

**Recommendation:** Buy

**Price target:** 58.00 BGN

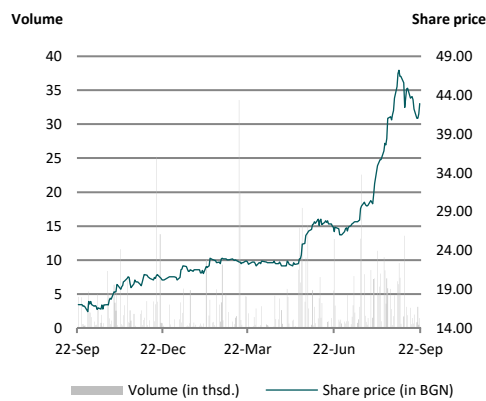
**Upside potential:** +35 percent

**Share data**

Share price	42.90 BGN
Number of shares (in m)	18.00
Market cap. (in BGN m)	772.2
Enterprise Value (in BGN m)	736.0
Code	BUL:SLYG
ISIN	BG1100003166

**Performance**

52 week-high (in BGN)	47.80
52 week-low (in BGN)	15.80
3 M relative to CDAX	+61.9%
6 M relative to CDAX	+92.6%



Source: Capital IQ

**Shareholder**

Free float	35.0%
Dimitar Dimitrov	32.5%
Svetlin Todorov	32.5%

**Calendar**

Q3 Report 13. November 2023

**Changes in estimates**

	2023e	2024e	2025e
Sales (old)	140.8	204.0	290.7
Δ in %	-	-	-
EBIT (old)	33.2	50.0	72.7
Δ in %	-	-	-
EPS (old)	1.53	2.27	3.27
Δ in %	-	-	-

**Analyst**

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**Publication**

Comment 25. September 2023

**Basic agreement with Vodafone underlines quality of the products and attractiveness of the business area for professional users**

Shelly Group today has released an announcement concerning the company’s extensive partnership with Vodafone. In detail, the provider of smart home solutions will equip the transmitter masts operated by Vodafone’s subsidiary with Shelly Pro 3EM devices to measure energy consumption in real time. Shelly has other prestigious B2B customers but the announced partnership with Vodafone is likely to be the company’s largest individual order so far. We also believe that the project-related collaboration underlines the outstanding quality. It gives us confidence regarding the promising expansion of the professional B2B business. It also illustrates the potential with major customers, which we mainly see in Shelly’s new components business (OEM).

Based on the basic agreement with Vodafone Procurement Company (VPC), which is responsible for the worldwide procurement of the entire group, Shelly will initially equip Vodafone’s existing sites in Africa. This includes 20 countries in which subsidiary Vodacom directly operates as well as 40 partner networks of the company on the continent. Shelly’s Pro 3EM will allow Vodacom to measure and monitor energy consumption at its sites by collecting real-time data on a centralized platform. According to the announcement, the activities in Africa are only seen as a first step in a potential global roll-out made possible by the purchase through a central procurement database of VPC. Although the announcement did not give any details on the financial scope of the collaboration, this first agreement is expected to already have a significant volume according to our rough calculations. Some 200,000 transmitter masts are likely to be in service on the African continent at present. With an estimated market share of c. 20–25% (MONE) at Vodacom over the entire continent – with a market share of over 50% in some individual market such as South Africa – and an estimated sales price of c. EUR 100 per unit, the volume of this agreement should add up to EUR 4–5m, which will only materialize over time though. That said, the implication for the efficiency of the products and the company’s skills to sign ground-breaking collaborations with global organizations such as Vodafone is more important than the positive sales and earnings effect in our view. We believe it underlines the potential of the still comparatively underdeveloped B2B business of the Shelly Group (sales share of some 15%) and the new components business (chips + OS from Shelly). The latter will also include other products but has a comparable sales structure.

**Conclusion:** Admittedly, the order has a quite remarkable size already according to our calculations. However, the signaling effect is even more significant in our view and illustrates the high attractiveness of Shelly as a partner for major B2B customers. We therefore reiterate our buy rating and the price target of BGN 58.00.

