TAKEOVER OFFER

ALTEO (the "Company") informed the investors that the Company received a takeover offer from MOL RES Investments Ltd.

The MOL RES Investments Ltd. - in concert with Főnix Private Equity Fund, managed by Diófa Asset Management and Riverland Private Equity Fund, managed by Indotek-Investments Zrt. - signed a share sale and purchase agreement with Wallis Asset Management Zrt. which owns 61.557% of ALTEO stocks. The tenderers are purchasing individually an equity stake of 3.33% of the total shares in ALTEO, (overall 9.99% of the total shares), on HUF 2872 per share.

The tenderers also signed a share sale and purchase agreement with Wallis Asset Management to acquire the remaining ownership of 51.567%.

Moreover, the offeror (MOL RES Investments) on the behalf of the Főnix Private Equity Fund and Riverland Private Equity Fund, placed a public takeover offer for all the remaining shares of ALTEO on HUF 3040 per share.

CONCLUSION

We believe the investment thesis of ALTEO remains a growth story, so we think our last one-year price target is justified. More details please read our earlier researches.

At the same time, we know value and price is two different things. Currently it is a difficult task to see the Company's near future on the stock market so every possible future scenario (the Company remains public company or becomes private?) can only be predicted with a huge margin of error.

We are closely monitoring the events and we will refresh our research if it is justified.

Our one year target price remains HUF 3812.

million HUF	2022	2023	2024	2025	2026	2027
EBITDA	19833	17331	17107	17334	17333	17545
D&A	3547	4097	5097	6097	6895	7628
Capex	-5500	-10000	-10000	-7987	-7327	-6865
FCFF	397	-4722	-1237	3609	5235	6809
Terminal value	112290					
WACC	10,01%					
Net Debt	7442					

Source: ALTEO, Bloomberg, MKB

		Total Equity Value Terminal EBITDA Multiple		
		5,4x	6,4x	7,4x
Discount	8,0%	**58 800**	**70 618**	**82 437**
Rate	10,0%	**52 559**	**63 317**	**74 075**
(WACC)	12,0%	**46 978**	**56 787**	**66 596**

		One Year Target Price Terminal EBITDA Multiple		
		5,4x	6,4x	7,4x
Discount	8,0%	**3540**	**4252**	**4963**
Rate	10,0%	**3164**	**3812**	**4460**
(WACC)	12,0%	**2828**	**3419**	**4010**

Source: ALTEO, Bloomberg, MKB

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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. Our one year target price remains the same, HUF 3812 per share.

Prior researches

MKB 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):

https://bet.hu/Kibocsatok/BET-elemzesek/elemzesek/alteo-elemzesek

Methodology used for equity valuation and recommendation of covered companies

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 have to 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 have to reduce the EV with the net debt. This figures 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).

Recommendations

- 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 revision: If new information comes to light, which is expected to change the valuation significantly.