

Smart Parking Ltd (ASX:SPZ)

Latest UK business update

After posting better than expected 1H FY18 results in February 2018 - with EBITDA (excluding UK VAT provisions) of A\$4.3m up 79% YoY, and with management guiding to a strong second half in an 18 April Goldman Sachs Small and Mid-Cap Conference, we were expecting SPZ to post strong full-year results.

The 17 May UK Business Update came as a shock. An internal audit uncovered non-compliance in HR and operational controls at the UK-based Parking Management division. This led to the immediate sacking of the UK Managing Director and the CFO, and the interim appointment of SPZ's CEO and MD Paul Gillespie as UK's MD. In addition, SPZ stated in the May update that it expected a combination of poor weather in 3Q FY18 and delays in the roll-out of new managed sites in 4Q FY18, to negatively impact the issuance of breach notices in the second half of the financial year (with issuances in the June quarter expected to be some 25% below initial expectations).

A follow up update released today (14 June) confirms that following an internal and thorough independent review, management's conduct, whilst inappropriate, did not involve any illegal or criminal activity. In addition, SPZ continues to operate in full compliance with the rules and regulations of the British Parking Association and Driver and Vehicle Licensing Agency (DVLA). The update states that "the Board has been swift and response in its response and now considers the investigation to be complete and is pleased to refocus SPZ on executing the Company's growth strategy in its UK business".

The update also added further detail to trading conditions in the UK. Management is guiding to 2H FY18 parking breach notices of ~185k and underlying 2H FY18 EBITDA of between A\$2-2.4m.

State One comments

With some 85% of group revenue originating from the UK-based Parking Management business, it is critical that the division refocuses on delivering its long-stated growth targets. Note: Paul Gillespie has stated that they are still targeting 15 new sites per month; at this juncture State One is maintaining its forecast of a more conservative 10 new sites per month from FY19E.

Target price: lowered by 16% to A\$0.38ps (A\$0.45 previously)

Bearing in mind the credibility issues on growth rates which have now resurfaced on the back of a significantly lower than expected second half performance, we suspect that the market will be quite prepared to wait till October/November to see the 1Q FY19 parking breach numbers. A posting of 140-150k, some 30-40% above 1Q FY18's 108k, would restore, we suspect, the market's belief in the division's operating model, and equally importantly, on its ability to deliver.

We have revised down our 75:25 weighted DCF/PER-derived target price to A\$0.38cps (A\$0.45cps previously) to take into account lower than expected 2H FY18E breach notices and EBITDA at the Parking Management division (resulting in a lower starting base for subsequent years). At current share price levels, SPZ has fallen some 57% from a pre-May 2018 announcement high of 56c. Although forecast risk has increased, we believe that SPZ now offers an attractive entry point to more speculative investors. Risks to our earnings profile and target price include, but are not limited to: GBP revenue growth at the key Parking Management Division, contract growth at the Technology Division, GBP:AUD exchange rate, UK VAT ruling, UK regulations, dependence on key personnel.

14 June 2018

Share Price: A\$0.24

Target Price: A\$0.38

Recommendation
Speculative Buy

Risk Assessment
Higher

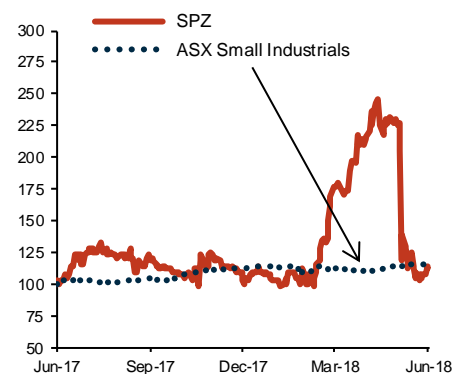
Information Technology

David Brennan, CFA
 Senior Investment Analyst
dbrennan@stateone.com.au
 +61 (0)2 9024 9142

Smart Parking Limited

ASX Code	SPZ
52 week range (A\$cps)	A\$0.20-A\$0.56
Market Cap (A\$m)	90
Shares Outstanding (m)	359
Av Daily Turnover (shares)	903k
ASX All Ordinaries	6,142
FY18E BV per share (A\$c)	A\$6.5c
FY18E EPS (A\$c)	A\$0.6c
FY18E Net (Debt)/Cash (A\$m)	7.9

