

Recommendation:  
**BUY** (BUY)

Risk:  
**HIGH** (HIGH)

Price Target:  
**EUR 1.50** (1.50)

07 November 2012

## Scherzer & Co. AG announces capital increase

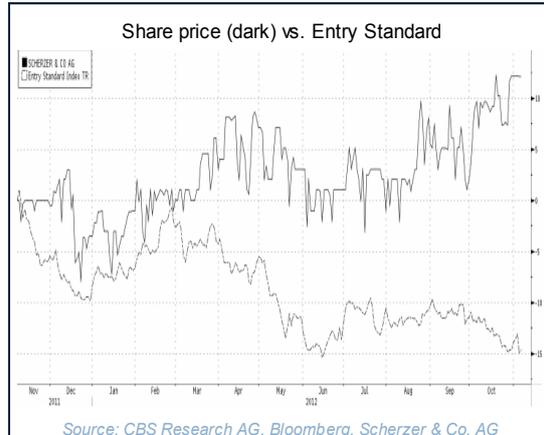
### ...investors underwrote at EUR 1.15 per share

- The company announced today in an ad-hoc press release an increase in share capital. Already on 5 October 2012 the Executive Board of Scherzer decided (with the approval of the Supervisory Board on 26 October 2012) to increase the share capital of EUR 27,219,499 by EUR 2,720,501 to EUR 29,940,000 through the issuance of up to 2,720,501 new no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share at an issue price of EUR 1.15 per share. The new shares were offered to interested institutional investors. Signed subscription forms for 2,720,501 shares have been received as of today. After the completion of the transaction, gross funds of 3,128,576.15 EUR will flow into the company. The fresh capital could be used to fund the tender offer for a 24.99% stake in Allerthal-Werke Aktiengesellschaft made in early July. The company will make an application for registering the capital increase into the Commercial Register. Following this, the application for listing the new shares into the existing Entry Standard of the Frankfurt Stock Exchange under the same identification number will be made.
- From today's point of view Scherzer's core portfolio showed a predominantly favourable performance since the beginning of the year. Eight out of ten Scherzer's core investments have gained in value year to date, whereas the prices of just two investments decreased during the same period. IBS AG remains the best performer (+78.5%) followed by Easy Software AG (+70.4%) and Invision AG (+38.9%). But we emphasise that IBS and Easy Software were incorporated into the portfolio at a later point this year. In contrast GK Software AG's (-8.8%) Klockner & Co. SE's (-24.0%) share prices have decreased year to date. In this context it is noteworthy to mention that the excecet Group SE (-50.5%) has lost a considerable part in portfolio share due its inauspicious share price development.
- The management remains cautious regarding its guidance for FY 2012 due to the still persisting uncertainty in the markets and worsening economic indicators.
- Taking the most recent news flow as well as the portfolio development into account, we stick to our estimates as we believe that the Scherzer's trackrecord in 2012 has proved management's predominantly good instinct. Hence, we **maintain our price target of EUR 1.50** and **confirm our BUY recommendation**, because Scherzer is trading with a notable discount to our price target and has outperformed its reference index over the last 12 months. Furthermore, the willingness of the new investors to pay a premium on the current share price underpins our view of a convenient share price.

#### Key data

FY 12/31, EUR m	2009	2010	2011	2012E	2013E	2014E
Total income	8.17	7.19	5.13	6.25	6.73	7.49
EBIT	6.27	4.32	-2.78	3.67	3.91	5.04
Net income	5.37	3.93	-2.77	3.25	3.48	4.59
EPS	0.20	0.14	-0.10	0.12	0.12	0.15
Fin. assets & securities	40.27	48.51	50.56	50.56	58.69	63.04
ROE	18.2%	11.8%	9.6%	9.6%	9.3%	10.9%
ROA	13.1%	7.9%	6.3%	6.3%	5.8%	7.1%
EV/EBIT	0.0	10.6	n.a.	12.5	11.7	9.1
P/E	0.0	7.6	n.a.	9.4	9.4	7.2

Source: CBS Research AG, Scherzer & Co. AG



Change	2012E		2013E		2014E	
	new	old	new	old	new	old
EURm	-	6.25	-	6.73	-	7.49
Total revenues	-	3.67	-	3.91	-	5.04
EBIT	-	0.12	0.12	0.13	0.15	0.17
EPS	-	0.12	0.12	0.13	0.15	0.17

www.scherzer-ag.de

WKN: 694280

Reuters: PZSG.DE

Sector: Financial Services

ISIN: DE0006942808

Bloomberg: PZS GY

#### Short company profile:

Scherzer & Co. AG is a private equity company. The Company invests in a wide range of securities, with a focus on special situations and/or corporate actions.

