

The future parking enterprise

Share Price: A\$0.06

PARKD Limited (ASX:PKD) is a Western Australia-based construction technology company that provides temporary and permanent modular car parking structures of up to six levels (including ground level). PKD's solutions can be deployed by various end users, which significantly expands the company's total addressable market.

Innovation to disrupt traditional construction methods

The modular design of PKD's car parks delivers additional flexibility and cost efficiencies compared to traditional structures. PKD uses prefabricated concrete-based components, customised as per user's requirement. Moreover, PKD outsources the production of its components to construction companies such as Reinforced Earth, Westkon and Delta Precast. This helps lock in cost synergies and gain expert involvement for product development and improvement. Also, as components are manufactured off-site and deployed on-site, the overall construction time is significantly less than in the case of traditionally constructed car parks. We believe this provides a substantial value-add to end customers and should underpin PKD's acceptance in target markets.

Federal infrastructure spending fuels growth

In the 2019 budget, the Australian Federal government created a A\$650m National Commuter Car Parks fund. Driven by this investment, a number of car park projects around commuter transport hubs are expected to be constructed in the medium term. We believe that with a scalable low-cost operating model, PKD has a considerable growth opportunity by participation in this infrastructure spending having already won technical design works for 3 commuter car parks in Sydney.

First successful delivery underpins future growth

In FY2019, PKD was paid in full for its first project after a lease period of 6 months to City Subaru. The car park was assembled at their dealership in 12 days and delivered, turn-key, in 16 weeks, virtually half the time when compared to traditional construction. We believe the successful delivery of this car park has improved PKD's visibility in the industry and lay the groundwork for receiving additional work. However, for the sake of conservatism, we will wait for management to scale up operations, win additional project tenders and engage with more clients, before conducting a financial valuation of the company.

ASX: PKD

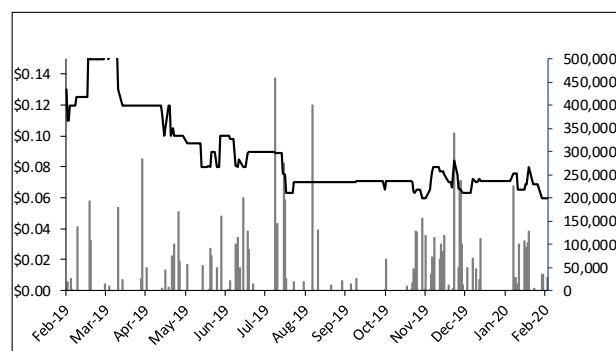
Sector: Commercial & Professional Services

11 February 2020

Market Cap. (A\$ m)	4.5
# shares outstanding (m)	75.2
# share fully diluted	75.2
Market Cap Ful. Dil. (A\$ m)	4.5
Free Float	100%
12 months high/low	\$0.18 / \$0.06
Average daily volume (x1,000)	31.8
Website	parkdgroup.com

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Thomson Eikon, Pitt Street Research

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PARKD: A unique approach to car parking solutions

PARKD Limited (ASX:PKD) is a Western Australia-based construction technology company. PKD has created an innovative modular car parking structure – the PARKD Car Parking System. This is a permanent or relocatable, modular, multi-level car parking structure that PKD supplies either as a turnkey solution or in kit form for assembly. This unique structure offers a ready-made car parking solution for a wide range of end users, including retail car dealerships, airport operators, shopping centres, property developers and commuter car park operators.

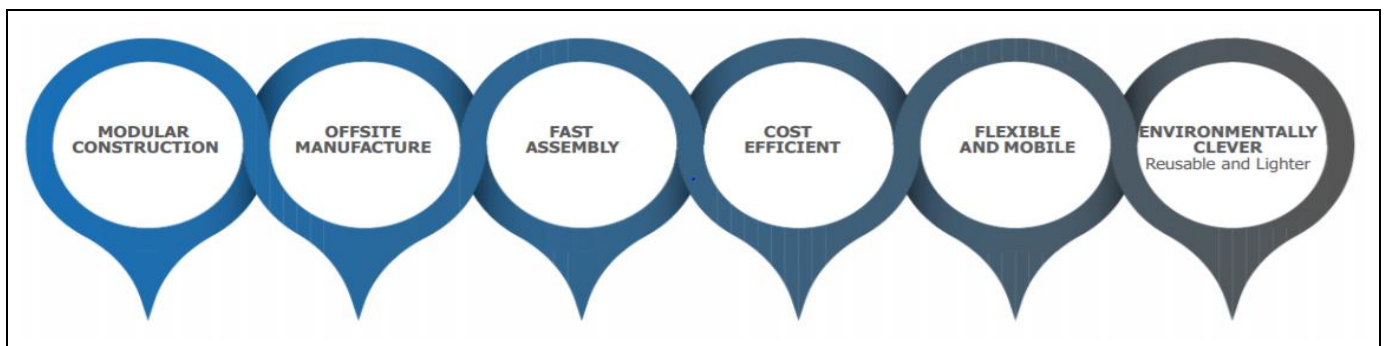
Unlike the rigid construction of traditional car parks, PKD's modular structures utilise prefabricated, concrete-based components, which provide higher flexibility and reduce construction time and on-site disruption. Customers have the option of deconstructing, relocating or expanding the car parking structure to meet their business needs. This results in cost efficiency and scalability for the user base and offers attractive commercial options, like leasing/hiring and buy back, not currently available in the market.

The PKD Car Park System comprises of three prefabricated components which can be easily procured from local material suppliers in all states of Australia. The system can be used to provide single or multi-storey car parks of up to six levels (including ground level) and can be made permanent or temporary. Notably, the system grants customers the flexibility of adding or removing levels to respond to parking demand or swift relocation.

PKD's prefabricated components are locally manufactured off-site, and this allows for a high degree of customisation — sizes can be tailored so that they offer the best use of each element. This leads to a more efficient and cost-effective construction and assembly with minimal on-site work. Additionally, the end customers experience significantly less disruption of business operations compared to traditional car park construction. In our view, this represents a significant advantage for end customers, especially for institutions such as hospitals, university campuses and other businesses that cannot stop operating during construction or in instances where there is a high cost to the disruption of operations such as automotive dealerships and airport operators.

PKD regularly competes with traditional engineering, procurement and construction (EPC) contractors for car parking project tenders. But structural superiority, flexibility, technological advancement and cost efficiency supports PKD in gaining fundamental advantage over them (Figure 1). This, we believe is yet to be fully recognised by traditional investors.

Figure 1: PKD's car park system offers multiple advantages over traditional car park builds



Source: Company

Investment Case: Key reasons to look at PARKD

I. Technological solution for ongoing car parking problem

PKD's car parking structures are more technologically advanced compared to the currently present static car parking systems. Backed by Intellectual Property (IPs)/patents, PKD offers customised, modular, permanent or relocatable structures that are manufactured off-site allowing rapid assembly on-site. PKD structures offer solutions for parking problems faced by a wide array of users such as government organisations, transport authorities, shopping centres, car dealers, residential complexes, hospitals and education campuses. PKD has a significant global market opportunity to exploit its patented system to rapidly develop infrastructure solutions for the evolving transport commuter sector.

II. Low-cost business model is highly scalable

The business model of PKD is low capital intensive. The key service solutions and project constructions are funded using progressive payment claims. This provides PKD the potential to execute multiple projects simultaneously. We believe this flexibility makes PKD's business fundamentals robust and its operating model scalable. With a rich pipeline of customer enquiries and multiple contracts under negotiation, we believe PKD has attractive future potential.

III. Multiple revenue streams

PKD has multiple avenues of proven revenue generation. Apart from turnkey projects, PKD's other line of services, designing and consulting, provide high-margin revenue generation ability. Further, there is abundant scope for generating cash flows via owned car park structures by leasing or renting them where there is an immediate and sometimes urgent need. Owning and operating its own car parks is also another potential earnings stream which would attract strong re-rating of PKD when achieved.

