

31. May 2022

Europa | Hungary | Energy

**DR. KALLIWODA**  
RESEARCH GmbH

## Initial Coverage

BUY

Target-Price: 3103 HUF

Industry: Renewable Energies  
Country: Hungary  
ISIN: HU0000155726  
Website: <https://alteo.hu/>

Last price: 2330  
High Low  
Price 52 W.: - -  
Market cap. (HUF '000) 45,170,018  
Number of shares (thousands) 19,386

Shareholders  
Wallis Asset Management Zrt. 63.32%  
Flee Float 36.68%

## Performance

4 weeks 3.55%  
12 weeks 15.90%  
52 weeks 79.92%  
5 years 384.48%

## Dividend

|      | in HUF    | in %  |
|------|-----------|-------|
| 2017 | 16.00     | 2.26% |
| 2018 | 16.00     | 2.50% |
| 2019 | 0.00      | 0.00% |
| 2020 | 24.00     | 2.58% |
| 2021 | expect 24 |       |

## Chart: 12 Months



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## ALTEO Nyrt.

## The energy turnaround - turnaround to success

- Q1 Sales revenue increase of HUF 9.582 million and EBITDA growth in Q1 2022 of 101% yoy.
- Reasons are rising energy market prices. On the other hand company need to cover increase in Material-type expenditures and
- ALTEO was able to extend the operation and maintenance contract wieth BC Power Plant by 15 years.
- ALTEO is among the elite of ESG-certified companies: The first company in the Hungarian energy sector obtaining an independent international ESG certificate with results better than the industry average.
- ALTEO launched employee share ownership programs leading to strong motivation of the staff.
- In our comprehensive update we derive a fair value of HUF 3103 per share based on our Discount Cashflow Model. Our Rating is BUY. In our initiating coverage we published a fair value of HUF 2992.

## Figures

|             | 2021e      | 2022e      | 2023e      | 2024e      | 2025e      | 2026e      |
|-------------|------------|------------|------------|------------|------------|------------|
| in '000 HUF |            |            |            |            |            |            |
| Net sales   | 44,249,448 | 66,816,666 | 67,672,722 | 74,501,766 | 84,046,933 | 94,815,026 |
| EBITDA      | 12,879,988 | 14,235,144 | 14,658,205 | 16,238,550 | 19,915,606 | 22,467,193 |
| EBIT        | 8,943,319  | 9,865,441  | 10,232,518 | 11,245,844 | 14,283,234 | 16,113,202 |
| Net income  | 5,857,450  | 6,440,127  | 6,368,352  | 6,886,601  | 9,365,485  | 10,565,391 |
| EPS         | 266.53     | 293.05     | 289.78     | 313.36     | 426.16     | 480.76     |
| BVPS        | 864.98     | 908.23     | 953.65     | 1,001.33   | 1,051.39   | 1,103.96   |
| RoE         | 30.81%     | 32.27%     | 30.39%     | 31.29%     | 40.53%     | 43.55%     |
| EBIT margin | 0.92%      | 0.90%      | 0.89%      | 0.80%      | 0.71%      | 0.63%      |
| P/E         | 11.64      | 10.59      | 10.71      | 9.90       | 7.28       | 6.46       |
| P/BVPS      | 3.59x      | 3.42x      | 3.25x      | 3.10x      | 2.95x      | 2.81x      |
| EV/EBITDA   | 7.20x      | 6.65x      | 6.59x      | 6.08x      | 5.07x      | 4.60x      |

Source: Dr. Kalliwoda Research GmbH © 2022 &amp; ALTEAO Nyrt.

Dr. Kalliwoda Research GmbH | Primary Research

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## 1 Equity Story

ALTEO is a safe, efficient and sustainable energy producer, oriented towards mainly commercial customers. With a market capitalization of HUF 43.62 bn, ALTEO has expanded largely through mergers and acquisitions, which is a faster corporate growth, see an EBITDA increase of 45.85% from 2019 to 2020. The strategy is now changing to increase the expansion of capital expenditures. Ventures such as Waste Management and E-Mobility, for which separate companies were founded, complement the ESG character of ALTEO. The Group is the first, energy company in Hungary to implement an independent ESG rating from Sustainalytics<sup>1</sup>.

### 1.1 ESG-Rating

ALTEO Energiaszolgáltató Nyrt. is the first company in the Hungarian energy sector that obtained an international ESG certificate. ALTEO was rated with a lower ESG risk than the industry average receiving an ESG rating of 30.8 pts. on a 0-50 risk scale (Sustainalytics). ALTEO thereby is the first Hungarian energy company achieving a lower risk level than the global average in the energy producing and trading sector. Even though the analysis puts ALTEO at a high risk, the rating also considers that the company has a comprehensive risk response as well as a strong risk management. It has introduced robust ESG programs, practices and policies in order to effectively control and mitigate existing risks. All ESG themes received a low, medium or negligible risk rating with the exception of carbon emissions arising from ALTEO's natural gas power plants. "Last year we announced our intention to continue as a certified company under the ESG approach as soon as possible. As a listed company, transparency is a fundamental principle for us, and as a new generation energy provider, we want to set an example to all energy market players. We are proud to be the first company in Hungary in the energy sector, not including oil and gas industry, to obtain ESG certification (moreover, by the deadline we have set for ourselves), and we are hoping that this will gradually become a market expectation in the Hungarian large corporate sector as well. " – Attila Chikán Jr. (ALTEO CEO).

"Since our establishment in 2008, sustainability has accompanied us in all our business decisions, and the ESG certification provides us with the reference points that form the basis of a comprehensive ESG strategy covering all areas of sustainability,"

<sup>1</sup> <https://www.sustainalytics.com/esg-rating/alteo-energiaszolglat-nyrt/2003159536>

- Anita Simon, (ALTEO Deputy CEO for Sustainability and Circular Economy).

According to her, the analysis covers all sector-specific risks and clarifies what measures can be taken to mitigate these risks.

## 1.2 Business Model

ALTEO can be classified as a sustainable company. This offers significant market potential, as ALTEO is able to penetrate markets that contribute to the value of the company and thus to the value of the shareholder, as well as being supported by subsidiaries.

