

31 March 2023

Corp

Ticker	PMG:AIM	
Oil & Gas		
Shares in issue (m)	109.3	
Next results	H1 May	
Price	38.0p	
Target price	167.0p	
Upside	339%	
Market cap	£41.5m	
Net debt/(cash)	-£21.2m	
Other EV adjustments	£0.0m	
Enterprise value	£20.3m	

What's changed?	From	To
Adjusted EPS	6.8	3.4
Target price	184.0	167.0

Share price performance



%	1M	3M	12M
Actual	-16.5	-33.3	-25.2

Company description

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

Jonathan Wright

Director of Research
jwright@finncap.com
020 7220 0543

Sales desk 020 7220 0522

Trading desk 020 7220 0533

* denotes corporate client of finncap

PARKMEAD GROUP*

Interim results

Another record set of results from Parkmead, driven by strong results from its Dutch gas business and UK renewables division. Some of the shine is taken off by a one-off retrospective Dutch windfall tax charge, while the sharp pull-back in European gas prices this year is unhelpful. Nevertheless, Parkmead's Dutch gas and UK renewables businesses remain highly profitable and free cash flow generative. Moreover, the acceleration of further growth opportunities in the Netherlands, as well as progress towards drilling the Skerryvore exploration prospect in the Central North Sea, offer multiple opportunities to add value. The balance sheet remains strong, providing ammunition for management to pursue complementary acquisition opportunities.

- **Strong interims.** Revenue jumped 140% y/y to £11.1m, driven by a more than doubling in Dutch TTF gas prices. Unit operating costs remained flat at just US\$8.6/boe. Adjusted EBITDA trebled to £7.9m, although a £4.0m retrospective Dutch windfall tax charge contributed to an adjusted net loss of £1.2m versus a £0.4m loss in the prior year period. CFFO jumped 5x to £8.6m, and the balance sheet remains strong with minimal debt and cash of £19.2m (17.6p/sh), providing ammunition for potential acquisitions, which management is actively pursuing. An impairment of £12.7m was taken on UK licence P1293 following the decommissioning of the Athena field.
- **Mixed drilling bag.** Parkmead's LDS-01 gas discovery well in the Netherlands, announced in January, has now been tied-in to the Diever field production facility, and first gas is expected imminently. The second well in the campaign, LDS-02, did not encounter commercial hydrocarbon volumes and is being assessed for reuse as a side-track into nearby targets.
- **Renewables expansion drive.** The Kempstone Hill Wind Farm generated record revenue due to its exposure to strong wholesale electricity prices, with the average exported power price realised rising 245%. Multiple new renewable energy projects are under consideration by Parkmead at existing and potential new sites, while it is also seeking acquisitions of producing assets to further expand its renewable energy portfolio.
- **Sharp pullback in gas prices hits FY24 forecasts.** We have updated our forecasts post interims and marked-to-market our FX/commodity forecasts. As a result, our FY23 revenue and adjusted EBITDA fall 4% to £21.3m and £17.2m, respectively. FY23 adjusted net profit falls a more material 50% to £4.1m due to the £4.0m one-off Dutch windfall tax charge. The impact of lower gas price forecasts following their sharp pull back of recent months is more material on FY24 estimates. Revenue declines 46% to £10.5m, with EBITDA down 55% at £6.7m and net profit 61% lower at £2.5m. End-FY24 cash drops from £18.1m to £10.7m. Our risked NAV and price target falls by 9%, from 184p to 167p/sh.

Key estimates		2020A	2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	4.1	3.6	12.1	21.3	10.5
Adj EBITDA	£m	0.3	-0.9	8.2	17.2	6.7
Adj EBIT	£m	-0.5	-1.5	7.5	16.4	5.9
Adj PBT	£m	-0.7	-2.6	4.1	3.5	5.8
Adj EPS	p	0.5	-2.2	1.2	3.4	2.1
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2020A	2021A	2022A	2023E	2024E
EV/EBIT (adj)	x	-41.7	-13.4	2.7	1.2	0.0
P/E (adj)	x	83.4	-17.0	32.4	11.1	18.0
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-11.4%	-4.8%	-2.2%	-30.9%	-4.6%
Pre-tax ROCE	%	-0.7%	-2.6%	12.9%	30.7%	11.4%

