

PannErgy

07.10.2026.

The 12-month target price for PannErgy has been slightly increased from HUF 3,057 to HUF 3,107 (+1.6%) and we maintain our BUY recommendation for now. Our group level heat sales estimate remains at ~1870TJ for 2026 as the company was basically in line with its heat sales plan in H1 and has a target for this year of ~1871TJ. The small target price increase is mostly the result of some smaller positive adjustments in the valuation, which was partially offset by higher adjusted net debt figures. Unadjusted net debt was lower compared to the base period and year-end, but the company has upcoming dividend obligations of HUF 1.85bn and at the time of valuation we are already past the ex-dividend date (shares now trade without the dividend rights), hence an upward adjustment was warranted.

The new administrative prices were also announced a few days ago (the two-element pricing system remains in place). Base tariffs are up for Miskolc, but slightly down for Győr. At the same time, volume-based tariffs are down for both Miskolc and Győr. However, this has limited impact on the yearly EBITDA and profitability as regulatory pricing typically considers the cost structure as well.

The management also confirmed the expected achievement of the 2026 consolidated EBITDA target range of HUF 4.3-4.45bn given the new heat tariffs and the H1 EBITDA of HUF 1.661bn. As we have noted previously the consequence of the two-element tariff system is that the share of H1 decreases in profit generation, while the weight of H2 increases. The 2027 EBITDA plan has not yet been published. Our EBITDA forecast is HUF 4.37bn for this year (vs. HUF 4.38bn previously) and HUF 4.45bn for 2027 (vs. HUF 4.47bn previously) due to some minimal adjustments.

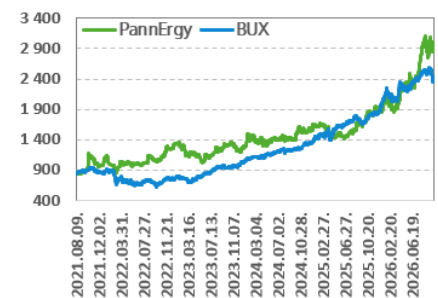
Recommendation: BUY

(prev. Buy)

12-month target price: 3 107Ft

(prev. 3 057 Ft)

Upside potential: 8%



Performance	3 months	6 months	YTD	1 year
PannErgy	18%	44%	50%	69%
BUX	0%	14%	29%	44%

m HUF	2025	2026e	2027e
Heat revenue	8 547	9 037	9 238
EBITDA	4 182	4 373	4 454
EBIT	1 859	1 992	2 073
Net profit	1 707	1 587	1 699
EBITDA margin	48,9%	48,4%	48,2%
EBIT margin	21,8%	22,0%	22,4%
EPS (HUF)	121	118	127
DPS (HUF)	0	63,4	74,6
Payout ratio	0%	54%	59%
EV/EBITDA	13,3	12,7	12,5
P/E	23,8	24,3	22,7
Dividend yield	0,0%	2,2%	2,6%
Share price (07.10.2026):	2 880		
Number of shares (m):	16		
Market cap. (m HUF):	46 080		
Free float:	52,0%		
Daily turn. (m HUF):	17,62		

Source: PannErgy, BÉT, OTP Multi-Asset Strategies

Ákos Szemán

Senior Equity Analyst

Phone:

+36 70 512 3137

Email:

akos.szeman@otpbank.hu

New heat tariffs

The new administrative prices that are applicable from 2026 October were set. The two-element pricing system that was introduced in 2024 remains in place. This includes not only a volume-based tariff but also a monthly base tariff. On top of this, the base tariff is divided into two seasonality periods (ie. October-December and January-October). As a result of the regulatory change the revenue stream became more predictable and less seasonally dependent throughout the year. **The management confirmed the expected achievement of the 2026 consolidated EBITDA target range of HUF 4.3-4.45bn given the new heat tariffs.**

Location of the wells	Company names	Supplier base tariff (kHUF/month)					
		in effect Q4 2025	in effect Q4 2026	Change	in effect Q1-Q3 2026	in effect Q1-Q3 2027	Change
Szentlőrinc	Szentlőrinci Geotermia Kft.	11 721 kHUF/m	11 836 kHUF /m	1.0%	7 256 kHUF/m	7 327 kHUF/m	1.0%
Miskolc	Miskolci Geotermia Kft. and Kuala Kft. (base tariff for the two in total)	341 208 kHUF/m	368 540 kHUF/m	8.0%	211 224 kHUF/m	228 144 kHUF/m	8.0%
Győr	Arrabona Koncessziós Kft.	297 498 kHUF/m	295 253 kHUF/m	-0.8%	184 165 kHUF/m	182 776 kHUF/m	-0.8%

Source: Hungarian Official Journal, issue 142/2026

Location of the wells	Company names	Heat supply tariff (HUF/GJ)		
		in effect until 30 September 2026	in effect from 1 October 2026	Change
Szentlőrinc	Szentlőrinci Geotermia Kft.	328 HUF/GJ	338 HUF/GJ	3.0%
Miskolc	Miskolci Geotermia Kft. and Kuala Kft.	920 HUF/GJ	862 HUF/GJ	-6.3%
Győr	Arrabona Koncessziós Kft.	968 HUF/GJ	820 HUF/GJ	-15.3%

