



AVADA Group Limited

Strategic acquisition and capital raise

24 August 2023

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Important notice and disclaimer

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- EBITDA margin;
- Net det/EBITDA;

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conduct and outcome of the Capital Raising and the use of proceeds thereafter, the Acquisition, statements about the plans, objectives and strategies of the management of the Group, statements about the industry and markets in which the Group operates, statements about the future performance of the Group's business and its financial condition and indicative drivers. Such forward-looking statements are provided as a general guide only, should not be relied on as an indication or guarantee of future performance, and involve known and unknown risks including the risks set out in Appendix: Key Risks of this Presentation, uncertainties and other factors, many of which are beyond the control of AVADA, its officers, employees, agents and advisors, that may cause AVADA's actual results and performance to be materially different from any future results or performance expressed or implied in such statements. Forward-looking statements may also assume the success of the Group's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond AVADA's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements in this Presentation. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecasted and their differences may be material. Refer to Appendix: Key Risks of this Presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect the Group.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, including in respect of future trading activity and earnings.

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Important notice and disclaimer

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Executive summary

AVADA Group Limited is seeking to undertake an equity capital raise of \$7.0m

Transaction summary

- Avada has entered into a binding agreement to acquire the assets and business operations of STA Traffic Management Pty Ltd

Overview of STA

- One of the top five traffic management companies in Victoria
- > 250 traffic controllers
- 83 traffic management vehicles
- ~\$24m revenue at 23% gross margin
- ~\$2.8m EBITDA

Key strategic rationale

- Diversified client base to existing Victorian operations
- Sustainable earnings and increasing scale in the Victorian market
- Synergies and integration benefits through allocation of resources and back-office efficiencies / leverage

Overview of the capital raise and Offer

- AVADA is conducting an Offer of approximately \$7.0m million via an institutional placement of shares to professional and sophisticated investors
- Directors, management and founders have committed to subscribe for \$1.3 million subject to shareholder approval on or around Friday 29 September 2023

Expected financial impact

- Earnings and EPS accretive
- Adds \$2.8m to Group EBITDA
- Pro forma FY23 EBITDA \$21.4m (including full year trading on Wilsons and Construct acquisitions)
- Pro forma leverage ratio at completion of 1.5 times (Net Debt / FY23 EBITDA)

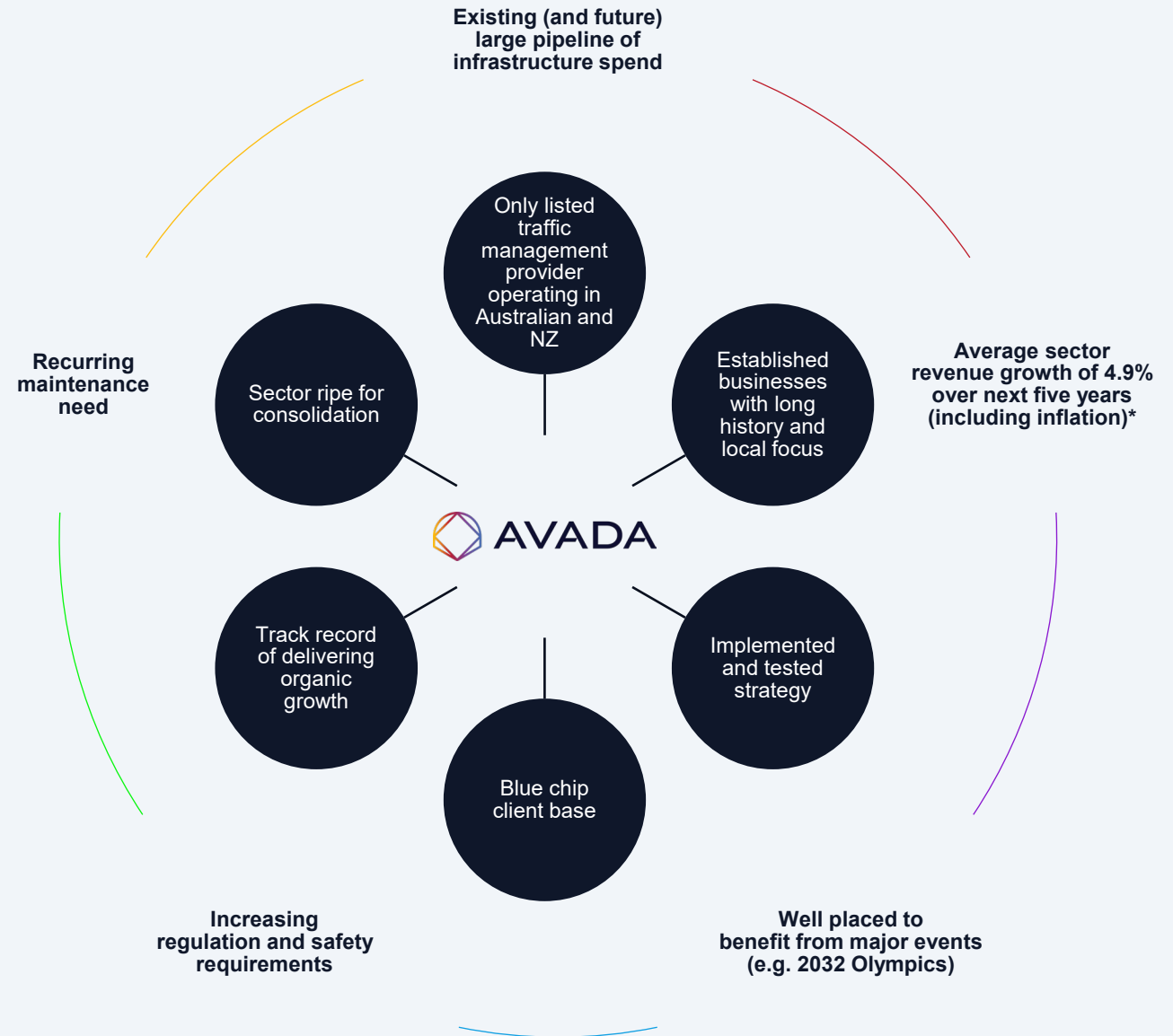
The background of the slide is a photograph of a modern city street at night. Tall, glass-clad skyscrapers line the street, their windows reflecting city lights. In the foreground, a traffic light is visible, with its green light glowing brightly. The overall scene is illuminated with a cool, blue-toned light, giving it a futuristic and high-tech appearance. The text and graphic elements are overlaid on the left side of the image.

