

1 February 2022

Corp

Ticker	PMG:AIM
Oil & Gas	
Shares in issue (m)	109.3
Next results	H1 Mar
Price	39.0p
Target price	159.0p
Upside	308%
Market cap	£42.6m
Net debt/(cash)	-£25.8m
Other EV adjustments	£0.0m
Enterprise value	£16.8m

What's changed?	From	To
Adjusted EPS	1.3	n/c
Target price	159.0	n/c

Share price performance



%	1M	3M	12M
Actual	-7.3	-15.9	13.9

Company description

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

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* denotes corporate client of finncap

PARKMEAD GROUP*

Parkmead acquires wind power company

Parkmead has announced the acquisition of a wind farm onshore Scotland that instantly boosts revenue and EBITDA, provides long-term steady cash flow, and brings valuable experience and relationships that will further enhance its existing renewable energy portfolio. This is Parkmead's second renewables acquisition, with the divestment proceeds from the sale of non-core areas of the first essentially being recycled, further upgrading Parkmead's renewables portfolio and capabilities.

- **Parkmead's second renewables acquisition.** Parkmead has made its second foray into the renewable energy space, acquiring Kempstone Hill Wind Energy Limited, which owns a 1.5MW grid-connected onshore wind farm in Aberdeenshire, Scotland. The total cost of the acquisition is £4.28m, comprising £3.29m in cash and the assumption of a £990k project loan.
- **Revenue and EBITDA enhancing.** The acquisition has an economic date of 1 October 2021, so will be instantly revenue and cash flow enhancing. For FY21 to end-September, Kempstone Hill generated £380k of revenue and £230k of adjusted EBITDA and held ~£300k in cash at year-end.
- **Attractive acquisition multiple.** The acquisition price represents a trailing 12-month (TTM) EV/EBITDA multiple of 17x, a 15% discount to the renewables sector average TTM multiple of 20x. This is in spite of Kempstone's performance last year being impacted by a one-off exceptional loss unrelated to the wind farm and unexpected downtime due to a blade repair.
- **Attractive contractual framework.** Kempstone Hill's wind farm benefits from an attractive inflation-linked, Feed-in Tariff for the life of the project through until 2036. The electricity generated is sold through a PPA, which provides exposure to the large rise in wholesale electricity prices and will drive further revenue and EBITDA increases.
- **Further highgrades the renewables portfolio.** This is Parkmead's first operating renewable energy asset and the company will benefit not only from its long-life, steady cash flows, but also the established relationships and expertise that come with the acquisition as it seeks to develop its own portfolio of renewable energy opportunities. The acquisition essentially recycles the £4m of divestment proceeds Parkmead received from the sale of non-core areas of its renewables portfolio last March, further highgrading the portfolio.
- **Wind experience transferable.** Kempstone's experience will be of particular relevance to Parkmead's existing wind farm opportunity. Parkmead has identified substantial wind energy potential at one location that 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 the site.

Key estimates		2019A	2020A	2021A	2022E	2023E
Year end:		Jun	Jun	Jun	Jun	Jul
Revenue	£m	8.3	4.1	3.6	8.6	5.8
Adj EBITDA	£m	5.4	0.3	-11.8	5.2	2.1
Adj EBIT	£m	5.2	-0.5	-12.4	4.5	1.4
Adj PBT	£m	4.8	-0.7	-13.5	3.8	0.8
Adj EPS	p	2.4	0.8	-2.5	1.3	-0.2
DPS	p	0.0	0.0	0.0	0.0	1.0

Key valuation metrics		2019A	2020A	2021A	2022E	2023E
EV/EBIT (adj)	x	3.3	-34.4	-1.4	3.8	11.7
P/E (adj)	x	15.9	49.8	-15.6	30.2	-169.4
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	2.6%
Free cash yield	%	-2.0%	-11.1%	-4.6%	2.3%	-3.0%
Pre-tax ROCE	%	7.6%	-0.7%	-21.3%	7.5%	2.4%

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