

# OpenLimit Holding AG

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

FY 2013 figures

**RATING**  
**PRICE TARGET** **BUY**  
 Return Potential 90.1%  
 Risk Rating High

## WELL-POSITIONED FOR FUTURE GROWTH MARKETS

On 22 April OpenLimit reported FY 2013 figures which were in line with our expectations. A conference call was held on 23 April at 10am. Sales increased by 12% y/y to €7.0m and operating loss was more than halved to €-0.4m. In 2013 OpenLimit entered the promising e-health market, consolidated its leading position in the smart meter gateway market, and completed the development of its online authentication product family trueidentity. For 2014 the company is guiding towards a moderate increase in revenues and a break-even EBIT. We reduce our estimates due to regulatory delays in the smart metering market. We reiterate our Buy rating at a slightly lowered price target of €1.30 (previously: €1.40).

**Higher sales and lower loss** In 2013 OpenLimit increased sales by 12% y/y to €7.0m. Operating loss was more than halved to €-0.4m. Net result improved to €-0.6m (2012: €-0.9m). EPS amounted to €-0.03 (2012:€-0.05).

**Successful debt financing** In 2013 OpenLimit successfully increased financial debt to €2.5m (end 2012: €1.5m) to finance its increased working capital. Equity amounted to €8.0m (end 2012: €8.4m) Due to the increased balance sheet total of €12.4m (end 2012: €11.2m) the equity ratio fell to 65% (end 2012: 74%). The cash position decreased to €0.6m from €1.9m at the end of 2012.

**Positive operating cash flow** Despite the negative net result and increased working capital, operating cash flow was slightly positive at €0.2m (2012: €4.4m) CAPEX mainly for intangibles (software development) amounted to €2.5m resulting in a negative free cash flow of €-2.3m.

**Guiding towards further growth and break-even** OpenLimit is guiding towards a moderate increase in sales and a break-even EBIT. As the company's order backlog has already surpassed the €5m threshold we believe that the guidance is rather cautious and reflects the risks regarding a delayed... (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013A	2014E	2015E	2016E
Revenue (€m)	5.75	6.21	6.95	8.28	11.04	13.25
Y-o-y growth	n.a.	8.1%	12.0%	19.0%	33.4%	20.0%
EBIT (€m)	-1.22	-0.81	-0.39	0.09	1.44	2.81
EBIT margin	-21.3%	-13.1%	-5.7%	1.1%	13.1%	21.2%
Net income (€m)	-1.13	-0.90	-0.61	-0.10	1.21	2.55
EPS (diluted) (€)	-0.06	-0.05	-0.03	0.00	0.05	0.11
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-2.50	1.67	-2.29	0.41	1.13	2.60
Net gearing	17.1%	-1.9%	26.6%	21.3%	5.9%	-17.7%
Liquid assets (€m)	0.39	1.88	0.63	1.08	1.31	3.01

### 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.

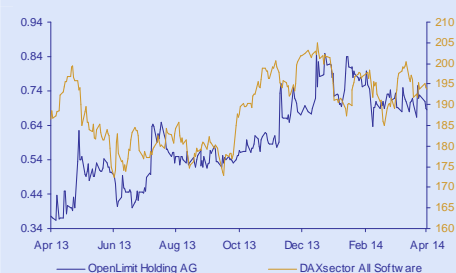
### MARKET DATA

As of 24 Apr 2014

Closing Price € 0.68  
 Shares outstanding 19.15m  
 Market Capitalisation € 13.10m  
 52-week Range € 0.37 / 0.85  
 Avg. Volume (12 Months) 31,196

Multiples	2013A	2014E	2015E
P/E	n.a.	n.a.	10.8
EV/Sales	2.2	1.8	1.4
EV/EBIT	n.a.	167.9	10.5
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2013

Liquid Assets € 0.63m  
 Current Assets € 6.49m  
 Intangible Assets € 4.88m  
 Total Assets € 12.37m  
 Current Liabilities € 2.94m  
 Shareholders' Equity € 7.98m

### SHAREHOLDERS

Heinrich Dattler 9.8%  
 René C. Jäggi 9.1%  
 Enuhill Portfolio, Inc. 6.8%  
 Robert E. Züllig 5.7%  
 Free Float 68.5%



...implementation of the smart meter gateway. Increasing momentum in the area of secure online authentication (truidentity), e-health (connector), signature technology and evidentiary value-preserving long-term storage of data and documents (SecDocs) could push revenues above guidance, i.e. above ca. 8-12% growth.

