

ASX Announcement
28 APRIL 2021

Ai-Media to acquire US-based captioning technology leader, raise A\$40m through underwritten equity raise

Highlights

- **Binding agreement to acquire EEG Enterprises, Inc. (“EEG”), a market-leading US-based video and captioning technology company, for up to US\$34m in cash and Ai-Media shares**
- **Transaction cements Ai-Media as a leading global live captioning, transcription and translation technology company**
- **Acquisition fully funded by a A\$40 million Placement and Entitlement Offer that also provides balance sheet flexibility and scope for growth initiatives**
- **Ai-Media has worked closely with EEG for more than five years and is a reseller of its products outside North America**
- **EEG has achieved EBITDA margins of approximately 40 per cent and a three-year revenue CAGR of 17 per cent, with the majority of revenue in SaaS and IaaS¹**
- **Following completion of the transaction, the combined entity is expected to be EBITDA positive (net of transaction and capital raising costs) and have A\$8.9m in cash**
- **Transaction further grows Ai-Media's North American business, offering a highly complementary customer, product, industry and geographical fit**
- **EEG's ASR technology builds out Ai-Media product suite, complementing its premium human-curated services and newly launched Smart ASR™**
- **EEG's experienced management team retained, strengthening Ai-Media's US and global leadership team**
- **Ai-Media reaffirms FY21 prospectus forecasts, excluding impact of transaction and capital raising**
- **Combined pro forma Ai-Media (including EEG) FY21 revenues are estimated at A\$57 million and normalised EBITDA at a loss of (\$0.2 million)**

Access Innovation Holdings Limited (**Ai-Media** or **Company**) (**ASX: AIM**), a global provider of technology-driven live and recorded captioning, transcription and translation services, is pleased to announce that it has entered into a binding agreement to acquire 100 per cent of the shares in EEG Enterprises, Inc. (**EEG**) for up to US\$34.0 million in cash, Ai-Media shares and potential earn-outs (**Acquisition**).

The acquisition of EEG, a leading North American provider of captioning technology, will establish Ai-Media as a vertically integrated provider of captioning technology, with a full suite of products to match customer requirements. The acquisition will be immediately earnings accretive on an EBITDA basis, while significantly increasing recurring revenue streams and delivering Ai-Media new growth opportunities, particularly in the crucial North American market.

¹ Software as a Service; Infrastructure as a Service

The Acquisition consideration is structured as follows:

- an initial cash payment of US\$20.0 million on completion;
- US\$10.0 million in Ai-Media shares, pending shareholder approval at an Extraordinary General Meeting to be held in June 2021; and
- an earn-out payment of up to US\$4.0 million subject to EEG achieving revenue and margin growth rate hurdles, payable in cash following the release of Ai-Media's FY22 financial results.

The Acquisition will be fully funded by an equity raising of A\$40.0 million, comprising an underwritten institutional placement of A\$20.0 million and an underwritten accelerated renounceable entitlement offer (without retail rights trading) of A\$20.0 million at a ratio of 1 new share for every 5.79 existing shares held by eligible shareholders on the record date (**Equity Raising**). The Equity Raising will be conducted at an offer price of A\$0.80 per share, which represents a 14 per cent discount to Ai-Media's last closing price and a 10.8 per cent discount to the Theoretical Ex-Rights Price² ("TERP")³.

It is anticipated that the Equity Raising will be completed by 27 May 2021. The Acquisition will complete at the time that Ai-Media pays the cash consideration of US\$20.0 million to the EEG vendor (which it has 45 business days from the date of the Acquisition agreement to do). Ai-Media intends to pay the cash consideration and complete the Acquisition immediately on receipt of funds from the Institutional Entitlement Offer and Placement.

Ai-Media Co-founder and Chief Executive Officer Tony Abrahams said the acquisition of EEG represented a step change for Ai-Media, significantly strengthening its technology portfolio and opening up growth opportunities in new markets.