Interim results

Income statement		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Sales	£m	3.6	12.1	21.3	10.5
Gross profit	£m	2.3	11.6	19.9	8.9
EBITDA (adjusted)	£m	-0.9	8.2	17.2	6.7
EBIT (adjusted)	£m	-1.5	7.5	16.4	5.9
Associates/other	£m	-0.4	-2.2	-12.7	0.0
Net interest	£m	-0.7	-1.2	-0.2	-0.1
PBT (adjusted)	£m	-2.6	4.1	3.5	5.8
Total adjustments	£m	-10.9	-0.1	-0.1	-0.1
PBT (stated)	£m	-13.5	4.0	3.4	5.7
Tax charge	£m	-0.4	-4.8	-12.0	-3.2
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	-13.8	-0.8	-8.7	2.5
Adjusted earnings	£m	-2.6	1.4	4.1	2.5
Shares in issue (year end)	m	109.2	109.3	109.3	109.3
EPS (stated)	p	-12.7	-0.7	-7.9	2.3
EPS (adjusted, fully diluted)	p	-2.2	1.2	3.4	2.1
DPS	p	0.0	0.0	0.0	0.0

Growth analysis		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	-11.6%	236.2%	75.3%	-50.6%
EBITDA growth	%	-430.8%	n/m	108.7%	-61.2%
EBIT growth	%	-212.3%	592.1%	118.7%	-63.8%
PBT growth	%	-248.6%	256.8%	-14.3%	67.0%
EPS growth	%	-589.7%	152.6%	192.7%	-38.6%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	64.9%	95.4%	93.4%	84.4%
EBITDA margin	%	-25.3%	67.8%	80.7%	63.4%
EBIT margin	%	-42.2%	61.8%	77.1%	56.5%
PBT margin	%	-71.6%	33.4%	16.3%	55.1%
Net margin	%	-73.3%	11.5%	19.1%	23.8%

Cash flow		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
EBITDA	£m	-0.9	8.2	17.2	6.7
Net change in working capital	£m	-1.1	-0.6	0.0	0.0
Other operating items	£m	0.8	0.4	0.2	-3.8
Cash flow from op. activities	£m	-1.2	8.0	17.3	2.8
Cash interest	£m	0.0	0.0	-0.2	-0.1
Cash tax	£m	-0.1	-3.5	-8.0	-3.2
Capex	£m	-0.7	-3.8	-2.8	-1.4
Other items	£m	-0.0	-1.7	-19.2	0.0
Free cash flow	£m	-2.0	-0.9	-12.8	-1.9
Acquisitions / disposals	£m				
Dividends	£m				
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	-4.4	-0.1	2.5	-0.4
Net change in cash flow	£m	-2.4	-0.1	-10.3	-2.3
Opening net cash (debt)	£m	25.0	25.8	25.2	12.0
Closing net cash (debt)	£m	25.8	25.2	12.0	9.7

Cash flow analysis		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	n/m	97.7%	101.0%	42.2%
Cash conv'n (FCF / EBITDA)	%	217.6%	-10.9%	-74.8%	-28.8%
U/lying FCF (capex = depn)	£m	-1.9	2.2	-10.8	-1.3
Cash quality (u/l FCF / adj earn)	%	72.6%	155.6%	-265.6%	-50.2%
Investment rate (capex / depn)	x	1.1	5.2	3.6	1.9
Interest cash cover	x	net cash	n/a	83.6	19.7
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	-57.4%	-170.8%	-5.4%	-7.3%
Net working capital / sales	days	-210	-623	-20	-26
Inventory (days)	days	7	1	1	1
Receivables (days)	days	137	61	35	70
Payables (days)	days	353	685	55	98

