

# Parkmead Group

BBG Ticker: PMG.L

Price: 49p/sh

Mkt Cap: £53mn

Year to Dec	Revenue (£ mn)	Income (£ mn)	EPS (£)	Net Cash (US\$ mn)	EV/2P (US\$/boe)	Production (boe/d)	2P Reserves (mnboe)
2019A	8.3	2.4	2.44	31	1	c.600	46.0
2020A	4.1	-0.5	-0.45	22	1	500	45.7

SOURCE: Company data; VSA Capital Research.

## Gas Production Onshore Netherlands & Diversified Energy Transition Portfolio

We take a closer look at Parkmead as, having historically been mainly focused on UK offshore oil & gas development, Parkmead now has gas producing assets in the Netherlands (7.5% to 15% WI) of c. 500 boe/d net + c. 20boe/d in royalties and is building a portfolio of onshore wind licenses in the UK, the only UK name to own wind assets. The UK is arguably the ideal jurisdiction for a diversified energy portfolio such as this given the UK's relatively high contribution of wind power to the energy mix. Whilst near term the weakness of wind is being exposed due to the lack of energy storage, batteries are set to solve this in the medium term. Consequently, there is very likely a role for juniors who have a portfolio which mirrors global or regional consumption patterns. PMG is at an early stage of execution in its strategy but its key advantage over peers that are adding hydrogen, or other well performing areas of the energy transition, is that the tech and knowledge barriers for wind are far lower.

PMG has identified five new exploration targets within its existing Netherlands portfolio amounting to c. 43 bcf near to its production and development assets. Furthermore, the company wants to see if its wells can be re-purposed as geothermal in the Netherlands.

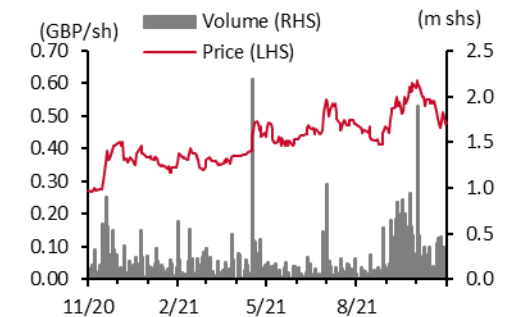
The company intends to continue to look for opportunities in the renewables and energy transition sectors whilst receiving steady cash flow from its producing gas assets; its focus on expansion is reasonably evenly divided between the two. In the UK, PMG has a freehold for c. 2500 acres across two wind sites. This is several times larger than the adjacent Mid Hill Wind Farm, Scotland, which has 33 Siemens wind turbines and a generating capacity of c. 75MW. It is likely PMG would need to build a 20 MW wind farm with 5 wind turbines; this would require funding, potentially through a Joint Venture. Its land gets the ideal wind speeds of around 7 m/s and there could also be potential for solar energy nearby. Technical studies are underway; feasibility studies in wind normally take around 9-12 months but as this milestone approaches we expect investors to begin to price in the potential.

2020's low gas price environment (gas prices fell from highs of c. € 25.7/MWh in October 2018 to decade lows of c. € 5.0/MWh in June 2020 due to the oversupply of LNG into the European market and the effects of COVID-19) led to PMG's cash used in operations of £1 mn for the financial year ended 30<sup>th</sup> June 2020 and 32% share price decline from

### Company Description:

Oil & gas exploration and production company onshore Netherlands, offshore UK, with wind assets onshore UK

