ALTEO

One year target price: HUF 5521
Recommendation: Buy



mln HUF	Q3 2024	Q3 2025	Change (yoy)
Revenue	74787	86821	16%
EBITDA	14811	11782	-20%
EBIT	11275	6233	-45%
Net profit	8560	2700	-68%
EBITDA margin	19,8%	13,6%	-0,062
EBIT margin	15,1%	7,2%	-0,079
Profit margin	11,4%	3,1%	-0,083

Price (05.12.2025)	HUF 4200	Net profit (2025 Q3, mln HUF)	2700
Shares outstanding (mln)	19.9	Bloomberg ticker	ALTEO HB Equity
Free float	26.2%	BÉT ticker	ALTEO
Market capitalization (mrd HUF/mln EUR)	83,3/220	52 week min./max.	HUF 3980–6880

Source: BÉT, Bloomberg

Refreshing our financial model

On 17 November 2025 ALTEO (the "Company") announced financial results for its third quarter of 2025. While the Company's **revenue increased by 16%, EBITDA decreased by 20%** over the nine-month period. In the past few **quarters, the Company's earnings have deteriorated.** We think the main factors behind this process are the **fierce competition in the balancing market** and in the scheduling services; the **deterioration of the spark spread** (the price difference between the produced electricity and the input costs, like the price of natural gas); the **higher costs which are related to acquisitions** to implement the new strategy (see: link) and the **higher cost of the stock based compensation.**

During the energy chaos (after the start of Russo-Ukrainian war) **the Company could operate above the organic EBITDA levels, but today the situation is completely different**. In 2022/23 and partly in 2024 ALTEO was able to take advantage of high energy prices: the balancing market and the scheduling services' EBITDA margin exploded, and the Energy trading segment revenue and EBITDA were able to increase. Nowadays these extra margins have disappeared, we believe the management **will focus on the implementation of the new strategy to maintain and increase the Company's earnings (mainly EBITDA).** It is not yet possible to determine the timing of the expected projects and the related capital expenditures. By our model the Company's shareholder's equity could reach cca. HUF 80 billion by the end of the decade, but the capital expenditure mentioned in the new strategy plan (EUR 2000-2500 million, which is approximately HUF 860 billion at an EUR/HUF exchange rate of 385), is 10-11 times greater. The management guided 30/70% equity/debt mix. 30 percent of the CapEx is cca. HUF 260 billion which means that the Company should raise approximately HUF 150-180 billion capital (approximately 2 times the shareholder's equity calculated by 2030).

The EBITDA of the Waste management segment by our calculation will have reached 20-30 percent of the total EBITDA by the end of 2026/2027. **The balancing market and scheduling services will face some headwinds in 2026 too**, which is a negative sign, as these were previously one of the biggest contributors to EBITDA margin growth.

In the future **the growing capacity of the Company owned batteries can be a potential high margin sub-segment** which can contribute to the earnings of the scheduling services and/or the balancing market. We are still waiting for some financial subsidization to help develop this industry, which would also benefit ALTEO. Nowadays the aggregate capacity of solar power plants is sufficient, but more wind power plants and battery capacity could help to improve the system's efficiency.

Assumptions of the model

By our calculation the cost of equity is 19.8 percent, the cost of debt 3.85 percent and the risk-free rate is 7 percent. As for beta, we rely on Damodaran's unlevered beta, but the **levered beta is calculated by us considering the Company's debt/equity ratio** in the management forecast. The equity risk premium (which is almost always a subject of debate) is 6.87 percent.

The model considers all the announced investments and/or implemented projects until the release date of this report. Our Capex assumptions are ALTEO will spend approximately HUF 65 billion in the next five years (net HUF 23.5 billion after D&A). By the end of the decade the debt/EBITDA ratio will have been approximately 2-2.5. Our assumption is that the EBITDA margin will decrease to cca. 16-17 percent at the end of the decade. The long-term EBIT growth rate of the Company is approximately 3.7 percent, which is based on average ROIC (return on invested capital) and forecasted reinvestment rate.

