

Analyst

Thomas Sima 612 8224 2843

Authorisation

Chris Savage 612 8224 2835

COSOL Limited (COS)

Transforming the Future of Enterprise Asset Management (EAM)

Recommendation
Buy (Initiation)
Price
\$0.69
Target (12 months)
\$1.00 (unchanged)

GICS Sector
Software and Services

Expected Return

Capital growth	44.9%
Dividend yield	3.2%
Total expected return	48.1%

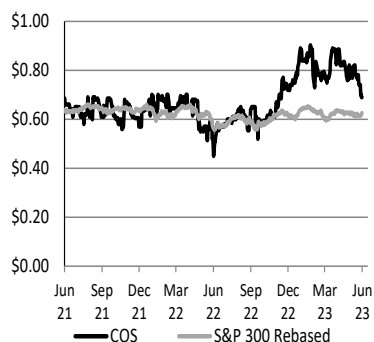
Company Data & Ratios

Enterprise value	\$110.5m
Market cap	\$101.8m
Issued capital	148.0m
Free float	~39%
Avg. daily val. (52wk)	\$28,511
12 month price range	\$0.45- \$0.90

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.77	0.77	0.59
Absolute (%)	-9.80	-10.39	16.95
Rel market (%)	-9.55	-12.36	12.67

Absolute Price



SOURCE: IRESS

Unleashing the Future of Enterprise Asset Management

COSOL Limited (COS) is an ASX-listed company operating in Australia and North America. With a foundation established in 2000, COSOL specializes in digital IT solutions, focusing on enterprise asset management software platforms and data management. As a global leader in enterprise asset management (EAM) technology-enabled solutions, COSOL optimizes operations in asset-intensive industries, including natural resources, energy and water utilities, defence and public infrastructure.

Compelling value proposition

The information presented highlights the compelling value proposition of COSOL in the Enterprise Asset Management (EAM) Industry, with strong financial growth, a diverse client base, strategic partnerships, and a focus on sustainability, COSOL demonstrates its ability to deliver innovative solutions and drive industry-wide transformation. The company's ownership alignment, international expansion, and scalable business model positions it well as a leader in the market. As the EAM software market continues to grow, COSOL's suite of digital technology solutions and forward-thinking approach position it well for future success.

Investment view: Initiate with a BUY rating and \$1.00 PT

We initiate coverage of COSOL, with a buy recommendation and a 12 month price target of \$1.00. The price target is generated from a blend of three valuation methodologies we apply to the company: DCF, EV/EBIT and PE Ratio. We have opted to apply a 10% premium, to the average EV/EBIT and PE multiples of the listed peers. While this premium may be considered moderate, we conclude that a moderate premium is warranted given the robust contract pipeline in Australia and North America with an ambitious growth agenda through organic means and acquisitions to sustain growth in the future. In our view COSOL shows value on a FY23 EV/EBIT and PE Ratio of <10x given the strong footprint and forecasted strong growth in FY24 and FY25.

Earnings Forecast

Year end 30 June	2022A	2023E	2024E	2025E
Total revenue (A\$m)	48.2	77.9	85.7	94.2
EBIT (A\$m)	8.1	11.2	15.1	16.5
NPAT (A\$m)	5.5	7.0	9.9	11.2
EPS (diluted) (A¢ps)	3.78	4.81	6.79	7.63
EPS growth (%)	46%	31.0%	19%	41.3%
FCF Yield (%)	1.7%	6.8%	5.2%	8.7%
PER (x)	17.2	14.5	10.2	9.1
EV/EBIT (x)	13.0	9.4	7.0	6.4
Dividend (A¢ps)	1.9	2.2	3.2	3.8
Yield (%)	2.8%	3.2%	4.7%	5.5%
ROE (%)	16.6%	18.2%	22.3%	22.0%
Franking (%)	100%	100%	100%	100%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

Investment Case	3
Key Charts	4
Key Risks.....	5
Company Overview.....	6
Industry Overview.....	15
Financials	19
Valuation.....	20
Board of Directors & Key Management.....	25
Shareholder Register.....	26

Investment Case

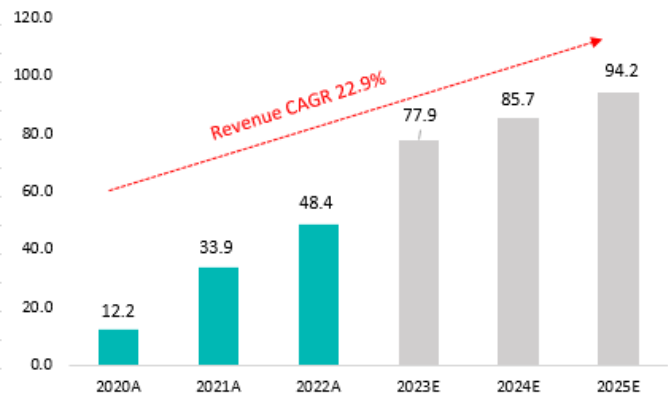
Investment Thesis

We initiate coverage of COSOL with a BUY recommendation. Our investment thesis is based on:

- **Steady Growth:** COSOL's strong financial performance continues with impressive growth as highlighted in HY23 results. Group revenue soared by 54% to \$34.7m, while EBIT increased by 34% to \$4.8m. NPAT rose by 22% to \$3.2m, and basic EPS grew by 11%. The acquisition of Work Management Solutions have already yielded revenue synergies.
- **Diversified client base:** COSOL has a diverse client base across various industries, including public infrastructure, defence, mining, utilities, and government agencies. This reduces the company's exposure to any one specific industry and allows for continued growth opportunities in different sectors.
- **Strong partnerships and alliances:** COSOL has established partnerships and alliances with major technology and software companies, such as SAP, Hitachi and IBM, which further strengthens the company's market position and expands its reach to potential clients.
- **All in This Together:** COSOL has a seasoned management team and board of directors with extensive experience in the industry and a proven track record of successfully executing growth strategies. COSOL's board of directors and senior management currently own over 56% of shares on issue, indicating strong alignment. Additionally, they have incentive plans and options that align with shareholders.
- **Focus on sustainability:** COSOL actively supports its clients' sustainability goals. From energy reduction to recycling programs, COSOL equips clients with the tools they need to minimize their environmental impact. As ESG factors gain traction in investment decisions, partnering with COSOL ensures clients stay ahead in a rapidly evolving business world while making a meaningful difference.
- **Growing international presence:** COSOL has been expanding its international presence, particularly in North America which represents a significant growth opportunity for the company in these markets.
- **A Clear Leader:** COSOL delivers a diverse range of business, software, and solution services for resource and capital-intensive Enterprise Asset Management (EAM) and infrastructure-focused systems. COSOL's broad product offering sets them apart from their competitors and leaves them as the partner of choice for EAM vendors to deliver services on projects.
- **Unlocking Value:** COSOL's suite of digital technology solutions related to data migration and analytics helps asset owners improve asset productivity, mitigate data-related risks, and reduce costs. The cross-platform capabilities of their IP software and solutions provide significant value to clients and can be used across a number of the leading and major EAM software vendors' applications.
- **Building for the Future Model:** COSOL's business model is scalable, as evidenced by their three accretive acquisitions since listing, each adding a complementary service or digital solution. With a view to unlocking further opportunities, COSOL intends to scale its business further.
- **The Future is now:** With a CAGR of 11.75% to reach \$10.6bn by 2030, the EAM software market is a growing industry. COSOL benefits from heightened demand for its services, software, and solutions to solve the increased complexity within EAM due to the incorporation of new technologies for effectively managing assets.

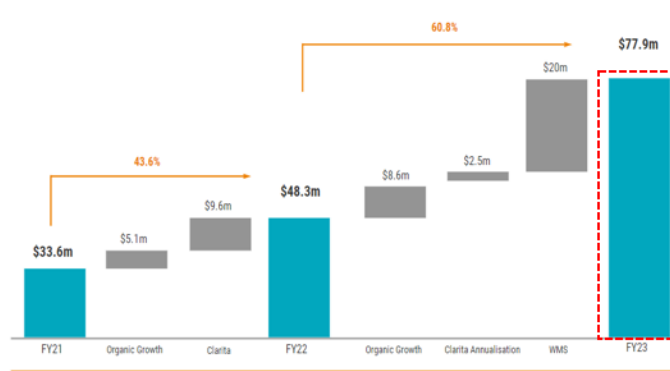
Key Charts

Figure 1 – COS Revenue growth and CAGR (\$AUD Million)



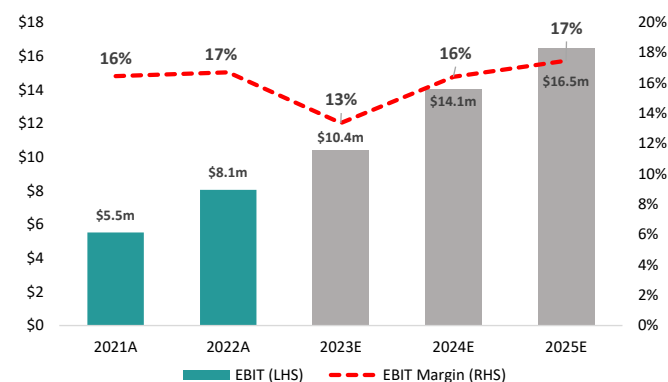
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 2 —Organic and Acquired Revenue Growth FY23E



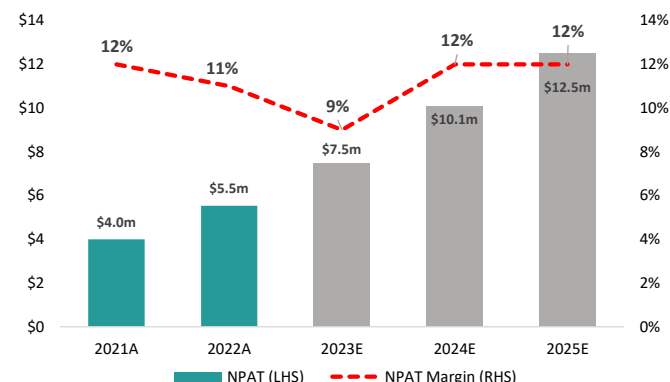
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 3 – COS EBIT (AUD Million) and EBIT Margin



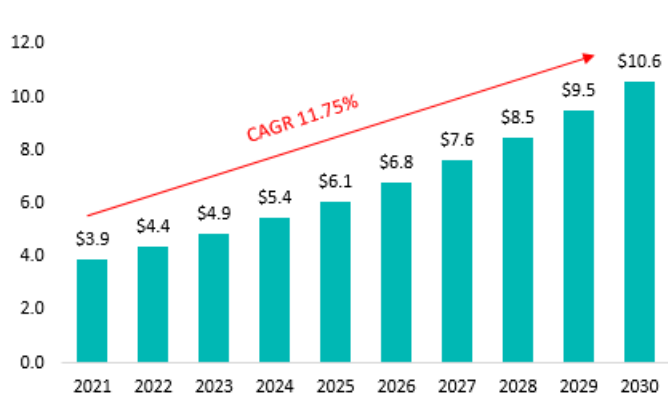
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 4 :COS NPAT (AUD Million) and NPAT Margin



