

# OpenLimit Holding AG

Switzerland / Software / Electronic Signature

Primary exchange: Frankfurt

Bloomberg: O5H GR

ISIN: CH0022237009

H1 results

**RATING****PRICE TARGET**

Return Potential

Risk Rating

**BUY****€2.00**

199.9%

High

## H1 FIGURES SHOW Y/Y IMPROVEMENT

OpenLimit published H1 figures and held a conference call on 23 August at 10:30 am CET. H1 figures were slightly better than expected and showed a clear improvement compared to H1 2011. Free cash flow amounted to €2.2m (H1 2012: €-2.1m) and resulted in a solid liquidity position of €2.6m. OpenLimit will enter the promising smart meter market in mid 2013 and has concluded a partnership agreement with Power Plus Communications, a company with vast power market expertise. We reiterate our BUY rating and the €2.00 price target.

**H1 figures slightly better than expected** H1 sales amounted to €2.1m (FBe: €1.9m, H1 2011: €1.8m), a 17% increase y/y. EBIT were still negative, however, the operating loss was reduced to €-1.3m (FBe: €-1.4m, H1 2011: €-1.7m). EPS were €-0.07 and thus slightly better than our estimate (FBe: €-0.08, H1 2011: €-0.12).

**Strong free cash flow** Due mainly to a €2.9m reduction in receivables operating cash flow was positive and amounted to €3.4m (H1 2011: -0.9m). Free cash flow was €+2.2m (H1 2011: €-2.1m).

**Much improved liquidity situation** The liquidity situation significantly improved and liquid funds at the end of H1 amounted to €2.6m (H1 2011: €0.1m).

**More cautious guidance** OpenLimit has reiterated its sales guidance (solid double-digit sales growth), but said that EBIT breakeven is ambitious as large IT companies have reduced their budgets and new product developments will increase costs in H2. As sales in H2 are typically much stronger than in H1 the sales guidance is still achievable.

Despite the positive H1 free cash flow (FCF) OpenLimit expects a negative FCF at the end of 2012 due to higher sales in H2 and thus higher working capital requirements.

## FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	5.37	5.75	6.84	10.12	14.17	19.12
Y-o-y growth	12.6%	7.0%	19.0%	48.0%	40.0%	35.0%
EBIT (€m)	-0.86	-1.22	-0.39	0.96	2.62	4.51
EBIT margin	-16.0%	-21.3%	-5.7%	9.5%	18.5%	23.6%
Net income (€m)	-2.25	-1.13	-0.42	0.88	2.50	3.83
EPS (diluted) (€)	-0.12	-0.06	-0.02	0.05	0.13	0.20
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-1.18	-2.50	0.47	0.27	1.61	3.48
Net gearing	5.1%	2.3%	10.2%	12.1%	23.1%	39.6%
Liquid assets (€m)	0.70	0.39	0.87	1.13	2.74	6.22

## 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 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.

## MARKET DATA

As of 23 Aug 2012

Closing Price	€ 0.67
Shares outstanding	19.15m
Market Capitalisation	€ 12.78m
52-week Range	€ 0.28 / 0.98
Avg. Volume (12 Months)	32,825

Multiples	2011	2012E	2013E
P/E	-11.3	-30.4	14.5
EV/Sales	2.4	2.0	1.4
EV/EBIT	-11.4	-35.6	14.5
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2012

Liquid Assets	€ 2.56m
Current Assets	€ 5.49m
Intangible Assets	€ 4.85m
Total assets	€ 10.48m
Current Liabilities	€ 0.99m
Shareholders' Equity	€ 7.66m

## SHAREHOLDERS

Heinrich Dattler	11.1%
René C. Jäggi	8.8%
Enuhill Portfolio, Inc.	6.8%
Robert E. Züllig	5.5%
Free float	67.8%



**Entry into the smart grid market in 2013** OpenLimit concluded an exclusive partnership with Power Plus Communications AG (PPC) to offer certified smart meter gateways. Smart meters look set to be a very promising market as we anticipate that German regulation of the power market and the increasing own power consumption of solar plant operators will favour the future implementation of smart meters.

A smart meter gateway provides secure communication between meter, utility and power consumer. The summer 2011 amendment to the Energiewirtschaftsgesetz (EnWG), the German law for the energy industry, contains targets and requirements for the introduction of smart meters for power and gas. The Bundesamt für Sicherheit und Informationstechnik (BSI), the German official body for security and information technology, decided that smart meter gateways have to be certified based on data security regulation.

OpenLimit's and PPC's certification process, which implements the BSI guidelines, should be completed by mid 2013. The smart metering market has an overall volume of ca. 47m smart meters and the German government targets 80% market penetration by 2020. OpenLimit only expects a few competitors for smart meter gateways. We see smart metering as a very promising business opportunity and a huge growth market which should start in 2013 and gain momentum in 2014. We believe, a 10% market share for OpenLimit / PPC is achievable.

Power Plus Communications AG is a leading supplier of broadband powerline communication systems (BPL) which offer utilities key technologies for smart grids. Owners are British Gas, Climate Change Capital, and Siemens Financial Services Venture Capital.

**Adjustment of estimates** OpenLimit's more cautious sales and EBIT guidance approach causes us to reduce our estimates. Although, in a best case scenario, our previous estimates can still be achieved it is more likely that sales growth will be below our original estimate of +30% y/y. Furthermore, we now expect that break-even EBIT will not be reached this year as additional marketing costs for the distribution of new products look set to increase the cost basis.

**BUY rating and price target reiterated** Despite the reduced estimates an updated DCF model still yields a €2.00 price target. We reiterate our BUY rating.

**Table 1: Reported H1 results vs. estimates**

All figures in €m	H1-12A	H1-12E	Delta	H1-11	Delta
Sales	2.06	1.89	8.5%	1.76	17.1%
EBIT	-1.28	-1.35	-	-1.68	-
margin	-62.1%	-71.3%		-95.6%	
Net income	-1.39	-1.44	-	-1.91	-
margin	-67.7%	-76.0%		-108.9%	
EPS (diluted)	-0.07	-0.08	-	-0.12	-

Source: First Berlin Equity Research, OpenLimit Holding AG

**Table 2: Change of estimates**

All figures in €m	2012E			2013E			2014E		
	Old	New	delta	Old	New	delta	Old	New	delta
Sales	7.47	6.84	-8.5%	11.05	10.12	-8.5%	15.48	14.17	-8.5%
EBIT	0.02	-0.39	-	1.17	0.96	-18.3%	2.99	2.62	-12.6%
Margin (%)	0.3%	-5.7%		10.6%	9.5%		19.3%	18.5%	
Net income	-0.03	-0.42	-	1.09	0.88	-19.2%	2.88	2.50	-12.9%
Margin (%)	-0.4%	-6.1%		9.8%	8.7%		18.6%	17.7%	
EPS € (diluted)	0.00	-0.02	-	0.06	0.05	-19.2%	0.15	0.13	-12.9%

Source: First Berlin Equity Research

**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...30	↓	↓	↓	↓
31	26 August 2011	€0.63	Buy	€2.50
32	7 May 2012	€0.87	Buy	€2.00
33	21 May 2012	€0.84	Buy	€2.00
34	Today	€0.67	Buy	€2.00

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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%

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