

Rating	Buy
Price target	82.00 BGN (before: 77.00 BGN)
Potential	13%
Share data	
Share price (last close price in BGN)	72.80
Number of shares (in m)	18.0
Market cap. (in BGN m)	1,310.4
Trading vol. (Ø 3 months; in K shares)	3.0
Enterprise Value (in BGN m)	1,281.9
Ticker	BUL:SLYG
Guidance 2024	
Sales (in BGN m)	> 205.4
EBIT (in BGN m)	> 50.9

Share price (BGN)



Shareholder	
Free float	37.6%
Dimitar Dimitrov	32.0%
Svetlin Todorov	30.4%
-	-
-	-

Calendar	
AGM	June 30, 2024
Q2 results	August 14, 2024
#N/A	

Changes in estimates			
	2024e	2025e	2026e
Sales (old)	207.4	290.7	407.0
Δ	1.0%	1.1%	1.1%
EBIT (old)	52.5	73.0	101.8
Δ	1.0%	1.0%	1.0%
EPS (old)	2.39	3.28	4.52
Δ	0.8%	1.2%	1.1%

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

Publication	
Comment	May 22, 2024

Sustained growth path at attractive margin level

After Shelly has communicated preliminary revenues in April, the full set of figures was presented last week. Alongside numerous product launches, the company will focus on intensified sales activities in the current year.

Attractive revenue growth supported by expansion of sales structures: Shelly generated Q1 revenue of BGN 40.2m or EUR 20.5m, corresponding to an increase of 45.5% yoy. We believe the company benefits from its change of the Amazon sales channel from Marketplace to Direct Vendor Business, which resulted in higher visibility and consequently higher customer demand. Starting in Germany in H2/22, the change then also took place in several European countries (2023) and in Australia (Q1/24). In the USA this move is planned for the current year with the aim to significantly boost the low revenue share in this market going forward. We slightly raise our top line expectations for 2024 et seq. in view of the positive prospects.

EBIT margin stable despite higher marketing activities: The sustained growth path still is reflected in a very attractive operating margin of 26.0% (-0.2pp yoy) in the first quarter, although there are some high fluctuations in individual cost factors in comparison to the previous year. The gross margin was further expanded to 55.5% (+1.3pp yoy), even though product prices have not been increased for almost two years, which indicates that growth was driven by the change in product mix and, importantly, by economies of scale and supply chain optimizations. A quadruplication of marketing costs (due to higher trade fair activities and selected online marketing) was absorbed by a disproportionately low increase in administration costs so that the operating margin remained at an almost unchanged 26.0% which is above the mid-term target of 25%.

Focus on free cash flow development: In the past quarter, Shelly generated operating cash flow of EUR 0.2m. The discrepancy to the net result of EUR 4.6m is attributable to strong top line growth but also to the product roadmap which currently ties up additional capital. In anticipation of the planned product innovations (e.g. an own chip 'Shelly X'), the company has made additional inventory purchases and increased prepayments to suppliers. Based on the continuing growth, expansion of the module business as well as various product launches, we therefore expect the working capital ratio to grow (MONe: 52.9%, +6.9pp yoy) on a full-year basis, which would result in only slightly positive free cash flow of EUR 1.1m in 2024. At the same time, we expect a normalization in 2025 as well as further optimizations of stockkeeping (e.g. with SAP planning modules) and of the payment terms in the subsequent years.

Adjustment of WC ratios and TV EBIT margin: We incorporate our expectations on working capital optimizations into our model, leading to a slight reduction of the future working capital ratios and a positive free cash flow in the double-digit million euros from next year. In view of the attractive future growth prospects and high internal financing capability, we welcome the current focus on top line and EBIT development. In line with our previous assessment regarding the sustainability of the current margin level (cf. Comment of 15 May 2024) we also increase our EBIT margin forecasts to 25.0% from 2029 (previously: 23.5% in 2029, 22.0% in TV).

