

20 November 2020

Corp

Ticker **PMG:AIM**

Energy

Shares in issue (m) 108.6

Next results H1 May

Price **27.7p**

Target price 155.0p

Upside 461%

Market cap **£30.0m**

Net debt/(cash) -£25.0m

Other EV adjustments £0.0m

Enterprise value £5.0m

What's changed? **From To**

Adjusted EPS - -0.6

Target price - 155.0

Share price performance



%	1M	3M	12M
Actual	4.3	-20.9	-35.9

Company description

Parkmead has four divisions offering a broad set of growth opportunities in oil, gas and renewables.

Jonathan Wright

Director of Research

► Parkmead Group*

An E&P for all seasons

Parkmead's portfolio has evolved to the point where it is now a full-cycle E&P company with a low-cost Dutch production base and a broad spectrum of high-quality UK growth opportunities, encompassing material development projects and an attractive range of risk/reward exploration. Recently, it has diversified into renewables, future proofing its equity story and opening up a new 'investor-friendly' avenue of growth. A core strength of this management team is its commercial acumen and portfolio-driven approach to optimising value. Parkmead has been in portfolio construction mode to date but is now well positioned to start crystallising its intrinsic value. We initiate with a risked-NAV based price target of 155p/sh. Investors would do well to get on-board with a management team that has a strong track record of delivering shareholder value.

► **Future-proofed.** Parkmead comprises four complementary business divisions, providing a deep and flexible bench of growth opportunities whatever the prevailing investment climate. Its latest acquisition saw it enter the Renewables arena, buying farmland in Scotland with potential in wind, solar and biomass production. This offers further diversification of its income stream while 'future-proofing' it to the energy transition. Its renewables business is embryonic, but progress in this area can help it tap into a rich seam of investor funds that could materially re-rate the shares.

► **Oil & Gas business primed for growth.** Its more traditional oil and gas business is primed for growth from a range of projects: enhanced production opportunities in the Netherlands, the Platypus gas development in the Southern North Sea, the major Greater Perth Area oil project in the Central North Sea, and a broad portfolio of exploration opportunities with varying risk profiles.

► **Well suited to the current environment.** Management are seasoned and canny dealmakers that have completed eight acquisitions in as many years, using downturns effectively before to secure distressed assets at attractive prices. With significant cash resources and minimal debt, management has the firepower at its disposal to continue to develop and monetise the portfolio.

► **Attractive valuation.** Parkmead trades below our 36p/sh Core NAV assuming US\$50/bbl Brent and a 45p/th UK gas price. Even heavily risking its oil developments we still estimate a risked-NAV of 155p/sh, over 5x the current share price. Its valuation attractions are further reinforced when looking at EV/2P reserves, with Parkmead trading at just a fraction of its peer average: US\$0.2/bbl vs US\$5.4/bbl.

Key estimates		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	7.0	8.3	4.1	4.8	6.1
Adj EBITDA	£m	-4.8	5.4	0.3	1.3	2.5
Adj EBIT	£m	-5.3	5.2	-0.5	0.6	1.8
Adj PBT	£m	-5.9	4.8	-0.7	0.7	1.8
Adj EPS	p	-2.2	2.4	0.8	-0.6	-0.0
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2018A	2019A	2020A	2021E	2022E
EV/EBIT (adj)	x	-0.9	1.0	-10.3	8.2	2.8
P/E (adj)	x	-12.6	11.3	35.3	-48.2	-586.7
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	0.8%	-2.8%	-15.8%	-3.3%	-24.6%
Pre-tax ROCE	%	-8.3%	7.6%	-0.7%	0.8%	2.4%

Income statement		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Sales	£m	8.3	4.1	4.8	6.1
Gross profit	£m	6.0	2.1	2.9	4.0
EBITDA (adjusted)	£m	5.4	0.3	1.3	2.5
EBIT (adjusted)	£m	5.2	-0.5	0.6	1.8
Associates/other	£m	0.0	0.4	0.0	0.0
Net interest	£m	-0.3	-0.6	0.1	0.0
PBT (adjusted)	£m	4.8	-0.7	0.7	1.8
Total adjustments	£m	-0.0	-0.1	-0.1	-0.1
PBT (stated)	£m	4.8	-0.8	0.7	1.7
Tax charge	£m	-2.4	0.3	-1.3	-1.8
Minorities	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	2.4	-0.5	-0.6	-0.1
Adjusted earnings	£m	2.5	0.9	-0.6	-0.1
Shares in issue (year end)	m	98.9	108.6	108.6	108.6
EPS (stated)	p	2.4	-0.5	-0.6	-0.0
EPS (adjusted, fully diluted)	p	2.4	0.8	-0.6	-0.0
DPS	p	0.0	0.0	0.0	0.0

Cash flow		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
EBITDA	£m	5.4	0.3	1.3	2.5
Net change in working capital	£m	-0.5	-0.5	0.0	0.0
Other operating items	£m	-0.2	1.1	0.2	0.1
Cash flow from op. activities	£m	4.7	0.9	1.5	2.6
Cash interest	£m	0.2	0.1	0.1	0.0
Cash tax	£m	-1.8	-1.9	-1.3	-1.8
Capex	£m	-4.0	-3.8	-1.3	-8.2
Free cash flow	£m	-0.8	-4.7	-1.0	-7.4
Acquisitions / disposals	£m				
Dividends	£m				
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	1.1	-0.2	-0.3	2.7
Net change in cash flow	£m	6.9	-5.0	-1.2	-4.7
Opening net cash (debt)	£m	23.8	30.7	25.7	24.5
Closing net cash (debt)	£m	30.7	25.7	24.5	19.7

Balance sheet		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	£m	11.8	21.4	20.8	27.8
Goodwill & other intangibles	£m	36.2	38.3	39.2	39.7
Other non current assets	£m	0.0	2.9	2.9	0.0
Net working capital	£m	-3.9	-2.9	-2.9	-2.9
Other assets	£m	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.5	-10.4	-10.4	-10.4
Gross cash & cash equivs	£m	30.7	25.7	24.5	19.7
Capital employed	£m	68.3	74.9	74.1	73.9
Gross debt	£m	0.0	3.6	3.6	3.6
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	68.3	71.3	70.5	70.3
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	£m	68.3	74.9	74.1	73.9

Growth analysis		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	17.8%	-50.7%	18.8%	25.6%
EBITDA growth	%	212.5%	-94.9%	383.3%	87.5%
EBIT growth	%	197.1%	-109.5%	225.4%	190.8%
PBT growth	%	182.2%	-115.4%	197.2%	149.9%
EPS growth	%	211.8%	-68.0%	-173.3%	91.8%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	72.4%	51.2%	59.6%	65.5%
EBITDA margin	%	65.1%	6.8%	27.5%	41.1%
EBIT margin	%	62.4%	-12.0%	12.6%	29.2%
PBT margin	%	58.4%	-18.2%	14.9%	29.6%
Net margin	%	29.8%	21.3%	-13.1%	-0.9%

Cash flow analysis		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	88.0%	319.6%	112.9%	103.0%
Cash conv'n (FCF / EBITDA)	%	-15.8%	n/m	-74.4%	-295.2%
U/lying FCF (capex = depn)	£m	2.9	-1.7	-0.4	0.1
Cash quality (u/l FCF / adj earn)	%	119.0%	-197.8%	64.9%	-141.3%
Investment rate (capex / depn)	x	18.4	5.0	1.8	11.3
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	-47.2%	-70.9%	-59.7%	-47.5%
Net working capital / sales	days	-172	-259	-218	-174
Inventory (days)	days	0	12	10	8
Receivables (days)	days	29	126	107	85
Payables (days)	days	201	397	334	266

Leverage analysis		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Net debt / equity	%	no debt	net cash	net cash	net cash
Net debt / EBITDA	x	no debt	net cash	net cash	net cash
Liabilities / capital employed	%	0.0%	4.8%	4.9%	4.9%

Capital efficiency & intrinsic value		2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	3.6%	1.2%	-0.9%	-0.1%
RoCE (EBIT basis, pre-tax)	%	7.6%	-0.7%	0.8%	2.4%
RoCE (u/lying FCF basis)	%	4.3%	-2.3%	-0.6%	0.1%
NAV per share	p	69.0	65.7	64.9	64.7
NTA per share	p	32.4	30.5	28.8	28.2

An E&P for all seasons

Parkmead's CEO Tom Cross founded Dana Petroleum in 1994 to develop opportunities in the North Sea. Through several acquisitions, it expanded into nine countries in total, amassed 2P reserves of 223 mmbbls and was producing from 36 fields across the portfolio. In 2010, Dana was sold to the South Korean state-owned oil company, KNOC, for ~US\$3bn and Dana still exists today as an unlisted company. After the enormous success of this strategy, management sought to replicate this approach via Parkmead.

Parkmead actually started out life as a Merchant Bank and Tech portfolio investment company back in 1992. In 2006, the name of the company was changed to Parkmead Group as its strategy shifted to becoming an Oil & Gas investment company focused on the Middle East and North Africa. Tom Cross joined as a Non-Exec Director shortly after.

Full-cycle E&P company built in just two years

Following the sale of Dana in 2010, Tom Cross continued to provide support and advice to Dana for a short period to help make the deal a success. What quickly became apparent was that the Korean state company's management had little appetite for exploration or appraisal assets. Herein lies the ultimate genesis of the Parkmead we know today, with which Tom Cross has sought to replicate a similar business strategy to his previous company – 'Dana 2.0' if you will.

In October 2010, Tom Cross was appointed Executive Chairman of Parkmead and the focus quickly shifted to building an independent E&P company. A full oil and gas management team was put in place by March 2011, principally staffed by former Dana Petroleum executives.

Parkmead made its first acquisition six months later, a 15% interest in three UK Southern North Sea (SNS) blocks from ExxonMobil containing the Platypus gas discovery and associated prospects. Dana operated the acreage, so management knew the assets extremely well from its former incarnation.

This opened the floodgates, with a further three acquisitions announced in the UK North Sea and the Netherlands over the next six months.

- ▶ In December 2011, it acquired 20% in four further UK SNS blocks from Sorgenia E&P (UK) Ltd. Again, Dana was the operator.
- ▶ March 2012 saw it acquire Dyas B.V.'s portfolio of Netherlands onshore assets for €7.5m, comprising four producing gas fields and two oil fields.
- ▶ In May 2012, it announced an all-paper acquisition of DEO Petroleum plc for £12.7m. DEO's main asset was its 52% operated interest in the Perth field.

This acquisition spree formed the building blocks of Parkmead's current portfolio and brought with it the company's first production. The cash flow from its Dutch assets alongside an £8.5m placing helped the company to mature and continue to enlarge its portfolio in 2012. Key corporate milestones included:

- ▶ A successful first appraisal well at the UK Platypus gas field in August 2012.
- ▶ Major operated licence awards in October 2012 in the UKCS 27th Licensing Round covering 25 blocks across the Central and Southern North Sea and West of Shetland.

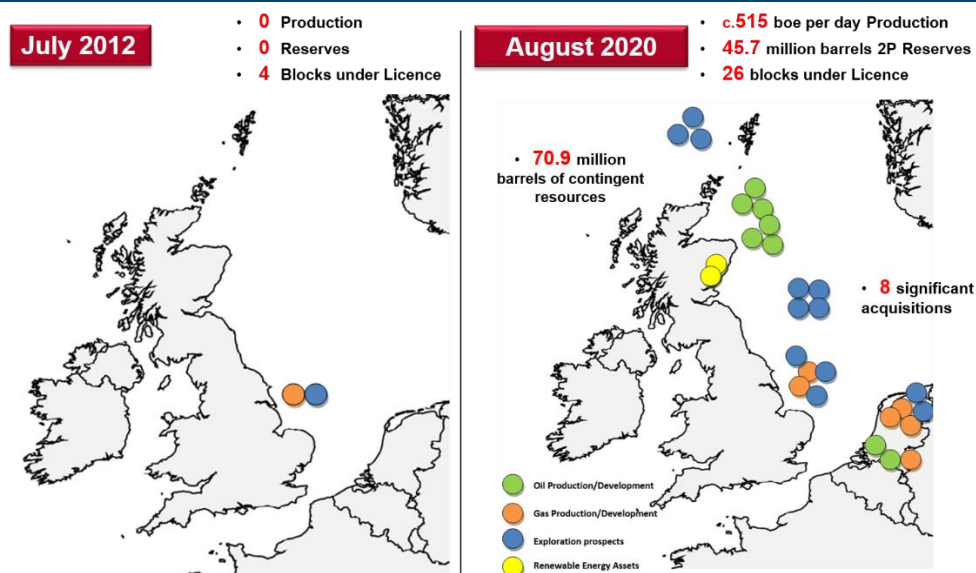
There was no let-up in 2013 either, with Parkmead acquiring Lochard Energy, whose principle asset was a 10% stake in the Athena oil field. This brought in its first UK production. It rounded out the year with the award of an additional five UK SNS blocks in the 27th Licensing Round, enhancing its existing positions in and around the Platypus discovery area.

In just two years, from a standing start, Parkmead transformed into a full-cycle E&P company with two producing regions, 2P reserves of 27mmbbls, a number of oil and gas development opportunities, and a strong exploration portfolio encompassing 48 blocks.

Parkmead continued to develop and optimise its portfolio over the next few years via both acquisition and licensing, gradually corralling together a material exploration and development portfolio in the Central and Southern North Sea and major exploration prospects West of Shetland, all the while supported by solid, low cost gas production from its Netherlands business.

All told, an impressive eight acquisitions have driven development of Parkmead's upstream portfolio over the last eight years. As a result, it has become a well-rounded full-cycle E&P company with a low-cost Dutch production base and a broad spectrum of high-quality UK growth opportunities, encompassing material development projects and an attractive range of risk/reward exploration.

Figure 1: Parkmead portfolio evolution

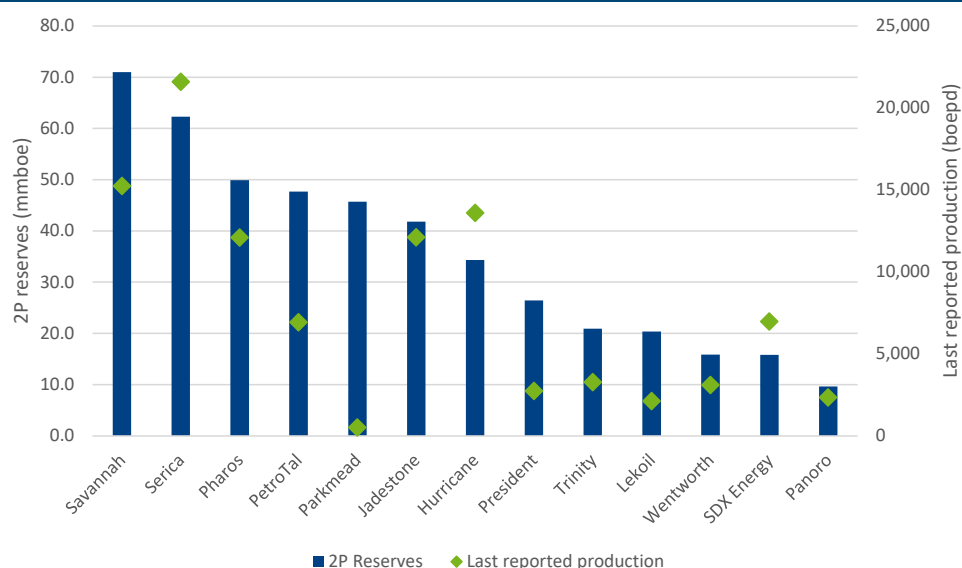


Source: Parkmead

Management has meticulously pieced together this material opportunity set, which in the coming years can deliver substantial growth in production and earnings. The scale of this growth potential can be easily visualised by comparing Parkmead's 2P reserves and production to its peers.

