

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

EUR 1.60 (1.50)

16 January 2013

Scherzer with strong preliminary result...

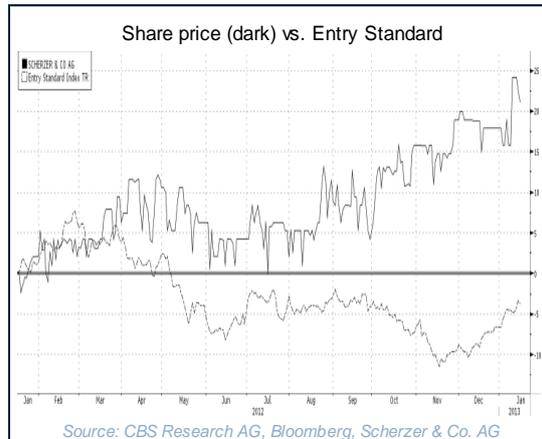
...reported NAV rose approx. 15% year-on-year

- Scherzer & Co. AG recently disclosed its preliminary figures for FY 2012 reporting a strong result which considerably beat our estimates. Earnings before interest and taxes (EBIT) are anticipated to come in at around EUR 4.1m (CBSR estimate: EUR 3.7m). In the previous year Scherzer had reported a negative EBIT of EUR -2.8m for FY 2011. Positive valuation effects on the portfolio had a notable impact on the improvement of the operative result. Accordingly, the management determined an enhancement concerning earnings before taxes (EBT), which have increased to approximately EUR 4.1m as well (PY: EUR -2.9m). At the end of FY 2012 the potential squeeze-out volume of Scherzer's investments amounted to EUR 82.3m (PY: EUR 74.2m). This translates into EUR 2.75 (PY: EUR 2.73) on a per share basis.
- On reporting date the 10 largest positions in Scherzer's portfolio accounted for 56.0% of the total portfolio value. Scherzer's core portfolio showed a predominantly favourable year-on-year performance, partially reflecting the strong operative result, even though not all companies were portfolio constituents throughout FY 2012. Seven out of ten Scherzer's core investments have gained in value during FY 2012, whereas the market prices of three investments decreased during the same period. IBS AG was the best performer (+83.1%) followed by WMF Württembergische Metallwarenfabrik AG (+39.5%) and Invision AG (+34.4%). In contrast Klöckner & Co. SE's (-20.5%), GK Software AG's (-12.1%) and Allerthal-Werke AG's (-9.9%) share prices have decreased year-on-year.
- In late December the Supervisory Board of Scherzer appointed Hans Peter Neuroth with effect from 1. January 2013 as part of the current Management Board. Mr. Neuroth will lead the company together with Dr. Georg Issels. Mr. Neuroth joined the company in 2010 and possesses over 30 years of capital market experience. Furthermore, the longtime Supervisory Board Dr. Hanno Marquardt, resigned from his position. The Management Board has pleaded for the appointment of Dr. Stephan Göckeler as substitute member within the Supervisory Board. Dr. Göckeler is a lawyer and partner of Flick Gocke Schaumburg.
- In the light of the most recent news flow and the strong preliminary figures, we have adjusted our estimates, positively affecting our calculated fair value. Hence, **we lift our price target from EUR 1.50 to EUR 1.60 and confirm our BUY recommendation**, emphasising that Scherzer shares are still trading with a considerable discount to its reported NAV and an even more evident discount to our price target.

Key data

FY 12/31, EUR m	2010	2011	2012P	2013E	2014E	2015E
Total income	7.19	5.13	-	6.98	7.81	8.61
EBIT	4.32	-2.78	4.10	4.16	5.35	6.43
Net income	3.93	-2.77	-	3.73	4.90	5.95
EPS	0.14	-0.10	-	0.12	0.16	0.20
Fin. assets & securities	48.51	43.33	-	58.69	63.04	65.34
ROE	11.8%	-9.0%	-	9.9%	11.5%	12.3%
ROA	7.9%	-6.2%	-	6.2%	7.6%	455.2%
EV/EBIT	11.0	n.a.	11.6	11.4	8.9	7.4
P/E	8.0	n.a.	-	9.2	7.0	5.8

