



AVADA GROUP LIMITED H1 FY25 RESULTS

24 FEBRUARY 2025



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OVERVIEW



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H1 FY25 AT A GLANCE

REVENUE
DECREASED 10%

\$91.1m

(H1 FY24: \$101.3m)

Challenging economic and market conditions impacting a wide range of industries, including adverse labour relations activity

Strong growth opportunities remain for H2 FY25 with pipeline and preferred supplier arrangements

UNDERLYING
GROSS MARGIN ⁽¹⁾

21.6%

(H1 FY24: 22.8%)

Ongoing operational consolidation under the AVADA Traffic brand driving efficiencies

Focus on developing staff retention strategies and training on 'the AVADA way' to leverage national footprint

UNDERLYING
EBITDA ⁽¹⁾

\$6.2m

(H1 FY24: \$9.3M)

Statutory loss of \$9.6m reflects \$9.7m impairment loss from the write-down of the Group's NZ operations

Strategic review of NZ operations will be conducted and completed by 30 June 2025 (led by incoming CEO)

Note:

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

OUR DEPOTS



We continue to strengthen our client base across core industries





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FINANCIALS



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FINANCIAL PERFORMANCE

- Challenging market conditions have depressed revenue although gross margins remain within range.
- Internal focus in H1 FY25 has been on embedding operational consolidation, improving data and reporting analytics to drive efficiencies and performance.
- Strong cost control continues with operating costs (\$14.6m) reducing compared to prior period.
- EBITDA margin reduction to 6.8% reflects the impact of depressed revenue conditions.

\$'000s	H1 FY24 Underlying ⁽¹⁾	H1 FY25 Underlying ⁽¹⁾
Revenue from ordinary operations	101,633	91,061
Other income	(320)	71
Total revenue	101,313	91,132
Gross profit	23,109	19,704
<i>Gross margin</i>	22.8%	21.6%
EBITDA	9,252	6,164
<i>EBITDA %</i>	9.1%	6.8%
Depreciation	(3,331)	(4,960)
Net finance income / (expense)	(1,389)	(1,826)
NPATA	3,177	876
Vehicles (period end)	1,030	953
Revenue per vehicle (\$000s) ⁽²⁾	\$98	\$96
Traffic controllers (period end)	2,364	1,861
Revenue per Traffic Controller (\$000s) ⁽²⁾	\$43	\$49
Traffic controller hours for period ('000s)	1,233	1,179
Revenue per Traffic Controller hour ⁽²⁾	\$82	\$77

Note:

1. Refer to Appendix A for a reconciliation to statutory results. Underlying results excludes M&A costs and adjustments for non-recurring income and expenditure
2. Key metrics are indicative of performance during the period and represent the average project work by traffic controllers. However, these may vary due to the nature of the project including the duration of work, complexity, required staff and equipment and associated fees.

BALANCE SHEET

- \$9.6m reduction in the net assets position has been predominantly driven by the impairment of the NZ business.
- Cash position reflects the impact of lower revenues in the period and the timing of net tax payments.
- Net financial debt has decreased as the group funded the purchase of motor vehicles and plant and equipment through working capital.
- Other current liabilities reduced with the reassessment of the STA Traffic contingent consideration arrangements not being met

\$'000s	Jun-24	Dec-24
Current assets		
Cash and cash equivalents	8,500	4,148
Trade debtors and other current assets	31,616	31,554
	40,116	35,702
Non-current assets		
Property, plant and equipment	25,066	23,878
Other non current assets	66,284	53,761
	91,350	77,639
Total assets	131,466	113,341
Current liabilities		
Trade and other payables and accruals	17,793	14,639
Financial liabilities - current	3,835	5,644
Other current liabilities	8,462	6,019
	30,090	26,302
Non-current liabilities		
Financial liabilities	37,603	33,329
Other non-current liabilities	9,305	8,866
	46,908	42,195
Total liabilities	76,998	68,497
Net assets	54,468	44,844
Net current assets	10,026	9,400



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BUSINESS UPDATE



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OPERATING UPDATE

Despite a range of current challenges, AVADA is focussed on positioning itself to capitalise on strong future growth opportunities.