Figure 2 below ranks Parkmead alongside a dozen other listed E&P peers. While its 2P reserve base of 45.4 mmboe places it in the upper half of this group, production sits in the lower half, highlighting the growth in production that further maturation of the business can deliver.

Figure 2: 2P reserves and production by company



Source: Company reports.

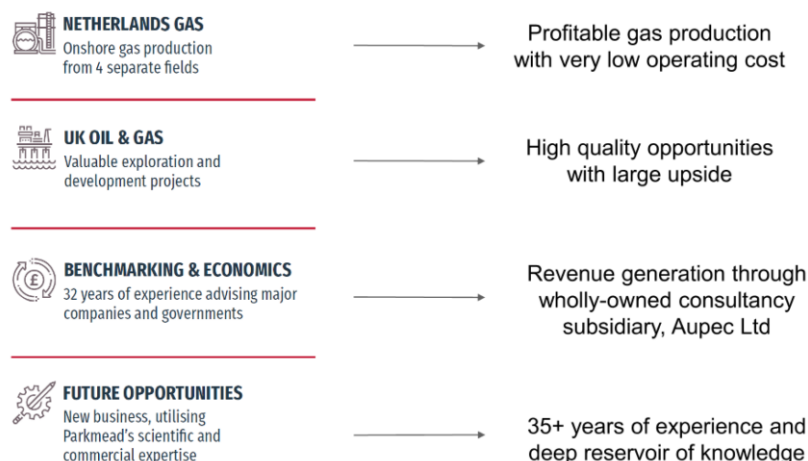
Moreover, management are undeniably seasoned and canny dealmakers that have used downturns effectively before to secure distressed assets at attractive prices. Parkmead, more than most, is well positioned to capitalise on the current environment. With significant cash resources and minimal debt, management has the firepower at its disposal to continue to develop and monetise the portfolio.

Management's historic credentials speak for themselves, but shareholders should also rest easy given the fact they have plenty of skin in the game, with Tom Cross owning ~26% of the shares.

Not just any old E&P company

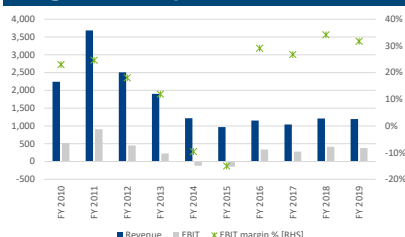
Parkmead is more than just your common-or-garden E&P though and has a couple of tricks up its sleeve. The group is comprised of four complementary business divisions – Netherlands Gas, UK Oil & Gas, Benchmarking & Economics (Aupec) and Future Opportunities – which together provide a deep and flexible bench of opportunities allowing it to pursue growth whatever the prevailing investment climate.

Figure 3: Parkmead business divisions



Source: Parkmead

Figure 4: Aupec metrics



Source: Parkmead, finnCap ests.

Aupec provides diversification

It is unique in having an oil & gas consulting arm, Aupec (Aberdeen University Petroleum and Economic Consultants), which for over 30 years has provided petroleum economics, training, consultancy and benchmarking services to governments, oil companies and NGOs. This business delivers an alternate revenue stream to its Dutch gas business, providing diversification alongside future growth potential.

Figure 5: Aupec benchmarking clients



Source: Parkmead

Future-proofing the business

Another area where Parkmead differs from its peers is its Future Opportunities division, a recognition of the changing landscape of energy supply and the increasing demand for clean energy.

In 2019, Parkmead made its first foray into renewable energy, acquiring Pitreadie Farm Ltd for £8.5m. Pitreadie owns farmland in Scotland with renewable energy potential in wind, solar and biomass production.

Scotland is at the forefront of renewables in the UK and management is very well connected in the region. It plans to sell off non-core Pitreadie land, minimising the entry cost, and pursue appropriate developments on the remaining properties either on a sole basis or as part of a JV. There is a highly active transaction market in renewables and both companies and landowners have already approached Parkmead with potential deals, playing to its strengths.

Parkmead sees the move into renewables as a natural expansion of its energy operations, offering further diversification of its income stream while helping to 'future-proof' it to the energy transition. Bringing renewables projects to market involves similar skillsets to those required to commercialise oil and gas discoveries, particularly with respect to regulatory permissions and access and project partners/service providers.

What catalysts lie ahead?

- ▶ In the Netherlands, a number of enhanced production opportunities have been identified and planned activity includes a new infill well at Geesbrug and workovers at Brakel & Grolloo. This will help sustain production levels while five new low-risk exploration targets have been identified near Diever West, which can drive future growth. These prospects have a combined gas resource potential of 43 bcf and high chances of success, ranging from 39-52%. The Boergrup exploration prospect is the most mature and near-term catalyst in Parkmead's Netherlands portfolio. A well at Boergrup could potentially be drilled in 2022 depending on planning and permitting approval. Additionally, well

workovers that have been temporarily postponed due to COVID-19 provide additional production catalysts for the Group.

- ▶ In the Southern North Sea, following COVID-19-related delays, the operator of the Platypus gas development (PMG 15%) is now targeting project sanction in 2021. This project has the potential to more than double Parkmead's production in the medium term, materially boosting cash flow.
- ▶ In the Central North Sea, Parkmead is in commercial discussions with the Scott field partners for a subsea tie-back of its Greater Perth Area (GPA) development to the Scott facilities. The GPA project is one of the largest undeveloped oil projects in the UKCS and discussions are also being held with other infrastructure owners in the region, but are most advanced with the Scott partners. A successful agreement would not only nail down the GPA development concept but also bolster farm-out ambitions. With an estimated oil price breakeven of just ~US\$30/bbl, Parkmead's GPA represents a material and highly profitable project opportunity even in the current macro environment.
- ▶ On the exploration front, reprocessing of 3D seismic over the Skerryvore prospect that was acquired in 2019 is expected to be completed this year.
- ▶ As for upstream acquisitions, Parkmead is currently assessing seven opportunities including both corporate and asset opportunities, some of which are synergistic with existing assets.
- ▶ At Aupec, a new Managing Director was appointed to focus on growth in its core oil & gas sector as well as pursue expansion into new non-oil and gas areas, such as renewables.
- ▶ In renewables, the Pitreadie Farm land has been broken up into parcels and those that are non-core will be sold off. Parkmead is also analysing 10 new investment opportunities in the renewables space.

Parkmead's portfolio has shifted in tune with the times with a focus now on energy transition projects, such as its Dutch and Southern North Sea gas opportunities, as well as the new drive into renewables. There is a growing and undeniable surge in investor interest in the energy transition/clean energy and Parkmead plays well into this theme.

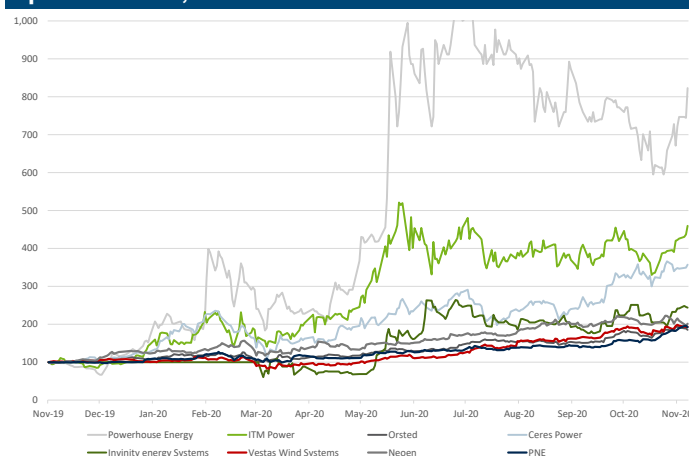
This is no bad thing given the explosive performance this year of renewable and clean energy companies (see Figures 6 and 7). The AIM Alternative Energy sector has outperformed AIM Oil & Gas by 70% over the last 12 months, with Ceres Power, ITM Power and Powerhouse Energy stand out performers.

Figure 6: AIM Alternative Energy vs AIM Oil & Gas performance



Source: FactSet, finnCap

Figure 7: Renewable/Clean Energy stocks relative performance, GBP rebased



Source: FactSet

By starting to diversify its portfolio into this area, Parkmead is future-proofing its equity story and opening up a new 'investor-friendly' avenue of growth. It also retains significant optionality with its conventional oil and gas projects that despite environmental best efforts will still be needed for many years to come.

Development of its renewables business is at an embryonic stage, but if Parkmead can continue to progress this area it could start to tap into a rich seam of investor funds that can materially re-rate the shares. 'Dana 2.X', perhaps?

Valuation

Parkmead shares are trading at a discount to our 36p/sh core value assuming US\$50/bbl long-term Brent and a 45p/th long-term UK NBP gas price. Even heavily risking Parkmead's oil developments and giving zero value for its higher-risk oil exploration, we still estimate a risked-NAV of 155p/sh, >5x the current share price.

Figure 8: Parkmead net asset value

Net Asset Valuation	Net resource mmboe	NPV/bbl \$/boe	Unrisked NPV		Geological CoS	Commercial CoS	Dry hole cost \$mm	Risked NPV	
			\$mm	p/sh				\$mm	p/sh
G&A (3 years)			-5.4	-3.9				-5.4	-3.9
Net cash / (debt)			32.0	23.0				32.0	23.0
Athena decommissioning			-8.8	-6.4				-8.8	-6.4
Aupec (6x 2021e EBIT)			1.9	1.3				1.9	1.3
Pitreadie Farm Ltd land (@ cost)			8.5	6.1				8.5	6.1
			28.2	20.3				28.2	20.3
Producing assets									
Netherlands producing	4.0	5.52	21.8	15.7	100%	100%		21.8	15.7
Core value:			42.1	36.0				42.1	36.0
Contingent resource:									
Pitreadie 20 MW Wind Farm			11.9	8.6		30%		3.6	2.6
Netherlands - Ottoland	0.7	3.59	2.5	1.8	100%	50%		1.2	0.9
Netherlands - Papekop	0.9	3.59	3.2	2.3	100%	50%		1.6	1.2
UK - Greater Perth Area	79.7	5.89	464.6	334.3	100%	30%		139.4	100.3
UK - Platypus	2.6	3.91	10.3	7.4	100%	50%		5.1	3.7
UK - Fynn Beaully	25.1	1.00	25.1	18.1	100%	10%		2.5	1.8
UK - Fynn Andrew	9.0	1.00	9.0	6.5	100%	10%		0.9	0.6
Contingent value:			526.5	378.9				154.3	111.0
Prospective resource:									
UK - Skerryvore (Mey+Ekofisk+Tor)	46.6	3.74	174.5	125.5	24%	30%	5.8	6.7	4.8
UK - Ruvaal	9.3	2.95	27.5	19.8	17%	0%	6.2	0.0	0.0
UK - Platypus East	1.3	3.23	4.1	3.0	73%	50%	0.5	1.0	0.7
UK - Blackadder	14.1	2.93	41.4	29.8	41%	50%	5.3	3.2	2.3
UK - Sanda South	86.0	2.65	228.0	164.1	12%	0%	30.8	0.0	0.0
UK - Sanda North	194.0	2.65	514.4	370.1	15%	0%	29.8	0.0	0.0
UK - Davaar	204.0	2.36	480.8	346.0	18%	0%	28.7	0.0	0.0
Netherlands - Drenthe IIIb exploration	0.5	2.87	1.6	1.1	43%	50%	1.3	0.0	0.0
Prospective value:			1,472.3	1,059.4				10.9	7.9
Total - Core + Contingent + Prospective:			2,041.0	1,474.3				207.4	154.9

Source: finnCap

Parkmead's 100% owned Greater Perth Area (GPA) development opportunity in the Central North Sea is the major prize within the portfolio, but finding a farm-out partner in the current environment may be challenging, hence we heavily risk this within our valuation. Nevertheless, expected development progress and a continued oil price recovery will help to de-risk the project, bolster farm-out interest and drive our valuation even higher.

Moreover, there are several lower hanging fruits being pursued: the UK SNS Platypus gas field and two onshore oil field fields in the Netherlands, Ottoland and Papekop. While smaller in scale than the GPA, these developments can drive meaningful uplifts to Parkmead's production and cash flow and open up follow-on exploration opportunities.

Figure 9: Parkmead risked-NAV waterfall (p/sh)



Source: finnCap

Parkmead also enjoys a broad portfolio of exploration opportunities with varying risk profiles. We include minimal value for these in our valuation – zero, in fact for the higher-risk oil prospects – but view them as option value and a source of risked-NAV upgrades and catalysts as the oil sector recovers from its COVID-19 demand hit.

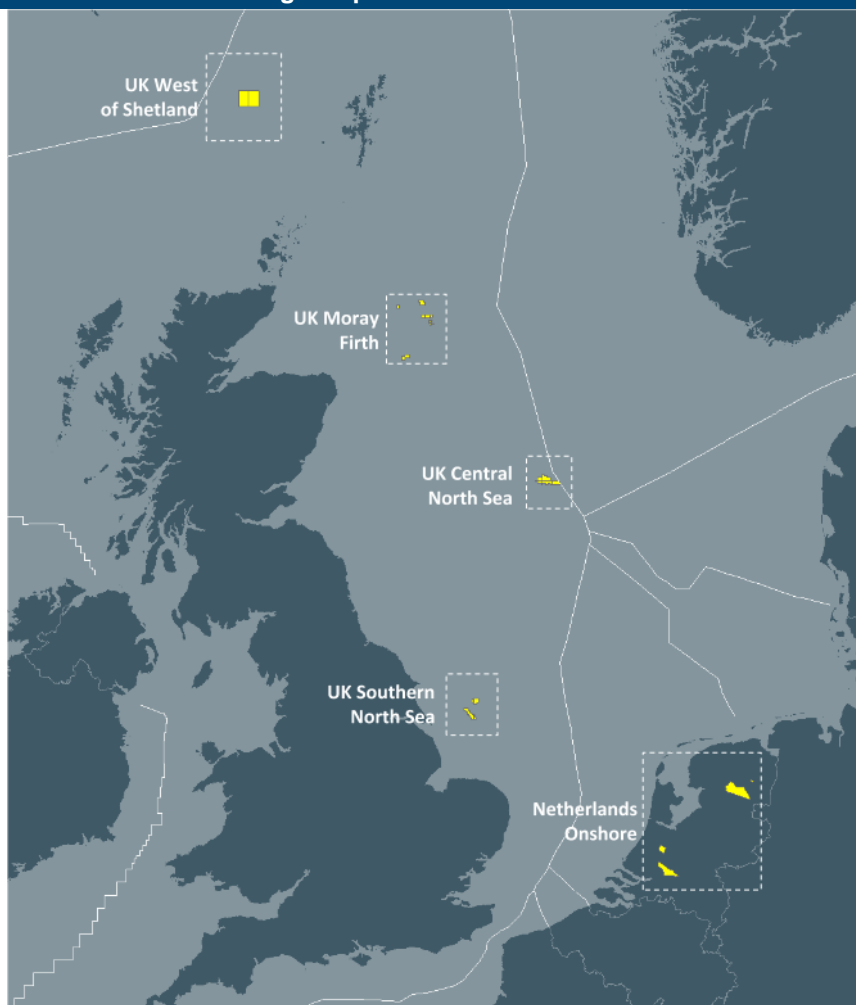
E&P asset base

Since 2010, Parkmead has built up a portfolio of 26 licence blocks in the UK and the Netherlands, with production from four onshore gas fields in the Netherlands. The company had been producing from the Athena field in the UK too, but technical difficulties including electric submersible pump outages, alongside the 2014 oil price collapse, forced this field to be shut in.

