

Strategic acquisition of leading EAM business to expand COSOL's data and digital solutions

- COSOL to acquire Clarita Solutions Pty Ltd, an IT and Enterprise Asset Management (EAM) services business based in Brisbane, Australia which specialises in the implementation, management and business exploitation of IBM's Maximo EAM platform
- The acquisition is accretive to earnings and will contribute positively to COSOL's FY22 result
- The acquisition is strategic and aligns with COSOL's stated growth strategy to enhance its solution portfolio with capabilities in world leading digital solutions, and companies with digital proprietary IP
- Access to new distribution channels for existing COSOL Enterprise Data Management proprietary software and solutions such as RP Connect, Evergreen, and Copernicus, through cross-selling opportunities
- Upfront consideration of \$7M in cash and 7,951,123 COS shares, with earn-out consideration of up to \$3.75M paid in cash or COS shares subject to Clarita achieving performance hurdles based on future increases in audited EBIT over a 2 year period

Brisbane, 8 November 2021 – COSOL Limited (**COSOL, ASX: COS**) ("COSOL") is pleased to announce that it has executed a Share Purchase Agreement ("SPA") to acquire Clarita Solutions Pty Ltd ("Clarita"). Headquartered in Brisbane, Clarita is a dynamic, digital solutions company with specialist skills in **IBM's Maximo** (a leader in the Gartner Magic Quadrant for EAM software platforms) committed to transforming Enterprise Asset Management (EAM) operations.

The complementary nature of the combined portfolio further positions COSOL as a global leader in the digital transformation market, and accelerates expansion and growth to create further value for shareholders. The strategic benefits of the acquisition include:

- the ability to expand both project and support services and capabilities across additional EAM platforms (i.e. Ellipse, SAP, IBM Maximo)
- establishes COSOL as the exclusive ANZ reseller of EZMaxMobile - the leading suite of digital mobile applications integrating seamlessly with IBM Maximo
- access to new distribution channels for existing COSOL Enterprise Data Management proprietary solutions and software such as RP Connect, Evergreen, and Copernicus, through cross-selling opportunities
- expansion of COSOL's internationally dispersed client base, now including New Zealand and North America
- earnings growth and earnings per share (EPS) accretion

In line with COSOL's strategic growth map, the acquisition of Clarita expands COSOL's EAM and digital solutions portfolio to now include Geographic Information System (GIS) data management services and an "EAM as a Service" (EAMaaS) proprietary digital SaaS solution powered by **IBM Maximo**. The EAMaaS solution is the only single 'as a service' solution that combines asset management, engineering document management and workforce mobility with GIS.

The combination of COSOL and Clarita provides expanded opportunities for COSOL's EDAM (Enterprise Data Asset Management) services and proprietary digital solutions, including solutioning COSOL's RPConnect®, to the broader Maximo client base to accelerate our clients' digital transformation journey, unlocking the business potential of their assets.

CEO of COSOL, Scott McGowan said:

*"The acquisition of Clarita delivers a natural extension to COSOL's digital and data solutions, enhancing and extending our capabilities across a broader range of enterprise systems. We already have significant solution portfolios for **Hitachi Ellipse** and **SAP** and we now welcome **IBM Maximo** to that portfolio.*

COSOL and Clarita share a common goal to drive efficiencies and deliver quantifiable business improvements for asset-intensive organisations, for whom return on invested capital and maximising the operation and exploitation of their current investments is of paramount importance.

The acquisition of Clarita, combined with the successful integration of AddOns Inc based in Denver, USA (now known as COSOL North America), extends our platform capability and geographical reach. The complementary nature of the organisations' portfolios further strengthens our position as a leading international provider of proprietary digital and data solutions."

Clarita Solutions' CEO, Annette Henry, said:

"I'm delighted Clarita has the opportunity to become part of the COSOL Group. Joining forces will deliver substantial benefits for our clients, as we create and deliver seamless enterprise solutions to unlock new and exciting opportunities across the asset information ecosystem. Together our organisations provide a compelling offering to support mission critical business decision-making and improved operations for asset intensive organisations.

