

OpenLimit Holding AG

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

Capital increase

RATING
PRICE TARGET
 Return Potential
 Risk Rating

BUY
€ 0.54
 54.3%
 High

CAPITAL INCREASE TO REDUCE LIABILITIES

OpenLimit has issued 7.1m shares at €0.30 per share and received gross proceeds of €2.1m which will be used to reduce liabilities. A strengthened equity position and lower liabilities look set to be supportive for OpenLimit's next growth step following the certification of the first smart meter gateway (SMGW) and the beginning of the SMGW rollout. The share count will increase by 23% to 38.2m and dilutes our price target to €0.54 (previously: €0.65). We reiterate our Buy rating.

Equity increased by €2.1m Based on the end of H1/18 equity position of €1.7m, the capital increase more than doubled equity to ca. €3.8m. The number of shares will increase by 23% from 31,077,958 to 38,172,045. Higher equity and lower liabilities result in a stronger balance sheet.

1st certified SMGW On 20 December 2018, OpenLimit and PPC officially received the SMGW certificate from the German Federal Office for Information Security. The fact that the two companies were the first to receive the certification reflects the partners' pioneering role and looks set to give them a competitive edge in the SMGW market.

Rollout has started The smart meter technology rollout has begun. OpenLimit's / PPC's customers E.ON and EnBW have installed the first SMGWs for selected clients. OpenLimit's / PPC's total order volume amounts to a mid five-digit figure (FBe: ca. 40,000 units), and we expect about a dozen SMGW tenders in the near term giving both companies ample opportunity to receive further orders. We note, however, that the official rollout, which will activate the refinancing mechanism, will only begin once three SMGW manufacturers have received the BSI certification. Many utilities will not order SMGWs before this date as we expect them to be reluctant to pre-finance SMGW installations. We expect the official rollout to begin in February, but cannot completely rule out further delays.

(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	0.04
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-0.61	-2.86	-0.54	-0.81	-1.90	0.62
Net gearing	38.3%	278.3%	474.0%	248.1%	83.9%	51.4%
Liquid assets (€m)	0.30	0.02	0.07	0.07	0.26	0.08

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.

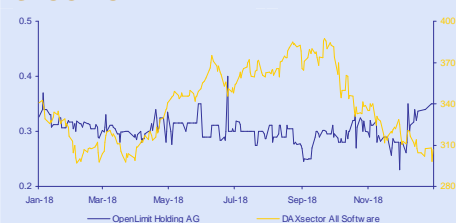
MARKET DATA

As of 04 Jan 2019

Closing Price	€ 0.35
Shares outstanding	31.08m
Market Capitalisation	€ 10.88m
52-week Range	€ 0.23 / 0.40
Avg. Volume (12 Months)	13,324

Multiples	2017	2018E	2019E
P/E	n.a.	n.a.	22.4
EV/Sales	3.2	1.7	1.4
EV/EBIT	n.a.	213.4	15.4
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%



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, due to the ramp-up phase in H1/19, the full impact will not be visible before 2020E. Although it is difficult to estimate SMGW sales volume and pricing, we believe that OpenLimit / PPC could sell 200,000 units this year. In this scenario, the company would generate SMGW sales of €4m, which assumes a revenue share of €20 per SMGW unit for OpenLimit.

Digitalisation of the energy sector is the beginning of a new era The SMGW guarantees secure communication between end consumers' meters and utilities and is a decisive element in the digitalisation of the German energy sector. Based on the first SMGW certification by the German Federal Office for Information Security, the digitalisation process has now begun. The certification confirms security aspects such as stringent requirements for cryptography, security modules, smart metering public key infrastructure, and SMGW administration. The "Law to digitalise the energy transition" passed in 2016 stipulates a step-by-step rollout process over eight years. The SMGW market potential is 12-15 million devices. The SMGW enables the implementation of new applications, innovations, and business models in the energy industry.

EPS forecast adjusted for higher share count We have adjusted our forecasts for the higher share count, and lower EPS for 2019E and 2020E by almost 19% (see figure 1).

