

Recommendation: Buy – December 2024 PT of \$65.26 (Annualized Return of 38.27%)

SP Plus (NASDAQ: SP)

Overview

SP Plus trades at a 30% discount to its pre-Covid price, but EPS has made a full recovery and the market is ignoring the company's growth prospects. Investments in tech-based offerings are leading to market share gains, a parking space shortage in cities is providing a long-term demand and pricing tailwind, and expansion in the hospitality market will grow the business while providing cross-selling opportunities. At a current price of \$31.40, a probability-weighted price target indicates the stock may be worth \$65.26 at the end of 2024. With the potential for annualized returns of 38.27% and EPS growth of over 48% from 2019 levels SP may be an outperformer in the coming years.

Investment Thesis

- **Superior Product Offering Enabling Market Share Gains**

Investments in tech have led to no-onsite labor and data-based product offerings. The first mover advantage from this innovation will enable SP's market share to grow from 12.25% to 15.75% in the coming years.

- **Parking Space Shortage in Cities Gives Demand/Pricing Tailwind**

Public transit usage being 40% less than 2019, double-digit increases of car registrations in cities, and the loss of parking space from garage closures and restaurants utilizing street areas have created a parking space shortage which gives SP a demand and pricing tailwind.

- **Expansion in the Hospitality Industry**

The company's tech-based offerings will allow for increased penetration in the hospitality vertical. This will enable greater utilization of the company's *Bags* business, generating cross-selling opportunities which may increase revenue per hospitality location by over 25%.

Investment Risks

- **Unexpected Changes in Commuting Habits**

Faster than expected recovery of mass transit by commuters and by city residents may dilute pricing power and harm the company's sales mix.

- **Future Acquisitions Could be Unattractive**

Current operations minimize the use of capital. Future acquisitions that are not tuck-ins may increase the capital intensity of the business.

- **Local Legislation Changes**

Parking is a significant revenue driver for cities via taxes/surcharges. Increases on these charges may harm the company.

Company Overview

Industry: Parking Management

Description: SP Plus is an American provider of parking facility management services. It manages parking facilities with more than one million parking spaces across the United States and Canada. The company was founded in 1929 and is headquartered in Chicago, IL.

Financials/Margins

Sales:	\$1.38B
Market Cap:	\$734M
Enterprise Value:	\$1.02B
Gross Margin:	12.43%
EBITDA Margin:	7.41%
Current Price:	\$31.40
52-wk Range:	\$25.29-\$37.17

Multiples/Ratios

P/E:	14.40x
EV/EBITDA:	9.91x
ROIC:	6.33%
ROE:	18.76%

My Quarterly EPS Forecasts

	2021A	2022E	2023E	2024E
Q1	0.11	0.50A	0.55	0.64
Q2	0.42	0.72A	0.74	0.84
Q3	0.54	0.77	0.86	0.96
Q4	0.41	0.67	0.75	0.83
FY	1.48	2.66	2.89	3.27