

26 November 2021

## Corp

<b>Ticker</b>	<b>PMG:AIM</b>
<b>Energy</b>	
Shares in issue (m)	109.3
Next results	H1 Apr
<b>Price</b>	<b>45.9p</b>
Target price	159.0p
Upside	246%
<b>Market cap</b>	<b>£50.2m</b>
Net debt/(cash)	-£25.8m
Other EV adjustments	£0.0m
Enterprise value	£24.4m

<b>What's changed?</b>	<b>From</b>	<b>To</b>
Adjusted EPS	-0.2	1.3
Target price	159.0	n/c

### Share price performance



%	1M	3M	12M
Actual	-11.0	7.5	24.9

### Company description

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

### Jonathan Wright

Director of Research

\* denotes corporate client of finncap

## PARKMEAD GROUP\*

### FY 2021 results

European gas prices are never far away from the headlines at the moment, although Parkmead's results to end-June did not capture this surge in prices – that is yet to come. Parkmead is well placed to benefit from the current strength in European gas prices, while the potential for another commodity super-cycle suggests there is further progress to come on its major GPA oil project. A strong net cash position also puts it in the driving seat for potential acquisitions.

- **Cash balances intact.** Reduced activity levels within its Dutch gas business due to COVID saw gross production decline, with revenue falling 12% y/y to £3.6m. Reported figures were affected by a £10.9m non-cash impairment relating primarily to relinquishment of the Platypus licence. On an adjusted basis, Parkmead's operating loss was £1.9m, with an after-tax loss of £2.9m. Sharply lower capex plus £4m of disposal proceeds from the sale of non-core renewables land kept net cash balances intact at £22.9m, providing Parkmead with a strong acquisition war chest.
- **Higher gas price benefit to come.** The results did not capture the recent surge in European gas prices, which is still to come. Parkmead gave some quantification this. For the first four months of FY22 revenue jumped 355% y/y, while average netbacks for Sept and Oct 2021 were a whopping €48/MWh (~US\$32/boe). We have raised our Dutch gas price forecast from €16.5 to €50/MWh for FY22, still well below the futures curve. Critically, Parkmead's Dutch gas business is unhedged and will receive the full benefit of higher gas prices. As a result, we are raising our FY22 revenue forecast by 51% to £8.6m, with our EBITDA rising more than doubling to £5.2m.
- **Platypus relinquished.** Despite Parkmead agreeing in principle to take over operatorship of Platypus and putting forward an improved commercial plan to the regulator, acceptable terms could not be agreed for an extension to the licence, which has now been relinquished. We previously included 6.0p/sh for the Platypus discovery and Platypus East prospect within our risked-NAV, which we have now removed. Parkmead took a non-cash impairment of £10.9m during the period primarily related to the Platypus licence relinquishment. There is no impact to our FY22 earnings forecasts as the project start-up was not expected until late 2023. We previously included £6.9m of Platypus capex in our FY22 estimates, which has been removed.
- **Valuation unchanged.** In addition to higher gas price assumptions, we have also raised our long-term Brent oil price forecast from US\$55/bbl to US\$60/bbl. Offsetting this, we have removed Platypus and Platypus East from our NAV (6.0p/sh) and pushed the start-up of the GPA development out by a year, to 2026. Overall, the impact of these changes is to reduce our risked-NAV marginally, from 159p to 152p/sh. However, given the small magnitude of this adjustment, alongside the prospect of super-normal near-term returns from its Dutch gas business, we are leaving our price target unchanged at 159p/sh.

Key estimates		2018A	2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	7.0	8.3	4.1	3.6	8.6
Adj EBITDA	£m	-4.8	5.4	0.3	-11.8	5.2
Adj EBIT	£m	-5.3	5.2	-0.5	-12.4	4.5
Adj PBT	£m	-5.9	4.8	-0.7	-13.5	3.8
Adj EPS	p	-2.2	2.4	0.8	-2.5	1.3
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2018A	2019A	2020A	2021A	2022E
EV/EBIT (adj)	x	-4.6	4.7	-49.9	-2.0	5.5
P/E (adj)	x	-21.0	18.8	58.7	-18.4	35.6
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	0.5%	-1.7%	-9.4%	-3.9%	1.9%
Pre-tax ROCE	%	-8.3%	7.6%	-0.7%	-21.3%	7.5%

