PannErgy

25. 09. 2025.

PannErgy delivered good H1 performance with heat sales volume up 6% YoY and above management's plan, which was supported by the new Miskolc well. While revenue from heat sales was essentially flat YoY in H1 this is primarily the result of the new two-element tariff system that was introduced last October. This has replaced the previous volume only based system with a split one, which includes both a monthly base and a lower volume based tariff. The monthly base tariff is also higher in Q4 relative to Q1-Q3 reflecting seasonal differences. As a consequence of this the share of H1 decreases in profit generation, while at the same time the weight of H2 increases. Direct costs remained roughly flat as well YoY as the significant decrease in electricity charges was mostly offset by an increase in depreciation, mostly attributable to the new Miskolc well. The H1 EBIT was HUF 487m (-45% YoY) and EBITDA was HUF 1.672bn (-12% YoY), where the drop is mainly the result of the previously mentioned distorting impact of regulatory changes. Overall, the company reported HUF 353m net income after tax (HUF 25 EPS), which is 49% lower YoY.

Looking ahead, the management confirmed that the HUF 1.672bn H1 EBITDA is an adequate basis for the HUF 4-4.15bn EBITDA plan in 2025. This is in line with our EBITDA forecast of HUF 4.14bn this year. We also note that the company decreased its share capital, the number of shares dropped to 16 million from 18 million via the cancellation of treasury shares. PannErgy has also closed the second tranche of the previously agreed MVM share transaction and acquired the remaining 700,000 shares, which was held by MVM for HUF 1,512 / share, representing a total value of HUF 1.058bn. As a result of the transaction the company's treasury shares increased to 2,593,365 (~16.2% of share capital).

For now, we maintain our BUY recommendation and the 12M target price of HUF 2,161. We expect to update our valuation once the new heat tariffs are announced in the coming weeks, which will include the impact of the updated tariffs, H1 financial results, the 2nd tranche of the MVM transaction and changes in the macroeconomic environment.

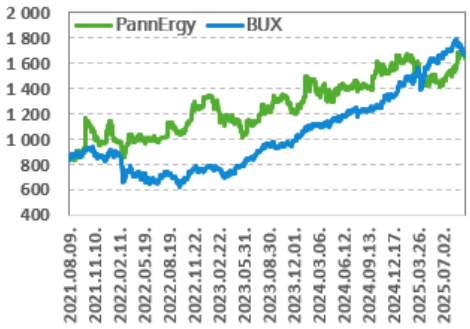
Recommendation: BUY

(prev. Buy)

12-month target price: 2 161 Ft

(prev. 2 161 Ft)

Upside potential: 33%



Performance	3 months	6 months	YTD	1 year
PannErgy	16%	6%	5%	18%
BUX	2%	9%	25%	35%

m HUF	2024	2025e	2026e
Heat revenue	7 941	8 183	8 373
EBITDA	3 921	4 136	4 249
EBIT	1 843	1 845	1 958
Net profit	1 405	1 395	1 527
EBITDA margin	49,4%	50,5%	50,7%
EBIT margin	23,2%	22,5%	23,4%
EPS (HUF)	93	104	114
DPS (HUF)	0	0	0
Payout ratio	0%	0%	0%
EV/EBITDA	8,9	8,4	8,2
P/E	17,4	15,6	14,2
Dividend yield	0,0%	0,0%	0,0%
Share price (24.09.2025):			1 620
Number of shares (m):			16
Market cap. (m HUF):			25 920
Free float:			52,0%
Daily turn. (m HUF):			17,76

Source: PannErgy,BÉT,OTP Multi-Asset Strategies

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Main takeaways from the H1 report

Revenue for H1 2025 was HUF 4.129bn (flat YoY), while revenue from geothermal heat sales amounted to HUF 4.031bn (flat YoY). Over the first half of the year, heat sales reached 981,899 GJ, which is ~6% higher than the amount the company sold in H1 2024 (926,807 GJ), and above the management's plan of 941,254 GJ (+4.3%). In Q1 2025 the company sold 670,828 GJ, which was 2.6% higher than the target amount and 3.8% higher YoY. In Q2 2025 PannErgy sold 311,071 GJ, which was 8.3% above management's plan and also 10.9% higher YoY. The strong H1 performance was primarily due to the launch of the new Miskolc well and colder weather in some months. Overall, the Győr project accounted for ~51% of heat sales in H1, while the Miskolc project for ~48% (the ratios were ~57% and ~42%, respectively a year ago; the shift can be attributed to the new Miskolc well).