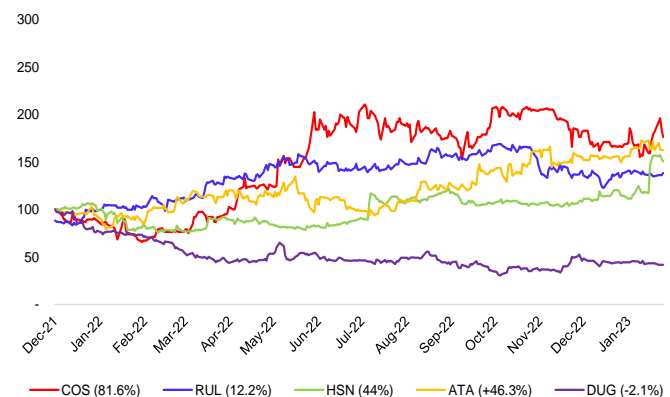
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 5 – The global enterprise asset management market size



SOURCE: PRECEDENCE RESEARCH: ENTERPRISE ASSET MANAGEMENT MARKET. GLOBAL INDUSTRY ANALYSIS, SIZE, SHARE, GROWTH, TRENDS, REGIONAL OUTLOOK, AND FORECAST 2022-

Figure 6 - COS & peers relative price performance



SOURCE: IRESS AND BELL POTTER SECURITIES

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Competition risk:** COSOL Australia faces competition from other EAM service providers and global enterprise software companies. The company may not adapt to changes in technology and sector trends as quickly as its competitors, and technological advancements may make its products obsolete. COSOL's competitors may improve their offerings or increase their market share through acquisitions or aggressive marketing. New entrants into the EAM market may also directly compete with COSOL's services and solutions. Any of these scenarios could result in reduced market share and ability to retain existing clients or secure new ones, adversely affecting the company's financial and operational performance.
- **Loss of Key Contracts:** COSOL's business and financial performance may be materially affected by the loss of key contracts and arrangements. Failure to maintain, renew or replace them, or failure by any party to perform obligations, could lead to unexpected termination or renegotiation of key terms, disputes, or breaches of contract. Certain key contracts may contain change of control clauses triggered by a change in ownership, which, without the necessary consents or waivers, may result in termination or damages claims. Any enforcement of these rights may adversely impact the company's financial and operational performance.
- **Intellectual Property:** COSOL's business success is dependent on offering its proprietary digital software solutions, which must be updated adequately to avoid performance issues and client dissatisfaction. The company must also develop new features to satisfy existing clients and attract new ones, with failure potentially causing reduced sales and usage, loss of clients, and reputational damage.
- **Acquisition Risk:** COSOL faces acquisition risk as the success of achieving the company's objectives depends on the fulfilment of obligations under the Acquisition Agreement. The company plans to grow organically and through potential acquisitions, but there is a risk of incomplete due diligence, unrealized benefits, and unforeseen liabilities. Moreover, factors beyond the company's control may limit suitable opportunities or cause acquisitions to fail to meet strategic and financial objectives. These factors may adversely affect COSOL's financial and operational performance.
- **Ability to attract and retain key personnel:** The success of COSOL depends on the ability of the Board and senior management to oversee day-to-day operations and attract and retain key employees and consultants. The company has initiatives in place, including commissions and incentives, to retain key management personnel. However, there is no guarantee that employment or consultancy agreements will not be terminated, and if key officers, employees, or agents leave the company, there may be a detrimental impact on the Business. COSOL may not be able to retain the services of all key personnel, which could affect the company's financial and operational performance.
- **Decline in energy, utility and mining sectors or economic conditions:** COSOL provides services to clients in the energy, utility, and mining sectors. Any decline in these sectors or adverse economic conditions could result in a decrease in demand for COSOL's services and solutions, negatively impacting the company's financial and operational performance. Factors affecting these industries may not be predictable, and the company may not be able to foresee or mitigate them.

Company Overview

Description

COSOL Limited (COS) is an ASX-listed company operating in Australia and North America. With a foundation established in 2000, COSOL Australia specializes in digital IT solutions, focusing on enterprise asset management software platforms and data management. As a global leader in enterprise asset management (EAM) technology-enabled solutions, COSOL optimizes operations in asset-intensive industries, including natural resources, energy and water utilities, public infrastructure, and defense.

Figure 7 - COSOL Capabilities at a glance



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES

What is EAM/ERP? And how does it relate to COSOL?

Enterprise Asset Management (EAM) and Enterprise Resource Planning (ERP) are two distinct approaches to managing different aspects of an organization's operations. EAM focuses specifically on managing physical assets throughout their lifecycle, including planning, acquisition, utilization, maintenance, and disposal. It aims to optimize asset performance, reduce downtime, and enhance operational efficiency. On the other hand, ERP systems integrate and manage various core business processes, such as finance, human resources, procurement, and supply chain, with the goal of improving overall organizational efficiency and streamlining data management.

For COSOL, a provider of EAM software and solutions, the distinction between EAM and ERP is of paramount importance. COSOL recognizes that asset-intensive industries, such as natural resources, energy, utilities, infrastructure, and defense, heavily rely on effective asset management to drive productivity, cost savings, and regulatory compliance. By offering specialized EAM software services and solutions, COSOL addresses the specific needs of these industries, enabling clients to optimize asset performance, enhance maintenance practices, and achieve sustainable operational excellence. While ERP systems may provide broader organizational management capabilities, COSOL's focus on EAM allows them to deliver tailored solutions that cater to the unique requirements of asset-intensive sectors, ultimately helping clients maximize the value and longevity of their assets.

Business Model

COSOL operates as a prominent provider of services, software, and solutions specifically tailored for users of enterprise asset management (EAM) systems. The company's revenue generation primarily relies on contracted fees associated with both single and multi-year projects through managed services, advisory services and product license fees. These fees are collected based on a fixed basis upon the successful completion of project milestones, as well as on a time and materials basis.

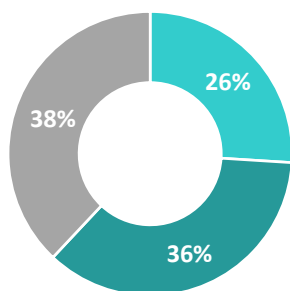
The core focus of COSOL lies in establishing enduring, revenue-generative relationships with clients. This is achieved through their role as a trusted advisor, providing comprehensive support for new versions of the core software that underpin clients' EAM systems. In addition to software support, COSOL delivers business services aimed at enhancing asset optimization and operational efficiencies.

COSOL's revenue model revolves around three primary service streams, which are complemented by a portfolio of protected intellectual property. By offering strategic and value-added services, the company generates revenue through long-term relationships with clients. This approach ensures ongoing collaboration and support, reinforcing their position as a trusted partner.

COSOL's track record in revenue generation is notable, with approximately ~87% of their revenue attributed to providing services to a diverse client portfolio spanning multiple industries.

Figure 9 provides an overview of the client sectors where COSOL has successfully offered its services and generated revenue.

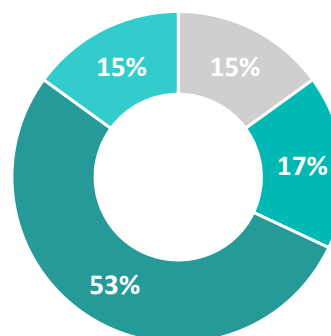
Figure 8 - Revenue by Service HY23



- Product and Product Lead Services
- Advisory Services
- Support & Managed Services

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 9 – Revenue by Sector HY23



- Public Infrastructure
- Utilities
- Natural Resources
- Defence

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

COSOL's Services and Solutions

COSOL is a provider of managed services, advisory services and professional services for enterprise asset management (EAM) systems. The company's EAM/ERP Support Services include the provision of services as part of continuing Application Management Support (AMS) contracts, consulting, benchmarking, implementations, system upgrades, and enhancements. COSOL has cooperative agreements with both Hitachi (Ellipse), IBM Maximo and SAP (S/4HANA), which provide the ability to service products made available by various suppliers.

One of COSOL's proprietary software solutions, RPCconnect, is uniquely positioned to deliver both consultancy and implementation services for data migration, management, and accessibility. Data migration may be required for clients for varying reasons, such as

upgrading to a new software release on an existing EAM system, moving to a new EAM system provider, or in certain instances the use of multiple EAM systems within an organization. COSOL has performed over 20 complex data migrations from the Ellipse platform to SAP, as well as having executed upgrades across different versions of EAMs, all using the RPConnect solution. RPConnect reduces the effort in migrations by between 30% and 40% when compared to a bespoke development, reducing risk and ultimately making COSOL a preferred supplier.

Legacy data services are also provided by COSOL, which offers the service and capability to access legacy and new sources of data, bridging the gap. COSOL's deep and intimate knowledge of a client's business and the value of their data, coupled with the implementation of RPConnect, entrenches COSOL within the business and gives them insights on further services, software, and solutions they could offer. This builds long-term revenue opportunities and increases the likelihood of client retention.

In summary, COSOL provides professional services for EAM systems, including AMS contracts, consulting, benchmarking, implementations, system upgrades, and enhancements. The company has cooperative agreements with both Hitachi (Ellipse), IBM Maximo, SAP (S/4HANA) and offers proprietary software solutions, including RPConnect, for data migration, management, and accessibility. Legacy data services are also provided to access legacy and new sources of data. COSOL's deep knowledge of a client's business and their data value increases the likelihood of client retention, which builds long-term revenue opportunities.