Source: CBS Research AG, Scherzer & Co. AG



Change	2013E		2014E		2015E	
EURm	new	old	new	old	new	old
Total income	6.98	6.73	7.81	7.49	8.61	-
EBIT	4.16	3.91	5.35	5.04	6.43	-
EPS	-	0.12	0.16	0.15	0.20	-

www.scherzer-ag.de

WKN: 694280

Reuters: PZSG.DE

Sector: Financial Services

ISIN: DE0006942808

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):	1.15
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	34.4
Enterprise value (EUR m):	47.5
Ø daily trading volume (3 m., no. of shares):	13,951

Performance data:

High 52 weeks (EUR):	1.19
Low 52 weeks (EUR):	0.89
Absolute performance (12 months):	21.1%
Relative performance vs. Entry Standard:	
1 month	-3.3%
3 months	6.0%
6 months	22.5%
12 months	29.5%

Shareholders:

Free float	100%
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Financial calendar:

AGM	03. June 2013
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Appendix

Profit and loss statement

	HGB	EURm	2009	2010	2011	2012P	2013E	2014E	2015E
Income from securities			1.19	3.13	2.91	-	4.19	4.39	4.56
<i>YoY growth</i>			-138.8%	163.3%	-7.1%		n.a.	4.7%	3.9%
<i>as % of total income</i>			14.5%	43.5%	56.7%		60.0%	56.2%	52.9%
Income from dividends			0.54	1.19	1.33	-	1.54	1.67	1.95
<i>as % of total income</i>			6.6%	16.5%	26.0%		22.1%	21.4%	22.7%
Other operating income			6.45	2.87	0.89	-	1.25	1.75	2.10
<i>as % of total income</i>			78.9%	39.9%	17.3%		17.9%	22.4%	24.4%
Total income			8.17	7.19	5.13	-	6.98	7.81	8.61
Personnel expenses			-0.22	-0.32	-0.35	-	-0.20	-0.20	-0.20
<i>as % of total income</i>			-2.7%	-4.4%	-6.9%		-2.9%	-2.6%	-2.4%
Other operating expenses			-0.53	-0.55	-0.44	-	-0.53	-0.59	-0.65
<i>as % of total income</i>			-6.5%	-7.6%	-8.5%		-7.6%	-7.5%	-7.5%
EBITDA			7.43	6.32	4.34	-	6.24	7.02	7.76
<i>EBITDA margin in %</i>			90.9%	87.9%	84.6%		89.4%	89.9%	90.1%
Depreciation and write-offs			-1.15	-2.00	-7.12	-	-2.08	-1.66	-1.33
<i>as % of total income</i>			-14.1%	-27.8%	-138.9%		-29.8%	-21.3%	-15.4%
EBIT			6.27	4.32	-2.78	4.10	4.16	5.35	6.43
<i>EBIT margin in %</i>			76.8%	60.1%	-54.3%	n.a.	59.6%	68.6%	74.7%
Financial result			-0.28	-0.29	-0.03	-	-0.35	-0.35	-0.35
EBT			6.00	4.03	-2.81	4.10	3.81	5.00	6.08
<i>EBT margin in %</i>			73.4%	56.1%	-54.9%	n.a.	54.6%	64.1%	70.6%
Taxes			-0.63	-0.10	0.04	-	-0.08	-0.11	-0.13
<i>as % of EBT</i>			-10.5%	-2.5%	-1.6%		-2.1%	-2.1%	-2.1%
Net income			5.37	3.93	-2.77	-	3.73	4.90	5.95
Accumulated earnings/losses carried forward			-11.58	-6.21	-2.28	-			
Accumulated earnings/losses at year end			-6.21	-2.28	-5.05	-			
Shares outstanding (million)			27.22	27.22	27.22	27.67	29.94	29.94	29.94
Earnings per share (EUR)			0.20	0.14	-0.10	-	0.12	0.16	0.20

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
16 March 2012	BUY (Update)	EUR 0.99	EUR 1.60
30 March 2012	BUY (Update)	EUR 1.04	EUR 1.50
24 July 2012	BUY (Update)	EUR 1.01	EUR 1.50
07 November 2012	BUY (Update)	EUR 1.10	EUR 1.50
16 January 2013	BUY (Update)	EUR 1.15	EUR 1.60

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