"Over four decades, EEG has established itself as the market-leading provider of video and captioning services in North America, serving major enterprise, government, defence and broadcast media clients. EEG's on-premises and cloud-based technology perfectly rounds out Ai-Media's live captioning product suite, complementing our premium human-curated service and our recently launched Smart ASR product to enable us to meet any customer requirement. We're delighted to welcome Phil and the entire EEG team to Ai-Media and look forward to working with them to take advantage of the growth opportunities presented by the alignment of two businesses with highly complementary products and customers and a culture of success."

EEG Chief Executive Officer Phil McLaughlin said: "Working with Ai-Media over the past five years, we have come to recognise our shared values in terms of developing proprietary technology and delivering the best products, services and support for customers. EEG and Ai-Media's technology suites are entirely complementary, allowing us to meet the full range of customer requirements. We're excited about the growth potential of the combined business and look forward to being part of this next chapter in our company's history."

The Acquisition

Established to serve the television broadcast industry in 1981, EEG is today a market-leading US-based video technology company with a focus on cloud-based workflow products for closed captioning, accessibility and data processing applications.

² Theoretical ex-rights price ("TERP") includes shares issued under the Placement, Institutional Entitlement Offer and Retail Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Ai-Media shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP. TERP has been calculated as: (existing market capitalisation of Ai-Media plus additional equity raised) / total shares on issue following the Equity Raising.

³ At 27 April 2021, Ai-Media's last closing price was A\$0.93 per share and the TERP is A\$0.90 per share.

EEG's software and equipment support transcription applications in broadcasting, video post-production, streaming media, stadiums, government and education. It has 660 active customers, more than double its level in 2016, across the following three key cohorts: enterprise, including five of the top 10 largest companies by market capitalisation on the NASDAQ; government and defence, including US State and Federal bodies and defence organisations; and broadcast and media, including major US and global media companies.

EEG derives its revenue from customer subscriptions, infrastructure sales and rentals, with more than half generated through recurring SaaS and IaaS streams. It has three principal product categories:

- **Lexi:** EEG's flagship SaaS product is a cloud-hosted and on-premises automatic speech recognition (**ASR**) and captioning platform that delivers more than 90 per cent accuracy in English and Spanish based on a self-learning algorithmic structure;
- **Falcon, iCap Alta:** Cloud-hosted infrastructure (IaaS) that provides video caption encoding for live broadcast and live enterprise applications; and
- **iCap Local, iCap Encoder:** On-premises video caption encoding for live broadcast and live entertainment applications, delivered via outright purchase or rental agreements.

For FY21, EEG is expected to deliver pro forma revenue⁴ of \$US8.9 million and EBITDA of \$US3.3 million.

With a relationship established over the past five years, EEG and Ai-Media share a strong cultural alignment with a focus on high-quality customer service and proprietary technology.

EEG's ASR technology, which uses self-learning algorithms to provide captioning with significantly greater accuracy and confidence than off-the-shelf ASR products, will complement Ai-Media's existing technologies, and has been developed in-house over the past two decades.

Ai-Media's tiered live captioning services will range from its premium human-curated service, which offers world-leading levels of accuracy, its new Smart ASR product, which combines artificial intelligence and machine learning automation with a final layer of human-curated session-specific custom ASR dictionaries, to EEG's fully automated products.

Ai-Media believes the Acquisition opens up significant opportunities to up-sell and cross-sell products and services to a wider customer group, in particular in the North American market, where EEG generates 95 per cent of its revenue and where Ai-Media is delivering strong growth through acquisitions and major customer wins.

EEG represents Ai-Media's fourth acquisition of a US-based entity in the past 12 months, following the successful integration of ACS in calendar year 2020 and the acquisition in January 2021 of Caption IT and CaptionAccess.

Following completion of the Acquisition and Equity Raising, it is anticipated that the combined entity will be immediately EBITDA positive and will have A\$8.9 million of cash available, providing balance sheet flexibility and scope to fund future growth initiatives.

