

COSOL boosts asset management capability with acquisition of Core Asset Co

Highlights

- Agreement to acquire Core Asset Co, an asset management consultancy with a blue-chip client base in the resources, utilities and agribusiness sectors
- Core Asset's strategic asset management planning services to bolster COSOL's Asset Management as a Service capability
- Total consideration of up to \$6.1m (\$5.4m in cash and scrip on acquisition, deferred earn-out payment of up to \$0.7m)
- Immediately Earnings Per Share accretive

Brisbane, 19 April 2024 – COSOL Limited (COSOL, ASX: COS) is pleased to announce a substantial boost to COSOL's asset management consulting capability having entered into a binding Share Purchase Agreement (SPA) to acquire asset management consultancy Core Asset Co Pty Ltd (**Core Asset**). A summary of the SPA is set out in the Annexure to this announcement.

Core Asset is an asset performance advisory firm that provides data-driven insights and solutions to clients to help improve the performance of their asset networks and their return on investment.

Under the SPA, COSOL will acquire all of the issued capital of Core Asset from vendor Spiral X Pty Ltd, a company related to Core Asset founder Joshua Old, for a total consideration of up to \$6.1 million.

On acquisition, COSOL will pay the vendor approximately \$2.9 million in cash and a further \$2.5 million in COSOL shares, at a deemed issue price of \$0.9847 per share, resulting in the issue of 2,538,844 COSOL shares. A further earn-out consideration of \$700,000 is payable to the vendor subject to EBITDA performance hurdles being met. Settlement is scheduled to take place later this month.

Based on the earn-out structure, which applies over calendar years 2024 and 2025, it is anticipated that Core Asset will contribute approximately \$6m in revenue and approximately \$1.6m in EBITDA in FY25.

The acquisition of Core Asset will strengthen COSOL's position as a leading provider of asset management (AM) solutions with the addition of new capabilities in strategic planning and decision support, asset performance, turnaround, and operational readiness. This aligns with COSOL's acquisitive growth strategy to advance our AM service offerings. The Core Asset business expands access for COSOL's offerings into executive level asset management professionals, and further builds out our AM Process practice with a focus on strategic AM planning services. Overall, this acquisition grows COSOL's value proposition for clients as a single supplier of asset management services, including operations strategy, resourcing, systems implementations, data management and managed services, through COSOL's suite of AM People, AM Process, AM Systems and AM Data solutions.

The increase in capability enhances COSOL's new-breed Asset Management as a Service (AMaaS) where COSOL offers deep data analytics and consulting services to provide customers with penetrating insights into their asset management networks and the associated savings to be captured.

Core Asset serves clients in the asset intensive resources, agribusiness and utilities sectors, including Roy Hill, Anglo American, CBH Group, Shark Bay Resources and the BHP Mitsubishi Alliance. The client bases of COSOL and Core Asset are aligned, with a focus and complementary geographic presence in Queensland and Western Australia.

As part of the acquisition, Core Asset founder Mr Old will join COSOL's senior leadership team and continue as Chief Executive Officer of the Core Asset business within the COSOL Group. Core Asset's staff of two dozen permanent and casual employees will all be offered continuing employment or engagement.

COSOL's Chief Executive Officer Scott McGowan said the addition of Core Asset would accelerate the development and market growth of COSOL's AMaaS.

"The Core Asset team is highly regarded in the asset management sector and will strengthen COSOL's position as a global leader in unlocking asset potential for our clients," said Mr McGowan.

"COSOL's focus is on building deep, trusted relationships with our customers where we can become central to digital transformation and business operation outcomes in capital intensive, revenue critical business functions.

"Core Asset and its team provide a substantial boost to our capability and will accelerate the rollout of AMaaS across our loyal, blue-chip customer base."

Mr Old, Core Asset's Chief Executive Officer, said the Core Asset team was excited to be joining the COSOL Group.

