

Opinion	Buy
Upside (%)	51.5
Price (BGN)	22.8
Target Price (BGN)	34.6
Bloomberg Code	A4L BU
Market Cap (BGNM)	409
Enterprise Value (BGNM)	349
Momentum	STRONG
Fundamental Strength	7/10
Sustainability	4/10

Analyst : Mickael Daponte

EquitySales@baaderbank.de

Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200
New York	+1 212 935 5150



Allterco JSco

A Smart growth story

PROS

- Economic robustness resulting from the positive cash position, which may prevent a reliance on bank credit in the future.
- Advantages over Western competitors because of the cost structure in Bulgaria
- Open system architecture (easily adaptable products) which are attractive to customers for their ease of use

CONS

- Outsourcers based in China, with a risk of dependency.
- Supply chain disturbances: “the company has substantially increased its stock levels of critical components such as chips to guarantee supply reliability (WC ratio 36% in 2021 vs. 26% in 2020)”
- Highly competitive market, with well-known, established names as competitors (Amazon, Apple, etc), and low technical barriers to entry

KEY DATA	12/20A	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	3.79	24.0	18.3	14.5	10.0
Dividend yield (%)	0.59	1.23	1.05	0.88	0.88
EV/EBITDA(R) (x)	3.29	13.8	15.1	10.8	6.77
Adjusted EPS (BGN)	1.12	0.67	1.04	1.58	2.27
Growth in EPS (%)	35.2	-39.7	54.2	51.7	44.2
Dividend (BGN)	0.03	0.20	0.20	0.20	0.20
Sales (BGNM)	46.3	59.5	92.9	140	185
EBIT margin (%)	34.1	31.9	23.0	22.8	25.1
Attributable net profit (BGNM)	11.7	16.0	18.8	27.5	40.0
ROE (after tax) (%)	26.9	26.0	25.6	29.4	32.4
Gearing (%)	-26.8	-38.7	-26.3	-35.5	-53.6

Allterco JSCO (Buy)

Detailed financials at the end of this report

Key Ratios

		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	x	24.0	18.3	14.5	10.0
EV/EBITDA	x	13.8	15.1	10.8	6.77
P/Book	x	4.45	4.20	3.88	2.89
Dividend yield	%	1.23	1.05	0.88	0.88
Free Cash Flow Yield	%	2.26	-3.82	13.2	8.60
ROE (after tax)	%	26.0	25.6	29.4	32.4
ROCE	%	37.3	23.9	52.1	69.7
Net debt/EBITDA	x	-1.45	-0.70	-1.86	-1.95

Consolidated P&L

		12/21A	12/22E	12/23E	12/24E
Sales	BGNM	59.5	92.9	140	185
EBITDA	BGNM	19.1	21.6	32.3	46.9
Underlying operating profit	BGNM	19.0	21.4	31.9	46.5
Operating profit (EBIT)	BGNM	18.7	22.1	31.9	46.4
Net financial expenses	BGNM	0.02	-0.19	0.12	0.12
Pre-tax profit before exceptional items	BGNM	18.7	21.9	32.0	46.6
Corporate tax	BGNM	-2.76	-3.06	-4.48	-6.52
Attributable net profit	BGNM	16.0	18.8	27.5	40.0
Adjusted attributable net profit	BGNM	12.1	18.7	28.3	40.8

Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
Total operating cash flows	BGNM	8.13	-10.1	58.3	40.6
Capital expenditure	BGNM	-1.54	-2.79	-4.20	-5.55
Total investment flows	BGNM	0.50	0.01	-9.87	-5.55
Dividends (parent company)	BGNM	-3.44	-1.72	-3.59	-3.59
New shareholders' equity	BGNM	0.00	-0.78	0.00	0.00
Total financial flows	BGNM	-4.13	-2.87	-4.22	-3.47
Change in net debt position	BGNM	5.07	-12.8	44.9	31.6
Free cash flow (pre div.)	BGNM	6.60	-13.1	54.2	35.2

Balance Sheet

		12/21A	12/22E	12/23E	12/24E
Goodwill	BGNM	0.16	0.16	2.20	1.40
Total intangible	BGNM	3.28	4.28	9.57	10.8
Tangible fixed assets	BGNM	4.80	6.31	10.3	13.4
Right-of-use	BGNM	0.11	0.32	0.32	0.32
WCR	BGNM	27.9	56.6	26.1	25.8
Total assets (net of short term liabilities)	BGNM	39.1	68.7	47.9	52.2
Ordinary shareholders' equity (group share)	BGNM	65.6	81.5	106	141
Provisions for pensions	BGNM	0.00	0.00	0.00	0.00
Net debt / (cash)	BGNM	-27.8	-15.1	-60.0	-91.6
Total liabilities and shareholders' equity	BGNM	39.1	68.7	47.9	52.2

Per Share Data

		12/21A	12/22E	12/23E	12/24E
Adjusted EPS (bfr goodwill amort. & dil.)	BGN	0.67	1.04	1.58	2.27
Net dividend per share	BGN	0.20	0.20	0.20	0.20
Free cash flow per share	BGN	0.37	-0.73	3.02	1.96
Book value per share	BGN	3.64	4.54	5.88	7.88
Number of diluted shares (average)	Mio	18.0	18.0	18.0	18.0

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Businesses & Trends

Allterco JSCo is a Bulgarian company which designs, produces and distributes smart home and IoT solutions under the brands Shelly (smart home devices; c.95% of total revenues) and MyKi (GPS/GSM watch tracker for kids; c.5% of total). The group's products are sold via B2B channels (stores and platforms such as Amazon, Alibaba, etc.; c.82% of revenues) and D2C (on its own online shop; c.18% of revenues).

International presence

Allterco was founded and is headquartered in Bulgaria (Sofia), but it has a global presence through worldwide shipment (in over 100 markets) and international outposts in targeted geographic regions: Western Europe (Munich), Eastern Europe (Sofia), Asia (Shenzhen) and North America (Las Vegas and Boca Raton). Overall, c.88% of revenues are generated in Europe (35% in DACH) and c.12% in the rest of the world (mainly North America).

FX is not an issue in the Eurozone (see WK).

Allterco is listed for trading in Frankfurt and Sofia in both premium standards (see WK)

Shelly: the group's flagship brand

Allterco provides a wide range of connected devices under the Shelly brand, ranging from home security (motion detectors, smoke detectors, and door locks) to comfort and lighting (smart bulbs, windows and door sensors, and so on) and energy management (heating thermostats, humidity measuring devices, etc.), i.e. all types of smart home products except smart appliances (smart refrigerators, etc.) and home entertainment (music systems, etc.). These smart home products can be controlled remotely by mobile apps, PCs, or home automation (smart plugs or smart speakers). They are also compatible with all voice assistants in the market (Amazon Alexa, Google Home, etc).

The Shelly plus 1, Allterco's flagship product, is a 16A Wi-Fi switch actuator that delivers improved smart home control. It automates lighting and smartens any switch model; it can be controlled by any smartphone or by voice assistant. Garage doors and irrigation systems are among the numerous connected objects it can control, and all of them can be remotely controlled, saving the user time and money. With the Shelly 1, old household devices may be turned smart, avoiding the cost of upgrades or the purchase of brand-new appliances.

Another differentiating product is the Shelly pro relay, which is aimed at professional installers in new houses to make them fully smart. It has received UL certification for the US and Canada. The use by professionals could bring an additional source of income and notably notoriety to the brand.

Overall, relays are Shelly's most popular products and post the highest margins.

MyKi: the next crown jewel?

Allterco's MyKi brand sells smart watches (Myki Watch 4, Myki Watch 4 LITE and Myki junior), trackers (Myki Spot and Myki Auto) and healthcare monitors (Myki Care and Myki Oximeter), through a network of more than 30 partners in

over 20 countries. All these products are interactive through the MyKi app, which is available in all application stores (App Store, Play Store, etc.).

This brand could become Allterco's crown jewel in the coming years, given that the global smartwatch market is estimated at c.€56bn in 2022 and should reach c.€79bn by 2027 (i.e. a CAGR of 6.9% for FY22-27; source: Vantage Market Research). Allterco could either invest more on MyKi products or sell this division to one of the market's major competitors (Fitbit, Garmin, Huawei), and possibly decide to focus solely on the Shelly brand and allocate more R&D resources to it.

Market trends

The global smart home market is estimated to be worth €105bn in 2022 and should grow at a CAGR of c.12% in 2022-27e, culminating in a projected market volume of €190bn by 2027. The number of active smart home households is expected to reach 672 million at this point, with a household penetration of 29% (up from 14% in 2022). Geographically, the US generates the most revenue (c.€30bn in 2022), followed by China, the UK, Japan and Germany – Allterco being present in most of these markets. By type of product, smart appliances generate the most revenue, followed by control and connectivity, security, home entertainment, comfort and lighting, and lastly energy management (source: Statista).

A highly seasonal business model

Allterco's business model is seasonal with the fourth quarter being up to twice as strong as the other quarters. This seasonality is explained by the promotions implemented by its partners, such as Amazon and Alibaba, from Black Friday to Christmas. In FY22, Black Friday accounted for 14% (€6.8m) of total revenues, with 500k devices sold.

Competitive landscape

The smart home market is highly competitive, with a low barrier to entry and a plethora of advanced, well-established competitors. The market players can be divided into two categories:

- 1/ Companies solely focused on smart home products (such as Fibaro, Sonoff, Roku, Canary, Control4, August Home, Fitbit, HomeSeer, and others), i.e. direct competitors;
- 2/ Global players with smart home products within their product portfolio (such as Amazon, Google, Haier, ABB, Legrand, Siemens, etc.).

Despite the large number of competitors, Allterco has a few advantages versus the competition:

- 1/ The quality/price ratio: Allterco's prices place them in a favorable position on this criterion. They are 10% to 20% more expensive than Chinese competitors but more than 50% cheaper than the sector's leading brands (Siemens, ABB, Gira, Legrand, and so on) – making them appealing to customers looking for high-quality European products at a reasonable price. More details are provided in the section below ("Allterco's pricing vs. competitors").