Excluding the impact of the Acquisition and Equity Raising, Ai-Media reaffirms its FY21 prospectus forecast, including Services revenue of A\$43.8 million, gross profit of A\$18.1 million and pro forma EBITDA loss of (A\$4.8 million). The completion of the acquisitions of

⁴ Adjusted for IFRS

Caption IT and CaptionAccess provides upside to this forecast, with revenue of US\$1.1 million expected from these businesses in the second half of FY21.

Ai-Media achieved EBITDA break even in the month of March. On a pro forma basis, the combined entity, including EEG, is forecast to deliver FY21 revenues of approximately A\$57 million and a normalised EBITDA loss of approximately (A\$0.2 million).

Under the terms of Acquisition, Ai-Media will issue to the vendors approximately 14.6 million shares at an effective issue price of A\$0.876 per share (**Consideration Shares**), subject to shareholder approval at an Extraordinary General Meeting to be held in mid-June 2021. The Consideration Shares will be subject to voluntary escrow, with one third to be released on every anniversary of the issue date. A Notice of Meeting for the EGM will be despatched to shareholders shortly.

The Equity Raising

The Equity Raising will raise A\$40 million via the issue of new, fully paid ordinary shares ("**New Shares**") and is fully underwritten. It will be conducted via:

- an institutional placement of A\$20 million ("**Placement**"); and
- an accelerated renounceable entitlement offer (without retail rights trading) of A\$20 million ("**Entitlement Offer**") at a ratio of 1 New Share for every 5.79 existing shares held by eligible shareholders at the record date of 7pm (Sydney time) on 30 April 2021.

The Entitlement Offer comprises an accelerated institutional component ("**Institutional Entitlement Offer**") and a retail component ("**Retail Entitlement Offer**").

The offer price for the Placement and the Entitlement Offer is A\$0.80 per New Share ("**Offer Price**"), representing:

- a 14 per cent discount to the closing price of AIM shares on ASX of A\$0.93 on 27 April 2021; and
- a 10.8 per cent discount to the TERP of A\$0.90.

The Equity Raising will result in the issue of 50 million New Shares, representing approximately 34.5 per cent of Ai-Media's existing shares on issue. The New Shares will rank equally with existing Ai-Media shares as at their date of issue.

Bell Potter Securities Limited and Morgans Corporate Limited are Joint Lead Managers and Underwriters to the Capital Raising. The Placement and Entitlement Offer are fully underwritten by the Joint Lead Managers.

The Entitlement Offer is renounceable, however there will be no ASX trading of the rights and the rights are not transferable. Any rights not taken up in either the Institutional Entitlement Offer or the Retail Entitlement Offer will be sold via a bookbuild at the completion of each component of the Entitlement Offer, or subscribed for by the Joint Lead Managers. If the price of the rights and underlying New Shares offered for sale in the bookbuilds clears at a price above the Offer Price, the net proceeds will be remitted to ineligible and renouncing shareholders.

Placement

The New Shares offered under the Placement will be issued at the same price as New Shares issued under the Entitlement Offer (A\$0.80 per New Share).

The Placement is being undertaken utilising the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will take place on Wednesday 28 April 2021.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their entitlements. Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Thursday 29 April 2021 and any proceeds in excess of the Offer Price will be paid to the relevant Ai-Media shareholders (net of any withholding tax and expenses).

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), 30 April 2021, will be entitled to participate in the Retail Entitlement Offer at the same Offer Price as the Institutional Entitlement Offer and Placement (A\$0.80 per New Share), on the terms and conditions outlined in the Retail Offer Booklet to be sent to eligible retail shareholders on 5 May 2021.

Eligible retail shareholders have two options under the Retail Entitlement Offer:

- elect to take up all or part of their entitlements by the Retail Entitlement Offer closing date of 5:00pm (Sydney time) on Friday, 14 May 2021; or
- do nothing and let their entitlements be offered for sale through the retail shortfall bookbuild process managed by the Joint Lead Managers, with any proceeds in excess of the Offer Price paid to the relevant Ai-Media shareholders (net of any withholding tax and expenses).