According to ALTEO, in addition to extensive expertise in the use of alternative and renewable energy sources, it uses highly efficient natural gas fueled cogeneration systems. The cogeneration plants help to balance the volatile production of renewables.

ALTEO provides support to business partners by being able to design efficient energy management to enable the minimisation of energy costs as well as cutting environmental impact. This ensures the optimal use of renewable energy.

- **The self-declared goal of the ALTEO Group is to become a pace-setting energy service provider, providing sustainable energy for its customers. The ambition to secure optimal returns for shareholders is to be achieved through energy trading, decentralised energy generation and efficient energy management. ALTEO's business model is based on the belief in ecologically sustainable management, which is reflected in the expansion and use of renewable energy sources. This core competence is integrated into the product range in such a way that it has an impact on business partners and investors. Segments**

ALTEO's portfolio covers 3 segments

- Energy Production
- Energy trading
- Energy service

### 1.3 Energy production

17 of the 25 power plants operated by ALTEO come from renewable energy sources. Renewable energy sources include solar, hydro, and wind, all of which are weather-dependent sources. The non-weather-dependent sources are small plants that use renewable gas. These power plants sell their

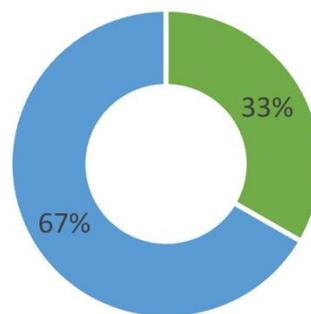
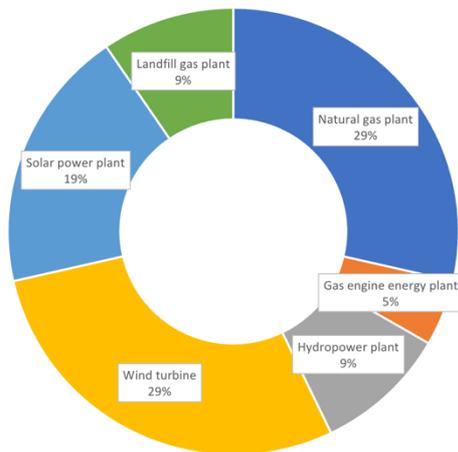
production through the Hungarian feed-in-tariff systems, so the produced electricity is subsidized by the government. ALTEO also has cogeneration plants that generate electricity and heat for industry clients, as well as municipal district heating systems. ALTEO's sustainable portfolio is expanding in consideration of EU and national sustainability and renewable energy policies and targets. The goal is to build a weather-independent renewable energy portfolio balanced by gas engine power plants. Above all, the focus of ALTEO is on the needs of its customers.

In the coming period, the portfolio will be enlarged by weather-independent alternative renewable energy units and expanded by complementary high-efficiency hydrocarbon-fired capacity. ALTEO's year-over-year renewable capacity increased 28%, while its gas-based portfolio grew 34%. The energy output comes from 50% renewable energy sources and 50% natural gas plants. In order to manage the interaction between the sustainable and the balancing energy sources, the virtual power plant of ALTEO is essential. The sustainable, subsidised segment, has the highest EBITDA margin (approximately 70%-90%).

Electricity trading is closely collaborating with the energy production segment, often it buys the electricity production of the other segment, but it is independent profit centre and it procures its electricity need from various sources.

Power plants owned by ALTEO Nyrt.:

Distribution: ALTEO power plant portfolio by numbers:



■ Natural Gas  
■ Renewable

**ALTEO owns 20 power plants:**

6 heating power plants

2 hydropower plants

**ALTEO also operates 5 power plants**

2 industrial services

1 biogas

2 solar power plant

6 wind turbines

4 solar power plants

2 landfill gas power plants

#### 1.4 Energy trading

One of the lowest margins but fastest growing segments of the ALTEO Group is energy trading, which in Q3 2021 accounts for 35,44% of revenue. It is divided into two divisions, gas and electricity, which sells energy mainly to small and medium enterprises and large companies, respectively.

In 2021, ALTEO Energiakereskedő Zrt. traded 504 GWh of electricity and 289 GWh of natural gas respectively. The focus is on supplying offices, shopping centres, industrial parks, small and medium-sized enterprises. Private customers are excluded from this supply. The contracts are usually based on one-year contracts and billing models to provide consumers with a flexible and customised offer. Due to the pandemic, margins in energy trading were lower than in the previous year due to lower demand. Update: Energy trading was recent positive impacted by the rising electric prices, even the demand recovered (2022).

##### Energy services:

ALTEO's offers energy services, which are divided into:

- Financing
- Management
- Implementation and technical supervision of investment (energy sector)
- Improvement of existing energy systems
- Operation and maintenance of technologies

Latest implementation were two major projects in three different power plants in 2020. The goal was to expand the capacity of ALTEO's Virtual Power Plant, which was achieved by upgraded gas engines and using existing on-site infrastructure. The Virtual Power Plant is composed of energy generating units of gas engines, batteries and renewables. They managed to increase the output from 2019 to 2020, by round about 30%. Using refurbished pre-owned gas engines, allows ALTEO cut on costs and build more efficiently. Under adverse conditions, Covid-19, and a tight schedule, ALTEO nevertheless executed projects superbly. Revenues as well as EBITDA of the energy services business are significantly lower compared to recent years. The revenue from energy services, decreased in the recent years, due to a lower demand in construction work of third parties caused by COVID-19 restrictions. To put things into perspective ALTEO had to have obtaining near twenty permits and a

workforce consisting of almost hundred subcontractors and suppliers. Solving the issue of a short time frame for construction, new technologies were used, like 3D scanning and modelling.

ALTEO also carries out operation and maintenance tasks (O&M). This service is exclusive for special facilities, providing qualified staff and the expertise, as well as material suited for the stress caused by the energy production. O&M services are available for the own powerplants and for third-parties as well, all over Hungary.

