

28 October 2020

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Smart Parking Limited (SPZ)

Technology Hardware & Equipment

Underperform

SPZ A\$0.12**TARGET PRICE A\$0.09**

Smart Parking Limited designs, develops, and manages parking technology in New Zealand, Australia, the United Kingdom, and internationally. It operates in Technology, Parking Management, and Research and Development segment. The company develops and sells smart city and Internet of Things (IoT) technology, hardware, and software for parking solutions.

Company Data

Number of shares	359.2M
Market Capitalisation	\$ 39.5M
Free float (%)	35.3
12-month high/low	\$0.26/\$0.07
Average Daily Turnover (\$m)	0.0005
% S&P/ASX200	0.00%
DDM Ranking	413
% All Ordinaries	N/A
GICS Industry Group	Electronic Equipment & Instruments

Source: FactSet, Barclay Pearce Capital

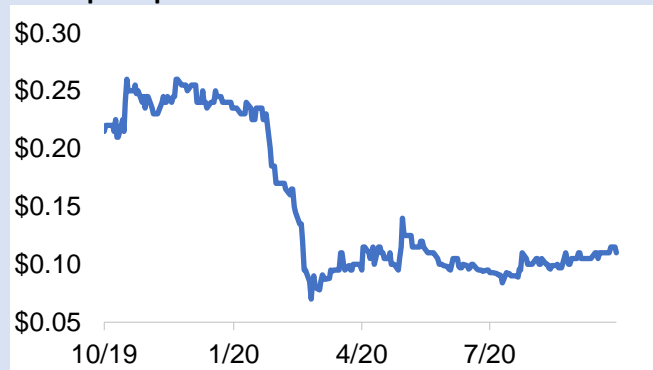
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	21.6	29.4	35.7	41.0
EBITDA (\$M)	-3.4	4.7	8.3	11.6
Reported NPAT (\$M)	-7.1	0.3	3.2	6.0
Adjusted NPAT (\$M)	-7.3	0.3	3.2	6.0
Adjusted EPS (¢ - FD)	-2.0	0.0	0.1	0.2
Adjusted EPS growth (%)	180.6	-100.5	700.0	100.0
Adjusted P/E (x)	-5.4	1,047.6	131.0	65.5
Dividend (¢/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	-105.4	2.5	22.6	40.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

1QFY21 Business Update

1Q21 Business Update

On 28 October 2020, Smart Parking Limited (SPZ) has provided a 1QFY21 business update with the following highlights:

- Positive Group operating cashflow (including lease payments) of \$0.6m;
- Cash on hand at 30 September of \$9.3m (includes UK Coronavirus Business Interruption Loan draw down of \$2.7m) up from \$6.3m year ended 30 June 2020;
- UK sales team re-structure delivering results with 56 new site installations for Q1;
- UK installed estate performing to expectations despite COVID-19 restrictions;
- NZ Services business established with 2 sites currently being installed;
- Technology project delays across all territories due to COVID-19, order book and work in progress of \$3.2m; and
- Strategy to leverage market leading technologies into large global addressable markets intact. 1,000 sites under management expected by June 2023.

Outlook

SPZ is expecting to continue its market recovery and execute its growth strategy as it taps into new opportunities:

- Parking Breach Notices ("PBNs") fell 80% in April compared to the monthly average for the year prior and have rebounded 388% from COVID-19 lows;
- 56 new sites were added in Q1 FY21, with 5 site removals in Q1 FY21, corresponding to a net increase of 51 sites. Also, there are 40 new committed sites in the Q2 FY21 pipeline;
- Gatwick Airport - Equipment has been delivered, and the deposit received. Installation due for H2 FY21;
- Recent contract win for Queen Victoria Market (Melbourne, Australia) to install a parking guidance systems across 500 bays in H2 FY21;
- Q2 FY21 underway with 40 new ANPR installations in the pipeline;
- Focused on growing the NZ Managed Services offering with more sites in the pipeline for Q2; and
- New IoT product launches in progress that will open up wider pools of customers and greater revenue opportunity in the technology business.

On the 24th of August 2020, SPZ announced their outlook of a net increase of 49 sites in Q1FY21 and 200 new sites for FY21.

Earnings changes

SPZ saw a net increase of 51 new sites in Q1 FY21, in line with their expectations of a net addition of 49 new sites as reported in the 2020 annual report. Thus, SPZ is maintaining their pipeline growth and is expected to meet their previous target of 200 new sites in FY21, however it has also demonstrated a strong rebound in PBNs, such that cash on hand has increased from \$6.3m year ended 30 June 2020 to \$9.3m as of 30 September 2020. Hence, we have made positive earnings revisions of 5% for future periods.

We are initiating on SPZ with a 12-month price target of \$0.09 and an Underperform recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	41.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)