Balance sheet		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	£m	19.3	22.5	23.3	22.7
Goodwill & other intangibles	£m	31.7	35.4	23.7	24.8
Other non current assets	£m	2.9	3.1	0.2	0.2
Net working capital	£m	-2.1	-20.7	-1.1	-0.8
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-17.0	-5.6	-5.6	-5.6
Gross cash & cash equivs	£m	23.4	23.3	13.0	10.7
Capital employed	£m	58.2	57.9	53.4	52.0
Gross debt	£m	0.5	0.9	0.9	0.9
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	57.7	57.0	52.5	51.0
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	£m	58.2	57.9	53.4	52.0

Leverage analysis		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	n/a	net cash	net cash	net cash
Liabilities / capital employed	%	0.9%	1.6%	1.8%	1.8%

Capital efficiency & intrinsic value		2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	-4.6%	2.4%	7.8%	4.9%
RoCE (EBIT basis, pre-tax)	%	-2.6%	12.9%	30.7%	11.4%
RoCE (u/lying FCF basis)	%	-3.3%	3.7%	-20.2%	-2.4%
NAV per share	p	52.9	52.2	48.0	46.7
NTA per share	p	23.9	19.7	26.3	24.0

Interim results

Records are there to be broken, and Parkmead delivered another period of record operating cash flow with its 2023 interims to end-December, fuelled again by strong pricing within its Dutch natural gas business. Some of the shine is taken off these results by a one-off retrospective Dutch windfall tax charge for calendar year 2022, while the sharp pull-back in European gas prices this year is unhelpful, as is the lack of a price floor on the UK Energy Profits Levy for its GPA farm-out ambitions. Nevertheless, Parkmead's Dutch gas and UK renewables businesses remain highly profitable and free cash flow generative. Moreover, the acceleration of further growth opportunities in the Netherlands, as well as progress towards drilling the Skerryvore exploration prospect in the Central North Sea, offer multiple opportunities to add value. In addition, the balance sheet remains strong, providing ammunition for management to pursue acquisition opportunities globally to complement its existing portfolio.

Figure 1: Parkmead interim results summary

Interim results to end-December		H1'23A	H1'22A	% Chg
Dutch TTF gas price	€/MWh	153.0	72.6	111%
Gross production	mmcf	18.0	22.2	-19%
Revenue	£'000	11,124	4,633	140%
Cost of sales	£'000	(1,331)	(837)	59%
Gross Profit	£'000	9,793	3,796	158%
Exploration expense	£'000	(153)	(465)	-67%
Admin expense	£'000	(2,049)	(1,457)	41%
Impairment/Other	£'000	(12,723)	-	-
Adjusted EBITDA	£'000	7,945	2,533	214%
EBIT	£'000	(5,132)	1,874	n.m.
Net finance expense	£'000	(32)	(588)	-95%
PBT	£'000	(5,164)	1,286	n.m.
Tax	£'000	(4,770)	(1,697)	181%
Windfall tax	£'000	(4,044)	-	-
Net profit/(loss)	£'000	(13,978)	(411)	n.m.
Adjusted net profit/(loss)	£'000	(1,245)	(411)	n.m.
Net cash flow from operations	£'000	8,576	1,704	403%
Capex and E&A	£'000	(528)	(406)	30%
Decomm expenditure	£'000	(12,754)	(233)	n.m.
Net change in cash	£'000	(4,084)	750	n.m.
Period-end cash	£'000	19,179	24,128	-21%
Period-end debt	£'000	(905)	(500)	81%
Period-end net cash/(debt)	£'000	18,274	23,628	-23%

Source: finnCap

Revenue rose 140% y/y to £11.1m, driven by a more than doubling in Dutch TTF gas prices to €153/MWh, partially offset by a 19% decline in gross production to 18.0 mmcf. This production decline was the result of minor downtime at the Grolloo field in November and December. Operating costs for its Dutch gas business remained flat y/y at just US\$8.6/boe.

Gross profit was 158% stronger at £9.8m, representing an impressive 89% gross margin. Admin expenses rose 41% from £1.5m to £2.0m due to a £0.8m non-cash revaluation expense of share appreciation rights, up from £0.2m in the prior year period. An impairment of £12.7m was also taken relating to UK licence P1293, following the decommissioning of the Athena field.

This resulted in a reported operating loss of £5.1m versus a £1.9m profit in the prior year period. However, adjusting for the non-cash impairment, operating profit increased 4x y/y to £7.6m while EBITDA trebled to £7.9m.