We note that the revenue in H1 2025 remained flat despite higher heat sales, which is the result of the new two-element tariff system that is applicable since 1 October 2024. This has replaced the previous volume only based system with a split one, which includes both a monthly base tariff and a lower volume based tariff. The monthly base tariff is also higher in Q4 relative to Q1-Q3 reflecting seasonal differences. As a consequence of this the **share and weight of H1 decreases in profit generation in the financial year, while at the same time the share of H2 increases.**

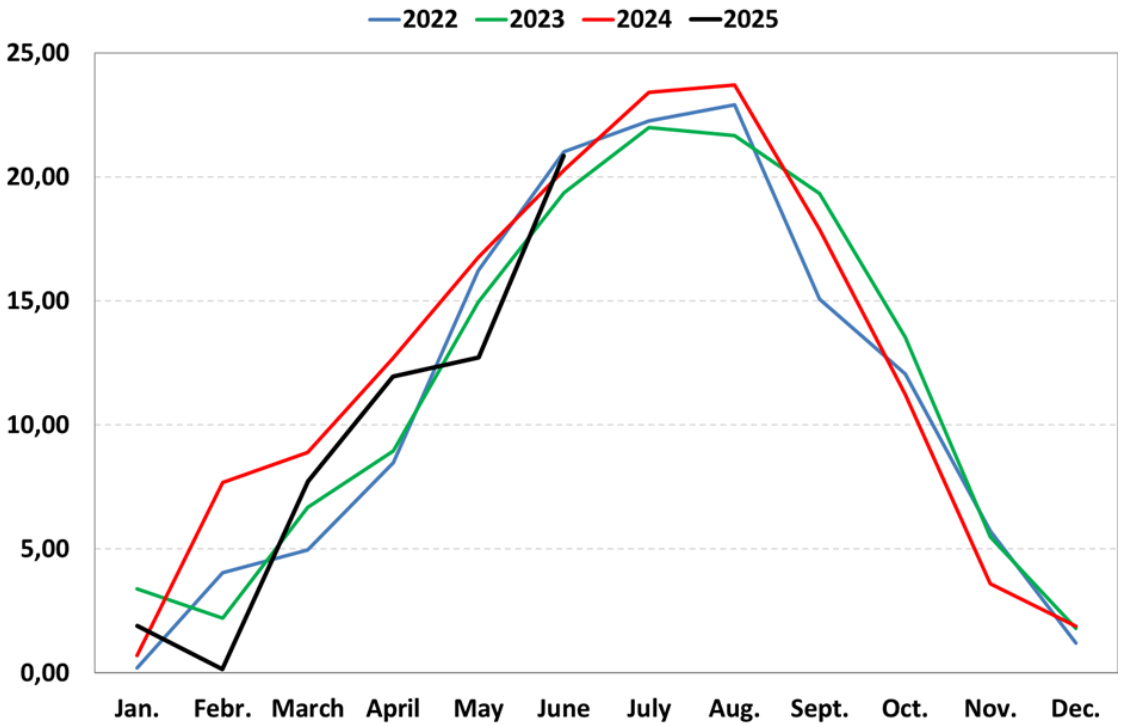
In terms of sales revenue by project, Győr contributed HUF 2.468bn to the sales revenue in H1 2025 (-3% YoY), which is ~61.2% of heat sales related revenues (~51% of H1 volume). Out of this, sales to Győr-Szol CPlc. amounted to HUF 1.324bn (-17% YoY and ~54% share of Győr sales), while HUF 1.142bn (+22.5% YoY and ~46% share of Győr sales) is related to the company's automotive industry customer. Sales from the Miskolc project amounted to HUF 1.518bn (+5.9% YoY), which is ~37.7% of heat sales related revenues (~48% of H1 volume). Most of the heat was sold to MIHŐ Miskolci Hőszolgáltató Ltd. (HUF 1.488bn). The two smaller projects, Szentlőrinc and Berekfürdő, contributed to sales by HUF 40m and HUF 58m (out of which HUF 54m is electricity sales).

