

Mossberg's Investor Digest

Best Idea Profile:

Standard Parking Corp. (NASDAQ:STAN)

DESCRIPTION:

Headquartered in Chicago, Illinois; Standard Parking Corporation is a leading provider of parking management and ground transportation services to commercial, institutional and municipal clients in the North America. The Company trains and schedules a staff of over 12,000 people and offers a complete outsourcing solution. Services provided by Standard include operations and training, scheduling and the supervising of all customer service personnel. Standard also provides for all maintenance and accounting functions for its clients. Other related services offered by the Company include airport shuttle operations, taxi dispatch services and municipal meter revenue collection. Standard derives over 90% of its revenues from management contracts with the remainder of revenues coming from leases.

KEY INVESTMENT CONSIDERATIONS:

Established Operator – Standard Parking is an established franchise. The Company has been operating for over 80 years, manages over 1.2 million parking spaces and has strong brand recognition.

Market Leader – Standard endeavors to be a top tier operator (number one or two) in each market. This enables the company to leverage its expense base and fosters strong long-term relationships.

Diversified Client Base – Standard is geographically diversified with 2,200 locations located in 345 cities, 41 US states and five provinces in Canada.

Strong Value Proposition – Parking and Transport Management is a non-core function for most companies. Standard brings national scale, superior customer service and improved cash flow to its customers.

Key Acquisition Will Double Size – In February 2012, Standard announced a merger with Central Parking Company. The terms included 6.161 million Standard Parking shares, \$27 million cash paid in 3 years along with Standard assuming \$210 million of Central Parking debt (net of cash acquired). The merger, when completed, will add 2,200 locations and nearly 1 million parking spaces to Standard. The management of Standard expects that they can generate run rate synergies of at least \$20 million within 24 months of the close of the acquisition. The transaction is expected to close during 3Q12 and become accretive within 3 years.

Predictable and recurring revenue – The Company has a 90% location retention rate over the past three years. High retention rates along with the profit/loss pass through of management contracts (to clients) gives Standard a business model with low capital expenditures and steady long-term cash flow.

Recent Performance – For Q1FY2012 Standard reported earnings-per-share of \$0.14. Yet these results included \$0.12 per share in costs related to the Central Parking acquisition. Adding these additional costs back in would have resulted in earnings-per-share of \$0.26, a year-over-year increase of 13%

VALUATION:

Post-merger and assuming \$20 million in acquisition synergies, STAN is expected to produce \$95 million+ in adjusted EBITDA. Further assuming \$40 to \$50 million in annual free cash flow generation from the combined companies, yields an enterprise value of approximately \$550 to \$600 million in three years. If we apply a historic multiple of 8 to 10x EV/ EBITDA, it yields a \$30+ valuation for the stock in three years. Also, the fact that the PE firms are willing to take 60% of the purchase price in stock in consideration for selling their ownership of Central Parking should give investors some increased confidence in the merger.

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Investment Data (as of 5/25/12)

Recent Price	\$18.42
52-Week Range	\$14.48 - \$21.48
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	15.7MM
Average Trading Volume (3 mos)	45k
Market Capitalization	\$288MM
Cash	\$9MM
Long Term Debt	\$89MM
Enterprise Value (EV)	\$368MM
Book Value	\$3.38
TTM Revenue	\$326MM
P/ Revenue	0.9x
TTM EPS	\$1.03
P/ EPS	18x
TTM EBITDA	\$44mm
EV/ EBITDA	8.4x

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