The net finance expense dropped from £558k to just £32k. While no breakdown is provided of this line item with the interims, we expect Parkmead to have benefited from higher interest rates on cash balances and the removal of the decommissioning provision amortisation now that the abandonment programme is nearing completion.

The tax charge for the period, excluding windfall taxes, of £4.8m was up sharply from £1.7m in the prior year period due to higher average gas prices and the low-cost nature of Parkmead's onshore Dutch gas assets.

In addition, due to a one-off windfall tax imposed by the Dutch Government and levied retrospectively on 2022 gas production, Parkmead also incurred a non-current tax liability of £4.0m relating to FY22. As a result, Parkmead had an adjusted net loss of £1.2m versus a £0.4m loss in the prior year period, although the Dutch windfall tax is not payable until May 2024.

Net cash generated from operating activities jumped 5x to £8.6m. The balance sheet remains strong with minimal debt (£0.9m), albeit cash balances fell from £23.3m at end-June to £19.2m (17.6p/sh) at the end of December due to the decommissioning activity across the UKCS. Still, this leaves Parkmead well positioned for further acquisitions, and management is actively evaluating opportunities in each of its areas of activity – renewables, gas and oil.

Decommissioning approaching completion

As disclosed with FY22 results, FY23 decommissioning spend is anticipated to be £19.2m. This expenditure relates to historical well decommissioning on Athena, Platypus and in the Greater Perth Area (GPA). Some of the increase is due to Parkmead's decision to accelerate decommissioning activity to mitigate any market tightness and avoid inflationary/supply chain issues. Some of it also reflects Parkmead's desire to be a good steward of assets, especially given it has applications in the ongoing UK 33rd Licensing Round. A significant portion of the costs relate to the GPA and are under dispute with a historic licence owner, so may ultimately be recouped.

The completion of this work, which is expected this year, will leave Parkmead with no major abandonment liabilities going forward.

Dutch gas business

As announced back in January, Parkmead registered a commercial gas discovery with the LDS-01 well in the Netherlands on the Drenthe VI concession (PMG 7.5%). Tie-in of this well to the Diever field production facility is complete and first gas is expected imminently. However, the second well in the campaign, LDS-02, did not encounter commercial hydrocarbon volumes and is being assessed for reuse as a side-track into nearby targets.

The Papekop development is said to have made significant strides in recent months as the joint venture aims to accelerate the project. The permitting process is underway, with commercial discussions progressing around transportation and offtake. The development is targeting a 36 bcf gas discovery with potential for upside through oil production.

Renewables

Record revenue of £343k was delivered from the Kempstone Hill Wind Farm. Electricity from the wind farm is sold through a PPA with an attractive inflation-linked Feed-in Tariff until 2036. This provides valuable exposure to strong wholesale electricity prices, resulting in a 245% increase in the average exported power price realised for the period. Management anticipates that a tendering process for a new PPA, effective Q3 2023, will tee up another year of strong revenues from this asset. Green Cat Renewables has also been appointed to review methods of increasing electricity generation and utilising spare generation capacity at Kempstone Hill

Multiple new renewable energy projects are under consideration by Parkmead. Environmental studies are ongoing at Pitreadie, which has the potential to form part of a major wind farm planning application, and Parkmead is conducting a scoping study on a new site in Scotland with the potential for a solar farm. Parkmead is also seeking acquisitions of grid connected assets to further expand its renewable energy portfolio.

Skerryvore exploration

During the period, Parkmead increased its stake in the high-impact Skerryvore exploration prospect in the Central North Sea from 30% to 50% and gained regulatory approval to progress into the drilling phase of the licence. Parkmead will continue as operator in this phase and is planning its first operated exploration well alongside licence partners Serica Energy (20%) and CalEnergy (30%).

Well planning activities are underway and a contract for well management services was awarded to Exceed Energy in January following an extensive tender process, and a similar process will be undertaken to secure a rig for drilling in 2024.

