

OpenLimit Holding AG

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

Q1 figures

RATING
PRICE TARGET **BUY**
 Return Potential 37.3%
 Risk Rating High

STRONG SALES GROWTH IN Q1

On 19 May OpenLimit published Q1 figures and held a conference call at 10 am. Sales increased 18% y/y to €1.36m and the operating loss narrowed to €-0.36m. The net result improved slightly to €-0.51m. The company reiterated its 2015 guidance (high single-digit sales growth and increasing profitability). We see OpenLimit on track to reach our 2015 forecasts. We reiterate our Buy rating and the €1.10 price target.

Strong sales growth and positive EBITDA Revenues increased by 18% to €1.36m (FBe: €1.30m, Q1/14: €1.16m). The main revenue drivers were milestone payments and – to a lesser extent – new customers. EBITDA was positive at €330k. The operating loss narrowed to €360k (FBe: €-400k, Q1/14: €-460k). The improved result is due mainly to broadly stable operating expenses. The net result amounted to €-510k (FBe: €-490k, Q1/14: €-550k, see figure 1 overleaf).

Stretched balance sheet situation is easing Receivables once more increased to €6.0m from €5.7m at the end of 2014. After the reporting date (31/03/2015), however, OpenLimit received €1.1m in cash by reducing receivables. Management expects a further reduction of receivables in coming months. Cash fell back to €230k from €970k at the end of 2014. Equity was also lower at €7.2m (31/12/14: €8.1m). The equity share of the balance sheet total retreated to 56% from 60%.

Q1 coined by development progress OpenLimit's focus was on the development of the Konnektor. The main part of the work on the Konnektor for T-Systems will generate revenues of a solid single-digit million amount and will continue until the end of 2015. However, we expect change requests to generate additional revenues in 2016.

The development of the smart meter gateway (SMG) continued as planned. OpenLimit and its partner Power Plus Communication AG presented the latest SMG version at the E-World trade fair in February. Both... (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 19 May 2015

Closing Price € 0.80
 Shares outstanding 19.15m
 Market Capitalisation € 15.34m
 52-week Range € 0.34 / 0.85
 Avg. Volume (12 Months) 27,576

Multiples	2014A	2015E	2016E
P/E	110.0	54.5	14.5
EV/Sales	2.3	2.0	1.7
EV/EBIT	28.9	27.1	13.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2015

Liquid Assets € 0.23m
 Current Assets € 7.00m
 Intangible Assets € 4.98m
 Total Assets € 12.93m
 Current Liabilities € 4.08m
 Shareholders' Equity € 7.21m

SHAREHOLDERS

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



...companies plan to present one of the first certified SMGs in Germany. The German government plans the mass roll-out of smart metering systems for the beginning of 2017. The accompanying regulatory framework will become effective later this year. We expect low revenues from pilot projects until the start of the roll-out.

In Q1 OpenLimit successfully completed the development of a crypto server, which is a necessary tool for the use of an eID server, and thus expanded its trueidentity portfolio. The eID server is a key component for authentication processes via the new identification card in Germany.

New versions of Openlimit's signature technology product have been completed and resulted in moderately increasing revenues in this segment. Signature products were sold to existing and new clients in the segments finance, health, energy, and government.

Components of the SecDocs product have been developed in Q1 according to the plan agreed with Fujitsu. Revenues from SecDocs are around the guaranteed minimum. The annual minimum sum amounts to ca. €1m until the end of 2015.

Service business promising OpenLimit's special know-how in IT security and certification has resulted in consulting contracts and looks set to have a significant growth potential. OpenLimit has won a development contract from a leading metering technology company in the water management industry. It has also gained a consulting contract from a leading German consumer electronics company to implement the legal and technical requirements following from the amendment of the games directive.

Guidance reiterated OpenLimit confirmed its guidance. The company is forecasting single-digit sales growth and improving profitability. Given the fact that Q1 is usually the seasonally weakest quarter, we believe OpenLimit is well on track to reach our full-year estimates.

Buy rating reiterated at unchanged price target Based on unchanged estimates an updated DCF model still yields a €1.10 price target. We confirm our Buy rating.

Figure 1: Reported figures versus forecasts

All figures in €m	Q1-15A	Q1-15E	Delta	Q1-14	Delta
Sales	1.36	1.30	4.9%	1.16	17.6%
EBIT	-0.36	-0.40	-	-0.46	-
margin	-26.4%	-30.8%		-39.7%	
Net income	-0.51	-0.49	-	-0.55	-
margin	-37.4%	-37.7%		-47.4%	

Source: First Berlin Equity Research, OpenLimit Holding AG



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	3,704	4,254	4,779	5,282
+ 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	5,591	6,135	6,667	7,170
- total investments (CAPEX and WC)	-2,603	-2,010	-2,379	-1,635	-2,762	-2,865	-2,919	-2,918
Capital expenditures	-2,625	-2,254	-2,126	-2,131	-2,260	-2,360	-2,422	-2,442
Working capital	22	244	-253	497	-501	-505	-497	-476
Free cash flows (FCF)	755	1,708	1,987	3,420	2,829	3,271	3,748	4,252
PV of FCF's	692	1,359	1,374	2,054	1,476	1,482	1,475	1,454

All figures in thousands	
PV of FCFs in explicit period (2015E-2029E)	19,798
PV of FCFs in terminal period	7,376
Enterprise value (EV)	27,174
+ Net cash / - net debt	-2,827
+ Investments / minority interests	0
Shareholder value	24,347

Fair value per share in EUR	1.10
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WACC	15.1%
Cost of equity	16.0%
Pre-tax cost of debt	8.5%
Tax rate	15.7%
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%
11.1%	1.67	1.71	1.74	1.78	1.83	1.88	1.94
12.1%	1.46	1.49	1.52	1.55	1.58	1.61	1.65
13.1%	1.29	1.31	1.33	1.35	1.38	1.40	1.43
14.1%	1.15	1.16	1.18	1.19	1.21	1.23	1.25
15.1%	1.03	1.04	1.05	1.06	1.07	1.09	1.10
16.1%	0.93	0.93	0.94	0.95	0.96	0.97	0.98
17.1%	0.84	0.84	0.85	0.86	0.86	0.87	0.88
18.1%	0.76	0.76	0.77	0.78	0.78	0.79	0.79



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%

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...43	↓	↓	↓	↓
44	14 November 2014	€0.41	Buy	€1.30
45	18 November 2014	€0.40	Buy	€1.30
46	30 April 2015	€0.62	Buy	€1.10
47	Today	€0.80	Buy	€1.10

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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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