

Scherzer & Co. AG

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06 March, 2020

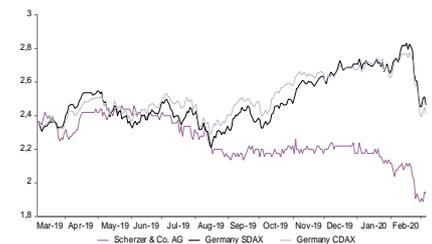
HOLD

Before: HOLD

Price target **EUR 2.30 (2.40)**
Price* **EUR 1.94 (+19%)**

*XETRA trading price at the close of the previous day

Change	2019e	2020e	2021e
Sales	-	-	-
EBIT	-	-	-
EPS	-	-	-



Source: Factset

Share Data

	2020
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	58.0
Daily turnover (€)	31,136
High (EUR, 52 weeks)	2.48
Low (EUR, 52 weeks)	1.84

Shareholders

Free float	100.0 %
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Company events

March presentation	Beginning of April
Annual report 2019	Beginning of April

Analyst

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In cooperation with:



Performance overshadowed by market turbulence

On 29.02.2020 Scherzer published his current NAV and the TOP-10 positions in the portfolio. The Scherzer share lost 16.5% since the beginning of the year, whereas the DAX was "only" -13.1%. However, the NAV of Scherzer came to "only" -6.5% in the same period. MAN and AUDI have improved as a result of squeeze-out plans, however the majority of the holdings went down with the market. Currently, the discount between the share price of EUR 1.94 and the published net asset value of 29.02. (EUR 2.15 p. share) is 19%. Since a recovery cannot be estimated in the current situation, we maintain our HOLD recommendation and set our target price at EUR 2.30 (2.40).

Investment in Arcandor: Scherzer has bought into Arcandor (24.52% of the voting rights) and is currently having a feasibility study prepared for the implementation of an plan insolvency procedure. Should this be possible, the loss carryforward of approximately EUR 1.9bn could be further exploited/sold after an agreement with the creditors. The current share price is EUR 0.022.

Squeeze-out at VW shareholdings MAN and AUDI: As announced last week, VW intends to buy MAN SE and AUDI and thus carry out a squeeze-out of minority shareholders. After the announcement, the price of AUDI shares rose from EUR 812 to EUR 1,030, and at MAN from EUR 35.90 to over EUR 45. Scherzer, which holds both shares and AUDI has long been among the top 10 positions (February presentation: 7.05%), thus contributing to the NAV of EUR 2.15. The settlement prices have not yet been announced for both companies.

HOLD, TP EUR 2.30: We have updated our valuation model and set our target price at EUR 2.30 (2.40). We obtain this value from the average of the fair values of our base scenario (EUR 2.36) and our negative scenario (EUR 2.25).

FY End: 31.12. in EURm	CAGR (18-21e)	2016	2017	2018	2019e	2020e	2021e
Net earnings from fin. instruments	-11.6%	6.0	12.9	9.4	-2.0	6.4	6.5
EBITDA	-20.9%	5.0	10.2	8.3	-2.6	4.0	4.1
Margin		84.1%	78.9%	87.9%	130.1%	62.2%	63.1%
EBIT	n.m.	5.0	10.2	8.3	-2.6	3.9	4.1
Margin		84.0%	78.8%	87.7%	131.7%	61.6%	62.9%
Net result	n.m.	4.5	7.9	-0.9	-2.2	4.6	4.9
EPS	n.m.	0.15	0.26	-0.03	-0.06	0.16	0.17
Dividend per share		0.05	0.05	0.10	0.00	0.00	0.00
NAV		68.56	82.04	69.16	70.05	74.05	78.05
Return on NAV		8.7%	15.7%	13.6%	-2.9%	8.6%	8.3%
ROE		8.2%	13.0%	-1.5%	-4.1%	7.8%	7.6%
ROA		5.9%	8.8%	-1.0%	-2.7%	5.2%	5.3%

Source: Scherzer, FMR

NAV of Scherzer

		Scenario 1	Scenario 2	Scenario 3
		TP are reached, market rises by 5%	TP are reached, market rises by 0%	TP are reached, market shrinks by 5%
	current value, FMR exp.	End of 2020e	End of 2020e	End of 2020e
TOP 10 holdings	50.29	58.13	56.63	55.12
Other holdings	38.71	40.65	38.71	36.78
Exp. Value of AuM at end of 2020e		98.78	95.34	91.90
Bank loans		-26.90	-26.90	-26.90
Cash		2.30	2.30	2.30
NAV		74.18	70.74	67.30
Sum		74.18	70.74	67.30
Number of shares		29.94	29.94	29.94
NAV per share		2.48	2.36	2.25
Last shareprice		1.94	1.94	1.94
Upside potential		27.71%	21.79%	15.87%

Source: FMR Research AG

To determine our new price target of EUR 2.30, we take the average of the fair values of our base scenario 2 – EUR 2.36 per share – and that of scenario 3, in which we assume a further market decline of 5% (EUR 2.25 per share).

We confirm our HOLD recommendation (Hold).

