



AVADA Group Limited FY22 Results Presentation

31 August 2022

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Authorised for release by the Board of Directors of AVADA Group Limited

Agenda

- > Overview
- > Financials
- > Business outlook
- > Q&A
- > Appendix

A futuristic city street at night, featuring tall, modern buildings with illuminated facades. A glowing traffic light is visible on the right side of the frame, and light trails from vehicles are visible on the road. The overall scene is dark with vibrant blue and green highlights.

01

Overview

FY22 at a glance

Operational and financial highlights

ACQUISITION OF
CONSTRUCT
TRAFFIC

INCREASE IN
REVENUE DESPITE
UNPRECEDENTED
CHALLENGES.

UNAUDITED PRO
FORMA REVENUE
OF \$139M

UNAUDITED PRO
FORMA EBITDA
\$12.6M VS FY21 OF
\$11.5M

CONTINUING TO
SECURE KEY
CONTRACT WINS
AND EXTENSIONS

ONGOING
IMPLEMENTATION
OF SYNERGIES AND
INTEGRATION

GROWING THE
FLEET AND TEAM
TO MEET DEMAND

CURRENT RUN RATE
AND PIPELINE
EXPECTED TO
DELIVER
CONTINUED
REVENUE GROWTH

DELIVERING ON
THE STRATEGIC
PLAN

Why AVADA?

Essential provider to the government, civil services and infrastructure industries

Recurring and repeatable revenue

Track record of delivering organic growth and expansion

Strong infrastructure tailwinds and industry growth

Significant pipeline into FY23 from deferred work (weather impacted)

Fragmented sector ripe for consolidation



9 group businesses – leading, independent, Australian traffic management operator.



Only listed provider of traffic management services in Australia.



Ability to share resources, service innovations and market sector expertise across the group, improving efficiency through economies of scale and enhanced procurement.



Clients include state and local governments, federally funded contractors and major contractors in the utilities, infrastructure, construction, and telecommunications sectors.

Traffic Management Services Industry Overview

- Essential to all civil infrastructure and maintenance service providers – consistent flow of work.
- Regulated safety requirement.
- Strong national infrastructure tailwinds.
- Highly fragmented with limited national competitors.
- Industry drivers supporting the need for market participant with scale and capability.
- Significant growth opportunities through geographic expansion and an expanded civil infrastructure and maintenance services offering.
- IBIS World data forecasts 11.5% sector revenue growth in FY23 and 4.9% average over next five years (including inflation).



 **Growth**

Underpinned by expected sector growth in FY23 and medium term

Industry Overview

Traffic Management Services

Traffic plan designing and permit services	Site inspections/surveys, safety/risk audits, traffic management plans developed using industry software, etc.
Onsite traffic control	Managing road diversions/detours, road/lane/tunnel closures, pedestrian management, etc.
Equipment hire	Traffic control equipment for hire, such as road cones, arrow boards, temporary lights, emergency signs, stop/go systems, portable boom gates etc.
Incident response	Use of specialised incident response vehicles and crew as first responders in the event of roadside hazards, accidents and emergencies