COSOL's end-to-end Enterprise Asset Management (EAM) solutions cover all aspects of asset management, from people to data. The importance and opportunities for COSOL in each area are:

Figure 10 - COSOL Services and Solutions

Enterprise Asset Mgmt. Segment	Advise	Operate	Optimise	COSOL Proprietary IP	Capabilities
EAM Data	Data Quality	Data Management	Data Driven Decisions Support	COSOL RPConnect®	Advisory, Data Quality Assessments, Data Migrations, Legacy Data Management, Process Improvement, Advanced Analytics, Automation, Artificial Intelligence
EAM System	System Specialists	Managed Services	EAMaaS	COSOL Copernicus COSOL Evergreen EAMaaS	Advisory, Strategy Technology Review and Planning, Technology Blueprinting, Implementations, Upgrades, ITC Benchmarking, Managed Support Services including EAM and non-EAM Application Management Services, Desktop, Datacentre, Telecommunication and Cloud Management Services
EAM Process	Data Process Specialists	Continuous Improvement	Automate	COSOL Workstream Manager	Advisory, Business Improvement & Optimisation, Data Driven Business Improvement
EAM People	Consulting	Outsource	Change & Learning	AMLA	Advisory, Asset Management Learning Academy, Learning Portal, Change Management, Training, Learning and Development Services, Outsourcing Management, Workstream Manager

SOURCE: COMPANY DATA

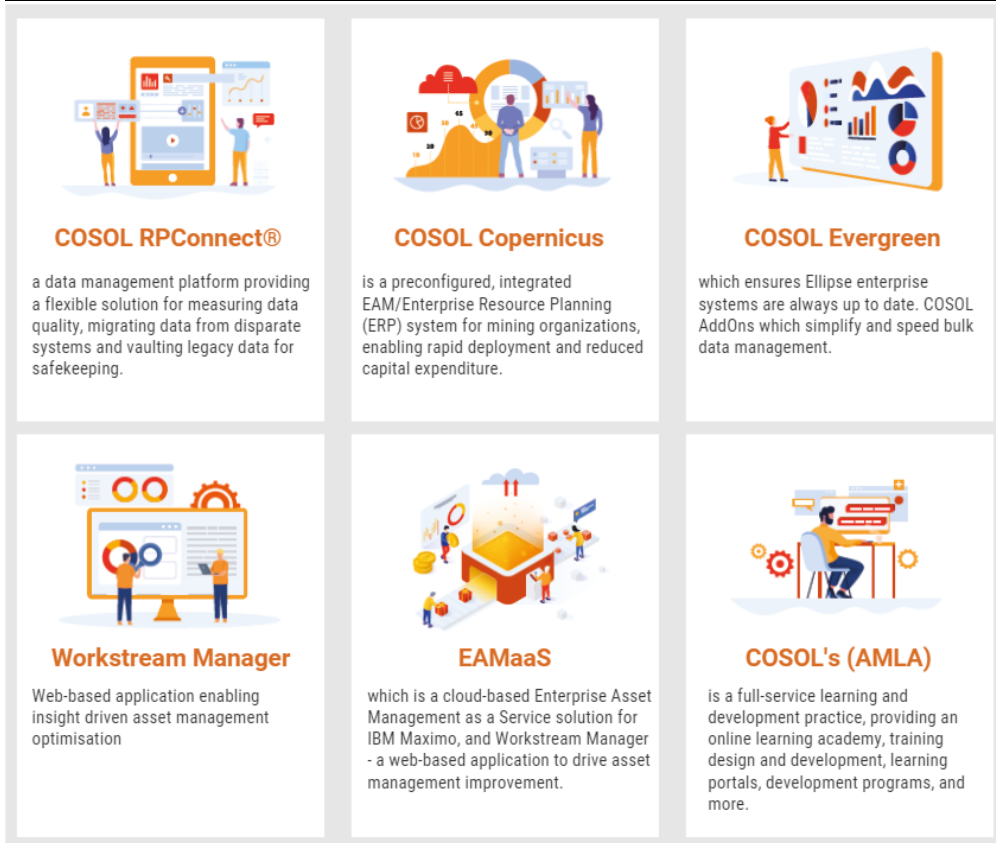
The importance of COSOL's end-to-end EAM solutions lies in offering businesses a comprehensive approach to asset management that maximizes efficiency and productivity while minimizing costs and risks. COSOL's unique position in the market lies in its ability to provide businesses with front-line professionals, best practice business processes, critical software solutions, and mission-critical EAM data. By leveraging its large team of experienced professionals, COSOL offers businesses the opportunity to achieve their asset management goals and gain a competitive advantage.

COSOL’s Proprietary Software and Solutions

The expansion of COSOL's proprietary software and digital solutions portfolio presents a significant opportunity for the company to drive growth. COSOL's proprietary digital solutions portfolio is valued by clients as IP that maximizes their enterprise software investments and streamlines the delivery of complex digital and data projects.

The portfolio includes a variety of solutions, such as;

Figure 11 - COSOL proprietary software and solutions



SOURCE: COMPANY DATA

The importance of COSOL's proprietary digital solutions lies in providing clients with innovative and effective solutions to maximize their enterprise software investments, streamline complex digital and data projects, and drive productivity. The opportunities for COSOL are significant as clients continue to value IP solutions that provide effective and efficient asset management.

How does COSOL market and sell its services/products?

COSOL Australia employs a comprehensive marketing and sales approach to attain and attract customers, leveraging various strategies and partnerships to increase revenue and expand its client base. This section explores the methods employed by COSOL Australia to engage with potential clients and promote its Enterprise Asset Management (EAM) solutions.

Direct Marketing: COSOL employs direct marketing techniques to directly engage potential clients. Through targeted advertising campaigns, personalized communication, and participation in industry events, COSOL effectively showcases its expertise and value proposition. This approach not only helps establish brand recognition but also fosters direct relationships with customers, enabling COSOL to effectively communicate its offerings and benefits.

Industry Partnerships: COSOL strategically forms partnerships with industry leaders, including multinational systems integrators and professional services providers. By aligning with renowned organizations such as IBM, Accenture, Deloitte, and DXC Technology, COSOL enhances its market visibility and credibility. These partnerships provide access to larger client networks and allow COSOL to showcase its capabilities to industry influencers. Collaborating with these established entities not only reinforces COSOL's reputation but also opens doors to potential clients who value the recommendations and endorsements of these industry leaders.

Strategic Alliances: COSOL establishes strategic alliances with third-party software providers, such as Hitachi, IFS, IBM and SAP. These alliances enable COSOL to integrate its EAM solutions with the platforms offered by these providers, creating comprehensive and tailored solutions that meet the unique needs of its customers. By expanding its range of offerings through these alliances, COSOL increases its market reach and attracts customers seeking integrated solutions. This approach positions COSOL as a trusted provider of end-to-end EAM solutions, which sets it apart from competitors and appeals to clients who value seamless integration and optimized performance across their enterprise systems.

By combining direct marketing, industry partnerships, and strategic alliances, COSOL Australia effectively attains and attracts customers. These approaches not only generate leads but also establish COSOL as a reputable and reliable provider of comprehensive EAM solutions in the marketplace.

Figure 12 – COSOL’s Solution Software Partnerships



SOURCE: COMPANY DATA

Partnerships

COSOL's extensive expertise in enterprise asset management (EAM) is reinforced by strong solutions partnerships with leading software providers and system integrators. These partnerships provide COSOL with a unique edge, allowing them to maximize enterprise software investments and streamline complex digital and data projects.

The strong partnerships that COSOL has developed present an extensive pipeline of opportunities for pursuit by both COSOL's new business teams and its account management teams. The importance of these partnerships lies in providing clients with innovative and effective solutions to maximize their enterprise software investments, streamline complex digital and data projects, and drive productivity. As a result, COSOL is well-positioned to continue to drive growth opportunities through its proprietary digital solutions and strong partnerships in the EAM sector.

Customers

COSOL aims to cultivate client partnerships, driving tangible business improvements, mitigating risks, enhancing efficiency, and reducing operational costs. The company has gained a formidable reputation in the industry by upholding quality standards, responsibility, flexibility, and delivering substantial value. This has attracted an impressive array of clients spanning diverse sectors.

The essence of COSOL's services lies in its ability to empower clients to leverage data and analytics for driving business advancements. With profound expertise in this domain, COSOL excels in assisting asset-intensive organizations in making informed decisions, optimizing operations, and maintaining a competitive edge.

COSOL's distinguished clientele primarily operates in critical infrastructure sectors, including government and defense, public infrastructure, utilities, as well as resources and mining. These blue-chip clients rely on COSOL's expertise to effectively manage their assets and maximize performance.

The prospects for COSOL are promising, given the escalating demand for data analytics and management services. As businesses increasingly rely on data to drive their operations, COSOL is strategically positioned to guide them through the intricacies of data management and analysis. By staying committed to delivering tangible value and fostering enduring client relationships, COSOL is well-poised to sustain its growth and triumph in the industry.

Figure 13 – COSOL's blue chip client base



SOURCE: COMPANY DATA

Growth Strategy

COSOL's growth strategy is driven by visionary thinking, precise execution, and a deep understanding of industry dynamics. With an unwavering focus on delivering value to clients, COSOL has crafted a growth strategy that is sharp, ambitious, and highly compelling.

1. Strategic Acquisitions: Unleashing New Capabilities and Expanding Market Reach

COSOL's strategic acquisitions have been nothing short of transformative, propelling the company to new heights and broadening its market offerings. Let's dive into the details of the three accretive acquisitions that have reshaped COSOL's landscape:

a) AddOns Inc: Global Expansion and Digital Innovation

In October 2020, COSOL made a strategic move by acquiring AddOns Inc, a prominent Denver-based company renowned for its expertise in managed services IT, software, and professional services. AddOns boasted a formidable portfolio of proprietary digital IP, serving over 50% of the North American installed base of ABB Ellipse EAM clients. This acquisition provided COSOL with a global platform, instantly establishing a North American headquarters and unlocking access to a vast network of clients. With AddOns' digital

platforms and strategic expertise, COSOL catapulted itself into the forefront of the EAM space, delivering unmatched managed services, harnessing big data analytics, and offering strategic advisory consulting. AddOns became the fuel that ignited COSOL's global expansion and digital innovation.

b) Clarita Solutions: Elevating EAM to New Heights with End-to-End Solutions

In November 2021, COSOL made a pivotal decision by acquiring Clarita Solutions, a leading specialist in the implementation, management, and business exploitation of the IBM Maximo EAM platform. This strategic acquisition propelled COSOL's capabilities to new heights, introducing the world to EAM-as-a-Service (EAMaaS). With Clarita's expertise, COSOL unlocked the power of end-to-end EAM solutions, empowering clients with actionable insights and gearing their strategic asset management. Moreover, the acquisition positioned COSOL as the exclusive ANZ reseller of EZMaxMobile is an innovative suite of digital mobile applications seamlessly integrated with IBM Maximo. By forming a strategic partnership with Clarita Solutions, COSOL reinforced its position as an indomitable presence in the EAM realm, delivering unparalleled value to clients across the globe. Additionally, Clarita's customers are generally part of the heavy asset industry sectors that COSOL operates in and extends COSOL's ability to drive revenue synergies through an extended range of Clients.

Figure 14 - Clarita Solutions - Key Customers



SOURCE: COMPANY DATA

c) Work Management Solutions (WMS): Forging a Path to Operational Excellence in the Resources Sector

In July 2022, COSOL embarked on an impactful journey by acquiring Work Management Solutions (WMS), a renowned consultancy firm serving asset-intensive industries worldwide. With a formidable presence in the West Australian resources market and a global reach that spanned continents, WMS brought invaluable expertise and a wealth of assets to COSOL's portfolio. Through this acquisition, COSOL gained access to Work stream Manager, a cutting-edge web-based application that transforms the asset management process review. Additionally, COSOL acquired the Asset Management Learning Academy (AMLA), an online learning tool that equips individuals with the skills needed for next-level EAM. By incorporating WMS's capabilities, COSOL expanded its geographical footprint, fortified its position as the go-to provider for operations-focused EAM solutions, and forged an unyielding path to operational excellence. Additionally, WMS has a range of diversified, blue chip clients who are leaders in the heavy asset industry sectors in which COSOL operates in.