Source: Hungarian Official Journal, issue 142/2026

Updated valuation

We updated our valuation for PannErgy to incorporate the impact of the new heat tariffs and H1 financial results. **Overall valuation is increased to HUF 3,107 from HUF 3,057 (+1.6%), while the recommendation is maintained at BUY for now.**

As mentioned, management confirmed the 2026 EBITDA range of HUF 4.3-4.45bn considering the new heat tariffs and the H1 EBITDA of HUF 1.661bn. As we have previously noted, the consequence of the two-element tariff system is that the share of H1 decreases in profit generation, while the weight of H2 increases. The 2027 EBITDA plan has not yet been published. **Our EBITDA forecast is HUF 4.37bn for this year (vs. HUF 4.38bn previously), so roughly the same as before.** We maintain our group level heat sales estimate for this year at ~1870TJ. The company was basically in line with its heat sales plan in H1 (~1000TJ) and has a 2026 target of ~1871TJ. With regards to administrative prices the base tariffs are up for Miskolc and Szentlőrinc, while slightly down for Győr. At the same time, volume-based tariffs are down for both Miskolc and Győr, and slightly up for Szentlőrinc. However, these

changes have limited impact on the yearly EBITDA and profitability as regulatory pricing typically considers the cost structure as well. For 2027 our EBITDA forecast is HUF 4.45bn (vs. HUF 4.47bn previously).

Unadjusted net debt was lower in H1 2026 (HUF 7.65bn) compared to the base period (HUF 8.8bn and HUF 9.87bn adjusted for the MVM share transaction). However, we have also **adjusted H1 net debt upwards with upcoming dividend obligations (declared but unpaid) of HUF 1.85bn** as at the time of valuation we are past the ex-dividend date (29 September 2026), so final adjusted net debt figure was HUF 9.5bn. This partially offset the positive effects of some other smaller adjustments in the valuation.

Considering the above effects together, the FCFF valuation gave a HUF 3,107 share price (+1.6%).

Income statement						
P/L Table consolidated (million HUF)	2023	2024	2025	2026F	2027F	2028F
Revenue from geothermal-heat	9 230	7 941	8 547	9 037	9 238	9 440
Other revenue	-277	542	71	82	85	88
OPEX	5 461	4 761	4 637	4 953	5 075	5 207
from which: Depreciation	1 852	2 078	2 323	2 381	2 381	2 381
EBITDA	3 930	3 921	4 182	4 373	4 454	4 527
EBIT	2 078	1 843	1 859	1 992	2 073	2 146
EBT	1 837	1 487	1 725	1 803	1 931	2 052
Income Taxes	121	82	18	216	232	246
Non-controlling interest	0	0	0	0	0	0
Net income	1 716	1 405	1 707	1 587	1 699	1 805
EPS (HUF)	112	93	121	118	127	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	4 196	5 444	7 363
Total assets	26 252	28 683	26 951	25 346	24 303	23 940
Total equity	11 458	12 564	11 729	11 466	13 165	14 546
Non-current liabilities	11 686	11 485	10 798	9 023	7 249	5 474
Current liabilities	3 108	4 634	4 424	4 857	3 889	3 920
Total equity and liabilities	26 252	28 683	26 951	25 346	24 303	23 940
Cash flow statement						
Cash flow statement (million HUF)	2023	2024	2025	2026F	2027F	2028F
Profit before taxes	1 837	1 487	1 725	1 803	1 931	2 052
Cash flow from operations	4 711	3 438	4 297	3 149	3 109	3 796
Cash flow from investment	-1 251	-3 889	-1 830	-555	-575	-585
Cash flow from financing activities	-2 575	908	-3 229	-2 155	-1 470	-1 470
Change in cash and cash equivalents	885	457	-762	439	1 064	1 742

Source: PannErgy, OTP Multi-Asset Strategies

Valuation summary (million HUF)	2025	2026e	2027e	2028e	2029e	2030e	Terminal year
Revenue from geothermal heat	8 547	9 037	9 238	9 440	9 638	9 830	10 027
EBITDA	4 182	4 373	4 454	4 527	4 596	4 685	4 779
Depreciation	2 263	2 381	2 381	2 381	2 381	2 381	2 381
Working capital sales	187	185	203	211	218	225	225
CAPEX	2 035	250	270	280	280	280	280
FCFF	1 730	3 699	3 732	3 778	3 831	3 903	3 986
WACC		10,2	10,4	10,5	10,6	10,6	10,6
PV(FCFF)		3 355	3 068	2 811	2 578	2 376	29 725

Share price estimation	
Enterprise value	43 913
Adjusted net debt(-)	9 499
Equity value	34 414
Number of shares (thousand)	13 407
Required return on equity	11,4
Target price for next 12M (HUF)	3107

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
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
20.07.2026	Buy	HUF 3,057	Equity note
24.09.2026	Buy	HUF 3,057	Equity note

Period	Recommendation	Percent of recommendation
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%
2026Q4	BUY	100%
	HOLD	0%
	SELL	0%

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

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This document was prepared by:

Ákos Szemán
Senior Equity Analyst
OTP Multi-Asset Strategies

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