FYend: 31.12.	2021	2022	2023e	2024e	2025e
Sales	59.5	93.2	140.8	204.0	290.7
Growth yoy	28.4%	56.7%	51.0%	44.9%	42.5%
EBITDA	19.8	21.3	36.3	54.9	81.4
EBIT	18.7	20.4	33.2	50.0	72.7
Net income	16.0	17.4	27.5	40.9	58.8
Gross profit margin	55.1%	50.2%	49.0%	48.0%	47.0%
EBITDA margin	33.2%	22.9%	25.8%	26.9%	28.0%
EBIT margin	31.4%	21.9%	23.6%	24.5%	25.0%
Net Debt	-28.0	-24.0	-27.2	-42.9	-67.7
Net Debt/EBITDA	-1.4	-1.1	-0.7	-0.8	-0.8
ROCE	51.5%	44.1%	51.1%	58.8%	67.4%
EPS	0.89	0.97	1.53	2.27	3.27
FCF per share	0.36	-0.12	0.63	1.17	1.84
Dividend	0.20	0.23	0.31	0.45	0.65
Dividend yield	0.5%	0.5%	0.7%	1.0%	1.5%
EV/Sales	12.4	7.9	5.2	3.6	2.5
EV/EBITDA	37.2	34.5	20.3	13.4	9.0
EV/EBIT	39.3	36.1	22.1	14.7	10.1
PER	48.2	44.2	28.0	18.9	13.1
P/B	11.8	9.8	7.5	5.6	4.1

Source: Company data, Montega, Capital IQ

Figures in BGN m, EPS in BGN / 1 BGN = 0.51129 Euro, Price: 42.90 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>Code</b>	SLYG	<b>Revenue</b>	93.2 BGN m/ 47.7 EUR m
<b>Sector</b>	Technology	<b>EBIT</b>	20.2 BGN m/ 10.4 EUR m
<b>Employees</b>	160	<b>EBIT margin</b>	21.9%
<b>Core Competence</b>	Development, production as well as marketing of high-quality IoT products, especially in the field of Smart Home		
<b>öLocations</b>	Headquarters Sofia (Bulgaria), other locations are in Munich (Germany) and Las Vegas (USA)		
<b>Regions</b>	DACH (35%), Southern Europe (25%), Northern Europe (14%), Rest of Europe (14%), RoW (12%)		

Source: Company data

Status: 31.12.2022

### 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 2022), 45% of which are working in the technology area, 20% in sales & support, 15% in logistics and 20% in the remaining areas.



Source: Company Data

### Major events in the company's history

- 2003** Foundation of Teracom 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
- 2019** 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
- 2021** 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.

#### Selection of smart home products from the shelly brand



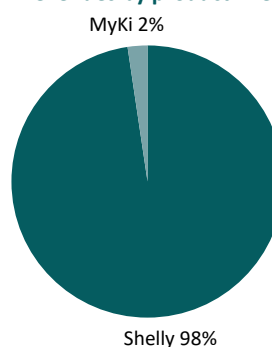
Source: Company data

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).

#### Revenues by product line



Source: Company data

#### Smartwatch- und tracking products



Source: Company data

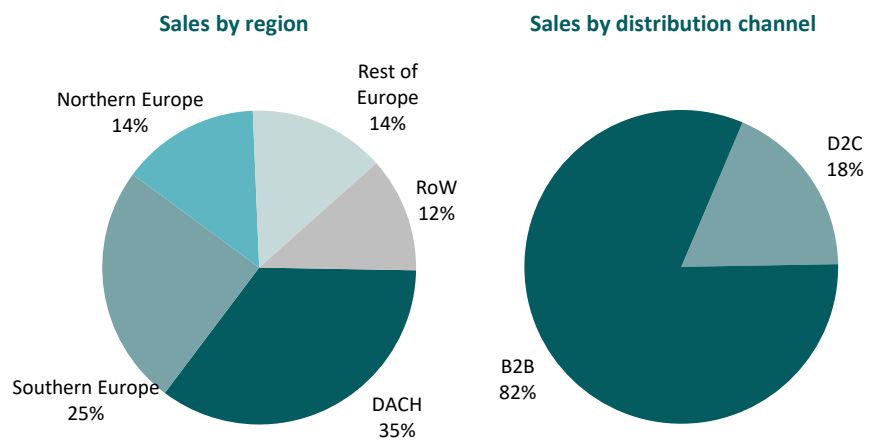
Smartwatch and tracking products of the **MyKi** brand play a subordinate role in our view (revenue share: < 5%). The product portfolio is composed of **smartwatches** specifically designed for children. Primarily, these are watches equipped with a nano sim card and different localization technologies (Wi-Fi, GPS, AGPS, LBS) so that parents can locate and call their children at any time. Children, in turn, can call contacts that were defined by their parents. The **tracking device spot** is another MyKi product. It enables tracking of baggage or pets, for instance, with the help of a micro sim card and the localization technologies above. Additionally, an SOS function (panic button) is programmable here as well.

