



Scherzer & Co. AG

Buy → | Target price : 1.85 EUR

Price : 1.57 EUR | Upside : 18 %

Est.chg	2015e	2016e
EPS	-	-

Prelim pre-tax earnings up >65% yoy and 4.8% above our estimate; Buy, TP € 1.85

Tuesday 19 January 2016



Capital	
PZS GR PZSG.DE	
Market Cap (EURm)	47
Enterprise value (EURm)	75
Extrema 12 months	1.52 – 1.69
Free Float (%)	100.0

Performance (%)			
	1m	3m	12m
Absolute	-0.6	-3.7	1.9
Perf. rel. "sector"	9.2	6.4	9.3
Perf. rel. Property, holding	13.9	8.2	0.1

P&L			
	12/15e	12/16e	12/17e
Sales (EURm)	10.8	8.1	8.9
EBITDA (EURm)	9.7	7.0	7.8
Current EBIT (EURm)	6.5	5.2	5.2
Attr. net profit (EURm)	6.0	4.8	4.6
Adjusted EPS (EUR)	0.20	0.16	0.15
Dividend (EUR)	0.05	0.05	0.05
P/E (x)	8.0	9.9	10.2
P/B (x)	0.9	0.9	0.8
Dividend Yield (%)	3.1	3.2	3.2
FCF yield (%)	7.4	17.3	16.1
EV/Sales (x)	6.90	8.67	7.49
EV/EBITDA (x)	7.6	10.0	8.6
EV/Current EBIT (x)	11.4	13.4	13.0
Gearing (%)	47	39	31
Net Debt/EBITDA(x)	2.5	3.0	2.3

Next Events	
18.05.2016	AGM
27.08.2016	H1 Results

Strong 2015 prelims despite challenging environment in H2

Scherzer & Co. AG recently released its preliminary results for the full year 2015. Operating profit (EBIT) came in at €5.8m (2014: €4.2m), up 38.1% yoy but about 10.8% below our estimate of €6.5m. Preliminary pre-tax profit, at €6.5m, was up more than 65% yoy and c.4.8% above our estimate of €6.2m. The positive financial result of €0.7m is mainly attributable to an interest income contribution related to the arbitration procedures concerning the squeeze-out of Bayer/Schering. Overall, we consider the preliminary results strong given the H2 2015 market adversity caused by turbulence, especially in China, which has spread around the globe and may have constrained profitable realisations.

Scherzer: preliminary figures for the full year 2015

EUR m	2015 prelim.	Oddo est.	difference	2014	yoy chg
EBIT	5.8	6.5	-10.8%	4.2	38.1%
EBT	6.5	6.2	+4.8%	3.9	66.7%

Source: Company data; Oddo Seydler Bank AG

2015 total return on NAV reached 12.8%

Scherzer's ten largest portfolio positions, which account for 51.3% of its total portfolio volume, showed predominantly favourable yoy performances in 2015 as follows (ordered by size of holding): W&W Wüstenrot und Württembergische AG (+11.1%), GK Software AG (-12.1%), Lotto24 AG (+59.4%), Allerthal-Werke AG (+6.5%), MAN SE (preferred shares, -0.4%), InVision AG (+2.0%), Data Modul AG (+84.8%), Horus AG (+2.5%), Mobotix AG (+24.9%), Pfeiffer Vacuum Technology AG (+34.7%). The NAV of Scherzer's combined portfolio positions increased from €1.80 per share at 31 December 2014 to €1.98 at 31 December 2015. Including the €0.05 dividend per share distributed in May 2015, the company's total yoy return on NAV amounted to 12.8% (2014: 3.5%). The expected dividend per share of €0.05 implies a yield of 3% based on the current share price.

Latest portfolio moves: a busy December

On 21 December 2015 the squeeze-out of minority shareholders in Deutsche Postbank AG was entered in the commercial register. Furthermore, on 03 December 2015 the squeeze-out of the Austrian Miba AG became effective. Consequently, Scherzer has compensatory claims related to these portfolio holdings worth a total of €7.6m. Scherzer significantly reduced its stakes in Bastei Lübbe AG and Highlight Communications AG in December. Furthermore, the company has built up a stake ~5% in the FinTech company Fidor Bank AG; although delisted in 2015, this stock continues to be traded over the counter. Last but not least, Scherzer established positions in takeover candidate MAX Automation AG (1.2%) and Adler Modemärkte AG. It also increased its position in Pfeiffer Vacuum Technology AG and Mobotix AG (1.4%).

