



# AVADA Group Limited

## 1H FY23 Results

27 February 2023



# Driving Operational Excellence

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Advancing  
foundations for  
value creation



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



# Agenda

- > Overview
- > Financials
- > Business outlook
- > Appendix





The background of the slide is a photograph of a modern city street at night. Tall, illuminated skyscrapers line the street, and their lights reflect on the wet pavement. In the foreground on the right, a traffic light is visible, with its green light glowing brightly. The overall scene has a blue and purple color palette, giving it a futuristic or high-tech feel.

01

# Overview

# 1H FY23 at a glance

## Operational and financial highlights

ACQUISITION OF  
CONSTRUCT  
TRAFFIC  
COMPLETED

UNDERLYING  
REVENUE OF  
\$90.6M

UNDERLYING  
EBITDA OF \$7.1M

INVESTMENT IN  
CORPORATE TEAM  
TO SUPPORT  
GROWTH AND  
INTEGRATION

IT  
CONSOLIDATION  
UNDERWAY

FINANCE AND  
PAYROLL  
CONSOLIDATION  
UNDERWAY

CENTRALISATION  
OF OPERATIONS  
AND  
MANAGEMENT  
STRUCTURE  
UNDERWAY

PROCUREMENT  
AND HEADCOUNT  
SAVINGS  
ACHIEVED

# Who we are

**AVADA offers integrated traffic management services, including planning permits, traffic control, equipment hire, event management and emergency services, delivering services to major public and private sector clients.**

Acquired 8 businesses on 15 December 2021 ahead of listing on the ASX. Acquired Construct Traffic in June 2022 (completed August 2022)

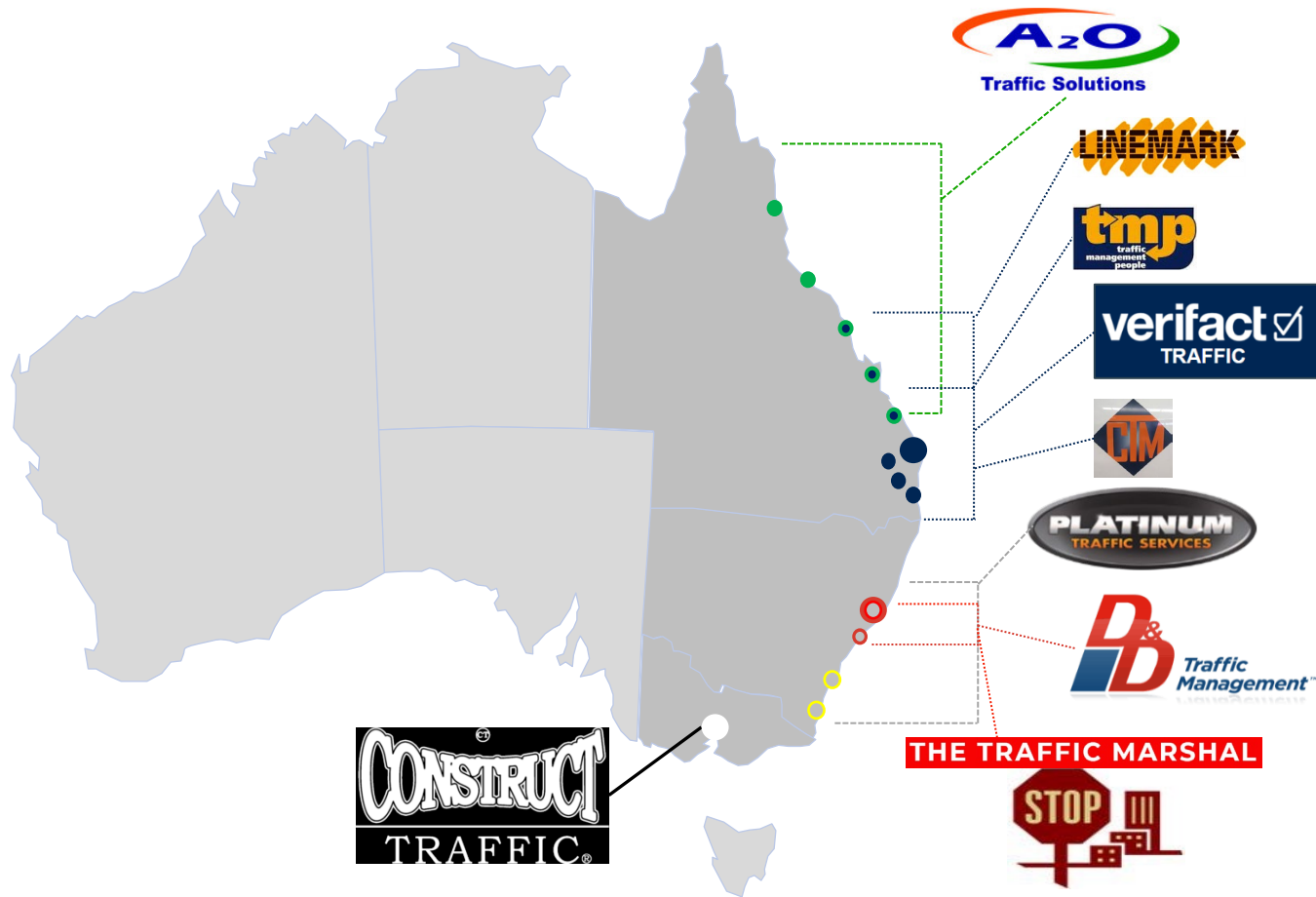
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Clients include state and local governments, federally funded contractors and major contractors in the utilities, infrastructure, construction, telecommunications and other industrial sectors

