

# OpenLimit Holding AG

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

H1 figures

**RATING**  
**PRICE TARGET**  
 Return Potential 72.4%  
 Risk Rating High

**BUY**  
**€ 0.50**

## WAITING FOR SMGW CERTIFICATION

OpenLimit reported H1 figures above the previous year's results and our estimates. Sales increased 20% y/y to €4.4m and EBIT was slightly positive. The company generated a positive free cash flow of €0.3m. We appreciate this positive development, but nevertheless slightly lower our forecasts for this year and the following years as the long-awaited smart meter gateway (SMGW) certification faces a further delay. We now expect certification in Q4 and thus hardly any SMGW revenues this year. As the rollout looks set to start in Q1/19 we believe that market penetration in 2019 will be slower than previously forecast. Despite the delay, we still believe that OpenLimit / PPC are in an excellent position to gain ca. 30% market share in the SMGW market. We expect that the SMGW certification will be the next share price driver. Despite lower forecasts our DCF model still yields a €0.50 price target. We reiterate our Buy rating.

**H1 figures above expectations** OpenLimit increased sales by 20% y/y to €4.4m (FBe: €3.9m). The main earnings driver was the Konnektor project. Due to strict cost discipline EBIT was slightly positive at €50k (FBe: €-420k, H1/17: €-864k). This is the best H1 EBIT result since the listing of the company. Interest expenses of €276k and tax expenses of €48k led to a net result of €-270k (FBe: €-670k, H1/17: €-1,148k). EPS improved from €-0.04 to €-0.01 (see figure 1 overleaf).

**Lower guidance due to SMGW delay** OpenLimit lowered its sales guidance due to the longer than expected certification process for the smart meter gateway. The company now expects sales of at least €8.7m. This would (at least) match the highest sales figure in the history of the company, which was reached in 2015. Previously, OpenLimit was guiding towards sales above €10m. Given H1 revenues of €4.4m, an order backlog of €3.2m, and a solid project pipeline, of which a relevant part looks set to be converted into sales this year, we believe, that full-year revenues will reach €9.5m.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€m)	8.69	-0.40	4.94	9.50	11.80	14.52
Y-o-y growth	7.7%	n.a.	n.a.	92.5%	24.2%	23.0%
EBIT (€m)	0.97	-7.85	-3.00	0.08	1.04	2.06
EBIT margin	11.1%	1971.1%	-60.8%	0.8%	8.8%	14.2%
Net income (€m)	0.33	-8.57	-3.03	-0.41	0.60	1.49
EPS (diluted) (€)	0.02	-0.39	-0.12	-0.01	0.02	0.05
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-0.61	-2.86	-0.54	-0.81	0.04	0.85
Net gearing	38.3%	278.3%	474.0%	248.1%	176.6%	80.3%
Liquid assets (€m)	0.30	0.02	0.07	0.07	0.07	0.12

### RISKS

Risks include, but are not limited to: financing, 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 stands for the secure electronic handshake. Its technologies enable people and machines worldwide to communicate in secure, verifiable and identifiable ways. The company develops base technologies and products in the areas secure data transfer between machines, secure authentication, electronic signatures, and evidentiary value-preserving long-term storage of data and documents.

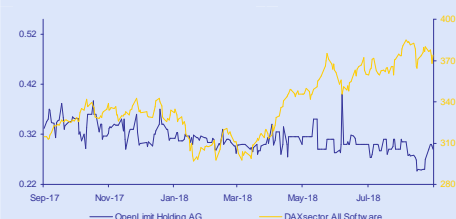
### MARKET DATA

As of 21 Sep 2018

Closing Price	€ 0.29
Shares outstanding	31.08m
Market Capitalisation	€ 9.01m
52-week Range	€ 0.25 / 0.40
Avg. Volume (12 Months)	13,955

Multiples	2017	2018E	2019E
P/E	n.a.	n.a.	15.1
EV/Sales	2.7	1.4	1.1
EV/EBIT	n.a.	174.4	12.6
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2018

Liquid Assets	€ 0.13m
Current Assets	€ 2.10m
Intangible Assets	€ 5.31m
Total Assets	€ 8.88m
Current Liabilities	€ 6.00m
Shareholders' Equity	€ 1.73m

### SHAREHOLDERS

Robert E. Züllig	10.9%
René C. Jäggi	8.8%
WiseKey	7.1%
Other investors	12.7%
Free Float	60.5%