The company's E&P portfolio benefits from a wide range of assets of varying maturity and risk/reward profiles. Parkmead has significant oil and gas development opportunities across the Netherlands and UK, including the Papekop and Ottoland gas discoveries in the Netherlands, the Platypus gas development project in the UK Southern North Sea and the Greater Perth Area (GPA) oil development in the Central North Sea.

It also has a range of exploration opportunities with differing risk/reward profiles spanning the breadth of the UK offshore, from West of Shetland, through the Central North Sea, down to the Southern North Sea.

Figure 10: Parkmead acreage map

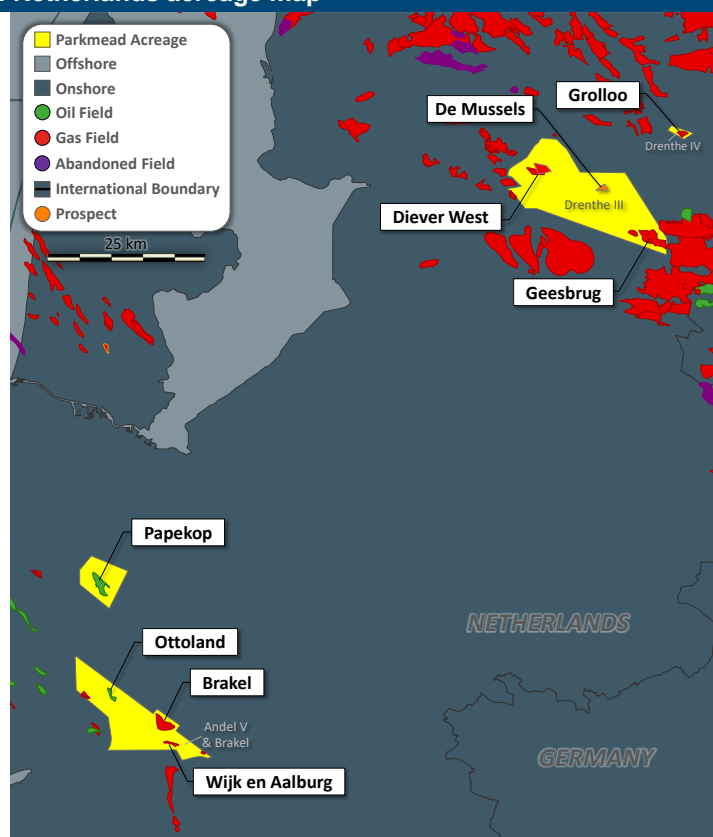


Source: Parkmead

Netherlands

Parkmead acquired its Dutch onshore assets from Dyas B.V. in 2012. The portfolio consists of four licences containing four producing gas fields, three potential oil and gas developments and a number of exploration opportunities.

Figure 11: Netherlands acreage map



Source: Parkmead

The Netherlands is Parkmead's core production base with gas produced from four low-cost (<US\$10/boe opex) onshore fields – Brakel, Grolloo, Geesbrug and Diever West. Parkmead has a 7.5% working interest in Diever West and 15% of the other fields, which are all operated by Canadian listed Vermilion Energy.

FY 2020 gross production from these fields was 38.3 mmcf (6,600 boepd) and we estimate Parkmead generated ~£1.4m of net after-tax cash flow from them in FY 2020, covering group G&A despite heavily depressed European gas prices.

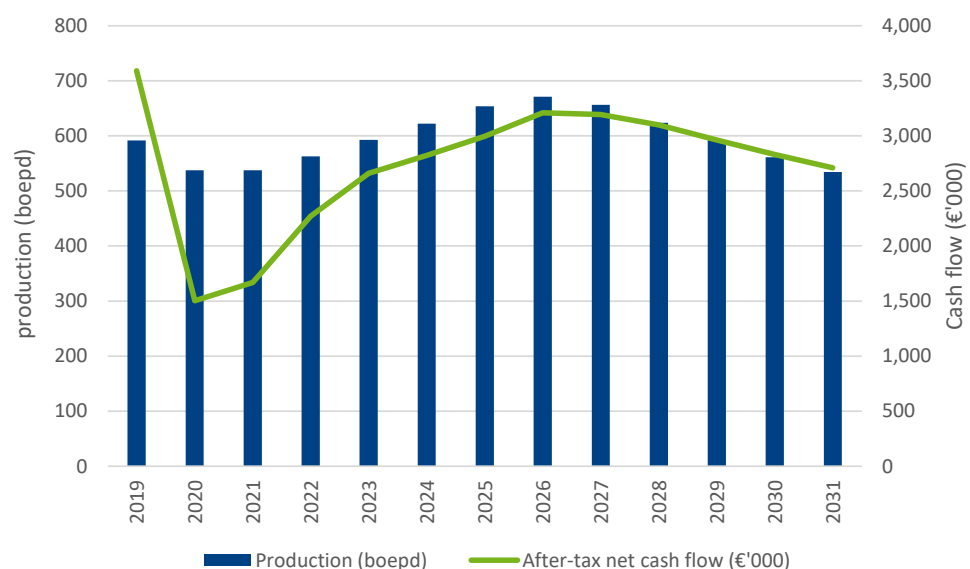
Production enhancement work planned includes infill drilling at Geesbrug, compression optimisation work at the Grolloo field during 2020, plus development planning at the Ottoland oil and gas discovery on the Andel Va block (PMG 15%).

Development concept selection planning has also started at the Papekop oil and gas discovery (PMG 15%), which has estimated resources of 24 mmbbls oil-in-place and 39 bcf of gas-in-place. As part of the Dyas acquisition, Parkmead must pay a deferred consideration of €3m on first commercial oil from Papekop.

Multiple exploration opportunities also exist around Diever West on the Drenthe VI concession (PMG 7.5%), such as the Boergrup and De Bree prospects, both of which contain stacked targets with similar characteristics to Diever West. A new seismic reprocessing project began in Q4 2019, which will help define and high-grade the extensive prospectivity around Diever West. Permitting and planning is underway for the Boergrup well.

Overall, we value Parkmead's Dutch producing and contingent resource at US\$22m or 16p/sh. We expect these assets to be able to sustain a 500-650 boepd production base for the next decade with only low capex requirements. This brings in robust and valuable cash flow for the group covering annual corporate overheads even through the recent extremes.

Figure 12: Parkmead net Dutch production and cash flow



Source: finnCap
Assumes long-term Dutch TTF gas price of €16.5/MWh

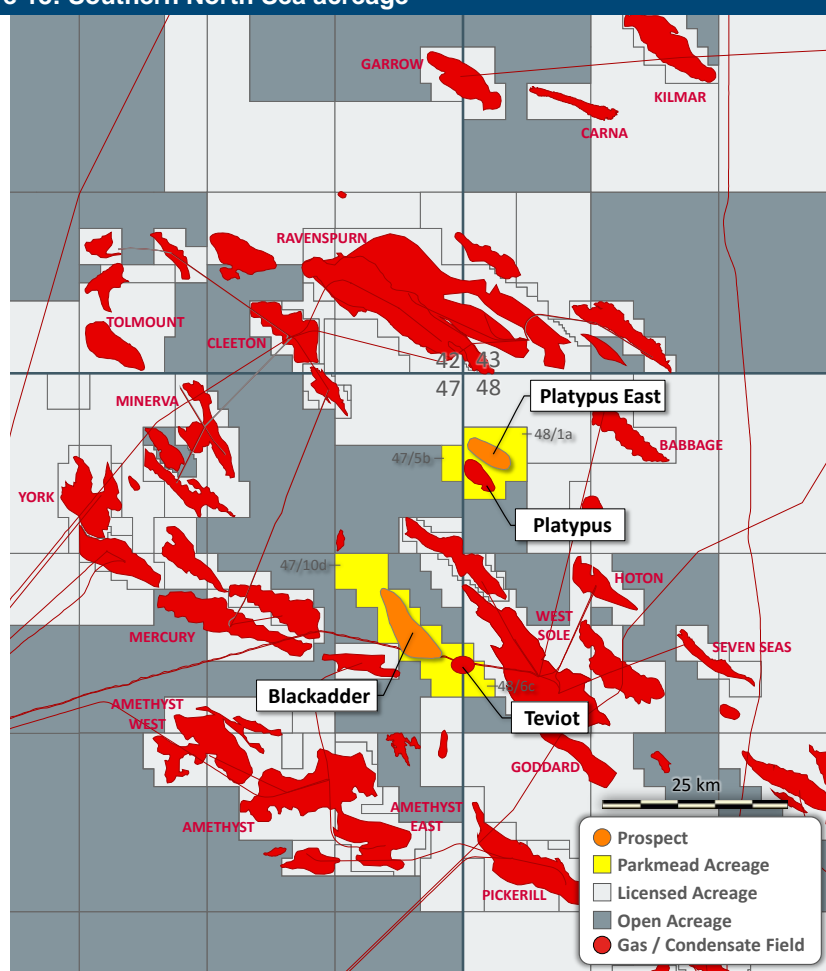
UK Southern North Sea portfolio

Parkmead has built up a substantial acreage position in the Southern North Sea (SNS) containing a number of gas discoveries and exploration prospects.

It has a 15% working interest in the Platypus gas field, discovered in 2010, and has identified two follow-on exploration prospects on surrounding acreage, Platypus East and Blackadder. These assets were originally part of the Dana portfolio and as a result Parkmead has a strong understanding of them.

The Southern North Sea has produced in excess of 35tcf of gas from 140 fields and has been a key supplier of gas into the UK domestic market for decades. Over 80% of this production has been from Lower Permian (Rotliegend) sandstones, and this is primarily where Parkmead is focusing its efforts.

Figure 13: Southern North Sea acreage



Source: Parkmead

Platypus/Platypus East (PMG: 15%)

Platypus is located in UK SNS Blocks 47/5b and 48/1a, 18 km northwest of Perenco's West Sole gas field and 15 km southwest of NEO Energy's Babbage field. It was discovered in 2010 with the 48/1a-5 well and successfully appraised in 2012, flow testing at a rate of 27 mmcf/d (4,500 boepd). Platypus is estimated to contain 180bcf of gas in place with the Platypus East exploration prospect smaller at 100bcf of gas in place. The other partners in the project are Dana Petroleum (KNOC, operator and 59%), CalEnergy (15%) and Zennor Petroleum (11%).

The Platypus draft Field Development Plan (FDP) was submitted to the OGA last October. The selected development concept calls for a two-well subsea tie-back to the Cleeton platform, significantly reducing initial capital expenditure and field operating costs.

The development plan calls for peak production of 47 mmcf/d with the gas exported from Platypus to Perenco's Cleeton platform via a 23km pipeline before being routed directly to the Dimlington gas terminal for separation and processing. Front End Engineering Design studies associated with the Cleeton and Dimlington system continue to progress.

Mid-case recoverable reserves from Platypus are estimated at 105bcf with Platypus East potentially adding a further 51 bcf of reserves. The geological chance of success for Platypus East is high at 73%, but early reservoir monitoring will be conducted at Platypus to gather additional data prior to drilling. In the event of a discovery, the two fields could be developed via a single hub with two wells at Platypus and one at Platypus East.

Tenders for the Subsea Pipeline & Facilities EPCI and the Umbilical Supply and Controls supply were planned to be issued during Q4 2019, with project sanction expected in Q2 2020 and first gas Q1 2022. Unsurprisingly, this timeline has slipped as a result of COVID-19 and the project operator expects to now sanction in 2021.

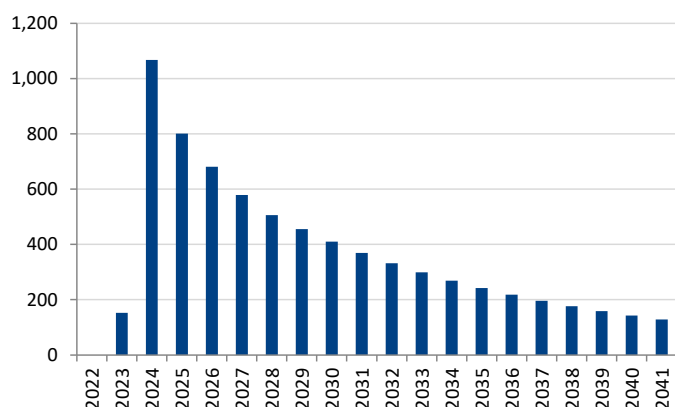
Platypus also has the potential to open up further development upside in this prolific gas area in which Parkmead has additional exploration interests. This includes the 190 bcf gas in place Blackadder prospect (PMG 75%) on licence P2435, a potential low-cost tie-back candidate to Platypus if successful, although no timeframe has been put on drilling.

Platypus valuation

The main assumptions underlying our model of a Platypus two-well subsea gas development include:

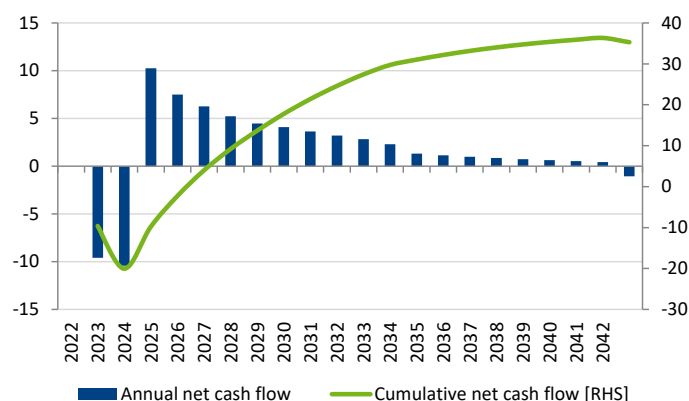
- ▶ 105 bcf of gross recoverable gas reserves.
- ▶ Production costs – US\$10/boe life of field.
- ▶ Development costs – US\$8/boe.
- ▶ Production start-up in Q4 2023, abandonment in 2041.
- ▶ Long-term UK NBP gas price of 45p/th.

Figure 14: Platypus net production profile (kbpd)



Source: finnCap

Figure 15: Platypus net cash flow profile (US\$m)



Source: finnCap

With a non-operated interest of just 15% in Platypus, Parkmead's current balance sheet resources (£25.7m cash at end-June 2020) should be sufficient to fund its share of development costs, which we estimate at ~US\$21m.

Platypus's 105 bcf gross gas resource should be capable of delivering peak net Parkmead production of just over 1,000 boepd and generating cumulative undiscounted net after-tax cash flow of US\$35m assuming a long-term UK NBP gas price of 45p/th.

Unrisked, we estimate Parkmead's 15% stake in Platypus has an NPV10 of US\$10m (7.4p/sh) or US\$3.9/boe. Within this, we have assumed Parkmead utilises its US\$65m of capital tax losses on this project. We also estimate the project enjoys a robust 26% IRR and has a gas price break-even of ~30p/th.

The per barrel economics of this development can be enhanced further and the production plateau extended via tieback of additional neighbouring gas resource opportunities, such as Platypus East and Blackadder, maximising shared facilities and throughput.

