



AVADA Group Limited

1H FY24 Results

28 February 2024

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Non-IFRS financial information in this Presentation include:

- EBITDA, which is profit before income tax, interest, depreciation and amortisation; and
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Authorised for release by the Board of Directors of AVADA Group Limited

Agenda

- > 01 Overview
- > 02 Financials
- > 03 Business update
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The background of the slide is a photograph of a modern city street at night. Tall, illuminated skyscrapers line the street, their lights reflecting 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 and high-tech feel.

01

Overview

1H FY24 at a glance

Operational and financial highlights

**REVENUE
INCREASED 12%
TO \$101.3M
(1H23: \$90.5M)**

**GROSS MARGIN
22.8%, INCREASED
FROM PRIOR YEAR
AND BEING
MAINTAINED**

**UNDERLYING
EBITDA⁽¹⁾ \$9.3M,
GROWTH OF 30%
INCLUDING 6%
ORGANIC GROWTH
(1H23: \$7.1M)**

**OPERATING CASH
FLOW (EXCL. M&A
COSTS)
\$5.0M⁽²⁾**

**INTEGRATION OF
WILSONS
COMPLETED AND
STA WELL
PROGRESSED**

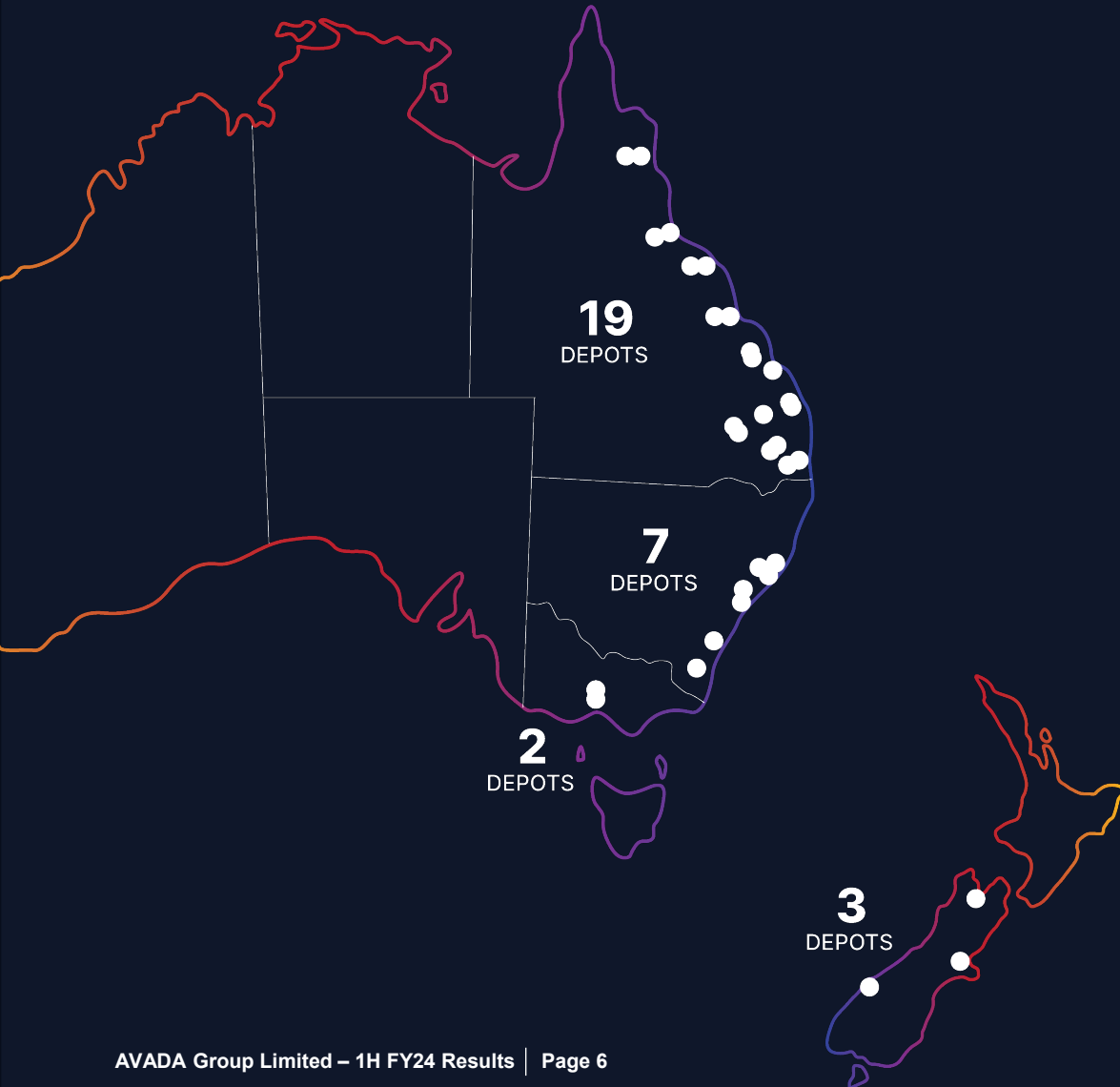
**SINGLE PAYROLL
AND FINANCE
SYSTEM SCOPING
UNDERWAY**