**Figure 1: Reported figures versus forecasts**

All figures in €m	H1-18A	H1-18E	Delta	H1-17A	Delta
Sales	4.35	3.90	11.5%	3.64	19.5%
EBIT	0.05	-0.42	-	-0.86	-
margin	1.1%	-10.8%		-23.7%	
Net income	-0.27	-0.67	-	-1.15	-
margin	-6.2%	-17.2%		-31.5%	
EPS in € (diluted)	-0.01	-0.02	-	-0.04	-

Source: First Berlin Equity Research, OpenLimit Holding AG

**Positive free cash flow** OpenLimit generated an operating cash flow of €1.2m due mainly to an improved net result and lower working capital requirements. As CAPEX amounted to €0.9m, the free cash flow was €0.3m. Cash flow from financing amounted to €-0.2m (capital increase €+0.3m and repayment of loans €-0.5m).

**Balance sheet in better shape after capital increase and debt reduction** Equity increased from €0.9m to €1.7m due mainly to the capital increase in April. OpenLimit issued 3,710,332 shares with a nominal value of €0.30. The issuing price was €0.2916 per share. 2,748,336 shares were used to repay liabilities amounting to €801,415. For 961,996 shares OpenLimit received liquid funds of €280,518. The number of shares increased to 31,077,958. The equity ratio at the end of H1/18 was 19.5%. This is still a low figure, but a significant improvement compared to the 8.5% at the end of 2017. Financial debt declined from €3.9m at the end of 2017 to €2.7m at the end of June 2018. Short-term financial debt, however, increased by €0.5m to €1.9m. Repayment and/or refinancing of debt thus remains an important task for the management. A convertible loan amounting to €0.5m, which was due on 31 March 2018, was extended to 30 June 2019. The terms of another loan (ca. €0.9m) were renegotiated. It is now also due on 30 June 2019. The cash position increased slightly from €65k to €128k. The capital increase and the debt reduction have somewhat reduced the liquidity risk which nevertheless remains high.

**Smart Meter Gateway certification again delayed** In our previous comment of 4 May 2018, we had anticipated the SMGW certification by the Federal Office for Information Security (BSI) for summer 2018. The certification process has however again been delayed and we now expect certification in Q4. At least, OpenLimit/PPC successfully concluded the calibration certification by the German Measurement Office (Baumusterprüfbescheinigung der Physikalisch-Technischen Bundesanstalt) in April 2018. We now expect the smart meter technology roll-out to begin in Q1/19. OpenLimit/PPC already have first orders from E.ON and EnBW, and the total order volume amounts to a mid five-digit figure (FBe: ca. 40,000 units). Shortly after the BSI certification we expect about a dozen SMGW tenders giving OpenLimit/PPC ample opportunity to receive further orders. The SMGW roll-out looks set to be the major revenue driver for OpenLimit in coming years as we expect the installation of more than one million SMGW devices per annum from 2019E on. However, the full impact will not be visible before 2020E, due to the ramp-up phase in H1/19. Although an estimate of SMGW sales volume and pricing for 2019E is still based on shaky ground, we believe that OpenLimit/PPC could sell 200,000 units. The company would generate SMGW sales of €4m in 2019E, which assumes a revenue share of €20 per SMGW unit for OpenLimit. OpenLimit will receive a licence fee per SMGW. As the SMGWs have to be exchanged after eight years, we expect recurring revenues even in the long term. Furthermore, the company should generate recurring revenues with software service & maintenance. We appreciate the high scalability of the SMGW business as OpenLimit will generate revenues per unit sold, whereas most of the development costs have already been booked.



### Konnektor project was main revenue driver in H1/18 and looks set to maintain this position in H2/18

In H1/18, the Konnektor project was the main revenue driver. We believe that €3.3m or 80% of the revenues stem from this project. On 22 June, gematik approved the Konnektor, and T-Systems, which gave OpenLimit the order to develop the Konnektor, is busy delivering the 20,000 advance orders. gematik Gesellschaft für Telematikanwendungen der Gesundheitskarte mbH was founded by the head organisations (health insurances, doctors, hospitals, pharmacies) of the German health care sector to develop a secure digital communication infrastructure for the sector. We expect the next regulatory milestone soon—the closure of the Common Criteria Certification by the BSI. OpenLimit and T-Systems are currently working on service and further development themes regarding the Konnektor, which should result in low single-digit million Euro revenues in H2. We expect that the partnership with T-Systems will continue in 2019 and generate low single-digit million Euro revenues in H1/19.

**Signature technology on the rise again** In recent years, signature technology-based revenues were constant, but low. In H1, OpenLimit received orders in the middle six-digit Euro area and we expect a further order (value: low single-digit million Euro) this year. Revenues look set to be split between 2018 and 2019. Signature technology based revenues should thus rise significantly.

