

Scherzer & Co. AG

BUY (BUY) | Target 1.85 EUR (1.80 EUR)

 Price (last closing price) : **1.63 EUR** | Upside : 13%

Est. change	2015e	2016e
EPS	17%	0%

Scherzer releases sound preliminary H1 2015 results; PT lifted to € 1.85

Friday, 24 July 2015

Capital

PZS GY PZSG.DE	
Market Cap (EURm)	48.8
Enterprise value (EURm)	71.2
Extrema 12 months	1.72 - 1.42
Free Float (%)	100.0

Performance (%)

	1m	3m	12m
Absolute	0.4	-0.9	-5.2
Perf. rel. "sector"	-5.1	-6.5	-28.3
Perf. rel. CDAX	-0.4	1.2	-20.0

P&L

	12/15e	12/16e	12/17e
Total income (EURm)	9.1	8.1	8.9
EBIT (EURm)	5.7	5.2	5.2
Net income (EURm)	5.3	4.8	4.6
EPS (EUR)	0.18	0.16	0.15
DPS (EUR)	0.05	0.05	0.05

Dividend yield (%)	3.1	3.1	3.1
P/E (x)	9.3	10.2	10.6
P/B (x)	1.0	0.9	0.8
ROE (%)	10.3	8.8	8.0
ROA (%)	6.7	5.9	5.8
EBIT margin (%)	63.1	64.7	57.7

Next Events

Sound preliminary H1 2015 results

Scherzer & Co. AG recently released its preliminary financial figures for H1 2015, which were largely flat yoy. Earnings before interest and taxes (EBIT) came in at €3.54m, virtually unchanged yoy (€3.50m). Taking the negative financial result of €-0.07 (PY: €-0.21) into account, earnings before taxes (EBT) came in at €3.47m (PY: €3.29m). Realized valuation gains of €3.81m (PY: €4.88m) and write-ups of €1.49m were the primary drivers for the sound earnings. Offsetting factors worth mentioning are closing date write-downs totalling €1.72m (PY: €2.32m) and operating expenses, which rose to €0.82m (PY: €0.73m).

Reported net asset value reached €1.95

Scherzer's ten largest portfolio positions showed predominantly favourable ytd performances, with ytd value increases in eight of ten investments. The best performer by far was Data Modul AG (+57.8 ytd) followed by Lotto24 AG (+36.0%) and Mobotix AG (+11.9%). Only the share prices of Invision AG and W&W Wüstenrot und Württembergische AG were down ytd, by 15.2% and 6.9%, respectively. Thus, the net asset value of Scherzer's portfolio positions increased from €1.80 per share as at 31 December 2014 to €1.95 as at 21 July 2015. Considering the €0.05 dividend that was distributed in May the ytd total return on NAV amounts to 11%. For the corresponding time frame DAX and CDAX yielded a return of 18.8% and 19.2%, respectively.

Scherzer not to benefit from Sky Deutschland squeeze-out

The cash compensation price for the transfer of Sky Deutschland AG minority shareholder shares was set at € 6.68 per share. The required squeeze-out transfer decision was approved by an EGM on 22 July 2015. Even though Sky was one of Scherzer's Top 10 investments in terms of portfolio volume, no positive earnings contribution will be recognized in this respect as the shares were bought slightly above the squeeze-out price. As of 30 June 2015 the potential squeeze-out volume stood at €94.2m, corresponding ~€ 3.15 on a per-share basis.

We expect equity markets to remain volatile in H2 2015

Problems in the Eurozone are likely to continue to drive volatility in equity markets in H2 2015. Having said that, European stocks have traded this week at their highest levels since April as investors move on from Greece's debt negotiations with creditors and focus on brighter prospects for the economy.

We lift our PT to €1.85 and reiterate BUY recommendation

On the back of promising H1 figures, we are lifting our estimates for 2015e. We increase our PT from €1.80 to €1.85. The new PT implies a discount on the reported NAV of 5.1% (the 2yr average historic share price discount to NAV equals to 15.3%). The corresponding forward P/Es for 2015-16e amount to 10.2x and 11.6x, respectively. The portfolio valuation excludes €94.2m rights for subsequent improvements that Scherzer holds. We reiterate our BUY recommendation on Scherzer shares.

