

# OpenLimit Holding AG

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

H1 figures

**RATING**  
**PRICE TARGET** **BUY**  
 Return Potential 40.6%  
 Risk Rating High

## SOLID H1 FIGURES – BUY REITERATED

On 27 August, OpenLimit published H1 figures and held a conference call at 10 am. H1 figures were in line with our forecasts. Revenues increased 11% y/y to €3.0m, and EBIT improved to €-0.3m (H1/14: €-0.7m). In view of the solid H1 figures and the seasonal strength of H2, we leave our 2015E forecast largely unchanged. However, we are more cautious regarding 2016E due to the postponement of the smart meter gateway roll-out into 2017. Based on an increased net debt position and slightly adjusted estimates, we reduce our price target to €1.00 (previously: €1.10). We reiterate our Buy recommendation.

**H1 figures in line with expectations** Revenues increased 11% y/y to €3.0m. The main revenue driver was service revenues which increased 32% to €1.9m, whereas licence revenues declined 17% to €0.9m. Due to a stable cost basis increased revenues resulted in an improved EBIT of €-0.3m (H1/14: €-0.7m). The net result came in at €-0.6m (H1/14: €-0.9m). EPS were €-0.03.

**Balance sheet remains stretched** The cash position declined to €154k (end 2014: €1.0m). Short term debt increased by €0.3m to €2.8m from €2.5m at the end of 2014. Long term debt and pension liabilities remained constant at €1.0m and €0.3m respectively. Net debt thus increased to €4.0m from €2.8m at 31/12/2014. Nevertheless, OpenLimit succeeded in finding a new investor for its convertible loan, which was due on 31 January 2015. Its repayment date has been put back to 31 January 2016. A €750k loan, which was due on 30 June 2015, has been extended to 31 December 2015 and is now to be redeemed on a quarterly basis. To redeem the first €250k, OpenLimit has taken up a new loan and plans to do the same for the outstanding sum.

Receivables again increased to €5.8m from €5.6m at the end of 2014. As OpenLimit has arranged for interim financing of 10% of its receivables, both short term debt and receivables will decline once the latter are paid. More than €1m of open old receivables have been paid since March 2015.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014A	2015E	2016E	2017E
Revenue (€m)	6.21	6.95	8.07	9.12	10.05	13.63
Y-o-y growth	8.1%	12.0%	16.0%	13.0%	10.3%	35.6%
EBIT (€m)	-0.81	-0.39	0.63	0.73	1.04	2.69
EBIT margin	-13.1%	-5.7%	7.8%	8.1%	10.4%	19.7%
Net income (€m)	-0.90	-0.61	0.14	0.28	0.74	2.12
EPS (diluted) (€)	-0.05	-0.03	0.01	0.01	0.03	0.09
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	1.67	-2.29	-0.61	0.19	1.48	1.64
Net gearing	-1.9%	26.6%	34.9%	31.4%	12.7%	-4.3%
Liquid assets (€m)	1.88	0.63	0.97	1.06	1.28	1.17

### 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.

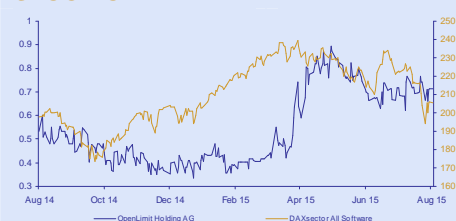
### MARKET DATA

As of 28 Aug 2015

Closing Price € 0.71  
 Shares outstanding 19.15m  
 Market Capitalisation € 13.62m  
 52-week Range € 0.34 / 0.90  
 Avg. Volume (12 Months) 31,694

Multiples	2014A	2015E	2016E
P/E	97.6	49.1	18.5
EV/Sales	2.2	1.9	1.8
EV/EBIT	28.0	24.0	16.9
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2015

