

OPENLIMIT HOLDING AG

SWITZERLAND / SOFTWARE / ELECTRONIC SIGNATURE

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

**FY 2011
 RESULTS**

RATING:	Buy
PRICE TARGET:	€2.00
RETURN POTENTIAL:	128.8%
RISK RATING:	High

2011 RESULTS; FUJITSU EXCLUSIVE PARTNERSHIP

OpenLimit has released its full year 2011 results. Figures were significantly below our estimates as project delays and a generally weak business climate led to lower sales and profits. Working capital issues also slowed sales growth. In a separate press release OpenLimit announced an exclusive agreement with its long term strategic partner, Fujitsu, regarding the sales and development of the SecDocs product. Fujitsu has built a strong sales pipeline and we expect this to pay off for OpenLimit in 2012. The agreement also provides OpenLimit with a minimum revenue guarantee for the next 5 years, which should alleviate the company's liquidity issues. While we lower our forecasts on the basis of weak 2011 results, we view 2012 as a key year for the company, with the Fujitsu agreement possibly representing the long-awaited breakthrough. We lower our price target to € 2.00 (previously: €2.50), but confirm our Buy rating.

Difficult 2011 OpenLimit reported sales of €5.7m (FB: €7.1m; 2010: €5.4m). Sales growth was hampered by delays in projects and production processes. OpenLimit kept personnel and other operating expenses in line with 2010 figures and our estimates, leading to an EBIT of €-1.2m (FB: €0.2m; 2010: €-0.9m) and net income of €-1.1m (FB: 0.2; 2010: €-1.6m).

Fujitsu agreement a key milestone On 27 April 2012, OpenLimit announced an exclusive agreement with Fujitsu Technology Solutions GmbH (FTS). The agreement on the one hand provides FTS with five years exclusive usage rights to OpenLimit products (MigSafe, OverSign and SecBase) and any future joint product developments. On the other hand, FTS will contribute to existing and future development costs. OpenLimit shares licensing revenue and FTS provides a minimum revenue guarantee for the next five years.

FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	5.37	5.75	7.47	11.05	15.48	20.89
Y-o-y growth	12.6%	7.0%	30.0%	48.0%	40.0%	35.0%
EBIT (€m)	-0.86	-1.22	0.02	1.17	2.99	5.03
EBIT margin	-16.0%	-21.3%	0.3%	10.6%	19.3%	24.1%
Net income (€m)	-2.25	-1.13	-0.03	1.09	2.88	4.28
EPS (diluted) (€)	-0.12	-0.06	0.00	0.06	0.15	0.22
EV / Sales (x)	3.3	3.1	2.4	1.6	1.2	0.9
EV / EBIT (x)	-20.8	-14.6	737.1	15.2	6.0	3.5
P/E (x)	n.a.	n.a.	n.a.	15.4	5.8	3.9
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)	-1.18	-2.50	0.46	0.47	1.76	3.79
Net gearing	5.1%	2.3%	9.6%	13.3%	24.0%	40.2%
Liquid assets (€m)	0.70	0.39	0.86	1.33	3.09	6.88

RISKS

Risks include, but are not limited to: delay in large projects, erosion of the company's competitive lead, dilution of shareholders' interests 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.

TRADING DATA

Closing price (04.05.12)	€0.87
Shares outstanding	19.15m
Market capitalisation	€16.74m
52-week range	€0.28 / 1.11
Average volume (12 months)	32,535

STOCK OVERVIEW



COMPANY DATA (as of 31 December 2011)

Liquid assets	€0.39m
Current assets	€7.44m
Intangible assets	€4.77m
Total assets	€12.34m
Current liabilities	€1.59m
Shareholders' equity	€8.91m

SHAREHOLDERS

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



Liquidity problems have eased While the company's financial position seemed critical at the end of Q3 with only €160k in cash, management tells us that it has been able to monetise some of the large receivables position during the first quarter. Positions that are still outstanding have been backed by guarantees which have meant that no write downs have been required to the €7.0m in receivables outstanding at the end of 2011. The minimum revenue guarantee and shared development costs provided for by the exclusive Fujitsu agreement mean that liquidity issues should be of little concern to investors going forward.

Sound long term market fundamentals OpenLimit provides electronic signature and encryption software that complies with the highest domestic and international security standards. With the market for digital signatures, invoices, and document archiving in its infancy, the potential for OpenLimit as a first mover is substantial. For instance, according to a study by bonpago, 78% of all invoices are still sent via post with processing costs averaging between €7-23 per item. The EU commission estimates a total savings potential of €200bn through the use of electronic billing, the security and data integrity being the main concern for companies that are considering cloud computing solutions, OpenLimit looks well set to benefit from the trend towards cloud computing.

Focus on industrial clients OpenLimit is refocusing its sales efforts towards the industrial application sector. In the past OpenLimit sales was reliant to a high degree on the government sector, where slow decision making resulted in several project delays and missed sales targets. OpenLimit has also appointed a new Chief Sales Officer, Andreas Eulenfeld, effective 1 January 2012 to further strengthen its sales process and broaden its industrial client network. Mr Eulenfeld brings a wide network of contacts and broad knowledge within document management to the company.

Guidance for 2012 OpenLimit has refrained from providing a sales target for 2012, but expects a double digit growth rate. With the completion of existing projects, a strong sales pipeline built up by Fujitsu and incremental sales from QryptoMobile and QryptoVesta, we see sales growth of 30% for 2012 as readily achievable. OpenLimit also intends to achieve a breakeven EBIT level, which we also see as realistic.

Updated valuation, unchanged recommendation Based on the weaker than expected 2011 results and the delays in key revenue drivers, we have made downward adjustments to our forecasts for 2012 and subsequent years. We believe the company will achieve its 2012 EBIT breakeven target and expect an improvement to over €1.1m in EBIT for 2013. With unused tax loss carry forwards of close to €4.9m we estimate a level tax rate of 5% until 2015 increasing to 18% thereafter. We expect the company's cash position to strengthen considerably in 2012 with operating cash flow of €3.1m driven by a reduction in receivables to €5m. An updated DCF model yields a new price target of €2.00. We reaffirm our Buy recommendation.

CHANGES TO FORECASTS

All figures in €m	2012E			2013E			2014E		
	Old	New	delta	Old	New	delta	Old	New	delta
Sales	9.74	7.47	-23.3%	14.71	11.05	-24.9%	18.79	15.48	-17.6%
EBIT	1.56	0.02	-98.4%	3.34	1.17	-64.9%	3.83	2.99	-21.9%
Margin (%)	16.0%	0.3%	-98.0%	22.7%	10.6%	-53.3%	20.4%	19.3%	-5.2%
Net income	1.31	-0.03	-	2.27	1.09	-52.2%	3.28	2.88	-12.4%
Margin (%)	13.4%	-0.4%	-	15.5%	9.8%	-36.4%	17.5%	18.6%	6.3%
EPS € (diluted)	0.07	0.00	-	0.14	0.06	-59.5%	0.17	0.15	-12.6%

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...28	↓	↓	↓	↓
29	21 April 2011	€1.21	Buy	€2.50
30	20 May 2011	€1.01	Buy	€2.50
31	26 August 2011	€0.63	Buy	€2.50
32	Today	€0.87	Buy	€2.00

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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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