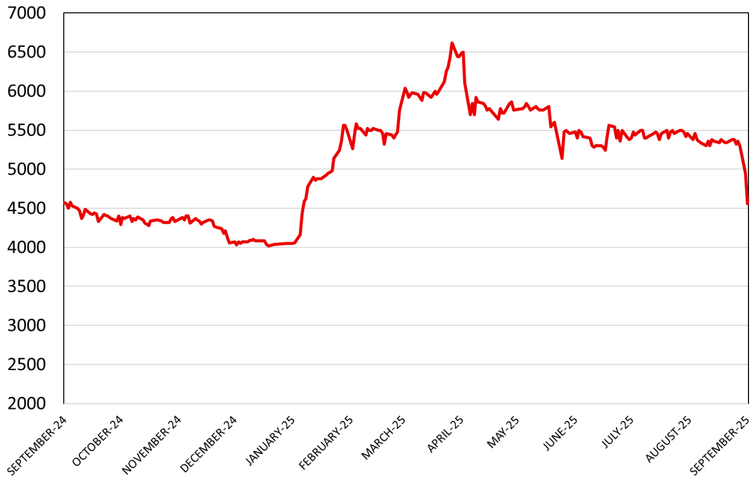
ALTEO

BUY
One year target price: HUF 5972



mln HUF	Q2 2024	Q2 2025	Change (yoy)
Revenue	49787	54526	10%
EBITDA	9763	7927	-19%
EBIT	7541	4190	-44%
Net profit	5847	2794	-52%
EBITDA margin	19,6%	14,5%	-0,051
EBIT margin	15,1%	7,7%	-0,075
Profit margin	11,7%	5,1%	-0,066

Price (03.09.2025)	HUF 4740	Net profit (2025 Q2, mln HUF)	2794
Shares outstanding (mln)	19.9	Bloomberg ticker	ALTEO HB Equity
Free float	26.2%	BÉT ticker	ALTEO
Market capitalization (mrd HUF/mln EUR)	98,5/249	52 week min./max.	HUF 3980–6880

Source: BÉT, Bloomberg

On 01 September 2025 ALTEO (the "Company") announced financial results for its second quarter of 2025. The Company's EBITDA decreased by 19% and the revenue increased by 10% year over year.

The main drivers behind the higher revenue were the implementation of the new solar power plant near Tereske, which means higher sales volume in the Renewables-based electricity production segment, and the higher revenue of the schedule services. At the same time weather conditions, such as less windy days, negatively affected sales revenue. The Group's EBITDA decreased by 19% because of the higher general and administrative costs, which is partly the result of the stock-based compensation.

The energy chaos of 2022/202 and few acquisitions have had a crucial impact on the revenue in the last several years. If you would like to find more, please read our previous flash notes on the website of the Budapest Stock Exchange[1]. On 09 January 2025 the Company presented a new strategy plan. According to the presentation in the next five years the Company will focus on:

- the regional expansion, mainly in Slovakia, Croatia and Serbia, and secondly in Romania, Czech Republic, Poland and others in the region,

[1] Alteo elemzések - Bet site

- the upgrade of the renewable power plant portfolio (like significant growth in the capacity of wind, solar and/or other renewable power plants),
- the waste management segment, which could be a major segment from 2025/26 onwards,
- the schedule management (includes balancing activity and energy-storage), which is partly a technology intense area.

The management will likely identify new projects in the amount of approximately EUR 2000-2500 million in the next five years. This is a significant increase compared to the last five years. We believe the optimal ratio of the capital structure will not change so the equity/debt ratio could be around 30%/70%. It is worth noting that the capital expenditure mentioned above can be achieved with additional capital, like debt and/or share issuance, so a secondary public offering is highly probable. At the same time, it is not yet possible to determine the timing of the expected projects and/or the capital raising. By our model the Company's shareholder's equity could reach HUF 78 billion by the end of the decade, but the capital expenditure mentioned above (EUR 2000-2500 million, which is approximately HUF 890 billion at an EUR/HUF exchange rate of 395), is 10-12 times greater. 30 percent of the capex guided by the management is cca. HUF 265 billion which means that the Company should raise approximately HUF 175-185 billion capital (approximately 2-2.5 times the shareholder's equity calculated by 2029). Based on the new guidance by the Company the expected EBITDA could be much higher, Alteo could earn EUR 300 million EBITDA till 2030. To put it in context, the Company made HUF 19.7 billion EBITDA (approx. EUR 48.8 million) in 2024.