01

Business overview

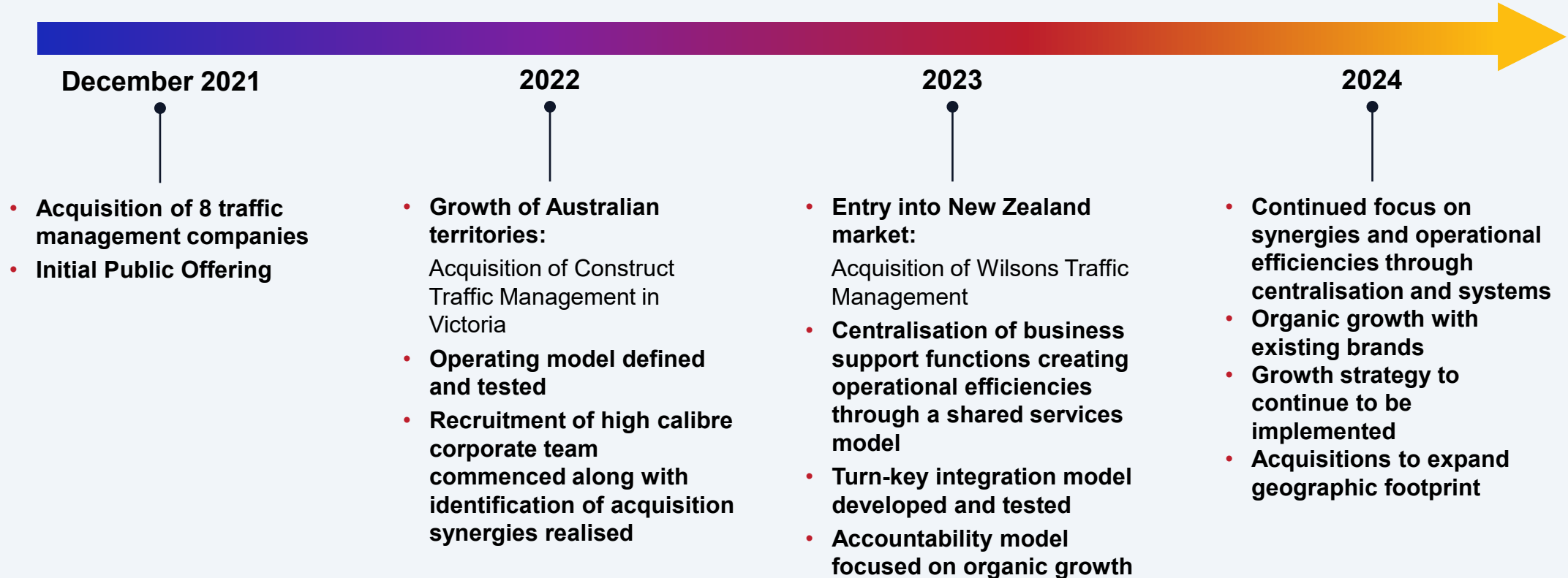
Who we are

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



Company milestones

Laying the foundations for sustained value creation



02

Transaction overview



Strategic rationale

Continuing to deliver on AVADA's focus of geographical expansion and building market share across Australia & New Zealand

Consistent with the documented growth and strategic ambitions of AVADA

Established brand providing track record of sustainable earnings and increasing scale in the Victorian market

Diversified client base to existing Victorian operations

Synergies and integration benefits through allocation of resources and back-office efficiencies