continue on the next page->

FYend: 31.12.	2022	2023	2024e	2025e	2026e
Sales	93.2	146.5	209.6	293.8	411.3
Growth yoy	56.6%	57.3%	43.0%	40.2%	40.0%
EBITDA	21.3	39.3	55.7	77.1	107.4
EBIT	20.4	37.4	53.0	73.7	102.8
Net income	17.4	32.9	43.4	59.7	82.3
Gross profit margin	50.3%	57.1%	55.0%	54.1%	53.1%
EBITDA margin	22.9%	26.8%	26.6%	26.3%	26.1%
EBIT margin	21.9%	25.5%	25.3%	25.1%	25.0%
Net Debt	-23.5	-25.9	-21.3	-35.3	-57.5
Net Debt/EBITDA	-1.1	-0.7	-0.4	-0.5	-0.5
ROCE	43.7%	53.7%	50.8%	51.3%	55.2%
EPS	0.97	1.83	2.41	3.32	4.57
FCF per share	-0.11	0.39	0.11	1.26	1.90
Dividend	0.23	0.37	0.48	0.66	0.91
Dividend yield	0.3%	0.5%	0.7%	0.9%	1.3%
EV/Sales	13.8	8.7	6.1	4.4	3.1
EV/EBITDA	60.1	32.6	23.0	16.6	11.9
EV/EBIT	62.9	34.3	24.2	17.4	12.5
PER	75.1	39.8	30.2	21.9	15.9
P/B	16.6	11.9	8.9	6.6	4.9

Source: Company data, Montega, Capital IQ

Figures in BGN m, EPS in BGN, Price: 72.80 BGN

Conclusion: Shelly can maintain the high growth rates of the past and is on track to meet the guidance of the current year. Following the strong first quarter, we slightly increase our top and bottom-line expectations and also foresee a stronger working capital reduction from 2025. We therefore reiterate our buy rating with an increased price target of BGN 82.00 (previously: BGN 77.00).

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

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

- 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
- 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, W-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 (WiFi socket), the Shelly Bulb (smart bulb), the Shelly Button (programmable Wi-Fi button) and the Shelly TRV (WiFi 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).

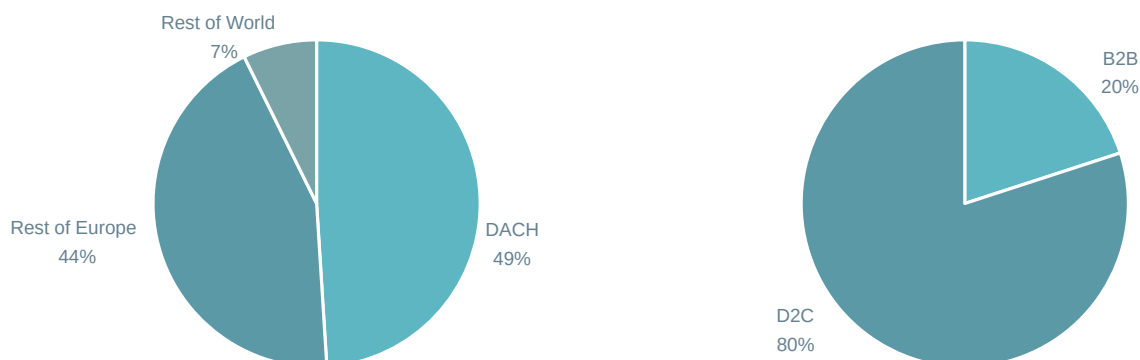
Most of Shelly Group's products are developed in Sofia. The key parts of the raw materials – most notably chips – are procured by the company itself and made available to the suppliers in Asia. Procurement is almost exclusively done in China among a couple of core suppliers (Top 5 suppliers > 90% of 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>Enabling On target to reduce company energy consumption latest by 70% by 2030</p> <p>Sustainability On Track to shift internal Products & Services to sustainable alternatives latest by 2030</p> <p>100% renewables In-line with company commitment to have a net zero carbon footprint latest by 2030</p>	<p>Communities Committed to a sustainable environment for the communities we serve</p> <p>Employees & Neighbors Engaged as employees & neighbors, actively working together to benefit our community</p> <p>Outreach Actively communicating to benefit our community & environment</p>	<p>Diverse Leadership Committed to a diverse leadership & supervisory board</p> <p>Empowering Delivering results while empowering employees to make key decisions</p> <p>Enabling Balance 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.



