

## ASX Announcement

**26 August 2022**

### **AVADA GROUP LIMITED COMPLETES STRATEGIC ACQUISITION OF VICTORIAN TRAFFIC MANAGEMENT BUSINESS**

AVADA Group Limited (ASX:AVD) ('AVADA', 'the Company' or 'the Group'), the recently listed provider of traffic management control services in Australia, is pleased to announce it has completed the acquisition of the business and assets of Construct Traffic Pty Ltd ACN 120 994 523 as trustee for the Construct Traffic Unit Trust, trading as Construct Traffic ('Construct Traffic') ('Acquisition').

#### **KEY HIGHLIGHTS:**

- Acquisition of a leading traffic management company in Victoria, establishing a strong presence in the Victorian market
- Strategic acquisition, delivering national expansion, consistent with growth strategies of the Group
- Establishes a cornerstone business in the Victorian market as a foundation on which to grow in that market, both organically and through further acquisitions in the region
- Annual revenue for FY22 of over \$34m<sup>1</sup> delivered through a fleet of over 130 vehicles and 340 traffic controllers. Revenue is primarily derived from recurring maintenance contracts
- The acquisition is expected to be earnings per share accretive

#### **ACQUISITION OF CONSTRUCT TRAFFIC**

The acquisition delivers on the Group's strategy to build a national footprint and scale of operations. Building a presence in the Victorian market enhances the Group's ability to support clients on a national basis, which is expected to deliver revenue synergies in the medium term. The acquisition is also expected to deliver cost synergies from the increased scale of the broader AVADA Group, including purchasing power and back-office integration. The acquisition enhances the geographical and customer diversification of the Group's revenue base.

#### **OVERVIEW OF CONSTRUCT TRAFFIC**

Construct Traffic was established in 2007 by Laresa Jo Bassi and Ronnie Bassi and is headquartered in Tullamarine, Victoria, servicing clients in metropolitan and regional Victoria.

As a further condition to the Acquisition the founders, Laresa Jo Bassi and Ronnie Bassi, have agreed to remain as employees for 1-year post acquisition to ensure a smooth transition and integration. The CEO, Michael Bergonzo, has 9 years' experience with Construct Traffic including 12 months as CEO, and (also as a condition to the Acquisition) has agreed to remain as CEO of Construct Traffic post acquisition.

For FY22 Construct Traffic has sustainable annual revenue<sup>1</sup> of approximately \$34m and EBITDA of approximately \$5m, focused on recurring work, including gas, maintenance, asphalt and councils. The business maintains a fleet of over 130 vehicles and 450 traffic controllers.

Mr Daniel Crowley, Chief Executive Officer and Managing Director of AVADA Group Limited said, *“the acquisition is an important milestone and first step for the Group in delivering our growth strategy. Construct Traffic is a well-established and extremely well-run operation that provides the platform to support our expansion through Victoria. The momentum from this significant acquisition for the Group should inspire further opportunities in the short term”*.

## ACQUISITION FUNDING

The upfront cash consideration of \$17.6m (on a cash and debt free basis) is debt funded with an increase of the Group's available facilities. The limit for the Group's debt facilities with Commonwealth Bank has been increased by \$19.8m to \$39.8m, which includes the addition of a receivables working capital facility.

An earnout arrangement is in place for a period of 12 months post acquisition. The earnout is capped at an amount of \$5,420,000 ('Earnout Cap') and the minimum earnout threshold (before which the earnout is paid) is a 12-month EBITDA target of \$4,960,000 ('Threshold EBITDA'). Where the Threshold EBITDA, is exceeded, the earnout amount will be paid at a multiple of x4.25 for every dollar (up to the Earnout Cap).

The Company has also made a one-off payment of \$489,511 for vehicles purchased prior to completion, paid at completion in addition to the upfront cash consideration.

Total Group debt drawn down post acquisition will be \$27.9m (on facilities of \$39.8m).

This announcement is authorised for release by the Board of Directors of AVADA Group Limited.

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## About AVADA Group Limited

AVADA is Australia's largest listed integrated traffic management provider, with established operations throughout Queensland and NSW, servicing major public and private sector clients.

With an extensive network of 27 Depots, more than 900 vehicles and 1,900 dedicated employees the Group is well positioned in the integrated traffic management and associated civil sectors.

Visit us at [avadagroup.com.au](http://avadagroup.com.au)

**For further information contact the following:**

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Paul Fitton  
Chief Financial Officer & Company Secretary  
+61 434 685 661  
[pfitton@avadagroup.com.au](mailto:pfitton@avadagroup.com.au)

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<sup>1</sup> Sustainable revenue excludes revenue received in FY22 from providing traffic management solutions to COVID testing centres and clinics.