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Smart Parking Limited (ASX:SPZ)

FY20 Results

24 August 2020
CEO Paul Gillespie

smartparking.com

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Smart Parking Ltd (ASX:SPZ)

A global company focused on delivering pioneering technology innovations and solutions within the parking industry

Parking management services

Provision of parking management solutions, predominantly servicing the retail sector, managing agents and land owners in the UK.

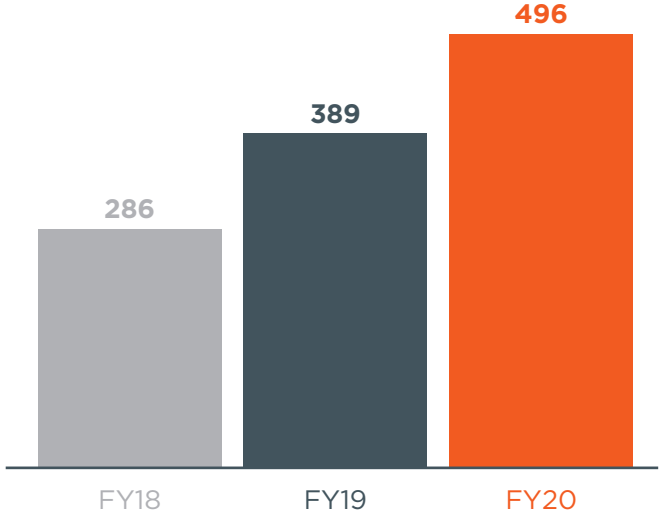
Technology

The sale of Smart City and IoT (Internet of Things) technology, hardware and software predominantly for parking solutions around the world.

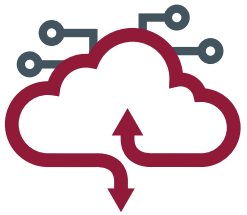
Research & development

We develop proprietary solutions to enhance Smart City, IoT and ANPR software/hardware for both the Technology and Parking Management divisions.

FY20 Results |
Sites Managed - ANPR



8 MILLION CARS PER MONTH THROUGH UK ESTATE



OVER 31m SMARTCLOUD TRANSACTIONS PER DAY

OVER 500 CUSTOMERS WORLDWIDE

OPERATING IN OVER 10 TERRITORIES

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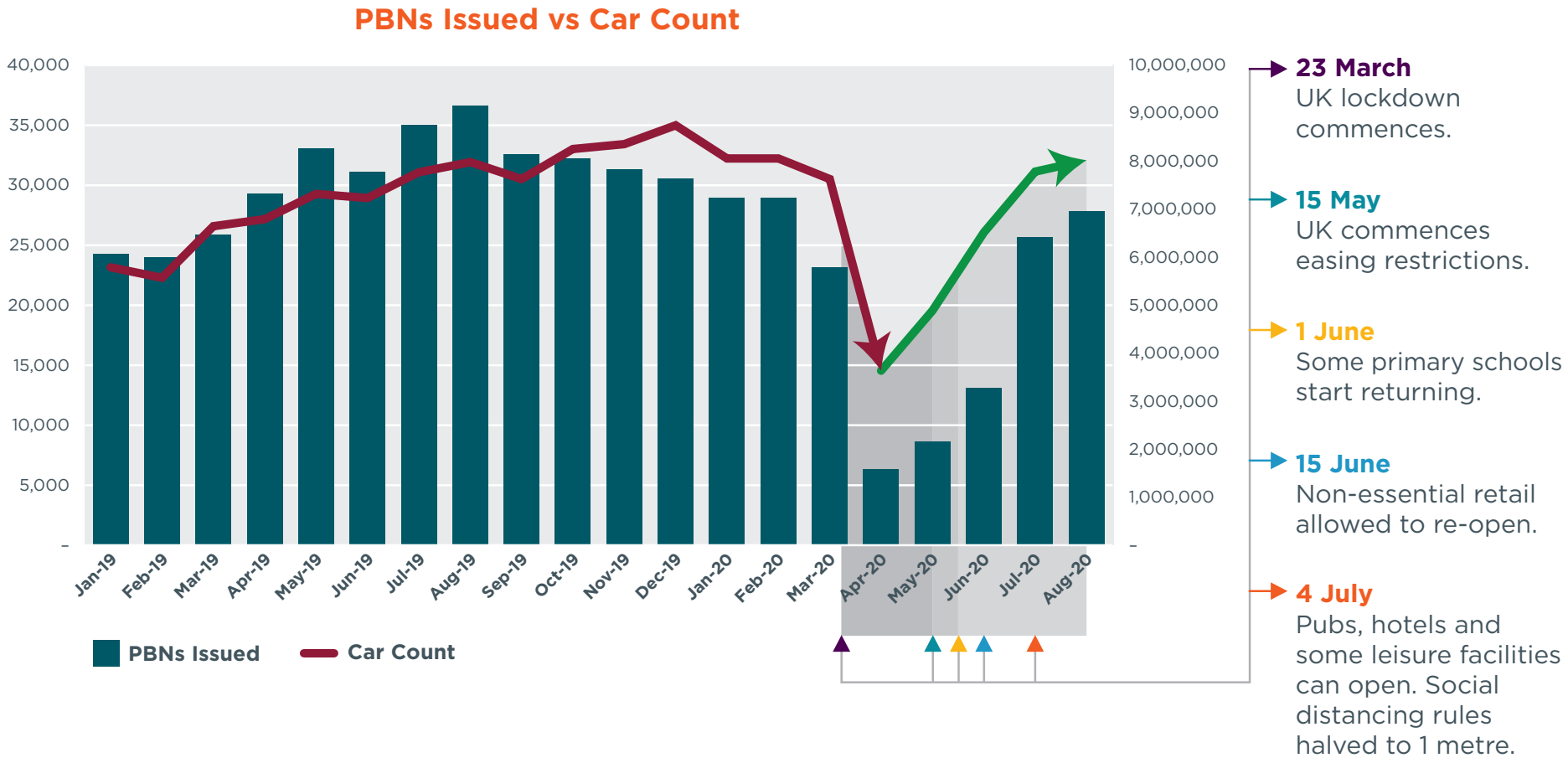
Recovery under way

