

<b>Rating</b>	<b>Buy</b>
<b>Price target</b>	<b>BGN 95.00</b>
<b>Potential</b>	<b>32%</b>
<b>Share data</b>	
Share price (last close price in BGN)	72,0
Number of shares (in m)	18,0
Market cap. (in BGN m)	1,296,0
Trading vol. (Ø 3 months; in K shares)	1,6
Enterprise Value (in BGN m)	1,267,5
Ticker	BUL:SLYG
<b>Guidance 2024</b>	
Sales (in BGN m)	> 205,4
EBIT (in BGN m)	> 50,9

Share price (BGN)



<b>Shareholder</b>	
Free float	40.3%
Dimitar Dimitrov	30.3%
Svetlin Todorov	29.4%
-	-
-	-

<b>Calendar</b>	
Q2 results	August 14, 2024
Hamburger Investorentage	August 21, 2024

<b>Changes in estimates</b>			
	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Sales (old)</b>	<b>214.0</b>	<b>306.0</b>	<b>428.3</b>
Δ	-	-	-
<b>EBIT (old)</b>	<b>54.8</b>	<b>77.3</b>	<b>107.1</b>
Δ	-	-	-
<b>EPS (old)</b>	<b>2.49</b>	<b>3.47</b>	<b>4.76</b>
Δ	-	-	-

<b>Analyst</b>	
Bastian Brach	
+49 40 41111 37 66	
b.brach@montega.de	

<b>Publication</b>	
Comment	July 11, 2024

## LOQED in: Acquisition expands Shelly's product portfolio by smart locks

Shelly today announced that it has acquired the assets of Dutch company LOQED B.V. by way of an asset deal. The first significant revenue and earnings contributions are expected in 2025, whilst the integration into the Shelly platform will be the main focus in the next few months.

**Strategic rationale:** In the past, Shelly has already been focused on continuously broadening its own product portfolio and expanding it by new application areas. In addition to the lighting and energy administration sub-segments, security has come to the fore more recently. The latest acquisition allows Shelly to efficiently tap the growing market for smart locks by using the existing technology of LOQED and develop it further. This results in enormous time and cost advantages in comparison to a complete in-house development. During the integration phase, the company plans to focus on expanding the compatibility with common Smart Home protocols (WLAN, z-Wave) and the software migration to the Shelly OS. As for the future of the security segment, we could imagine the company to expand its product portfolio by security cameras, which it does not yet offer. They would be an excellent fit to smart locks and are extremely popular in the USA amongst others. Thanks to ShellyX, however, the company certainly always has the option to offer a "powered by Shelly" solution with an established OEM for cameras.

**Financial impact:** Because of the insolvency of LOQED, the acquisition is not only highly attractive from a strategic point of view. The purchase price for intellectual property (IP) and the access to existing vendor relationships in China is only EUR 0.15m. As the purchase price also includes the existing inventories of the LOQED systems, the sale of these products may already cover or even exceed the purchase price. We believe that one reasons for the attractive conditions is that Shelly will initially continue to operate the LOQED platform and migrate it into the Shelly cloud. Based on the intended retail price of c. EUR 200–250, the price point is 10–12 times higher than the current ASP of roughly EUR 20 per Shelly device sold (MONE) so that this may increase significantly. The massive potential is also evidenced by a comparison with US-company Allegion, which last year generated revenue of c. USD 1.1bn with electronic locks (includes smart locks and non-smart locks). We believe the acquisition should prove to be another growth driver. It also confirms our view on the further diversification of revenue streams (cf. Comment on 10 July 2024).

**Conclusion:** With the announced acquisition, Shelly remains true to its acquisition strategy. The asset deal with LOQED expands the company's own product portfolio by smart locks and provides Shelly with access to production and the IP on which it can build its further development. The attractive purchase price is likely to pay off within the shortest possible time and contribute to the growth story in the long term. We reiterate our buy recommendation with a price target of BGN 95.00.

FYend: 31.12.	2022	2023	2024e	2025e	2026e
Sales	93.2	146.5	214.0	306.0	428.3
Growth yoy	56.6%	57.3%	46.0%	43.0%	40.0%
EBITDA	21.3	39.3	57.6	80.8	111.8
EBIT	20.4	37.4	54.8	77.3	107.1
Net income	17.4	32.9	44.9	62.5	85.7
Gross profit margin	50.3%	57.1%	55.0%	54.1%	53.1%
EBITDA margin	22.9%	26.8%	26.9%	26.4%	26.1%
EBIT margin	21.9%	25.5%	25.6%	25.3%	25.0%
Net Debt	-23.5	-25.9	-22.6	-37.6	-63.8
Net Debt/EBITDA	-1.1	-0.7	-0.4	-0.5	-0.6
ROCE	43.7%	53.7%	51.9%	52.3%	55.4%
EPS	0.97	1.83	2.49	3.47	4.76
FCF per share	-0.11	0.39	0.06	1.21	1.98
Dividend	0.23	0.25	0.37	0.52	0.95
Dividend yield	0.3%	0.3%	0.5%	0.7%	1.3%
EV/Sales	13.6	8.6	5.9	4.1	3.0
EV/EBITDA	59.4	32.3	22.0	15.7	11.3
EV/EBIT	62.2	33.9	23.1	16.4	11.8
PER	74.2	39.3	28.9	20.7	15.1
P/B	16.4	11.7	8.6	6.3	4.6

