

COSOL grows Enterprise Asset Management services, secures beachhead into Western Australian resources sector

Highlights

- Agreement to Acquire Enterprise Asset Management advisory business with a blue-chip client base
- Technology enabled through proprietary software platforms
- Complementary addition to COSOL's existing proprietary software and IP/technology stack
- Unique end-to-end Enterprise Asset Management capability
- Total consideration of up to \$9m, blend of cash and scrip
- Immediately EPS accretive

Brisbane, 23 June 2022 – COSOL Limited (COSOL, ASX: COS) ("COSOL") is pleased to announce that it has entered into a binding Share Purchase Agreement ("SPA") to acquire Work Management Solutions ("WMS"), a Perth-based business that delivers business advisory and technical consulting services to the resources and utilities sectors.

The key terms of the SPA are set out in Schedule 1 to this announcement.

WMS serves large-scale mining groups in Western Australia, including Rio Tinto, Fortescue Metals Group, Newmont, BHP, Glencore and Roy Hill.

Clients in other asset intensive industries include Austal, Aurizon, Australian Rail Track Corporation, Snowy Hydro, Geelong Port and CBH Group.

This established, mature business base provides COSOL with an outstanding springboard to build its position in the buoyant WA resources sector.

The addition of WMS's advisory services and associated proprietary technology platforms represents a significant expansion of COSOL's existing offering helping extract efficiencies and better financial returns for asset intensive industries and results in a unique and enviable capability across the Enterprise Asset Management (EAM) spectrum.

The acquisition is in line with COSOL's strategy of delivering to clients exceptional business outcomes underpinned by proprietary IP and growing its global footprint through incremental growth in Australia and North America, and strategic acquisitions that add technical edge, new clients and new markets.

The total consideration payable for WMS's shareholders under the SPA is up to \$9 million, comprising \$7 million on settlement and up to a further \$2 million upon the WMS business meeting certain performance hurdles in FY23. The upfront consideration comprises \$4 million in cash and \$3 million in COSOL shares.

The acquisition will be immediately earnings per share accretive and is expected to complete within three weeks.

COSOL Managing Director Ben Buckley said WMS would strengthen COSOL's position as a global leader in digital transformation and data exploitation for large-scale organisations within heavy asset industries, as well as providing COSOL with an end-to-end EAM capability.

"COSOL works with our clients to advise, operate and optimise the EAM ecosystem, including people, processes, systems and data to produce quantifiable financial benefits. Every hour in a maintenance shutdown can cost millions, where a one per cent gain in overall asset efficiency can deliver our clients benefits measured in tens of millions of dollars," he said.

"Our business is entirely focused on making enterprise assets more efficient for our clients and delivering material gains. This too has been the focus of WMS, which has built respect and long-term client relationships in a complementary market segment."

The WMS acquisition follows the successful integration of Clarita Solutions, acquired by COSOL in November 2021, and AddOns in North America in 2020.

WMS is already a partner to COSOL, providing its advisory services in combination with COSOL's asset management IP. Following completion of the acquisition under the SPA, the full WMS service offering will be immediately available to COSOL's broader international client base, which includes major mining groups such as Glencore, Anglo American, De Beers (South Africa), Cleveland Cliffs (North America) and Ok Tedi (PNG).

Beyond mining, COSOL's clients include the Australian Department of Defence, energy utility TransGrid, Melbourne Water, Pacific National, Unity Water, Navajo Transitional Energy Co (New Mexico) and Niagara Frontier Transportation Authority (New York State).

WMS Managing Director Mark Warrenner said the combination of COSOL and WMS would result in a complete offering to the combined client base.

"The blend of the WMS advisory business with COSOL's asset management services and proprietary software and IP will deliver invaluable insights and efficiencies to our clients in their endless pursuit of optimising productivity and delivering better returns," said Mr Warrenner.

"Major corporations need to capture every possible operational efficiency within their asset intensive ecosystems, where the smallest adjustment either way can make a material difference to financial outcomes."

AddOns, North America

COSOL is also pleased to announce that it has agreed with Max Rogers, Head of COSOL North America and the former owner of the AddOns business acquired by the Company in October 2020, to align his incentive arrangements more closely with other members of the Group's executive team.

In that regard, rather than Mr Rogers being eligible for up to two instalments of earn out consideration as originally contemplated in the AddOns acquisition agreement, he will be paid the first of those instalments only and, in lieu of any further earn out entitlement, will be granted COSOL options in line with LTI incentives awarded to other key COSOL Group executives.