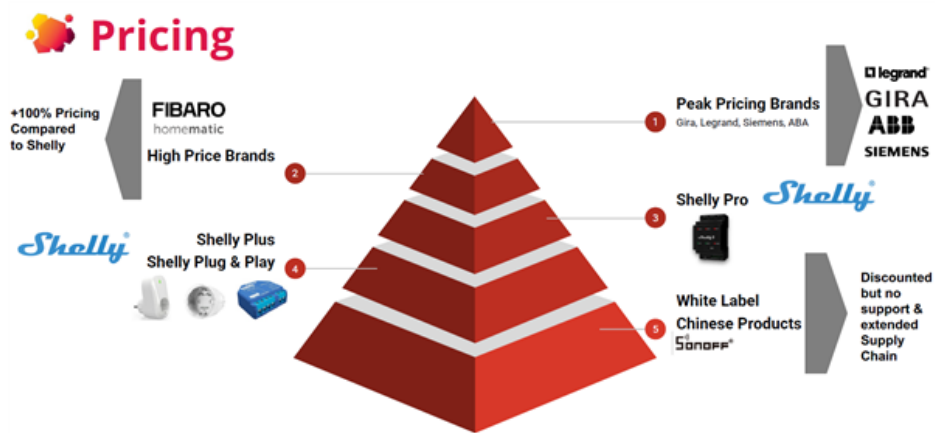
- 2/ Ease of installation and use: Allterco claims that its products are easier to use and operate than most competitors, especially for individuals who are not familiar with this type of product such as elderly people.

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3/ Huge connectivity: Allterco’s connected devices do not necessitate any central control in the home, nor do they necessitate a significant financial investment to make the home suitable for their products. Furthermore, because Allterco’s products are compatible with any voice assistant, competitors in plug-and-play products (i.e. ecosystem providers such as Amazon’s Alexa, Google Home, and others) expand the end-market.

The group claims that these competitive advantages enable it to outpace competitors’ and the overall market’s growth, and that the smallest competitors are lagging technologically, especially in terms of installed chips, while global competitors lack flexibility and speed.

Allterco’s pricing vs. competitors



Source: Allterco presentation November 2022

Expansion strategy

Allterco’s strategy is based on:

- 1/ Continuing to support B2B (81% as of the Q3 2022) revenue growth by strengthening its local sales teams in the most dynamic regions (such as DACH);
- 2/ Increasing the appeal of its own website (first and foremost by setting it up in the local language depending on the country) since D2C sales are more profitable (Online only accounts for 18% of total sales currently);
- 3/ Expanding the product portfolio, R&D capacity and gaining access to new technologies and/or markets via acquisitions (Qubino, adding to Wi-Fi expertise, 60% owned since January 23).

Divisional Breakdown Of Revenues

Sector	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					BGNM	of % total	BGNM	of % total
Total sales	59.5	92.9	140	185	33 ↑	100%	47 ↑	100%
Production	Telecom Equipt.	0.11	0.17	0.25	0.34	0 ↑	0 ↑	0 ↑
Goods	Telecom Equipt.	58.7	91.7	138	182	33 ↑	99%	46 ↑
Services and rents	Telecom Equipt.	0.68	1.06	1.59	2.11	0 ↑	1 ↑	1 ↑
Other								

Allterco JSCO (Buy)**Key Exposures**

	Revenues	Costs	Equity
Dollar	10.0%	30.0%	0.0%
Emerging currencies	30.0%	30.0%	30.0%
Long-term global warming	0.0%	0.0%	0.0%
Renminbi	5.0%	70.0%	0.0%

Sales By Geography

Europe	88.0%
Of which DACH (Germany + Austria + Switzerland)	35.0%
Of which Southern Europe	25.0%
Of which Northern Europe	14.0%
Other	12.0%

We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling. In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Unlike most companies of its size, Allterco has been profitable for over 20 years (not one year with a negative EBIT since 2003) and has been friendly to shareholders (dividend of BGN 0.20 per share in FY21). The company makes a profit by selling goods that are developed in-house but whose production is outsourced (made in China), with in-house production, services, and rents accounting for only 2% of total revenues.

Allterco's two well-known brands, Shelly and Myki, generate gross margins of c.50%. The outsourcing model results in Ebit margins being close to EBITDA margins (very low depreciation). All products are sold to customers either directly through its own website (B2C) or via other stores or platforms (Amazon, etc.; B2B). As B2C is naturally more profitable than B2B (no commission), the company plans to improve its website to make it more appealing to international customers, in order to consolidate margins.

R&D-driven company

To offer such a wide range of technologically advanced products, Allterco reinvests cash either in M&A to acquire new technologies (as Qubino's WIFI technology) or in new R&D centres (as in Ireland), with over 30% of the total workforce working in this field. The typical development time for a new product is 3-6 months, which allows for new products to be released each year. This strategy is paying off, as the group achieved an EBITDA margin of 32% in the FY21. Allterco does not have direct comparables that are listed on the stock market so the comparables are all private companies (Fibaro, Tado, Sonoff, Somfy) with much lower average margins, according to the company.

An asset light business model

Allterco has an asset-light business model as it outsources manufacturing to suppliers. Its products are entirely manufactured in China but the company is considering opening a factory in Bulgaria and shifting some production to other Asian countries to reduce their reliance on Chinese production and costs. In the event of an emergency, Allterco could rely on its Italian factory (provided by the purchase of GOAP, i.e. the owner of the Qubino brand). Overall, production outsourcing combined with a low level of capex (2.6% of total sales in FY21) results in a highly cash generative business model.

Impact of the current macro-environment

Despite signs of a possible recession, Allterco raised its guidance several times in a row in 2022, as it increased its prices twice while sales volumes soared. The company anticipated supply chain bottlenecks by setting up inventories to cover 6 months of sales rather than the usual 2-3 months, which 1/ positively, enabled it to avoid stock-outs, and 2/ negatively impacted the change in WCR and, in a knock-on effect, the cash position. We expect inventory levels to remain high in FY23e due to the macro/Chinese situation.

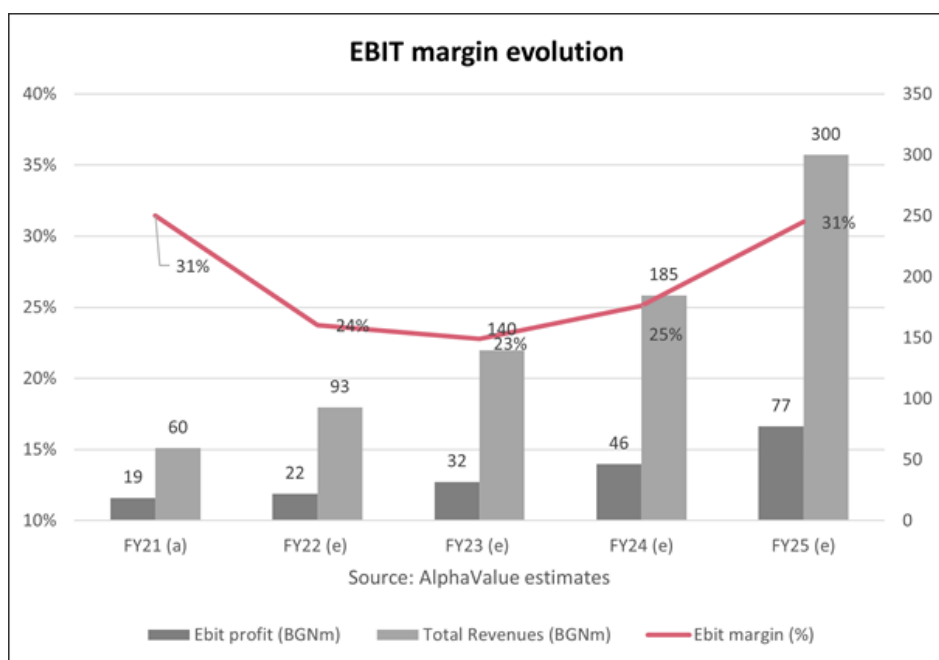
Margin evolution

As the 2020-2022 experience showed, there is value in holding long inventories. The IoT smart home market is expected to grow at a CAGR of +20% (source: Allterco presentation, November 2022). With drivers such as

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the DACH region, where 20% of new homes built are smart, consumer concern about energy consumption (environmental awareness combined with a desire to reduce costs) and strong partnerships with major players such as Amazon, we expect strong revenue growth at a CAGR of 48% per annum in FY22-FY25, while EBIT margins are expected to improve sequentially to reach 31% by FY25e.

The sudden jump in the EBIT margin is warranted, according to the management, by the completion of opex efforts in 2023-2024. We do not see these 2025 margins as sustainable over the long run due to the competitive nature of the industry.



Divisional EBIT

	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					BGNM	of % total	BGNM	of % total
Total	19.0	21.4	31.9	46.5	2 ↑	100%	11 ↑	100%
Other/cancellations	19.0	21.4	31.9	46.5	2	100%	11	100%

Divisional EBIT margin

	12/21A	12/22E	12/23E	12/24E
Total	31.9%	23.0%	22.8%	25.1%

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Valuation

DCF

The significant upside implied by our DCF valuation reflects the business model's high cash generation (see Money Making).

The company is expected to continue to outpace the market growth in the coming years (i.e. +48% CAGR for 2022-2025), thanks to its international development and new sales teams.

We apply a 15% sales growth rate, i.e. slightly above the CAGR of the global smart home market (c.12% for 22-27e), with EBITDA increasing at 14% while, over the long-term, the EBITDA margin is likely to revert to 22% (31% by FY25). We note that Allterco's EBITDA margin (24% FY22-24) is slightly above those of its peers (c.23% FY22-24).

NAV

We value the EV of the group's three brands at a multiple of their respective sales. We apply a 3x multiple to Shelly and Qubino's 2021-24e average revenues, in line with the peer average in the smart home industry, and 1.6x to Myki.

Peers

The peers we have selected are: Legrand, Garmin, ADT, Resideo Technologies, Vivint Smart Home, Alarm.com and Merry Electronics. These peers to some extent resemble Allterco's business, but tend to be much larger firms. These companies tend to be more specialised in different sectors of the IoT (Home security, Audio products, Smart watches).

Legrand is the most similar company to Allterco. We decided not to add a premium or discount to Allterco's multiples, as the growth premium is matched by a relative size weakness.