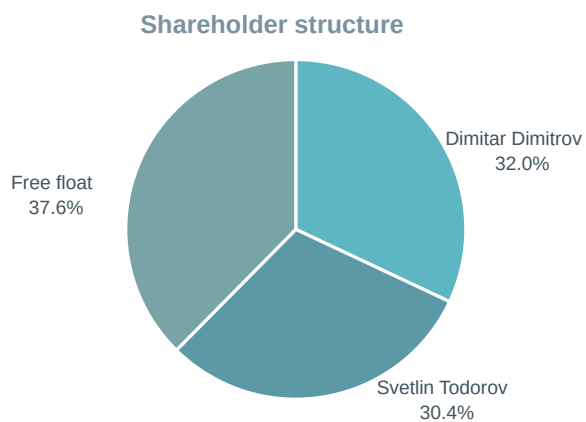
Dimitar Dimitrov is the founder, CEO of the Bulgarian holding company, and one of the biggest individual shareholders with a stake of some 33%. In addition to administrative topics at group level, Mr. Dimitrov is primarily responsible for R&D. Mr. Dimitrov had already established other IT companies before, 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 Allterco 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 32.0% and 30.4%. The stakes of the other shareholders are below the 3% threshold and are therefore included in the free float (37.6%).



Source: Company data

DCF Model

Figures in BGN m

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
Sales	209.6	293.8	411.3	534.7	641.7	737.9	811.7	832.0
Change yoy	43.0%	40.2%	40.0%	30.0%	20.0%	15.0%	10.0%	2.5%
EBIT	53.0	73.7	102.8	133.7	160.4	184.5	202.9	208.0
EBIT margin	25.3%	25.1%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPAT	43.5	59.7	82.3	106.9	128.3	147.6	162.3	166.4
Depreciation	2.7	3.4	4.5	5.6	6.4	7.4	7.3	7.5
in % of Sales	1.3%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%
Change in Liquidity from								
- Working Capital	-41.2	-36.7	-47.9	-38.0	-19.1	-15.4	-10.3	-6.9
- Capex	-2.9	-3.7	-4.7	-6.1	-7.1	-7.4	-7.3	-7.5
Capex in % of Sales	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%	0.9%	0.9%
Other								
Free Cash Flow (WACC model)	2.1	22.7	34.2	68.4	109.0	132.6	152.3	159.6
WACC	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Present value	2.0	19.6	26.9	49.2	71.5	79.4	83.3	1,118.7
Total present value	2.0	21.6	48.5	97.8	169.3	248.7	332.0	1,450.7

Valuation (in BGN m)

Total present value (Tpv)	1,450.7
Terminal Value	1,118.7
Share of TV on Tpv	77%
Liabilities	4.1
Liquidity	30.8
Equity value	1,477.4

Number of shares (in m)	18.0
Value per share (BGN)	82.1
+Upside / -Downside	13%
Share price (BGN)	72.80

Model parameter

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

Beta	1.3
WACC	9.6%
Terminal Growth	2.5%

Growth: sales and margin

Short term sales growth	2024-2027	36.6%
Mid term sales growth	2024-2030	25.3%
Long term sales growth	from 2031	2.5%
Short term EBIT margin	2024-2027	25.1%
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%	2.50%	2.75%	3.25%
10.11%	70.59	73.84	75.63	77.53	81.76
9.86%	73.28	76.80	78.74	80.81	85.43
9.61%	76.15	79.97	82.08	84.34	89.40
9.36%	79.21	83.37	85.67	88.15	93.71
9.11%	82.50	87.02	89.55	92.26	98.40

Terminal Growth

Sensitivity Value per Share (BGN)

WACC	24.50%	24.75%	25.00%	25.25%	25.50%
10.11%	74.46	75.04	75.63	76.21	76.80
9.86%	77.51	78.12	78.74	79.35	79.97
9.61%	80.78	81.43	82.08	82.72	83.37
9.36%	84.30	84.99	85.67	86.35	87.04
9.11%	88.10	88.82	89.55	90.27	90.99

EBIT-margin from 2031e

Quelle: Unternehmen (berichtete Daten), Montega (Prognosen)

P&L (in BGN m) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
Sales	59.5	93.2	146.5	209.6	293.8	411.3
Cost of sales	26.7	46.3	62.9	94.3	134.9	192.9
Gross profit	32.8	46.9	83.7	115.3	158.9	218.4
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Sales and marketing	2.7	4.0	10.2	14.7	19.8	26.7
General and administration	12.2	20.4	27.3	38.8	53.6	73.2
Other operating expenses	0.7	1.2	6.5	9.6	12.9	17.3
Other operating income	1.5	1.0	0.9	0.8	1.2	1.6
EBITDA	19.8	21.3	39.3	55.7	77.1	107.4
Depreciation on fixed assets	0.5	0.3	0.7	1.0	1.2	1.6
EBITA	19.2	21.0	38.6	54.7	75.9	105.8
Amortisation of intangible assets	0.5	0.6	1.2	1.7	2.2	3.0
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	18.7	20.4	37.4	53.0	73.7	102.8
Financial result	0.0	-0.1	0.1	-0.1	-0.1	0.0
Result from ordinary operations	18.7	20.2	37.5	52.9	73.7	102.8
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	18.7	20.2	37.5	52.9	73.7	102.8
Taxes	2.8	2.8	4.6	9.5	14.0	20.6
Net Profit of continued operations	16.0	17.4	32.9	43.4	59.7	82.3
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	16.0	17.4	32.9	43.4	59.7	82.3
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	16.0	17.4	32.9	43.4	59.7	82.3

