

OpenLimit Holding AG

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

FY 2014 figures

RATING
BUY

PRICE TARGET
€1.10

Return Potential 78.9%
 Risk Rating High

POSITIVE NET RESULT – BUT CAUTIOUS GUIDANCE

On 24 April OpenLimit reported 2014 figures, which were above our forecast, and held a conference call at 10 am. Sales increased by 16% to €8.1m and EBIT, for the first time, was positive at €0.6m. Despite these successes, guidance remains cautious due to delays in regulatory decisions. OpenLimit expects high single-digit revenue growth and a slight increase in profitability. We reduce our estimates for 2015E and 2016E. An updated DCF model yields a new price target of €1.10 (previously: €1.30) We reiterate our Buy rating.

Growing and profitable business OpenLimit increased sales by 16% y/y to €8.1m and almost met our forecast of €8.3m. EBIT for the first time was positive at €0.6m (2013: €-0.4m) and above our estimate of €0.1m. A higher gross profit (€7.8m vs. €6.8m in 2013) and increased internal production (€3.0m vs. €2.4m in 2013) were the main earnings drivers. The net result amounted to €0.1m (2013: €-0.6m, FBe: €-0.2m).

Balance sheet remains stretched Net debt increased by €0.6m to €2.5m. Short-term financial debt almost doubled to €2.5m. A €750k loan is due at the end of June and a €500k convertible loan at the end of October. OpenLimit is already in negotiations regarding repayment or refinancing of the loans. Based on the very good fund raising track record of the company, we believe that management will succeed in finding agreements with the company's creditors. Receivables increased to €5.6m from €5.1m at the end of 2013 and thus remain at a high level. We see the main reason for the high receivables in the fact that OpenLimit has very large clients such as T-Systems and Fujitsu which demand long payment terms. More than €2.1 of the receivables were due for more than 180 days (end 2013: €1.7m). OpenLimit expects these receivables to be paid in the short term.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014A	2015E	2016E	2017E
Revenue (€m)	6.21	6.95	8.07	9.12	10.48	13.63
Y-o-y growth	8.1%	12.0%	16.0%	13.0%	15.0%	30.0%
EBIT (€m)	-0.81	-0.39	0.63	0.67	1.38	2.69
EBIT margin	-13.1%	-5.7%	7.8%	7.4%	13.2%	19.8%
Net income (€m)	-0.90	-0.61	0.14	0.28	1.06	2.12
EPS (diluted) (€)	-0.05	-0.03	0.01	0.01	0.05	0.09
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	1.67	-2.29	-0.61	0.38	1.44	1.82
Net gearing	-1.9%	26.6%	34.9%	29.2%	10.7%	-7.0%
Liquid assets (€m)	1.88	0.63	0.97	1.24	1.43	1.50

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.

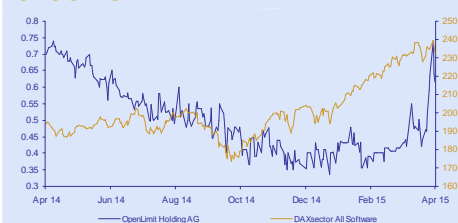
MARKET DATA

As of 29 Apr 2015

Closing Price	€ 0.62
Shares outstanding	19.15m
Market Capitalisation	€ 11.78m
52-week Range	€ 0.34 / 0.74
Avg. Volume (12 Months)	25,008

Multiples	2014A	2015E	2016E
P/E	84.5	41.9	11.1
EV/Sales	1.8	1.6	1.4
EV/EBIT	23.2	21.8	10.6
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2014

Liquid Assets	€ 0.97m
Current Assets	€ 7.29m
Intangible Assets	€ 5.27m
Total Assets	€ 13.52m
Current Liabilities	€ 4.08m
Shareholders' Equity	€ 8.11m

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 still negative Although operating cash flow increased to €2.4m from €0.2m at the end of 2013 due mainly to depreciation of €2.6m, CAPEX of €-3.0m resulted in a negative free cash flow of €-0.4m (2013: €-2.1m). While this is a significant improvement compared to the previous year's figure, the company is still free cash flow-negative.