Relative price performance



Source: Iress

Financial Statements

Smart Parking Ltd

Year ending June

Profit & Loss Statement (A\$M)	FY17A	FY18E	FY19E	FY20E	FY21E
Revenue	24.7	30.2	42.1	59.4	77.7
Raw materials / rental / lease	(5.1)	(6.7)	(8.1)	(9.6)	(11.2)
Employee	(10.0)	(10.5)	(11.0)	(11.6)	(12.1)
Other	(7.9)	(8.5)	(12.6)	(17.8)	(23.3)
EBITDA	1.6	4.5	10.4	20.4	31.0
Depreciation & Amortisation	(2.4)	(2.2)	(2.2)	(2.3)	(2.3)
Operating profit	(0.7)	2.3	8.2	18.1	28.7
NOI (incl. share based payments)	(0.4)	(1.0)	(0.4)	(0.4)	(0.4)
EBIT	(1.1)	1.3	7.8	17.7	28.3
Interest income	0.2	0.4	0.2	0.1	0.3
Interest expense	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Tax expense	(0.3)	(0.5)	(2.4)	(5.3)	(8.6)
Reported NPAT	(1.4)	1.1	5.6	12.5	20.0
Normalised NPAT	(1.0)	2.1	6.0	12.9	20.4
EBITDA Margin (%)	7%	15%	25%	34%	40%
Operating profit margin (%)	-3%	8%	19%	31%	37%
EPS Reported (A\$C)	(0.4)	0.3	1.6	3.5	5.6
EPS Normalised (A\$C)	(0.3)	0.6	1.7	3.6	5.7
EPS growth (%)	nm	nm	179%	115%	58%
DPS - Declared (A\$C)	0.0	0.0	0.5	1.1	1.8
Avg. no. of fully-diluted shares (m)	329	359	359	359	359
YE no. of fully-diluted shares (m)	359	359	359	359	359

Cash Flow Statement (A\$M)	FY17A	FY18E	FY19E	FY20E	FY21E
EBITDA	1.6	4.5	10.4	20.4	31.0
Investment in working capital	(1.2)	(0.2)	(0.6)	(0.7)	(0.4)
Tax expense	0.1	(0.5)	(2.4)	(5.3)	(8.6)
Operating Cash Flow	0.5	3.8	7.4	14.4	22.0
Capex	(1.5)	(2.5)	(2.6)	(2.8)	(2.9)
Other investments	0.0	(6.7)	(7.3)	0.0	0.0
Investing Cash Flow	(1.5)	(9.2)	(9.9)	(2.8)	(2.9)
Net interest received / (paid)	0.1	0.3	0.2	0.1	0.3
Debt draw down / (repayment)	0.2	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	(1.8)	(4.1)	(6.6)
Equity raised / (repaid)	11.5	0.0	0.0	0.0	0.0
Financing Cash Flow	11.9	0.3	(1.6)	(4.0)	(6.3)
Non-operating & Other	(0.8)	(1.0)	(0.4)	(0.4)	(0.4)
Inc/(Dec) in Cash	10.1	(6.1)	(4.5)	7.2	12.4

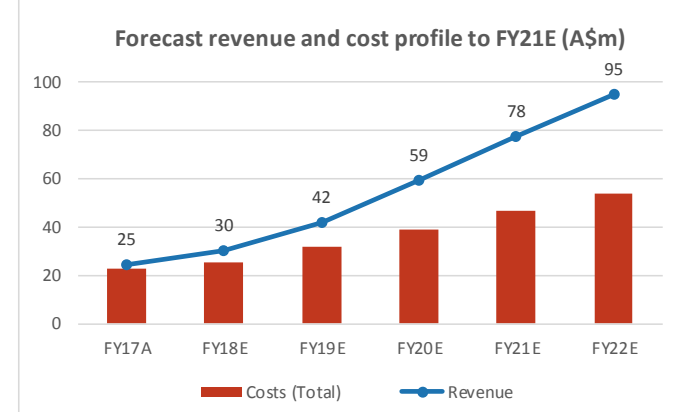
Balance Sheet (A\$M)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash & Equivalents	14.2	8.2	3.6	10.8	23.2
Receivables	5.7	6.6	8.8	11.9	14.8
Inventories	1.5	1.8	2.5	3.6	4.7
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE	3.5	3.8	4.2	4.7	5.2
Deferred tax asset	1.2	1.2	1.2	1.2	1.2
Other Non Current Assets	2.7	9.4	16.7	16.7	16.7
Total Assets	28.8	31.0	37.1	48.8	65.8
Payables and other current Liabilities	6.2	7.3	9.6	13.0	16.5
Short Term Debt	0.2	0.2	0.2	0.2	0.2
Long Term Debt	0.1	0.1	0.1	0.1	0.1
Other Non Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	6.5	7.5	9.9	13.2	16.8
Total Equity	22.3	23.5	27.2	35.6	49.0
Net Cash/(Debt)	14.0	7.9	3.4	10.6	23.0

Substantial Shareholders	%	Date
Invia Custodian Pty Limited	30.7	
HSBC Custody Nominees	8.7	Feb-18
Pie Funds Management	7.6	

Source: Company, IRESS, State One Stockbroking forecasts

Revenue composition (A\$M)	FY17A	FY18E	FY19E	FY20E	FY21E
Technology (external)	3.7	6.4	8.6	11.0	13.6
Parking Management	21.0	23.8	33.5	48.4	64.0
Group	24.7	30.2	42.1	59.4	77.7

