excess of **EUR 115 million** if the improvement rights of Allerthal-Werke AG and RM Rheiner Management AG – attributable to the company on account of its participation – are taken into account.
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# Portfolio

## Selected project completions

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- IBS excell.collab.manufact. AG Disposed in January 2014
  - Pironet NDH AG Disposed in September 2013
  - Generali Deutschland Holding AG Disposed in July 2013
  - hotel.de AG Disposed in December 2012
  - Andrae-Noris Zahn AG Blockdeal in June 2012
  - Pixelpark AG Disposed in March 2012
  - Repower Systems S.E. Squeeze-out completed in October 2011
  - buch.de internetstores AG Blockdeal in March 2011
  - SAF Simulation Analysis & Forecasting AG Blockdeal in March 2011
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1. Executive Summary
2. Investments
3. Portfolio
- 4. Financials**
5. Summary



# Financials

## Capital development

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- **Public limited company founded in 1910:**  
Articles of association created as Porzellanfabrik Zeh, Scherzer und Co. AG.
  - **Capital increases between 2005 and 2007:**  
Increase in share capital through four separate capital increases from EUR 883,750.00 to EUR 27,219,499.00, in other words from 883,750 bearer shares to 27,219,499.
  - **Capital increase in 2012:**  
Increase in share capital from EUR 27,219,499.00 to EUR 29,940,000.00, in other words from 27,219,499 bearer shares to 29,940,000 at an issue price of EUR 1.15 per share. The 2,720,501 new shares are entitled to dividends from 1 January 2012 and were subscribed to by institutional investors. The capital increase was entered into the commercial register of Cologne in November 2012.
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# Financials

## Balance sheet figures

		30/06/14	31/12/13
Securities classified as non-current assets	EUR '000	21,687	21,119
Securities classified as current assets	EUR '000	45,435	47,801
Total assets	EUR '000	68,050	69,942
Shareholders' equity	EUR '000	46,467	43,627
Subscribed equity	EUR '000	29,940	29,940
Bank liabilities	EUR '000	18,880	24,028
Equity ratio	%	68.29	62,38



# Financials

## Income statement

		01/01-30/06/14	01/01-30/06/13
Profit/ loss on ordinary activities	EUR '000	3,290	879
Net income/ loss for the year	EUR '000	2,841	722
Earnings per share	EUR	0.09	0.02



# Financials

## Income statement

		01/01-30/06/14	01/01-30/06/13
Realized gains	EUR '000	6,112	2,818
Realized losses	EUR '000	799	410
Other operating gains	EUR '000	1	731
Dividend income	EUR '000	1,266	785
Other interest and similar income	EUR '000	81	173



# Financials

## Income statement

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		01/01-30/06/14	01/01-30/06/13
Wages and salaries	EUR '000	485	207
Write-downs	EUR '000	3	0
Other operating expenses	EUR '000	261	216
Write-downs to fair value at reporting date	EUR '000	2,321	2,502
Interest and similar expenses	EUR '000	290	281
Taxes on income	EUR '000	449	157