Source: Company data, Montega, Capital IQ

Figures in BGN m, EPS in BGN, Price: 72.00 BGN

## Company Background

Shelly Group is a joint stock company under Bulgarian law (AD) headquartered in Sofia, which is specialized in the development and distribution of products from the smart home sector. The company also distributes tracking products, but they rather play a minor financial role (revenue share: < 5%).

The reporting currency is lev (BGN). Bulgaria has planned to join the euro with effect of 1 January 2024. As the lev was tied to the Deutsche Mark for historical reasons (at a ratio of 1:1 since 1999), the lev to euro conversion rate corresponds to the DM at that time, namely 1 lev = 0.51129 euros and 1 euro = 1.95583 lev. This rate has been fixed by Bulgarian law and does not change.

The smart home products are sold under the „Shelly” brand. Alongside plug-and-play solutions and sensors, the portfolio mainly includes relays which are installed hidden behind the socket or switch, and which can be directly controlled via a Wi-Fi connection or Bluetooth. The company differs essentially from many other providers (Philips Hue, Tado or Fibaro amongst others), whose product often can only be controlled via a hub/bridge within their own ecosystem. Furthermore, the products can be combined with other smart home applications and are in the entry-level price segment with a starting price of less than EUR 20. In addition to smart home products, the product portfolio also includes smartwatches specifically for children as well as tracking devices, for instance for baggage, pets, or health care data.

### Key Facts

<b>Sector</b>	Technology
<b>Code</b>	SLYG
<b>Employees</b>	160
<b>Revenue</b>	BGN 146.5 m/ EUR 74.9 m
<b>EBIT</b>	BGN 37.4 m/ EUR 19.1 m
<b>EBIT margin</b>	25.5%
<b>Core Competence</b>	Development, production as well as marketing of high-quality IoT products, especially in the field of Smart Home
<b>Locations</b>	Headquarters Sofia (Bulgaria), other locations are in Munich (Germany) and Las Vegas (USA)
<b>Regions</b>	DACH (49.0%), Rest of Europe (43.7%), RoW (7.3%)

Source: Company data

Status: 31.12.2023

### Organizational structure

Shelly Group Plc, which is based in Sofia, is the group's parent company. The holding includes five subsidiaries which are all fully consolidated and fully owned by the parent company. The companies are in Bulgaria, Germany, and the USA. Overall, the group has c. 160 employees (at the end of FY 2023), 45% of which are working in the technology area, 20% in sales & support, 15% in logistics and 20% in the remaining areas.

#### Corporate Structure



Source: Company data

### Major events in the company's history

- 2003 Foundation of Teracomm Ltd. in the field of telecommunications services
- 2012 Foundation of today's Allterco JSCo holding company with the intention to bundle the structure

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- 2012 Foundation of today's Allterco JSCo holding company with the intention to bundle the structure
- 2013 Development of "Shelly", the first home automation device
- 2015 Reorganization of the company and focus on IoT sector
- 2016 IPO at the Bulgarian BVB stock exchange
- 2018 Establishment and expansion of Shelly and MyKi products with international distribution
- 2019 Sale of the European telco business and exclusive focus on smart home and tracking products & Expansion in the USA
- 2020 Capital increase for growth financing and increase in trading liquidity (gross emission proceeds: BGN 9.2m)
- 2021 Additional listing at the Frankfurt Stock Exchange & Disposal of non-relevant subsidiaries in Asia from a strategic point of view
- 2023 Acquisition of Slovenian IoT provider GOAP d.o.o. & renaming in "Shelly Group"

### Products

The Shelly Group's product portfolio spans from various smart home products and smartwatches specifically for children to monitoring and tracking products. Smart home products account for the lion's share (> 95%) of group's revenues and thus are at the center of the company's equity story.