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 2022 Annual Report is based on a regional segment analysis as primary segment.

Shelly Group generates the largest portion of revenues in the DACH region (35%) and in South Europe (25%). The North European market ranks third with only 14% but the company wants to expand this share over the next few years. The rest of Europe and the rest of the world (RoW) account for another 14% and 12% respectively. The company still sees significant growth potential in all the regions. There are currently no regional sales teams except for the DACH region. It is planned to establish teams in the European core regions over the next few quarters. The North American market is a key growth region in the RoW sector, which has hardly been developed so far. According to the company, inorganic growth may also be an option here to accelerate the development of the market.



Source: Company data

Just under 20% of the products are currently distributed through the Shelly and MyKi 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.

**ESG objectives of the Shelly Group**

Ecological	Social	Governance
<p><i>Developing a sustainable future</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><i>Connecting communities across the globe</i></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><i>Guiding the industry through early adoption</i></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.



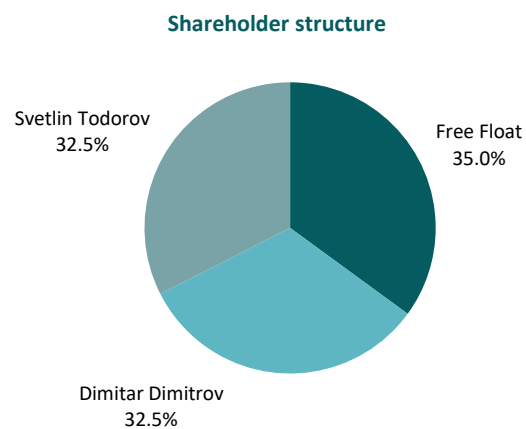
**Dimitar Dimitrov** is the founder, CEO of the Bulgarian holding company, and one of the biggest individual shareholders with a stake of some 33%. In addition to administrative topics at group level, Mr. Dimitrov is primarily responsible for R&D. Mr. Dimitrov had already established other IT companies 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 33% each. The stakes of the other shareholders are below the 3% threshold and are therefore included in the free float (35%).



Source: Company data

## APPENDIX

## DCF Modell

Figures in m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Terminal Value
<b>Sales</b>	<b>140.8</b>	<b>204.0</b>	<b>290.7</b>	<b>409.9</b>	<b>491.9</b>	<b>565.7</b>	<b>622.3</b>	<b>637.8</b>
<i>Change yoy</i>	<i>51.0%</i>	<i>44.9%</i>	<i>42.5%</i>	<i>41.0%</i>	<i>20.0%</i>	<i>15.0%</i>	<i>10.0%</i>	<i>2.5%</i>
<b>EBIT</b>	<b>33.2</b>	<b>50.0</b>	<b>72.7</b>	<b>102.5</b>	<b>123.0</b>	<b>132.9</b>	<b>136.9</b>	<b>127.6</b>
<i>EBIT margin</i>	<i>23.6%</i>	<i>24.5%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>23.5%</i>	<i>22.0%</i>	<i>20.0%</i>
<b>NOPAT</b>	<b>27.6</b>	<b>41.0</b>	<b>58.9</b>	<b>82.0</b>	<b>98.4</b>	<b>106.4</b>	<b>109.5</b>	<b>104.6</b>
<b>Depreciation</b>	<b>3.1</b>	<b>4.9</b>	<b>8.7</b>	<b>14.8</b>	<b>14.8</b>	<b>15.3</b>	<b>15.1</b>	<b>15.5</b>
<i>in % of Sales</i>	<i>2.2%</i>	<i>2.4%</i>	<i>3.0%</i>	<i>3.6%</i>	<i>3.0%</i>	<i>2.7%</i>	<i>2.4%</i>	<i>2.4%</i>
<b>Change in Liquidity from</b>								
- Working Capital	-16.0	-20.0	-27.8	-44.2	-10.0	-18.7	-5.7	-1.5
- Capex	-3.2	-4.7	-6.7	-7.4	-19.7	-17.0	-15.6	-15.9
<i>Capex in % of Sales</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>1.8%</i>	<i>4.0%</i>	<i>3.0%</i>	<i>2.5%</i>	<i>2.5%</i>
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow (WACC model)</b>	<b>11.4</b>	<b>21.2</b>	<b>33.1</b>	<b>45.2</b>	<b>83.7</b>	<b>86.3</b>	<b>103.7</b>	<b>102.7</b>
<b>WACC</b>	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Present value	11.4	19.3	27.5	34.3	57.9	54.4	59.7	754.5
<b>Total present value</b>	<b>11.4</b>	<b>30.8</b>	<b>58.3</b>	<b>92.5</b>	<b>150.5</b>	<b>204.9</b>	<b>264.6</b>	<b>1019.0</b>

