



# Appen Limited

2017 Full Year Results Presentation

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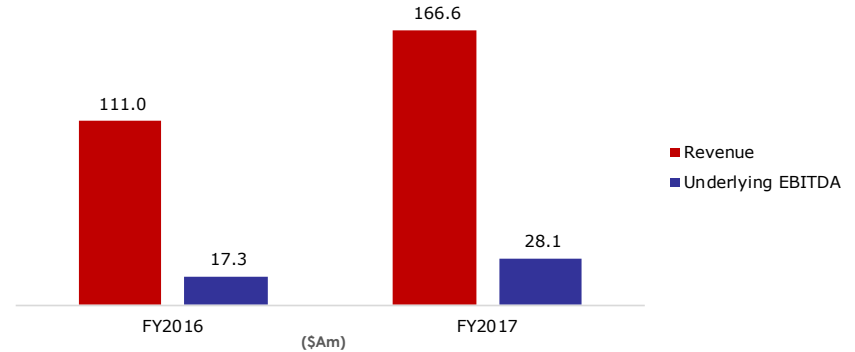
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# Company snapshot

Appen is a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence.

The company has operations in Australia, the US, the UK and the Philippines

Appen's high growth continues in FY 2017



Appen's customers include the world's leading technology companies, automakers and governments

Data is used for machine learning in mobile devices, digital assistants, vehicles, surveillance, search, social media, ecommerce and consumer electronics

Covering over 130 countries and 180 languages

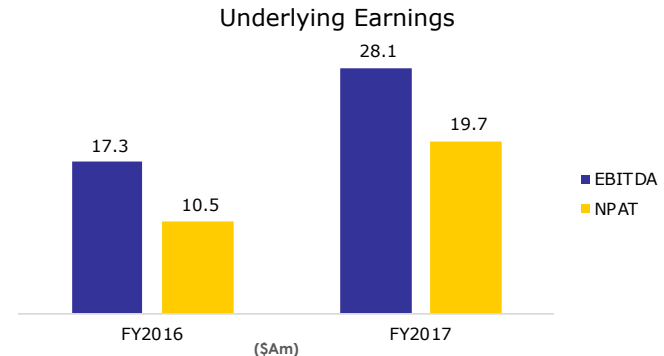
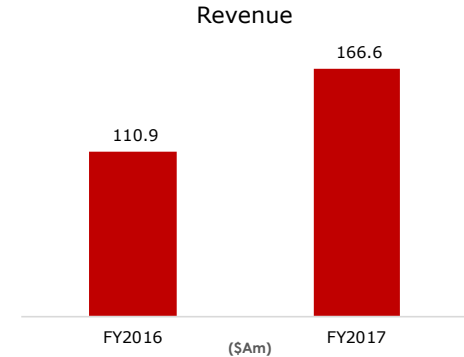
374 full time employees and over 1,000,000 on-demand global crowd<sup>1</sup>

<sup>1</sup>. Figures include Leapforce employees and crowd at 31<sup>st</sup> December 2017

# FY2017 highlights (A\$m)

## High growth continues

- Revenue up 50% to \$166.6M
- Underlying EBITDA of \$28.1M up 62%, statutory EBITDA up 29%<sup>2</sup>
- Underlying NPAT of \$19.7M up 86%, statutory NPAT up 36%<sup>3</sup>
- Underlying EBITDA margin improvement from 15.6% to 16.9%
- Strong cash conversion (74% of EBITDA<sup>4</sup>)
- Full year dividend of 6.0cps, up 20% on 2016
- Acquired Leapforce, >35% expected EPS accretion
- Secure facility implemented and running large scale projects
- New customers and new projects
- Working in multiple data formats: text, audio, image and video



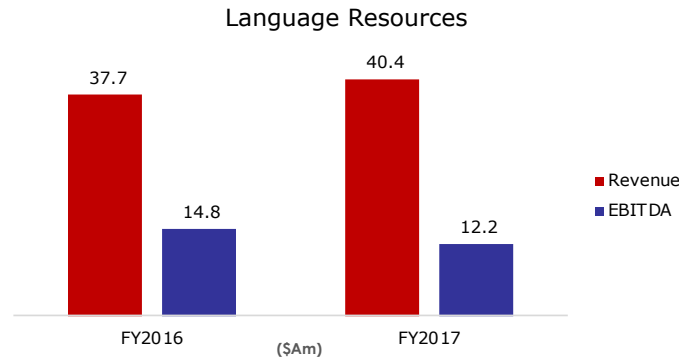
2. Underlying EBITDA excludes transaction costs of \$5.9m from the acquisition of Leapforce. Constant currency underlying EBITDA growth was 73%.

