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**25 January 2017**

**Audioboom Group plc**
("Audioboom" or the "Company")

**Acquisition of NLP and AI development company SONR News Limited ("SONR")**

**Issue of £1m convertible loan note**

Audioboom, the leading spoken word audio on-demand platform for hosting, distributing and monetising content, has entered into a conditional sale and purchase agreement to acquire the Neuro-linguistic Programming ('NLP') and Artificial Intelligence ('AI') development company, SONR. The consideration for the acquisition will be approximately £1.42 million, to be satisfied by the issue of shares in Audioboom at an equivalent of 2.5p per share.

A new £1m convertible loan note has been issued to support the working capital requirements of the combined Audioboom group and SONR businesses.

The global spend on radio advertising is around US$19 billion (source: WPP & IAB research). By the end of 2017, it is estimated that 40% of audio will be consumed digitally (source: Edison & NPR research), creating a potential digital audio advertising market worth US$7.6 billion. Access to this nascent, fast growing market is being hampered by a lack of technology that is fit for purpose; advertising agencies are suffering from a lack of real time data to inform their programmatic buying platforms.

SONR is developing algorithms which will allow Audioboom to accelerate the creation and phased introduction of industry leading, plug-in, intelligent data management platforms that will better inform programmatic ad-serving solutions and audio recommendation engines over the next 12 months.

SONR's algorithms are currently capable of generating vast numbers of audience specific data-points and future development plans will see these algorithms being developed specifically for brand advertising targeting. The Board believes that this, combined with the further development and integration of audio to text transcription technologies, will allow Audioboom to build ad-server solutions and, ultimately, a proprietary ad-server that will facilitate programmatic ad placement in the digital audio space through targeted advertising in scale.

SONR also has a suite of proprietary social media search and discovery products, which the Board believes will further enhance Audioboom's syndication and distribution of audio to its target consumer users, with the aim of increasing user engagement and raising CPM (cost per thousand listens that advertisers pay) rates.

In addition, Audioboom has issued a £1,000,000 convertible loan note to Candy Ventures SARL (an investment vehicle controlled by Nick Candy). The loan note can be drawn down before 30 June 2017, attracts interest at a rate of 10% per annum which is payable on the redemption, repayment or conversion of the loan notes and is convertible into ordinary shares in the Company at 2.5p per share or, if lower, a 20% discount to the price of any future funding round of the Company greater than £2 million (subject to a minimum price of 1.75p per share). The loan note will be used to fund the working capital requirements of the Audioboom group and SONR businesses. Taking account of the full proceeds of the convertible loan note, the Company will have cash, or cash equivalents, of approximately £1.31 million. The Board has previously stated that it is targeting positive cash-flow in Q1 2018 and it will consider further financing options this year to fund it through to that breakeven cash position.

**Rob Proctor, CEO of Audioboom, said:**

*"We believe that the acquisition of SONR is a true game changer, enabling a step-change in our technical development capabilities. NLP and AI are set to affect all key elements of the digital industry and, therefore, all of our lives. Audioboom already has first mover advantage in digital audio ad placement. SONR's ground-breaking sentiment and context analysis algorithms will allow us to place Audioboom in the vanguard of this burgeoning market.*

*The continued support of Candy Ventures, via the convertible, demonstrates their confidence in the management's strategy and future plans for the Company. The funds will be used to integrate SONR's leading edge NLP and AI technologies into Audioboom's ad-server solutions and platform and support the working capital requirements of the combined Audioboom and SONR businesses."*

**Acquisition Agreement**

Audioboom has made an offer to the shareholders of SONR to purchase the entire issued share capital of SONR ("Acquisition"). Pursuant to such offer, the holders of 76% of the issued share capital in SONR have entered into a sale and purchase agreement with Audioboom ("Acquisition Agreement").