Results by segments

Non-renewables-based heat and electricity production and management: the segment's revenue increased by 19% and the EBITDA decreased by 19% in Q2 2025. The main catalysts behind the higher revenue are the expansion of the scheduling service portfolio and the price volatility of the electricity. The scheduling service is a high margin segment but according to the management this segment has become less favorable in recent months. Competition is increasing, which means the margins are under pressure.

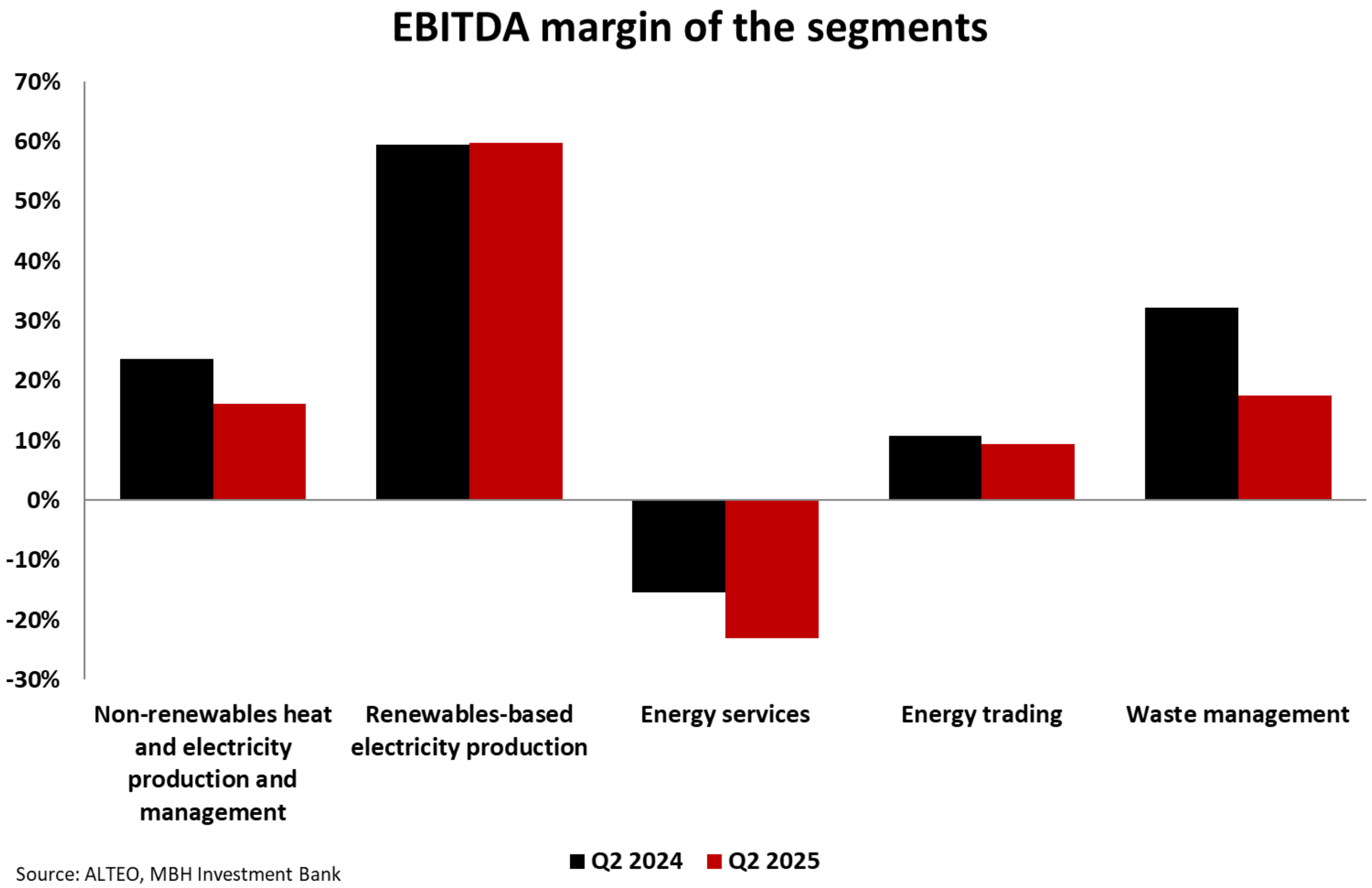
Renewables-based electricity production: the revenue increased by 42% while the EBITDA increased by 43% in Q2 of 2025. On the one hand the better result is the consequence of more electricity production because of the newly implemented power plants. On the other hand, due to poor weather conditions, such as less windy days, the wind power plants produced the least electricity compared to the past five years.
Subsidy prices were growing with inflation till 2025, but from this year onward there was change, the inflation adjustment was abolished. The segment capacity reached 116 MW.

