

ASX Announcement

28 February 2024

AVADA GROUP LIMITED H1 FY24 results

AVADA Group Limited (ASX:AVD) ('AVADA', or 'the Group'), the largest listed provider of traffic management services in Australia, presents its half-year results for the period ended 31 December 2023.

Key Highlights

- Revenue growth of 12% to \$101.3m and 4% like-for-like to \$77.0m
- Gross margin for the Group of 22.8% increased from prior year (1H FY23: 19.7%)
- Underlying EBITDA of \$9.3m including 6% like-for-like growth
- Operating cashflow of \$3.9m included \$2.7m of working capital funding for the acquisition of STA
- Integration of Wilsons completed and integration of STA substantially completed
- Single operating systems platform driving business performance

AVADA achieved organic revenue growth with some headwinds observed in Q2 from workforce constraints which had an impact on client delivery. Total revenue growth of 12% to \$101.3m, reflects contributions from recent acquisitions Construct Traffic Management, Wilsons Traffic Management and STA Traffic Management.

The integration of STA Traffic Management is substantially completed and initial trading is in line with expectations. The integration of Wilsons Traffic Management is completed, however recent trading for Wilsons Traffic Management has not been in line with expectations which is being addressed through client strategies and overhead reductions, including realigning roles and responsibilities in key functions. The deal structure with retention payments linked to performance provides some protection against the underperformance and valuation of the business.⁽¹⁾

Gross margin for the Group increased to 22.8% from 19.7% in the prior corresponding period, supported by efficiencies of fleet utilisation and cost control. Additionally, an improved process for rate renegotiations has reduced margin leakage from prior periods.

Compared to 1H FY23 on a like-for-like basis, EBITDA of the Group increased by 6%, reflecting the revenue uplift and improved gross margin performance. The increase also incorporates investment in the business functions required to support the future growth strategy. Underlying EBITDA increased by 28% (1H FY23: \$7.1m).

Cash flow remains strong with operating cash flow of \$3.9m including \$2.7m of working capital absorbed from the STA Traffic Management acquisition, demonstrating the cash generation potential of the operations.

The net asset position of the Group increased from \$46.5m as at 30 June 2023 to \$57.1m as at 31 December 2023. The Group acquired the business and all of the assets of STA Traffic Management, including property plant and equipment of \$4.3m, and other intangible assets of \$2.4m. Organic growth, cash conversion and fleet investment have supported the increase in net assets of the existing operations.

Business functions have been expanded to increase capability and support the growth ambitions of the business. This includes additional training and reorganisation of the operating structure to improve retention and training of our team along with customer engagement. Additional state management support and functional support has been implemented to drive performance and accountability of the existing operations and support the future growth strategy of the Group.

Management has continued implementation of the Group's IT strategy, consolidating operating systems to a single platform. In addition to operational efficiencies, this has improved cyber security and data analytics to provide improved information and insights to the business.

¹ Refer to AVADA's ASX announcement dated 5 May 2023, for further information related to the terms of the acquisition.

AVADA Group Managing Director and Chief Executive Officer Dan Crowley said “*Ongoing results show the business is well placed to take advantage of future infrastructure demand. The growing pipeline of work, our leading position in the market, and ongoing improvements internally, mean the Group is poised to deliver a strong trading performance.*”

Outlook

The pipeline for civil services work remains strong due to recurring maintenance requirements of essential infrastructure.

Weather and cyclone impacts in Queensland in December 2023 and January 2024 will also contribute to additional work in subsequent months to support recovery and rebuilding of damaged infrastructure.

The current low unemployment rate continues to provide constraints in meeting demand, however operational initiatives are in place to retain and increase our team to meet the growing demand in the market.

A review of the cost structure has been undertaken with some restructuring undertaken in February to ensure an appropriate overhead base is maintained.

The pipeline of infrastructure spend provides a positive backdrop for growth for FY24 and over the medium term. Geographic expansion, including through Victoria and New Zealand has also provided increased diversification for the Group’s revenue base going forward.

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, 950 vehicles and 2,000 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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