

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price Target:
EUR 1.60 (1.85)

16 March 2012

Positive news flow in 2012...

... vs. negative preliminary FY 2011 result

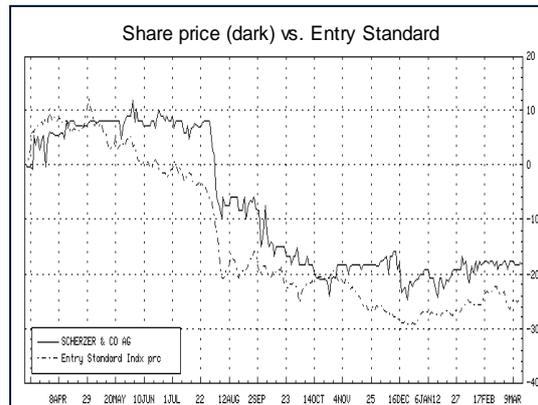
- Highlights in FY 2012:** In January, Scherzer & Co. profited from Publicis Groupe S.A.'s acquisition of Pixelpark AG for EUR 1.70 per share. The position was built up to considerable lower prices. In February, Scherzer & Co. took advantage of the positive earnings development of the long-term investment freenet AG. freenet AG announced to pay out a dividend of EUR 1.00 per share. Again, Scherzer & Co. benefited from an acquisition – Siemens AG offered IBS AG shareholders in a second bid EUR 6.10 per share. Furthermore, remarkable valuation reserves have been built up with regard to the underwriting of Scholz AG and Schaeffler AG bonds. And finally Scherzer & Co. extended last week its share in hotel.de to 5.04%, which represents the second largest investment in the portfolio.
- Already in January Scherzer & Co. posted its preliminary figures. The company will close FY 2011 with a negative result. Earnings before interest and taxes (EBIT) are anticipated to come in higher than originally expected by the management at round EUR -2.9m a ~192% decrease over previous year's result of EUR 3.1m anyway. The negative operating result is exclusively due to valuation effects. Moreover, the management determined a drop of ~171% concerning earnings before taxes (EBT), which have fallen to approximately EUR -2.9m as well (PY: EUR 4.0m).
- During the last 9 months the unfavourable share price development of Biotest AG and Generali Deutschland Holding AG set back the reported NAV per share of Scherzer & Co. by EUR ~0.15 on a stand-alone basis. While Generali's share price is recovering due to a more optimistic view of the market with regard to Generali's exposure to Italian bonds among other PIIGS countries, the price deterioration of Biotest AG's major products is still pressuring the biotech company. However, nine of Scherzer's core investments have gained in value since our last update in November 2011. We emphasise Celesio AG (+36.03%), hotel.de (+27.49%) and Invision AG (+21.58%), which have experienced a double digit increase.
- As per management guidance, a volatile market environment makes it difficult to precisely forecast earnings for the current fiscal year. On the back of the recent news flow and the prevailing market conditions we have adjusted our estimates and **cut our price target from EUR 1.85 to EUR 1.60. But we confirm our BUY recommendation** as Scherzer's share price of EUR 0.99 is trading with a 22% discount to its reported NAV and an even more notable discount to our price target.

Key data

FY 12/31, EUR m	2008	2009	2010	2011P*	2012E	2013E
Total revenues	-1.58	7.64	6.00	-	6.09	6.77
EBIT	-20.83	5.74	3.13	-2.90	3.63	4.08
Net income	-19.90	5.37	3.93	-	3.87	4.29
EPS	-0.73	0.20	0.14	-	0.14	0.16
Fin. assets & securities	35.10	40.27	48.51	-	65.92	76.39
ROE	-82.6%	18.2%	11.8%	-	11.2%	11.1%
ROA	-52.9%	13.1%	7.9%	-	5.7%	5.5%
EV/EBIT	n.m.	7.3	13.3	-	11.5	10.3
P/E	n.m.	5.0	6.8	-	7.0	6.3

