

# Smart Parking Limited

## Enterprise Software - Software as a Service

Rating <b>BUY</b> unchanged	Price Target <b>A\$0.50</b> ↑ from A\$0.45
SPZ-ASX	Price <b>A\$0.40</b>

### Market Data

52-Week Range (A\$) :	0.19 - 0.44
Market Cap (A\$M) :	139.7
Shares Out. (M) :	349.3
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0
Enterprise Value (A\$M) :	130.0
Cash (A\$M) :	9.7
Long-Term Debt (A\$) :	0.8

FYE Jun	2023A	2024E	2025E	2026E
Sales (A\$M)	45.2	58.3↑	69.5↑	78.4↑
Previous	-	57.7	68.8	77.6
EBITDA Adj (A\$M)	11.5	16.7↑	21.6↑	26.8↑
Previous	-	16.2	21.1	26.2
EBIT (A\$M)	6.1	10.6↓	15.6↓	20.8
Previous	-	10.8	15.7	-
EV/Sales (x)	2.9	2.2	1.7	1.3
EV/EBITDA (x)	11.3	7.6	5.4	3.8



Priced as of close of business 19 February 2024

Smart Parking is a technology-enabled parking management provider, operating in ANZ and Europe through two core divisions, Parking Management and Technology.

**Annabelle Holden** | Analyst | Canaccord Genuity (Australia) Ltd. | AHolden@cgf.com | 61.2.9263.2728  
**Owen Humphries** | Analyst | Canaccord Genuity (Australia) Ltd. | ohumphries@cgf.com | +61.2.9263.2702

## 1H24 result; unit economics continue to strengthen

SPZ's 1H24 result illustrated an acceleration in its top-line growth trend, which coupled with its margin expansion to record levels, resulted in a +10% beat to earnings against market expectations. **Revenue of \$27m increased 20% vs. pcp** (+26% excl. Aust); CGe \$28m) and **gross profit of \$21m**, increased +23% vs. pcp (CGe \$20m), representing a gross profit margin of 77% (+500 bps hoh). **EBITDA of \$7.6m increased +44% vs. pcp and was +10% ahead of CGe** (\$6.6m), driven by its margin expansion to historic highs of 28% (2H23: 27%; 1H23: 24%; 2H22: 19%). This has been achieved against a +15% increase in the groups fixed cost base to \$13m, which is expected to remain broadly flat over the coming 12 months. SPZ exhibits strong operating leverage to revenue growth, **generating 1H24 incremental EBITDA margins 50%** (CGe long term margins of 35% margins).

The company reported adj. EBIT/NPAT of \$4.4m/\$3m translating to EPS growth of +20% to \$0.66. **Net cash closed at \$9m (vs. pcp \$10m) and SPZ generated an adj. FCF of \$3m**, despite start expansion into Denmark and the acquisition of ParkInnovation for \$2m (Jul-23).

**Earnings revisions:** We revise our FY24E, FY25E and FY26E EBITDA estimates +3%, +3% and +2% to reflect the strengthened margin profile of the group.

### Key result considerations

- Site growth expected to accelerate-** SPZ have reiterated guidance to reach 1500 sites by Dec-24, which requires a site addition rate of +24/month. In 1H24, SPZ achieved monthly site growth rate of +18/mth to 1,219, with strong momentum in NZ (+40 sites hoh) offsetting softer growth in the UK (+50 sites hoh). Germany performed in line with expectations (+33 sites vs. pcp). Management guided to an acceleration driven by 1) recent restructures in the UK sales function; 2) continued momentum in NZ market, with additional sales resources in the region; and 3) ramp-up in new geographies (contracts signed in Denmark to be mobilized in 2H24, CGe). We are seeing early indications of acceleration, with 2H24 TD site additions increasing to +20/mth (1,243 sites) and anecdotal evidence of a strengthened sales pipeline.
- Regional expansion to Denmark -** SPZ commenced operations in Denmark in Feb-24, expanding SPZ's total TAM c.7% to 150k sites (<1% penetration). A regional Sales Director (from a larger regional competitor) has been hired and a number of contracts are signed and expected to contribute to revenue in late 2H24. Denmark is a particularly attractive, with >90% gross profit margin (CGe) as a result of limited transactional costs to access vehicle data and digital/email ticket issuance. Management continues to evaluate new regional expansion opportunities, having previously flagged ambitions to be in >10 geographies and maintain a strategy to enter new regions organically, with the potential to use M&A as a lever to accelerate site growth.
- UK Parking Code -** No major update on the UK Parking Code was provided, however, SPZ remains in conversations with government bodies following its submission of evidence in 1H24. An outcome was initially expected around March, however, based on UK election timing and current cadence of proceedings, we now do not expect absolute outcome in the next ~12 months.