| PBNs fell 80% in April compared to the monthly average for the year prior and have rebounded 350% from COVID-19 lows



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COVID-19 Impact, Response & Recovery

Impact of lockdown and proactive measures to ensure SPZ can sustain a protracted downturn

Impact of lockdown on Smart Parking and driver behaviour

- Car count fell 60% in lockdown – rebounded 135% since COVID-19 lows.
- 80% drop in PBNs vs pre-lockdown
  Higher drop in PBNs due to:
  - Shorter customer stay time
  - Lower contravention rate
  - Site closures during lockdown
  - Higher cancellations for NHS and essential workers
- Delayed technology installations will see revenue recognised in FY21.

Proactive response initiatives have an annualised reduction in personnel costs of AUD$2.5m

- Reduction in fees for Directors of 40%
- Salary reduction of CEO, CFO and CTO of 20%
- Salary reduction of all other staff of between 10% & 15%
- 75 UK employees furloughed under the UK government COVID-19 job retention scheme.
- Deferral of all non-essential projects and capital expenditure including the roll out of technology on new UK parking sites during the lockdown period.

Strong balance sheet to self fund **recovery and growth** strategies

- Car count rebounded 138% as restrictions begin to lift.
- August PBNs recovered by 350% from COVID-19 lows – currently 10% down on monthly average for the prior year.
- New site installations re-started with 15 completed in June and on track to achieve 55 new installations in Q1 FY21 with a focus on 200 new sites for the year.
- Winning new business and growth continued with KFC.
- $3.0m of contracted technology orders to install.
- Installations underway in all operating territories.

SMART PARKING

FY20 Financial Update

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Smart Parking Group

FY20 revenue reduction due to impact of COVID-19 with:

- A 14% reduction in PBNs issued in the management services business as a result of the lower car count and contravention rate.
- YTD PBNs to February 2020 (prior to COVID-19) were up 8% on the same period in the prior year, 27% excluding the removal of a few large sites.
- The delay in new site installations in the management services and technology businesses.
- The Company implemented cost saving initiatives to ensure Smart Parking can sustain a protracted downturn while maintaining core capabilities to enable the company to take advantage of a recovery.
- Depreciation and amortisation increased due to capital expenditure on new installations and the adoption of IFRS 16.
- July EBITDA positive and cash flow neutral
  - 20 sites installed
  - 25,750 PBNs issued

Refer to supplementary information on page 20 for more details on IFRS 16 reconciliation.

FY20 Results | Group Profit & Loss (m)

	FY19	**FY20[1]**
Revenue	26.9	**21.5**
Cost of Sales[2]	(11.7)	**(9.3)**
Gross Profit[2]	15.2	**12.2**
Overheads[2]	(14.9)	**(13.1)**
Adjusted EBITDA[2]	0.3	**(0.9)**
Depreciation & Amortisation	(1.9)	**(3.7)**
Other	(0.2)	**(0.1)**
Adjusted EBIT[2]	(1.8)	**(4.7)**
Non-operating/Non-recurring Items	(3.5)	**(2.5)**
Net Interest	0.2	**(0.4)**
Net Profit/(Loss)	(5.1)	**(7.6)**
Tax Expense	0.2	**0.3**
Net Profit/(loss) after tax	(4.9)	**(7.3)**
Ratios (pre IFRS 16 Adjustments)		
Gross Margin %[2]	56.2%	57.0%
Overheads/Revenue %[2]	55.3%	61.0%
EBITDA Margin %[2]	1.0%	-4.1%
EPS (cents per share)	(1.37)	(2.02)

1 Includes IFRS 16 adjustments (unless otherwise stated)
2 The balances are adjusted for amounts that are not related to underlying operations or not expected to occur in the future