Current discount to NAV 160bp above the historical 2-year average

Due to the overall weakness of markets since the beginning of 2016, Scherzer's reported NAV has dropped to €1.91 since YE 2015. Accordingly, Scherzer shares currently trade at a 17% discount to reported NAV, which is more than 160bp above the historical two year average discount of 15.4%. Note that the portfolio valuation excludes €96.3m (€98.0m) or €3.21 per share worth of compensatory claims related to various portfolio positions that Scherzer held at 31 December 2015. We reiterate our Buy rating on the stock and maintain our target price of €1.85, implying upside of +18% and forward P/Es of 9.3x (2015e) and 11.6x (2016e).

Ivo Višić (Analyst)
+49 (69) 92 05 48 19
ivo.visic@oddoeydler.com

Conflict of interests:

Oddo Securities, a division of Oddo et Cie, limited sharepartnership - Bank authorised by ACPR. Oddo & Cie and/or one of its subsidiaries could be in a conflict of interest situation with one or several of the groups mentioned in this publication. Please refer to the conflict of interests section at the end of this document.
This is a non-contractual document, it is strictly for the private use of the recipient, and the information it contains is based on sources we believe to be reliable, but whose accuracy and completeness cannot be guaranteed. The opinions given in the document reflect our appraisal at the time of publication and may therefore be revised at a later date.