**Growth drivers for 2014E** The smart meter gateway market takeoff depends on the roll-out directive expected in Q2 and further regulatory steps. So far, this process has been slower than expected. Nevertheless, the smart meter market looks set to take off in H2 2015. OpenLimit and its partners PPC and Elster have a leading position in this market and should gain relevant market share as soon as the roll-out starts. Currently, the first pilot project with Stadtwerke Düsseldorf is in preparation. Further pilot projects are likely to follow. Smart metering will contribute to revenues in 2014E and will likely be the main growth driver in 2015E.

In 2013 OpenLimit completed the development of truidentity v.1.0. The marketing of the truidentity product family started in 2013, but did not generate relevant revenues. We believe that truidentity serves the increasing demand for secure online authentication and will be one of the growth drivers for 2014E. The co-operation with Fujitsu to market PalmSecure, Fujitsu's hand vein scanner combined with OpenLimit's truidentity technology, offers OpenLimit extra licence revenues.

The third growth driver is the e-health market. In 2013 OpenLimit won a contract in the solid single digit million Euro range to develop and provide a connector for the secure connection between stakeholders in the German healthcare system. The company has been commissioned by T-Systems International which has won the tender for the e-health card in the test regions Saxony and Bavaria.

Furthermore, the signature technology and SecDocs look set to benefit from the new guideline for the digitalisation of documents (TR-RESISCAN).

**New management board member** On 1 April 2014 Maik Pogoda was appointed Chief Commercial Officer. He will be responsible for sales, marketing, and business development. Mr Pogoda had leading positions at Deutsche Telekom, British Telecom, and the Bundesdruckerei GmbH. He replaces CSO Andreas Eulenfeld.

**Estimates lowered** Delays in the smart meter market cause us to reduce our estimates (see figure 2 overleaf). We still believe that OpenLimit will achieve break-even EBIT in 2014E and continue to expect strong growth in 2015E as the smart meter market looks set to gain strong momentum.

**Buy reiterated at slightly lower price target** An updated DCF model yields a new price target of €1.30 (previously: €1.40). We reiterate our Buy rating.

**Figure 1: Reported figures versus estimates**

All figures in €m	2013A	2013E	Delta	2012A	Delta
Sales	6.95	7.02	-1.0%	6.21	11.9%
EBIT	-0.39	-0.43	-	-0.81	-
margin	-5.6%	-6.1%		-13.0%	
Net income	-0.60	-0.53	-	-0.90	-
margin	-8.6%	-7.5%		-14.5%	
EPS in € (diluted)	-0.03	-0.03	-	-0.05	-

Source: First Berlin Equity Research, OpenLimit Holding AG

**Figure 2: Change of estimates**

All figures in €m	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	8.88	8.28	-6.8%	11.54	11.04	-4.3%	13.85	13.25	-4.3%
EBIT	0.54	0.09	-83.2%	1.68	1.44	-14.0%	2.93	2.81	-4.0%
margin	6.1%	1.1%		14.6%	13.1%		21.2%	21.2%	
Net income	0.40	-0.10	-	1.43	1.21	-15.2%	2.27	2.55	12.2%
margin	4.5%	-1.3%		12.4%	11.0%		16.4%	19.2%	
EPS in € (diluted)	0.02	0.00	-	0.06	0.05	-15.3%	0.10	0.11	12.2%

Source: First Berlin Equity Research, OpenLimit Holding AG



## INCOME STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
<b>Revenues</b>	<b>5,745</b>	<b>6,208</b>	<b>6,955</b>	<b>8,275</b>	<b>11,041</b>	<b>13,249</b>
Own work	2,304	2,406	2,421	2,483	2,208	1,987
Cost of goods sold	167	105	157	248	331	397
<b>Gross profit</b>	<b>5,578</b>	<b>6,103</b>	<b>6,798</b>	<b>8,027</b>	<b>10,710</b>	<b>12,852</b>
Personnel costs	5,339	5,249	5,461	5,793	6,625	7,473
Depreciation and amortisation	2,182	2,415	2,551	2,516	2,530	2,168
Other operating income	0	0	0	0	0	0
Other operating expenses	1,584	1,656	1,601	2,110	2,319	2,385
<b>Operating income (EBIT)</b>	<b>-1,222</b>	<b>-812</b>	<b>-394</b>	<b>91</b>	<b>1,445</b>	<b>2,814</b>
Net financial result	-128	-120	-186	-202	-168	-132
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-1,350</b>	<b>-932</b>	<b>-580</b>	<b>-111</b>	<b>1,277</b>	<b>2,682</b>
Income taxes	-217	-34	31	-7	64	134
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-1,133</b>	<b>-897</b>	<b>-611</b>	<b>-105</b>	<b>1,213</b>	<b>2,548</b>
<b>Diluted EPS (in €)</b>	<b>-0.06</b>	<b>-0.05</b>	<b>-0.03</b>	<b>0.00</b>	<b>0.05</b>	<b>0.11</b>
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>2,157</b>	<b>2,607</b>	<b>3,975</b>	<b>4,982</b>
<b>Ratios</b>						
Gross margin	97.1%	98.3%	97.7%	97.0%	97.0%	97.0%
EBIT margin on revenues	-21.3%	-13.1%	-5.7%	1.1%	13.1%	21.2%
EBITDA margin on revenues	16.7%	25.8%	31.0%	31.5%	36.0%	37.6%
Net margin on revenues	-19.7%	-14.5%	-8.8%	-1.3%	11.0%	19.2%
Tax rate	16.1%	3.7%	-5.3%	6.0%	5.0%	5.0%
<b>Expenses as % of revenues</b>						
Personnel costs	92.9%	84.6%	78.5%	70.0%	60.0%	56.4%
Depreciation and amortisation	38.0%	38.9%	36.7%	30.4%	22.9%	16.4%
Other operating expenses	27.6%	26.7%	23.0%	25.5%	21.0%	18.0%
<b>Y-Y Growth</b>						
Revenues	n.a.	8.1%	12.0%	19.0%	33.4%	20.0%
Operating income	n.a.	n.m.	n.m.	n.m.	1493.9%	94.7%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	n.m.	110.0%