## FY 2021 results

Income statement		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Sales	£m	8.3	4.1	3.6	8.6
Gross profit	£m	6.0	2.1	2.3	7.0
EBITDA (adjusted)	£m	5.4	0.3	-11.8	5.2
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>5.2</b>	<b>-0.5</b>	<b>-12.4</b>	<b>4.5</b>
Associates/other	£m	0.0	0.4	-0.4	0.0
Net interest	£m	-0.3	-0.6	-0.7	-0.6
<b>PBT (adjusted)</b>	<b>£m</b>	<b>4.8</b>	<b>-0.7</b>	<b>-13.5</b>	<b>3.8</b>
Total adjustments	£m	-0.0	-0.1	0.0	-0.1
PBT (stated)	£m	4.8	-0.8	-13.4	3.8
Tax charge	£m	-2.4	0.3	-0.4	-2.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	2.4	-0.5	-13.8	1.5
<b>Adjusted earnings</b>	<b>£m</b>	<b>2.5</b>	<b>0.9</b>	<b>-3.0</b>	<b>1.5</b>
Shares in issue (year end)	m	98.9	108.6	109.2	109.2
EPS (stated)	p	2.4	-0.5	-12.6	1.4
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>2.4</b>	<b>0.8</b>	<b>-2.5</b>	<b>1.3</b>
<b>DPS</b>	<b>p</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Cash flow		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
EBITDA	£m	5.4	0.3	-11.8	5.2
Net change in working capital	£m	-0.5	-0.5	-1.1	0.0
Other operating items	£m	-0.2	1.1	11.7	0.1
<b>Cash flow from op. activities</b>	<b>£m</b>	<b>4.7</b>	<b>0.9</b>	<b>-1.2</b>	<b>5.2</b>
Cash interest	£m	0.2	0.1	0.0	-0.0
Cash tax	£m	-1.8	-1.9	-0.1	-3.1
Capex	£m	-4.0	-3.8	-0.7	-1.1
Other items	£m				
<b>Free cash flow</b>	<b>£m</b>	<b>-0.8</b>	<b>-4.7</b>	<b>-2.0</b>	<b>1.0</b>
Acquisitions / disposals	£m				
Dividends	£m				
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	1.1	-0.2	-4.4	-0.4
<b>Net change in cash flow</b>	<b>£m</b>	<b>6.9</b>	<b>-5.0</b>	<b>-2.3</b>	<b>0.1</b>
Opening net cash (debt)	£m	23.8	30.7	25.7	23.4
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>30.7</b>	<b>25.7</b>	<b>23.4</b>	<b>23.5</b>

Balance sheet		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	£m	11.8	21.4	19.3	19.7
Goodwill & other intangibles	£m	36.2	38.3	31.7	32.1
Other non current assets	£m	0.0	2.9	2.9	2.9
Net working capital	£m	-3.9	-2.9	-2.1	-1.7
Other assets	£m	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.5	-10.4	-17.0	-16.7
Gross cash & cash equivs	£m	30.7	25.7	23.4	23.5
<b>Capital employed</b>	<b>£m</b>	<b>68.3</b>	<b>74.9</b>	<b>58.2</b>	<b>59.8</b>
Gross debt	£m	0.0	3.6	0.5	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	68.3	71.3	57.7	59.3
Minorities	£m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>68.3</b>	<b>74.9</b>	<b>58.2</b>	<b>59.8</b>

Growth analysis		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	17.8%	-50.7%	-11.6%	138.6%
EBITDA growth	%	212.5%	-94.9%	n/m	143.7%
EBIT growth	%	197.1%	-109.5%	n/m	135.9%
PBT growth	%	182.2%	-115.4%	n/m	128.5%
EPS growth	%	211.8%	-68.0%	-418.2%	151.7%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	72.4%	51.2%	64.9%	80.9%
EBITDA margin	%	65.1%	6.8%	-327.4%	59.9%
EBIT margin	%	62.4%	-12.0%	-344.3%	51.8%
PBT margin	%	58.4%	-18.2%	-373.7%	44.6%
Net margin	%	29.8%	21.3%	-81.8%	17.7%