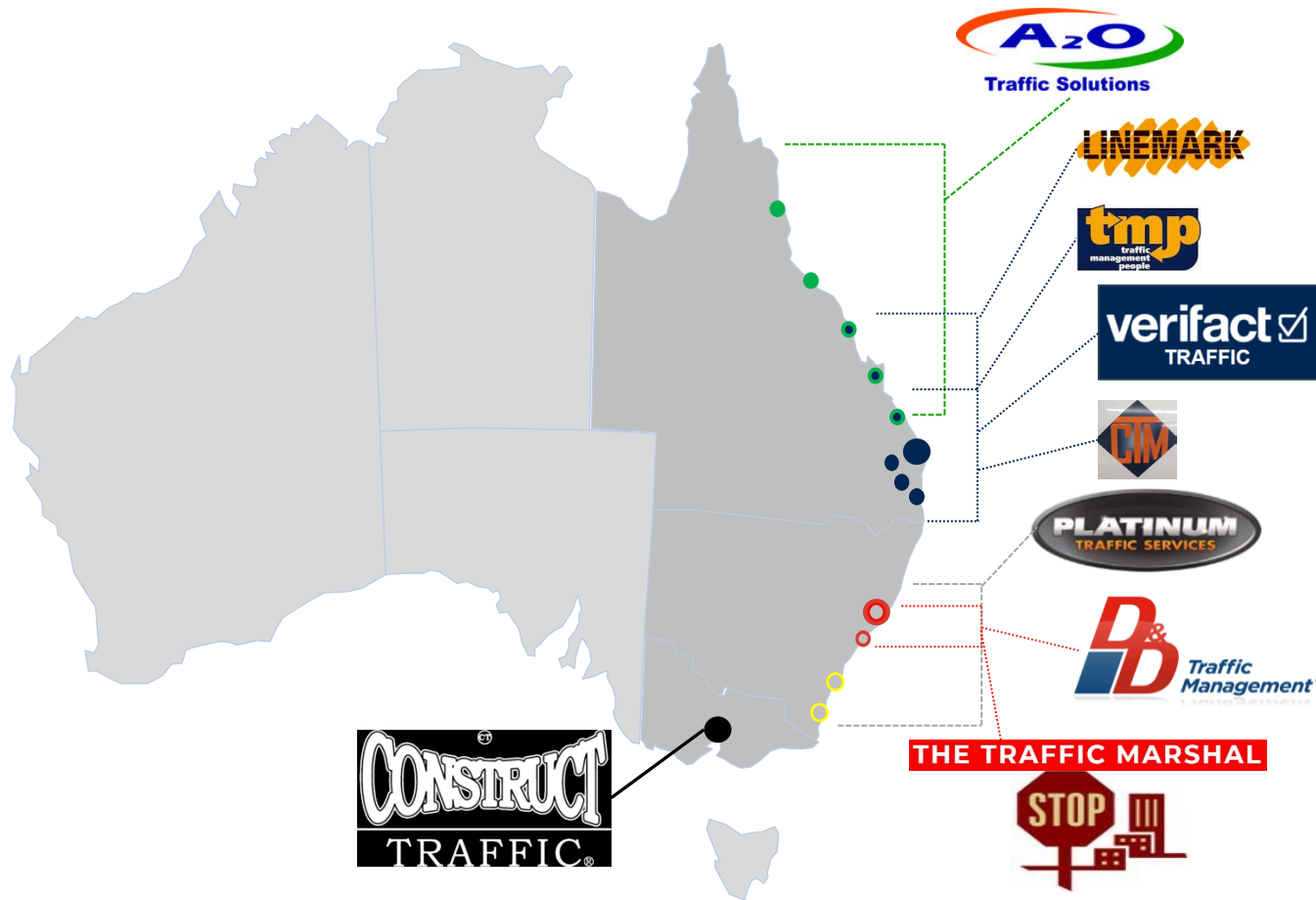
Source: Frost & Sullivan

Addressable end-user segments of Traffic Management Services

Infrastructure	Other Construction	Other Segments
Roads and highways	Civil construction	Councils
Maintenance	Commercial construction	Incident response
Utilities	Residential construction	Events

Source: Frost & Sullivan

AVADA overview



	VEHICLES	TRAFFIC CONTROLLERS*	DEPOTS
QLD	660	1,217	19
NSW	168	472	7
VIC	131	358	1
TOTAL	959	2,047	27

* - Active employees

Construct Traffic acquisition

**ANNUAL
REVENUE FOR
FY22 OF OVER
\$34M¹**

**EBITDA OF
APPROXIMATELY
\$5M**

**FLEET OF OVER
130 VEHICLES
AND 350
TRAFFIC
CONTROLLERS**

**YOUNG FLEET
(AVERAGE AGE
<5 YEARS)**

¹Sustainable revenue excludes revenue received in FY22 from providing traffic management solutions to COVID testing centres and clinics.



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



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.

Synergies

Continual integration and improvement



Group wide procurement, including insurance, fuel and fleet.



ISO accreditation and compliance being reviewed for supplier consolidation.



Continuous improvement in reporting and aligning processes.



System integration.



Rostering and vehicle tracking systems being reviewed for supplier consolidation.