3. Underlying NPAT excludes after tax impact of transaction costs of \$5.5m. Constant currency underlying NPAT growth was 87%.

4. Increase in Leapforce working capital from acquisition date to year end of \$1.1m. Excluding this, cashflow conversion was 78%

# Strong divisional performance (A\$m)

## Language Resources revenue up 7%



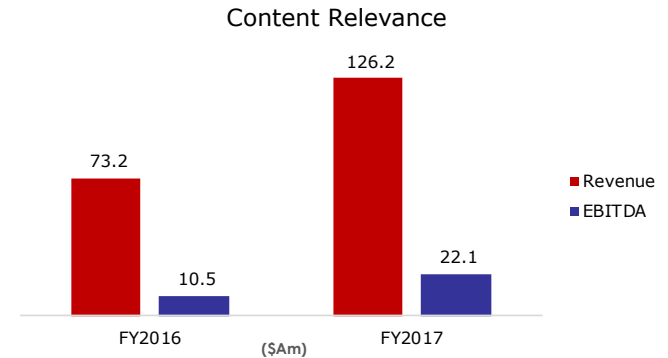
Revenue growth on long-term trend.  
Constant currency revenue up 11%

Secure facility live. Large scale projects.  
Investment impacted divisional margins

Margins high, impacted by investment in  
secure facility, mix of work and client cycles

Long term trends for speech remain strong

## Content Relevance revenue up 72%, EBITDA up 110%<sup>5</sup>



Growing use of machine learning in search and  
social media driving a growing need for data

Growth supported by new projects and  
customer acquisition

Strong operating efficiency aligning with top  
line growth

5. Includes Leapforce contribution since December 2017. Revenue \$6.0m and EBITDA \$1.5m.

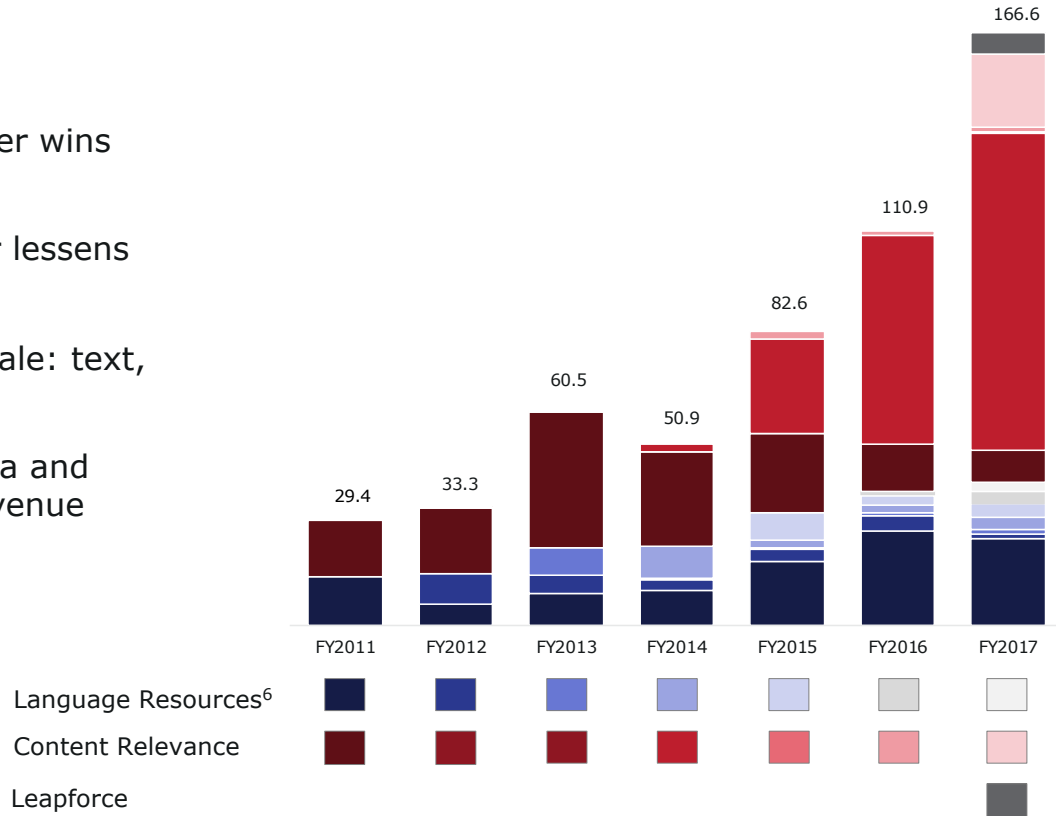
# Long term customer relationships (A\$m)