Energy services: The revenue decreased by 8% year over year, the EBITDA increased by 38%. In the future the main theme could be in this segment the strategic partnership with MOL, which can even significantly contribute to the segment's results.

Waste management: From 2023 the Waste management segment has been presented as a standalone segment. The revenue grew by 18%, and the EBITDA decreased by 36% in Q2 2025 on a year over year basis. We think that in the future the EBITDA margin could be approximately 15-25 percent, which means the waste management could become the second most profitable segment. The next 35 years MOL will be managing the collection and treatment of the municipal waste, and ALTEO participates as a subcontractor in this process for 2 (+2 optionality) years. At the end of last year Alteo has bought ÉLTEX Ltd. and we expect that the deal will have been closed by the second half of this year.

The acquired company is operating in the waste management industry with revenue from HUF 10 billion to HUF 40 billion and EBITDA from HUF 600 million to HUF 3.7 billion in the past five years (2019-2023).

Energy trading: The revenue increased by 11% due to the higher sales volume. The EBITDA decreased by 3% because of the increasing competition among energy traders.



Source: ALTEO, MBH Investment Bank

Results by segments

million HUF	Q2 2024	Q2 2025	Δ
Non-renewables heat and electricity production and management	29056	34636	19%
Renewables-based electricity production	3283	4672	42%
Energy services	2332	2145	-8%
Energy trading	17179	19081	11%
Waste management	2366	2800	18%
Other	4	32	700%
Revenue	**49787**	**54526**	**10%**
Non-renewables heat and electricity production and management	6844	5562	-19%
Renewables-based electricity production	1949	2791	43%
Energy services	-358	-495	38%
Energy trading	1851	1791	-3%
Waste management	761	489	-36%
Other	-1284	-2211	72%
EBITDA	**9763**	**7927**	**-19%**
EBITDA margin			
Non-renewables heat and electricity production and management	23,6%	16,1%	-7,5%
Renewables-based electricity production	59,4%	59,7%	0,4%
Energy services	-15,4%	-23,1%	-7,7%
Energy trading	10,8%	9,4%	-1,4%
Waste management	32,2%	17,5%	-14,7%