02

Financials



Financial performance summary

Pro forma summary income statement

\$'000s	FY19A Pro forma	FY20A Pro forma	FY21A Pro forma	FY22A Pro forma
Revenue - organic	93,703	107,230	116,959	123,755
Revenue from acquisitions	-	-	-	15,399
Revenue (incl. other income)	93,703	107,230	116,959	139,154
Gross Profit	20,777	22,378	24,747	31,766
Gross margin	22%	21%	21%	23%
Gross margin (excl. other income)	22%	20%	21%	21%
EBITDA	8,269	9,558	11,540	12,550
EBITDA %	9%	9%	10%	9%
Depreciation	(3,168)	(3,534)	(3,550)	(4,725)
NPATA	3,432	4,029	5,417	5,047
Vehicles (at period end)	592	635	657	828
Revenue per vehicle - \$000s	158	169	178	168
Traffic controllers at period end	n/a	n/a	1,413	1,689

1. FY19A, FY20A and FY21A are as presented in the AVADA Group Limited Prospectus dated 9 November 2021, the Supplementary Prospectus dated 23 November 2021 and the Second Supplementary Prospectus dated 7 November 2021 (together the Prospectus).
2. Other income relates to COVID funding received under the NSW Government Job Saver scheme.
3. Vehicles and traffic controllers exclude Victoria.

Underlying organic growth in a year of unprecedented disruption.

Bolt-on acquisitions to deliver full-year impact in FY23 (acquired in September 2021).

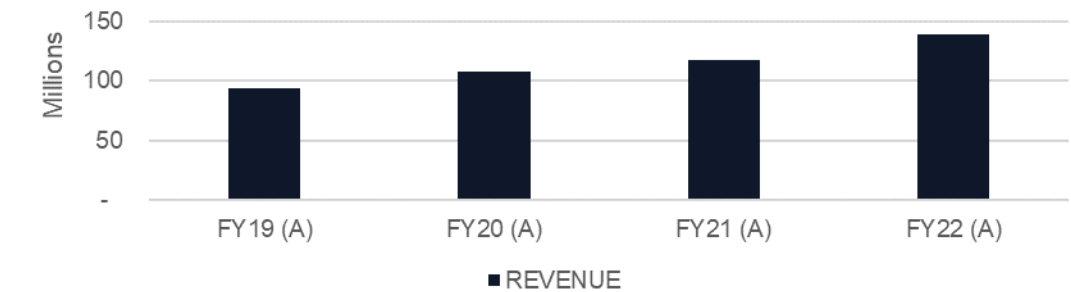
Increase in gross margin despite cost pressures, which are expected to be an ongoing challenge. Rate increases with clients required.

Pro forma EBITDA below prospectus guidance due to impact of weather (La Nina) and covid disruptions. Increased opex to support growth has resulted in a decline in EBITDA %, with revenue behind target. Year-on-year EBITDA growth of almost 10%.

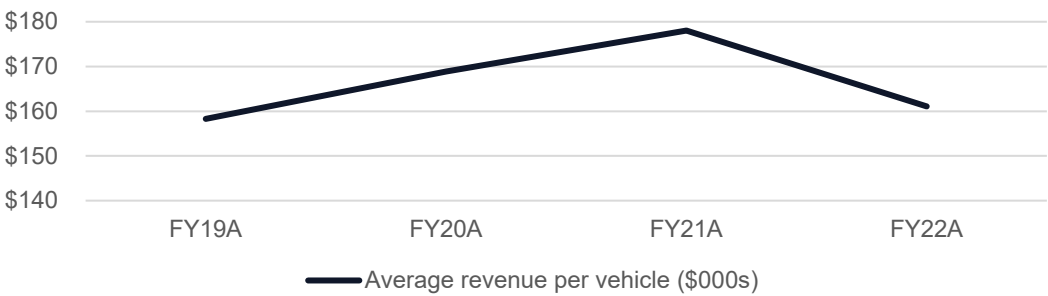
Decline in revenue per vehicle reflects reduced utilisation owing to disruption. Capacity exists with the current fleet to support increased volumes.

Financial performance

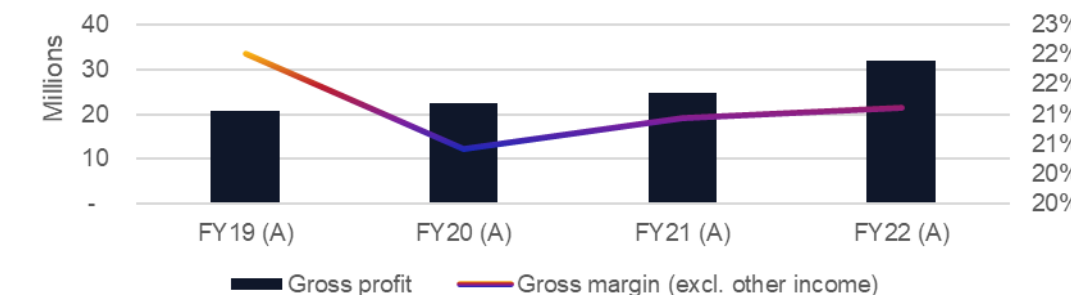
REVENUE GROWTH - FY



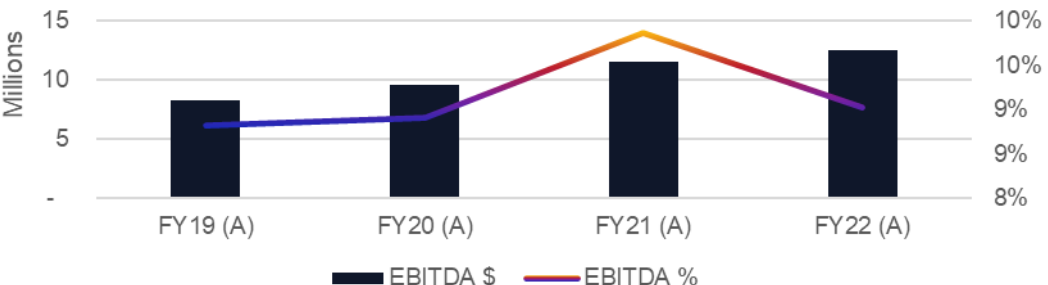
AVERAGE REVENUE PER VEHICLE



GROSS PROFIT & GROSS MARGIN



EBITDA & EBITDA %



Balance sheet

000s	Dec-21	Unaudited Jun-22
Current Assets		
Cash and cash equivalents	2,156	2,751
Trade debtors and other current assets	15,602	20,112
Total current assets	17,758	22,863
Non-Current Assets		
Property, plant and equipment	12,469	18,229
Other non current assets	65,244	48,721
Total non-current assets	77,713	66,950
Total assets	95,471	89,813
Current Liabilities		
Trade and other payables and accruals	(10,313)	(12,840)
Financial liabilities - current	(1,036)	(12,154)
Employee related provisions	(2,808)	(2,534)
Total Current Liabilities	(14,157)	(27,528)
Non-Current Liabilities		
Financial liabilities	(16,691)	(7,526)
Other non current liabilities	(6,830)	(8,692)
Total Non-Current Liabilities	(23,521)	(16,218)
Total liabilities	(37,678)	(43,746)
Net assets	57,793	46,067

Jun-22 reflects the unaudited financial statements for the year ended 30 June 2022. Dec-21 reflects the reported balance sheet, extracted from the AVADA Group Limited half-year financial report.

Seasonal increase in trade debtors with December being a period of lower trading volumes over the Christmas and New Year period.

Increase in property, plant and equipment from fair value increase recognised on completing acquisition accounting.

Intangible assets includes goodwill and intangible assets in respect of customer contract and brands. Decrease reflects impairment charge recognised during the period.

Financial liabilities – current increased from the reclassification from non-current liabilities of contingent consideration in respect the earnout arrangements for D&D Services Pty Ltd and Verifact Traffic Pty Ltd and the draw down on the market rate loan to fund the acquisitions.

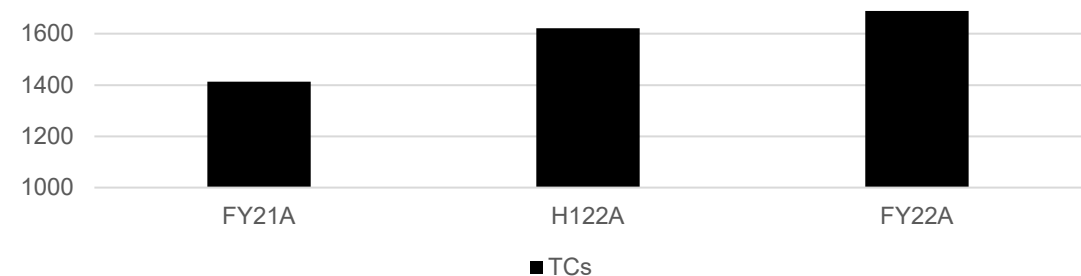
The balance also includes the short-term portion of lease liabilities and asset finance.

