

OpenLimit Holding AG

Switzerland / Software / Electronic Signature

Primary exchange: Frankfurt

Bloomberg: O5H GR

ISIN: CH0022237009

2012 FIGURES

RATING

PRICE TARGET

Return Potential

Risk Rating

BUY

€1.40

283.6%

High

STRONG FREE CASH FLOW IN 2012

On 23 April OpenLimit published 2012 figures which were in line with our expectations. Revenues grew by 8% to €6.2m and the operating loss was reduced to €-0.8m from €1.2m in 2011. Improved working capital management resulted in a positive free cash flow of €1.7m. OpenLimit's guidance for 2013 is cautious. The company expects moderate sales growth and a reduction of the net loss. Based on adjusted estimates an updated DCF model yields a new price target of €1.40 (previously: €1.50) We reiterate our Buy rating.

2012 figures in line with expectations Thanks to a strong Q4, 2012 revenues grew by 8% to €6.2m (FBe: €6.2m) and the operating loss was reduced to €-0.8m (FBe: €-0.9m) from €-1.2m in 2011. The net result amounted to €-0.9m (FBe: €-0.9m, 2011: €-1.1m). Diluted EPS were €-0.05 (2011: €-0.06). Despite an increase of the number of employees from 61 to 65 the company managed to reduce personnel costs by almost €0.2m to €4.1m.

Improved working capital management In 2011 high working capital (€5.6m, 98% of sales) burdened the balance sheet. In 2012 OpenLimit managed to reduce working capital to €2.6m (42% of sales). The company succeeded in significantly reducing receivables due more than 90 days, which amounted to €2.7m at the end of 2011 and only €0.3m at the end of 2012. As a result, receivables could be reduced to €2.8m (2011: €6.2m)

Positive free cash flow The improved working capital management was the main reason for the positive operating cash flow of €4.2m (2011: €0.2m). Due to CAPEX of €2.6m the free cash flow amounted to €1.7m (2011: -€2.5m).

Balance sheet strengthened Cash position increased to €1.9m (FBe: €0.8m 2011: €0.4m). Although the net loss reduced equity to €83m from €9.0m in 2011, the equity ratio rose slightly to 74% from 73% as total assets... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2011	2012	2013E	2014E	2015E	2016E
Revenue (€m)	5.75	6.21	7.02	8.88	11.54	13.85
Y-o-y growth	7.0%	8.1%	13.0%	26.5%	30.0%	20.0%
EBIT (€m)	-1.22	-0.81	-0.43	0.54	2.05	3.15
EBIT margin	-21.3%	-13.1%	-6.1%	6.1%	17.7%	22.8%
Net income (€m)	-1.13	-0.90	-0.53	0.40	1.84	2.47
EPS (diluted) (€)	-0.06	-0.05	-0.03	0.02	0.10	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-1.01	-0.07	1.50	2.36
Net gearing	2.3%	24.7%	13.6%	12.0%	24.7%	38.7%
Liquid assets (€m)	0.39	1.88	1.06	0.98	2.49	4.85

RISKS

Risks include, but are not limited to: delay in large projects, erosion of the company's competitive lead and the failure of electronic signature applications to achieve broad market acceptance.

COMPANY PROFILE

OpenLimit Holding AG develops and markets software applications for electronic signature, encryption and related fields. The company's internationally recognised Common Criteria-certified software products enhance the security, provability and efficiency of electronic transactions, workflow, communications and data.

MARKET DATA

As of 29 Apr 2013

Closing Price	€ 0.37
Shares outstanding	19.15m
Market Capitalisation	€ 6.99m
52-week Range	€ 0.34 / 0.98
Avg. Volume (12 Months)	18,826

Multiples	2012	2013E	2014E
P/E	n.a.	n.a.	17.6
EV/Sales	1.1	1.0	0.8
EV/EBIT	n.a.	n.a.	12.6
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2012

Liquid Assets	€ 1.88m
Current Assets	€ 5.31m
Intangible Assets	€ 4.91m
Total Assets	€ 11.25m
Current Liabilities	€ 2.69m
Shareholders' Equity	€ 8.35m

SHAREHOLDERS

Heinrich Dattler	9.8%
René C. Jäggi	8.8%
Enuhill Portfolio, Inc.	6.8%
Robert E. Züllig	5.5%
Free Float	69.1%



...decreased to €11.2m (2011: €12.3m). At the end of 2012 OpenLimit had a net cash position of €0.2m (2011: net debt of €1.5m).

Prolongation of convertible bond expected OpenLimit's convertible bond (€1.5m) will be due on 30 June 2013. We expect that the company will be able to extend the duration of the bond. Currently, OpenLimit is in talks with bond holders regarding the extension of the duration. We do not expect any further external financing to be necessary in 2013E.

