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Corporate News

OpenLimit Holding AG

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OpenLimit Holding AG: Publication of the Half-Yearly Report 2019

- Turnover in the first six months of 2019 fell by 8 % to EUR 4.00m (comparable figure for the first 6 months of 2018: 4.35m), whereby this is not to be interpreted as a decline in the general business performance, but rather is attributable to delimitation issues, milestones in the execution of projects that did not take place during the reporting period, as well as the unfortunately still outstanding rollout of the smart metering system in Germany.
- The development of the revenue shares of the three biggest customers compared with the same period in the previous year is to be regarded as being positive. This clearly shows that cluster risks have been diminished and that the order situation is better distributed.
- As a result of the decrease in revenue, but also on account of the 4 % drop in internally produced and capitalised assets, total income fell from EUR 5.19m (comparable figure for the first 6 months of 2018) down to EUR 4.81m.
- The operating result (EBIT) for the reporting period improved by 169 % from EUR 0.05m to EUR 1.5m despite the lower total income and thanks to a rigorous cost discipline. The loss for the period compared to the same period in 2018 was reduced by 49 % from EUR -0.27m to EUR -0.14m.
- OpenLimit successfully implemented a capital increase to the amount of EUR 2.13m in January 2019 and convertible loans totalling EUR 0.55m were concluded in April 2019.
- For reasons of age and illness, changes to the Board of Directors were made at the Ordinary General Meeting held on June 25, 2019. Mr. Daniel Zimmermann joined the Board and was appointed President of OpenLimit SignCubes AG. He replaces the departing Mr. Klaus Schmidt, for whose services the Board of Directors expresses its thanks and wishes him all the best for the future.
- The contract with T-Systems for the development of a Konnektor for the healthcare market was extended in March 2019, and made a significant contribution to revenue development in the first half of 2019. The order will also generate significant revenues in the second half of the year. Furthermore, it is also anticipated that the contract will be continued in 2020.
- The still pending rollout of the Smart Meter Gateway (SMGW) is regretted by all market players, and also means that the revenue target has to be replaced by other business activities. This was satisfactorily possible in the first half of the year, but it does affect our outlook for the end of the year, also due to the fact that other projects were deferred. Although there are orders on hand close to this year's planned SMGW volumes, the call-off is sluggish and will probably not be called until 2020, even if the announcement of the rollout is, with cautious optimism, expected to be made by the end of this year.
- OpenLimit was able to acquire new orders, some of them in the higher 6-figure range (euros), and to significantly realise them in the first half of the year.

Baar, September 26, 2019 - OpenLimit Holding AG, an international software specialist focusing on technologies for secure data communication, eID and authentication technologies, published its 2018 half-yearly report this morning.

Turnover in the reporting period fell by 8 % from EUR 4.35m in the previous year to EUR 4.00m. In absolute figures, there are no reasons for the differential amount of EUR 0.35m that could suggest a general change in the development of business activities. The main reason for the deviation from the projections is that the existing orders on hand for the Smart Meter Gateway (SMGW), developed jointly with Power Plus Communications AG as a key component of the smart metering system for electricity and other measurement technologies, could not be delivered, and substitute revenues from new or expanded project orders could not be acquired to the same extent or realised in the period.

The legally binding planned rollout of the technology will begin from the time when three certified SMGWs are available on the market. OpenLimit, together with its sales and development partner, presented the first SMGW with Common Criteria certification in Germany in December 2018. Contrary to the assumptions made on the basis of public statements by the authorities and manufacturers, certification of two competitive products was not concluded during the reporting period and is still awaited. With cautious optimism, the company assumes that the rollout will be announced by the end of the year.

Approximately 93 % of sales were generated by three projects, whereby a better distribution of the proportionate sales among the customers was achieved, thus minimising cluster risks. The main sales driver was the ongoing order with T-Systems which, following completion of the requisite device certification by the Federal Office for Information Security (BSI), calibration registration by the Physikalisch-Technische Bundesanstalt (PTB), as well as approval given by the main customer, gematik, in 2018, was transferred to a further development and maintenance phase, and was contractually secured in March 2019 for the course of the year in the mid 7-figure range (euros). The Konnektor (Medical Access Port) enables the decentralised systems at players in the healthcare system to be securely connected to the central telematics infrastructure, as well as selected services within the framework of the processing of electronic documents and files; doctors, hospitals and pharmacies are obliged to implement it nationwide in Germany or are offered considerable incentives to do so.

The 4 % year-on-year decrease in internally produced and capitalised assets was the second reason for the 7 % fall in the total revenue for the reporting period from EUR 5.19m in the first half of 2018 to EUR 4.81m. We also view this situation in a positive light, as this change shows that more employees worked on paid projects than in the previous period with the same number of employees (49).

With regard to the otherwise extremely positive development of the EBITDA (15 % increase to EUR 1.64m) and EBIT (169 % improvement up to EUR 0.15m) respectively in a year-on-year comparison, the company points to the necessary first-time implementation of the IFRS 16 standard, which influenced these figures. Depreciation to the amount of EUR 1.49m, adjusted for depreciation on rights of use formed on the basis of leasing relationships in accordance with IFRS 16 and depreciation of property, plant and equipment, shows that depreciation of intangible property, plant and equipment has meanwhile burdened the result by approx. EUR 0.36m, and consequently the EBIT result as well as the result for the period. This circumstance should, however, diminish over time through to having a positive effect on these key financial figures (ultimately dependent on the effective development of internally produced and capitalised assets in the future). The 49 % reduction in the period net loss from EUR 0.27m in the previous year's period down to EUR 0.14m shows that we are continuing to work with a high degree of cost discipline, although we must also mention the effects of the application of IFRS 16 here without, however, qualifying the statement.