Figure 16: Platypus NPV10 sensitivity to UK NBP gas price (p/sh)

		Long-term UK NBP Gas price (p/th)				
		35	40	45	50	55
Discount rate	6%	5.3	9.3	12.2	14.9	17.5
	8%	3.5	6.9	9.5	11.9	14.2
	10%	2.2	5.1	7.4	9.5	11.5
	12%	1.1	3.6	5.7	7.5	9.3
	14%	0.3	2.4	4.3	5.9	7.5

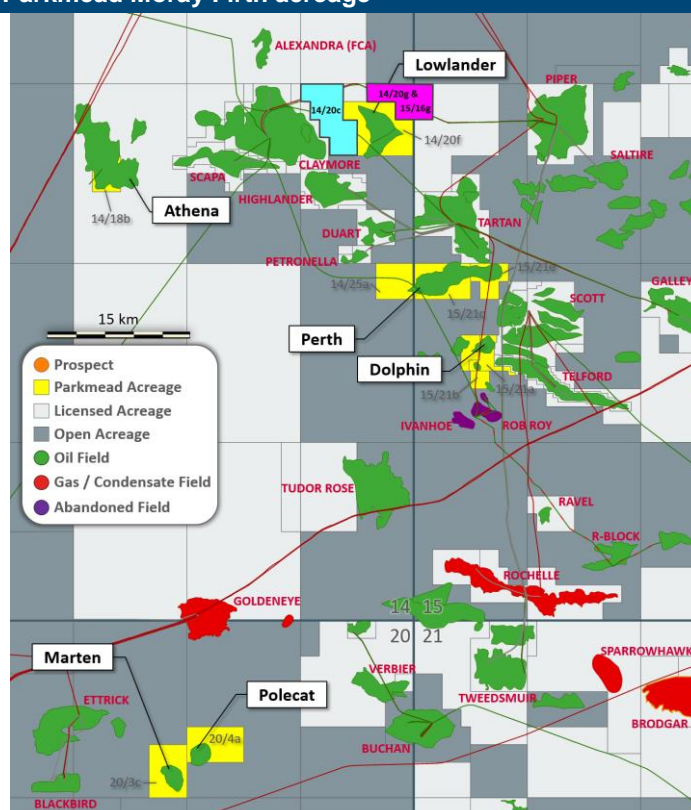
Source: finnCap

Greater Perth Area development

Parkmead has built up a substantial position in the prolific Moray Firth area via strategic acquisitions and licencing. Until early 2016, Parkmead benefitted from oil production in the area from the Athena field. However, due to low oil prices, this field was shut in and plans are being assessed to include Athena as part of the wider Greater Perth Area development.

The company is now pursuing a development potentially involving four discovered fields – Perth, Dolphin, Lowlander and Athena. Parkmead owns 100% of Perth, Dolphin and Lowlander and 30% of Athena. These four fields have been fully appraised with 17 wells drilled to date and are collectively known as the Greater Perth Area (GPA).

Figure 17: Parkmead Moray Firth acreage



Source: Parkmead

The GPA project is one of the largest undeveloped oil projects in the UK North Sea with estimated P50 reserves and resources for the three combined fields of 117 mmbbl.

Figure 18: GPA hub development resources

Name	Resources mmbbls			PMG equity %	Classification	GCoS %
	P90	P50	P10			
Core Perth	33.9	47.3	55.6	100%	Reserves	100%
Northern Area	10.6	26.0	32.3	100%	Prospective	50%
NE Segment	4.9	8.9	11.6	100%	Contingent	100%
Dolphin	1.5	11.0	14.5	100%	Contingent	100%
Lowlander	19.5	23.4	33.5	100%	Contingent	100%
Total	70.4	116.6	147.5	100%		

Source: Parkmead

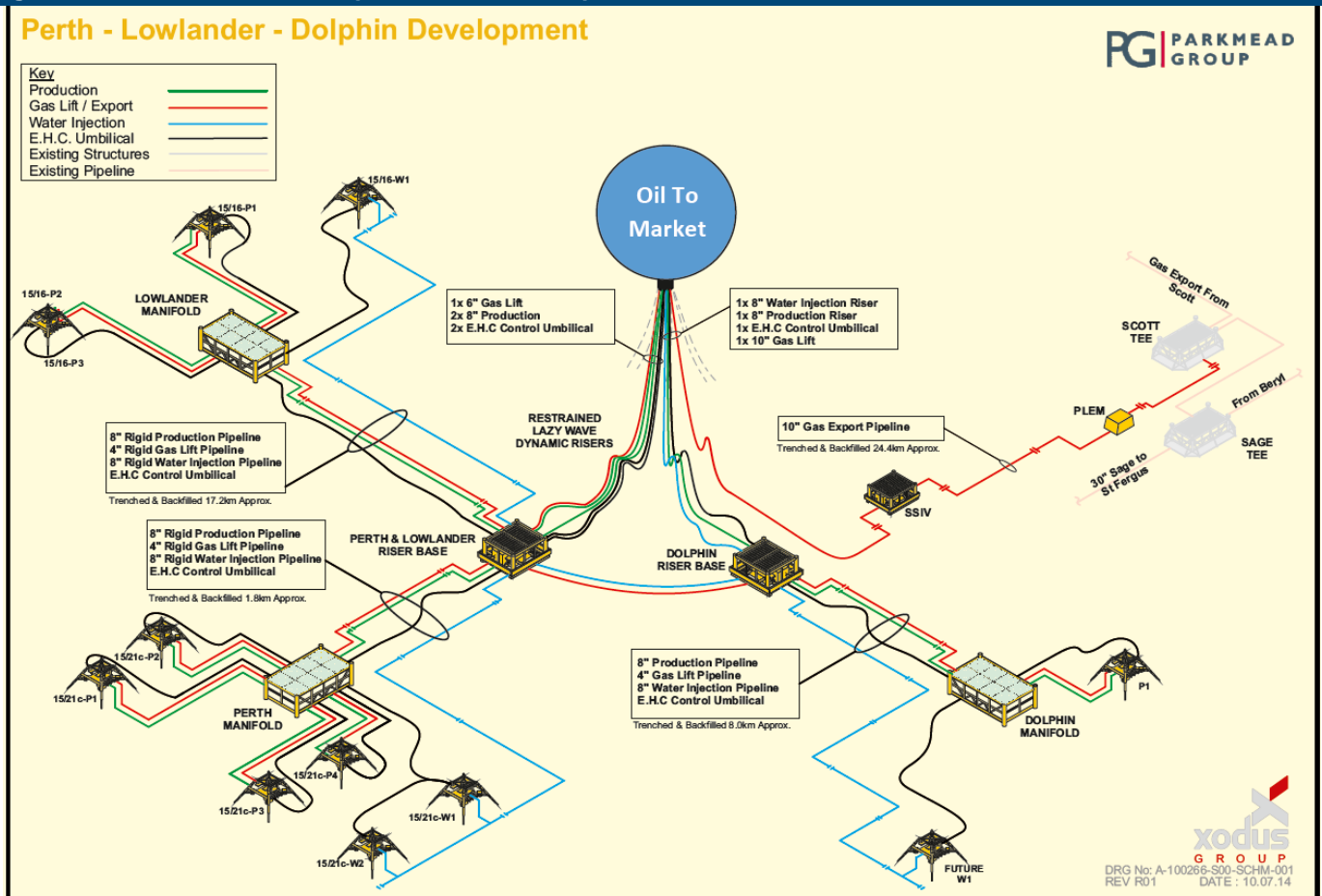
Following a study of development options in 2014, it was concluded that joint development of the fields would enhance the overall economics versus standalone due to lower unit capex and opex driven by the ability to reduce infrastructure duplication.

In 2017, an invitation to tender went out to the service market covering the pre-FEED, FEED and subsequent development phases of the project. Parkmead received submissions from 13 alliances encompassing all project workstreams. Onward discussions are being held with a number of these.

This was followed up in 2018 by an agreement with Nexen, a CNOOC subsidiary, to conduct a detailed engineering study into the potential subsea tie-back of the GPA project to Nexen's Scott platform, just 10km southeast of the GPA.

Development study work continues and Parkmead is in commercial discussions with the Scott field partnership, led by CNOOC, to explore terms for the subsea tie-back to its facilities. Parkmead is also in discussions with other major operators in the area alongside working on its own plans for a standalone FPSO development. In both cases, it is expected that the facilities will be designed with capacity of 20,000 bpd for the Perth field, with the Lowlander and Dolphin fields maintaining plateau production.

Figure 19: Perth-Lowlander-Dolphin subsea development schematic



Source: Parkmead

A key challenge for the development, and one of the reasons these discoveries have remained fallow, will be managing the H₂S and CO₂ content of the oil and associated gas. It is important to note, however, that the Scott infrastructure is already equipped to handle sour hydrocarbons.

The high H₂S content of the fluids will require the use of special metallurgy for parts of the equipment and infrastructure to avoid corrosion. The most common method to 'sweeten' sour gas is amine scrubbing, although the gas could be used for reinjection.

Given the additional capex and opex associated with handling sour hydrocarbons, it is important that Parkmead maximises the resource size of the development to help spread the costs. Hence, there are plans to include the Lowlander and Dolphin accumulations in the Greater Perth Area development project. The Parkmead team has confirmed that there are no technical obstacles precluding a successful Scott platform and FPS tieback.

Perth

The Perth field was discovered in 1983 by Monsanto and sits in licences P218 (blocks 15/21a and 15/21f), P588 (blocks 15/21b and 15/21c) and P2154 (block 14/25a), in the Outer Moray Firth area of the Central North Sea in 140m water depth. The field was appraised via three wells and two sidetracks, the last by Hess in 1997, encountering oil in Upper Jurassic Claymore sandstones.

These sandstones are characterised by a very thick gross oil column (>1,000 ft), with a medium-to-low net to gross from thin interbeds. The sands are heterogeneous and of low to moderate quality with pockets of high permeability up to 600mD, which will be critical to reservoir performance.

During testing, the wells flowed at rates from 1,000 to 6,000 bpd of medium quality oil (30-32° API) with a high wax and content, and sour (H₂S) CO₂-rich associated gas. The gas-oil-ratio (GOR) ranged from 750-900 scf/bbl.

The field comprises an appraised and seemingly unfaulted Core Perth area in the south and an under-appraised area in the north with only one well. This northern area is separated from Core Perth by a fault zone. Sand distribution and thickness in the northern area are the main risks, but targeted oil in place in the northern area could potentially double the size of Perth.

Lowlander

This was awarded to Parkmead in 2018 in the UKCS 30th Licensing Round. The Lowlander discovery is located 16km north of Perth and is a fault compartmentalised structural trap. Texaco drilled five wells into the structure between 1986 and 1991, testing at rates up to 6,800 bopd from oil-bearing Upper Jurassic Piper sandstones.

Reservoir quality varies significantly across the different wells and all the well tests exhibited varied behaviour either due to reservoir heterogeneity and/or bounded systems. The oil is lighter (39° API) but again contains high CO₂ and H₂S content with a GOR of 815 scf/bbl.

Dolphin

The Dolphin discovery is located 12km south of Perth. The 15/21a-46 discovery well tested 38° API oil from Upper Jurassic Claymore sandstones at a maximum rate of 3,245 bopd and a GOR of 770 scf/bbl.

Greater Perth Area valuation

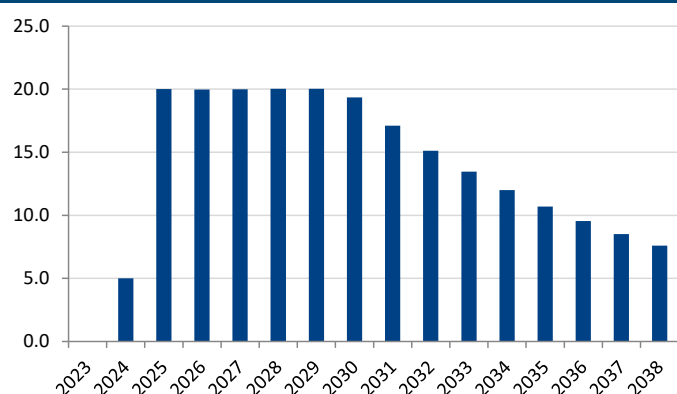
We have modelled the GPA project assuming a subsea development via Scott facilities, with export via the Forties pipeline system. Our main assumptions underlying the development include:

- ▶ 80mmbbls of recoverable reserves (Perth 47.5mmbbls, Dolphin 11 mmbbls, Lowlander 21.5 mmbbls)
- ▶ Production costs – US\$9.5/bbl life of field.
- ▶ Development costs – US\$12.5/bbl.
- ▶ Transportation tariffs – US\$6.4/bbl.

- ▶ Production start-up: Perth H2 2024, Lowlander 2026, Dolphin 2029. Abandonment in 2039.
- ▶ Crude price realisations in line with Brent.
- ▶ The project is 100%-owned by Parkmead.

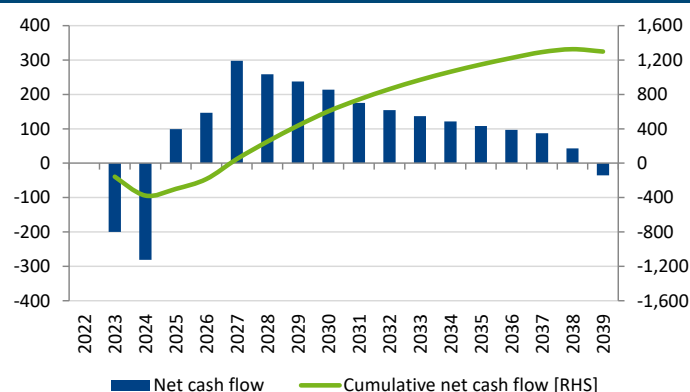
A phased GPA development should be capable of delivering a managed production plateau of 20,000 bpd for several years. Phasing also helps limit the maximum capital exposure. Despite an assumed development cost of US\$1bn, cash outflows peak at ~US\$375m in 2024, with initial cash flow from Perth contributing to later development phases.

Figure 20: GPA production profile (kbpd)



Source: finnCap

Figure 21: GPA cash flow profile (US\$m)



Source: finnCap

Unrisked, we estimate this GPA development has an NPV10 of US\$465m (334p/sh) or US\$5.9/bbl. This is before considering Parkmead's US\$65m of tax losses, which if utilised on this project would boost the NPV by ~5%.

The project enjoys a healthy 32% IRR even at US\$50/bbl Brent and, we estimate, has a break-even oil price of just US\$30/bbl.

Of note is the fact that this project requires major financing to be in place and we ultimately expect Parkmead to use its 100% stake in this project to bring in a partner(s) via a farm-out process to help with the project's funding.

Figure 22: GPA NPV10 sensitivity to Brent oil price (p/sh)

		Long-term Brent oil price (US\$/bbl)				
		40	45	50	55	60
Discount rate	6%	384	465	552	641	731
	8%	283	354	428	503	578
	10%	205	269	332	395	458
	12%	146	202	256	310	364
	14%	101	150	197	244	290

Source: finnCap

32nd Licensing Round awards

Parkmead was recently offered three new licences in the UK 32nd Licensing Round awards covering four offshore blocks and part blocks.

One of the licences covers blocks 14/20g & 15/16g (PMG 50% operator, Pharis Energy 50%) adjacent to Parkmead's Greater Perth Area (GPA) in the Central North Sea. These blocks contain two undeveloped oil discoveries, Fynn Beaully and Fynn Andrew, as well as an oil prospect.

Fynn Beaully is a very large heavy oil discovery up-dip from the Lowlander oil field (PMG 100%). A section of this discovery with estimated oil-in-place of 77–202 mmbbls sits within Parkmead's blocks. Fynn Andrew sits entirely on the offered blocks and has estimated oil-in-place of 50 mmbbls.

These licences strengthen Parkmead's acreage position around its GPA development hub in the Outer Moray Firth. Combined, the two blocks add 34.4 mmbbls of 2C resources, a material uplift to Parkmead's existing 45.4mmboe 2P reserves + 70.9 mmboe 2C resources. The work programme associated with the offer includes seismic reprocessing and technical studies.

Two additional licences have been offered. Block 14/20c (PMG 100%), also in the Central North Sea, contains extensions to the Lowlander oil field and the Fynn Beaully oil discovery. Block 42/28g (PMG 100%) is situated in the Southern North Sea near Premier's Tolmount gas field.