#### Share data:

Share price (EUR, latest closing price):	<b>1.10</b>
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	32.9
Enterprise value (EUR m):	45.9
Ø daily trading volume (3 m., no. of shares):	7,501

#### Performance data:

High 52 weeks (EUR):	1.10
Low 52 weeks (EUR):	0.89
Absolute performance (12 months):	12.1%
Relative performance vs. Entry Standard:	
1 month	8.9%
3 months	14.6%
6 months	21.7%
12 months	35.5%

#### Shareholders:

Free float	100%
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#### Financial calendar:

Meeting of the Supervisory Board	07 Dec 2012
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## Profit and loss statement

	HGB	EURm	2009	2010	2011	2012E	2013E	2014E
<b>Income from securities</b>			<b>1.19</b>	<b>3.13</b>	<b>2.91</b>	<b>3.73</b>	<b>3.95</b>	<b>4.13</b>
<i>YoY growth</i>			-138.8%	163.3%	-7.1%	28.4%	5.8%	4.7%
<i>as % of total income</i>			14.5%	43.5%	56.7%	59.8%	58.7%	55.2%
Income from dividends			0.54	1.19	1.33	1.49	1.55	1.65
<i>as % of total income</i>			6.6%	16.5%	26.0%	23.9%	23.1%	22.0%
Other operating income			6.45	2.87	0.89	1.02	1.22	1.71
<i>as % of total income</i>			78.9%	39.9%	17.3%	16.3%	18.2%	22.8%
<b>Total income</b>			<b>8.17</b>	<b>7.19</b>	<b>5.13</b>	<b>6.25</b>	<b>6.73</b>	<b>7.49</b>
Personnel expenses			-0.22	-0.32	-0.35	-0.20	-0.20	-0.20
<i>as % of total income</i>			-2.7%	-4.4%	-6.9%	-3.3%	-3.0%	-2.7%
Other operating expenses			-0.53	-0.55	-0.44	-0.49	-0.53	-0.59
<i>as % of total income</i>			-6.5%	-7.6%	-8.5%	-7.8%	-7.9%	-7.8%
<b>EBITDA</b>			<b>7.43</b>	<b>6.32</b>	<b>4.34</b>	<b>5.56</b>	<b>5.99</b>	<b>6.70</b>
<i>EBITDA margin in %</i>			90.9%	87.9%	84.6%	89.0%	89.0%	89.4%
Depreciation and write-offs			-1.15	-2.00	-7.12	-1.89	-2.08	-1.66
<i>as % of total income</i>			-14.1%	-27.8%	-138.9%	-30.3%	-30.9%	-22.2%
<b>EBIT</b>			<b>6.27</b>	<b>4.32</b>	<b>-2.78</b>	<b>3.67</b>	<b>3.91</b>	<b>5.04</b>
<i>EBIT margin in %</i>			76.8%	60.1%	-54.3%	58.7%	58.1%	67.2%
Financial result			-0.28	-0.29	-0.03	-0.35	-0.35	-0.35
<b>EBT</b>			<b>6.00</b>	<b>4.03</b>	<b>-2.81</b>	<b>3.32</b>	<b>3.56</b>	<b>4.69</b>
<i>EBT margin in %</i>			73.4%	56.1%	-54.9%	53.1%	52.9%	62.6%
Taxes			-0.63	-0.10	0.04	-0.07	-0.07	-0.10
<i>as % of EBT</i>			-10.5%	-2.5%	-1.6%	-2.1%	-2.1%	-2.1%
<b>Net income</b>			<b>5.37</b>	<b>3.93</b>	<b>-2.77</b>	<b>3.25</b>	<b>3.48</b>	<b>4.59</b>
Accumulated earnings/losses carried forward			-11.58	-6.21	-2.28	-5.05	-1.80	1.68
<b>Accumulated earnings/losses at year end</b>			<b>-6.21</b>	<b>-2.28</b>	<b>-5.05</b>	<b>-1.80</b>	<b>1.68</b>	<b>6.27</b>
Shares outstanding (million)			27.22	27.22	27.22	27.67	29.94	29.94
<b>Earnings per share (EUR)</b>			<b>0.20</b>	<b>0.14</b>	<b>-0.10</b>	<b>0.12</b>	<b>0.12</b>	<b>0.15</b>

Source: CBS Research AG, Scherzer & Co. AG

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Recommendation history over the last 12 months for the company analyzed in this report:

Date	Recommendation	Price at change date	Price target
18 November 2011	BUY (Update)	EUR 0.93	EUR 1.85
16 March 2012	BUY (Update)	EUR 0.99	EUR 1.60
30 March 2012	BUY (Update)	EUR 1.04	EUR 1.50
24 July 2012	BUY (Update)	EUR 1.01	EUR 1.50
07 November 2012	BUY (Update)	EUR 1.10	EUR 1.50

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