IV. Industry partnerships form a big part of PKD's strategy

PKD acknowledges that tendering for large construction projects is often time consuming and requires a significant balance sheet. Hence, it has established partnerships with tier 1 builders which give PKD not only visibility but also a consistent flow of work opportunities. We believe PKD has taken a strategically correct step for scaling its revenue base, in addition to the competitive tendering process that it is undertaking.

V. PKD deserves a trading multiple equivalent to a specialist car park enterprise

We believe that traditional investors have been valuing PKD on similar line to EPC contractors. Investors are yet to factor in the technological superiority of PKD, its flexibility and cost efficiency. All these advantages enhance PKD's ability to be a specialist car parking enterprise. Considering that it can also add immediate value to parking enterprises through value-added services, we believe in the long-term it should trade at multiples equal to global listed specialist car parking enterprises such as Park24 Co Ltd in Japan (32x PE) and SP Plus Corporation LLC in the USA (19x PE).



PKD structures are superior to traditional ones

They have quicker build times and are more cost effective than traditional structures

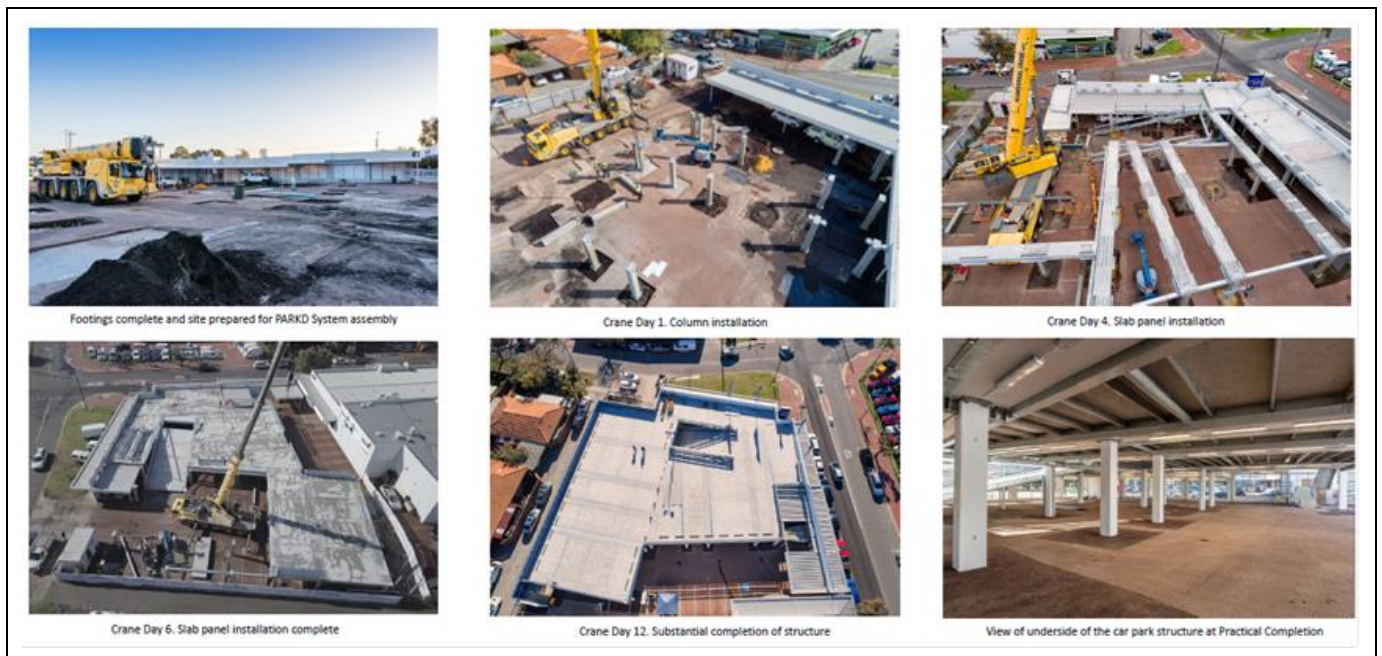
The lightweight nature of PKD's car park system facilitates lower time and cost of deployment

PKD has a simple design with just three primary elements to the structure – continuously voided beam (CVB tm), lightweight slab panel and vertical columns. They are all lightweight and can be easily transported to the site of deployment and lifted into position with standard heavy vehicles and lifting equipment. This provides the company a substantial edge over its competition in terms of faster build times (Figure 2).

For instance, PKD recently constructed a car park in Perth for a Subaru dealership to accommodate some 150 cars across a geographical footprint of 1,300m² (Figure 4). Leveraging its expertise in rapid assembly, PKD was able to assemble and handover the project in 6 weeks, from supply to on-site assembly including services, which would have taken over twice the time using traditional construction methods. The fast deployment also resulted in lower man-hours, which helps reduce the cost of labour deployed on the project.

Another advantage of PKD's parking system is that it requires up to half the amount of materials in concrete. This further contributes to significantly reducing the cost of building the car park. In the case of the Subaru car park, the system delivered by PKD was some 50% lighter than a traditional concrete structure.

Figure 2: PKD offers quick on-site deployment for car parks



Source: Company

PKD's parking solutions are environment friendly

Keeping pace with the growing concern around the environmental impact of businesses, PKD wins brownie points for developing a greener solution. The modular design of the PARKD Car Park System allows it to be easily deconstructed and mobilised for re-use at another site. Moreover, the system is installed on the site in a manner that it minimises disruption to the existing



PKD's technology is based on materials that fall under Australia's safety standards

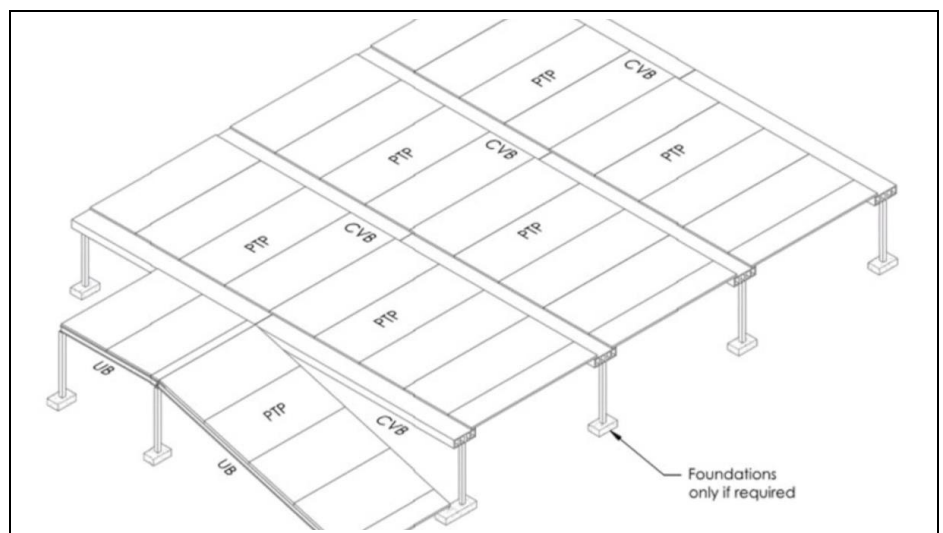
site. This is facilitated by the lightweight nature of the components used for the car park.

Technology is backed by IPs

The technology used by PKD is based on an assembly of a variety of materials that comply with Australian standards. The strength of PKD's car park system lies in its proprietary IP. The company's car park solution primarily consists of three elements: continuously voidable beam (CVB), PARKD's transportable panels (PTP), and vertical columns. Of these three elements, CVBs are subject to intellectual property rights (Figure 3).

- **Continuously Voidable Beam.** The CVB is the primary supporting element made of concrete and strengthened with pre-stressed concrete and steel. It can span up to 17 metres and is designed to reduce the need for numerous internal columns making it a simpler and more efficient structure.
- **PARKD Transportable Panels.** PKD uses made-to-measure precast concrete slab panelling system for its car park solutions, which makes it easier for the company to source components from local suppliers. Moreover, these panels are lightweight which allows for easy transport and on-site assembly.
- **Vertical structures (columns).** Typical PKD car park systems are designed for up to five suspended levels and one ground level. For connecting the levels, PKD deploys columns of prefabricated concrete with structural steel cores. Moreover, the supporting concrete and steel columns are standardised in order to facilitate quick assembly on site. The company ensures that the columns have the ability to meet all Australian Standards and codes to withstand exposed environments and resist earthquakes and fire.

