

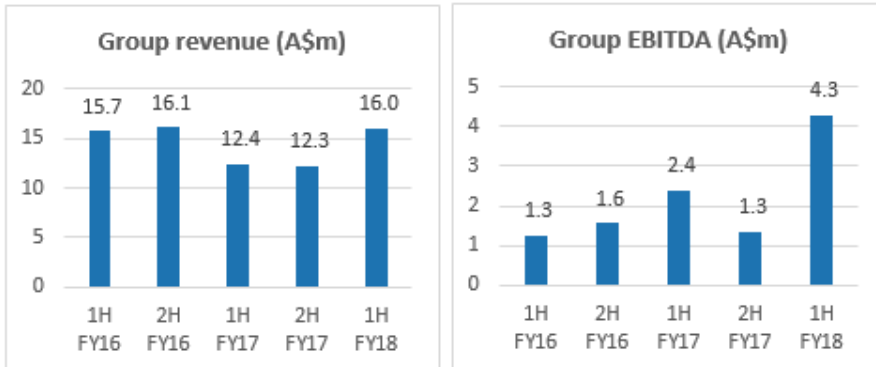


Smart Parking Ltd (ASX: SPZ)

Interim results: outperforming our expectations

Smart Parking (ASX:SPZ) posted 1H FY18 revenue of A\$16m, up 29% on the previous corresponding period (pcp) and up 30% on the prior period. EBITDA of A\$4.3m (backing out a A\$0.5m provision for potential changes to UK VAT expenses) was up 79% on the pcp and up 230% on the prior period.

Interim revenue and EBITDA



Source: Company, compiled by State One Stockbroking

State One comments

Revenue at the UK-based Parking Management division grew by 42% YoY (backing out the discontinued Matalan business), reflecting strong contract growth in the group's Automatic Number Plate Recognition technology; EBITDA margin growth to 37% from 5% demonstrates the benefit of foregoing low-margin manned contracts in favour of high-margin tech-based business opportunities. Revenue (external) at the group's Technology (sensors/software) division more than doubled to A\$3.2m from A\$1.6m, while EBITDA - although still negative - improved to -A\$0.5m from -A\$1.1m.

Target price: increased to A\$0.45ps (A\$0.38 previously)

Our revised 75:25 weighted DCF/PER-derived target price of A\$0.45ps indicates some 50% upside potential relative to current share price levels. **We maintain a Speculative Buy (Higher Risk) recommendation**

Key Financials

Year-end June	FY17A	FY18E	FY19E	FY20E	FY21E
Sites under contract (aver)	173	245	365	485	605
YoY increase in sites	-	120	120	120	120
Site income per month (£)	6,000	5,500	5,500	5,500	5,500
Park Mngt revenue (£m)	12.5	16.2	24.1	32.0	39.9
GBP:AUD exchange rate	1.68	1.70	1.70	1.75	1.80
Park Mngt revenue (A\$m)	21.0	27.5	41.0	56.0	71.9
Technology revenue (A\$m)	3.7	6.4	8.6	11.0	13.6
Group revenue (A\$m)	24.7	33.9	49.5	67.0	85.5
Normalised NPAT (A\$m)	(1.0)	4.6	9.7	16.7	24.4
EPS Reported (A\$c)	(0.4)	1.2	2.6	4.5	6.7
EPS Normalised (A\$c)	(0.3)	1.3	2.7	4.7	6.8
DPS (A\$c)	-	-	1	1.5	2.2
PER (x)	na	23.3	11.0	6.3	4.3
Net (debt) / cash (A\$m)	14.0	10.6	8.3	18.1	33.3
Capex (A\$m)	(1.5)	(2.5)	(2.6)	(2.8)	(2.9)

Source: IRESS, Company Data, State One Stockbroking. Share price: \$ 0.295 Feb 28, 2018

1 March 2018

Share Price: A\$0.30

Target Price: A\$0.45

Recommendation
Speculative Buy

Risk Assessment
Higher

Information Technology

David Brennan, CFA

Senior Investment Analyst

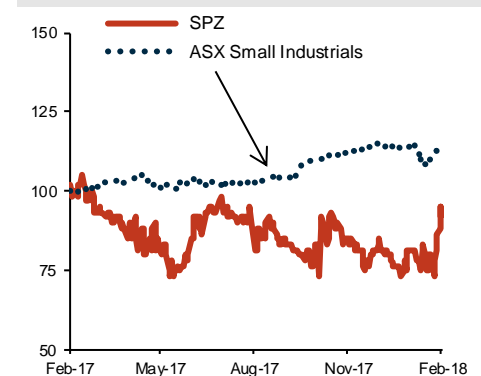
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Smart Parking Limited

