

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price Target:
EUR 1.70 (1.60)

22 March 2013

Final figures for FY 2012 better than indicated...

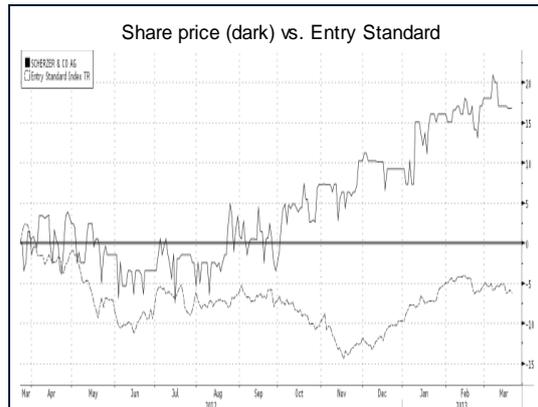
...reported NAV rose approx. 8% year-to-date

- Scherzer & Co. AG recently announced strong final results for FY 2012. As already indicated by the preliminary figures, the result from operating activities before tax (EBT) considerably improved from EUR -2.8m to EUR 4.2m, which was somewhat higher than the preliminary figure, beating our estimate by approx. 14%. As already mentioned in our last update, positive valuation effects on the portfolio had a notable impact on the improvement of the operative result. Thus, income from securities reached EUR 4.0m representing an increase of 37% (PY: EUR 2.9m). Other operating income even more than doubled amounting to EUR 2.3m (PY: EUR 0.9m). Contrary to that development dividend income decreased by 21% from EUR 1.3m to EUR 1.1m. However, lower write-offs on financial assets, which decreased by roughly 70% to EUR 2.2m (PY: EUR 7.1m), acted as main earnings driver. Accordingly, net income stood at EUR 3.9m (PY: EUR -2.8m), translating into an EPS of EUR 0.14 (PY: EUR -0.10). At the end of FY 2012 the potential squeeze-out volume of Scherzer's investments amounted to EUR 82.3m (PY: EUR 74.2m). This translates into EUR 2.75 (PY: EUR 2.73) on a per share basis.
- Examining Scherzer's balance sheet, non-current financial assets remained more or less constant, adding up to EUR 15.8m (PY: EUR 15.6m). Securities rose by 11% to EUR 30.8m (PY: EUR 27.7m) partially reflecting the positive valuation effects. Net debt decreased by 38% to EUR 8.1m (PY: EUR 13.0m). The company's equity increased from EUR 30.7m in FY 2011 to EUR 37.7m in FY 2012, translating into an equity ratio of 75.3% (PY: 68.9%).
- The ten largest positions in Scherzer's portfolio showed a predominantly favourable year-on-date performance. Nine out of ten Scherzer's core investments have gained in value since beginning of FY 2013. Generali Deutschland Holding AG was the best performer (+28.7%) followed by IBS AG (+24.4%) and Aixtron SE (+21.0%). Within the top ten positions only GK Software AG's (-5.7%) share price has decreased year-to-date. The reported NAV increased by roughly 8% to EUR 1.45.
- On the back of the final figures and the year-to-date performance of Scherzer's portfolio, we have made some adjustments regarding our estimates, having a positive impact on our calculated fair value, which amounts to EUR 1.73. Hence, **we lift our price target from EUR 1.60 to EUR 1.70 and confirm our BUY recommendation** as we believe that the upside potential of Scherzer shares is far from being exploited and that Scherzer's portfolio will further benefit from the upswing on capital markets.

Key data

FY 12/31, EUR m	2010	2011	2012	2013E	2014E	2015E
Total income	7.19	5.13	7.35	8.03	8.00	8.89
EBIT	4.32	-2.78	4.25	4.66	5.04	6.05
Net income	3.93	-2.77	3.91	4.53	4.90	5.90
EPS	0.14	-0.10	0.14	0.15	0.16	0.20
Fin. assets & securities	48.51	43.33	43.33	50.63	54.64	56.79
ROE	11.8%	-9.0%	10.5%	11.6%	11.2%	11.2%
ROA	7.9%	-6.2%	7.8%	8.3%	8.4%	9.5%
EV/EBIT	10.1	n.a.	10.3	9.4	8.7	7.2
P/E	8.3	n.a.	8.5	7.9	7.3	6.1

Source: CBS Research AG, Scherzer & Co. AG



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

Change	2013E		2014E		2015E	
EURm	new	old	new	old	new	old
Total income	8.03	6.98	8.00	7.81	8.89	8.61
EBIT	4.66	4.16	5.04	5.35	6.05	6.43
EPS	0.15	0.12	-	0.16	-	0.20

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):	1.20
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	35.8
Enterprise value (EUR m):	43.8
Ø daily trading volume (3 m., no. of shares):	9,966

Performance data:

High 52 weeks (EUR):	1.24
Low 52 weeks (EUR):	0.95
Absolute performance (12 months):	16.8%
Relative performance vs. Entry Standard:	
1 month	2.6%
3 months	2.5%
6 months	16.9%
12 months	28.4%

