

ASX Announcement

24 August 2023

AVADA GROUP LIMITED EXPANDS WITH SECOND VICTORIAN ACQUISITION AND COMPLETES \$7.0 MILLION CAPITAL RAISE

Traffic management operator AVADA Group Limited (ASX: AVD) ('AVADA', 'the Company' or 'the Group'), will expand its presence in Victoria after entering into a binding agreement to acquire STA Traffic Management ('STA').

Key Acquisition Highlights

- Expanded presence and market share in Victoria. With the addition of STA, AVADA has 31 depots and more than 2,400 traffic controllers across Australia and New Zealand.
- STA Traffic Management reported unaudited EBITDA of \$2.8 million for FY23. Acquisition consideration of \$8.5 million, representing a multiple of 3.0 times normalised EBITDA.
- Acquisition to be funded via an institutional placement of \$5.74 million at \$0.60 per new share and a conditional placement of approximately \$1.26 million at \$0.60 per new share, subject to shareholder approval.
- STA Traffic Management is one of the top five traffic management companies in Victoria, with a track record of sustainable earnings and diversified client base to AVADA's existing Victorian operations.

Acquisition of STA Traffic Management

The acquisition of STA Traffic Management is AVADA's third acquisition in less than 2 years. It is part of an ongoing strategy to expand AVADA across Australia and New Zealand and continue to be a leading traffic management operator.

The acquisition provides AVADA the opportunity to diversify its client base, as STA primarily services corporate clients in the infrastructure and utilities sectors in Victoria. In addition to expanding and diversifying AVADA's customer base and footprint in Victoria, the acquisition of STA Traffic Management brings synergies and integration benefits through allocation of resources and back office efficiencies.

The acquisition is expected to be earnings and earnings per share accretive. It is expected to be completed on or around 30 September 2023.

Overview of STA Traffic Management

STA Traffic Management was established in 2009 by vendor, Jean Paul Cellier, who will continue to manage the business after the transaction.

The company head office and depot are located in Yarraville, Port of Melbourne. STA employs more than 250 traffic controllers and has a fleet of 83 traffic management vehicles. STA reported unaudited EBITDA of \$2.8 million for financial year 2023, primarily from servicing its corporate clients in the infrastructure and utilities sectors with support for infrastructure maintenance and civil construction projects.

Over the past decade, STA has established a reputation for commitment to its people, customers and safety under Mr Cellier's leadership.

AVADA Group Chief Executive Officer and Managing Director, Mr Daniel Crowley said, "We're really pleased to bring STA Traffic Management into the AVADA Group. What appeals to me is they have established themselves as one of Victoria's largest traffic control management companies off the back of their integrity and commitment to client service and above all safety, which aligns with The AVADA Way."

Acquisition Funding

The acquisition consideration of \$8.5 million represents an EBITDA multiple of 3.0 times FY23 unaudited EBITDA, and includes:

- A cash payment on completion of \$7.6 million, subject to adjustment for employee entitlements
- Depending on the normalised EBITDA results of the business at the end of the Earn Out Period (being the first 12 full months following completion), STA may also be entitled to:
 - o a Retention Payment up to a maximum amount of \$850,000, subject to achieving pre-agreed targets, to be paid in cash;
 - o Earn Out Consideration totalling three times the difference between the Minimum Earn Out Threshold and normalised EBITDA of the acquired business, to be paid in cash.

AVADA will partially fund the acquisition through a non-underwritten capital raising to raise approximately \$7 million, comprising:

- \$5.74 million Institutional Placement at \$0.60 per New Share ('Institutional Placement' 'Tranche One') under AVADA's current placement capacity under ASX Listing Rule 7.1, representing 13.1% of the Company's existing shares on issue; and
- \$1.26 million Conditional Placement at \$0.60 per New Share ('Tranche Two'), including commitments from Directors (or entities associated with them), management and founders. The commitment from Directors are subject to shareholder approval at an Extraordinary General Meeting ('EGM') ('Conditional Placement').

Both the Tranche 1 and Tranche 2 placements will be offered at a fixed price of \$0.60 per share, representing (as at 21 August 2023):

- 27.7% discount to the last close price of \$0.83 on Monday 21st August 2023;
- 29.0% discount to the 5-day volume weighted average price of \$0.845; and
- 21.8% discount to the 3-month volume weighted average price of \$0.767.

Unified Capital Partners Pty Limited and Morgans Corporate Limited are acting as Joint Lead Managers to the capital raising.

The balance of the purchase price for the acquisition will be funded from AVADA's cash reserves.

Capital Raising timetable

The indicative timetable for the capital raising is as follows:

- Announcement of Offer and trading halt lifted – Shares recommence trading on ASX Thursday 24 August 2023
- Settlement of Institutional Placement Tuesday 29 August 2023
- Allotment and commencement of trading of New Shares issued under the Institutional Placement Wednesday 30 August 2023
- Notice of Meeting Lodged On or around Thursday, 31 August 2023
- Approval of Conditional Placement at EGM On or around Friday 29 September 2023
- Settlement of Conditional Placement Approximately two business days after shareholder approval is obtained at the EGM
- Allotment and commencement of trading of new shares issued under the Conditional Placement The day following Settlement

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, Victoria and New Zealand servicing major public and private sector clients.

With an extensive network of more than 30 Depots, 1,000 vehicles and 2,400 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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