

# OpenLimit Holding AG

Switzerland / Software / Electronic Signature  
 Primary exchange: Frankfurt  
 Bloomberg: O5H GR  
 ISIN: CH0022237009

## 9M Results

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>€1.40</b>
Return Potential	138.1%
Risk Rating	High

## STRONG Q4 EXPECTED

On 12 November OpenLimit published 9M interim figures which were in line with our estimates. The company reiterated its 2013 guidance and expects a moderate increase in sales and a smaller loss. We remain confident that OpenLimit will be able to accelerate revenue growth in 2014E and reach break-even. We reiterate our Buy rating and the €1.40 price target.

**9M 2013 figures in line** 9M sales increased by 23% y/y to €3.46m (FBe: €3.3m, 9M 2012: €2.81m). Operating loss narrowed to €-1.96m (FBe: €-2.10m, 9M 2012: €-2.35m). The net loss amounted to €-2.14m (FBe: €-2.17m, 9M 2012: €-2.51m). Higher revenues and strict cost control were the basis for the reduced net loss.

**Guidance reiterated** OpenLimit reiterated its 2013 guidance and expects moderate sales growth and a smaller loss. As in previous years Q4 will be the most important quarter in terms of sales and earnings. To reach our 2013E sales forecast, Q4 sales must amount to €3.7m or 53% of our annual estimate of €7.0m. In 2012, Q4 sales amounted to €3.4m or 55% of annual sales of €6.2m. Based on recent news flow we remain confident that OpenLimit will reach our 2013E estimates and the guidance.

**Health care market promising** OpenLimit's partner has asked the company to start developing the necessary technology for the health care market. Once the partner is awarded the contract, OpenLimit's role will expand significantly.

**Signature technology demand increasing** Due to TR-RESISCAN, the technical guideline of the German Federal Agency for Security in IT (BSI) for digitalising physical documents, the market for electronic signatures is showing first signs of recovery. Canon placed OpenLimit's technology in the health...  
 (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013E	2014E	2015E	2016E
Revenue (€m)	5.75	6.21	7.02	8.88	11.54	13.85
Y-o-y growth	n.a.	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	1.83	2.55
EPS (diluted) (€)	-0.06	-0.05	-0.03	0.02	0.09	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-1.09	-0.18	1.50	1.98
Net gearing	17.1%	-1.9%	10.0%	11.9%	-6.4%	-21.7%
Liquid assets (€m)	0.39	1.88	0.79	0.60	0.60	2.58

## 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 technologies enable people and machines globally to communicate securely, identifiably and provably. Base technologies and products are developed in the following areas: electronic identities, electronic signatures, evidentiary value-preserving long-term storage of data and documents, and secure data transmission between machines.

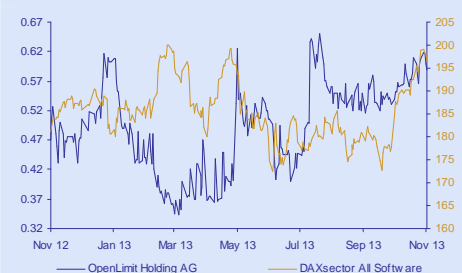
## MARKET DATA

As of 21 Nov 2013

Closing Price	€ 0.59
Shares outstanding	19.15m
Market Capitalisation	€ 11.26m
52-week Range	€ 0.34 / 0.65
Avg. Volume (12 Months)	27,092

Multiples	2012A	2013E	2014E
P/E	n.a.	n.a.	27.3
EV/Sales	1.7	1.5	1.2
EV/EBIT	n.a.	n.a.	19.7
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Sep 2013

Liquid Assets	€ 0.18m
Current Assets	€ 4.31m
Intangible Assets	€ 4.94m
Total Assets	€ 10.15m
Current Liabilities	€ 4.13m
Shareholders' Equity	€ 6.02m

## SHAREHOLDERS

Heinrich Dattler	9.8%
René C. Jäggi	9.1%
Enuhill Portfolio, Inc.	6.8%
Robert E. Züllig	5.7%
Free Float	68.5%



...insurance sector and Fujitsu in the public sector. Furthermore, OpenLimit has acquired new direct and indirect customers and partners such as Deutscher Apotheker Verlag and the German Federal Ministry of Defense.

