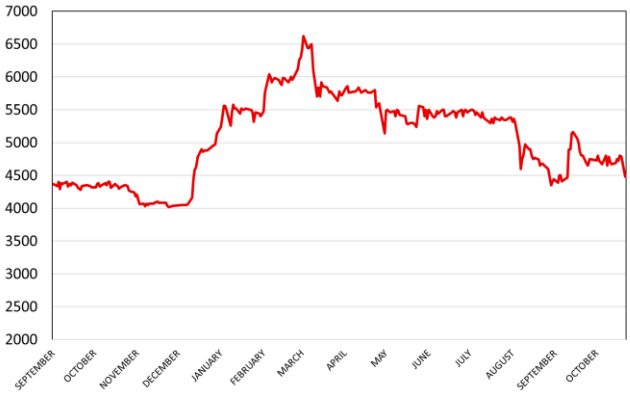
ALTEO

One year target price: under review



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 (20.11.2025)	HUF 4490	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)	89,2/231,7	52 week min./max.	HUF 3980–6880

Source: BÉT, Bloomberg

Summary

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.

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 and the expansion of the retail energy portfolio.** At the same time weather conditions, such as less windy days, negatively affected sales revenue**. The Group's EBITDA decreased by 20% because of the fierce competition** in the balancing market. **The spark spread** (the price difference between the produced electricity and the input costs, like the price of natural gas) **deteriorated** which means the material costs have risen. Moreover, **stock-based compensation, the increased number of employees (due to the acquisition of ELTEX Ltd.) and wage pressure have a negative effect on staff cost.** Following the consolidation of ELTEX Ltd. (now Alteo Circular Ltd.) the deprecation cost increased significantly (from approx. HUF 3.5 billion to approx. HUF 5.5 billion).

The energy chaos of 2022/2023 and the 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:

[1] Alteo elemzések - Bet site

- the regional expansion, mainly in Slovakia, Croatia and Serbia, and secondly 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 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. The capital expenditure mentioned above (EUR 2000-2500 million, which is approximately HUF 870 billion at an EUR/HUF exchange rate of 385) is 10-12 times greater than the shareholder's equity projected for 2030. 30 percent of the capex guided by the management is cca. HUF 260 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 2030). Based on the new guidance by the Company EBITDA could be about EUR 300 million by 2030. To put it in context, Alteo 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 11% and EBITDA decreased by 32% through Q3 2025. The main catalysts behind the higher revenue are the **expansion of the scheduling service portfolio and the price volatility of the electricity**. The electricity **balancing service** is a high margin segment, but it has become **less favorable in recent months because the competition is increasing**, which means the margins are under pressure. According to the management's guidance the **current trends will certainly persist until the end of this year, maybe next year.**