## BALANCE SHEET

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
<b>Assets</b>						
<b>Current assets, total</b>	<b>6,660</b>	<b>5,307</b>	<b>6,487</b>	<b>6,295</b>	<b>7,364</b>	<b>9,544</b>
Cash and cash equivalents	393	1,877	625	1,081	1,314	3,010
Short-term investments	0	0	0	0	0	0
Receivables	6,267	3,430	5,862	5,214	6,050	6,534
Inventories	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
<b>Non-current assets, total</b>	<b>5,681</b>	<b>5,940</b>	<b>5,887</b>	<b>5,936</b>	<b>5,703</b>	<b>5,589</b>
Property, plant & equipment	130	132	112	116	135	134
Goodwill & other intangibles	4,772	4,908	4,875	4,920	4,668	4,555
Other assets	780	900	900	900	900	900
<b>Total assets</b>	<b>12,341</b>	<b>11,247</b>	<b>12,374</b>	<b>12,231</b>	<b>13,067</b>	<b>15,132</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>1,588</b>	<b>2,685</b>	<b>2,942</b>	<b>3,464</b>	<b>2,987</b>	<b>3,255</b>
Short-term debt	188	1,500	1,290	1,900	900	750
Accounts payable	1,391	1,171	1,653	1,564	2,087	2,505
Current provisions	0	0	0	0	0	0
Other current liabilities	10	14	0	0	0	0
<b>Long-term liabilities, total</b>	<b>1,747</b>	<b>215</b>	<b>1,454</b>	<b>894</b>	<b>994</b>	<b>244</b>
Long-term debt	1,500	0	1,250	650	750	0
Deferred revenue	0	0	0	0	0	0
Other liabilities	247	215	204	244	244	244
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>9,006</b>	<b>8,346</b>	<b>7,978</b>	<b>7,873</b>	<b>9,086</b>	<b>11,634</b>
Share Capital	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
Other Reserves	1,431	1,668	1,873	1,873	1,873	1,873
Treasury Stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-6,912	-7,810	-8,382	-8,486	-7,273	-4,726
<b>Total consolidated equity and debt</b>	<b>12,341</b>	<b>11,247</b>	<b>12,374</b>	<b>12,231</b>	<b>13,067</b>	<b>15,132</b>
<b>Ratios</b>						
Current ratio	4.19	1.98	2.20	1.82	2.47	2.93
Quick ratio	4.19	1.98	2.20	1.82	2.47	2.93
Financial leverage	1.37	1.35	1.55	1.55	1.44	1.30
Book value per share	0.47	0.44	0.40	0.34	0.40	0.51
Net cash	-1,542	162	-2,119	-1,673	-540	2,056
Return on equity (ROE)	-12.6%	-10.8%	-7.7%	-1.3%	13.4%	21.9%
Days of sales outstanding (DSO)	398.2	201.6	307.7	230.0	200.0	180.0
Days of inventory turnover	0.0	0.0	0.0	0.0	0.0	0.0
Days in payables (DIP)	-3,035.1	-4,054.1	-3,844.2	-2,300.0	-2,300.0	-2,300.0