Cash flow analysis		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	88.0%	319.6%	n/m	101.5%
Cash conv'n (FCF / EBITDA)	%	-15.8%	n/m	16.5%	18.8%
U/lying FCF (capex = deprn)	£m	2.9	-1.7	-1.9	1.4
Cash quality (u/l FCF / adj earn)	%	119.0%	-197.8%	63.9%	92.5%
Investment rate (capex / deprn)	x	18.4	5.0	1.1	1.6
Interest cash cover	x	n/a	n/a	net cash	107.7
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	-47.2%	-70.9%	-57.4%	-20.0%
Net working capital / sales	days	-172	-259	-210	-73
Inventory (days)	days	0	12	7	3
Receivables (days)	days	29	126	137	57
Payables (days)	days	201	397	353	133

Leverage analysis		2019A	2020A	2021A	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	n/a	net cash
Liabilities / capital employed	%	0.0%	4.8%	0.9%	0.8%

Capital efficiency & intrinsic value		2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	3.6%	1.2%	-5.1%	2.6%
RoCE (EBIT basis, pre-tax)	%	7.6%	-0.7%	-21.3%	7.5%
RoCE (u/lying FCF basis)	%	4.3%	-2.3%	-3.2%	2.4%
NAV per share	p	69.0	65.7	52.9	54.3
NTA per share	p	32.4	30.5	23.9	24.9

## Dutch gas business emerges as the jewel in the crown

Parkmead's FY21 financial results to end-June were dominated by the backdrop of COVID-19 induced commodity price volatility through the year, with Dutch TTF gas prices starting the period at heavily depressed levels of ~€6/MWh, rallying to end the year at ~€35/MWh.

Figure 1: Dutch TTF gas price (€/MWh)



Source: FactSet

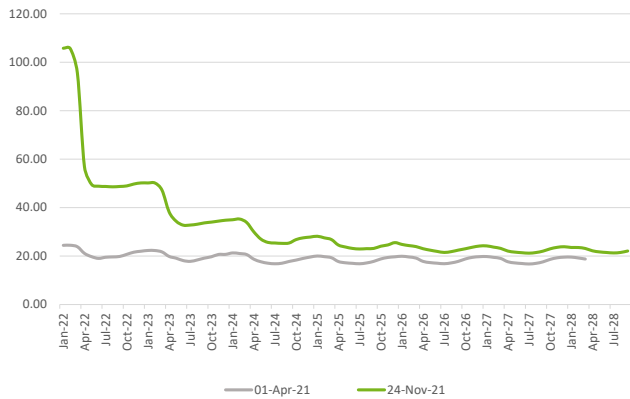
While average Dutch TTF gas prices almost doubled relative to FY20 to €16.6/MWh, these results will not have captured any of the more recent surge in European gas prices since mid-2021, which are now trading at over €90/MWh. That is still to come!

Moreover, reduced activity levels within its Dutch gas business during FY20 manifest themselves in a higher-than-expected 21% decline in gross production, to 30.3 mmcf. Although not itemised separately within the preliminary results statement, Parkmead's Aupec consultancy business also likely took a significant revenue hit due to COVID, with industry investment budgets and activity levels sharply curtailed.

Overall, this resulted in revenue declining 12% y/y to £3.6m, although H2 revenue increased by 33% compared with H1 as a result of the gas price recovery.

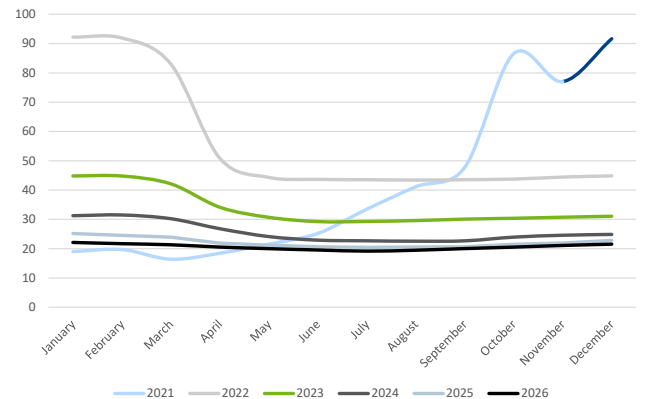
The FY22 performance of Parkmead's Dutch gas business will be an entirely different matter. The forward curve for Dutch TTF gas has risen sharply in recent months (see Figure 2) as strong Asian gas demand, global LNG outages, restricted Russian supplies and low levels of storage have combined with underinvestment since COVID to create an extremely tight gas market.

