

Recommendation:

**BUY** (BUY)

Risk:

**HIGH** (HIGH)

Price Target:

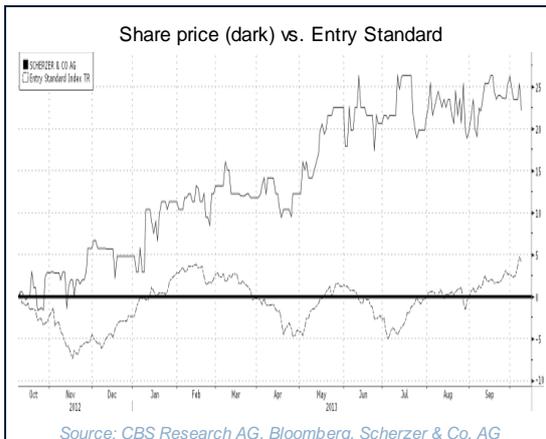
**EUR 1.70** (1.70)

09 October 2013

## Scherzer with second successful exit in 2H 2013

### ...transaction yields a profit of EUR 1.2m

- Scherzer & Co. AG recently announced that it has sold its entire 3% stake in Pironet NDH AG in an OTC transaction. PIRONET NDH is one of the leading German providers in the cloud computing market whose share price notably increased during the past weeks, reflecting the positive development of its operative business. Scherzer's investment in PIRONET existed since 2011 and was sold with a profit of more than 130%, which represents a gain for Scherzer in the amount of EUR 1.2m. According to rumours, the Munich-based IT system house Cancom SE is interested to extend its minority interest of 12% and will possibly submit a takeover offer.
- Scherzer's ten largest portfolio positions showed a predominantly favourable ytd performance. Eight out of ten investments have gained in value since the beginning of FY 2013. IBS AG showed the best performance (+52.6%), followed by Allerthal-Werke AG (+36.3%) and Biotest AG (+29.6%). GK Software AG's (-21.5%) and Highlight Communications AG's (-8.8%) share prices have decreased on a ytd basis. The reported NAV, at EUR 1.56 per share, increased by 3.3% since the end of August. It is worth to mention that Lotto24 AG has completed its EUR 17m capital increase. Scherzer fully exercised its subscription rights and extended its position in Lotto24 through an additional purchase of subscription rights. Furthermore, the shares of Rhön-Klinikum AG have increased predominantly due to the sale of a hospital portfolio to Helios Kliniken GmbH (Fresenius). Pleasing for shareholders - the management of Rhön-Klinikum seeks a special dividend up to EUR 13.80 as well as a share buyback program.
- Despite considerable earnings contributions attributable to two successful exits in 2H 2013 realised to date, namely, the sale of the stakes in Generali Deutschland Holding AG and Pironet NDH AG, we have decided to adjust our estimates. With regard to the current year we are now more conservative as the bad performance of the GK Software AG could have a not negligible negative impact on Scherzer's year-end earnings situation. But we emphasise that the magnitude of the impact is not clear since the GK Software AG share price has begun to recover from its 3-year low. However, **we reiterate our PT of EUR 1.70 and remain BUYers** as the discount between Scherzer's current share price and its reported NAV or our price target is still substantial. In this respect, it is worth to highlight that Scherzer's reported NAV rose by 21% on a ytd basis, outperforming the Entry Standard or DAX 30 performance indices, even without allowing for the potential squeeze-out volume of Scherzer's investments – a clear indication for the stock picking qualities of Scherzer's management.



Change	2013E		2014E		2015E	
	new	old	new	old	new	old
EURm	7.81	8.03	-	8.00	-	8.89
Total income	3.96	4.66	-	5.04	-	6.05
EBIT	0.13	0.15	-	0.16	-	0.20

www.scherzer-ag.de                      Sector: Financial Services  
WKN: 694280                              ISIN: DE0006942808  
Reuters: PZSG.DE                        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):	<b>1.31</b>
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	39.1
Enterprise value (EUR m):	47.2
Ø daily trading volume (3 m., no. of shares):	9,616

#### Performance data:

High 52 weeks (EUR):	1.36
Low 52 weeks (EUR):	1.03
Absolute performance (12 months):	22.2%
Relative performance vs. Entry Standard:	
1 month	-2.7%
3 months	-7.4%
6 months	4.4%
12 months	20.8%

#### Shareholders:

Free float	100%
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#### Financial calendar:

Meeting of the supervisory board	December 6, 2013
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#### Key data

FY 12/31, EUR m	2010	2011	2012	2013E	2014E	2015E
Total income	7.19	5.13	7.35	7.81	8.00	8.89
EBIT	4.32	-2.78	4.24	3.96	5.04	6.05
Net income	3.93	-2.77	3.91	3.84	4.90	5.90
EPS	0.14	-0.10	0.14	0.13	0.16	0.20
Fin. assets & securities	48.51	43.33	43.33	50.63	54.64	56.79
ROE	11.8%	-9.0%	10.4%	9.9%	11.2%	11.3%
ROA	7.9%	-6.2%	7.8%	7.1%	8.4%	9.5%
EV/EBIT	10.9	n.a.	11.1	11.9	9.4	7.8
P/E	9.0	n.a.	9.2	10.2	8.0	6.6

Source: CBS Research AG, Scherzer & Co. AG

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BUY: The expected performance of the share price is above +10%.

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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
09 October 2013	BUY (Update)	EUR 1.31	EUR 1.70
29 July 2013	BUY (Update)	EUR 1.28	EUR 1.70
22 March 2013	BUY (Update)	EUR 1.20	EUR 1.70
16 January 2013	BUY (Update)	EUR 1.15	EUR 1.60
07 November 2012	BUY (Update)	EUR 1.10	EUR 1.50

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