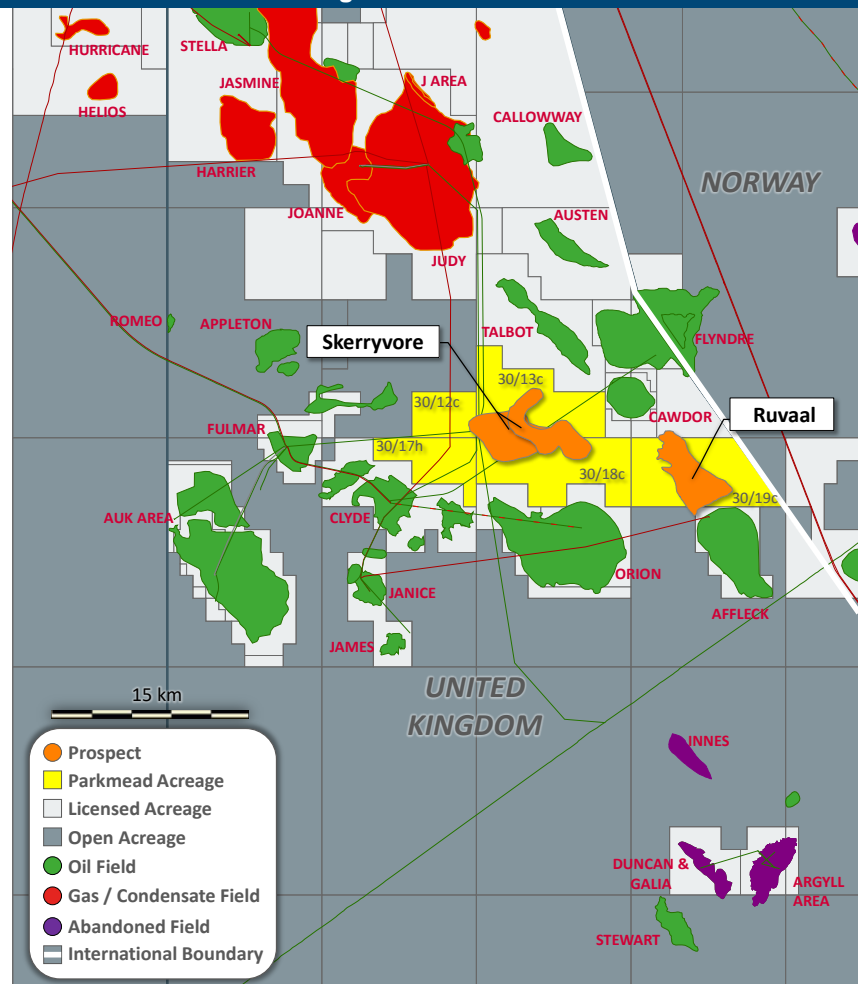
Exploration potential

Parkmead has built up a significant UK exploration portfolio with a range of risk/reward profiles in differing basins, extending from West of Shetland down to the Southern North Sea. Exploration drilling on the UKCS has pretty much ground to halt in the face of weak commodity prices and COVID-19 restrictions. Preparatory exploration work is at an early stage across these prospects. Parkmead is currently in control of its own programme of activity, with no firm drilling commitments. The market is applying little if any value to exploration prospects in the current commodity price setting. However, they provide an inventory of future drilling opportunities that can be revisited as market conditions 'normalise' over time.

Skerryvore

The Skerryvore exploration prospect (PMG 30%, operator) is located in the UK Central North Sea Graben near a cluster of fields called the 'J' fields, some 250km offshore in shallow water close to the Norwegian maritime boundary.

Figure 23: Central Graben acreage



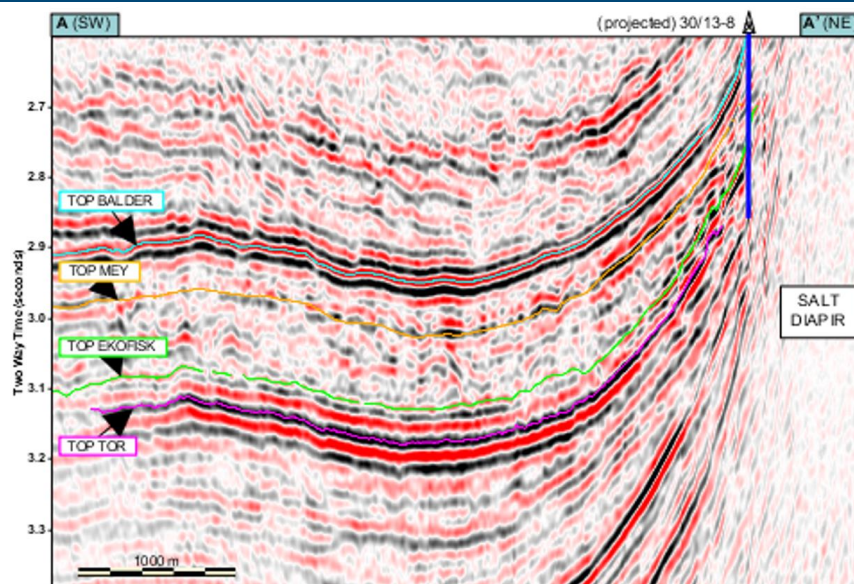
Source: Parkmead

Parkmead was highly successful in the UK 30th Licensing Round and was awarded nine offshore blocks and part blocks spanning five new licences. Two of these licence awards covered the highly prospective and sought after Skerryvore area, containing seven prospects, three of which are stacked.

Licence P2400 comprises blocks 30/12c, 13c, 17h & 18c. Four play fairways are developed on this acreage providing six prospects. Significant prospectivity on the blocks is mapped at Palaeocene Mey Sandstone and Cretaceous Chalk level, with additional prospectivity

recognised within the deeper Jurassic Fulmar play. The Palaeocene Mey and Chalk are proven productive reservoirs in the area by fields and discoveries such as Joanne, Judy, Orion and Flyndre.

Figure 24: Skerryvore seismic section



Source: Parkmead

The 30/13-8 well was drilled into the crest of the structure in 2005, but unlike offset wells, found no Palaeocene age sands. Instead, it is believed that Eocene and older long-distance sand systems were deflected around the Skerryvore structure as it was being formed.

New seismic was purchased covering the Skerryvore prospect and surrounding area in Q3 2019. This data is being reprocessed and interpreted this year to help mature the growing collection of prospects across this licence. Early results show positive improvements in seismic image quality at the Mey Sandstone reservoir level in particular.

The Skerryvore Mey prospect overlies two stacked Chalk prospects (Skerryvore Ekofisk and Skerryvore Tor) which are associated with a Zechstein salt diapir. The Chalk in these prospects is thought to have been reworked, which significantly improves permeability over conventional Chalk reservoirs. These three stacked prospects have estimated mid-case prospective resources of 155 mmboe and an average GCoS of 24%.

Figure 25: Skerryvore recoverable prospective resources

Prospect	Oil mmbbls			Gas bcf			GCoS %
	Low	Mid	High	Low	Mid	High	
Skerryvore Mey	7.9	17.0	36.0	16.0	35.0	73.0	31%
Skerryvore West	1.6	4.0	7.9	3.4	8.2	16.1	21%
Skerryvore Ekofisk	10.0	15.0	21.0	18.0	29.0	42.0	15%
Skerryvore Tor	44.0	85.0	147.0	79.0	165.0	308.0	25%
Skerryvore BCU	2.5	5.9	13.0	6.2	16.0	42.0	14%
	66.0	126.9	224.9	122.6	253.2	481.1	21%

Source: Parkmead

An additional Paleocene Mey prospect (Skerryvore West) and one Chalk prospect (Skerryvore North) are also identified on the blocks.

The second licence, P2402, covering Block 30/19c, lies immediately to the east of the Skerryvore blocks and contains the 9 mmboe Ruvaal prospect. This is a Palaeocene Mey combination structural and stratigraphic trap given a 17% GCoS.

While it is early days, we have modelled a typical North Sea development project for this prospect, assuming Skerryvore contains 117 mmbbls in three horizons – Mey 17mmbbls, Ekofisk 15 mmbbls, Tor 85 mmbbls.

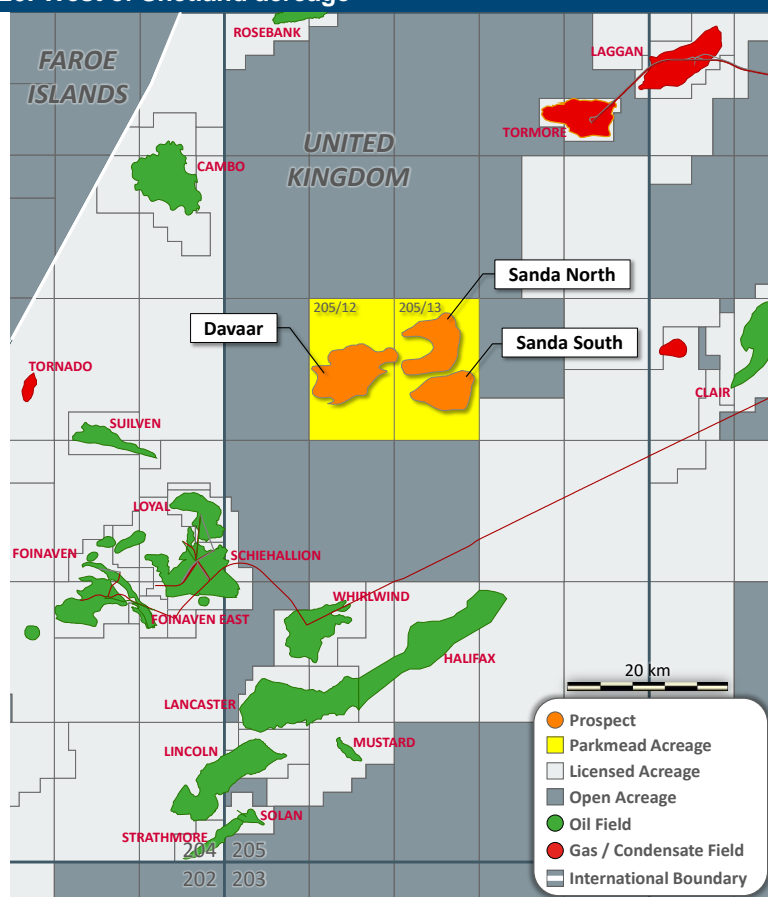
This suggests the potential for a highly profitable project, with Parkmead's 30% interest worth US\$175m (126p/sh) on an unrisks basis and the project delivering an IRR of over 30% and breaking even below US\$30/bbl.

West of Shetland

At the more speculative, higher risk/reward end of the spectrum, Parkmead operates two adjacent licences West of Shetland, awarded in the UKCS 28th and 30th Licensing Rounds. Drilling conditions are harsh and costs relatively high in this region and we do not anticipate any drilling for the foreseeable future. Still, this region provides a valuable option for better times, while Parkmead's 100% ownership of the acreage gives plenty of farm-out ammunition to get a well drilled when the time is right.

Blocks 205/12 and 205/13 are situated in the Faroe-Shetland Trough to the south west of TOTAL's Laggan and Tormore fields. The primary play on this acreage is the Paleocene Vaila formation, which forms the reservoir in the important nearby oil fields at Foinaven, Schiehallion and Loyal, as well as in the Laggan and Tormore gas fields.

Figure 26: West of Shetland acreage



Source: Parkmead

Detailed mapping of Block 205/13 identified two exploration targets, Sanda North and Sanda South, defined by distinct amplitude anomalies in the Palaeocene Vaila section. The Sanda North and Sanda South prospects contain estimated P50 prospective resource of 280 mmbbls combined.

The Sanda prospects have been partially de-risked via a previous well up-dip of the amplitude anomaly. Parkmead's geoscientists have undertaken extensive seismic reprocessing work on the licence and have acquired detailed geochemical data from the previously drilled well. This new data will be used to further de-risk the target ahead of any drilling decision at Sanda. Currently these prospects have a 12-15% GCoS.

Figure 27: West of Shetland prospective resources

Prospect	STOIIP mmbbls			Prospective resource mmbbls			GCoS
	Low	Mid	High	Low	Mid	High	%
Davaar	441	851	1622	93	204	435	18%
Sanda North	397	806	1662	83	194	443	15%
Sanda South	189	355	664	39	86	179	12%
	1027	2012	3948	215	484	1057	15%

Source: Parkmead

Block 205/12 contains the large Davaar prospect, which is located down-dip of a shale package drilled by TOTAL's 205/12-1 well in 1995. Davaar is a stratigraphic trap analogous to the Foinaven field 30km to the southwest. It contains estimated P50 prospective resources of 204 mmbbls and has been given an 18% GCoS.

Renewables

Last August, Parkmead acquired Pitreadie Farm Ltd in Scotland for £8.5m comprising £4.9m paid in shares (9.65m, ~9% of the enlarged company) alongside the adoption of £3.6m of debt. The transaction constituted a related party transaction as the Chairman's family owned 75% of the Pitreadie shares and a £4.3m director loan. Both shares and loan were settled in Parkmead shares. As a result, Tom Cross' shareholding in Parkmead increased from ~19% to ~26%.

This acquisition is Parkmead's first foray into renewables, with Pitreadie owning 2,320 acres of farmland in Scotland that has significant renewable energy potential, including wind, solar and biomass production. Studies are being conducted on the Pitreadie land for the potential development of a large wind farm. Woodland planting has already been undertaken on part of this site, which has the potential for a commercial biomass supply operation.

Parkmead is conducting a detailed analysis for optimising the land use of the various sites within the Pitreadie portfolio. It plans to sell off non-core Pitreadie land, minimising the entry cost.

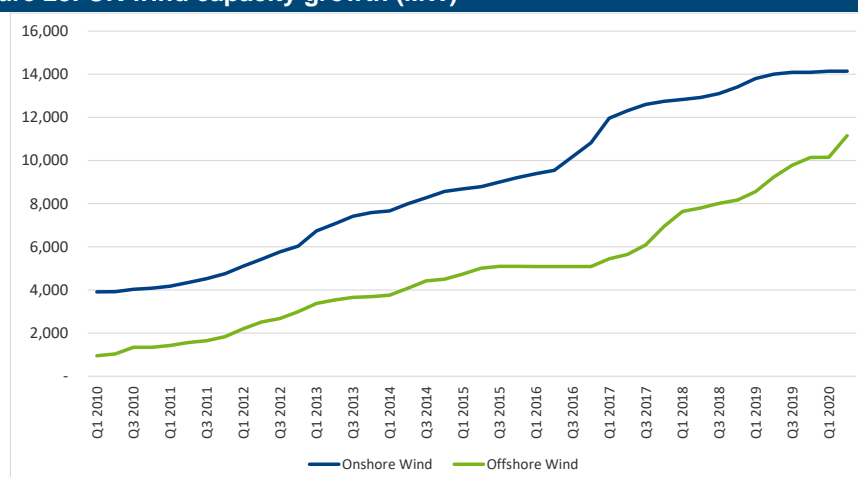
Parkmead sees this move as a natural expansion of its energy operations as it looks to improve the energy balance within its portfolio and future-proof itself to the Energy Transition. It offers the potential for a complementary third revenue-generating business line alongside its Netherlands Gas and Performance Benchmarking and Economics (Aupec) divisions. This would further diversify Parkmead's income stream, lower overall portfolio risk and improve investment optionality.

UK wind comes of age

Next year will mark the 30th birthday of the UK's first wind farm and we've come a long way since then. Renewables were responsible for 47% of the UK's electricity usage in Q1 2020 – a record thanks to the increased output of wind farms.

In total, the UK now has 2,562 onshore and 39 offshore operational wind projects that produced 26.1 TWh of electricity in Q1 2020, an increase of 40% y/y. That represents over 60% of the 40.8 TWh produced by all UK renewable power plants in Q1 2020.

