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**Smart Parking Limited (ASX: SPZ) UK business update
teleconference**

Conference Call Script

18 May 2018

**Smart Parking Limited: UK business update
Paul Gillespie, Smart Parking CEO**

Good morning everyone and thank you for joining me on this call.

Today I will provide a business update on our UK operations and trading performance. You will have seen the release we made to the ASX yesterday.

After this presentation I will open up the line for questions.

Let me say upfront that we are disappointed by these events and we will be as open and transparent today in order to help you understand the situation. We are committed to rebuilding credibility with the market.

I'd like to start with some key points:

1. First, the Board became aware that the UK Managing Director and CFO were not acting in good faith, we lost trust in their ability to operate at the standards we expect and we became aware of evidence that suggested they had breached their employment conditions. However, while these breaches in the UK by the local management team, and the trading performance of our UK operations in the second half of FY18 are below expectation, these events do not affect or change our long term, confident growth outlook for SPZ.

We have a great opportunity to build share and scale in the large and attractive UK parking management and enforcement market. We have leading technology and a highly scalable platform. Our ANPR roll out program of 15 new sites per month is reaffirmed and intact. The unit economics of our business remain excellent too. We will recruit new management in the UK that will be impressive and will drive and deliver profitable growth. We won't let these events deter or detract us from that prize.

2. SPZ maintains strong customer and third party regulatory relationships. We are fortunate to have a high quality customer base and an excellent working partnership with the British Parking Association and DVLA. It should be noted that Smart Parking have passed all recent third party audits to high standards, this is something we are proud of and will continue to strive towards building success. As an approved UK Parking Operator we are committed to operating within the BPA code of practice and we remain compliant in all aspects.
3. Our business is based on trust and as you can see from yesterday's Release we will not hesitate to act swiftly and decisively to protect our reputation. We have a low tolerance for breach of trust and this is at the heart of the issues with the two individuals in question. We operate in a highly regulated industry. We will do everything we can to maintain our industry leading brand and the trust and endorsements of our customers. The events in the UK look abrupt but part of that is because we acted decisively to protect this.

4. Despite some of the challenges experienced in H2 with extreme weather conditions which have reduced car counts and hindered site roll out we remain positive about the outlook and the growth opportunities for the business. Let me touch on some of the positives. We are winning new clients in the UK. We are growing our footprint of sites under management. We remain on track in the technology business as previously reported, we continue to add new clients and win contracts. This remains on track to be our most positive year to date and the underlying investment we have made in the technology will begin to pay off. I'm happy to talk more of that later.

Let's now move straight to the issue in the UK.

The Board recently became aware that the CEO and CFO of the UK business were not operating in good faith and there was evidence they had breached a number of their employment conditions, including in relation to their entitlements and the amount of time they were spending in the business. These issues reflected a lack of integrity that we were not prepared to tolerate.

The issues were uncovered through the usual group management oversight processes, routine checks and interviews with UK team members. We also acted on a communication from a whistleblower. It became clear that their conduct and behaviour were not becoming of an SPZ Executive. We have reiterated to our employees that anything outside an honest, fair and respectful working environment is not to be tolerated. We determined that the appropriate action was to immediately terminate the UK MD and CFO from the business with effect from 15th May.

To date, we are not aware of any criminal or illegal behaviour. Given the lack of good faith from the UK leadership we will be thorough in our response to the issues that have come to light to ensure we address all possible implications. We are working in a highly co-operative environment with the remaining staff in the business who remain committed and loyal to SPZ.

SPZ have clear and consistent policies on the appropriate management of our customer contracts. We work hard with our customers to take a sustainable and constructive approach to parking management and parking enforcement. We are in the business of building a trusted brand and strong customer relationships so that we can grow consistently and sustainably over a long period of time.

I will remain in the UK to assume management of the business until further notice.

What are the consequences of the breaches?

Firstly, our operating model is sound. There is no change to our access or contract with the DVLA database of car owners' details. Our license is secure and unaffected by the changes we have made. There are no other operational issues that we can see that will adversely affect our ability to manage car parks effectively, it's business as usual.

Second, we are notifying all our customers and staff to ensure they are fully aware of the situation and the remedial actions we are taking. The feedback from customers has been supportive and encouraging. They appreciate our proactive approach and as a result we do not expect contract terminations or to lose customers. Nor do we expect it to impact our ability to win new business in the future.

Third, we will continue to enhance our internal reporting and management information systems. There was deliberate avoidance of our policies here and collusion to avoid identification but never the less we need stronger more robust systems and processes and we are already working on this. New management will be involved in this also.

Finally, as I said earlier this does not change the commitment to executing our growth strategy. This is not a case of the underlying market opportunity being less attractive than we thought, our growth rate being slower or the competitive landscape being more intensive for example. Our target for 15 new sites per month is intact. We have a great opportunity and we will continue to invest as we have always expected to deliver these returns for shareholders.

As I said at the beginning of the call, this matter is frustrating and disappointing, especially at a time where we were building such a head of steam. But my job now is ensuring we continue to have the right people, systems and processes all work effectively, we hire great management in the UK, we continue to earn the trust of our customers and we get back to successfully growing our business.

Let me now turn more specifically to the trading update for Q3 and April.

As discussed and reported in our latest management presentation, in Q3 the UK the weather was poor. The inclement weather affected the usage of our car parks. Less people parked at our sites and as a result fewer breach notices than expected were issued. Numbers published in the last presentation of 83,000 breach notices issued in Q3 were 40% up on PCP. However, they were below SPZ expectations.

Throughout Q3, whilst installation numbers were good, the sites were not put into a 'go live' process as quickly as we would like due to weather and also some challenges with system communications which we have now rectified. This has had an impact to April and Q4 trading. We expect Q4 to be 10% ahead of PCP but, as stated in yesterday's announcement, we will be approximately 20-25% below our expectations. This is clearly disappointing given the work and commitment shown by the SPZ Operations team.

Let me conclude by saying we have had some clear challenges in the UK business but we are now on top of them. As we get through this I can say with confidence that our technology is excellent and clearly market leading. The value add we provide to our customers is high. We generate high levels of recurring revenue. Our model is scalable and our systems and processes are being upgraded. Most of all we are well placed to capitalise on what is a large, timely and very attractive opportunity for SPZ in the UK parking management and enforcement market.

I'm sure there are lots of questions so I will stop there and open up the lines.

End

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