**Forecasts lowered** We have lowered our forecasts to reflect the SMGW delay. EPS are diluted by the higher share count. We still anticipate a net profit in 2019E and strong revenue growth both in 2019E and 2020E (CAGR 2018E-2020E: 23.6%).

**Figure 2: Revisions to forecasts**

All figures in €m	2018E			2019E			2020E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	10.50	9.50	-9.5%	12.60	11.80	-6.3%	14.92	14.52	-2.7%
EBIT	0.10	0.08	-21.0%	1.31	1.04	-20.9%	2.22	2.06	-7.3%
margin	0.9%	0.8%		10.4%	8.8%		14.9%	14.2%	
Net income	-0.39	-0.41	-	0.76	0.60	-21.9%	1.58	1.49	-5.4%
margin	-3.7%	-4.3%		6.1%	5.1%		10.6%	10.3%	
EPS in € (diluted)	-0.01	-0.01	-	0.03	0.02	-37.0%	0.06	0.05	-21.2%

Source: First Berlin Equity Research

**Buy reiterated at unchanged price target** We have not changed our view on the company risk which is reflected in a WACC of 16.0%. An updated DCF model still yields a €0.50 price target. We reiterate our Buy rating.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	9,500	11,800	14,518	16,870	19,385	22,025	24,740	27,470
NOPLAT	75	958	1,778	2,584	3,185	3,729	4,238	4,725
+ depreciation & amortisation	2,895	2,678	2,671	2,752	2,817	3,001	3,236	3,485
Net operating cash flow	2,970	3,636	4,449	5,336	6,002	6,730	7,474	8,211
- total investments (CAPEX and WC)	-3,300	-3,230	-3,311	-3,238	-3,550	-3,928	-4,292	-4,629
Capital expenditures	-2,347	-2,667	-2,991	-3,037	-3,373	-3,700	-4,008	-4,285
Working capital	-953	-564	-320	-201	-177	-228	-284	-343
Free cash flows (FCF)	-330	405	1,138	2,098	2,452	2,802	3,182	3,582
<b>PV of FCF's</b>	<b>-316</b>	<b>335</b>	<b>811</b>	<b>1,290</b>	<b>1,300</b>	<b>1,281</b>	<b>1,254</b>	<b>1,217</b>

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	13,919
PV of FCFs in terminal period	5,362
Enterprise value (EV)	19,281
+ Net cash / - net debt (pro forma)	-4,076
+ Investments / minority interests	0
Shareholder value	15,205
Diluted number of shares	31,078
<b>Fair value per share in EUR</b>	<b>0.50</b>

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
12.0%	0.84	0.86	0.88	0.90	0.92	0.95	0.98	
13.0%	0.73	0.74	0.75	0.77	0.79	0.80	0.82	
14.0%	0.63	0.64	0.65	0.66	0.68	0.69	0.70	
15.0%	0.55	0.56	0.56	0.57	0.58	0.59	0.60	
16.0%	0.49	0.49	0.50	0.50	0.51	0.52	0.53	
17.0%	0.43	0.43	0.44	0.44	0.45	0.45	0.46	
18.0%	0.38	0.38	0.39	0.39	0.39	0.40	0.40	
19.0%	0.34	0.34	0.34	0.34	0.35	0.35	0.35	

\* For layout reasons, the figure only displays figures until 2025, but the model runs until 2032.



## INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
<b>Revenues</b>	<b>8,066</b>	<b>8,689</b>	<b>-398</b>	<b>4,935</b>	<b>9,500</b>	<b>11,800</b>	<b>14,518</b>
Own work	2,971	3,251	2,426	2,451	1,710	2,419	2,613
Cost of goods sold	263	211	462	293	190	1,416	1,655
<b>Gross profit</b>	<b>7,803</b>	<b>8,479</b>	<b>-860</b>	<b>4,643</b>	<b>9,310</b>	<b>10,384</b>	<b>12,863</b>
Personnel costs	6,018	6,529	6,147	4,970	5,350	6,254	7,549
Other operating income	0	0	1,465	0	0	0	0
Other operating expenses	1,486	1,480	2,131	2,487	2,700	2,832	3,194
<b>EBITDA</b>	<b>3,270</b>	<b>3,722</b>	<b>-5,247</b>	<b>-363</b>	<b>2,970</b>	<b>3,717</b>	<b>4,733</b>
Depreciation and amortisation	2,641	2,755	2,607	2,637	2,895	2,678	2,671
<b>Operating income (EBIT)</b>	<b>630</b>	<b>966</b>	<b>-7,854</b>	<b>-3,000</b>	<b>75</b>	<b>1,039</b>	<b>2,062</b>
Net financial result	-369	-458	-508	-410	-504	-361	-286
Non-operating expenses	0	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>261</b>	<b>508</b>	<b>-8,362</b>	<b>-3,410</b>	<b>-429</b>	<b>678</b>	<b>1,776</b>
Income taxes	121	182	207	-382	-21	81	284
Minority interests	0	0	0	0	0	0	0
<b>Net income / loss</b>	<b>139</b>	<b>327</b>	<b>-8,569</b>	<b>-3,028</b>	<b>-407</b>	<b>597</b>	<b>1,492</b>
<b>Diluted EPS (in €)</b>	<b>0.01</b>	<b>0.02</b>	<b>-0.39</b>	<b>-0.12</b>	<b>-0.01</b>	<b>0.02</b>	<b>0.05</b>
<b>Ratios</b>							
Gross margin	96.7%	97.6%	n.m.	94.1%	98.0%	88.0%	88.6%
EBIT margin on revenues	7.8%	11.1%	n.m.	-60.8%	0.8%	8.8%	14.2%
EBITDA margin on revenues	40.5%	42.8%	n.m.	-7.4%	31.3%	31.5%	32.6%
Net margin on revenues	1.7%	3.8%	n.m.	-61.4%	-4.3%	5.1%	10.3%
Tax rate	46.5%	35.8%	n.m.	11.2%	5.0%	12.0%	16.0%
<b>Expenses as % of revenues</b>							
Personnel costs	74.6%	75.1%	n.m.	100.7%	56.3%	53.0%	52.0%
Depreciation and amortisation	32.7%	31.7%	n.m.	53.4%	30.5%	22.7%	18.4%
Other operating expenses	18.4%	17.0%	n.m.	50.4%	28.4%	24.0%	22.0%
<b>Y-Y Growth</b>							
Revenues	16.0%	7.7%	n.m.	n.m.	92.5%	24.2%	23.0%
Operating income	n.m.	53.5%	n.m.	n.m.	n.m.	1285.0%	98.4%
Net income/ loss	n.m.	134.1%	n.m.	n.m.	n.m.	n.m.	150.1%



## BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
<b>Assets</b>							
<b>Current assets, total</b>	<b>7,292</b>	<b>8,437</b>	<b>4,595</b>	<b>2,895</b>	<b>3,206</b>	<b>3,744</b>	<b>4,680</b>
Cash and cash equivalents	969	303	17	65	72	71	124
Short-term investments	0	0	0	0	0	0	0
Receivables & other	6,323	8,134	4,577	2,825	3,123	3,556	4,375
Inventories	0	0	0	5	10	116	181
Other current assets	0	0	0	0	0	0	0
<b>Non-current assets, total</b>	<b>6,232</b>	<b>6,703</b>	<b>6,113</b>	<b>7,271</b>	<b>6,722</b>	<b>6,711</b>	<b>7,031</b>
Property, plant & equipment	110	110	82	80	107	125	152
Goodwill & other intangibles	5,272	5,842	5,207	5,826	5,251	5,222	5,514
Other assets	850	750	823	1,364	1,364	1,364	1,364
<b>Total assets</b>	<b>13,524</b>	<b>15,139</b>	<b>10,708</b>	<b>10,166</b>	<b>9,928</b>	<b>10,455</b>	<b>11,711</b>
<b>Shareholders' equity &amp; debt</b>							
<b>Current liabilities, total</b>	<b>4,063</b>	<b>5,689</b>	<b>8,257</b>	<b>6,566</b>	<b>6,949</b>	<b>6,880</b>	<b>6,644</b>
Short-term debt	2,457	2,901	4,035	1,412	2,445	2,400	1,600
Accounts payable & other	1,606	2,775	3,320	4,554	3,904	3,879	4,444
Current provisions	0	0	900	584	584	584	584
Other current liabilities	0	13	2	16	16	16	16
<b>Long-term liabilities, total</b>	<b>1,352</b>	<b>757</b>	<b>757</b>	<b>2,740</b>	<b>1,444</b>	<b>1,444</b>	<b>1,444</b>
Long-term debt	1,000	500	382	2,464	1,169	1,169	1,169
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	352	257	375	275	275	275	275
<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>8,109</b>	<b>8,694</b>	<b>1,693</b>	<b>860</b>	<b>1,534</b>	<b>2,131</b>	<b>3,623</b>
Share capital	4,605	4,605	5,354	6,888	8,001	8,001	8,001
Capital reserve	9,882	9,882	10,498	11,013	10,982	10,982	10,982
Other reserves	1,994	2,070	2,288	2,402	2,402	2,402	2,402
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-8,372	-7,863	-16,448	-19,443	-19,850	-19,254	-17,761
<b>Total consolidated equity and debt</b>	<b>13,524</b>	<b>15,139</b>	<b>10,708</b>	<b>10,166</b>	<b>9,928</b>	<b>10,455</b>	<b>11,711</b>
<b>Ratios</b>							
Current ratio (x)	1.79	1.48	0.56	0.44	0.46	0.54	0.70
Quick ratio (x)	1.79	1.48	0.56	0.44	0.46	0.53	0.68
Book value per share (€)	0.35	0.38	0.08	0.03	0.05	0.07	0.11
Net cash	-2,827	-3,333	-4,712	-4,076	-3,806	-3,762	-2,910
Net gearing	34.9%	38.3%	278.3%	474.0%	248.1%	176.6%	80.3%
Equity ratio	60.0%	57.4%	15.8%	8.5%	15.5%	20.4%	30.9%
Return on equity (ROE)	1.7%	3.8%	-506.2%	-352.1%	-26.6%	28.0%	41.2%



## CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
<b>EBIT</b>	<b>630</b>	<b>966</b>	<b>-7,854</b>	<b>-3,000</b>	<b>75</b>	<b>1,039</b>	<b>2,062</b>
Depreciation and amortisation	2,641	2,755	2,607	2,637	2,895	2,678	2,671
<b>EBITDA</b>	<b>3,271</b>	<b>3,721</b>	<b>-5,247</b>	<b>-363</b>	<b>2,970</b>	<b>3,717</b>	<b>4,733</b>
Changes in working capital	-494	-730	-2,840	2,995	-953	-564	-320
Other adjustments	-354	-280	7,679	81	-483	-443	-570
<b>Operating cash flow</b>	<b>2,422</b>	<b>2,712</b>	<b>-407</b>	<b>2,713</b>	<b>1,534</b>	<b>2,711</b>	<b>3,843</b>
Investments in PP&E	-65	-75	-26	-41	-67	-71	-87
Investments in intangibles	-2,971	-3,251	-2,426	-3,212	-2,280	-2,596	-2,904
<b>Free cash flow</b>	<b>-613</b>	<b>-614</b>	<b>-2,859</b>	<b>-541</b>	<b>-812</b>	<b>44</b>	<b>853</b>
Acquisitions & disposals, net	0	0	1,465	0	0	0	0
Other investments	0	0	0	0	0	0	0
<b>Cash flow from investing</b>	<b>-3,035</b>	<b>-3,326</b>	<b>-987</b>	<b>-3,254</b>	<b>-2,347</b>	<b>-2,667</b>	<b>-2,991</b>
Debt financing, net	957	-78	550	-17	-262	-45	-800
Equity financing, net	0	0	584	605	1,082	0	0
Dividends paid	0	0	0	0	0	0	0
Other financing	0	0	0	0	0	0	0
<b>Cash flow from financing</b>	<b>957</b>	<b>-78</b>	<b>1,134</b>	<b>588</b>	<b>820</b>	<b>-45</b>	<b>-800</b>
FOREX & other effects	0	0	-26	1	0	0	0
<b>Net cash flows</b>	<b>344</b>	<b>-692</b>	<b>-286</b>	<b>48</b>	<b>7</b>	<b>-1</b>	<b>53</b>
Cash, start of the year	625	969	303	17	65	72	71
<b>Cash, end of the year</b>	<b>969</b>	<b>277</b>	<b>17</b>	<b>65</b>	<b>72</b>	<b>71</b>	<b>124</b>
<b>EBITDA/share (in €)</b>	<b>0.14</b>	<b>0.16</b>	<b>-0.24</b>	<b>-0.01</b>	<b>0.10</b>	<b>0.12</b>	<b>0.15</b>
<b>Y-Y Growth</b>							
Operating cash flow	1068.9%	12.0%	n.m.	n.m.	-43.4%	76.7%	41.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1841.1%
EBITDA/share	31.6%	13.8%	n.m.	n.m.	n.m.	19.0%	27.3%

**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...52	↓	↓	↓	↓
53	1 November 2017	€0.29	Buy	€0.56
54	27 February 2018	€0.30	Buy	€0.60
55	4 May 2018	€0.30	Buy	€0.50
56	Today	€0.29	Buy	€0.50

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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- sensitivity of valuation parameters

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