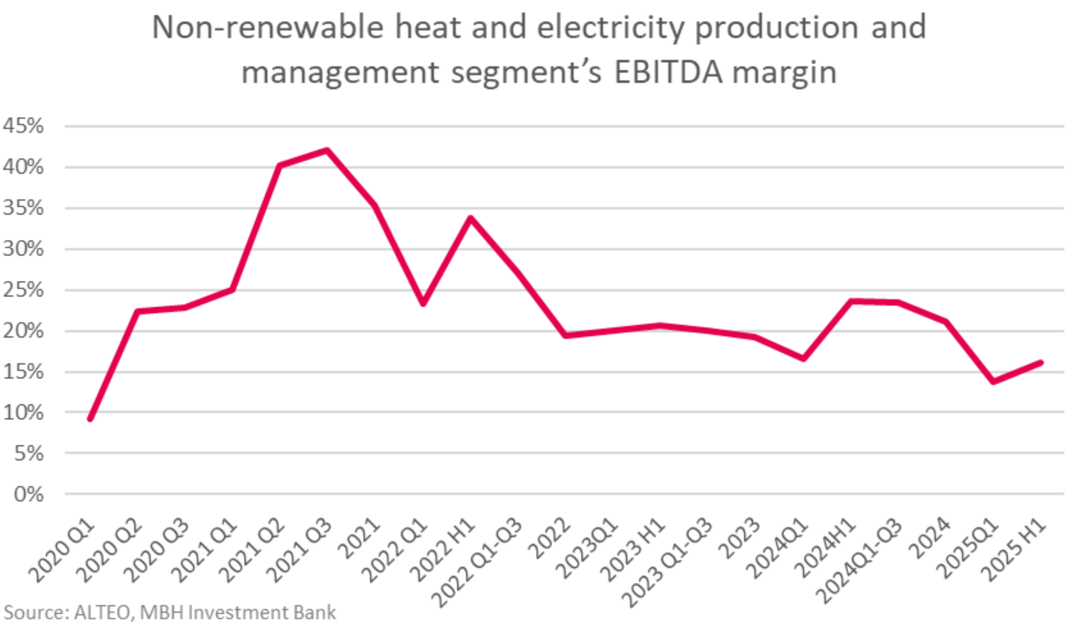
Source: ALTEO, MBH Investment Bank

Conclusion

We believe the most important takeaway from the latest earnings report is that despite the scheduling service is a high margin segment, the business has become less favorable in recent months as competition is increasing, meaning the margins are and will continue to be under pressure. From the financial model's point of view this means the Non-renewable heat and electricity production and management segment's EBITDA can be realized at a lower level (see bottom chart). The scheduling services, the balancing activity and the energy storage businesses are an interconnected part of the Non-renewable heat and electricity production and management segment, and these are the main contributors to the segment's EBITDA margin. According to some economic principles a high margin business gives rise to the competition, which means lower profitability in the future. Secondly, the utility sector (like electricity production in this case) is a highly regulated industry, which could mean further margin pressure if the regulator makes decisions that are unfavorable to the Company.

It is important to note that the effect of the new management guidance is almost impossible to forecast with a single DCF model. Since it is a multifactorial model where many factors are unknown and/or unpredictable, like the future cost of debt, the possibility of a secondary share issuance, the expected composition of the new energy portfolio, the functioning of the energy market in the neighboring countries and regulations to name a few, a small error in the prediction of these factors could cause a very misleading company value. However, the statement that the Company could be worth more if such a management strategy were implemented does not have much information content. We don't want to predict the unpredictable, so we continue to value the Company without incorporating the unknown/unpredictable elements into our model which means that our model and the management's guidance could be differ (even significantly too). We believe that the main point in this situation is the continuous monitoring of the company events and the calibration of our model. In this situation we think the less is more…

Based on our modified DCF-model the one year target price is HUF 5972, our recommendation is buy.



Source: ALTEO, MBH Investment Bank

Equity Value

		Long term growth rate		
		0%	3%	6%
Discount	6,7%	**84 117**	**200 771**	**4 493 479**
Rate	8,7%	**48 672**	**99 269**	**289 921**
(WACC)	10,7%	**27 715**	**55 206**	**122 276**

One Year Target Price

		Long term growth rate		
		0%	3%	6%
Discount	6,7%	**5 060**	**12 078**	**270 318**
Rate	8,7%	**2 928**	**5 972**	**17 441**
(WACC)	10,7%	**1 667**	**3 321**	**7 356**

Source: ALTEO, Bloomberg, MBH Investment Bank

DCF, million HUF	2025	2026	2027	2028	2029
Revenue	**95 854**	**138 606**	**141 047**	**145 945**	**154 393**
market based, VPP, trading	*80 624*	*80 870*	*79 722*	*81 833*	*87 357*
subsidy	*5 084*	*3 686*	*3 772*	*3 881*	*3 994*
waste management	*6 146*	*50 050*	*53 553*	*56 231*	*59 042*
services	*4 000*	*4 000*	*4 000*	*4 000*	*4 000*
EBITDA	**23 165**	**25 401**	**25 736**	**25 970**	**26 636**
market based, VPP, trading	*16 145*	*16 096*	*16 012*	*15 891*	*16 186*
subsidy	*4 459*	*3 300*	*3 368*	*3 456*	*3 546*
waste management	*1 560*	*5 005*	*5 355*	*5 623*	*5 904*
services	*1 000*	*1 000*	*1 000*	*1 000*	*1 000*
D&A	**5 183**	**7 911**	**8 132**	**8 351**	**8 590**
Capex	**- 16 665**	**- 17 120**	**- 12 319**	**- 12 516**	**- 11 731**
FCFF	**- 4 486**	**- 1 984**	**9 012**	**8 687**	**9 521**
PV of FCFF	**14 312**				
PV of TV	**131 201**				
WACC	**8,67%**				
Net Debt	**46 244**				

Source: ALTEO, Bloomberg, MBH Investment Bank

Balance Sheet, million HUF	2025	2026	2027	2028	2029
Non-current assets	62 305	83 163	84 628	87 567	92 636
Property, plant and equipment	*37 383*	*49 898*	*50 777*	*52 540*	*55 582*
Current assets	49 844	66 531	67 703	70 054	74 109
Cash and equivalents	*29 665*	*20 833*	*24 918*	*28 598*	*33 427*
Total assets	**112 149**	**149 694**	**152 331**	**157 621**	**166 745**
Shareholders' equity	51 327	60 512	70 210	80 118	89 517
Retained earnings	*50 557*	*59 302*	*68 104*	*76 913*	*85 937*
Non-current liabilities	35 033	41 248	45 719	50 263	54 521
Long-term debt	*20 670*	*24 336*	*26 974*	*29 655*	*32 167*
Bonds payable	*11 561*	*13 612*	*15 087*	*16 587*	*17 992*
Current liabilities	25 789	47 934	36 401	27 240	22 706
Short-term debt	*2 579*	*4 793*	*3 640*	*5 448*	*4 541*
Total liabilities and equity	**112 149**	**149 694**	**152 331**	**157 621**	**166 745**

