

Shelly Group PLC

Telecom Equipt. / Bulgaria

A Smart IOT growth (and profitable!) story

04/03/2024

Change in Opinion

Add vs Reduce

Our change in recommendation is underpinned by a change of status for Shelly, the latter having built up a solid track record and is posting very strong fundamental metrics (high organic growth and ROCE notably). Although the share price has risen a lot over the past year, we find this re-rating justified and there is still some upside to go for by ADDing new shares to a portfolio.

Change in Target Price

BGN 69.2 vs 59.6 **+16.1%**

After delivering another year of performance above our estimates, we have rolled over our model and this move has driven our valuation upwards. More specifically, we can now fully include the guidance for 2026 in our DCF model and have revised upwards our NAV to reflect the new status achieved by the company in our eyes (and the markets) built on the back of a solid track record.

Change in NAV

BGN 62.9 vs 35.2 **+78.6%**

We have increased the EV/Sales multiple for Shelly and Qubino from 3.5x to 5x, given the strong rise in profitability with the EBIT margin increasing from c.21% to 25.5% in 2023. We have rolled over our model with estimates of sales for Shelly of BGN c.178m, also driving our valuation upwards.

Change in DCF

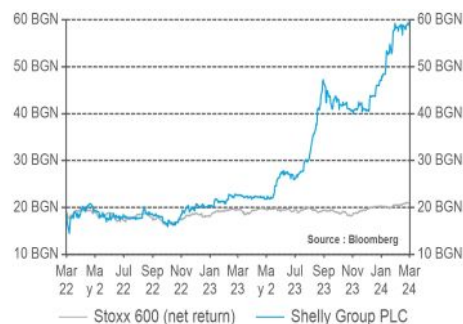
BGN 98.2 vs 85.5 **+14.9%**

We have rolled over our model that had previously been too pessimistic for 2026, and now forecast BGN c.400m in sales and BGN c.106m in EBITDA (slightly above the guidance that is usually conservative) compared to BGN 345m and BGN 91m previously. This has led to higher FCF from 2026 onwards as we have only reduced our long-term growth assumptions for EBITDA by 1%.

Baader Europe

Add **Upside : 18.1%**

Target Price (6 months)	BGN 69.2
Share Price	BGN 58.6
Market Cap. BGNM	1,058
Price Momentum	STRONG
Extremes 12Months	21.8 ▶ 59.4
Fundamental Strength	8 / 10
Bloomberg	SLYG BU Equity
Reuters	SLYG.BB


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PERF	1w	1m	3m	12m
Shelly Group PLC	-0.34%	-0.34%	44.0%	159%
IT Hardware	-0.58%	0.78%	5.79%	3.11%
SXXR Index	0.09%	2.60%	7.03%	11.7%

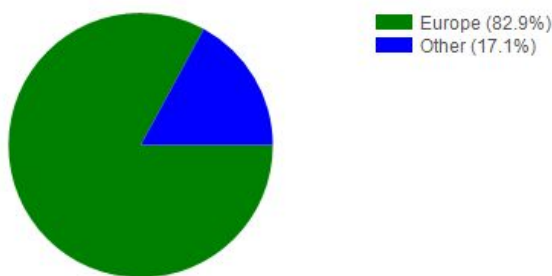
Sector Opinion	Overweight
Strongest upside	Nokia
Worst potential	Logitech International

[Complete Sector Analysis](#)

Last updated: 04/03/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	16.7	23.0	16.4	12.0
Dividend yield (%)	0.80	0.43	0.43	0.43
EV/EBITDA(R) (x)	12.3	18.0	12.6	8.75
Adjusted EPS (BGN)	1.88	2.55	3.58	4.90
Growth in EPS (%)	106	35.2	40.4	37.1
Dividend (BGN)	0.25	0.25	0.25	0.25
Sales (BGNM)	147	210	294	400
EBIT margin (%)	27.3	26.6	26.4	26.4
Attributable net profit (BGN...)	32.9	45.8	64.3	88.3
ROE (after tax) (%)	34.7	34.7	34.9	34.2
Gearing (%)	-24.5	-23.6	-28.2	-34.8

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	BGNM	147	210	294
Change in sales	%	57.3	43.2	40.0
Change in staff costs	%	28.6	42.1	27.1
EBITDA	BGNM	43.6	56.3	77.9
EBITDA(R) margin	%	29.8	26.9	26.5
Depreciation	BGNM	-0.69	-0.43	-0.43
Underlying operating profit	BGNM	39.9	55.9	77.5
Operating profit (EBIT)	BGNM	37.0	53.2	74.7
Net financial expense	BGNM	0.07	0.08	0.08
of which related to pensions	BGNM		0.00	0.00
Exceptional items & other	BGNM	0.33		
Corporate tax	BGNM	-4.58	-7.45	-10.5
Equity associates	BGNM	0.05		
Minority interests	BGNM	0.00	0.00	0.00
Adjusted attributable net profit	BGNM	33.9	46.0	64.5
NOPAT	BGNM	29.8	41.9	58.1