Segment reporting

(000's)	Revenue			EBITDA				Adjusted EBITDA Margin (Pre IFRS 16)	
	FY19	**FY20**	**FY20 vs FY19**	FY19	**FY20 (Pre IFRS 16)**	**FY20 (Post IFRS 16)**	**FY20 vs FY19 (Pre IFRS 16)**	FY19	**FY20**
Parking Management	21,692	**17,244**	**(20.5%)**	3,609	1,419	**3,103**	**(60.7%)**	16.6%	**8.2%**
Technology Division	7,650	**6,718**	**(12.2%)**	(1,213)	(1,899)	**(1,775)**	**56.6%**	(15.9%)	**(28.3%)**
Research & Development	-	**-**	**-**	(1,020)	(1,002)	**(1,002)**	**(1.8%)**		
	29,342	**23,962**	**(18.3%)**	1,376	(1,482)	**326**	**(207.7%)**		
Corporate	235	**88**	**(62.6%)**	(1,120)	(1,198)	**(1,198)**	**7.0%**		
Eliminations	(2,393)	**(2,463)**	**2.9%**	-	-	**-**	**-**		
Revenue / Adjusted EBITDA excluding one-off costs	27,184	**21,587**	**(20.6%)**	256	(2,680)	**(872)**	**(1,147.1%)**	0.9%	**(12.4%)**

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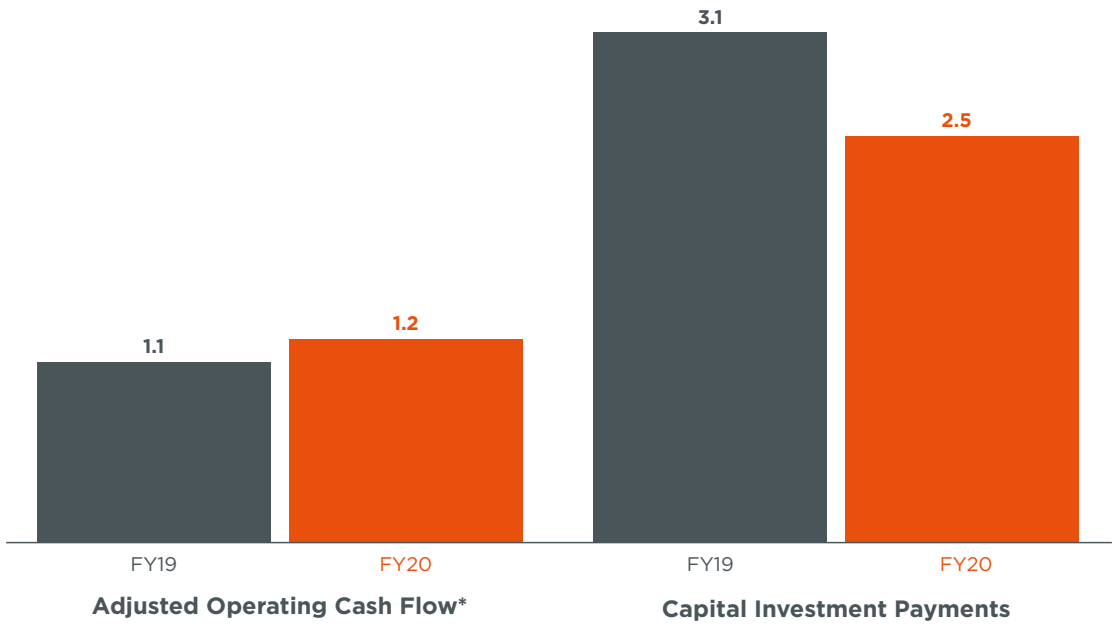
Group Financial Position (m)

$m	Jun-19	Jun-20*
Current assets	18.8	**11.9**
Non current assets	10.2	**22.2**
Total assets	29.0	**34.1**
Current liabilities	9.3	**10.2**
Term lease liabilities	-	**11.0**
Total equity	19.7	**12.9**
Net cash & cash equivalents	10.5	**6.3**

Adjusted Operating Cash Flow & CAPEX (m)



**Includes the adoption of IFRS 16 Leases – balance sheet includes right-of-use assets and lease liabilities. Lease payments reclassified as financing cash flow. Adjusted operating cash flow excludes non-recurring and non-operating items.*

- $6.3m of net cash – capital to self-fund recovery and growth strategies.
- The Company entered into a UK Coronavirus Business Interruption Loan for $2.7m in July 2020. The loan is for 4 years and is interest free for the first year with repayments commencing in the second year.
- $2.5m of capital investment that will benefit future periods.
- Current liabilities include a provision for $4m related to a VAT dispute in the UK. In June 2020 the company successfully applied to defer payments of any amounts under dispute until post the appeal hearing, which is not expected to occur until 2022.

