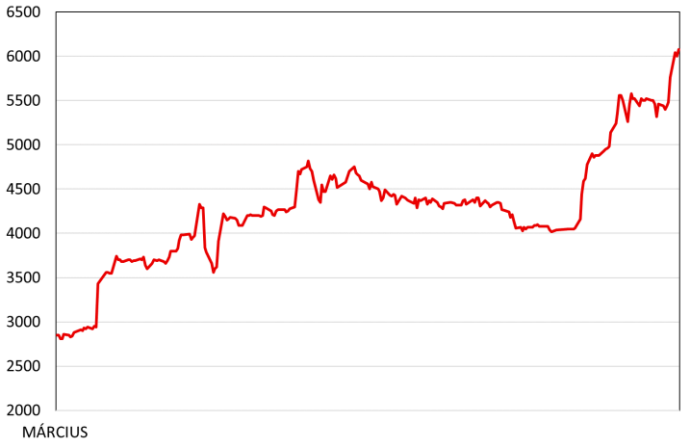
ALTEO

HOLD

One year target price: HUF 6143



mrd HUF	2023	2024	Change (yoy)
Revenue	98,954	105,61	7%
EBITDA	19,432	19,659	1%
EBIT	15,163	14,117	-7%
Net profit	12,763	10,235	-20%
EBITDA margin	19,6%	18,6%	-0,010
EBIT margin	15,3%	13,4%	-0,020
Profit margin	12,9%	9,7%	-0,032

Price (04.03.2025)	HUF 6000	Net profit (2024, mrd HUF)	10,235
Shares outstanding (mln)	19.9	Bloomberg ticker	ALTEO HB Equity
Free float	26.2%	BÉT ticker	ALTEO
Market capitalization (mrd HUF/mln EUR)	119,589/299,7	52 week min./max.	HUF 2800–6100

Source: BÉT, Bloomberg

Back to normal

On 3 March 2025 ALTEO (the "Company") announced financial results for the fourth quarter of 2024. The Company's EBITDA increased by 1% and the revenue increased by 7% in 2024.

The main drivers behind the higher revenue were the windy and wetter weather in the first half of the year, the implementation of the new solar power plant near Tereske and the higher revenue of the electricity trading. We think the years of the energy chaos is behind us which is negative for the revenue and earnings. The normalization of the energy markets (i.e. the electricity, gas- and heat market), the higher general and administrative costs and the lower interest earnings due to the lower yield environment are the main drivers behind the fact, that the EBITDA increased a at lower pace.

It's worth noting, that the Company has made several acquisitions in the recent years. If you would like to find more, please read our previous flash notes on the website of the Budapest Stock Exchange. Alteo presented a new strategy plan on 09 January 2025. According to the presentation in the next five years the Company will focus on:

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

- the upgrade of the renewable power plant portfolio (like significant growth in the capacity of the wind, solar and/or other renewable power plants),
- the waste management segment, which will be a significant 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 reach 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 900 billion at an EUR/HUF exchange rate of 410), is 10-12 times greater. 30 percent of the capex guided by the management is cca. HUF 270 billion which means that the Company should raise approximately HUF 180-190 billion capital (2-3 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 make EUR 300 million EBITDA till 2030 according to the new strategy plan. 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 decreased by 17% and the EBITDA decreased by 6% in 2024. The main catalysts behind the lower revenue are the lower energy prices and the lower spark spreads (the difference between the gas price used to produce electricity and electricity price). In December 2023 the MAVIR capped the electricity balancing prices which positively affected the renewable schedule segment but had a negative impact on the balancing activity (two of the highest margin segments).

