

14 September 2016

Equity Research
Colin Smith



OIL & GAS PRODUCERS

FLASH

PARKMEAD

Increased interest in Perth and Dolphin

Parkmead has raised its stake in the Perth and Dolphin fields in the UK Central North Sea where its interests in licences P218, P588 and P2154 has now increased to 60.05% from 52.03%. As a result of the acquisition, Parkmead's total proven and probable reserves have increased by 19% from 23.5mmbbl to 27.9mmbbl. The transaction follows Parkmead's recent acquisition of 50% interests in the Polecat and Marten fields which are expected to form part of a greater Perth/Dolphin/Lowlander (PDL) Area development. Net resources for Parkmead's interest in PDL continue to look in line with our current modelling and we leave our target price unchanged at 105p per share. However, the exit of a weak partner should enhance the prospects of progressing development of the PDL project.

- **Deal structure.** Atlantic Petroleum has withdrawn from licences P218, P588 and P2154 with Parkmead and Faroe taking up their respective proportionate interests in the 13.35% licence interests previously held by Atlantic. No price was disclosed, but we anticipate that it would have been negligible given Atlantic Petroleum's change in focus.
- **Increase in 2P reserves.** The deal adds 4.4mmbbl of 2P reserves to Parkmead's reserves base, taking it to 27.9mmbbl. Resource net to Parkmead looks in line with the current modelling that underpins our 106p risked net asset value, which we leave unchanged. However, the exit of a weak partner should enhance the prospects of progressing development of the PDL project.
- **Buy.** We recently increased our target price to 105p, following the Polecat and Marten transaction, which we now reiterate. The pace of deal activity at Parkmead is picking up, and we continue to anticipate that the company will be able to achieve further value adding deals, given Tom Cross's track record and what looks like a market for transactions in the UK North Sea that is beginning to creak open.



(Remains Unchanged)

Target Price: 105p

Share Price: 49p

(Price at close 13 September 2016)

Stock Codes PMG.L / PMG LN

Market Cap £49m

Last Published Research: 10 August 2016

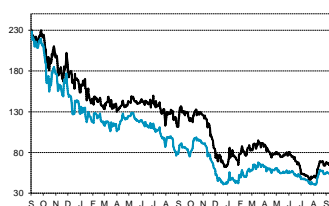
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Absolute & Relative Performance



— Absolute

— Relative to DS Oil & Gas

Source Datastream

Year End	Sales (£m)	PBTA (£m)	EPS (p)	DPS ord (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
June							
2015A	18.6	(30.8)	(24.0)	0.0	n/a	(0.3)	0.0
2016E	8.5	(4.6)	(4.7)	0.0	n/a	(15.0)	0.0
2017E	2.7	(7.3)	(6.5)	0.0	n/a	(4.7)	0.0
2018E	4.4	(3.5)	(2.6)	0.0	n/a	(13.5)	0.0

Source Company Data, Panmure Gordon

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Distribution of investment ratings for equity research (as of 1 Jun 16)			Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)	
Overall Global Distribution (Banking Client*)			Buy	Total return of >10% in next 12 months
Buy	Hold	Sell	Hold	Total return >-10% and <+10% in next 12 months
74% (45%)	20% (3%)	6% (0%)	Sell	Total return <-10% in next 12 months

* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients

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