

OpenLimit Holding AG

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

2015 figures

RATING	BUY
PRICE TARGET	€1.20
Return Potential	120.2%
Risk Rating	High

SECOND PROFITABLE YEAR

On 29 April, OpenLimit reported 2015 figures and held a conference call. Sales increased 8% to €8.7m and EBIT 53% to €1.0m. In 2016 and 2017, T-Systems will pay OpenLimit a mid single-digit million Euro amount for IP developed in connection with the Konnektor. The tranches are based on pre-defined milestones. For 2016, OpenLimit is guiding towards growth in the lower double-digit percent range and increasing profitability. We have slightly increased our 2016E operating earnings forecast. We reiterate our Buy rating at a marginally increased price target of €1.20 (previously: €1.10).

Revenue and disproportional earnings growth in 2015 Sales increased 8% to €8.7m (FBe: €9.1m) and EBIT from €0.63m to €0.97 (53% y/y, FBe: €0.73m). The net result more than doubled from €0.14m to €0.33m. Diluted EPS were €0.02 vs. €0.01 in the previous year. A significant increase in licence revenues (€6.0m vs. €4.0m in 2014) was the main sales driver. Strict cost management (other operating expenditures remained constant at €1.5m) contributed to higher EBIT.

Further profitable growth OpenLimit is guiding towards low double-digit growth and increasing profitability. For 2017/18, the company expects a much higher increase in revenues thanks mainly to the roll-out of the smart meter gateway and the Konnektor.

Short-term debt of €2.9m to be refinanced or repaid In 2016, convertible loans and other loans totalling €2.9m will be due. The refinancing of a large part of these loans is vital for OpenLimit. Given management's very good track record of refinancing debt in recent years, we remain confident that OpenLimit will find a solution. We believe that T-Systems' payments for OpenLimit's IP development will be supportive in this process. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	6.95	8.07	8.69	10.05	13.63	15.67
Y-o-y growth	12.0%	16.0%	7.7%	15.7%	35.6%	15.0%
EBIT (€m)	-0.39	0.63	0.97	1.14	2.69	3.50
EBIT margin	-5.7%	7.8%	11.1%	11.3%	19.7%	22.3%
Net income (€m)	-0.61	0.14	0.33	0.69	1.98	2.83
EPS (diluted) (€)	-0.03	0.01	0.02	0.03	0.09	0.12
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.29	-0.61	-0.61	0.85	1.83	3.64
Net gearing	26.6%	34.9%	38.3%	26.5%	5.8%	-21.0%
Liquid assets (€m)	0.63	0.97	0.30	0.75	1.15	4.29

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.

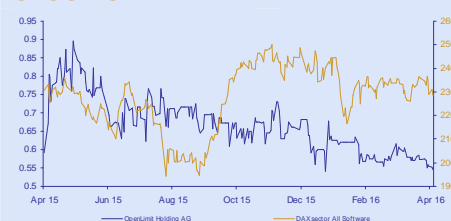
MARKET DATA

As of 03 May 2016

Closing Price	€ 0.55
Shares outstanding	19.15m
Market Capitalisation	€ 10.44m
52-week Range	€ 0.54 / 0.90
Avg. Volume (12 Months)	17,545

Multiples	2015	2016E	2017E
P/E	32.0	15.0	5.3
EV/Sales	1.6	1.4	1.0
EV/EBIT	14.3	12.1	5.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2015

Liquid Assets	€ 0.30m
Current Assets	€ 8.44m
Intangible Assets	€ 5.84m
Total Assets	€ 15.14m
Current Liabilities	€ 5.70m
Shareholders' Equity	€ 8.69m

SHAREHOLDERS

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



Balance sheet strained by high receivables and short-term financial debt The balance sheet total increased 12% to €15.1m due mainly to an increase in trade and other receivables to €8.1m from €6.3m at the end of 2014(+29% y/y). Very long payment terms of up to four months and overdue receivables have been burdening OpenLimit's balance sheet for some years. In 2015, the company managed to reduce receivables due for more than six months by more than €1.1m to €1.1m.