Earnings and EPS accretive

Overview of STA Traffic Management

Establishing a strong second brand in the Victorian market

19
DEPOTS



7
DEPOTS

2
DEPOTS



3
DEPOTS

FAST FACTS

- Established in 2009, STA is within the top five traffic management companies in Victoria

- Primarily servicing corporate clients in the infrastructure and utilities sectors

- > 250 traffic controllers

- 83 traffic management vehicles

- Head office and depot located in Yarraville, Port of Melbourne

STA financial performance

\$m	FY22	LTM Apr 23
Revenue	\$18.6	\$24.4
<i>Growth</i>		31%
Gross profit	\$4.3	\$5.6
<i>Gross margin</i>	23.2%	23.0%
Underlying EBITDA ⁽¹⁾	\$1.9	\$2.8
<i>EBITDA %</i>	10.4%	11.6%

Notes

LTM - Last Twelve Months

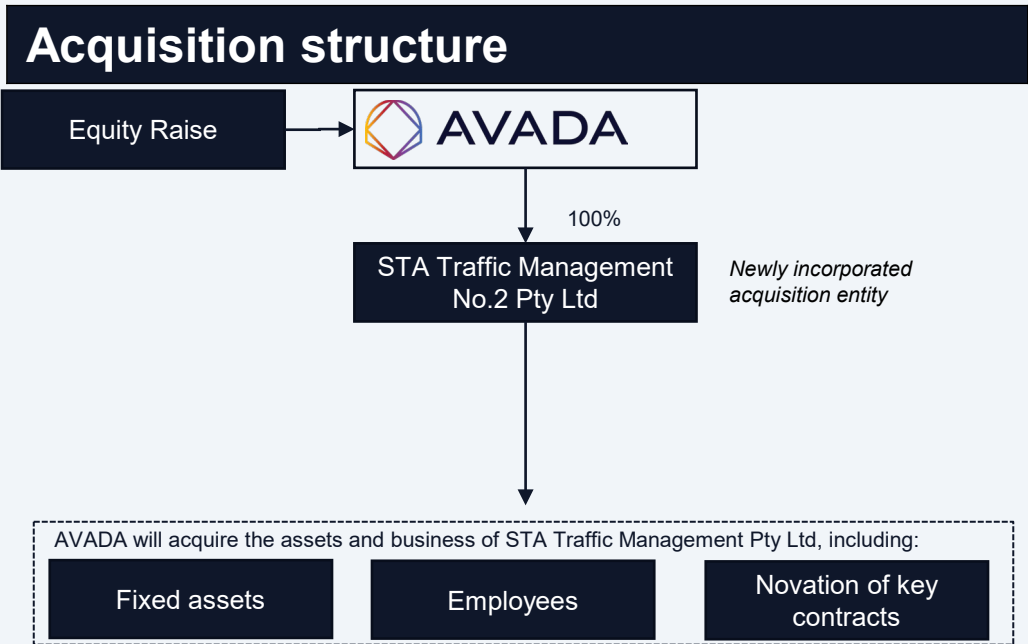
(1) EBITDA is presented on a pre-AASB 16 basis and is adjusted to reflect management remuneration post transaction

Overview of the transaction

Deal summary

Proposed acquisition	<ul style="list-style-type: none"> Acquisition of the assets and business of STA Traffic Management Pty Ltd AVADA has established a NewCo (STA Traffic Management No.2 Pty Ltd) as the vehicle to execute the transaction
Strategic rationale	<ul style="list-style-type: none"> Consistent with company strategy to pursue growth through acquisition and be the leading traffic management provider in Australia and New Zealand. The proposed acquisition establishes AVADA as one of the top two operators in the Victorian market
Deal structure	<ul style="list-style-type: none"> \$8.5m purchase price (\$2.8m EBITDA at 3x) Net working capital remains with the Vendor, funding requirements included in the acquisition model 90% of the purchase price payable on completion with a 10% retention payable in 12 months, subject to targets being achieved Earn-out payable in year 1, subject to earnings hurdles being met
Due diligence	<ul style="list-style-type: none"> The following due diligence has been undertaken <ul style="list-style-type: none"> Legal Financial Tax Operational

\$m	\$m
Purchase price	
EBITDA - adjusted	\$2.8
Multiple	3x
Purchase price	\$8.5
Retention (10% payable in 12 months subject to targets being achieved)	\$0.9
Upfront payment	\$7.6



Pro forma income statement

\$m	FY23 (Unaudited)	FY24 Forecast Low	FY24 Forecast High
AVADA Group Limited - Underlying EBITDA (1)	\$15.8	\$20.0	\$22.0
STA Underlying EBITDA (LTM Apr-23)	\$2.8	\$2.8	\$2.8
Proforma EBITDA (including STA)	\$18.6	\$22.8	\$24.8
Existing business	\$15.3	\$16.5	\$18.2
Acquisitions (Wilsons Traffic Management)	\$0.5	\$3.5	\$3.8
	\$15.8	\$20.0	\$22.0

Numbers are presented on an underlying basis. Underlying results include full year trading of Construct Traffic as if it were acquired on 1 July 2022 (the acquisition was completed on 26 August 2022) and excludes transaction related costs and non-recurring items, consistent with adjustments presented in the H1FY23 Results Presentation. Trading for Wilsons Traffic Management is included from the date of acquisition (being 5 May 2023)

- Expected contribution to EBITDA of > 10% of the existing Group

(1) Guidance as detailed in the FY23 trading update, released with the ASX on 19 July 2023

Pro forma leverage

\$m	AVADA Group 30 June 2023 (Unaudited)	STA (completion)	Impact of the Offer	Pro forma
Cash and cash equivalents	\$10.8	-	\$(1.8)	\$9.0
Financial debt	\$(41.9)	-	-	\$(41.9)
Net financial indebtedness	\$(31.1)	-	\$(1.8)	\$(32.9)
FY23 Unaudited EBITDA				\$15.8
Full year impact of Wilsons				\$2.8
STA underlying EBITDA				\$2.8
Underlying FY23 EBITDA				\$21.4
Gross leverage ratio (Net Debt / FY23 EBITDA)				1.5
Traffic controllers	2,138	271		2,409
Traffic control vehicles	957	83		1,040

- Strong balance sheet metrics maintained post transaction

An aerial, high-angle photograph of a multi-lane highway at night. The image shows multiple lanes of traffic moving in both directions. Light trails from cars and trucks create streaks of white, yellow, and red against the dark asphalt. The highway has white dashed lane markings and solid edge lines. The overall scene is illuminated by the headlights and taillights of the vehicles, creating a dynamic and busy atmosphere.

03

Capital raising

Sources and uses of funds

\$m	
Capital raising via an institutional placement offer	\$7.0
Cash from AVADA Group Limited	\$1.8
Total sources	\$8.8
Funding the acquisition of STA Traffic Management	\$7.6
Capital raise costs	\$0.4
Acquisition costs	\$0.8
Total uses	\$8.8

1. Upfront payment towards acquisition of STA Traffic Management Pty Ltd of \$7.6 million. A retention amount of \$0.9m will be payable in 12 months subject to certain targets being achieved.

Key offer information

Offer structure and size

Institutional placement to professional and sophisticated investors to raise approximately A\$7.0 million via the issue of approximately 11.67 million fully paid ordinary shares ('New Shares'), 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 ('Tranche Two') at \$0.60 per New Share, including commitments from Directors, management and founders. The commitments from Directors are subject to shareholder approval at an Extraordinary General Meeting ('EGM') ('Conditional Placement').

(together, 'the Offer').

New Shares issued under the Offer will rank pari passu with existing shares on issue.

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

Pricing

Offer at a fixed price of A\$0.60 per New Share ('Offer Price'), representing (as at 21 August 2023):

The Offer price of \$0.60 per New Share represents a:

- 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
- 21.8% discount to the 3-month volume weighted average price of \$0.767

Timetable

Indicative timetable¹

Trading halt	Tuesday 22nd August 2023
Institutional Placement bookbuild closes	4:00pm AEST Tuesday 22nd August 2023
Announcement of Offer and trading halt lifted – Shares recommence trading on ASX	Thursday 24 th August 2023
Settlement of Institutional Placement	Tuesday 29th August 2023
Allotment and commencement of trading of New Shares issued under the Institutional Placement	Wednesday 30th August 2023
Notice of Meeting lodged	On or around Thursday 31st August 2023
Approval of Conditional Placement at EGM	On or around Friday 29th 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.

An aerial, high-angle photograph of a multi-lane highway at night. The image shows several lanes of traffic moving in both directions. Light trails from the headlights and taillights of cars create streaks of white, yellow, and red against the dark asphalt. The highway has white dashed lane markings and solid edge lines. In the background, there are some trees and a small building. The overall scene is illuminated by the streetlights and the vehicle lights, creating a dynamic and busy atmosphere.

04

Key risks

Key Risks

Investors are strongly cautioned not to place undue reliance on forward-looking This section describes the key business risks of investing in AVADA and in connection with the Capital Raising. It does not describe all the risks of an investment. Before investing in AVADA, you should be aware that an investment in AVADA has a number of risks, some of which are specific to AVADA and some of which relate to listed securities generally, and many of which are beyond the control of AVADA.

The risks set out in this section do not constitute an exhaustive list of all risks involved in an investment in AVADA. Investors should consult their own professional, financial, legal and tax advisers about those risks and the suitability of investing in light of their particular circumstances. Investors should also consider publicly available information on AVADA (including information available on the ASX website) before making an investment decision. Shareholders and prospective investors should carefully consider the following factors in addition to the other information presented in the Presentation.

1. Specific investment risks

1. Decrease in capital investment and construction activity in the Australian infrastructure sector

A significant number of the Group's key customers operate in the Australian infrastructure sector. The number of new infrastructure projects and the level of project expansion and maintenance activity in the Australian infrastructure sector vary, and are affected by a number of factors including construction and infrastructure activity and investment, government approvals, availability of finance (both government and private sector), and the need for infrastructure such as road systems. The Australian infrastructure sector may also be affected by other factors including economic growth, demographic pressures and government policies in Australia and globally. There can be no assurance that the current levels of capital investment and construction activity in the Australian infrastructure sector will grow, be maintained or not be reduced in the future. Any failure to maintain, or a reduction in, the current levels of capital investments and construction activity in the Australian infrastructure sector, or any changes or delays in the timeline for the construction or completion of infrastructure projects, may reduce the demand for the Group's services and may materially and adversely affect AVADA's revenue, profitability and growth.

2. Cyclical nature of business

The traffic control and traffic management industry can be cyclical in the volume of business undertaken. Infrastructure cycles in Australia may adversely affect AVADA's financial performance. AVADA is exposed to downturns in private and government infrastructure investment in the regions it operates in. The loss of major customers through industry downturns or for any other reason could impact the earnings of AVADA.

3. AVADA may be adversely impacted by industrial relations issues

AVADA may be adversely impacted by industrial relations issues in connection with its employees or the employees of its customers, contractors and suppliers due to strikes, work stoppages, work slowdowns, grievances, complaints, claims of unfair practices or other industrial activity under the enterprise bargaining arrangements governing their employment arrangements. Such enterprise bargaining arrangements are subject to negotiation from time to time, which may result in product delays, increased labour costs or industrial action. These circumstances may materially and adversely affect AVADA's operational and financial performance.

The modern award which applies to the vast majority of the Group's employees is complex and has been subject to recent decisions by the Fair Work Commission which have interpreted night shift entitlements in a manner which may create back pay liability. AVADA understand the industry is looking at ways to obtain better certainty on this issue. Underpayments are difficult to identify with certainty and there is a greater push by unions to examine and litigate claims of 'wage theft'.

The Group has a range of industrial instruments, including enterprise agreements, some of which are beyond their nominal expiry date. This increases the risk of industrial action and, for older agreements, creates some risk of underpayments.

4. Dependence upon key personnel and employees

The Group's success depends on its ability to attract and retain qualified key personnel, including the general managers of each business, and other key members of AVADA's key management personnel. There may be a negative impact on the Group if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of AVADA who leave to work for a competitor may adversely impact AVADA.

The day-to-day management of AVADA relies on general managers and Directors and the success of AVADA's business depends on retaining the key employees and general motivation of the workforce.

AVADA's ability to attract and retain personnel will have a direct correlation upon its ability to achieve forecast revenues and profitability. Additionally, increases in recruitment, wages and contractor costs and non-compliance with, or future changes to, employment laws may adversely impact upon the financial performance of AVADA.

Key Risks

5. Acquisition due diligence risk

AVADA undertook a due diligence process in respect of STA, which relied in part on the review of financial and other information provided by STA. Despite making reasonable efforts, AVADA has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it. If any such information provided to, and relied upon by, AVADA in its due diligence and in its preparation of this Presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of STA and the Group may be materially different to the expectations reflected in this Presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately (for example, because it was not always possible to negotiate indemnities or representations and warranties from STA to cover all potential risks). Therefore, there is a risk that issues, and risks may arise which will also have a material impact on the Group (for example, AVADA may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for AVADA). This could adversely affect the operations, financial performance or position of AVADA.

6. Operating risks

The Group's overall operations may be adversely affected by various factors, including but not limited to failure to sell or deliver services, unanticipated service delivery problems, plant and labour availability, or increases in the costs of labour, fuel or plant and equipment, equipment and labour sourcing problems, industrial accidents, industrial disputes or delays due to government actions.

The Group's operations can be impacted by the wet season and abnormal wet weather, which limits its ability to provide services which may mean projects are delayed for a period of time. The timing of the wet season varies depending on the exact location of a project, however, projects can typically be impacted from October to December in South Eastern Queensland and December to March in Northern Australia. Other abnormal wet weather events may occur in different time periods. Periods of adverse weather conditions can reduce construction activity and lead to a decrease in demand for the Group's services in areas affected by those weather conditions.

7. Climate change risk

AVADA acknowledges the potential for climate change to impact its business. The highest priority climate related risks relate to the prevalence of extreme weather events.

8. Contractual risks

The Group operates, and will continue to operate, through a series of contractual relationships with customers and suppliers. All contracts, including those entered into by the Group, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated, lost, impaired or renewed or replaced on less favourable terms from time to time. In certain instances, it may be costly for the relevant Group business to enforce its contractual rights. Some of these contractual arrangements can be terminated without cause or on short notice periods (depending on the circumstances).

