

ASX Announcement

22 November 2023

2023 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 as CEO of AVADA Group Limited. For our existing shareholders I want to thank-you for your ongoing support of the AVADA Group and I warmly welcome our new shareholders and thank-you for your support of the Company.

To start, I want to acknowledge the fantastic work of our traffic controllers who go to work each day to ensure the safety of our customers and the general public. Traffic control is essential to enabling infrastructure building and maintenance work to occur safely. Safety is our highest priority and we are focussed on working to improve the industry as a whole to ensure everyone gets home each day.

This year was significant for the AVADA Group as we firmly remained on course to becoming Australia and New Zealand’s leading integrated network of traffic management operators and provider of ancillary services. The Directors and executive team are very proud of our achievements this year, and the trajectory we have built over the last 12 months.

A return to long term average trading conditions during the second-half saw improved financial results with strong growth in revenue and underlying EBITDA. Operational improvements have also delivered improved efficiency with gross margins increasing during the second half.

In line with our strategic objectives, we have continued to pursue acquisitions that meet our strict criteria, including an accretive earnings profile, an history of sustainable growth, and cultural alignment underpinned by a strong commitment to safety. During the year AVADA completed the acquisitions of Construct Traffic in Victoria and Wilsons Traffic Management in New Zealand, which provided further scale as well as geographical diversification. We have continued to execute our growth strategy in the current financial year with the acquisition of STA Traffic Management in October 2023 which has bolstered the Victorian division.

As we evolve and mature, investment in our people, systems and processes is critical to ensuring we continue to improve our business performance. In FY23, we have achieved a step change in the maturity of our operations and importantly the breadth and capability of our management structure and team.

The AVADA Group was incorporated in March 2021 with the vision to be Australia and New Zealand’s leading traffic management company and provider of ancillary services. In delivering on this vision, organic growth remains our primary focus, whilst taking advantage of acquisition opportunities within the highly fragmented traffic management sector. We operate in what is a highly regulated environment and the services we deliver are essential to support new infrastructure construction and recurring maintenance needs.

The acquisition of Construct and Wilsons Traffic Management have been important steps in delivering on our strategy, importantly providing scale and geographical diversification. The acquisition of STA Traffic Management (completed in October 2023) has supported our strategy of building two strong brands in each geography, and providing customer diversification, synergies and efficiency opportunities. Our acquisitions of Construct and Wilsons in FY23 added four depots, more than 430 traffic controllers and more than 210 vehicles. STA which completed in October 2023 has added over 250 traffic controllers and 80 vehicles.

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
- Cultural alignment underpinned by a strong commitment to safety.

Applying the experience of integrating the acquisitions made to date equips us with a proven plan to quickly leverage the synergies and benefits of adding new businesses to the Group.

In June, we formally announced our joint venture with Maranirra Indigenous Services to establish the traffic management business Bilingarra Indigenous Services. I am excited by the business model we have established and what we can achieve with Bilingarra, working together to deliver positive outcomes to First Nations people. As we grow, sustainability remains a key focus for us, developing our ESG Framework and delivering on key commitments throughout the year.

Our strong trading performance through the second-half has been driven by continued operational improvements and significant investment in the leadership structure and management capability, supported by the acquisitions of two traffic management companies, including one in New Zealand, our first expansion overseas.

We have realised improved trading from greater demand for traffic management services from recurring maintenance and utilities projects and a healthy pipeline of infrastructure spending. Inflationary and wage rate increases were addressed during the first half of FY23 with rate negotiations implemented with clients, improved fleet and equipment utilisation and rostering, and commencement of some shared services functions across the businesses. Importantly, weather conditions returned to the long-term average during the second half of the year, reducing project interruptions and enabling a return to expected work volumes.

As the Company has progressively grown, I want to highlight the purposeful efforts made to centralise business functions, which have been pivotal in streamlining operations and enhancing overall organisational performance.

As we have grown both organically and through acquisition, we have consolidated key functions of each business, including finance, human resources and IT, under the AVADA Group executive team. This has enabled better control over resources and decision-making. Additionally, we appointed a partner to drive strategic efficiencies through the consolidation of our IT platform. This approach facilitates standardised procedures, economies of scale, and a unified strategic vision, which are essential for sustained growth and competitiveness.

We have purposefully built a business that is resilient and diversified with a large national, and now international, presence. Additionally, our client base is made up of large government and private sector clients. Any work required on or adjacent to a road will require traffic management. As we look at 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 FY24 and beyond.

FY24 has seen a continuation of the performance in the second half of FY23, delivering expected revenue growth and stable margins.

In line with our strategy, we continue to evaluate further acquisition opportunities and while it is early days, I am pleased to note that the integration of STA is progressing well, with the business trading in-line with our expectations. Based on the current outlook, we maintain guidance for FY24 of underlying EBITDA (excluding STA) of \$20m to \$22m.

On behalf of the leadership group, I want to thank the employees of the AVADA Group. We've made progress that would not have been possible without their dedication and commitment. Our subsidiary businesses have a shared vision and a commitment to living and breathing The AVADA Way, our cultural and organisational framework where we truly value our team and for whom we will continue to provide opportunities, prioritising their safety, wellbeing, and growth as people.

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, 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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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.