Liquid Assets € 0.15m  
 Current Assets € 6.63m  
 Intangible Assets € 5.75m  
 Total Assets € 13.34m  
 Current Liabilities € 4.43m  
 Shareholders' Equity € 7.57m

### SHAREHOLDERS

René C. Jäggi 10.3%  
 Heinrich Dattler 9.8%  
 Robert E. Züllig 5.7%  
 Patrick Winkler 5.2%  
 Free Float 69.0%



**Free cash flow remains negative** H1 operating cash flow amounted to €0.4m. CAPEX was €1.6m and so free cash flow came in at €-1.2m. Additional funds from financing amounted to €0.4m. This resulted in a net cash outflow of €0.8m. As business looks set to accelerate in H2, and we expect further receivables to be paid we believe that OpenLimit will not require significant financing in coming months.

**Guidance reiterated** Management sticks to its 2015 guidance of revenue growth in the high single-digit area and slightly improved profitability.

**Smart meter gateway (SMG) roll-out not before 2017** The postponement of the SMG roll-out to 1 January 2017 will result in lower 2016E revenues for OpenLimit in this business. Nevertheless, a large market will open up (ca. 12-15m units with expected prices between €100-200). OpenLimit, together with its partner PPC, is in an excellent position to benefit as the company looks set to present one of the first certified SMGs in Germany. Currently, prototypes are being tested in Düsseldorf and by other utilities in other regions. In February, OpenLimit and PPC presented the latest version at the E-World trade fair. Altogether 19 partners, among them Bosch, Elster, E.ON metering, Siemens, and Thüga, presented the OpenLimit/PPC SMG at their booths. As we believe that only 4-5 competitors will be active in the SMG market, we expect OpenLimit/PPC to gain a market share of at least 20%.

**Konnektor remains important revenue driver** The Konnektor development has been generating revenues since 2014 and will continue to do so until Q2/16. The total amount is in the solid single-digit million area. OpenLimit has received change requests which will generate extra revenues. After the national roll-out, which is planned for the beginning of H2/16, OpenLimit looks set generate further revenues through the sale of Konnektors.

**Estimates for 2016E adjusted** Based on the solid H1/15 results and an H2 which we expect to be seasonally stronger, we largely stick to our 2015E forecast. We have however slightly reduced our 2016E estimates as we now believe that OpenLimit will not be able to completely compensate for the postponement of the SWG roll-out into 2017. Nevertheless, 2017 looks set to be the year of the big leap forward as large revenue drivers such as the SMG and the Konnektor phase in. We therefore leave our 2017E forecast unchanged (see figure 2 overleaf).

**Buy reiterated at slightly lower price target** Based on an updated DCF model which includes the higher net debt position, we lower our price target to €1.00 (previously: €1.10). We reiterate our Buy rating.

**Figure 1: Reported figures versus forecasts**

All figures in €m	H1-15A	H1-15E	Delta	H1-14	Delta
Sales	3.03	3.13	-3.2%	2.72	11.1%
EBIT	-0.30	-0.57	-	-0.71	-
margin	-10.0%	-18.1%		-26.2%	
Net income	-0.59	-0.80	-	-0.89	-
margin	-19.5%	-25.5%		-32.6%	
EPS in € (diluted)	-0.03	-0.03	-	-0.05	-

Source: First Berlin Equity Research, OpenLimit Holding AG

**Figure 2: Revisions to forecasts**

All figures in €m	2015E			2016E			2017E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	9.12	9.12	0.0%	10.48	10.05	-4.1%	13.63	13.63	0.0%
EBIT	0.67	0.73	9.5%	1.38	1.04	-24.4%	2.69	2.69	0.0%
<i>margin</i>	7.4%	8.1%		13.2%	10.4%		19.7%	19.7%	
Net income	0.28	0.28	-1.5%	1.06	0.74	-30.5%	2.12	2.12	0.0%
<i>margin</i>	3.1%	3.0%		10.1%	7.3%		15.5%	15.5%	
EPS in € (diluted)	0.01	0.01	-1.5%	0.05	0.03	-30.6%	0.09	0.09	0.0%