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It has also been agreed that the earn out instalment of US\$266,000 to which Mr Rogers remains entitled (based on the EBITDA achievement by the AddOns business in calendar year 2021) will be satisfied by means of a cash payment of US\$190,000 and an issue of COSOL shares to the value of US\$76,000. Further details in relation to that share issue will be set out in the relevant Appendix 3B to be released by the Company shortly.

About COSOL

COSOL provides advice, operational expertise and optimisation to deliver clients a complete end-to-end Enterprise Asset Management.

COSOL utilises proprietary software and digital solutions to serve asset intensive industries and drive quantifiable business improvements through the enhanced use of data and data analytics. It uses leading global Enterprise Asset Management platforms, including SAP, IBM – Maximo, Hitachi-Ellipse, IFS and Microsoft Dynamics, augmented with industry leading GIS solutions.

COSOL Limited was listed on the Australian Stock Exchange (ASX) in January 2020 and COSOL's clients include major corporations in the heavy asset sector including Australian Department of Defence, Urban Utilities, Glencore, Anglo American, De Beers, Cleveland Cliffs, Accelor Mittal and OK Tedi.

Founded in 2000 and with operations in Australia and North America, COSOL has demonstrated an ability to grow organically and through acquisition while maintaining growth in revenue, profit and eps.

About WMS

Established in 2007, Work Management Solutions is a globally recognised asset management specialist with a strong track record in driving enhanced performance for asset intensive businesses.

It has extensive experience and expertise across numerous organisations and industries utilising an innovative integrated approach to reduce risk, increase productivity and optimise efficiency for clients.

The WMS end-to-end methodology is designed to maximise clients' return on investment, both financial and in terms of long-term sustainability.

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

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Schedule 1 – Summary of SPA key terms

Parties

- COSOL Limited, Work Management Solutions Pty Ltd and the following persons (being all of the shareholders in WMS) (“**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:
 - Melissa Warrener as trustee for the H2M3 Family Trust;
 - Lilicky Pty Ltd as trustee for the Ricketts Family Trust
 - Kelly Leanne Zanetti as trustee for The Zanetti Family Trust

Consideration

- At Completion, COSOL will:
 - pay to the Vendors \$4M in cash (subject to adjustment depending on whether or not WMS has a specified level of working capital and cash); and
 - issue to the Vendors 5,660,378 new fully paid ordinary COSOL shares (being the quantity of shares having a value of \$3M based on an issue price per share equal to the 14 day VWAP prior to the execution date of the SPA, which will be subject to voluntary escrow until 30 June 2023).
- Depending on the future performance of the WMS business, the Vendors will also be entitled to receive a further, deferred, instalment of consideration which is capped at \$2,000,000 (“**Earn Out Consideration**”).
- The Earn Out Consideration (if any) will be payable based on the audited EBIT achieved by the WMS business for the financial year ended 30 June 2023 (“**Relevant Period**”) provided that Earn Out Consideration will only be payable if:
 - Mark Warrener (WMS’ current Managing Director) has remained continually employed in the business throughout the Relevant Period (subject to certain permitted exceptions); and
 - WMS’s audited EBIT for the Relevant Period meets or exceeds \$2,475,000
- The audited EBIT for the WMS business for the 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 up to 100% of any Earn Out Consideration payment 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 COSOL 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 5M shares and any remaining Earn Out Consideration to which the Vendors may be entitled will be paid in cash).

Conditions Precedent

Completion under the SPA is subject to a normal range of condition precedent, the majority 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 WMS's capital structure, or any material adverse condition in relation to WMS or its business, in the period prior to Completion; and
 - consents being obtained from relevant WMS contractual counterparties regarding the change in control of WMS which will occur by virtue of the acquisition; and
 - certain conditions which are specific to WMS's particular business, including conditions which relate to COSOL having comfort as to continuity of service of certain key personnel and there being no debt attributable to the business at Completion.

Other

- There will be no changes to COSOL's Board of Directors and senior management as a result of the acquisition.
- Suitable COSOL representative/(s) will be appointed at Completion as directors of WMS and its subsidiary company, AMLA.

The SPA includes customary terms and conditions for transactions of a like nature, including regarding representations and warranties, indemnities and Completion conditions.

Approvals

- COSOL does not intend to seek and obtain shareholder approval for the acquisition.
- The COSOL shares to be issued at Completion will be issued within COSOL's existing placement capacity of 5,660,378 equity securities under ASX Listing Rule 7.1.
- Any relevant additional shares to be issued as Earn-Out Consideration (up to the maximum of 5 million shares referred to above) will be issued within COSOL's placement capacity at the time of issue under ASX Listing Rule 7.1.
- The cash component of the upfront consideration (and any Earn Out Consideration) will be satisfied out of COSOL's existing cash reserves and available bank facilities.

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