otp Global Markets

PannErgy

20. 07. 2026.

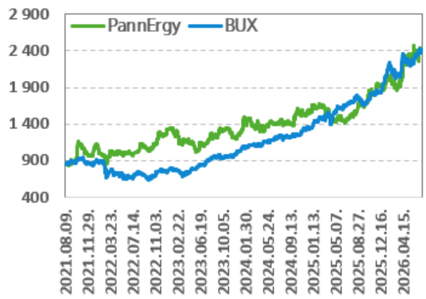
Recommendation: BUY

(prev. Buy)

12-month target price: 3 057Ft

(prev. 2 546 Ft)

Upside potential: 27%



Performance	3 months	6 months	YTD	1 year
PannErgy	7%	21%	25%	59%
BUX	4%	16%	28%	42%

m HUF	2025	2026e	2027e
Heat revenue	8 547	8 964	9 105
EBITDA	4 182	4 384	4 466
EBIT	1 859	2 003	2 085
Net profit	1 707	1 572	1 692
EBITDA margin	48,9%	48,9%	49,0%
EBIT margin	21,8%	22,3%	22,9%
EPS (HUF)	121	117	126
DPS (HUF)	0	63,4	74,6
Payout ratio	0%	54%	59%
EV/EBITDA	11,2	10,7	10,5
P/E	19,8	20,5	19,0
Dividend yield	0,0%	2,6%	3,1%
Share price (17.07.2026):			2 400
Number of shares (m):			16
Market cap. (m HUF):			38 400
Free float:			52,0%
Daily turn. (m HUF):			17,40

Source: PannErgy,BÉT,OTP Multi-Asset Strategies

In the second quarter, PannErgy produced 321,672 GJ energy, which is 3.4% higher than a year ago, and it is also higher by the same amount than the management's plan was for this quarter. Overall, the company sold slightly more than 1 million GJ thermal energy in H1, basically in-line with the 2026 plan and ~2% higher YoY.

The management maintains the 2026 EBITDA target range of HUF 4.3-4.45bn that was published previously. Our current 2026 EBITDA estimate is HUF 4.38bn, which is in line with management's guidance.

We have also updated our valuation to incorporate lower WACC rates considering the improved risk assessment of Hungary after the new government has expressed serious interest in introducing the euro by 2030 and has taken steps to stabilize the fiscal budget (e.g. release of EU funds). As a result, Hungarian government bond yields dropped significantly, which implies lower risk-free rates and in conjunction with that lower WACC rates as well. We note that we have used here a market-based approach that reflects current investor assessment regarding the prospects for joining the Eurozone implied by Hungarian government bond yields (~5.5% Hungarian 10-year government bond yield) rather than assuming a guaranteed path towards Eurozone yield convergence (~3.6-3.9% 10-year government bond yield range for some peripheral Eurozone countries). In case the likelihood of that improves we will further update our figures as well. No other changes were made to our valuation at this time.

Overall, we have increased our 12M target price to HUF 3057 from HUF 2546 (+20%), while we maintain our BUY recommendation.