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

P&L (in % of Sales) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	44.9%	49.7%	42.9%	45.0%	45.9%	46.9%
Gross profit	55.1%	50.3%	57.1%	55.0%	54.1%	53.1%
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%	18.5%	18.3%	17.8%
Other operating expenses	1.2%	1.3%	4.4%	4.6%	4.4%	4.2%
Other operating income	2.5%	1.1%	0.6%	0.4%	0.4%	0.4%
EBITDA	33.2%	22.9%	26.8%	26.6%	26.3%	26.1%
Depreciation on fixed assets	0.9%	0.4%	0.5%	0.5%	0.4%	0.4%
EBITA	32.3%	22.5%	26.3%	26.1%	25.9%	25.7%
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%
EBIT	31.4%	21.9%	25.5%	25.3%	25.1%	25.0%
Financial result	0.0%	-0.2%	0.1%	0.0%	0.0%	0.0%
Result from ordinary operations	31.5%	21.7%	25.6%	25.3%	25.1%	25.0%
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	31.5%	21.7%	25.6%	25.3%	25.1%	25.0%
Taxes	4.6%	3.0%	3.1%	4.5%	4.8%	5.0%
Net Profit of continued operations	26.8%	18.7%	22.5%	20.7%	20.3%	20.0%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	26.8%	18.7%	22.5%	20.7%	20.3%	20.0%
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit	26.8%	18.7%	22.5%	20.7%	20.3%	20.0%

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

Balance sheet (in BGN m) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
ASSETS						
Intangible assets	3.4	4.7	11.5	12.1	12.8	13.6
Property, plant & equipment	4.8	4.7	5.4	5.0	4.6	4.0
Financial assets	2.7	1.2	0.4	0.4	0.4	0.4
Fixed assets	10.9	10.5	17.3	17.5	17.8	18.0
Inventories	7.6	23.0	18.3	32.2	39.2	48.4
Accounts receivable	19.2	22.7	52.6	80.4	112.7	155.5
Liquid assets	30.5	28.1	30.8	26.2	40.1	62.4
Other assets	4.3	4.5	8.7	8.7	8.7	8.7
Current assets	61.5	78.3	110.4	147.5	200.8	275.0
Total assets	72.4	88.8	127.7	165.0	218.6	293.0
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	65.6	79.1	110.4	147.2	198.2	268.5
Minority Interest	0.0	0.0	-0.8	-0.8	-0.8	-0.8
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	4.6	7.2	11.3
Other liabilities	2.8	3.2	9.1	9.1	9.1	9.1
Liabilities	6.8	9.7	18.1	18.6	21.2	25.3
Total liabilities and shareholders' equity	72.4	88.8	127.7	165.0	218.6	293.0

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

Balance sheet (in %) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
ASSETS						
Intangible assets	4.7%	5.3%	9.0%	7.3%	5.9%	4.6%
Property, plant & equipment	6.6%	5.2%	4.2%	3.0%	2.1%	1.4%
Financial assets	3.7%	1.3%	0.3%	0.2%	0.2%	0.1%
Fixed assets	15.0%	11.8%	13.5%	10.6%	8.2%	6.2%
Inventories	10.4%	25.9%	14.3%	19.5%	17.9%	16.5%
Accounts receivable	26.5%	25.5%	41.2%	48.7%	51.6%	53.1%
Liquid assets	42.2%	31.7%	24.1%	15.9%	18.4%	21.3%
Other assets	5.9%	5.1%	6.8%	5.3%	4.0%	3.0%
Current assets	85.0%	88.2%	86.5%	89.4%	91.8%	93.8%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	90.6%	89.0%	86.4%	89.2%	90.7%	91.6%
Minority Interest	0.0%	0.0%	-0.6%	-0.5%	-0.4%	-0.3%
Provisions	0.0%	2.4%	2.0%	1.6%	1.2%	0.9%
Financial liabilities	3.6%	2.8%	1.8%	1.4%	1.0%	0.8%
Accounts payable	2.1%	2.1%	3.2%	2.8%	3.3%	3.9%
Other liabilities	3.8%	3.6%	7.1%	5.5%	4.2%	3.1%
Total Liabilities	9.4%	11.0%	14.2%	11.2%	9.7%	8.6%
Total Liabilities and Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