FY20 Business Update

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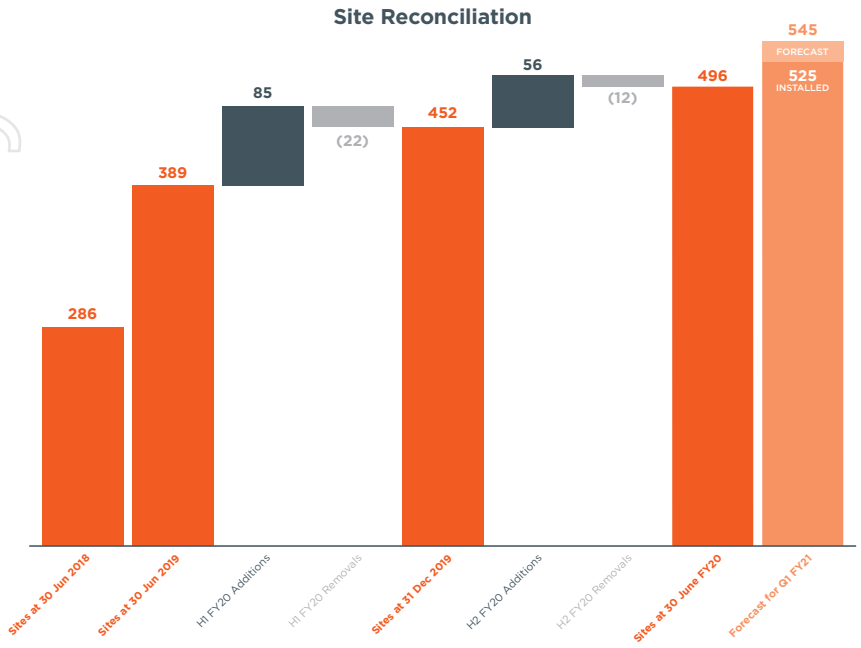
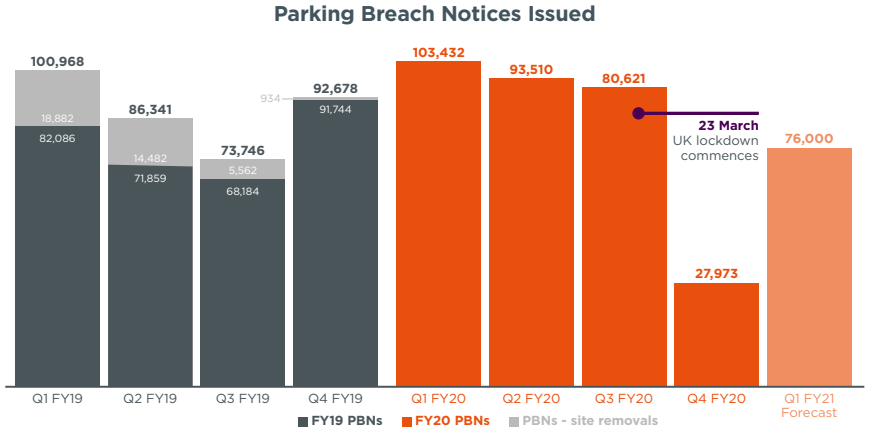
Management services update





UK ANPR roll out recommences

- **141** new sites installed in FY20, with 34 removed.
- **496** total sites under management using ANPR technology at 30 June.
- **525** total sites under management at 20 August.
- Pipeline continues to grow, currently in excess of **200** sites.

Growing managed services

- Accreditation achieved to become an ANPR parking services operator in New Zealand.
- Underway to prepare the business to capitalise on new market opportunity.

Outlook

- The strategy of winning and installing new ANPR sites each month is set to continue with a healthy pipeline of customers.
- The product offering is validated in the wining of big brand customers such as KFC.
- Focused on growing the ANPR estate by a further 200 new locations by June 30 2021.
- Outlook is subject to no UK-wide COVID-19 second wave lockdown.

