

Smart Parking Ltd

Improving H218 outlook

Smart Parking Ltd (SPZ.AX) is engaged in the design, development and management of parking technology. The company originally was formed after a reverse listing of NZ company Meter Eye Ltd into Empire Beer Group and renamed Car Parking Technologies Ltd (CPZ.AX). The company was rebranded Smart Parking Ltd in June 2013 after acquiring the UK parking management services business Town and City Parking. Since listing the company has raised \$38.6m, with the most recent raising, in late 2016, a placement and entitlement offer at A\$0.20/share to raise \$11.1m. The company reported H118 NPAT of \$2.2m, a five-fold increase on pcp, and its strongest half yearly result to date. SPZ flagged an improving outlook in H218 for both its divisions.

Strategy

SPZ operates two divisions, the sale of parking technology hardware (sensors), software and additional services and the provision of parking management solutions to landowners, managing agents and retailers in the UK. This division contributes 85% of the group's revenues from more than 200 sites in the UK. The Parking Management division's products and solutions include Automatic Number Plate Recognition (ANPR), pay and display, parking attendants, marshalling, site surveys, wifi services and smart phone payments.

Interim Result, Outlook and Consensus forecasts

SPZ reported H118 revenues of \$16.1m, up 26% year-on-year, and EBITDA adjusted of \$3.8m, up 115% y-o-y. EBITDA margins increased to 23.6% from 14.2% in pcp. The operating profit result included a provision for UK VAT, which reduced EBITDA in H217 by \$1.3m and H118 by \$0.5m. The cash conversion rate was 82% with operating cashflow for the half at \$3.1m. SPZ's management noted that the UK management services business had recovered from the loss of the Matalan contract in H217 and despite the VAT provision had increased EBITDA 38% to \$4.8m in the half and increased the EBITDA margin by 5% to 37%. SPZ anticipated further growth from its current sales pipeline. Significantly SPZ's technology division more than halved its operating loss to \$0.47m and commentary from management on the company's earnings call suggested that this division was on track to break even within its current sales pipeline which SPZ is forecasting will be \$4.7m in H218 (including \$1.4m in recurring revenue) versus \$3.8m in H118. We note that consensus pre-results, for which there is only one broker, is for second half NPAT of \$1.9m.

Earnings history and Consensus forecasts (A\$m)

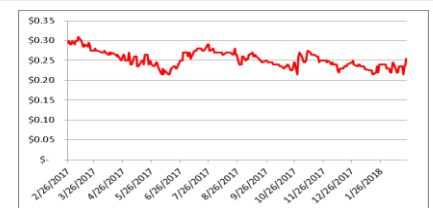
Y/E	Revenue	EBITDA	EBIT	NPAT*	DPS (c)	EPS (c)*	PE (x)	P/CF (x)	Yield (%)
06/16	31.8	1.4	(0.5)	(1.5)	n/a	0.16	160.6	(8.6)	n/a
06/17	24.8	1.3	(0.2)	(1.4)	n/a	(0.29)	(88.)6	128.5	n/a
06/18e	35.0	n/a	n/a	4.1	n/a	1.1	22.5	n/a	n/a
06/19e	42.0	n/a	n/a	7.4	n/a	2.1	12.5	n/a	n/a

Source: Company data; Consensus for FY18 and FY19 derived from Stockopedia.com

Share details

ASX Code	SPZ
Share Price	\$0.26
Market Capitalisation	\$92M
Number of shares	359.23m
Enterprise Value	\$77M
Free Float	50.0%

Share price performance



RaaS RAP 5-point score* = 1/5

Revenue increasing (0) EPS increasing (0), Return on Capital Employed [ROCE] 0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(0)

Upside Case

- Winning whole city contracts in NZ, Australia, UK for its sensors
- Experienced and stable board and management
- Councils, landlords and agents are looking for smarter, more cost effective solutions for city parking

Downside Case

- Currency risk – 85% of revenues generated in pounds sterling
- UK vehicle parking market is highly regulated
- Capital intensive before a return

Catalysts

- Delivering on or bettering consensus estimates

Comparative companies (Australia & NZ)

ARA.AX

Substantial Institutional Shareholders

Pie Funds Management 7.56%

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