Direct costs amounted to HUF 3.272bn and remained essentially flat YoY (-0.4%). Electricity costs dropped further significantly compared to last year (-22.7% YoY), but this was mainly offset by an increase in direct depreciation (+16.7% YoY; mainly due to the new Miskolc well) and maintenance, operation and facility management costs were also up (+7.6% YoY). Given roughly flat revenues and direct costs the gross profit margin changed only marginally from 20.4% to 20.8%. Overall, gross profit was HUF 857m up 1.7%. The Group's administrative and overhead costs moderately increased by 7.7% YoY to HUF 407m. At the same time, other revenues were significantly lower, down by 65% to HUF 198m from HUF 559m (this is also the result of the new tariff system as it minimizes the need for provisions / releases and revenue accruals). Other expenditures amounted to HUF 161m (+22% YoY).

This brings EBIT to HUF 487m (-45% YoY) and EBITDA to HUF 1.672bn (-12% YoY), while EBITDA ratio decreased to 40.5% from 46.1%. We note it again here, that the drop is mainly the result of the new tariff system, which distorts YoY comparisons this year. The company reported a net financial loss of HUF 134m in H1, which is 14% lower YoY (the difference is mainly the result of positive currency revaluation effect of HUF strengthening vs. EUR, which was somewhat offset by higher net interest expenses).

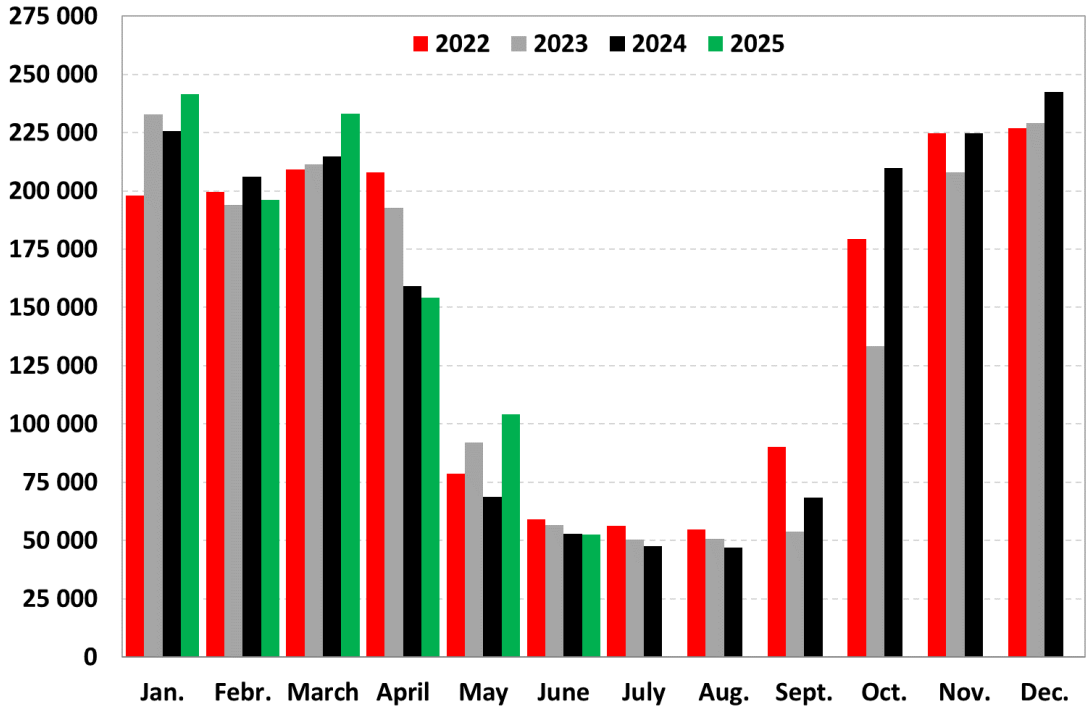
Overall, the company reported HUF 353m net income after tax, which is 49.4% lower YoY (HUF 25 EPS vs. HUF 46 a year ago). Looking ahead, the company confirms that the HUF 1.672bn H1 EBITDA is an adequate basis for the previously published HUF 4-4.15bn EBITDA plan for 2025 (lower H1 is the result of regulatory changes, which will be beneficial in H2 given higher monthly base tariff is applicable in Q4). This is in line with our EBITDA forecast of HUF 4.14bn this year.