Source: Company data

The smart home products are sold and distributed under the **"Shelly"** brand. Relays build the basis of these products. They allow for remote control of lights, electric devices, or sensors. These relays are connected to the power supply behind a socket or a switch and can be controlled through Wi-Fi via the Shelly app or one of many different providers from the IoT sector (Amazon Alexa, Google Home, SmartThings, Home Assistant etc.) entirely without additional hub. Besides controlling the devices in case of need, Shelly also allows for establishing routines (e.g. retracting the awning in the event of storm warnings) and monitoring energy consumption. Because of the Wi-Fi standard used, the relays can be combined with other smart home devices with Wi-Fi standard without any problems.

In addition to the traditional relays, which people can easily install in their own home, the Shelly brand also offers products within their **Pro line** for an installation in the fuse box. The Pro products can be controlled both via Wi-Fi and LAN and thus are more secure and reliable. Consequently, the Shelly Pro line is often also installed in office buildings, retail stores or production sites. We believe it is also of major interest for B2B customers (such as electricians). The **Plus line** introduced a new generation of Shelly relays, which are characterized by newer technology (processor, Wi-Fi and Bluetooth module) and a slightly smaller design.

Alongside the relays, which are not visible after their installation, Shelly Group also offers various **plug-and-play** products. The assortment includes the Shelly Plug (Wi-Fi socket), the Shelly Bulb (smart bulb), the Shelly Button (programmable Wi-Fi button) and the Shelly TRV (Wi-Fi heating thermostat). Additionally, the Shelly product portfolio provides various **detectors and sensors** (motion detectors, temperature and humidity sensors, smoke detectors as well as door and window sensors).

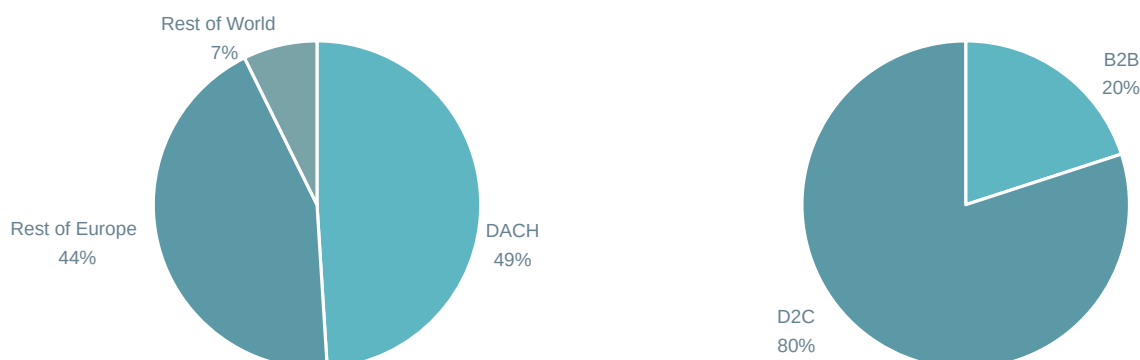
Most of Shelly Group's products are developed in Sofia. The key parts of the raw materials – most notably chips – are procured by the company itself and made available to the suppliers in Asia. Procurement is almost exclusively done in China among a couple of core suppliers (Top 5 suppliers > 90% of material expenses). The group always strives to be the largest customer of every supplier to have a good bargaining position. As the products have a very low pack size, they are shipped by air and sea freight. The share of sea freight is planned to be significantly increased to continue to lower ancillary costs of procurement.

### Markets and sales

The company does not provide segment reporting pursuant to IFRS 8 so far. The 2023 Annual Report is based on a regional segment analysis as primary segment.

Shelly Group generates the largest portion of revenues in the DACH region (49%). In further European countries, the group most recently generated a sales share of around 43.7%. The rest of the world (RoW) accounts for further 7.3%. The company still sees significant growth potential in all the regions. Due to the success of actions made to optimize revenues in the DACH region, local sales teams are also being set up in further markets. The North American market is a key growth region in the RoW sector, which has hardly been developed so far. According to the company, in addition to the progress made recently inorganic growth may also be an option here to accelerate the development of the market.

### Sales by region (left) and by distribution channel (right)



Source: Company data

Just under 20% of the products are currently distributed through the Shelly websites (D2C online). The company wants to significantly professionalize D2C sales over the next few quarters. As a start, the web shops will be relaunched in all relevant languages. In parallel, however, the company also pushes ahead the backend processes for faster delivery times as well as the SEO and SEA optimization.

The B2B sector includes all sales to commercial customers. Most of them resell the products via online channels such as Amazon. At present, Amazon Germany is exclusively addressed by partners. The company assumes that only some 10% of B2B revenue are currently generated with electricians. Professional providers likewise hold significant growth potential. For instance, the Shelly Group is currently negotiating with a major electrical wholesaler for a listing of the Shelly products.