Source: ALTEO, Bloomberg, MBH Investment Bank

Close date of the research: 02 September 2025, 17:00

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6. Recommendations

- **Overweight:** A rating of overweight means the stock's return is expected to be above the average return of the overall industry, or the index benchmark over the next 12 months.
- **Underweight:** A rating of underweight means the stock's return is expected to be below the average return of the overall industry, or the index benchmark over the next 12 months.

- **Equal-weight:** A rating of equal-weight means the stock's return is expected to be in line with the average return of the overall industry, or the index benchmark over the next 12 months.
- **Buy:** total return is expected to exceed 10% in the next 12 months.
- **Neutral:** Total return is expected to be in the range of -10 - +10% In the next 12 months.
- **Sell:** Total return is expected to be below -10% in the next 12 months.
- **Under review:** If new information comes to light, which is expected to change the valuation significantly.

7. Change from the prior research
Our first research was published on 15. December 2017. In the Initial Coverage our price target was HUF 823. The changes in fundamental factors and the operation in the Company required regular updates of our model and so the target price. In this report we revised our target price from HUF 6143 to HUF 5972. Our current target price is 3 percent lower than the previous one.

Prior researches
MBH Bank wrote an initiation report on 15 December 2017. The research is available on the web page of the BSE (Budapest Stock Exchange): https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Tozsdetagok-elemzesei/MKB-Bank-Alteo-initation-report-20171215.pdf
The flash notes are available on the web page of the BSE (Budapest Stock Exchange):
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13.This publication is valid at the time of its publication. The date of preparation of the publication: 17:00 02/09/2025

14.The valuation procedures used:

Discounted cash flow valuation

The discounted cash flow valuation is a method of valuing a company (or project, assets, business, etc.) with the time value of the money. The model forecasts the company's free cash flow (free cash flow to firm) and discounts it with the average cost of capital (WACC). The cash flow is simply the cash that is generated by a business and which can be distributed to investors. The free cash flow represents economic value, while accounting metric like net earning doesn't. The WACC represents the required rate of return by the investors. If a business is risky the required rate of return, the WACC will be higher.

Discounted cash flow model (DCF): We analyze the companies using five-year forecast period and set a terminal value based on the entity's long-term growth or on different exit multiples like EV/EBITDA or EV/EBIT. In certain cases the forecast period may differ from five years. In this case the analysts must define the reason for difference. The cash flows are discounted by the company's WACC unless otherwise specified.

In the first step we forecast the company's cash flow. The free cash flow to firm (FCFF) is based on the earnings before interest and taxes (EBIT), the tax rate, depreciation and amortization (D&A), net change in working capital (which is based on the current assets and current liabilities) and the capital expenditures (CAPEX). The model requires a terminal value which can be based on the long-term growth or on an exit multiple like EV/EBITDA, or EV/EBIT. Forecasting the terminal value is a crucial point because in most cases it makes up more than 50% of the net present value.

The discount rate (WACC): The average cost of capital of the company is dependent on the industry, the risk-free rate, tax, the cost of debt and the equity risk premium. The cost of equity is calculated by the CAPM model, where the independent variables are the risk-free rate, the industry specific levered beta, and the equity risk premium. The WACC is dependent on the capital structure, so the forecast of the equity/debt mix is crucial.

At the end we get the enterprise value (EV). The EV is the market capitalization plus the total debt and preferred equity and minority interest, minus the company's cash. In the last step we reduce the EV with the net debt. This figure divided by the shares outstanding we arrive at the target share price.

The discounted cash flow model includes sensitivity analysis which takes the effects of the change in the WACC, the long-term growth or the used exit multiples on which the terminal value is based.

Our target price is based on a 12-month basis, ex-dividend unless stated otherwise.

Peer group valuation: For comparison we use peer group valuation. The analysis based on important indicators and multiples like P/E, EV/EBITDA, EV/EBIT, market capitalization, P/S, EBITDA margin, net debt to EBITDA, EBITDA growth, dividend yield and ROIC. If the industry justifies we may use other multiples. The peer group is compiled according to the companies' main business, with respect to the region (DM or EM market).