

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

EUR 1.80 (1.80)

11 March 2014

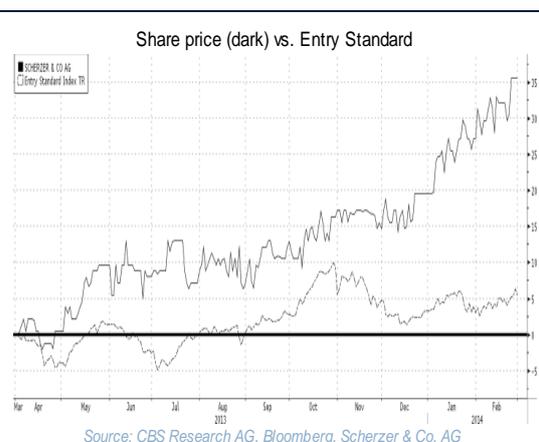
Unaudited results confirm strong preliminaries... ...ytd performance could inspire markets' fantasies

- Scherzer & Co. AG recently disclosed its final (unaudited) results for FY 2013, reporting a yoy increase of approx. 24% regarding total income, which rose to EUR 9.1m (PY: EUR 7.3m). As already mentioned in our last update, two profitable exits, a purchase price adjustment and particularly positive valuation effects in 2H13 served as key drivers in terms of income improvement. Consequently, write-offs on financial assets decreased by ~36% to EUR 1.4m (PY: EUR 2.2m). Furthermore, operating expenses declined by roughly 9% to EUR 0.8m (PY: EUR 0.9). Thus, operating earnings arrived at EUR 6.8m. In FY 2012 Scherzer's operating earnings stood at EUR 4.2m. Despite a weaker financial result and a higher tax burden than in FY 2012, net income reached EUR 6.0m (PY: EUR 3.9m), translating into an EPS of EUR 0.20 (PY: EUR 0.14) per share.
- At the end of January, Scherzer announced that it has increased its stake in IBS AG excellence, collaboration, manufacturing to 15.69% before immediately having sold all shares to the majority shareholder, Siemens Industry Automation Holding AG, a subsidiary of Siemens AG. We assume that the transaction has created a positive earnings contribution in the lower single-digit million range, which certainly acted as a key catalyst for sharp an increase concerning Scherzer's NAV during the first month of the new fiscal year.
- Furthermore, the ten largest positions in Scherzer's portfolio showed a predominantly favourable ytd performance. Nine out of ten core investments have gained in value since the beginning of FY 2014. Invision AG was by far the best performer (+54.5%) followed by Tipp 24 SE (+15.5%) and the preferred shares of WMF AG (+11.9%). Within the top ten positions only GK Software AG's (-7.9%) share price has decreased ytd. The reported NAV increased since the beginning of the year by ~10% to EUR 1.91.
- Strong unaudited FY 2013 results, as well as a constantly positive news flow since the beginning of the year, support our view that Scherzer is well aligned for an ongoing success story. Firstly, on a ytd basis share prices of its core portfolio constituencies rose by ~10% on average. And secondly, after a long-lasting bull market, we are convinced that we will see some more profit takings as in the most recent case of FORTEC Elektronik AG, particularly if markets should turn. As the year is still quite young another exit in the size range of IBS AG would certainly push earnings towards our estimates. However, our slightly adjusted estimates had just a negligible effect on the newly calculated FV of EUR 1.84 per share. Accordingly, **we confirm our PT of EUR 1.80 and maintain our BUY recommendation.**

Key data

FY 12/31, EURk	2011	2012	2013P	2014E	2015E	2016E
Total income	5,126.9	7,349.2	9,076.0	7,715.7	8,091.7	7,243.0
EBIT	-2,781.4	4,237.1	6,783.0	5,275.3	6,246.4	4,518.0
Net income	-2,768.7	3,908.4	5,975.0	5,016.1	6,012.6	4,308.9
EPS	-0.10	0.14	0.20	0.17	0.20	0.14
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBIT margin	-54.3%	57.7%	74.7%	68.4%	77.2%	62.4%
ROE	-9.0%	10.4%	13.7%	10.3%	11.0%	7.3%
ROA	-6.2%	7.8%	11.1%	8.6%	9.3%	6.1%
EV/EBIT	n.a.	12.4	7.7	9.9	8.4	11.6
P/E	n.a.	11.0	7.9	9.5	7.9	11.0

Source: CBS Research AG, Scherzer & Co. AG



Change	2014E		2015E		2016E	
EURk	new	old	new	old	new	old
Total income	7,715.7	7,998.1	8,091.7	8,887.9	7,243.0	-
EBIT	5,275.3	5,040.0	6,246.4	6,050.0	4,518.0	-
EPS	0.17	0.16	-	0.20	0.14	-

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):	1.59
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	47.5
Enterprise value (EUR m):	52.3
Ø daily trading volume (3 m., no. of shares):	19,286

Performance data:

High 52 weeks (EUR):	1.67
Low 52 weeks (EUR):	1.17
Absolute performance (12 months):	28.9%
Relative performance vs. Entry Standard:	
1 month	-0.8%
3 months	13.7%
6 months	15.8%
12 months	29.8%

Shareholders:

Free float	100%
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Financial calendar:

Meeting of the supervisory board	March 21, 2014
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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%.

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

Date	Recommendation	Price at change date	Price target
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

22 March 2013	BUY (Update)	EUR 1.20	EUR 1.70
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Risk-scaling System:

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LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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