**ESG positioning**

In line with the product portfolio, which includes a broad variety of products for energy metering and energy conservation, the company also pursues ambitious ESG goals. Amongst others, this includes the conversion to 100% renewable energy and the reduction of energy consumption by 70% by 2030 at the latest. Furthermore, the Shelly Group aims to establish more diversity at management level and to provide a concerted work-life balance for the employees. The table below summarizes the ESG goals.

Ecological	Social	Governance
<p><i>Developing a sustainable future</i></p>	<p><i>Connecting communities across the globe</i></p>	<p><i>Guiding the industry through early adoption</i></p>
<p><b>Enabling</b> On target to reduce company energy consumption latest by 70% by 2030</p> <p><b>Sustainability</b> On Track to shift Internal Products &amp; Services to sustainable alternatives latest by 2030</p> <p><b>100% renewables</b> In-line with company commitment to have a net zero carbon footprint latest by 2030</p>	<p><b>Communities</b> Committed to a sustainable environment for the communities we serve</p> <p><b>Employees &amp; Neighbors</b> Engaged as employees &amp; neighbors, actively working together to benefit our community</p> <p><b>Outreach</b> Actively communicating to benefit our community &amp; environment</p>	<p><b>Diverse Leadership</b> Committed to a diverse leadership &amp; supervisory board</p> <p><b>Empowering</b> Delivering results while empowering employees to make key decisions</p> <p><b>Enabling Balance</b> Flexible employee workplaces</p>

Source: Company data

**Management**

The Shelly Group has a one-tier governance model with an executive and non-executive board structure. Dimitar Dimitrov and Wolfgang Kirsch are executive board members responsible for the company’s operational management.



**Dimitar Dimitrov** is the founder, CEO of the Bulgarian holding company, and one of the biggest individual shareholders with a stake of some 30%. In addition to administrative topics at group level, Mr. Dimitrov is primarily responsible for R&D. Mr. Dimitrov had already established other IT companies before, such as a software company for 8- and 16-bit computers and a television channel (REAL TV) as well as IT magazines such as PC Review, Computers, and GSM Review.

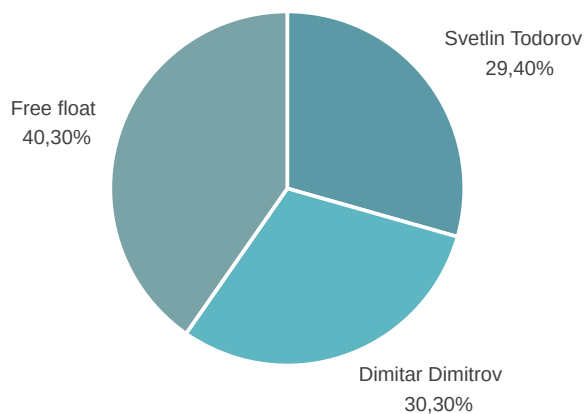


**Wolfgang Kirsch** has been the CEO of Shelly Europe since end-2021 and is primarily focused on the expansion of the European business. Prior to this, Mr. Kirsch had been active in the retail business for over 25 years. He held the position of Chief Operating Officer (COO) at the MediaMarktSaturn retail group. Following his job at MediaMarktSaturn, Mr. Kirsch worked as an external consultant of McKinsey & Company and of private equity companies and was involved in various projects related to the digital transformation of international conglomerates and midsize companies.

### Shareholder structure

The shares of the Shelly Group are traded on the regulated market of the Frankfurt Stock Exchange. The share capital is divided in 17,999,999 ordinary shares. Board member Dimitar Dimitrov and co-founder Svetlin Todorov are the largest individual shareholders with a stake of around 30.3% and 29.4%. The stakes of the other shareholders are below the 3% threshold and are therefore included in the free float (40.3%).