## Valuation

Total present value (Tpv)	1,019.0
Terminal Value	754.5
Share of TV on Tpv	74%
Liabilities	4.1
Liquidity	28.2
<b>Equity value</b>	<b>1,043.1</b>

Number of shares (mln)	18.00
<b>Value per share (BGN)</b>	<b>57.95</b>
<b>+Upside / -Downside</b>	<b>35%</b>
Share price	42.90

## Model parameter

Debt ratio	25.0%
Costs of Debt	7.0%
Market return	9.0%
Risk free rate	2.50%

Beta	1.30
WACC	9.6%
Terminal Growth	2.5%

Source: Montega

## Growth: sales and margin

Short term: Sales growth	2023-2026	42.7%
Mid term: Sales growth	2023-2029	28.1%
Long term: Sales growth	from 2030	2.5%
Short term: Margin growth	2023-2026	24.5%
Mid term: Margin growth	2023-2029	24.1%
Long term: Margin growth	from 2030	20.0%

## Sensitivity Value per Share (Low)

## Terminal Growth

WACC	1.75%	2.25%	2.50%	2.75%	3.25%
10.15%	50.33	52.52	53.72	55.01	57.85
9.90%	52.10	54.46	55.76	57.16	60.26
<b>9.65%</b>	<b>53.97</b>	<b>56.54</b>	<b>57.95</b>	<b>59.47</b>	<b>62.87</b>
9.40%	55.98	58.76	60.30	61.96	65.69
9.15%	58.12	61.15	62.84	64.66	68.75

## Sensitivity Value per Share (Low)

## EBIT margin from 2023e

WACC	19.50%	19.75%	20.00%	20.25%	20.50%
10.15%	52.76	53.24	53.72	54.21	54.69
9.90%	54.75	55.26	55.76	56.27	56.78
<b>9.65%</b>	<b>56.89</b>	<b>57.42</b>	<b>57.95</b>	<b>58.49</b>	<b>59.02</b>
9.40%	59.18	59.74	60.30	60.87	61.43
9.15%	61.65	62.24	62.84	63.43	64.02

