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Smart Parking Limited (ASX: SPZ) UK business update

Following the company's announcement on 17th May and the subsequent investor call the Company would like to update the market on recent events.

As announced on 17th May, the Board of SPZ terminated the employment of the Company's UK Managing Director and CFO on 15th May upon being made aware of conduct that was considered inconsistent with the company's values and policies and in breach of their employment contracts.

SPZ's Group CEO and Managing Director, Paul Gillespie, has assumed the role of UK Managing Director on an interim basis and will remain in the role until a suitable replacement is found.

Independent Review:

The Board has subsequently completed both an internal and thorough independent review into their conduct and can confirm the following:

1. The conduct, whilst inappropriate, did not involve any illegal or criminal activity.

2. The company has and will continue to operate in full compliance with the rules and regulations of the British Parking Association and the DVLA in the UK as is confirmed by regular audits from both organisations.

3. The Technology business has been unaffected by recent events in the UK.

The Board has been both swift and thorough in its response and now considers the investigation to be complete and is pleased to refocus SPZ on executing the Company's growth strategy in its UK business.

Importantly, the Company remains fully supportive of the strategic growth opportunity that exists in the UK Parking Management business and will continue to allocate resources to pursuing this growth strategy going forward. The underlying business model remains intact and the expected return on investment is attractive.

UK Trading Update:

During the recent winter months in the UK, Britain experienced the coldest winter in 7 years which was accompanied by heavy snowfalls. The inclement weather affected car parks usage, car counts and, as a result, fewer breach notices than expected were issued.

Whilst the business generally experiences a seasonal downturn in the winter months, the recent winter retail sales and traffic flows were impacted by the poor weather with petrol sales in March being down 7.4% versus the same month last year. Notably, this also impacted the company's ability to install new sites throughout the winter and early spring. In addition, there were also some challenges with system communications impacting the company's ability to ensure that installed sites were able to go live. These have now been rectified.

The Company now expects parking breach notices in H2 FY18 to be approximately 180,000 to 190,000 given the cumulative affect of the abovementioned challenges. Whilst this represents a 23% growth on H2 FY17 (excluding the loss of Matalan), this is below the company's expectations. In addition, non-recurring costs of approximately $0.6m will impact the UK result in H2 FY18.

The company currently expects that, prior to accounting for one-off costs, underlying EBITDA for H2 FY18 for the UK Parking Management business will be between $2.0m and $2.4m.

The Board remains confident that with renewed management focus in the UK, growth will continue to be achieved in a measured and disciplined way and the long term prospects for the business have not been impacted by recent events.

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