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APPENDIX

Profit and loss statement

HGB	EURk	2012	2013	2014	2015e	2016e	2017e
Income from securities		4,046	7,163	7,350	6,831	6,268	6,648
<i>YoY % change</i>		39.2%	77.0%	2.6%	-7.1%	-8.2%	6.1%
<i>% of total income</i>		55.1%	78.9%	81.0%	75.1%	77.3%	74.3%
Income from dividends		1,056	937	1,622	1,775	1,397	1,677
<i>% of total income</i>		14.4%	10.3%	17.9%	19.5%	17.2%	18.7%
Other operating income		2,246	976	98	486	448	624
<i>% of total income</i>		30.6%	10.8%	1.1%	5.3%	5.5%	7.0%
Total income		7,349	9,076	9,070	9,092	8,113	8,949
<i>YoY % change</i>		43.3%	23.5%	-0.1%	0.2%	-10.8%	10.3%
Personnel expenses		-336	-452	-555	-586	-610	-631
<i>% of total income</i>		-4.6%	-5.0%	-6.1%	-6.4%	-7.5%	-7.1%
Other operating expenses		-590	-416	-448	-466	-464	-525
<i>% of total income</i>		-8.0%	-4.6%	-4.9%	-5.1%	-5.7%	-5.9%
EBITDA		6,424	8,208	8,067	8,040	7,039	7,793
<i>EBITDA margin</i>		87.4%	90.4%	88.9%	88.4%	86.8%	87.1%
Depreciation and write-offs		-2,187	-1,447	-3,828	-2,305	-1,791	-2,631
EBIT		4,237	6,760	4,238	5,735	5,248	5,162
<i>EBIT margin</i>		57.7%	74.5%	46.7%	63.1%	64.7%	57.7%
Financial result		-52	-208	-339	-350	-360	-440
EBT		4,185	6,552	3,900	5,385	4,888	4,722
<i>EBT margin</i>		56.9%	72.2%	43.0%	59.2%	60.2%	52.8%
Taxes		-277	-577	-124	-133	-121	-117
<i>Tax rate as % of EBT</i>		-6.6%	-8.8%	-3.2%	-2.5%	-2.5%	-2.5%
Net income		3,908	5,975	3,776	5,252	4,767	4,605
Weighted number of issued shares, basic in thousand shares		27,219	29,940	29,940	29,940	29,940	29,940
Earnings per share		0.14	0.20	0.13	0.18	0.16	0.15