P&L (in Lew m) Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>46.3</b>	<b>59.5</b>	<b>93.2</b>	<b>140.8</b>	<b>204.0</b>	<b>290.7</b>
Cost of sales	24.6	26.7	46.4	71.8	106.1	154.1
<b>Gross profit</b>	<b>21.7</b>	<b>32.8</b>	<b>46.8</b>	<b>69.0</b>	<b>97.9</b>	<b>136.6</b>
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Sales and marketing	0.5	2.7	3.9	6.3	9.2	14.5
General and administration	8.7	12.2	20.5	28.9	38.8	49.4
Other operating expenses	1.1	0.7	2.8	2.0	2.0	2.9
Other operating income	1.0	1.5	0.9	1.4	2.0	2.9
<b>EBITDA</b>	<b>13.4</b>	<b>19.8</b>	<b>21.3</b>	<b>36.3</b>	<b>54.9</b>	<b>81.4</b>
Depreciation on fixed assets	0.6	0.5	0.3	1.4	2.4	4.4
<b>EBITA</b>	<b>12.8</b>	<b>19.2</b>	<b>21.0</b>	<b>34.9</b>	<b>52.4</b>	<b>77.0</b>
Amortisation of intangible assets	0.5	0.5	0.6	1.7	2.4	4.4
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>12.4</b>	<b>18.7</b>	<b>20.4</b>	<b>33.2</b>	<b>50.0</b>	<b>72.7</b>
Financial result	2.6	0.0	-0.2	-0.1	-0.1	-0.1
<b>Result from ordinary operations</b>	<b>14.9</b>	<b>18.7</b>	<b>20.2</b>	<b>33.2</b>	<b>49.9</b>	<b>72.6</b>
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>14.9</b>	<b>18.7</b>	<b>20.2</b>	<b>33.2</b>	<b>49.9</b>	<b>72.6</b>
Taxes	1.5	2.8	2.8	5.6	9.0	13.8
Net Profit of continued operations	13.4	16.0	17.4	27.5	40.9	58.8
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit before minorities</b>	<b>13.4</b>	<b>16.0</b>	<b>17.4</b>	<b>27.5</b>	<b>40.9</b>	<b>58.8</b>
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>13.4</b>	<b>16.0</b>	<b>17.4</b>	<b>27.5</b>	<b>40.9</b>	<b>58.8</b>

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

P&L (in % of Sales) Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
<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	53.2%	44.9%	49.8%	51.0%	52.0%	53.0%
<b>Gross profit</b>	<b>46.8%</b>	<b>55.1%</b>	<b>50.2%</b>	<b>49.0%</b>	<b>48.0%</b>	<b>47.0%</b>
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales and marketing	1.2%	4.5%	4.2%	4.5%	4.5%	5.0%
General and administration	18.8%	20.5%	22.0%	20.5%	19.0%	17.0%
Other operating expenses	2.4%	1.2%	3.1%	1.4%	1.0%	1.0%
Other operating income	2.2%	2.5%	0.9%	1.0%	1.0%	1.0%
<b>EBITDA</b>	<b>28.9%</b>	<b>33.2%</b>	<b>22.9%</b>	<b>25.8%</b>	<b>26.9%</b>	<b>28.0%</b>
Depreciation on fixed assets	1.2%	0.9%	0.4%	1.0%	1.2%	1.5%
<b>EBITA</b>	<b>27.7%</b>	<b>32.3%</b>	<b>22.5%</b>	<b>24.8%</b>	<b>25.7%</b>	<b>26.5%</b>
Amortisation of intangible assets	1.1%	0.9%	0.7%	1.2%	1.2%	1.5%
Impairment charges and Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>26.7%</b>	<b>31.4%</b>	<b>21.9%</b>	<b>23.6%</b>	<b>24.5%</b>	<b>25.0%</b>
Financial result	5.6%	0.0%	-0.2%	0.0%	0.0%	0.0%
<b>Result from ordinary operations</b>	<b>32.3%</b>	<b>31.5%</b>	<b>21.7%</b>	<b>23.6%</b>	<b>24.5%</b>	<b>25.0%</b>
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBT</b>	<b>32.3%</b>	<b>31.5%</b>	<b>21.7%</b>	<b>23.6%</b>	<b>24.5%</b>	<b>25.0%</b>
Taxes	3.3%	4.6%	3.0%	4.0%	4.4%	4.7%
Net Profit of continued operations	29.0%	26.8%	18.7%	19.5%	20.1%	20.2%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit before minorities</b>	<b>29.0%</b>	<b>26.8%</b>	<b>18.7%</b>	<b>19.5%</b>	<b>20.1%</b>	<b>20.2%</b>
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit</b>	<b>29.0%</b>	<b>26.8%</b>	<b>18.7%</b>	<b>19.5%</b>	<b>20.1%</b>	<b>20.2%</b>