## 2 Q1/2022 preliminary results

Alteo reported its non audited q1 2022 results on the 16<sup>th</sup> of May 2022. The most important results and events which occurred in this quarter include the following. Alteo achieved the highest quarterly profit in its history. The impact of the war in the beginning of 2022 has been significant for the whole energy market with rising prices and increasing volatility. However, despite this, Alteo managed to follow its strategy which proved to be profitable even during such unpredictable geopolitical situations. Alteo managed to use this period to its own advantage and make use of opportunities rather than loose profitability. Therefore, the profitability of this quarter exceeds the estimates presented at the beginning of 2022. Consolidated EBITDA amounts to 4.6 billion HUF, which is an increase of 101% yoy, while net profit is 2.8 million HUF for this quarter an increase of 202% yoy, both presenting record highs in Alteo's history. This significant profitability growth is primarily because of the virtual power plant controlling heat and electricity generation, but also because of a record result in the Retail segment and a stable performance of the renewable power plants.

Although the pandemic caused a deceleration in the waste business, e-mobility and renewable energy production management business segments, these negative effect had only minor influences on these quarterly results.

Furthermore, during the first quarter, Alteo extended its operation and maintenance contract with some of its key operating partners including BC Power Plant; repaid a a bond package of HUF 650 million and managed to revise its strategic objectives communicated in 2019. The strategic targets have been raised because of the excellent performance in recent years and successful investment implementations.

Alteo also launched an employee share ownership program with the objective of increasing the financial motivation of human resources. A record dividend of 2 million HUF, which was decided to be pay out after a record 2021 year is expected to be paid out on the 27<sup>th</sup> of June 2022.

## RESULTS BY SEGMENTS

### Production of heat/thermal and electricity (market-based):

This segments revenue rose by 185% to 8.2 million HUF yoy in q1 2022. This exceptional growth is mainly due to the capacity sales revenue increase and the regulatory revenue increase. The company managed to exploit the opportunity presented by the up/down movement of capacity prices as well as the rise in balancing prices. Furthermore, an increase in a specific margin available from generation of electricity with gas engines, called spark spread further contributed to this growth.

EBITDA 2, which is defined by Alteo as a *“profit category that can most reliably be used to measure the profitability of the Group (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed)”*, increased by 167% up to 18 billion HUF.

The newly launched business segment called renewable production management services, also performed in line with expectations despite the increase in balancing energy prices.

Material expenses increased for this segment due to increased gas costs, nevertheless, this increase is lower than the rise in sales revenue. Other expenditures also increased and are the result of increased Co2 quota prices.

### Electricity production (within the subsidized system):

During this quarter, the capacity of Alteo’s power plant utilizing renewable energy sources exceeded 70 MW. The segments revenue increased by 30% yoy in q1 and amounts to 1.564 billion HUF. The already defined EBITDA 2<sup>2</sup> also increased by 25% yoy, or a 270 million HUF change mainly due to windier weather in this quarter, however some of these benefits are mitigated by lower hydropower plant production due to lower water yield. After June 2022, the production opportunities within the subsidized system will expire for some of the power plants owned by Alteo which are part of the renewable portfolio. Nevertheless, because of high electricity prices Alteo is confident that this will not lead to a drop in profitability.

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<sup>2</sup> *“profit category that can most reliably be used to measure the profitability of the Group (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed)”*

**Energy Services:**

This segment realized a 24% increase in revenue for q1 compared to previous years. However, the EBITDA and EBITDA 2<sup>3</sup> results are lower than the results generated in q1 2021, with EBITDA being 82% lower. These lower numbers can be explained by high administrative costs related to the launch of new business lines. In q1 2021 profitability was boosted by the service life extension project implemented at the TVK power plant, but this quarter the focus will shift to internal construction works which will boost profits in other business lines, one of which is the waste management business which so far did not have the chance to contribute towards the company's profitability because of prolonged covid effects, however the management is confident in its future potential. Another new business line which is the E-Mobility line also has a high future profit generation capacity.

**Retail Energy Trade:**

This segment achieved a 62% revenue growth compared to q1 2021 due to the significantly higher energy prices this year compared to the same period in 2021. However, the positive effect of these high prices is mitigated by the fact that Alteo did not extend contracts with some of its customers due to risk management reasons.

Alteo's ability to react quickly because of its strategy and dynamic structure has further allowed it to exploit the high energy price volatility to its advantage which results in higher electricity trade margin and allow the company to generate non-standard profits. Booked but unused electricity can also be sold at high SPOT prices, further boosting profitability.

The gas trade business line also realized a surplus margin of 106 million HUF yoy because of the drop in supply competition.

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<sup>3</sup> "profit category that can most reliably be used to measure the profitability of the Group (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed)"

## Consolidated Income statement

### Sales Revenue Increase:

The increase in revenue is mainly due to rising market energy prices, exceptional performance by Atleo's Virtual Power Plant, dynamic development of the Retail Segment, as well as the weather impact on the weather dependent portfolio.

### Increase in expenses for material types:

Sales in the heat and electricity generation segment were achieved with activities with non-significant material costs. However, increased energy prices impacted material expenditures.

**Depreciation and amortization:** Increase of 11%

### Other revenues, expenditures:

Other expenditures increased because of the increase of the world market price of Co2 quotes as well as the introduction of the Energy Efficiency Obligation Scheme in the Retail segment.

### Finance income:

Due to unusual exchange rate fluctuations, a negative profit compared to the base period was achieved.

### Income taxes:

Because of the significantly higher profits in q1, the amount paid in taxes increased as well.

