



AVADA Group Limited Acquisition of Construct Traffic

20 June 2022



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An overview of Construct Traffic

LEADING PROVIDER OF TRAFFIC MANAGEMENT SERVICES IN VICTORIA

- Construct Traffic (“Construct”) was established in 2007 and is headquartered in Tullamarine, Melbourne. Construct provides traffic control and work zone safety throughout Melbourne and Victoria
- Client base weighted to recurring maintenance work, including gas maintenance, councils, asphalt and road maintenance
- Young fleet (average age < 5 years) with recent acquisitions to support revenue growth
- Existing management to remain, with vendors agreeing to a 12 month earnout and remaining committed to integration and growth



	Vehicles	Traffic Controllers	Depots
VIC	131	342	1

Strategic rationale

 **Delivering**
on goals of geographical
expansion, consistent
with the strategy of
AVADA

A PLATFORM FOR FURTHER GROWTH DELIVERED THROUGH REGIONAL EXPANSION



Establishing a presence in Victoria of a size and capability on which to build scale in the region



Benefits of diversification of existing footprint and customer base



Low risk integration plan, leveraging synergies of AVADA

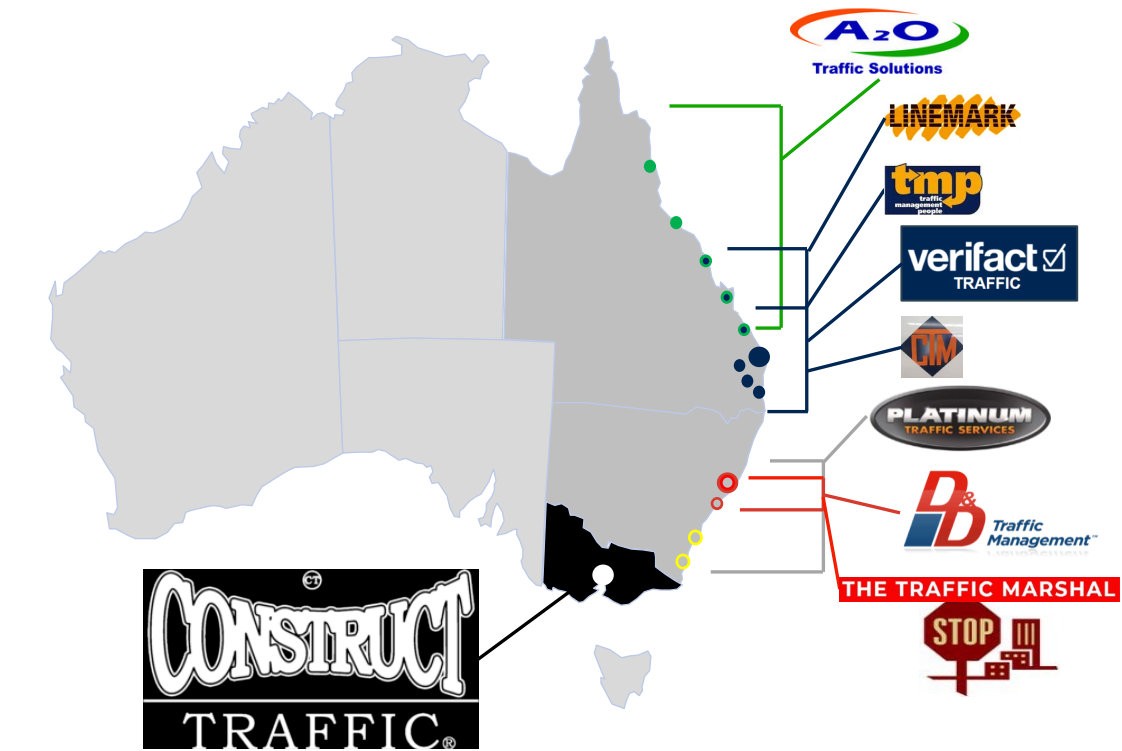


Accretive earnings profile

Strategic rationale

> **Delivering**
on goals of geographical
expansion, consistent
with the strategy of
AVADA

POST ACQUISITION SERVICE NETWORK AND CAPABILITY



	Vehicles	Traffic Controllers	Depots
QLD ⁽¹⁾	632	1,213	19
NSW ⁽¹⁾	192	408	7
VIC	131	342	1
Total	955	1,963	27

Notes:

(1) As at 31 December 2021

Pro forma income statement

> **Accretive**
margin and earnings
profile

Pro forma summary income statement

\$m	AVADA FY22F ⁽¹⁾		Construct ⁽²⁾	Combined	
	Low	High		Low	High
Revenue	138.2	138.7	34.5	172.7	173.2
Gross Profit	29.3	29.4	7.6	36.9	37.0
Gross margin	21.2%	21.2%	22.0%	21.4%	21.4%
EBITDA	12.6	13.0	5.0	17.6	18.0
EBITDA %	9.1%	9.4%	14.5%	10.2%	10.4%

Notes:

- (1) Ongoing impacts of La Nina and severe weather into May 2022 is expected to result in a shortfall to FY22 EBITDA as set out in the Prospectus dated 9 November 2021. EBITDA is expected to be 16% to 19% below the Prospectus guidance of \$15.5m
- (2) FY22 annualised sustainable income statement

Deal metrics

> **Strong**
Balance sheet
maintained to support
future growth

Pro forma leverage ratios

\$m	AVADA		Construct	Combined	
	Low	High		Low	High
EBITDA - FY22 (refer prior page)	12.6	13.0	5.0	17.6	18.0
Adjustment:					
IFRS 16 ⁽¹⁾	(1.3)	(1.3)	(0.1)	(1.4)	(1.4)
Indicative annualised EBITDA	11.3	11.7	4.9	16.2	16.6

	Pro forma indebtedness at completion	Available facilities
Acquisition facilities and asset finance ⁽²⁾	26.3	30.0
Net working capital	4.2	8.3
Bank guarantees and corporate cards	0.2	0.5
	30.7	38.8

Gross leverage ratio (Mid-point)	1.87
Covenant⁽³⁾	2.25

(1) Adjusted to reflect covenant requirements

(2) Includes \$17.6m upfront consideration, \$0.5m one-off payment for vehicles and \$0.8m deal costs and stamp duty in respect of the Construct acquisition

(3) Short term increase to 2.25

Trading update & business outlook

 **Organic growth and further acquisitions targeted for earnings growth. Significant pipeline from work deferred from FY22**

Significant pipeline into FY23 from deferred work (weather impacted)

Continued investment in fleet for a stronger asset base

Active margin improvement through synergies and input costs being pursued

Continued assessment of acquisition opportunities, focused on geographical expansion

Ongoing impacts of La Nina and severe weather into May is expected to result in a shortfall to FY22 EBITDA as set out in the Prospectus dated 9 November 2021. EBITDA is expected to be 16% to 19% below the Prospectus guidance of \$15.5m



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