

» Investment company «

# Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

## AGM and still promising portfolio for 2021

Scherzer & Co. AG held its Annual General Meeting virtually on May 27. After the summary of 2020, current positions in the portfolio and the considerations for this were presented and the opportunistic approach of Scherzer was explained. The fiscal year 2020 was characterized by the recovery on the capital market, the squeeze-out of Audi (approx. EUR 6.6m contribution to earnings), the sale of the AXA improvement rights (approx. EUR 8.5m contribution to earnings including interest) and the sale of the Draegerwerk profit participation certificates (approx. EUR 1m contribution to earnings). The actions of management were ratified, the appropriation of profits was approved in accordance with the management proposal, as was the dividend proposal of EUR 0.05 per share. We estimate the company's equity to be EUR 100m.

**BUY confirmed, target price EUR 3.30:** We do not expect such a positive combination of market development and high-volume "endgames" as in 2020 in 2021e (MAN stake at around EUR 12-13m). Nevertheless, our current estimates after the publication of the last presentation give us a fair value of EUR 3.34. Therefore, we raise our **target price** to **EUR 3.30** (2.90) and leave our **recommendation at BUY**.

**Current portfolio:** MAN SE is currently by far the leading position in Scherzer's portfolio with an 11.3% stake. Although Traton's offer of EUR 70.68 per share has been well received in the market and, with a premium of around 27% on the previous closing price, seems reasonable, Scherzer will examine this as part of a regular appraisal. Currently, a profit contribution from this would be EUR 5m. The annual general meeting of MAN will take place on June 29, that of Traton SE on June 30. **Rocket Internet SE's** current shareholding is 7.56%. Scherzer estimates the book value of the equity at approx. EUR 35.55, the share is quoted at EUR 26.50. **Continued on p. 2.**

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	6.9	7.1	7.3
EBITDA	-22.0%	8.3	1.5	12.6	5.6	5.8	6.0
Margin		87.9%	134.5%	98.9%	81.2%	81.7%	82.1%
EBIT	-22.0%	8.3	1.5	12.5	5.6	5.8	5.9
Margin		87.7%	132.9%	98.7%	81.0%	81.4%	81.9%
Net result	-15.2%	-0.9	-2.3	12.6	7.2	7.5	7.7
EPS	-15.2%	-0.03	-0.08	0.42	0.24	0.25	0.26
Dividend per share		0.00	0.00	0.05	0.05	0.05	0.05
NAV	2.3%	69.16	67.38	85.33	87.33	89.33	91.33
Return on NAV		13.6%	1.6%	14.9%	7.9%	8.0%	7.9%
ROE		-1.5%	-4.3%	18.8%	10.0%	9.5%	9.0%
ROA		-1.0%	-2.9%	14.6%	7.9%	7.6%	7.4%

Source: Scherzer, FMR

Published: 10.06.2021

**BUY**

Before: BUY

Price target **EUR 3.30 (2.90)**  
Price\* **EUR 2.96 (+12%)**

\*XETRA trading price at the close of the previous day

Change	2021e	2022e	2023e
Sales	0.0	0.0	0.0
EBIT	0.9	0.9	0.9
EPS	0.06	0.05	0.05



Source: Factset

### Share Data

	2021
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	89.0
Daily turnover (€)	13,458
High (EUR, 52 weeks)	3.02
Low (EUR, 52 weeks)	1.82

### Shareholders

Free float	100.0 %
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### Company events

Company presentation	Beginning of July
Company presentation	Beginning of August

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» Company update «

**Current portfolio continuation: Freenet AG** (5.98% portfolio share) will hold its Annual General Meeting this year on June 18 and plans to pay a dividend of EUR 1.65 (approx. 7.3% yield, “tax free”). Less liquid stocks – specialties – from Switzerland currently account for about 9% of the portfolio, about the same as the sum of the holdings **Allerthal-Werke AG** and **RM Rheiner Management AG**. As announced today, Scherzer as lead investor has invested in **peaq Technology GmbH** in a financing round with the manageable position of EUR 1.0m (about 1% of the portfolio). peaq Technology GmbH, portfolio company of Advanced Blockchain AG, participates in the European GAIA-X moveID project and is the first blockchain software development company to become a member of the German Association of the Automotive Industry (VDA) at the beginning of the year.