Long-term financial debt declined to €0.5m, but short-term financial debt rose to €2.9m (end 2014: €2.5m). As the cash position fell to €0.3m from €1.0m, the net debt position increased to €3.3m vs. €2.8m at the end of 2014. Due mainly to the net profit, equity increased to €8.7m from €8.1m in the previous year. The equity ratio, however, declined by 2.6 PP to 57.4% due to the higher balance sheet total.

Operating cash flow again increased OpenLimit's operating cash flow amounted to €2.7m after €2.4m in 2014. However, CAPEX of €3.3m resulted in a negative free cash flow of €0.6m as in 2014. The net cash flow from financing was €-0.1m as financial debt of €1.5m was repaid and new debt of €1.4m was taken on. The net cash flow of €-0.7m resulted in a lower cash position of €0.3m.

Growth drivers Konnektor and Smart Meter Gateway OpenLimit has developed the Konnektor which will guarantee secure communication between the stakeholders of the German healthcare system. The E-Health bill passed parliament in December 2015 and determines the Germany-wide roll-out from 1 July 2016. The government plans to connect all practices and hospitals with the telematics infrastructure by mid 2018. The roll-out will drive OpenLimit's Konnektor-related revenues. Furthermore, OpenLimit will receive a medium single-digit million Euro amount from T-Systems for IP developed in connection with the Konnektor. We expect payment in different tranches according to pre-defined milestones. T-Systems also expanded the Konnektor development contract in the low single-digit million Euro range.

The Smart Meter Gateway (SMG) guarantees secure communication between utilities and the local meters of end consumers. The SMG market potential is 12 – 15 million devices. The German government agreed on the regulatory framework for the SMG, and we expect the German Bundestag to pass the "Law to digitalise the energy transition" soon without relevant changes. From January 2017 on, certain user groups are obliged to take part in the roll-out. OpenLimit has developed the SMG together with its partner PPC and both are in an excellent competitive position to gain a ca. 30% share in the SMG market. The roll-out will take place over eight years and we expect SMG installations of almost 2 million devices per annum. The first tenders are expected in Q4/16 or Q1/17. The SMG roll-out looks set to be a major revenue driver for OpenLimit from 2017 on.

Global distribution of FUJITSU PalmSecure and truedentity started in April 2016 FUJITSU has been marketing OpenLimit's software for secure online authentication – truedentity – together with its hand vein scanner PalmSecure on a global scale since April 2016. The two factor-authentication offers excellent protection against identity misuse. OpenLimit will benefit from the distribution via licence fees.

High order backlog very good basis for growth in 2016 The current order backlog amounts to a mid single-digit million Euro figure which corresponds roughly to 50% of our 2016E sales forecast. This increases visibility and supports our growth scenario for 2016.

Forecasts largely unchanged We updated our forecasts, which resulted in marginal changes (see figure 2 overleaf). We expect 2016E and 2017E revenue growth of almost 16% and 36%, respectively. Furthermore, we anticipate strongly rising EBIT margins (2016E: 13.1%, 2017E: 19.7%) due to fixed cost degression.



Buy reiterated at slightly higher price target An updated DCF model yields a new price target of €1.20 (previously: €1.10). We reiterate our Buy rating.

Figure 1: Reported figures versus forecasts

All figures in €m	2015A	2015E	Delta	2014	Delta
Sales	8.69	9.12	-4.7%	8.07	7.7%
EBIT	0.97	0.73	32.3%	0.63	53.3%
margin	11.1%	8.0%		7.8%	
Net income	0.33	0.28	16.8%	0.14	133.6%
margin	3.8%	3.1%		1.7%	
EPS in € (diluted)	0.02	0.01	16.8%	0.01	116.2%

Source: First Berlin Equity Research, OpenLimit Holding AG

Figure 2: Revisions to forecasts

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	10.05	10.05	0.0%	13.63	13.63	0.0%	15.67	15.67	0.0%
EBIT	1.04	1.14	9.5%	2.69	2.69	-0.1%	3.50	3.50	-0.1%
margin	10.3%	11.3%		19.7%	19.7%		22.3%	22.3%	
Net income	0.74	0.69	-6.1%	2.12	1.98	-6.6%	2.83	2.83	0.0%
margin	7.4%	6.9%		15.6%	14.5%		18.1%	18.1%	
EPS in € (diluted)	0.03	0.03	-5.5%	0.09	0.09	-5.7%	0.12	0.12	1.0%