#### Focus on development and marketing of trueidentity and smart meter gateway

trueidentity allows for secure online identification processes. OpenLimit has integrated chip cards and Fujitsu's biometric hand vein scanner into the technology. The combination of chip card and hand vein scanner complements the high level of security of chip cards with the comfort of biometric scanning. This combination is marketed in areas such as building security, gambling, financial services, and security companies.

The smart meter gateway allows for secure communication of meter data to utilities and end consumers. In July OpenLimit and its partner Power Plus Communications presented the first version. The first pilots are currently being developed. On 30 July the German Ministry of Economics published a cost-benefit analysis of the use of smart meters. This was an important step towards the regulation of smart metering in Germany. The cost-benefit analysis will be the basis for the next regulatory step – the German Ministry of Economics' smart meter roll-out directive. This is scheduled for Q1 or Q2 2014. Although the cost benefit analysis recommends a slightly slower roll-out than the EU guidelines, we still expect the development of a large new market with ca. 12m smart meter gateways in coming years. We believe demand will start in earnest from Q4 2014.

**Balance sheet remains stretched** At the end of September the cash position amounted to €0.18m (30/09/2012: €1.1m). Receivables increased to €4.13m (30/09/2012: €2.58m). Payables and other liabilities rose to €2.31m (30/09/2012: €1.04m). However, after the reporting date short-term liabilities were reduced by ca. €1.5m due to customer payments. Strict cost control and tight working capital management will remain pivotal for the management board. As management has proven its ability to cope with these challenges in recent years we are confident that OpenLimit can continue on its growth path.

At the beginning of Q3 a part of the convertible loan (€1m) was refinanced with a straight loan. The interest rate of the straight loan increased to 9.5% compared with 6% for the convertible. The outstanding convertible loan (€0.5m) has been extended by one year.

**Buy rating reiterated at unchanged price target** Based on unchanged estimates an updated DCF model still yields a price target of €1.40. We reiterate our Buy rating.

Figure 1: Reported figures versus estimates

All figures in €m	9M-13A	9M-13E	Delta	9M-12	Delta
Sales	3.46	3.30	4.8%	2.81	23.1%
EBIT	-1.96	-2.10	-	-2.35	-
margin	-259.9%	-278.4%		-279.8%	
Net income	-2.14	-2.17	-	-2.51	-
margin	-283.7%	-287.7%		-298.8%	
EPS diluted in €	-0.11	-0.11	-	-0.13	-

Source: First Berlin Equity Research, OpenLimit Holding AG



## INCOME STATEMENT

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E
<b>Revenues</b>	<b>5,745</b>	<b>6,208</b>	<b>7,015</b>	<b>8,878</b>	<b>11,541</b>
Own work	2,304	2,406	2,603	2,663	2,308
Cost of goods sold	167	105	210	266	346
<b>Gross profit</b>	<b>5,578</b>	<b>6,103</b>	<b>6,805</b>	<b>8,611</b>	<b>11,195</b>
Personnel costs	5,339	5,249	5,768	6,348	6,925
Depreciation and amortisation	2,182	2,415	2,239	2,193	2,139
Other operating income	0	0	0	0	0
Other operating expenses	1,584	1,656	1,830	2,193	2,393
<b>Operating income (EBIT)</b>	<b>-1,222</b>	<b>-812</b>	<b>-430</b>	<b>541</b>	<b>2,046</b>
Net financial result	-128	-120	-120	-120	-120
Non-operating expenses	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-1,350</b>	<b>-932</b>	<b>-550</b>	<b>421</b>	<b>1,926</b>
Income taxes	-217	-34	-22	25	96
Minority interests	0	0	0	0	0
<b>Net income / loss</b>	<b>-1,133</b>	<b>-897</b>	<b>-528</b>	<b>396</b>	<b>1,830</b>
<b>Diluted EPS (in €)</b>	<b>-0.06</b>	<b>-0.05</b>	<b>-0.03</b>	<b>0.02</b>	<b>0.09</b>
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>1,810</b>	<b>2,734</b>	<b>4,186</b>
<b>Ratios</b>					
Gross margin	97.1%	98.3%	97.0%	97.0%	97.0%
EBIT margin on revenues	-21.3%	-13.1%	-6.1%	6.1%	17.7%
EBITDA margin on revenues	16.7%	25.8%	25.8%	30.8%	36.3%
Net margin on revenues	-19.7%	-14.5%	-7.5%	4.5%	15.9%
Tax rate	16.1%	3.7%	4.0%	6.0%	5.0%
<b>Expenses as % of revenues</b>					
Personnel costs	92.9%	84.6%	82.2%	71.5%	60.0%
Depreciation and amortisation	38.0%	38.9%	31.9%	24.7%	18.5%
Other operating expenses	27.6%	26.7%	26.1%	24.7%	20.7%
<b>Y-Y Growth</b>					
Revenues	n.a.	8.1%	13.0%	26.5%	30.0%
Operating income	n.a.	n.m.	n.m.	n.m.	278.3%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	362.4%



