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ASX ANNOUNCEMENT

29th November 2017

APPEN TO ACQUIRE LEAPFORCE AND LAUNCH CAPITAL RAISING

Appen Limited ("**Appen**") (**ASX:APX**) a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence, has today executed binding agreements to acquire Leapforce for a total consideration of US$80.0 million[1] (A$105.3 million[2]).

Highlights

- Appen to acquire Leapforce, Inc. and RaterLabs, Inc. (together "**Leapforce**") for US$80.0 million[1] (the "**Acquisition**")
- Leapforce was founded in 2008, is based in California, and specialises in search relevance with a highly automated, proprietary end-to-end technology platform
- The Acquisition adds scale and scope to Appen to enable greater participation in the dynamic and high growth artificial intelligence market
- The transaction establishes Appen as the world's leading provider of search relevance services
- The integration of Leapforce's technology platform, the combined crowd of over 1 million workers and the creation of the larger business will enable automation, scalability and efficiency improvements for greater quality, responsiveness and value to customers worldwide
- The Acquisition is expected to be at least 35% EPS accretive on an underlying basis (pre synergies, expensed transaction costs and share based payments)
- Appen will fund the Acquisition plus transaction fees and working capital via shares issued to the Leapforce vendors of US$16.0 million, new debt facilities of approximately A$72.6 million[2], existing cash reserves of A$5.0 million, a fully underwritten placement of A$25.0 million and a Share Purchase Plan of A$5.0 million
- Completion is expected to occur on or around 7 December 2017, subject to the satisfaction of customary conditions precedent

1 The final purchase price will be adjusted for certain purchase price adjustments (including working capital)

2 Assumes an exchange rate of AU $1.00 = US $0.76

ACQUISITION DETAILS

Overview

Appen has today executed a binding stock purchase agreement ("**SPA**") to acquire 100% of Leapforce for a total consideration of US$80.0 million (A$105.3 million[3]), subject to certain purchase price adjustments at completion (including for working capital).

Founded in 2008, Leapforce specialises in search relevance through a highly automated and proprietary end-to-end technology platform. Leapforce provides services similar and complementary to Appen's Content Relevance division and shares a number of customers. Leapforce leverages an at-home crowd from a database of over 800,000 in over 35 international locations.

For the 12 months ending 31 December 2017, Leapforce is expected to generate US$58.0 million in revenue[4] and US$13.6 million in EBITDA[4].

On completion of the Acquisition, Appen will pay Leapforce a cash consideration of US$64.0 million (A$84.2 million[3]) and issue Appen shares worth US$16.0 million (A$21.1 million[3]), subject to voluntary escrow arrangements, at a price of A$5.66 per share[5] ("**Vendor Shares**"), and subject to certain purchase price adjustments at completion (including for working capital).

Strategic Rationale

The Acquisition adds scale and scope to Appen to enable greater participation in the dynamic and high growth artificial intelligence market, and,

- Establishes Appen as the world's leading provider of search relevance services
- Adds established contracts with leading global technology providers which will improve customer revenue distribution
- The integration of Leapforce's technology platform, the combined crowd of over 1 million workers and the creation of the larger business will enable automation, scalability and efficiency improvements for greater quality, responsiveness and value to customers worldwide
- Significantly expands Appen's on-demand global crowd to provide scale, additional workers and revenue opportunities
- Adds an experienced management team with strong search relevance and systems expertise

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3 Assumes an exchange rate of AU $1.00 = US $0.76

4 Financial information for Leapforce is based on unaudited management accounts

5 Calculated as the 30 day VWAP of Appen shares on ASX prior to the signing of the binding SPA

- Is financially compelling with underlying EPS accretion to Appen shareholders of at least 35% (pre-synergies, expensed transaction costs and share based payments):
    - The Acquisition multiple represents 5.9x FY2017 forecast EBITDA[4] pre-synergies and certain purchase price adjustments (including working capital)
    - The Acquisition will result in a pro forma net debt / pro forma FY2017 EBITDA[6] of approximately 1.1x at completion
    - Appen intends to maintain its dividend policy of a payout ratio between 30% and 50% of NPAT subject to debt repayment and future investment opportunities[7]

Appen CEO Mark Brayan said: "The acquisition of Leapforce is a compelling fit for Appen. The combination adds scale and scope that will help us do more for our customers in the high growth artificial intelligence market. We are impressed with the calibre of Leapforce's people, their strong customer relationships and purpose built technology platform. We are confident the combination will deliver improved customer outcomes, enhanced returns for shareholders and new opportunities for employees."