Figure 3: PKD uses three primary components in its car park system



Source: Company

These car park systems are adaptable, flexible and future proof

PKD has a portable modular setup that gives it an advantage in terms of quickly reacting to changes in technology, demand and use. It is well-equipped to adapt to the undergoing transformation in the automobile industry including adaptation for the increase in popularity of hybrid, electric



and autonomous driving vehicles (Figure 8). PKD's parking structures can accommodate charging stations for electric cars as well as wireless connectivity for autonomous vehicles. In PKD's structures, components are connected and secured via fastening bolts. This provides additional flexibility when it comes to reassessing the usability of the structure according to changes in site configuration and demand. On the other hand, traditional car parks are very static and require extensive capital expenditure and time to upgrade with evolving needs.

System standardisation provides unparalleled design efficiency

The fundamental design principle of the PARKD Car Park structure has been efficiency. Apart from being modular and cost effective, by virtue of being prefabricated and relocatable, PARKD car parking systems are also flexible and capable of being built in regular or irregular footprints. The structural designs comply with AS 2890.1:2004 (parking facility, off-street car parking) for user classes A and B (private and public). Additionally, it can be modified for class C users (retail) as well. The innovative design allows for alteration of dimensions without fundamentally changing the basic structure modalities.

Figure 4: PKD's award winning operational car park system for Subaru dealership



Source: Company

First to market advantages

PKD reaches out to its client base through strategically targeted advertising and technical resources. PKD's key target sectors of local, state and federal governments along with auto dealerships are reached through advertising in specific publications and active participation at trade shows and industry specific technical presentations. PKD is a member of the peak parking authority, Parking Australia, and notably was awarded the Australian Parking Industry 2019 Outstanding New Car Park Development for its City Subaru Car Park (Figure 4).

Partnership with tier 1 builders offers major revenue potential

The company seeks to undertake large projects by collaborating with tier 1 construction companies for building car parks. Large construction projects, the likes of hospital redevelopment, multi-level airport car parks and commuter car parks, are often tendered by large building companies, which then outsource the design and supply of the car park to specialists such as PKD. In our view, the rapid construction methodology and cost-efficient nature of PKD's car parks provides it with a substantial advantage when it comes to securing work from these builders.

Once contracted, PKD provides design services, material procurement and on-site assembly of the car park structures. Other services such as electrical, fire, painting, façade, interior fit-out and other works are managed by the partner builder.

Partners with industry-leading suppliers of raw materials

With the view of maintaining the quality of its solutions, PKD enlists the help of reputable supply companies for procuring its components (Figure 5). For example, in April 2019, the company signed a MoU with Reinforced Earth Pty Ltd. (REPL) in order to improve and co-develop its transportable panels. Notably, REPL is a subsidiary of Soletanche Freyssinet and has completed numerous projects worldwide.

Figure 5: PKD's pool of competent suppliers



Source: Company

The collaboration is initially focussed on improvements pertaining to design, production technique and cost of manufacturing PKD's PTP component. If the partnership yields a solution that meets industry standards, the company will sign a preferred supplier agreement. Under this agreement, the supplier will supply PKD with the proprietary panels at a mutually agreed-upon price, thereby reducing quality, cost and delivery uncertainty for PKD.

In our view, these partnerships are vital for PKD as they provide certainty in raw material procurement. These partnerships also offer cost synergies flowing from outsourcing of the manufacturing process.

PKD covers the entire value chain

Presence across the value chain makes PKD a seamless car parking solution service partner

PKD does not just rely on its patent technology to create cost-effective and modular car parking systems; it is present across the value chain and covers the entire length and breadth of construction (Figure 6). Once the project has been tendered, PKD provides consulting, design services, procurement of



materials from suppliers and on-site erection for the client delivering a fully functional car park structure. This gives PKD greater control over quality — it can keep a close tab on all the finer details of the structure's construction and complete it within the stipulated timeframe.

Additionally, PKD gets the alternative of picking up only a part of any project rather than bearing the complete risk. Even if the full tender is won by a third party, PKD gets to play a smaller, albeit important, role in the project. This flexibility also provides PKD the option of selecting tenders. The wide range of services and solutions enables PKD to be associated with multiple projects simultaneously. This can help the company remain highly visible.

Figure 6: Currently, PKD covers the full spectrum of car parking solutions



Source: Company

PKD's offers the following services:

- **Turnkey Project Delivery:** PKD actively participates in local, state and federal government tenders for car parking structure construction. It undertakes the execution of the entire project – from conceptualisation, design and sourcing to construction and assembly. As of now, PKD has been engaged by a Western Sydney local council to conduct technical services to enable the council to access Federal funding for three car parks as part of the \$650m National Commuter Parking Project.
- **Consulting Services:** Considering that detailed planning is required to build cost-effective and flexible car parking structures, expert design and planning are essential. Therefore, as Australia's only specialist car parking consulting and construction company, PKD is given preference as a consultant on car parking projects. PKD offers multiple consulting services including structural engineering, transportation management, contractual management, development approval consulting, etc. The company charges a fee for providing these consulting services. PKD's involvement in the execution of any project is often limited to providing such consulting services.
- **Design Solutions:** PKD also offers engineering and architectural design services to various projects that include the construction of a car park.



These services include conceptualisation, design support, development application and construction documentation. Each element of the parking system is designed by PKD's engineers with a view to develop a standard yet flexible structure. PKD charges an upfront fee for design services.

- **Contractual Execution:** PKD gets construction work directly from end clients, i.e., shopping centre owners, property developers, airport operators, automotive dealerships, etc. As a contractor, its primary responsibilities are linked with sourcing of material, manufacturing of structural components off-site, logistics and assembling of structure on-site. These contracts are usually time bound, i.e., to be completed within 5–12 months.

For PKD, the ultimate aim is to be present across both services and commercial solutions segments of car parking in Australia

Till recently, PKD had been focussing on the delivery of technical service to clients across all target sectors to identify and assess suitable development sites. However, it has recognised that this alone is not a sustainable or scalable business model without the conversion into construction works.

The provision of technical services by PKD is a key mechanism to negotiate off-market deals and increase the value proposition to clients.

This approach negates the traditional tendering and sales paths where the chances of success are influenced by:

- a) **Widespread Competition** – For every project tender, PKD is expected to compete with a number of builders, both local and national. Since the majority of these tenders is either from state or federal governments, the tendering process is time consuming and requires significant resources to be dedicated. Hence, revenue is difficult to predict. Also, in most large projects, PKD is expected to participate as a relatively small partner or subcontractor.
- b) **Diluted Value Proposition** – Various services, i.e., consulting and design documentation works would be complete and the opportunity to offer value limited. By rendering only services, PKD can manage margins but will not be able to achieve a scalable presence.

PKD are clear that the foundations on which the company is built will lie with their performance initially as a Design and Construct Technology company. Further delivery of projects and solutions to the market will place the company in a strong position to add value to its future aspirations as a parking enterprise company.

With these plans, the management aims to explore and be present on the commercial solution side of the car parking business (Figure 7):

- i. **Own a portfolio of car parks:** The long-term objective for PKD is to build a portfolio of owned and operated car parking assets across Australia (Figure 8). The idea is to build multi-level car parks in key strategic areas and generate cash flows from those operations. In our view, this will help de-risk the company from overly relying on securing outside work to generate revenue from the sale of car parks. Moreover, if PKD is able to build such a portfolio, it will provide the company a steady stream of income from car parking services. Once PKD attains substantial scale, the management expects to generate c.A\$4–5m per annum from these assets. However, the company will need substantial funding to build such

PKD's long-term goal is to build a portfolio of owned and operated car parks across Australia



assets but if successful, it should enjoy high earnings multiples similar to other global listed specialist car parking enterprises such as Park24 Co Ltd in Japan (32x PE) and SP Plus Corporation LLC in the USA (19x PE).

