

EQUITY NOTE: PANNERGY NYRT.

Recommendation: BUY

Target price (12M): HUF 1,032

17 April 2018

Equity Analyst:
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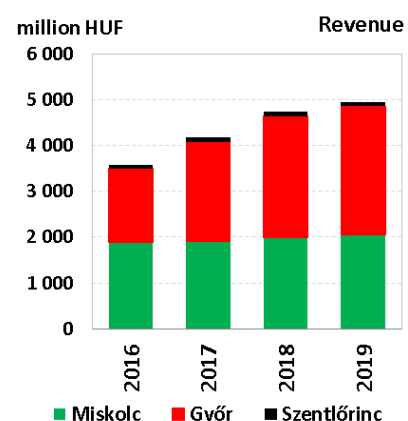
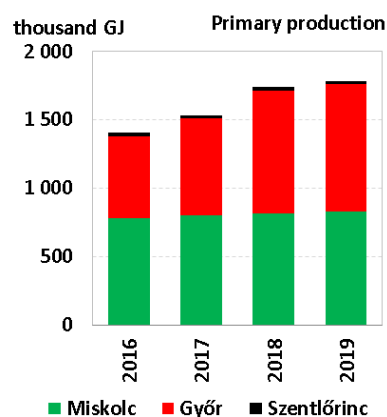
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Pannergy Nyrt has released its quarterly production report for 2018Q1. Based on the report we see no downside risk to our forecast so far and the third well in Győr could be completed as planned in 2018Q3. The production report contained no major news; therefore we see no reason to change our forecast.

Main takeaways from the production report:

- Production in Q1 was better than expected due to favourable weather conditions. The optimal temperature for Pannergy's production is between 2-8 degrees Celsius, especially when the variation between the daily minimum and maximum temperatures is low. In Q1 this year, particularly in January and March, weather conditions were favourable as the average temperature remained above 0°C.
- Overall production was 578,589 GJ in Q1, which is above our expectations, but it seems that in April the average temperature will be higher than the optimal, which could reduce output this month.
- In the Miskolc Project, Q1 production was 294,930 GJ, which is 11% higher than in the same period of the previous year.
- In Győr, Pannergy's production increased by 1.3%, to 272,986 GJ. On 26 January 2018 the company received building permits for the third well, which is excellent news. This helps the investment remain on track and be completed by the end of 2018 Q3.
- The Q1 2018 production in Szentlőrinc, at 9,207 GJ, was below Q1 2017 levels. Moreover, following the heating season, the well pump will be replaced. Our forecast expected to happen this sooner or later, and we accounted for it as a yearly amortization cost, so this piece of news is basically was incorporated in our forecast.



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

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

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