

OPENLIMIT HOLDING AG

SWITZERLAND / SOFTWARE / ELECTRONIC SIGNATURE

 Primary exchange: Frankfurt
 Bloomberg symbol: O5H
 ISIN: CH0022237009

HI RESULTS

RATING:	Buy
PRICE TARGET:	€2.50
RETURN POTENTIAL:	296.2%
RISK RATING:	High

CRYPTOMOBILE TO BOLSTER H2

The aftermath of the AusweisApp hacking attack at the end of 2010 has persisted into H2 2011 but we feel confident that the new QryptoMobile product will make up for any shortfall from the established business. Prospects for 2012 and 2013 continue to look very good with SecDocs moving beyond the pilot phase, networking effects taking hold in the AusweisApp business and international sales gathering pace. We maintain our Buy recommendation and €2.50 price target.

Sales growth to accelerate in H2 We noted at the FY 2010 stage in April that H1 sales growth would be well below our full year forecast of 31.5%. H1 sales rose 12% to €1.76m (H1/10 €1.57m) which was above our forecast of €1.56m. However, our expectation of a slow H1 relative to our H2 forecast proved correct. EBIT at €-1.70m (H1/10: €-1.59m) came in below our €-1.59m forecast because mainly because we had underestimated the depreciation charge which rose 9.1%. Other operating costs rose by only 1.5%.

HI suffered from aftermath of AusweisApp hacking attack HI was negatively affected by a hacking attack at the end of 2010 on the AusweisApp software used in conjunction with the German electronic identity (eID) card. This impacted not only the AusweisApp project but also pushed back the schedule for certification of the SecDocs digital archiving project from March to October. HI was also adversely affected by a delay to a major document digitalisation project and late payments from customers. The latter caused the company to write receivables down by around €80,000. Without this writedown, HI sales would have risen 20% to €1.84m.

FINANCIAL HISTORY & PROJECTIONS

	2008	2009	2010	2011E	2012E	2013E
Revenue (€m)	4.79	4.36	5.37	7.06	9.74	14.71
Y-o-y growth	n.a.	-8.9%	23.1%	31.5%	38.0%	51.0%
EBIT (€m)	1.37	-0.81	-0.86	0.20	1.56	3.34
EBIT margin	22.0%	-12.9%	-11.0%	2.0%	13.0%	20.0%
Net income (€m)	1.06	-0.53	-1.64	0.19	1.31	2.77
EPS (diluted) (€)	0.07	-0.03	-0.08	0.01	0.07	0.14
EV / Sales (x)	2.3	2.5	2.0	1.5	1.1	0.7
EV / EBIT (x)	7.9	n.a.	n.a.	55.0	7.0	3.2
P/E (x)	9.4	n.a.	n.a.	63.5	9.4	4.4
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	-0.83	-3.74	-0.73	-0.36	-0.54	0.51
Net gearing	-1.6%	8.6%	5.1%	9.7%	4.8%	6.7%
Liquid assets (€m)	0.07	0.87	0.56	0.99	0.65	0.99

RISKS

Risks to our price target include, but are not limited to: delay in large projects, erosion of the company's present competitive lead, further dilution of shareholders' interests and the failure of electronic signature applications to achieve widespread market acceptance.

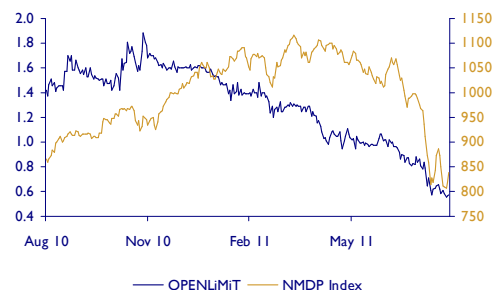
COMPANY PROFILE

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. The company employed 61 staff as of 30 June 2011.