Valuation Summary

Benchmarks		Values (BGN)	Upside	Weight
DCF		58.2	155%	35%
NAV/SOTP per share		22.2	-3%	20%
EV/Ebitda	Peers	22.3	-2%	20%
P/E	Peers	34.1	50%	10%
Dividend Yield	Peers	8.79	-61%	10%
P/Book	Peers	20.1	-12%	5%
Target Price		34.6	52%	



[Calculate your Target Price](#)

Edit and modify weightings to match your valuation principles

Baader Europe powered by AlphaValue

Allterco JSCO (Buy)**Comparison based valuation**

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	18.8	8.89	3.08	2.28
Allterco JSCO's ratios	12.6	9.12	3.48	0.88
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (BGN)	34.1	22.3	20.1	8.79
Legrand	21.9	13.2	3.30	2.35
Garmin Ltd	18.0	12.0	2.94	3.27
ADT	11.0	6.42	1.98	1.72
Resideo Technologies	9.83	4.87	0.99	n/a
Vivint Smart Home	-24.6	6.58	-1.48	n/a
Alarm.com	32.8	13.8	74.0	n/a
Merry Electronics	11.9	8.21	1.36	6.63

Allterco JSCO (Buy)

DCF Valuation Per Share

WACC	%	9.15	Avg net debt (cash) at book value	BGNM	-37.5
PV of cashflow FY1-FY11	BGNM	375	Provisions	BGNM	0.00
FY11CF	BGNM	107	Unrecognised actuarial losses (gains)	BGNM	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	BGNM	0.00
Sustainability "g"	%	2.10	Minorities interests (fair value)	BGNM	0.00
Terminal value	BGNM	1,517	Equity value	BGNM	1,045
PV terminal value	BGNM	632	Number of shares	Mio	18.0
<i>PV terminal value in % of total value</i>	%	62.7	Implied equity value per share	BGN	58.2
Total PV	BGNM	1,007	Sustainability impact on DCF	%	0.85

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	100
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	4.50
Tax advantage of debt finance (normalised)	%	25.0	Company beta (leveraged)	x	1.10
Average debt maturity	Year	5	Company gearing at market value	%	-3.68
Sector asset beta	x	1.13	Company market gearing	%	-3.82
Debt beta	x	0.20	Required return on geared equity	%	8.99
Market capitalisation	BGNM	409	Cost of debt	%	3.38
Net debt (cash) at book value	BGNM	-15.1	Cost of ungeared equity	%	9.15
Net debt (cash) at market value	BGNM	-15.1	WACC	%	9.15

DCF Calculation

		12/21A	12/22E	12/23E	12/24E	Growth	12/25E	12/32E
Sales	BGNM	59.5	92.9	140	185	15.0%	213	566
EBITDA	BGNM	19.1	21.6	32.3	46.9	14.0%	53.5	134
<i>EBITDA Margin</i>	%	32.2	23.3	23.1	25.4		25.2	23.7
Change in WCR	BGNM	-12.3	-28.7	30.5	0.23	15.0%	0.26	0.70
Total operating cash flows (pre tax)	BGNM	10.9	-7.02	62.7	47.2		53.8	135
Corporate tax	BGNM	-2.76	-3.06	-4.48	-6.52	10.0%	-7.17	-14.0
Net tax shield	BGNM	0.00	-0.05	0.03	0.03	10.0%	0.03	0.06
Capital expenditure	BGNM	-1.54	-2.79	-4.20	-5.55	14.0%	-6.32	-15.8
<i>Capex/Sales</i>	%	-2.59	-3.00	-3.00	-3.00		-2.97	-2.80
Pre financing costs FCF (for DCF purposes)	BGNM	6.59	-12.9	54.1	35.1		40.3	105
Various add backs (incl. R&D, etc.) for DCF purposes	BGNM							
Free cash flow adjusted	BGNM	6.59	-12.9	54.1	35.1		40.3	105
Discounted free cash flows	BGNM	6.59	-12.9	49.6	29.5		31.0	43.7
Invested capital	BGN	36.0	67.1	46.0	50.1		57.1	143

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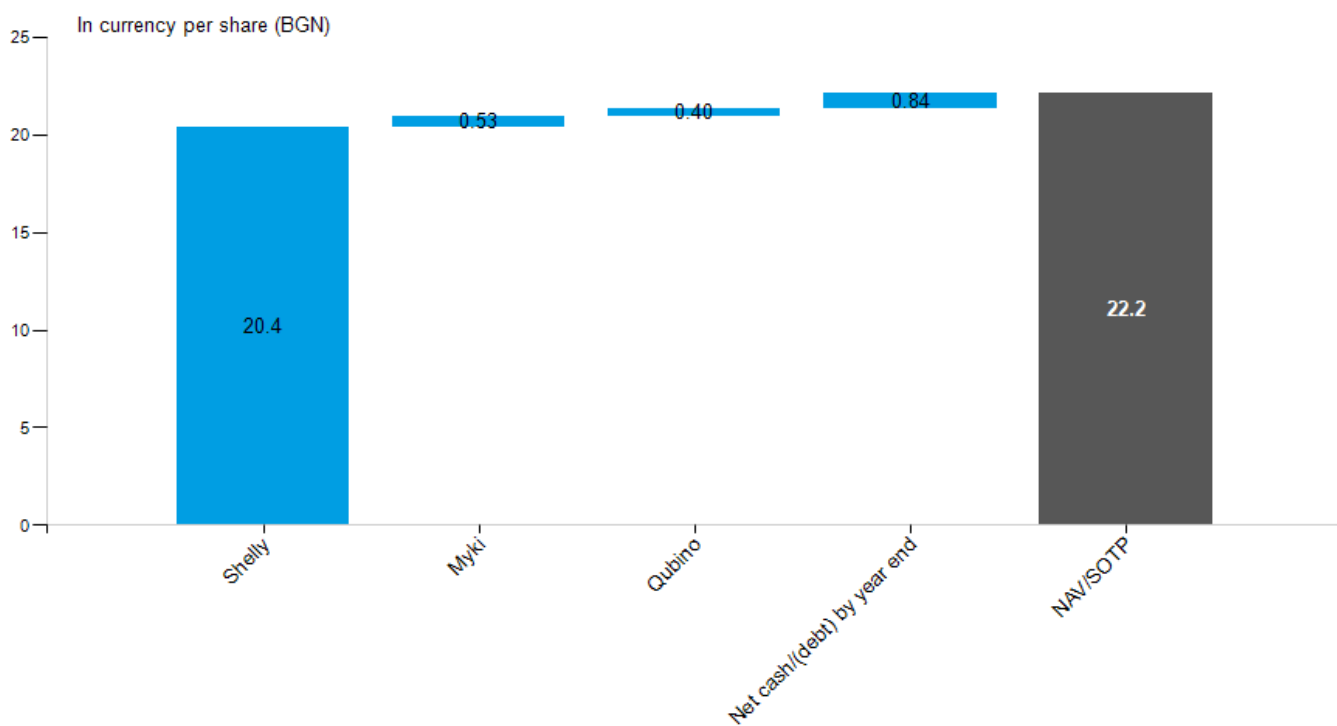


NAV/SOTP fine tuning


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NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (BGNM)	Stake valuation (BGNM)	In currency per share (BGN)	% of gross assets
Shelly	100%	EV/Sales	3	366	366	20.4	95.6%
Myki	100%	EV/Sales	1.6	9.60	9.60	0.53	2.51%
Qubino	100%	EV/Sales	3	7.20	7.20	0.40	1.88%
Other							
Total gross assets					383	21.3	100%
Net cash/(debt) by year end					15.1	0.84	3.93%
Commitments to pay							
Commitments received							
NAV/SOTP					398	22.2	104%
Number of shares net of treasury shares - year end (Mio)					18.0		
NAV/SOTP per share (BGN)					22.2		
Current discount to NAV/SOTP (%)					-2.92		



Allterco JSco (Buy)**Debt**

The company is well funded and has a high level of liquidity. The company's net cash position at the end of 2021 was BGN 27.8m with the gross cash balance being BGN 30.5m and the gross debt being BGN 2.72m. The net cash position increased from 2019 to 2021 through the reduction in the gross debt combined with strong cash generation. This cash surplus demonstrates the company's long-term financial stability.

The net cash position saw a significant fall in 2022 due to rising inventories that helped protect the business.

Detailed financials at the end of this report

Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	BGNM	19.1	21.6	32.3	46.9
Funds from operations (FFO)	BGNM	20.3	18.4	27.9	40.5
Ordinary shareholders' equity	BGNM	65.6	81.5	106	141
Gross debt	BGNM	2.72	2.54	1.79	1.79
+ Gross Cash	BGNM	30.5	17.6	61.8	93.4
= Net debt / (cash)	BGNM	-27.8	-15.1	-60.0	-91.6
Gearing (at book value)	%	-38.7	-26.3	-35.5	-53.6
Equity/Total asset (%)	%	168	119	220	271
Adj. Net debt/EBITDA(R)	x	-1.45	-0.70	-1.86	-1.95
Adjusted Gross Debt/EBITDA(R)	x	0.14	0.12	0.06	0.04
Adj. gross debt/(Adj. gross debt+Equity)	%	3.98	3.02	1.67	1.25
Ebit cover	x	-1,185	111	-264	-385
FFO/Gross Debt	%	748	725	1,557	2,262
FFO/Net debt	%	-73.0	-122	-46.5	-44.2
FCF/Adj. gross debt (%)	%	243	-515	3,024	1,965
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	59.1	6.08		
"Cash" FCF/ST debt	x	10.4	-17.6		

Worth Knowing

Group history: from Teracomm to Allterco

The company, founded in 2003, was initially named Teracomm Ltd and specialised in telecommunications (i.e. a pure software business, which neither produced nor sold hardware). It began specialising in smart home products in 2013 with the development of its first home automation system “She”, which served as the foundation for the Shelly brand. With Internet of Things (“IoT”) products progressively gaining momentum in Bulgaria and internationally, the group then decided to refocus its activities solely on smart home solutions, selling its remaining telecom activities in Europe (2019) and Asia (2021).

Listing

Allterco has been listed for trading on the Bulgarian Stock Exchange (A4L) since 2016 and on the Frankfurt Stock Exchange since November 2021. On 3 January 2023, it was withdrawn from the BSE Main Market, Standard Equities section and incorporated into the BSE Main Market, Premium Equities segment of the Bulgarian Stock Exchange.

The Premium Equities category of the BSE is the market segment for the most liquid businesses; Allterco fulfils 99% of the admission rules to be listed on this exchange.

Shareholders

The company has two main shareholders, with a total of 65% of the capital and the remaining 35% is free float.

- Dimitar Dimitrov is an IT entrepreneur. He specialized in software development for 8 and 16 bit computers. His next project was REAL TV, a cable television. He is the founder of the newspapers PC Review, Computers and Peripherals and GSM Review.

He started his business relations with mobile operators in 2002, creating the company DVR OOD, which subsequently became part of Terra Communications AD, a leading company in the development of mobile solutions, platforms and applications. Today he is the CEO of the holding company Allterco JScO, which regroups under its umbrella 7 companies and he owns 32.5% of the company.

He was the founder of the Group’s IoT business, initially in his role as a manager and later a director of R&D. His main activity is the development of new IoT products and projects.