Source: First Berlin Equity Research



## DCF MODEL

DCF valuation model								
All figures in EUR '000	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	9,115	10,052	13,627	15,671	17,837	20,090	22,392	24,692
NOPLAT	656	1,082	2,285	3,126	3,714	4,260	4,783	5,285
+ depreciation & amortisation	2,702	2,393	2,040	1,925	1,876	1,874	1,884	1,885
Net operating cash flow	3,358	3,475	4,325	5,051	5,589	6,134	6,667	7,170
- total investments (CAPEX and WC)	-2,603	-1,735	-2,561	-1,635	-2,762	-2,865	-2,919	-2,918
Capital expenditures	-2,625	-2,161	-2,126	-2,131	-2,260	-2,360	-2,422	-2,442
Working capital	22	426	-435	497	-501	-505	-497	-476
Free cash flows (FCF)	755	1,740	1,764	3,417	2,828	3,269	3,748	4,251
PV of FCF's	719	1,440	1,268	2,133	1,534	1,540	1,533	1,511

All figures in thousands	
PV of FCFs in explicit period (2015E-2029E)	20,440
PV of FCFs in terminal period	7,667
Enterprise value (EV)	28,107
+ Net cash / - net debt	-3,998
+ Investments / minority interests	0
Shareholder value	24,110

Fair value per share in EUR	1.00
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WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
11.1%	16.0%	1.64	1.67	1.71	1.75	1.80	1.85	1.91
12.1%	8.5%	1.43	1.46	1.48	1.51	1.55	1.58	1.62
13.1%	15.7%	1.26	1.28	1.30	1.32	1.35	1.37	1.40
14.1%	7.2%	1.12	1.13	1.15	1.16	1.18	1.20	1.22
15.1%	90.0%	1.00	1.01	1.02	1.03	1.05	1.06	1.08
16.1%	10.0%	0.90	0.90	0.91	0.92	0.93	0.94	0.96
17.1%		0.81	0.81	0.82	0.83	0.84	0.84	0.85
18.1%		0.73	0.74	0.74	0.75	0.75	0.76	0.77

\* For layout reasons, the figure only displays figures until 2022, but the model runs until 2029.



## INCOME STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
<b>Revenues</b>	<b>5,745</b>	<b>6,208</b>	<b>6,955</b>	<b>8,066</b>	<b>9,115</b>	<b>10,052</b>	<b>13,627</b>
Own work	2,304	2,406	2,421	2,971	2,735	2,111	2,044
Cost of goods sold	167	105	157	263	365	503	1,090
<b>Gross profit</b>	<b>5,578</b>	<b>6,103</b>	<b>6,798</b>	<b>7,803</b>	<b>8,750</b>	<b>9,549</b>	<b>12,537</b>
Personnel costs	5,339	5,249	5,461	6,018	6,381	6,433	7,631
Depreciation and amortisation	2,182	2,415	2,551	2,641	2,702	2,475	2,080
Other operating income	0	0	0	0	0	0	0
Other operating expenses	1,584	1,656	1,601	1,486	1,668	1,709	2,180
<b>Operating income (EBIT)</b>	<b>-1,222</b>	<b>-812</b>	<b>-394</b>	<b>630</b>	<b>734</b>	<b>1,043</b>	<b>2,689</b>
Net financial result	-128	-120	-186	-369	-442	-268	-168
Non-operating expenses	0	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-1,350</b>	<b>-932</b>	<b>-580</b>	<b>261</b>	<b>292</b>	<b>775</b>	<b>2,521</b>
Income taxes	-217	-34	31	121	15	39	403
Minority interests	0	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-1,133</b>	<b>-897</b>	<b>-611</b>	<b>139</b>	<b>277</b>	<b>736</b>	<b>2,118</b>
<b>Diluted EPS (in €)</b>	<b>-0.06</b>	<b>-0.05</b>	<b>-0.03</b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.09</b>
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>2,157</b>	<b>3,270</b>	<b>3,436</b>	<b>3,518</b>	<b>4,769</b>
<b>Ratios</b>							
Gross margin	97.1%	98.3%	97.7%	96.7%	96.0%	95.0%	92.0%
EBIT margin on revenues	-21.3%	-13.1%	-5.7%	7.8%	8.1%	10.4%	19.7%
EBITDA margin on revenues	16.7%	25.8%	31.0%	40.5%	37.7%	35.0%	35.0%
Net margin on revenues	-19.7%	-14.5%	-8.8%	1.7%	3.0%	7.3%	15.5%
Tax rate	16.1%	3.7%	-5.3%	46.5%	5.0%	5.0%	16.0%
<b>Expenses as % of revenues</b>							
Personnel costs	92.9%	84.6%	78.5%	74.6%	70.0%	64.0%	56.0%
Depreciation and amortisation	38.0%	38.9%	36.7%	32.7%	29.6%	24.6%	15.3%
Other operating expenses	27.6%	26.7%	23.0%	18.4%	18.3%	17.0%	16.0%
<b>Y-Y Growth</b>							
Revenues	n.a.	8.1%	12.0%	16.0%	13.0%	10.3%	35.6%
Operating income	n.a.	n.m.	n.m.	n.m.	16.6%	42.0%	157.8%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	98.8%	165.5%	187.6%