## BALANCE SHEET

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E
<b>Assets</b>					
<b>Current assets, total</b>	<b>6,660</b>	<b>5,307</b>	<b>4,630</b>	<b>4,739</b>	<b>5,346</b>
Cash and cash equivalents	393	1,877	786	604	603
Short-term investments	0	0	0	0	0
Receivables	6,267	3,430	3,844	4,135	4,743
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
<b>Non-current assets, total</b>	<b>5,681</b>	<b>5,940</b>	<b>5,446</b>	<b>5,969</b>	<b>6,195</b>
Property, plant & equipment	130	132	137	144	150
Goodwill & other intangibles	4,772	4,908	5,309	5,825	6,046
Other assets	780	900	0	0	0
<b>Total assets</b>	<b>12,341</b>	<b>11,247</b>	<b>10,075</b>	<b>10,708</b>	<b>11,541</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>1,588</b>	<b>2,685</b>	<b>1,441</b>	<b>3,178</b>	<b>2,182</b>
Short-term debt	188	1,500	0	1,500	0
Accounts payable	1,391	1,171	1,441	1,678	2,182
Current provisions	0	0	0	0	0
Other current liabilities	10	14	0	0	0
<b>Long-term liabilities, total</b>	<b>1,747</b>	<b>215</b>	<b>1,500</b>	<b>0</b>	<b>0</b>
Long-term debt	1,500	0	1,500	0	0
Deferred revenue	0	0	0	0	0
Other liabilities	247	215	0	0	0
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>9,006</b>	<b>8,346</b>	<b>7,134</b>	<b>7,529</b>	<b>9,359</b>
Share Capital	4,605	4,605	4,605	4,605	4,605
Capital Reserve	9,882	9,882	9,882	9,882	9,882
Other Reserves	1,431	1,668	0	0	0
Treasury Stock	0	0	0	0	0
Loss carryforward / retained earnings	-6,912	-7,810	-8,337	-7,942	-6,112
<b>Total consolidated equity and debt</b>	<b>12,341</b>	<b>11,247</b>	<b>10,075</b>	<b>10,708</b>	<b>11,541</b>
<b>Ratios</b>					
Current ratio	4.19	1.98	3.21	1.49	2.45
Quick ratio	4.19	1.98	3.21	1.49	2.45
Financial leverage	1.37	1.35	1.41	1.42	1.23
Book value per share	0.47	0.44	0.36	0.38	0.47
Net cash	-1,542	162	-714	-896	603
Return on equity (ROE)	-12.6%	-10.8%	-7.4%	5.3%	19.6%