"Importantly, Daren Jackson, CEO of Leapforce, has agreed to continue his leadership of Leapforce under Appen's ownership. We are pleased to welcome Daren and his team to Appen and look forward to working together to build on the success of both businesses."

Funding

Appen is raising a combination of debt and equity to fully fund the purchase price of US$80.0 million[8] (A$105.3 million[9]), associated transaction fees (A$6.5 million) and working capital movement. The total consideration for the Acquisition is to be funded as follows:

- A$25.0 million by way of a fully underwritten share placement to institutional shareholders at an offer price of $5.80 per new share ("**Placement Price**") ("**Placement**");
- A$5.0 million by way of a fully underwritten Share Purchase Plan (see below for more detail);

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6 Based on the midpoint of Appen's stated FY2017 EBITDA guidance range of 40% to 50% above the prior year's result (at A$1.00 = US$0.79)

7 The payment of a dividend by Appen is at the discretion of the Directors of Appen and will be a function of many factors, including general business conditions, the operating results and financial condition of Appen, future funding requirements, compliance with debt facilities, capital management initiatives and other factors.

8 The final purchase price will be adjusted for certain purchase price adjustments (including working capital)

9 Assumes an exchange rate of AU $1.00 = US $0.76

- A$21.1 million by way of Appen scrip to Leapforce shareholders, subject to voluntary escrow arrangements and performance conditions[10] (at a price per share of A$5.66[11]);
- US$40.0 million draw down of a newly established US$40.0 million senior debt facility, and (A$8.1 million) draw down of a newly established A$20.0 million working capital facility; and
- A$5.0 million from existing cash reserves.

The Placement Price of A$5.80 per new share represents a 0.5% discount to the last close price of A$5.83 on Tuesday, 28 November 2017.

Settlement of new shares issued under the Placement will occur on 6 December 2017, with allotment scheduled for 7 December 2017.

Share Purchase Plan

In addition to the Placement, Appen will conduct a Share Purchase Plan ("**SPP**") to all existing eligible shareholders, offering the opportunity to apply for new Appen shares at the lower of (i) the Placement Price and (ii) the price that is a 2% discount to the VWAP of Appen shares on ASX over the 5 trading days up to, and including, the closing date of the SPP (rounded down to the nearest cent). Under the terms of the SPP, eligible shareholders with a registered address in Australia or New Zealand as at 7:00pm (Sydney time) on 28 November 2017 will be entitled to subscribe for up to $15,000 of Appen shares to raise up to a maximum of A$5.0 million (subject to Appen's discretion to scale back applications).

Further details of the SPP will be despatched to Appen shareholders on or about 4 December 2017.

The Placement and SPP are both fully underwritten by Bell Potter Securities Limited.

Approximately 5.2 million new ordinary shares in Appen are expected to be issued under the Placement and SPP ("**New Shares**"). The New Shares will rank equally with existing ordinary shares.

The Vendor Shares, Placement shares and any SPP shortfall shares will be issued within Appen's existing placement capacity under ASX Listing Rule 7.1.

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10 75% of the Vendor Shares are subject to voluntary escrow arrangements and will be held in a third party escrow account with 40% released on the first anniversary of closing of the Acquisition, 40% on the second anniversary of the closing of the Acquisition and 20% on the third anniversary of the closing of the Acquisition. 25% of the Vendor Shares are contingent and have performance conditions and will be issued once the conditions have been met. 60% of these contingent shares will be issued on the third anniversary of the closing of the Acquisition provided Mr Jackson remains employed by Appen or one of its affiliates at such time or "good leaver" provisions apply. The remaining 40% of these contingent shares will be issued evenly on the first anniversary, second anniversary and third anniversary of closing of the Acquisition subject to the CTO of Leapforce still serving as a full-time employee of Appen or as one of its officers at such time or "good leaver" provisions applying.