9. Litigation

AVADA operates in an industry in which contract (including panel and broader client arrangements) and industrial disputes can arise, and there is a risk that AVADA may in future be subject of or required to commence litigation, for example in relation to its key contracts, panel or other client arrangements, core commercial activities and employee personal injury claims. Currently, there is no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against AVADA. Frequent or high-profile litigation may undermine consumer confidence in AVADA's brand or adversely affect the investment market's perception which would negatively impact the financial performance of AVADA or the price of its shares

10. Competition and loss of reputation

The industry in which AVADA operates is intensely competitive. A number of companies may be pursuing the provision of services that AVADA is targeting. In addition, AVADA may be subject to competition on pricing for its services. AVADA may face competition from parties who have substantially greater resources than AVADA.

Downward pricing pressures are experienced from time to time as a result of competitive pressures (which may include potential new entrants in the market) and AVADA is not always able to quickly recover increases in operating expenses through higher selling prices (if at all). If AVADA is consistently unable to recover increased operating expenses through higher selling prices, AVADA's financial performance would be adversely affected.

The success of AVADA and each Group business is partly reliant on their reputations and brands. Any event or occurrence that diminishes AVADA's reputation or brand could have a significant adverse financial effect on AVADA. In particular, the actions of AVADA's employees, including breaches of relevant regulations or negligence in the provision of services, or major contractual disputes, could damage AVADA's brand and diminish future profitability and growth.

Key Risks

11. Workplace health and safety

The Group's employees are at risk of workplace accidents and incidents given the nature of the industry in which the Group operates. In the event that an employee is injured in the course of their employment, AVADA may be liable for penalties or damages under relevant work health and safety legislation. This has the potential to harm both the reputation and financial performance of AVADA.

12. Inability to secure adequate insurance

Whilst AVADA seeks to maintain insurance coverage that is consistent with industry practice, there is a risk that any claim under AVADA's insurance policies may be subject to certain exceptions, or may not be honoured (in full or in part). AVADA may also be unable to purchase sufficient insurance to cover all losses incurred.

If AVADA were to incur substantial liabilities, or if its business operations were interrupted for a sustained period of time, it may suffer loss. Such losses may not be fully covered by AVADA's insurance policies. In addition, future coverage may not be available to AVADA when required, at commercially acceptable premiums, or at all.

13. Reliance upon systems and technology

The Group's services and operations are heavily reliant upon technology and information systems. The Group has invested significantly in the development of information systems designed to assist the respective businesses to monitor individual contracts, maximise profits, manage relationships and identify and rectify risk or loss-making situations. These systems may fail, or not operate effectively, and this may negatively impact on the respective businesses and AVADA's performance.

14. Cyber risk

Like other entities, AVADA may be exposed to the risk of cyber-attacks on its systems and operations. Such attacks may involve a denial of service, corruption of data, exposure of private data in breach of regulations or requests for payment of monies. AVADA believes it has appropriate data security mitigations in place, however no guarantee that this will be sufficient to prevent a successful attack can be given.

15. Regulation

The Group is subject to a broad range of industry laws, regulations and standards. These include statutes, regulations, standards and laws affecting labour and employment practices, the provision of services, and other matters. This

results in significant compliance costs and could expose AVADA to legal liability or place limitations on operations. Unfavourable changes to the regulatory environment for traffic control services in Australia may have an impact on the profitability of AVADA. Additionally, while the Group expects its employees to comply with best practice in relation to these matters, it cannot guarantee that its operations will at all times be successful in complying with all demands of relevant laws and regulating agencies in a manner which will not materially adversely affect its business, financial condition or results of operations.

16. Requirement to raise additional funds

AVADA may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory. If AVADA is unsuccessful in obtaining funds when they are required, AVADA may need to delay or scale down its operations.

17. Growth

There is a risk that AVADA may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel may be a significant obstacle to growth.

There is also no guarantee AVADA can maintain or grow the volume of its projects and its project pipeline going forward. This may also be negatively impacted by factors beyond AVADA's control, including a decline in industry growth.

18. Capital structure risk

A number of existing Directors and shareholders hold a significant holding in AVADA and will therefore have a significant influence over AVADA, including in relation to resolutions requiring the approval of shareholders. This collective interest may also have an impact on the liquidity (particularly having regard to escrow arrangements referred to below), as well as acting as a potential deterrent to corporate transactions.

19. Escrow arrangements

Certain shareholders are subject to various escrow requirements, designed to protect the integrity of the market and allow AVADA to develop a track record. This means that certain shareholders will not be able to deal with the relevant escrowed shares until 3 September 2023, 17 December 2023 or 4 September 2024 respectively. At the end of each relevant escrow period, the shares in each escrow tranche will be released from escrow at the same time, which may impact AVADA's share price if relevant persons seek to trade their shares at that time.

Key Risks

20. Further acquisitions and shareholder dilution

AVADA's growth strategy includes pursuing further acquisitions. Shareholders' interests will be diluted if AVADA issues new shares as consideration for acquisitions or if AVADA funds acquisitions by placing shares with new investors.

