Brokers queue up to laud The Parkmead Group

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Parkmead's gas production acts as a natural hedge in this low oil price environment

Shares in The Parkmead Group PLC (LON:PMG) were wanted as the UK and Netherlands-focused oil and gas outfit posted a half-year gross profit.

The debt-free but previously loss-making company made a gross profit of £672,000 in the six months to the end of December 2016, compared to a loss of £4.1mln in the corresponding period of 2015.

Exploration and admin costs wiped out the gross profit, result in a loss before tax of £4.51mln that was a modest improvement on the previous year's £4.56mln, but on the plus side the group has been cash flow positive on an operating basis since January 2016, thanks to its Netherlands gas business.

“We have increased gas production from Parkmead's low-cost Netherlands portfolio through an onshore work programme, which has resulted in Parkmead moving into gross profit. This is an outstanding achievement for Parkmead at a time when global oil prices have remained low,” declared Parkmead's executive chairman, Tom Cross.

“Parkmead's gas production acts as a natural hedge in this low oil price environment,” he added.

Revenues declined to £2.7mln from £7.0mln the year before, largely because of the decline in oil prices.

Cash and cash equivalents at the end of 2016 stood at £26.7mln, down from £29.6mln a year earlier.

“We are delighted to have been able to increase our stakes in core areas of the group's portfolio during the period, particularly around the important Greater Perth Area oil hub in the UK North Sea, where Parkmead has strengthened its position. The group's reserves and resources also increased significantly in 2016 through two licence acquisitions,” Cross said.

"Parkmead is well positioned to take advantage of the ongoing lower oil price and the opportunities that are arising from this. We have excellent regional expertise, significant cash resources, and a growing, low-cost gas portfolio. The group will continue to build upon the inherent value in its existing interests with a licensing and acquisition-led growth strategy, securing opportunities that maximise long-term value for our shareholders," Cross pledged.

Cantor Fitzgerald said the financials in the interim results were broadly in line with its expectations.

“We are encouraged that PMG has re-allocated capital to its low-cost producing gas fields in the Netherlands in the current climate,” the broker said.

“We continue to advocate low operating cost, and well capitalised producers in the current climate, and therefore highlight Parkmead as an attractive opportunity for investors,” Cantor said, as it reiterated its 'buy' recommendation and punchy 163p target price.

Shares in Parkmead were trading at 46p, up 5.8%, in late morning trading.

Small caps broker finnCap also rates the shares a 'buy', albeit with a less stratospheric target price of 81p.

“We really like the Netherlands gas business and are of the view that the company should expand its production base in order to take advantage of the Groningen situation. We note that the company continues to look at potential transactions,” the broker said.

John Harrington