## BALANCE SHEET

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
<b>Assets</b>							
<b>Current assets, total</b>	<b>6,660</b>	<b>5,307</b>	<b>6,487</b>	<b>7,292</b>	<b>7,549</b>	<b>7,616</b>	<b>8,263</b>
Cash and cash equivalents	393	1,877	625	969	1,056	1,282	1,169
Short-term investments	0	0	0	0	0	0	0
Receivables	6,267	3,430	5,862	6,323	6,493	6,334	7,094
Inventories	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0
<b>Non-current assets, total</b>	<b>5,681</b>	<b>5,940</b>	<b>5,887</b>	<b>6,232</b>	<b>6,337</b>	<b>6,023</b>	<b>6,069</b>
Property, plant & equipment	130	132	112	110	117	109	136
Goodwill & other intangibles	4,772	4,908	4,875	5,272	5,371	5,065	5,083
Other assets	780	900	900	850	850	850	850
<b>Total assets</b>	<b>12,341</b>	<b>11,247</b>	<b>12,374</b>	<b>13,524</b>	<b>13,886</b>	<b>13,640</b>	<b>14,332</b>
<b>Shareholders' equity &amp; debt</b>							
<b>Current liabilities, total</b>	<b>1,588</b>	<b>2,685</b>	<b>2,942</b>	<b>4,063</b>	<b>4,048</b>	<b>3,815</b>	<b>2,389</b>
Short-term debt	188	1,500	1,290	2,457	2,250	1,750	0
Accounts payable	1,391	1,171	1,653	1,606	1,798	2,065	2,389
Current provisions	0	0	0	0	0	0	0
Other current liabilities	10	14	0	0	0	0	0
<b>Long-term liabilities, total</b>	<b>1,747</b>	<b>215</b>	<b>1,454</b>	<b>1,352</b>	<b>1,452</b>	<b>702</b>	<b>702</b>
Long-term debt	1,500	0	1,250	1,000	1,100	350	350
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	247	215	204	352	352	352	352
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>9,006</b>	<b>8,346</b>	<b>7,978</b>	<b>8,109</b>	<b>8,386</b>	<b>9,122</b>	<b>11,240</b>
Share capital	4,605	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	9,882
Other reserves	1,431	1,668	1,873	1,994	1,994	1,994	1,994
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-6,912	-7,810	-8,382	-8,372	-8,095	-7,359	-5,241
<b>Total consolidated equity and debt</b>	<b>12,341</b>	<b>11,247</b>	<b>12,374</b>	<b>13,524</b>	<b>13,886</b>	<b>13,640</b>	<b>14,332</b>
<b>Ratios</b>							
Current ratio (x)	4.19	1.98	2.20	1.79	1.86	2.00	3.46
Quick ratio (x)	4.19	1.98	2.20	1.79	1.86	2.00	3.46
Book value per share (€)	0.47	0.44	0.40	0.35	0.37	0.40	0.49
Net cash	-1,542	162	-2,119	-2,827	-2,632	-1,156	481
Net gearing	17.1%	-1.9%	26.6%	34.9%	31.4%	12.7%	-4.3%
Return on equity (ROE)	-12.6%	-10.8%	-7.7%	1.7%	3.3%	8.1%	18.8%
Days of sales outstanding (DSO)	398.2	201.6	307.7	286.1	260.0	230.0	190.0
Days of inventory turnover	0.0	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	-2,230.6	-1,800.0	-1,500.0	-800.0