Greater Perth Area (GPA)

Nothing new to report on the farm-out process that is ongoing for the GPA project. However, during the period, Parkmead concluded phase one of a Net Zero feasibility study with the Scott Area partners and leading engineering consultancy Worley.

Parkmead is assessing draft commercial offers received from the Scott field partnership for the potential tie-back of the GPA project to the Scott facilities, located 10km away. A tie-back to Scott is just one path to potentially unlocking the GPA project, which provides several viable options for reinjection of the associated Perth gas, post-processing on Scott. This represents a significant step towards aligning with the NSTA strategy for reduced flaring and Net Zero developments.

Estimate changes

Following the interims, we have updated our forecasts primarily to include the licence impairment, one-off Dutch windfall tax and lower capex expectations for FY23/24. We are also marking-to-market commodity prices and exchange rates, which have moved sharply since our last update.

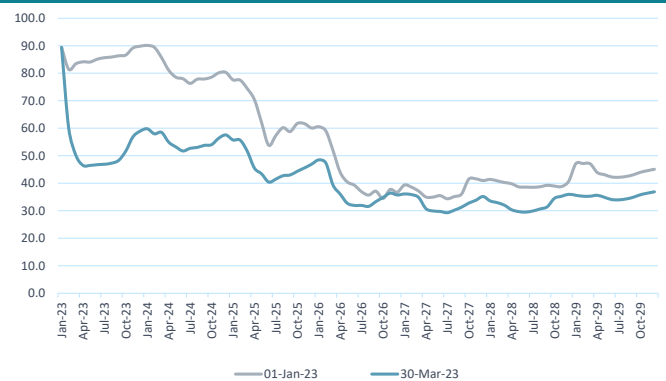
With winter behind us and gas storage levels higher than expected coming out of winter, European natural gas prices in particular have fallen sharply, from over €100/MWh at the end of last year to just €40/MWh currently. Similarly, the forward curve for Dutch gas out to late 2026 has pulled back considerably since the start of the year (Figure 4).

Figure 2: Dutch TTF gas prices (€/MWh)



Source: finncap

Figure 3: Dutch TTF gas futures curve (€/MWh)



Source: finncap

We are bringing our Dutch gas price forecasts into line with the current futures curve, lowering our FY23 estimate by 8% to €115/MWh, with a larger 50% cut in FY24 to €50/MWh. While this has a material impact on our FY24 estimates, European gas prices are likely to remain volatile and susceptible to ongoing price spikes, especially in winter. As demonstrated over the past 18 months, Parkmead’s Dutch gas business is very well positioned to take advantage of any such price spikes.

Figure 4: Parkmead estimate change summary

June yr end		FY 2022				FY 2023 estimates			FY 2024 estimates		
		Actual	New	Old	% Chg	New	Old	% Chg y/y			
Brent oil price	US\$/bbl	91.2	87.5	90.0	-3%	75.0	80.0	-6%			
Dutch TTF gas price	€/MWh	81.5	115.0	125.0	-8%	50.0	100.0	-50%			
Production	boepd	361	434	434	0%	477	477	0%			
Exchange rate	£/US\$	1.33	1.20	1.15	4%	1.10	1.00	10%			
Exchange rate	€/US\$	1.13	1.10	1.00	10%	1.10	1.00	10%			
Revenue	£'000	12,129	21,264	22,054	-4%	10,512	19,384	-46%			
Gross Profit	£'000	10,759	19,007	19,888	-4%	8,049	17,011	-53%			
Adjusted EBITDA	£'000	8,225	17,163	17,851	-4%	6,662	14,906	-55%			
Adjusted EBIT	£'000	7,412	16,308	17,063	-4%	5,839	14,139	-59%			
Net finance expense	£'000	(1,244)	(208)	(682)	-70%	(143)	(686)	-79%			
Adjusted PBT	£'000	6,168	16,101	16,381	-2%	5,696	13,452	-58%			
Tax	£'000	(4,777)	(12,029)	(8,290)	45%	(3,198)	(6,972)	-54%			
Adjusted net profit	£'000	1,391	4,072	8,091	-50%	2,498	6,480	-61%			
Net CFO	£'000	4,530	9,359	9,936	-6%	(385)	8,234	-105%			
Capex	£'000	(3,785)	(2,781)	(4,000)	-30%	(1,392)	(2,087)	-33%			
Decommissioning payments	£'000	(1,667)	(19,200)	(19,200)	0%	-	-	-			
Period-end cash	£'000	23,263	12,958	12,452	4%	10,664	18,149	-41%			
Period-end debt	£'000	(948)	(948)	(948)	-	(948)	(948)	0%			
Net cash/(debt)	£'000	22,315	12,010	11,504	4%	9,716	17,201	-44%			