Figure 15 – COSOL’s Key Customers from WMS Acquisition

Mining	Industrials	Rail	Utilities	Agriculture	Infrastructure

SOURCE: COMPANY DATA

2. Proprietary Intellectual Property (IP): Empowering Digital Transformation and Unleashing Unprecedented Efficiency

At the core of COSOL's growth strategy lies its proprietary intellectual property (IP). COSOL has developed a suite of innovative solutions that redefine the possibilities of digital asset management. These proprietary solutions enable clients to accelerate digital transformation, optimize asset performance, and unlock unprecedented efficiencies. Notable proprietary software and solutions offered by COSOL include:

- **RP Connect:** RP Connect is an innovative software solution uniquely positioned to deliver both consultancy and implementation services for data migration, management, and accessibility. It reduces the effort in migrations by up to 30-40% compared to bespoke development, reducing risk and making COSOL a preferred supplier for clients requiring data migration.
- **Evergreen:** Evergreen is a comprehensive EAM solution that covers all aspects of asset management, from planning and procurement to maintenance and disposal. It enables organizations to streamline their asset management processes, improve operational efficiency, and ensure regulatory compliance.
- **Copernicus:** Copernicus is an advanced analytics platform that leverages big data and machine learning to provide valuable insights for asset optimization. It empowers organizations to make data-driven decisions, predict maintenance needs, and proactively manage their assets.

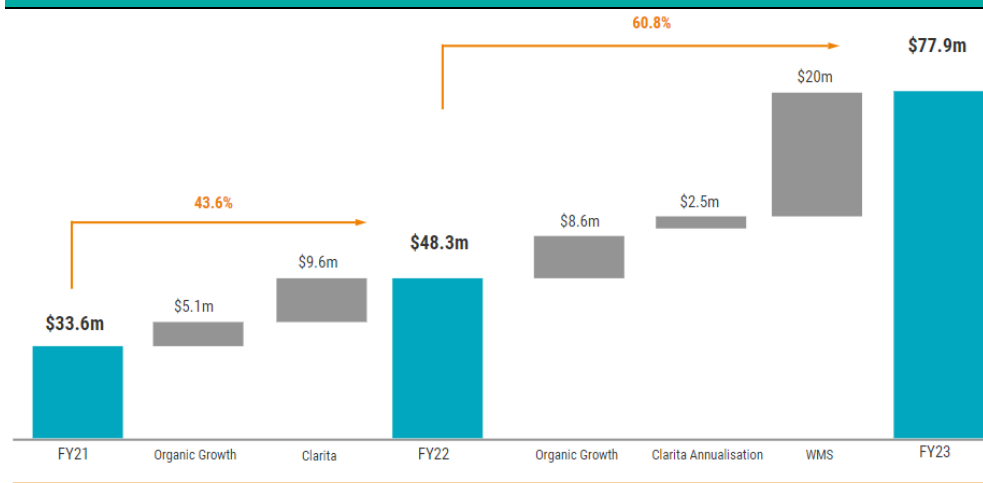
These proprietary solutions, combined with COSOL's extensive industry knowledge and technological expertise, give clients access to game-changing tools that revolutionize their businesses, drive quantifiable improvements, and deliver outcomes.

3. Organic Synergistic Growth: Maximizing Value through Collaboration and Exceptional Service

While strategic acquisitions form a vital pillar of COSOL's growth strategy, the company is equally committed to organic synergistic growth. By maximizing synergies within its existing business, COSOL expands its client base, fosters collaborative partnerships, and delivers exceptional services. Through an unwavering commitment to excellence, COSOL continuously enhances its offerings, identifies cross-selling opportunities, and cements its position as the trusted partner for asset-intensive industries worldwide. Driven by an unyielding commitment to client success, COSOL unleashes the full potential of digital asset management, transforming businesses, and propelling them towards new heights of efficiency and profitability.

COSOL's growth strategy is a symphony of innovation, strategic acquisitions, and proprietary solutions, all orchestrated to unleash the true power of digital asset management. With a rich history of driving business improvements, COSOL has emerged as a global leader, revolutionizing the way asset-intensive industries operate. Through strategic acquisitions like AddOns Inc, Clarita Solutions, and Work Management Solutions, COSOL has expanded its capabilities, market reach, and client base, while its proprietary intellectual property empowers clients with unrivalled efficiency and transformative insights.

Figure 16 – Revenue Bridge – Organic and Acquired Revenue Growth



SOURCE: BELL POTTER SECURITIES ESTIMATES

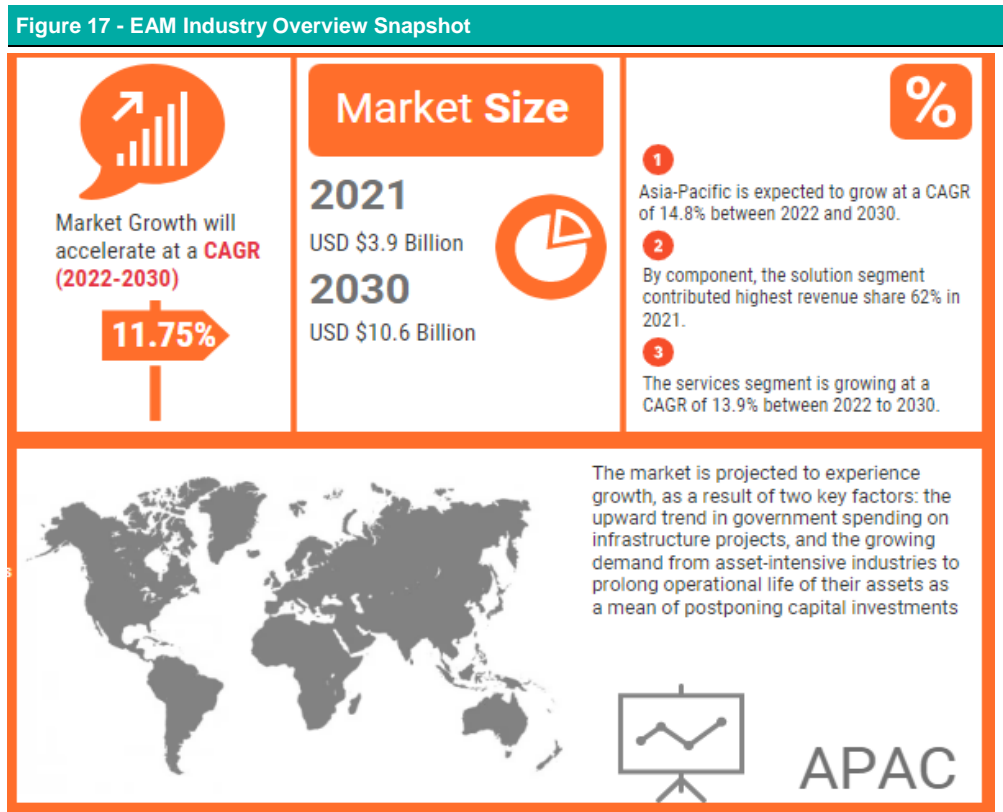
Competitive Strengths

- **Extensive Industry Experience:** With years of industry knowledge and successful project delivery, COSOL brings deep expertise to address the unique challenges faced by organizations in different sectors.
- **Comprehensive EAM Solutions:** COSOL offers a full suite of solutions covering the entire asset lifecycle, enabling organizations to optimize asset management and streamline operations effectively.
- **Innovative Technology Integration:** By integrating cutting-edge technologies from industry-leading software providers, COSOL ensures clients have access to the latest tools and solutions to drive digital transformation and maximize efficiency.
- **Consortium Partnerships:** Collaborating with multinational systems integrators and professional services partners, COSOL expands its reach and leverages collective expertise, fostering valuable partnerships that benefit clients.
- **Customized Solutions and Thought Leadership:** COSOL combines industry best practices with a forward-thinking approach, delivering tailored strategies and thought leadership to address clients' specific needs and drive innovation.
- **Strong Customer Focus:** COSOL prioritizes client satisfaction, actively listening to their needs, providing responsive support, and nurturing long-term partnerships to ensure ongoing success.
- **Proven Results and References:** With a track record of successful EAM implementations and satisfied clients, COSOL's proven results and references showcase their ability to deliver measurable outcomes and drive positive business impact.

Industry Overview

Introduction and background

COSOL Australia specializes in IT and business services for asset-intensive industries, with a focus on EAM solutions. EAM manages physical assets to maximize their use, economic return, quality, efficiency, and safety. EAM is critical to businesses in asset-intensive industries to optimize their assets and enhance operational efficiency, safety, and sustainability. Core to EAM is an asset registry containing data on each asset's characteristics, utilization, and nature. COSOL's expertise in EAM-related solutions makes them well-positioned to assist asset-intensive businesses in optimizing their physical assets.



SOURCE: PRECEDENCE RESEARCH AND BELL POTTER SECURITIES

Market Size

According to a report by Precedence Research, the global market for enterprise asset management (EAM) is expected to reach \$10.6 billion by 2030, growing at a CAGR of 11.75% between 2022 and 2030. However, this projection fails to capture the transformative potential of emerging technologies such as data analytics, artificial intelligence, remote asset management, and 'solutions as a service' for EAM-focused clients.

These advancements hold tremendous growth prospects, positioning companies like COSOL Australia to seize the opportunities presented by this dynamic market landscape. By harnessing these technologies, COSOL can deliver unparalleled value, spearhead innovation, and solidify their position as an industry leader in EAM solutions. The combination of market growth and technological advancements makes this an exciting time for COSOL to drive exponential growth and deliver game-changing solutions to their clients

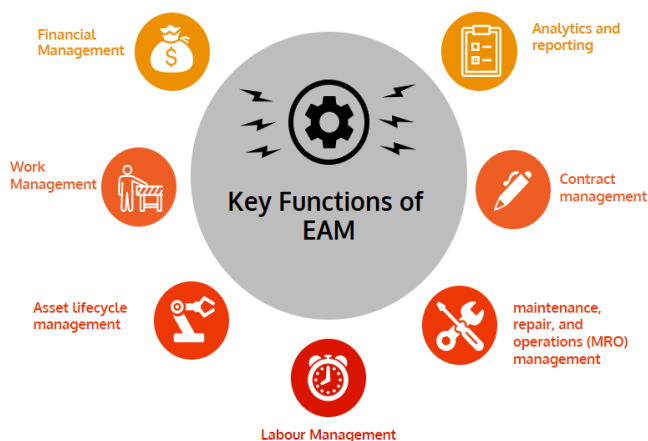
Key EAM-dependent industry sectors

The manufacturing, oil & gas, energy and utilities, government, transportation and logistics, healthcare, and defense industries are the primary sectors that rely heavily on efficient and effective management of physical assets through EAM systems. These businesses operate costly and complex physical assets, making EAM systems critical to their success. Even during economic downturns, these industries continue to require EAM services due to the ongoing reliance on asset management. Effective EAM solutions drive productivity improvements, reduce maintenance costs, and increase asset life.

COSOL has positioned itself in the EAM market for long-term, sustainable growth. Its proprietary software and systems provide technology-led solutions that enable the company to position itself positively against competitors and maintain high margins. COSOL has entrenched blue-chip customer relationships in nationally critical infrastructure sectors and a significant contract pipeline in Australia and North America. The company has a proven board and management team with a track record of delivering profitable growth and increasing enterprise value. Moreover, it has created a unique offering and a strong operating platform globally in a market that is experiencing significant growth trends.