Figure 7: PKD's aim is to be on the commercial side of car parking

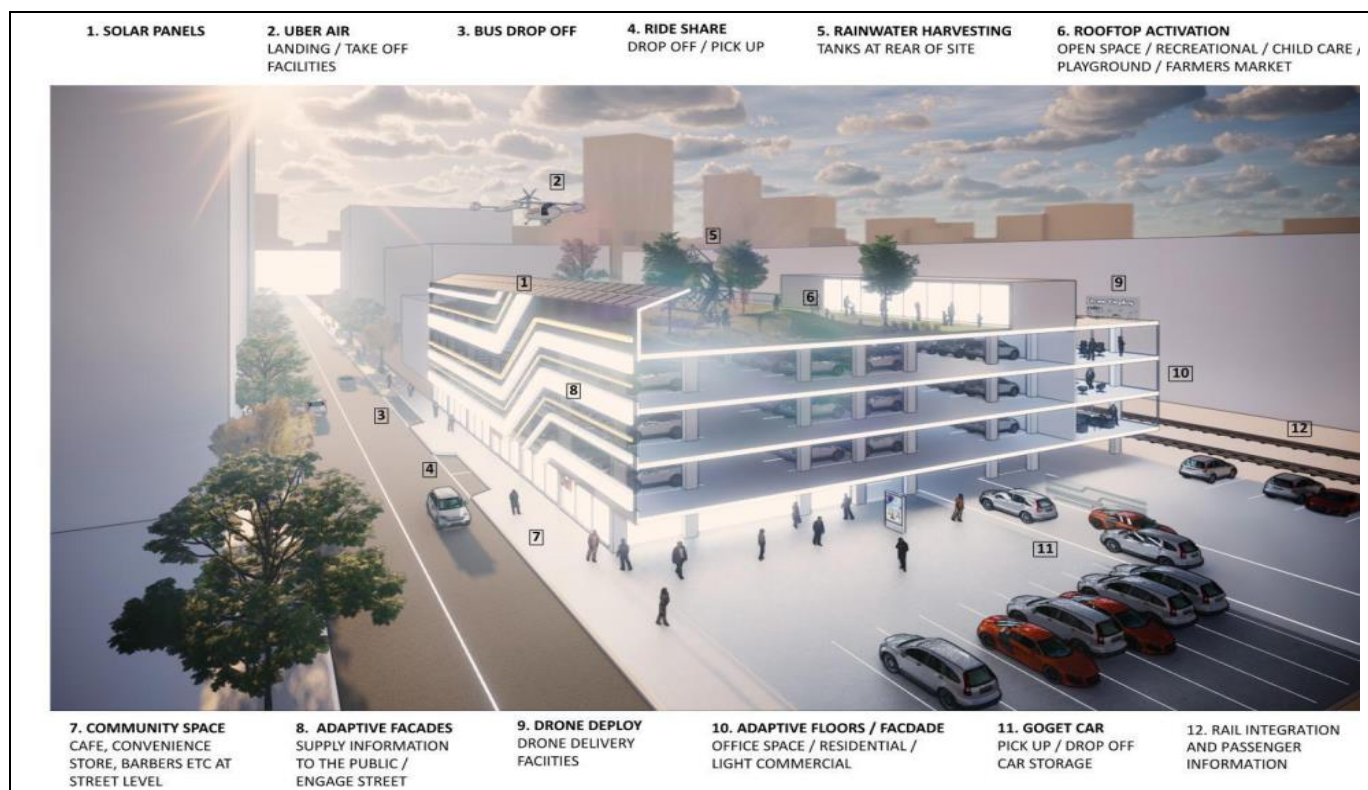


Source: Company

- ii. **Lease and other unique commercial options:** Another revenue stream on which PKD aims to work is long-term lease of car parks space and/or short term rent of car park structures. Both of these will provide a steady revenue stream without incurring significant capital cost.
 - Considering that PKD's parking structures are highly flexible, it can charge extra for providing value-added services, e.g., charging points for electric vehicles. Additionally, PKD's car park designs include commercial space on the ground level, which can be leased out to small businesses such as cafes, convenience stores and other services.
 - Another source for commercialising the car park systems is for the company to provide the completed structure on lease to end clients. This service delivery structure is beneficial for clients as they do not have to incur a huge one-time capital expenditure on buying the entire car park. Instead, they can utilise PARKD's Car Park System while amortising the expenditure over a longer time period, thereby freeing up cash for other operational needs. This solution is also suitable for customers who have temporary car park needs. The added benefit to PARKD is that the car park structure can be relocated and re-used a number of times.
- iii. **Car delivery services:** Though a very long-term prospect, but as a value-added service, PKD also aims to include car delivery services in its portfolio. With electric and autonomous car usage set to expand, these services will become necessary and high in demand, offering the potential for higher revenue volumes and margins.



Figure 8: PKD's transformational car parking infrastructure



Source: Company

The Subaru project is expected to open up new opportunities for PKD and unlock revenue growth potential

Diverse and robust potential revenue model

The delivery of its first modular car park to the Subaru dealership has paved the way for PKD to start recording revenue. The award winning Subaru project, completed in August 2018, validated the efficiency of PKD's solutions. Moreover, it was an excellent demonstration of the management's project execution capabilities. In our view, this project is expected to open up new frontiers for PKD and unlock top-line growth potential. Following are some potential revenue streams at PKD's disposal (Figure 9):

I. Design and consulting services

Given the importance of the consulting and designing phase in the car park construction process, customers often enlist outside help to seek expert advice. The company is often contracted by various end customers for conceptualising of the design for their prospective car parks. A couple of such instances are as follows:

- PKD received over A\$250k for providing concept and detailed design services to a number of automotive retailers in Perth seeking to maximise car storage and showroom facilities on their limited footprints.
- PKD also earned A\$315k from design works completed for clients from various industries, including airports, commercial property and retail industries. This represented 30% of the total revenue of A\$1.04m that the company recorded in FY2019.

The provision of these services also opens the door for PKD to get additional construction work in the short-medium term. Because the

company is contracted for providing design services, it has the opportunity to upsell its construction services to clients. In our view, the design work segment represents a substantial growth potential for the company.

II. Construction work

PKD provides car park construction services through its modular car park design as a turnkey solution for one-off projects. Once the company obtains the contract from its end customer (such as retail car dealerships), PKD engages in the development of the required car park structure. After the completion of the project, the company hands over the completed car park structure to its customer in exchange for an agreed price. For instance, for the Subaru dealership, the company supplied the ground- plus one-level car park system for A\$690k.

III. Commercialisation of intellectual property (IP) licences

The company is actively looking for opportunities to share its technological knowledge with other players in exchange for a negotiated licence fee. PKD plans on commercialising the IP around the components of the PARKD Car Park System by licencing the technology to other car park manufacturers and construction companies. This represents another potential revenue stream for PKD in terms of licencing fee.

Moreover, as elements for this technology are able to be sourced from suppliers outside of Australia, PKD is looking to licence its patented technology to car park manufacturers in other countries. As there is no geographical limitation, PKD has an expanded prospective universe for licencing income. To commercially leverage its IPs, PKD has already filed several international patent applications in order to start exporting its technology in the medium term.

IV. Car park owner and operator

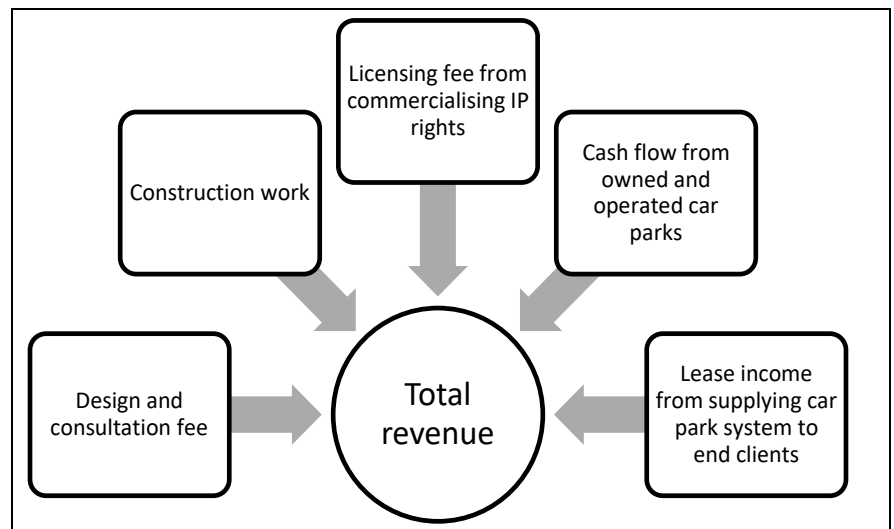
In addition to the above commercialisation options, PKD can also generate recurring revenues by building, owning and operating its own car park projects. This additional revenue stream will not only add to PKD's profits but will also allow PKD to streamline the efficiency of managed parking facilities.