Statement of cash flows (in BGN m) Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
Net income	16.0	17.4	32.9	43.4	59.7	82.3
Depreciation of fixed assets	0.5	0.3	0.7	1.0	1.2	1.6
Amortisation of intangible assets	0.5	0.6	1.2	1.7	2.2	3.0
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
Cash flow	17.0	18.4	37.0	46.1	63.1	86.8
Increase / decrease in working capital	-8.9	-18.1	-22.0	-41.2	-36.7	-47.9
Cash flow from operating activities	8.1	0.3	15.0	4.9	26.4	38.9
CAPEX	-1.6	-2.3	-5.0	-2.9	-3.7	-4.7
Other	2.1	2.8	-3.1	0.0	0.0	0.0
Cash flow from investing activities	0.5	0.5	-8.1	-2.9	-3.7	-4.7
Dividends paid	-3.4	-1.8	-4.5	-6.6	-8.7	-12.0
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
Cash flow from financing activities	-4.1	-3.3	-4.2	-6.6	-8.7	-12.0
Effects of exchange rate changes on cash	0.0	0.2	-0.1	0.0	0.0	0.0
Change in liquid funds	4.5	-2.6	2.7	-4.6	13.9	22.2
Liquid assets at end of period	30.5	28.1	30.8	26.2	40.1	62.4

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

Key figures Shelly Group AD	2021	2022	2023	2024e	2025e	2026e
Earnings margins						
Gross margin (%)	55.1%	50.3%	57.1%	55.0%	54.1%	53.1%
EBITDA margin (%)	33.2%	22.9%	26.8%	26.6%	26.3%	26.1%
EBIT margin (%)	31.4%	21.9%	25.5%	25.3%	25.1%	25.0%
EBT margin (%)	31.5%	21.7%	25.6%	25.3%	25.1%	25.0%
Net income margin (%)	26.8%	18.7%	22.5%	20.7%	20.3%	20.0%
Return on capital						
ROCE (%)	51.5%	43.7%	53.7%	50.8%	51.3%	55.2%
ROE (%)	28.1%	26.6%	41.6%	39.6%	40.8%	41.7%
ROA (%)	22.0%	19.6%	25.8%	26.3%	27.3%	28.1%
Solvency						
YE net debt (in BGN)	-28.0	-23.5	-25.9	-21.3	-35.3	-57.5
Net debt / EBITDA	-1.4	-1.1	-0.7	-0.4	-0.5	-0.5
Net gearing (Net debt/equity)	-0.4	-0.3	-0.2	-0.1	-0.2	-0.2
Cash Flow						
Free cash flow (BGN m)	6.5	-2.0	7.0	2.0	22.6	34.2
Capex / sales (%)	2.7%	2.5%	3.4%	1.4%	1.3%	1.2%
Working capital / sales (%)	36.4%	38.4%	38.1%	42.0%	43.2%	41.1%
Valuation						
EV/Sales	21.5	13.8	8.7	6.1	4.4	3.1
EV/EBITDA	64.8	60.1	32.6	23.0	16.6	11.9
EV/EBIT	68.5	62.9	34.3	24.2	17.4	12.5
EV/FCF	195.9	-	182.4	637.5	56.7	37.5
PE	81.8	75.1	39.8	30.2	21.9	15.9
KBV	20.0	16.6	11.9	8.9	6.6	4.9
Dividend yield	0.3%	0.3%	0.5%	0.7%	0.9%	1.3%