107
Net new sites added in FY20

28%
Increase in sites

200
New sites expected for FY21

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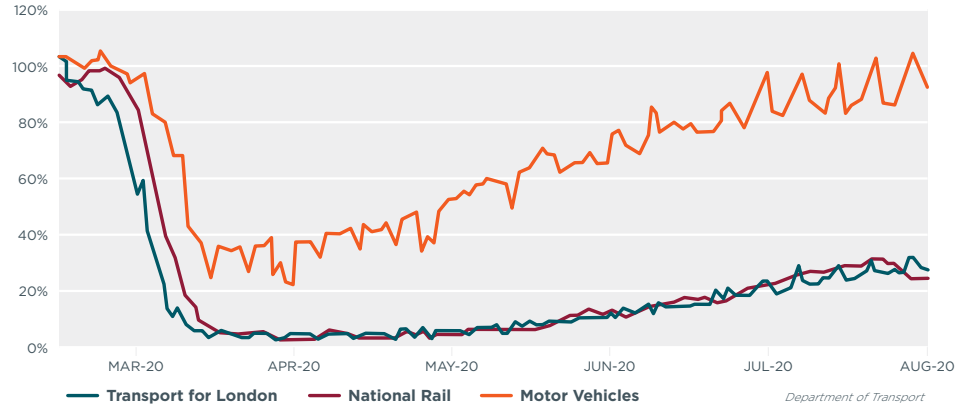
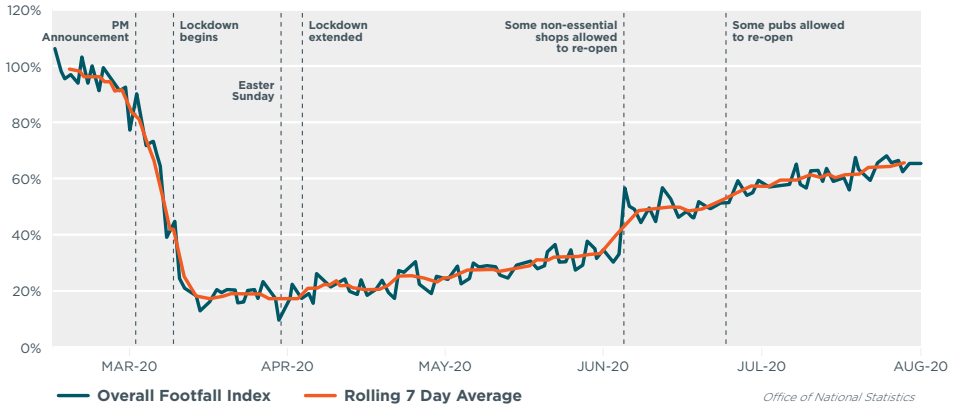
Impact of COVID-19 on UK motorist activity