Figure 2: Dutch TTF gas forward curve move since April (€/MWh)



Source: FactSet

Figure 3: Dutch TTF gas price forward curve by year (€/MWh)



Source: FactSet

Indeed, the forward curve suggests this is not just a near-term issue (see Figure 3). Gas prices have risen all the way along the curve and do not drop below €40/MWh until April 2023, itself a level more than double the five-year average. With traders warning of a risk of rolling blackouts across Europe if there is a sustained harsh winter, prices may move higher still.

Parkmead has provided some quantification of the benefit of these higher gas prices. For the first four months of FY22, revenue generation has hit €3.0m, 355% higher than the same period last year at an average Dutch TTF gas price of €59/MWh. Average netbacks for September and October 2021 have been a whopping €48/MWh (~US\$32/boe).

We are raising our Dutch TTF gas price assumptions to capture some of this price surge, although have erred on the side of caution given the uncertainties surrounding the Nordstream 2 pipeline certification process and what this means for Russian gas supplies into Europe. We have raised our forecast from €16.5 to €50/MWh for FY22, well below the futures implied average of €68/MWh. For FY23, we have increased our assumption to €30/MWh and beyond that to €20/MWh.

Critically, Parkmead’s low-cost Dutch gas business is unhedged and is therefore set to receive the full benefit of these higher gas prices.

All of this makes Parkmead’s €565k acquisition of the royalty associated with its interests in the Drenthe IV, Drenthe V and Andel Va licences onshore the Netherlands in July look inspired. It increases Parkmead’s net production from the Grolloo, Geesbrug and Brakel fields at minimal cost, doubling the effective financial interest from 7.5% to 15%.

It also provides greater partner alignment with operator Vermillion Energy across the licences, which alongside higher gas prices should help extend the producing life of the fields through incentivising production enhancement activity and encouraging new exploration and development drilling.

Some signs of that are already emerging, with the partners analysing a potential two-well exploration drilling campaign in late-2022/early-2023 from the Diever pad targeting the LDS-A and LDS-B prospects (formerly Leemdijk and De Bree) on the Drenthe VI licence. These prospects contain gross gas resources of 22.7 bcf, have a high chance of success (40-49%) and will be relatively cheap to drill (€1-1.5m net combined).

The Papekop development has also successfully progressed through the concept select gate and further engineering studies are being carried out and the permitting process continues. This planned gas development is targeting 35.6 Bcf of gross reserves with oil upside.

## FY21 results and estimate changes

Figure 4: Parkmead FY results summary

<b>FY results to end-June</b>		<b>FY 2021A</b>	<b>FY 2020A</b>	<b>% Chg</b>
<b>Revenue</b>	<b>£'000</b>	<b>3,608</b>	<b>4,080</b>	<b>-12%</b>
Cost of sales	£'000	(1,835)	(2,806)	-35%
<b>Gross Profit</b>	<b>£'000</b>	<b>1,773</b>	<b>1,274</b>	<b>39%</b>
Exploration expense	£'000	(11,116)	(1,556)	614%
Admin expense	£'000	(3,040)	(257)	n.m.
Other	£'000	(388)	362	n.m.
<b>EBIT</b>	<b>£'000</b>	<b>(12,771)</b>	<b>(177)</b>	<b>n.m.</b>
Adj. EBITDA	£'000	(958)	1,574	n.m.
Net finance expense	£'000	(671)	(615)	9%
<b>PBT</b>	<b>£'000</b>	<b>(13,442)</b>	<b>(792)</b>	<b>n.m.</b>
Tax	£'000	(364)	310	n.m.
<b>After-tax profit</b>	<b>£'000</b>	<b>(13,806)</b>	<b>(482)</b>	<b>n.m.</b>
Net cash flow from operations	£'000	(1,314)	(1,001)	31%
Capex	£'000	(679)	(3,785)	-82%
Disposals	£'001	4,000	24	n.m.
Period-end cash	£'000	23,378	25,708	-9%
Period-end debt	£'000	(500)	(3,600)	-86%
<b>Period-end net cash/(debt)</b>	<b>£'000</b>	<b>22,878</b>	<b>22,108</b>	<b>3%</b>

Source: Parkmead

Lower revenue was more than offset by a 35% reduction in cost of sales, driving a 39% increase in gross profit to £1.8m.

Administrative expenses rose sharply to £3.0m, although this includes a non-cash expense for share-based payments of £2.5m. Underlying staff costs stayed almost flat at £2.0m.