## CASH FLOW STATEMENT

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E
<b>EBIT</b>	<b>-1,222</b>	<b>-812</b>	<b>-459</b>	<b>541</b>	<b>2,046</b>
Depreciation and amortisation	2,182	2,415	2,239	2,193	2,139
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>1,781</b>	<b>2,734</b>	<b>4,186</b>
Changes in working capital	-1,978	2,688	-158	-54	-105
Other adjustments	843	-66	-69	-145	-216
<b>Operating cash flow</b>	<b>-175</b>	<b>4,226</b>	<b>1,553</b>	<b>2,535</b>	<b>3,865</b>
CAPEX	-23	-108	-42	-53	-58
Investments in intangibles	-2,304	-2,446	-2,603	-2,663	-2,308
<b>Free cash flow</b>	<b>-2,502</b>	<b>1,672</b>	<b>-1,091</b>	<b>-182</b>	<b>1,499</b>
<b>Debt financing, net</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,500</b>
<b>Equity financing, net</b>	<b>628</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes in cash	0	0	0	0	0
<b>Net cash flows</b>	<b>-374</b>	<b>1,672</b>	<b>-1,091</b>	<b>-182</b>	<b>-1</b>
Cash, start of the year	0	393	1,877	786	604
<b>Cash, end of the year</b>	<b>-374</b>	<b>2,064</b>	<b>786</b>	<b>604</b>	<b>603</b>
<b>EBITDA/share (in €)</b>	<b>0.05</b>	<b>0.08</b>	<b>0.09</b>	<b>0.14</b>	<b>0.21</b>
<b>Y-Y Growth</b>					
Operating cash flow	n.a.	n.m.	-63.2%	63.2%	52.5%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	67.0%	8.6%	51.1%	53.1%



## DCF MODEL

DCF valuation model								
All figures in EUR '000	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net sales	7,015	8,878	11,541	13,849	16,393	19,135	22,022	24,985
NOPLAT	-430	516	1,950	2,554	3,360	4,125	4,877	5,623
+ depreciation & amortisation	2,239	2,193	2,139	2,082	1,946	1,902	1,894	1,884
Net operating cash flow	1,810	2,709	4,089	4,635	5,306	6,028	6,771	7,507
- total investments (CAPEX and WC)	-2,803	-2,771	-2,471	-2,659	-2,910	-3,119	-3,267	-3,340
Capital expenditures	-2,645	-2,717	-2,366	-2,147	-2,346	-2,510	-2,627	-2,682
Working capital	-158	-54	-105	-512	-564	-609	-641	-658
Free cash flows (FCF)	-993	-62	1,619	1,976	2,396	2,909	3,504	4,167
PV of FCF's	-976	-53	1,210	1,288	1,361	1,441	1,514	1,569

All figures in thousands	
PV of FCFs in explicit period (2013E-2027E)	17,921
PV of FCFs in terminal period	10,463
Enterprise value (EV)	28,383
+ Net cash / - net debt	162
+ Investments / minority interests	0
Shareholder value	28,545

Fair value per share in EUR	1.40
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WACC	14.7%
Cost of equity	15.4%
Pre-tax cost of debt	10.0%
Tax rate	19.0%
After-tax cost of debt	8.1%
Share of equity capital	90.0%
Share of debt capital	10.0%
Fair value per share in EUR	1.40

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.7%	2.29	2.34	2.40	2.46	2.53	2.61	2.70
11.7%	1.99	2.02	2.06	2.10	2.15	2.21	2.27
12.7%	1.74	1.76	1.79	1.82	1.86	1.89	1.94
13.7%	1.53	1.55	1.57	1.59	1.62	1.65	1.68
14.7%	1.36	1.37	1.39	1.40	1.42	1.44	1.46
15.7%	1.21	1.22	1.24	1.25	1.26	1.28	1.29
16.7%	1.09	1.10	1.11	1.12	1.13	1.14	1.15
17.7%	0.98	0.99	1.00	1.00	1.01	1.02	1.03

**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...35	↓	↓	↓	↓
36	30 April 2013	€0.37	Buy	€1.40
37	21 May 2013	€0.53	Buy	€1.40
38	31 October 2013	€0.57	Buy	€1.40
39	Today	€0.59	Buy	€1.40

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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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