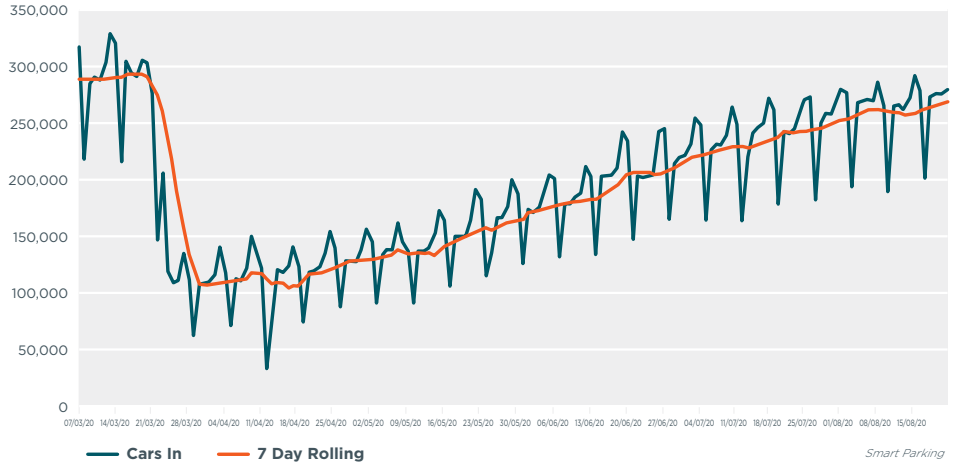
UK Commuter Behaviour



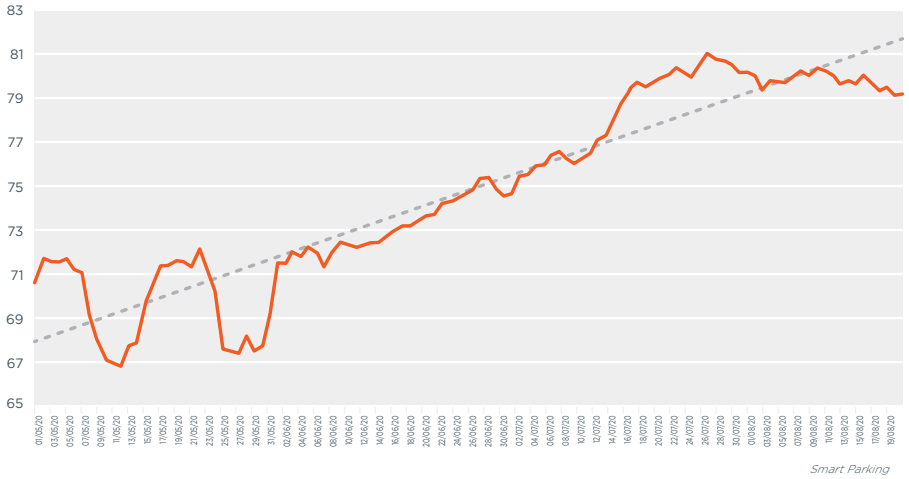
Footfall Index



7 Day Rolling Average Cars In



7 Day Rolling Average Stay



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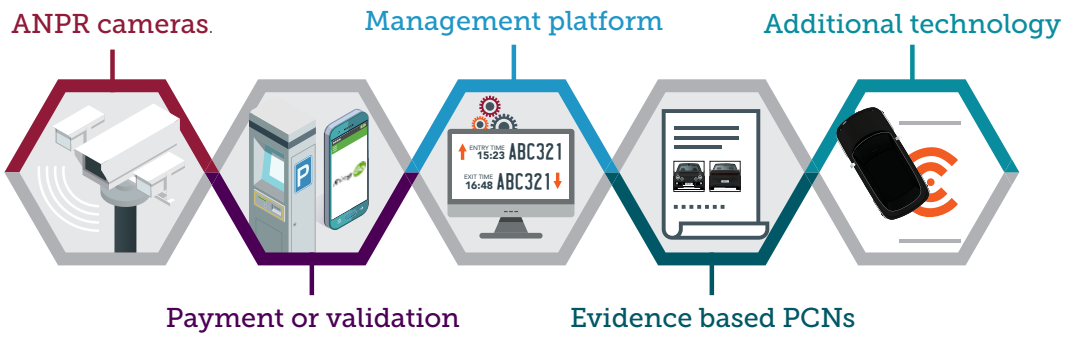
Management services customers

KFC UK & Ireland

Smart Parking management services solution currently being deployed in 13 equity-owned KFC sites, with a potential runway of a further 250+ outlets

In Q4 FY20, after a robust selection process, Smart Parking was awarded preferred supplier status with KFC UK & Ireland. The solution will focus largely on our management services offering, with complementary technology such as vehicle detection sensors and variable message signs installed as needed.

- Installation has begun on 13 out of 50 equity-owned KFC restaurants.
- As part of this contract and a preferred supplier to KFC UK & Ireland, we will have access to the franchisee network and the potential to supply services to franchisee restaurants.
- Recognised opportunity to install our smart parking solution in over 250 franchised KFC outlets across the UK and Ireland.



"

KFC UK&I have recently signed a contract with Smart Parking to manage the equity and franchise drive-thru restaurant car parks.

It has been a pleasure to work with such a customer focussed company through the whole process, from agreeing the contract to now installing the ANPR systems.

They have kept us fully informed on progress and the installations have been trouble free. We are also in the process of utilising their vehicle detection sensor technology to support our EV charging bays.

One of the biggest assets to Smart Parking is the account management team who have taken time to visit each restaurant to spend time with the managers and talk them through the whole process, and are always on the end of the phone to help with any questions.

At KFC we are always looking at ways technology can improve our customer experience, and with Smart Parking they are a perfect partner

Adam Marshall
Construction Project Manager | **KFC UK & Ireland**

"

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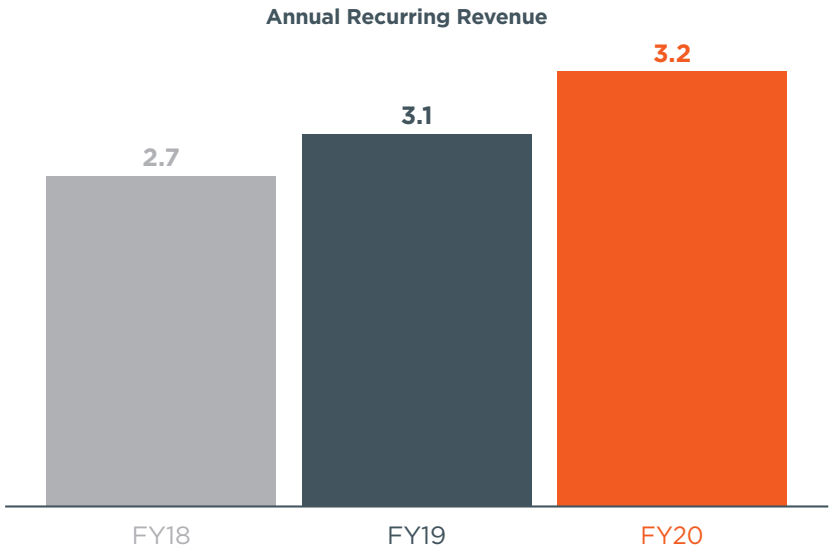
Global technology update



Summary

- Smart City and IoT market opportunity is growing with further adoption across all market verticals.
- Significant business development activity in H1 with a marked increase in public tenders being submitted across all SPZ territories.
- FY20 result impacted by delays due to COVID-19.

Outlook

- By capitalising on the Smart Cities movement, which is now branching out from traditional Council clients into the likes of infrastructure development and large multi-use retail centres, the company expects continued adoption of parking technology both in our key markets and new territories.
- The Company has a strong order book of $3.0m, with installations including Gatwick Airport in the UK and Wyndham City in Australia.

$3.0m

Committed orders for FY21

Newly developed smart city products launching in FY21

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Global technology customers

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City of Adelaide

The City Parking Experience Project was designed to create positive change and improve the customer parking experience within the City of Adelaide through the implementation of Smart Parking's technology.

With approximately 200,000 vehicles accessing the City of Adelaide every day, the experience of city users, as well as economic growth and business vitality, were important considerations the decision to engage a parking technology company. The project included three unique initiatives:

- A customer brand for the app 'Park Adelaide'
- The option for a customer to extend their stay beyond the maximum time limit - because 'life happens' and sometimes customers find it difficult to get back to their vehicle on time.
- The requirement that their parking session commence when parking is paid, not upon the vehicle's arrival in the parking bay.