ASX Code	SPZ
52 week range (A\$cps)	A\$0.21-A\$0.31
Market Cap (A\$m)	101
Shares Outstanding (m)	359
Av Daily Turnover (shares)	280k
ASX All Ordinaries	6,117
FY18E BV per share (A\$c)	A\$7.4c
FY18E EPS (A\$c)	A\$1.3c
FY18E Net (Debt)/Cash (A\$m)	10.6

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	33.9	49.5	67.0	85.5
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)	(14.9)	(20.1)	(25.7)
EBITDA	1.6	8.2	15.6	25.8	36.5
Depreciation & Amortisation	(2.4)	(2.2)	(2.2)	(2.3)	(2.3)
Operating profit	(0.7)	6.0	13.3	23.5	34.2
NOI (incl. share based payments)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
EBIT	(1.1)	5.6	12.9	23.1	33.8
Interest income	0.2	0.4	0.3	0.3	0.6
Interest expense	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Tax expense	(0.3)	(1.8)	(4.0)	(7.0)	(10.3)
Reported NPAT	(1.4)	4.2	9.3	16.3	24.0
Normalised NPAT	(1.0)	4.6	9.7	16.7	24.4
EBITDA Margin (%)	7%	24%	31%	38%	43%
Operating profit margin (%)	-3%	18%	27%	35%	40%
EPS Reported (A\$c)	(0.4)	1.2	2.6	4.5	6.7
EPS Normalised (A\$c)	(0.3)	1.3	2.7	4.7	6.8
EPS grow th (%)	nm	nm	112%	73%	46%
DPS - Declared (A\$c)	0.0	0.0	0.9	1.5	2.2
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	8.2	15.6	25.8	36.5
Investment in working capital	(1.2)	(0.5)	(0.8)	(0.6)	(0.4)
Tax expense	0.1	(1.8)	(4.0)	(7.0)	(10.3)
Operating Cash Flow	0.5	5.9	10.8	18.1	25.9
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	0.3	0.2	0.5
Debt draw down / (repayment)	0.2	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	(3.1)	(5.4)	(7.9)
Equity raised / (repaid)	11.5	0.0	0.0	0.0	0.0
Financing Cash Flow	11.9	0.3	(2.8)	(5.2)	(7.4)
Non-operating & Other	(0.8)	(0.4)	(0.4)	(0.4)	(0.4)
Inc/(Dec) in Cash	10.1	(3.4)	(2.3)	9.8	15.2

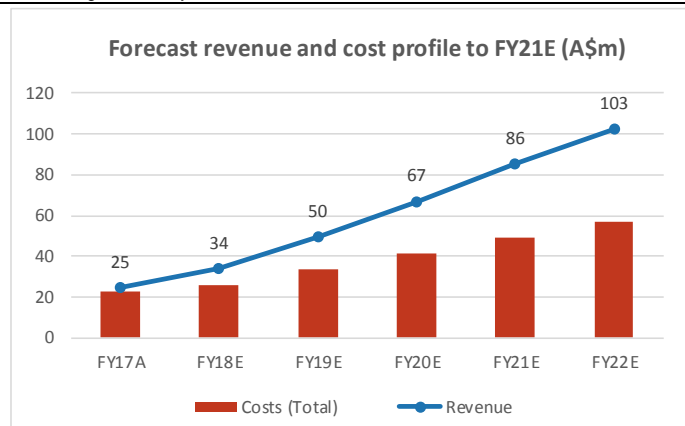
Balance Sheet (A\$m)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash & Equivalents	14.2	10.9	8.5	18.4	33.5
Receivables	5.7	7.5	10.4	13.4	16.2
Inventories	1.5	2.0	3.0	4.0	5.1
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE	3.5	3.8	4.2	4.7	5.2
Deferred tax asset	1.2	1.2	1.2	1.2	1.2
Other Non Current Assets	2.7	9.4	16.7	16.7	16.7
Total Assets	28.8	34.8	44.0	58.3	78.0
Payables and other current Liabilities	6.2	8.0	11.0	14.4	18.1
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	8.3	11.3	14.7	18.3
Total Equity	22.3	26.5	32.7	43.6	59.7
Net Cash/(Debt)	14.0	10.6	8.3	18.1	33.3