- Svetlin Todorov the executive officer, is an entrepreneur in the field of advertising with more than 20 years of experience in the sector of telecommunications, media and technology (TMT).

He founded his first company “A-team”, an international advertising agency in 1997 in Sofia, Bulgaria. Later, he focused on the outdoor advertising industry, creating ATA Advertising Ltd.

Allterco JScO (Buy)

He joined the company and co-established Allterco JScO in 2004 taking over the responsibility for the management and business strategies of the Group and holds 32.5% of the company.

FX

Since 10/07/2020 when Bulgaria joined the ERM II exchange rate mechanism. The Bulgarian lev's central rate has been set at EUR 1 = BGN 1.95583.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Svetlin Todorov	32.5%	32.5%	0.00%
Dimitar Dimitrov	32.5%	32.5%	0.00%
Apparent free float			35.0%

Sustainability

Due to its industry and the absence of data publication, which is frequent for businesses of its size, the company ends up with a low score. We are confident that, with time, the quality of its reports will improve and offer all the data necessary to more accurately assess the company.

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	0/10	25%
Board geographic diversity	6/10	20%
Chairman vs. Executive split	✓	5%
Environment		
CO ² Emission	2/10	25%
Water withdrawal	4/10	10%
Social		
Wage dispersion trend	0/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
Sustainability score	3.6/10	100%

Allterco JSCO (Buy)

Governance & Management

Allterco benefits from a management team with extensive industry knowledge.

The company has five directors on its board. On AV criteria, none of the Board directors are independent although, under Bulgarian law, Nicolay Martinov and Gregor Bieler are deemed to be independent. The CEO, Dimitar Dimitrov, is the founder of the IoT business of the Group (holding c.32.5% of the capital, see Worth Knowing) and Svetlin Todorov is the executive officer (holding c.32.5% of the capital). It is worth highlighting the experience of the management in this industry.

Wolfgang Kirsch, co-CEO of Allterco JsCO and CEO of Allterco Europe and in charge of the European expansion, is the former COO of the MediaMarktSaturn Group and a specialist in the digital transformation while Gregor Bieler, the former managing director of Microsoft Germany and now CEO EMEA of Aparavi, supports the new advisory board as its chairman.

Governance score

Company (Sector)






6.5 (7.3)

Independent board

No











Parameters	Company	Sector	Score	Weight
Number of board members	5	7	10/10	5.0%
Board feminization (%)	0	28	1/10	5.0%
Board domestic density (%)	60	52	6/10	10.0%
Average age of board's members	54	58	8/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	0	43	0/10	20.0%
One share, one vote			✓	10.0%
Chairman vs. Executive split			✓	0.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✓	5.0%
Disclosure of performance anchor for bonus trigger			✓	5.0%
Compensation committee reporting to board of directors			✓	5.0%
Straightforward, clean by-laws			✓	15.0%
Governance score			6.5/10	100.0%

Management

Name		Function	Birth date	Date in	Date out	Compensation, in kBGN (year)	
						Cash	Equity linked
Svetozar ILIEV	M	 CFO	1969	2010		(2021)	
Mirche ATANOVSKI	M	 CCO	1979	2012		(2021)	
Dimitar DIMITROV	M	 co-CEO	1972	2001	488	(2021)	
Wolfgang KIRSCH	M	 co-CEO	1963	2021			
Rossi MIHAYLOVA	F	 Chief Marketing Officer	1987	2023			

Allterco JScO (Buy)

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in kBGN (year)	Value of holding, in kBGN (year)
Gregor BIELER	M		 President/Chairman of th...		1970	2022			
Nikolay MARTINOV	M		 Deputy Chairman			2018	34.0 (2021)	0.00 (2021)	
Dimitar DIMITROV	M		 Member		1972	2001	48.0 (2021)	5,846 (2021)	
Wolfgang KIRSCH	M		 Member		1963	2022			
Svetlin TODOROV	M		 Member		1971	2021			

Allterco JSco (Buy)

Environment

Unfortunately Allterco does not publish any quantifiable data on its carbon emissions or other environmental characteristics. As a result, the company scores a low rating. The company however claims to be very concerned about the environment and to be on track to migrate internal products & services to sustainable alternatives at the latest by 2030.

They aim to reduce the company's energy consumption by 70% by 2030 at the latest and they are in-line with their commitment to have a net zero carbon footprint at the latest by 2030.

Environmental score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
CO ² Emission	2/10	5/10	30%
Water withdrawal	4/10	6/10	30%
Energy	3/10	5/10	25%
Waste	3/10	5/10	15%
Environmental score	3.0		100%








Company (Sector)

3.0 (5.0)

Environmental metrics

	2018	2019	Company 2020	2021	2023	Sector 2021
Energy (GJ) per €m in capital employed	n/a	n/a	n/a	n/a		190
					3.0	5.7
Tons waste generated per €m in capital employed	n/a	n/a	n/a	n/a		1
Cubic meter water withdrawal per €m in capital employed	n/a	n/a	n/a	n/a		41

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
u-blox		5/10	100,000	4,000	1,700	2,000
Allterco JSco		3/10	n/a		n/a	n/a
Nokia		4/10	3,812,400	348,800	1,182,000	8,400
Ericsson		8/10	2,271,600	96,000	1,200,000	6,777
Logitech International		7/10	109,821	1,461	360,269	933
Inficon		7/10	55,544	1,237	12,000	386
Cicor Technologies		3/10	117,252	12,606	75,229	479

Social

Allterco was named the number two employer in Bulgaria by an external rating in 2022.

Every year, the company implements development plans, as well as regular offsites and team building activities, and workers are involved in the company's target strategies and also have access to earnings calls.

Social score

Company (Sector)

8.1 (7.3)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	10/10	20%
Average wage trend	10/10	35%
Share of added value taken up by staff cost	2/10	25%
Share of added value taken up by taxes	6/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	7.2/10	100%

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	10/10	35%
Pay	10/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
Qualitative score	10.0/10	100%

Baader Europe powered by AlphaValue

Allterco JSCO (Buy)

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes  / No 	Weight
Accidents at work		25%
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
Human resources development		35%
Are competences required to meet medium term targets identified?		3.5%
Is there a medium term (2 to 5 years) recruitment plan?		3.5%
Is there a training strategy tuned to the company objectives?		3.5%
Are employees trained for tomorrow's objectives?		3.5%
Can all employees have access to training?		3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?		3.5%
Have key competences stayed?		3.5%
Are managers given managerial objectives?		3.5%
If yes, are managerial results a deciding factor when assessing compensation level?		3.5%
Is mobility encouraged between operating units of the group?		3.5%
Pay		20%
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
Job satisfaction		10%
Is there a measure of job satisfaction?		3.3%
Can anyone participate ?		3.4%
Are there action plans to prop up employees' morale?		3.3%
Internal communication		10%
Are strategy and objectives made available to every employee?		10.0%
Qualitative score	10.0/10	100.0%

Staff & Pension matters

Allterco's average number of employees was 160 in 2022 and the management expects to employ 60 to 70 people more for 2023. Employees are geographically spread across Western Europe, Eastern Europe, Asia and the USA.

Allterco plans to open a new international office in Dublin. This location will be the new R&D hub for the company whose opening should take place in 2023. This is a logical development of the company's international expansion plan after Las Vegas, Boca Raton, Munich, Sofia and Shenzhen.

Recent updates

22/02/2023

A company connected to growth

Initiation cov.

We initiate coverage of Allterco with a Buy recommendation and a target price of BGN34. We believe that the group's business model – in-house r&d development, outsourcing in China, the low cost of positioning in Bulgaria and, by consequence, the low cost of its products and their high quality – could put Allterco in a good position to benefit from the huge growth potential in the global smart home market.

Allterco JScO is a Bulgarian company listed on the Frankfurt and Sofia Stock Exchanges – in Prime Standard. The company designs, produces and distributes smart home and IoT solutions under the brands Shelly (smart home devices; c.95% of total sales) and MyKi (GPS/GSM watch tracker for kids; c.5% of total sales). The group's products are sold via B2B and D2C channels. The company generates revenue by selling products that are designed in-house but manufactured in China.

Shelly plus 1, the flagship product of the company, is a Wi-Fi switch actuator that improves smart home control. It automates lights and smartens any switch model; it can be managed using any smartphone or voice assistant. With the Shelly plus 1, existing household gadgets can be made smart, saving money on updates or the purchase of brand-new appliances.

Despite the large number of competitors, Allterco's main advantages against the competition are:

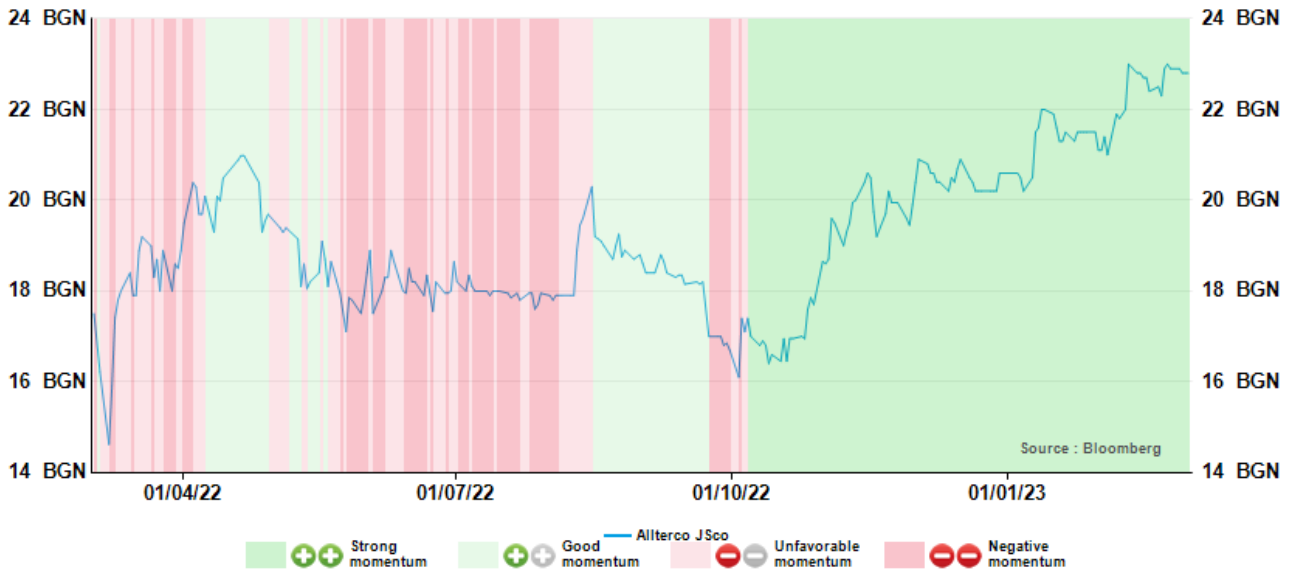
- 1/ The quality/price ratio
- 2/ The ease of installation and use
- 3/ Huge connectivity

