

COSOL grows data analytics capability with acquisition of Toustone

Highlights

- Acquisition of leading data analytics group Toustone
- Proprietary data platform generating ARR software subscription revenue
- Total consideration of up to \$22.44m, tied to profit performance
- Total consideration based on targeted multiple of 5.61 times CY26 EBITDA
- Immediately earnings and EPS accretive

Brisbane, 4 December 2024 – COSOL Limited (COSOL, ASX: COS) is pleased to announce the acquisition of Toustone Pty Ltd, a leading Australian data analytics group.

The acquisition delivers COSOL an unparalleled position in enterprise asset analytics and a special position in the transport sector where Toustone has market-leading reputation and standing.

Toustone delivers a significant boost to COSOL's intellectual property and proprietary software solutions in an asset management market ever hungry for digital solutions that identify savings and deliver material efficiencies.

Toustone leverages its expertise and proprietary IP in predictive analytics and decision intelligence to give order to clients' complex data lakes and provide insights into their operations and efficiency opportunities.

Consideration

Total acquisition consideration is up to \$22.4 million, subject to Toustone meeting profit hurdles. This is based on a targeted multiple of 5.61 times CY26 normalised EBITDA

A total of \$12 million is payable upfront, comprising \$8 million cash and 4,531,038 COSOL shares (being \$4 million worth at a deemed issue price of \$0.8828 per share). The balance of the consideration comprises up to \$6.5 million in earnout and up to \$3.9 million in outperformance consideration, and is payable subject to the Toustone business achieving profit and margin hurdles in CY25 and CY26. The upfront multiple is 6.3 times normalised EBITDA.

The acquisition is immediately earnings per share accretive and consistent with COSOL's long-standing strategy of growing into market segments where there's existing customer demand and abundant growth opportunity. COSOL affirms the earnings guidance released at its 2024 AGM, which is not changed as a result of this acquisition (see ASX announcement dated 14 November 2024).

Toustone

Toustone (www.toustone.com) is a data analytics, predictive analytics and decision intelligence company dedicated to solving complex data problems and providing accurate and reliable reporting. Founded in 2014 by a team of experienced, industry-leading data scientists, Toustone has built an outstanding base of blue-chip clients, with strong penetration in transport, large-scale agriculture and food processing, and in heavy asset infrastructure.

Toustone has developed proprietary data platforms that generate revenues across ARR software subscriptions, managed services contracts and consulting. Existing Toustone clients in transport include major public transport operators in NSW and Victoria, including Australia's largest metro train operator. Other major enterprise customers include a number of large agricultural and food processing companies.

Toustone fits seamlessly into the COSOL ecosystem of asset management services, with immediate deployment opportunities across COSOL's transport, infrastructure and natural resources clients.

Comments

COSOL Managing Director Scott McGowan said Toustone was an important addition to COSOL with the increased customer emphasis on using analytics to extract efficiencies.

"Large organisations have enormous data lakes from which they look for meaning and advantage," said Mr McGowan.

"Toustone has developed pre-configured proprietary platforms that give customers a single source of truth through synthesising data sets from operations, finance and third-party providers. This delivers outstanding insights and efficiency opportunities to customers, which is precisely what COSOL provides right across the asset management spectrum."

Mr McGowan said Toustone deepens COSOL's data management expertise and boosts our next-gen productivity solutions.

Toustone Chief Executive Officer and co-founder Craig Lefoe said COSOL was the perfect springboard for Toustone to pursue its growth ambitions.

"We have admired COSOL and the manner in which it has grown its customer offer and market share while maintaining the high levels of service excellence and strong operating margins," said Mr Lefoe.

"Toustone is equally growth oriented and becoming part of the COSOL ecosystems opens up a new world of opportunity, in Australia and overseas. We are proud that Toustone's data analytics capability – including our proprietary platforms – can be instantly offered to COSOL's outstanding blue chip client base.

"We know we can bring a lot to COSOL – in economic contribution and intellectual property – and we are excited for the future," said Mr Lefoe."

Transaction Details

A summary of the transaction details is set out in the Annexure to this announcement. COSOL completed finance, tax, legal, people and technical due diligence on Toustone prior to executing the acquisition agreement.

The cash component of the consideration will come from the Company's updated, expanded debt facility with Westpac (see ASX announcement dated 2 December 2024). The issue of COSOL shares for upfront, and potential earn-out and outperformance consideration will consume a portion of COSOL's existing placement capacity under ASX Listing Rule 7.1. The earnout and outperformance consideration is payable in instalments subject to the Toustone business achieving audited/reviewed normalised EBITDA hurdles in calendar years 2025 and 2026.

Completion of the acquisition is scheduled for early December.

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

For more information, please contact:

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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 Toustone

Toustone is an Australian-owned data, advanced analytics and decision intelligence company, driven by confident and seasoned data experts. We help Australian leaders gain clarity of the current and future state of their business, so they can make confident and smart decisions to find their edge. We do this by identifying, cleaning, unifying, and automating key data, based on each businesses specific goals – whether company-wide, department or project-based.

Toustone simplifies reporting and unlocks opportunities for complex organisations through the power of data. We break down data silos, extract accurate insights, automate reporting and predict future performance of projects, departments and entire organisations.

Toustone makes sense of data.

<https://www.toustone.com/>

Annexure – Transaction Details

- 100% of the issued capital of Toustone Pty Ltd is being acquired.
- The vendors comprise individuals or entities associated with the founders Craig Lefoe CEO, Adam Sharp, Chris Horn CFO and Mal Chambeyron, members of senior management and some employees.
- Total consideration is valued at approximately \$22.4 million, comprising:
 - upfront consideration: cash of \$8.0 million, and 4,531,038 COSOL shares (being that quantity of COSOL shares with a value of \$4.0m based on a deemed issue price of \$0.8828 per share being the 21 day VWAP prior to the acquisition agreement execution date of 3 December 2024);
 - earn-out consideration: up to \$6.5 million subject to normalised reviewed/audited EBITDA hurdles being achieved during the calendar years ending 31 December 2025 and 31 December 2026, with a maximum earnout payment for CY25 of \$3.75 million, and paid in cash except that COSOL may elect to satisfy a portion of an instalment by way of the issue of shares ; and
 - outperformance consideration: up to \$3.925 million subject to normalised reviewed/audited EBITDA and EBITDA margin hurdles being achieved in calendar year 2026, and paid in cash except that COSOL may elect to satisfy a portion of an instalment by way of the issue of shares.
- The earn-out consideration is subject to the achievement of minimum EBITDA and EBITDA margin hurdles by the Toustone business (as a subsidiary in the COSOL Group) for calendar years 2025 and 2026.
- 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. The scrip component of the earn-out consideration is not subject to mandatory or voluntary escrow.
- Key vendors are 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. The issue of shares under this transaction is capped at 7,931,038 shares without first obtaining shareholder approval.
- There will be no changes to COSOL's Board of Directors, and suitable COSOL representatives will be appointed as Directors of Toustone 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.