### Net income:

Net income increased by 1,873 billion HUF due to the increase in operating profit.

| Alteo Nyrt: Heat and electricity generation (market rate, outside KÁT regime) |             |             |  |                                    |
|---|-------------|-------------|--|------------------------------------|
|   |             |             | <i>Change HUF million over previous year</i> | <i>Change % over previous year</i> |
|   | 12.31.2022  | 12.31.2021  |  |                                    |
| data in million HUF   | non-audited | non-audited |  |                                    |
| <b>Revenue</b>  | 19.066,0    | 9.484,0     | 9 582  | 101%                               |
| Capitalized own production  | 75,0        | 60,0        | 16   | -26%                               |
| Material expenses   | -12.476,0   | -5.935,0    | -6541  | 110%                               |
| Personnel expenses  | -1.115,0    | -890,0      | -225   | 25%                                |
| Depreciation and Amortization   | -956,0      | -858,0      | -98  | 11%                                |
| Other revenues and Other expenditures   | -934,0      | -416,0      | -518   | 125%                               |
| <b>Operating Net Profit or Loss</b>   | 3.660,0     | 1.445,0     | 2.216,0                                      | 153%                               |
| Net financial income  | -330,0      | 253,0       | -77  | 30%                                |
| <b>Profit or loss before Taxes</b>  | 3.331,0     | 1.191,0     | 2.139,0                                      | 180%                               |
| Income tax Expenditure  | -530,0      | 264,0       | -266,0                                       | 101%                               |
| <b>Net Profit or Loss</b>   | 2.801,0     | 927,0       | 1.873,0                                      | 202%                               |
| <b>EBITDA</b>   | 4.616,0     | 2.302,0     | 2.314,0                                      | 101%                               |

Source: Dr. Kalliwoda Research GmbH © 2021, Alteo Nyrt

## Consolidated Balance Sheet

### Capital expenditures

Capital expenditures are lower because non-significant investments or acquisitions have been made in this period. Long term deposits have increased because of the current market situation. Several mid-scale projects are in development which are expected to further increase the profitability of the firm.

### Current Assets

Mainly impacted by change in energy prices. Change in trade receivables and payables due to increased earnings.

### Equity Capital

Due to increase in profit

### Long term Liabilities and short term loans

Change due to loan repayment and the repayment of the 650 million HUF zero coupon bond named 2022/1.

#### Consolidated Balance Sheet IFRS

| data in HUF                           | 12/31/2022   | 12/31/2021   | Change yoy  | Change %  |
|---------------------------------------|--------------|--------------|-------------|-----------|
| Non-Current Assets                    | 31096        | 31371        | (275)       | (1%)      |
| Current Assets                        | 35077        | 29390        | 5687        | 19%       |
| <b>Total Assets</b>                   | <b>66173</b> | <b>60761</b> | <b>5412</b> | <b>9%</b> |
| Equity                                | 25030        | 19009        | 6020        | 32%       |
| Long-term Liabilities                 | 24587        | 24491        | 97          | 0%        |
| Short-term Liabilities                | 16556        | 17261        | (705)       | 4%        |
| <b>Total Equity &amp; Liabilities</b> | <b>66173</b> | <b>60761</b> | <b>5412</b> | <b>9%</b> |

### 3 SWOT-Analysis

#### Strengths

**Team:** ALTEO Nyrt. employs a qualified workforce, coupled with a highly competent management with a lot of experience in the relevant industries. The good prospects of the market will contribute to a stronger entrepreneurship.

**Investment in (technology):** Projects as the Virtual Power Plant (“VPP”), leads to growth improvements, through innovative technologies. The competitiveness increases strongly.

**Pricing & Know-How:** Compared to conventional energy prices, ALTEO's products and solutions are competitive. The Green Premium is striving towards zero. In the medium term, this should attract even more commercial customers as more and more attention is paid to sustainability.

**Reputation:** ALTEO stands for sustainable and reliable energy supplier. This reputation, of a reliable partner, coupled with sustainability, strengthens the company's market position

**Business Model:** Through appropriate contracts with its commercial customers, ALTEO generates recurring revenue that is more predictable and not subject to complicated contracts, and the threat of penalties, as is the case with energy buyers.

#### Weaknesses

- **Climat dependence:** Although ALTEO invests in balancing energies, they are still dependent on climate change. From this uncertainty, of the climate change, ALTEO is under possible endangerment.
- **High investment plans:** burdens the balance sheet for the coming years. Cash flow generation is required. (Relative CAPEX intensive)
- **Economic condition:** ALTEO's only market is Hungary, thus depends on the economy of Hungary. None strive, as of now, to diversify.

#### Chances, Opportunities

- **Innovative own technology (“VPP” & ARTEMIS programm):** Technology for control and planning of power plants, which is currently being developed. It enables ALTEO to achieve a higher market share in service (O&M) segment. Furthermore, ALTEO's applications, leads to increased in efficiency at other companies, as well as in its own facilities.
- **Clean Energy for all Europeans (CEP):** SEMC<sup>4</sup> can be integrated into the EU inland energy trade in order to keep sustainable electricity broadly available for the EU market. -> New markets
- **Innovative technology (market progression):** New knowledge in sustainable power production, could be a great growth driver.
- **Growing markets:** The markets are becoming more sustainable, which means that the demand for sustainability is increasing. In the same course, the demand for balancing energy is also growing.

#### Risks

- **Competition (Prosumers):** High growth rates of home solar installations. Customers are becoming self-sufficient. They use similar functionalities for this, but on a smaller scale.
- **Climate change:** The Risk of global warming, causes the elements change the attributes. Global warming, could also decrease heat demand, which concludes a decrease in demand -> Market loss.

