

ASSECO SOUTH EASTERN EUROPE (ASEE)

H1 2026 Update: Strong Banking Performance, Payment Remains the Key Test

SHARE PRICE PLN 73.80 / EUR 16.97	P/E TTM 18.1x	P/B 3.1x	DCF FAIR VALUE PLN 70 / ~EUR 16.20	VIEW Neutral
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BUSINESS MODEL

ASEE is a regionally focused software and IT services provider with three pillars: Banking Solutions, Payment Solutions (Payten/Monri) and Dedicated Solutions. Its offering ranges from core banking, omnichannel, security and regulatory reporting to payment gateways, traffic management, billing/smart metering and systems integration. The key is the mix of proprietary software, recurring services and the integration of third-party technologies. The economic moat lies less in global technology leadership than in local customer relationships, regulatory know-how, the installed base and cross-selling across the Balkans (South Eastern Europe) and several neighbouring countries.

CURRENT BUSINESS PERFORMANCE

FY 2025 was operationally stronger than IFRS net income suggests: revenue rose 5% in PLN (7% in EUR) to PLN 1.80bn, while EBIT increased 11% to PLN 252m. Adjusted for hyperinflation and one-off effects, EBIT rose by as much as 25% in PLN. Reported profit attributable to shareholders was virtually unchanged at PLN 198.3m, mainly weighed down by acquisition- and valuation-related issues in India/UAE.

- **H1 2026:** Revenue excluding IAS 29 rose 4% to PLN 863m; EBIT increased 22% to PLN 123m. The EBIT margin improved to 14.2 % (12.0 % in the prior year). Operating cash flow rose to PLN 161m; the TTM view used here also shows rising OCF/FCF. The balance sheet remains solid.
- **Banking is currently the main earnings driver:** H1 revenue +17 % to EUR 43.4m, EBIT +67 % to EUR 13.7m. Growth came primarily from Core Banking in Serbia, Croatia, North Macedonia and Romania; around one third of the increase was recurring (maintenance, subscriptions, SaaS).
- **Payment remains mixed:** H1 revenue -5 %, EBIT -4 %. POS was affected by lower hardware deliveries, particularly in Western Europe; ATM by weaker shipments in the Balkans/Romania. By contrast, IPD+ECR grew. E-Commerce/Processing was again burdened by India/Dubai and a PPA write-off. The revenue decline in Western Europe (~15%) is therefore mainly hardware-/project-driven, rather than evidence of a general market contraction: IPD/ECR and E-Commerce grew there.
- **Dedicated:** The sharp EBIT increase in 2025 (+EUR 15.1m from only 2m in the previous year) came from proprietary solutions for Utilities/Public Sector and Smart Traffic, improved resource utilisation and a base effect. In H1 2026, revenue increased 10 %, but EBIT only reached EUR 0.5m, as low-margin third-party deliveries in Serbia displaced higher-margin project business in Bosnia.

MARKET ENVIRONMENT

Structural drivers in South Eastern Europe remain attractive. In Serbia, the number of card payments increased by 18 % in 2025 to nearly 805m; active POS solutions rose by 15 %. Digitisation is also accelerating in Croatia: in 2024, more than 60 % of consumers used mobile banking, with user numbers rising by more than 10 %. Since autumn 2025, all Croatian banks have been required to be able to send instant payments. At the same time, the Western Balkans' integration into SEPA is increasing demand for core banking, compliance, fraud and payment infrastructure. The market is therefore growing faster than local GDP, although value creation is shifting away from hardware towards software, processing and merchant services.

COMPETITIVE POSITION

In Banking, ASEE competes with global platforms such as Temenos/Finastra and Oracle-based ecosystems, as well as regional integrators (e.g. Comtrade/VeriPark in Serbia). In Payment, Payten/Monri compete with international acquirers/PSPs such as Nexi, Worldline and Global Payments, as well as local banks and gateways. ASEE has a clear advantage in the Balkans through reference projects, local teams and the ability to bundle banking and merchant solutions. Its position is weaker outside the core region: India/UAE show that acquisitions without local networks and robust unit economics can destroy value.

Outlook & Valuation

FORECAST

Our base case remains deliberately conservative: 5 % annual revenue growth from 2026 and a constant EBIT margin of 14 %. This would take revenue from PLN 1.80bn (2025) to PLN 2.1bn in 2028, while EBIT rises from PLN 251.6m to around PLN 292m. The operating performance in H1 2026 points to near-term upside potential for the margin; however, this requires the favourable Banking mix to persist and Payment profitability to normalise.

The key value drivers are (1) further penetration and cross-selling in Serbia/Croatia and the other Balkan countries, (2) scaling proprietary Dedicated products such as Traffic Management, Billing and Smart Metering, (3) increasing recurring revenues in Banking/Payments and (4) more disciplined M&A. Key risks are margin pressure in POS/ATM, further write-downs or operating losses in new markets, Turkey/FX effects and project-related volatility in the Dedicated business.

VALUATION

Equity Value	Fair Value / Share
PLN 3,619m	PLN 69.74

The 10-year FCFF DCF uses a 10 % WACC, 5 % revenue growth and a 14 % EBIT margin. The fair value of around PLN 70 per share is slightly below the reference price of PLN 74. The DCF does not necessarily imply overvaluation, but it indicates a limited margin of safety at a 10 % required return.

The TTM P/E of >18x is not cheap for a regional IT provider, but is defensible given ~19% ROE and the current Banking momentum. The P/B is around 3.1x based on equity attributable to the parent as at 30 June 2026. There is, however, a credible upside case if margins in the Payment segment stabilise and growth momentum picks up again. Additional value-accretive acquisitions could also provide further upside.

CONCLUSION

ASEE remains an attractive niche compounder from a quality perspective, with a strong competitive advantage in South Eastern Europe. The investment case has improved in 2026: Banking is growing rapidly and profitably, cash conversion is good and SEE generates the majority of operating profit. At the same time, the group is not yet the consistently scalable software compounder that the current valuation partly assumes. Payment is transitioning from hardware-/project-heavy business to recurring merchant and processing revenues; expansion outside the Balkans and the M&A track record remain the weak points. The markets of Southern and Eastern Europe, as well as neighbouring regions, continue to offer attractive long-term growth potential. It would therefore not be surprising to see ASEE continue its successful growth trajectory in the years ahead.

An important aspect to consider is the company's shareholder structure. ASEE is a subsidiary of Poland-based ASSECO International and is majority-controlled by its parent company. Another significant shareholder is a large pension fund affiliated with the insurance sector. The free float amounts to only approximately 32%, equivalent to around 16.8 million shares, which limits trading liquidity.

ASEE is listed on the Warsaw Stock Exchange (WSE: ASE), which is by far the most relevant trading venue. The shares can also be traded on several German exchanges, although liquidity there is very limited.

APPENDIX: KEY FINANCIALS

PLN m (except EPS)	2024A	2025A	2026E	2027E	2028E
Revenue	1,708	1,798	1'888.6	1'983.0	2'082.2
EBIT	226.8	251.6	264.4	277.6	291.5
Net Profit (shareholders)	199.2	198.3	213.1	223.7	234.9
EPS (PLN)	3.84	3.82	4.11	4.31	4.53

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