Source: finnCap

As a result, our FY23 revenue and adjusted EBITDA estimates fall by 4% to £21.3m and £17.2m, respectively. FY23 adjusted PBT falls just 2% to £16.1m due to a reduction in our net finance expense forecast resulting from the removal of the charge for unwinding the decommissioning provision now that the abandonment programme is approaching completion.

Adjusted net profit falls a more material 50% to £4.1m due to the £4.0m retrospective one-off Dutch tax charge. Lower capex expectations contribute to our end-FY23 cash forecast rising by 4% to £13.0m as the Dutch windfall tax is not due to be paid until FY24.

The impact of the sharply lower gas price forecasts is more material on our FY24 estimates. Revenue declines 46% to £10.5m, with EBITDA down 55% at £6.7m and net profit 61% lower at £2.5m. Our end-FY24 cash expectation drops from £18.1m to £10.7m.

Valuation

Primarily due to the lower European natural gas price forecasts detailed above, our risked NAV and price target falls by 9%, from 184p to 167p/sh. The main adjustment is to our valuation of the Dutch gas business, which falls from 30p/sh to 22p/sh. Our Core NAV of 32p/sh should provide strong support for the shares, which have lost a third of their value since the start of the year due to falling gas prices.

Figure 5: Parkmead net asset value

Net Asset Valuation	Net resource		NPV/bbl		Unrisked NPV		Geological		Commercial		Dry hole		Risked NPV		Prior
	mmboe	US\$/boe	US\$m	p/sh	CoS	CoS	cost US\$m	US\$m	p/sh						
G&A			-19.4	-13.3				-19.4	-13.3					-13.8	
Net cash / (debt)			25.4	17.4				25.4	17.4					20.7	
Options/SARs			4.9	3.3				4.9	3.3					3.3	
Decommissioning			-20.5	-14.1				-20.5	-14.1					-15.8	
Aupec (6x 2023e EBIT)			0.1	0.1				0.1	0.1					0.1	
Pitreadie Farm Ltd land (@ cost adjusted for land sales)			5.4	3.7				5.4	3.7					3.7	
Kempstone Hill 1.5 MW Wind Farm			4.8	3.3				4.8	3.3					3.6	
			0.7	0.5				0.7	0.5					1.9	
Producing assets															
Netherlands producing	2.3	14.31	32.6	22.3	100%	100%		32.6	22.3					30.4	
Core value:			33.1	22.8				33.1	22.8					32.3	
Contingent resource:															
Pitreadie 20MW hybrid renewables project			6.6	4.5		50%		3.3	2.3					2.9	
Netherlands - Ottoland	0.7	8.59	5.9	4.1	100%	50%		3.0	2.0					2.8	
Netherlands - Papekop	0.9	8.59	7.6	5.2	100%	50%		3.8	2.6					3.6	
UK - Greater Perth Area	76.9	9.06	697.3	477.7	100%	25%		174.3	119.4					120.6	
UK - Fynn Beaully	25.1	2.50	62.8	43.0	100%	10%		6.3	4.3					4.5	
UK - Fynn Andrew	9.3	2.50	23.1	15.8	100%	10%		2.3	1.6					1.7	
Contingent value:			803.4	550.4				193.0	132.2					136.0	
Prospective resource:															
Netherlands - Drenthe VI - LDS-01/02														3.5	
UK - Skerryvore (Mey+Ekofisk+Tor)	77.7	5.02	390.0	267.2	24%	25%	5.8	17.6	12.0					12.0	
Prospective value:			390.0	267.2				17.6	12.0					15.5	
Total - Core + Contingent + Prospective:			1,226.5	840.4				243.6	167.1					183.7	

