

» Investment company «

Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

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BUY

Before: BUY

Price target **EUR 2.90 (2.60)**
Price* **EUR 2.46 (+18%)**

*XETRA trading price at the close of the previous day

Change	2020e	2021e	2022e
Sales	+1.4	0.0	0.0
EBIT	+1.4	0.0	0.0
EPS	+0.23	+0.01	+0.01



Source: Factsset

Record figures for the completed 2020

Scherzer recently published its preliminary record EBIT of EUR 9.2m and preliminary EBT of EUR 12.5m, well above our estimates of EUR 7.8m and EUR 4.9m, respectively. The figures are still unaudited. Management achieved an increase in net asset value of 23.9% yoy per share in 2020, whereas the major benchmark DAX managed 3.5% yoy – now the outperformance after a weak 2019 compared to the DAX! We see a large part of the success in the good development of the Audi investment (tender volume of EUR 16.9m) and the AXA improvement rights (EUR 8.5m income before taxes).

Adjustment of our estimates: Due to the strong rise in stock markets after the Corona crash in March 2020, we expect Scherzer to have only low write-downs on securities in its P&L overall, resulting in correspondingly high EBT. We are adjusting our estimates and now expect an 2020e EBIT of EUR 9.2m and earnings before taxes of EUR 12.5m.

BUY, target price EUR 2.90: We adjust our model and obtain a fair value of EUR 2.99 per share in our base scenario (scenario 2), which is slightly above the last reported NAV of EUR 2.91 and 17% above the last closing price of EUR 2.46. This does not yet take into account any rework and an increase in the remaining 40% of the portfolio. We therefore set our target price to EUR 2.90 per share (2.60) and leave our recommendation at BUY.

Share Data

	2020
Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	73.0
Daily turnover (€)	15,325
High (EUR, 52 weeks)	2.56
Low (EUR, 52 weeks)	1.23

Shareholders

Free float	100.0 %
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Company events

Company presentation	Beginning of February
Company presentation	Beginning of March

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In cooperation with:



FY End: 31.12. in EURm	CAGR (19-22e)	2017	2018	2019	2020e	2021e	2022e
Net earnings from fin. instruments	86.1%	12.9	9.4	1.1	10.5	6.9	7.1
EBITDA	49.0%	10.2	8.3	1.5	9.2	4.7	4.9
Margin		78.9%	87.9%	134.5%	87.5%	68.1%	69.0%
EBIT	49.4%	10.2	8.3	1.5	9.2	4.7	4.9
Margin		78.8%	87.7%	132.9%	87.4%	67.9%	68.8%
Net result	n.m.	7.9	-0.9	-2.3	11.5	5.6	5.8
EPS	n.m.	0.26	-0.03	-0.08	0.38	0.19	0.20
Dividend per share		0.10	0.00	0.00	0.02	0.05	0.06
NAV		82.04	69.16	67.38	77.71	79.71	81.71
Return on NAV		15.7%	13.6%	1.6%	13.5%	8.7%	8.7%
ROE		13.0%	-1.5%	-4.3%	16.4%	7.6%	7.4%
ROA		8.8%	-1.0%	-2.9%	11.8%	5.6%	5.5%

Source: Scherzer, FMR

About the portfolio: The portfolio composition of the TOP 10 positions published at the beginning of January 2021 shows a somewhat lower overall weighting (<60% of the total portfolio) than in previous months. **GK-Software (9.89% of the portfolio):** at currently EUR 107, the stock is close to the analysts' price target of EUR 112. **MAN SE (8.71%):** the latest ad-hoc on the agreement with the employees' side (3,500 redundancies in Germany instead of 9,500; closure/sale of the Steyr plant) could be positive for the company, possibly also in the direction of a squeeze-out. **freenet (7.55%):** at the current level (c.EUR 17.50), freenet offers a dividend yield of 7.4% (Factset dividend at EUR 1.30); we thus expect an income of EUR 0.5m. **Rocket Internet (6.39%):** we think Scherzer acquired more shares here in December. **ZEAL Network (4.79%)** and **Lotto24 (4.35%)** managed to beat the raised forecasts. Preliminary figures from **RM Rheiner Management AG** (unaudited EBT of EUR 2.2m (vs. prior year: EUR 0.3m)) and **Allerthal Werke AG** (unaudited record net income of EUR 5.4m (vs. prior year: EUR 1.9m)) also provide optimism.

Scherzer continues to be active in developing its Arcandor stake. We are eagerly awaiting news here, as a sale of this shell company could yield a high return – as could come from the rectification rights (volume of EUR 122,0m incl. Allerthal).

We expect that the current portfolio will provide further growth in value and that in the currently very dynamic market environment there will be both further buying and increasingly good (partial) selling opportunities for Scherzer. We therefore confirm our BUY recommendation and our target price of EUR 2.90 per share.