## CASH FLOW STATEMENT

All figures in EUR '000	2011A	2012A	2013A	2014E	2015E	2016E
<b>EBIT</b>	<b>-1,222</b>	<b>-812</b>	<b>-542</b>	<b>91</b>	<b>1,445</b>	<b>2,814</b>
Depreciation and amortisation	2,182	2,415	2,551	2,516	2,530	2,168
<b>EBITDA</b>	<b>960</b>	<b>1,604</b>	<b>2,009</b>	<b>2,607</b>	<b>3,975</b>	<b>4,982</b>
Changes in working capital	-1,978	2,688	-2,040	560	-313	-67
Other adjustments	843	-66	238	-195	-232	-266
<b>Operating cash flow</b>	<b>-175</b>	<b>4,226</b>	<b>207</b>	<b>2,971</b>	<b>3,430</b>	<b>4,649</b>
CAPEX	-23	-108	-77	-83	-88	-66
Investments in intangibles	-2,304	-2,446	-2,421	-2,483	-2,208	-1,987
<b>Free cash flow</b>	<b>-2,502</b>	<b>1,672</b>	<b>-2,291</b>	<b>406</b>	<b>1,134</b>	<b>2,595</b>
<b>Debt financing, net</b>	<b>1,500</b>	<b>0</b>	<b>1,040</b>	<b>50</b>	<b>-900</b>	<b>-900</b>
<b>Equity financing, net</b>	<b>628</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes in cash	0	0	0	0	0	0
<b>Net cash flows</b>	<b>-374</b>	<b>1,672</b>	<b>-1,252</b>	<b>456</b>	<b>234</b>	<b>1,695</b>
Cash, start of the year	0	393	1,877	625	1,081	1,314
<b>Cash, end of the year</b>	<b>-374</b>	<b>2,064</b>	<b>625</b>	<b>1,081</b>	<b>1,314</b>	<b>3,010</b>
<b>EBITDA/share (in €)</b>	<b>0.05</b>	<b>0.08</b>	<b>0.11</b>	<b>0.11</b>	<b>0.17</b>	<b>0.22</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.m.	-95.1%	1333.0%	15.5%	35.5%
Free cash flow	n.a.	n.m.	n.m.	n.m.	179.5%	128.9%
EBITDA/share	n.a.	67.0%	29.4%	4.9%	52.5%	25.3%



## DCF MODEL

DCF valuation model								
All figures in EUR '000	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Net sales	8,275	11,041	13,249	15,687	18,340	21,167	24,115	27,114
NOPLAT	91	1,381	2,680	3,299	4,002	4,707	5,417	6,127
+ depreciation & amortisation	2,516	2,530	2,168	1,889	1,905	1,959	2,014	2,048
Net operating cash flow	2,607	3,911	4,848	5,187	5,907	6,666	7,430	8,175
- total investments (CAPEX and WC)	-2,006	-2,609	-2,120	-2,571	-3,175	-3,369	-3,499	-3,551
Capital expenditures	-2,565	-2,297	-2,054	-2,259	-2,441	-2,586	-2,683	-2,721
Working capital	560	-313	-67	-312	-734	-782	-816	-830
Free cash flows (FCF)	601	1,302	2,727	2,617	2,732	3,297	3,931	4,624
<b>PV of FCF's</b>	<b>548</b>	<b>1,035</b>	<b>1,892</b>	<b>1,585</b>	<b>1,444</b>	<b>1,521</b>	<b>1,582</b>	<b>1,624</b>

All figures in thousands	
PV of FCFs in explicit period (2014E-2028E)	21,850
PV of FCFs in terminal period	10,453
Enterprise value (EV)	32,303
+ Net cash / - net debt	-2,119
+ Investments / minority interests	0
Shareholder value	30,185

Fair value per share in EUR	1.30
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WACC	14.6%
Cost of equity	15.4%
Pre-tax cost of debt	8.5%
Tax rate	16.0%
After-tax cost of debt	7.1%
Share of equity capital	90.0%
Share of debt capital	10.0%
Fair value per share in EUR	1.30

	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.6%	2.14	2.19	2.25	2.31	2.38	2.47	2.56
11.6%	1.85	1.89	1.93	1.98	2.03	2.08	2.15
12.6%	1.62	1.65	1.68	1.71	1.75	1.79	1.83
13.6%	1.43	1.45	1.47	1.49	1.52	1.55	1.58
14.6%	1.27	1.28	1.30	1.32	1.34	1.36	1.38
15.6%	1.13	1.14	1.16	1.17	1.18	1.20	1.22
16.6%	1.02	1.02	1.03	1.05	1.06	1.07	1.08
17.6%	0.92	0.92	0.93	0.94	0.95	0.96	0.97

**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...38	↓	↓	↓	↓
39	22 November 2013	€0.59	Buy	€1.40
40	5 December 2013	€0.76	Buy	€1.40
41	3 April 2014	€0.73	Buy	€1.40
42	Today	€0.68	Buy	€1.30

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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.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: **BUY:** expected return greater than 15%; **HOLD:** expected return between 0% and 15%; and **SELL:** expected negative return.

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