COSOL and Clarita have a common heritage and at our very core we are both highly focused on delivering business improvements to our clients. Importantly, our shared recognition that success is driven by exceptional people and a commitment to add value to our business partnerships demonstrates the strong alignment in our values and our organisational culture."

The transaction is accretive to earnings and will contribute positively to COSOL's FY22 result.

The effective date of the acquisition is 1 September 2021, with transaction completion ("**Completion**") scheduled to occur within the next two weeks subject to the satisfaction of the conditions precedent summarised in the attached Schedule.

Upfront consideration for the acquisition consists of \$7M in cash and 7,951,123 COSOL shares, with up to a further \$3.75M payable in either cash or an issue of Shares by way of earn-out consideration based on increases in Clarita's audited EBIT for FY22 and FY23 above an agreed FY21 baseline.

The upfront and earn-out cash consideration will be funded from existing cash reserves and/or financing facilities. The shares to be issued in connection with the acquisition will be issued out of COSOL's existing share placement capacity under ASX Listing Rule 7.1.

Clarita's existing key personnel (**Key Employees**) will remain involved in the business to continue to drive overall business performance and operational management and execution.

A summary of the key terms of the SPA is contained in the attached Schedule to this announcement.

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This announcement was authorised for release by the Board of COSOL Limited.

About COSOL

COSOL Limited is a global provider of proprietary digital solutions to asset intensive industries. We drive quantifiable business improvements through the enhanced use of data and data analytics.

Our specialists have a valuable combination of industry experience and technology systems expertise to solve the most complex issues efficiently and pragmatically for our clients.

COSOL is the largest Hitachi ABB Ellipse enterprise software managed service provider in Asia Pacific and North America and, in addition, maintains relationships and capabilities with industry-recognised solution providers such as SAP, IFS, Microsoft, IBM Maximo and major system integrators such as IBM, Accenture, DXC, Deloitte and EY.

COSOL Limited was listed on the Australian Stock Exchange (ASX) in January 2020 and through its operating entities COSOL Asia Pacific and COSOL North America it has been an established leader in this sector for over 20 years. Its Global headquarters and COSOL Asia Pacific are located in Brisbane, Australia and COSOL North America is based in Denver, USA.

About Clarita

Clarita builds and optimises asset information ecosystems to drive asset performance improvement. We build maturity in systems and processes by enriching asset information with location context, integrating data across systems, and enabling mobile workers with field force automation.

We believe that continually improving asset performance is the result of an integrated asset information ecosystem. By leveraging the strengths of our team together with an extended network of partners, our approach is to connect businesses with the technical, operational and strategic services they need to realise their asset performance ambitions.

Clarita is Australia based, headquartered in Brisbane and is a Gold Level IBM Business Partner (Maximo®) and Silver members of the Esri Partner Network (GIS) and work closely with vendor partners such as RedEye, DBM Vircon, Interpro Solutions and Projotech.

Schedule 1 – Summary of SPA key terms

Parties

- COSOL Limited, Clarita Pty Ltd and the following persons (being all of the shareholders in Clarita) (“**Vendors**”), none of whom is a related party of COSOL for the purposes of ASX Listing Rule 10.1 or a person to which that Listing Rule otherwise relates:
 - David Alexander Lestani as trustee for the D&A Lestani Family Trust;
 - Bradley Samuel Miller as trustee for the B&L Miller Family Trust;
 - Paul Anthony Lestani as trustee for the P&S Lestani Family Trust;
 - Henry & Henry Pty Ltd as trustee for The AM & PW Henry Family Trust; and
 - Digiworx Pty Ltd as trustee for The Kruger Family Trust

