

Scherzer & Co. AG

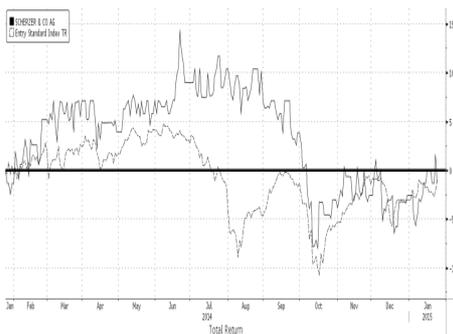
BUY (BUY) | Target 1.80 EUR (1.80 EUR)

 Price (last closing price) : **1.56 EUR** | Upside : 15%

| Est. change | 2015e | 2016e |
|-------------|-------|-------|
| EPS | -25% | +14% |

Solid preliminary FY 2014 results released

Thursday, 29 January 2015



Solid preliminary FY 2014 results released

Scherzer recently released preliminary results for FY 2014. The company reported EUR 4.6m operating profit (EBIT) which came in c. 13% below our estimate of EUR 5.3m. Reported preliminary pre-tax profit stood at EUR 4.3m and came in 16% shy of our EUR 5.1m estimate. Overall, we consider preliminary results being solid as realisations might have been held back by a challenging 2H 2014 trading environment.

Net asset value increased by 3.5% in 2014

The net asset value of Scherzer's portfolio positions increased from EUR 1.74 per share as at year-end 2013 to EUR 1.80 as at year-end 2014 reflecting an increase of 3.5%. The increase in NAV slightly exceeds the DAX performance which stood at 2.7% in 2014.

2H 2014 with difficult trading environment

Scherzer's NAV per share fell from its 2014 peak of c. EUR 1.94 as at June 2014 by c. 7% in 2H 2014 to EUR 1.80 per share as at year-end 2014. The adverse development was triggered by the geopolitical risks imposed by the Ukraine conflict which had a notable negative valuation effect on small and mid-cap companies.

Promising new investment in Homag shares

Scherzer's management build up a stake in Homag shares (c. EUR 1.3m) following the acquisition of the company by Dürr. Based on a pending signing of the profit and loss agreement between Dürr and Homag, outstanding shareholders have the right to demand a cash compensation of EUR 29.47 per Homag share. Furthermore, should a court ruling fixes a higher valuation on Homag shares then the difference is to be paid to shareholders having tendered Homag shares for EUR 29.47. Besides the compensation for shares to be tendered, the contract also fixes certain minimum dividend guarantees. Overall, we believe Scherzer's Homag investment might currently reflect an uplift of c. 20%, taking current market prices.

Tailwind from ECB going into 2015

NAV per share in 2015 benefited from the monetary tailwind put into the market by the ECB. Scherzer reported NAV per share of EUR 1.82 as at 15th January 2015. We believe the value might have risen to c. EUR 1.84 looking at current market valuation levels which have been helped by the ECB announcement to start a sizable government bond buying program later in 2015.

We reiterate BUY recommendation and PT of EUR 1.80

We have fine-tuned our estimates for 2015e and 2016e as we expect later profit realisations and reiterate our BUY recommendation on Scherzer shares. Our target price reflects a P/NAV of 1.15x (post 15% average historic discount on NAV). Our valuation excludes EUR 98m rights for subsequent financial improvements that Scherzer holds.

| Capital | |
|-------------------------|-----------|
| PZS GY PZSG.DE | |
| Market Cap (EURm) | 47 |
| Enterprise value (EURm) | 70 |
| Extrema 12 months | 1.8 - 1.4 |
| Free Float (%) | 100.0% |

| Performance (%) | 1m | 3m | 12m |
|---------------------------|-----|------|-----|
| Absolute | 5.5 | 5.1 | 4.5 |
| Perf. rel. "sector" | 4.0 | -5.6 | 0.5 |
| Perf. rel. Entry Standard | 2.3 | -0.8 | 4.3 |

| P & L | 12/14e | 12/15e | 12/16e |
|---------------------|--------|--------|--------|
| Total income (EURm) | 7.0 | 7.2 | 7.4 |
| EBIT (EURm) | 4.6 | 4.8 | 5.0 |
| Net income (EURm) | 4.2 | 4.5 | 4.6 |
| EPS (EUR) | 0.14 | 0.15 | 0.16 |
| DPS (EUR) | 0.00 | 0.00 | 0.00 |

| | | | |
|-----------------|------|------|------|
| P/E (x) | 11.1 | 10.4 | 10.1 |
| P/B (x) | 1.0 | 0.9 | 0.8 |
| ROE (%) | 8.8 | 8.6 | 8.1 |
| EBIT margin (%) | 65.2 | 66.7 | 66.6 |
| Net Yield (%) | 0.0 | 0.0 | 0.0 |
| ROA (%) | 5.6 | 5.5 | 5.1 |

| Next Events | |
|-------------|------------|
| AGM | 18.05.2015 |

Roland Pfänder, MBA, CFA, CCrA (Analyst)
 +49 (0)69 92054-826
 roland.pfaender@oddoseydler.com