Figure 28: UK wind capacity growth (MW)



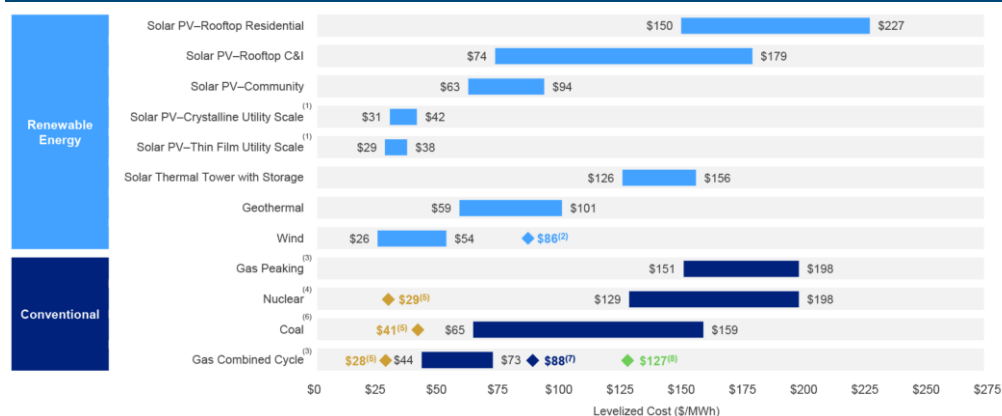
Source: GOV.UK

The UK's exceptional growth in wind farms has been driven by a combination of government energy policy, financial support, predictable output, consistent reductions in capital and maintenance costs and increased efficiency of generation technologies.

Competitive on costs

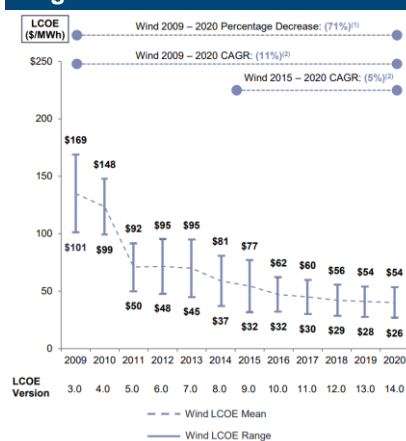
Technological developments and greater scale have seen wind energy generation costs decline steadily over this period, making wind competitive with conventional generation technologies.

Figure 29: Unsubsidised levelized cost of energy comparison



Source: Lazard

Figure 30: Wind LCOE*



Source: Lazard
* Unsubsidised

Lazard's October 2020 Levelized Cost of Energy (LCOE) analysis shows that in certain circumstances, wind is the cheapest form of energy generation. Cheaper components alongside efficiency improvements has resulted in a 70% decrease in wind LCOE over the last 10 years (see Figure 30).

The pace of new onshore wind farm developments has slowed in recent years as a result of the UK Government stopping onshore wind farm subsidies in 2016. However, in March 2020, the UK Government reversed this four-year ban and onshore wind farms can once again apply for financial support in next year's fourth allocation round.

The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting low-carbon electricity generation. CfDs incentivise renewable energy investment by providing direct protection from volatile wholesale prices. Eligible renewable developers apply for the CfD via a 'sealed bid' auction.

Successful applicants are paid a flat (indexed) rate for the electricity produced over a 15-year period – the difference between the 'strike price' (a price reflecting the cost of investing in the particular low carbon technology) and the 'reference price' (the average market price for electricity in the UK market).

Prime wind real estate

One of the Pitreadie sites spans 1,238 acres and lies adjacent to Fred. Olsen Renewables' 75.9 MW Mid Hill wind farm, southwest of Aberdeen. It benefits from excellent average wind speeds of between 7-10 m/s (25-36 km/h).

The Mid Hill Wind Farm first phase consists of 25 Siemens 2.3 MW wind turbine generators. The project started in late 2012 and completed in 2014, and has total capacity of 57.5 MW. The Mid Hill II extension received consent in October 2013, adding a further eight Siemens 2.3 MW turbines and raising overall capacity to 75.9 MW.

The power generated is sold under a long-term Power Purchase Agreement (PPA) with Statkraft, Europe's largest renewable energy producer. Mid Hill has a Renewable Obligation Certificate (ROC) support system that runs until December 2033. This ROC scheme was subsequently closed to all new onshore wind generating capacity in May 2016.

What's it worth?

The economics of renewable assets are unique to the specific aspects of each project, which makes analysis of an as-yet-undefined wind farm challenging. However, there is an active and competitive market place for wind farms, so historic transaction-based multiples should provide a reasonable valuation framework.

In June 2015, The Renewables Infrastructure Group Ltd. (TRIG) acquired a 49% interest in Fred. Olsen Renewables' 433 MW installed UK onshore wind farm portfolio. The transaction included six Scottish wind farms, one of which was Mid Hill. The transaction valued the EV of the business at £752m, or £1.74m per MW. In the two years prior to the sale these wind farms generated just over £50m in EBITDA, giving an EV/EBITDA transaction multiple of ~14x.

Figure 31: UK onshore wind farm acquisitions since mid-2018

Date	Country	Wind farm name	Buyer	Gross Interest	Capacity MW	Price paid £m	EV/MW £m	Support mechanism
13-Jul-20	UK	Muirhall south/Burton wold	Octopus Renewables	100.0%	16.8	Not disclosed	-	ROCs
27-Apr-20	Scotland	South Kyle	Greencoat UK Wind	100.0%	240.0	320.0	1.33	Subsidy-free
20-Feb-20	Northern Ireland	Slieve Divena II	Greencoat UK Wind	100.0%	18.8	51.0	2.71	0.9 ROCs/MWh
21-Jan-20	Scotland	Blary Hill	TRIG	100.0%	35.0	Not disclosed	-	Subsidy-free
20-Dec-19	Scotland	Windy Rig/Twentyshilling	Greencoat UK Wind	100.0%	81.0	104.0	1.28	Subsidy-free
22-Oct-19	Scotland	Little Raith	TRIG	100.0%	25.0	Not disclosed	-	1.0 ROCs/MWh until 2032
10-Oct-19	Scotland	Geln Kyllachy	Greencoat UK Wind	100.0%	48.5	57.5	1.19	Subsidy-free
01-Feb-19	Scotland	Stonelaig/Dunmaglass	Greencoat UK Wind	49.9%	322.0	635.0	3.95	0.9 ROCs/MWh until 2036/37
17-Oct-18	Scotland	Whiteside Hill	Capital Dynamics	50.0%	28.5	Not disclosed	-	0.9 ROCs/MWh until 2037
05-Oct-18	Scotland	Tom nan Clach	Greencoat UK Wind	75.0%	39.1	145.0	4.94	15yr CfD of £82.50
02-Jul-18	UK	24 UK wind farms	Dalmore Capital/PIP	49.0%	550.0	701.0	2.60	ROCs
18-Jun-18	Scotland	Solwaybank	TRIG	100.0%	30.0	82.0	2.73	15yr CfD of £82.50

Source: finnCap

Listed renewables investment companies TRIG, Greencoat UK Wind (UKW) and Octopus Renewables (ORIT) have been the main buyers of UK onshore wind farms over the last two years, accounting for 10 of the 12 deals highlighted in Figure 31. These deals provide a starting point for valuing Parkmead's wind farm potential.

Average acquisition prices are heavily influenced by the support mechanism in place for the asset, ranging from ~£1.3m per MW for subsidy-free wind farms, to ~£3.8m per MW for those with a CfD mechanism. As highlighted above, the UK's fourth CfD allocation round is planned to open next year and will include onshore wind farms once more.

What does this imply for Pitreadie's wind farm potential?

A study of 172 wind farms in the US by the National Renewable Energy Laboratory (NREL) found that the total average land use required for a 2 MW wind turbine was ~125 acres. Using this as a guide suggests that Pitreadie's 1,236 acre site adjacent to Mid Hill can accommodate a ~20 MW wind farm.

If subsidy-free, an operational wind farm of this scale would be worth in the region of £25m at start-up based on the above historic transaction multiples. This valuation could jump up to ~£75m for a project with strong CfD support.

However, this higher valuation is very unlikely for new projects. The CfDs for the two onshore projects highlighted in Figure 31 of £82.5/MWh were awarded in the first allocation round in 2015. Costs have declined sharply since and in the third allocation round in 2019, although onshore UK wind farms were not allowed to bid, remote island wind farms were.

In total, four remote island wind projects were awarded CfDs at an average strike price of £40.1/MWh. CfD strike prices are quoted in 2012 money and inflated at CPI. So, in money of the day, this equates to ~£46/MWh, broadly in line with the current £42/MWh spot rate.

While lower costs and increased competition have reduced the financial support provided by CfDs, the revenue stabilisation that this mechanism provides is still important from a

financing perspective, reducing wholesale price risk and providing investment certainty, thereby lowering the cost of capital. Engineering group, Arup, has estimated that a CfD can lower the WACC of an onshore wind project by 140-320 basis points, reducing the levelised cost of energy by £6-12/MWh relative to a merchant project.

To corroborate the transaction-based multiples, we have modelled a potential 20 MW wind farm with a 25-year life using the following assumptions:

- ▶ Capital costs – £1,150/kW (average 2019 European onshore wind farm development cost).
- ▶ O&M costs – variable: £15.0/MWhr, fixed: £50/kWyr.
- ▶ Capacity factor – 41%.
- ▶ Project financed – 25% equity / 75% debt.
- ▶ Cost of debt – 300bp above LIBOR for the development phase, refinanced to 200bp above LIBOR once operational.
- ▶ CfD price: £40/MWh for 15 years (2012 money, inflated at UK CPI), then a spot price of £40/MWh (2020 money, inflated at 1.5% p.a.).

We estimate a wind farm development with the above parameters would deliver an unlevered project NPV of £9m (8.6p/sh) with a project IRR of 7.4%. The following tables show the sensitivity of the Pitreadie wind farm NPV to both development costs and the cost of debt.

Figure 32: Pitreadie wind farm NPV sensitivity (p/sh)						
		CfD (£/MWh in 2012 money)				
		35	40	45	50	55
Development costs (£m/MW)	1.00	7.9	11.0	14.2	17.3	20.4
	1.05	7.1	10.2	13.3	16.4	19.6
	1.10	6.2	9.3	12.5	15.6	18.7
	1.15	5.4	8.5	11.6	14.7	17.9
	1.20	4.5	7.6	10.8	13.9	17.0
	1.25	3.7	6.8	9.9	13.0	16.2

Source: finnCap

Figure 33: Pitreadie wind farm NPV sensitivity (p/sh)						
		CfD (£/MWh in 2020 money)				
		35	40	45	50	55
Cost of debt	2.5%	8.8	12.2	15.6	19.1	22.5
	3.0%	7.4	10.7	14.0	17.3	20.6
	3.5%	6.2	9.3	12.5	15.7	18.9
	4.0%	5.0	8.1	11.1	14.2	17.3
	4.5%	3.9	6.9	9.8	12.8	15.8
	5.0%	2.8	5.7	8.6	11.5	14.4

Source: finnCap

The historic transaction multiples shown in Figure 31 relate to acquisitions at the point of start-up of operations. Assuming start-up in 2023, we estimate the comparable valuation, including debt, for the Pitreadie wind farm is £30m (£1.52m/MW). This is much lower than the prices paid by TRIG (£2.73m/MW) and Greencoat (£4.94m/MW) in 2018, reflecting the sharp reduction in CfD expectations since that time.

Figure 34: Valuation at start-up sensitivity (£m/MW)						
		CfD (£/MWh in 2012 money)				
		35	40	45	50	55
Cost of debt	2.5%	1.39	1.55	1.71	1.87	2.03
	3.0%	1.31	1.47	1.62	1.78	1.94
	3.5%	1.24	1.39	1.54	1.69	1.84
	4.0%	1.17	1.32	1.47	1.61	1.76
	4.5%	1.11	1.25	1.39	1.54	1.68
	5.0%	1.05	1.19	1.33	1.47	1.60

Source: finnCap

Figure 35: Valuation at start-up sensitivity (p/sh)						
		CfD (£/MWh in 2012 money)				
		35	40	45	50	55
Cost of debt	2.5%	28.6	32.0	35.4	38.8	42.2
	3.0%	27.1	30.4	33.7	37.0	40.3
	3.5%	25.7	28.8	32.0	35.2	38.4
	4.0%	24.4	27.4	30.5	33.6	36.7
	4.5%	23.1	26.1	29.1	32.1	35.1
	5.0%	22.0	24.9	27.8	30.7	33.5

Source: finnCap

Figure 35 above shows the valuation (p/sh) at start-up of the Pitreadie wind farm under varying assumptions for CfD support and the cost of debt. The point to note here is the rapid value accretion that can be achieved through the development phase (Figure 35 vs. Figure 33). With its experience in oil and gas project development, Parkmead has the skillsets and available land to originate and develop a wind farm. Its commercial experience also then gives it the ability to quickly monetise the upside if desired.

Financials

Our Parkmead financials at this stage assume a contribution from just its Dutch producing base gas business and the planned Platypus development in the UK Southern North Sea where a final investment decision is expected next year with start-up in H2 2023.

For FY20 (to end June), Parkmead reported a £0.5m net loss, although this includes a £1.6m non-cash impairment of a relinquished exploration licence during the year. Adjusting for this and share-based payments results in an underlying FY20 profit of £0.9m.

With an assumed FY21 Brent oil price of US\$45/bbl and Dutch gas price at €12/MWh, we expect Parkmead to generate a small loss of £0.6m in FY21, before moving back to break-even in FY22 as commodity prices continue to recover from the pandemic. A full year's contribution in FY24 from Platypus alongside a 45p/th UK gas price drives a sharp uptick in expected profits to £11m EBITDA and £5.8m of earnings, with CFFO of £9.3m.

Figure 36: Parkmead summary financials

Year End: June	2019	2020	2021	2022	2023	2024
£'000 unless otherwise stated	A	A	E	E	E	E
Brent oil price (US\$/bbl)	68.4	51.5	45.0	47.5	50.0	50.0
Dutch TTF gas price (€/MWh)	20.8	10.6	12.0	15.0	16.5	16.5
UK NBP gas price (p/th)	54.7	27.4	30.0	40.0	45.0	45.0
Production (boepd)	591	538	538	563	745	1,690
Revenue	8,269	4,080	4,845	6,083	8,391	17,785
EBIT	5,138	(539)	561	1,728	2,578	7,925
EBITDA	5,355	225	1,283	2,450	3,646	11,068
Net profit	2,416	(482)	(635)	(52)	473	5,767
Adjusted net profit	2,462	867	(635)	(52)	473	5,767
Net CFFO	2,954	(1,001)	201	775	1,763	9,250
Exploration capex	(3,744)	(3,335)	(1,146)	(500)	(1,000)	(2,000)
Development capex	(253)	(450)	(156)	(7,679)	(8,968)	(179)
Net financing	896	(523)	(340)	(340)	(3,940)	(295)
Change in cash	6,862	(4,958)	(1,243)	(4,733)	(12,076)	6,832
Year-end cash	30,666	25,708	24,465	19,732	7,656	14,488
Net (debt)/cash	33,566	25,008	23,765	16,132	7,656	14,488

Source: finnCap

With a net cash position of £25m at end-June 2020, Parkmead finds itself in an enviable balance sheet position. This cash is more than sufficient to cover its net share of the expected capital programmes for its Dutch gas business and for the Platypus gas field development: ~ £17m between 2021-2024.

Our assumption of a H2 2023 start-up for Platypus sees this development spend focussed into 2022 and 2023. Assuming an overall development cost for Platypus of US\$139m (US\$8/boe, PMG 15%), we still see Parkmead with net cash of ~£7.5m after its share of the Platypus spend, even assuming the project is not funded partially via debt, so financing should not present any problems.

We have assumed exploration spend of £3.3m in FY20 falls to £1.1m in FY21, which largely consists of Platypus and Skerryvore expenditure in both years. We have increased exploration expenditure back to £2m p.a. once the Platypus field starts-up.