Leapforce acquisition and new customer wins improve customer distribution

Multiple projects within each customer lessens point dependency

Working in multiple data formats at scale: text, audio, image and video

Quality and importance of Appen's data and services drives growing and repeat revenue



6. Chart shows revenue originating in successive years for each division

# Leapforce acquisition

Acquisition of Leapforce provides concluded in December 2017

Highly automated business through bespoke technology platform. Leapforce FY2017 revenue of \$77M with 20 full time employees

Platform provides foundation for automation to improve scalability and data quality and reduce costs

Also adds customer, expert people and seasoned crowd workers



## Secure data annotation

Secure annotation facility fully implemented

Provides capability to work on confidential projects and/or confidential data

Leverages data security expertise in UK operation

Live, large-scale customer projects underway

## New projects in multiple data formats

Growth in relevance and speech data projects

Projects in other data formats growing rapidly:

- Image data – huge variety of use cases
- Video data
- Multiple text-based projects:
  - Entity tagging
  - Semantic annotation
  - Conversational data
  - Sentiment tagging



# High growth continues (A\$m)

	FY2017	FY2016	% change	% change constant currency
<b>Statutory Results</b>				
Language Resources	40.4	37.7	7%	11%
Content Relevance	120.2	73.2	64%	69%
Leapforce	6.0	-	N/A	N/A
<b>Total Revenue</b>	<b>166.6</b>	<b>111.0</b>	<b>50%</b>	<b>55%</b>
<b>Statutory EBITDA</b>	<b>22.2</b>	<b>17.2</b>	<b>29%</b>	<b>38%</b>
<b>Underlying EBITDA</b>	<b>28.1</b>	<b>17.3</b>	<b>62%</b>	<b>73%</b>
EBITDA Margin	17%	16%		
<b>Statutory NPAT</b>	<b>14.3</b>	<b>10.5</b>	<b>36%</b>	<b>51%</b>
<b>Underlying NPAT</b>	<b>19.7</b>	<b>10.6</b>	<b>86%</b>	<b>87%</b>

## Revenue up 50% on 2016

Revenue growth from current and new projects with existing customers and new customer acquisition

## Underlying EBITDA up 62%

Underlying EBITDA margin improvement from 15.6% to 16.9%

## Underlying NPAT up 86%

Effective tax rate reduced from 34.6% to 29.9%

# Strong Balance Sheet (A\$m)

	FY2017	FY2016
Cash	24.0	16.5
Receivables	42.9	21.9
Other Current Assets	1.2	0.3
Non-Current Assets	119.9	15.3
<b>Total Assets</b>	<b>188.0</b>	<b>54.0</b>
Current Liabilities	24.9	15.4
Non-current Liabilities	69.7	3.2
<b>Total Liabilities</b>	<b>94.6</b>	<b>18.6</b>
<b>Net Assets</b>	<b>93.4</b>	<b>35.4</b>
<b>Total Equity</b>	<b>93.4</b>	<b>35.4</b>

## Strong balance sheet

Increase in cash and receivables relates to increase in revenue volumes and Leapforce acquisition

Non-current assets include Goodwill of \$101M in relation to Leapforce acquisition

Non-current liabilities include \$67.9M of bank debt to finance Leapforce acquisition.

Net debt of \$43.9M is 0.8x – 0.9x FY18 forecast underlying EBITDA

Final dividend of 3.0 cents per share fully franked

Full year dividend of 6.0 cents up 20% from 5.0 cents for 2016

# Strong cash conversion (A\$m)

	FY2017	FY2016
Receipts	157.7	106.8
Payments and other	(136.8)	(90.1)
<b>Cash flow from operations before interest and tax</b>	<b>20.9</b>	<b>16.7</b>
Taxes	(7.5)	(4.1)
<b>Total Cashflow from Operations</b>	<b>13.4</b>	<b>12.7</b>
Cashflows - Investment Activities	(97.6)	(4.6)
Cashflows - Financing Activities	92.8	(4.4)
<b>Net Cashflows for the period</b>	<b>8.6</b>	<b>3.7</b>
Opening cash balances	16.5	12.7
FX Impact	(1.1)	0.1
<b>Closing cash balances</b>	<b>24.0</b>	<b>16.5</b>