Ákos Szemán
Senior Equity Analyst

Phone:
+36 70 512 3137
Email:
akos.szeman@otpbank.hu

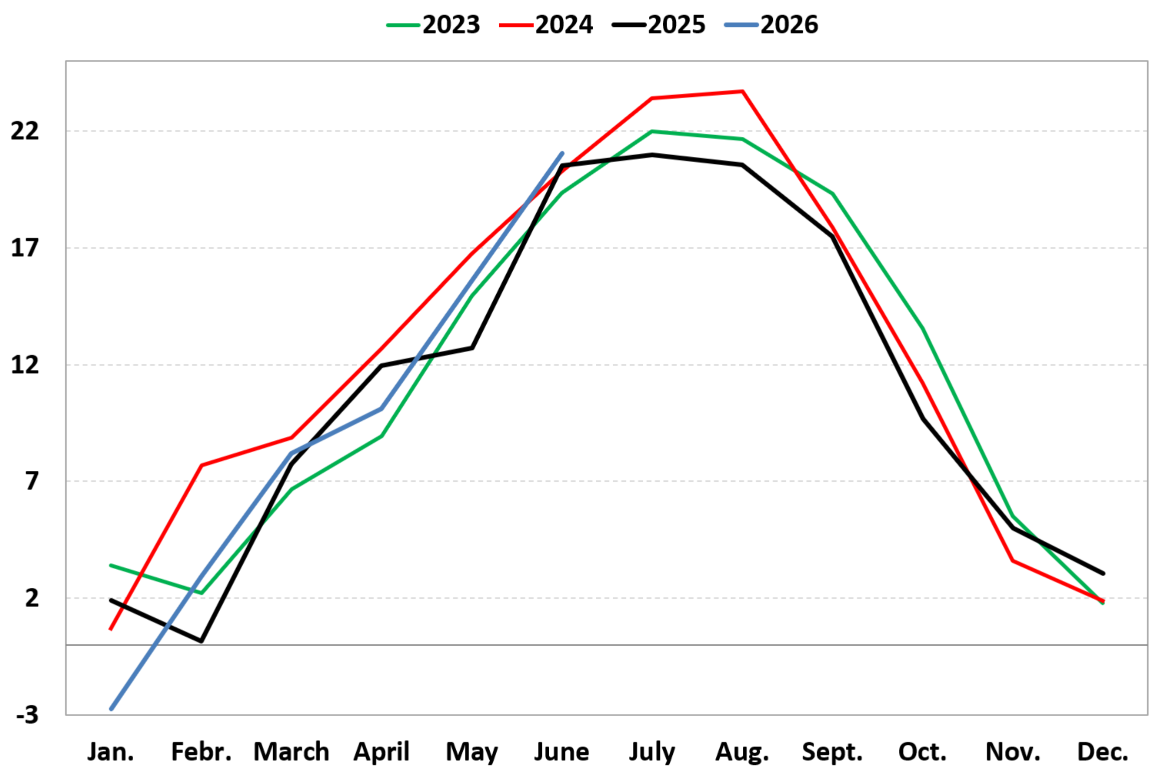
Main takeaways from the Q2 production report

In the second quarter, PannErgy produced 321,672 GJ energy, which is 3.4% higher than a year ago, and it is also higher by the same amount than the management's plan was for this quarter (311,117 GJ). The company notes that the geothermal heat sales potential was similar to the 2025 base period. Over H1, the company produced slightly more than one million GJ heat energy, basically in-line with the 2026 plan and ~2% higher YoY.