AVADA's growth strategy may be impacted if it is unable to find and integrate suitable acquisitions. AVADA's due diligence processes may not be successful and an acquisition may not perform to the level expected.

21. Debt covenants may be breached if performance declines

AVADA is subject to various covenants under the terms of its banking facilities. Factors such as a decline in AVADA's operational and financial performance could lead to a breach of its banking covenants. If a breach occurs AVADA's financiers may seek to exercise enforcement rights under debt facilities, including requiring immediate repayment, which may have a materially adverse effect on AVADA's future financial performance and position.

22. Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities where a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

AVADA continually analyses its exposure to interest rate risk. Consideration is given to alternative financing options, potential renewal of existing positions, alternative investments, and the mix of fixed and variable interest rates.

23. Credit risk exposures

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

2. Risks Specific to the Acquisition

1. Completion Risk

Completion of the Acquisition is conditional on various matters as set out in the definitive Business Purchase Agreement (**Sale Agreement**) in respect of the Acquisition, including successful completion of the Capital Raising. If

any of the conditions are not satisfied or waived, completion of the Acquisition (**Completion**) may be deferred or may not occur on the current terms or at all. Where the Acquisition is not completed as a result of a failure to satisfy conditions, AVADA will need to consider alternative uses for, or ways to return the proceeds of any subscriptions raised from the Capital Raising. If Completion is delayed, AVADA may incur additional costs and it may take longer than anticipated for AVADA to realise the benefits of the Acquisition. Any failure to complete, or delay in completing the Acquisition and/or any action required to be taken to return capital may have a material adverse effect on AVADA operational and financial performance and the price of its shares. Failure to raise sufficient funds under the Capital Raising (as a result of it not proceeding or otherwise) could affect AVADA ability to pay the purchase price for the Acquisition. The Sale Agreement may also be terminated if there is a breach of the conduct obligations under the Sale Agreement or a material adverse change occurs in relation to the business of STA. Key terms of the Sale Agreement are set out in Appendix A.

2. Integration and synergies

There is a risk that the success and profitability of AVADA following Completion of the Acquisition could be adversely affected if the STA's business is not integrated effectively. There is a risk that integration could take longer, be more complex or cost more than expected, be the subject of unexpected challenges or issues, divert management attention or that the anticipated benefits and synergies of the integration may be less than estimated. Problems may include:

- differences in management culture between the business being integrated;
- unanticipated or higher than expected costs, delays or failures relating to integration of business, information technology, accounting or other systems;
- loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;
- failure to derive the expected benefits of the strategic growth initiatives; and
- disruption of ongoing operations of the existing Group businesses.

Any failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of the Group and the future price of AVADA shares.

Key Risks

3. Reliance on information provided

AVADA undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial and other information provided by STA. Despite making reasonable efforts, AVADA has not been able to verify the accuracy, reliability or completeness of all the information which was provided.

If any information provided and relied upon by AVADA in its due diligence and preparation of this presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of the STA business may be materially different to the expectations and targets reflected in this presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately (for example, because it was not always possible to negotiate indemnities or representations and warranties to cover all potential risks). Therefore, there is a risk that issues and risks may arise which will also have a material impact on the Group (for example, AVADA may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for AVADA). This could adversely affect the operations, financial performance or position of the Group.

4. Impairment of intangible assets

As part of the Acquisition, AVADA will need to perform a fair value assessment of STA's assets (including intangibles) and liabilities. In the event that goodwill or any other intangible assets are required to be impaired under the Australian accounting standards after the Acquisition, this will result in an additional expense in the income statement of the Group.

5. Risks associated with existing contracts and agreements

STA is party to various contractual arrangements, some of which are material to the operations of STA. In particular, STA is a party to a number of key contracts, some of which upon expiry of their term are subject to a tender or open market renewal process. It is condition precedent to completion that these contracts are novated or assigned to the AVADA purchaser entity acquiring the assets of STA. There is a risk that these contractual arrangements could be terminated, lost or impaired, or not awarded to the AVADA purchaser entity once expired, or renewed or replaced on less favourable terms from time to time. Some of these contractual arrangements can be terminated without cause or on short notice periods (depending on the circumstances).

Key Risks

3. General investment risks

1. General equity market and investment risk

Any investment in equity capital carries general risks. The trading price of AVADA's shares on the ASX may fluctuate in line with equity capital market movements in Australia and internationally, or in response to specific circumstances, which may result in the market price being higher or lower than the Capital Raising price. Generally applicable factors which may affect the market price of AVADA's shares include:

- the Australian and global macroeconomic outlook, including fluctuations in interest rates, currency exchange rates, inflation, commodity prices, investor sentiment, consumer demand, and employment levels;
- investor sentiment and the risk of contagion;
- changes in Australian and foreign government regulation (including fiscal, monetary and regulatory policies);
- loss of key personnel and delays in replacement;
- force majeure events such as natural disasters, extreme weather events, epidemics, pandemics (such as COVID-19), war and terrorism;
- business operational problems, including, cost over-runs, wet weather and loss of key employees and other operating issues;
- geopolitical instability and international hostilities;
- announcement of new technologies;
- recommendations and valuations by brokers and analysts;
- changes in market valuations of other traffic management companies; and
- future issues of AVADA equity securities.