Source: Oddo Seydler Bank AG, Scherzer & Co. AG

Scherzer & Co. AG

Balance Sheet

HGB	EURk	2012	2013	2014	2015e	2016e	2017e
Assets							
Intangible assets		0	0	0	0	0	0
YoY change in %		-99.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed assets		12	14	17	9	-4	-12
YoY change in %		-20.1%	20.9%	21.1%	-50.5%	-149.8%	191.0%
Financial assets		15,876	21,119	24,273	27,311	29,315	31,238
YoY change in %		1.6%	33.0%	14.9%	12.5%	7.3%	6.6%
Non-current assets		15,888	21,133	24,290	27,320	29,311	31,226
YoY change in %		1.6%	33.0%	14.9%	12.5%	7.3%	6.5%
Inventories		0	0	0	0	0	0
YoY change in %		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other receivables and other assets		755	491	559	559	559	559
YoY change in %		27.3%	1.0%	13.1%	0.0%	0.0%	0.0%
Securities		30,770	47,801	46,731	50,297	48,667	46,555
YoY change in %		11.1%	55.3%	-2.2%	7.6%	-3.2%	-4.3%
Cash and cash equivalents		2,562	506	382	196	1,682	1,529
YoY change in %		445.2%	-80.2%	-24.6%	-48.6%	757.4%	-9.1%
Current assets		34,086	48,799	47,672	51,051	50,908	48,642
YoY change in %		18.5%	43.2%	-2.3%	7.1%	-0.3%	-4.4%
Accruals and deferrals		10	10	11	11	11	11
Total assets		49,985	69,942	71,973	78,383	80,230	79,879
Total equity and liabilities							
Capital stock		29,940	29,940	29,940	29,940	29,940	29,940
Capital reserve		8,773	8,773	8,773	8,773	8,773	8,773
Treasury stocks		0	0	0	0	0	0
Regulatory retained earnings		80	80	80	80	80	80
Other retained earnings		0	0	6,722	6,722	6,722	6,722
Retained Earnings		80	80	6,802	6,802	6,802	6,802
Balance sheet profit/loss		-1,141	4,834	1,888	5,643	8,913	12,022
Minorities		0	0	0	0	0	0
Total equity		37,652	43,627	47,403	51,158	54,429	57,537
Equity ratio		75.3%	62.4%	65.9%	65.3%	67.8%	72.0%
Other provisions		335	2,087	1,671	1,952	1,922	2,069
YoY change in %		24.2%	523.1%	-19.9%	16.8%	-1.5%	7.7%
Financial liabilities		10,672	24,028	22,735	25,155	23,738	20,144
YoY change in %		-20.9%	125.2%	-5.4%	10.6%	-5.6%	-15.1%
Payables		1,297	173	40	40	40	40
YoY change in %		n.a.	-86.6%	-76.7%	0.0%	0.0%	0.0%
Other liabilities		30	27	123	77	100	89
YoY change in %		-31.3%	-7.6%	351.3%	-37.4%	29.9%	-11.5%
Current liabilities		12,333	26,315	24,570	27,224	25,801	22,343
YoY change in %		-10.6%	113.4%	-6.6%	10.8%	-5.2%	-13.4%
Non-Current liabilities		0	0	0	0	0	0
YoY change in %		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total liabilities		12,333	26,315	24,570	27,224	25,801	22,343
YoY change in %		-10.6%	113.4%	-6.6%	10.8%	-5.2%	-13.4%
Total equity and liabilities		49,985	69,942	71,973	78,383	80,230	79,879

Source: Oddo Seydler Bank AG, Scherzer & Co. AG

Cash Flow Statement

HGB	EURk	2012	2013	2014	2015e	2016e	2017e
Net income		3,908	5,975	3,776	5,252	4,767	4,605
Valuation gains (-)/losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible		269	-1,073	1,359	880	1,751	704
Increase (-)/decrease (+) trade receivables and other assets except (netted)		-160	263	-69	0	0	0
Increase (+)/decrease (-) in trade payables and other liabilities except (netted)		1,348	626	-452	235	-7	136
Increase (-)/decrease (+) financial assets		-3,063	-17,031	1,070	-3,566	1,630	2,112
Other		0	0	0	0	0	0
Cash flows from operating activities		2,303	-11,239	5,684	2,802	8,141	7,557
<i>Operating cash flow margin in %</i>		<i>58.9%</i>	<i>-188.1%</i>	<i>150.5%</i>	<i>53.3%</i>	<i>170.8%</i>	<i>164.1%</i>
(+/-)Proceeds from disposal of tangible assets and financial assets		6,708	3,523	6,052	7,263	7,989	5,592
(-)Purchase of property, plant and equipment and intangible assets		-2	-9	-11	-11	-12	-8
Acquisition of non-current financial assets and investments in loans and receivables		-7,227	-7,687	-10,558	-11,161	-11,719	-8,204
Cash flow from investing activities		-522	-4,172	-4,516	-3,909	-3,742	-2,619
(+/-) Change in capital reserve, Retained earnings		408	0	0	0	0	0
Cash inflow from capital increases (+) / Payments for share repurchases (-)		2,721	0	0	0	0	0
(-) Payments to shareholders (dividends)		0	0	0	-1,497	-1,497	-1,497
Increase (+)/decrease (-) in bank liabilities and amounts due to group companies		-2,818	13,356	-1,292	2,419	-1,416	-3,594
Cash flow from financing activities		311	13,356	-1,292	922	-2,913	-5,091
Net change in cash and cash equivalents		2,092	-2,055	-124	-186	1,486	-153
Cash and cash equivalents at the beginning of the period		470	2,562	506	382	196	1,682
Cash and cash equivalents at the end of the period		2,562	506	382	196	1,682	1,529