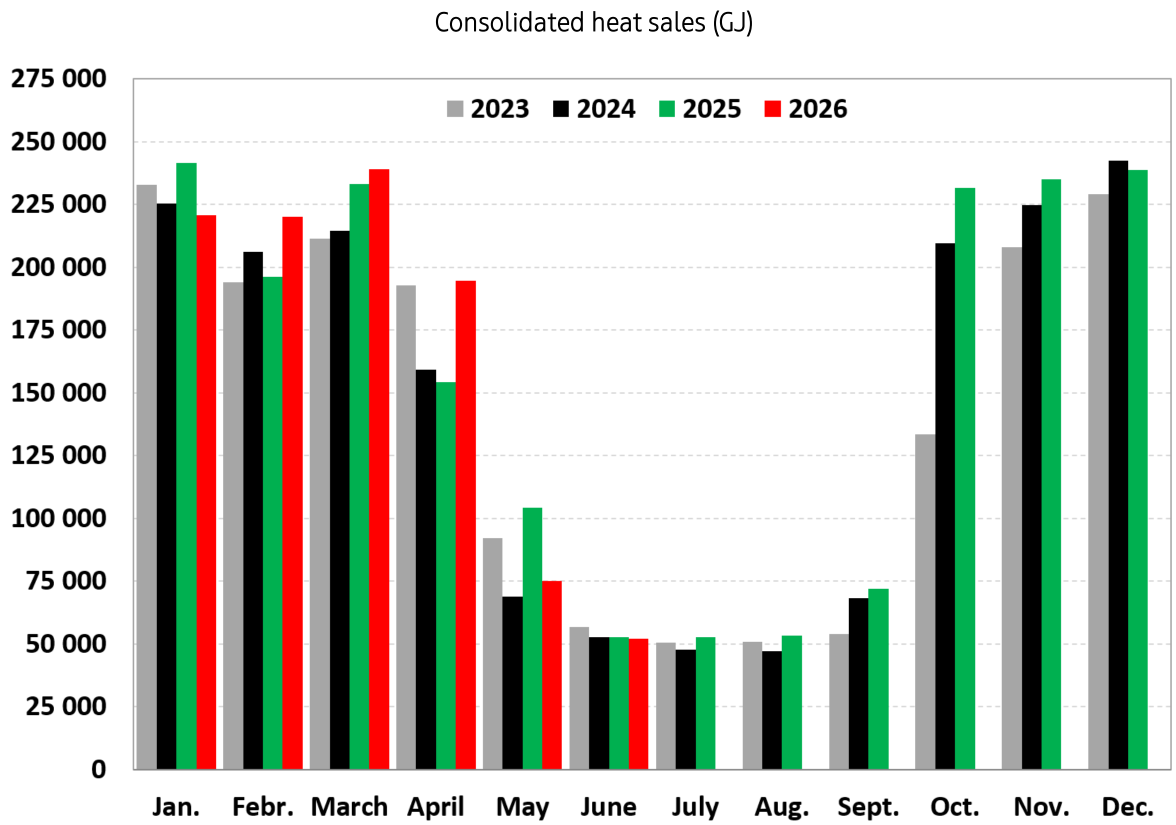
Regarding the performance of individual sites, Miskolc produced 135,185 GJ in Q2, a 4.2% decrease YoY (141,115 GJ). This can be primarily attributed to the warmer weather in May. At the same time, production in Győr was 182,537 GJ, a 9.2% increase YoY (167,171 GJ) as the operating condition of the city's District Heating System allowed it to absorb a higher proportion of geothermal heat. Overall, the Győr project accounted for ~56.7% of heat sales volumes in Q2, while the Miskolc project for ~42% (in the base period Győr accounted for ~53.7% of heat sales and Miskolc for ~45.4%). Over H1, Miskolc produced 450,989 GJ (-3.9% YoY), while Győr 536,334 GJ (+7.3% YoY).

The management maintains the 2026 EBITDA target range of HUF 4.3-4.45bn that was published previously. Our current 2026 EBITDA estimate is HUF 4.38bn, which is in line with management's guidance.

Combined average monthly temperatures (°C) in Miskolc and Győr



Source: AccuWeather, OTP Multi-Asset Strategies



Source: PannErgy, OTP Multi-Asset Strategies

Other notable events

On 30th April the company held its AGM and accepted the Board of Director's proposal to pay HUF 1.85bn in dividends, which represents a per share amount of approximately HUF 138 (~5.75% dividend yield). We note that this will be paid in two tranches: HUF 850 million on October 15th, 2026 (~HUF 63.4 / share) and the remaining HUF 1bn on 8th March 2027 (~HUF 74.6 / share). The record date for the dividend payment will be 30th September 2026 (for both tranches).

Updated valuation

We updated our valuation for PannErgy to incorporate lower WACC rates considering the improved risk assessment of Hungary after the new government has expressed serious interest in introducing the euro by 2030 and has taken steps to stabilize the fiscal budget (e.g. release of EU funds). As a result of these measures and announcements Hungarian government bond yields dropped significantly, which implies lower risk-free rates and in conjunction with that lower WACC rates as well. We note that we have used here a market-based approach that reflects current investor assessment regarding the prospects for joining the Eurozone implied by Hungarian government bond yields (~5.5% Hungarian 10-year government bond yield) rather than assuming a guaranteed path towards Eurozone yield convergence (~3.6-3.9% 10-year government bond yield range for some peripheral Eurozone countries). In case the likelihood of that improves we will further refine our figures as well. No other changes were made to our valuation at this time.