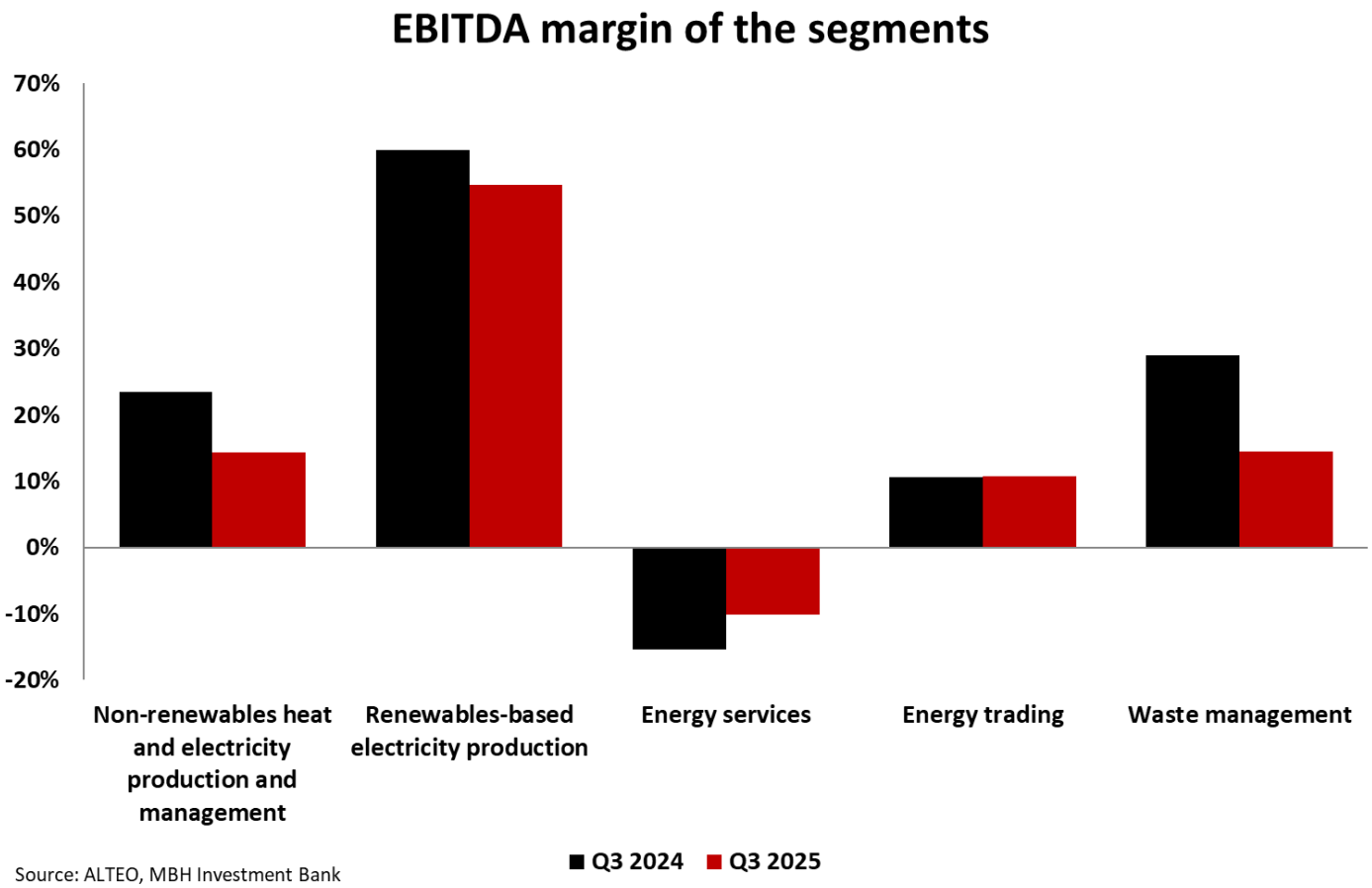
Renewables-based electricity production: revenue increased by 32% while EBITDA increased by 20% through Q3 of 2025. **The better result is the consequence of more electricity production because of the newly implemented power plants,** but due **to poor weather conditions**, such as less windy days, the wind power plants produced the least electricity compared to the past five years. It is worth noting, that subsidy prices (old KÁT) were growing with inflation till 2025, but from this year onwards, inflation adjustment was abolished.

Energy services: revenue increased by 62% and EBITDA increased by 6% through Q3 2025. In the future the main theme could be the strategic partnership with MOL, which could even significantly contribute to the division's results.

Waste management: From 2023 the Waste management segment has been presented as a standalone division. Revenue grew by 173%, and EBITDA increased by 39% through Q3 2025 on a year over year basis. **We beleive after the proper integration of this division EBITDA margin could reach approximately 15-25 percent**, which means the Waste management could become the second most profitable segment. In 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. (now Alteo Circular Ltd.). 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: revenue increased by 4% and EBITDA increased by 6% through Q3 2025. After the years of energy chaos, competition is increasing among energy traders, putting pressure on profitability. But on the other hand, **Alteo's energy portfolio has grown, which contributed to higher revenue**.



Source: ALTEO, MBH Investment Bank

Results by segments

million HUF	Q3 2024	Q3 2025	Δ
Non-renewables heat and electricity production and management	44404	49230	11%
Renewables-based electricity production	5029	6644	32%
Energy services	3603	5841	62%
Energy trading	26520	27646	4%
Waste management	3563	9909	178%
Other	0	1	NA
Revenue	**74787**	**86821**	**16%**
Non-renewables heat and electricity production and management	10432	7055	-32%
Renewables-based electricity production	3016	3631	20%
Energy services	-553	-588	6%
Energy trading	2817	2974	6%
Waste management	1031	1432	39%
Other	-1933	-2723	41%
EBITDA	**14811**	**11782**	**-20%**
EBITDA margin			
Non-renewables heat and electricity production and management	23,5%	14,3%	-9,2%
Renewables-based electricity production	60,0%	54,7%	-5,3%
Energy services	-15,3%	-10,1%	5,3%
Energy trading	10,6%	10,8%	0,1%
Waste management	28,9%	14,5%	-14,5%