On its current unit economics (\$42k rev/site; >35% incremental EBITDA margins) and site guidance (1,500 at Dec-24), **implies SPZ trades on a look through forward EV/EBITDA multiple of <5x**. In our view, this does not reflect the growth of the business (+26% lfl revg; +50% inc. EBITDA margins) or the strength of its unit economics. Recent comparable private equity transactions in the UK imply a valuation of ~\$0.70ps, relative to current trading of \$0.40ps indicating the marginal investor is pricing in a more material change in the regulatory environment than the private equity market. As the UK parking regulatory concerns weigh on the stock, we expect its share price

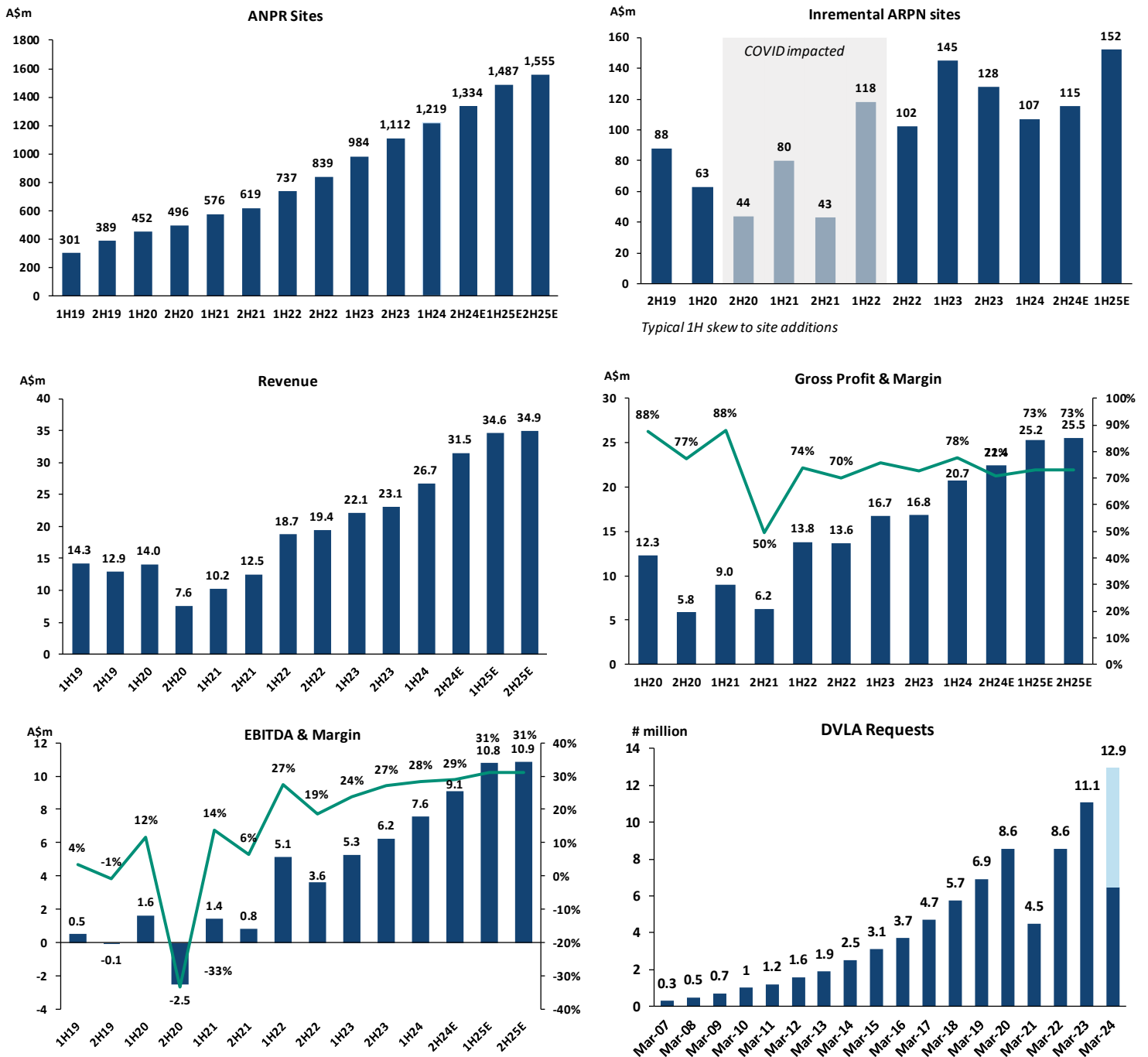
to be driven by its earnings growth as its multiple holds. Any positive outcome on the UK Parking Code should herald a large and sustainable multiple re-rating in our view. Maintain a BUY rating and increase our price target to \$0.50ps.