There is continued uncertainty as to the state of the global economy and the potential for a global recession, and the impact on the Australian economy and share markets. The share prices for many listed companies have in recent times been subject to wide fluctuations and volatility, consistent with the trend that equity capital markets having historically been, and may in the future be, subject to significant volatility. It is also possible that new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks may evolve in ways that are not currently

foreseeable.

No assurance can be given that the New Shares will trade at or above the Capital Raising price. None of AVADA, its Board, or any other person guarantees the market performance of the New Shares.

2. General economic conditions

AVADA's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on AVADA's operating and financial performance.

3. Force majeure events may occur

Events may occur within or outside Australia that could impact upon global, Australian or other local economies relevant to AVADA's financial performance, the operations of AVADA and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural events or occurrences that can have an adverse effect on the demand for AVADA's services and its ability to conduct business. AVADA has only a limited ability to insure against some of these risks.

4. Dilution

Shareholders who do not participate in the Capital Raising will have their percentage shareholding in AVADA diluted.

Shareholders may also have their investment diluted by future capital raisings by AVADA. AVADA may issue new securities in the future to finance acquisitions or pay down debt which may, under certain circumstances, dilute the value of a shareholder's percentage shareholding in AVADA.

Key Risks

5. Accounting standards

Australian accounting standards are set by the AASB and are outside the Directors' and AVADA's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in AVADA's financial statements.

6. Tax risks

Changes to the rate of taxes imposed on AVADA, (including in overseas jurisdictions in which AVADA operates, now or in the future) or tax legislation generally, may affect AVADA and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to AVADA's interpretation may lead to an increase in AVADA's tax liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. AVADA is not responsible either for tax or tax penalties incurred by investors.

7. No guarantee of dividend

The ability of AVADA to pay dividends in the future is dependent on many factors, and in particular its financial performance and profits derived from operations. This, together with a number of other factors, will impact on AVADA's ability to pay a dividend. The Board cannot give any assurance regarding the payment of dividends in the future.

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9. Financial information and forecasts

The forward-looking statements, opinion and estimates provided in this Presentation, rely on various contingencies and assumptions. Various factors and risks, both known and unknown, many of which are outside the control of the Group, may impact upon the performance of the Group and cause actual performance to vary significantly from expected results. There can be no guarantee that the Group will achieve its stated objectives or that forward looking statements or forecasts will prove to be accurate.

10. Other

The above risks should not be taken as a complete list of the risks associated with an investment in AVADA. The risks outlined above, and other risks not specifically referred to may in the future materially adversely affect the value of AVADA shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by AVADA in respect of AVADA shares.

An aerial, high-angle photograph of a multi-lane highway at night. The image shows several lanes of traffic moving in both directions. Light trails from the headlights and taillights of cars create streaks of white, yellow, and red against the dark asphalt. The highway has white dashed lane markings and solid edge lines. In the background, there are some trees and buildings, and the overall scene is illuminated by the ambient light of the city at night.

A

Appendices

Business sale agreement summary

Business Purchase Agreement Summary	
Acquisition	The traffic control business operated by STA Traffic Management Pty Ltd (ACN 090 451 853)
Purchase Price	<ul style="list-style-type: none"> An initial up front purchase price of \$7,6 million to be paid in cash, 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: <ul style="list-style-type: none"> a Retention Payment up to a maximum amount of \$850,000, to be paid in cash; and Earn Out Consideration totalling three times the normalised EBITDA of the acquired business to the extent it exceeds the Minimum Earn Out Threshold, to be paid in cash.
Conditions precedent to Completion	<ul style="list-style-type: none"> All counterparties to the key contracts of the business consent to the novation or assignment of the key contracts on terms acceptable to AVADA The AVADA purchaser entity obtains all necessary Government approvals required to operate the business The AVADA purchaser entity enters into a formal lease with STA, conditional on completion STA's director, Jean-Paul Cellier, enters into an employment agreement with the AVADA purchaser entity, conditional on completion AVADA obtains sufficient binding commitments to the Capital Raising The successful completion of the Capital Raising
Estimated Completion Date	31 August 2023 (with a sunset date of 30 September 2023)
Warranties	Warranties have been provided to AVADA, subject to a limitation regime including as to time and quantum
Termination Events	<ul style="list-style-type: none"> Completion does not occur by the sunset date AVADA does not obtain sufficient binding commitments to the Capital Raising An insolvency Event occurs in respect of STA STA breaches its conduct obligations under the agreement There is a material adverse change in STA's business

International Offer Restrictions

International Offer Restrictions

This document does not constitute an offer of new ordinary shares (“New Shares”) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

- This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.
- This document has been given to you on the basis that you are an “institutional investor” or an “accredited investor” (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.
- Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



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