

COSOL Agrees to Acquire AddOns

- **COSOL to acquire Denver, Colorado USA based AddOns Inc – a managed services IT and professional services organisation with a portfolio of proprietary digital IP used to support over 50% of the North American installed base of ABB Ellipse Asset Management clients**
- **The acquisition is accretive to earnings and will contribute positively to COSOL's FY21 result**
- **Strategic acquisition aligns with COSOL's growth strategy for geographic expansion, and is complementary to COSOL's strategy and capability in digital transformation utilising proprietary IP**
- **Upfront consideration of US\$1.5M in cash and 4,271,695 COS shares, with earn-out consideration of up to US\$1.75M paid in cash and COS shares subject to AddOns' future audited EBITDA performance**

Brisbane, 6 October 2020 – COSOL Limited (**COSOL**, **ASX:COS**) is pleased to announce that it has executed an agreement to acquire AddOns Inc (**AddOns**), a managed services IT, software and professional services business based in Denver, Colorado, USA.

The acquisition is in-line with the COSOL's stated objective of moving to become a global player in the enterprise asset management (EAM) services space, projected to grow to US\$25.9 billion by 2030ⁱ.

COSOL and AddOns have shared a working partnership that was formalised in 2018 but with this acquisition the Group now becomes the pre-eminent Ellipse Asset Management powerhouse, with over 160 specialists able to engage and support clients globally with a true 'follow the sun' capability. Both entities have been pursuing a similar strategy of digital transformation and exploiting proprietary IP in the EAM services sector. The combination of the two businesses provides a global platform for managed services, big data/data analytics, strategic advisory consulting, and technology solutions (ie developing proprietary digital platforms and software products), particularly in the enterprise asset management space.

AddOns has a strong focus on asset intensive industries, supporting in excess of 50% of the installed client base for ABB Ellipse in North America through long term managed service and professional services contracts.

In addition to the extensive managed and professional service capability AddOns possesses in the Ellipse EAM space, as part of the acquisition COSOL will gain exclusive use and ownership of AddOns' extensive portfolio of proprietary digital IP used to support its clients, including AddOns' Evergreen suite for software upgrades and on-going managed services. This portfolio is complementary to COSOL's existing IP portfolio centred around the data migration and transformation capabilities of RP Connect and BP Connect.

The complementary nature of the portfolios expands the opportunities for cross-selling and enhanced business offerings to the combined APAC and North American client base. Specifically the combined entity will facilitate both sales expansion and support/services opportunities by allowing COSOL to reach back into its Australasian clients' US parent companies, and enabling AddOns to offer expanded geographic support to its North American clients.

COSOL Non-Executive Chairman, Mr Geoff Lewis, commented "The acquisition of AddOns is a key step in COSOL's strategic growth plan for geographic and capability expansion to best serve our clients. We are committed to our strategy, but will only undertake acquisitions where they make operational sense, are culturally aligned, and are accretive to earnings. AddOns meets all these criteria. Together COSOL and AddOns have coverage of close to 60% of ABB Ellipse clients in APAC, and over 50% of the installed base in North America. The enhanced capability and track record which AddOns brings, particularly in EAM managed services and cloud computing, when combined with COSOL's financial strength and referenceability in both Ellipse and SAP, establishes a strong base to aggressively undertake larger and more complex engagements previously the domain of the software vendors such as ABB, in our own right."

The transaction is accretive to earnings and will contribute positively to COSOL Limited's FY21 result.

The effective date of the acquisition is 1 September 2020, with completion scheduled to occur within the next two weeks subject to the satisfaction of the conditions precedent set out in the attached Schedule.

Upfront consideration for the acquisition consists of US\$1.5M in cash and 4,271,695 fully paid ordinary shares, with up to a further US\$1.75M payable in cash and COSOL shares by way of earn-out consideration based on AddOns' audited EBITDA for FY21 and FY22.

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.

Mr Max Rogers, the sole shareholder and President of AddOns, will continue to drive and manage the North American operations. All current staff of AddOns are to be retained and, as travel restrictions due to the current global health situation are eased, will have opportunities to engage with their COSOL counterparts on an exchange programme basis.

Details about the terms of the acquisition are contained in Schedule 1 to this announcement.

COSOL Limited is also pleased to announce the appointment of Mr Ben Buckley to the Board of COSOL Limited, and the position of Managing Director, effective from 6 October 2020. Mr Buckley has extensive international and corporate experience having previously worked for Nike Inc, Foxtel, and as Chief Executive Officer of Football Federation Australia. Mr Buckley has been an advisor to the Board of COSOL Limited since its inception, and will assume responsibility for on-going integration, cross business unit synergy exploitation, and the pursuit of further acquisition opportunities. Details about the terms of Mr Buckley's appointment as Managing Director are contained in Schedule 2 to this announcement.

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This announcement was authorised for release by Mr Ben Buckley, Managing Director of COSOL Limited.

About AddOns

AddOns, Inc. is a leading provider of managed services, hosting, and application support optimised for asset-intensive industries. AddOns was formed in 1998 with a focus on technical solutions, consulting and software unique to asset-intensive industries including construction, oil and gas, manufacturing, mining and electric power. AddOns comprises developers, technical hardware experts, programmers, and report specialists with a history of driving productivity, reducing downtime and enhancing reporting to improve the quality of business decision making. AddOns' time-saving mobility and labor-reducing tools give clients and their employees the freedom to focus on moving their business forward.

