

18 November 2016

Equity Research
Colin Smith



OIL & GAS PRODUCERS

FLASH

PARKMEAD



(Remains Unchanged)

Target Price: 105p

Share Price: 55p

(Price at close 16 November 2016)

Stock Codes PMG.L / PMG LN
Market Cap £54m
Last Published Research: 14 September 2016

Analyst
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Specialist Sales
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Absolute & Relative Performance



— Absolute
— Relative to DS Oil & Gas

Source Datastream

This is a marketing communication

FY15/16 results – Losses slashed, debt free

Parkmead's results for the year reflect the transformation in its production with the closure of loss making Athena and the start of production from Diever West. Losses were slashed to £6.7m and the company ended the year with cash of £28.3m and no debt. As a result of the transactions activity 2P reserves increased to 27.9mmboe as at 30 September with contingent resources increasing to 59.1mmboe. Increasing Dutch gas production leaves the company operating cash neutral while the intended withdrawal of Faroe from the Perth/Dolphin/Lowlander (PDL) project clears the way for Parkmead to assume full control. Parkmead continues to evaluate further acquisition opportunities. We are Buyers with a 105p per share Target Price.

- **FY15/16 results.** Parkmead slashed full year losses to 30 June to £6.7m from £31.4m in FY14/15, despite the sharp fall in the oil price. The improvement reflected the end of production at Athena and the ramp up in Dutch gas production driven by the start-up of Diever West. Cash used in operations was £10.5m (FY14/15 cash used in operations of £2.2m) while cash used in investing activities fell sharply to £2.0m (FY14/15 cash used of £12.1m). Cash and net cash ended the year at £28.3m (£29.6m at 31 December 2015), over £1m above our estimate. We have doubled our FY16/17 revenue estimate to £5.4m to reflect the stronger gas production outlook which nearly halves our forecast loss per share to 3.7p (from 6.5p).
- **Transactions boost to reserves and resources.** As a result of the deals which increased Parkmead's interest in Perth and Dolphin to 60.05% and gave it 100% interests in Polecat and Marten, 2P reserves increased to 27.9mmboe at 30 September, up 19% from YE15 while contingent resources increased by 41% to 59.1mmboe. Faroe's proposed withdrawal from the PDL project clears the way for Parkmead to assume full control and progress its development plans for the Sour Crescent.
- **105p Target Price.** We reiterate our NAV based 105p per share Target Price and Buy recommendation. The pace of deal activity is picking up and Parkmead is consolidating its position in the PDL area and increasing its Dutch production. Parkmead continues to evaluate further deals and investors are fully aware of Tom Cross's strong track record.

Year End	Sales (£m)	PBTA (£m)	EPS (p)	DPS ord (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
June							
2015A	18.6	(30.8)	(24.0)	0.0	n/a	(0.5)	0.0
2016A	10.4	(6.4)	(6.8) from: (4.7)	0.0	n/a	(15.6)	0.0
2017E	5.4	(4.6)	(3.7) from: (6.5)	0.0	n/a	(9.3)	0.0
2018E	4.4	(3.5)	(2.6)	0.0	n/a	(14.0)	0.0

Source Company Data, Panmure Gordon

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Distribution of investment ratings for equity research (as of 1 Jun 16)			Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)	
Overall Global Distribution (Banking Client*)			Buy	Total return of >10% in next 12 months
Buy	Hold	Sell	Hold	Total return >-10% and <+10% in next 12 months
74% (45%)	20% (3%)	6% (0%)	Sell	Total return <-10% in next 12 months
* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients				

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