Smart Parking's advanced technology has enabled the City of Adelaide to provide reliable and timely information to support customer decision making. This has been achieved by focusing on providing motorists with clear choices and flexible payment options to improve the customer service for city visitors. The major innovation component for this project was the SmartCloud platform and the 'Park Adelaide' app.

The app offers a raft of features such as parking information, costs, directions, mobile payment and remote top up of parking time. In an Australian first, the app also has an 'Extend Stay' feature which allows customers to remotely extend their stay beyond the maximum time limit.

Public feedback has been positive, with tens of thousands of people downloading the app, and already there is better traffic flow and parking conditions in the Smart Parking precinct. As well, the City of Adelaide is capturing valuable parking data and behaviours to help inform future decision making.

"We are thrilled with the number of customer downloads since the launch of our Park Adelaide App earlier this year. Smart Parking Limited were flexible and innovative in their approach to developing our on street parking technology system. The 'Extend Stay' feature providing the option for customers to overstay the maximum time limit by 15 minutes is an Australian first. Their dedication to delivering a quality product ensures our customers are provided accurate and reliable information to make informed choices. I look forward to the opportunity to continue working with SPL to further develop the technology to provide an even greater customer experience when visiting the City of Adelaide."

Lisa Loveday
Manager City Services
City of Adelaide

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Global R&D update

| Investment in technology preparing SPZ for the future

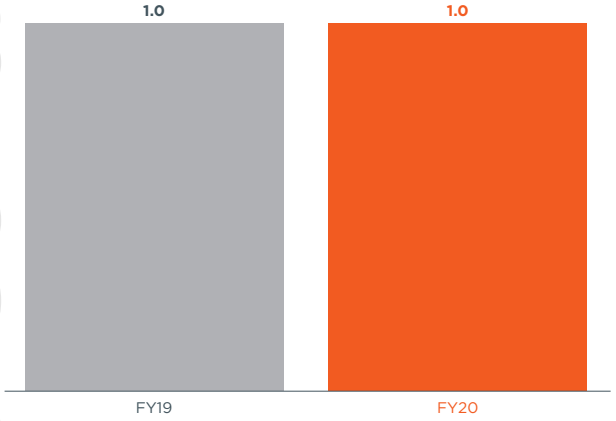
Summary

- SPZ invests $1m on R&D, 14.9% of technology revenues, to strengthen product solutions and support future revenues.
- New enforcement technology product will be launched in Q1 FY21.
- New quick-installation surface mount sensor for Gatwick Airport.
- Next generation overhead guidance sensor developed and installed.
- Enhanced functionality developed for our IoT platform, SmartCloud.

Outlook

- Focused on delivering the end-to-end solution of our enforcement products.
- Assisting managed services business to deliver ANPR technology solutions for NZ market.
- Continue to drive innovation and greater customer experience in all our technology solutions.

Research & Development Investment (m)



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FY21 Outlook

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Smart Parking outlook

| Market recovery and new opportunities for growth

- In the wake of COVID-19, Smart Parking's recovery is underway with new business wins across the Group and traffic volumes stabilising.
- New Managed Services territories now available that allows Smart Parking to leverage our UK experience in New Zealand.
- Focused on ANPR rollout strategy of 200 new sites in the UK. Q1 FY21 forecast of 55 sites on track to be achieved.
- New IoT product launches are in progress that will open up wider pools of customers and greater revenue opportunity in the technology business.
- Continued delivery of high levels of customer satisfaction with blue chip brand endorsements – KFC.
- Large addressable market available in both Managed Services and Technology businesses.
- Smart Parking have the capital and management to execute the growth strategy.

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Supplementary Information

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Smart Parking Group

- IFRS 16 adopted in FY20:
  - $1.81m increase to Adjusted EBITDA
  - $2.0m increase to depreciation and interest expense
  - $0.25m negative impact to net loss
- $12.2m increase to lease liabilities and $11.9m increase in right-of-use intangible assets.
- No change to net cash flow - operating expenses reclassified as financing cash flow.

FY20 Results | IFRS 16 Reconciliation (m)

	Pre IFRS 16	IFRS 16 Adjustment	Post IFRS 16
Impact on Statement of Profit or Loss			
Adjusted EBITDA (Impact of reduction in operating lease costs)	(2.69)	1.81	(0.88)
Depreciation	(2.03)	(1.54)	(3.57)
Finance and interest expense	(0.07)	(0.51)	(0.58)
Net Loss before tax	(7.35)	(0.25)	(7.60)
Impact on Statement of Cash Flows			
Operating cash flows	(1.70)	1.54	0.16
Financing cash flows	(0.07)	(1.54)	(1.61)

Management services: How it works

| Parking management improving customer satisfaction and revenue generation.