Source: finnCap

Discounted to 1 January 2023

Assumes Dutch TTF gas prices of €115/MWh in FY23, €50/MWh in FY24, €40/MWh in FY25 and €30/MWh thereafter. Long term Brent US\$70/bbl

Interim results

Income statement		2020A	2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun	Jun
Sales	£m	4.1	3.6	12.1	21.3	10.5
Cost of sales	£m	-2.0	-1.3	-0.6	-1.4	-1.6
Gross profit	£m	2.1	2.3	11.6	19.9	8.9
Operating expenses	£m	-1.8	-3.3	-3.3	-2.7	-2.2
EBITDA (adjusted)	£m	0.3	-0.9	8.2	17.2	6.7
Depreciation	£m	-0.8	-0.6	-0.7	-0.8	-0.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	£m	-0.5	-1.5	7.5	16.4	5.9
Associates/other	£m	0.4	-0.4	-2.2	-12.7	0.0
Net interest	£m	-0.6	-0.7	-1.2	-0.2	-0.1
PBT (adjusted)	£m	-0.7	-2.6	4.1	3.5	5.8
<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>-0.1</i>	<i>0.0</i>	<i>-0.1</i>	<i>-0.1</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	-0.1	-10.9	-0.1	-0.1	-0.1
PBT (stated)	£m	-0.8	-13.5	4.0	3.4	5.7
Tax charge	£m	0.3	-0.4	-4.8	-12.0	-3.2
<i>tax rate</i>	%	<i>n/a</i>	<i>n/a</i>	<i>120.5</i>	<i>356.1</i>	<i>56.1</i>
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Reported earnings	£m	-0.5	-13.8	-0.8	-8.7	2.5
Tax effect of adjustments / other	£m	1.0	11.2	2.2	12.7	0.0
Adjusted earnings	£m	0.5	-2.6	1.4	4.1	2.5
<i>shares in issue (year end)</i>	m	<i>108.6</i>	<i>109.2</i>	<i>109.3</i>	<i>109.3</i>	<i>109.3</i>
<i>shares in issue (weighted average)</i>	m	<i>106.3</i>	<i>109.2</i>	<i>109.3</i>	<i>109.3</i>	<i>109.3</i>
<i>shares in issue (fully diluted)</i>	m	<i>110.8</i>	<i>118.5</i>	<i>118.6</i>	<i>118.6</i>	<i>118.6</i>
EPS (adjusted, fully diluted)	p	0.5	-2.2	1.2	3.4	2.1
EPS (stated)	p	-0.5	-12.7	-0.7	-7.9	2.3
DPS	p	0.0	0.0	0.0	0.0	0.0

Growth analysis (adjusted basis where applicable)						
Sales growth	%	-50.7%	-11.6%	236.2%	75.3%	-50.6%
EBITDA growth	%	-94.9%	-430.8%	n/m	108.7%	-61.2%
EBIT growth	%	-109.5%	-212.3%	592.1%	118.7%	-63.8%
PBT growth	%	-115.4%	-248.6%	256.8%	-14.3%	67.0%
EPS growth	%	-81.4%	-589.7%	152.6%	192.7%	-38.6%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	51.2%	64.9%	95.4%	93.4%	84.4%
EBITDA margin	%	6.8%	-25.3%	67.8%	80.7%	63.4%
EBIT margin	%	-12.0%	-42.2%	61.8%	77.1%	56.5%
PBT margin	%	-18.2%	-71.6%	33.4%	16.3%	55.1%
Net margin	%	12.4%	-73.3%	11.5%	19.1%	23.8%