Source: CBS Research AG, Scherzer & Co. AG

*preliminary result



Source: CBS Research AG, Bloomberg, Scherzer & Co. AG

Change	2011P	2012E		2013E	
EURm	preliminary	new	old	new	old
Total revenues	-	6.09	6.88	6.77	7.97
EBIT	-2.90	3.63	4.48	4.08	5.32
Net inc	-	3.87	4.87	4.29	5.68

www.scherzer-ag.de

Sector: Financial Services

WKN: 694280

ISIN: DE0006942808

Reuters: PZSG.DE

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):	0.99
Shares outstanding (m):	27.2
Market capitalisation (EUR m):	26.9
Enterprise value (EUR m):	41.1
Ø daily trading volume (3 m., no. of shares):	7,401

Performance data:

High 52 weeks (EUR):	1.34
Low 52 weeks (EUR):	0.89
Absolute performance (12 months):	-19.6%
Relative performance vs. Entry Standard:	
1 month	-2.1%
3 months	-6.4%
6 months	1.4%
12 months	7.9%

Shareholders:

Free float	100%
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Financial calendar:

AGM and Supervisory Board meeting	11 May 2012
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Profit and loss statement

	HGB	EURm	2007	2008	2009	2010	2011P*	2012E	2013E
Income from securities			7.07	-3.07	1.19	3.13	-	2.50	4.26
YoY growth			78%	-143%	-138.8%	163.3%	-	-	70.0%
Other operating income			0.22	1.49	6.45	2.87	-	3.59	2.51
Personnel expenses			-0.16	-0.19	-0.22	-0.32	-	-0.19	-0.19
as % of total revenues			-2.2%	12.2%	-2.8%	-5.3%	-	-3.2%	-2.8%
Other operating expenses			-0.98	-0.46	-0.53	-0.55	-	-0.49	-0.54
EBITDA			6.15	-2.23	6.89	5.13	-	5.41	6.04
as % of total revenues			84%	141%	90.2%	85.6%	-	88.8%	89.1%
Depreciation and write-offs			-1.79	-18.61	-1.15	-2.00	-	-1.78	-1.96
as % of total revenues			-25%	-1178%	-15.1%	-33.4%	-	-29.2%	-28.9%
EBIT			4.37	-20.83	5.74	3.13	-2.90	3.63	4.08
as % of total revenues			60%	1319%	75.1%	52.2%	-	59.5%	60.2%
Financial result			0.06	0.95	0.26	0.90	-	0.44	0.44
EBT			4.43	-19.89	6.00	4.03	-2.90	4.07	4.52
as % of total revenues			61%	-1259%	78.5%	67.2%	-	66.8%	66.8%
Taxes			0.01	-0.01	-0.63	-0.10	-	-0.20	-0.23
as % of EBT			0.2%	0.0%	-10.5%	-2.5%	-	-5.0%	-5.0%
Net income			4.43	-19.90	5.37	3.93	-	3.87	4.29
Accumulated earnings/losses carried forward			0.00	8.31	-11.58	-6.21	-2.28	-	-
Accumulated earnings/losses at year end			8.31	-11.58	-6.21	-2.28	-	-	-
Shares outstanding (million)			27.22	27.22	27.22	27.22	27.22	27.22	27.22
Earnings per share (EUR)			0.16	-0.73	0.20	0.14	-	0.14	0.16

Source: CBS Research AG, Scherzer & Co. AG

*preliminary results

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BUY: The expected performance of the share price is above +10%.

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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
08 June 2011	BUY (Initiating coverage)	EUR 1.32	EUR 1.85
05 August 2011	BUY (Update)	EUR 1.09	EUR 1.85
18 November 2011	BUY (Update)	EUR 0.93	EUR 1.85
16 March 2012	BUY (Update)	EUR 0.99	EUR 1.60

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LOW: The volatility is expected to be lower than the volatility of the benchmark

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HIGH: The volatility is expected to be higher than the volatility of the benchmark

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