We expect strong revenue growth at a CAGR of 48% per annum in FY22-FY25, while EBIT margins are expected to improve sequentially to reach 31% by FY25e. This should be achievable thanks to Allterco's strategy based on:

- 1/ increasing B2B revenue through the strengthening of the local sales teams in geographic zones with the highest potential such as the DACH zone.
- 2/ Improving the appeal of its own website, as D2C sales are more profitable
- 3/ Expanding the product portfolio, R&D capacity and gaining access to new technologies and/or markets via acquisitions

Allterco JSco (Buy)

Momentum

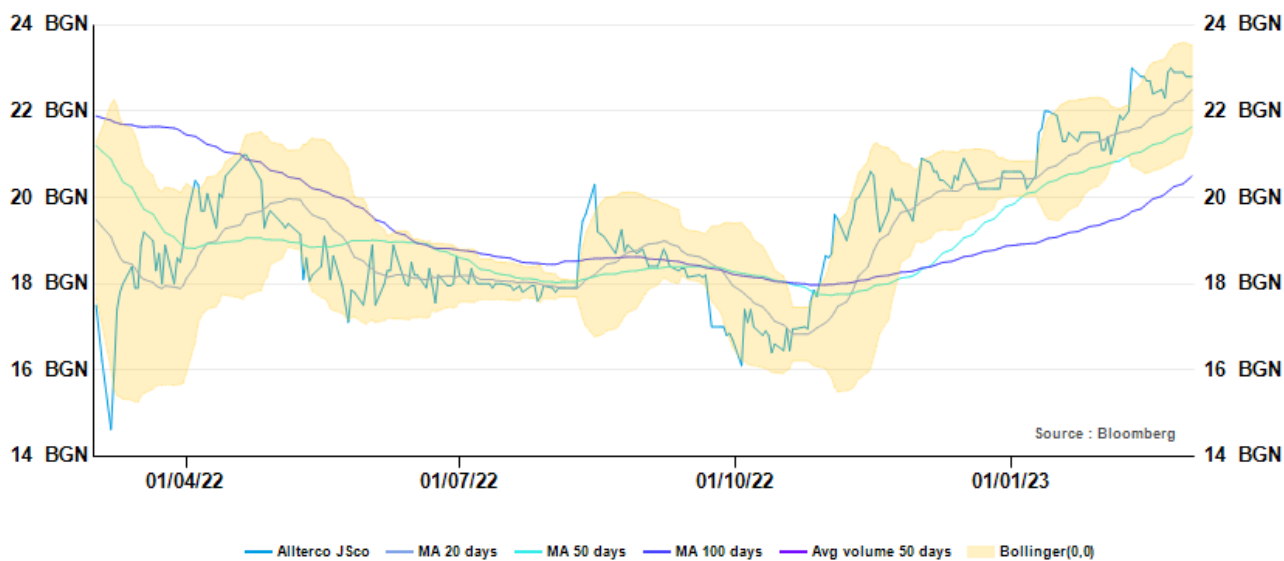


Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows. The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames. For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator. The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

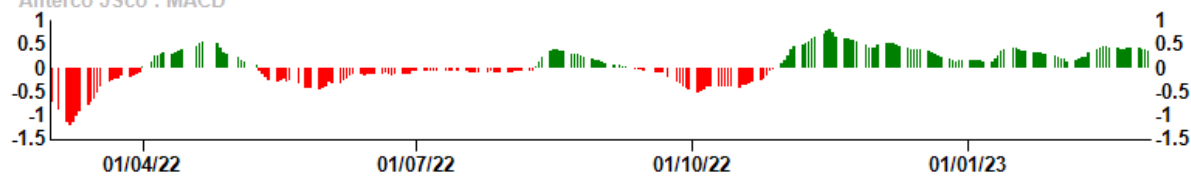
- : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes
- : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes
- : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes
- : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

Allterco JScO (Buy)

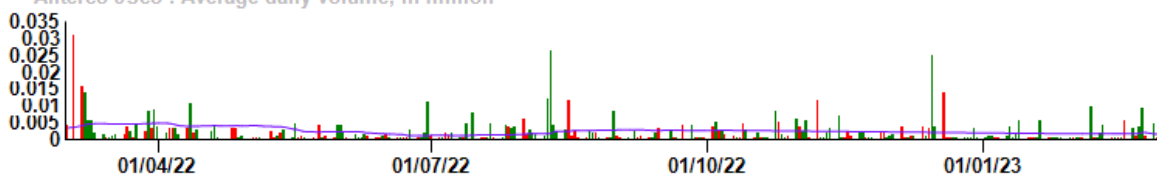
Moving Average MACD & Volume



Allterco JScO : MACD

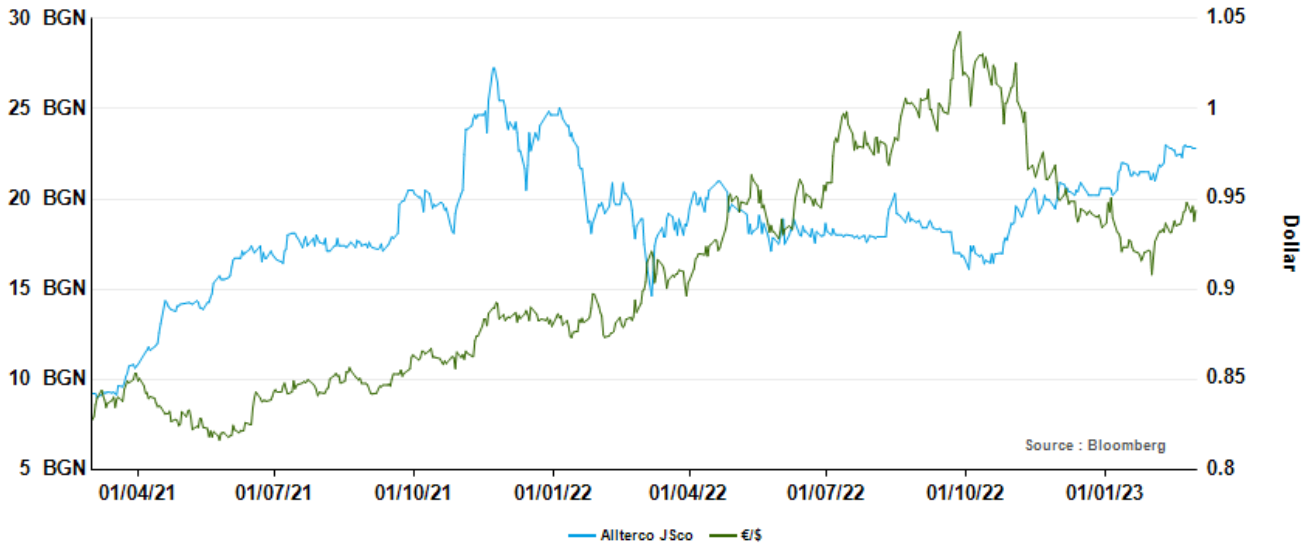


Allterco JScO : Average daily volume, in million

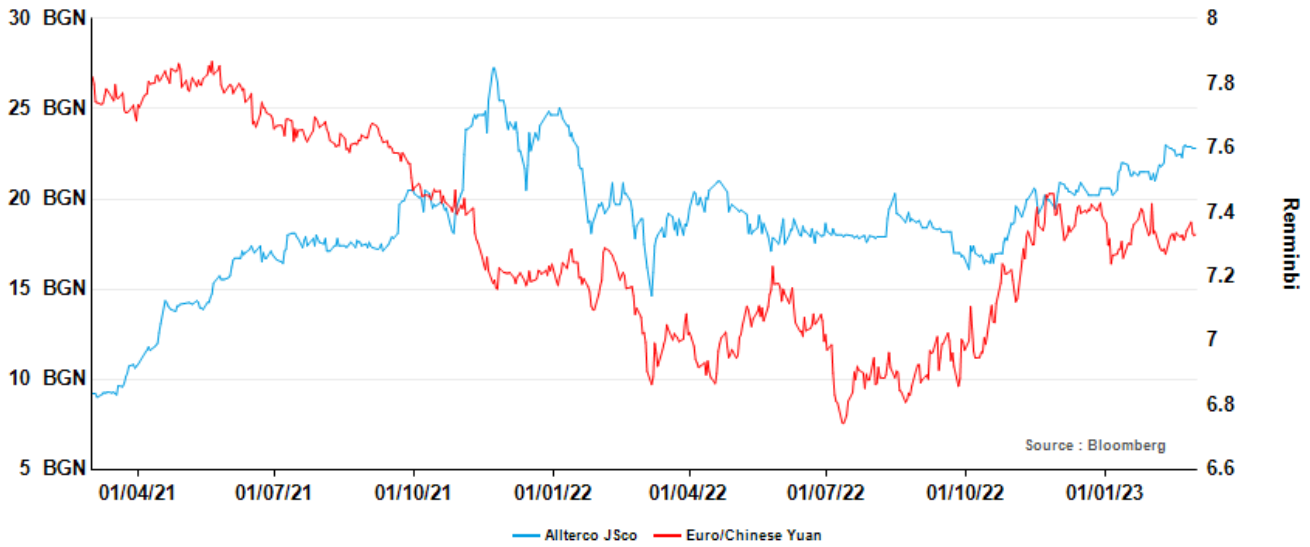


Allterco JSco (Buy)