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

Balance sheet (in Lew m) Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
<b>ASSETS</b>						
Intangible assets	6.4	3.4	4.7	9.8	11.4	12.8
Property, plant & equipment	5.1	4.8	4.7	3.7	1.8	-1.7
Financial assets	6.6	2.7	1.2	1.2	1.2	1.2
<b>Fixed assets</b>	<b>18.1</b>	<b>10.9</b>	<b>10.5</b>	<b>14.6</b>	<b>14.4</b>	<b>12.3</b>
Inventories	3.7	7.6	23.0	28.2	34.0	41.5
Accounts receivable	13.9	19.2	22.7	34.7	50.3	71.7
Liquid assets	26.1	30.5	28.2	31.3	47.0	71.9
Other assets	3.9	4.3	4.5	4.5	4.5	4.5
<b>Current assets</b>	<b>47.6</b>	<b>61.5</b>	<b>78.3</b>	<b>98.7</b>	<b>135.7</b>	<b>189.5</b>
<b>Total assets</b>	<b>65.6</b>	<b>72.4</b>	<b>88.8</b>	<b>113.3</b>	<b>150.1</b>	<b>201.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Shareholders' equity</b>	<b>57.1</b>	<b>65.6</b>	<b>79.0</b>	<b>102.3</b>	<b>137.7</b>	<b>188.4</b>
<b>Minority Interest</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Provisions	1.2	0.0	2.0	2.0	2.0	2.0
Financial liabilities	3.0	2.6	2.2	2.2	2.2	2.2
Accounts payable	1.5	1.5	1.9	3.1	4.5	5.6
Other liabilities	3.0	2.8	3.8	3.8	3.8	3.8
<b>Liabilities</b>	<b>8.8</b>	<b>6.8</b>	<b>9.8</b>	<b>11.0</b>	<b>12.4</b>	<b>13.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>65.6</b>	<b>72.4</b>	<b>88.8</b>	<b>113.3</b>	<b>150.1</b>	<b>201.9</b>

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

Balance sheet (in %) Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
<b>ASSETS</b>						
Intangible assets	9.8%	4.7%	5.3%	8.6%	7.6%	6.4%
Property, plant & equipment	7.7%	6.6%	5.2%	3.2%	1.2%	-0.8%
Financial assets	10.0%	3.7%	1.3%	1.0%	0.8%	0.6%
<b>Fixed assets</b>	<b>27.5%</b>	<b>15.0%</b>	<b>11.8%</b>	<b>12.9%</b>	<b>9.6%</b>	<b>6.1%</b>
Inventories	5.6%	10.4%	25.9%	24.9%	22.7%	20.6%
Accounts receivable	21.3%	26.5%	25.5%	30.6%	33.5%	35.5%
Liquid assets	39.7%	42.2%	31.7%	27.7%	31.3%	35.6%
Other assets	6.0%	5.9%	5.0%	3.9%	3.0%	2.2%
<b>Current assets</b>	<b>72.5%</b>	<b>85.0%</b>	<b>88.2%</b>	<b>87.1%</b>	<b>90.4%</b>	<b>93.9%</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>87.1%</b>	<b>90.6%</b>	<b>89.0%</b>	<b>90.3%</b>	<b>91.8%</b>	<b>93.3%</b>
<b>Minority Interest</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Provisions	1.8%	0.0%	2.2%	1.7%	1.3%	1.0%
Financial liabilities	4.6%	3.6%	2.4%	1.9%	1.4%	1.1%
Accounts payable	2.4%	2.1%	2.1%	2.7%	3.0%	2.8%
Other liabilities	4.6%	3.8%	4.3%	3.3%	2.5%	1.9%
<b>Liabilities</b>	<b>13.4%</b>	<b>9.4%</b>	<b>11.0%</b>	<b>9.7%</b>	<b>8.2%</b>	<b>6.7%</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)