Development funding for the much larger Greater Perth Area development would need Parkmead to use its 100% equity interest in the project to bring in a partner(s) via a farmout process.

The resilience of Parkmead's low-cost Dutch gas business means that even with minimal investment we expect production to remain flat next year due to infill drilling and compression optimisation, with a return to growth from FY22 as recent discoveries are developed. Cash flow from this business plus its Aupec consultancy should be able to cover Parkmead's ~£1.4m of annual G&A even in a depressed commodity price environment, leaving its cash resources to mature and help fund its growth opportunities.

Figure 37 below demonstrates the longer-term production profile underlying our current estimates as well as our financial year-end cash expectations. Even without taking on debt or prepayments to fund the Platypus development, Parkmead will have considerable cash resources to pursue the wealth of opportunities within its portfolio, spanning all phases of the oil and gas cycle and, now, renewables too.

Figure 37: Parkmead FY production and cash position



Source: finnCap

Parkmead carries £7.7m of future decommissioning liabilities on its balance sheet relating to the Athena asset. Phase 1 of the decommissioning is complete, but well abandonment and removal of the wellheads, manifold and riser base is ongoing. Some of this cost will be met from Parkmead's cash resources beyond the £5.9m (net) already placed into escrow by Parkmead.

Athena is carried as a redevelopment asset on Parkmead's balance sheet, with the anticipation that Athena will add additional oil volumes as part of the Greater Perth Area development. Furthermore, Athena can sweeten GPA's overall crude throughput given its non-sour nature. The above decommissioning route is an alternative to the Athena redevelopment route.

Parkmead assumed £3.6m of Bank of Scotland debt as part of the Pitreadie acquisition. The loan expires in 2023 and our current forecasts assume that it is repaid out of cash. However, the loan should be able to be refinanced relatively easily as it is secured against Pitreadie land. Moreover, any non-core land sales from Pitreadie, which are not factored into our forecasts, can also go towards paying down the facility.

In 2017, Parkmead provided a £2.9m credit facility to Energy Management Associates Limited (EMA) at an interest rate of 2.5%. Through this facility, Parkmead has been granted an exclusive option to join EMA in new ventures being evaluated by the company, including potential renewable energy opportunities. This loan was extended last year to July 2021 under the same terms. Our estimates assume the loan is repaid in FY22. Tom Cross is a director of the company.

Valuation

We believe risked-NAV is best suited to value Parkmead's portfolio and the potential it offers investors. Figure 38 below summarises the building blocks of our 155p/sh risked-NAV. This assumes long-term prices of US\$50/bbl for Brent, 45p/th for UK NBP gas and €16.5/MWh for Dutch TTF gas and a 10% discount rate.

Figure 38: Parkmead net asset value

Net Asset Valuation	Net resource mmboe	NPV/bbl \$/boe	Unrisked NPV		Geological CoS	Commercial CoS	Dry hole cost \$mm	Risked NPV	
			\$mm	p/sh				\$mm	p/sh
G&A (3 years)			-5.4	-3.9				-5.4	-3.9
Net cash / (debt)			32.0	23.0				32.0	23.0
Athena decommissioning			-8.8	-6.4				-8.8	-6.4
Aupec (6x 2021e EBIT)			1.9	1.3				1.9	1.3
Pitreadie Farm Ltd land (@ cost)			8.5	6.1				8.5	6.1
			28.2	20.3				28.2	20.3
Producing assets									
Netherlands producing	4.0	5.52	21.8	15.7	100%	100%		21.8	15.7
Core value:			42.1	36.0				42.1	36.0
Contingent resource:									
Pitreadie 20 MW Wind Farm			11.9	8.6		30%		3.6	2.6
Netherlands - Ottoland	0.7	3.59	2.5	1.8	100%	50%		1.2	0.9
Netherlands - Papekop	0.9	3.59	3.2	2.3	100%	50%		1.6	1.2
UK - Greater Perth Area	79.7	5.89	464.6	334.3	100%	30%		139.4	100.3
UK - Platypus	2.6	3.91	10.3	7.4	100%	50%		5.1	3.7
UK - Fynn Beaulay	25.1	1.00	25.1	18.1	100%	10%		2.5	1.8
UK - Fynn Andrew	9.0	1.00	9.0	6.5	100%	10%		0.9	0.6
Contingent value:			526.5	378.9				154.3	111.0
Prospective resource:									
UK - Skerryvore (Mey+Ekofisk+Tor)	46.6	3.74	174.5	125.5	24%	30%	5.8	6.7	4.8
UK - Ruvaal	9.3	2.95	27.5	19.8	17%	0%	6.2	0.0	0.0
UK - Platypus East	1.3	3.23	4.1	3.0	73%	50%	0.5	1.0	0.7
UK - Blackadder	14.1	2.93	41.4	29.8	41%	50%	5.3	3.2	2.3
UK - Sanda South	86.0	2.65	228.0	164.1	12%	0%	30.8	0.0	0.0
UK - Sanda North	194.0	2.65	514.4	370.1	15%	0%	29.8	0.0	0.0
UK - Davaar	204.0	2.36	480.8	346.0	18%	0%	28.7	0.0	0.0
Netherlands - Drenthe IIIb exploration	0.5	2.87	1.6	1.1	43%	50%	1.3	0.0	0.0
Prospective value:			1,472.3	1,059.4				10.9	7.9
Total - Core + Contingent + Prospective:			2,041.0	1,474.3				207.4	154.9

Source: finncap

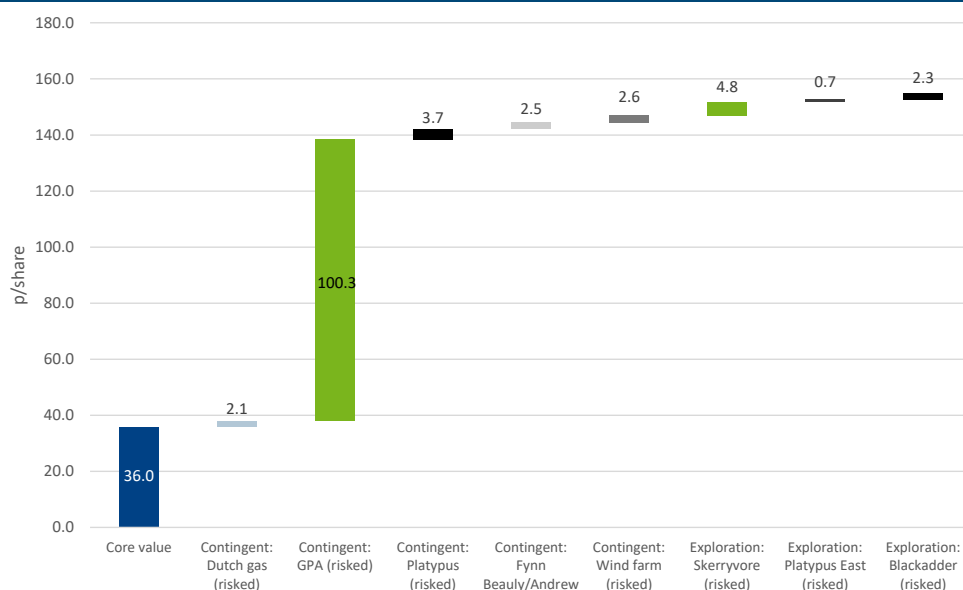
Parkmead trades below our 36p/sh Core-NAV. In fact, its not trading much above last reported cash of ~24p/sh. The other constituents of our core NAV include 1.3p/sh for its Aupec economics and benchmarking business at 6x 2021e EBIT, Pitreadie Farm Ltd at cost (6p/sh) and 16p/sh for its producing Dutch gas business. Offsetting this are three years of G&A (-4p/sh) and the Athena field decommissioning costs (-6p/sh).

With Parkmead's shares trading at a discount to core value, investors effectively get free exposure to its extensive, high-quality exploration and development portfolio, which we value at 119p/sh on a risked basis.

This includes low-risk/cost gas development opportunities in the Netherlands and UK, a major oil development opportunity in the Central North Sea, a potential wind farm project in Scotland and an array of exciting oil and gas exploration opportunities with varying risk/reward profiles.

It is worth emphasising that we have risked Parkmead's oil exploration and development opportunities heavily, reflecting current weak investor sentiment and industry conditions in this area. We have applied a 30% commercial chance of success (CCoS) to its Greater Perth Area (GPA) oil project and have only given value for the Skerryvore oil exploration prospects (30% CCoS). Parkmead's material West of Shetland oil prospects have been given zero value, but will be revisited as they are matured and the oil price recovers.

Figure 39: Parkmead risked-NAV waterfall (p/sh)

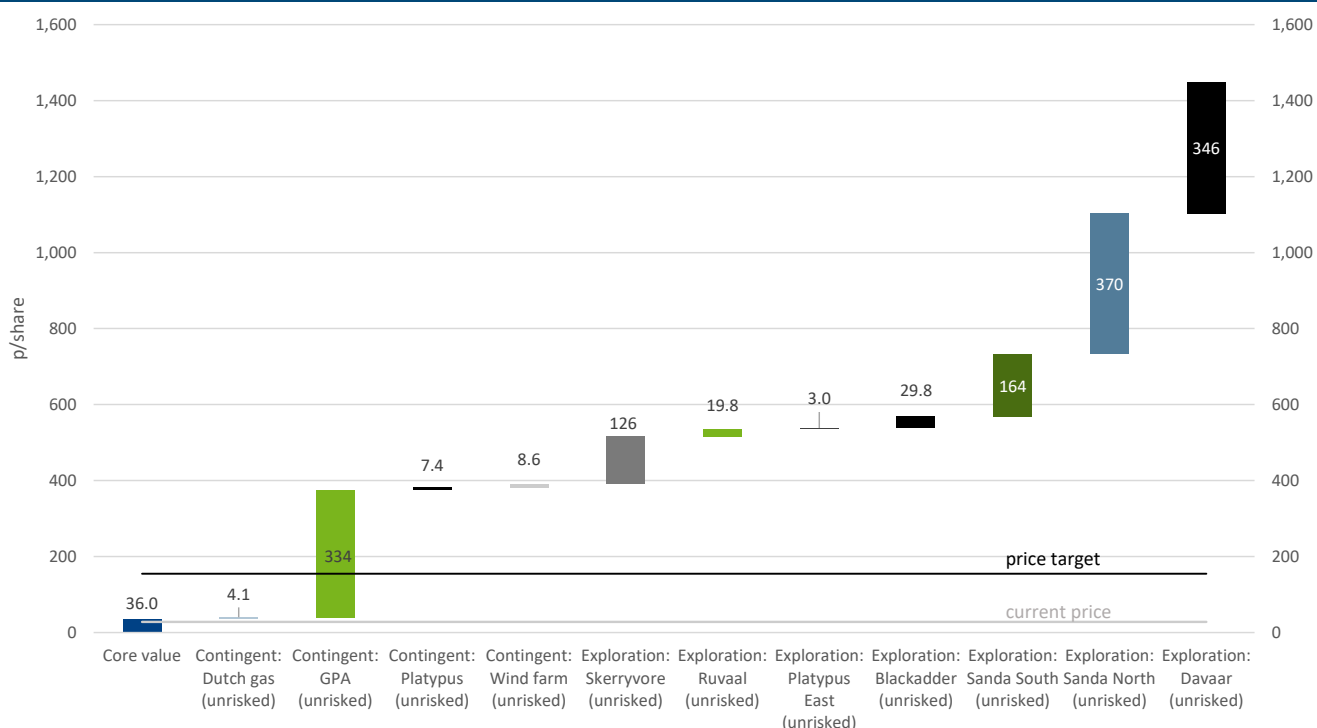


Source: finnCap

These risking factors are subjective and fluid, depending on the prevailing investment environment. However, even with significant risking, the potential GPA oil development still delivers a major contribution to our risked-NAV of 100p/sh. Unrisked, the project's NPV rises to over 330p/sh.

Similarly, Parkmead's exploration portfolio only constitutes 8p of our 155p/sh risked-NAV. However, unrisked we value this exploration portfolio in excess of £14/sh. It may be out of favour, but oil exploration remains a cyclical business and Parkmead offers considerable option value for when the upcycle returns.

Figure 40: Parkmead unrisked-NAV waterfall (p/sh)



Source: finnCap

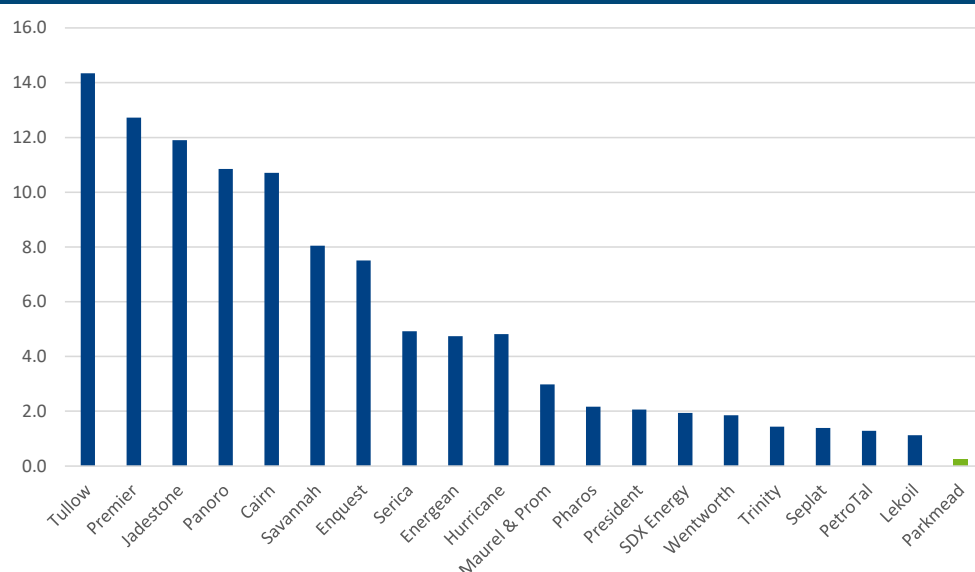
Figure 40 above demonstrates not only the latent potential contained within Parkmead's portfolio but also the diversity of opportunities. This truly is a company for all seasons in the E&P sector.

Moreover, a core strength of this management team is its commercial acumen, deal-making ability and portfolio-driven approach to optimising value. Management has been in the process of constructing the portfolio and poised to crystallise the significant value contained within this portfolio for shareholders.

EV/2P reserves

This measure further reinforces Parkmead's valuation attractions. With end-2019 2P reserves of 45.4 mmboe, Parkmead trades at just US\$0.2/boe, the lowest by far in its UK peer group and just a fraction of the US\$5.4/boe average.

Figure 41: UK E&P EV/2P reserves (US\$/boe)



Source: Company reports, FactSet

Part of this can be explained by a relative under-promotion of the company in the market whilst management has been building the portfolio. Investors that have backed Tom Cross' ventures in the past tend to remain highly supportive, recognising management's ability to add and crystallise value.

Parkmead, or Dana 2.X, is ready for wider consumption. Multiple high-quality opportunities have been assembled and matured and the company is now moving into value-realisation mode. Investors would do well to get on board with a management team that has a strong track record of delivering shareholder value.

Commodity price sensitivity

Our Parkmead risked-NAV has much greater sensitivity to oil than gas prices. A 10% move in our long-term Brent oil price assumption changes risked-NAV by 12-14%. A similar move in our long-term assumptions for UK and Dutch gas prices moves valuation by just 2-3%.

Figure 42: Parkmead risked-NAV sensitivity to oil and gas prices



Source: finnCap

In reality, our valuation would likely be even more sensitive to sustained higher oil prices, as these will start to justify a de-risking of some of the higher-cost oil exploration acreage West of Shetland, which we currently carry at zero in our risked-NAV.