Quelle: Company, Dr. Kalliwoda Research GmbH © Copyright 2022

<sup>4</sup> Southern and Eastern Mediterranean Countries

## 4 Risk and Opportunities / markets

### 4.1 Risk

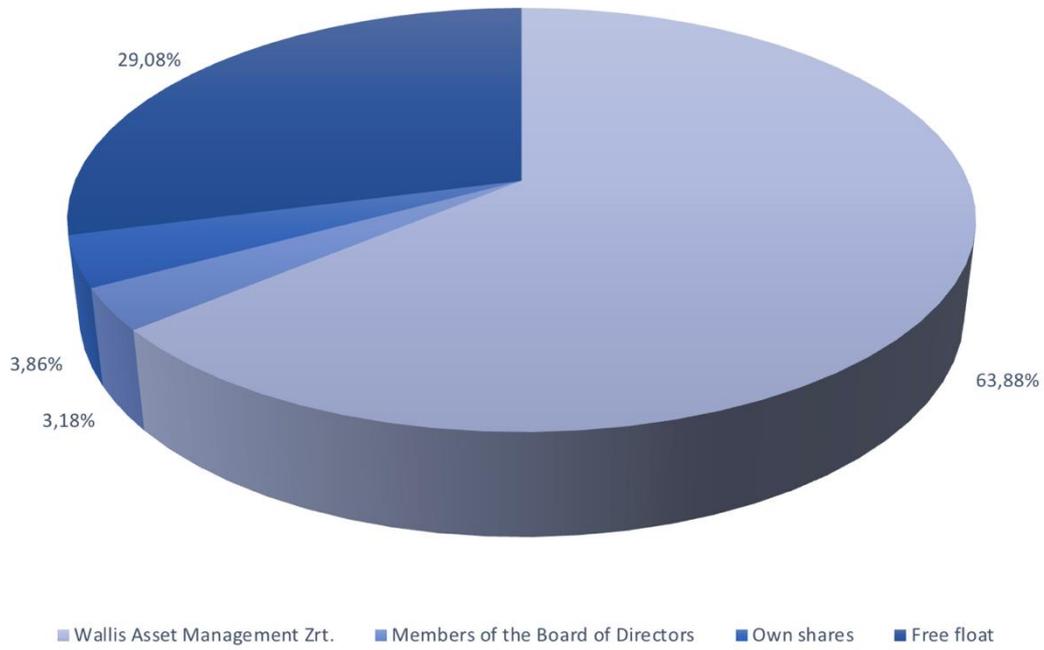
One risk could be the introduction of special taxed, on the regulatory level, which would not be beneficial for the ALTEO Group. More tax on electricity would decrease the consumption or will lead to a more difficult production. This case is not likely to occur, other than changing operability of weather dependent power plants. The Risk of global warming, causes the elements change the attributes, such as water yield of rivers may drop, outages due to extreme weather. Result would be decreasing sales revenue, as well as increasing cost. Global warming, could also decrease heat demand, due to warmer weather consumers have to heat less, which concludes a decrease in demand -> Market loss.

### 4.2 Opportunities

Growing demand for balancing energy, is a huge opportunity for the ALTEO Group. With the increase in peak demand due to warmer summer weather and weather-dependent renewable generation, balancing power is becoming more important because it is independent. Thus, even if the weather conditions are not conducive to the weather-dependent plants, electricity is still available to the consumer. Resolving this problem, ALTEO's approach is to increase the installed capacity of ALTEO's Virtual Power Plant as well as developing a balancing energy sales strategy linked to scheduling. A change in consumer needs, a shift towards a sustainable consciousness, could be a huge opportunity for ALTEO due to increasing demand of green energy.

As a result of the price premium, sales revenue could be increased. Also related to change in consumer needs, is the opportunity of a growing market for energy efficiency investments. ALTEO handles this opportunity through market research. A growth factor could also be the changing demands due to electric mobility, which results in growing electricity demand. Regulation could even enhance the expansion of the asset inventory on ALTEO's hand. Therefore, ALTEO's has to develop products to serve this market as well as doing market research. ALTEO's goal is to minimize the costs and losses caused by climate change and its risks. In addition, ALTEO's guiding principle is to increase profitability by exploiting opportunities.

## 5 Shareholder Structure



## 6 Valuation

For the valuation of ALTEO Nyrt., we use a traditional DCF model, from which a 12-month price target for the share of HUF 3103 is derived. Compared to the current market level, this corresponds to an upside of around 33%.

### Discounted Cash Flow Model (2022), calculated on 30 May 2022

| in'000 HUF                                      | 2021          | 2022E                | 2023E         | 2024E         | 2025e         | 2026e         | 2027e          |
|---|---------------|----------------------|---------------|---------------|---------------|---------------|----------------|
| Net sales                                       | 44,249,448.00 | 66,816,666.48        | 67,672,721.61 | 74,501,766.24 | 84,046,932.54 | 94,815,025.53 | 106,962,726.60 |
| (y-o-y change)                                  | 34.2%         | 51.0%                | 1.3%          | 10.1%         | 12.8%         | 12.8%         | 12.8%          |
| EBIT  | 8,943,319.00  | 9,865,441.28         | 10,232,517.72 | 11,245,843.54 | 14,283,234.19 | 16,113,202.15 | 18,177,625.61  |
| EBIT margin                                     | 20.2%         | 14.8%                | 15.1%         | 15.1%         | 17.0%         | 17.0%         | 17.0%          |
| NOPLAT  | 7,728,501.00  | 8,516,993.30         | 8,711,306.59  | 9,529,734.84  | 12,347,257.63 | 13,929,188.28 | 15,713,795.88  |
| + Depreciation                                  | 3,936,669.00  | 4,369,702.59         | 4,425,687.22  | 4,992,706.27  | 5,632,371.79  | 6,353,991.27  | 7,168,064.63   |
| = Net operating cash flow                       | 11,665,170.00 | 12,886,695.89        | 13,136,993.81 | 14,522,441.10 | 17,979,629.43 | 20,283,179.55 | 22,881,860.51  |
| - Total investments (Capex and WC)              | 3,624,645.22  | 10,827,988.20        | 12,215,270.05 | 12,697,263.85 | 13,227,134.96 | 13,810,839.65 | 14,455,095.01  |
| Capital expenditure                             | -             | 8,504,828.78         | -             | 12,697,263.85 | -             | 13,810,839.65 | -              |
| = Free Cash Flow (FCF)                          | 8,040,524.78  | 2,058,707.69         | 921,723.76    | 1,825,177.25  | 4,752,494.47  | 6,472,339.90  | 8,426,765.51   |
| PV of FCFs                                      | 7,307,804.67  | 2,058,707.69         | 837,728.55    | 1,507,683.28  | 3,568,035.99  | 4,416,431.10  | 5,226,050.32   |
| Terminal Value                                  |               | 23,035,341.02        |               | 20,421,316.71 |               | 53,176,724.09 |                |
| PV of FCFs in explicit period                   |               | 17,614,636.93        |               |               |               |               |                |
| PV of terminal period                           |               | 58,475,446.48        |               |               |               |               |                |
| <b>Implied Enterprise value (EV)</b>            |               | <b>76,090,083.41</b> |               |               |               |               |                |
| - Net debt                                      |               | 21,408,636.75        |               | 4.00          |               |               |                |
| + Investments / - Minorities                    |               | 0.20                 |               |               |               |               |                |
| <b>Shareholder value</b>                        |               | <b>54,681,446.86</b> |               |               |               |               |                |
| Number of shares outstanding (thousands)        |               | 19,386.27            |               |               |               |               |                |
| WACC  |               | 10.03%               |               |               |               |               |                |
| Equity costs                                    |               | 20.0%                |               |               |               |               |                |
| Debt costs before tax                           |               | 6.0%                 |               |               |               |               |                |
| Tax rate  |               | 9.0%                 |               |               |               |               |                |
| Debt costs after tax                            |               | 5.5%                 |               |               |               |               |                |
| Equity ratio                                    |               | 31.3%                |               |               |               |               |                |
| Debt ratio                                      |               | 68.7%                |               |               |               |               |                |
| <b>Fair value per share in HUF today</b>        |               | <b>2,820.63</b>      |               |               |               |               |                |
| <b>Fair value per share in HUF in 12 months</b> |               | <b>3,103.44</b>      |               |               |               |               |                |