"Our ability to unlock business value from smarter asset management decisions and technical expertise, combined with the COSOL team's track record and reputation for best-of-breed technologies will provide a fantastic platform for growth and increased client impact and value," said Mr Old

The total consideration payable to Core Asset's shareholder is up to approximately \$6.1m, comprising cash and scrip components of upfront and deferred earn-out consideration, with the deferred consideration payable in instalments subject to the Core Asset business achieving audited/reviewed EBITDA hurdles in calendar years 2024 and 2025

The issue of shares as upfront and earn-out consideration will consume a portion of COSOL's existing placement capacity under ASX Listing Rule 7.1. COSOL conducted financial, operational, tax and legal due diligence prior to executing the SPA. Further information about the acquisition's terms is detailed in the *Annexure – Transaction Details*.

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

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About COSOL

COSOL is a global Asset Management technology-enabled solution provider that optimises operations in asset intensive industries such as natural resources, energy and water utilities, public infrastructure and defence.

COSOL continuously invests in its ecosystem of software and services to help large-scale asset owners get more from their networks and to capture quantifiable business improvements measured in sustainability, efficiencies and profitability. Our mission is to help our customer achieve zero waste in their operations and supply chains using COSOL's creative leadership and passion for asset management innovation.

Since listing in January 2020, COSOL has delivered profitable growth, strong operating cashflows and successful strategic acquisitions.

<https://cosol.global/>

About Core Asset

Founded in 2018, Core Asset is an asset performance improvement consultant that helps leaders make smarter decisions about their heavy mobile and fixed assets.

Core Asset provides data-driven insights and solutions to some of the largest mining companies in the world, significantly improving their performance and return on investment. With a focus on collaboration and capability transfer, Core Asset works side-by-side with client teams to create meaningful action that generates real, measurable performance improvements.

<https://coreasset.co/>

Annexure – Transaction Details

- 100% of the issued capital of Core Asset Co Pty Ltd is being acquired.
- The vendor is Spiral X Pty Ltd, the sole shareholder of which is related to Joshua Old.
- Total consideration is valued at approximately \$6.1m, comprising:
 - upfront consideration: cash of \$2.9m, and 2,538,844 COSOL shares (being that quantity of COSOL shares with a value of \$2.5m based on a deemed issue price of \$0.9847 being the 21 day VWAP prior to the SPA execution date of 18 April 2024); and
 - earn-out consideration: up to a total of \$700k is payable to the vendor, dependent on the performance of the Core Asset business in the 2024 and 2025 calendar years. Provided applicable minimum EBITDA hurdles in a relevant calendar year are achieved, the vendor will be entitled to an instalment of earn-out consideration in relation to the calendar year (with no more than \$350k payable in respect of calendar year 2024). If the Core Asset business achieves less than the minimum EBITDA threshold for calendar year 2024 but outperforms in calendar year 2025, a “catch-up” mechanism applies such that up to the maximum of \$700k may still be earned by the vendor based on the aggregated EBITDA achieved over both calendar years 2024 and 2025. At least one third of any payable earn-out consideration will be satisfied in cash, with the balance to be satisfied in COSOL shares at a deemed issue price equal to the 21 day VWAP prior to the release of COSOL’s audited/reviewed accounts for the relevant calendar year. The number of earn-out shares to be issued is capped at 4.5m without prior shareholder approval.
- The earn-out consideration is subject to the achievement of minimum EBITDA hurdles by the Core Asset business (as a subsidiary in the COSOL Group) for calendar years 2024 and 2025, and the continued employment of Joshua Old during the earn-out period. The scrip component of the earn-out consideration is not subject to mandatory or voluntary escrow.
- The COSOL shares issued as upfront consideration will be subject to voluntary escrow for a period of 12 months from the acquisition’s completion date.
- Joshua Old is subject to customary restraints of trade post completion.
- The acquisition consideration is being funded through the COSOL Group’s existing cash reserves and expanded Westpac financing facilities, and COSOL’s existing placement capacity for equity securities under ASX Listing Rule 7.1
- There will be no changes to COSOL’s Board of Directors, and suitable COSOL representatives will be appointed as Directors of Core Asset on completion of the acquisition.
- Completion under the SPA is subject to conditions precedent ordinarily found in similar acquisition transactions, along with conditions regarding financing approval, client contract change of control confirmations, and key employees entering into new employment agreements on no less favourable terms; the majority of these conditions can be waived by COSOL in its discretion.
- The SPA includes customary terms and conditions for transaction of a like nature, including regarding there being material adverse condition affecting the business, conduct of the business prior to completion, representations, warranties and indemnities.