About COSOL

COSOL is a global, digital services and transformation specialist company providing strategic advice and practical delivery to streamline enterprise asset management business processes and technology systems. Combined with our proprietary data migration and reporting solutions (BPConnect®, RPConnect®), COSOL offers industry specific expertise in the definition, analysis, design, implementation, optimisation and support of production and commercial systems within a tailored and flexible delivery framework. COSOL's knowledge of systems and business processes coupled with the ability to interact from the shop floor to the boardroom enables streamlined sustainable business process transformations.

We have maintained a strong Ellipse practice since inception, providing both business improvement and tier II functional and technical support. Importantly, COSOL also maintains an SAP practice with a range of technical and functional SAP specialists. COSOL maintains networks and relationships with industry recognised solution providers and we sell our own integration, data migration and reporting solutions (BPConnect®, RPConnect®). COSOL has realised business benefits for our clients through the planning and deployment of these solutions.

COSOL differentiates itself through high quality asset intensive industry consultants for both Ellipse and SAP and the significant development of both the product RPConnect® and IP retention for enterprise resource planning data migration projects.

We have delivered data migration, cleansing and retention within multiple versions of Ellipse, in most cases under tight deadlines and in an environment with sensitivities relating to the M&A activity. We have an implicit understanding of both Ellipse and SAP data structures and environment. One of our differentiators is the ability to cross the SAP/Ellipse and industry knowledge bridge, reducing the risk and increasing the likelihood of success under tight timeframes.

ⁱ 'Enterprise Asset Management (EAM) Market Research Report – Global Analysis and Growth Forecast to 2030', released by Prescient & Strategic Intelligence (July 2020)

Schedule 1 – Acquisition Details

Parties

- COSOL Limited (www.cosol.com.au) and AddOns Inc (www.addonsinc.com).
- Mr Max Rogers, the sole shareholder and President of AddOns (**Vendor**), is not an ASX Listing Rule 10.1 party of COSOL.

Consideration

- At completion, COSOL will pay to the Vendor US\$1.5M in cash and will issue 4,271,695 new fully paid ordinary COSOL shares to the Vendor (which will be subject to voluntary escrow until 31 December 2021).
- Depending on the future performance of the AddOns business, the Vendor 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 having regard to each of the 12 month periods ended 31 December 2021 and 31 December 2022 (each a **Relevant Period**) and will only be payable if:
 - the Vendor has remained continually employed in the business throughout that Relevant Period (subject to certain permitted exceptions); and
 - AddOns' audited EBITDA meets or exceeds certain thresholds in the year ended 31 December 2020 and in each Relevant Period, as follows:
 - 2020: US\$810,000;
 - 2021: US\$1,100,000; and
 - 2022: US\$1,200,000.
- An instalment of Earn Out Consideration will be payable based on the extent to which AddOns' EBITDA in a Relevant Period exceeds the base EBITDA figure established for 2020 (being the greater of US\$900K or the actual EBITDA achieved in 2020), with overall earn out payments not to exceed US\$1.75M in the aggregate. At least 50% of any Earn Out Consideration will be satisfied in shares provided that COSOL may elect to increase that percentage (capped at 5M shares).
- The cash component of the completion consideration (and any Earn Out Consideration) will be satisfied out of COSOL's existing cash reserves, and the shares to be issued to the Vendor will be issued under COSOL's existing share placement capacity under ASX Listing Rule 7.1.

Conditions Precedent

Completion of the acquisition is subject to a normal range of conditions precedent, each of which is able to 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 AddOns' capital or debt capital structure, or any material adverse condition in relation to AddOns, in the period prior to completion;
 - all security interests over AddOns' assets being discharged prior to completion; and

- consents being obtained from relevant AddOns contractual counterparties regarding the change in control of AddOns which will occur by virtue of the acquisition; and
- certain conditions which are specific to AddOns' particular business, which relate to COSOL having comfort as to continuity of service of key employees (including the Vendor), arrangements with a former shareholder, the tax status of AddOns 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 12 October 2020. Subject to completion occurring, the acquisition will be deemed to have taken effect on and from 1 September 2020.
- There will be no changes to COSOL's Board of Directors and senior management, nor any changes to the senior management of COSOL Australia Pty Ltd, as a result of the acquisition.
- Whilst suitable COSOL representatives will be appointed at completion as officeholders of AddOns, Mr Max Rogers will continue to have day-to-day responsibility for the management and oversight of the AddOns business following the acquisition.
- The Agreement 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 9,271,695 COSOL shares to be issued at completion and any relevant additional shares to be issued as Earn-Out Consideration will be issued within COSOL's existing placement capacity of 12,600,000 equity securities under ASX Listing Rule 7.1, and COSOL will seek to ratify these issues at COSOL's 2020 AGM.

Schedule 2 – Summary of Terms of Appointment

- Remuneration: \$360,000 per annum all inclusive.
- Equity Securities: The following securities will be issued within COSOL's ASX listing Rule 7.1 placement capacity and without prior shareholder approval under ASX Listing Rule 10.12 Exception 12.
 - 1,500,000 unquoted options exercisable at \$0.90 and expiring on 29 September 2024.
 - 1,500,000 unquoted options exercisable at \$1.00 and expiring on 29 September 2024, and vesting on 2 October 2022 subject to vesting conditions (20% based on total shareholder return indexed against the ASX Small Industrials Index, 40% based on achieving M&A business case/budget numbers, 40% based on achieving COS budgeted NPAT and ROE).
- Term: Ongoing, no fixed term.
- Termination: COSOL or Mr Buckley may each terminate Mr Buckley's employment at any time without cause with 3 month's written notice.
- Other: The Executive Services Agreement also contains standard terms covering confidentiality, intellectual property, moral rights, expense reimbursements and post-employment non-compete provisions (6 months following termination).