**Figure 1: Financial Summary Smartparking (ASX-SPZ)**

							Market Cap		\$ 139.7			
							Share Price		\$ 0.40			
Smart Parking (SPZ)												
Profit & Loss (A\$m)							Company profile					
Revenue	22.7	38.1	45.2	58.3	69.5	78.4	Smart Parking Limited (ASX: SPZ) is a technology-enabled parking management solutions provider operating in the United Kingdom, Germany, New Zealand and Australia.					
COGS	-7.5	-10.7	-11.6	-15.1	-18.8	-20.4	Ticker	ASX:SPZ				
Gross Profit	15.2	27.5	33.5	43.1	50.7	58.0	Rating	BUY				
Opex	-13.0	-18.7	-22.0	-26.4	-29.1	-31.2	Target price	\$ 0.47				
Adj. EBITDA	2.2	8.8	11.5	16.7	21.6	26.8	Market capitalisation	\$ 139.7				
D & A	-3.6	-4.5	-5.4	-6.0	-6.0	-6.0	Valuation ratios	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	-1.4	4.3	6.1	10.6	15.6	20.8	EPS (cps)	0.3	1.8	2.7	3.4	4.5
Net Interest Expense	-0.5	-0.7	-0.6	-0.4	0.0	0.0	Enterprise Value (\$m)	130	130	127	116	102
NPBT	-1.8	3.6	5.5	10.3	15.6	20.8	EV/Revenue	3.4	2.9	2.2	1.7	1.3
Tax expense	-1.8	-1.1	0.2	0.0	-3.9	-5.2	EV/Gross Profit	4.7	3.9	3.0	2.3	1.8
NPAT (Normalised)	-3.6	2.4	5.7	10.3	11.7	15.6	EV / EBITDA (x)	14.9	11.3	7.6	5.4	3.8
Significant items	8.8	-1.5	0.7	-0.7	0.0	0.0	EV/EBIT	30.4	21.3	12.0	7.4	4.9
NPAT (Reported)	5.2	1.0	6.4	9.6	11.7	15.6	P/E (x)	147.9	22.0	14.6	11.9	8.9
Gross Profit Margin (%)	67%	72%	74%	74%	73%	74%	DPS (cps)	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	10%	23%	25%	29%	31%	34%	Payout ratio (%)	0%	0%	0%	0%	0%
EBIT Margin (%)	-6%	11%	14%	18%	22%	27%						
NPAT Margin (%)	23%	3%	14%	16%	17%	20%						
Cash Flow (A\$m)							Dupont Analysis					
Operating EBITDA	2.2	8.8	11.5	16.7	21.6	26.8	Net Profit Margin	2.5%	14.1%	16.4%	16.9%	19.9%
- Interest & Tax Paid	0.0	0.0	-0.2	-0.4	-3.9	-5.2	Asset Turnover	0.8	0.8	0.9	0.9	0.8
+/- change in Work. Cap.	0.8	1.4	-1.7	-5.5	-1.0	-1.2	ROA (%)	2.0%	11.4%	14.8%	14.9%	16.4%
