

# OpenLimit Holding AG

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

Q1 figures

**RATING**  
**PRICE TARGET** **BUY**  
 Return Potential 91.2%  
 Risk Rating High

## GROWTH IN Q1 – BUY REITERATED

On 15 May OpenLimit reported Q1 figures which were slightly ahead of our estimates. Sales grew 15% y/y and earnings improved compared to previous year's quarter. In Q1 the company reached the first milestones on the "Konnektor" project, a lighthouse project currently being executed by the German state in the e-health market. CFO Fuessinger will leave the company. We reiterate our Buy rating and the €1.30 price target.

**Higher sales and improved earnings** In Q1 OpenLimit generated sales of €1.16m (FBe: €1.14m, Q1/13: €1.01m, +15% y/y). The "Konnektor" and the signature business were the main revenue contributors. EBIT amounted to €-0.46m (FBe: €-0.58m, Q1/13: €-0.72m). The net result was €-0.55m (FBe: €-0.63m, Q1/13: €-0.77m). Higher sales and strict cost discipline were the reasons for the improved earnings. Operating expenses remained constant y/y at €1.73m.

**Liquidity stable** At the end of Q1 liquid funds amounted to €0.63m and thus remained at the same level as at the end of 2013.

**Comfortable order backlog** The current 2014 order backlog amounts to ca. €5m and is roughly twice as high as in the previous year's quarter. As this order backlog is planned to be converted into revenues this year we see OpenLimit well on track to reach our 2014E sales forecast of €8.3m.

**Konnektor project advancing** In Q1 OpenLimit reached the first milestones on the "Konnektor" project which is to establish a secure link between the different stakeholders in the German healthcare system within the central telematics infrastructure. The "Konnektor" is a lighthouse project of the German state in the context of implementing an electronic healthcare card. After the successful completion of the tests in two test regions it is planned to roll-out the new electronic infrastructure all over Germany.  
 (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013A	2014E	2015E	2016E
Revenue (€m)	5.75	6.21	6.95	8.28	11.04	13.25
Y-o-y growth	n.a.	8.1%	12.0%	19.0%	33.4%	20.0%
EBIT (€m)	-1.22	-0.81	-0.39	0.09	1.44	2.81
EBIT margin	-21.3%	-13.1%	-5.7%	1.1%	13.1%	21.2%
Net income (€m)	-1.13	-0.90	-0.61	-0.10	1.21	2.55
EPS (diluted) (€)	-0.06	-0.05	-0.03	0.00	0.05	0.11
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-2.29	0.41	1.13	2.60
Net gearing	17.1%	-1.9%	26.6%	21.3%	5.9%	-17.7%
Liquid assets (€m)	0.39	1.88	0.63	1.08	1.31	3.01

### 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.

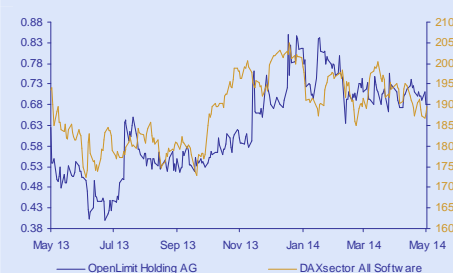
### MARKET DATA

As of 21 May 2014

Closing Price	€ 0.68
Shares outstanding	19.15m
Market Capitalisation	€ 13.02m
52-week Range	€ 0.40 / 0.85
Avg. Volume (12 Months)	30,532

Multiples	2013A	2014E	2015E
P/E	n.a.	n.a.	10.7
EV/Sales	2.2	1.8	1.4
EV/EBIT	n.a.	167.0	10.5
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Mar 2014

Liquid Assets	€ 0.63m
Current Assets	€ 7.07m
Intangible Assets	€ 4.88m
Total Assets	€ 12.63m
Current Liabilities	€ 2.94m
Shareholders' Equity	€ 7.43m

### 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's total order value is in the solid single-digit million Euro region. The milestones generated first revenues. Larger milestones are expected in H2 and in 2015.