### Shareholder structure



Source: Company data

## DCF Model

Figures in BGN m

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
<b>Sales</b>	<b>214.0</b>	<b>306.0</b>	<b>428.3</b>	<b>556.8</b>	<b>668.2</b>	<b>768.4</b>	<b>845.3</b>	<b>866.4</b>
Change yoy	46.0%	43.0%	40.0%	30.0%	20.0%	15.0%	10.0%	2.5%
<b>EBIT</b>	<b>54.8</b>	<b>77.3</b>	<b>107.1</b>	<b>139.2</b>	<b>167.0</b>	<b>192.1</b>	<b>211.3</b>	<b>216.6</b>
EBIT margin	25.6%	25.3%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>NOPAT</b>	<b>44.9</b>	<b>62.6</b>	<b>85.7</b>	<b>111.4</b>	<b>133.6</b>	<b>153.7</b>	<b>169.1</b>	<b>173.3</b>
<b>Depreciation</b>	<b>2.8</b>	<b>3.5</b>	<b>4.7</b>	<b>5.8</b>	<b>6.7</b>	<b>7.7</b>	<b>7.6</b>	<b>7.8</b>
in % of Sales	1.3%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%
<b>Change in Liquidity from</b>								
- Working Capital	-43.5	-40.4	-49.9	-39.5	-19.9	-16.0	-10.8	-7.2
- Capex	-3.0	-3.9	-4.9	-6.4	-7.4	-7.7	-7.6	-7.8
Capex in % of Sales	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%	0.9%	0.9%
<b>Other</b>								
<b>Free Cash Flow (WACC model)</b>	<b>1.2</b>	<b>21.8</b>	<b>35.6</b>	<b>71.3</b>	<b>113.4</b>	<b>138.1</b>	<b>158.6</b>	<b>166.2</b>
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Present value	1.2	19.4	29.0	53.3	77.7	86.7	91.2	1,322.2
<b>Total present value</b>	<b>1.2</b>	<b>20.6</b>	<b>49.6</b>	<b>102.9</b>	<b>180.5</b>	<b>267.2</b>	<b>358.5</b>	<b>1,680.7</b>

## Valuation (in BGN m)

Total present value (Tpv)	1,680.7
Terminal Value	1,322.2
Share of TV on Tpv	79%
Liabilities	4.1
Liquidity	30.8
<b>Equity value</b>	<b>1,707.4</b>

Number of shares (in m)	18.0
<b>Value per share (BGN)</b>	<b>94.9</b>
<b>+Upside / -Downside</b>	<b>32%</b>
<b>Share price (BGN)</b>	<b>72.00</b>

## Model parameter

Debt ratio	25.0%
Costs of Debt	7.0%
Market return	9.0%
Risk free rate	2.5%

Beta	1.2
WACC	9.1%
Terminal Growth	2.5%

## Growth: sales and margin

Short term sales growth	2024-2027	37.5%
Mid term sales growth	2024-2030	25.7%
Long term sales growth	from 2031	2.5%
Short term EBIT margin	2024-2027	25.2%
Mid term EBIT margin	2024-2030	25.1%
Long term EBIT margin	from 2031	25.0%

## Sensitivity Value per Share (BGN)

WACC	1.75%	2.25%	<b>2.50%</b>	2.75%	3.25%
9.63%	80.74	84.79	87.03	89.44	94.80
9.38%	83.95	88.35	90.80	93.42	99.32
<b>9.13%</b>	87.38	92.18	<b>94.85</b>	97.73	104.23
8.88%	91.07	96.31	99.24	102.41	109.59
8.63%	95.03	100.78	104.00	107.49	115.46

## Terminal Growth

## Sensitivity Value per Share (BGN)

WACC	24.50%	24.75%	<b>25.00%</b>	25.25%	25.50%
9.63%	85.66	86.35	87.03	87.72	88.41
9.38%	89.35	90.07	90.80	91.52	92.25
<b>9.13%</b>	93.32	94.09	<b>94.85</b>	95.62	96.39
8.88%	97.62	98.43	99.24	100.05	100.86
8.63%	102.28	103.14	104.00	104.85	105.71

## EBIT-margin from 2031e

Source: Montega

<b>P&amp;L (in BGN m) Shelly Group AD</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Sales</b>	<b>59.5</b>	<b>93.2</b>	<b>146.5</b>	<b>214.0</b>	<b>306.0</b>	<b>428.3</b>
Cost of sales	26.7	46.3	62.9	96.3	140.4	200.9
<b>Gross profit</b>	<b>32.8</b>	<b>46.9</b>	<b>83.7</b>	<b>117.7</b>	<b>165.5</b>	<b>227.4</b>
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Sales and marketing	2.7	4.0	10.2	15.0	20.7	27.8
General and administration	12.2	20.4	27.3	39.2	55.4	76.2
Other operating expenses	0.7	1.2	6.5	9.6	13.5	18.0
Other operating income	1.5	1.0	0.9	0.9	1.2	1.7
<b>EBITDA</b>	<b>19.8</b>	<b>21.3</b>	<b>39.3</b>	<b>57.6</b>	<b>80.8</b>	<b>111.8</b>
Depreciation on fixed assets	0.5	0.3	0.7	1.1	1.2	1.6
<b>EBITA</b>	<b>19.2</b>	<b>21.0</b>	<b>38.6</b>	<b>56.5</b>	<b>79.5</b>	<b>110.2</b>
Amortisation of intangible assets	0.5	0.6	1.2	1.7	2.3	3.1
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>18.7</b>	<b>20.4</b>	<b>37.4</b>	<b>54.8</b>	<b>77.3</b>	<b>107.1</b>
Financial result	0.0	-0.1	0.1	-0.1	-0.1	0.0
<b>Result from ordinary operations</b>	<b>18.7</b>	<b>20.2</b>	<b>37.5</b>	<b>54.7</b>	<b>77.2</b>	<b>107.1</b>
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>18.7</b>	<b>20.2</b>	<b>37.5</b>	<b>54.7</b>	<b>77.2</b>	<b>107.1</b>
Taxes	2.8	2.8	4.6	9.8	14.7	21.4
<b>Net Profit of continued operations</b>	<b>16.0</b>	<b>17.4</b>	<b>32.9</b>	<b>44.9</b>	<b>62.5</b>	<b>85.7</b>
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit before minorities</b>	<b>16.0</b>	<b>17.4</b>	<b>32.9</b>	<b>44.9</b>	<b>62.5</b>	<b>85.7</b>
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>16.0</b>	<b>17.4</b>	<b>32.9</b>	<b>44.9</b>	<b>62.5</b>	<b>85.7</b>