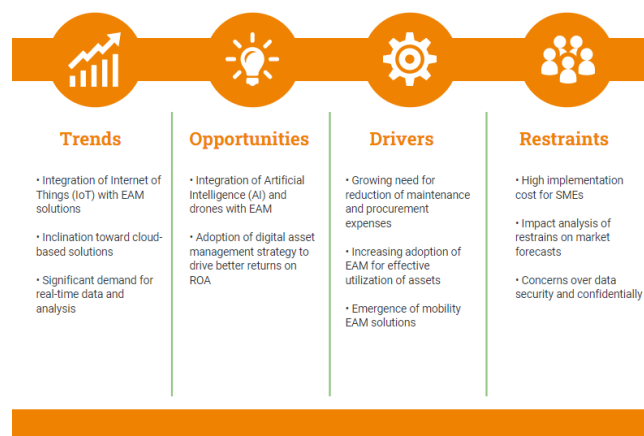
It is important to note that COSOL does not directly compete with IBM, SAP, or Hitachi in the global EAM software market. However, service, software, and solutions providers such as COSOL are leveraged to the direction of the global EAM market size. Therefore, COSOL's focus on the key EAM-dependent industry sectors positions the company for continued growth in FY23 and beyond.

Figure 18 – Key functions of EAM



SOURCE: BELL POTTER SECURITIES

Figure 19 – EAM Market Dynamics



SOURCE: BELL POTTER SECURITIES

EAM service providers

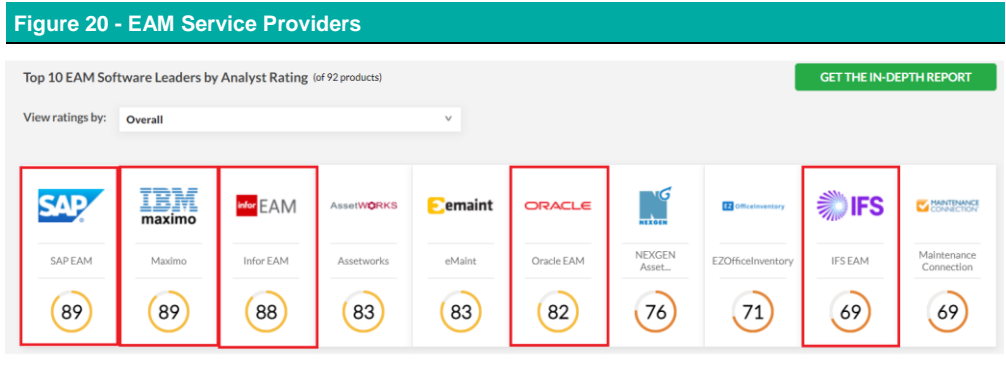
COSOL, as a prominent provider of Enterprise Asset Management (EAM) solutions, operates in a complementary role to leading vendors in the EAM space such as IBM, SAP, Infor, IFS, Oracle, and Hitachi, among others. While these vendors offer comprehensive EAM systems, COSOL distinguishes itself by focusing on key aspects of EAM applications and partnering with these leading vendors to enhance their offerings.

Rather than competing directly with the leading vendors, COSOL leverages its operational expertise and industry leadership to provide a range of services, software, and solutions that complement the functionalities of the major EAM systems. COSOL's expertise lies in system implementations, consulting, upgrades, maintenance, and data migration services, which are crucial components of successful EAM implementations.

By partnering with specialists like COSOL, the leading EAM vendors can offer their clients a broader range of services and solutions beyond the core functionalities of their systems. COSOL's deep knowledge and experience with various EAM platforms, including IBM, SAP, Hitachi, and IFS, ensure seamless integration and optimization of these systems to meet the specific needs of organizations.

Through these partnerships, COSOL brings added value to clients by providing tailored solutions, expertise, and support that enhance the capabilities and performance of the major EAM systems. This collaboration allows organizations to leverage the strengths of both the EAM vendors and COSOL, resulting in more comprehensive and effective asset management solutions.

COSOL's established presence within the industry and its ability to work across multiple EAM platforms demonstrate its commitment to delivering value to clients while embracing collaboration with leading vendors. By offering specialized services that complement and enhance the major EAM systems, COSOL establishes itself as a trusted partner in driving asset optimization and operational efficiency for organizations across various industries.



SOURCE: TOP EAM SOFTWARE 2023 | ENTERPRISE ASSET MANAGEMENT SOLUTIONS. WWW.SELECTHUB.COM/C/EAM-SOFTWARE.

Competitive Landscape

As previously mentioned, COSOL Australia operates in the dynamic landscape of enterprise asset management (EAM) systems, where competition among leading vendors like IBM, SAP, Infor, IFS, Oracle, and Hitachi is fierce. These vendors often collaborate with specialists to enhance their EAM offerings, and COSOL leverages these partnerships to provide comprehensive services, software, and solutions for system implementation, consulting, maintenance, and data migration.

What sets COSOL apart is its track record and deep industry expertise, making them a trusted partner for major EAM systems like IBM, SAP, Hitachi, and IFS. Their ability to seamlessly integrate with third-party applications and offer continuous managed services gives them a competitive edge. As a result, COSOL is not only sought after by clients but also frequently engaged by multinational IT services and consulting firms like IBM, Accenture, and DXC, as well as leading EAM software vendors such as SAP and ABB.

The EAM market itself is highly fragmented, encompassing a mix of IT solutions providers, global software vendors, and internally developed solutions. However, COSOL's value proposition stands out by providing specialized solutions, integration capabilities, and comprehensive managed services that go beyond what software-only suppliers offer. Their investment in product development, including the proprietary RPCoconnect® product, has solidified their position and created barriers to entry for competitors.

Industry Trends

Intelligent Connectivity: The widespread adoption of the Internet of Things (IoT) and AI applications enables organizations to harness new sources of data and drive innovation across industries, with the global IoT market projected to exceed USD 176 billion by 2022 as per Marketwatch.

Cloud Transformation: The shift towards Software-as-a-Service (SaaS) and cloud-based solutions is accelerating, as businesses of all sizes migrate from traditional on premise systems to flexible and scalable cloud offerings, fuelling the growth of EAM services.

Enhanced System Capabilities: Upgrades of core EAM software, such as SAP's, Hitachi, IBM Maximo and S/4HANA, are driving organizations to reassess their EAM operations and consider upgrading or migrating to new platforms. Seamless data management and migration are critical for successful system transitions.

Data-Driven Decision-Making: Organizations relying on outdated software and manual processes for EAM operations risk losing their competitive advantage. Superior data accessibility, clearer reporting, and advanced analytics capabilities are empowering businesses to make informed decisions and gain a competitive edge.

Automation and AI Integration: EAM software vendors are leveraging automation and artificial intelligence to enhance visualizations, optimize workflows, and expedite insights processing. This integration is enabling enterprises to handle the increasing abundance of data and derive actionable insights more efficiently.

Growth Catalysts

- **Strong focus on asset utilization:** COSOL places strong emphasis on assisting organizations in maximizing the utilization of their assets through its comprehensive EAM solutions. By optimizing asset performance and driving efficiency, COSOL enables businesses to extract the maximum value from their assets.
- **Cost reduction:** COSOL's solutions play a pivotal role in cost reduction for organizations. By implementing proactive strategies and leveraging data-driven insights, COSOL helps businesses reduce maintenance and procurement expenses. This enables informed decision-making and efficient resource allocation.
- **Digitalization and market competitiveness:** COSOL empowers organizations to embrace digitalization, a key driver of market competitiveness. By adopting COSOL's EAM solutions, businesses improve their operational agility, enhance their ability to adapt to changing market dynamics, and gain a competitive edge in industries undergoing digital transformation.
- **Consumption-based Everything as-a-Service:** COSOL's flexible and scalable EAM solutions follow a consumption-based model, offering organizations access to the functionalities they specifically require on a subscription basis. This approach ensures that software usage aligns with actual needs, optimizing resource allocation and enabling organizations to effectively manage their EAM requirements.
- **Proactive Maintenance and Risk Mitigation:** COSOL's EAM solutions enable organizations to implement proactive maintenance strategies, leveraging predictive analytics and condition-based monitoring to identify potential asset failures before they occur. By mitigating risks and minimizing unplanned downtime, businesses can optimize asset performance, enhance operational reliability, and reduce overall maintenance costs.

Financials

Historical & Forecasts – Profit & Loss

Our forecast Profit & Loss for the next 3 years (FY23-FY25) is shown below.

Figure 21 - Forecast Profit & Loss					
Year end June	FY21	FY22	FY23e	FY24e	FY25e
Revenue (A\$m)	33.6	48.2	77.9	85.7	94.2
<i>Growth</i>	188%	44%	61%	10%	10%
Cost of sales	-21.3	-29.7	-47.0	-48.4	-50.2
Gross profit	12.3	18.5	30.9	37.3	44.0
<i>Gross margin</i>	36.6%	38.4%	39.7%	43.6%	46.7%
Other income	0.3	0.2	0.0	0.0	0.0
Total expenses	-27.7	-40.0	-66.2	-71.1	-77.3
<i>Opex as % of revenue</i>	-82.6%	-82.9%	-85.0%	-83.0%	-82.0%
EBITDA	6.2	8.4	11.7	14.6	17.0
D&A	-0.6	-0.4	-0.5	0.5	-0.5
EBIT	5.5	8.1	11.2	15.1	16.5
Finance costs	-0.1	-0.4	-1.1	-0.9	-0.5
PBT	5.4	7.6	10.1	14.2	16.0
Income tax	-1.4	-2.1	-3.0	-4.3	-4.8
Underlying NPAT	4.0	5.5	7.0	9.9	11.2
Foreign Currency Translation	0.0	0.2	0.0	0.0	0.0
Reported NPAT	4.0	5.7	7.0	9.9	11.2
<i>Growth</i>	165%	43%	23%	41%	12%
Basic EPS	3.1c	4.0c	4.8c	6.7c	7.6c
<i>EPS Growth</i>	46%	31%	19%	41%	12%
DPS	1.5c	1.9c	2.4c	3.4c	3.8c
Payout ratio	49%	48%	50.0%	50.0%	50.0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The key take-outs are:

Sales Growth: COS has experienced a remarkable sales growth, with FY22 witnessing a substantial 44% increase. Looking ahead to FY23, We expect an even more impressive growth rate of 61%, fuelled by both organic growth (19%) and strategic acquisitions (42%). Recent acquisitions, including Clarita Solutions and Work Management Solutions, will contribute significantly to the sales boost. COS projects steady organic revenue growth of 10% for FY24 and FY25. This solidifies an impressive FY22-25 revenue compound annual growth rate (CAGR) of 18.23%.

Gross Margin: COS envisions a gradual expansion of its gross margin over time. This increase will be driven by the implementation of new digital solutions, the identification and realization of cross-selling synergies, and the strategic utilization of pricing power.