The Acquisition Agreement is conditional on:

- the offer to purchase the entire issued share capital of SONR being accepted by holders of not less than 90% of the issued share capital of SONR; and
- the receipt of all third party, regulatory or taxation consents, orders, clearances, authorisations or approvals required in connection with the Acquisition or the issue of the Consideration Shares (as defined below).

In the event that these conditions are not satisfied (or, where possible, waived) by 31 March 2017, the Acquisition Agreement will terminate and the Acquisition will not complete.

Upon the acquisition of not less than 90% of the issued share capital of SONR becoming unconditional, Audioboom intends to exercise, if required, the squeeze-out rights available to it under section 979 of the Companies Act 2006 to acquire the remaining balance of the issued share capital of SONR on a compulsory basis.

Subject to adjustment, the aggregate consideration for the Acquisition will be £1,423,455.39 (being an agreed acquisition price of £1.8 million less net liabilities of £376,544.61), which will be satisfied by the allotment and issue of up to 56,938,216 million ordinary shares of no par value each in the capital of Audioboom ("Ordinary Shares") credited as fully paid at 2.5 pence per Ordinary Share ("Consideration Shares"). The Consideration Shares will be allotted and issued following determination of completion accounts. The Consideration Shares, when admitted to trading on AIM, will rank *pari passu* in all respects with Ordinary Shares already in issue.

The Acquisition Agreement provides for a post-completion net tangible asset adjustment in favour of Audioboom. In the event that the net tangible assets are less than the estimated net tangible assets stated in the Acquisition Agreement ("Negative Adjustment Amount"), the consideration payable by Audioboom will be reduced by the Negative Adjustment Amount and the number of Consideration Shares issuable will be reduced accordingly. Except in limited circumstances, each of the recipients of Consideration Shares will not be entitled to dispose of their Consideration Shares for a period of nine months after the date of admission to AIM of the Consideration Shares.

For the 12 month period to 31 December 2015 (the latest date to which statutory accounts have been prepared), SONR recorded a loss after tax of £1,486,383. Its net assets as at that date were £4,347,097.

**Related Party Transaction – Acquisition**

Candy Ventures SARL currently holds approximately 29.5% of the issued share capital of SONR. Candy Ventures SARL is a substantial shareholder of Audioboom, having an interest in approximately 12.7% of the voting rights of Audioboom, and is therefore a related party of Audioboom as defined by the AIM Rules for Companies ("AIM Rules"). Nick Candy (90% shareholder of Candy Ventures SARL) is also considered to be a related party of Audioboom by reason of his shareholding in Candy Ventures SARL and because of his having been a director of Audioboom within the twelve month period preceding the date of entry into the Acquisition Agreement. Steven Smith, a director of the Company, is also a director and 10% shareholder of Candy Ventures SARL and accordingly he too is a related party of Audioboom.

Robert Proctor, Chief Executive Officer of the Company, is also deemed to be a related party of Audioboom by reason of his previous material shareholding in SONR which was transferred to Candy Ventures SARL on 3 August 2016 for nominal consideration. In addition, Amanda Brown, director of SONR, is also deemed to be a related party of Audioboom by reason of her being an associate of Robert Proctor.

As such, the Acquisition constitutes a related party transaction pursuant to AIM Rule 13. The directors of Audioboom (with the exception of Robert Proctor and Steven Smith) consider, having consulted with Audioboom's nominated adviser, Liberum Capital Limited, that the terms of the Acquisition Agreement and the Acquisition are fair and reasonable insofar as Audioboom's shareholders are concerned.

**Loan Note Instrument**

In order to fund the working capital requirements of the combined Audioboom group and SONR businesses, Candy Ventures SARL ("Noteholder") has agreed to subscribe for up to £1,000,000 convertible loan notes ("Convertible Loan Notes") which have been created pursuant to a loan note instrument ("Instrument"). The Convertible Loan Notes attract interest at a rate of 10% per annum which is payable on the redemption, repayment or conversion of the Convertible Loan Notes. The Convertible Loan Notes will be secured by a debenture over all the undertaking and assets of Audioboom ("Debenture"). The Convertible Loan Notes are convertible at the conversion price (as detailed below) in whole (but not part) into fully paid Ordinary Shares:

- at the election of the Noteholder at any time; and
- at the election of Audioboom on or at any time after the completion of the fundraising next following the date of the Instrument pursuant to which Audioboom raises over £2,000,000 in one transaction from the issue of Ordinary Shares to any person(s) (excluding the conversion of any Convertible Loan Notes into Ordinary Shares) ("Relevant Fundraising").