Combined average monthly temperatures (℃) in Miskolc and Győr



Source: AccuWeather, OTP Multi-Asset Strategies

Consolidated heat sales (GJ)



Source: PannErgy, OTP Multi-Asset Strategies

Other notable highlights

MVM share transaction: PannErgy completed the second tranche of the share purchase transaction with MVM in September. As a result the company acquired the remaining 700,000 shares, which was held by MVM for HUF 1,512 / share, representing a total value of ~1.058bn. As a result of the transaction the company's treasury shares increased from 1,893,365 to 2,593,365, which represents ~16.2% of share capital (up from ~11.8%).

Share capital reduction: at the end of July the share capital of the company decreased by 2 million to 16 million via cancellation of treasury shares (in accordance with the previous AGM decision). The number of treasury shares dropped to 1,893,365 as a result (before closing the 2nd tranche of the MVM share acquisition). This ensured that the 25% treasury share limit is not breached as a result of the MVM transaction.

Budapest exploration licences: on 14 Aug the company announced that the Supervisory Authority for Regulatory Affairs (SARA) designated the target zone of PannErgy's potential geothermal project near Budapest as a closed area. As a result SARA has revoked the company's exploration licence and a geothermal project can only be initiated if a concession right is obtained. The company will consider these developments.

P/L Table consolidated (million HUF)	2025H1	2024H1	2023H1	2022H1	2021H1	2020H1
Revenue	4 129	4 129	6 051	3 686	3 444	3 197
Net other revenue	37	427	-322	218	42	-13
OPEX	3 679	3 664	4 430	2 976	2 674	2 572
From which:						
* SGA	407	378	370	273	258	247
* Depreciation	1 181	1 013	965	807	748	798
EBITDA	1 672	1 905	2 265	1 735	1 560	1 461
EBIT	487	892	1 299	928	812	612
EBT	353	737	1 201	734	727	106
Income Taxes	0	39	42	2	63	13
Net income	353	698	1 159	732	664	93
EPS (HUF)	25,00	46,00	74,00	45,10	39,82	5,01

	2025H1	2024H1	2023H1	2022H1	2021H1	2020H1
EPS (HUF)	25,00	46,00	74,00	45,10	39,82	5,01
EBITDA (HUFm)	1 672	1 905	2 265	1 735	1 560	1 461
Gross profit rate (%)	20,8%	20,4%	32,9%	26,7%	29,9%	27,3%
EBIT rate (%)	11,8%	21,6%	21,5%	25,2%	23,6%	19,1%
EBITDA rate (%)	40,5%	46,1%	37,4%	47,1%	45,3%	45,7%
ROE (%)	3,1%	5,9%	10,2%	7,1%	6,7%	0,9%
ROA (%)	1,3%	2,7%	4,3%	2,8%	2,6%	0,4%
ROS (%)	8,5%	16,9%	19,2%	19,9%	19,3%	2,8%

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
16.07.2024	Buy	HUF 1,997	Equity note
25.09.2024	Buy	HUF 1,997	Equity note
04.10.2024	Buy	HUF 2,072	Equity note
16.10.2024	Buy	HUF 2,072	Equity note
17.01.2025	Buy	HUF 2,072	Equity note
24.03.2025	Buy	HUF 2,119	Equity note
17.04.2025	Buy	HUF 2,161	Equity note
17.07.2025	Buy	HUF 2,161	Equity note

Period	Recommendation	Percent of recommendation
2024Q4	BUY	100%
	HOLD	0%
	SELL	0%
2025Q1	BUY	100%
	HOLD	0%
	SELL	0%
2025Q2	BUY	100%
	HOLD	0%
	SELL	0%
2025Q3	BUY	100%
	HOLD	0%
	SELL	0%
2025Q4	BUY	100%
	HOLD	0%
	SELL	0%

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

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