

20 November 2015

**Rec: NA**

Price 70p  
Target price: NA

Reuters/BBG PMG  
Index FTSE AIM  
Sector Oil & Gas  
Market Cap £75m

## COMPANY COMMENT

### Parkmead Group

#### Financial strength maintained - core gas assets progressed

**We believe that Parkmead's preliminary results indicate that the company is uniquely well positioned to capitalise on sector weakness and that progress is being delivered in respect of the company's natural gas assets.**

- Financial strength:** Parkmead reported a strong cash position of £41.1 million at 30 June 2015, due partly to working capital dynamics. We focus particularly on the company's cash balance and believe that figure captures substantially all of the relevant financial information contained in the preliminary results.
- Rapid progression of gas assets:** We are delighted to see the company report that its 2014 gas discovery well in the Netherlands, Diever-2, came onstream this month (onshore gas that tested at an exceptionally high gross production rate of circa 5,000 boe/d) and that infill drilling and exploration is being advanced in the region. Moreover, the FDP plan for Platypus in the UK Southern North Sea is expected to be submitted in the coming months. We would not be surprised if a decision to drill the Blackadder gas prospect in the Southern North Sea is announced, providing another near-term catalyst for the stock. We estimate that the unrisks value of the company's discovered gas assets amounts to 92p/share and estimate that the additional unrisks value of the Selene, Possum, and Blackadder gas exploration prospects in the Southern North Sea have a combined success case value of 218p/share (based on a long-term gas price assumption of 68p/therm). Based on our detailed geological assessments, we believe each of the noted prospects has excellent prospectivity – and we remind investors that Parkmead has a 100% drilling success record which reflects the company's unrivalled geological understanding of the UK North Sea.
- Positioned to capitalise on sector weakness:** We believe that Parkmead is the best positioned oil & gas company in Europe to exploit sector weakness, due to its strong balance sheet, access to debt and equity capital markets and its proven ability to create significant shareholder value through acquisitions. We don't see anyone else as well positioned to make acquisitions in what we perceive to be European sweet spots for the creation of shareholder value: gas weighted assets in the UK and the Netherlands. We believe that there is scope, depending on market conditions and circumstance, for Parkmead to deliver an acquisition of a scale that would not be feasible under normal conditions, because everyone else in the public equity market appears to be hamstrung. Our perception is that the investment criteria for private equity also provides Parkmead with a niche (asset type, scale, transaction type) where it alone is well positioned to make value-accretive acquisitions.

#### Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

**Analyst**

Brendan Long, CFA

## Disclosures

### WH Ireland Recommendation Definitions

#### Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

#### Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

#### Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

#### Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

#### Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

#### Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

### Disclaimer

This research recommendation is intended only for distribution to Professional Clients and Eligible Counterparties as defined under the rules of the Financial Conduct Authority and is not directed at Retail Clients. This note contains investment advice of both a general and specific nature. It has been prepared with all reasonable care and is not knowingly misleading in whole or in part. The information herein is obtained from sources which we consider to be reliable but its accuracy and completeness cannot be guaranteed. The opinions and conclusions given herein are those of WH Ireland Ltd and are subject to change without notice. The report is not an offer or solicitation to buy or sell any security. Clients are advised that WH Ireland Ltd and/or its directors and employees may have already acted upon the recommendations contained herein or made use of all information on which they are based. WH Ireland is or may be providing, or has or may have provided within the previous 12 months, significant advice or investment services in relation to some of the investments concerned or related investments. Traders and salespeople may express opinions on the company that do not align with the opinions stated in this report. Recommendations may or may not be suitable for individual clients and some securities carry a greater risk than others. Clients are advised to contact their investment advisor as to the suitability of each recommendation for their own circumstances before taking any action. No responsibility is taken for any losses, including, without limitation, any consequential loss, which may be incurred by clients acting upon such recommendations. The value of the securities and the income from them may fluctuate. It should be remembered that past performance is not necessarily a guide to future performance. For our mutual protection, telephone calls may be recorded and such recordings may be used in the event of a dispute. No part of this document is to be copied or distributed without prior consent. By accepting this document, you agree to be bound by the disclaimers stated above. Please refer to [www.wh-ireland.co.uk](http://www.wh-ireland.co.uk) for a summary of our conflicts of interest policy and procedures.

### Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

### Stock Rating Distribution

As at the quarter ending 30 September 2015 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	55	75	42
Speculative Buy	15	21	14
Outperform	1	1	0
Market Perform	1	1	1
Underperform	1	1	0
Sell	1	1	0
<b>Total</b>	<b>74</b>	<b>100</b>	<b>57</b>

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

### Conflicts of Interest Policy

This research is classified as being "non-independent" as defined by the FSA's Conduct of Business Rule 12.3. Please refer to [www.wh-ireland.co.uk](http://www.wh-ireland.co.uk) for a summary of our conflict of interest policy.

Where WH Ireland acts in a professional or retained capacity for a company, the following symbols, as indicated on the front page next to the company name, apply:

- \*WH Ireland acts as NOMAD and/or Broker
- #WH Ireland makes markets in this stock
- WH Ireland provides investor relations services

### Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

### Analyst Certification

The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer.

WH Ireland is a member of The London Stock Exchange and is authorised and regulated by The Financial Conduct Authority

WH Ireland  
24 Martin Lane  
London  
EC4R 0DR  
T: 0207 220 1666  
F: 0207 220 1667

[www.wh-ireland.co.uk](http://www.wh-ireland.co.uk)