Guidance reflects regulatory risks For 2015, OpenLimit is guiding towards a single-digit increase in revenues and a slight increase in profitability. A major boost in revenues is now not expected before 2017 as the German Federal Ministry for Economic Affairs and Energy has postponed the smart meter gateway (SMG) rollout to the beginning of 2017. The legal and technical framework for the smart meter gateway and the "Konnektor" are scheduled for Q3 which would boost sales activities in the energy and health area.

Truedentity became revenue driver in 2014 Truedentity, which serves the demand for secure online authentication, benefited from the co-operation with Fujitsu to market PalmSecure, Fujitsu's hand vein scanner combined with OpenLimit's truedentity technology. Fujitsu plans to distribute the product globally and OpenLimit will receive licence revenues in addition to payments for the development of the solution.

Smart meter gateway (SMG) and Konnektor remain the most important business drivers The fully operational SMG was successfully field-tested in 2014. In 2015 further pilot projects will be executed and generate revenues. Cooperations with companies such as Elster, a leading smart metering company, and other players in the energy sector look set to be a solid basis for gaining a market share of 20-30% in the future SMG market. Based on the current rollout scenario (start in 2017) we anticipate strong growth for OpenLimit in 2017E.

The Konnektor offers a secure communication interface between doctors' practices, hospitals, and the telematics infrastructure. It is a vital part of the development of e-health infrastructure. T-Systems, the general contractor, has been developing e-health infrastructure in two test regions and has chosen OpenLimit to develop the Konnektor. The order is in the solid single digit million Euro range and OpenLimit receives milestone payments according to project progress. Following the successful conclusion of tests in two regions, the government plans the development of e-health infrastructure across the whole of Germany. Currently, 1st July 2016 is the planned start date.

OpenLimit's security platform offers further options The smart meter gateway and the Konnektor are both based on OpenLimit's security platform. Beyond the energy market (SMG) and the healthcare market (Konnektor), this security platform could in future be applied to industrial (industry 4.0), financial, and gambling markets. All these markets offer significant revenue potential.

Estimates adjusted We view OpenLimit's guidance as the lower end of what seems possible in 2015E. However, due to the postponement of the SMG mass rollout into 2017 and the still uncertain legal and political framework both for the SMG and Konnektor we reduce our estimates for 2015E and 2016E.

For 2015E we expect a slight increase in operating profitability to €0.7m and a positive free cash flow of €0.4m.

Buy rating reiterated at lower price target An updated DCF model yields a new price target of €1.10 (previously: €1.30). We reiterate our Buy rating.

**Figure 1: Reported figures versus forecast**

All figures in €m	2014A	2014E	Delta	2013	Delta
Sales	8.07	8.28	-2.5%	6.95	16.1%
EBIT	0.63	0.09	591.9%	-0.39	-
margin	7.8%	1.1%		-5.7%	
Net income	0.14	-0.15	-	-0.61	-
margin	1.7%	-1.8%		-8.8%	
EPS in € (diluted)	0.01	-0.01	-	-0.04	-

Source: First Berlin Equity Research, OpenLimit Holding AG

Figure 2: Changes to forecasts

All figures in €m	2015E			2016E			2017E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	10.10	9.12	-9.8%	12.53	10.48	-16.3%	14.83	13.63	-8.1%
EBIT	1.01	0.67	-33.6%	2.51	1.38	-45.0%	3.69	2.69	-27.0%
margin	10.0%	7.4%		20.0%	13.2%		24.9%	19.8%	
Net income	0.80	0.28	-64.8%	2.26	1.06	-53.2%	3.05	2.12	-30.5%
margin	7.9%	3.1%		18.0%	10.1%		20.6%	15.6%	
EPS in € (diluted)	0.03	0.01	-64.6%	0.10	0.05	-53.2%	0.13	0.09	-30.4%