**UTILISATION OF
DATA ANALYTICS
TO ENHANCE
BUSINESS
PERFORMANCE**

(1) Refer to Appendix A for a reconciliation of underlying EBITDA which excludes M&A costs and adjustments for non-recurring income and expenditure.

(2) Includes \$2.7m of working capital funding for STA acquisition

Introducing AVADA



AVADA (ASX:AVD) offers integrated traffic management services including planning and permits, traffic control, equipment hire, event management and incident response.

FY23 Results

\$183.2m

Revenue

\$16.1m

EBITDA

21%

Gross profit margin

Key metrics

2,364

Traffic controllers

1,030

Vehicles

~\$47m

Market capitalisation¹

The market opportunity

Significant organic growth potential from a large and highly fragmented market.

Average industry growth rate expectations of 4% per annum over the next five years (including inflation)* supported by increasing project pipeline.

Market consists of a significant number of small operators with minimal market share (i.e. Victoria has > 120 traffic management licences on issue).

* IBIS World Road and Bridge Maintenance



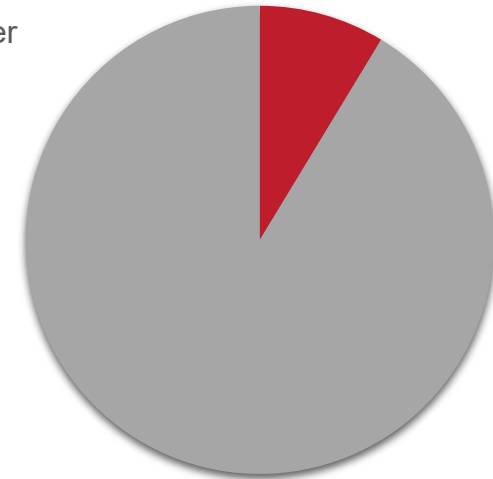
“We represent around 200,000 traffic management professionals and a \$2 billion industry nation wide.”⁽¹⁾

Source: <https://tmaa.asn.au/>

(1) Estimated traffic management revenue published on the TMAA website provides an illustrative estimate of the size of the Australian traffic management industry.

Estimate of market share⁽²⁾

■ AVADA ■ Other



(2) Management estimate of market share based on TMAA estimate and historical 12-month revenue including STA and excluding Wilsons.

A broad industry footprint

Traffic management services are a regulated requirement for all civil infrastructure construction and maintenance projects in Australia.

AVADA aims to lead the maturation of the industry through enhanced governance, safety and management structures.

Focus on increasing market share with our existing client base through safe and reliable service.



AVADA's competitive edge

AVADA is a market leader with a strong competitive position in a highly fragmented industry. As the largest ASX listed company in the industry we have the foundation to deliver.

Integrated network of strong local brands.

Centralised corporate functions and procurement drive cost efficiencies and service improvements.

A leader of industry consolidation, creating value through scale and centralised systems.

Our businesses



02

Financials



Financial performance summary

Summary income statement

\$'000s	1H FY23 Underlying	1H FY24 Underlying
Revenue - like for like	74,045	77,003
Revenue - Construct, Wilsons, STA	16,469	24,310
Total revenue	90,514	101,313
Gross profit	17,847	23,109
<i>Gross margin</i>	<i>19.7%</i>	<i>22.8%</i>
Operating expenses	10,746	13,857
EBITDA	7,101	9,252
<i>EBITDA %</i>	<i>7.8%</i>	<i>9.1%</i>
Depreciation	(3,198)	(3,331)
Net finance income / (expense)	(1,063)	(1,389)
NPATA	2,663	3,177
EPS (cents)	(6)	5
Vehicles (period end)	916	1,030
Revenue per vehicle (\$000s)	\$99	\$98
Traffic controllers at period end	1,771	2,364

Numbers are presented on an underlying basis. Refer to Appendix for a reconciliation to statutory results.