Shareholders:

Free float	100%
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Financial calendar:

AGM	June 03, 2013
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Appendix

Profit and loss y/y comparison

	HGB	EURm	2012	2011	change	% change
Income from securities			4.00	2.91	-1.09	-27.2%
as % of total income			54.4%	56.7%		
Income from dividends			1.06	1.33	0.28	26.3%
as % of total income			14.4%	26.0%		
Other operating income			2.30	0.89	-1.41	-61.4%
as % of total income			31.3%	17.3%		
Total income			7.35	5.13	2.22	43.3%
Personnel expenses			-0.31	-0.35	0.04	-10.9%
as % of total income			-4.3%	-6.9%		
Other operating expenses			-0.59	-0.44	-0.15	35.2%
as % of total income			-8.0%	-8.5%		
Depreciation and write-offs			-2.20	-7.12	4.92	-69.1%
as % of total income			-29.9%	-138.9%		
EBIT			4.25	-2.78	7.03	n.a.
EBIT margin in %			57.8%	-54.3%		
Interest income			0.43	0.59	-0.16	-27.9%
as % of total income			5.8%	11.5%		
Interest expenses			-0.49	-0.62	0.13	-21.5%
as % of total income			-6.6%	-12.1%		
EBT			4.19	-2.81	7.00	n.a.
EBT margin in %			57.0%	-54.9%		
Income taxes			-0.28	0.04	-0.32	-724.8%
Tax rate in %			6.6%	1.6%		
Net income			3.91	-2.77	6.68	n.a.
Accumulated earnings/losses carried forward			-5.05	-2.28	-2.77	121.3%
Accumulated earnings/losses at year end			-1.14	-5.05	3.91	-77.4%
Shares outstanding (in millions)			27.67	27.22	0.45	1.7%
Earnings per share (EUR)			0.14	-0.10	0.24	n.a.

Source: CBS Research AG; Scherzer & Co. AG

Profit and loss statement

	HGB	EURm	2010	2011	2012	2013E	2014E	2015E
Income from securities			3.13	2.91	4.00	4.20	4.31	4.54
<i>YoY growth</i>			163.3%	-7.1%	37.4%	5.1%	2.7%	5.4%
<i>as % of total income</i>			43.5%	56.7%	54.4%	52.3%	53.9%	51.1%
Income from dividends			1.19	1.33	1.06	1.25	1.31	1.55
<i>as % of total income</i>			16.5%	26.0%	14.4%	15.6%	16.3%	17.4%
Other operating income			2.87	0.89	2.30	2.58	2.38	2.79
<i>as % of total income</i>			39.9%	17.3%	31.3%	32.1%	29.7%	31.4%
Total income			7.19	5.13	7.35	8.03	8.00	8.89
Personnel expenses			-0.32	-0.35	-0.31	-0.31	-0.31	-0.31
<i>as % of total income</i>			-4.4%	-6.9%	-4.3%	-3.9%	-3.9%	-3.5%
Other operating expenses			-0.55	-0.44	-0.59	-0.65	-0.71	-0.79
<i>as % of total income</i>			-7.6%	-8.5%	-8.0%	-8.1%	-8.9%	-8.8%
EBITDA			6.32	4.34	6.45	7.07	6.97	7.79
<i>EBITDA margin in %</i>			87.9%	84.6%	87.7%	88.0%	87.2%	87.6%
Depreciation and write-offs			-2.00	-7.12	-2.20	-2.41	-1.93	-1.74
<i>as % of total income</i>			-27.8%	-138.9%	-29.9%	-30.0%	-24.1%	-19.5%
EBIT			4.32	-2.78	4.25	4.66	5.04	6.05
<i>EBIT margin in %</i>			60.1%	-54.3%	57.8%	58.0%	63.0%	68.1%
Financial result			-0.29	-0.03	-0.06	-0.06	-0.06	-0.06
EBT			4.03	-2.81	4.19	4.60	4.98	5.99
<i>EBT margin in %</i>			56.1%	-54.9%	57.0%	57.3%	62.3%	67.4%
Taxes			-0.10	0.04	-0.28	-0.07	-0.08	-0.09
<i>as % of EBT</i>			-2.5%	-1.6%	-6.6%	-1.6%	-1.6%	-1.6%
Net income			3.93	-2.77	3.91	4.53	4.90	5.90
Accumulated earnings/losses carried forward			-6.21	-2.28	-5.05	-1.14	3.38	8.29
Accumulated earnings/losses at year end			-2.28	-5.05	-1.14	3.38	8.29	14.18
Shares outstanding (million)			27.22	27.22	27.67	29.94	29.94	29.94
Earnings per share (EUR)			0.14	-0.10	0.14	0.15	0.16	0.20

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
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
16 January 2013	BUY (Update)	EUR 1.15	EUR 1.60
22 March 2013	BUY (Update)	EUR 1.20	EUR 1.70

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