

OPENLIMIT HOLDING AG

SWITZERLAND / SOFTWARE / ELECTRONIC SIGNATURE

Primary exchange: Frankfurt
 Bloomberg symbol: O5H GR
 ISIN: CH0022237009

HI RESULTS

RATING:	Buy
PRICE TARGET:	€2.75
RETURN POTENTIAL:	88.7%
RISK RATING:	High

NETWORKING EFFECTS TO DRIVE GROWTH

HI 2010 results and a subsequent meeting with management have confirmed our positive view on the stock. The creation of an installed base of digital signature users through the roll-out of the electronic ID project in Germany from November will accelerate adoption by both the public and private sectors in Germany. It will also provide Openlimit with an entrée to digital signature projects in Europe outside Germany. However, we underestimated the costs associated with pushing forward major projects such as the electronic ID and the SecDocs e-storage project. We therefore take this opportunity to lower our forecasts to a more conservative level (see table 2 overleaf). We reduce our price target from €3.00 to €2.75 but retain our Buy recommendation.

Further important project wins in HI 2010 HI 2010 results showed a 48.8% rise in sales to CHF2.08m (HI 2009: CHF1.40m) despite a decline of 5% in the average Euro/Swiss Franc exchange rate. This puts the company well on track to achieve management guidance of a 30% increase in sales in 2010. Sales growth benefited from increased interest in the company's products following the high profile award in late 2009 of the contract for the AusweisApp project. The AusweisApp is the application software for the new electronic ID which will be rolled out in Germany from November 2010. Major contract wins in HI 2010 included an order from Fujitsu for a public customer for the largest digitisation project in Europe. This project entails digitization of all the customer's documents over the next five years. In March Openlimit received certification for SecDocs, a long-term archiving solution jointly developed with Fujitsu. This represents a further major milestone for the company. Fujitsu and Openlimit are preparing SecDocs for global commercialisation which is expected to proceed from the fourth quarter.

HI/10 EBIT impacted by investments in SecDocs, AusweisApp implementation HI EBIT fell back to CHF-2.01m (HI 2009: CHF-1.25m). The decline in profitability despite increasing revenues was primarily the consequence of the need to support the implementation of the AusweisApp and SecDocs projects mentioned above. These projects will not begin to generate revenues until Q4. Openlimit's HI 2010 financial result was also adversely affected by currency translation losses of CHF0.61m (most of which were non-cash) stemming from the weakness of the Euro against the Swiss Franc. Management has maintained the full year target of a positive net profit but concedes that this may now be more difficult to achieve in the light of the currency losses.

FINANCIAL HISTORY & PROJECTIONS

	2008	2009	2010E	2011E	2012E	2013E
Revenue (€m)	4.79	4.36	5.95	8.98	14.82	21.49
Y-o-y growth	na	-8.9%	36.4%	51.0%	65.0%	45.0%
EBIT (€m)	1.37	-0.81	0.35	1.38	3.05	5.37
EBIT margin	22.0%	-12.9%	4.1%	12.3%	18.0%	22.9%
Net income (€m)	1.06	-0.53	-0.21	1.08	2.42	4.32
EPS (diluted) (€)	0.07	-0.03	-0.01	0.05	0.11	0.20
P/E (x)	21.7	na	na	29.0	13.0	7.3
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%

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 53 staff as of 30 June 2010.

TRADING DATA

Closing price (30.08.10)	€1.46
Shares outstanding	18.09m
Market capitalisation	€26.35m
52-week range	€1.19 / 2.48
Average volume (12 months)	43,330

STOCK OVERVIEW



COMPANY DATA (as of 30 June 2010)

Liquid assets	CHF 2.48m
Current assets	CHF 6.07m
Intangible assets	CHF 5.17m
Total assets	CHF 11.43m
Current liabilities	CHF 0.41m
Shareholders' equity	CHF 10.76m

SHAREHOLDERS

Heinrich Dattler	11.8%
René C. Jäggi	9.2%
Enuhill Portfolio, Inc.	7.2%
Robert E. Züllig	5.8%
Free float	66.0%



Positive free cashflow in H1 Openlimit reported positive free cashflow for the first time in H1/10. Free cashflow of CHF0.32m (H1/09: CHF-0.09m) was bolstered by a CHF3.71m reduction in receivables. This helped the company build up its cash position from CHF1.36m at end 2009 to CHF 2.48m at end H1/10.

Electronic ID project acting as catalyst The creation of an installed base of digital signature-enabled citizens from 2011 through the implementation of the electronic ID project will make the ROI case for other digital signature projects much more compelling. 200 companies are currently involved in the pilot phase of the project. Moving into 2011 we expect a substantial increase in orders from the corporate sector along the lines of the deal recently announced with impuls systems GmbH, one of Germany largest health insurance brokers. At the same time Openlimit will be booking substantial revenues from both the electronic ID and SecDocs projects.

2010 employee option program Openlimit has issued further options to employees since 30.06.2010 but the impact of the 2010 option program will not be nearly as dilutive as its 2009 counterpart. Based on our target price for the share of €2.75, and using the treasury share calculation method, the dilutive impact of the 2009 program is 16.6%. For the 2010 program, this figure is 2.3%.

Maintaining Buy recommendation Personnel costs rose faster than we expected in H1 as Openlimit hired consultants to push forward major projects such as the introduction of the electronic ID and the SecDocs e-storage project, **both of which will contribute to revenues from the end of this year.** We have taken this opportunity to reduce our forecasts to more conservative levels as shown in table 2 below. We are moving our price target from €3.00 to €2.75 but retain our Buy recommendation.

Table 1: Q2 and H1 results

CHF 000s	Q2 2009	Q2 2010	% change	H1 2009	H1 2010	% change
Sales	744	1,042	40.1%	1,399	2,082	48.8%
Total output	1,430	1,875	31.1%	2,750	3,745	36.2%
EBIT	-468	-1,290	na	-1,253	-2,100	-67.6%
Margin (%)	-32.7%	-68.8%	-	-45.6%	-56.1%	-

Source: Openlimit, First Berlin estimates

Table 2: Changes to our forecasts

All figures in €m	2010E			2011E		
	old	new	% Change	old	new	% Change
Revenue	5.95	5.95	0.0%	8.98	8.98	0.0%
EBIT	0.90	0.35	-61.1%	3.50	1.38	-60.6%
Margin (%) *	10.6%	4.1%	-	30.6%	12.3%	-
Net income	0.78	-0.21	n.a.	2.95	1.08	-63.4%
EPS (€)	0.04	-0.01	n.a.	0.15	0.05	-66.7%

Source: First Berlin estimates

**FIRST BERLIN RATING & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Rating	Price target	Interim high	% change to high
Initial Report	10 October 2005	€4.20	Buy	€5.20	-	-
2...23	↓	↓	↓	↓	↓	↓
24	12 March 2010	€1.68	Buy	€3.40	€1.90	13.1%
25	23 April 2010	€1.64	Buy	€3.00	€1.75	6.6%
26	5 May 2010	€1.70	Buy	€3.00	€1.72	1.2%
27	Today	€1.46	Buy	€2.75	-	-

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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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