

OpenLimit Holding AG

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

Breakthrough

RATING
BUY

PRICE TARGET
€ 0.65

Return Potential 109.7%
 Risk Rating High

OPENLIMIT / PPC RECEIVE 1ST SMGW CERTIFICATION

OpenLimit and Power Plus Communications (PPC) have received the certification for their smart meter gateway (SMGW). This is the first SMGW certification from the German Federal Office for Information Security (BSI) and underlines OpenLimit's / PPC's leading position in the future SMGW market. OpenLimit / PPC can now start SMGW production and distribution. The certification supports our growth forecast for 2019E (sales: +24% y/y), and lowers OpenLimit's operating, financial, and liquidity risk. We therefore reduce our WACC from 16.0% to 14.3%. Based on unchanged forecasts, an updated DCF model yields a new price target of €0.65 (previously: €0.50) We reiterate our Buy rating.

1st certified SMGW Finally, after many delays, the BSI has certified OpenLimit's / PPC's SMGW according to the international security standard Common Criteria EAL 4+. The fact that OpenLimit / PPC have received the first SMGW certification reflects the partners' pioneering role and looks set to give them a competitive edge in the SMGW market.

Rollout to start in Q1/19 We expect the smart meter technology rollout 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). We expect about a dozen SMGW tenders in the near term giving OpenLimit / PPC ample opportunity to receive further orders. The SMGW rollout looks set to be the major revenue driver for OpenLimit in coming years as we assume 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.

(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.

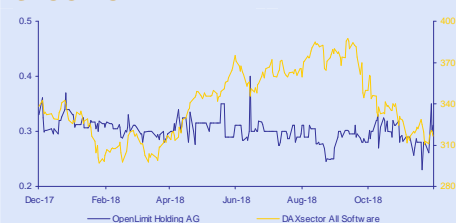
MARKET DATA

As of 14 Dec 2018

Closing Price	€ 0.31
Shares outstanding	31.08m
Market Capitalisation	€ 9.63m
52-week Range	€ 0.23 / 0.40
Avg. Volume (12 Months)	12,977

Multiples	2017	2018E	2019E
P/E	n.a.	n.a.	16.2
EV/Sales	2.8	1.4	1.2
EV/EBIT	n.a.	182.7	13.2
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%



Recurring SMGW revenues OpenLimit will receive a licence fee per SMGW. As the SMGWs have to be replaced every eight years, we expect recurring revenues over the long term. Furthermore, the company should generate additional recurring revenues with software service & maintenance. We note the margin potential of the SMGW business as OpenLimit will generate revenues per unit sold, whereas most of the development costs have already been booked.

Certification improves OpenLimit's risk profile Certification was the last step ahead of SMGW marketability. We are now certain that the market rollout will come in Q1/19. As the SMGW market should be OpenLimit's main revenue driver in coming years, the certification has lowered OpenLimit's operational, financial, and liquidity risk. We believe that both debt refinancing and acquisition of new debt will be much easier. We have thus lowered our WACC from 16.0% to 14.3%.

Buy reiterated at higher price target Based on unchanged forecasts, an updated DCF model, which takes our lower WACC estimate into account, yields a new price target of €0.65 (previously: €0.50). 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	3,198	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	6,015	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	2,465	2,802	3,182	3,582	
PV of FCF's	-328	352	865	1,394	1,432	1,424	1,414	1,392	

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	16,079
PV of FCFs in terminal period	7,670
Enterprise value (EV)	23,748
+ Net cash / - net debt (pro forma)	-4,076
+ Investments / minority interests	0
Shareholder value	19,672
Diluted number of shares	31,078
Fair value per share in EUR	0.65

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.3%	10.3%	1.11	1.14	1.18	1.21	1.25	1.30	1.36
11.3%	11.3%	0.95	0.97	1.00	1.02	1.05	1.09	1.12
12.3%	12.3%	0.82	0.84	0.86	0.87	0.90	0.92	0.94
13.3%	13.3%	0.71	0.72	0.73	0.75	0.76	0.78	0.80
14.3%	14.3%	0.63	0.63	0.64	0.65	0.67	0.68	0.69
15.3%	15.3%	0.55	0.56	0.56	0.57	0.58	0.59	0.60
16.3%	16.3%	0.49	0.49	0.50	0.50	0.51	0.52	0.52
17.3%	17.3%	0.43	0.43	0.44	0.44	0.45	0.45	0.46

* 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
Revenues	8,066	8,689	-398	4,935	9,500	11,800	14,518
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
Gross profit	7,803	8,479	-860	4,643	9,310	10,384	12,863
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
EBITDA	3,270	3,722	-5,247	-363	2,970	3,717	4,733
Depreciation and amortisation	2,641	2,755	2,607	2,637	2,895	2,678	2,671
Operating income (EBIT)	630	966	-7,854	-3,000	75	1,039	2,062
Net financial result	-369	-458	-508	-410	-504	-361	-286
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	261	508	-8,362	-3,410	-429	678	1,776
Income taxes	121	182	207	-382	-21	81	284
Minority interests	0	0	0	0	0	0	0
Net income / loss	139	327	-8,569	-3,028	-407	597	1,492
Diluted EPS (in €)	0.01	0.02	-0.39	-0.12	-0.01	0.02	0.05
Ratios							
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%
Expenses as % of revenues							
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%
Y-Y Growth							
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
Assets							
Current assets, total	7,292	8,437	4,595	2,895	3,206	3,744	4,680
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
Non-current assets, total	6,232	6,703	6,113	7,271	6,722	6,711	7,031
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
Total assets	13,524	15,139	10,708	10,166	9,928	10,455	11,711
Shareholders' equity & debt							
Current liabilities, total	4,063	5,689	8,257	6,566	6,949	6,880	6,644
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
Long-term liabilities, total	1,352	757	757	2,740	1,444	1,444	1,444
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
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	8,109	8,694	1,693	860	1,534	2,131	3,623
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
Total consolidated equity and debt	13,524	15,139	10,708	10,166	9,928	10,455	11,711
Ratios							
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
EBIT	630	966	-7,854	-3,000	75	1,039	2,062
Depreciation and amortisation	2,641	2,755	2,607	2,637	2,895	2,678	2,671
EBITDA	3,271	3,721	-5,247	-363	2,970	3,717	4,733
Changes in working capital	-494	-730	-2,840	2,995	-953	-564	-320
Other adjustments	-354	-280	7,679	81	-483	-443	-570
Operating cash flow	2,422	2,712	-407	2,713	1,534	2,711	3,843
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
Free cash flow	-613	-614	-2,859	-541	-812	44	853
Acquisitions & disposals, net	0	0	1,465	0	0	0	0
Other investments	0	0	0	0	0	0	0
Cash flow from investing	-3,035	-3,326	-987	-3,254	-2,347	-2,667	-2,991
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
Cash flow from financing	957	-78	1,134	588	820	-45	-800
FOREX & other effects	0	0	-26	1	0	0	0
Net cash flows	344	-692	-286	48	7	-1	53
Cash, start of the year	625	969	303	17	65	72	71
Cash, end of the year	969	277	17	65	72	71	124
EBITDA/share (in €)	0.14	0.16	-0.24	-0.01	0.10	0.12	0.15
Y-Y Growth							
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...53	↓	↓	↓	↓
54	27 February 2018	€0.30	Buy	€0.60
55	4 May 2018	€0.30	Buy	€0.50
56	24 September 2018	€0.29	Buy	€0.50
57	Today	€0.31	Buy	€0.65

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Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	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%

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

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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