Source: First Berlin Equity Research



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	10,052	13,627	15,671	17,834	20,103	22,446	24,822	27,182
NOPLAT	1,103	2,309	2,957	3,661	4,236	4,779	5,311	5,822
+ depreciation & amortisation	2,781	2,642	2,302	1,989	1,958	1,960	1,967	1,964
Net operating cash flow	3,884	4,951	5,259	5,650	6,194	6,738	7,278	7,785
- total investments (CAPEX and WC)	-2,630	-2,792	-1,495	-2,162	-2,901	-2,989	-3,029	-3,015
Capital expenditures	-2,895	-2,398	-2,131	-2,265	-2,383	-2,471	-2,523	-2,533
Working capital	265	-393	637	102	-518	-518	-506	-482
Free cash flows (FCF)	1,253	2,160	3,764	3,488	3,292	3,749	4,250	4,771
PV of FCF's	1,142	1,709	2,588	2,083	1,707	1,689	1,663	1,621

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	23,356
PV of FCFs in terminal period	7,927
Enterprise value (EV)	31,283
+ Net cash / - net debt	-3,333
+ Investments / minority interests	0
Shareholder value	27,950

Fair value per share in EUR 1.20

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
11.1%	16.0%	1.91	1.95	1.98	2.03	2.08	2.13	2.19
12.1%	8.5%	1.68	1.71	1.73	1.76	1.80	1.84	1.88
13.1%	15.3%	1.49	1.51	1.53	1.55	1.58	1.60	1.64
14.1%	7.2%	1.33	1.34	1.36	1.38	1.39	1.41	1.44
15.1%	90.0%	1.20	1.21	1.22	1.23	1.25	1.26	1.28
16.1%	10.0%	1.08	1.09	1.10	1.11	1.12	1.13	1.14
17.1%		0.98	0.99	1.00	1.00	1.01	1.02	1.03
18.1%		0.90	0.90	0.91	0.91	0.92	0.93	0.93

* For layout reasons, the figure only displays figures until 2023, but the model runs until 2030.



INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Revenues	6,955	8,066	8,689	10,052	13,627	15,671
Own work	2,421	2,971	3,251	2,815	2,317	2,194
Cost of goods sold	157	263	211	302	954	1,410
Gross profit	6,798	7,803	8,479	9,750	12,673	14,261
Personnel costs	5,461	6,018	6,529	6,936	7,495	8,306
Depreciation and amortisation	2,551	2,641	2,755	2,781	2,642	2,302
Other operating income	0	0	0	0	0	0
Other operating expenses	1,601	1,486	1,480	1,709	2,167	2,351
Operating income (EBIT)	-394	630	966	1,139	2,686	3,496
Net financial result	-186	-369	-458	-408	-330	-126
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-580	261	508	731	2,356	3,370
Income taxes	31	121	182	37	377	539
Minority interests	0	0	0	0	0	0
Net income / loss	-611	139	327	695	1,979	2,831
Diluted EPS (in €)	-0.03	0.01	0.02	0.03	0.09	0.12
EBITDA	2,157	3,270	3,722	3,920	5,328	5,798
Ratios						
Gross margin	97.7%	96.7%	97.6%	97.0%	93.0%	91.0%
EBIT margin on revenues	-5.7%	7.8%	11.1%	11.3%	19.7%	22.3%
EBITDA margin on revenues	31.0%	40.5%	42.8%	39.0%	39.1%	37.0%
Net margin on revenues	-8.8%	1.7%	3.8%	6.9%	14.5%	18.1%
Tax rate	-5.3%	46.5%	35.8%	5.0%	16.0%	16.0%
Expenses as % of revenues						
Personnel costs	78.5%	74.6%	75.1%	69.0%	55.0%	53.0%
Depreciation and amortisation	36.7%	32.7%	31.7%	27.7%	19.4%	14.7%
Other operating expenses	23.0%	18.4%	17.0%	17.0%	15.9%	15.0%
Y-Y Growth						
Revenues	12.0%	16.0%	7.7%	15.7%	35.6%	15.0%
Operating income	n.m.	n.m.	53.5%	17.9%	135.8%	30.2%
Net income/ loss	n.m.	n.m.	134.1%	112.7%	184.9%	43.0%



BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	6,487	7,292	8,437	7,908	8,995	12,236
Cash and cash equivalents	625	969	303	747	1,155	4,293
Short-term investments	0	0	0	0	0	0
Receivables	5,862	6,323	8,134	7,160	7,840	7,943
Inventories	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
Non-current assets, total	5,887	6,232	6,703	6,862	6,618	6,447
Property, plant & equipment	112	110	110	118	135	163
Goodwill & other intangibles	4,875	5,272	5,842	5,994	5,733	5,534
Other assets	900	850	750	750	750	750
Total assets	12,374	13,524	15,139	14,769	15,613	18,683
Shareholders' equity & debt						
Current liabilities, total	2,942	4,063	5,689	4,500	3,865	4,104
Short-term debt	1,290	2,457	2,901	2,422	1,500	1,000
Accounts payable	1,653	1,606	2,775	2,065	2,352	3,091
Current provisions	0	0	0	0	0	0
Other current liabilities	0	0	13	13	13	13
Long-term liabilities, total	1,454	1,352	757	880	380	380
Long-term debt	1,250	1,000	500	578	78	78
Deferred revenue	0	0	0	0	0	0
Other liabilities	204	352	257	302	302	302
Minority interests	0	0	0	0	0	0
Shareholders' equity	7,978	8,109	8,694	9,389	11,368	14,199
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	1,873	1,994	2,070	2,070	2,070	2,070
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-8,382	-8,372	-7,863	-7,168	-5,189	-2,358
Total consolidated equity and debt	12,374	13,524	15,139	14,769	15,613	18,683
Ratios						
Current ratio (x)	2.20	1.79	1.48	1.76	2.33	2.98
Quick ratio (x)	2.20	1.79	1.48	1.76	2.33	2.98
Book value per share (€)	0.40	0.35	0.38	0.41	0.50	0.63
Net cash	-2,119	-2,827	-3,333	-2,487	-658	2,981
Net gearing	26.6%	34.9%	38.3%	26.5%	5.8%	0.0%
Return on equity (ROE)	-7.7%	1.7%	3.8%	7.4%	17.4%	19.9%
Days of sales outstanding (DSO)	307.7	286.1	341.7	260.0	210.0	185.0
Days of inventory turnover	0.0	0.0	0.0	0.0	0.0	0.0
Days in payables (DIP)	-3,844.2	-2,230.6	-4,810.9	-2,500.0	-900.0	-800.0



CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
EBIT	-394	630	966	1,139	2,686	3,496
Depreciation and amortisation	2,551	2,641	2,755	2,781	2,642	2,302
EBITDA	2,157	3,271	3,721	3,920	5,328	5,798
Changes in working capital	-2,040	-494	-730	265	-393	637
Other adjustments	90	-354	-280	-445	-707	-665
Operating cash flow	207	2,422	2,712	3,740	4,228	5,769
CAPEX	-77	-65	-75	-80	-82	-94
Investments in intangibles	-2,421	-2,971	-3,251	-2,815	-2,317	-2,037
Free cash flow	-2,291	-613	-614	845	1,830	3,638
Debt financing, net	1,040	957	-78	-401	-1,422	-500
Equity financing, net	0	0	0	0	0	0
Other changes in cash	0	0	0	0	0	0
Net cash flows	-1,252	344	-692	444	408	3,138
Cash, start of the year	1,877	625	969	303	747	1,155
Cash, end of the year	625	969	277	747	1,155	4,293
EBITDA/share (in €)	0.11	0.14	0.16	0.17	0.23	0.26
Y-Y Growth						
Operating cash flow	-95.1%	1068.9%	12.0%	37.9%	13.0%	36.5%
Free cash flow	n.m.	n.m.	n.m.	n.m.	116.4%	98.9%
EBITDA/share	29.4%	31.6%	13.8%	6.4%	35.9%	8.8%

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...46	↓	↓	↓	↓
47	20 May 2015	€0.80	Buy	€1.10
48	1 September 2015	€0.71	Buy	€1.00
49	18 November 2015	€0.68	Buy	€1.10
50	Today	€0.55	Buy	€1.20

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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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