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ASX RELEASE

EOS enters binding agreement to divest non-core naval SatCom subsidiary - EM Solutions

Transaction Highlights

- Cohort to acquire 100% of EM Solutions for an enterprise value of \$144 million
- Net proceeds of the sale to be used to support growth in EOS' core business, including in the counter-drone market
- Sale demonstrates EOS' strategic and capital allocation discipline
- Subject to satisfaction of certain conditions, including customer and security approvals
- Foreign Investment Review Board ("FIRB") approval received

Electro Optic Systems Holdings Limited ("EOS" or "Company") (ASX: EOS) today announces that it has entered into a binding share sale agreement to sell its Naval Satellite Communications subsidiary, EM Solutions Pty Limited ("EM Solutions"), to Cohort plc ("Cohort") for an enterprise value of \$144 million (subject to customary adjustments) ("Proposed Transaction").

The Proposed Transaction aligns with EOS' transformation strategy to focus on commercialising its substantial intellectual property and growing its core product offerings in the areas of Remote Weapon Systems, High Energy Laser Weapons and Space Control. In particular, EOS sees a compelling growth opportunity in the counter-drone market for both Remote Weapon Systems and High Energy Laser Weapons. The sale of EM Solutions is expected to provide EOS with the funding flexibility to more fully pursue these growth opportunities.

EOS CEO and Managing Director, Andreas Schwer said *"The Proposed Transaction clearly demonstrates EOS' strategic focus and determination to succeed in the rapidly evolving and growing counter-drone market. We had strong interest from the market in the EM Solutions business, and by releasing capital at this time, we are very well placed to execute our EOS growth strategy. We will continue to deploy capital in a disciplined way. Given the AUKUS partnership, we believe that Cohort is the ideal owner for EM Solutions."*



EM Solutions

EM Solutions, based in Brisbane, Australia was acquired by EOS in 2019 in a scrip-based transaction which valued EM Solutions at approximately \$26 million. EM Solutions designs, builds, deploys and maintains on-the-move satellite communication equipment systems for defence forces. It has operated predominantly as a stand-alone business.

The 2019 acquisition of EM Solutions was intended to support the EOS SpaceLink venture which EOS terminated in 2022. While an attractive, growing and profitable business, EM Solutions has become non-core to EOS' current growth strategy, which is focussed on counter-drone systems. Accordingly, the Board has determined that EM Solutions future success and growth prospects will likely be more fully realised under Cohort's ownership.

Cohort

Cohort is a UK-based, AIM listed company that supports entrepreneurial businesses to grow and innovate in defence technology, products and services. It is the parent company of six businesses that provide technology-based services and products for international defence and security customers in government and industry.

Completion of the Proposed Transaction will automatically trigger the repayment of EOS' outstanding debt facility with Washington H. Soul Pattinson and Company Limited ("WHSP") in full (which EOS would otherwise have repaid from organic cashflows upon maturity in October 2025). The total amount to be repaid to WHSP (including future monthly interest amounts) is currently \$64.4m.

Following this repayment, EOS will have no borrowings and have the balance sheet strength to support future growth.

In addition, it is anticipated that capital gains tax generated by the Proposed Transaction will be largely offset by existing tax losses in the EOS group.

The Proposed Transaction is subject to satisfaction of conditions customary for a transaction of this nature including counterparties under certain material contracts providing consents, waivers or amendments in connection with the Proposed Transaction and the non-occurrence of any material adverse changes.

Given FIRB approval has been obtained by Cohort for the Proposed Transaction, completion is expected within six months.

The Proposed Transaction will not result in any change to EOS' remaining business operations.



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Questions relating to this announcement can be posted on our Investor Hub at the link below:

<https://investorhub.eos-aus.com/link/4r8aGP>

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products include next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

Space Systems includes all EOS space and communications businesses, and operates as two entities – Space Technologies and EM Solutions. Space Technologies specialises in applying EOS-developed optical sensors and effectors to detect, track and characterise objects in space. It includes capabilities in the domain of space control and space warfare. EM Solutions delivers world-leading RF and optical space communications technology. Its core product range centres around the development and production of high-end, broadband radio transceivers for satellite communications as well as satellite communications-on-the-move terminals for defence and government customers.

This announcement may contain certain "forward-looking statements" including statements regarding EOS' intent, belief or current expectations with respect to EOS' business and operations, market conditions, results of operations, financial condition, and risk management practices. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position and performance, establishment costs and capital requirements are also forward-looking statements. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement may contain such statements that are subject to risk factors associated with an investment in EOS. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of EOS to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement.