

ASX Announcement

14 November 2022

2022 Annual General Meeting – Managing Director and CEO’s Address

Good morning and welcome to all.

Firstly, I want to say what a privilege it is to address shareholders for the first time as CEO of AVADA Group Limited.

AVADA Group was incorporated in March 2021 with the vision to be Australasia’s leading traffic management company and provider of ancillary services. In delivering on this vision, consolidation within the highly fragmented traffic management sector has been our primary focus. The first step towards this consolidation was achieved in December 2021 with the acquisition of five traffic management companies, supported by the successful initial public offering on the Australian Securities Exchange.

AVADA has continued to deliver on its strategy, completing the successful acquisition of Construct Traffic in Victoria, providing enhanced scale and geographic diversity to the Group.

From a financial perspective, FY22 has been significantly disrupted through COVID, supply chain and weather. Unfortunately, these impacts have resulted in the Company not achieving its FY22 forecast. Pro forma normalised EBITDA of \$12.6m for FY22 did, however, exceed pro forma normalised EBITDA of \$11.5m for FY21, which demonstrates the resilience of AVADA’s offering.

Operationally, the Company continues the ongoing integration process and implementation of synergies, which to date include achieving benefits through centralised procurement and contracting, centralisation of functions and consistency of systems. These changes continue to enhance the management and governance framework.

Importantly, and while challenging given supply chain and labour market constraints, we have continued to increase the fleet and workforce. While this growth has not been to the extent we would like, it does increase our capability to deliver for our clients, with the Group continuing to secure new contracts and extensions of existing key contracts.

The strategy behind AVADA is to provide scale and geographical reach through established and trusted brands. We believe this allows to best service our client base. Whether our clients are nationwide, state-wide or regional clients, our strong independent brands, supported by a centralised executive and management team, differentiates AVADA from our key competitors and provides flexibility in our growth strategy.

The initial acquisitions at listing provided coverage of Queensland with the cornerstone business of Verifact operating throughout south-east Queensland to central Queensland, supported by A2O from central Queensland to north Queensland with CTM, LTC and TMP supporting in regional hubs. Coverage of New South Wales is achieved through the cornerstone business of D&D, based in western Sydney, supported by TTM in Sydney and PTS, which operates from Sydney down the southern coast.

Meanwhile, the acquisition of Construct Traffic has delivered a strong footprint in Victoria.

Being one of the largest traffic management providers in Australia provides the Group with competitive advantages that can continue to be enhanced through continual integration and striving for operational excellence, including:

- scale, which enables allocation and sharing of people and vehicles;
- Use of technology to improve efficiencies and operational performance of all aspects of the business;
- safety and operational processes assured by effective management processes and monitoring, combined with an unwavering focus on improving safety for our people and clients;
- group-wide procurement and cost monitoring; and
- the ability to deliver the service platform through the existing brands or as a group with the ability to service large national contracts.

The group's revenue is earned based on billing hourly or day rates for traffic controllers, vehicles and equipment. This provides defensible margins with our workforce largely being paid for hours worked and billed.

The Group has continued, to deliver a track record of growth for revenue, gross profit and EBITDA, despite the well documented challenges. A reduction in average revenue per vehicle is reflective of the challenges in FY22 but also highlights capacity within the existing fleet to support increased volumes and revenue.

While gross margin has been maintained despite cost pressures, inflation is expected to be an ongoing challenge with rate increases and implementation of operational efficiencies key focuses.

The acquisition of Construct has been an important first step in delivering on our strategic plan, importantly providing scale and a new geography.

As has been documented in the Prospectus, AVADA will continue to actively pursue further acquisitions, subject to meeting strict criteria, including:

- Accretive earnings and cash flow profile;
- Diversity of geography and client base;
- Strong track record of operations and strong independent branding; and
- Scale to existing operations through bolt-on acquisitions.

Applying the experience of integrating the acquisitions made to date will enable a low-risk integration plan which can quickly leverage synergies and benefits of the Group to future acquisitions.

Our client base is made up of blue-chip clients from the government and private sector. Any work required on a road or adjacent to a road will require traffic management. As we look over the horizon of infrastructure spending, we see a continued strong tailwind for demand and revenue growth, while additional funding in response to flood damage in Queensland, New South Wales and more recently Victoria is also expected to support industry revenue into FY23 and beyond.

I would also like to take this opportunity to thank our clients for their continued support of the Group. We look forward to continuing to work together to innovate and enhance our service offering and, most importantly, keep everyone safe.

FY23 to date has seen a continuation of the challenges from FY22 in respect of weather, most significantly in New South Wales and Sydney, which has recorded its wettest year on record. Volumes have, however, met expectations and pushing capacity during dry periods, demonstrating the strong requirement and demand for our services. Managing fleet and staff levels will be important to meeting this demand.

Inflationary pressures and wage rates present an ongoing challenge to the Group and resulted in some margin erosion in Q1. However, this is being addressed during the quarter with annual rate negotiations being finalised with our clients.

As we continue through Q2, we see strong demand being delivered at margins in line with expectations. The management team continues to focus on what it can control, including implementing synergies and cost savings, integrating systems and building a strong culture upon which we can continue to grow the business.

Fundamental to everything we have achieved are our people. I would personally like to thank all our team for their contribution to the Company through the journey we have been on. Everyone across our organisation ensures the continued delivery of services to our clients, whether planners designing the required job set up to the schedulers ensuring each job is staffed or the admin team ensuring the fleet is serviced and safe to work.

In particular, a huge thank you to our traffic controllers who every day go to work to ensure that our clients can work in a safe environment and go home each night. Without our traffic controllers the required infrastructure and maintenance could not proceed, and I want to acknowledge the fantastic job they do.

Thank you for your time today and your ongoing support of the Company. Your management team is working hard to create value for shareholders and I look forward to keeping you updated on our progress.

This announcement is authorised for release by the Board of Directors of AVADA Group Limited.

About AVADA Group Limited

AVADA is Australia's largest listed integrated traffic management provider, with established operations throughout Queensland, NSW and Victoria servicing major public and private sector clients.

With an extensive network of 27 Depots, more than 900 vehicles and 1,900 dedicated employees the Group is well positioned in the integrated traffic management and associated civil sectors.

Visit us at avadagroup.com.au

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Forward-Looking Statements

This announcement contains forward-looking statements, including references to expected outcomes. Forward-looking statements are not guarantees of future performance or events and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond AVD's control. Readers are cautioned not to place undue reliance on forward-looking statements.