

Smart Parking Ltd

No standing still on its growth runway

Smart Parking Ltd (ASX:SPZ) is engaged in the design, development, and management of its proprietary parking technology across Australia, New Zealand, the United Kingdom and Germany. The company services more than 800 customers globally and manages almost 900 sites, with a global target of 1,500 sites by 2025. On a monthly basis, SPZ's technology processes more than 13m vehicles passing through its sites. Its technology is processing more than 31m transactions a day. The company generated a 68% increase in revenue in FY22 to \$38.1m while adjusted EBITDA increased almost three-fold to \$8.8m. FY22 was also a year of expansion for Smart Parking in which it built new foundations in Germany, Australia and New Zealand while continuing to scale the core business in the UK. Currently, 80% of revenue is generated in the UK and while this region is still growing, with 303 new sites in FY22 and acquisition opportunities, Smart Parking is looking to expand into European markets, with Germany its first foray. This expansion should progress the company to its stated growth target of 1,500 sites globally under management by June 2025. SPZ as recently as late October affirmed this target was on track.

Business model

Smart Parking operates three business divisions: Parking Management; Technology; and Research and Development. Revenue is derived from parking breach notices (PBNs) and long-term contracts on monitoring technology and real-time information derived from the technology. PBNs generate around 83% of revenue for the group and are expected to remain the main source of income for the company. The company's proprietary technology, SmartCloud, allows successful plate matching with infringement business rules and manages the full life cycle of a breach notice from issuance to payment or collection. The company's clients include retail, property owners and managers, and councils.

Maiden profit in FY22, FY23 is tracking ahead

The company delivered its maiden underlying NPAT in FY22 of \$1.5m following strong growth in both revenue (up 85% on the previous corresponding period) and adjusted EBITDA (up four-fold to \$8.8m). FY22 also saw record PBNs issued, up 81% versus the pcp. SPZ has reported (presentation on 26 October 2022) that FY23 is experiencing continued growth with results year to date tracking ahead of the pcp. PBNs in July/August were more than 26% ahead of the same two months in 2021, with almost 120k PBNs issued. As at 23 September, the company had 896 sites, 30 of these in New Zealand, which is a new region for the company, and 45 in Australia, which also is scaling. SPZ noted that its NZ parking services operations are now EBITDA and operating cashflow positive. Smart Parking has also signed its first sites in Germany where it has set ambitious growth targets in a large addressable market of more than 90,000 sites. The company has flagged that it is expecting further profitable growth in FY23.

Trading at a discount to tech index, closest peer

Smart Parking is trading at a significant discount to its Australian-listed tech peers. The ASX/S&P All Tech Index is currently trading on a median of 3.9x EV/Sales historical and 3.4x forward, compared with SPZ's 2.6x FY22 EV/Sales multiple (based on the current share price). There is no direct peer in terms of business model. We view the closest as AVA Risk Group, a global-focused smart security and sensing technology group, which is also profitable operationally, and at just over 3.0x FY22 EV/Sales is trading at a premium to SPZ.

Historical earnings and ratios (in A\$m unless otherwise stated)

| Year end | Revenue | Gross Profit | EBITDA adj.* | NPAT adj.* | NPAT rep. | EPS adj.* (c) | EV/Sales^ (x) | EV/EBITDA^ (x) | PER^ (x) |
|----------|---------|--------------|--------------|------------|-----------|---------------|---------------|----------------|----------|
| 06/19a | 27.2 | 22.0 | 0.3 | (4.7) | (4.9) | (1.31) | 0.9 | n.m. | n.a. |
| 06/20a | 21.6 | 14.4 | (0.9) | (6.5) | (7.3) | (1.82) | 1.9 | n.a. | n.a. |
| 06/21a | 20.7 | 13.7 | 2.2 | (3.1) | 5.3 | (0.86) | 3.4 | 32.2 | n.a. |
| 06/22a | 38.2 | 29.8 | 8.8 | 1.5 | 1.0 | 0.42 | 1.8 | 7.9 | 43.0 |

Source: Company data; Refinitiv; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items
^based on year-end share prices

Software & Services

8 November 2022

Share Details

| | |
|-------------------------|---------|
| ASX code | SPZ |
| Share price (7-Nov) | \$0.27 |
| Market capitalisation | \$94.7M |
| Shares on issue | 350.9M |
| Net cash at 30-Jun-2022 | \$10.8M |
| Free float | ~45.9% |

Share Performance (12 months)



Upside Case

- Significant expansion opportunity in Europe
- UK acquisitions have added scale opportunities
- Current run rate puts global target of 1,500 sites well on track to beat 2025 deadline

Downside Case

- Currency risk – ~80% of revenue generated in pounds sterling
- Acquisitions fail to deliver on growth prospects
- Fails to reach 1,500 sites

Catalysts

- Achieving its global target of 1,500 sites
- Evidence of successful EU expansion

Comparable Companies (Aust/NZ)

AVA Risk Group (ASX:AVA)

Board and Management

| | |
|--------------------|-----------------------|
| Christopher Morris | Non-Exec. Chair |
| Paul Gillespie | Managing Director/CEO |
| Jeremy King | Non-Exec. Director |
| Fiona Pearse | Non-Exec. Director |
| Richard Ludbrook | CFO/CoSec |
| Johanna Hiney | UK General Manager |

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- how we are paid, and
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