Figure 1: Revisions to forecasts

All figures in €m	2018E			2019E			2020E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	9.50	9.50	0.0%	11.80	11.80	0.0%	14.52	14.52	0.0%
EBIT	0.08	0.08	0.0%	1.04	1.04	0.0%	2.06	2.06	0.0%
margin	0.8%	0.8%		8.8%	8.8%		14.2%	14.2%	
Net income	-0.41	-0.41	-	0.60	0.60	0.0%	1.49	1.49	0.0%
margin	-4.3%	-4.3%		5.1%	5.1%		10.3%	10.3%	
EPS in € (diluted)	-0.01	-0.01	-	0.02	0.02	-18.6%	0.05	0.04	-18.5%

Source: First Berlin Equity Research

Buy reiterated at lowered price target An updated DCF model yields a lower price target of €0.54 due to the higher share count (previously: €0.65).



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	-5,170	-3,547	-3,280	-3,702	-4,035	-4,342	-4,609
Capital expenditures	-2,347	-2,667	-2,991	-3,037	-3,373	-3,700	-4,008	-4,285
Working capital	-953	-2,503	-557	-243	-329	-335	-334	-324
Free cash flows (FCF)	-330	-1,534	901	2,056	2,313	2,695	3,132	3,601
PV of FCF's	-330	-1,346	691	1,379	1,356	1,382	1,404	1,412

All figures in thousands

PV of FCFs in explicit period (2018E-2032E)	14,680
PV of FCFs in terminal period	8,485
Enterprise value (EV)	23,166
+ Net cash / - net debt (pro forma)	-2,653
+ Investments / minority interests	0
Shareholder value	20,513
Diluted number of shares	38,172
Fair value per share in EUR	0.54

WACC	14.3%
Cost of equity	15.2%
Pre-tax cost of debt	8.0%
Tax rate	15.7%
After-tax cost of debt	6.7%
Share of equity capital	90.0%
Share of debt capital	10.0%
Price target per share in EUR	0.54

	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.3%	0.92	0.95	0.97	1.00	1.03	1.07	1.11
11.3%	0.79	0.81	0.82	0.84	0.87	0.89	0.92
12.3%	0.68	0.69	0.71	0.72	0.74	0.75	0.77
13.3%	0.59	0.60	0.61	0.62	0.63	0.64	0.66
14.3%	0.52	0.52	0.53	0.54	0.55	0.56	0.57
15.3%	0.45	0.46	0.46	0.47	0.48	0.48	0.49
16.3%	0.40	0.40	0.41	0.41	0.42	0.42	0.43
17.3%	0.35	0.36	0.36	0.36	0.37	0.37	0.37

* 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	0.04
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	3,932	4,632
Cash and cash equivalents	969	303	17	65	72	260	75
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	10,643	11,663
Shareholders' equity & debt							
Current liabilities, total	4,063	5,689	8,257	6,566	6,949	4,940	4,467
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	1,940	2,267
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	4,259	5,751
Share capital	4,605	4,605	5,354	6,888	8,001	10,130	10,130
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	10,643	11,663
Ratios							
Current ratio (x)	1.79	1.48	0.56	0.44	0.46	0.80	1.04
Quick ratio (x)	1.79	1.48	0.56	0.44	0.46	0.77	1.00
Book value per share (€)	0.35	0.38	0.08	0.03	0.05	0.11	0.15
Net cash	-2,827	-3,333	-4,712	-4,076	-3,806	-3,574	-2,958
Net gearing	34.9%	38.3%	278.3%	474.0%	248.1%	83.9%	51.4%
Equity ratio	60.0%	57.4%	15.8%	8.5%	15.5%	40.0%	49.3%
Return on equity (ROE)	1.7%	3.8%	-506.2%	-352.1%	-26.6%	14.0%	25.9%



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	-2,503	-557
Other adjustments	-354	-280	7,679	81	-483	-443	-570
Operating cash flow	2,422	2,712	-407	2,713	1,534	771	3,606
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	-1,896	616
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	2,128	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	2,083	-800
FOREX & other effects	0	0	-26	1	0	0	0
Net cash flows	344	-692	-286	48	7	187	-184
Cash, start of the year	625	969	303	17	65	72	260
Cash, end of the year	969	277	17	65	72	260	75
EBITDA/share (in €)	0.14	0.16	-0.24	-0.01	0.10	0.10	0.12
Y-Y Growth							
Operating cash flow	1068.9%	12.0%	n.m.	n.m.	-43.4%	-49.7%	367.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	31.6%	13.8%	n.m.	n.m.	n.m.	-1.6%	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...54	↓	↓	↓	↓
55	4 May 2018	€0.30	Buy	€0.50
56	24 September 2018	€0.29	Buy	€0.50
57	17 December 2018	€0.31	Buy	€0.65
58	Today	€0.35	Buy	€0.54

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

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PRICE TARGET DATES

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

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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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