Source: Dr. Kalliwoda Research GmbH © 2022

### WACC assumptions

#### Growth assumptions

|                                |      |
|--------------------------------|------|
| Long-term growth rate          | 1.0% |
| Assimilation phase (from 2022) |      |
| Sales growth at the beginning  |      |

#### Equity

|                     |               |
|---------------------|---------------|
| Risk-free rate      | 2.01%         |
| Market risk premium | 8.99%         |
| Beta                | 1.80          |
| <b>Equity costs</b> | <b>18.19%</b> |

|                               |              |
|-------------------------------|--------------|
| Debt costs (before tax)       | 5.14%        |
| Tax rate on interest          | 9.00%        |
| <b>Debt costs (after tax)</b> | <b>4.68%</b> |

|             |              |
|-------------|--------------|
| Equity      | 31.285%      |
| Debt        | 69%          |
| Gearing     |              |
| <b>WACC</b> | <b>8.91%</b> |

## 7 Profit and Loss statement

### Profit and Loss Statement - Alteo Nyrt.

*all figures in '000 HUF unless otherwise indicated*

|  | 2019             | 2020             | 2021              | 2022E             | 2023E             | 2024E             | 2025E             | 2026e             |
|--|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues                                 | 25,573,350       | 32,981,301       | 44,249,448        | 66,816,666        | 67,672,722        | 74,501,766        | 84,046,933        | 94,815,026        |
| Material expenses                        | -18,284,265      | -23,072,429      | -25,624,444       | -44,842,777       | -44,893,365       | -49,298,667       | -54,291,695       | -61,247,547       |
| Personnel expenses                       | -3,078,261       | -3,770,040       | -4,192,237        | -5,282,219        | -5,349,894        | -5,838,239        | -6,312,778        | -7,121,571        |
| Depreciation and amortization            | -2,045,752       | -2,858,523       | -3,936,669        | -4,369,703        | -4,425,687        | -4,992,706        | -5,632,372        | -6,353,991        |
| Other revenues, expenses, net            | -804,281         | -1,228,018       | -1,795,605        | -2,531,803        | -2,856,178        | -3,222,111        | -3,634,928        | -4,100,635        |
| Capitalised own production               | 292,494          | 512,226          | 242,826           | 75,276            | 84,920            | 95,800            | 108,074           | 121,921           |
| <b>Operating profit or loss</b>          | <b>1,653,285</b> | <b>2,564,517</b> | <b>8,943,319</b>  | <b>9,865,441</b>  | <b>10,232,518</b> | <b>11,245,844</b> | <b>14,283,234</b> | <b>16,113,202</b> |
| Other revenues, expenses, net -2         | 31,801           | 0                | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Other revenues, expenses, net -1         | 48,342           | 89,051           | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>EBIT</b>                              | <b>1,733,428</b> | <b>2,653,568</b> | <b>8,943,319</b>  | <b>9,865,441</b>  | <b>10,232,518</b> | <b>11,245,844</b> | <b>14,283,234</b> | <b>16,113,202</b> |
| Finance income                           | 271,602          | 479,576          | 384,928           | 427,270           | 482,012           | 543,767           | 613,435           | 692,028           |
| Financial expenses                       | -1,215,422       | -1,569,892       | -2,255,979        | -2,504,137        | -2,824,967        | -3,186,901        | -3,595,207        | -4,055,825        |
| Net finance income                       | 943,820          | -1,090,316       | -1,871,051        | -2,076,867        | -2,342,955        | -2,643,134        | -2,981,772        | -3,363,797        |
| <b>Profit or loss before taxes (EBT)</b> | <b>709,465</b>   | <b>1,474,201</b> | <b>7,072,268</b>  | <b>7,788,575</b>  | <b>7,889,563</b>  | <b>8,602,709</b>  | <b>11,301,462</b> | <b>12,749,405</b> |
| Income tax expenditures                  | -435,834         | -883,660         | -1,214,818        | -1,348,448        | -1,521,211        | -1,716,109        | -1,935,977        | -2,184,014        |
| <b>Net profit or loss</b>                | <b>273,631</b>   | <b>590,541</b>   | <b>5,857,450</b>  | <b>6,440,127</b>  | <b>6,368,352</b>  | <b>6,886,601</b>  | <b>9,365,485</b>  | <b>10,565,391</b> |
| From which the owners of Par             | 270,717          | 586,663          | 5,855,184         | 6,499,254         | 7,331,939         | 8,271,307         | 9,331,026         | 10,526,518        |
| Of which the minority interest           | 2,914            | 3,878            | 2,266             | 2,515             | 2,838             | 3,201             | 3,611             | 4,074             |
| Base value of earnings per share         | 15.02            | 31               | 310               | 344               | 388               | 438               | 494               | 557               |
| Diluted value of earnings per share      | 14.41            | 30               | 302               | 332               | 375               | 423               | 477               | 538               |
| <b>EBITDA</b>                            | <b>3,779,180</b> | <b>5,512,091</b> | <b>12,879,988</b> | <b>14,235,144</b> | <b>14,658,205</b> | <b>16,238,550</b> | <b>19,915,606</b> | <b>22,467,193</b> |