Entitlements that would otherwise be offered to ineligible retail shareholders will be sold through a retail shortfall bookbuild on Friday, 21 May 2021 and any proceeds in excess of the Offer Price will be paid to the relevant Ai-Media shareholders (net of any withholding tax and expenses).

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Retail Offer Booklet.

Equity Raising indicative timetable

Event	Date (2021) ⁽¹⁾
Announcement of Offer (in trading halt)	Wednesday, 28 April
Placement and Institutional Entitlement Offer opens	Wednesday, 28 April
Placement and Institutional Entitlement Offer closes	Wednesday, 28 April
Institutional Entitlement Offer shortfall bookbuild	Thursday, 29 April
Trading halt lifted and announcement of results of Institutional Entitlement Offer	Friday, 30 April
Record date for Retail Entitlement Offer (7:00pm Sydney time)	Friday, 30 April
Retail Entitlement Offer opens	Wednesday, 5 May
Retail Offer booklet dispatched	Wednesday, 5 May
Settlement of Placement, Institutional Entitlement Offer and Institutional Entitlement Offer shortfall	Friday, 7 May
Allotment date and normal trading of New Shares issued under the Institutional Entitlement Offer and Institutional Entitlement Offer shortfall	Monday, 10 May
Retail Entitlement Offer closes (5:00pm Sydney time)	Friday, 14 May
Announcement of results of the Retail Entitlement Offer	Wednesday, 19 May
Retail Entitlement Offer shortfall bookbuild	Friday, 21 May
Announcement of results of Retail Entitlement Offer shortfall bookbuild	Monday, 24 May
Settlement of Retail Entitlement Offer and Retail Entitlement Offer shortfall	Tuesday, 25 May
Allotment of New Shares and Additional New Shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall	Wednesday, 26 May
New Shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall commence trading on ASX	Thursday, 27 May
Dispatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall	Thursday, 27 May
General Meeting of Shareholders to approve the issue of Consideration Shares to the EEG vendor	mid-June

(1) The above timetable is indicative and subject to variation. Ai-Media reserves the right to withdraw or amend the Equity Raising (or any part of it) or alter the timetable at its absolute discretion and without notice, subject to ASX Listing Rules, the Corporations Act and other applicable law. All dates and times refer to Sydney, Australia time.

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Market Briefing

Ai-Media will conduct a market briefing at 11:30am (Sydney time) today, 28 April 2021.

Webinar

Join Link: <https://publish.viostream.com/app/s-dfpub3k>

ENDS

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This ASX announcement was authorised for release by Ai-Media's Board of Directors

About Ai-Media

Founded in Australia in 2003, technology company Ai-Media has become a global leader in the provision of high-quality live and recorded captioning, transcription and translation services. Its technology platform combines artificial intelligence and human expertise to deliver speech-to-text accuracy. The company is the biggest captioning provider in the Australian market, with clients including major free-to-air and pay television networks, and has a growing international footprint, with offices in Australia, the US, UK and Canada. Globally, it provides captioning for around 1 million minutes of live and recorded media content, and online events and web streams, every month. Ai-Media (ASX:AIM) commenced trading on the ASX on 15 September 2020.

For more information on Ai-Media please visit <https://www.ai-media.tv/>

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Forward-looking statements and forecasts

This announcement contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Such forward-looking statements include statements regarding the timetable, conduct and outcome of the Equity Raising and the use of proceeds thereof, statements about the plans, objectives and strategies of the management of Ai-Media, statements about the industry and the markets in which Ai-Media operates and statements about the future performance of the Ai-Media businesses. Indications of, and guidance or outlook on, future earnings or financial position or performance, future earnings and distributions are also forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Ai-Media group, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of Ai-Media's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Ai-Media's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise. Refer to the "Appendix A - Key Risks" section of the Investor Presentation released on ASX on 28 April 2021 for a non-exhaustive summary of certain key business, offer and general risk factors that may affect the Ai-Media group.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID19, the global economic environment and capital market conditions and other risk factors set out in the Investor Presentation. Investors should consider the forward-looking statements

contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to Ai-Media as at the date of this announcement.

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