Notes:

1. Like for like revenue reflects those business which are reflected fully in 1H FY23 and 1H FY24

Like-for-like revenue growth of 4% with some headwinds observed in Q2 from workforce constraints impacting client delivery. Changes to operating structure, training and monitoring implemented in response.

Gross margins supported by efficiencies of fleet utilisation and cost control. Improved process for rate renegotiations reduced margin leakage from prior periods.

Increase in operating expenses principally relates to headcount from acquired business (general managers and operational support) along with increased functional headcount at the AVADA level (including business development, safety, operations, fleet and logistics) to support the growth strategy. Restructuring in H2 undertaken to reduce costs.

On a like-for-like basis, EBITDA increased by 6% compared to 1H FY23. Overall, EBITDA % has increased from prior year, reflecting the increasing revenue base and improved gross margin performance. The increase also reflects investment in functional areas to support the future growth strategy.

Depreciation is maintained at an increased level as a result of revaluation of the fleet at acquisition. Revaluation occurred for the majority of fleet at December 2021, reflecting a historical peak for used vehicle valuations, increasing fleet value by over 50% with the flow on impact to depreciation.

Balance sheet

\$'000s	Jun-23	Dec-23
Current assets		
Cash and cash equivalents	10,834	4,295
Trade debtors and other current assets	27,986	27,980
	38,820	32,275
Non-current assets		
Property, plant and equipment	28,019	33,508
Other non current assets	63,353	67,144
	91,372	100,652
Total assets	130,192	132,927
Current liabilities		
Trade and other payables and accruals	18,303	15,032
Financial liabilities - current	2,980	3,752
Other current liabilities	10,821	8,679
	32,104	27,463
Non-current liabilities		
Financial liabilities	40,915	35,743
Other non-current liabilities	10,715	12,593
	51,630	48,336
Total liabilities	83,734	75,799
Net assets	46,458	57,128
Net current assets	6,716	4,812

Decrease in cash reflects completion payment for the STA acquisition (\$1.1m funded by AVADA after equity raise), \$2.7m of working capital absorbed post STA acquisition, \$3m earn-out payment in respect of the Verifact Traffic acquisition, and \$2m of capital expenditure, offset by strong operating cash conversion as detailed overleaf.

Stable balance of debtors reflects improved collections procedures being implemented and maintained. Debtor collections remain a key focus of the business which maintains a strong base of government and tier one construction clients.

Reduction in other current liabilities principally reflects the reduction in performance-based retention payment for the acquisition of Wilsons Traffic Management. The underperformance of Wilsons is being addressed through a focused client strategy and cost reduction programme. The deal structure has mitigated AVADA's exposure with the multiple expected to be maintained at or below the initial 4.25x valuation.

Reduction in financial liabilities reflects amortisation of asset finance facilities and repayment of a portion of the trade advance facility during the period.

Increase in net assets reflects acquisition of STA (\$5.7m), combined with the expansion of the Group through organic growth, cash conversion and investment in fleet.

Cash flow

\$'000s	1H FY23 Underlying	2H FY23 Underlying	1H FY24 Underlying	12 Months to Jun-23	12 Months to Dec-23
Operating cash flows	(3,509)	8,467	3,919	4,958	12,386
M&A costs ⁽¹⁾	817	1,825	1,096	2,642	2,921
Operating cash flows (excluding M&A costs)	(2,692)	10,292	5,015	7,600	15,307
<i>Operating cash flow conversion</i>	<i>-38%</i>	<i>114%</i>	<i>54%</i>	<i>47%</i>	<i>84%</i>
Capital expenditure (net)	(575)	(363)	(1,895)	(938)	(2,258)
Free cash flow (excluding M&A costs)	(3,267)	9,929	3,120	6,662	13,049
<i>Free cash flow conversion</i>	<i>-46%</i>	<i>110%</i>	<i>34%</i>	<i>41%</i>	<i>71%</i>
Underlying EBITDA	7,101	9,027	9,252	16,128	18,279

(1) M&A costs have been excluded, consistent with the presentation of Underlying EBITDA, as detailed in the Appendix.