Financial liabilities – non-current includes the draw down on the market rate loan to fund the acquisitions and the non-current portion of asset finance.

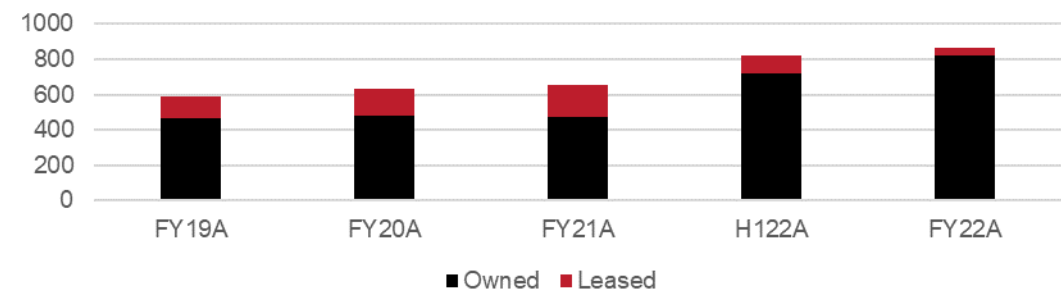
Other non-current liabilities includes deferred tax liabilities and lease liabilities.

Operational summary

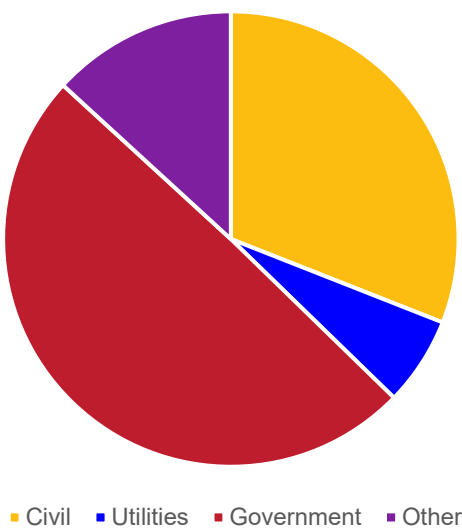
TRAFFIC CONTROLLERS




VEHICLES



CUSTOMER CATEGORIES (FY22A)

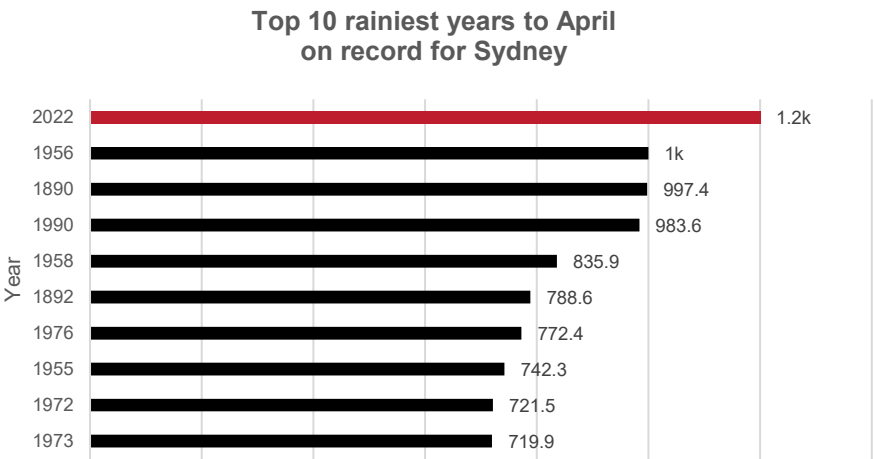
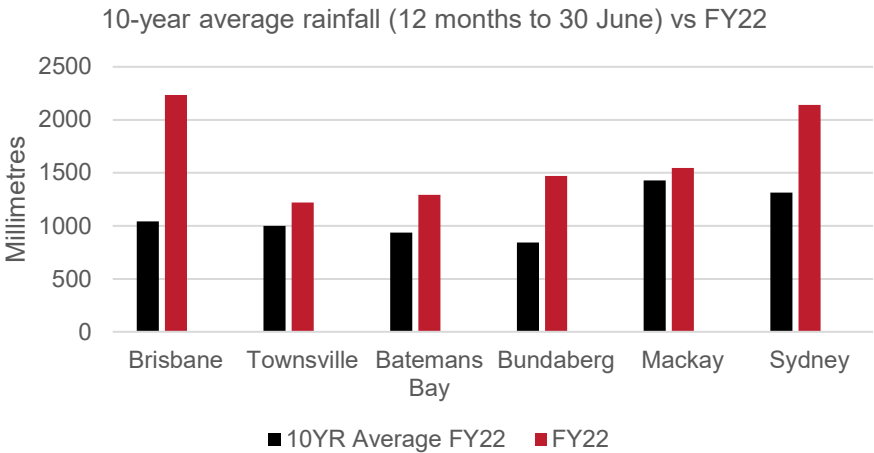


