

» Investment company «

Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

28 January, 2020

HOLD

Before: HOLD

Price target **EUR 2.40 (2.40)**
Price* **EUR 2.16 (+11%)**

*XETRA trading price at the close of the previous day

Change	2019e	2020e	2021e
Sales	-4.5	-	-
EBIT	-4.5	-	-
EPS	-0.09	-	-



Source: Facts&figures

Share Data

	2020
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EUR millions)	63.0
Daily turnover (€)	5,361
High (EUR, 52 weeks)	2.56
Low (EUR, 52 weeks)	2.16

Shareholders

Free float	100.0 %
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Company events

February presentation	Beginning of February
Annual report 2019	Beginning of April

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ODDO SEYDLER

Preliminary results below expectations

On 27.01.2020, Scherzer published preliminary earnings figures for the 2019 financial year. Following the Capital Markets Day in December, we had already reduced our expectations for 2019e; the preliminary figures are now even lower with a preliminary EBIT of EUR -2.6m (vs. FMR: EUR +1.9m) and an EBT of EUR minus 2.8m (vs. FMR: EUR +0.4m).

The preliminary figures confirm our assumption that no dividend will be paid for 2019. Our estimates for 2020e and 2021e remain unchanged for the time being until we have more visibility.

Performance NAV 2019 at -0.43%; DAX at +25.2%

As a specialist for special situations, Scherzer performed clearly weaker than the market in 2019 in terms of NAV development. We see positions such as GK Software (largest portfolio position with 10.02%) or K+S (currently TOP 10 position with 3.81%) as responsible, although consensus estimates continue to assume considerable upside potential (for our model).

Expansion of the portfolio of rectification rights +22% yoy

Scherzer was able to expand its portfolio of remedial measures to a considerable extent in 2019 (+22.0% yoy, +20.9% yoy including Allerthal-Werke AG), but we do not forecast the duration until payout. On page 2 we present a possible performance depending on the payout date, which investors may see as a premium.

HOLD, price target EUR 2.40 - publication of the 2019 AR at the beginning of April

We have updated our valuation model and arrive at a fair value of EUR 2.40 in our standard scenario. As the preliminary figures are negative and we do not expect a positive news flow until the end of the year, we leave our recommendation at HOLD and our price target at EUR 2.40.

FY End: 31.12. in EUR m	CAGR (17-20e)	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	-20.9%	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	-278.9%	4.5	7.9	-0.9	-2.3	4.6	4.9
EPS	-282.5%	0.15	0.26	-0.03	-0.07	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%	7.6%	7.5%
ROA		5.9%	8.8%	-1.0%	-2.7%	5.1%	5.2%

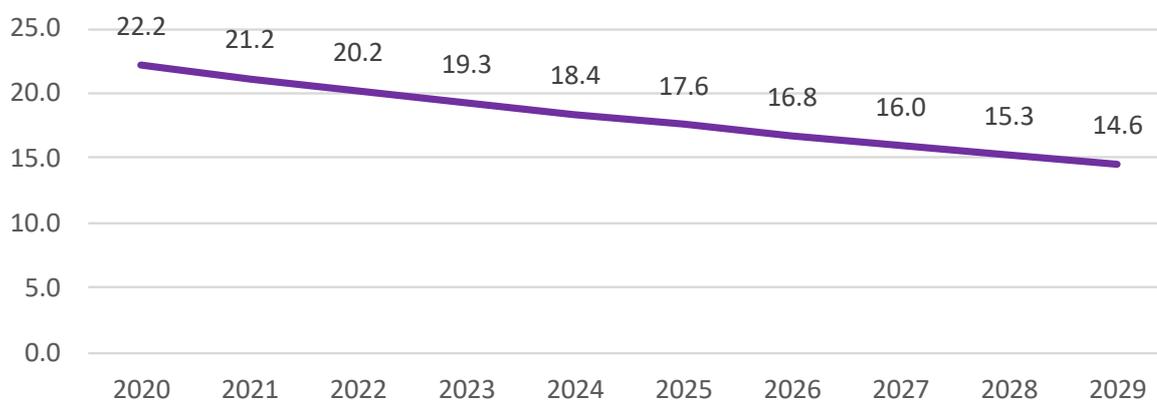
Source: Scherzer, FMR

According to the January presentation, the current portfolio of rectification rights amounts to EUR 126.6m (EUR 139m incl. Allerthal). In the event of rectification, the amount awarded will bear interest at 5% above the current reference interest rate of the Deutsche Bundesbank (-0.88%) per year since the beginning of the claim.

We assume an average rectification of 15% and a discount rate at 9.1% per year. This gives us the following value development over time.

According to our model, a theoretical payment of the full rectification rights at the end of 2020e would result in EUR 22.2m.

Portfolio of rectification rights - theoretical payout in EUR m



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

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- a) First publication: 28 February 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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 - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

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(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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Company	Disclosure(s)
Scherzer & Co. AG	iii, vi

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

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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, Analyst

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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.

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