EBIT Margins: Historically, COS has maintained a relatively steady EBIT margin range of 16% to 17%. However, there will be an impact on margins due to one-time investments in transformation and the integration of acquired companies, strategic investments to enhance the company's capabilities, and the integration of the lower-margin Work Management Solutions. From FY23 onwards, COS expects a gradual improvement in EBIT margins, reaching ~17% by FY25, as the company effectively leverages its cost base.

NPAT Overcoming temporary constraints: COS foresees a temporary compression in its NPAT margin to 9% in FY23. This compression primarily stems from significant operating expenditure costs and a substantial increase in finance costs repayments, which impede the growth of the company's bottom line. However, COS expects these constraints to be alleviated, leading to a rebound in NPAT starting from FY24.

Dividends per Share: Balanced Payout Strategy: A dividend payout ratio of 50% is projected for the next three years, in line with the payout ratio of 48% observed in FY22.

Notably, COS has consistently provided franked dividends in the past, and we expect the company to continue this practice in the future.

Balance Sheet

The key figures from the Balance Sheet over the next 3 years are shown below.

Figure 22 Key Figures and ratios from Balance Sheet					
Balance Sheet (A\$m)	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25
Year end 30 June	FY21	FY22	FY23e	FY24e	FY25e
Cash	4.2	6.2	4.3	3.2	5.4
Total Debt	2.3	9.1	7.1	8.5	6.5
Net debt/(cash)	-1.9	2.9	2.8	5.4	1.1
PPE	0.2	0.3	0.4	0.9	1.0
Intangibles	24.4	39.8	40.2	44.0	43.6
Net Assets	25.2	34.5	38.6	44.3	50.4
Trade and Other Receivables	5.9	8.3	11.7	12.9	14.1
Prepayment and Other Receivables	2.7	4.8	7.0	7.7	8.5
Inventories	0.1	0.1	0.2	0.3	0.3
Trade and other payables	1.6	5.1	5.6	4.8	5.0
Accrued and other liabilities	3.0	5.5	9.4	8.2	8.0
Working capital	4.1	2.6	3.9	7.8	9.8
Change in working capital		-1.5	1.3	3.9	2.1

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

- **Modest net debt:** COSOL exhibits a favourable financial position with modest net debt, indicating a prudent approach to leverage and reduced risk of financial strain. This modest level of debt implies that the company has maintained a health balance between financing its operations and managing its financial obligations.
- **Minimal PPE and a notable volume of Intangibles:** COSOL has very little PPE and recent acquisitions have contributed to a substantial portion of goodwill in its total assets. While this reflects the value of intangible assets gained, it warrants careful scrutiny to assess its impact on financial performance and future profitability.
- **Positive Working Capital:** COSOL demonstrates a positive working capital position, which signifies its ability to cover short-term obligations using current assets. This indicates the company's efficient management of operating cycle, with sufficient liquidity to meet its day-to-day operational needs.

Cash Flow

The key figures from the Cash Flow Statement over the next 3 years are shown below.

Figure 23 – Key Figures and ratios from forecast Cash Flow Statement					
Cash Flow Statement (A\$m)	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25
Year end 30 June	FY21	FY22	FY23e	FY24e	FY25e
Gross Cash Flow	3.4	9.5	6.2	12.9	16.0
Operating Cash Flow	1.9	7.7	2.3	8.3	10.7
Capex	-0.1	-0.1	-0.3	-0.3	-0.3
Free Cash Flow	1.8	7.6	2.0	8.0	10.4
Dividends paid	-0.7	-2.6	-4.0	-4.8	-4.7
Net Change in Cash	-2.6	1.9	-5.9	1.9	3.6
FCF per share (cps)	0.01	0.05	0.01	0.05	0.07
FCF Yield	1.7%	6.8%	1.7%	6.9%	9.0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

- **Positive Free Cash Flow (FCF) and attractive FCF Yield:** Positive Free Cash Flow allows COSOL to pursue various strategic objectives, such as investing in new potential acquisition take-overs, reducing debt, returning value to shareholders through dividends or strengthening its financial reserves for future opportunities or potential challenges. It reflects COSOL's ability to generate sustainable cash flows and create long-term value for its stakeholders.

Valuation

We choose to apply three valuation methodologies to COSOL:

- PE Ratio;
- EV/EBIT; and
- DCF

PE Ratio and EV/EBIT

When applying relative valuation approaches like the PE ratio and EV/EBIT, a group of listed comparable companies (comps) is typically used to determine appropriate multiples for forecasting earnings. In the case of COSOL, as a global Enterprise Asset Management (EAM) technology-enabled solution provider specializing in asset-intensive industries, finding closely comparable listed comps in Australia is challenging. However, we have identified a select group of companies that share similar characteristics to COSOL:

- Provision of IT solutions and services
- Tailored solutions to meet industry-specific needs
- Focus on delivering value-added services
- Expertise in niche markets or technology domains
- Emphasis on digital transformation and technology engineering
- Specialization in specific industries
- Focus on consulting and advisory services
- Ability to address business and IT challenges
- Strong customer base and client relationships

The companies which have most or all of these characteristics and the PE and EV/EBIT multiples of these companies are shown below.

Figure 24 – PE and EV/EBIT multiples of listed domestic and international companies with similar characteristics to COSOL

Domestic	Ticker	Currency	Last Price	YTD Price	Market Cap	EV	Sales Growth			EBIT Growth			EBIT margin (%)			EV/EBIT			P/E (x)		
				% Change	Local (\$m)	Local (\$m)	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e
COSOL Ltd	COS	AUD	0.69	-8.0%	101.63	110.53	43.8%	61.5%	10.0%	45.7%	38.8%	34.7%	16.7%	14.4%	17.6%	13.00	9.36	6.95	17.21	14.46	10.23
RPMGlobal Holdings Ltd	RUL	AUD	149.5	-15.7%	336.80	305.48	-94.9%	2688.7%	11.2%	75.9%	-395.7%	107.5%	-73.6%	7.9%	14.7%	44.46	15.04	7.25	NA	67.05	30.10
Hansen Technologies Ltd	HSN	AUD	5.08	0.0%	1,042.17	1,084.33	-69.0%	223.0%	3.9%	-26.7%	16.6%	-4.3%	55.9%	20.2%	18.6%	2.07	1.78	1.86	24.82	22.35	21.42
Atturra Ltd	ATA	AUD	0.89	-6.3%	206.95	182.71	-86.2%	1169.4%	31.0%	28.8%	36.6%	15.8%	90.2%	9.7%	8.6%	9.02	6.60	5.70	22.07	17.80	15.61
DUG Technology Ltd	DUG	AUD	1.17	86.5%	138.79	159.36	-32.7%	2061.0%	17.9%	-42.2%	-291.2%	44.3%	-182.3%	16.1%	19.7%	16.13	8.44	5.85	NA	18.65	11.30
				Median			-86.2%	1169.4%	11.2%	28.8%	16.6%	34.7%	16.7%	14.4%	17.6%	2.07	8.44	5.85	22.07	18.65	15.61
				Average			-59.8%	1236.7%	14.8%	16.3%	-119.0%	39.6%	-18.6%	13.6%	15.8%	-7.30	8.24	5.52	21.37	28.06	17.73

International	Ticker	Currency	Last Price	YTD Price	Market Cap	EV	Sales Growth			EBIT Growth			EBIT margin (%)			EV/EBIT			P/E (x)		
				% Change	Local (\$m)	Local (\$m)	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e
Grid Dynamics Holdings Inc	GDYN	USD	9.89	-11.9%	740.73	492.14	47.0%	24.6%	21.4%	-42116.0%	-230.6%	50.6%	-6.8%	7.1%	8.8%	44.28	10.45	7.57	NA	26.73	19.28
Magic Software Enterprises Ltd	MGIC	USD	13.93	-13.1%	683.87	676.94	18.0%	10.8%	9.6%	18.5%	17.2%	7.8%	10.9%	11.5%	11.3%	8.11	NA	NA	17.12	12.61	11.76
Gorilla Technology Group Inc	GRRR	USD	1.79	-77.9%	121.01	113.94	NA	390.9%	NA	NA	-69.4%	-26.8%	-386.0%	-24.1%	NA	NA	NA	22.83	NA	NA	NA
Mastech Digital Inc	MHH	USD	10.20	-7.4%	118.84	116.68	9.1%	-0.9%	NA	-30.7%	-45.4%	137.2%	5.0%	2.8%	NA	6.45	NA	NA	14.59	15.69	8.00
Converge Technology Solutions Corp	CTS	CAD	3.13	-32.5%	654.59	916.43	62.8%	27.2%	-7.0%	-43.6%	279.2%	51.0%	0.8%	2.5%	4.1%	9.32	5.23	4.61	10.20	8.22	6.80
Datagroup SE	DGH	EUR	61.60	-2.2%	514.30	652.23	12.8%	10.3%	6.1%	44.7%	13.5%	9.8%	8.3%	8.5%	8.8%	8.53	0.05	0.08	23.31	16.65	15.03
				Median			18.0%	17.7%	7.9%	-30.7%	-15.9%	30.2%	-2.9%	4.9%	8.8%	8.11	5.23	6.09	15.85	15.69	11.76
				Average			29.9%	77.1%	7.5%	-8425.4%	-5.9%	38.3%	-61.3%	1.4%	8.3%	-2.37	5.24	8.77	16.30	15.98	12.17

SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

While this list may be relatively small, it comprises companies that possess most, if not all, of the aforementioned characteristics. Thus, a larger list of comps is deemed unnecessary.

We focus on the FY23 PE and EV/EBIT multiples. Although there is some discrepancy in the multiples of the larger comps, the market capitalization of COSOL falls between these two groupings, reinforcing the use of the median across all domestic and international comps as a suitable basis for determining the appropriate multiple to apply to COSOL.

Premium or Discount?

The fundamental question is whether COSOL should be valued at a premium or a discount compared to its industry peers in terms of EV/EBIT and PE Ratio. We see compelling arguments for both scenarios.

Arguments in favour of a premium include a robust contract pipeline in Australia and North America, along with an ambitious growth agenda through organic means and acquisitions to sustain growth in the future. COSOL has also demonstrated a penchant for acquisitions, as evidenced by its recent activity. Furthermore, the company boasts a highly capable management team and board of directors with a proven track record of success.

On the other hand, reasons for a discount include COSOL's comparatively smaller market capitalization relative to some of its competitors, the higher risk associated with acquisitions compared to organic growth, and the company's shorter history as a listed entity.

In our assessment, the arguments supporting a premium hold more weight, with the exception of the higher risk associated with acquisitions. However, the presence of a high-quality management team and board, who have overseen numerous successful acquisitions in the IT services and solutions sector, may mitigate this risk to some extent. Consequently, we believe that the arguments in favour of a premium far outweigh those for a discount, justifying the application of a reasonable premium.