H1 FY25 presented multiple industry challenges:

- Government funding reallocations have delayed project commencements and maintenance work, impacting the Group's revenue timelines.
- Union activity continues to pose a challenge in winning tenders in Victoria, with the state government position in support of unionised labour affecting the competitive landscape for infrastructure project bids.
- Lost momentum resulting from changes in senior management in New South Wales operations
- New Zealand operations affected by challenging economic and market conditions.

OPERATING UPDATE

Despite a range of current challenges, AVADA is focussed on positioning itself to capitalise on strong future growth opportunities.

In response, the Group has focussed on execution of its strategy of strengthening its market proposition to maximise opportunities for H2 FY25 and beyond:

- Consolidation into the single operating structure and brand, AVADA Traffic, with an emphasis on national clients.
- Continuing to improve back of house processes and systems to streamline operations, reduce costs, and improve service delivery.
- Strengthening senior leadership including promotion of NSW regional manager in mid-January and focusing on re-engaging with clients on opportunities.
- Continuing to lead the industry with best practice for safety, governance and reporting across operations.
- Allocating dedicated senior resource to focus on generating preferred supplier agreements.
- Scaling vehicle and labour to maintain gross margins and allocations to preferred suppliers to support their project timelines.

OUTLOOK

In a \$2 billion industry⁽¹⁾, AVADA remains market leading and has strong short and long-term growth opportunities

- Early signs for H2 FY25 show positive momentum for improvement in revenue performance.
- Postponed government projects are expected to resume, and maintenance projects and civil services pipelines remain strong. Union activity will remain a challenge in the Victorian market.
- The Queensland Government suspension of Best Practice Industry Conditions for new government projects has led to greater confidence and flexibility, however the change of State Government in October 2024 has slowed overall activity.
- A strategic review of NZ operations will be conducted by the incoming CEO. By 30 June 2025 AVADA expects to update the market on its plan for the business to progress through these challenging NZ conditions.
- The focus for the second half of the year is to recover profit margins and obtain further preferred supplier arrangements.
- Donald Montgomery to commence as CEO on 7 April 2025.

Note:

(1) Estimated traffic management revenue published on the TMAA website provides as illustrative example of the size of the Australian traffic management industry. Source: <https://tmaa.asn.au>



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APPENDIX



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UNDERLYING EARNINGS

- Non-recurring and non-operational transaction expense adjustments include costs associated with M&A activity, restructuring and systems implementation.
- Contingent consideration adjustment relates to the gain recognised with the remeasurement of the liabilities associated with the STA Traffic acquisition.
- Impairment of goodwill relates to the NZ operations. This reflects the subdued economic and market conditions and recession faced locally, with no visibility of future pipelines and timing of market recovery.

\$'000s	H1 FY25 Statutory	Non-recurring/ Non-operating items	Contingent Consideration	Impairment Goodwill	H1 FY25 Underlying
Revenue from ordinary operations	91,061				91,061
Other income	555		(484)		71
Total Revenue	91,616	-	(484)	-	91,132
Cost of Sales	(71,428)				(71,428)
Gross Profit	20,188	-	(484)	-	19,704
Employee benefit expenses	(9,688)	502			(9,186)
General and admin expenses	(2,374)	547			(1,827)
Other expenses	(2,527)	0			(2,527)
Operating expenses	(14,589)	1,049	-	-	(13,540)
EBITDA	5,599	1,049	(484)	-	6,164
Depreciation and amortisation	(14,683)			9,723	(4,960)
EBIT	(9,084)	1,049	(484)	9,723	1,204
Net finance income / (expense)	(1,826)				(1,826)
Profit before tax	(10,910)	1,049	(484)	9,723	(622)
Income benefit / (expense)	1,337	N/A	N/A	N/A	187
Net Profit after tax	(9,573)	1,049	(484)	9,723	(436)
Exchange differences on translation of foreign operation	(51)				(51)
Add back: amortisation (net of tax)	N/A	N/A	N/A	N/A	1,363
NPATA	(9,624)	N/A	N/A	N/A	876

Note:

- H1 FY25 Statutory results are as per the audited financial information for the period.
- The pro forma and normalisation adjustments have been sourced from the underlying accounting records of AVADA Group Limited and its subsidiaries.
- These adjustments have not been subject to audit or independent review.



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