### One Year Price Performance



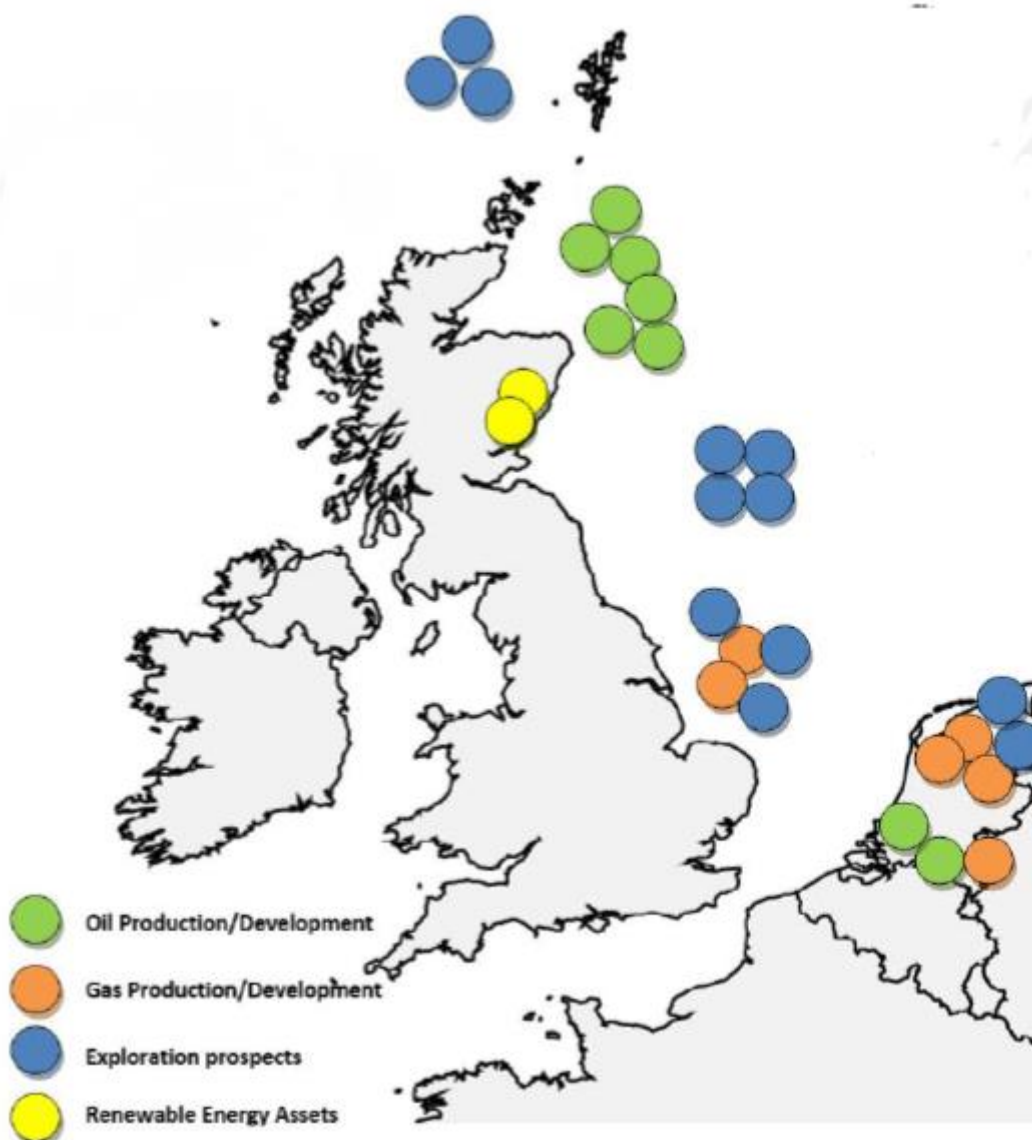
Price %	-1mn	-3mn	-12mn
	18.3%	3.1%	78.4%
12mn high/low:			60.9p/26.8p

SOURCE: Eikon, as of 5 November 2021 close.

Market:	LSE AIM
Sector:	Oil & Gas
Location:	UK
Shares in issue:	109.2m

the start of 2020 until the 20<sup>th</sup> November when the company released better than expected full year results. This, alongside gas prices rebounding strongly to c. € 14.0/MWh in November 2020, triggered a 42% share price rise in 5 days to £43 mn and narrowing of cash used in operations to -£0.3 mn 2H20. The stronger gas prices in 1H21 contributed to a continued share price increase of 26% from the start of 2021 till now to an implied market cap of £53 mn. Given the record gas prices in 2H21, we believe that the strong 2H21 cash flows we are anticipating are currently undervalued by the market, which could provide a good entry point for investors.

### ***UK & Netherlands, Onshore & Offshore Oil & Gas Production, Development, Exploration & Wind Assets***



**SOURCE:** Company data, VSA Capital Research.