By owning and managing its own portfolio of car parks, PKD is also able to reap in the financial upsides from the high parking rates that are in place in the Australian CBD locations due to constrained car parking capacity. These high parking pricings directly feed into PKD's revenue stream, and ultimately profitability.

Management has shown initiative by indicating that one of their milestones in FY2020/2021 is to own and operate a car park in a key strategic location.



Figure 9: PKD has a number of potential revenue streams



Source: Company, Pitt Street Research

Growth opportunities abound for PKD

Rising number of cars on the road is placing pressure on existing available parking space

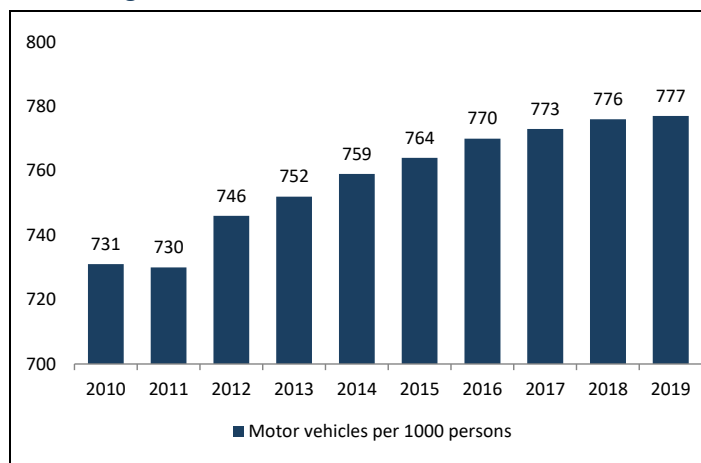
Increasing number of vehicles on the road is set to stimulate demand for car parks

Over the past few years, Australia has witnessed an increase in the trend of car ownership. As per the motor vehicle census released by ABS, Australia had a motor vehicle per capita rate of 777 per 1,000 people in 2019 (Figure 10). We believe with this continuous growth in the density of cars per capita, the demand for parking space is set to rise in tandem. As per a study conducted by Deloitte, across multiple future scenarios, car parking demand is expected to grow significantly in major Australian cities (Figure 11).

As technology advances, increasing numbers of workplaces offer flexible and convenient work arrangements in order to drive both employee and employer's productivity and efficiency. The establishment of shared workspaces for start-ups and services for other enterprises in various locations including non-CBD areas like Sydney's North Shore has caused a shift in people's transportation habits. This has shone a new light on the requirements for new car parks. With PKD's car parks encompassing a modular element which allows for additional flexibility compared to traditional structures, we believe the company is very well-positioned to address the changes in people's transportation habits and patterns.

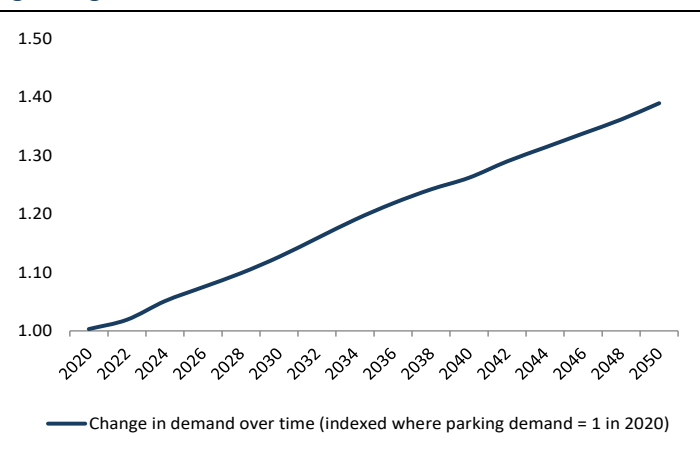


Figure 10: Motor vehicle ownership has witnessed an increasing trend



Source: Motor Vehicle Census, ABS

Figure 11: Parking demand over time is expected to witness a growing trend



Source: Deloitte (2019)

Additionally, a number of government-approved highway projects, such as the Northern Road upgrade, are expected to reach completion in the medium term. As a result, the commuter traffic to cities is expected to increase, leading to a spike in the demand for parking space. We believe this will lead to growth potential across the Australian parking services industry, including for PKD.

Urban congestion affects parking, particularly in CBD areas

As per data from Colliers International and Parking & Traffic Consultants, the CBD areas in Australia have some of the lowest car-space-to-worker ratios globally. Particularly, the Sydney and Melbourne CBD areas are the worst hit, with ratios of 12.2 and 14.2 car spaces per 100 workers, respectively.

Urban congestion also leads to higher cruising time spent in search for a parking space, which is a cost to productivity. As per the NRMA¹, on average, drivers in Germany and Italy spend c.10 and 12 minutes, respectively, cruising for parking space. However, in Australia, 20% of NRMA members spent more than 30 minutes (on one occasion) searching for parking in the last 12-month period.

Further, as per feedback shared by NRMA members, due to the perceived parking difficulties in Australia, 97% of members avoided a trip. The results also revealed that while 69% of members believe that there are not enough available car spaces, 60% find public car parks too crowded, and 44% returned home due to lack of parking availability.

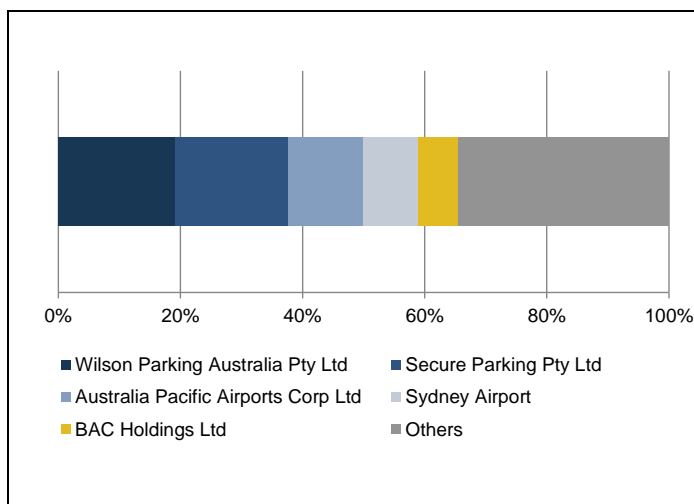
Parking services market in Australia is on an upward trajectory

As a result of the challenges on parking mentioned earlier, the Australian parking services market has been witnessing substantial growth. According to IBIS, the industry revenue grew at a CAGR of 4.3% over 2014–19, reaching US\$1.6bn (A\$2.4bn). This trend is expected to continue in the short–medium term. Given that this industry forms a close adjacent to PKD's industry, we expect the company to ride this growth trajectory as well.