TRADING DATA

Closing price (25.08.11)	€0.63
Shares outstanding	18.11m
Market capitalisation	€11.43m
52-week range	€0.56 / 1.88
Average volume (12 months)	26,534

STOCK OVERVIEW



COMPANY DATA (as of 30 June 2011)

Liquid assets	€0.14m
Current assets	€5.35m
Intangible assets	€4.77m
Total assets	€10.28m
Current liabilities	€1.18m
Shareholders' equity	€7.36m

SHAREHOLDERS

Heinrich Dattler	11.8%
Rene C. Jäggi	9.2%
Enuhill Portfolio Inc.	7.2%
Robert E. Züllig	5.8%
Freefloat	66.0%



Sales growth should accelerate in H2, helped by QryptoMobile Openlimit launched QryptoMobile at the Judo World Championships in Paris earlier this month. QryptoMobile is a USB stick which allows secure browsing, email and data storage by virtue of Openlimit software. The product will be sold to companies/institutions and also to consumers via Openlimit's webshop. The price point for webshop sales will be €39.90. Companies/institutions will distribute the stick as part of their advertising/publicity efforts. On insertion of the stick into a PC a start page appears which can be used by the distributor of the stick as an information or advertising channel. This market is more competitive than the digital signature market but is not subject to the vagaries of large multicompany projects and political decision making which have afflicted Openlimit's results in recent years. We also expect Rene Jäggi, Vice President and Openlimit Board Member, to be able to utilise his extensive list of contacts in the sporting world to generate QryptoMobile business.

7-digit sales expected for QryptoMobile over next 12 months On the strength of demand for the product so far, Openlimit management expect QryptoMobile to generate 7-digit sales over the next 12 months. We see the product as a crucial component of H2 sales. Our FY forecast of €7.06m implies sales growth of nearly 40% y-o-y in the second half. Some of the factors which hit sales in H1 have persisted for longer than we expected when we wrote our last report in May. However with help from QryptoMobile we still think €7.06m is achievable.

Liquidity position is stretched The cash position at the end of H1 was only €0.14m (FY 2010: €0.87m) despite the receipt of €1.5m in proceeds from a convertible in the last two weeks of June. The decrease in liquidity was primarily the consequence of delayed collection of receivables which amounted to €5.2m at end H1 2011. Management tells us that a further capital raise may be necessary if these receivables are not paid soon. Factoring is being considered for new receivables.

Maintaining Buy recommendation and €2.50 price target H2 looks as if it may be more challenging for Openlimit's established business than we anticipated when we wrote our Q1 note in May. The increase in change request business in connection with the AusweisApp which we originally expected for July now looks unlikely to gather momentum until Q4. Persistent adverse press coverage is also slowing Ausweisapp business. However, management tell us that the order pipeline suffices to generate our 2011 sales target. On this basis and due to the early promise shown by QryptoMobile we are leaving our 2011 forecasts unchanged. 2012 and 2013 should also see robust sales growth as SecDocs sales get underway in earnest, a major document digitalisation project moves beyond the pilot stage and AusweisApp networking effects take hold. We are leaving our forecasts unchanged and maintain our Buy recommendation and price target of €2.50.

HI RESULTS

All figures in €m	H1 2011A	H1 2011E	% diff.	H1 2010	% change
Sales	1.76	1.56	12.8%	1.57	12.1%
EBIT	-1.70	-1.59	n.a.	-1.59	n.a.
Margin (%)	-59.4%	-58.9%		-56.2%	
Net income	-1.91	-1.8	n.a.	-2.06	n.a.
Margin (%)	-66.8%	-66.7%		-72.8%	
EPS € (diluted)	-0.12	-0.10	n.a.	-0.12	n.a.

Table 1

Source: First Berlin

**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...27	↓	↓	↓	↓
28	18 November 2010	€1.74	Buy	€2.75
29	21 April 2011	€1.21	Buy	€2.50
30	20 May 2011	€1.01	Buy	€2.50
31	Today	€0.63	Buy	€2.50

Simon Scholes

First Berlin
Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 91 68 41 05
Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com
www.firstberlin.com

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance
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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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