€/\$ sensitivity

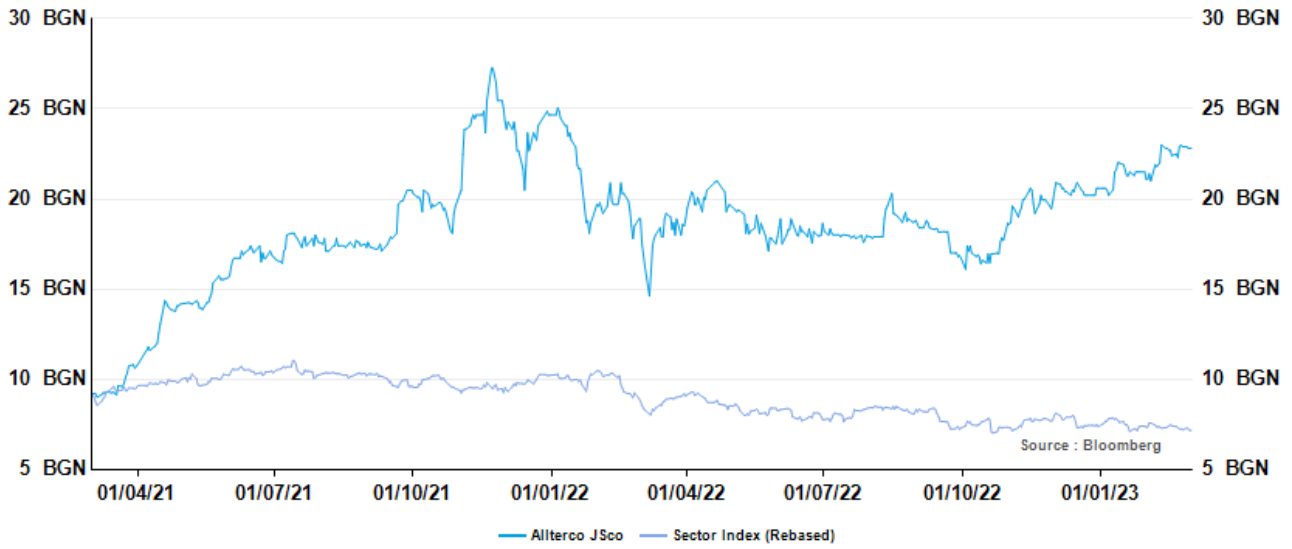


Euro/Chinese Yuan sensitivity



Allterco JSco (Buy)

Sector IT Hardware



Allterco JSco (Buy)

Telecom Equipt.

Opinion Change

UPGRADES		Reco	Old Reco	Target	Upside
22/02	Allterco JSco	Buy	Add	BGN 34.6	51.5%
13/05	Nokia	Buy	Add	€ 6.65	52.0%
29/01	Ericsson	Buy	Add	SEK 111	92.2%

Eps Change

UPGRADES		New	Old	Var.	Reco
22/02	Allterco JSco	BGN 1.58	BGN 1.35	16.6%	Buy
30/09	Nokia	€ 0.31	€ 0.19	69.3%	Buy
DOWNGRADES		New	Old	Var.	Reco
22/06	Ericsson	SEK 7.20	SEK 7.68	-6.21%	Buy

Sector Overview

MARKET BASICS	SECTOR	AV UNIVERSE
COMPANIES	3	582
MARKET CAP	€M 42,149	€M 12,059,191
UPSIDE	68.5%	15.1%
PRICE MOMENTUM	Unfavorable	GOOD
PERF. YTD	-1.23%	9.05%
PE 2023	8.54 x	13.3 x
DIV. YIELD 2023	3.73%	3.37%
EARN GROWTH 2023/2022	11.0%	-1.32%

Recent publications & Updates

ALLTERCO JSCO - Feb 22
A company connected to growth

ALLTERCO JSCO - Feb 22
A Smart growth story

ALLTERCO JSCO - Feb 03
A growth Smart history

NOKIA - Oct 21
Q3-22: license contract renewals weaken margins

ERICSSON - Oct 20
Q3-22: weak margins justly frighten the market

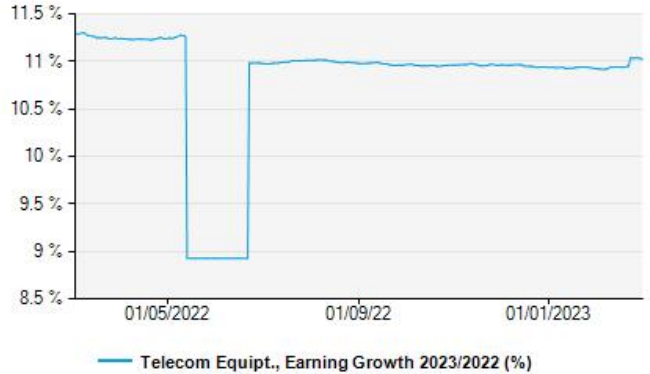
Allterco JSCO (Buy)

Telecom Equipt. Charts

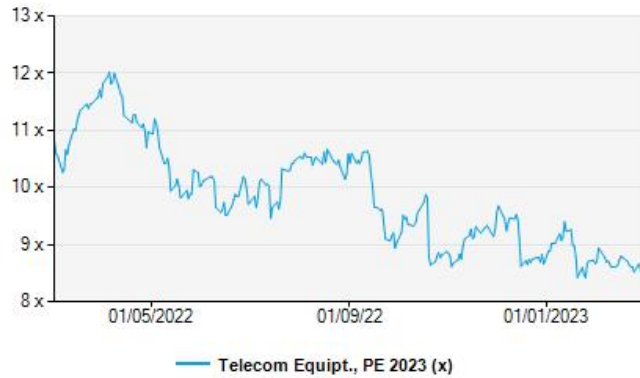
Sector Price



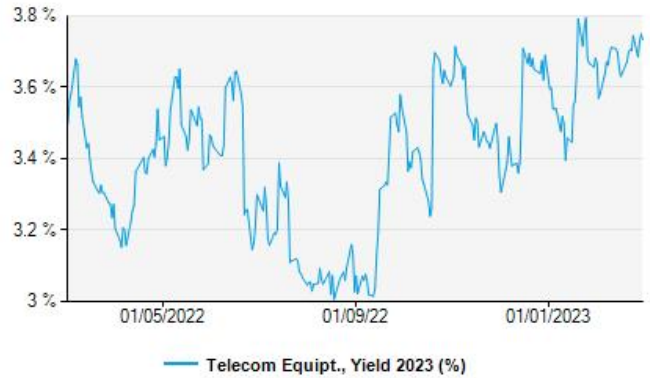
Sector Earning Growth 2023/2022



Sector PE 2023



Sector Yield 2023



Sector PBook 2023



Allterco JScO (Buy)

Aggregated sector data

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating revenues	€M	34,671	43,630	41,223	41,495	43,718	42,720	43,063	45,486	47,076	48,275
Sales growth	%	4.42	25.8	-5.52	0.66	5.36	-2.28	0.80	5.63	3.50	2.55
R&D Costs	€M	-36,970	-35,857	-42,111	-42,923	-42,658	-43,531	-46,158	-49,665	-50,889	-52,144
R&D costs/Sales	%	-15.2	-16.2	-18.5	-18.1	-16.8	-17.3	-18.3	-18.5	-18.3	-18.2
Ebitda	€M	4,896	1,385	2,911	3,758	4,921	5,245	6,913	7,157	8,015	8,629
Ebitda margin	%	15.4	4.22	8.37	10.1	11.3	12.3	16.1	15.7	17.0	17.9
Operating profit	€M	3,646	-2,707	-3,408	52.5	1,442	3,405	5,021	5,374	6,063	6,376
Operating margin	%	10.6	-1.01	2.37	5.23	3.37	7.94	11.6	11.8	12.9	13.2
Adj. Attrib. Net profit	€M	2,421	1,364	957	826	1,480	-23.5	4,147	4,442	4,943	5,164
Free cash flow	€M	1,098	-2,905	2,316	16.0	504	3,444	4,988	3,739	5,079	5,072
Roe (return on equity) %	%	16.3	-9.89	-16.1	-3.85	0.94	-4.36	15.5	13.2	13.5	12.8
Shareholders funds (group share)	€M	23,660	32,649	25,076	23,099	22,738	20,248	27,128	30,997	34,221	37,959
Net debt	€M	-11,540	-7,419	-5,372	-3,507	-2,016	-2,349	-4,672	-6,925	-10,079	-13,019
Capex	€M	-946	-984	-858	-999	-1,083	-860	-879	-1,107	-1,134	-1,163
ROCE	%	27.9	0.44	6.89	13.5	7.88	19.2	26.8	26.8	29.3	29.3

Allterco JSco (Buy)

Companies

Company	Sector	Performances (%)				Mom.	Opinion	Upside	Market Cap (€M)	Country
		1W	1M	3M	YTD					
Nokia	Telecom Equipt.	-0.74	0.55	-9.15	1.58	🔴🔴	Buy 🟢	52.0%	24,634	+
Ericsson	Telecom Equipt.	-1.16	-4.27	-15.4	-5.09	🔴🔴	Buy 🟢	92.2%	17,305	🇸🇪
Allterco JSco	Telecom Equipt.	-0.87	8.06	9.09	10.7	🟢🟢	Buy 🟢	51.5%	209	🇩🇪

Sector	Performances (%)				Mom.	Opinion	Upside	Market Cap (€M)
	1W	1M	3M	YTD				
Weighted average	-0.91	-1.45	-11.7	-1.23	🔴🟡	Buy 🟢	68.5%	
Median	-0.87	0.55	-9.15	1.58		Buy 🟢	52.0%	
Total								42,149
BD universe weighted avg	-0.28	1.65	4.50	8.78	🟢🟡		15.1%	12,059,191

Valuation ratios

Company	Sector	P/E		Earnings growth		P/Book		Yield		Market Cap (€M)
		2023	2024	2023/2022	2024/2023	2023	2024	2023	2024	
		Nokia	Telecom Equipt.	9.91 x	9.92 x	8.94%	-0.09%	1.19 x	1.11 x	
Ericsson	Telecom Equipt.	7.10 x	6.51 x	13.1%	9.07%	1.28 x	1.10 x	5.19%	5.71%	17,305
Allterco JSco	Telecom Equipt.	14.5 x	10.0 x	51.7%	44.2%	3.88 x	2.89 x	0.88%	0.88%	209
Sector		2023	2024	2023/2022	2024/2023	2023	2024	2023	2024	
Weighted average		8.54 x	8.17 x	11.0%	4.55%	1.23 x	1.11 x	3.73%	4.21%	
Median		9.91 x	9.92 x	13.1%	9.07%	1.28 x	1.11 x	2.74%	3.20%	
BD universe weighted avg		13.3 x	12.7 x	-1.32%	4.87%	1.77 x	1.66 x	3.37%	3.60%	12,059,191

Earnings

Company	Sector	Adjusted attributable net profit (€M)					Market Cap (€M)
		2022	2023	2024	Chg. 23/22	Chg. 24/23	
		Nokia	Telecom Equipt.	2,281	2,500	2,500	
Ericsson	Telecom Equipt.	2,161	2,443	2,664	282	221	17,305
Allterco JSco	Telecom Equipt.	9.56	14.5	20.9	4.93	6.40	209
Sector		2022	2023	2024	Chg. 23/22	Chg. 24/23	
Total		4,451	4,958	5,185	506	228	42,149