Growing urban congestion is set to stimulate demand for off-street car parking facilities

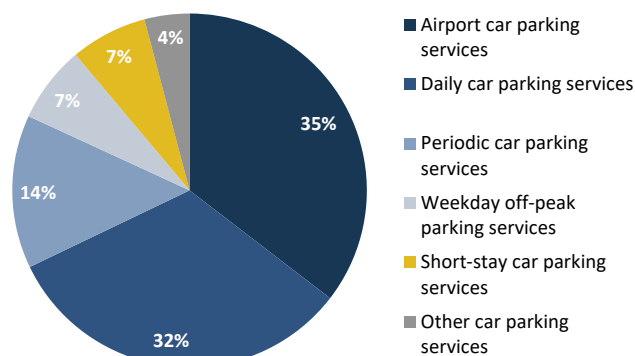
¹ National Roads and Motorists' Association

Figure 12: Major players in Australian car parking industry



Source: Deloitte (2019)

Figure 13: Breakdown of services offered by the parking industry (2018–19)



Australian car park industry is dominated by few large players

The Australia's car parking sector is dominated by a few major operators (Figure 12). The players provide various services, including periodic parking, daily car parking, airport car parking and short-stay car parking services (Figure 13). Notably, of the total revenue generated by the industry, close to a third is contributed by on-airport car parking corporations.

Shift in government focus towards infrastructure investment

In its 2019 budget, the Australian Federal government announced a A\$100bn infrastructure spending plan. Notably, this included a fourfold increase to the Urban Congestion Fund, taking the balance to A\$4bn. The amount, which is to be invested over the next four years, includes a A\$650m National Commuter Parking Project. The proceeds from this fund will be deployed to build car parks around commuter hubs.

The A\$30m multi-storey car park at the Mandurah Station is the first project to be partly financed by this fund. The project involves the expansion of the existing northern car park from 1,100 bays to c.2,300 bays, within the current geographical footprint. PKD submitted a compliant tender bid with a tier 1 contractor for the design and construction of this project in December 2019.

The need for the project was underpinned by the anticipated hike in the daily boarding volumes at the Mandurah Station from 4.4k in 2018 to 6.5k by 2031. We believe that as urban congestion continues to gain government attention, more such projects are expected to take off in the short to medium term.

In our view, this represents a substantial growth opportunity for PKD, owing to the cost effectiveness and rapid construction time of the company's solutions. We believe this competitive advantage over traditional car park builders will boost PKD's chances of participating in government tenders for commuter car parks.

Further, the modular design of PKD's car park solutions facilitates the expansion of existing car park facilities with minimum on-site disruption. In our view, PKD can leverage this advantage to obtain government tenders for car park upgrade works, such as the Mandurah Station project.

Cost effectiveness of PKD's solution is likely to underpin its potential to take advantage of the opportunity presented by the National Commuter Parking Project



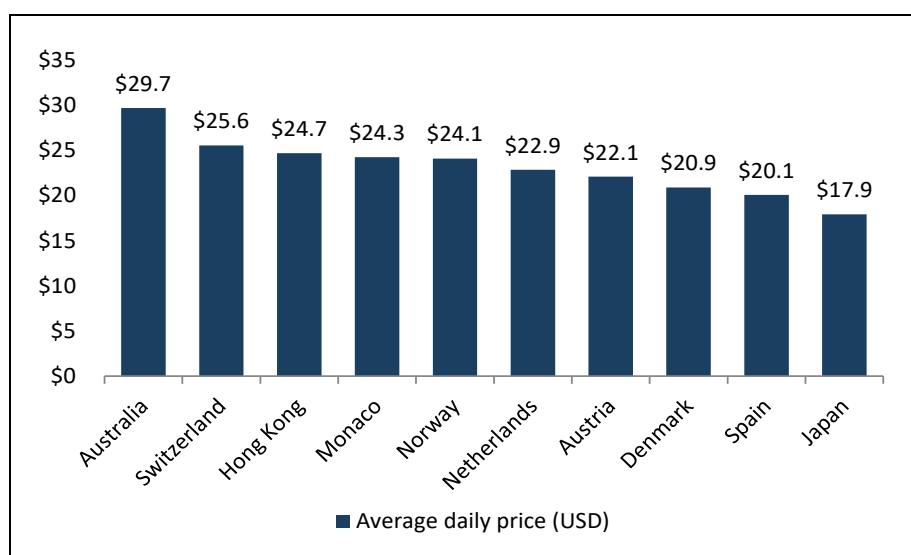
High car parking rates provide a substantial growth opportunity if PKD builds its portfolio of owned and operated car parks

Higher parking rates in Australia a boon for car park operators

As a result of strained car parking capacity, particularly in the CBD areas, Australia has witnessed a surge in the cost of parking a car. As per Parkopedia's 2019 Global Parking Index, the average daily price for off-street car parking in Australia is US\$29.71 (A\$43.98), 6.6% higher from 2017. According to the study, Australia ranks first place on the global index, well ahead of Switzerland and Hong Kong, which rank second and third, respectively (Figure 14).

In our view, this high price represents a considerable market opportunity for PKD when the company eventually builds its own portfolio of car parks. As per management, one of the key milestones for PKD in FY20/21 is to own and operate a car park in a key strategic location.

Figure 14: Australia ranks high on global off-street car parking prices



Source: Parkopedia Global Parking Index (2019)

Additionally, employment in the Brisbane CBD is expected to grow considerably by 190% over 2011–31 under Brisbane's Economic Development Plan 2031. As a result, the demand for car parking in the CBD area is likely to grow in tandem. In our view, PKD is well-positioned to take advantage of this opportunity.

PKD has a strong pipeline of projects

As shown in Figure 15, PKD has a rich pipeline of contracts under negotiation which can potentially lead to the construction of numerous car parks across Australia. These pre-contract design projects, ranging from airport corporations to automotive dealers to shopping centre owners, present PKD with substantial revenue opportunities. Management is confident it will secure a number of those projects over the course of the next 12 months and will continue to bid on future projects to drive revenue and profit.



Figure 15: PKD has a rich pipeline of projects under consideration

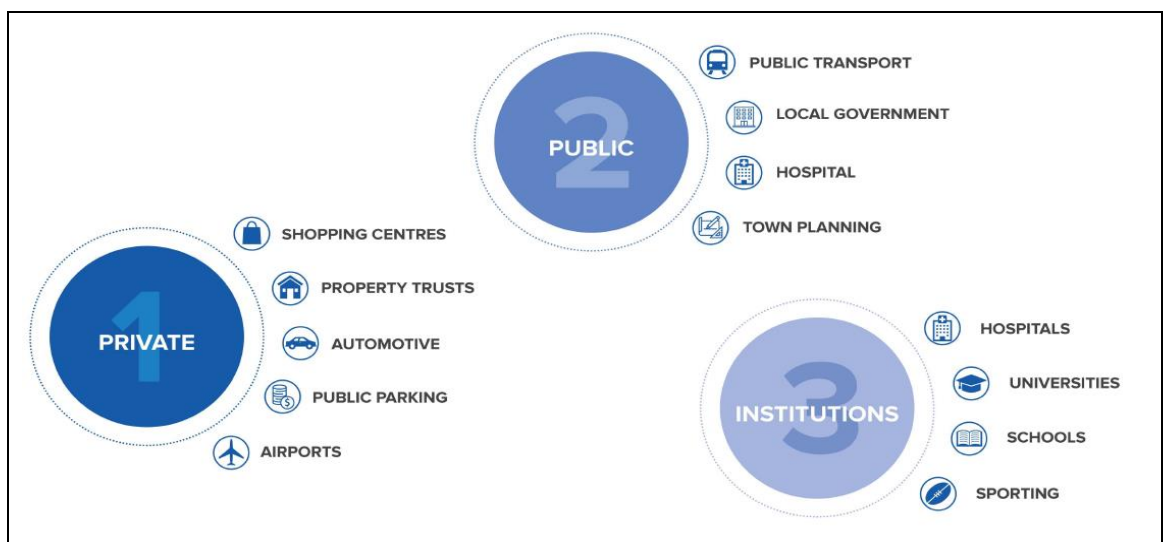


Source: Company

PKD targets lucrative end industries

The company's total addressable market can be broadly classified under three segments – private, public and institutions (Figure 16).