Restructuring shows first successes OpenLimit has restructured its distribution strategy and focuses much more on industrial clients. The company has developed a sales pipeline for industrial clients which could increase the share of this largely new customer group to ca. 70% of sales. This would significantly reduce the dependence of the public sector which in the past negatively affected OpenLimit, as projects were prone to delays and payment behaviour was often lax.

Cautious guidance for 2013 OpenLimit expects a moderate increase in sales and a reduction of the net loss.

Three sales drivers for 2013E Main sales drivers will be SecDocs, truedentity, and signature technologies.

Fujitsu SecDocs powered by OpenLimit: SecDocs is a technology for long-term storage of electronic documents. Based on this technology the user can prove that the electronic document is an original document. In April 2012 OpenLimit concluded an exclusive agreement with Fujitsu regarding a global licensing of different OpenLimit technologies which are integrated in the product Fujitsu SecDocs. In September 2012 the product was the first of its kind receiving international certification based on the Common Criteria EAL 4+. OpenLimit receives a licence fee and a minimum sales guarantee for the 5 year duration of the agreement. In 2012 product sales were negatively affected by internal restructuring at Fujitsu. For 2013 we believe that Fujitsu will significantly increase marketing and distribution of the product.

truedentity: truedentity is the name for a product family which provides secure authentication of people and machines (e.g. via USB token, card, smart phone app) and secure data transfer in the digital world. The first version of the product was published in September 2012. According to VDI/VDE-IT the market for authentication technologies has an annual volume of ca. €1.3bn. Growth rates in recent years were 9% on average. Future growth looks set to be fuelled by demand for secure online transactions, for protection from identity theft, and for advanced secure authentication systems.

Signature technologies: Whereas in recent years OpenLimit's revenues from electronic signature technologies were falling, the company expects an increase for 2013 based on its existing contracts. Especially the demand for the scanning of documents, which allows for the elimination of the paper version afterwards due to electronic signatures, is rising.

German eGovernment law passed the Bundestag on 18 April The law defines clear rules for electronic communication between public administrations and citizens, and the digitalisation of paper documents. After the approval of the Bundesrat, which we expect in June, this law will significantly increase legal security and looks set to support demand for SecDocs.

Sales jump in 2014E For 2014E we forecast a jump in sales (+27% y/y) mainly due to the marketing start of the smart meter gateway which is developed by OpenLimit and its partner Power Plus Communications (PPC). The gateway secures the communication of smart meter data between power producer, grid operator, and consumers. We expect smart meters to become a growth market in Germany in 2014E as regulatory requirements will force more and more power consumers to install smart meters. Initial demand is expected to be ca. 8m units, and the German government's aim is to reach a market penetration of ca.



80% by 2020, which would correspond to ca. 32m smart meters. Currently, OpenLimit and PPC have a first mover advantage as they are the first companies which have applied for a certification of their smart meter gateway.

Forecasts adjusted We have adjusted our forecasts (see figure 2) as the restructuring takes longer and more resources than initially expected. Furthermore, rather restrictive IT budgets of many companies hint at only moderate revenue growth in 2013E. For 2014E, we still expect a jump in revenues due to the penetration of the smart meter gateway market.

Buy rating reiterated at reduced price target An updated DCF model yields a new price target of €1.40 (previously: €1.50). We reiterate our Buy recommendation.

Figure 1: Reported figures vs. estimates

All figures in €m	2012A	2012E	delta	2011	delta
Sales	6.21	6.15	1.0%	5.75	8.0%
EBIT	-0.81	-0.90	-	-1.22	-
margin	-13.0%	-14.6%		-21.2%	
Net income	-0.90	-0.91	-	-1.13	-
margin	-14.5%	-14.8%		-19.7%	
EPS (diluted)	-0.05	-0.05	-	-0.06	-

Source: First Berlin Equity Research, OpenLimit Holding AG

Figure 2: Change of estimates

All figures in €m	2013E			2014E			2015E		
	Old	New	delta	Old	New	delta	Old	New	delta
Sales	7.99	7.02	-12.2%	10.79	8.88	-17.7%	14.03	11.54	-17.7%
EBIT	0.26	-0.43	-	1.40	0.54	-61.3%	2.70	2.05	-24.2%
margin (%)	3.2%	-6.1%		10.6%	6.1%		19.3%	17.7%	
Net income	0.21	-0.53	-	1.32	0.40	-69.8%	2.66	1.84	-31.0%
margin (%)	-0.4%	-7.6%		9.8%	4.5%		18.6%	15.9%	
EPS € (diluted)	0.01	-0.03	-	0.07	0.02	-70.3%	0.14	0.10	-31.6%

Source: First Berlin Equity Research

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	10 October 2005	€4.20	Buy	€5.20
2...32	↓	↓	↓	↓
33	21 May 2012	€0.84	Buy	€2.00
34	24 August 2012	€0.67	Buy	€2.00
35	21 November 2012	€0.48	Buy	€1.50
36	Today	€0.37	Buy	€1.40

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BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

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