 Growing fleet and traffic controllers

 c.50% of revenue from the Government sector, typically being recurring maintenance contracts

*All figures are excluding the acquisition of Construct Traffic

Impact of La Nina



Cumulative rainfall in mm for each year from 1 January to 8 April for Sydney's Observatory Hill station (combining stations 66214 and 066062)

Source: Bureau of Meteorology

Unprecedented disruption in Queensland and NSW.


Sydney and Brisbane rainfall above 10-year average by 63% and 114% respectively in the year to 30 June 2022.

Wettest first six months of the year (1 January and 30 June) in Sydney on record (164 years).

Significant impact on margins and earnings.

Major projects continue to experience delays, with Sydney recording its wettest July on record in 2022.

Impairment

 **\$15m impairment following the most challenging year the sector has experienced due to COVID-19 and weather**



COVID-19 disruption in H122

- Lockdowns and staffing shortages



Double La Nina impact in H222

- Rainfall significantly higher than the long-term average



Forecast ongoing significant weather disruptions

- BOM forecasting 70% chance of third event in coming months



Constrained by challenging labour market and ongoing supply chain difficulties

- Active recruitment strategies



Prudently conservative approach has been applied

03

Business outlook



Our clients and pipeline opportunities (selection)

\$110bn of federally funded infrastructure projects to be delivered within the next decade, in addition to state and council funded projects

Infrastructure pipeline (4-Year Horizon)

QLD PROJECT

	VALUE (\$)
Cross River Rail	\$5.4bn
Network maintenance (Qld Gov.)	\$4.7bn
Gateway Motorway and Bruce Highway	\$2.1bn
Coomera Connector	\$1.5bn
Rockhampton Ring Road	\$1.1bn
Gold Coast Light Rail (Stage 3)	\$1.0bn

NSW PROJECT

	VALUE (\$)
Sydney Metro West	\$12bn
M6 Extension (Stage 1)	\$2.7bn
Greater Western Highway Upgrade	\$2bn
Sydney Gateway (early construction)	\$1bn
Parramatta Light Rail (Stage 1)	\$0.5bn
Sydney Road Asset Performance	\$0.3bn p.a.



Trading update & business outlook

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

Significant pipeline into FY23 from deferred work (weather impacted) and additional infrastructure spending.

Continued investment in fleet for a stronger asset base.

Active margin management through synergies and rate increases.

Continued assessment of value accretive acquisition opportunities, focused on geographical expansion.

Implementation of management incentive arrangements and improved management reporting to incentivise growth and improve margin.