Cashflow Statement

		12/23A	12/24E	12/25E
EBITDA	BGNM	43.6	56.3	77.9
Change in WCR	BGNM	-23.1	-20.5	-19.1
Actual div. received from equity holdi...	BGNM	0.00	0.00	0.00
Paid taxes	BGNM	-4.58	-7.45	-10.5
Exceptional items	BGNM			
Other operating cash flows	BGNM	-0.87	-0.87	-0.87
Total operating cash flows	BGNM	15.0	27.5	47.5
Capital expenditure	BGNM	-4.68	-6.70	-9.38
Total investment flows	BGNM	-8.07	-7.84	-9.38
Net interest expense	BGNM	0.07	0.08	0.08
Dividends (parent company)	BGNM	-4.50	-4.51	-4.51
Dividends to minorities interests	BGNM	0.00	0.00	0.00
New shareholders' equity	BGNM	1.12	0.00	0.00
Total financial flows	BGNM	-4.22	-4.48	-4.44
Change in cash position	BGNM	2.63	15.2	33.7
Free cash flow (pre div.)	BGNM	10.4	20.9	38.2

Per Share Data

		12/23A	12/24E	12/25E
No. of shares net of treas. stock (year...	Mio	18.1	18.1	18.1
Number of diluted shares (average)	Mio	18.0	18.1	18.1
Benchmark EPS	BGN	1.88	2.55	3.58
Restated NAV per share	BGN			
Net dividend per share	BGN	0.25	0.25	0.25

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	BGN 98.2	35%	● Legrand
NAV/SOTP per share	BGN 62.9	20%	
EV/Ebitda	BGN 52.4	20%	
P/E	BGN 77.2	10%	
Dividend Yield	BGN 21.3	10%	
P/Book	BGN 38.7	5%	
TARGET PRICE	BGN 69.2	100%	

NAV/SOTP Calculation

Balance Sheet

		12/23A	12/24E	12/25E
Goodwill	BGNM	3.51	3.88	3.68
Total intangible	BGNM	11.1	14.3	17.7
Tangible fixed assets	BGNM	5.37	9.48	14.9
Financial fixed assets	BGNM	0.00	0.00	0.00
WCR	BGNM	67.4	87.9	107
Other assets	BGNM	1.29	1.72	2.01
Total assets (net of short term liab.)	BGNM	85.9	114	142
Ordinary shareholders' equity	BGNM	110	153	215
Quasi Equity & Preferred	BGNM			
Minority interests	BGNM	-0.78	0.00	0.00
Provisions for pensions	BGNM	0.00	0.00	0.00
Other provisions for risks and liabilities	BGNM			
Total provisions for risks and liabilities	BGNM	0.00	0.00	0.00
Tax liabilities	BGNM	4.53	4.57	4.62
Other liabilities	BGNM	0.27	0.00	0.00
Net debt (cash)	BGNM	-28.5	-43.7	-77.4
Total liab. and shareholders' equity	BGNM	85.9	114	142

Capital Employed

		12/23A	12/24E	12/25E
Capital employed after depreciation	BGNM	83.8	112	139

Profits & Risks Ratios

		12/23A	12/24E	12/25E
ROE (after tax)	%	34.7	34.7	34.9
ROCE	%	35.5	37.6	41.7
Gearing (at book value)	%	-24.5	-23.6	-28.2
Adj. Net debt/EBITDA(R)	x	-0.65	-0.78	-0.99
Interest cover (x)	x	-587	-731	-1,013

Valuation Ratios

		12/23A	12/24E	12/25E
Reference P/E (benchmark)	x	16.7	23.0	16.4
Free cash flow yield	%	1.84	1.97	3.61
P/Book	x	5.13	6.90	4.92
Dividend yield	%	0.80	0.43	0.43

EV Calculation

		12/23A	12/24E	12/25E
Market cap	BGNM	567	1,058	1,058
+ Provisions	BGNM	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	BGNM	0.00	0.00	0.00
+ Net debt at year end	BGNM	-28.9	-44.1	-77.9
+ Leases debt equivalent	BGNM	0.00	0.00	0.00
- Financial fixed assets (fair value)	BGNM			
+ Minority interests (fair value)	BGNM	-0.78	0.00	0.00
= EV	BGNM	537	1,014	980
EV/EBITDA(R)	x	12.3	18.0	12.6
EV/Sales	x	3.66	4.83	3.34

Analyst : Alexandre DESPREZ, Changes to Forecasts : 04/03/2024.

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