

Recommendation:

**BUY** (BUY)

Risk:

**HIGH** (HIGH)

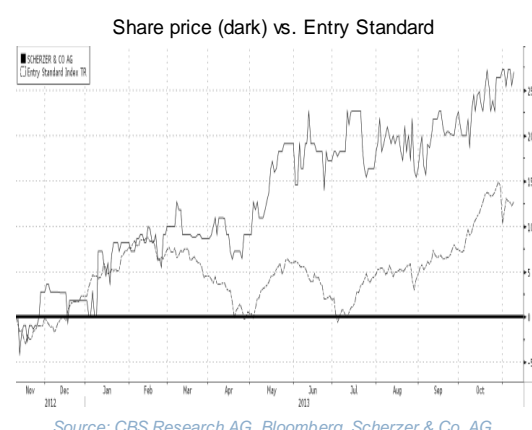
Price Target:

**EUR 1.70** (1.70)

11 November 2013

## Purchase price adjustment relating to a squeeze out brings earnings contribution of EUR 1.1m

- Scherzer & Co. AG recently announced that it earned EUR 1.1m relating to an adjustment of the purchase price, which emerged from a squeeze out procedure. The earnings contribution will be fully recognized in 4Q. Consequently, the reported NAV, as of 31 October 2013, increased by EUR 0.03 to EUR 1.66. According to the management, the adjustment equals a 15% increase to the initial sale proceeds.
- Scherzer's ten largest portfolio positions showed a predominantly favourable ytd performance. Eight out of ten investments have recorded value increases since the beginning of the current year. Invision AG was the strongest performer (+71.4%), followed by IBS AG (+54.4%) and Generali Deutschland AG (+52.9%), whereas the share prices of GK Software AG (-23.5%) and Highlight Communications AG (-11.6%) have eased on a ytd basis. Considering the one-off gains mentioned above the reported NAV increased by 6.4% since the end of September.
- As part of another squeeze-out procedure, Assicurazioni Generali on 18 October 2013 notified its subsidiary Generali Deutschland Holding AG about the amount of cash compensation to be granted to the minority shareholders of Generali Deutschland Holding AG for the transfer of their shares to Assicurazioni Generali. The cash compensation was fixed at EUR 107.77 per share. Generali Deutschland Holding AG announced that the squeeze-out resolution shall be adopted at an extraordinary shareholders' meeting planned for 4 December 2013. Hereupon, Scherzer & Co. AG has built up a position of more than 50,000 Generali Deutschland Holding AG shares.
- Having already realised two successful exits, the rewarding squeeze out confirms the brisk deal flow offered by Scherzer in 2H 2013. Not least due to the pleasant impact on full year earnings, we are upbeat that Scherzer will meet our 2013E estimates. Accordingly, **we confirm our price target of EUR 1.70 and stick to our BUY recommendation.**



Change	2013E		2014E		2015E	
EURm	new	old	new	old	new	old
Total income	-	7.81	-	8.00	-	8.89
EBIT	-	3.96	-	5.04	-	6.05
EPS	-	0.13	-	0.16	-	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):	<b>1.40</b>
Shares outstanding (m):	29.9
Market capitalisation (EUR m):	41.8
Enterprise value (EUR m):	49.9
Ø daily trading volume (3 m., no. of shares):	8,561

### Performance data:

High 52 weeks (EUR):	1.42
Low 52 weeks (EUR):	1.05
Absolute performance (12 months):	27.0%
Relative performance vs. Entry Standard:	
1 month	1.7%
3 months	-0.5%
6 months	6.8%
12 months	16.0%

### 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	11.6	n.a.	11.8	12.6	9.9	8.2
P/E	9.7	n.a.	9.9	10.9	8.5	7.1

Source: CBS Research AG, Scherzer & Co. AG

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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 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
16 January 2013	BUY (Update)	EUR 1.15	EUR 1.60

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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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