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Current operations span Queensland, New South Wales and Victoria

# AVADA overview



	VEHICLES	TRAFFIC CONTROLLERS*	DEPOTS
QLD	604	1,042	19
NSW	177	442	7
VIC	135	287	1
TOTAL	916	1,771	27

\* Active employees



# Traffic Management Services

Traffic management is a legislative requirement and essential to all civil infrastructure and maintenance, resulting in consistent workflow from both new project investment and recurring maintenance requirements.



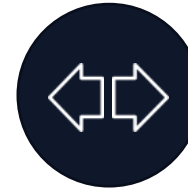
## TRAFFIC MANAGEMENT

Plans and permit services, site inspections, safety/risk audits, traffic management plans developed.



## EQUIPMENT HIRE

Traffic control equipment for hire, such as road cones, arrow boards, portable traffic control devices, emergency signs, variable message signs (VMS).



## ONSITE TRAFFIC CONTROL

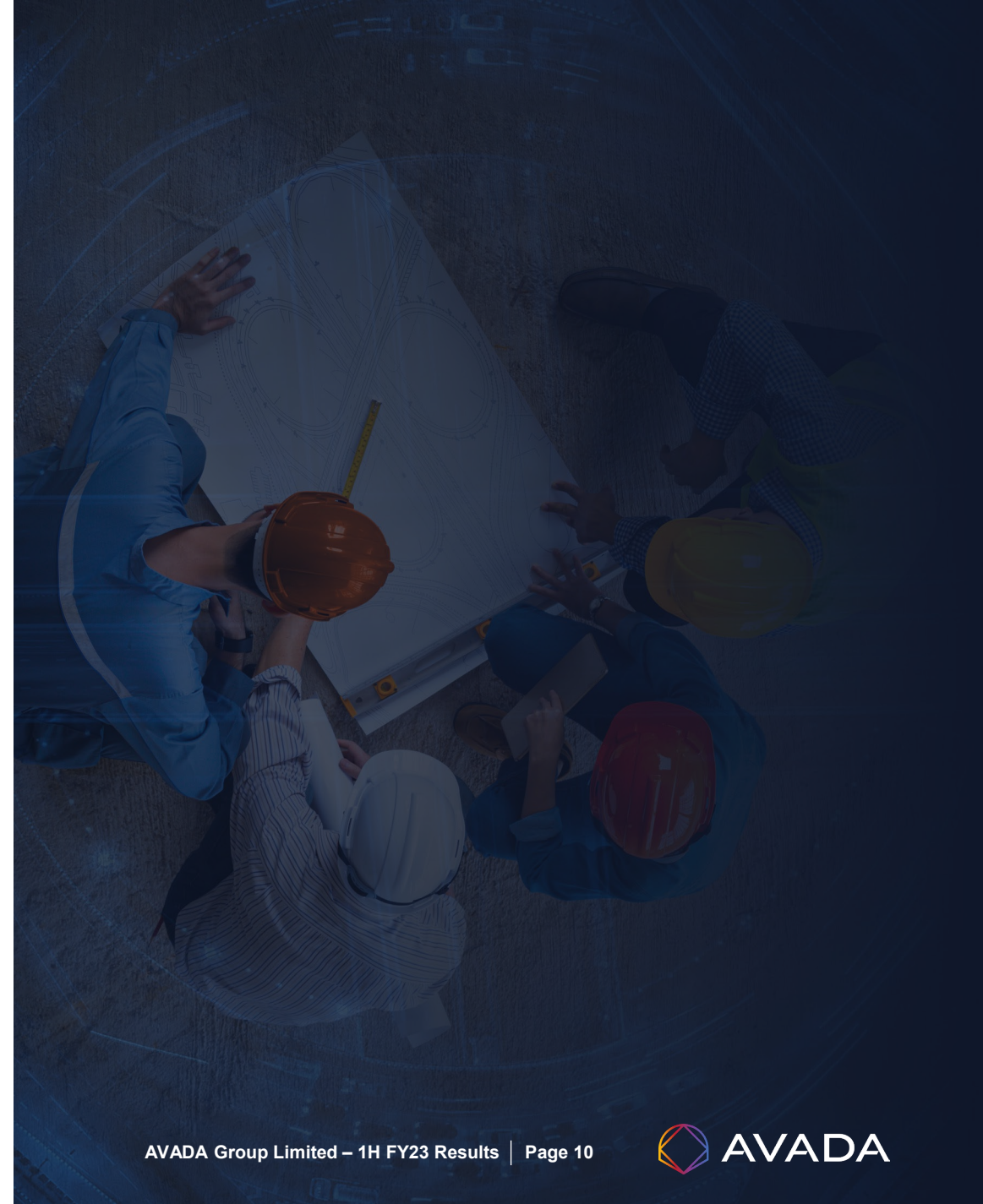
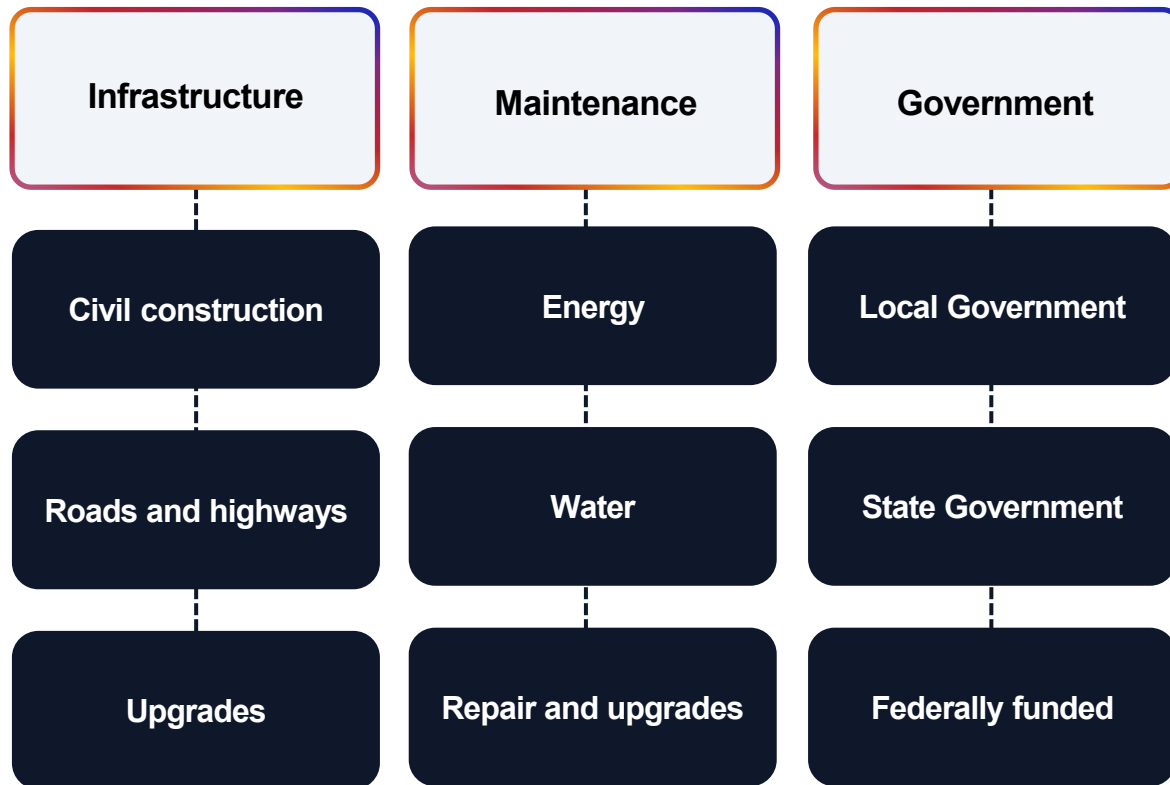
Managing road diversions/detours, road/lane/tunnel closures, pedestrian management.