Appendix

Profit and loss account

HGB	EURm	2016A	2017A	2018A	2019E	2020E	2021E
Net income from financial instruments		6.0	12.9	9.4	-2.0	6.4	6.5
YoY growth		9.9%	115.2%	-26.9%	-121.2%	-418.4%	2.3%
Personnel expense		-1.3	-2.7	-0.7	-0.7	-1.5	-1.5
as % of sales		-21.3%	-20.8%	-7.3%	35.1%	-23.6%	-23.1%
Other operating income		0.9	0.9	0.3	1.0	0.0	0.0
as % of sales		15.2%	7.3%	2.8%	-50.1%	0.0%	0.0%
Other operating expenses		-0.6	-1.0	-0.7	-0.9	-0.9	-0.9
as % of sales		-9.7%	-7.6%	-7.6%	45.1%	-14.2%	-13.9%
EBITDA		5.0	10.2	8.3	-2.6	4.0	4.1
as % of sales		84.1%	78.9%	87.9%	130.1%	62.2%	63.1%
Depreciation and amortization		0.0	0.0	0.0	0.0	0.0	0.0
as % of sales		-0.1%	-0.1%	-0.2%	1.7%	-0.6%	-0.2%
EBIT		5.0	10.2	8.3	-2.6	3.9	4.1
as % of sales		84.0%	78.8%	87.7%	131.7%	61.6%	62.9%
Net financial results		-0.3	-2.2	-7.6	-0.3	1.9	2.1
as % of sales		-4.8%	-17.2%	-80.3%	13.9%	29.8%	32.5%
EBT		4.7	7.9	0.7	-2.9	5.8	6.2
as % of sales		79.2%	61.7%	7.5%	145.6%	91.4%	95.4%
Income tax		-0.3	0.0	-1.6	0.6	-1.2	-1.3
as % of EBT		-5.8%	-0.4%	-221.6%	-21.0%	-21.0%	-21.0%
Net income		4.5	7.9	-0.9	-2.3	4.6	4.9
EPS in EUR		0.15	0.26	-0.03	-0.07	0.16	0.17

Source: Scherzer, FMR

Balance							
HGB	EURm	2016A	2017A	2018A	2019E	2020E	2021E
	Other fixed assets	2.1	2.4	2.1	2.1	2.1	2.1
	Financial assets	42.4	33.8	29.9	30.0	32.0	34.0
	as % of total assets	55.9%	37.6%	35.4%	35.3%	35.7%	36.0%
	Non current assets	44.5	36.2	32.0	32.1	34.1	36.1
	as % of total assets	58.7%	40.3%	38.0%	37.8%	38.1%	38.2%
	Other receivables and other assets	0.9	5.1	1.0	0.5	0.9	0.9
	Securities	30.1	47.4	49.2	50.0	52.0	54.0
	as % of total assets	39.7%	52.8%	58.3%	58.8%	58.0%	57.1%
	Cash and cash equivalents	0.2	1.1	2.1	2.3	2.6	3.5
	Current assets	31.3	53.5	52.3	52.9	55.5	58.4
	as % of total assets	41.3%	59.7%	62.0%	62.2%	61.9%	61.8%
	Accruals and deferrals	0.0	0.0	0.0	0.0	0.0	0.0
	Totals assets	75.9	89.7	84.4	85.0	89.6	94.5
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	24.3	30.7	26.8	25.7	30.3	35.2
	Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
	Total equity	54.2	60.6	56.7	55.7	60.2	65.1
	as % of total assets	71.4%	67.5%	67.3%	65.5%	67.2%	68.9%
	Provisions	2.8	3.9	1.8	1.8	1.8	1.8
	Financial liabilities	18.8	25.1	25.7	26.9	26.9	26.9
	Other liabilities	0.1	0.1	0.1	0.1	0.1	0.1
	Total liabilities and provisions	21.7	29.1	29.4	28.8	28.9	28.9
	as % of total assets	28.6%	32.5%	34.9%	33.9%	32.2%	30.6%
	Equity and liabilities	75.9	89.7	84.4	85.0	89.6	94.5

Source: Scherzer, FMR

Cash flow statement

HGB	EURm	2016A	2017A	2018A	2019E	2020E	2021E
Net income		4.5	7.9	-0.9	-2.3	4.6	4.9
Depreciation and amortisation		0.0	0.0	0.0	1.8	0.0	0.0
Other transactions incl. non-cash		1.4	3.8	19.5	22.5	25.9	26.2
Change in Working Capital		-0.6	-8.8	-1.3	3.4	2.6	4.7
Cash flow from operating activities		6.0	5.6	15.1	1.8	4.3	4.9
Cash flow form investing activities		-9.2	-8.9	2.3	-0.9	-4.0	-4.0
Change in debt		1.6	6.3	0.6	1.2	0.0	0.0
Dividend payments		-1.5	-1.5	-3.0	0.0	0.0	0.0
Other financing activities		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities		0.1	4.8	-2.4	1.2	0.0	0.0
Total change in cash and cash equivalents		-3.1	1.5	15.0	2.1	0.3	0.9
Effect of exchange rate changes and other changes		1.8	0.4	-14.1	-1.8	0.0	0.0
Cash and cash equivalents at the start of the period		1.8	0.2	1.1	2.1	2.3	2.6
Cash and cash equivalents at year's end		0.2	1.1	2.1	2.3	2.6	3.5

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: 06 March 2020,
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 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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(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.

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Company **Disclosure(s)**

Scherzer & Co. AG

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b) FMR Frankfurt Main Research AG has concluded a cooperation agreement with Oddo Seydler Bank AG, on the basis of which this financial analysis is compiled. Oddo Seydler Bank AG is acting as the agent of the issuer, which is either the subject of the financial analysis itself or its financial instruments are the subject of the 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.

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Company **Disclosure(s)**

Scherzer & Co. AG

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Valuation history for the last 12 months:

Date	Recommendation	Share price at publishing date	Target price
19.03.2019	HOLD	2.38	2.60
22.03.2019	HOLD	2.36	2.60
19.12.2019	HOLD	2.20	2.40
28.01.2020	HOLD	2.18	2.40
06.03.2020	HOLD	1.94	2.30

4. Creation and distribution

a) Responsibility for creation and distribution

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, 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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