## Cash balance increased by \$8.6m (excluding FX impact) over 2016

Cash flow from operations remains strong

Cash balance includes impact of investment in secure annotation facility and cash used to fund Leapforce acquisition

## Strong cash flow conversion

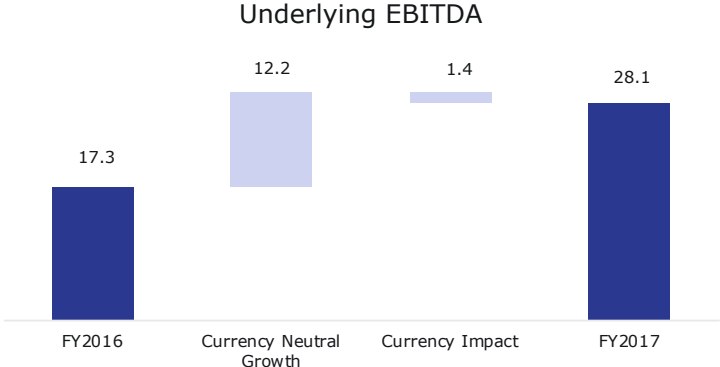
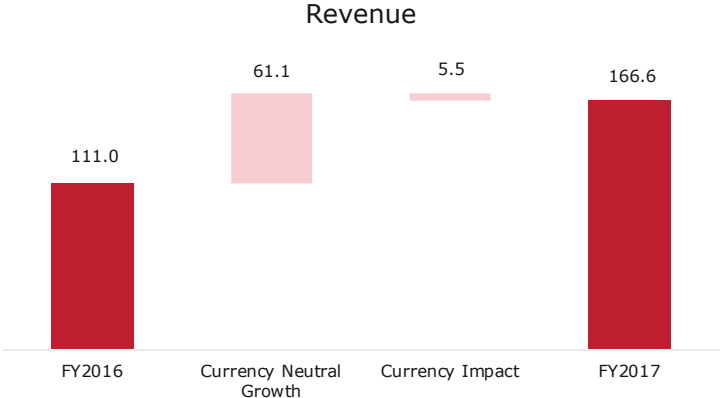
	FY2017	FY2016
<b>Underlying EBITDA</b>	<b>28.1</b>	<b>17.3</b>
<b>Working capital</b>	<b>(7.2)</b>	<b>(0.6)</b>
<b>Cash flow from operations before interest and tax</b>	<b>20.9</b>	<b>16.7</b>

2017 working capital includes increase in Leapforce working capital from acquisition date to year end of \$1.1m. Excluding this, cash conversion is 78%.

# Currency impact (A\$m)

Almost all revenue derived offshore,  
most in USD

Low currency impact in 2017



# AI market and growth strategy

## AI Market

**\$26B to \$39B**

investment in 2016<sup>7</sup>

## Verticals

- Hi tech / telco
- Auto / assembly
- Fin Services
- Retail
- Media / Ent.
- Health Care

## Sales and Marketing

- Continue to provide quality data and service to current tech clients
- Increase focus on strategic markets: Auto, Gov and China
- Invest to enter new verticals

## Technology

- Leverage existing and Leapforce technology to improve scalability, speed and cost of data provision
- Invest in engineering to further improve operational automation and productivity

7. McKinsey Global Institute

# Appen well positioned for growth

## Proven Provider

- Founded in 1996
- Trusted partner to 8 of 10 largest global tech companies
- Covering over 130 countries and 180 languages

## Global presence



## Scalable operations

- 374 full time staff worldwide
- High staff engagement, low turnover
- 1,000,000+ on-demand global crowd
- Providing data for an increasing range of AI applications

# Outlook

Appen is well positioned in a high growth market and is scaling for continued growth and unit cost reductions

Long term customer relationships and new customer and project wins support growth and resilience

YTD revenue plus orders in hand for delivery in 2018 ~\$132M at mid February 2018

The Company's full year underlying EBITDA for the year ending Dec 31<sup>st</sup> 2018, is currently forecast to be in the range \$50M - \$55M (at A\$1 = US\$0.80).

***Outlook susceptible to upside or downside from factors including timing of work from major customers and Australian dollar fluctuations.***



# Thank you

Mark Brayan, CEO [mbryan@appen.com](mailto:mbryan@appen.com)

Kevin Levine, CFO [klevine@appen.com](mailto:klevine@appen.com)

Leanne Ralph, Company Secretary [leanne.ralph@boardworx.net.au](mailto:leanne.ralph@boardworx.net.au)

[appen.com](http://appen.com)