## INCIDENT RESPONSE

Use of specialised incident response vehicles and crews in the event of roadside hazards, accidents and emergencies.

# Addressable end-user segments of Traffic Management Services





A night city street scene with modern buildings and a glowing traffic light overlay. The traffic light is a wireframe model with three lenses, the bottom of which is illuminated with a bright green light. The background shows a city street at night with light trails from cars and modern buildings with illuminated windows.

02

# Financials



# Financial performance summary

## Summary income statement

\$'000s	H122A Underlying	H123A Underlying
Revenue (incl. other income)	69,249	90,514
<b>Gross Profit</b>	<b>17,324</b>	<b>17,847</b>
Gross margin	25%	20%
Gross margin (excl. other income)	22%	20%
<b>EBITDA</b>	<b>7,428</b>	<b>7,101</b>
EBITDA %	11%	8%
Depreciation	(1,907)	(3,198)
<b>NPATA</b>	<b>3,662</b>	<b>2,663</b>
Vehicles (at period end)	824	916
Revenue per vehicle - \$000s	84	99
Traffic controllers at period end	1,621	1,771

Notes:

1. Refer to Appendix A for reconciliation from reported to underlying financial information

Growth in revenue in the existing business, supported by the acquisition of Construct Traffic.

Rate increases implemented during the six months to 31 December 2022 will underpin revenue growth in the second half of the year, supported by the strong infrastructure pipeline.

Decrease in gross margin resulting from wage rate increases and cost pressures. This has been managed through Q2, with rate increases agreed with key clients and new clients combined with actively decreasing use of non-Company vehicles and resources.

Investment in strategic initiatives and cost base to support future growth (including finance, procurement and people and culture) along with implementing strategic initiatives.

Increase in revenue per vehicle supported by improved utilisation as well as rate increases, particularly from Q2.

# Balance sheet

000s	Jun-22	Dec-22
<b>Current Assets</b>		
Cash and cash equivalents	2,751	4,275
Trade and other receivables	18,264	22,659
Other current assets	1,848	5,109
<b>Total current assets</b>	<b>22,863</b>	<b>32,043</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	18,229	22,013
Right-of-use assets	4,149	5,141
Intangible assets	44,429	53,685
Other non current assets	143	139
<b>Total non-current assets</b>	<b>66,950</b>	<b>80,978</b>
<b>Total assets</b>	<b>89,813</b>	<b>113,021</b>
<b>Current Liabilities</b>		
Trade and other payables and accruals	(12,840)	(13,433)
Financial liabilities - current	(6,136)	(38,552)
Employee related provisions	(2,534)	(2,670)
<b>Total Current Liabilities</b>	<b>(21,510)</b>	<b>(54,655)</b>
<b>Non-Current Liabilities</b>		
Financial liabilities	(7,526)	(408)
Deferred tax liability	(5,455)	(6,096)
Leases	(3,237)	(4,316)
<b>Total Non-Current Liabilities</b>	<b>(16,218)</b>	<b>(10,820)</b>
<b>Total liabilities</b>	<b>(37,728)</b>	<b>(65,475)</b>
<b>Net assets</b>	<b>52,085</b>	<b>47,546</b>
<b>Total Equity</b>	<b>52,085</b>	<b>47,546</b>

The Group acquired the assets and liabilities of Construct Traffic, including property plant and equipment \$6.0m, right-of-use assets \$0.8m and goodwill and intangible assets \$5.5m related to the acquisition. This is offset by financial liabilities related to funding acquisitions and right of use liabilities.


Bank borrowings have been classified as current liabilities as at 31 December 2022. The Company has received a waiver from CBA related to a covenant breach (within 10% of the required ratio) at 31 December 2022. As a result of that waiver, the borrowings will be reclassified as non-current liabilities for subsequent balance sheet dates. The Directors remain confident that the Company will be compliant with covenant requirements at 30 June 2023.

After excluding the reclassified non-current portion of borrowings from current liabilities, current assets exceed current liabilities by \$5.8m.

Delayed debtor collections in December 2022 were resolved in January 2023.

An impairment expense of \$2.7m in respect of the goodwill and intangible assets of The Traffic Marshal has been recorded in half-yearly accounts, for the six months to 31 December 2022.