Source: Company (reported results), Montega (forecast)

<b>P&amp;L (in % of Sales) Shelly Group AD</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of sales	44.9%	49.7%	42.9%	45.0%	45.9%	46.9%
<b>Gross profit</b>	<b>55.1%</b>	<b>50.3%</b>	<b>57.1%</b>	<b>55.0%</b>	<b>54.1%</b>	<b>53.1%</b>
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales and marketing	4.5%	4.3%	6.9%	7.0%	6.8%	6.5%
General and administration	20.5%	21.9%	18.7%	18.3%	18.1%	17.8%
Other operating expenses	1.2%	1.3%	4.4%	4.5%	4.4%	4.2%
Other operating income	2.5%	1.1%	0.6%	0.4%	0.4%	0.4%
<b>EBITDA</b>	<b>33.2%</b>	<b>22.9%</b>	<b>26.8%</b>	<b>26.9%</b>	<b>26.4%</b>	<b>26.1%</b>
Depreciation on fixed assets	0.9%	0.4%	0.5%	0.5%	0.4%	0.4%
<b>EBITA</b>	<b>32.3%</b>	<b>22.5%</b>	<b>26.3%</b>	<b>26.4%</b>	<b>26.0%</b>	<b>25.7%</b>
Amortisation of intangible assets	0.9%	0.7%	0.8%	0.8%	0.8%	0.7%
Impairment charges and Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>31.4%</b>	<b>21.9%</b>	<b>25.5%</b>	<b>25.6%</b>	<b>25.3%</b>	<b>25.0%</b>
Financial result	0.0%	-0.2%	0.1%	0.0%	0.0%	0.0%
<b>Result from ordinary operations</b>	<b>31.5%</b>	<b>21.7%</b>	<b>25.6%</b>	<b>25.6%</b>	<b>25.2%</b>	<b>25.0%</b>
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBT</b>	<b>31.5%</b>	<b>21.7%</b>	<b>25.6%</b>	<b>25.6%</b>	<b>25.2%</b>	<b>25.0%</b>
Taxes	4.6%	3.0%	3.1%	4.6%	4.8%	5.0%
<b>Net Profit of continued operations</b>	<b>26.8%</b>	<b>18.7%</b>	<b>22.5%</b>	<b>21.0%</b>	<b>20.4%</b>	<b>20.0%</b>
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit before minorities</b>	<b>26.8%</b>	<b>18.7%</b>	<b>22.5%</b>	<b>21.0%</b>	<b>20.4%</b>	<b>20.0%</b>
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit</b>	<b>26.8%</b>	<b>18.7%</b>	<b>22.5%</b>	<b>21.0%</b>	<b>20.4%</b>	<b>20.0%</b>

Source: Company (reported results), Montega (forecast)

