

## ASX Announcement

27 February 2023

### AVADA Group Limited 1H FY23 results

AVADA Group Limited (ASX:AVD) ('AVADA', 'the Company' or 'the Group'), the largest listed provider of traffic management control services in Australia, presents its half-year results for the period ended 31 December 2022, confirming underlying revenue of \$90.6m and underlying EBITDA of \$7.1m.

#### 1H FY23 Highlights:

- Increase in revenue from the existing operations (excluding Construct Traffic)
- Establishing a presence in Victoria following the completion of Construct Traffic acquisition
- Investment in corporate team to build capability to support growth and integration
- Commencement of IT consolidation project
- Procurement and headcount savings achieved

Underlying revenue (excluding Construct Traffic) increased from \$69.2 in 1H FY22 to \$74.2m despite ongoing challenges of weather, particularly impacting the New South Wales operations. Gross margin pressure and an increase in overheads in the short term has resulted as new business initiatives are pursued, combined with wage and cost inflation. This has been managed through rate increases in the first half of the year, while cost savings initiatives remain management's key focus. The results were also impacted by continued underperformance of The Traffic Marshal Pty Ltd, which resulted in a small decline in pro forma EBITDA from \$7.4m in 1H FY22 to \$7.1m for 1H FY23.

AVADA Group MD & CEO Dan Crowley commented: *"The result demonstrates the resilience of the business in difficult conditions. The current level and pipeline for civil services work remains strong and provides a positive outlook for revenue growth for the Group. Operationally, a focus on planning for and implementing a centralised operating structure will have the Group well placed to deliver strong trading performance."*

#### **Underlying trading performance delivers underlying revenue growth despite challenging trading conditions**

The Company continued to face challenges in respect of weather in the first half of FY23, most significantly in New South Wales, including Sydney, which recorded its wettest year on record. Volumes have met expectations during periods of normal weather, demonstrating the strong requirement and demand for AVADA's services. Maintaining of fleet and staff levels remain a key focus to allow the Company to meet this demand and improve margins.

Inflationary pressures and wage rates resulted in short-term margin erosion in 1H FY23. This has been addressed, with rate negotiations being implemented with the Group's clients and remains a focus through improved monitoring of fleet and equipment utilisation and staff rostering.

Management has continued to plan for the implementation of a centralised operating structure, which will deliver back of house efficiencies while maintaining strong local brands to deliver on the Group's customers' needs. This will improve operational oversight and efficiency of resources (including in support functions). Implementation will be undertaken during Q3 FY23, following the completion of the earnout period for the Verifact Traffic Pty Ltd and D&D Traffic Management Pty Ltd on 31 December 2022.

The completion of the earn-out periods provides the Group the flexibility to implement the operational and structural changes, which Management is confident will deliver improved performance and organic growth.

During 1H FY23, the Company commenced the implementation of its IT strategy, supported by the appointment of an IT partner to advise and implement systems consolidation across the Group to more efficiently deliver functional support to our network of strong local brands. Building internal capability of the head office team has also been achieved with functional specialists recruited to support the operations. This has included people and culture and procurement, with safety and group operations being appointed post 31 December 2022.

**Statutory loss includes impairment charge of \$2.7m, reflecting continued underperformance of The Traffic Marshal and a \$1.3m expense in respect of increased contingent consideration**

AVADA reported a statutory loss for the half after providing for income tax (net loss after tax or NPAT) of \$4.5m, compared to a net loss after tax of \$6.8 million in the prior corresponding period. The statutory loss includes \$1.3m of other expenses, which resulted from an increase in contingent consideration upon the acquisition of subsidiary companies; \$2.7m impairment of intangible assets; and \$0.8m of costs incurred by the Company in undertaking the acquisitions of the assets of Construct Traffic. Additional costs have been incurred in undertaking reviews of other acquisition opportunities, combined with implementing the strategic plan of the Company.

**Outlook**

The pipeline of infrastructure spend announced by federal and state governments in the 2022/2023 budget announcements, along with additional spend in response to flood damage in 2022, provides a positive outlook for the second half of FY23 and the medium term, assuming more typical weather patterns resume. Geographic expansion, including through the acquisition of Construct Traffic, will also provide diversification of the Group's revenue base. Continuing to manage inflationary pressures and achieve cost savings remain a focus of management to protect margins.

As part of the Company's focus on improvement in performance, the transition to a centralised operating and management structure will improve the capability of the Group to respond to challenges and capitalise on opportunities.

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

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**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 1,700 dedicated employees the Group is well positioned in the integrated traffic management and associated civil sectors.

Visit us at [avadagroup.com.au](http://avadagroup.com.au)

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