Source: Dr. Kalliwoda Research GmbH © 2022

## 8 Balance sheet

### Balance Sheet - Alteo Nyrt.

all figures in '000 HUF unless otherwise indicated

|   | 2019       | 2020       | 2021       | 2022E      | 2023e      | 2024e      | 2025e      | 2026e      |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>ASSETS</b>                                     |            |            |            |            |            |            |            |            |
| <b>Fixed Assets</b>                               | 24,194,661 | 31,065,255 | 31,370,772 | 33,035,635 | 34,687,417 | 36,421,788 | 38,242,877 | 40,155,021 |
| <i>Tangible Assets</i>                            | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Power plants and power generating properties, p   | 17,711,707 | 25,435,923 | 25,738,088 | 27,024,992 | 28,376,242 | 29,795,054 | 31,284,807 | 32,849,047 |
| Other property, plant and equipment (Technical    | 73,105     | 87,369     | 91,737     | 96,324     | 101,141    | 106,198    | 111,507    | 117,083    |
| <i>Intangible Assets</i>                          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Other intangible assets (Capitalized start-up and | 3,492,357  | 3,037,269  | 2,516,820  | 2,642,661  | 2,774,794  | 2,913,534  | 3,059,210  | 3,212,171  |
| Operation contract assets                         | 1,407,741  | 1,212,987  | 1,052,216  | 1,104,827  | 1,160,068  | 1,218,072  | 1,278,975  | 1,342,924  |
| Right to use (Intellectual Property)              | 924,768    | 1,063,615  | 1,766,502  | 1,854,827  | 1,947,568  | 2,044,947  | 2,147,194  | 2,254,554  |
| Long-term lease assets                            | 104,376    | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Deferred tax assets                               | 286,856    | 132,811    | 71,395     | 74,965     | 78,713     | 82,649     | 86,781     | 91,120     |
| Other long-term loans (given)                     | 193,651    | 95,181     | 225,651    | 236,934    | 248,780    | 261,219    | 274,280    | 287,994    |
| Long-term participations in associate (In affili: | 100        | 100        | 100        | 105        | 110        | 116        | 122        | 128        |
| <b>Current Assets</b>                             | 13,379,846 | 13,819,105 | 29,389,976 | 40,312,863 | 42,328,506 | 44,444,931 | 46,667,178 | 49,000,536 |
| <b>Inventories</b>                                | 233,165    | 442,622    | 1,076,779  | 1,130,618  | 1,187,149  | 1,246,506  | 1,308,832  | 1,374,273  |
| <b>Trade receivables</b>                          | 2,919,836  | 3,263,224  | 4,425,345  | 14,100,000 | 14,805,000 | 15,545,250 | 16,322,513 | 17,138,638 |
| <b>Short-term lease assets</b>                    | 160,814    | 128,949    | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Emission allowances</b>                        | 342,100    | 843,488    | 2,395,525  | 2,515,301  | 2,641,066  | 2,773,120  | 2,911,776  | 3,057,364  |
| <b>Other financial assets</b>                     | 360,987    | 1,795,982  | 8,627,136  | 9,058,493  | 9,511,417  | 9,986,988  | 10,486,338 | 11,010,655 |
| <b>Other Receivables and accruals</b>             | 4,396,596  | 3,796,983  | 9,155,718  | 9,613,504  | 10,094,179 | 10,598,888 | 11,128,832 | 11,685,274 |
| <b>Income tax receivables</b>                     | 118,677    | 92,812     | 30,220     | 31,731     | 33,318     | 34,983     | 36,733     | 38,569     |
| <b>Cash and equivalents</b>                       | 4,847,671  | 3,455,045  | 3,679,253  | 3,863,216  | 4,056,376  | 4,259,195  | 4,472,155  | 4,695,763  |
| <i>Prepaid Expenses and Accrued Income</i>        | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>TOTAL ASSETS</b>                               | 37,574,507 | 44,884,360 | 60,760,748 | 73,348,497 | 77,015,922 | 80,866,718 | 84,910,054 | 89,155,557 |
|   | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Shareholders' Equity</b>                       | 5,749,884  | 8,547,657  | 19,009,318 | 19,959,784 | 20,957,773 | 22,005,662 | 23,105,945 | 24,261,242 |
| <b>Issued Capital</b>                             | 232,948    | 232,972    | 242,235    | 254,347    | 267,064    | 280,417    | 294,438    | 309,160    |
| <b>Share premium</b>                              | 5,056,207  | 4,962,084  | 5,375,369  | 5,644,137  | 5,926,344  | 6,222,662  | 6,533,795  | 6,860,484  |
| <b>Transactions with owners</b>                   | -192,534   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Share-based payments reserve</b>               | 68,398     | 62,819     | -206,875   | -217,219   | -228,080   | -239,484   | -251,458   | -264,031   |
| <b>Hedge reserve</b>                              | -1,713,432 | 399,801    | 5,306,431  | 5,571,753  | 5,850,340  | 6,142,857  | 6,450,000  | 6,772,500  |
| <b>Conversion reserve</b>                         | -1,059     | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Retained earnings</b>                          | 2,303,282  | 2,882,216  | 8,282,127  | 8,696,233  | 9,131,045  | 9,587,597  | 10,066,977 | 10,570,326 |
| <b>Non-controlling interest</b>                   | -3,926     | 7,765      | 10,031     | 10,533     | 11,059     | 11,612     | 12,193     | 12,802     |
| <b>Provisions</b>                                 | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 1          |
| <b>Liabilities</b>                                | 31,824,623 | 36,336,703 | 41,751,430 | 43,839,002 | 46,030,952 | 48,332,499 | 50,749,124 | 53,286,580 |
| <b>Long Term Liabilities</b>                      | 21,758,606 | 27,905,833 | 24,490,928 | 25,715,474 | 27,001,248 | 28,351,311 | 29,768,876 | 31,257,320 |
| Debts on the issue of bonds (Bond for Growth)     | 10,909,019 | 14,889,000 | 12,658,274 | 13,291,188 | 13,955,747 | 14,653,534 | 15,386,211 | 16,155,522 |
| Long-term loans and borrowings (Long Term l       | 7,056,264  | 8,411,397  | 6,583,098  | 6,912,253  | 7,257,866  | 7,620,759  | 8,001,797  | 8,401,887  |
| Financial lease liabilities (Other Long-Term L    | 917,122    | 1,047,406  | 1,687,704  | 1,772,089  | 1,860,694  | 1,953,728  | 2,051,415  | 2,153,985  |
| Deferred tax liabilities (Financial Leases)       | 599,716    | 866,550    | 1,487,761  | 1,562,149  | 1,640,257  | 1,722,269  | 1,808,383  | 1,898,802  |
| Provisions  | 568,680    | 850,493    | 944,136    | 991,343    | 1,040,910  | 1,092,955  | 1,147,603  | 1,204,983  |
| Deferred income                                   | 535,674    | 436,864    | 593,865    | 623,558    | 654,736    | 687,473    | 721,847    | 757,939    |
| Other long-term liabilities                       | 1,172,131  | 1,404,123  | 536,090    | 562,895    | 591,039    | 620,591    | 651,621    | 684,202    |
| <b>Short Term Liabilities</b>                     | 10,066,017 | 8,430,870  | 17,260,502 | 18,123,527 | 19,029,703 | 19,981,189 | 20,980,248 | 22,029,260 |
| short term loans                                  |            |            | 0          | 9,549,712  | 10,027,198 | 10,528,558 | 11,054,985 | 11,607,735 |
| Short-term bond payables                          | 2,215,114  | 0          | 2,312,138  | 2,566,473  | 2,895,290  | 3,266,234  | 3,684,704  | 4,156,788  |
| Short-term loans and borrowings                   | 463,165    | 929,693    | 419,778    | 465,954    | 525,652    | 592,998    | 668,973    | 754,682    |
| Short-term finance lease liabilities              | 108,555    | 154,912    | 237,744    | 263,896    | 297,706    | 335,848    | 378,877    | 427,419    |
| Advance payments received                         | 497,963    | 46,500     | 8,989      | 9,978      | 11,256     | 12,698     | 14,325     | 16,161     |
| Trade payable                                     | 1,963,934  | 2,308,413  | 4,546,498  | 5,046,613  | 5,693,185  | 6,422,596  | 7,245,459  | 8,173,747  |
| Other financial liabilities                       | 1,104,369  | 189,130    | 0          | 0          | 0          | 0          | 0          | 0          |
| Other short term liabilities                      | 3,654,710  | 4,522,992  | 9,328,196  | 10,354,298 | 11,680,890 | 13,177,446 | 14,865,740 | 16,770,339 |
| Income tax liabilities                            | 58,207     | 279,230    | 407,159    | 451,946    | 509,850    | 575,172    | 648,863    | 731,995    |
| Passive Accruals                                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>             | 37,574,507 | 44,884,360 | 60,760,748 | 73,348,497 | 77,015,922 | 80,866,718 | 84,910,054 | 89,155,557 |

