

28 April 2023

## Corp

<b>Ticker</b>	PMG:AIM
<b>Oil &amp; Gas</b>	
Shares in issue (m)	109.3
Next results	H1 May
<b>Price</b>	25.0p
Target price	167.0p
Upside	568%
<b>Market cap</b>	£27.3m
Net debt/(cash)	-£21.2m
Other EV adjustments	£0.0m
Enterprise value	£6.1m

<b>What's changed?</b>	<b>From</b>	<b>To</b>
Adjusted EPS	3.4	2.9
Target price	167.0	n/c

### Share price performance



%	1M	3M	12M
Actual	-35.9	-48.3	-56.0

### 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\*

### Netherlands gas business update

Parkmead's LDS-01 well, which was recently brought into production in the Netherlands, has delivered strong dry gas production and larger than expected condensate flow rates. Due to this, the well has been temporarily shut-in to allow remedial work at the processing terminal to accommodate the higher-than-expected condensate volumes. The shut-in is expected to last around a month and knocks our FY23 EBITDA by 8%. However, gas production from LDS-01 is said to be 'excellent' and post drill analysis has indicated the well has encountered a much larger reservoir interval than initially thought, which has positive implications for reserves and valuation. Higher gas prices are also stimulating increased activity levels across Parkmead's Dutch portfolio, with new drilling and production enhancement opportunities being identified and development activity progressing. Parkmead's low-cost Dutch gas business is set to remain a key free cash flow generator for many years to come.

- **LDS-01 well temporarily shut-in to accommodate strong gas condensate production.** In addition to 'excellent' dry gas production rates, gas condensate volumes from the LDS-01 well on the Drenthe VI licence, which delivered first gas in April 2023, have been higher than expected (~250 bpd). To accommodate these better-than-expected flow rates, the well has been temporarily shut-in to allow process optimisation at the Garijp terminal. The well is currently expected to be brought back onstream in late May 2023.
- **Estimates trimmed, but price target unchanged.** We have trimmed our FY23 gas production forecast by 8% to accommodate this downtime, although higher condensate volumes provide some offset as we previously assumed negligible quantities. Our FY23 EBITDA forecast falls by 8% to £15.8m, but we are yet to have the stabilised flow rate quantified for LDS-01. The use of the adjective 'excellent' suggests we may be overly cautious. Our NPV of Parkmead's Dutch gas business remains unchanged at 22p/sh with higher future condensate volumes compensating for the temporary shut-in. However, post-drill analysis has indicated the well has encountered a much larger net pay interval than initially thought, which has positive implications for reserves and valuation. This temporary shut-in does not impact production from the adjacent Diever field.
- **Higher gas prices drive increased activity levels.** Elsewhere in the Netherlands, higher gas prices have catalysed a flurry of new activity across Parkmead's remaining licences. Subsurface studies on the Drenthe V and Andel Va licences will be finalised this year, offering the prospect of further infill and exploration drilling opportunities on the Geesbrug and Brakel gas fields. The existing Geesbrug production well is expected to undergo work this year to enhance production efficiency and the potential to retrofit production facilities at the Wijk & Aalburg fields is being evaluated. Good progress is also being made on the Papekop development, with commercial discussions advancing and FID expected in 2024.

Key estimates		2020A	2021A	2022A	2023E	2024E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	4.1	3.6	12.1	19.9	10.4
Adj EBITDA	£m	0.3	-0.9	8.2	15.8	6.6
Adj EBIT	£m	-0.5	-1.5	7.5	15.1	5.9
Adj PBT	£m	-0.7	-2.6	4.1	2.2	5.7
Adj EPS	p	0.5	-2.2	1.2	2.9	2.3
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2020A	2021A	2022A	2023E	2024E
EV/sales	x	1.5	1.7	0.5	0.3	0.0
EV/EBIT (adj)	x	-12.6	-4.0	0.8	0.4	0.0
P/E (adj)	x	54.8	-11.2	21.3	8.5	10.9
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-17.3%	-7.3%	-3.3%	-49.1%	-6.2%