

OpenLimit Holding AG

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

Q3 figures

RATING
PRICE TARGET **BUY**
 Return Potential 225.0%
 Risk Rating High

STRONG GROWTH IN Q3 – BUY REITERATED

On 13 November OpenLimit reported 9M figures and held a conference call at 9am. Sales increased by 20% y/y and operating loss was significantly reduced by €0.8m to €1.2m. Figures were above our estimates. The company reiterated its guidance. The dense liquidity situation has eased since the end of Q3. The fourth quarter is the seasonally strongest one and looks set to generate more than 50% of annual revenues. We confirm our Buy rating and the €1.30 price target.

Strong growth due to milestone payments in Q3 In Q3, OpenLimit reached some milestones in current development projects triggering payments resulting in strong 9M sales growth (+20% y/y) and even stronger Q3 growth (+46% y/y). Higher gross profit (€1.4m vs. €0.8m in 9M/13) and continued cost control (other operating expenses: €1.1m vs. €1.2m in 9M/13) resulted in a significantly reduced operating loss of €-1.2m (9M/13: €2.0m). The net result improved to €-1.5m vs. €-2.1m in previous year's period.

Guidance reiterated OpenLimit still expects moderate sales growth and break-even EBIT. However, to reach guidance the company still has to acquire new business. Furthermore, break-even EBIT depends on project progress and the kind of new business. Whereas licence business quickly generates sales, project business sales come in with a time lag.

Improving liquidity in Q4 Interim financing of receivables and receivables reduction by €1.3m after the reporting date have markedly eased the dense liquidity situation. At the end of September liquid funds amounted to €0.4m.

High order backlog 9M revenues are based on a mid single-digit Euro million order backlog. The 2015 order backlog has already reached a similar level.
 (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.

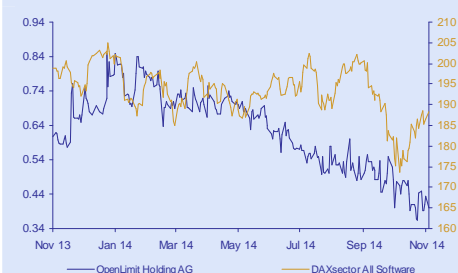
MARKET DATA

As of 17 Nov 2014

Closing Price	€ 0.40
Shares outstanding	19.15m
Market Capitalisation	€ 7.66m
52-week Range	€ 0.37 / 0.85
Avg. Volume (12 Months)	26,092

Multiples	2013A	2014E	2015E
P/E	n.a.	n.a.	9.6
EV/Sales	1.4	1.2	1.0
EV/EBIT	n.a.	111.1	10.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2014

Liquid Assets	€ 0.44m
Current Assets	€ 7.13m
Intangible Assets	€ 5.21m
Total Assets	€ 13.34m
Current Liabilities	€ 3.36m
Shareholders' Equity	€ 6.63m

SHAREHOLDERS

René C. Jäggi	10.0%
Heinrich Dattler	9.8%
Robert E. Züllig	5.7%
Patrick Winkler	3.3%
Free Float	71.1%



Fujitsu: SecDoc cooperation to continue, large order for truedentity solution

OpenLimit expects an extension of the SecDoc cooperation beyond 2015 which so far generated the minimum revenues the companies agreed on. The large order (FBe: almost €1m) for a truedentity solution, which is combined with Fujitsu's biometric hand vein scanner, will generate first revenues in Q4.

Smart meter gateway (SMG): Regulatory delays, but four more pilot projects

The roll-out directive will not come in Q4, as previously assumed. We now expect the directive in H1 2015. At least, the Ministry for Economics and Energy has confirmed that a draft version will be published in 2014. Basis for the draft version is the Ernst & Young cost benefit analysis. The directive will likely plead for an obligatory installation of 11.9m smart meters.

Currently, OpenLimit's partner PPC executes field tests with a prototype version in the Dusseldorf region. Furthermore, another four pilot projects have been acquired which will generate revenues in 2015. The company plans to receive certification and technical approval in 2015 and aims at presenting the first certified SMG in Germany.

Focus on "Konnektor" in Q3

OpenLimit has already sent first "Konnektor" test patterns to T-Systems and the other partners and is working on the integration of the "Konnektor" into different test scenarios. The development including approval and certification process looks set to last until the end of 2015. The order value is in the solid single-digit million Euro range and OpenLimit receives milestone payments according to project progress. The company expects relevant additional revenues from change requests.

Truedentity suitable for SkIDentity

OpenLimit has successfully taken part in the SkIDentity research project which was funded by the Ministry of Economics and Energy within the framework of the "trusted cloud" programme. The project has developed solutions against password and identity theft. OpenLimit's truedentity product is suitable as modular platform for different authentication mechanisms and can be combined with SkIDentity. The company expects licence revenues from this combination.

Buy rating 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 estimates

All figures in €m	9M-14A	9M-14E	Delta	9M-13	Delta
Sales	4.14	3.94	5.1%	3.46	19.7%
EBIT	-1.18	-1.83	-	-1.96	-
margin	-28.5%	-46.4%		-56.6%	
Net income	-1.51	-1.89	-	-2.14	-
margin	-36.5%	-48.0%		-61.8%	
EPS in € (diluted)	-0.08	-0.10	-	-0.11	-

Source: First Berlin Equity Research, OpenLimit Holding AG

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...41	↓	↓	↓	↓
42	25 April 2014	€0.68	Buy	€1.30
43	22 May 2014	€0.68	Buy	€1.30
44	14 November 2014	€0.41	Buy	€1.30
45	Today	€0.40	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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