Interim results

Cash flow		2020A	2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun	Jun
EBITDA	£m	0.3	-0.9	8.2	17.2	6.7
Net change in working capital	£m	-0.5	-1.1	-0.6	0.0	0.0
Share based payments	£m	-0.1	0.0	-0.1	-0.1	-0.1
Profit/(loss) on sale of assets	£m	-0.4	0.4	0.0	0.0	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	1.5	0.4	0.5	0.3	-3.8
Cash flow from operating activities	£m	0.9	-1.2	8.0	17.3	2.8
Cash interest	£m	0.1	0.0	0.0	-0.2	-0.1
Tax paid	£m	-1.9	-0.1	-3.5	-8.0	-3.2
Capex	£m	-3.8	-0.7	-3.8	-2.8	-1.4
Other items	£m	0.0	-0.0	-1.7	-19.2	0.0
Free cash flow	£m	-4.7	-2.0	-0.9	-12.8	-1.9
Disposals	£m					
Acquisitions	£m	0.0	4.0	0.9	0.0	0.0
Dividends on ord shares	£m					
Other cashflow items	£m	-0.2	-4.4	-0.1	2.5	-0.4
Issue of share capital	£m	0.0	0.0	0.0	0.0	0.0
Net change in cash flow	£m	-5.0	-2.4	-0.1	-10.3	-2.3
Opening net cash (debt)	£m	33.6	25.0	25.8	25.2	12.0
Closing net cash (debt)	£m	25.0	25.8	25.2	12.0	9.7

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	319.6%	n/m	97.7%	101.0%	42.2%
Cash conversion (free cash flow / EBITDA)	%	n/m	217.6%	-10.9%	-74.8%	-28.8%
Underlying free cash flow (capex = depreciation)	£m	-1.7	-1.9	2.2	-10.8	-1.3
Cash quality (underlying FCF / adjusted earnings)	%	-339.6%	72.6%	155.6%	-265.6%	-50.2%
Investment rate (capex / depn)	x	5.0	1.1	5.2	3.6	1.9
Interest cash cover	x	n/a	net cash	n/a	83.6	19.7
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

Interim results

Balance sheet		2020A	2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun	Jun
Tangible fixed assets	£m	21.4	19.3	22.5	23.3	22.7
Goodwill	£m	2.2	2.2	1.1	1.1	1.1
Other intangibles	£m	36.1	29.5	34.3	22.6	23.7
Other non current assets	£m	2.9	2.9	3.1	0.2	0.2
<i>inventories</i>	£m	0.1	0.1	0.0	0.0	0.0
<i>trade receivables</i>	£m	1.4	1.4	2.0	2.0	2.0
<i>trade payables</i>	£m	-4.4	-3.5	-22.8	-3.2	-2.8
Net working capital	£m	-2.9	-2.1	-20.7	-1.1	-0.8
Other assets	£m	0.0	0.0	0.0	0.0	0.0
Other liabilities	£m	-10.4	-17.0	-5.6	-5.6	-5.6
Gross cash & cash equivalents	£m	25.7	23.4	23.3	13.0	10.7
Capital employed	£m	74.9	58.2	57.9	53.4	52.0
Gross debt	£m	3.6	0.5	0.9	0.9	0.9
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	71.3	57.7	57.0	52.5	51.0
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Capital employed	£m	74.9	58.2	57.9	53.4	52.0

Leverage analysis						
Net debt / equity	%	net cash	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	net cash	n/a	net cash	net cash	net cash
Liabilities / capital employed	%	4.8%	0.9%	1.6%	1.8%	1.8%

Working capital analysis						
Net working capital / sales	%	-70.9%	-57.4%	-170.8%	-5.4%	-7.3%
Net working capital / sales	days	-259	-210	-623	-20	-26
Inventory (days)	days	12	7	1	1	1
Receivables (days)	days	126	137	61	35	70
Payables (days)	days	397	353	685	55	98

Capital efficiency & intrinsic value						
Adjusted return on equity	%	0.7%	-4.6%	2.4%	7.8%	4.9%
RoCE (EBIT basis, pre-tax)	%	-0.7%	-2.6%	12.9%	30.7%	11.4%
RoCE (underlying free cash flow basis)	%	-2.3%	-3.3%	3.7%	-20.2%	-2.4%
NAV per share	p	65.7	52.9	52.2	48.0	46.7
NTA per share	p	30.5	23.9	19.7	26.3	24.0

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1 Bartholomew Close

London EC1A 7BL

Tel 020 7220 0500

Fax 020 7220 0597

Email info@finncap.com

Web www.finncap.com

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