PZSG.DE | PZS GR
Financial Services | Germany

Buy Price **1.57EUR**
Upside **17.83%** **TP** **1.85EUR**

	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
PER SHARE DATA (EUR)								
Adjusted EPS	0.14	-0.10	0.14	0.20	0.13	0.20	0.16	0.15
Reported EPS	0.14	-0.10	0.14	0.20	0.13	0.20	0.16	0.15
Growth in EPS(%)	-26.7%	ns	ns	39.0%	-36.8%	59.8%	-21.0%	-3.4%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.05	0.05	0.05
FCF to equity per share	-0.23	-0.05	0.08	-0.38	0.19	0.12	0.27	0.25
Book value per share	1.23	1.12	1.38	1.46	1.58	1.73	1.84	1.95
Number of shares market cap	27.22	27.22	27.22	29.94	29.94	29.94	29.94	29.94
Number of diluted shares	27.22	27.22	27.22	29.94	29.94	29.94	29.94	29.94
VALUATION								
12m highest price	1.22	1.34	1.14	1.43	1.76	1.69	1.62	
12m lowest price	0.91	0.90	0.91	1.10	1.42	1.45	1.57	
(*) Reference price	1.04	1.17	1.02	1.28	1.59	1.61	1.57	1.57
Capitalization	28	32	28	38	48	48	47	47
Restated Net debt	15	13	8.1	24	22	24	21	18
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.9	0.3	0.4	2.1	1.8	2.0	2.0	2.2
Enterprise Value	44	45	36	64	72	75	70	67
P/E (x)	7.2	ns	7.1	6.4	13	8.0	9.9	10
P/CF (x)	15	ns	5.2	6.6	10	6.8	7.2	8.6
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	3.2%	3.2%
FCF yield (%)	ns	ns	8.2%	ns	11.9%	7.4%	17.3%	16.1%
P/B incl. GW (x)	0.85	1.04	0.74	0.88	1.00	0.93	0.85	0.81
P/B excl. GW (x)	0.85	1.04	0.74	0.88	1.00	0.93	0.85	0.81
EV/Sales (x)	6.12	8.79	4.95	7.06	7.90	6.90	8.67	7.49
EV/EBITDA (x)	7.0	10	5.7	7.8	8.9	7.6	10.0	8.6
EV/EBIT (x)	10	ns	8.6	9.5	17	11	13	13
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	7.2	5.1	7.3	9.1	9.1	10.8	8.1	8.9
EBITDA	6.3	4.3	6.4	8.2	8.1	9.7	7.0	7.8
Depreciations	-2.0	-7.1	-2.2	-1.4	-3.8	-3.2	-1.8	-2.6
Current EBIT	4.3	-2.8	4.2	6.8	4.2	6.5	5.2	5.2
Published EBIT	4.3	-2.8	4.2	6.8	4.2	6.5	5.2	5.2
Net financial income	-0.3	0.0	-0.1	-0.2	-0.3	-0.3	-0.4	-0.4
Corporate Tax	-0.1	0.0	-0.3	-0.6	-0.1	-0.2	-0.1	-0.1
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	3.9	-2.8	3.9	6.0	3.8	6.0	4.8	4.6
Adjusted attributable net profit	3.9	-2.8	3.9	6.0	3.8	6.0	4.8	4.6
BALANCE SHEET (EURm)								
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WCR	29	28	30	48	47	51	49	47
Financial assets	21	16	16	21	24	27	29	31
Ordinary shareholders equity	33	31	38	44	47	52	55	58
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	33	31	38	44	47	52	55	58
Non-current provisions	0.9	0.3	0.4	2.1	1.8	2.0	2.0	2.2
Net debt	15	13	8.1	24	22	24	21	18
CASH FLOW STATEMENT (EURm)								
EBITDA	6.3	4.3	6.4	8.2	8.1	9.7	7.0	7.8
Change in WCR	-8.3	0.3	-3.1	-17.0	1.1	-3.6	1.6	2.1
Interests & taxes	-0.4	0.0	-0.3	-0.8	-0.5	-0.5	-0.5	-0.6
Others	-4.0	-5.9	-0.7	-1.6	-3.0	-2.1	0.0	-1.8
Operating Cash flow	-6.4	-1.2	2.3	-11.2	5.7	3.6	8.1	7.6
CAPEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash-flow	-6.4	-1.2	2.3	-11.2	5.7	3.6	8.1	7.5
Acquisitions / disposals	2.0	3.1	-0.5	-4.2	-4.5	-3.9	-3.7	-2.6
Dividends	0.0	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5
Net capital increase	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0
Others	4.9	-2.0	-2.4	13.4	-1.3	2.4	-1.4	-3.6
Change in net debt	-4.4	1.9	4.9	-15.4	1.2	-1.8	2.9	3.4
GROWTH MARGINS PRODUCTIVITY								
Sales growth	-12.0%	-28.7%	43.3%	23.5%	-0.1%	19.0%	-24.8%	10.3%
Lfl sales growth								
Current EBIT growth	-31.1%	ns	ns	59.5%	-37.3%	54.2%	-19.7%	-1.6%
Growth in EPS(%)	-26.7%	ns	ns	39.0%	-36.8%	59.8%	-21.0%	-3.4%
Net margin	54.7%	-54.0%	53.2%	65.8%	41.6%	55.9%	58.8%	51.5%
EBITDA margin	87.9%	84.6%	87.4%	90.4%	88.9%	90.3%	86.8%	87.1%
Current EBIT margin	60.1%	-54.3%	57.7%	74.5%	46.7%	60.6%	64.7%	57.7%
CAPEX / Sales	-0.1%	-0.2%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
WCR / Sales	ns	ns	ns	ns	ns	ns	ns	ns
Tax Rate	2.5%	1.6%	6.6%	8.8%	3.2%	2.5%	2.5%	2.5%
Normative tax rate	-2.5%	-1.6%	-6.6%	-8.8%	-3.2%	-2.5%	-2.5%	-2.5%
Asset Turnover	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2
ROCE post-tax (normative tax rate)	18.1%	-9.9%	15.4%	18.8%	9.2%	13.7%	10.8%	11.0%
ROCE post-tax hors GW (normative tax rate)	18.1%	-9.9%	15.4%	18.8%	9.2%	13.7%	10.8%	11.0%
ROE	12.5%	-8.7%	11.5%	14.7%	8.3%	12.1%	8.9%	8.1%
DEBT RATIOS								
Gearing	45%	43%	22%	54%	47%	47%	39%	31%
Net Debt / Market Cap	0.53	0.41	0.29	0.61	0.47	0.50	0.45	0.38
Net debt / EBITDA	2.35	3.00	1.26	2.87	2.77	2.48	3.02	2.29
EBITDA / net financial charges	21.8	137.4	123.5	39.5	23.8	27.9	19.5	17.7



Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
Disclosures			
Investment banking and/or Distribution			
	Has Oddo Group, or Oddo & Cie, or Oddo Seydler managed or co-managed in the past 12 months a public offering of securities for the subject company/ies?		No
	Has Oddo Group, or Oddo & Cie, or Oddo Seydler received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months?		No
Research contract between Oddo group & the issuer			
	Oddo & Cie and the issuer have agreed that Oddo & Cie will produce and disseminate investment recommendations on the said issuer as a service to the issuer		Yes
Liquidity provider agreement and market-making			
	At the date of the distribution of this report, does Oddo Group, or Oddo & Cie, or Oddo Seydler act as a market maker or has Oddo Group or Oddo & Cie, or Oddo Seydler signed a liquidity provider agreement with the subject company/ies?		Yes
Significant equity stake			
	Does Oddo Group, or Oddo & Cie, or Oddo Seydler own 5% or more of any class of common equity securities of the subject company/ies?		No
	Does the subject company beneficially own 5% or more of any class of common equity of Oddo & Cie or its affiliates?		No
Disclosure to Company			
	Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?		Yes
	Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution?		No
Additional material conflicts			
	Is Oddo Group, or Oddo & Cie, or Oddo Seydler aware of any additional material conflict of interest?		No

Statement of conflict of interests of all companies mentioned in this document may be consulted on Oddo & Cie's: www.oddosecurities.com

Disclaimer:

Disclaimer for Distribution by Oddo & Cie to Non-United States Investors:

This research publication is produced by Oddo Securities ("Oddo Securities"), a division of Oddo & Cie ("ODDO"), which is licensed by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the Autorité des Marchés Financiers ("AMF"), and/or by ODDO SEYDLER BANK AG ("Oddo Seydler"), a German subsidiary of ODDO, regulated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin").

The research, when distributed outside of the U.S., is intended exclusively for non-U.S. customers of ODDO and cannot be divulged to a third-party without prior written consent of ODDO. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities and/or issuers and no part of his compensation was, is, or will be directly or indirectly related to the specific views contained in the research report.

This research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

Disclaimer for Distribution by Oddo New York to United States Investors:

This research publication is produced by Oddo Securities, a division of ODDO and/or by Oddo Seydler.

This research is distributed to U.S. investors exclusively by Oddo New York Corporation ("ONY"), MEMBER: FINRA/SIPC, and is intended exclusively for U.S. customers of ONY and cannot be divulged to a third-party without prior written consent of ONY. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice.

Rule 15a-6 Disclosure:

Under Rule 15a-6(a)(3), any transactions conducted by ODDO and/or Oddo Seydler, and/or one of its subsidiaries with U.S. persons in the securities described in this foreign research must be effected through ONY. ONY accepts responsibility for the contents of the research only to the extent it may be distributed to persons who are not major U.S. institutional investors as defined in Rule 15a-6, or where this research is distributed to major U.S. institutional investors who are located in states where there is no institutional exemption from registration in the state comparable to the definition of major U.S. institutional investor in Rule 15a-6.

FINRA Disclosures:

- Neither ONY, ODDO, nor Oddo Securities, nor Oddo Seydler beneficially owns 1% or more of any class of common equity securities of the subject company.
- The research analyst of Oddo Securities or Oddo Seydler, at the time of publication of this research report, is not aware, nor does he know or have reason to know of any actual, material conflict of interest of himself, ODDO, Oddo Securities, Oddo Seydler or ONY, except those mentioned in the paragraph entitled "Risk of Conflict of Interest."
- Oddo Securities or ODDO or Oddo Seydler may receive or seek compensation for investment banking services in the next 3 months from the subject company of this research report, but ONY would not participate in those arrangements.
- Neither ONY, ODDO, Oddo Securities, nor Oddo Seydler has received compensation from the subject company in the past 12 months for providing investment banking services except those mentioned in the paragraph of "Risk of Conflict of Interest".
- Neither ONY, ODDO, Oddo Securities nor Oddo Seydler has managed or co-managed a public offering of securities for the subject company in the past 12 months except those mentioned in the paragraph of "Risk of Conflict of Interest".
- ONY does not make (and never has made) markets and, accordingly, was not making a market in the subject company's securities at the time that this research report was published.

Regulation AC:

ONY is exempt from the certification requirements of Regulation AC for its distribution to a U.S. person in the United States of this research report that is prepared by an Oddo Securities research analyst because ODDO has no officers or persons performing similar functions or employees in common with ONY and ONY maintains and enforces written policies and procedures reasonably designed to prevent it, any controlling persons, officers or persons performing similar functions, and employees of ONY from influencing the activities of the third party research analyst and the content of research reports prepared by the third party research analyst.

Contact Information of firm distributing research to U.S. investors: Oddo New York Corporation, MEMBER: FINRA/SIPC, is a wholly owned subsidiary of Oddo & Cie; Philippe Bouclainville, President (pbouclainville@oddonyc.com) 150 East 52nd Street New York, NY 10022 212-481-4002.