Source: Oddo Seydler Bank AG

Ratios/ Multiples/ per share Data

HGB	2012	2013	2014	2015e	2016e	2017e
Growth analysis						
Total income growth in %	43.3%	23.5%	-0.1%	0.2%	-10.8%	10.3%
EBITDA growth in %	48.0%	27.8%	-1.7%	-0.3%	-12.5%	10.7%
EBIT growth in %	-252.3%	59.5%	-37.3%	35.3%	-8.5%	-1.6%
EPS growth in %	-241.2%	39.0%	-36.8%	39.1%	-9.2%	-3.4%
Profitability ratios						
EBITDA margin in %	87.4%	90.4%	88.9%	88.4%	86.8%	87.1%
EBIT margin in %	57.7%	74.5%	46.7%	63.1%	64.7%	57.7%
EBT margin in %	56.9%	72.2%	43.0%	59.2%	60.2%	52.8%
Net profit margin in %	53.2%	65.8%	41.6%	57.8%	58.8%	51.5%
Return on equity (ROE) in %	10.4%	13.7%	8.0%	10.3%	8.8%	8.0%
Return on assets (ROA) in %	7.8%	8.5%	5.2%	6.7%	5.9%	5.8%
Return on net assets (RONA) in %	7.8%	8.5%	5.2%	6.7%	5.9%	5.8%
Return on invested capital (ROIC) in %	8.1%	8.8%	5.4%	6.9%	6.1%	5.9%
Return on capital employed (ROCE) in %	11.3%	15.5%	8.9%	11.2%	9.6%	9.0%
Basic Earnings Power Ratio in %	8.5%	9.7%	5.9%	7.3%	6.5%	6.5%
Efficiency ratios						
Operating costs / total income in %	12.6%	9.6%	11.1%	11.6%	13.2%	12.9%
Liquidity ratios						
Current Ratio	2.8	1.9	1.9	1.9	2.0	2.2
Quick Ratio	2.8	1.9	1.9	1.9	2.0	2.2
Cash Ratio	2.7	1.8	1.9	1.9	2.0	2.2
Operating Cash Flow Ratio	0.2	-0.4	0.2	0.1	0.3	0.3
Solvency ratios						
Debt Ratio in %	21.3%	34.4%	31.6%	32.1%	29.6%	25.2%
Net debt to equity ratio (Gearing) in %	21.5%	53.9%	47.2%	48.8%	40.5%	32.4%
Long-term debt to equity Ratio in %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total debt to EBITDA Ratio in %	166.1%	292.8%	281.8%	312.9%	337.2%	258.5%
Net debt to EBITDA Ratio in %	126.3%	286.6%	277.1%	310.4%	313.4%	238.9%
Dividend cover ratio in %	0.0%	0.0%	39.6%	28.5%	31.4%	32.5%
Interest coverage Ratio in %	888.0%	1498.3%	882.7%	1215.8%	991.1%	748.6%
Per share data						
EPS basic	0.14	0.20	0.13	0.18	0.16	0.15
Operating cash flow per share	0.08	-0.38	0.19	0.09	0.27	0.25
Book value per share	1.38	1.46	1.58	1.71	1.82	1.92
DPS	0.00	0.00	0.05	0.05	0.05	0.05
Dividend payout ratio	0.0%	0.0%	39.6%	28.5%	31.4%	32.5%
Valuation Ratios						
P/E-Ratio	11.4	8.2	12.9	9.3	10.2	10.6
EV / EBIT	16.8	10.5	16.8	12.4	13.6	13.8
EV / EBITDA	11.1	8.7	8.8	8.9	10.1	9.1
EV / Total income	9.7	7.8	7.8	7.8	8.8	8.0
P/B	1.3	1.1	1.0	1.0	0.9	0.8
Dividend Yield in %	0.0%	0.0%	3.1%	3.1%	3.1%	3.1%

Source: Odo Seydler Bank AG, Scherzer & Co. AG

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

Date	Recommendation	Price at change date	Price target
24 July 2015	BUY (Update)	EUR 1.63	EUR 1.85
29 January 2015	BUY (Update)	EUR 1.56	EUR 1.80
22 July 2014	BUY (Update)	EUR 1.69	EUR 1.80

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