

## OPENLIMIT HOLDING AG

SWITZERLAND / SOFTWARE / ELECTRONIC SIGNATURE

 Primary exchange: Frankfurt  
 Bloomberg symbol: O5H  
 ISIN: CH0022237009

### Q1 RESULTS

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€2.50</b>
RETURN POTENTIAL:	<b>147.5%</b>
RISK RATING:	<b>High</b>

### A YEAR OF TWO HALVES

The Q1 result was weak as we flagged in our note on the 2010 annual report of 21 April. Q1 (and H1) have been 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. A delay to a major document digitalisation project and late payments from customers have also hit recent trading. H2 2011 and subsequent periods should benefit from recovering momentum behind the eID card, the start up of a major document digitalisation project and a large contribution from the cooperation with Fujitsu in electronic archiving software. We also expect the company to take near-term measures to improve its liquidity. We maintain our Buy recommendation and price target of €2.50.

**Q1 was weak but not grounds for reducing FY forecasts** Sales rose 4% to €0.76m (Q1/10: €0.73m) which is below both our full year sales growth forecast of 31.5% and our Q1 forecast of €0.85m. EBIT was €-0.89m (Q1/10: € -0.57m) compared with our forecast of €-0.70m. Q2 is likely to be another weak quarter, but on the assumption that H2 runs according to plan, we see no reason to change our full year forecasts.

**Hacking attack slowed eID progress in H1** The late 2010 hacking attack on the AusweisApp (the software Openlimit delivers for the eID card) slowed the uptake by cardholders of services which can be accessed through the card. In addition, the hacking attack halted the process by which software change requests are processed by the German Interior Ministry and handed to Openlimit for implementation. In consequence two significant sources of revenue were much reduced in Q1.

### 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)	3.7	4.1	3.3	2.5	1.8	1.2
EV / EBIT (x)	12.9	n.a.	n.a.	89.8	11.4	5.3
P/E (x)	15.0	n.a.	n.a.	101.6	15.0	7.1
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 63 staff as of 31 March 2011.

### TRADING DATA

Closing price (19.05.11)	€1.01
Shares outstanding	18.11m
Market capitalisation	€18.29m
52-week range	€0.98 / 1.88
Average volume (12 months)	25,956

### STOCK OVERVIEW



### COMPANY DATA (as of 31 March 2011)

Liquid assets	€0.10m
Current assets	€5.07m
Intangible assets	€4.64m
Total assets	€9.86m
Current liabilities	€0.28m
Shareholders' equity	€8.31m

### SHAREHOLDERS

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



**H2 will see eID card project regain momentum** The Interior Ministry now expects 100 services for the eID card to have been developed by the end of this year. In 2010 the official expectation was that 50 such services would be in place. This suggests that the networking effects crucial to the success of the eID project are beginning to crystallise. We expect uptake of eID services to accelerate as these network effects take hold and memories of the hacking attack fade. With regard to the change requests, there will likely be a substantial catch-up requirement. We expect this catch-up process will take place in H2.

**Pilot phase of major document digitalisation project to begin in July** Openlimit is a participant in the largest document digitalisation project in Europe. The pilot phase of this project was delayed from H1 2011 to H2 2011 and is now scheduled to begin in July. Phase I is a five to eight year project. Openlimit is also participating in the tender for phase II of this project.

**Commercialisation of SecDocs to begin in H2** Openlimit and its partner Fujitsu will commence commercialisation of the long term archiving solution, SecDocs, in H2. Given Fujitsu's global reach, this product's potential is very high.

**Near term measures to improve liquidity likely** The eID project involves a consortium of companies. In several cases Openlimit has completed contracted work, but has not received payment. This is because achievement of the payment-triggering milestone is dependent on the completion of work by another member of the consortium. The counterparties involved are for the most part blue chip status so we have little reason to doubt that payment will eventually be made. But in the meantime, Openlimit requires additional financing. We expect this additional financing to be effected either through existing credit lines, new debt or a convertible bond.

**Maintaining existing recommendation and price target** Providing that Openlimit is able to secure the necessary interim financing and that currently visible projects run according to plan, the forecasts on page 1 (first published in our note on the 2010 results on 21 April) should be readily achievable. On this basis we leave our price target unchanged at €2.50. The recommendation stays at Buy.

## Q1 RESULTS

All figures in €m	Q1 2011A	Q1 2011E	% diff.	Q1 2010	% change
Sales	0.76	0.85	-10.6%	0.73	4.1%
EBIT	-0.89	-0.70	n.a.	-0.57	n.a.
Margin (%)	-69.0%	-50.0%		-43.5%	
Net income	-0.81	-0.62	n.a.	-0.69	n.a.
Margin (%)	-62.8%	-44.3%		-52.7%	
EPS € (diluted)	-0.04	-0.03	n.a.	-0.04	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...26	↓	↓	↓	↓
27	31 August 2010	€1.46	Buy	€2.75
28	18 November 2010	€1.74	Buy	€2.75
29	21 April 2011	€1.21	Buy	€2.50
30	Today	€1.01	Buy	€2.50

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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.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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