New estimates

We update our expectations as follows:

EURm	2020e neu	2020e alt
Net earnings from financial instruments	10.5	9.1
EBITDA	9.2	7.8
EBIT	9.2	7.8
Net result	11.2	4.4
EPS	0.38	0.15

Source: FMR Research AG

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
NAV per share in EURm		3.11	2.99	2.87
Last shareprice in EURm		2.46	2.46	2.46
Upside potential		26.60%	21.68%	16.77%

Source: FactSet, FMR Research AG

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	2017A	2018A	2019A	2020e	2021e	2022e
Net income from financial instruments		12.9	9.4	1.1	10.5	6.9	7.1
YoY growth		115.2%	-26.9%	-88.3%	853.9%	-34.3%	2.9%
Personnel expense as % of sales		-2.7 -20.8%	-0.7 -7.3%	-0.7 -62.7%	-0.7 -6.7%	-1.5 -21.7%	-1.5 -21.1%
Other operating income as % of sales		0.9 7.3%	0.3 2.8%	1.8 160.7%	1.4 13.3%	0.0 0.0%	0.0 0.0%
Other operating expenses as % of sales		-1.0 -7.6%	-0.7 -7.6%	-0.7 -63.5%	-2.0 -19.1%	-0.7 -10.1%	-0.7 -9.9%
EBITDA as % of sales		10.2 78.9%	8.3 87.9%	1.5 134.5%	9.2 87.5%	4.7 68.1%	4.9 69.0%
Depreciation and amortization as % of sales		0.0 -0.1%	0.0 -0.2%	0.0 -1.7%	0.0 -0.2%	0.0 -0.3%	0.0 -0.3%
EBIT as % of sales		10.2 78.8%	8.3 87.7%	1.5 132.9%	9.2 87.4%	4.7 67.9%	4.9 68.8%
Net financial results as % of sales		-2.2 -17.2%	-7.6 -80.3%	-3.8 -343.6%	3.6 34.2%	1.6 22.7%	1.6 22.6%
EBT as % of sales		7.9 61.7%	0.7 7.5%	-2.3 -210.8%	12.8 121.6%	6.2 90.5%	6.5 91.4%
Income tax as % of EBT		0.0 -0.4%	-1.6 -221.6%	0.0 0.3%	-1.3 -10.0%	-0.6 -10.0%	-0.6 -10.0%
Net income		7.9	-0.9	-2.3	11.5	5.6	5.8
EPS in EUR		0.26	-0.03	-0.08	0.38	0.19	0.20

Source: Scherzer, FMR

Balancesheet							
HGB	EURm	2017A	2018A	2019A	2020e	2021e	2022e
	Other fixed assets	2.4	2.1	2.7	2.2	2.2	2.2
	Financial assets as % of total assets	33.8 37.6%	29.9 35.4%	24.7 30.3%	34.0 35.0%	35.0 34.6%	36.0 34.1%
	Non current assets as % of total assets	36.2 40.3%	32.0 38.0%	27.4 33.6%	36.2 37.3%	37.2 36.8%	38.2 36.2%
	Other receivables and other assets	5.1	1.0	0.3	1.6	0.9	1.0
	Securities as % of total assets	47.4 52.8%	49.2 58.3%	52.7 64.6%	53.7 55.3%	54.7 54.0%	55.7 52.8%
	Cash and cash equivalents	1.1	2.1	0.7	5.6	8.3	10.7
	Current assets as % of total assets	53.5 59.7%	52.3 62.0%	54.1 66.4%	60.9 62.7%	63.9 63.2%	67.3 63.8%
	Accruals and deferrals	0.0	0.0	0.5	0.0	0.0	0.0
	Totals assets	89.7	84.4	81.5	97.1	101.1	105.5
	Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
	Remaining equity	30.7	26.8	24.5	40.0	44.1	48.4
	Minority interests	0.0	0.0	0.0	0.0	0.0	1.0
	Total equity as % of total assets	60.6 67.5%	56.7 67.3%	54.4 66.8%	69.9 72.0%	74.0 73.2%	78.4 74.3%
	Provisions	3.9	1.8	3.6	3.6	3.6	3.6
	Financial liabilities	25.1	25.7	23.3	23.3	23.3	23.3
	Other liabilities	0.1	0.1	0.1	0.2	0.1	0.1
	Total liabilities and provisions as % of total assets	29.1 32.5%	29.4 34.9%	27.0 33.2%	27.2 28.0%	27.1 26.8%	27.1 25.7%
	Equity and liabilities	89.7	84.4	81.5	97.1	101.1	105.5

Source: Scherzer, FMR

Cash flow statement

HGB EURm	2017A	2018A	2019A	2020e	2021e	2022e
Net income	7.9	-0.9	-2.3	11.5	5.6	5.8
Depreciation and amortisation	0.0	0.0	5.3	0.0	0.0	0.0
Other transactions incl. non-cash	4.9	7.9	1.8	5.0	0.0	0.0
Change in Working Capital	-4.1	3.9	0.3	-0.7	0.6	0.0
Cash flow from operating activities	8.7	11.0	5.1	15.8	6.2	5.8
Cash flow form investing activities	-12.7	-7.6	-4.0	-10.9	-2.0	-2.0
Change in debt	6.3	0.6	-2.4	0.0	0.0	0.0
Dividend payments	-1.5	-3.0	0.0	0.0	-1.5	-1.5
Other financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	4.8	-2.4	-2.4	0.0	-1.5	-1.5
Total change in cash and cash equivalents	0.8	1.0	-1.4	4.9	2.7	2.3
Effect of exchange rate changes and other changes	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	0.2	1.1	2.1	0.7	5.6	8.3
Cash and cash equivalents at year's end	1.1	2.1	0.7	5.6	8.3	10.7

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: 28 January 2021,
- 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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(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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(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
28.01.2020	HOLD	2.18	2.40
06.03.2020	HOLD	1.94	2.30
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

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.

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