

ASX Announcement

31 January 2024

AVADA Group Limited — Revised Appendix 4C for the period 1 October 2023 to 31 December 2023

Dear Sir or Madam

In accordance with ASX Listing Rule 4.7B and 4.7C AVADA Group Limited and its controlled entities is pleased to provide its quarterly activities report, together with its Appendix 4C, for the three-month period ended 31 December 2023.

Key Highlights

- Completion of the acquisition of STA Traffic Management on 23 October 2023 with a cash payment of \$7.6m.
- Completion of Tranche 2 of the successful capital raise to partially fund the acquisition of STA Traffic Management.
- STA Traffic Management operational requirements funded from cash at bank and operating cash flows. Funding the working capital requirements of STA Traffic Management resulted in a reduction in operating cash flow for the quarter.
- Integration of STA Traffic Management into AVADA's operations providing economies of scale and sharing of resources.
- Seasonal reduction in trading due to the Christmas and New Year holiday period. Increased maintenance and construction pipeline expected following cyclone and flooding in Queensland.
- Continued focus on debtor and payment management throughout the operations has contributed to a strong cash position at the end of the quarter.

HIGHLIGHTS OF CASH FLOW	
	\$A'000
Cash Receipts	55,815
Operating Cash Expenditures	55,605
Net Operating cash flow	210
Cash and cash equivalents at end of period	4,295
Unused financing facilities available at end of quarter	10,268

Commercial Operations

As announced on 24 August 2023, AVADA secured its expansion pathway and presence in Victoria, entering into a binding agreement to acquire STA Traffic Management ('STA'). This acquisition settled on 23 October 2023, providing AVADA the opportunity to diversify its client base, with STA primarily servicing corporate clients in the infrastructure and utilities sectors in Victoria.

The acquisition purchase price was funded via the completion of an institutional placement of approximately \$7 million with the balance of the purchase price funded from AVADA's cash reserves. Future working capital requirements are funded from existing cash reserves and operating cashflows.

The purchase price consideration of \$8.5 million included:

- A cash payment on completion of \$7.6 million (subject to an 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.

Yours faithfully



Paul Fitton
Company Secretary

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 31 Depots, 1,000 vehicles and 2,400 dedicated employees the Group is well positioned in the integrated traffic management and associated civil sectors.

Visit us at avadagroup.com.au

For further information contact the following:

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

AVADA Group Limited

ABN

57 648 988 783

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	55,815	114,212
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(35)	(45)
(d) leased assets		
(e) staff costs	(37,690)	(76,559)
(f) administration and corporate costs	(16,968)	(33,444)
1.3 Dividends received (see note 3)		
1.4 Interest received	44	79
1.5 Interest and other costs of finance paid	(756)	(1,466)
1.6 Income taxes received / (paid)	(200)	1,142
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	210	3,919
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	(7,602)	(10,609)
(c) property, plant and equipment	(1,039)	(2,013)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	68	118
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(8,573)	(12,504)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,327	7,000
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(105)	(445)
3.5 Proceeds from borrowings	415	971
3.6 Repayment of borrowings	(1,256)	(5,387)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(381)	(2,139)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	12,278	10,834
4.2 Net cash from / (used in) operating activities (item 1.9 above)	210	3,919
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8,573)	(12,504)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	381	2,139
4.5	Effect of movement in exchange rates on cash held	(1)	(93)
4.6	Cash and cash equivalents at end of period	4,295	4,295

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,295	12,278
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,295	12,278

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	286
6.2	Aggregate amount of payments to related parties and their associates included in item 2	N/A

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments related to Director Salaries, superannuation and working capital payments along with the finalisation of the Verifact Traffic earn out calculation.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	48,077	37,809
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	48,077	37,809
7.5 Unused financing facilities available at quarter end		10,268
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Refer Appendix 1 for facilities.		
AVADA Group Limited, through its subsidiary, Wilsons TM Limited is financing the settlement of equipment financing requirements through its asset finance facility. The draw down amount is approximately \$369,653.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	210
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,295
8.3 Unused finance facilities available at quarter end (item 7.5)	10,268
8.4 Total available funding (item 8.2 + item 8.3)	14,563
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Appendix 1 – Notes to 7.6

Description	Facility Limit	Amount	Lender	Interest Rate	Maturity Date	Secured / Unsecured
Overdraft facility	2,500,000	-	Commonwealth Bank	7.60%	25/08/2025	Secured
Working capital loan	17,500,000	13,500,000	Commonwealth Bank	5.75%	25/08/2025	Secured
Market Rate Loan	9,500,000	4,500,000	Commonwealth Bank	4.45%	25/08/2025	Secured
Market Rate Loan		5,000,000	Commonwealth Bank	4.41%	25/08/2025	Secured
Asset Finance -ABZD001258001		111,915	Commonwealth Bank	6.59%	13/12/2027	Secured
Asset Finance -AEKH003438001		64,375	Commonwealth Bank	5.90%	11/05/2027	Secured
Asset Finance -AEKH003439001	5,000,000	96,510	Commonwealth Bank	5.90%	13/05/2027	Secured
Asset Finance -AEKH003440001		264,247	Commonwealth Bank	7.72%	13/05/2027	Secured
Asset Finance -AIJG000609001		327,678	Commonwealth Bank	6.29%	11/04/2027	Secured
Asset Finance -AIJG000611001		1,101,337	Commonwealth Bank	7.62%	3/05/2027	Secured
Asset Finance - AKEY000030		2,640,466	Commonwealth Bank	6.99%	28/04/2028	Secured
Asset Finance -AKEY00006001	5,000,000	3,781,008	Commonwealth Bank	6.17%	23/08/2027	Secured
Kiwi Bank Loan	3,714,710	3,368,503	Kiwi Bank	10.00%	5/05/2028	Secured
Overdraft facility	928,678	-	Kiwi Bank	11.60%	5/05/2028	Secured
Asset Finance loan	3,157,504	2,477,368	Kiwi Bank	9.00%	5/05/2028	Secured
Corporate Credit Cards	46,434	-	Kiwi Bank	12.50%	5/05/2028	Secured
AVADA Lease - 69 Percival Road Smithfield		158,446	Commonwealth Bank	2.50%	13/03/2022	Secured
AVADA Lease - 39 Matheson Streer, Virginia QLD		82,734	Commonwealth Bank	2.50%	30/09/2023	Secured
AVADA Lease - 224 Whitehall Street, Yarraville VIC	480,164	80,667	Commonwealth Bank	2.50%	30/09/2023	Secured
Bank Guarantees - Ventia Performance Guarantee		25,000	Commonwealth Bank	2.50%	20/06/2025	Secured
Bank Guarantees - AVADA property Lease		81,067	Commonwealth Bank	2.50%	1/02/2033	Secured
Bank Guarantees - CTM property Lease		52,250	Commonwealth Bank	2.50%	1/05/2033	Secured
Corporate Credit Cards	250,000	95,439	Commonwealth Bank	17.57%	25/08/2025	Secured
Total	48,077,489	37,809,010				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by: By the board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.