We expect dividend income for Scherzer from Freenet and Allerthal of more than EUR 1.0m in total - thus about 50% of our expected operating expenses for 2021e.

### New estimates for 2021e-2023e

We have updated our estimates for 2021e and 2022e and prorogued the table to 2023e:

In EURm	2021e new	2021e old	2022e new	2022e old	2023e
Net earnings from financial instrum.	6.9	6.9	7.1	7.1	7.3
EBITDA	5.6	4.7	5.8	4.9	6.0
EBIT	5.6	4.7	5.8	4.9	5.9
Net result	7.2	5.6	7.5	5.8	7.7
EPS	0.24	0.19	0.25	0.20	0.26

Source: FMR

The reason for the improved earnings margins is primarily to be found in our expectations regarding personnel expenses. We have halved these from EUR 1.5m per year to EUR 0.8m.

### Updated valuation including scenarios

#### FMR: Expectations of the NAV development per share

in EURm	current value, FMR exp.	Scenario 1	Scenario 2	Scenario 3
		TP are reached, market rises by 5% End of 2021e	TP are reached, market rises by 0% End of 2021e	TP are reached, market shrinks by 5% End of 2021e
Estimates positions incl. TOP 10	74.62	82.00	79.24	76.47
Other holdings	35.38	37.14	35.38	33.61
Exp. Value of AuM at end of 2021e		119.15	114.61	110.08
Bank loans		-14.49	-14.49	-14.49
Cash		0.00	0.00	0.00
NAV		104.65	100.12	95.59
Sum		104.65	100.12	95.59
Number of shares		29.94	29.94	29.94
<b>NAV per share in EURm</b>		<b>3.50</b>	<b>3.34</b>	<b>3.19</b>
Last shareprice in EURm		2.96	2.96	2.96
Upside potential		18.09%	12.97%	7.86%

Source: Factset, FMR

We update our data for our three scenarios, with a market development of -5%, 0% or +5%, with our main scenario being scenario 2. In all three cases, we assume that the Factset target prices of our estimated positions (current volume of approximately EUR 86m) are reached. If no Factset estimates are available for a security/investment, we expect it to perform in line with our market assumption (between -5% and +5%).

For the remaining positions (current volume of approx. EUR 41m), whose Factset estimates we do not include individually, developments differ depending on whether scenario 1, 2 or 3 is involved, in line with the market development. Possible severance prices and special effects are not taken into account.

Taking into account debt and cash, we obtain a NAV at the end of 2021 of EUR 104.7m in scenario 1, EUR 100.1m in scenario 2 and finally EUR 95.6m in scenario 3.

In developing the portfolio, our approach does not take into account any disadvantages that may result, for example, from illiquid stocks from Germany or Switzerland, as Scherzer targets precisely such special stocks.

## Updated valuation model with scenarios

in EURm	current value, FMR exp.	Scenario 1	Scenario 2	Scenario 3
		TP are reached, market rises by 5% End of 2021e	TP are reached, market rises by 0% End of 2021e	TP are reached, market shrinks by 5% End of 2021e
Estimates positions incl. TOP 10	77.65	84.32	81.97	79.62
Other holdings	25.35	26.62	25.35	24.08
Exp. Value of AuMat end of 2021e		110.94	107.32	103.71
Bank loans		-23.30	-23.30	-23.30
Cash		5.60	5.60	5.60
NAV		93.24	89.62	86.01
Sum		93.24	89.62	86.01
Number of shares		29.94	29.94	29.94
<b>NAV per share in EURm</b>		<b>3.11</b>	<b>2.99</b>	<b>2.87</b>
Last shareprice in EURm		2.46	2.46	2.46
Upside potential		26.60%	21.68%	16.77%

Source: Factset, FMR

We update our data for our 3 scenarios with our main scenario being scenario 2.