Ivo Višić (Analyst)
 +49 (0)69 92054-819
 ivo.visic@oddoseydler.com

Scherzer & Co. AG

Profit and loss statement

| HGB | EURk | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|--|------|-----------------|----------------|----------------|----------------|----------------|----------------|
| Income from securities | | 2,906.7 | 4,046.2 | 7,163.0 | 4,842.2 | 4,931.3 | 5,097.8 |
| <i>YoY % change</i> | | -7.1% | 39.2% | 77.0% | -32.4% | 1.8% | 3.4% |
| <i>% of total income</i> | | 56.7% | 55.1% | 78.9% | 69.0% | 68.6% | 68.5% |
| Income from dividends | | 1,334.2 | 1,056.5 | 936.8 | 1,074.8 | 1,174.7 | 1,197.2 |
| <i>% of total income</i> | | 26.0% | 14.4% | 10.3% | 15.3% | 16.3% | 16.1% |
| Other operating income | | 886.1 | 2,246.5 | 975.9 | 1,098.8 | 1,085.8 | 1,147.9 |
| <i>% of total income</i> | | 17.3% | 30.6% | 10.8% | 15.7% | 15.1% | 15.4% |
| Total income | | 5,126.9 | 7,349.2 | 9,075.7 | 7,015.7 | 7,191.7 | 7,443.0 |
| <i>YoY % change</i> | | -28.7% | 43.3% | 23.5% | -22.7% | 2.5% | 3.5% |
| Personnel expenses | | -351.2 | -335.6 | -452.0 | -430.0 | -430.0 | -430.0 |
| <i>% of total income</i> | | -6.9% | -4.6% | -5.0% | -6.1% | -6.0% | -5.8% |
| Other operating expenses | | -436.5 | -590.0 | -416.2 | -480.9 | -495.6 | -494.2 |
| <i>% of total income</i> | | -8.5% | -8.0% | -4.6% | -6.9% | -6.9% | -6.6% |
| EBITDA | | 4,339.1 | 6,423.6 | 8,207.5 | 6,104.8 | 6,266.1 | 6,518.8 |
| <i>EBITDA margin</i> | | 84.6% | 87.4% | 90.4% | 87.0% | 87.1% | 87.6% |
| Depreciation and write-offs | | -7,120.5 | -2,186.5 | -1,447.4 | -1,529.5 | -1,469.7 | -1,560.8 |
| EBIT | | -2,781.4 | 4,237.1 | 6,760.2 | 4,575.3 | 4,796.4 | 4,958.0 |
| <i>EBIT margin</i> | | -54.3% | 57.7% | 74.5% | 65.2% | 66.7% | 66.6% |
| Financial result | | -31.6 | -52.0 | -207.7 | -285.7 | -209.6 | -220.1 |
| EBT | | -2,813.0 | 4,185.1 | 6,552.5 | 4,289.6 | 4,586.7 | 4,737.8 |
| <i>EBT margin</i> | | -54.9% | 56.9% | 72.2% | 61.1% | 63.8% | 63.7% |
| Taxes | | 44.3 | -276.7 | -577.4 | -86.7 | -92.8 | -95.8 |
| <i>Tax rate as % of EBT</i> | | -1.6% | -6.6% | -8.8% | -2.0% | -2.0% | -2.0% |
| Net income | | -2,768.7 | 3,908.4 | 5,975.1 | 4,202.9 | 4,494.0 | 4,642.0 |
| Weighted number of issued shares, basic in thousand shares | | 27,219.5 | 27,219.5 | 29,940.0 | 29,940.0 | 29,940.0 | 29,940.0 |
| Earnings per share | | -0.10 | 0.14 | 0.20 | 0.14 | 0.15 | 0.16 |

Source: Company data, Oddo Seydler Bank AG

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Oddo Seydler uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

| Date | Recommendation | Price at change date | Price target |
|------------------|----------------|----------------------|--------------|
| 29 January 2015 | BUY (Update) | EUR 1.56 | EUR 1.80 |
| 22 July 2014 | BUY (Update) | EUR 1.69 | EUR 1.80 |
| 11 March 2014 | BUY (Update) | EUR 1.59 | EUR 1.80 |
| 20 January 2014 | BUY (Update) | EUR 1.50 | EUR 1.80 |
| 11 November 2013 | BUY (Update) | EUR 1.40 | EUR 1.70 |

| | | | |
|-----------------|--------------|----------|----------|
| 09 October 2013 | BUY (Update) | EUR 1.31 | EUR 1.70 |
| 29 July 2013 | BUY (Update) | EUR 1.28 | EUR 1.70 |

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Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800