Figure 16: PKD's addressable market



Source: Company

Following are some of the key markets that we believe are highly lucrative and could underpin PKD's growth potential:

- **Government-funded infrastructure projects:** Fuelled by the Federal government's A\$100bn infrastructure budget, new government-funded projects are expected to come online in the short to medium term, including the \$650m National Commuter Parking Project for which PKD is already involved in its early stages. In our view, these projects could drive



the demand for new car parks. For example, the Monash Freeway Upgrade Stage 2 is expected to increase the capacity of the freeway and improve journey times between Melbourne's south-east and outer south-east areas. This upgrade would hence facilitate greater commuter traffic to the Monash and Dandenong National Employment and Innovation Clusters. As a result, we believe that the demand for car parking facilities in these areas is expected to grow in tandem.

- **Automotive retail dealerships:** Until 2018, the Australian car market has witnessed an upward trend in the new car sales segment for the past decade (Figure 17). However, in light of the recent slowdown in the new car sales, PKD has shifted its focus to infrastructure projects as its primary point of interest.

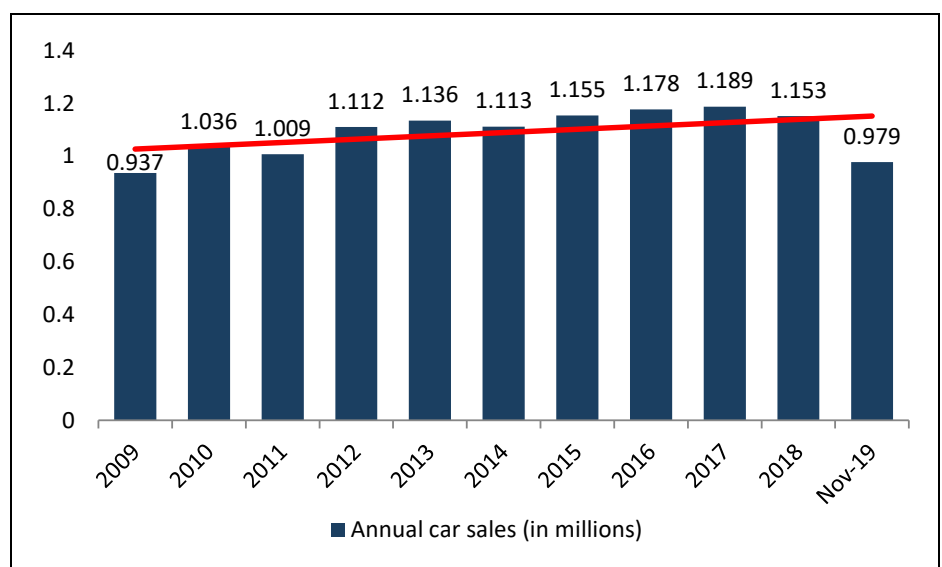
Even then, as per a study commissioned by the Federal Chamber of Automotive Industry (FCAI), new vehicle sales are expected to grow to 1.2m by 2023. We believe that automotive dealers will need to expand their footprint of dealerships usable area in order to meet this growing demand for new cars.

This is where PKD comes into play. With its prefabricated, modular designed car parks, the company is well-positioned to take advantage of this opportunity by providing dealerships the option to expand vertically and maximise site utilisation in significantly less time than traditional car park builders.

- The demand for new cars also drives dealerships to expand their storage facilities to build inventory. With PKD's solutions, which include both temporary and permanent structures, dealerships can add flexibility to their storage facilities. This will allow auto retailers to rationalise storage costs by syncing inventory levels with anticipated demand fluctuations.
- The imminent arrival of electric vehicles in the Australian market will also require retailers to build inventory. This is expected to drive expansion in both the dealership size and inventory warehouse facilities. We believe PKD has potential to benefit from this growth opportunity.

PKD's temporary car park solutions help add flexibility to car storage facilities

Figure 17: Trend for new car sales in Australia remains strong



Source: Carsguide.com



- **Hospital campuses:** Hospitals located in or around densely populated areas are often in need of additional parking facilities. Further, against the backdrop of an ageing population, the demand for healthcare facilities in Australia is ever increasing. The significance of this is evidenced by the increase in government funding for public hospitals proposed under the Long-Term National Health Plan. The funding is expected to rise from A\$100bn in 2015–16 to A\$131bn between 2020–25 for all states and territories. The government also sanctioned A\$1.25bn for infrastructure spending in the 2019 budget, under the Community Health and Hospitals Program.

In our view, these developments present a potential market opportunity for PKD. This is because the redevelopment or expansion of hospital campuses calls for additional parking facilities to accommodate the higher patronage. We believe that by leveraging its relationships with tier 1 builders, PKD could take advantage of this growth opportunity. As it is easier for large builders, such as Lendlease, Multiplex and others, to win government tenders for these projects, partnering with them allows PKD to secure early stage design and subcontract works.

- **University campuses:** Education forms one of the major export commodities for Australia and is expected to continue to witness an upward trend. As per the Australian Trade and Investment Commission, the international education sector's contribution to Australia's export earnings is projected to double by 2025 to c.A\$33bn. This will be driven by a considerable increase in enrolments at a CAGR of 3.8% over 2015–2025 to 940k enrolments by 2025.

As universities expand their campuses to accommodate this growth in demand, the need for parking facilities is expected to grow in tandem. We believe with PKD's Car Park System allowing for minimum on-site disruption, PKD has the potential to become the go-to-solution for car parks for universities. Moreover, the significantly lower time to deployment offered by PKD's solution acts as another advantage for universities. PKD can deliver a completed structure in less than half the time of conventional construction methods. We believe that PKD can leverage this advantage to secure work from universities, especially during summer breaks.

- **Retail centre parking:** For retail and lifestyle centres located in high-density areas, providing adequate car parking space to customers is critical. With increasing competition from e-commerce websites, it is becoming increasingly important for offline retailers to attract customers. As a result, enhancing overall customer experience is fast gaining traction in the retail industry. Because easy availability of parking space forms a major imperative for shoppers to visit a retail centre, businesses are in need of car parking solutions that improve car parking capacity within an existing footprint.

- **Airport corporations:** Airport corporations are required to provide short-, medium- and long-term parking facilities to travellers. Moreover, the increasing passenger traffic witnessed by both domestic and international airlines in Australia also stresses the need for parking facilities. As per the Bureau of Infrastructure, Transport and Regional Economics (BITRE), the

*Minimum on-site disruption
and lower time to deployment
provide substantial value-add
to university campuses*

*New airport projects in pipeline
represent substantial
opportunity for PKD*

IBIS notes a third of the total industry revenue came from the airport parking services segment

total passenger movements for international airlines with services to/from Australia increased 2.4% YoY to 42.3m passengers for the year ended October 2019.

Furthermore, driven by fluctuations in air traffic due to global events, private temporary car park structures are also required around airports to store vehicles of both domestic and international travellers. In our view, this provides substantial upside potential to PKD.

- New airport projects in pipeline for completion in the medium term represent another substantial end-market opportunity for PKD. For instance, the Western Sydney Airport located at Badgerys Creek, which is expected to begin operations in 2026, has released tenders for car parking facilities to accommodate 11,500 cars. In our view, this provides considerable growth potential for PKD. The company can leverage its partnerships with tier 1 construction companies to tap such growth opportunities.
- Furthermore, airport car parking is a highly lucrative market. As per a recent IBIS report *'Parking services in Australia'*, a third of the total industry revenue (US\$1.6bn (A\$2.4bn) in 2018–19) came from the airport parking services segment.
- **Construction site parking:** Huge construction projects such as new hospitals, universities, transport hubs and high-rise buildings pressurise existing public car parks in surrounding areas. The problem becomes more acute for urban construction projects due to space constraints in cities and suburbs. As a result, builders need to provide temporary car parking facilities for their workers and subcontractors. PKD, again, is well-positioned to serve this target market by leveraging on its temporary car park solutions.
- **Parking operators, private developers and property funds:** Owners of existing parking assets, be they at-grade or multi-level car parks, such as on-airport and off-airport corporations, private car parking operators, local councils, hospitals and university campuses, may need to increase parking capacity to meet existing and future demand. PKD's modular construction method is capable of adding additional capacity to existing car park structures without disruption to existing parking patrons. This provides a significant market for PKD to utilise its IP to increase yields and capacity to existing operating car parks.