The reported figures were heavily affected by a £10.9m non-cash impairment relating primarily to the relinquishment of the Platypus licence. This resulted in a £12.8m operating loss and a £13.4m loss after tax. On an adjusted basis, the operating loss would have been £1.9m, with an after-tax loss of £2.9m.

Sharply lower capex plus £4m of disposal proceeds from the sale of non-core land from its renewables portfolio kept net cash balances intact at £22.9m (+3% y/y). This provides Parkmead with a strong acquisition war chest, and the company continues to actively pursue acquisition opportunities across all areas of its portfolio.

#### *Platypus relinquishment*

Despite Parkmead agreeing in principle to take over operatorship of Platypus after the very late withdrawal of majority owner and operator Dana Petroleum (59%) from the licence (P.1242) and Parkmead putting forward an improved commercial plan to the UK OGA, the remaining partners were unable to secure an extension to the licence on acceptable terms. We previously included 6.0p/sh for the Platypus discovery and Platypus East prospect within our risked-NAV, which we have now removed. Parkmead took a non-cash impairment of £10.9m during the period primarily related to the Platypus licence relinquishment.

It is disappointing that the Platypus licence has not been extended, but there is no impact on our FY22 earnings forecasts as the project start-up was not expected until late 2023. We previously included £6.9m of Platypus capex in our FY22 estimates, which has been removed. This, plus the increase to our FY22 Dutch TTF gas price forecast from €16.5 to €50/MWh, boosts FY22 revenues by 51% to £8.6m, with EBITDA more than doubling from £2.1m to £5.2m. Alongside the lower capex, it also raises our end-FY22 forecast cash position from £20m to £23m.

Figure 5: Parkmead FY22 estimate changes

June yr end		New	Old	% Chg
Brent oil price	US\$/bbl	70.0	60.0	17%
Dutch TTF gas price	€/MWh	50.0	16.5	203%
Production	boepd	426	522	-18%
Exchange rate	£/US\$	1.35	1.40	-4%
Exchange rate	€/US\$	1.15	1.18	-3%
<b>Revenue</b>	<b>£'000</b>	<b>8,609</b>	<b>5,685</b>	<b>51%</b>
Gross Profit	£'000	6,219	3,181	95%
<b>Adjusted EBITDA</b>	<b>£'000</b>	<b>5,160</b>	<b>2,122</b>	<b>143%</b>
EBIT	£'000	4,413	1,375	221%
PBT	£'000	3,785	674	462%
EPS	pence	1.40	-0.24	n.m.
<b>Net CFFO</b>	<b>£'000</b>	<b>2,156</b>	<b>679</b>	<b>217%</b>
Capex	£'000	1,139	7,525	-85%
Period-end cash	£'000	23,510	20,470	15%
Period-end debt	£'000	500	500	0%
<b>Net cash/(debt)</b>	<b>£'000</b>	<b>23,010</b>	<b>19,970</b>	<b>15%</b>

Source: finnCap

### UK North Sea licence refocus

Parkmead finalised the award of Licence P.2516 (PMG 50%, operator) during the year, which is adjacent to its GPA project and contains two undeveloped oil discoveries – Fynn Beaully and Fynn Andrew. Fynn Beaully is a very large oil discovery that extends across several blocks, with an estimated 77 – 202 mmbbls oil-in-place on Parkmead's licence. Fynn Andrew sits entirely on Parkmead's acreage and has estimated oil-in-place of 50 mmbbls. These two discoveries add 34.4 mmbbl of 2C resources, which we value at 5.8p/sh within our risked-NAV.

An extension to the Skerryvore licence (P.2400) was awarded to Parkmead (30%, op.) and its JV partners. Reprocessing of seismic covering the prospect and surrounding area is complete, maturing the prospects. Rock physics and inversion studies are underway, with a drilling decision expected to be made in 2022. Skerryvore's main prospects are three stacked targets, at Mey and Chalk level, which contain estimated resources of 157mmbbl. We include 11p/sh for Skerryvore's three main stacked prospects in our risked-NAV.

Parkmead continues to assess draft commercial offers received from the Scott field partners for the potential tie-back of the Greater Perth Area (GPA) project, located just 10km away. The GPA has the potential to deliver 75-130 mmbbl of 2P reserves, materially adding to Parkmead's current 45.5 mmbbl reserve base as at the end of September. For the Perth field development alone, Parkmead estimates that every US\$10/bbl increase in the oil price adds ~£130m to the project post-tax NPV.

