

# OpenLimit Holding AG

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

Convertible loan  
 financing

**RATING**  
**PRICE TARGET** **BUY**  
 Return Potential 92.0%  
 Risk Rating High

## GROWTH FINANCING SECURED – BUY REITERATED

On 27 March OpenLimit secured financing for its further growth through taking out convertible loans amounting to €2.0m. In a conference call on 2 April management gave a financing and business update. The proceeds will partly be used to redeem older loans (€0.75m) and partly for financing further growth (€1.25m). We believe that the additional funds will mainly be used to finance working capital. We reiterate our Buy rating and the €1.40 price target.

**New convertible loans significantly improve liquidity situation** Additional liquid funds of €1.25m markedly improve the company's financial leeway. At the end of September 2013, liquid funds amounted to only €0.18m.

**Convertible loans increase financial debt to ca. €275m** As the new convertible loans are partly used to redeem the existing convertible loan of €0.5m and €250k of the existing €1m plain-vanilla loan, financial debt increases to €2.75m. The new convertible loans' maturity dates are 31/10/2014, 30/11/2015, and 31/03/2018. The annual interest rates range between 7.5-8% which would correspond to interest payments of ca. €150k. Creditors can convert the loans into shares at strike prices between €0.80 and €0.90. The maximum number of new shares is 2,361,111.

**Co-operation with Elster** In February Elster joined OpenLimit and PPC to create a smart meter solution. Elster is one of the world's largest providers of metering systems for electricity, gas and water with more than 200m metering modules deployed. The declaration of intent should soon be followed by a partner agreement. Elster is offering its German customers a smart metering solution in which the gateway of OpenLimit and PPC will be integrated. We view the fact that a large provider such as Elster has selected OpenLimit and PPC as partners as confirmation that OpenLimit and PPC have a competitive edge regarding the complex gateway development.

### 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	0.35	1.78	2.45
EPS (diluted) (€)	-0.06	-0.05	-0.03	0.02	0.08	0.11
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-1.67	-1.11	1.96	2.44
Net gearing	17.1%	-1.9%	18.1%	32.1%	4.8%	-17.0%
Liquid assets (€m)	0.39	1.88	0.21	0.35	1.20	2.74

### RISKS

Risks include, but are not limited to: project delays, regulatory delays, erosion of the company's competitive lead, and the failure of the company's products 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.

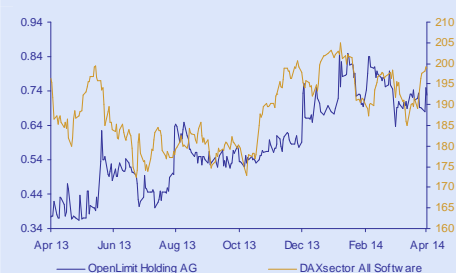
### MARKET DATA

As of 02 Apr 2014

Closing Price	€ 0.73
Shares outstanding	19.15m
Market Capitalisation	€ 13.96m
52-week Range	€ 0.37 / 0.85
Avg. Volume (12 Months)	30,954

Multiples	2012A	2013E	2014E
P/E	n.a.	n.a.	40.0
EV/Sales	2.2	2.0	1.6
EV/EBIT	n.a.	n.a.	25.5
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%



**OpenLimit presented digital security solutions at CEBIT** At CEBIT in March OpenLimit presented its product for secure digital identification, trueidentity, in connection with Fujitsu's vein scanner PalmSecure and demonstrated how secure access to security relevant applications works.

**Waiting for the smart meter gateway roll-out act** We expect the roll-out act to come into force in Q2. However, we believe that the smart meter market will not start until 2015 and kick off in Q2 2015.

**Connector project for e-health running smoothly** In December 2013 OpenLimit announced that it had won a single-digit million Euro contract to develop a connector for the secure connection of stakeholders in the German healthcare system (see our comment from 5 Dec. 2013). Management stated that this project has been advancing as planned.

**Higher order backlog expected** Given the increasing activity in key business areas such as trueidentity, SecDocs, smart meter gateway, connector, and electronic signatures we expect OpenLimit to have increased its current order backlog (FBe: ~€5m). We therefore still feel comfortable with our 2014 sales estimate of €8.9m.

**Estimates slightly adjusted** We have slightly adjusted our estimates for higher interest payments and a larger number of diluted shares (see figure 1).

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

**Figure 1: Change of estimates**

All figures in €m	2013E			2014E			2015E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	7.02	7.02	0.0%	8.88	8.88	0.0%	11.54	11.54	0.0%
EBIT	-0.43	-0.43	-	0.54	0.54	0.0%	2.05	2.05	0.0%
margin	-6.1%	-6.1%	-	6.1%	6.1%	-	17.7%	17.7%	-
Net income	-0.53	-0.53	-	0.40	0.35	-11.9%	1.83	1.78	-2.9%
margin	-7.5%	-7.5%	-	4.5%	3.9%	-13.3%	15.9%	15.4%	-3.2%
EPS in € (diluted)	-0.03	-0.03	-	0.02	0.02	-21.2%	0.09	0.08	-13.2%

Source: First Berlin Equity Research



## 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	519	1,953	2,579	3,372	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	2,712	4,092	4,660	5,317	6,028	6,771	7,507
- total investments (CAPEX and WC)	-3,380	-3,653	-1,960	-2,090	-2,980	-3,194	-3,347	-3,421
Capital expenditures	-2,645	-2,717	-2,366	-2,147	-2,346	-2,510	-2,627	-2,682
Working capital	-735	-937	406	57	-634	-684	-720	-739
Free cash flows (FCF)	-1,570	-941	2,132	2,571	2,338	2,834	3,424	4,086
PV of FCF's	0	-850	1,679	1,764	1,399	1,479	1,559	1,621

All figures in thousands	
PV of FCFs in explicit period (2013E-2027E)	19,680
PV of FCFs in terminal period	10,997
Enterprise value (EV)	30,677
+ Net cash / - net debt	162
+ Investments / minority interests	0
Shareholder value	30,839

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%	2.21	2.26	2.31	2.36	2.43	2.50	2.59
11.7%	1.92	1.96	1.99	2.04	2.08	2.13	2.19
12.7%	1.69	1.72	1.74	1.77	1.81	1.84	1.88
13.7%	1.50	1.52	1.54	1.56	1.58	1.61	1.64
14.7%	1.34	1.35	1.37	1.39	1.40	1.42	1.44
15.7%	1.20	1.22	1.23	1.24	1.25	1.27	1.28
16.7%	1.09	1.10	1.11	1.12	1.13	1.14	1.15
17.7%	0.99	1.00	1.00	1.01	1.02	1.03	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...37	↓	↓	↓	↓
38	31 October 2013	€0.57	Buy	€1.40
39	22 November 2013	€0.59	Buy	€1.40
40	5 December 2013	€0.76	Buy	€1.40
41	Today	€0.73	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%

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