In all three cases, we assume that the Factset target prices of our estimated positions (current volume of EUR 77.65m) are reached. If no Factset estimates are available, we expect a development in line with our market assumption. For the remaining positions (current volume of EUR 25.35m), developments differ depending on whether we are dealing with scenario 1, 2 or 3: here we distinguish between increases of +5%, 0%, or -5% with the market. Possible severance prices and special effects are not taken into account.

Taking into account debt and cash, we obtain a NAV at the end of 2021 of EUR 93.24m in scenario 1, EUR 89.62m in scenario 2, and finally EUR 86.01m in scenario 3.

In developing the portfolio, our approach does not take into account any disadvantages that may result, for example, from illiquid stocks from Germany or Switzerland, as Scherzer targets precisely such special stocks.

## Appendix

## Profit and loss account

HGB	EURm	2018	2019	2020	2021e	2022e	2023e
<b>Net income from financial instruments</b>		<b>9.4</b>	<b>1.1</b>	<b>12.7</b>	<b>6.9</b>	<b>7.1</b>	<b>7.3</b>
YoY growth		-26.9%	-88.3%	1053.8%	-45.7%	2.9%	2.1%
Personnel expenses as % of sales		<b>-0.7</b> -7.3%	<b>-0.7</b> -62.7%	<b>-0.8</b> -6.2%	<b>-0.8</b> -11.6%	<b>-0.8</b> -11.3%	<b>-0.8</b> -11.0%
Other operating income as % of sales		<b>0.3</b> 2.8%	<b>1.8</b> 160.7%	<b>2.2</b> 17.1%	<b>0.3</b> 4.3%	<b>0.3</b> 4.2%	<b>0.3</b> 4.1%
Other operating expenses as % of sales		<b>-0.7</b> -7.6%	<b>-0.7</b> -63.5%	<b>-1.5</b> -12.0%	<b>-0.8</b> -11.6%	<b>-0.8</b> -11.3%	<b>-0.8</b> -11.0%
<b>EBITDA</b> as % of sales		<b>8.3</b> 87.9%	<b>1.5</b> 134.5%	<b>12.6</b> 98.9%	<b>5.6</b> 81.2%	<b>5.8</b> 81.7%	<b>6.0</b> 82.1%
Depreciation and amortization as % of sales		<b>0.0</b> 0.0%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%
<b>EBIT</b> as % of sales		<b>8.3</b> 87.7%	<b>1.5</b> 132.9%	<b>12.5</b> 98.7%	<b>5.6</b> 81.0%	<b>5.8</b> 81.4%	<b>5.9</b> 81.9%
Net financial results as % of sales		<b>-7.6</b> -80.3%	<b>-3.8</b> -343.6%	<b>0.0</b> 0.1%	<b>1.7</b> 24.0%	<b>1.7</b> 23.9%	<b>1.7</b> 23.9%
<b>EBT</b> as % of sales		<b>0.7</b> 7.5%	<b>-2.3</b> -210.8%	<b>12.6</b> 98.8%	<b>7.2</b> 105.0%	<b>7.5</b> 105.3%	<b>7.7</b> 105.9%
Taxes as % of EBT		<b>-1.6</b> -221.6%	<b>0.0</b> 0.3%	<b>0.0</b> 0.1%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%	<b>0.0</b> 0.0%
<b>Net income</b>		<b>-0.9</b>	<b>-2.3</b>	<b>12.6</b>	<b>7.2</b>	<b>7.5</b>	<b>7.7</b>
<b>EPS in EUR</b>		<b>-0.03</b>	<b>-0.08</b>	<b>0.42</b>	<b>0.24</b>	<b>0.25</b>	<b>0.26</b>