### Renewables update

After detailed analysis of its UK renewable energy land portfolio, Parkmead divested two non-core areas in March 2021 for a combined £4m, retaining those sites with the greatest renewable energy potential. This essentially means it has already recouped over 80% of the original Pitreadie net consideration, minimising the entry costs and highgrading the remaining portfolio. This has considerable renewable energy project potential, most notably in wind, but also biomass with legacy woodland planting undertaken on part of the land.

Parkmead has identified substantial wind energy potential at one location which spans ~1,200 acres and lies adjacent to Fred Olsen Renewables' 75.9 MW Mid Hill wind farm, 15 miles west of Aberdeen. It benefits from excellent average wind speeds of between 7-10 m/s (25-36 km/h) and technical studies are underway on this site. Parkmead is also considering further acquisition opportunities to build out its renewable energy portfolio.

## Valuation

As detailed earlier, we have raised our Dutch TTF gas price assumptions to capture some of the recent surge in prices. We have also raised our long-term Brent oil price assumption from US\$55/bbl to US\$60/bbl. Offsetting this, we have removed Platypus and Platypus East from our valuation (6.0p/sh) and have pushed the start-up of the GPA development out by a year, to 2026.

Overall, the impact of these changes is to reduce our risked-NAV marginally, from 159p to 152p/sh. Given the small magnitude of this adjustment, alongside the prospect of super-normal near-term returns from its Dutch gas business, we are leaving our price target unchanged at 159p/sh.

Figure 6: Parkmead net asset value

Net Asset Valuation	Net resource		NPV/bbl		Unrisked NPV		Geological	Commercial	Dry hole	Risked NPV	
	mboe	US\$/boe	US\$m	p/sh	CoS	CoS	cost US\$m	US\$m	p/sh		
G&A (3 years)			-6.9	-4.6						-6.9	-4.6
Net cash / (debt)			34.8	23.4						34.8	23.4
SAR/DSP liabilities			-2.2	-1.5						-2.2	-1.5
Options			0.5	0.3						0.5	0.3
Athena decommissioning			-9.3	-6.3						-9.3	-6.3
Aupec (6x 2022e EBIT)			0.2	0.1						0.2	0.1
Pitreadie Farm Ltd land (@ cost adjusted for land sales)			6.1	4.1						6.1	4.1
			<b>23.2</b>	<b>15.6</b>						<b>23.2</b>	<b>15.6</b>
<b>Producing assets</b>											
Netherlands producing	3.7	5.32	19.7	13.2	100%	100%				19.7	13.2
<b>Core value:</b>			<b>35.2</b>	<b>28.8</b>						<b>35.2</b>	<b>28.8</b>
<b>Contingent resource:</b>											
Pitreadie 20 MW Wind Farm			9.5	6.4		40%				3.8	2.6
Netherlands - Ottoland	0.7	3.46	2.4	1.6	100%	50%				1.2	0.8
Netherlands - Papekop	0.9	3.46	3.1	2.1	100%	50%				1.6	1.0
UK - Greater Perth Area	76.9	7.12	547.6	367.7	100%	25%				136.9	91.9
UK - Fynn Beaully	25.1	2.50	62.8	42.2	100%	10%				6.3	4.2
UK - Fynn Andrew	9.3	2.50	23.1	15.5	100%	10%				2.3	1.6
<b>Contingent value:</b>			<b>648.5</b>	<b>435.5</b>						<b>152.0</b>	<b>102.1</b>
<b>Prospective resource:</b>											
Netherlands - Drenthe V - LDS-A/b	3.4	5.00	17.0	11.4	43%	50%	1.3	2.4	1.6		
UK - Skerryvore (Mey+Ekofisk+Tor)	46.6	6.61	308.1	206.9	24%	30%	5.8	16.3	11.0		
UK - Ruvaal	9.3	3.56	33.2	22.3	17%	0%	6.2	0.0	0.0		
UK - Blackadder	14.1	6.31	89.1	59.8	41%	50%	5.3	12.9	8.7		
UK - Sanda South	86.0	3.20	275.4	184.9	12%	0%	30.8	0.0	0.0		
UK - Sanda North	194.0	3.20	621.3	417.2	15%	0%	29.8	0.0	0.0		
UK - Davaar	204.0	2.85	580.7	389.9	18%	0%	28.7	0.0	0.0		
<b>Prospective value:</b>			<b>1,907.8</b>	<b>1,281.1</b>						<b>29.3</b>	<b>21.3</b>
<b>Total - Core + Contingent + Prospective:</b>			<b>2,591.5</b>	<b>1,745.3</b>						<b>216.5</b>	<b>152.1</b>

