

OpenLimit Holding AG

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

H1 figures

RATING
PRICE TARGET **BUY**
 Return Potential 157.4%
 Risk Rating High

ON THE WAY TO OPERATING BREAK-EVEN

On 28 August OpenLimit published H1 figures and held a conference call at 10 am. H1 figures are roughly in line with our estimates. Sales increased by 9.2% y/y to €2.7m and the operating result improved to €-0.7m from €1.2m in H1 2013. OpenLimit has been making progress in the development of the **Konnektor (e-health market)** and the **smart meter gateway**. The company reiterated its guidance (moderate sales growth and break-even EBIT). We reiterate our Buy rating and the €1.30 price target

H1 in line While sales were slightly below our estimates (€2.7m, FBe: €2.9m H1/13: €2.5m) the operating loss was smaller than expected (€-0.7m, FBe: €-0.9, H1/13: €-1.2m). The main reason was lower other operating expenses. EPS of €-0.05 corresponded to our forecast.

Positive operating cash flow Despite the net loss of €-0.9m H1 operating cash flow amounted to €0.5m (H1/13: €-0.6m). CAPEX of €1.4m resulted in a negative free cash flow of €-0.9m.

Stretched liquidity situation to ease soon The liquidity situation was stretched due to extended payment targets and delays in the receipt of receivables, which increased to €6.4m (end 2013: €5.9m). OpenLimit used interim debt financing to compensate for the delayed cash inflows. Liquid funds at the end of H1 declined to €0.4m (end 2013: €0.6m). However, the company expects liquidity to improve in coming weeks. Net debt increased to €2.4m from €2.1m at the end of 2013.

Solid order backlog for 2014 OpenLimit has an order backlog in the mid single-digit Euro million range for the current year. Given the H1 revenues of €2.7m and a good pipeline of likely projects in H2 we still expect the company to reach our sales forecast of €8.3m. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013A	2014E	2015E	2016E
Revenue (€m)	5.75	6.21	6.95	8.28	10.10	12.53
Y-o-y growth	n.a.	8.1%	12.0%	19.0%	22.1%	24.0%
EBIT (€m)	-1.22	-0.81	-0.39	0.09	1.01	2.51
EBIT margin	-21.3%	-13.1%	-5.7%	1.1%	10.0%	20.0%
Net income (€m)	-1.13	-0.90	-0.61	-0.15	0.80	2.26
EPS (diluted) (€)	-0.06	-0.05	-0.03	-0.01	0.03	0.10
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-2.29	0.36	1.25	2.21
Net gearing	17.1%	-1.9%	26.6%	22.0%	5.5%	-16.0%
Liquid assets (€m)	0.39	1.88	0.63	1.03	1.38	2.69

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.

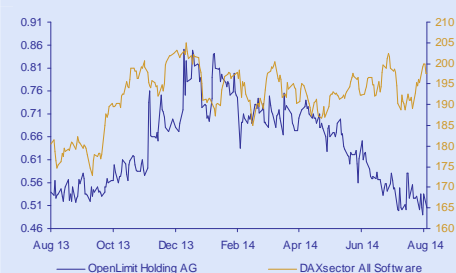
MARKET DATA

As of 01 Sep 2014

Closing Price	€ 0.51
Shares outstanding	19.15m
Market Capitalisation	€ 9.67m
52-week Range	€ 0.49 / 0.85
Avg. Volume (12 Months)	23,932

Multiples	2013A	2014E	2015E
P/E	n.a.	n.a.	12.2
EV/Sales	1.7	1.5	1.2
EV/EBIT	n.a.	133.3	12.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2014

Liquid Assets	€ 0.40m
Current Assets	€ 6.38m
Intangible Assets	€ 5.14m
Total Assets	€ 12.51m
Current Liabilities	€ 3.63m
Shareholders' Equity	€ 7.18m

SHAREHOLDERS

Heinrich Dattler	9.8%
René C. Jäggi	9.1%
Robert E. Züllig	5.7%
Patrick Winkler	3.3%
Free Float	72.0%



Focus on Konnektor In H1 OpenLimit's development activity focused on the Konnektor for the e-health market. The Konnektor offers a secure communication interface between doctors' practices, hospitals, and the telematics infrastructure. A hardware component was developed and a prototype small series was produced which will serve as platform for the Konnektor in doctors' practices. Furthermore, OpenLimit has started the certification of the grid Konnektor according to the Common Criteria, which is scheduled to be concluded by the end of 2014. The T-Systems order for the Konnektor development has a volume in the solid single digit Euro million area until the end of 2015.