## CASH FLOW STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
<b>EBIT</b>	<b>-1,222</b>	<b>-812</b>	<b>-394</b>	<b>630</b>	<b>734</b>	<b>1,043</b>	<b>2,689</b>
Depreciation and amortisation	2,182	2,415	2,551	2,641	2,702	2,475	2,080
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>2,157</b>	<b>3,271</b>	<b>3,436</b>	<b>3,518</b>	<b>4,769</b>
Changes in working capital	-1,978	2,688	-2,040	-494	22	426	-435
Other adjustments	843	-66	90	-354	-457	-307	-571
<b>Operating cash flow</b>	<b>-175</b>	<b>4,226</b>	<b>207</b>	<b>2,422</b>	<b>3,001</b>	<b>3,638</b>	<b>3,763</b>
CAPEX	-23	-108	-77	-65	-73	-50	-82
Investments in intangibles	-2,304	-2,446	-2,421	-2,971	-2,735	-2,111	-2,044
<b>Free cash flow</b>	<b>-2,502</b>	<b>1,672</b>	<b>-2,291</b>	<b>-613</b>	<b>194</b>	<b>1,476</b>	<b>1,637</b>
<b>Debt financing, net</b>	<b>1,500</b>	<b>0</b>	<b>1,040</b>	<b>957</b>	<b>-107</b>	<b>-1,250</b>	<b>-1,750</b>
<b>Equity financing, net</b>	<b>628</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes in cash	0	0	0	0	0	0	0
<b>Net cash flows</b>	<b>-374</b>	<b>1,672</b>	<b>-1,252</b>	<b>344</b>	<b>87</b>	<b>226</b>	<b>-113</b>
Cash, start of the year	0	393	1,877	625	969	1,056	1,282
<b>Cash, end of the year</b>	<b>-374</b>	<b>2,064</b>	<b>625</b>	<b>969</b>	<b>1,056</b>	<b>1,282</b>	<b>1,169</b>
<b>EBITDA/share (in €)</b>	<b>0.05</b>	<b>0.08</b>	<b>0.11</b>	<b>0.14</b>	<b>0.15</b>	<b>0.15</b>	<b>0.21</b>
<b>Y-Y Growth</b>							
Operating cash flow	n.a.	n.m.	-95.1%	1068.9%	23.9%	21.2%	3.4%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	661.0%	10.9%
EBITDA/share	n.a.	67.0%	29.4%	31.6%	5.1%	2.4%	35.6%

**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...44	↓	↓	↓	↓
45	18 November 2014	€0.40	Buy	€1.30
46	30 April 2015	€0.62	Buy	€1.10
47	20 May 2015	€0.80	Buy	€1.10
48	Today	€0.71	Buy	€1.00

Dr. Karsten von Blumenthal

First Berlin  
Equity Research GmbH

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 85

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

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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.

**ADDITIONAL DISCLOSURES**

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