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
Revenues	5,745	6,208	6,955	8,066	9,115	10,482	13,627
Own work	2,304	2,406	2,421	2,971	2,552	2,201	2,044
Cost of goods sold	167	105	157	263	365	524	1,090
Gross profit	5,578	6,103	6,798	7,803	8,750	9,958	12,537
Personnel costs	5,339	5,249	5,461	6,018	6,381	6,604	7,631
Depreciation and amortisation	2,182	2,415	2,551	2,641	2,702	2,393	2,077
Other operating income	0	0	0	0	0	0	0
Other operating expenses	1,584	1,656	1,601	1,486	1,550	1,782	2,180
Operating income (EBIT)	-1,222	-812	-394	630	671	1,380	2,692
Net financial result	-128	-120	-186	-369	-374	-268	-168
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	-1,350	-932	-580	261	296	1,112	2,524
Income taxes	-217	-34	31	121	15	56	404
Minority interests	0	0	0	0	0	0	0
Net income / loss	-1,133	-897	-611	139	281	1,057	2,120
Diluted EPS (in €)	-0.06	-0.05	-0.03	0.01	0.01	0.05	0.09
EBITDA	960	1,604	2,157	3,270	3,373	3,774	4,769
Ratios							
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%	7.4%	13.2%	19.8%
EBITDA margin on revenues	16.7%	25.8%	31.0%	40.5%	37.0%	36.0%	35.0%
Net margin on revenues	-19.7%	-14.5%	-8.8%	1.7%	3.1%	10.1%	15.6%
Tax rate	16.1%	3.7%	-5.3%	46.5%	5.0%	5.0%	16.0%
Expenses as % of revenues							
Personnel costs	92.9%	84.6%	78.5%	74.6%	70.0%	63.0%	56.0%
Depreciation and amortisation	38.0%	38.9%	36.7%	32.7%	29.6%	22.8%	15.2%
Other operating expenses	27.6%	26.7%	23.0%	18.4%	17.0%	17.0%	16.0%
Y-Y Growth							
Revenues	n.a.	8.1%	12.0%	16.0%	13.0%	15.0%	30.0%
Operating income	n.a.	n.m.	n.m.	n.m.	6.5%	105.8%	95.0%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	101.7%	275.6%	100.6%



BALANCE SHEET

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
Assets							
Current assets, total	6,660	5,307	6,487	7,292	7,735	8,037	8,595
Cash and cash equivalents	393	1,877	625	969	1,242	1,432	1,501
Short-term investments	0	0	0	0	0	0	0
Receivables	6,267	3,430	5,862	6,323	6,493	6,605	7,094
Inventories	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0
Non-current assets, total	5,681	5,940	5,887	6,232	6,155	6,016	6,064
Property, plant & equipment	130	132	112	110	117	111	137
Goodwill & other intangibles	4,772	4,908	4,875	5,272	5,188	5,055	5,077
Other assets	780	900	900	850	850	850	850
Total assets	12,341	11,247	12,374	13,524	13,890	14,053	14,659
Shareholders' equity & debt							
Current liabilities, total	1,588	2,685	2,942	4,063	4,048	3,904	2,389
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	2,154	2,389
Current provisions	0	0	0	0	0	0	0
Other current liabilities	10	14	0	0	0	0	0
Long-term liabilities, total	1,747	215	1,454	1,352	1,452	702	702
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
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	9,006	8,346	7,978	8,109	8,390	9,447	11,567
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	-8,091	-7,034	-4,914
Total consolidated equity and debt	12,341	11,247	12,374	13,524	13,890	14,053	14,659
Ratios							
Current ratio	4.19	1.98	2.20	1.79	1.91	2.06	3.60
Quick ratio	4.19	1.98	2.20	1.79	1.91	2.06	3.60
Financial leverage	1.37	1.35	1.55	1.67	1.66	1.49	1.27
Book value per share	0.47	0.44	0.40	0.35	0.37	0.41	0.50
Net cash	-1,542	162	-2,119	-2,827	-2,446	-1,006	813
Return on equity (ROE)	-12.6%	-10.8%	-7.7%	1.7%	3.4%	11.2%	18.3%
Days of sales outstanding (DSO)	398.2	201.6	307.7	286.1	260.0	230.0	190.0