FY23 – the opportunity

REGULATED
SAFETY SERVICE

ROADS AND ALL
WORK ADJACENT
TO A ROAD
REQUIRES TRAFFIC
MANAGEMENT
SERVICE

GOVERNMENT AND
BLUE-CHIP CLIENT
BASE

FRAGMENTED
INDUSTRY RIPE
FOR
CONSOLIDATION

LEADING PROVIDER
OF SAFETY,
BACKED BY THE
RIGOROUS
GOVERNANCE OF A
LISTED COMPANY

FLEXIBLE
WORKFORCE
PROTECTS
MARGINS

04

Q&A





A

Appendix



Pro forma reconciliation

\$'000s	Pro forma adjustments ⁽²⁾									FY22A Pro forma
	FY22 Actual Unaudited (a)	Pre acquisition trading (b)	Public company costs (c)	Management remuneration (c)	Related party arrangements (c)	Costs associated with the offer (c)	Founder shares (c)	Amortisation (d)	Normalisation adjustments (e)	
Traffic Management Revenue	72,933	63,612	-	-	(414)	-	-	-	-	136,131
Other Revenue	3,151	2,916	-	-	-	-	-	-	(3,044)	3,023
Total Revenue	76,084	66,528	-	-	(414)	-	-	-	(3,044)	139,154
Cost of Sales	(58,007)	(49,528)	-	-	-	-	-	-	147	(107,388)
Gross Profit	18,077	17,000	-	-	(414)	-	-	-	(2,897)	31,766
Employee benefit expenses	(6,572)	(5,096)	(279)	81	294	-	-	-	350	(11,222)
General and admin expenses	(8,828)	(2,523)	(21)	-	4	3,517	3,450	-	668	(3,733)
Other expenses	(2,680)	(2,479)	(119)	-	89	-	-	-	929	(4,261)
Operating expenses	(18,080)	(10,098)	(419)	81	386	3,517	3,450	-	1,946	(19,216)
EBITDA	(3)	6,902	(419)	81	(27)	3,517	3,450	-	(951)	12,550
Depreciation	(2,970)	(1,755)	-	-	-	-	-	-	-	(4,725)
Amortisation and impairment of intangible assets	(16,693)	-	-	-	-	-	-	(2,196)	14,957	(3,932)
EBIT	(19,666)	5,147	(419)	81	(27)	3,517	3,450	(2,196)	14,006	3,893
Net finance income / (expense)	(312)	(308)	-	-	-	-	-	-	5	(614)
Profit before tax	(19,978)	4,839	(419)	81	(27)	3,517	3,450	(2,196)	14,012	3,278
Tax expense ⁽¹⁾	1,425	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(984)
Net Profit after tax	(18,553)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,295
Add back: amortisation (net of tax)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,752
NPATA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,047

Notes:

1. Pro forma tax expense calculated at 30% of profit before tax
2. Pro forma adjustments have not been subject to independent audit or review

Pro forma reconciliation

(a) Unaudited financial information for AVADA Group Limited for the twelve months ended 31 December 2021.

(b) Adjustment to reflect the financial results of the subsidiaries for the period 1 July 2021 to 15 December 2021.

(c) Pro forma adjustments are consistent with adjustments 1, 2, 3, 4 and 6 of table 5.6.2 of the Prospectus.

(d) Amortisation of intangible assets for the period to 15 December 2021.

(e) Normalisation adjustments reflect non-recurring transaction expenses incurred by the subsidiaries prior to acquisition and by AVADA post acquisition, shares issued to management and directors and related expenses and prior period adjustments reflected on acquisition.

Adjustments are also made for the reduction in contingent consideration and impairment charge recognised.

Pro forma and normalisation adjustments have been sourced from the underlying accounting records of AVADA Group Limited and its subsidiaries. Adjustments have not been subject to audit or independent review.

Balance sheet

000s	Dec-21	Unaudited Jun-22
Current Assets		
Cash and cash equivalents	2,156	2,751
Trade and other receivables	13,794	18,264
Other current assets	1,808	1,848
Total current assets	17,758	22,863
Non-Current Assets		
Property, plant and equipment	12,469	18,229
Right-of-use assets	4,225	4,149
Intangible assets	60,896	44,429
Other non current assets	123	143
Total non-current assets	77,713	66,950
Total assets	95,471	89,813
Current Liabilities		
Trade and other payables and accruals	(10,313)	(12,840)
Financial liabilities - current	(1,036)	(12,154)
Employee related provisions	(2,808)	(2,534)
Total Current Liabilities	(14,157)	(27,528)
Non-Current Liabilities		
Financial liabilities	(16,691)	(7,526)
Deferred tax liability	(3,571)	(5,455)
Leases	(3,259)	(3,237)
Total Non-Current Liabilities	(23,521)	(16,218)
Total liabilities	(37,678)	(43,746)
Net assets	57,793	46,067



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