**Waiting for smart meter gateway regulation** The smart meter gateway rollout directive we previously expected for Q2 now looks set to come in Q3. We believe that the law could come into effect after the corresponding bill has been read by parliament in September or October. The take-off of the smart meter gateway market in H2 2015, as assumed in our forecasts, is therefore still possible.

**First major SecDocs project commissioned** The German Federal Employment Agency successfully commissioned the Fujitsu SecDocs project in Q1. This proves that Fujitsu SecDocs "powered by OpenLimit", a digital long-term archiving solution, is capable of dealing with the very high load requirements of large administrations. We believe that this successful project could increase demand for Fujitsu's digital long-term archiving solution from other large administrations.

**CFO will leave** OpenLimit's CFO, Mr Christian Fuessinger, informed the Board that he will leave the company for personal reasons. He will provide operational support until a suitable successor is appointed. The departure of a CFO is sometimes triggered by difficulties at the company or differences in opinion about the strategic direction. Mr Fuessinger, however, gave very convincing private reasons for his decision which are not at all connected with OpenLimit.

**Buy reiterated at unchanged price target** Based on unchanged estimates an updated DCF model still yields a price target of €1.30. We reiterate our Buy rating.

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q1-14A	Q1-14E	Delta	Q1-13	Delta
Sales	1.16	1.14	1.8%	1.01	14.9%
EBIT	-0.46	-0.58	-	-0.72	-
<i>margin</i>	-39.7%	-50.9%		-71.3%	
Net income	-0.55	-0.63	-	-0.77	-
<i>margin</i>	-47.4%	-55.3%		-76.2%	

Source: First Berlin Equity Research, OpenLimit Holding AG



## DCF MODEL

DCF valuation model								
All figures in EUR '000	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Net sales	8,275	11,041	13,249	15,687	18,340	21,167	24,115	27,114
NOPLAT	91	1,381	2,680	3,299	4,002	4,707	5,417	6,127
+ depreciation & amortisation	2,516	2,530	2,168	1,889	1,905	1,959	2,014	2,048
Net operating cash flow	2,607	3,911	4,848	5,187	5,907	6,666	7,430	8,175
- total investments (CAPEX and WC)	-2,006	-2,609	-2,120	-2,571	-3,175	-3,369	-3,499	-3,551
Capital expenditures	-2,565	-2,297	-2,054	-2,259	-2,441	-2,586	-2,683	-2,721
Working capital	560	-313	-67	-312	-734	-782	-816	-830
Free cash flows (FCF)	601	1,302	2,727	2,617	2,732	3,297	3,931	4,624
PV of FCF's	552	1,043	1,907	1,597	1,455	1,532	1,594	1,637

All figures in thousands	
PV of FCFs in explicit period (2014E-2028E)	22,014
PV of FCFs in terminal period	10,532
Enterprise value (EV)	32,546
+ Net cash / - net debt	-2,119
+ Investments / minority interests	0
Shareholder value	30,427

Fair value per share in EUR	1.30
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WACC	14.6%
Cost of equity	15.4%
Pre-tax cost of debt	8.5%
Tax rate	16.0%
After-tax cost of debt	7.1%
Share of equity capital	90.0%
Share of debt capital	10.0%
Fair value per share in EUR	1.30

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.6%	2.15	2.20	2.26	2.33	2.40	2.48	2.57
11.6%	1.86	1.90	1.94	1.99	2.04	2.10	2.16
12.6%	1.63	1.66	1.69	1.72	1.76	1.80	1.84
13.6%	1.44	1.46	1.48	1.50	1.53	1.56	1.59
14.6%	1.28	1.29	1.31	1.33	1.35	1.37	1.39
15.6%	1.14	1.15	1.17	1.18	1.19	1.21	1.23
16.6%	1.02	1.03	1.04	1.05	1.07	1.08	1.09
17.6%	0.93	0.93	0.94	0.95	0.96	0.97	0.98

**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...39	↓	↓	↓	↓
40	5 December 2013	€0.76	Buy	€1.40
41	3 April 2014	€0.73	Buy	€1.40
42	25 April 2014	€0.68	Buy	€1.30
43	Today	€0.68	Buy	€1.30

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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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