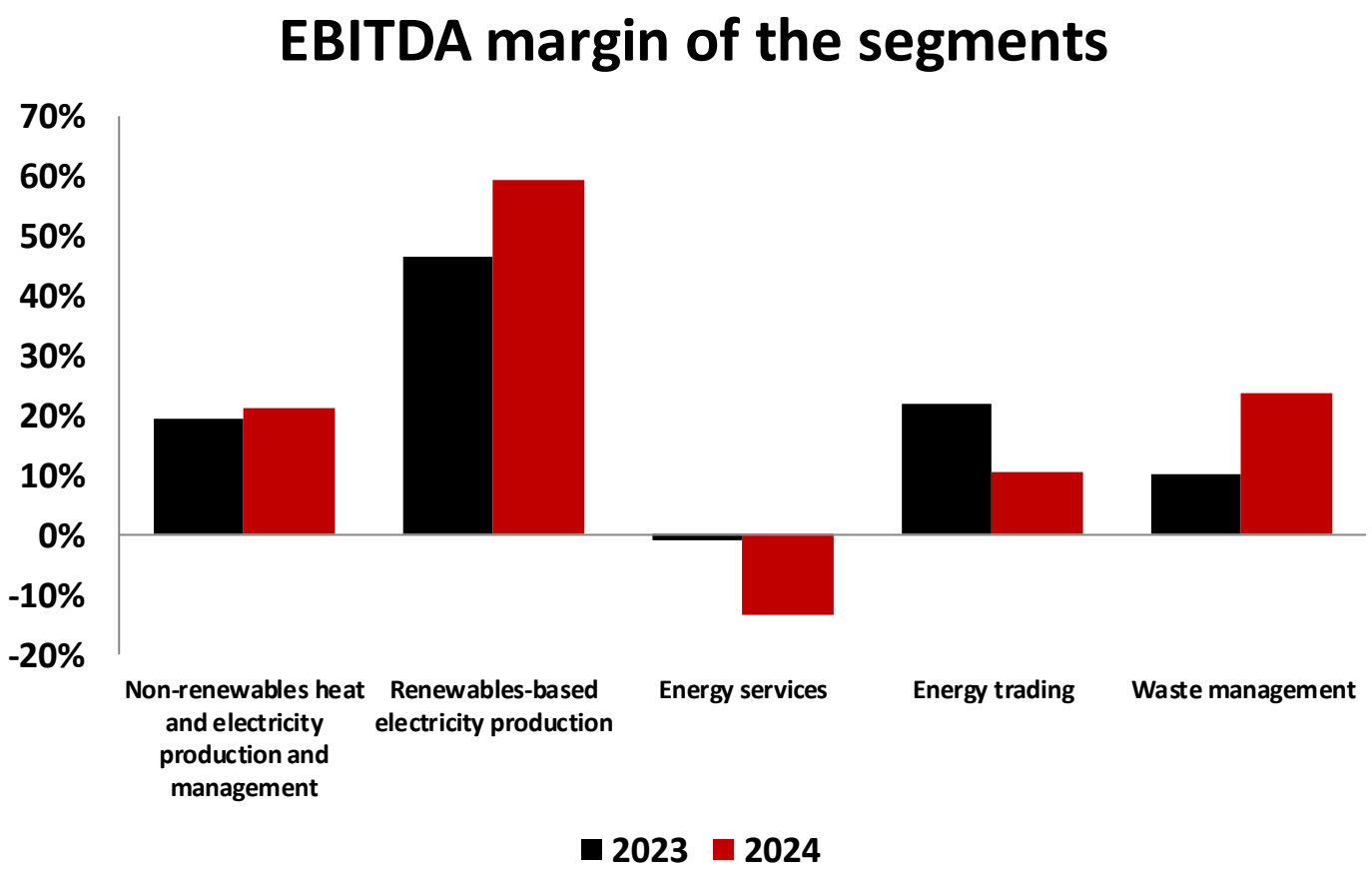
Renewables-based electricity production: in this segment the revenue increased by 40% while the EBITDA increased by 78% in 2024. The better results are the consequence of the higher electricity production of the wind power plants and the higher subsidy prices. Subsidy prices were growing by the inflation till 2025, but from this year onward there will be a change, the inflation adjustment will be abolished. At the same time a new solar power plant started its production in August 2024 and the Mov-R Ltd, a wind power plant was acquired in October 2024, so the segment capacity reached 115 MW.

Energy services: The revenue increased by 20% year over year. The segment's EBITDA is under pressure due to the higher costs of the E-mobility sub-segment. The strategic partnership with MOL means that the cost of ALTEO's staff increasing because of the cost of the additional staff development. The segment's staff cost increased by 35% percent in 2024.