Regarding the commodity prices we partly relied on several forecasts from the World Bank, the ECB and the EIA.

Based on these assumptions our one year target price is HUF 5521, our recommendation is buy.

		Equity Value		
		Long term growth rate		
		2,7%	3,7%	4,7%
Discount	8,6%	**68 748**	**91 941**	**126 976**
Rate	10,1%	**41 240**	**54 660**	**73 035**
(WACC)	12,1%	**18 737**	**26 236**	**35 756**
		One Year Target Price		
		Long term growth rate		
		2,7%	3,7%	4,7%
Discount	8,6%	**4 128**	**5 521**	**7 625**
Rate	10,1%	**2 492**	**3 303**	**4 413**
(WACC)	12,1%	**1 135**	**1 589**	**2 165**

Source: ALTEO, Bloomberg, MBH Investment Bank

DCF, million HUF	2026	2027	2028	2029	2030
Revenue	**139 583**	**145 782**	**147 851**	**152 732**	**152 181**
market based, VPP, trading	*86 024*	*87 641*	*87 195*	*89 431*	*86 112*
subsidy	*3 604*	*3 590*	*3 579*	*3 569*	*3 551*
waste management	*45 955*	*50 550*	*53 078*	*55 732*	*58 518*
services	*4 000*	*4 000*	*4 000*	*4 000*	*4 000*
EBITDA	**26 213**	**26 997**	**26 538**	**26 507**	**26 235**
market based, VPP, trading	*17 383*	*17 718*	*17 016*	*16 727*	*16 192*
subsidy	*3 234*	*3 223*	*3 214*	*3 206*	*3 192*
waste management	*4 595*	*5 055*	*5 308*	*5 573*	*5 852*
services	*1 000*	*1 000*	*1 000*	*1 000*	*1 000*
HQ Ebitda	*- 2 621*	*- 2 430*	*- 2 123*	*- 1 855*	*- 1 836*
D&A	**7 829**	**8 072**	**8 288**	**8 523**	**8 780**
Capex	**- 15 046**	**- 13 265**	**- 12 459**	**- 12 671**	**- 11 502**
FCFF	**- 673**	**6 603**	**7 944**	**7 558**	**9 385**
PV of FCFF	**22 829**				
PV of TV	**131 015**				
WACC	**8,60%**				
Net Debt	**61 903**				

Source: ALTEO, Bloomberg, MBH Investment Bank

Balance Sheet, million HUF	2026	2027	2028	2029	2030
Non-current assets	83 750	87 469	88 711	91 639	91 308
Property, plant and equipment	*50 250*	*52 481*	*53 226*	*54 984*	*54 785*
Current assets	67 000	69 975	70 969	73 312	73 047
Cash and equivalents	*17 376*	*18 674*	*21 634*	*24 124*	*28 908*
Total assets	**150 750**	**157 444**	**159 679**	**164 951**	**164 355**
Shareholders' equity	51 619	58 953	66 287	73 007	79 515
Retained earnings	*50 587*	*57 185*	*63 635*	*70 087*	*76 334*
Non-current liabilities	40 495	45 310	49 833	54 432	58 608
Long-term debt	*23 892*	*26 733*	*29 401*	*32 115*	*34 578*
Bonds payable	*13 363*	*14 952*	*16 445*	*17 963*	*19 340*
Current liabilities	58 636	53 181	43 560	37 512	26 233
Short-term debt	*5 864*	*5 318*	*8 712*	*7 502*	*5 247*
Total liabilities and equity	**150 750**	**157 444**	**159 679**	**164 951**	**164 355**

Source: ALTEO, Bloomberg, MBH Investment Bank

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6. Recommendations

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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 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. Our former price target was HUF 5972 (03 Sept 2025). The new one year price target is HUF 5521 which is 7.5 percent lower than our previous price target.

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).