We have opted to apply a 10% premium to the average EV/EBIT and PE multiples of the listed peers when evaluating COSOL's relative valuation. While this premium may be considered moderate, we assert that a moderate premium is warranted given the compelling arguments supporting it, in contrast to the relatively weaker arguments for a discount. It is worth noting that recent acquisitions, such as AddOns Inc, Clarita Solutions, and Work Management Solutions (WMS), have proven to be highly accretive to earnings per share. Considering the current environment's favourable conditions for acquiring broadband customers at a reasonable cost, this also bolsters the case for a moderate premium, assuming a similar rate of EPS accretive acquisitions persists in the near to medium term.

The calculation for the PE Ratio and EV/EBIT valuation of COSOL, incorporating a 10% premium to the average multiples of its industry peers, is presented below.

Breakdown of the EV/ valuation

Figure 25 – COSOL EV/EBIT valuation	
EV/ EBIT	
FY24e EBIT	15.1
Median EV/ EBIT	6.0x
<i>Premium</i>	<i>10%</i>
EV/ EBIT Target Multiple	6.6x
Implied Enterprise Value	98.9
Net Debt /(cash) FY23e	8.7
Implied Equity Value	107.6
Diluted shares on issue	147.6
Valuation per Share	\$ 0.73

SOURCE: BELL POTTER SECURITIES ESTIMATES

Breakdown of the PE Ratio valuation

Figure 26 - PE Ratio	
PE ratio	
EPS cps (FY24e)	6.7
Median PE ratio	13.7x
<i>Premium</i>	<i>10%</i>
P/E Target Multiple	15.0x
Valuation per share	\$ 1.01

SOURCE: BELL POTTER SECURITIES ESTIMATES

DCF

DCF is an absolute valuation approach and so is an appropriate valuation to consider in conjunction with a relative approach. Our DCF valuation is shown in the figure below along with the calculation of the WACC we have used. Note this valuation is at a year from now (to be consistent with a 12 month price target) and we use a terminal growth rate of 3.0%

Figure 27 - DCF Valuation for COSOL						
WACC calculation			Key assumptions			
Risk free rate	4.5%		Valuation as at	18-Jun-24		
Market risk premium	6.0%		Terminal growth rate	3.0%		
Beta	1.30					
Borrowing rate	5.0%					
Tax rate	30.0%					
Target gearing	15.0%					
Cost of equity	12.3%					
Cost of debt	3.5%					
WACC	11.0%					
DCF Valuation	FY24e	FY25e	FY26e	FY27e	FY28e	Beyond
Operating cash flow (A\$m)	8.3	10.4	8.7	14.7	16.2	
Capex	-0.3	-0.4	-0.5	-0.6	-0.8	
Free cash flow	8.0	11.0	10.2	17.2	19.5	252.1
Present value of cash flows	8.0	9.9	8.3	12.5	12.8	149.2
Sum of present values	200.7					
Market value of investments	0.0					
Net debt/(cash)	8.7					
Equity value	192.0					
Equity value per share	\$1.30					

SOURCE: BELL POTTER SECURITIES ESTIMATES

The figure shows our DCF valuation for COSOL is \$1.00 using a WACC of 11%. The valuation is a 10% premium to the EV/EBIT and PE valuation which is relatively modest and so provides support for both valuations. The company's consistent positive Free Cash Flow in all future corresponding years demonstrates its ability to generate sufficient cash to fund its growth strategy effectively. This positive cash flow position provides COSOL with the agility and financial resources needed to pursue its growth objectives, both through organic means and targeted acquisitions. By generating sustainable cash flows, the company can expand its operations, explore new markets, and seize strategic opportunities that align with its growth ambitions. This financial strength positions COSOL favourably for future expansion and value creation for its stakeholders.

Price Target

Our price target for COSOL is determined by combining valuations from three different methodologies: PE ratio, EV/EBIT, and DCF. Each methodology carries equal weightage of 33.3% due to their similar proximity and supporting evidence. While the market tends to focus on short-term earnings multiples, adjusting the weighting for relative valuations would not significantly impact the price target calculation. Furthermore, we believe that assigning an equal weighting to the DCF valuation is appropriate as it captures the potential earnings growth over the medium term more effectively.

After conducting our valuation process, we have determined a 12-month price target of \$1.00 for COSOL. We have given more weightage to the relative valuations in comparison to the DCF valuation, considering the notable disparity between them. Additionally, we believe that the market places greater importance on the DCF valuation, making it a more accurate reflection of the broader market's perspective.

Figure 28 - Price target calculation		
Methodology	Weighting	Value
DCF Valuation	33%	\$ 1.30
EV/ EBIT	33%	\$ 0.73
PE ratio	33%	\$ 1.01
Blended Valuation		\$ 1.00

SOURCE: BELL POTTER SECURITIES ESTIMATES

Board of Directors & Key Management

Board of Directors & Key Management

Figure 29 - Board of Directors

Geoffrey Lewis - Chairman
Ben Buckley - Managing Director
Stephen Johnston - Non-Executive Director
Grant Pestell - Independent Non-Executive Director
Gerald Strautins - Independent Non-Executive Director

SOURCE: COMPANY DATA

Figure 30 - Global Executive Management Team

Scott McGowan - Chief Executive Officer, COSOL Group
Anthony Stokes - Chief Financial Officer
Annette Henry - Head of Clarita Solutions
Mark Warrener - Head of Work Management Solutions
Max Rogers - Head of COSOL Americas

SOURCE: COMPANY DATA

Highly experienced board and management team

COSOL is a company that values its team and investors, and it shows. With a track record of success in the sector, COSOL's board and management are firmly aligned with shareholders' interests, collectively holding 56% of the shares on issue. Furthermore, the ex-vendors who still work in the business hold an additional 11.5% of the shares on issue.

The COSOL Board of Directors boasts a broad range of skills and a proven track record of growing IT and digital businesses, returning value to investors. And the Management Team and ex-vendors bring extensive industry experience with "Blue Chip" Australian and Global companies, alongside a broad set of commercial and management skills.

COSOL's Institutional Investors are leaders in the small and microcap funds management sector, with an extensive track record of supporting IT, software, and technology-enabled services businesses. Together, the COSOL team and investors share a common goal of achieving success in the sector through innovation, growth, and delivering value to shareholders.

Figure 31 – COSOL Team and Investors share a proven track record in sector

56% of Register

Geoffrey Lewis - Chairman

Geoff Lewis has over 20 years' experience in the global delivery of IT services and outsourcing. He established ASG Group Limited (formerly ASX listed, ASX:ASZ), an IT business solutions provider, in 1996 and was its Managing Director until it was acquired in late 2016 for \$350 million by Japan's Nomura Research Institute. Geoff was appointed as a director on 10 September 2019. **Owens 16.4% stake.**

Stephen Johnston - Non-Executive Director

Stephen Johnston has significant international experience in investment, corporate finance, mergers and acquisitions and commercial management gained over 25 years in Australian industrial and investment organisations. Stephen was the managing director and founder shareholder of Schutz DSL Group, an industrial packaging group with operations in Australia and Asia and was an independent non-executive director of ASG Group until its acquisition. Stephen was appointed as a director on 10 September 2019. **Owens 16.4% stake.**

Grant Pestell - Independent Non-Executive Director

Grant Pestell was a founding director and has been the managing director of Perth-based legal firm Murcia Pestell Hillard since 2000. He has extensive experience advising both listed and private companies, particularly in the ICT, energy and resources and mining services industries. Grant was an independent non-executive director of ASG Group until its acquisition. Grant was appointed as a director on 7 August 2019.

Gerald Strautins- Independent Non-Executive Director

Gerald Strautins has extensive executive, mergers and acquisitions, consulting, programme and business management experience, with particular strength in formulating, implementing and managing strategic managed service/outsourcing operations and transformation initiatives. Gerald was the Executive – Strategy and M&A of ASG Group responsible for the strategic direction of the organisation, while also completing in excess of \$500 million in mergers and acquisitions transactions. Gerald was appointed as a director on 4 October 2019.

Ben Buckley- Managing Director

Ben Buckley was appointed as Managing Director of COSOL in October of 2020 after joining the firm as an external consultant to work on corporate strategy and mergers and acquisitions. He has previously held senior leadership roles, including CEO and COO across three decades for Nike, Foster, Electronic Arts, AFL and FFA, as well as BKD Executive Leaders, an executive search and recruitment firm.

16% of Register

Scott McGowan - Chief Executive Officer, COSOL Group

COSOL Group Scott is the Chief Executive Officer of the COSOL Group and is a highly experienced executive manager with a demonstrated ability to lead diverse teams of professionals to new levels of success in highly competitive markets. Scott has over 20 years' experience in both start-ups and global multinational corporations and possesses strong technical and business qualifications with an impressive track record in strategic planning, business unit development, project management, product development and system engineering strategies. Prior to taking on the Chief Executive Officer role for COSOL Australia, Scott was Director of the Global Mining Practice for Wipro, having previously been an Associate Partner with IBM where he was responsible for Business Analytics and Optimisation. Scott also holds a Bachelor in Information Technology, majoring in Information Systems, from the Queensland University of Technology. **Owens 3.9% stake.**

Anthony Stokes - Chief Financial Officer

Anthony Stokes was appointed as Chief Financial Officer in July 2022. A highly credentialed finance executive with more than 20 years' experience. Anthony's most recent position was General Manager, Financial Planning & Analysis at Virgin Australia, where he worked in senior roles since 2011 across finance, transformation and commercial roles. This included playing a key role in the sale process and transition to Bain Capital's ownership. Anthony previously worked at KPMG in Deal Advisory Services with significant experience across mergers and acquisitions and equity capital markets transactions.

Matthew Glasner – Chief Operating Officer

Matt Glasner is a seasoned business leader and Non-Executive Director with 20 years of successful transformation and leadership experience. Matt's previous roles include Chief Commercial Officer for Global ASX listed Integrated Research, Managing Director APAC for First Advantage and Managing Director Expertan Marketing Services ANZ. Matt brings strategic and tactical expertise across sales and marketing, operations, organisational structure, change management and leadership. Matt graduated from the University of Birmingham, England with a Bachelor of Engineering (Honours) and is a Graduate of the Australian Institute of Company Directors.

Lisa Wynne – Company Secretary

Lisa Wynne has a Bachelor Business and is a Fellow of the Governance Institute of Australia and a Member of the Institute of Chartered Accountants. Her experience includes over 15 years of board level experience across ASX and TSX listed companies. Her background includes roles as a Non-Executive Director for Dempsey Minerals Limited responsible for strategic governance and operational planning, and as Director and Owner of Blue Horse Corporate and Sila Consulting.