The Group's balance sheet also improved positively, particularly against the backdrop of the EUR 2.13m capital increase approved on January 3 and subsequently realised, which enabled the liabilities to be reduced by the same amount. This is the main reason for the significant increase in the equity ratio from 10 % in the previous year up to 27 % in the reporting period. Otherwise, the introduction of IFRS 16 led to a significant increase in the balance sheet extension of EUR 1.35m.

The cash flow statement shows that considerable funds have been used, and must continue to be used in future, to reduce liabilities / debts. Cash and cash equivalents as of June 30, 2019, to the amount of EUR 0.03m represent a typical situation in the reporting period at the end or beginning of the month. This inhibits the organisational growth and makes the liquidity issue a recurring topic with corresponding consequences for the focus of the Board of Directors and in particular of the Management. Since it is highly unlikely that it will be possible to realise the planned revenues in 2019 on account of the postponement of the SMGW rollout despite receipt of the planned order, together with the postponement of two major pipeline projects, this situation will only change when these developments occur with a positive effect on the liquidity or other measures are taken. In this respect, parallel to the development of new project opportunities, partnerships and alternative sources of financing, the Company's executive bodies are also scrupulously observing the market situation and pursuing known opportunities with great intensity. The Company's executive bodies are encouraged by the significant progress made in recent years, and by the prospects for ongoing projects, follow-up orders and the (hopefully) forthcoming SMGW rollout.

Outlook

In its Annual Financial Report for 2018, the Company had announced an optimistic outlook for 2019 with the possibility of breaking through the eight-figure (euros) turnover barrier. However, the stated most important developments that would have been necessary for this have still not occurred and will probably occur too late in the current year, or possibly not until early 2020. This factor is also disappointing and frustrating for the Board of Directors and the Management. Two issues in particular play an important role in this context, and they also have a certain interdependence:

a) The described delay in the legally binding rollout of the SMGW technology to defined electricity producers and consumer groups in Germany, which is expected to occur at the end of 2019 and with which the Group can generate a licence fee per ordered SMGW as well as related revenues, and

b) the resultant delayed turnover development which, if necessary coupled with other financing options, has not yet allowed the organisational growth to develop as planned in 2019.

The planned organisational growth is a mandatory requirement for a possible increase in turnover in the Group's solutions and project business beyond the current turnover level. In this respect, the Group currently has considerable and attractive business possibilities in the sales pipeline, and otherwise sees many market opportunities which, however, cannot be exploited additionally and in parallel due to a lack of resources, and would also not be feasible for the same reasons.

As it was not possible to build up the staff resources as planned, the Group's costs lie below budget, which is also already evident in the half-year result as indicated by a slight increase in EBIT expressed in absolute figures. There is a chance, depending on the effective revenue and cost trend (key drivers here are the progress of ongoing project and certification costs (costs of external work), cost of goods and other expenses that are to be assessed at the end of the year in accordance with IFRS regulations), that it will be possible to present a positive EBIT result at the end of the year. However, since the EBIT result has so far been very low, the inherent risks must be taken into account in this statement.

Due to the market situation, augmenting the development resources is in itself a challenge, and generally only leads to the desired results several months following a successful implementation. This deviation from the projections, which is attributable to the Group's current financial capabilities, is also disappointing and will consequently require further significant efforts from the moment when the funds become available. In this respect, the Board of Directors and the Management have sharpened their focus on financing options, while short-term solutions must always be worked out for the known liquidity issues (whereby the current liquidity situation is to be classed as being more acute at the report date), a medium-term sustainable solution needs to be sought, and developments of the framework conditions obviously have to be tracked and supported. It is also gradually in the midst of its end-of-year spurt to generate new business for this and subsequent years.

With orders on hand for the 4th quarter (low 7-figure range) upwards of approximately EUR 5m (including beyond 2020), the Group remains positive about future developments and expects that this year's targets can be achieved in 2020, which would mean a postponement of the planning by one year.

However, with the continued solid work of the Board of Directors, the Management and the highly qualified OpenLimit employees, the Group can look to the future with confidence, and counters the frustrating delays and circumstances of 2019 – which were and are for the most part beyond the Group's control – with what they will soon be: the past.

Read the full report here.

About OpenLimit

OpenLimit stands for the secure electronic handshake. With our technologies, we enable people and machines to communicate worldwide without any restrictions and in a secure, provable and identifiable manner. We develop basic technologies and products in the following areas: secure data communication between machines, electronic identities, electronic signatures, and evidential value-preserving, long-term storage of data and documents. Our solutions form an integral part of products from leading manufacturers of IT applications and are used by enterprises, public authorities, institutions and private households. In order to realise our mission to create a secure electronic handshake, we enter into targeted strategic development and sales partnerships.

The listed OpenLimit Holding AG (ticker symbol: O5H) and an operating subsidiary are based in Baar, Switzerland. A further subsidiary is located in Berlin, Germany. The corporate group has over 50 highly qualified employees.

For further information, please visit www.openlimit.com

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