ASX Announcement

23 October 2023

AVADA GROUP LIMITED COMPLETES SECOND VICTORIAN ACQUISITION

Traffic management operator AVADA Group Limited (ASX: AVD) ('AVADA' or 'the Group'), is pleased to announce it has completed the acquisition of STA Traffic Management ('STA').

Key Acquisition Highlights

- Expanded presence and market share in Victoria. With the addition of STA, AVADA has 31 depots and more than 2,400 traffic controllers across Australia and New Zealand.

- STA reported unaudited EBITDA of $2.8 million for FY23. Acquisition consideration of $8.5 million, represents a multiple of 3.0 times normalised EBITDA.

- Acquisition to be funded via the recently completed two-tranche institutional placement which raised approximately $7 million at $0.60 per share. The issue of shares in the second tranche was approved at the extraordinary general meeting on 4 October 2023.

- STA is one of the top five traffic management companies in Victoria, with a track record of sustainable earnings and a diversified client base to AVADA's existing Victorian operations.

- Integration plan implemented to ensure value maximisation from completion.

Acquisition of STA Traffic Management

The acquisition of STA marks AVADA's third acquisition since listing in December 2021. It is part of an ongoing strategy to expand AVADA across Australia and New Zealand and reinforce AVADA's geographical footprint and position as a leading traffic management operator.

The acquisition provides AVADA the opportunity to diversify its client base, as STA primarily services corporate clients in the infrastructure and utilities sectors in Victoria. In addition to expanding and diversifying AVADA's customer base and footprint in Victoria, the acquisition of STA brings valuable synergies and integration benefits through optimal resource allocation and streamlined back-office efficiencies.

Integration of STA Traffic Management

Building from the prior acquisition experience since listing, AVADA has developed and continues to refine the Group's integration approach.

The Group has appointed a seasoned General Manager from AVADA's existing operations to lead STA from settlement, bringing knowledge and experience of "The AVADA way", to work with existing management and owners to maintain strong client relationships. The General Manager is a key member of the integration team and has been supported by:

- Group Manager, Integration and Process Improvement to plan and implement the integration plan;
- Reduced time for go-live of key AVADA Group systems; and
- Integration with AVADA shared services from completion.

The integration plan and strategy has been developed to maximise value creation for the Group and to build on the trading performance of STA which has remained strong in the period prior to completion of the acquisition.

Overview of STA Traffic Management

STA was established in 2009 by vendor, Jean Paul Cellier.

With headquarters and depot located in Yarraville, Melbourne, STA employs over 250 traffic controllers and has a fleet of 86 traffic management vehicles. In FY23, STA reported unaudited EBITDA of $2.8 million, primarily from servicing its corporate clients in the infrastructure and utilities sectors with support for infrastructure maintenance and civil construction projects.

Over the past decade, STA has established a reputation for commitment to its people, customers and safety under Mr Cellier's leadership.

AVADA Group Chief Executive Officer and Managing Director, Mr Daniel Crowley said, "The completion of STA represents another important milestone in the delivery of the Group's strategic objectives. I am extremely pleased with the plan we have developed to integrate STA which reflects our continued focus on development and improvement. This approach will align the existing strong culture within STA with "The AVADA Way" from completion and helps us ensure we maximise value through the acquisition for our shareholders."

Acquisition Funding

The acquisition consideration of $8.5 million represents a multiple of 3.0 times FY23 unaudited EBITDA of $2.8 million, and includes:
-   A cash payment on completion of $7.6 million, subject to adjustment for employee entitlements
-   STA may also be entitled to:
    o   A cash Retention Payment up to a maximum amount of $850,000, subject to achieving pre-agreed targets, to be paid in cash; and
    o   an Earn Out Consideration payment to incentivise the vendor totalling three times the difference between a pre-agreed Minimum Earn Out Threshold and normalised EBITDA of the acquired business, to be paid in cash.

AVADA partially funded the acquisition through the recently completed institutional placement of approximately $7 million. The balance of the purchase price for the acquisition will be funded from AVADA's cash reserves.

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.

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