Source: ALTEO, MBH Investment Bank

Conclusion

The most important takeaway from the latest earnings report is that despite the scheduling and balancing energy service have been a high margin segment in recent years, these businesses have become less profitable in recent months due to increased competition. This means that the margins are under pressure which may continue into next year. According to basic economic principles a high margin business gives rise to competition, which means lower profitability in the future. At the same time, the utility sector (like electricity production in this case) is a highly regulated industry, which could mean further margin volatility if the regulator makes certain decisions. The staff cost is rising, which is the consequence of the acquisition and consolidation of ELTEX Ltd (Alteo Circular Ltd.) and the stock-based compensation, but we believe that efficiency will improve in the next couple of quarters.

Based on the above we put our recommendation under review.

Close date of the research: 20 November 2025, 17:00

Csaba Debreczeni
Head of Equity Research

Investment Research

MBH Befektetési Bank Zrt.
H-1056 Budapest, Váci utca 38.
debreczeni.csaba@mbhbank.hu
mbhbefektetesibank.hu

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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. In this report we put our one year target price under review.

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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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

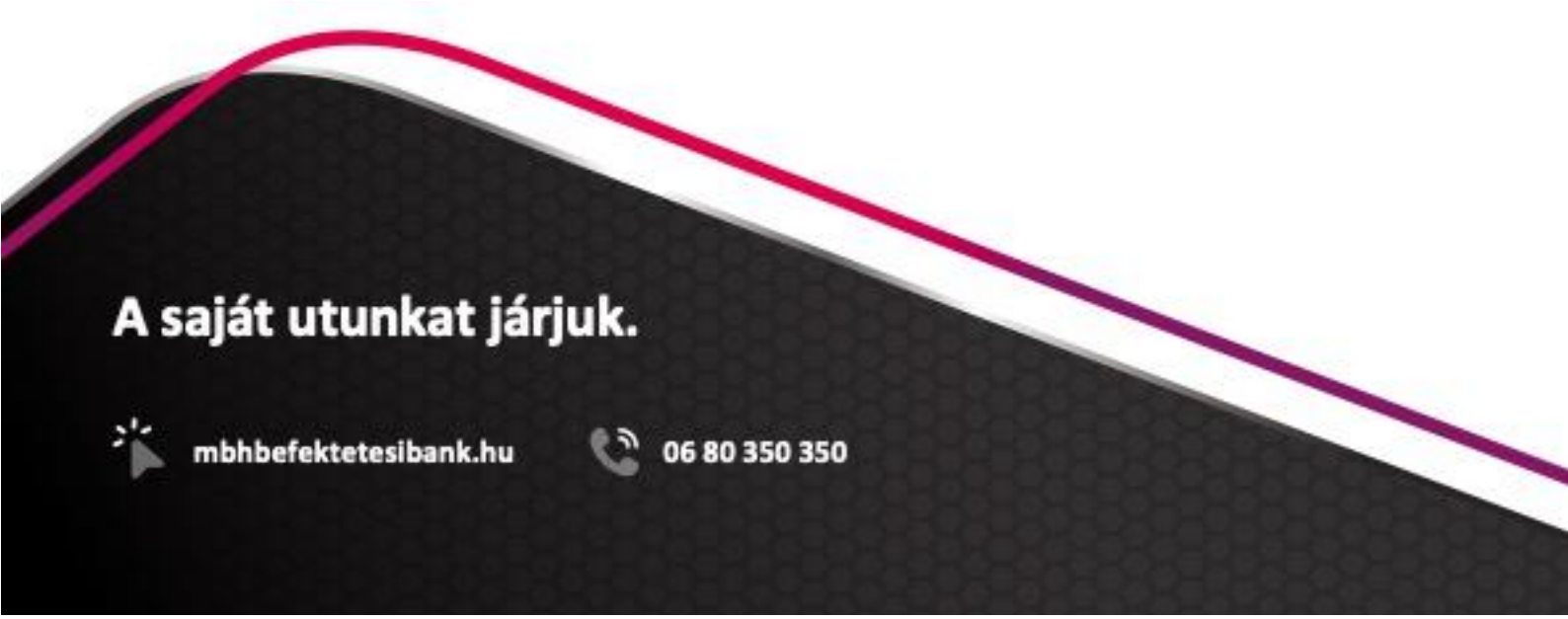
five years. In this case the analysts must define the reason for difference. The cash flows are discounted by the company's WACC unless otherwise specified.

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).