Source: Dr. Kalliwoda Research GmbH © 2022

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## Material Information, Disclosures and Disclaimers

### A. Material information

Investment in financial instruments and securities (e.g. shares, bonds) is generally associated with high risks. It is possible that the investors lose some or all the invested money. Potential investors should be aware of the fact that prices of securities could fall and rise. The income from such an investment might be considerable fluctuations. Investment strategies are not always appropriate and past results are not a guarantee for the future performance. Investors should make their own and independent decisions as to whether a risky investment.

### B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and to the German Regulation governing the Analysis of Financial Instruments (FinAnV).

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#### II. Additional Information:

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Within the scope of the evaluation of companies the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and swot-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Besides, the market moods and market sentiment affect the valuation of enterprises. The approaches are based on expectations that could change rapidly and without advance warning according on developments specific to individual branch. The valuation results and fair values derived from the models might therefore change accordingly. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up general relate to a twelve-months. Nevertheless, evaluation results are subject to changing market conditions and constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may to be scale upwards or downwards.

DR. KALLIWODA RESEARCH GmbH uses the following rating model:

|                    |  |
|--------------------|--|
| <b>BUY:</b>        | Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months  |
| <b>ACCUMULATE:</b> | Based on our analysis, we expect the stock to appreciate and produce a total return between 5% - 10% over the next twelve months |
| <b>HOLD:</b>       | Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months             |
| <b>REDUCE:</b>     | Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months           |
| <b>SELL:</b>       | Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months                 |

For the sustainability ranking DR. KALLIWODA RESEARCH GmbH uses the 17 United Nations Sustainable Development Goals, where each goal is classified as follows:

|           |   |
|-----------|---|
| <b>-1</b> | The company negatively contributes to the goal. |
|-----------|---|

|   |   |
|---|---|
| 0 | The company does not contribute to the goal at all. |
| 1 | The company positively contributes to the goal.     |
| 2 | The company profoundly contributes to the goal.     |
| 3 | The company significantly contributes to the goal.  |

From adding up the given numbers, it is being set in a ratio to the maximum points (e.g. 51). The following model shows the note procurement:

|   |            |  |
|---|------------|--|
| A | 100% - 70% | The company exceptionally contributes to the goal.     |
| B | 70% - 50%  | The company promotes the transition to sustainability. |
| C | 50% - 30%  | The company is on the way to sustainability.           |
| D | 30% - 10%  | The company minimizes its negative impact.             |
| E | 10% - 0%   | The company is not sustainable.                        |

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