Risk ratios

Company	Sector	Gearing		Goodwill / Equity		Net Debt / Ebitda		Market Cap (€M)
		2023	2024	2023	2024	2023	2024	
		Nokia	Telecom Equipt.	-20.3%	-24.8%	24.2%	22.5%	
Ericsson	Telecom Equipt.	-31.8%	-38.4%	27.6%	24.7%	-1.03 x	-1.31 x	17,305
Allterco JSco	Telecom Equipt.	-35.5%	-53.6%	2.08%	0.99%	-1.86 x	-1.95 x	209
Sector		2023	2024	2023	2024	2023	2024	
Weighted average		-24.9%	-30.5%	25.5%	23.4%	-1.04 x	-1.30 x	
Median		-31.8%	-38.4%	24.2%	22.5%	-1.04 x	-1.31 x	

Allterco JSco (Buy)

B/S data

Company	Sector	Equity (€M)		Net Debt (€M)		Goodwill (€M)		Market Cap (€M)
		2023	2024	2023	2024	2023	2024	
		Nokia	Telecom Equipt.	20,759	22,320	-4,871	-6,211	
Ericsson	Telecom Equipt.	13,462	15,639	-5,209	-6,808	3,711	3,859	17,305
Allterco JSco	Telecom Equipt.	54.0	72.3	-30.7	-46.8	1.12	0.71	209
Sector		Equity (€M)		Net Debt (€M)		Goodwill (€M)		Market Cap (€M)
Total		2023	2024	2023	2024	2023	2024	
Total		34,275	38,031	-10,110	-13,066	8,736	8,884	42,149

EV ratios

Company	Sector	Upside	Mom.	Ev/Ebit		Ev/Ebitda(R)		Market Cap (€M)
				2023	2024	2023	2024	
				Allterco JSco	Telecom Equipt.	51.5%	🟢🟢	
Ericsson	Telecom Equipt.	92.2%	🔴🔴	4.57 x	3.82 x	3.67 x	3.10 x	17,305
Nokia	Telecom Equipt.	52.0%	🔴🔴	6.14 x	5.60 x	4.29 x	3.66 x	24,634
Sector				Ev/Ebit		Ev/Ebitda(R)		Market Cap (€M)
Weighted average				2023	2024	2023	2024	
Weighted average				5.24 x	4.55 x	3.97 x	3.37 x	
Median				6.14 x	5.60 x	4.29 x	3.66 x	
BD universe weighted avg				13.5 x	11.9 x	8.42 x	7.55 x	12,059,191

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Allterco JSco (Buy)**Detailed Financials****Valuation Key Data**

		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	x	24.0	18.3	14.5	10.0
Reported P/E	x	18.3	18.2	14.9	10.2
EV/EBITDA(R)	x	13.8	15.1	10.8	6.77
EV/EBIT	x	13.9	15.3	10.9	6.83
EV/Sales	x	4.43	3.52	2.50	1.72
P/Book	x	4.45	4.20	3.88	2.89
Dividend yield	%	1.23	1.05	0.88	0.88
<i>Free cash flow yield</i>	%	2.26	-3.82	13.2	8.60
Average stock price	BGN	16.2	19.0	22.8	22.8

Allterco JScO (Buy)

Consolidated P&L		12/21A	12/22E	12/23E	12/24E
Sales	BGNM	59.5	92.9	140	185
<i>Sales growth</i>	%	28.4	56.1	50.6	32.2
<i>Sales per employee</i>	<i>BGNth</i>	583	581	622	698
R&D Costs	BGNM	11.9	18.6	29.4	40.7
R&D costs as % of sales	%	20.0	20.0	21.0	22.0
Staff costs	BGNM	-7.59	-12.7	-18.8	-22.6
Operating lease payments	BGNM				
Cost of sales/COGS (indicative)	BGNM	-26.7	-46.5	-70.6	-94.3
EBITDA	BGNM	19.1	21.6	32.3	46.9
EBITDA(R)	BGNM	19.1	21.6	32.3	46.9
<i>EBITDA(R) margin</i>	%	32.2	23.3	23.1	25.4
<i>EBITDA(R) per employee</i>	<i>BGNth</i>	188	135	143	177
Depreciation	BGNM	-0.19	-0.27	-0.32	-0.43
<i>Depreciations/Sales</i>	%	0.32	0.29	0.23	0.23
Amortisation	BGNM				
Underlying operating profit	BGNM	19.0	21.4	31.9	46.5
<i>Underlying operating margin</i>	%	31.9	23.0	22.8	25.1
Other income/expense (cash)	BGNM	0.93	0.70	0.75	0.75
Other inc./ exp. (non cash; incl. assets revaluation)	BGNM	-1.09	0.00	0.00	0.00
Impairment charges/goodwill amortisation	BGNM	-0.09	0.00	-0.80	-0.80
Operating profit (EBIT)	BGNM	18.7	22.1	31.9	46.4
Interest expenses	BGNM	-0.27	-0.24	-0.18	-0.18
<i>of which effectively paid cash interest expenses</i>	<i>BGNM</i>	<i>-0.07</i>	<i>-0.24</i>	<i>-0.18</i>	<i>-0.18</i>
Financial income	BGNM	0.25	0.00	0.30	0.30
Other financial income (expense)	BGNM	0.03	0.05	0.00	0.00
Net financial expenses	BGNM	0.02	-0.19	0.12	0.12
<i>of which related to pensions</i>	<i>BGNM</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Pre-tax profit before exceptional items	BGNM	18.7	21.9	32.0	46.6
Exceptional items and other (before taxes)	BGNM				
Current tax	BGNM	-2.76	-3.06	-4.48	-6.52
Deferred tax	BGNM				
Corporate tax	BGNM	-2.76	-3.06	-4.48	-6.52
<i>Tax rate</i>	%	14.7	14.0	13.7	13.8
<i>Net margin</i>	%	26.8	20.2	19.7	21.7
Equity associates	BGNM				
<i>Actual dividends received from equity holdings</i>	<i>BGNM</i>				
Minority interests	BGNM	0.00	0.00	0.00	0.00
Income from discontinued operations	BGNM	0.00	0.00	0.00	0.00
Attributable net profit	BGNM	16.0	18.8	27.5	40.0
Impairment charges/goodwill amortisation	BGNM	0.09	0.00	0.80	0.80
Other adjustments	BGNM	-3.91	-0.12	0.00	0.00
Adjusted attributable net profit	BGNM	12.1	18.7	28.3	40.8
Fully diluted adjusted attr. net profit	BGNM	12.1	18.7	28.3	40.8
NOPAT	BGNM	13.4	16.0	23.9	34.9

Allterco JScO (Buy)

Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
EBITDA	BGNM	19.1	21.6	32.3	46.9
Change in WCR	BGNM	-12.3	-28.7	30.5	0.23
<i>of which (increases)/decr. in receivables</i>	BGNM	-8.48	2.77	8.86	-6.23
<i>of which (increases)/decr. in inventories</i>	BGNM	-3.90	-30.6	19.0	3.97
<i>of which increases/(decr.) in payables</i>	BGNM	-0.06	-0.98	0.64	1.38
<i>of which increases/(decr.) in other curr. liab.</i>	BGNM	0.17	0.17	1.97	1.11
Actual dividends received from equity holdings	BGNM	0.00	0.00	0.00	0.00
Paid taxes	BGNM	-2.09	-3.06	-4.48	-6.52
Exceptional items	BGNM				
Other operating cash flows	BGNM	3.33	0.00	0.00	0.00
Total operating cash flows	BGNM	8.13	-10.1	58.3	40.6
Capital expenditure	BGNM	-1.54	-2.79	-4.20	-5.55
<i>Capex as a % of depreciation & amort.</i>	%	797	1,032	1,312	1,290
Net investments in shares	BGNM	2.04	0.00	-5.67	0.00
Other investment flows	BGNM	0.00	2.80	0.00	0.00
Total investment flows	BGNM	0.50	0.01	-9.87	-5.55
Net interest expense	BGNM	0.02	-0.19	0.12	0.12
<i>of which cash interest expense</i>	BGNM	-0.07	-0.19	0.12	0.12
Dividends (parent company)	BGNM	-3.44	-1.72	-3.59	-3.59
Dividends to minorities interests	BGNM	0.00	0.00	0.00	0.00
New shareholders' equity	BGNM	0.00	-0.78 ⁽¹⁾	0.00	0.00
<i>of which (acquisition) release of treasury shares</i>	BGNM				
(Increase)/decrease in net debt position	BGNM	-0.58	-0.18	-0.74	0.00
Other financial flows	BGNM	-0.05	0.00	0.00	0.00
Total financial flows	BGNM	-4.13	-2.87	-4.22	-3.47
Change in scope of consolidation, exchange rates & other	BGNM	0.00	0.00	0.00	0.00
Change in cash position	BGNM	4.49	-12.9	44.2	31.6
Change in net debt position	BGNM	5.07	-12.8	44.9	31.6
Free cash flow (pre div.)	BGNM	6.60	-13.1	54.2	35.2
Operating cash flow (clean)	BGNM	8.13	-10.1	58.3	40.6
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	23.7	34.2	33.9	35.3

1. Buyback of 40,000 shares at BGN19.50 to partly finance the acquisition of GOAP

Allterco JSCO (Buy)