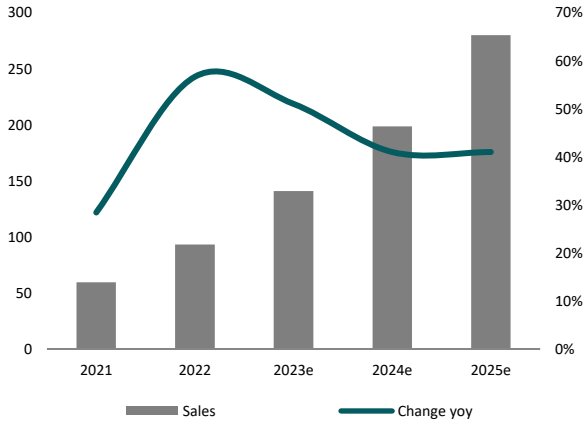
Statement of cash flows (in Lew m) Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
Net income	13.4	16.0	17.4	27.5	40.9	58.8
Depreciation of fixed assets	0.6	0.5	0.3	1.4	2.4	4.4
Amortisation of intangible assets	0.5	0.5	0.6	1.7	2.4	4.4
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash related payments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow</b>	<b>14.5</b>	<b>17.0</b>	<b>18.4</b>	<b>30.6</b>	<b>45.8</b>	<b>67.5</b>
Increase / decrease in working capital	-10.4	-8.9	-18.2	-16.0	-20.0	-27.8
<b>Cash flow from operating activities</b>	<b>4.1</b>	<b>8.1</b>	<b>0.2</b>	<b>14.6</b>	<b>25.8</b>	<b>39.7</b>
CAPEX	-2.9	-1.6	-2.3	-3.2	-4.7	-6.7
Other	4.8	2.1	2.8	-4.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>1.9</b>	<b>0.5</b>	<b>0.5</b>	<b>-7.2</b>	<b>-4.7</b>	<b>-6.7</b>
Dividends paid	-0.2	-3.4	-1.7	-4.2	-5.5	-8.2
Change in financial liabilities	0.1	-0.5	-0.6	0.0	0.0	0.0
Other	9.3	-0.2	-0.9	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>9.2</b>	<b>-4.1</b>	<b>-3.2</b>	<b>-4.2</b>	<b>-5.5</b>	<b>-8.2</b>
Effects of exchange rate changes on cash	0.0	0.0	0.2	0.0	0.0	0.0
<b>Change in liquid funds</b>	<b>15.2</b>	<b>4.5</b>	<b>-2.6</b>	<b>3.2</b>	<b>15.6</b>	<b>24.9</b>
<b>Liquid assets at end of period</b>	<b>26.1</b>	<b>30.5</b>	<b>28.1</b>	<b>31.3</b>	<b>47.0</b>	<b>71.9</b>

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

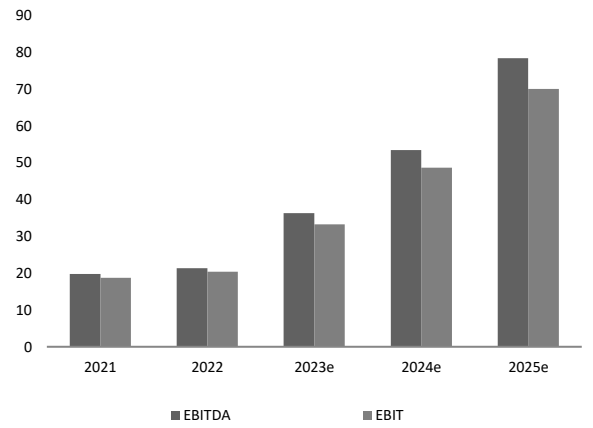
Key figures Shelly Group AD	2020	2021	2022	2023e	2024e	2025e
<b>Earnings margins</b>						
Gross margin (%)	46.8%	55.1%	50.2%	49.0%	48.0%	47.0%
EBITDA margin (%)	28.9%	33.2%	22.9%	25.8%	26.9%	28.0%
EBIT margin (%)	26.7%	31.4%	21.9%	23.6%	24.5%	25.0%
EBT margin (%)	32.3%	31.5%	21.7%	23.6%	24.5%	25.0%
Net income margin (%)	29.0%	26.8%	18.7%	19.5%	20.1%	20.2%
<b>Return on capital</b>						
ROCE (%)	43.0%	51.5%	44.1%	51.1%	58.8%	67.4%
ROE (%)	44.3%	28.1%	26.6%	34.8%	40.0%	42.7%
ROA (%)	20.5%	22.0%	19.6%	24.3%	27.3%	29.1%
<b>Solvency</b>						
YE net debt (in EUR)	-21.9	-28.0	-24.0	-27.2	-42.9	-67.7
Net debt / EBITDA	-1.6	-1.4	-1.1	-0.7	-0.8	-0.8
Net gearing (Net debt/equity)	-0.4	-0.4	-0.3	-0.3	-0.3	-0.4
<b>Cash Flow</b>						
Free cash flow (EUR m)	1.2	6.5	-2.1	11.4	21.1	33.1
Capex / sales (%)	6%	3%	2%	2%	2%	2%
Working capital / sales (%)	26%	36%	38%	37%	34%	32%
<b>Valuation</b>						
EV/Sales	15.9	12.4	7.9	5.2	3.6	2.5
EV/EBITDA	54.9	37.2	34.5	20.3	13.4	9.0
EV/EBIT	59.6	39.3	36.1	22.1	14.7	10.1
EV/FCF	614.6	112.5	-	64.7	34.8	22.3
PE	47.7	48.2	44.2	28.0	18.9	13.1
KBV	13.5	11.8	9.8	7.5	5.6	4.1
Dividend yield	0.2%	0.5%	0.5%	0.7%	1.1%	1.5%