- **ANPR |** Automatic Number Plate Recognition
- **Pay & Display |** ANPR Linked Automated Payment System
- **Site Surveys |** Real-time information, analysis and trend data
- **Parking Attendants |** Trained and qualified staff
- **DPC (Disabled, Parent and Child) |** Protecting the vulnerable
- **Marshaling |** Trained, professional and customer-friendly marshals

Motorist
Enters the carpark at the defined entrance

Validation & payment
Machines facilitate pay & walk or validate parking

ANPR Recognition
Camera identifies the number plate of cars entering and leaving the premises

SmartCloud
Automates information and provides detailed reporting

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ANPR: How it works

Automatic number / license plate recognition (ANPR) is a reliable, cost effective off-street parking management solution.

It is proven to serve a wide range of industries including supermarkets, retail, hotels, hospitals and leisure centres. Smart Parking's ANPR solution ensures greater compliance and increased parking revenue.

- Ticketless, barrier-free system, parking areas that are managed 24/7
- Automatically generated and issued parking charge notices
- Increased security, comprehensive reporting and account management

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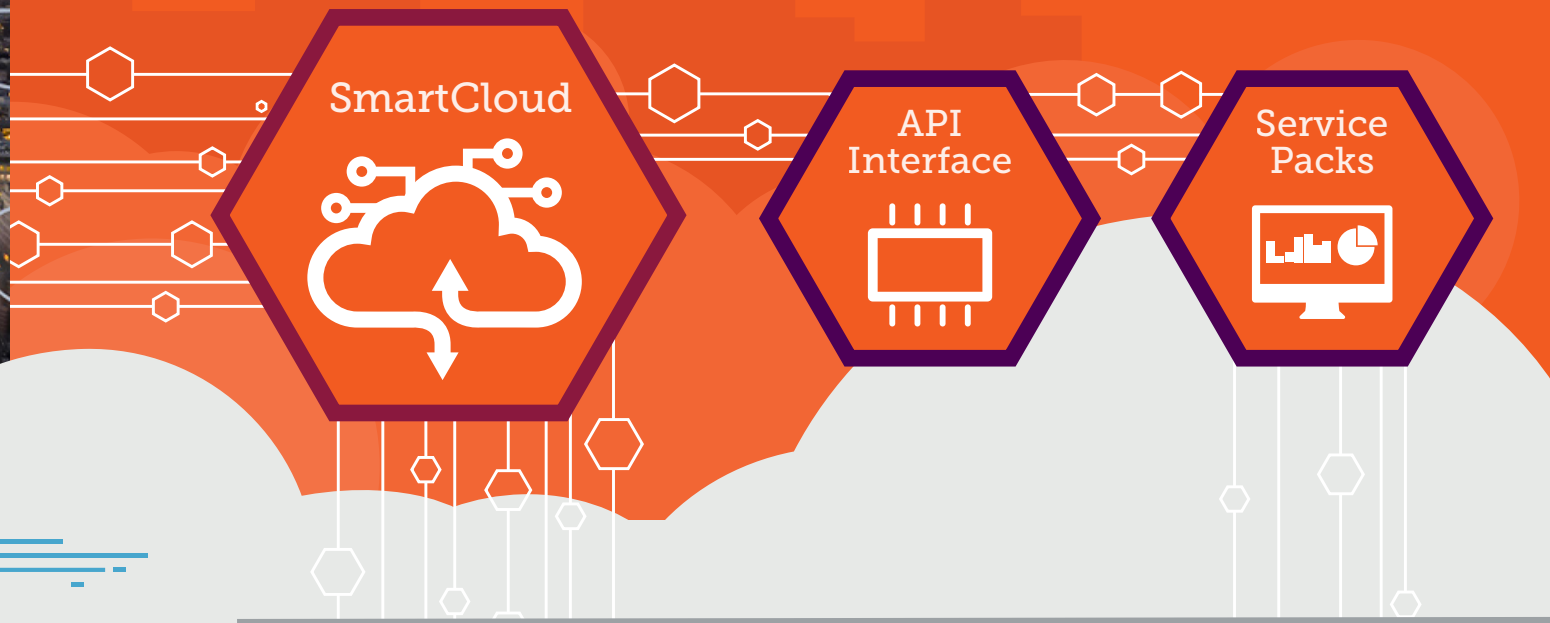
Technology: How it works

| Smart Parking's technology provides effective parking management solutions around the world.



SmartZones

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Smart Parking app

The Smart Parking app and its customised Miami, Cardiff, Adelaide, Moreton Bay, Moonee Valley, Livingstone Shire and Les Mills apps delivered.

Features and benefits:

- Available for both Android and iOS.
- Provides detailed information around hours, tariffs and bay types.
- Shows real-time availability of car park bays.
- Harnesses the power of Google Maps to provide distance and directions to suitable bays.
- Payment function allows cashless payment and remote top-ups.

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Glossary

Adjusted EBITDA – The Board assesses the underlying performance of the Group based on a measure of Adjusted EBITDA which takes into account costs incurred in the current period but not expected to occur in the future.

EBITDA – represents Earnings before interest, taxation, depreciation and amortisation.

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