Smart meter gateway faces regulatory delays We still expect the smart meter gateway roll-out directive to come in 2014. However, we are no longer sure that this will happen in Q3. The possible delay into Q4 means that the roll-out will likely not start in H2 2015, but is now expected for the beginning of 2016.

OpenLimit has been developing the smart meter gateway together with its partners Power Plus Communications (PPC) and Elster, a leading smart metering company. Elster offers its clients early implementation of smart meter gateway reference and pilot projects. At the eWorld tradefair OpenLimit and PPC presented the smart meter gateway at the partner booths of Siemens, Bosch, Robotron, Cuculus, Worldline, and Itron, which shows that large German groups favour OpenLimit's solution.

Twofold safeguard: truedentity & Fujitsu hand vein scanner At CeBit 2014 OpenLimit and Fujitsu presented the two-factor authentication procedure which combines truedentity and Fujitsu PalmSecure, a biometric hand vein scanner. Application scenarios are areas of physical access control, logging in to computers, smart devices or networks, and cashless payment transactions. Following CeBit OpenLimit was commissioned with the technical implementation of the solution and will earn licence revenues through the sale of the solution after its completion.

Institutional investor sold his stake Enuhill Portfolio Inc., situated on the British Virgin Islands, has sold its 6.8% stake in OpenLimit completely. We believe that the pressure on the share price in recent months – since April the stock has lost more than 25% without any negative news flow – was caused by this sale. In addition, Heinrich Dattler, a major shareholder of OpenLimit, still owns 9.8% (1,881,323 shares) of OpenLimit. Management told us that Mr Dattler and the other major shareholders remain committed to OpenLimit.

New CFO Hermann Homann (*1958) was managing director at adidas Sport GmbH in Switzerland and at Finotech Verbundstoffe GmbH & Co. KG. In his most recent position as managing director of BBA Holding Deutschland GmbH he led the demerger of the German part of the group. Mr Homann has a long standing experience in business administration and international project management.

Forecasts reduced Due to the anticipated delay to the smart meter roll-out we have reduced our forecasts for 2015E and the following years (see figure 2 overleaf).

Buy rating and price target reiterated Based on an updated DCF model we reiterate our Buy rating and the €1.30 price target.

(p.t.o.)

**Figure 1: Reported figures versus estimates**

All figures in €m	H1-14A	H1-14E	Delta	H1-13	Delta
Sales	2.72	2.89	-5.9%	2.49	9.2%
EBIT	-0.71	-0.94	-	-1.18	-
margin	-26.1%	-32.5%		-47.4%	
Net income	-0.89	-1.01	-	-1.27	-
margin	-32.7%	-34.9%		-51.0%	
EPS in € (diluted)	-0.05	-0.05	-	-0.07	-

Source: First Berlin Equity Research, OpenLimit Holding AG

Figure 2: Change to forecasts

All figures in €m	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	8.28	8.28	0.0%	11.04	10.10	-8.5%	13.25	12.53	-5.4%
EBIT	0.09	0.09	0.0%	1.44	1.01	-30.2%	2.81	2.51	-10.8%
margin	1.1%	1.1%		13.0%	10.0%		21.2%	20.0%	
Net income	-0.10	-0.15	-	1.21	0.80	-34.3%	2.55	2.26	-11.6%
margin	-1.2%	-1.8%		11.0%	7.9%		19.2%	18.0%	
EPS in € (diluted)	0.00	-0.01	-	0.05	0.03	-34.3%	0.11	0.10	-11.5%