11 Calculated as the 30 day VWAP of Appen shares on ASX prior to the signing of the binding SPA.

Indicative Timetable

Event	Date
Trading halt and announcement of the Acquisition, Placement and SPP	Wednesday, 29 November 2017
Placement bookbuild	Wednesday, 29 November - Thursday, 30 November 2017
Trading halt lifted and Appen shares recommence trading on ASX	Friday, 1 December 2017
Record Date for eligible shareholders to subscribe for New Shares via the SPP	7:00pm (Sydney time) Tuesday, 28 November 2017
SPP Booklet despatched to eligible shareholders	Monday, 4 December 2017
SPP opens	Monday, 4 December 2017
Settlement of Placement	Wednesday, 6 December 2017
Allotment of New Shares under the Placement	Thursday, 7 December 2017
SPP closes	5:00pm (Sydney time) Friday, 15 December 2017
Allotment of New Shares issued under the SPP	Thursday, 21 December 2017
Despatch of holding statements in respect of New Shares issued under the SPP	Wednesday, 27 December 2017

*Dates and times above are indicative only and subject to change

Debt Funding

Appen has arranged new debt financing to fund the balance of the purchase price and provide funding capacity for ongoing growth initiatives. The new debt facilities will comprise a US$40.0 million senior debt facility and a A$20.0 million working capital facility. Following completion of the Acquisition, Appen will have pro forma net debt of A$46.9 million[12], which is approximately 1.1x pro forma FY2017 EBITDA[13].

Appen plans to draw down A$60.7 million[12] to fund the Acquisition, leaving headroom of approximately A$11.9 million under the new debt financing arrangements.

12 Assumes an exchange rate of AU $1.00 = US $0.76

13 Based on the midpoint of Appen's stated FY2017 EBITDA guidance range of 40% to 50% above the prior year's result (at A$1.00 = US$0.79)

Appen Trading Update

Appen re-affirms its previously stated FY2017 EBITDA guidance of the upper end of 40% to 50% above the prior year's result, excluding any contribution from Leapforce for the remainder of FY2017.

Additional Information

Further details of the Acquisition are set out in the investor presentation also provided to ASX today. The investor presentation contains important information including the terms and effects of the Acquisition, key risks and foreign selling restrictions with respect to the Placement. Any person considering an investment in Appen should read the investor presentation and seek his or her own independent advice before making any decision in this regard.

Conference call

Investors are invited to join a conference call hosted by Mark Brayan, CEO and Kevin Levine, CFO on Wednesday 29 November at 10:00am Sydney time.

To access the call please use the numbers below:

Conference ID **2591306**

Australia Dial In Numbers:

Toll Free:	1800 123 296
Toll:	+61 2 8038 5221

International Dial In Numbers:

Canada:	1855 5616 766
China:	4001 203 085
Hong Kong:	800 908 865
India:	1800 3010 6141
Japan:	0120 477 087
New Zealand:	0800 452 782
Singapore:	800 616 2288
United Kingdom:	0808 234 0757
United States:	1855 293 1544

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About Appen

Appen is a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence. Appen brings over 20 years of experience collecting and enriching a wide variety of data types including speech, text, image and video. With deep expertise in more than 180 languages and access to a global crowd of over 400,000 skilled contractors, Appen partners with leading technology, automotive and eCommerce companies - as well as governments worldwide - to help them develop, enhance and use products that rely on natural languages and machine learning.

About Leapforce

Leapforce empowers data scientists to build awesome machine learning and artificial intelligence algorithms using our global network of highly-skilled data analysts. Leapforce provides human evaluation and annotation of datasets, for use in search, text, image, video and mapping, in over 35 countries, covering more than 28 different languages and locales. Leapforce has a proven track record of delivering high-quality human evaluated datasets to leading technology partners empowering them to build better services and products.