Overall, valuation is increased to HUF 3057 from HUF 2546 (+20%), while the recommendation is maintained at BUY given the price target is well above the current market price.

Income statement						
P/L Table consolidated (million HUF)	2023	2024	2025	2026F	2027F	2028F
Revenue from geothermal-heat	9 230	7 941	8 547	8 964	9 105	9 306
Other revenue	-277	542	71	82	83	86
OPEX	5 461	4 761	4 637	4 868	4 928	5 057
from which: Depreciation	1 852	2 078	2 323	2 381	2 381	2 381
EBITDA	3 930	3 921	4 182	4 384	4 466	4 541
EBIT	2 078	1 843	1 859	2 003	2 085	2 160
EBT	1 837	1 487	1 725	1 786	1 922	2 052
Income Taxes	121	82	18	214	231	246
Non-controlling interest	0	0	0	0	0	0
Net income	1 716	1 405	1 707	1 572	1 692	1 806
EPS (HUF)	112	93	121	117	126	135

Balance sheet						
Balance sheet - consolidated (million HUF)	2023	2024	2025	2026F	2027F	2028F
Non-current assets	22 076	23 881	23 460	21 149	18 859	16 578
Current assets	4 176	4 802	3 494	4 170	5 097	6 716
Total assets	26 252	28 683	26 951	25 319	23 956	23 294
Total equity	11 458	12 564	11 729	12 451	13 142	14 525
Non-current liabilities	11 686	11 485	10 798	8 721	6 644	4 567
Current liabilities	3 108	4 634	4 424	4 147	4 170	4 202
Total equity and liabilities	26 252	28 683	26 951	25 319	23 956	23 294

Cash flow statement						
Cash flow statement (million HUF)	2023	2024	2025	2026F	2027F	2028F
Profit before taxes	1 837	1 487	1 725	1 786	1 922	2 052
Cash flow from operations	4 711	3 438	4 297	3 138	3 108	3 801
Cash flow from investment	-1 251	-3 889	-1 830	-525	-535	-535
Cash flow from financing activities	-2 575	908	-3 229	-2 155	-1 772	-1 772
Change in cash and cash equivalents	885	457	-762	458	801	1 494

Valuation summary (million HUF)	2025	2026e	2027e	2028e	2029e	2030e	Terminal year
Revenue from geothermal heat	8 547	8 964	9 105	9 306	9 502	9 692	9 886
EBITDA	4 182	4 384	4 466	4 541	4 611	4 701	4 795
Depreciation	2 263	2 381	2 381	2 381	2 381	2 381	2 381
Working capital sales	187	179	195	208	215	222	222
CAPEX	2 035	250	270	280	280	280	280
FCFF	1 730	3 715	3 751	3 793	3 848	3 920	4 003
WACC		10,2	10,4	10,5	10,6	10,6	10,6
PV(FCFF)		3 370	3 082	2 821	2 587	2 383	28 918

Share price estimation	
Enterprise value	43 161
Net debt(-)	8 494
Equity value	34 667
Number of shares (thousand)	13 407
Required return on equity	11,4
Target price for next 12M (HUF)	3057

Source: PannErgy, OTP Multi-Asset Strategies

Risks surrounding PannErgy's economic activity

Price risk: The administered price is set at a level that takes into account the cost of doing business and providing a fair profit. However, the administered price setting has inherent risks related to the administrative authority.

Moreover, at the moment PannErgy provides heat at a lower cost than its peers (natural gas). However, if natural gas prices fall significantly, then consumers who do not have mandatory purchase agreement with PannErgy could switch to other sources of heat.

Environmental risks: Extreme weather conditions during the heating season could harm the company's profit target. If the winter season is too short or too cold – due to global warming or other extreme weather conditions – the costs are higher, as the output from the drilling wells drops.

