

ASX Announcement

Smart Parking Limited (ASX:SPZ)



2nd April 2020

Smart Parking Limited

Business Update: COVID-19 - Challenges and Opportunities

Given recent global events and uncertainty related to COVID-19, Smart Parking (SPZ:ASX) provides the following update on how the Company is responding to current challenges and positioning for future opportunities.

Smart Parking continues to provide business as usual services across most functions. Due to the nature of SPZ's technology products we continue to provide real time, cloud-based parking information to all our technology customers in all operating markets.

A priority for Smart Parking in this unprecedented situation is the health, safety and wellbeing of its employees, customers and suppliers. Consequently, all employees are currently working remotely. As a technology-focused business, the Company promotes flexibility in the workplace. Our team is well prepared to work remotely for an extended period.

Reduced Visitations to Sites

As directed by the UK and New Zealand governments, both of these territories are in lockdown. With the lockdown situation in the UK, the Parking Services division is experiencing a lower volume of cars utilising our managed car parking facilities. Since the lockdown period began, we have seen an approximate 60% drop in cars visiting our locations. This temporary reduction in car volume will significantly impact the level of Parking Breach Notice (**PBN**) issuance and revenue received during the lockdown period.

Prior to the lockdown period, the UK Services business had been trading in line with expectations. However, March PBN's are significantly lower than expected during the UK lockdown. PBN issuance for Q3FY20 is expected to exceed 80,000 PBN's which is 20% up on the prior corresponding period.

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Additionally, during the lockdown period the Company has elected to suspend all scheduled installation of automatic number plate recognition (ANPR) sites to ensure the health and safety of our engineering teams.

In addition, some technology contracts previously won will now have a deferred implementation. At least some of these will be deferred into FY21, including Gatwick Airport (see announcement dated 14th February 2020). As a result of these deferrals, there is likely to be a material reduction in Technology Division revenue recognised in FY20 compared to the absence of COVID-19 shutdowns. However, it should be noted that at this stage no contracts have been cancelled.

Cost Measures Implemented

In light of this, the Company has already taken a number of actions to ensure our cost structure is reflective of reduced business activity. These include:

- 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
- Redundancies in both Australian and New Zealand businesses
- Deferral of all non-essential projects and capital expenditure including the roll out of technology on new UK parking sites during the lockdown period
- Freeze on all recruitment and travel expenses

The above actions and initiatives have an annualised reduction in costs of AUD\$6.7m, which represents approximately 40% of the Group's cost base. The Company notes that it holds cash reserves, and zero debt.

Business Opportunities

Despite the current restrictions, Smart Parking continues to win contracts and has a strong installation pipeline to execute upon lifting of lockdown restrictions. Requests for tenders and new contract opportunities are continuing.

The Company is confident that, with the actions taken above and a constant focus on cash management, we will be well placed to endure the temporary challenges that COVID-19 presents. Additionally, with the UK government's job retention scheme, we are well placed to take advantage of opportunities as they arise.

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Group Chief Executive Officer, Paul Gillespie commented:

During this difficult time, my number one priority is to safeguard the health and wellbeing of every member of the Smart Parking team. We have worked tirelessly to ensure all advice is followed in order to mitigate the risk of infection to any team member, customers and partners.

Added to this, in order to lead the business successfully through this uncertain period we have acted swiftly and taken a number of actions, both defensive and offensive that will prepare us for the future. Defensive actions are based around cost reduction initiatives and focused cash management. Offensive, in that we have taken advantage of government subsidies to maintain as many of our employees as possible, so we are prepared and ready to continue executing our plan as soon as restrictions are lifted and it is safe to do so.

As we move forward through this period of uncertainty we will continue to operate remotely, safely and monitor closely the situation in all our operating territories. We will also continue to provide the best products and services possible to all our customers whilst staying focused and ensuring we are prepared for the future.

Ends

Authorised by Richard Ludbrook, Company Secretary

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Smart Parking Limited (ASX:SPZ) | A Global Parking Business

Smart Parking Limited is a pioneering technology innovator and services company in the parking industry.

With offices in Australia, New Zealand and the UK, along with a rapidly growing global network of expert partners, our aim is to bring our intelligent parking sensors and integrated smart parking services to the world.

Each year, we install thousands of sensors in a range of environments including shopping centres, supermarkets, airports, commercial parking sites, universities and large-scale municipal street environments.

To date, our advanced real-time vehicle parking sensor solution, known as SmartPark, has been adopted globally.

Alongside the technology products division, our managed services division operates and manages thousands of car park spaces across the UK using complementary Automatic Number Plate Recognition/License Plate Recognition (ANPR/LPR) technology. This can be used as a single solution or with the option to be combined with Pay & Display or integrated with sensing technology.

Smart Parking Limited has been an Australian Securities Exchange (ASX:SPZ) publicly listed company since early 2011.

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