SOURCE: COMPANY DATA

Shareholder Register

Key Shareholders

COSOL Top Shareholders are detailed below:

Figure 32 - COSOL Largest shareholders		
Name	No. of shares held	% of total issued shares
Geoffrey J Lewis	24,250,000	16.4%
Stephen E O Johnston	24,250,000	16.4%
JPMorgan Nominees Australia	10,461,846	7.1%
Gregory R Wood	6,003,000	4.1%
Scott E McGowan	5,700,000	3.9%
Bradley R Skeggs	4,783,000	3.2%
Glenn M Rogers	3,826,210	2.6%
BNP Paribas Nominees	3,530,642	2.4%
National Nominees	3,290,955	2.2%
Gerald P Strautins	3,000,000	2.0%
Grant A Pestell	2,500,000	1.7%
Bradley J Miller	2,385,337	1.6%
David A Lestani	2,385,337	1.6%
Paul A Lestani	2,385,337	1.6%
HSBC Custory Nominees	2,310,837	1.6%
Andrew McKenzie	2,285,755	1.5%
Ian G Campbell	2,036,000	1.4%
Bradley R & Tom B Skeggs	2,000,000	1.4%
Kelly L Zanetti	1,886,793	1.3%
Shane R Ricketts	1,886,793	1.3%
Board and Management	82,644,638	56.0%
Institutional Investors	23,612,754	16.0%
Total Shares on Issue	147,579,711	100.0%

SOURCE: COMPANY DATA

Key points:

- **Founders collectively own 56%:** The significant ownership stake held collectively by COSOL's Board and Management, along with former vendors, demonstrate a strong alignment of interests between the leadership and shareholders, fostering a sense of accountability and shared success

Table 1 - Financial summary

June year end	2021	2022	2023e	2024e	2025e
Profit & Loss (A\$m)					
Total Revenue	33.9	48.4	77.9	85.7	94.2
... Growth (%)	4.7%	42.9%	60.8%	10.0%	10.0%
Total Expenses	(27.7)	(40.0)	(66.2)	(71.1)	(77.3)
... Margin %	81.8%	82.6%	85.0%	83.0%	82.0%
EBITDA (Statutory)	6.2	8.4	11.7	14.6	17.0
... Margin %	18.2%	17.4%	15.0%	17.0%	18.0%
Depreciation & amortisation	(0.6)	(0.4)	(0.5)	0.5	(0.5)
EBIT	5.5	8.1	11.2	15.1	16.5
Net interest	(0.1)	(0.4)	(1.1)	(0.9)	(0.5)
Pre tax profit	5.4	7.6	10.1	14.2	16.0
Tax expense	(1.4)	(2.1)	(3.0)	(4.3)	(4.8)
NPAT	4.0	5.5	7.0	9.9	11.2
Foreign currency translation	-	0.2	-	-	-
Other comprehensive income for the year, net of tax	-	0.2	-	-	-
Underlying NPAT	4.0	5.7	7.0	9.9	11.2
Cashflow (A\$m)					
EBITDA	6.2	8.4	11.7	14.6	17.0
Change in working capital	(2.8)	1.1	(1.3)	(1.2)	(1.3)
Gross cash flow	3.4	9.5	10.4	13.4	15.7
Interest received	0.0	0.0	-	-	-
Other revenue	0.3	0.2	-	-	-
Interest and other finance costs paid	(0.1)	(0.4)	(1.1)	(0.9)	(0.5)
Income taxes paid	(1.7)	(1.6)	(3.0)	(4.3)	(4.8)
Operating cash flow	1.9	7.7	6.3	8.3	10.4
Payment for purchase of business, net of cash acquired	(1.6)	(6.6)	-	-	-
Final payments for prior period's business acquisition	(3.7)	(3.1)	(2.0)	(0.2)	-
Payments for property, plant and equipment	(0.1)	(0.1)	(0.3)	(0.3)	(0.3)
Payments for intangibles	(0.1)	(0.8)	(0.8)	(3.4)	-
Proceeds from disposal of property, plant and equipment	0.0	-	-	-	-
Investing cash flow	(5.5)	(10.6)	(3.1)	(3.9)	(0.3)
Proceeds from issue of shares	-	0.9	-	-	-
Proceeds from borrowings	3.0	9.8	-	3.5	-
Repayment of bank loans	-0.8	-3.0	-2.0	-2.0	-2.0
Share issue transaction costs	0.0	0.0	0.0	0.0	0.0
Repayment of lease liabilities	-0.5	-0.3	-0.2	0.0	0.0
Dividends paid	-0.7	-2.6	-2.9	-4.3	-5.0
Financing cash flow	1.1	4.8	(5.1)	(2.8)	(7.0)
Net increase/(decrease) in cash and cash equivalents	-2.6	1.9	-1.9	1.6	3.0
Cash and cash equivalents at the beginning of the financial year	6.8	4.2	6.2	4.3	5.8
Effects of exchange rate changes on cash and cash equivalents	0.0	0.1	0.0	0.0	0.0
Cash at end of period	4.2	6.2	4.3	5.9	8.9
Balance Sheet (A\$m)					
Current Assets					
Cash and Cash Equivalents	4.2	6.2	4.3	3.2	5.4
Trade and Other Receivables	5.9	8.3	11.7	12.9	14.1
Inventories	0.1	0.1	0.2	0.3	0.3
Prepayment and Other Receivables	2.7	4.8	7.0	7.7	8.5
Total Currents	12.9	19.5	23.2	24.0	28.3
Non Current Assets					
Property, Plant, and Equipment	0.2	0.3	0.4	0.9	1.0
Right-of-Use Assets	0.2	0.3	0.3	0.3	0.3
Intangibles	24.4	39.8	40.2	44.0	43.6
Deferred Tax	0.6	0.6	0.6	0.6	0.6
Total Non Current Assets	25.4	40.9	41.5	45.7	45.5
Total Assets	38.3	60.4	64.7	69.7	73.8
Current Liabilities					
Trade and other payables	1.6	5.1	5.6	4.8	5.0
Bank Loans	1.0	3.3	1.3	2.8	0.8
Lease Liabilities	0.3	0.1	0.1	0.1	0.1
Income Tax	-0.1	0.5	0.5	0.5	0.5
Employee Benefits	0.7	1.2	1.2	1.2	1.2
Deferred Consideration	3.3	2.2	0.2	0.0	0.0
Accrued and other liabilities	3.0	5.5	9.4	8.2	8.0
Total Current Liabilities	9.8	17.9	18.3	17.7	15.7
Non Current Liabilities					
Bank Loans	1.3	5.8	5.8	5.7	5.7
Lease Liabilities	0.0	0.2	0.0	0.0	0.0
Deferred Tax	0.3	0.2	0.2	0.2	0.2
Deferred Consideration	1.8	1.9	1.9	1.9	1.9
Total Non-Current Liabilities	3.3	8.0	7.8	7.7	7.7
Total Liabilities	13.1	25.9	26.1	25.4	23.4
Net Assets/(Liabilities)	25.2	34.5	38.6	44.3	50.4
Shareholder's Equity					
Issued Capital	20.0	26.1	26.1	26.1	26.1
Reserves	0.3	0.6	0.6	0.6	0.6
Retained Profits	4.8	7.7	11.9	17.5	23.6
Shareholder's Equity	25.2	34.5	38.6	44.2	50.4
Total Liabilities & Shareholder's Equity	38.3	60.4	64.7	69.7	73.8

Share price (\$)	0.69
Target price (\$)	1.00
Rating	BUY
Issued capital (m)	147.6
Market cap (\$m)	101.8
Enterprise value (\$m)	104.7
Free Float	-39%

June year end	2021	2022	2023e	2024e	2025e
Segmental Information					
Rendering Services	30.8	41.9	66.2	70.2	75.4
... Growth (%)		36%	58%	6%	7%
Product Sales	2.8	6.3	11.7	15.4	18.8
... Growth (%)		126%	86%	32%	22%
Group Revenue	33.6	48.2	77.9	85.7	94.2
... Growth (%)	4.7%	43.6%	61.5%	10.0%	10.0%
Other Income	0.3	0.2	-	-	-
Interest Income	0.0	0.0	-	-	-
Total Revenue	33.9	48.4	77.9	85.7	94.2

Valuation Ratios	2021	2022	2023e	2024e	2025e
Basic EPS (cps)	3.06	4.01	4.77	6.74	7.57
Diluted EPS (cps)	2.87	3.78	4.81	6.79	7.63
EPS growth (%)	46.4%	31.0%	19.0%	41.3%	12.3%
PE(x)	22.5	17.2	14.5	10.2	9.1
EV/Sales (x)	3.1	2.2	1.3	1.2	1.1
EV/EBITDA (x)	17.0	12.4	9.0	7.2	6.2
EV/EBIT (x)	18.9	13.0	9.4	7.0	6.4
FCF per share	0.02	0.01	0.05	0.04	0.07
FCF yield %	3%	2%	8%	6%	10%
NTA per share (\$ps)	0.0	0.0	0.0	0.0	0.0
P/NTA (x)	112.3	-18.5	-63.7	325.1	325.1
Book value (\$ps)	0.2	0.2	0.3	0.3	0.3
Price/Book (x)	3.6	2.8	2.6	2.3	2.0
DPS (cps)	1.5	1.9	2.4	3.4	3.8
Payout ratio %	49%	48%	50%	50%	50%
Dividend Yield %	2%	3%	3%	5%	5%

Growth (%)	2021	2022	2023e	2024e	2025e
Revenue Growth	188%	44%	61%	10%	10%
EBITDA Growth	200%	37%	38%	25%	16%
EBIT Growth	182%	46%	39%	35%	9%
NPAT Growth	166%	38%	27%	41%	12%

Performance Ratios	2021	2022	2023e	2024e	2025e
Gross Profit Margin (%)	36.6%	38.4%	39.7%	43.6%	46.7%
EBITDA Margin (%)	18.3%	17.5%	15.0%	17.0%	18.0%
EBIT Margin (%)	16.5%	16.7%	14.4%	17.6%	17.5%
NPAT Margin (%)	11.9%	11.5%	9.0%	11.6%	11.9%
ROE (%)	15.9%	16.6%	18.2%	22.5%	22.2%
ROA (%)	10.4%	9.2%	10.9%	14.3%	15.1%

Liquidity Ratios	2021	2022	2023e	2024e	2025e
Current Ratio	1.31	1.09	1.27	1.36	1.81
Quick ratio	1.30	1.08	1.25	1.34	1.79
Cash Ratio	0.43	0.35	0.23	0.18	0.34

Leverage ratios	2021	2022	2023e	2024e	2025e
Net debt/(cash) (A\$m)	-1.9	2.9	2.8	5.4	1.1
Net debt/equity	-7.7%	8.3%	7.3%	12.1%	2.2%
Gearing	-8.3%	7.7%	6.8%	10.8%	2.1%
Net debt/EBITDA (x)	-0.3	0.3	0.2	0.4	0.1
Net interest cover (x)	41.8	18.7	10.0	17.7	32.9

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Thomas Sima	Industrials	612 8224 2843	tsima
Jonathan Snape	Industrials	613 9235 1601	jsnape
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Associates			
Connor Eldridge	Associate Analyst	612 8224 2893	celdridge
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
James Williamson	Associate Analyst	613 9235 1692	jwilliamson

Research Coverage & Policies

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

Authoring Research Analyst's Certification

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

Research Analyst's Compensation

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

Prices

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

Availability

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time

Dissemination

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

Bell Potter Securities Limited

ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited

Room 1701, 16/F
Prosperity Tower, 39 Queens
Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC

Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited

16 Berkeley Street London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929