Source: finnCap

## FY 2021 results

Income statement		2018A	2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
<b>Sales</b>	£m	<b>7.0</b>	<b>8.3</b>	<b>4.1</b>	<b>3.6</b>	<b>8.6</b>
Cost of sales	£m	-2.4	-2.3	-2.0	-1.3	-1.6
<b>Gross profit</b>	£m	<b>4.6</b>	<b>6.0</b>	<b>2.1</b>	<b>2.3</b>	<b>7.0</b>
Operating expenses	£m	-9.4	-0.6	-1.8	-14.2	-1.8
<b>EBITDA (adjusted)</b>	£m	<b>-4.8</b>	<b>5.4</b>	<b>0.3</b>	<b>-11.8</b>	<b>5.2</b>
Depreciation	£m	-0.5	-0.2	-0.8	-0.6	-0.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
<b>EBIT (adjusted)</b>	£m	<b>-5.3</b>	<b>5.2</b>	<b>-0.5</b>	<b>-12.4</b>	<b>4.5</b>
Associates/other	£m	0.0	0.0	0.4	-0.4	0.0
Net interest	£m	-0.6	-0.3	-0.6	-0.7	-0.6
<b>PBT (adjusted)</b>	£m	<b>-5.9</b>	<b>4.8</b>	<b>-0.7</b>	<b>-13.5</b>	<b>3.8</b>
<i>restructuring costs</i>	£m	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>share based payments</i>	£m	<i>-0.0</i>	<i>-0.0</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.1</i>
<i>other adjustments</i>	£m	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total adjustments	£m	-0.0	-0.0	-0.1	0.0	-0.1
<b>PBT (stated)</b>	£m	<b>-5.9</b>	<b>4.8</b>	<b>-0.8</b>	<b>-13.4</b>	<b>3.8</b>
Tax charge	£m	-1.3	-2.4	0.3	-0.4	-2.3
<i>tax rate</i>	%	<i>n/a</i>	<i>49.7</i>	<i>n/a</i>	<i>n/a</i>	<i>59.7</i>
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Reported earnings</b>	£m	<b>-7.1</b>	<b>2.4</b>	<b>-0.5</b>	<b>-13.8</b>	<b>1.5</b>
Tax effect of adjustments / other	£m	5.0	0.0	1.3	10.9	0.0
<b>Adjusted earnings</b>	£m	<b>-2.2</b>	<b>2.5</b>	<b>0.9</b>	<b>-3.0</b>	<b>1.5</b>
<i>shares in issue (year end)</i>	m	<i>98.9</i>	<i>98.9</i>	<i>108.6</i>	<i>109.2</i>	<i>109.2</i>
<i>shares in issue (weighted average)</i>	m	<i>98.9</i>	<i>98.9</i>	<i>106.3</i>	<i>109.2</i>	<i>109.2</i>
<i>shares in issue (fully diluted)</i>	m	<i>98.9</i>	<i>100.7</i>	<i>110.8</i>	<i>118.5</i>	<i>118.5</i>
<b>EPS (adjusted, fully diluted)</b>	p	<b>-2.2</b>	<b>2.4</b>	<b>0.8</b>	<b>-2.5</b>	<b>1.3</b>
EPS (stated)	p	-7.2	2.4	-0.5	-12.6	1.4
<b>DPS</b>	p	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Growth analysis (adjusted basis where applicable)						
Sales growth	%	69.7%	17.8%	-50.7%	-11.6%	138.6%
EBITDA growth	%	-53.0%	212.5%	-94.9%	n/m	143.7%
EBIT growth	%	-40.2%	197.1%	-109.5%	n/m	135.9%
PBT growth	%	-37.8%	182.2%	-115.4%	n/m	128.5%
EPS growth	%	11.5%	211.8%	-68.0%	-418.2%	151.7%
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%	64.9%	80.9%
EBITDA margin	%	-68.1%	65.1%	6.8%	-327.4%	59.9%
EBIT margin	%	-75.7%	62.4%	-12.0%	-344.3%	51.8%
PBT margin	%	-83.6%	58.4%	-18.2%	-373.7%	44.6%
Net margin	%	-30.8%	29.8%	21.3%	-81.8%	17.7%