Renewables re-rating potential

While embryonic, it is worth considering the potential impact that a successful expansion into renewables could have for Parkmead's investment appeal and ultimately rating.

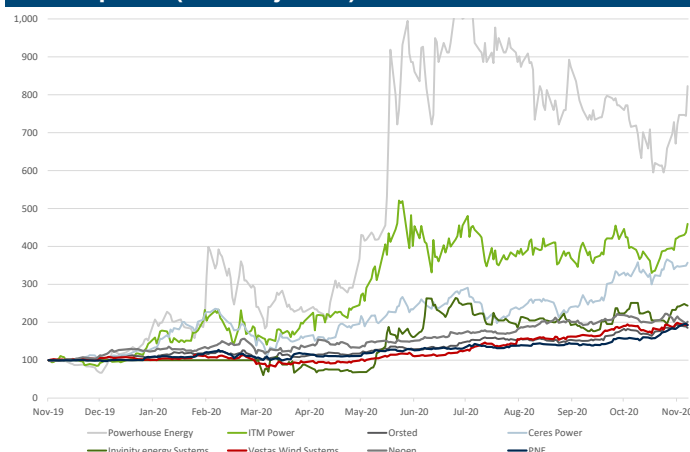
Over the last year, the performance of 'Clean Energy' or 'Alternate Energy' stocks has exploded as the energy transition has moved to the forefront of investors' minds, both institutional and retail. This has resulted in AIM Clean Energy stocks outperforming AIM Oil & Gas by over 70% in the last 12 months. This is not just evident in the smaller cap space either – larger cap names have also performed strongly.

Figure 43: Relative performance of AIM Clean Energy vs AIM Oil & Gas (GBP adjusted)



Source: FactSet, finnCap

Figure 44: Clean Energy performance has been widespread (GBP adjusted)



Source: FactSet

Figure 45: Wind power company valuation

Company	Ticker	Local	Market Cap	EV	Consensus EV/EBITDA		
		Price	\$mm	\$mm	FY1	FY2	FY3
EDP Renovaveis	EDPR-PT	17.1	15,039	19,609	11.5x	11.7x	11.3x
EnergieKontor	EKT-DE	41.0	620	817	12.1x	11.1x	10.4x
Neoen	NEOEN-FR	45.9	4,048	6,074	22.8x	19.4x	16.7x
Ørsted	ORSTED-DK	1081	62,711	65,823	27.1x	20.6x	20.4x
PNE AG	PNE3-DE	7.39	568	767	31.9x	22.6x	17.0x
Terna Energy	TENERGY-GR	11.9	1,372	2,126	10.2x	10.9x	9.1x
Total/Weighted Avg.			92,121	102,375	23.9x	18.9x	18.5x

Source: FactSet

Wind power companies enjoy high multiples, averaging 19x 2021 EBITDA. This compares to larger oil & gas company multiples of ~5x. This may be longer-term blue-sky potential. But, given the ESG juggernaut charging through markets at the moment and an accelerating energy transition, the 'longer term' may arrive sooner than you think.

Corporate history

Figure 46: Parkmead corporate time-line

Date	Event
Sep 2020	Parkmead awarded four offshore blocks and part blocks spanning three licences in the UK 32nd Licensing Round. These contain two undeveloped oil discoveries close to its Greater Perth Area project.
Oct 2019	Draft Field Development Plan and Environmental Statement for the Platypus gas project in the UK SNS submitted.
Aug 2019	Expands into renewables, acquiring Pitreadie Farm Ltd in Scotland for £8.5m.
May 2018	Awarded operatorship of nine offshore blocks awarded in the UK 30th Licensing Round, located in its core areas within the Central and Southern North Sea, and West of Shetland.
Feb 2018	Raised its stake in the Perth and Dolphin fields in the UK CNS from 60% to 100%.
May 2017	Acquired 50% in UK North Sea Licence P2209, raising its stake to 100%. This acreage contained the Farne Extension prospect and a further four prospective leads.
Apr 2017	Increased its stake in the Sanda North and Sanda South exploration prospects West of Shetland from 56% to 100%.
Dec 2016	First gas from the Diever West gas field in the Netherlands within 14 months of discovery.
Aug 2016	Doubled its stake to 100% in the Polecat and Marten oil fields in the UK Central North Sea, which were originally part of the 28th Round awards.
Jul 2015	Awarded a further three blocks in the second tranche of the UK 28th Licensing Round awards.
May 2015	Raised £12.4m via a placing of 11.2m shares at 120p/sh to bolster its acquisition firepower.
Nov 2014	Awarded six new licenses containing nine Central and Southern North Sea blocks in the UK 28th Licensing Round.
Sep 2014	Diever West gas discovery in the Netherlands with the Diever-2 well, encountering a 157 ft gas column.
Jan 2014	Raised £40m via placing of 15.9m shares at 255p/sh to develop its enlarged portfolio and pursue acquisitions.
Dec 2013	Awarded five additional blocks under the UKCS 27th Licensing Round in and around the Platypus/Pharos discoveries in the UK SNS.
Nov 2013	Discovered the Pharos gas field in the UK SNS adjacent to its Platypus field.
May 2013	All-paper acquisition of Lochard Energy for £14.5m whose principle asset was a 10% stake in the producing Athena oil field.
Dec 2012	Raised £15.9m via the placing of 130m shares at 12.25p to continue portfolio development.
Oct 2012	Started drilling its first exploration well targeting the Spaniards East oil prospect near its Perth oil field in the Central North Sea.
Oct 2012	Awarded 25 operated blocks in the UKCS 27th Licensing Round across the Central and Southern North Sea and West of Shetland.
Aug 2012	Successful appraisal well at the UK SNS Platypus gas field.
May 2012	All-paper acquisition of DEO Petroleum plc whose main asset was a 52% operated interest in the Perth field.
Mar 2012	Acquired Dyas B.V.'s portfolio of Netherlands onshore assets, comprising four producing gas fields and two oil fields. Also raised £8.5m through a placing of 61m shares at 14p/sh.
Dec 2011	Acquired 20% in four Southern North Sea blocks – 47/4d, 47/5d, 47/10c and 48/6c – from Sorgenia E&P (UK) Ltd.
Nov 2011	Acquired a 15% interest in Blocks 48/1a, 47/5b and 48/1c in the UK Southern North Sea from ExxonMobil, containing the Platypus gas field and Possum gas prospect.
Nov 2010	Tom Cross appointed Executive Chairman.

Source: finnCap

Management

Tom Cross – Executive Chairman

Tom Cross is a Chartered Director and petroleum engineer with extensive energy sector experience, spanning projects in more than 20 countries. He was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Prior to Dana, he held senior positions with Conoco, Thomson North Sea, Louisiana Land and Exploration and was Director of Engineering at the UK Petroleum Science and Technology Institute. He is a former Chairman of BRINDEX, the Association of British Independent Oil Companies, a former adviser to the BBC on energy affairs and a Fellow of the Institute of Directors.

Ryan Strougler – Finance Director

Ryan Strougler has been a key member of The Parkmead Group management team since its foundation as an energy business in 2010. He served as Commercial Director of the Group before becoming Finance Director. Ryan has been responsible for identifying and driving forward numerous asset and corporate opportunities, such as the acquisitions of DEO Petroleum plc and Lochard Energy Group PLC. He is also responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. He is a member of the UK's Institute of Directors (IoD) and was awarded the Corporate Finance Qualification by the Institute of Chartered Accountants in England and Wales (ICAEW). Ryan also holds a Master's degree in Petroleum Geoscience from the University of London.

Philip Dayer – Non-Executive Director

Philip Dayer has over 40 years of corporate finance, public company and stock market experience. He has worked with a number of prominent City institutions and advised a wide range of public companies including UK and international groups active in the oil & gas sector. He qualified as a Chartered Accountant and went on to gain extensive experience as Director or Head of Corporate Finance with Barclays de Zoete, Citigroup Scrimgeour Vickers, ANZ Grindlays and Société Générale. Latterly, whilst focusing on the energy sector, he was Director of Corporate Finance at Old Mutual Securities and Executive Director at Hoare Govett Limited. He was also a non-executive director of Dana Petroleum plc from 2006 through to its successful sale in 2010.

Colin MacLaren – Non-Executive Director

Colin MacLaren has over 37 years of experience in commercial law and joined the Parkmead Board in May 2020 as a Non-Executive Director. His most recent role was as a Partner at Brodies LLP, a top 50 UK law firm and one of the largest in Scotland. His extensive legal and commercial knowledge, including across the land and property arena, will be valuable to Parkmead as it expands its portfolio into onshore renewables. He holds a LLB law degree from the University of Aberdeen.

Income statement		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Sales	£m	7.0	8.3	4.1	4.8	6.1
Cost of sales	£m	-2.4	-2.3	-2.0	-2.0	-2.1
Gross profit	£m	4.6	6.0	2.1	2.9	4.0
Operating expenses	£m	-9.4	-0.6	-1.8	-1.6	-1.5
EBITDA (adjusted)	£m	-4.8	5.4	0.3	1.3	2.5
Depreciation	£m	-0.5	-0.2	-0.8	-0.7	-0.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	£m	-5.3	5.2	-0.5	0.6	1.8
Associates/other	£m	0.0	0.0	0.4	0.0	0.0
Net interest	£m	-0.6	-0.3	-0.6	0.1	0.0
PBT (adjusted)	£m	-5.9	4.8	-0.7	0.7	1.8
restructuring costs	£m	0.0	0.0	0.0	0.0	0.0
share based payments	£m	-0.0	-0.0	-0.1	-0.1	-0.1
other adjustments	£m	0.0	0.0	0.0	0.0	0.0
Total adjustments	£m	-0.0	-0.0	-0.1	-0.1	-0.1
PBT (stated)	£m	-5.9	4.8	-0.8	0.7	1.7
Tax charge	£m	-1.3	-2.4	0.3	-1.3	-1.8
tax rate	%	n/a	49.7	n/a	194.9	103.0
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Reported earnings	£m	-7.1	2.4	-0.5	-0.6	-0.1
Tax effect of adjustments / other	£m	5.0	0.0	1.3	0.0	0.0
Adjusted earnings	£m	-2.2	2.5	0.9	-0.6	-0.1
shares in issue (year end)	m	98.9	98.9	108.6	108.6	108.6
shares in issue (weighted average)	m	98.9	98.9	106.3	108.6	108.6
shares in issue (fully diluted)	m	98.9	100.7	110.8	110.8	110.8
EPS (adjusted, fully diluted)	p	-2.2	2.4	0.8	-0.6	-0.0
EPS (stated)	p	-7.2	2.4	-0.5	-0.6	-0.0
DPS	p	0.0	0.0	0.0	0.0	0.0

Growth analysis (adjusted basis where applicable)						
Sales growth	%	69.7%	17.8%	-50.7%	18.8%	25.6%
EBITDA growth	%	-53.0%	212.5%	-94.9%	383.3%	87.5%
EBIT growth	%	-40.2%	197.1%	-109.5%	225.4%	190.8%
PBT growth	%	-37.8%	182.2%	-115.4%	197.2%	149.9%
EPS growth	%	11.5%	211.8%	-68.0%	-173.3%	91.8%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	65.7%	72.4%	51.2%	59.6%	65.5%
EBITDA margin	%	-68.1%	65.1%	6.8%	27.5%	41.1%
EBIT margin	%	-75.7%	62.4%	-12.0%	12.6%	29.2%
PBT margin	%	-83.6%	58.4%	-18.2%	14.9%	29.6%
Net margin	%	-30.8%	29.8%	21.3%	-13.1%	-0.9%

Cash flow		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
EBITDA	£m	-4.8	5.4	0.3	1.3	2.5
Net change in working capital	£m	2.9	-0.5	-0.5	0.0	0.0
Share based payments	£m	-0.0	-0.0	-0.1	-0.1	-0.1
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	4.9	-0.2	1.2	0.2	0.1
Cash flow from operating activities	£m	3.0	4.7	0.9	1.5	2.6
Cash interest	£m	0.0	0.2	0.1	0.1	0.0
Tax paid	£m	-0.8	-1.8	-1.9	-1.3	-1.8
Capex	£m	-2.0	-4.0	-3.8	-1.3	-8.2
Free cash flow	£m	0.2	-0.8	-4.7	-1.0	-7.4
Disposals	£m					
Acquisitions	£m	0.0	6.6	0.0	0.0	0.0
Dividends on ord shares	£m					
Other cashflow items	£m	-2.8	1.1	-0.2	-0.3	2.7
Issue of share capital	£m	0.0	0.0	0.0	0.0	0.0
Net change in cash flow	£m	-2.6	6.9	-5.0	-1.2	-4.7
Opening net cash (debt)	£m	26.4	23.8	30.7	25.7	24.5
Closing net cash (debt)	£m	23.8	30.7	25.7	24.5	19.7

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	n/m	88.0%	319.6%	112.9%	103.0%
Cash conversion (free cash flow / EBITDA)	%	-4.9%	-15.8%	n/m	-74.4%	-295.2%
Underlying free cash flow (capex = depreciation)	£m	1.7	2.9	-1.7	-0.4	0.1
Cash quality (underlying FCF / adjusted earnings)	%	-78.0%	119.0%	-197.8%	64.9%	-141.3%
Investment rate (capex / depn)	x	3.7	18.4	5.0	1.8	11.3
Interest cash cover	x	n/a	n/a	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

Balance sheet		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Tangible fixed assets	£m	12.3	11.8	21.4	20.8	27.8
Goodwill	£m	2.2	2.2	2.2	2.2	2.2
Other intangibles	£m	30.3	34.1	36.1	37.1	37.5
Other non current assets	£m	8.6	0.0	2.9	2.9	0.0
<i>inventories</i>	£m	0.0	0.0	0.1	0.1	0.1
<i>trade receivables</i>	£m	1.3	0.7	1.4	1.4	1.4
<i>trade payables</i>	£m	-5.4	-4.6	-4.4	-4.4	-4.4
Net working capital	£m	-4.1	-3.9	-2.9	-2.9	-2.9
Other assets	£m	0.3	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.3	-9.5	-10.4	-10.4	-10.4
Gross cash & cash equivalents	£m	23.8	30.7	25.7	24.5	19.7
Capital employed	£m	64.2	68.3	74.9	74.1	73.9
Gross debt	£m	0.0	0.0	3.6	3.6	3.6
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	64.2	68.3	71.3	70.5	70.3
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Capital employed	£m	64.2	68.3	74.9	74.1	73.9

Leverage analysis						
Net debt / equity	%	no debt	no debt	net cash	net cash	net cash
Net debt / EBITDA	x	n/a	no debt	net cash	net cash	net cash
Liabilities / capital employed	%	0.0%	0.0%	4.8%	4.9%	4.9%

Working capital analysis						
Net working capital / sales	%	-58.6%	-47.2%	-70.9%	-59.7%	-47.5%
Net working capital / sales	days	-214	-172	-259	-218	-174
Inventory (days)	days	0	0	12	10	8
Receivables (days)	days	67	29	126	107	85
Payables (days)	days	281	201	397	334	266

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-3.4%	3.6%	1.2%	-0.9%	-0.1%
RoCE (EBIT basis, pre-tax)	%	-8.3%	7.6%	-0.7%	0.8%	2.4%
RoCE (underlying free cash flow basis)	%	2.6%	4.3%	-2.3%	-0.6%	0.1%
NAV per share	p	64.9	69.0	65.7	64.9	64.7
NTA per share	p	32.1	32.4	30.5	28.8	28.2

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1 Bartholomew Close
London EC1A 7BL

Tel 020 7220 0500

Fax 020 7220 0597

Email info@finncap.com

Web www.finncap.com

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