Consideration

- At Completion, COSOL will pay to the Vendors \$7M in cash and will issue a total of 7,951,123 new fully paid ordinary COSOL shares to the Vendors (which will be subject to voluntary escrow until the first anniversary of Completion).
- Depending on the future performance of the Clarita business, the Vendors will also be entitled to up to 2 further instalments of deferred consideration (“**Earn Out Consideration**”).
- The Earn Out Consideration (if any) will be determined based on the extent to which the audited EBIT for the business for each of the 12 month periods ended 30 June 2022 and 30 June 2023 (each a “**Relevant Period**”) exceeds an agreed baseline for FY21, being \$2.251M.
- An instalment of Earn Out Consideration will only be payable if:
 - the Key Employees have remained continually employed in the business throughout that Relevant Period (subject to certain permitted exceptions); and
 - Clarita’s audited EBIT meets or exceeds certain thresholds in each Relevant Period, as follows:
 - 30 June 2022: \$2,251,000; and
 - 30 June 2023: \$2,612,000.

In addition, overall earn out payments are capped at \$3.75M in the aggregate and no more than 50% of the total amount can be paid in either of the earnout years.

- The audited EBIT for the Clarita business for a Relevant Period will be determined as part of the annual audit of the COSOL group of companies (and in determining such EBIT, one-off or extraordinary revenue items, revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue or profit that has been “manufactured” to achieve the EBIT figure will be excluded).
- COSOL may elect to satisfy any Earn Out Consideration by way of an issue of COSOL shares rather than a cash payment, in which case the deemed price at which each such COSOL share will be issued will be the VWAP for the 14 trading days immediately prior to the date on which COS releases its audited accounts for the Relevant Period (provided that the maximum number of COSOL shares liable to be issued as Earn Out Consideration will be capped at 10M shares and any remaining Earn Out Consideration to which the Vendors may be entitled will be paid in cash).
- The cash component of the upfront consideration (and any Earn Out Consideration) will be satisfied out of COSOL’s existing cash reserves and bank debt, and the shares to be issued to the Vendors will be issued under COSOL’s existing share placement capacity under ASX Listing Rule 7.1.

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Conditions Precedent

Completion is subject to a normal range of conditions precedent, each of which can be waived by COSOL should it choose to do so. Those conditions comprise:

- Conditions ordinarily found in similar acquisition transactions, including:
 - there being no change to Clarita's capital structure, or any material adverse condition in relation to Clarita or its business, in the period prior to Completion; and
 - consents being obtained from relevant Clarita contractual counterparties regarding the change in control of Clarita which will occur by virtue of the acquisition; and
- Certain conditions which are specific to Clarita's particular business, which relate to COSOL having comfort as to continuity of service of the Key Employees and there being no debt (other than certain permitted exceptions) attributable to the business as at Completion.

Other

- Completion is currently expected to occur in the week beginning 22 November 2021. Subject to Completion occurring, the acquisition will be deemed to have taken effect on and from 1 September 2021.
- There will be no changes to COSOL's Board of Directors and senior management.
- Suitable COSOL representatives will be appointed at Completion as directors of Clarita, existing Clarita CEO Ms Annette Henry will remain in this role following Completion to continue to have day-to-day responsibility for the management and oversight of the Clarita business following Completion
- The SPA includes customary terms and conditions, including regarding representations and warranties, indemnities and Completion conditions.

Approvals

- ASX has confirmed that ASX Listing Rules 11.1.2 or 11.1.3 do not apply to the acquisition.
- COSOL does not intend to seek and obtain shareholder approval for the acquisition.
- The maximum number of COSOL shares to be issued at Completion will be issued within COSOL's existing placement capacity of 19,765,754 equity securities under ASX Listing Rule 7.1, and COSOL will seek to ratify these issues at COSOL's 2022 AGM.
- Any relevant additional shares to be issued as Earn-Out Consideration (up to a maximum cap of 10M shares) will be issued within COSOL's placement capacity at the time of issue under ASX Listing Rule 7.1 and COSOL will seek to ratify these issues at COSOL's 2022 & 2023 AGMs.

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