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

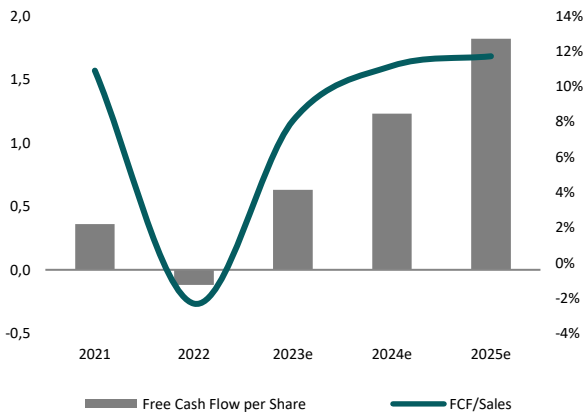
Sales development



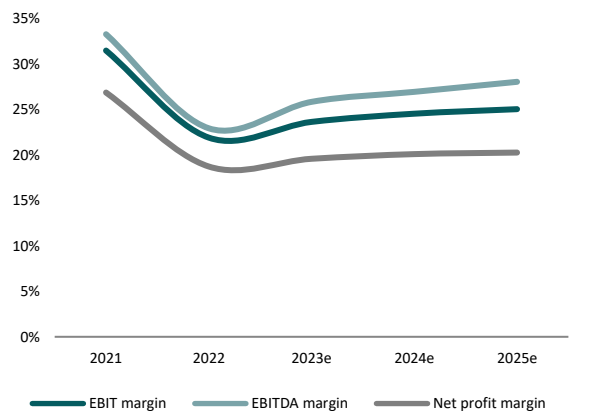
Earnings development



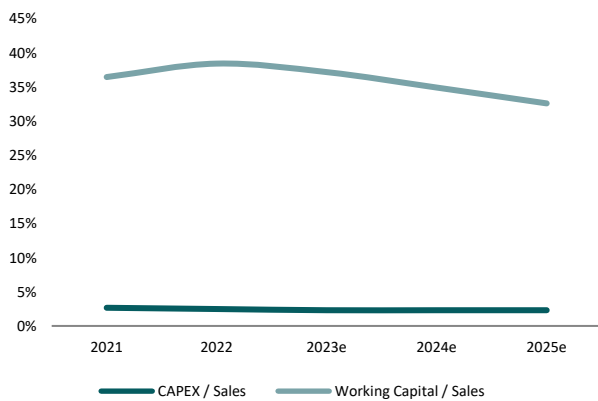
Free Cash Flow development



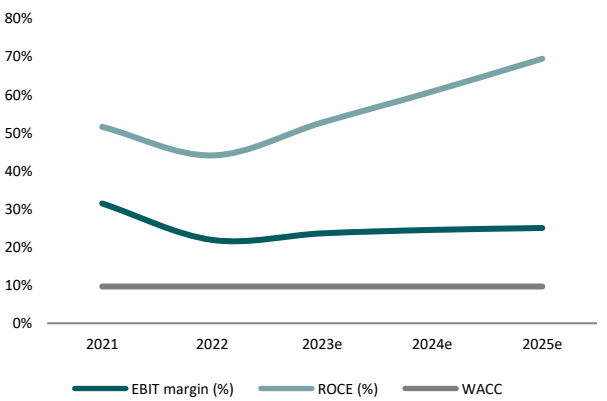
Margin development



CAPEX / Working Capital



EBIT-Yield / ROCE



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**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.

### Authority responsible for supervision:

Bundesanstalt für Finanzdienstleistungsaufsicht  
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## Share price and recommendation 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%