Operating cash flow conversion and free cash flow conversion has been calculated with reference to Underlying EBITDA as detailed in AVADA Group Limited's Half-Year Results Presentations.

Strong operating cash conversion has been maintained in 1H FY24, continuing the trend from 2H FY23. This has enabled the business to reduce liabilities and invest in fleet.

1H FY24 included funding of STA net working capital of \$2.7m.

Growth through acquisition has led to some volatility in operating cash flow conversion where working capital funding is required.

For the twelve months to Dec-23, operating cash flow conversion was well above target with free cash conversion also above expectations at 70%, demonstrating the cash flow conversion potential of the Group.

03

Business update



Operating update

AVADA continues to position its business to capture the significant pipeline opportunity for infrastructure projects and maintenance



Integration of Wilsons Traffic Management completed



Integration of STA well progressed



Process to centralise core operating systems on one platform to improve reporting continues with Payroll and Finance now underway



Consolidation of depot sites in NSW and QLD to deliver greater efficiencies



Operational initiatives in place to drive employee engagement and client delivery

Consistency of platforms is enabling deployment of data analytics to drive compliance, governance and business insights, assisting strategic and operational decision making



Acquisitions & JV update

Improved deal structures providing risk mitigation



- STA integration well progressed
- Initial trading in line with expectations



- Trading to December below expectations
- Operational adjustments made in NZ through client strategies and reduction in overheads, including realignment of roles and responsibilities in key functions
- ISO accreditation and safety enhancements underway to be the market leader ⁽¹⁾
- Underperformance mitigated by deal structure with retention payment linked to trading performance



- Market focus expanded beyond Queensland
- Focusing on identifying and pursuing project tenders
- Expected project work to commence in 2H24

(1) – Not currently a requirement in the New Zealand market. AVADA is implementing to demonstrate our commitment to safety and a market leading offering.

Trading update & business outlook

Strong pipeline of work, supported by continual operational improvements



Continued strong pipeline of infrastructure projects and maintenance work



Organisational restructure and integrations together with an ongoing focus on cost and operational efficiency underpins maintenance of strong margins



Data analytics and evolution of information and reporting ongoing



Continuing focus on organic growth through serving existing client base and regional expansion



Subject to maintaining revenue trajectory and cash flow conversion AVADA intends declaring a FY24 full year dividend

04

Appendix



Underlying earnings reconciliation

\$'000s	Underlying adjustments				1H FY24 Underlying
	1H FY24 Statutory	Contingent Consideration	Non-reoccurring/ Non-operating items	Other	
Revenue	101,633	-	-	-	101,633
Other income	3,610	(3,930)	-	-	(320)
Total Revenue	105,243	(3,930)	-	-	101,313
Cost of Sales	(78,204)	-	-	-	(78,204)
Gross Profit	27,039	(3,930)	-	-	23,109
Employee benefit expenses	(9,115)	-	-	-	(9,115)
General and admin expenses	(3,374)	-	1,096	-	(2,278)
Other expenses	(2,464)	-	-	-	(2,464)
Operating expenses	(14,953)	-	1,096	-	(13,857)
EBITDA	12,086	(3,930)	1,096	-	9,252
Depreciation	(3,331)	-	-	-	(3,331)
Amortisation of intangibles	(1,951)	-	-	-	(1,951)
EBIT	6,804	(3,930)	1,096	-	3,970
Net finance income / (expense)	(1,931)	542	-	-	(1,389)
Profit before tax	4,873	(3,388)	1,096	-	2,581
Tax expense ⁽¹⁾	(745)	N/A	N/A	N/A	(774)
Net Profit after tax	4,128	(3,388)	1,096	-	1,807
Add back: amortisation (net of tax)	N/A	N/A	N/A	N/A	1,371
NPATA	N/A	N/A	N/A	N/A	3,177

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 2023



(b) Revenue in respect of the reduction in contingent consideration for the acquisition of Wilsons Traffic Management



(c) Adjustments reflect non-recurring and non-operational transaction expenses associated with M&A activity and non-recurring restructuring costs



ABN 57 648 988 783

Contact Us

AVADA Group Limited
Suite 1, Level 2, 116 Ipswich Road
Woolloongabba QLD 4102
T 1300 321 995
E contact@avadagroup.com.au

avadagroup.com.au



avadagroup.com.au

ABN 57 648 988 783