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# Financials

## Share / NAV performance

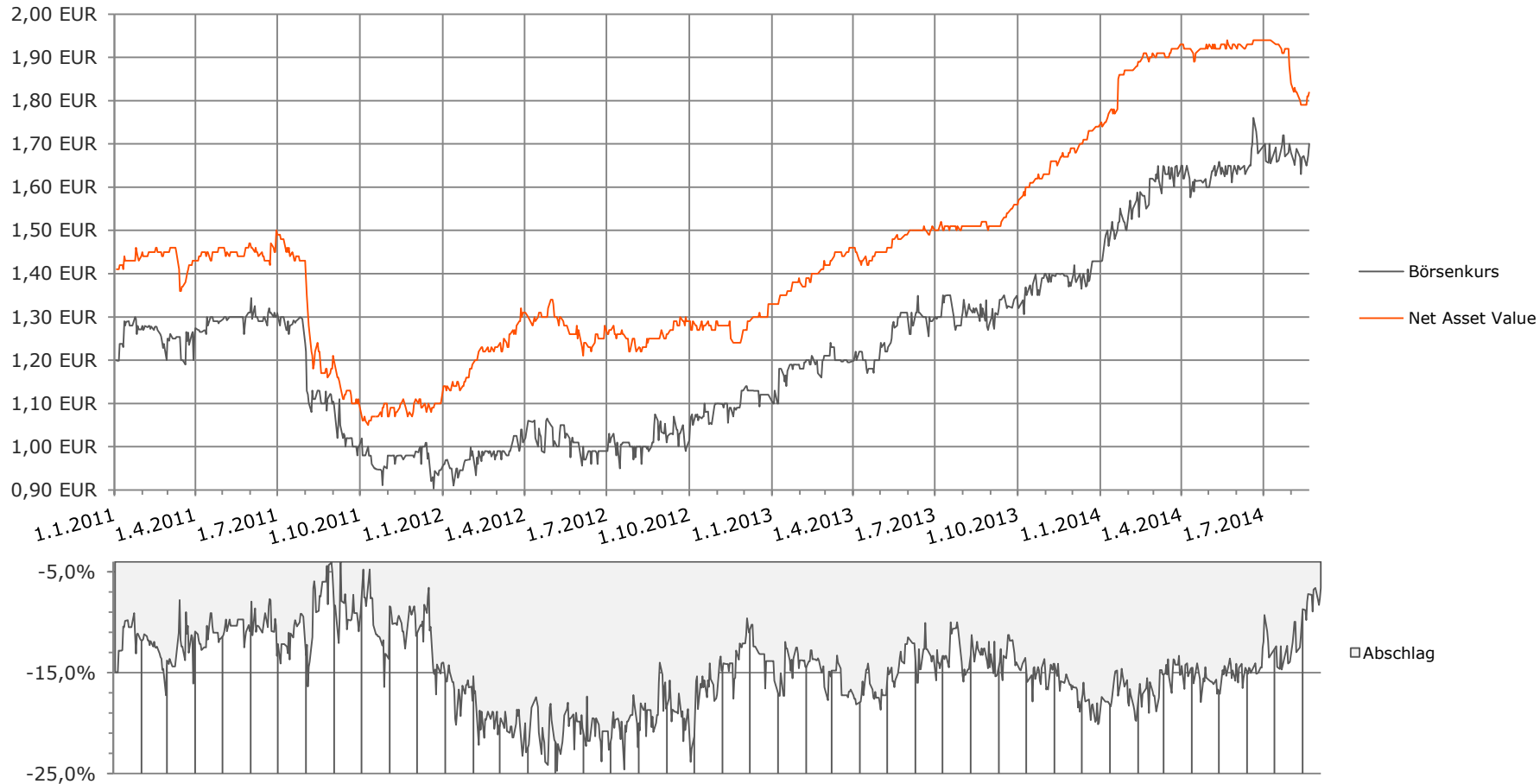
		2014	2013	2012
Market capitalisation	EUR '000	50,898	42,784	33,533
Peak/ low	EUR	1.82/ 1.40	1.49/ 1.10	1.15/ 0.89
Closing value (22/08/2014)	EUR	1.70	1.4290	1.1200
Share performance (22/08/2014)		+18.96%	+27.59%	+18.39%
NAV performance (22/08/2014)		+5.17%	+30.83%	+14.65%

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)



# 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)

1. Executive Summary

2. Investments

3. Portfolio

4. Financials

5. Summary



# Summary Listing

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- Exchange: Frankfurt Stock Exchange Entry Standard  
OTC Market at the Berlin, Düsseldorf and Stuttgart Exchanges, Xetra
  - Ticker symbol: PZS
  - Reuters: PZSG.DE (Xetra), PZSG.F (Frankfurt), PZSG.D (Düsseldorf), PZSG.BE  
(Berlin), PZSG.SG (Stuttgart)
  - Bloomberg: PZS
  - Research: Solventis Wertpapierhandelsbank GmbH  
Close Brothers Seydler Research AG  
GSC Research GmbH
  - Designated Sponsor: Close Brothers Seydler Research AG
  - WKN/ ISIN: 694 280/ DE 000 694 280 8
  - Shareholders: Majority held by institutional investors,  
>400 private shareholders
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# Summary

## Management / Supervisory Board

### Management

Dr. Georg Issels	Managing Director Scherzer & Co. AG since 2002 Managing Director RM Rheiner Management AG since 2008
Hans Peter Neuroth	Managing Director Scherzer & Co. AG since 2013 Managing Director RM Rheiner Management AG since 2010

### Supervisor

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 Silvius Dornier Holding GmbH & Co. KG Munich



# Summary

## Contact / Financial Calendar

Scherzer & Co. Aktiengesellschaft  
Friesenstraße 50  
50670 Köln

Phone: +49 221 - 8 20 32 0  
Telefax: +49 221 - 8 20 32 30

info@scherzer-ag.de  
www.scherzer-ag.de

Commercial Register: Cologne District Court  
Reg.No. HRB 56235

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- 12/02-13/02/2014: Small & Mid Cap Conference 2014 - Close Brothers Seydler Bank
  - 21/03/2014: Supervisory Board Meeting
  - 19/05/2014: Annual General Meeting
  - 19/05/2014: Supervisory Board Meeting
  - 01/09-02/09/2014: SCC\_Small Cap Conference 2014
  - 26/09/2014: Supervisory Board Meeting
  - 04/12/2014: Supervisory Board Meeting
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# Summary Disclaimer

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