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	27.5	41.0	56.0	71.9
Group	24.7	33.9	49.5	67.0	85.5

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	245	365	485	605
Annual % change	-	41%	49%	33%	25%
Revenue (£m)	12.5	16.2	24.1	32.0	39.9
Annual % change	-	30%	49%	33%	25%
GBP:AUD exchange rate	1.68	1.70	1.70	1.75	1.80
Revenue (A\$m)	21.0	27.5	41.0	56.0	71.9
Annual % change in Prk Mngt. Rev	-	31%	49%	37%	28%
Sites managed - beginning period	-	185	305	425	545
Sites managed - end period	185	305	425	545	665
Sites managed - annual increase	-	120	120	120	120
Sites managed - monthly increase	-	10	10	10	10



Leverage	FY17A	FY18E	FY19E	FY20E	FY21E
Net Debt/Equity	63%	40%	25%	42%	56%
Gearing (ND/ND+E)	49%	30%	19%	31%	43%
Interest Cover (x)	na	na	na	na	na

Valuation Ratios (x)	FY17A	FY18E	FY19E	FY20E	FY21E
Normalised P/E	na	23.3	11.0	6.3	4.3
Price/OP Cash Flow	221	18	9.8	5.8	4.1
Book value per share (A\$c)	6.2	7.4	9.1	12.1	16.6
EV/EBITDA	54	11	6	3.2	1.8
ROE (%)	-4%	17%	30%	38%	41%

Weighted Target Price

Valuation method	Target (A\$c)	Weighting (%)	Share price (A\$c)		Capital gain (%)
			Target	Current	
EPS/PER	40	75%	45	30	51%
DCF	58	25%			

EPS/PER valuation based on 2-year rolling of 4.0cps and PER 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.

Target price, recommendation and risks

With SPZ in a forecast ramp-up phase, we suggest that a 100%-weighted PER valuation underestimates the company's intrinsic value; conversely, we suggest that (in the absence of corporate activity) a 100%-weighted DCF valuation is too "long-dated".

Attaching a 75% weighting to our EPS/PER multiple valuation, and a 25% weighting to our DCF-derived valuation, we calculate a target price for SPZ of A\$0.45 (rounded).

At current share price levels of A\$0.30, we calculate that SPZ offers some 50% upside potential. **We maintain a Speculative Buy (Higher risk) recommendation.**

Figure 1: Target price calculation

Valuation method	Target value (A\$)	Weighting (%)	Target price (A\$)	Current share price (A\$)	Capital gain / (loss)
EPS/PER	40	75%	45	30	51%
DCF	58	25%			

Source: IRESS, State One Stockbroking forecasts

Over the last two years, the share price has traded in a broad band between A\$0.24 and A\$0.30. We believe that earnings headwinds caused by the marked depreciation in the Great British Pound (GBP) following the shock Brexit result in mid-2016, and the loss of Parking Management contracts at supermarket chains Asda and Matalan in the June 2017 quarter, account for this uninspiring share price pattern.

Looking ahead, we suggest that success in gaining new contracts at the Parking Management division (we forecast an increase of 120 new sites (net) per annum), and a concomitant improvement in group EBITDA and cash flow, should act as key share price catalysts.

Risks to our earnings profile and target price include, but are not limited to:

- Revenue growth at the Parking Management Division.** We forecast that the Parking Management Division will contribute some 86% of group (external) revenue between FY18E and FY22E. Clearly, the near-term fortunes of SPZ are closely aligned to how well operations at this UK-based operation perform. Our forecast five-year revenue growth at this division (33% CAGR in GBP, 35% CAGR in AUD) is largely dependent on our forecast of SPZ securing 120 (net) new contracted sites per annum (10 per month) over the FY18E-FY22E forecast period. If the number of new contracted sites falls to 60pa (5 per month), our PER/NPV-derived target price falls by around 50% to around A\$0.23ps (i.e., below current share price levels).
- Technology Division performance:** We forecast that revenue from SPZ's Technology operations will continue to represent a smaller, though still material, contribution to the overall group. Lower than forecast sensor sales, and slower than expected take-up of its Smart City technology platform, could reduce divisional performance relative to our base-case forecasts.