- other	4.0	0.0	-0.2	0.0	0.0	0.0	Financial Leverage	2.8	2.4	1.9	1.7	1.5
Operating Cashflow	7.0	10.1	9.3	10.8	16.8	20.4	ROE (%)	5.5%	26.9%	28.7%	25.3%	25.3%
- PPE Capex	-2.0	-3.8	-5.3	-4.1	-4.1	-4.1	Balance Sheet ratios	FY22A	FY23A	FY24E	FY25E	FY26E
- Intangibles	-0.1	-0.2	-0.4	-0.6	-0.6	-0.6	Net Debt (cash)	-9.3	-9.4	-12.5	-23.9	-37.7
Free Cashflow	5.0	6.0	3.6	6.1	12.1	15.7	NTA per share (\$)	0.04	0.06	0.08	0.12	0.16
- Other/Acquisition	0.0	-1.9	0.0	0.0	0.0	0.0	Price / NTA (x)	10.5	7.1	5.1	3.4	2.5
- Ord Dividends	0.0	0.0	0.0	0.0	0.0	0.0	Shares on issue (m)	352.6	349.3	349.3	349.3	349.3
- Equity /other	-0.3	-3.8	-4.0	-2.4	-1.9	-1.9	EFPOWA (m)	356.6	350.9	349.3	349.3	349.3
Net Cashflow	4.7	0.3	-0.4	3.7	10.2	13.8	Assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
Cash at beginning of period	6.5	11.3	10.8	10.7	14.5	24.7	Revenue growth	68%	18%	29%	19%	13%
+/- fx / other	0.1	-0.2	0.3	0.0	0.0	0.0	Gross profit margin	72%	74%	74%	73%	74%
Cash at end of period	11.3	11.4	10.7	14.5	24.7	38.5	Opex growth	44%	18%	20%	10%	7%
Balance Sheet (A\$m)							ANPR Sites (#)					
Cash	11.3	11.4	10.7	13.2	24.7	38.5		839	1,112	1,334	1,555	1,757
Receivables	7.7	10.0	13.7	17.8	19.7	21.8	ANPR Sites Additions (#)					
PPE	6.5	8.2	10.0	10.4	10.9	11.4		220	273	222	220	202
Right-of-use asset	10.8	14.0	15.3	14.9	14.9	14.9	Revenue per site (\$'000)					
Intangibles	2.0	3.8	4.0	5.7	5.7	5.7		46	42	40	42	42
Other	1.4	1.7	2.2	2.6	2.7	2.7	Interim Analysis					
Total Assets	39.8	49.1	56.0	64.6	78.5	95.1	Revenue	19.4	22.1	23.1	26.7	31.5
Payables	6.3	10.6	10.9	9.8	10.8	11.8	Gross profit	13.6	16.7	16.8	20.7	22.4
Lease Liabilities	11.3	14.7	16.4	15.8	15.8	15.8	Adj. EBITDA	3.6	5.3	6.2	7.6	9.1
Borrowings	2.8	2.1	1.3	0.8	0.8	0.8	EBITDA margin (%)	18.7%	23.8%	27.1%	28.3%	28.9%
Other Liabilities	8.5	14.9	14.6	14.7	15.6	16.6						
Total Liabilities	22.6	31.7	32.3	31.3	32.3	33.2						
NET ASSETS	17.3	17.5	23.7	33.3	46.2	61.8						