The conversion price will be the lower of:

- 2.5p; and
- (if applicable) a price equivalent to 80% of the price at which Ordinary Shares are issued to investors pursuant to a Relevant Fundraising, subject to a floor price of 1.75p.

Pursuant to the terms of the Instrument the Noteholder will subscribe for £400,000 of Convertible Loan Notes on the date of the Instrument and the Company may require the Noteholder to subscribe for:

- a further £400,000 of Convertible Loan Notes not earlier than 30 days from the date of the Instrument; and
- a further £200,000 of Convertible Loan Notes not earlier than 60 days from the date of the Instrument,

providing that the Noteholder will not be required to subscribe for any Convertible Loan Notes after 30 June 2017.

The obligation of the Noteholder to subscribe for the Convertible Loan Notes is subject to there being no event of default having occurred, and which is continuing, on the due date for payment of any subscription for Convertible Loan Notes. The Noteholder's conversion rights are limited to the extent that the Company has adequate shareholder authority to convert.

Unless the Noteholder has given prior notice to convert, the Convertible Loan Notes will be repaid immediately prior to the acceptance of an offer or the making of an agreement pursuant to which any person or those acting in concert is or becomes bound to acquire the whole of the ordinary share capital of Audioboom or a controlling interest in the share capital of Audioboom. For these purposes a controlling interest means shares conferring in the aggregate 50% or more of the total voting rights conferred by all the shares in the capital of Audioboom in issue and conferring the right to vote at all general meetings of Audioboom.

Unless previously repaid or converted the Convertible Loan Notes will be redeemed at par by Audioboom on the date falling two years after the date of the Instrument. In addition, Audioboom has the right to prepay any of the Notes on 5 business days' prior notice in writing to the Noteholder.

**Related Party Transaction – Loan Note Instrument**

Candy Ventures SARL will be the Noteholder.  Candy Ventures SARL is a substantial shareholder of Audioboom, having an interest in approximately 12.7% of the voting rights of Audioboom, and is therefore a related party of Audioboom as defined by the AIM Rules. Nick Candy (90% shareholder of Candy Ventures SARL) is also considered to be a related party of Audioboom by reason of his shareholding in Candy Ventures SARL and because of his having been a director of Audioboom within the twelve month period preceding the date of the Instrument and the Debenture.  Steven Smith, a director of the Company, is also a director and 10% shareholder of Candy Ventures SARL and accordingly he too is a related party of Audioboom.

As such, the Instrument and the Debenture constitute related party transactions pursuant to AIM Rule 13. The directors of Audioboom (with the exception of Steven Smith and, given his interest in the Acquisition, Robert Proctor) consider, having consulted with Audioboom's nominated adviser, Liberum Capital Limited, that the terms of the Instrument and the Debenture are fair and reasonable insofar as Audioboom's shareholders are concerned.

**Enquiries:**


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**About Audioboom**

Audioboom is the leading spoken-word audio platform for hosting, distributing and monetising content.

Audioboom works with more than 3,000 active broadcasters, content creators and podcasters around the world - including Cumulus, the BBC, NewsCorp, Associated Press, NBC Sports Radio, Undisclosed and Global - hosting approximately 9,500 content channels.

Audioboom's hosting and distribution platform allows partners to embed, share via social channels and re-syndicate their content. Audioboom content receives more than 40m unique file requests per month, and growing. Additionally, Audioboom works with its partners to monetise their audio via live in-reads, the dynamic insertion of pre and post roll audio adverts, and video ads.