

# EQUITY NOTE: PANNERGY NYRT.

**Recommendation: BUY**

**Target price (12M): HUF 1,072**

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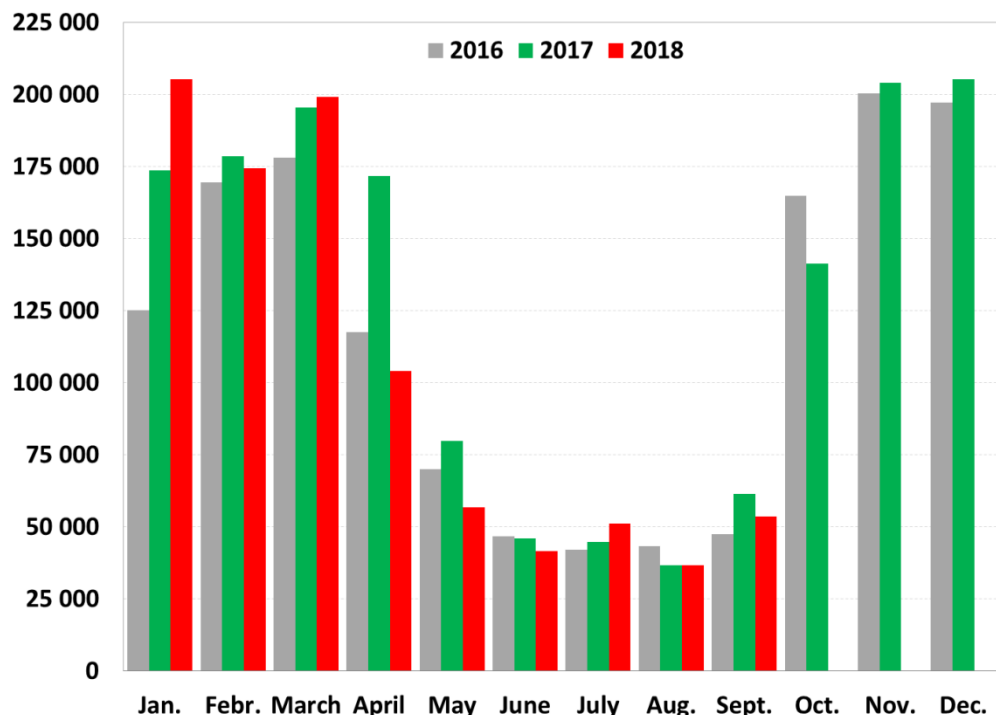
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Pannergy's Q3 production report did not reveal any new information that would make us change our target price. Due to the slightly higher-than-expected average temperature in September, Q3 geothermal heat production declined by 1.4% compared to the same period of the previous year. The report does not mention any problem with the wells that could increase production-related costs.

## **Main takeaways from the production report:**

- Overall geothermal heat production was 141,442 GJ in the third quarter, 1.4% lower than a year earlier. The reduction is due to the slightly higher-than-expected average temperature in September, which was only partially compensated by the increase in production at the Győr plant.

## **Consolidated heat sales (GJ)**



- Production in Miskolc was 71,886 GJ, representing 9% year-on-year decline. Due to the increased market share, production in Győr surged 9% (to 68,153 GJ). In Szentlőrinc, output fell by 12% year over year.
- The report does not refer to any problems related to the wells' maintenance.

- The report mentions that the Miskolc plant's capacity grew by 2% due to the improved operational efficiency. It also makes mention of the rise in administrative prices. Both effects were incorporated [in our latest report](#).

Location of the wells	Company names	in effect until 30 September 2018	in effect from 1 October 2018	Change
Szentlőrinc	Szentlőrinci Geothermal Ltd	3 654 HUF/GJ	3 654 HUF/GJ	0,0%
Miskolc	Miskolci Geothermal Ltd	2 382 HUF/GJ	2 515 HUF/GJ	5,6%
Miskolc	KUALA Ltd	2 382 HUF/GJ	2 515 HUF/GJ	5,6%
Győr	Arrabona Geothermal Ltd	2 939 HUF/GJ	3 108 HUF/GJ	5,8%

Source: Hungarian Official Gazette, issue 146/2018

**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	Recommendations	Target Price	Publication
15/12/2017	BUY	HUF 1,024	Initiation of coverage
16/01/2018	BUY	HUF 1,024	Equity note
13/02/2018	BUY	HUF 1,024	Equity note
21/03/2018	BUY	HUF 1,032	Equity note
17/04/2018	BUY	HUF 1,032	Equity note
17/07/2018	BUY	HUF 1,032	Equity note
03/08/2018	BUY	HUF 1,032	Equity note
04/09/2018	BUY	HUF 1,046	Equity note
02/10/2018	BUY	HUF 1,072	Equity note

Period	Recommendations	Percent of recommendation
2017Q4	BUY	100%
	HOLD	0%
	SELL	0%
2018Q1	BUY	100%
	HOLD	0%
	SELL	0%
2018Q2	BUY	100%
	HOLD	0%
	SELL	0%
2018Q3	BUY	100%
	HOLD	0%
	SELL	0%

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

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