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
Revenues	5,745	6,208	6,955	8,275	10,100	12,529
Own work	2,304	2,406	2,421	2,483	2,020	1,879
Cost of goods sold	167	105	157	248	303	376
Gross profit	5,578	6,103	6,798	8,027	9,797	12,153
Personnel costs	5,339	5,249	5,461	5,793	6,060	7,066
Depreciation and amortisation	2,182	2,415	2,551	2,516	2,530	2,080
Other operating income	0	0	0	0	0	0
Other operating expenses	1,584	1,656	1,601	2,110	2,222	2,381
Operating income (EBIT)	-1,222	-812	-394	91	1,005	2,506
Net financial result	-128	-120	-186	-253	-168	-132
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-1,350	-932	-580	-162	837	2,374
Income taxes	-217	-34	31	-10	42	119
Minority interests	0	0	0	0	0	0
Net income / loss	-1,133	-897	-611	-152	795	2,255
Diluted EPS (in €)	-0.06	-0.05	-0.03	-0.01	0.03	0.10
EBITDA	960	1,604	2,157	2,607	3,535	4,586
Ratios						
Gross margin	97.1%	98.3%	97.7%	97.0%	97.0%	97.0%
EBIT margin on revenues	-21.3%	-13.1%	-5.7%	1.1%	10.0%	20.0%
EBITDA margin on revenues	16.7%	25.8%	31.0%	31.5%	35.0%	36.6%
Net margin on revenues	-19.7%	-14.5%	-8.8%	-1.8%	7.9%	18.0%
Tax rate	16.1%	3.7%	-5.3%	6.0%	5.0%	5.0%
Expenses as % of revenues						
Personnel costs	92.9%	84.6%	78.5%	70.0%	60.0%	56.4%
Depreciation and amortisation	38.0%	38.9%	36.7%	30.4%	25.0%	16.6%
Other operating expenses	27.6%	26.7%	23.0%	25.5%	22.0%	19.0%
Y-Y Growth						
Revenues	n.a.	8.1%	12.0%	19.0%	22.1%	24.0%
Operating income	n.a.	n.m.	n.m.	n.m.	1008.8%	149.3%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	n.m.	183.6%



BALANCE SHEET

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
Assets						
Current assets, total	6,660	5,307	6,487	6,248	6,917	8,869
Cash and cash equivalents	393	1,877	625	1,033	1,383	2,690
Short-term investments	0	0	0	0	0	0
Receivables	6,267	3,430	5,862	5,214	5,534	6,179
Inventories	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
Non-current assets, total	5,681	5,940	5,887	5,936	5,507	5,370
Property, plant & equipment	130	132	112	116	127	126
Goodwill & other intangibles	4,772	4,908	4,875	4,920	4,480	4,343
Other assets	780	900	900	900	900	900
Total assets	12,341	11,247	12,374	12,184	12,424	14,239
Shareholders' equity & debt						
Current liabilities, total	1,588	2,685	2,942	3,464	2,809	3,118
Short-term debt	188	1,500	1,290	1,900	900	750
Accounts payable	1,391	1,171	1,653	1,564	1,909	2,368
Current provisions	0	0	0	0	0	0
Other current liabilities	10	14	0	0	0	0
Long-term liabilities, total	1,747	215	1,454	894	994	244
Long-term debt	1,500	0	1,250	650	750	0
Deferred revenue	0	0	0	0	0	0
Other liabilities	247	215	204	244	244	244
Minority interests	0	0	0	0	0	0
Shareholders' equity	9,006	8,346	7,978	7,825	8,621	10,876
Share Capital	4,605	4,605	4,605	4,605	4,605	4,605
Capital Reserve	9,882	9,882	9,882	9,882	9,882	9,882
Other Reserves	1,431	1,668	1,873	1,873	1,873	1,873
Treasury Stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-6,912	-7,810	-8,382	-8,534	-7,739	-5,483
Total consolidated equity and debt	12,341	11,247	12,374	12,184	12,424	14,239
Ratios						
Current ratio	4.19	1.98	2.20	1.80	2.46	2.84
Quick ratio	4.19	1.98	2.20	1.80	2.46	2.84
Financial leverage	1.37	1.35	1.55	1.56	1.44	1.31
Book value per share	0.47	0.44	0.40	0.34	0.38	0.47
Net cash	-1,542	162	-2,119	-1,721	-471	1,736
Return on equity (ROE)	-12.6%	-10.8%	-7.7%	-1.9%	9.2%	20.7%
Days of sales outstanding (DSO)	398.2	201.6	307.7	230.0	200.0	180.0
Days of inventory turnover	0.0	0.0	0.0	0.0	0.0	0.0
Days in payables (DIP)	-3,035.1	-4,054.1	-3,844.2	-2,300.0	-2,300.0	-2,300.0