Operational risks: Maintenance costs increased significantly at the Győr Project in 2016 due to scaling issues concerning the tubing and pumps, and this has reduced production. Although the problem was dealt with, we identify it as a source of risk in the future as well. This could be a risk to our depreciation forecast as well.

Improving energy efficiency risk: It is not necessarily a PannErgy-specific risk, but in the long term, the building of passive houses and the coming investment – which increases the energy efficiency of houses and flats – could decrease demand for heat.

Notes

[The initiation report, which contains the assumptions of the models used, is available here.]

[The valuation methodology used in this present equity research note to determine our price targets and recommendations is available here.] [(Also available in Hungarian)]

This investment recommendation has not used proprietary models.

The risk warning, which includes the adequate explanations of the length of time of the investment to which the recommendation relates as well as a sensitivity analysis of the assumptions, is indicated in the part of this recommendation where the length of time and the risks of the investment are presented.

Any information relating to the date and time for the price mentioned in this recommendation is revealed in the part of the recommendation where the given price is indicated. OTP Bank Plc's recommendations and price targets history for PannErgy in the past twelve months:

Date	Recommendation	Target Price	Publication
17.04.2025	Buy	HUF 2,161	Equity note
17.07.2025	Buy	HUF 2,161	Equity note
25.09.2025	Buy	HUF 2,161	Equity note
06.10.2025	Buy	HUF 2,322	Equity note
16.10.2025	Buy	HUF 2,322	Equity note
20.01.2026	Buy	HUF 2,521	Equity note
01.04.2026	Buy	HUF 2,546	Equity note
17.04.2026	Buy	HUF 2,546	Equity note

Period	Recommendation	Percent of recommendation
2025Q3	BUY	100%
	HOLD	0%
	SELL	0%
2025Q4	BUY	100%
	HOLD	0%
	SELL	0%
2026Q1	BUY	100%
	HOLD	0%
	SELL	0%
2026Q2	BUY	100%
	HOLD	0%
	SELL	0%
2026Q3	BUY	100%
	HOLD	0%
	SELL	0%

[The list of all recommendations made in the past 12 months is available here.]

Disclaimer 1

This research/commentary was prepared by the assignment of Budapest Stock Exchange Ltd. (registered seat: 1013 Budapest, Krisztina körút 55.; company registration number: 01-10-044764, hereinafter: BSE) under the agreement which was concluded by and between BSE and OTP Bank Plc (registered seat: 1051 Budapest, Nádor u. 16., company registration number: Cg. 01-10-041585, hereinafter: Investment Service Provider). This research/commentary was made with the joint, equally proportional financing of the BSE and the company that is the subject of this research/commentary.

The Investment Service Provider's policies and procedures ensure the independence of this research/commentary, and the Investment Service Provider has undertaken not to accept any instructions or additional remuneration from the company involved in the research/commentary.

BSE shall not be liable for the content of this research/commentary, especially for the accuracy and completeness of the information therein and for the forecasts and conclusions; the Service Provider shall be solely liable for these. The Service Provider is entitled to all copyrights regarding this research/commentary however BSE is entitled to use and advertise/spread it but BSE shall not modify its content.

This research/commentary shall not be qualified as investment advice specified in Point 9 Section 4 (2) of Act No. CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. Furthermore, this document shall not be qualified as an offer or call to tenders for the purchase, sale or hold of the financial instrument(s) concerned by the research/commentary. This research/commentary cannot be deemed as an incentive to enter into contract or covenant.

Disclaimer 2

Disclaimer information for the analysis is available on the OTP Global Markets page under the Announcements, Business Regulations and Information Documents menu option, among Other Information, under the title 'Disclaimer for the analyses of OTP Global Markets':

https://www.otpbank.hu/static/globalmarkets/sw/file/Disclaimer_analyses.pdf

This document was prepared by:

Ákos Szemán
Senior Equity Analyst
OTP Multi-Asset Strategies

This document was finalized at 2:33:53 PM on 20 July 2026