CASH FLOW STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014A	2015E	2016E	2017E
EBIT	-1,222	-812	-394	630	671	1,380	2,692
Depreciation and amortisation	2,182	2,415	2,551	2,641	2,702	2,393	2,077
EBITDA	960	1,604	2,157	3,271	3,373	3,774	4,769
Changes in working capital	-1,978	2,688	-2,040	-494	22	244	-253
Other adjustments	843	-66	90	-354	-389	-324	-572
Operating cash flow	-175	4,226	207	2,422	3,005	3,693	3,945
CAPEX	-23	-108	-77	-65	-73	-52	-82
Investments in intangibles	-2,304	-2,446	-2,421	-2,971	-2,552	-2,201	-2,044
Free cash flow	-2,502	1,672	-2,291	-613	380	1,440	1,819
Debt financing, net	1,500	0	1,040	957	-107	-1,250	-1,750
Equity financing, net	628	0	0	0	0	0	0
Other changes in cash	0	0	0	0	0	0	0
Net cash flows	-374	1,672	-1,252	344	273	190	69
Cash, start of the year	0	393	1,877	625	969	1,242	1,432
Cash, end of the year	-374	2,064	625	969	1,242	1,432	1,501
EBITDA/share (in €)	0.05	0.08	0.11	0.14	0.15	0.16	0.21
Y-Y Growth							
Operating cash flow	n.a.	n.m.	-95.1%	1068.9%	24.1%	22.9%	6.8%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	278.5%	26.3%
EBITDA/share	n.a.	67.0%	29.4%	31.6%	3.1%	11.9%	26.4%



DCF MODEL

DCF valuation model								
All figures in EUR '000								
	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	9,115	10,482	13,627	15,671	17,837	20,090	22,392	24,692
NOPLAT	656	1,325	2,288	3,109	3,690	4,223	4,728	5,207
+ depreciation & amortisation	2,702	2,393	2,077	1,946	1,888	1,881	1,888	1,888
Net operating cash flow	3,358	3,718	4,366	5,055	5,578	6,105	6,616	7,095
- total investments (CAPEX and WC)	-2,603	-2,010	-2,379	-1,635	-2,806	-2,920	-2,986	-2,997
Capital expenditures	-2,625	-2,254	-2,126	-2,131	-2,260	-2,360	-2,422	-2,442
Working capital	22	244	-253	497	-546	-561	-564	-555
Free cash flows (FCF)	755	1,708	1,987	3,420	2,771	3,184	3,630	4,098
PV of FCF's	689	1,358	1,378	2,069	1,462	1,465	1,456	1,433

All figures in thousands	
PV of FCFs in explicit period (2015E-2029E)	19,640
PV of FCFs in terminal period	7,583
Enterprise value (EV)	27,223
+ Net cash / - net debt	-2,827
+ Investments / minority interests	0
Shareholder value	24,397

Fair value per share in EUR	1.10
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WACC	14.7%
Cost of equity	15.5%
Pre-tax cost of debt	8.5%
Tax rate	15.8%
After-tax cost of debt	7.2%
Share of equity capital	90.0%
Share of debt capital	10.0%
Fair value per share in EUR	1.10

	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.7%	1.70	1.74	1.77	1.82	1.86	1.92	1.98
11.7%	1.48	1.51	1.53	1.56	1.60	1.63	1.67
12.7%	1.31	1.32	1.34	1.36	1.39	1.41	1.44
13.7%	1.16	1.17	1.18	1.20	1.22	1.23	1.26
14.7%	1.03	1.04	1.05	1.06	1.08	1.09	1.10
15.7%	0.93	0.93	0.94	0.95	0.96	0.97	0.98
16.7%	0.84	0.84	0.85	0.85	0.86	0.87	0.88
17.7%	0.76	0.76	0.77	0.77	0.78	0.78	0.79

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...42	↓	↓	↓	↓
43	22 May 2014	€0.68	Buy	€1.30
44	14 November 2014	€0.41	Buy	€1.30
45	18 November 2014	€0.40	Buy	€1.30
46	Today	€0.62	Buy	€1.10

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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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.

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