Competitive landscape for PARKD

Even though the Australian car parking services market is fragmented, there are few parking companies that are publicly listed. Moreover, there are no modular car park solutions providers in Australia apart from PKD. Hence, its primary competition in the domestic market is traditional freeform building companies. Following are few construction companies in Australia with a market capitalisation of less than A\$500m:

- **SRG Global Limited** is a Western Australia-based specialist construction, maintenance, and mining services company. Through its Construction segment, SRG engages in the construction of bridges, dams, office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals.
- **Decmil Group Limited** provides design, engineering and construction solutions to the infrastructure, resources and renewable energy sectors



in Australia and New Zealand. Decmil offers services for government infrastructure projects as well as civil works Brown and Greenfield projects.

- **Primero Group Limited** offers design, construction and operational services to resource projects in Australia. Primero provides turnkey in-house construction services civil, structural, mechanical, piping, electrical, instrumentation, and control systems areas.

Key competitors in the modular car parking market

However, in the international market, there are few players who provide modular car parking solutions:

- **Another Level Car Parks** is a UK-based private company that designs and develops portable, modular multi-storey car parks. It provides demountable car parks for both sale and hire and has completed 30 installations so far. These are largely steel-based, scaffold like structures.
- **Sider Park Parking Solutions** is a UK-based provider of modular car parks, operating since 1991. The company supplies its solutions across Europe to various end customers, including airports, hospitals, municipalities and railways.
- **More Park (USA) LLC** is a US-based private company that develops and installs the More Park® System. It is a modular, demountable single-storey steel and concrete parking structure. The company's key target industries include private developers, educational institutions and government agencies.
- **Newton Group Ltd**, a Canada-based company, provides the pre-engineered modular CANADACAR Parking Structure system. The company also offers prefabricated bridge and building structure solutions.
- **Nextensia SAS**, a subsidiary of the BRIAND Group, provides the Park'Up modular parking system to airports, automotive dealerships and retailers across France. Nextensia was the result of a spin-off in 2017, driven by BRIAND's strategy and conviction in the demountable car park business.

Key competitors in the traditional car parking market

In the domestic traditional construction market, there are many players who provide traditional car parking solutions. We have provided a summary on selected ones below:

- **Enwon** is a Sydney-based private company that provides complete car park solutions including asphalt or concrete car park design and construction. Earlier projects that the company has undertaken including: (1) the repair, replace or rebuild parts of the carpark in Redfern for the Department of Housing; (2) the re-construction of concrete pavement and car parks for The Land and Housing Corporation.
- **Civilex** is a Melbourne-based civil construction company that specialises in civil projects including car parks throughout Victoria. The company was engaged to build the first two stages of the Wyndham Vale train station car parking areas that contain over 400 car spaces. Further, the company constructed two Australian Rules football grounds with associated car park for the City of Wyndham.
- **Universal Civil Contracting** is a Queensland-based civil construction company that provides a range of car park services including refurbishing existing car parks and undertaking maintenance programs as well as



constructing brand new car parking facilities. The company has delivered a number of car park projects in Queensland.

- **SkyCo Group** is a Melbourne-based concrete specialist that provides durable solutions to the concrete car park construction space. The company works closely with engineering teams, safety inspectors, government officials and private investors to deliver concrete car parks.

Risks

We believe the following are the key risks associated with investing in PKD:

- **Tendering risk:** Though PKD has a substantial growth opportunity in the A\$650m Federal government-funded National Commuter Parking Project, it is yet to win any tender. However, the company is partnering with tier 1 construction companies in order to tap into this growth sector. We believe these partnerships should help mitigate tendering risk to an extent.
- **Funding risk:** PKD builds car parks on a project basis and recovers the cost of construction on a progress payments basis based on contracted milestones. This limits working capital risk although continuous R&D activities will require funding.
- **Regulatory risk:** Depending on the location of the car park, the company may also need to obtain development approval from the local council or government. The delay or denial of such approval will hamper PKD's ability to fulfil a car park delivery contract. Congestion levies and CBD fencing could also impact the parking industry.
- **Business risk faced by clients:** As the company targets end users such as car dealerships, airport corporations and retail centre developers, any change in their business environment can negatively impact PKD's source of income from that client. For instance, in May 2019, the Eurokars Group revisited its decision to expand the Bayswater Mazda dealership. As a result, the group suspended its contract with PKD at the completion of development application documentation.
- **Disruption in transportation:** The growing trend of ride-sharing, facilitated by user-friendly mobile applications, poses a threat to demand for off-street car parking. Increasing concerns around environment-friendly commute are promoting the acceptance of ride-sharing facilities and a concurrent decline in vehicle ownership. Moreover, the introduction of autonomous vehicles is expected to further impact the demand for off-street parking services.

Conclusion

In our view, PKD's modular car parking solution has significant upside potential. Leveraging on the cost effectiveness, rapid construction time and minimal on-site disruption of its solutions, PKD is well-positioned to take advantage of the substantial opportunity presented by upcoming infrastructure projects in Australia including the A\$650m federally-funded National Commuter Parking Projects. However, given the company's relative infancy, we will wait for the company to win a tender for a car park project before providing a valuation range for re-rating.



Analyst certification

Marc Kennis, lead analyst on this report, has been covering the multiple sectors as an analyst since 1997.

- Marc obtained an MSc. in Economics from Tilburg University, The Netherlands, in 1996 and a Post Grad. in investment analysis in 2001.
- Since 1996, he has worked for a variety of brokers and banks in The Netherlands, including ING and Rabobank, where his main focus has been on the Technology sector, including the Semiconductor sector.
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equities research firm.

In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Technology companies.

Appendix

Directors and Management team

	Name and Designation	Profile
	Bronte Howson Non-Executive Chairman	<ul style="list-style-type: none"> Bronte has more than 35 years of experience in the Australian automotive retailing industry. Prior to PKD, he served as the CEO of Automotive Holdings Group (ASX:AHG), from 2000 to 2007 and became its MD in 2007 until he stepped down in 2017. For his substantial contributions to the Australian automotive industry and charities, Bronte was awarded the Medal of the Order of Australia in 2016.
	Leonard Troncone Chief Executive Officer, Chief Financial Officer & Joint Company Secretary	<ul style="list-style-type: none"> Leonard is a finance veteran with c.35 years of experience in the engineering, manufacturing and construction industries. He brings extensive expertise in capital requirements needed to fund projects and acquisitions. Prior to joining PKD, he held senior finance positions in a number of successful ASX200 companies, including a five-year stint as Group Financial Controller of United Group and CFO at Decmil Group. He attended Curtin University and holds a Bachelor of Commerce degree and is a CPA.
	Peter McUtchen Chief Operating Officer Executive Director	<ul style="list-style-type: none"> Peter has over 14 years' experience in structural design and construction of specialist concrete buildings and structures. He developed his expertise in the industry with an 11-year stint at the specialist subcontractor Soletanche Freyssinet. He then transitioned to ADG Engineers as a Practice Manager. Peter received his Bachelor's degree in Civil Engineering from Swinburne University of Technology.
	Robert Freedman (Bob) Non-Executive Director	<ul style="list-style-type: none"> Bob is a veteran in the Australian construction industry. He is the former Chairman and current Non-Executive Director of SRG Ltd (ASX:SRG). While at SRG, he supported the design and construction of various high-profile projects such as Centrepont Tower and Stadium Australia in Sydney, Eleanor Schonell Bridge in Brisbane and Emirates Tower in Dubai. Currently, Bob also serves as the Chairman of Highway Construction.
	Bryant McLarty Non-Executive Director	<ul style="list-style-type: none"> Bryant has over 20 years of experience in the capital markets industry with specialisation in raising capital for technology ventures. He is currently the Executive Chairman of Mac Equity Partners – a stockbroking and corporate advisory business operating since 2009.



Robert Martin (Rob)

Non-Executive Director

- Rob Martin has over 20 years' experience specialising in operational restructuring, growth strategies and profitability.
- Rob is currently Non-Executive Chairman ASX listed JV Global and has been working as a Non-Executive Director for several large private firms where he has been charged with the operational restructuring, balance sheet strengthening and sales and profitability of the groups.

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