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

Disclaimer

This document does not represent any offer or invitation to buy or sell any kind of securities or financial instruments. The document serves for information purposes only. This document only contains a non-binding opinion on the investment instruments concerned and non-binding judgments on market conditions at the time of publication. Due to its content, which serves for general information purposes only, this document may not replace personal, investor- or issue-specific advice and does also not provide basic information required for an investment decision that are formulated and expressed in other sources, especially in properly authorised prospectuses. All data, statements and conclusions drawn in this document are based on sources believed to be reliable but we do not guarantee their correctness or their completeness. The expressed statements reflect the personal judgement of the author at a certain point in time. These judgements may be changed at any time and without prior announcement. No liability for direct and indirect damages is assumed by either the analyst or the institution employing the analyst. This confidential report is made available to a limited audience only. This publication and its contents may only be disseminated or distributed to third parties following the prior consent of Montega. All capital market rules and regulations governing the compilation, content, and distribution of research in force in the different national legal systems apply and are to be complied with by both suppliers and recipients. Distribution within the United Kingdom: this document is allotted exclusively to persons who are authorized or appointed in the sense of the Financial Services Act of 1986 or on any valid resolution on the basis of this act. Recipients also include persons described in para 11(3) of the Financial Act 1986 (Investments Advertisements) (Exemptions) Order 1996 (in each currently valid amendment). It is not intended to remit information directly or indirectly to any other groups or recipients. It is not allowed to transmit, distribute, or to make this document or a copy thereof available to persons within the United States of America, Canada, and Japan or to their overseas territories.

Reference pursuant to MiFID II (as of 22.05.2024):

This publication was prepared on the basis of a contract between Montega AG and the issuer and will be paid by the issuer. This document has been widely published and Montega AG makes it simultaneously available for all interested parties. Its receipt therefore is considered a permissible minor non-monetary benefit in the sense of section 64 Paragraph 7 Sentence 2 No. 1 and 2 of the German Securities Trading Act (WpHG).

Supervisory authority:

Financial Supervisory Authority
Graurheindorfer Str. 108
53117 Bonn

Sources of information: The main sources of information for the preparation of this financial analysis are publications of the issuer as well as publicly available information of national and international media, which Montega regards as reliable. There have also been discussions with members of the management team or the investor relations division of the company concerned when preparing this analysis.

Prices of financial instruments mentioned in this analysis are closing prices of the publishing date (respectively the previous day) if not explicitly mentioned otherwise. Any updating of this publication will be made in the case of events that Montega considers to be possibly relevant to the stocks' price performance. The end of regular comments on events in context with the issuer (coverage) will be announced beforehand.

Fundamental basics and principles of the evaluative judgements contained in this document: Assessments and valuations leading to ratings and judgements given by Montega AG are generally based on acknowledged and broadly approved methods of analysis i.e. a DCF model, a peer group comparison, or sum-of-the-parts model.

Our ratings:

Buy: The analysts at Montega AG believe the share price will rise during the next twelve months.

Hold: Upside/downside potential limited. No immediate catalyst visible.

Sell: The analysts at Montega AG believe the share price will fall during the next twelve months.

Contact Montega AG:

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

Conflicts of interest

Montega has implemented various measures to avoid conflicts of interest. This includes a ban for all employees of Montega AG from trading stocks within the coverage universe for which Montega has a mandate for the creation of research. Additionally, both employees and the company are prohibited from accepting gifts from individuals with a special interest in the content of research publications. To ensure maximum transparency, Montega has created an overview in accordance with § 85 WpHG and Article 20 of Regulation (EU) No. 596/2014 in conjunction with Delegated Regulation 2016/958. The research report has been made available to the company prior to its publication / dissemination. Thereafter, only factual changes have been made to the report.

- (1) In the past 12 months, Montega has entered into an agreement with the issuer for the creation of financial analyses, for which Montega receives compensation.
- (2) In the past 12 months, Montega has entered into an agreement with a third party for the creation of financial analyses, for which Montega receives compensation.
- (3) In the past 12 months, Montega has provided other consulting services to this company and/or its shareholders.
- (4) In the last 12 months, Montega and/or an contractually bound affiliated entity have been party to an agreement with the analyzed company for services related to investment banking activities or have received compensation from such an agreement.
- (5) Montega and/or an affiliated entity expect compensation from the company for investment banking services in the next three months or intend to seek such compensation.
- (6) At the time of publication, Montega's analyst responsible for the publication or another Montega employee holds shares representing over 5% of the analyzed issuer's share capital.
- (7) At the time of publication, Montega's analyst responsible for the publication or another Montega employee holds a net long or short position of more than 0.5% of the analyzed issuer's share capital.
- (8) A company affiliated with Montega AG may be involved in the share capital of the issuer or hold other financial instruments in this company.
- (9) Montega or an affiliated entity has significant financial interests in the analyzed company, such as obtaining and/or exercising mandates or providing services for the analyzed company (e.g., roadshows, round tables, earnings calls, presentations at conferences, etc.).
- (10) In the last 12 months, Montega provided services (through a third party) to a member of the analyzed company's management related to the transfer of shares of the analyzed company and received compensation for this.

Company	Disclosure (as of 22.05.2024)
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%