Source: Company Reports, Canaccord Genuity estimates

**Figure 2: Key growth charts**



Source: Company Reports, Canaccord Genuity estimates

**Figure 3: CG earnings revisions**

	FY22A	FY23A	FY24E			FY25E			FY26E		
			prev.	Curr.	% chg	prev.	Curr.	% chg	prev.	Curr.	% chg
ANPR Sites	839	1112	1334	1334	0%	1555	1555	0%	1757	1757	0%
<b>Revenue</b>	<b>38.1</b>	<b>45.2</b>	<b>57.7</b>	<b>58.3</b>	<b>1%</b>	<b>68.8</b>	<b>69.5</b>	<b>1%</b>	<b>77.6</b>	<b>78.4</b>	<b>1%</b>
COGS	-10.7	-11.6	-16.2	-15.1	-6%	-18.6	-18.8	1%	-20.2	-20.4	1%
<b>Gross Profit</b>	<b>27.5</b>	<b>33.5</b>	<b>41.5</b>	<b>43.1</b>	<b>4%</b>	<b>50.2</b>	<b>50.7</b>	<b>1%</b>	<b>57.4</b>	<b>58.0</b>	<b>1%</b>
Margin %	72%	74%	72%	74%		73%	73%		74%	74%	
Opex	-18.7	-22.0	-25.3	-26.4	4%	-29.1	-29.1	0%	-31.2	-31.2	0%
<b>Adj. EBITDA</b>	<b>8.77</b>	<b>11.5</b>	<b>16.2</b>	<b>16.7</b>	<b>3%</b>	<b>21.1</b>	<b>21.6</b>	<b>3%</b>	<b>26.2</b>	<b>26.8</b>	<b>2%</b>
Margin %	23%	25%	28%	29%		31%	31%		34%	34%	
D&A	-4.5	-5.4	-5.4	-6.0		-5.4	-6.0		-5.4	-6.0	
<b>EBIT</b>	<b>4.3</b>	<b>6.1</b>	<b>10.8</b>	<b>10.6</b>		<b>15.71</b>	<b>15.61</b>		<b>20.84</b>	<b>20.82</b>	
Finance Expense	-0.7	-0.6	0.0	-0.4	-	0.0	0.0	-	0.0	0.0	-
<b>NPBT</b>	<b>3.6</b>	<b>5.5</b>	<b>10.8</b>	<b>10.3</b>		<b>15.7</b>	<b>15.6</b>		<b>20.84</b>	<b>20.8</b>	
Tax	-1.1	0.2	0.0	0.0	-	-3.9	-3.9		-5.2	-5.2	
<b>NPAT (Normalised)</b>	<b>2.4</b>	<b>5.7</b>	<b>10.8</b>	<b>10.3</b>		<b>11.8</b>	<b>11.7</b>		<b>15.6</b>	<b>15.6</b>	

Source: Company Reports, Canaccord Genuity estimates

## Appendix: Important Disclosures

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Date and time of first dissemination: February 19, 2024, 14:30 ET

Date and time of production: February 19, 2024, 12:26 ET

### Target Price / Valuation Methodology:

Smart Parking Limited - SPZ

Our price target is based on a DCF methodology ( $K_e$ : 12.8%,  $\beta$ : 1.6x, ERP 5.5%, LT EBIT margin 30%), incorporating a low terminal multiple (7x EBIT; [-40% discount to XSI]) given the potential risks stemming from the changes to the UK Parking Act.

### Distribution of Ratings:

#### Global Stock Ratings (as of 02/19/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	601	65.40%	22.63%
Hold	137	14.91%	10.22%
Sell	12	1.31%	8.33%
Speculative Buy	158	17.19%	48.10%
	919*	100.0%	

\*Total includes stocks that are Under Review

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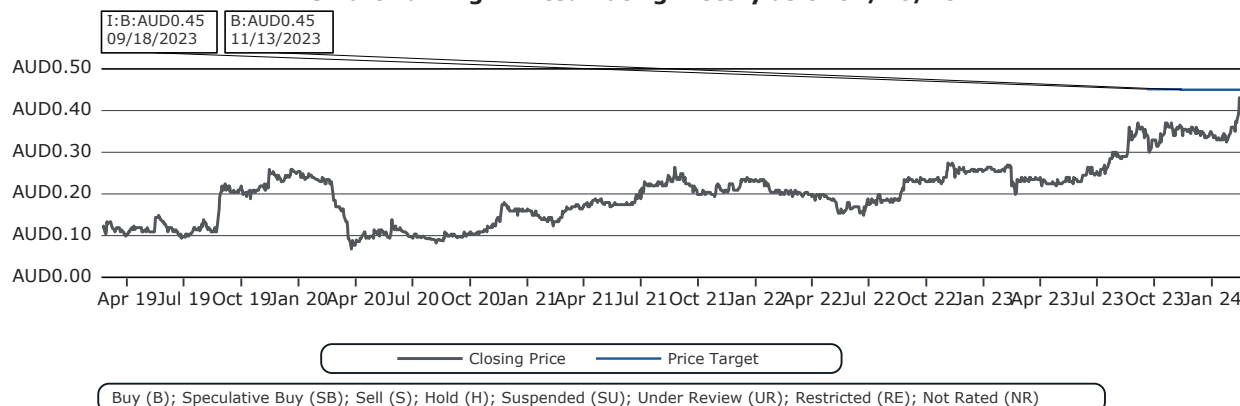
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### Smart Parking Limited Rating History as of 02/16/2024



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