Balance sheet (in BGN m) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
<b>ASSETS</b>						
Intangible assets	3.4	4.7	11.5	12.1	12.9	13.7
Property, plant & equipment	4.8	4.7	5.4	4.9	4.5	4.0
Financial assets	2.7	1.2	0.4	0.4	0.4	0.4
<b>Fixed assets</b>	<b>10.9</b>	<b>10.5</b>	<b>17.3</b>	<b>17.5</b>	<b>17.8</b>	<b>18.1</b>
Inventories	7.6	23.0	18.3	32.9	40.8	50.4
Accounts receivable	19.2	22.7	52.6	82.1	117.4	161.9
Liquid assets	30.5	28.1	30.8	27.4	42.5	68.6
Other assets	4.3	4.5	8.7	8.7	8.7	8.7
<b>Current assets</b>	<b>61.5</b>	<b>78.3</b>	<b>110.4</b>	<b>151.1</b>	<b>209.4</b>	<b>289.7</b>
<b>Total assets</b>	<b>72.4</b>	<b>88.8</b>	<b>127.7</b>	<b>168.6</b>	<b>227.2</b>	<b>307.7</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Shareholders' equity</b>	<b>65.6</b>	<b>79.1</b>	<b>110.4</b>	<b>150.7</b>	<b>206.5</b>	<b>282.8</b>
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
Provisions	0.0	2.2	2.6	2.6	2.6	2.6
Financial liabilities	2.6	2.5	2.3	2.3	2.3	2.3
Accounts payable	1.5	1.9	4.1	4.7	7.5	11.7
Other liabilities	2.8	3.2	9.1	9.1	9.1	9.1
<b>Liabilities</b>	<b>6.8</b>	<b>9.7</b>	<b>18.1</b>	<b>18.7</b>	<b>21.5</b>	<b>25.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>72.4</b>	<b>88.8</b>	<b>127.7</b>	<b>168.6</b>	<b>227.2</b>	<b>307.7</b>

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
<b>ASSETS</b>						
Intangible assets	4.7%	5.3%	9.0%	7.2%	5.7%	4.4%
Property, plant & equipment	6.6%	5.2%	4.2%	2.9%	2.0%	1.3%
Financial assets	3.7%	1.3%	0.3%	0.2%	0.2%	0.1%
<b>Fixed assets</b>	<b>15.0%</b>	<b>11.8%</b>	<b>13.5%</b>	<b>10.4%</b>	<b>7.9%</b>	<b>5.9%</b>
Inventories	10.4%	25.9%	14.3%	19.5%	18.0%	16.4%
Accounts receivable	26.5%	25.5%	41.2%	48.7%	51.7%	52.6%
Liquid assets	42.2%	31.7%	24.1%	16.3%	18.7%	22.3%
Other assets	5.9%	5.1%	6.8%	5.2%	3.8%	2.8%
<b>Current assets</b>	<b>85.0%</b>	<b>88.2%</b>	<b>86.5%</b>	<b>89.6%</b>	<b>92.2%</b>	<b>94.1%</b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Shareholders' equity</b>	<b>90.6%</b>	<b>89.0%</b>	<b>86.4%</b>	<b>89.4%</b>	<b>90.9%</b>	<b>91.9%</b>
<b>Minority Interest</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.3%</b>	<b>-0.3%</b>
Provisions	0.0%	2.4%	2.0%	1.5%	1.1%	0.8%
Financial liabilities	3.6%	2.8%	1.8%	1.3%	1.0%	0.7%
Accounts payable	2.1%	2.1%	3.2%	2.8%	3.3%	3.8%
Other liabilities	3.8%	3.6%	7.1%	5.4%	4.0%	3.0%
<b>Total Liabilities</b>	<b>9.4%</b>	<b>11.0%</b>	<b>14.2%</b>	<b>11.1%</b>	<b>9.4%</b>	<b>8.3%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company (reported results), Montega (forecast)

<b>Statement of cash flows (in BGN m) Shelly Group AD</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Net income	16.0	17.4	32.9	44.9	62.5	85.7
Depreciation of fixed assets	0.5	0.3	0.7	1.1	1.2	1.6
Amortisation of intangible assets	0.5	0.6	1.2	1.7	2.3	3.1
Increase/decrease in long-term provisions	0.0	0.0	0.4	0.0	0.0	0.0
Other non-cash related payments	0.0	0.0	1.7	0.0	0.0	0.0
<b>Cash flow</b>	<b>17.0</b>	<b>18.4</b>	<b>37.0</b>	<b>47.6</b>	<b>66.0</b>	<b>90.4</b>
Increase / decrease in working capital	-8.9	-18.1	-22.0	-43.5	-40.4	-49.9
<b>Cash flow from operating activities</b>	<b>8.1</b>	<b>0.3</b>	<b>15.0</b>	<b>4.1</b>	<b>25.6</b>	<b>40.5</b>
CAPEX	-1.6	-2.3	-5.0	-3.0	-3.9	-4.9
Other	2.1	2.8	-3.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>0.5</b>	<b>0.5</b>	<b>-8.1</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-4.9</b>
Dividends paid	-3.4	-1.8	-4.5	-4.5	-6.7	-9.4
Change in financial liabilities	-0.5	-0.6	-0.2	0.0	0.0	0.0
Other	-0.2	-0.9	0.5	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-4.1</b>	<b>-3.3</b>	<b>-4.2</b>	<b>-4.5</b>	<b>-6.7</b>	<b>-9.4</b>
Effects of exchange rate changes on cash	0.0	0.2	-0.1	0.0	0.0	0.0
<b>Change in liquid funds</b>	<b>4.5</b>	<b>-2.6</b>	<b>2.7</b>	<b>-3.4</b>	<b>15.0</b>	<b>26.2</b>
<b>Liquid assets at end of period</b>	<b>30.5</b>	<b>28.1</b>	<b>30.8</b>	<b>27.4</b>	<b>42.5</b>	<b>68.6</b>