# Operational update



**AVADA has continued to realise synergies from ongoing integration. Completion of earn-out periods provides the flexibility to drive significant improvements in H2**



Acquisition of Construct Traffic and integration (ongoing)



Appointment of IT partner to drive strategy and consolidation of IT platform and significant efficiencies



Investing in functional team to support capability, expansion and integration of the Group companies



Continuing to centralise operating structures in Q3 to further enable execution of the group's strategy and enhance business performance





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# 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

### QLD PROJECT

### VALUE (\$)

Cross River Rail	\$5.4bn
Network maintenance (Qld Gov.)	\$4.7bn
Gateway Motorway and Bruce Highway	\$2.1bn

### NSW PROJECT

### VALUE (\$)

Sydney Metro West	\$12bn
M6 Extension (Stage 1)	\$2.7bn
Greater Western Highway Upgrade	\$2bn

### VIC PROJECT

### VALUE (\$)

North East Link	\$15.8bn
West Gate Tunnel Project	\$10bn
Level Crossing Removal Project	\$2.8bn



# Trading update & business outlook



Trading has returned to expected levels with normal weather conditions, in particular in Sydney from mid-October



Progressing a centralised operating and management structure will improve the capability of the Group to respond to challenges and capitalise on opportunities



IT consolidation underway to support efficiencies and business enhancement



Rate increases agreed to with key clients and new clients expected to mitigate cost pressures



Geographic expansion to mitigate the potential impacts of weather events and provide diversification of the Group's revenue base



Current level and pipeline for civil services work remains strong





A

# Appendix



# Underlying earnings reconciliation

\$'000s	Underlying adjustments						HY23 Underlying
	HY23 Actual Unaudited (a)	Construct Pre acq. Trading (b)	Construct deal costs (c)	Non-reoccurring/ Non-operating items (d)	Contingent Consideration (e)	Impairment of Intangibles (f)	
Traffic Management Revenue	84,540	5,974					90,514
Other Revenue	111						111
<b>Total Revenue</b>	<b>84,651</b>	5,974	-	-	-		<b>90,625</b>
Cost of Sales	(68,158)	(4,620)					(72,778)
<b>Gross Profit</b>	<b>16,493</b>	1,354	-	-	-		<b>17,847</b>
Employee benefit expenses	(6,596)			77			(6,519)
General and admin expenses	(2,462)		502	315			(1,645)
Other expenses	(3,500)	(447)		111	1,254		(2,582)
<b>Operating expenses</b>	<b>(12,558)</b>	<b>(447)</b>	<b>502</b>	<b>503</b>	<b>1,254</b>		<b>(10,746)</b>
<b>EBITDA</b>	<b>3,935</b>	<b>907</b>	<b>502</b>	<b>503</b>	<b>1,254</b>		<b>7,101</b>
Depreciation	(3,198)						(3,198)
Amortisation and impairment of intangible assets	(4,449)					2,733	(1,716)
<b>EBIT</b>	<b>(3,712)</b>	<b>907</b>	<b>502</b>	<b>503</b>	<b>1,254</b>	<b>2,733</b>	<b>2,187</b>
Net finance income / (expense)	(1,063)						(1,063)
<b>Profit before tax</b>	<b>(4,775)</b>	<b>907</b>	<b>502</b>	<b>503</b>	<b>1,254</b>	<b>2,733</b>	<b>1,124</b>
Tax expense <sup>(1)</sup>	236	N/A	N/A	N/A	N/A	N/A	337
<b>Net Profit after tax</b>	<b>(4,539)</b>	<b>907</b>	<b>502</b>	<b>503</b>	<b>1,254</b>	<b>2,733</b>	<b>1,461</b>
Add back: amortisation (net of tax)							1,202
<b>NPATA</b>							<b>2,663</b>

Notes:

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

# Underlying earnings reconciliation

(a) Reported financial information for AVADA Group Limited for the six months ended 31 December 2022

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(b) Adjustment to reflect the financial results of Construct Traffic for the period 1 July 2022 to 26 August 2022 (pre acquisition trading)

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(c) Adjustments reflect non-recurring transaction expenses associated with the acquisition of Construct Traffic

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(d) Adjustments reflect non-recurring and non-operational transaction expenses associated with the acquisition of Construct Traffic, including stamp duty on the transfer of vehicles, costs associated with other M&A activity and non-recurring restructuring costs

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(e) An expense of \$1.3m in respect of the increase in contingent consideration payable for the Verifact Traffic Pty Ltd acquisition

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(f) An impairment expense of \$2.7m in respect of the goodwill and intangible assets of The Traffic Marshal have been recorded in half-yearly accounts, for the six months to 31 December 2022

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

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