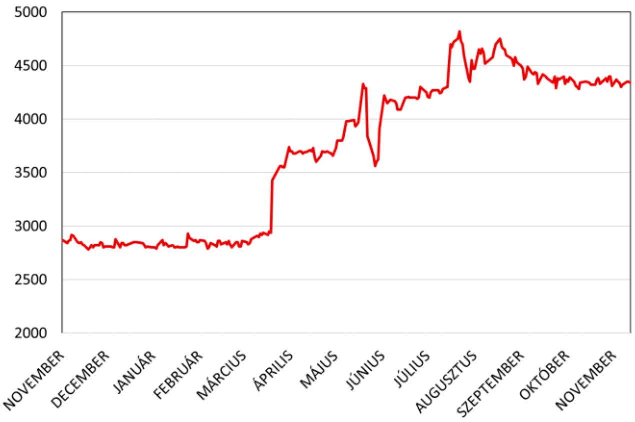
ALTEO Nyrt.

One year target price is under review



mrd HUF	Q3/23	Q3/24	Change (yoy)
Revenue	76,75	74,79	-3%
EBITDA	16,33	14,81	-9%
EBIT	13,19	11,27	-15%
Net profit	11,3	8,56	-24%
EBITDA margin	21,3%	19,8%	-0,015
EBIT margin	17,2%	15,1%	-0,021
Profit margin	14,7%	11,4%	-0,033

Price (09/01/2025)	HUF 4620	Net profit (Q3 2024, mrd HUF)	8,56
Shares outstanding (mln)	19.9	Bloomberg ticker	ALTEO HB Equity
Free float	26.2%	BÉT ticker	ALTEO
Market capitalization (mrd HUF/mln EUR)	91,5/221	52 week min./max.	HUF 2770–4850

Source: BÉT, Bloomberg

New strategy 2025-2030

On 09 January 2025 the management of Alteo (the "Company") has issued a renewed guidance on the Company's future earnings and investment opportunities. According to the investor presentation the Company will focus on the regional expansion (mainly in Slovakia, Croatia and Serbia, and in the second line in Romania, Czech Republic and Poland), the upgrade of the renewable power plant portfolio (like significant growth in capacity), the waste management segment and the renewable schedule segment (partly a technology area) in the next five years.

According to the new guidance the management will likely identify new projects in the amount of approximately EUR 2000-2500 million which is a significant increase compared to the last five years. We believe the optimal capital structure will not change the equity debt ratio could be around 30%/70%. It is worth noting that the CAPEX mentioned above can be reach with additional capital (like more debt or share issuance, so a secondary public offering is highly probable).

Based on the new guidance the expected EBITDA could be much higher than the one in our most recent model. The Company could earn EUR 300 million EBITDA till 2030 according to the management. To put it in context, by our forecast Alteo made HUF 21 billion EBITDA (approx. EUR 51 million) in 2024. Therefore, it is important to note that the effects of such a large jump in the expectations is almost impossible to forecast with a DCF model. It is a multifactorial model where many factors are unknown and/or unpredictable, like the cost of debt, the possibility of stock issuance, the expected composition of the new energy portfolio, the functioning of the energy market in the neighboring countries to name a few. So we continue to value Alteo without incorporating the unknown/unpredictable elements into our model which means that our model and the management's guidance could be differ (even significantly).

Alteo announced several acquisitions in the last several months. The Company has bought Mov-R H1 Ltd., which is operating 12 wind turbine towers (with the total capacity of 24Mw) near Levél and Mosonszolnok. At the end of the last year Alteo has bought ÉLTEX Ltd. which is operating in the waste management industry with revenue of HUF 10 billion to HUF 40 billion and the EBITDA of HUF 600 million to HUF 3.7 billion in the last five years. The acquisition of ÉLTEX is expected to close in 2025.

To take into effect of the management's new guidance and the recent acquisitions we put our target price under review.

Close date of the research: 10 January 2025, 12:00

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- **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 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 put our target price under review. Our former price target was HUF 4683 (05 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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13.This publication is valid at the time of its publication. The date of preparation of the publication: 12:00 10/01/2025

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 W ACC 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 inte rest and taxes (EBIT), the tax rate, depreciation and amortization (D&A), net change in working capital (which is based on the curr ent 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 be cause 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, s o 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. Th is 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).