Parking Management	FY17A	FY18E	FY19E	FY20E	FY21E
Average monthly site revenue (£)	6,000	5,500	5,500	5,500	5,500
Annual % change	-	-8%	0%	0%	0%
No. of managed sites - average	173	212	299	419	539
Annual % change	-	22%	41%	40%	29%
Revenue (£m)	12.5	14.0	19.7	27.7	35.6
Annual % change	-	12%	41%	40%	29%
GBP:AUD exchange rate	1.68	1.70	1.70	1.75	1.80
Revenue (A\$m)	21.0	23.8	33.5	48.4	64.0
Annual % change in Prk Mngt. Rev	-	13%	41%	44%	32%
Sites managed - beginning period	-	185	239	359	479
Sites managed - end period	185	239	359	479	599
Sites managed - annual increase	-	54	120	120	120
Sites managed - monthly increase	-	5	10	10	10



Leverage	FY17A	FY18E	FY19E	FY20E	FY21E
Net Debt/Equity	63%	34%	12%	30%	47%
Gearing (ND/ND+E)	49%	25%	9%	22%	35%
Interest Cover (x)	na	na	na	na	na

Valuation Ratios (x)	FY17A	FY18E	FY19E	FY20E	FY21E
Normalised P/E	na	39.4	14.1	6.6	4.1
Price/OP Cash Flow	176	22	11.4	5.9	3.8
Book value per share (A\$C)	6.2	6.5	7.6	9.9	13.6
EV/EBITDA	47	18	8	3.9	2.2
ROE (%)	-4%	9%	22%	36%	42%

Weighted Target Price

Valuation method	Target (A\$C)	Weighting (%)	Share price (A\$C)		Capital gain (%)
			Target	Current	
EPS/PER	35	75%	38	24	63%
DCF	48	25%			

EPS/PER valuation based on 2-year rolling of 3.4cps and PE multiple of 10x

Company Profile: Smart Parking (ASX:SPZ) formerly Car Parking Technologies Limited is involved in the design, development, and management of parking technology. The company has two divisions: 1) Parking Management - headquartered in the UK and specialising in managing car parks on behalf of retail customers, land owners and managing agents and, 2) Technology - designs and specialises in on-street and off-street parking technology and software that enables clients to manage parking efficiently and cost effectively. The Technology Division has acquired a number of contract wins in the UK, Australia, and New Zealand. Growth drivers for the Parking Management operations include increasing the number of sites under management (in the UK) and adding technology to managed sites.

SPZ Board Directors (Source: Company)



Chris Morris

Non-Executive Chairman

Chris is a founding member of Computershare Limited (established in 1978) and was appointed Chief Executive Officer in 1990. Chris' extensive knowledge of the securities industry and its user requirements from both a national and international perspective, coupled with his passion and long term strategic vision, have been instrumental in developing Computershare into a global company that is unique in its provision of a full range of solutions to meet the needs of listed companies and their stakeholders.

In September 2010 he relinquished his executive responsibilities at Computershare but retains the role of Non-Executive Chairman. Chris now brings his extensive experience guiding Computershare to the board of Smart Parking.



Paul Gillespie

Managing Director & Group CEO

Paul was appointed CEO of Smart Parking in January 2013. Before joining Smart Parking Paul was leading the UK division of Xerox Parking Services where he was successful in running two business units providing hardware and software solutions to a variety of public and private organisations. Whilst at Xerox Paul was responsible for all sales, operations and finance activities along with the development and delivery of new products to the UK parking market.

Prior to Xerox Paul was working for the Stanley organisation in a sales management capacity selling a range of technology products to government and private sectors.

Paul comes to Smart Parking from the UK with 10 years of experience in the parking technology market place and is focused on growing the Smart Parking business globally in the coming months and years.

Penelope Maclagan, Director (Non-Executive)

Ms Maclagan has over 30 years' experience and knowledge in the securities industry having led Computershare's Technology Services business until 2008. Ms Maclagan is a Non-Executive Director of Computershare Limited.

Tiffany Fuller, Director (Non-Executive)

Ms Fuller is a qualified CA, with a 25 years' career across Chartered Accounting, Corporate Finance, Investment Banking, and Private Equity. Ms Fuller is a Non-Executive Director of Computershare Limited and Costa Group Holdings Limited.

Jeremy King, Director (Non-Executive)

Mr King is a corporate lawyer with over 15 years' experience in domestic and international legal, financial and corporate matters. Mr King is a Non-Executive Director of DTI Group Limited, Transcendence Technologies Limited, Red Mountain Mining Limited, and HER Resources Limited.

General Advice Warning

The contents of this document have been prepared without taking account of your objectives, financial situation or needs. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any officer, agent or employee of State One Stockbroking Ltd. If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

Disclosure

The directors and associated persons of State One Stockbroking Ltd may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.

This report was prepared solely by State One Stockbroking Limited. ASX did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation by State One Stockbroking Limited, in accordance with the ASX Equity Research Scheme. ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports.

The Research Analyst who prepared this report hereby certifies that the views expressed in this research document accurately reflect the analyst's personal views about the company and its financial products. The research analyst has not been and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report. This research at all times remains the property of State One Stockbroking Ltd. And as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from an Executive Director of State One Stockbroking Ltd.

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Thomas Tan
Equities Advisor
Phone: +61 2 9024 9131
ttan@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Dawn Chia
Business Development Manager
Phone: +61 8 9288 3336
dawn.chia@amscot.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
dbrennan@stateone.com.au