Source: Scherzer, FMR

<b>Balancesheet</b>							
HGB	EURm	2018	2019	2020	2021e	2022e	2023e
	Other fixed assets	2.1	2.7	3.4	3.0	2.9	3.0
	Financial assets as % of total assets	29.9 35.4%	24.7 30.3%	24.6 28.6%	25.6 27.9%	26.6 27.2%	27.6 26.6%
	<b>Non current assets</b> as % of total assets	<b>32.0</b> 38.0%	<b>27.4</b> 33.6%	<b>28.0</b> 32.6%	<b>28.6</b> 31.1%	<b>29.6</b> 30.2%	<b>30.6</b> 29.4%
	Other receivables and other assets	1.0	0.3	0.7	0.9	1.0	1.0
	Securities as % of total assets	49.2 58.3%	52.7 64.6%	55.9 65.0%	56.9 61.9%	57.9 59.2%	58.9 56.6%
	Cash and cash equivalents	2.1	0.7	1.2	5.4	9.4	13.5
	<b>Current assets</b> as % of total assets	<b>52.3</b> 62.0%	<b>54.1</b> 66.4%	<b>58.0</b> 67.4%	<b>63.3</b> 68.9%	<b>68.3</b> 69.8%	<b>73.5</b> 70.6%
	Accruals and deferrals	0.0	0.5	0.2	0.0	0.0	0.0
	<b>Totals assets</b>	<b>84.4</b>	<b>81.5</b>	<b>86.1</b>	<b>91.9</b>	<b>97.9</b>	<b>104.1</b>
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	26.8	24.5	37.1	42.8	48.8	55.0
	Minority interests	0.0	0.0	0.0	0.0	1.0	1.0
	<b>Total equity</b> as % of total assets	<b>56.7</b> 67.3%	<b>54.4</b> 66.8%	<b>67.0</b> 77.8%	<b>72.7</b> 79.1%	<b>78.7</b> 80.4%	<b>84.9</b> 81.6%
	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
	<b>Total liabilities and provisions</b> as % of total assets	<b>29.4</b> 34.9%	<b>27.0</b> 33.2%	<b>21.9</b> 25.4%	<b>19.2</b> 20.9%	<b>19.2</b> 19.6%	<b>19.2</b> 18.4%
	<b>Equity and liabilities</b>	<b>84.4</b>	<b>81.5</b>	<b>86.1</b>	<b>91.9</b>	<b>97.9</b>	<b>104.1</b>

Source: Scherzer, FMR

**Cash flow statement**

HGB EURm	2018	2019	2020	2021e	2022e	2023e
<b>Net income</b>	<b>-0.9</b>	<b>-2.3</b>	<b>12.6</b>	<b>7.2</b>	<b>7.5</b>	<b>7.7</b>
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	0.0	0.0	0.0
Change in Working Capital	3.9	0.3	-5.0	0.0	0.0	0.0
<b>Cash flow from operating activities</b>	<b>11.0</b>	<b>5.1</b>	<b>15.4</b>	<b>7.3</b>	<b>7.5</b>	<b>7.7</b>
<b>Cash flow form investing activities</b>	<b>-7.6</b>	<b>-4.0</b>	<b>-7.8</b>	<b>-1.6</b>	<b>-2.0</b>	<b>-2.0</b>
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
<b>Cash flow from financing activities</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-7.1</b>	<b>-1.5</b>	<b>-1.5</b>	<b>-1.5</b>
<b>Total change in cash and cash equivalents</b>	<b>1.0</b>	<b>-1.4</b>	<b>0.5</b>	<b>4.2</b>	<b>4.0</b>	<b>4.1</b>
Effect of exchange rate changes and other changes	0.0	0.0	0.7	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	1.1	2.1	0.0	1.2	5.4	9.4
<b>Cash and cash equivalents at year's end</b>	<b>2.1</b>	<b>0.7</b>	<b>1.2</b>	<b>5.4</b>	<b>9.4</b>	<b>13.5</b>

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: 10.06.2021
- 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.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

**Company Disclosure(s)**

Scherzer & Co. AG

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b) FMR Frankfurt Main Research AG has been commissioned by ODDO BHF Corporates & Markets AG to prepare this financial analysis. ODDO BHF Corporates & Markets AG in turn acts on behalf of the issuers who are themselves or whose financial instruments are the subject of this financial analysis.

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

**Company Disclosure(s)**

Scherzer & Co. AG

iii; vi

Recommendation history for the last 12 months:

Date	Recommendation	Share price at publishing date	Target price
19.06.2020	HOLD	2.04	2.20
17.08.2020	BUY	2.28	2.60
28.08.2020	BUY	2.28	2.60
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

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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

Felix Lutz, 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.

#### 6. Sensitivity of the evaluation parameters

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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#### 8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

#### 9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest

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