## FY 2021 results

Cash flow		2018A	2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
EBITDA	£m	-4.8	5.4	0.3	-11.8	5.2
Net change in working capital	£m	2.9	-0.5	-0.5	-1.1	0.0
Share based payments	£m	-0.0	-0.0	-0.1	0.0	-0.1
Profit/(loss) on sale of assets	£m	0.0	0.0	-0.4	0.4	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	1.5	11.3	0.1
<b>Cash flow from operating activities</b>	<b>£m</b>	<b>3.0</b>	<b>4.7</b>	<b>0.9</b>	<b>-1.2</b>	<b>5.2</b>
Cash interest	£m	0.0	0.2	0.1	0.0	-0.0
Tax paid	£m	-0.8	-1.8	-1.9	-0.1	-3.1
Capex	£m	-2.0	-4.0	-3.8	-0.7	-1.1
Other items	£m					
<b>Free cash flow</b>	<b>£m</b>	<b>0.2</b>	<b>-0.8</b>	<b>-4.7</b>	<b>-2.0</b>	<b>1.0</b>
Disposals	£m					
Acquisitions	£m	0.0	6.6	0.0	4.0	-0.5
Dividends on ord shares	£m					
Other cashflow items	£m	-2.8	1.1	-0.2	-4.4	-0.4
Issue of share capital	£m	0.0	0.0	0.0	0.0	0.0
<b>Net change in cash flow</b>	<b>£m</b>	<b>-2.6</b>	<b>6.9</b>	<b>-5.0</b>	<b>-2.3</b>	<b>0.1</b>
Opening net cash (debt)	£m	26.4	23.8	30.7	25.7	23.4
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>23.8</b>	<b>30.7</b>	<b>25.7</b>	<b>23.4</b>	<b>23.5</b>

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	n/m	88.0%	319.6%	n/m	101.5%
Cash conversion (free cash flow / EBITDA)	%	-4.9%	-15.8%	n/m	16.5%	18.8%
Underlying free cash flow (capex = depreciation)	£m	1.7	2.9	-1.7	-1.9	1.4
Cash quality (underlying FCF / adjusted earnings)	%	-78.0%	119.0%	-197.8%	63.9%	92.5%
Investment rate (capex / depn)	x	3.7	18.4	5.0	1.1	1.6
Interest cash cover	x	n/a	n/a	n/a	net cash	107.7
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

## FY 2021 results

Balance sheet		2018A	2019A	2020A	2021A	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Tangible fixed assets	£m	12.3	11.8	21.4	19.3	19.7
Goodwill	£m	2.2	2.2	2.2	2.2	2.2
Other intangibles	£m	30.3	34.1	36.1	29.5	29.9
Other non current assets	£m	8.6	0.0	2.9	2.9	2.9
<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	-3.5	-3.1
Net working capital	£m	-4.1	-3.9	-2.9	-2.1	-1.7
Other assets	£m	0.3	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.3	-9.5	-10.4	-17.0	-16.7
Gross cash & cash equivalents	£m	23.8	30.7	25.7	23.4	23.5
<b>Capital employed</b>	<b>£m</b>	<b>64.2</b>	<b>68.3</b>	<b>74.9</b>	<b>58.2</b>	<b>59.8</b>
Gross debt	£m	0.0	0.0	3.6	0.5	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	64.2	68.3	71.3	57.7	59.3
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>64.2</b>	<b>68.3</b>	<b>74.9</b>	<b>58.2</b>	<b>59.8</b>

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	n/a	net cash
Liabilities / capital employed	%	0.0%	0.0%	4.8%	0.9%	0.8%

Working capital analysis						
Net working capital / sales	%	-58.6%	-47.2%	-70.9%	-57.4%	-20.0%
Net working capital / sales	days	-214	-172	-259	-210	-73
Inventory (days)	days	0	0	12	7	3
Receivables (days)	days	67	29	126	137	57
Payables (days)	days	281	201	397	353	133

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-3.4%	3.6%	1.2%	-5.1%	2.6%
RoCE (EBIT basis, pre-tax)	%	-8.3%	7.6%	-0.7%	-21.3%	7.5%
RoCE (underlying free cash flow basis)	%	2.6%	4.3%	-2.3%	-3.2%	2.4%
NAV per share	p	64.9	69.0	65.7	52.9	54.3
NTA per share	p	32.1	32.4	30.5	23.9	24.9

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