Waste management: From 2023 the Waste management segment has been presented as a standalone segment. The revenue grew by 15% in 2024, and the EBITDA turned positive. The EBITDA margin is approximately 20-25 percent, which means the waste management is the second most profitable segment now. 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 the 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 last five years (2019-2023).

Energy trading: The revenue increased by 110% due to the higher sales volume in 2024. The EBITDA increased by 1% because of the increasing competition among the energy traders and the lower electricity prices.



Source: ALTEO, MBH Befektetési

Results by segments

million HUF	2023	2024	Δ
Non-renewables heat and electricity production and management	75521	65412	-13%
Renewables-based electricity production	5211	7283	40%
Energy services	4903	5902	20%
Energy trading	18041	37827	110%
Waste management	4268	4909	15%
Other	5	0	NA
Revenue	**98954**	**105607**	**7%**
Non-renewables heat and electricity production and management	14554	13753	-6%
Renewables-based electricity production	2424	4323	78%
Energy services	-40	-782	1855%
Energy trading	3957	3999	1%
Waste management	427	1155	170%
Other	-1891	-2790	48%
EBITDA	**19432**	**19659**	**1%**
EBITDA margin			
Non-renewables heat and electricity production and management	19,3%	21,0%	1,8%
Renewables-based electricity production	46,5%	59,4%	12,8%
Energy services	-0,8%	-13,2%	-12,4%
Energy trading	21,9%	10,6%	-11,4%
Waste management	10,0%	23,5%	13,5%

Source: ALTEO, MBH Befektetési Bank

Conclusion

We last refreshed our DCF-model after the presentation of the new strategy plan on 22 January 2025. Based on our model the one year target price remains HUF 6143, our recommendation is hold.

DCF, million HUF	2025	2026	2027	2028	2029
Revenue	**96 724**	**139 336**	**139 900**	**142 739**	**151 187**
market based, VPP, trading	*81 494*	*81 601*	*78 575*	*78 627*	*84 151*
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	**25 896**	**28 291**	**27 584**	**26 587**	**27 714**
market based, VPP, trading	*18 876*	*18 987*	*17 861*	*16 508*	*17 263*
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	**3 674**	**- 1 670**	**10 684**	**9 333**	**9 968**
PV of FCFF	**24 192**				
PV of TV	**97 309**				
WACC	**9,20%**				
Net Debt	**15 417**				

Source: ALTEO, Bloomberg, MBH Investment Bank

		Equity Value		
		Long term growth rate		
		0%	2%	4%
Discount	7,2%	**109 997**	**156 471**	**258 360**
Rate	9,2%	**81 673**	**106 084**	**147 343**
(WACC)	11,2%	**63 961**	**78 618**	**100 209**

		One Year Target Price		
		Long term growth rate		
		0%	2%	4%
Discount	7,2%	**6 370**	**9 061**	**14 961**
Rate	9,2%	**4 730**	**6 143**	**8 532**
(WACC)	11,2%	**3 704**	**4 553**	**5 803**

Source: ALTEO, Bloomberg, MBH Investment Bank

Balance Sheet, million HUF	2025	2026	2027	2028	2029
Non-current assets	53 198	69 668	76 945	78 507	90 712
Property, plant and equipment	*42 559*	*55 735*	*61 556*	*62 805*	*72 570*
Current assets	54 262	71 062	78 484	80 077	92 527
Cash and equivalents	*27 635*	*18 829*	*23 818*	*27 396*	*31 845*
Total assets	**107 461**	**140 730**	**155 429**	**158 584**	**183 239**
Shareholders' equity	48 616	56 711	64 230	71 271	78 107
Retained earnings	*47 886*	*55 576*	*62 303*	*68 420*	*74 983*
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	23 812	42 771	45 480	37 049	50 611
Short-term debt	*2 381*	*4 277*	*4 548*	*7 410*	*10 122*
Total liabilities and equity	**107 461**	**140 730**	**155 429**	**158 584**	**183 239**

Source: ALTEO, Bloomberg, MBH Investment Bank

Close date of the research: 04 March 2025, 12:00

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- **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 that 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 the target price. In this report we didn't revise our target price, so it remains HUF 6143. Our former price target was HUF 4683 (05 Sept 2024). Our current target price is 31 percent higher than the one which was published on 5 Sept 2024.

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
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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).