Source: Company (reported results), Montega (forecast)

<b>Key figures Shelly Group AD</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Earnings margins</b>						
Gross margin (%)	55.1%	50.3%	57.1%	55.0%	54.1%	53.1%
EBITDA margin (%)	33.2%	22.9%	26.8%	26.9%	26.4%	26.1%
EBIT margin (%)	31.4%	21.9%	25.5%	25.6%	25.3%	25.0%
EBT margin (%)	31.5%	21.7%	25.6%	25.6%	25.2%	25.0%
Net income margin (%)	26.8%	18.7%	22.5%	21.0%	20.4%	20.0%
<b>Return on capital</b>						
ROCE (%)	51.5%	43.7%	53.7%	51.9%	52.3%	55.4%
ROE (%)	28.1%	26.6%	41.6%	40.9%	41.7%	41.6%
ROA (%)	22.0%	19.6%	25.8%	26.6%	27.5%	27.8%
<b>Solvency</b>						
YE net debt (in BGN)	-28.0	-23.5	-25.9	-22.6	-37.6	-63.8
Net debt / EBITDA	-1.4	-1.1	-0.7	-0.4	-0.5	-0.6
Net gearing (Net debt/equity)	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2
<b>Cash Flow</b>						
Free cash flow (BGN m)	6.5	-2.0	7.0	1.1	21.8	35.6
Capex / sales (%)	2.7%	2.5%	3.4%	1.4%	1.3%	1.2%
Working capital / sales (%)	36.4%	38.4%	38.1%	41.6%	42.8%	41.1%
<b>Valuation</b>						
EV/Sales	21.3	13.6	8.6	5.9	4.1	3.0
EV/EBITDA	64.1	59.4	32.3	22.0	15.7	11.3
EV/EBIT	67.8	62.2	33.9	23.1	16.4	11.8
EV/FCF	193.7	-	180.3	1,107.2	58.3	35.7
PE	80.9	74.2	39.3	28.9	20.7	15.1
KBV	19.8	16.4	11.7	8.6	6.3	4.6
Dividend yield	0.3%	0.3%	0.3%	0.5%	0.7%	1.3%

Source: Company (reported results), Montega (forecast)

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### Supervisory authority:

Financial Supervisory Authority  
Graurheindorfer Str. 108  
53117 Bonn

### Contact Montega AG:

Schauenburgerstraße 10  
20095 Hamburg  
www.montega.de / Tel: +49 40 4 1111 37 80

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Company	Disclosure (as of 15.07.2024)
Shelly Group AD	1, 3, 5, 8, 9, 10

## Price history

Recommendation	Date	Price (BGN)	Price target (BGN)	Potential
Buy (Initiation)	21.07.2022	17.90	28.00	+56%
Buy	17.08.2022	19.20	28.00	+46%
Buy	10.10.2022	17.00	28.00	+65%
Buy	16.11.2022	20.60	31.00	+50%
Buy	06.12.2022	20.80	31.00	+49%
Buy	18.01.2023	21.60	37.00	+71%
Buy	02.03.2023	22.80	38.00	+67%
Buy	24.03.2023	22.20	38.00	+71%
Buy	11.04.2023	22.60	42.00	+86%
Buy	28.04.2023	22.00	42.00	+91%
Buy	17.05.2023	22.90	52.00	+127%
Buy	22.06.2023	27.00	52.00	+93%
Buy	20.07.2023	27.90	52.00	+86%
Buy	08.08.2023	34.90	52.00	+49%
Buy	18.08.2023	35.50	52.00	+46%
Buy	07.09.2023	42.40	58.00	+37%
Buy	25.09.2023	42.90	58.00	+35%
Buy	20.10.2023	42.40	58.00	+37%
Buy	14.11.2023	41.50	58.00	+40%
Buy	08.12.2023	42.80	62.00	+45%
Buy	12.01.2024	51.00	62.00	+22%
Buy	29.02.2024	59.20	77.00	+30%
Buy	12.04.2024	67.40	77.00	+14%
Buy	15.05.2024	69.00	77.00	+12%
Buy	22.05.2024	72.80	82.00	+13%
Buy	19.06.2024	68.40	82.00	+20%
Buy	01.07.2024	69.80	82.00	+17%
Buy	10.07.2024	70.60	95.00	+35%
Buy	11.07.2024	72.00	95.00	+32%