Balance Sheet

		12/21A	12/22E	12/23E	12/24E
Goodwill	BGNM	0.16 ⁽²⁾	0.16	2.20	1.40
Other intangible assets	BGNM	3.12	4.12	7.37	9.42
Total intangible	BGNM	3.28	4.28	9.57	10.8
Tangible fixed assets	BGNM	4.80	6.31	10.3	13.4
Right-of-use	BGNM	0.11	0.32	0.32	0.32
Financial fixed assets (part of group strategy)	BGNM	0.00	0.00	0.00	0.00
Other financial assets (investment purpose mainly)	BGNM	2.66	0.85	0.85	0.85
<i>of which available for sale</i>	<i>BGNM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
WCR	BGNM	27.9	56.6	26.1	25.8
<i>of which trade & receivables (+)</i>	<i>BGNM</i>	<i>23.1</i>	<i>20.4</i>	<i>11.5</i>	<i>17.7</i>
<i>of which inventories (+)</i>	<i>BGNM</i>	<i>7.56</i>	<i>38.2</i>	<i>19.2</i>	<i>15.2</i>
<i>of which payables (+)</i>	<i>BGNM</i>	<i>1.49</i>	<i>0.51</i>	<i>1.15</i>	<i>2.53</i>
<i>of which other current liabilities (+)</i>	<i>BGNM</i>	<i>1.31</i>	<i>1.48</i>	<i>3.45</i>	<i>4.56</i>
Other current assets	BGNM	0.33	0.42	0.77	1.01
<i>of which tax assets (+)</i>	<i>BGNM</i>	<i>0.07</i>	<i>0.06</i>	<i>0.10</i>	<i>0.14</i>
Total assets (net of short term liabilities)	BGNM	39.1	68.7	47.9	52.2
Ordinary shareholders' equity (group share)	BGNM	65.6	81.5	106	141
Minority interests	BGNM	0.00	0.00	0.00	0.00
Provisions for pensions	BGNM	0.00	0.00	0.00	0.00
Other provisions for risks and liabilities	BGNM				
Deferred tax liabilities	BGNM	1.32	2.30	2.32	2.35
Other liabilities	BGNM	0.00	0.00	0.00	0.00
Net debt / (cash)	BGNM	-27.8	-15.1	-60.0	-91.6
Total liabilities and shareholders' equity	BGNM	39.1	68.7	47.9	52.2
Average net debt / (cash)	BGNM	-25.4	-21.4	-37.5	-75.8

2. The reduction mainly comes from the sale of Allterco PTE Ltd, Singapore (100%)

EV Calculations

		12/21A	12/22E	12/23E	12/24E
EV/EBITDA(R)	x	13.8	15.1	10.8	6.77
EV/EBIT	x	13.9	15.3	10.9	6.83
EV/Sales	x	4.43	3.52	2.50	1.72
EV/Invested capital	x	7.33	4.86	7.60	6.34
Market cap	BGNM	292	342	409	409
+ Provisions (including pensions)	BGNM	0.00	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	BGNM	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	BGNM	-27.9	-15.4	-60.3	-91.9
+ Right-of-use (from 2019)/Leases debt equivalent	BGNM	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	BGNM				
+ Minority interests (fair value)	BGNM	0.00	0.00	0.00	0.00
= Enterprise Value	BGNM	264	327	349	318

Allterco JScO (Buy)

Per Share Data

		12/21A	12/22E	12/23E	12/24E
Adjusted EPS (bfr goodwill amort. & dil.)	BGN	0.67	1.04	1.58	2.27
<i>Growth in EPS</i>	%	-39.7	54.2	51.7	44.2
Reported EPS	BGN	0.89	1.05	1.53	2.23
Net dividend per share	BGN	0.20	0.20	0.20	0.20
Free cash flow per share	BGN	0.37	-0.73	3.02	1.96
Operating cash flow per share	BGN	0.45	-0.56	3.24	2.26
Book value per share	BGN	3.64	4.54	5.88	7.88
Number of ordinary shares	Mio	18.0	18.0	18.0	18.0
Number of equivalent ordinary shares (year end)	Mio	18.0	18.0	18.0	18.0
Number of shares market cap.	Mio	18.0	18.0	18.0	18.0
Treasury stock (year end)	Mio		0.04		
Number of shares net of treasury stock (year end)	Mio	18.0	18.0	18.0	18.0
Number of common shares (average)	Mio	18.0	18.0	18.0	18.0
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	Mio	18.0	18.0	18.0	18.0
Goodwill per share (diluted)	BGN	0.00	0.00	0.04	0.04
EPS after goodwill amortisation (diluted)	BGN	0.67	1.04	1.53	2.23
EPS before goodwill amortisation (non-diluted)	BGN	0.89	1.05	1.53	2.23
Payout ratio	%	22.6	19.1	13.1	8.97
Capital payout ratio (div +share buy back/net income)	%	14.2	19.2	12.7	

Allterco JScO (Buy)

Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	BGNM	19.1	21.6	32.3	46.9
Funds from operations (FFO)	BGNM	20.3	18.4	27.9	40.5
Ordinary shareholders' equity	BGNM	65.6	81.5	106	141
Gross debt	BGNM	2.72	2.54	1.79	1.79
o/w Less than 1 year - Gross debt	BGNM	0.63	0.74	0.00	0.00
o/w 1 to 5 year - Gross debt	BGNM	1.71	1.79	1.79	1.79
o/w Beyond 5 years - Gross debt	BGNM	0.38			
+ Gross Cash	BGNM	30.5	17.6	61.8	93.4
= Net debt / (cash)	BGNM	-27.8	-15.1	-60.0	-91.6
Bank borrowings	BGNM	2.58	2.29	1.62	1.62
Financial leases liabilities	BGNM	0.14	0.25	0.17	0.17
Other financing	BGNM	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-38.7	-26.3	-35.5	-53.6
Equity/Total asset (%)	%	168	119	220	271
Adj. Net debt/EBITDA(R)	x	-1.45	-0.70	-1.86	-1.95
Adjusted Gross Debt/EBITDA(R)	x	0.14	0.12	0.06	0.04
Adj. gross debt/(Adj. gross debt+Equity)	%	3.98	3.02	1.67	1.25
Ebit cover	x	-1,185	111	-264	-385
FFO/Gross Debt	%	748	725	1,557	2,262
FFO/Net debt	%	-73.0	-122	-46.5	-44.2
FCF/Adj. gross debt (%)	%	243	-515	3,024	1,965
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	59.1	6.08		
"Cash" FCF/ST debt	x	10.4	-17.6		

ROE Analysis (Dupont's Breakdown)

		12/21A	12/22E	12/23E	12/24E
Tax burden (Net income/pretax pre excp income)	x	0.85	0.86	0.86	0.86
EBIT margin (EBIT/sales)	%	31.4	23.7	22.8	25.1
Assets rotation (Sales/Avg assets)	%	157	172	240	369
Financial leverage (Avg assets /Avg equity)	x	0.62	0.73	0.62	0.41
ROE	%	26.0	25.6	29.4	32.4
ROA	%	52.0	32.9	69.3	92.8

Shareholder's Equity Review (Group Share)

		12/21A	12/22E	12/23E	12/24E
Y-1 shareholders' equity	BGNM	57.1	65.6	81.5	106
+ Net profit of year	BGNM	16.0	18.8	27.5	40.0
- Dividends (parent cy)	BGNM	-3.44	-1.72	-3.59	-3.59
+ Additions to equity	BGNM	0.00	-0.78	0.00	0.00
o/w reduction (addition) to treasury shares	BGNM	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	BGNM	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	BGNM	-4.09	-0.40	0.15	-0.52
= Year end shareholders' equity	BGNM	65.6	81.5	106	141

Allterco JScO (Buy)

Staffing Analytics

		12/21A	12/22E	12/23E	12/24E
Sales per staff	BGNth	583	581	622	698
Staff costs per employee	BGNth	-74.4	-79.6	-83.6	-85.3
Change in staff costs	%	54.6	67.8	47.7	20.1
Change in unit cost of staff	%	54.6	7.00	5.00	2.00
Staff costs/(EBITDA+Staff costs)	%	28.4	37.1	36.8	32.5

Average workforce	unit	102	160	225	265
Europe	unit	102	130	183	215
North America	unit	0.00	20.0	28.0	33.0
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	10.0	14.0	17.0
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	BGNM	-7.59	-12.7	-18.8	-22.6
Wages and salaries	BGNM	-7.59	-12.7	-18.8	-22.6
Pension related costs	BGNM		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/21A	12/22E	12/23E	12/24E
Total sales	BGNM	59.5	92.9	140	185
Production	BGNM	0.11	0.17	0.25	0.34
Goods	BGNM	58.7	91.7	138	182
Services and rents	BGNM	0.68	1.06	1.59	2.11
Other	BGNM				

Divisional Breakdown Of Earnings

		12/21A	12/22E	12/23E	12/24E
EBIT Analysis					
Other/cancellations	BGNM	19.0	21.4	31.9	46.5
Total	BGNM	19.0	21.4	31.9	46.5
EBIT margin	%	31.9	23.0	22.8	25.1

Revenue Breakdown By Country

		12/21A	12/22E	12/23E	12/24E
Europe	%	90.0	88.0		
Of Which DACH (Germany + Austria + Switzerland)	%	42.0	35.0		
Of Which Northern Europe	%	11.0	14.0		
Of Which Southern Europe	%	28.0	25.0		
Other	%	10.0	12.0		

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Allterco JScO (Buy)

ROCE		12/21A	12/22E	12/23E	12/24E
ROCE (NOPAT+lease exp. *(1-tax))/(net) cap employed adjusted	%	37.3	23.9	52.1	69.7
CFROI/C	%	18.4	-19.5	118	70.3
Goodwill	BGNM	0.16	0.16	2.20	1.40
Accumulated goodwill amortisation	BGNM	0.00	0.00	0.00	0.00
All intangible assets	BGNM	3.12	4.12	7.37	9.42
Accumulated intangible amortisation	BGNM	1.02	1.13	1.26	1.43
Financial hedges (LT derivatives)	BGNM	0.00	0.00	0.00	0.00
Capitalised R&D	BGNM	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	BGNM	0.00	0.00	0.00	0.00
Other fixed assets	BGNM	4.80	6.31	10.3	13.4
Accumulated depreciation	BGNM	1.69	1.85	2.04	2.30
WCR	BGNM	27.9	56.6	26.1	25.8
Other assets	BGNM	0.00	0.00	0.00	0.00
Unrecognised actuarial losses/(gains)	BGNM	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	BGNM	36.0	67.1	46.0	50.1
Capital employed before depreciation	BGNM	38.7	70.1	49.3	53.8

Divisional Breakdown Of Capital Employed		12/21A	12/22E	12/23E	12/24E
Other	BGNM	36.0	67.1	46.0	50.1
Total capital employed	BGNM	36.0	67.1	46.0	50.1

Allterco JScO (Buy)

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

There are different approaches and methodologies for determining and valuing stocks in research products, each provided by AlphaValue and Baader Helvea, as described below.

AlphaValue Research

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

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Baader Helvea Research

Rating categories:

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Interpretation matrix per risk category for each rating:

Expected total return based on forecast dividend and 12-month price targets.

Rating	Upside/downside to the target price
Buy	>20%
Add	5%-20%
Reduce	-10% to 5%
Sell	<-10%

Research ratings key:

There are four possible ratings: **Buy, Add, Reduce or Sell.**

Examples of certain ratings:

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Reduce: A company with a forecast dividend yield of 7% and price appreciation potential of -5%, generating a forecast total return of +2% over 12 months.

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Allterco JSCO (Buy)

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Not rated: Suspension of coverage.

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Allterco JSCO (Buy)

Valuation

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Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%

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