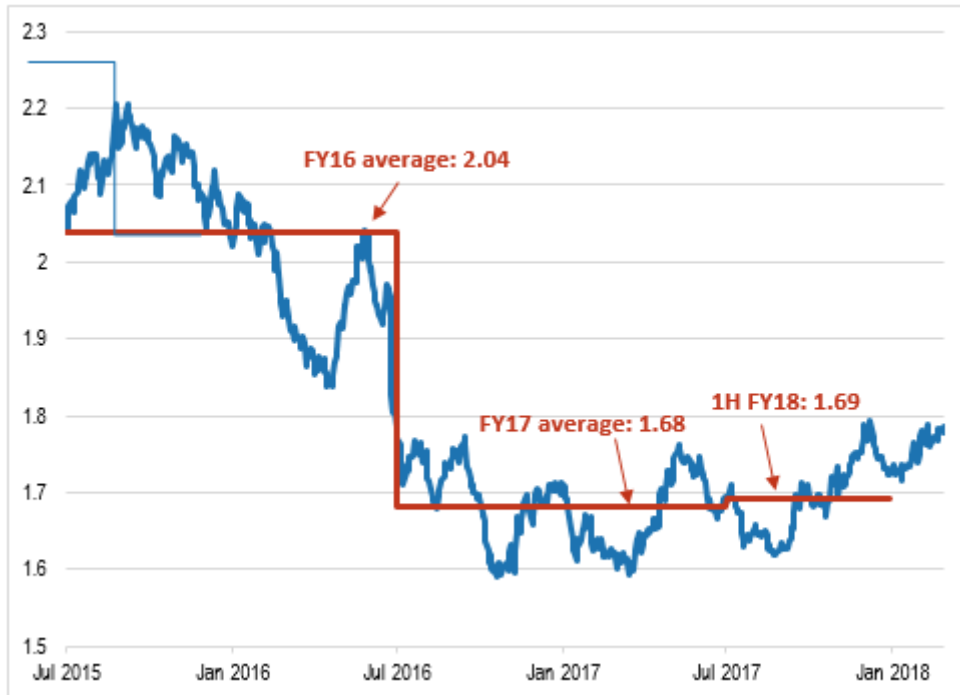
Recommendation:

Speculative Buy
(Higher risk)

Target Price: A\$0.45

- GBP:AUD exchange rate.** 100% of Parking Management’s revenue originates in the UK. The 18% depreciation in sterling from A\$2.04 in FY16 to A\$1.68 in FY17 acted as a significant (and unexpected) headwind to the group’s AUD earnings in the last financial year. In 1H FY18 the average exchange rate was relatively unchanged at A\$1.69; the current spot exchange rate is A\$1.78. We forecast an average of A\$1.70 for the current financial year (FY18E). **A stronger-than-forecast sterling will positively impact our earnings forecast.**

Figure 2: GBP:AUD exchange rate



Source: IRESS, State One Stockbroking forecasts

- UK tax:** As at 30 June 2017, SPZ booked a provision of A\$1.3m for the treatment of input VAT incurred on expenditure relating to the administration of Parking Breach Notice activities. In 1H FY18, SPZ booked a charge of A\$0.5m to provide for potential changes to VAT treatment. SPZ is currently seeking to clarify its position with the UK tax authorities (HMRC), and is seeking to work collaboratively with HMRC to resolve the position amicably without litigation. SPZ intends to vigorously defend its position if an agreeable outcome cannot be reached. If SPZ is unsuccessful in defending its position, a further A\$4m (net of the provision) will potentially be owed to HMRC. In addition, we estimate that an unfavourable VAT ruling could reduce margins at the Parking Management Division by five (5) percentage points.
- Increased competition from new and existing parking technology competitors.
- Regulatory risks: The UK vehicle-parking market is subject to extensive regulation. Changes to the regulatory environment could impose additional capital and operational obligations on SPZ.
- Dependence upon key personnel.

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.

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