CASH FLOW STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
EBIT	-1,222	-812	-542	91	1,005	2,506
Depreciation and amortisation	2,182	2,415	2,551	2,516	2,530	2,080
EBITDA	960	1,604	2,009	2,607	3,535	4,586
Changes in working capital	-1,978	2,688	-2,040	560	25	-185
Other adjustments	843	-66	238	-243	-210	-251
Operating cash flow	-175	4,226	207	2,923	3,350	4,150
CAPEX	-23	-108	-77	-83	-81	-63
Investments in intangibles	-2,304	-2,446	-2,421	-2,483	-2,020	-1,879
Free cash flow	-2,502	1,672	-2,291	358	1,249	2,208
Debt financing, net	1,500	0	1,040	50	-900	-900
Equity financing, net	628	0	0	0	0	0
Other changes in cash	0	0	0	0	0	0
Net cash flows	-374	1,672	-1,252	408	349	1,308
Cash, start of the year	0	393	1,877	625	1,033	1,383
Cash, end of the year	-374	2,064	625	1,033	1,383	2,690
EBITDA/share (in €)	0.05	0.08	0.11	0.11	0.15	0.20
Y-Y Growth						
Operating cash flow	n.a.	n.m.	-95.1%	1310.1%	14.6%	23.9%
Free cash flow	n.a.	n.m.	n.m.	n.m.	248.9%	76.7%
EBITDA/share	n.a.	67.0%	29.4%	4.9%	35.6%	29.7%



DCF MODEL

DCF valuation model								
All figures in EUR '000	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Net sales	8,275	10,100	12,529	14,834	17,343	20,017	22,804	25,640
NOPLAT	91	963	2,387	3,108	3,778	4,447	5,120	5,793
+ depreciation & amortisation	2,516	2,530	2,080	1,800	1,809	1,857	1,907	1,938
Net operating cash flow	2,607	3,493	4,467	4,908	5,587	6,304	7,027	7,731
- total investments (CAPEX and WC)	-2,006	-2,076	-2,127	-2,431	-3,002	-3,186	-3,309	-3,358
Capital expenditures	-2,565	-2,101	-1,942	-2,136	-2,308	-2,446	-2,538	-2,573
Working capital	560	25	-185	-295	-694	-740	-771	-785
Free cash flows (FCF)	601	1,417	2,340	2,477	2,585	3,119	3,718	4,373
PV of FCF's	574	1,180	1,698	1,568	1,427	1,501	1,560	1,600

All figures in thousands	
PV of FCFs in explicit period (2014E-2028E)	21,536
PV of FCFs in terminal period	10,168
Enterprise value (EV)	31,705
+ Net cash / - net debt	-2,413
+ Investments / minority interests	0
Shareholder value	29,292

Fair value per share in EUR	1.30
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WACC	14.7%
Cost of equity	15.5%
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

	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.7%	2.05	2.10	2.16	2.22	2.29	2.36	2.45
11.7%	1.78	1.82	1.86	1.90	1.95	2.00	2.06
12.7%	1.56	1.59	1.62	1.65	1.68	1.72	1.76
13.7%	1.38	1.40	1.42	1.45	1.47	1.50	1.53
14.7%	1.23	1.24	1.26	1.28	1.30	1.32	1.34
15.7%	1.10	1.11	1.12	1.14	1.15	1.17	1.18
16.7%	0.99	1.00	1.01	1.02	1.03	1.04	1.06
17.7%	0.90	0.90	0.91	0.92	0.93	0.94	0.95

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...40	↓	↓	↓	↓
41	3 April 2014	€0.73	Buy	€1.40
42	25 April 2014	€0.68	Buy	€1.30
43	22 May 2014	€0.68	Buy	€1.30
44	Today	€0.51	Buy	€1.30

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

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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