



Appen Limited

Annual General Meeting

18th May 2018

The forward looking statements included in these materials involve subjective judgement and analysis and are subject to significant uncertainties, risks, contingencies, many of which are outside the control of, and are unknown to Appen Limited. In particular, they speak only as of the date of these materials, they are based on particular events, conditions or circumstances stated in the materials, they assume the success of Appen Limited's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks.

Appen Limited disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of Appen Limited since the date of these materials.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including Appen Limited). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual future events and conditions may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward looking statements.

artificial intelligence

noun

A branch of computer science dealing with the simulation of intelligent behaviour in computers.

The capability of a machine to imitate intelligent human behaviour.

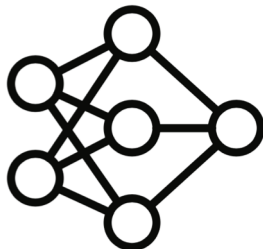
Merriam-Webster

AI learns with data. Lots of it. Continuously

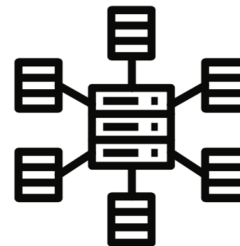
Data



Algorithms



Computing



“A supervised deep-learning algorithm will match or exceed human level performance when trained with a data set containing at least 10 million labelled examples.” ¹

“AI techniques require models to be retrained to match potential changing conditions, so the training data must be refreshed frequently. In one-third of the cases, the model needs to be refreshed at least monthly, and almost one in four cases requires a daily refresh” ²

1. Goodfellow, Bengio and Courville, *Deep Learning*, MIT Press, 2016.

2. McKinsey Global Institute

Appen is a leading global provider of data for AI

Relevance Data

- Data to train AI to provide relevant and personal search results, online ads and news services
- Use cases include search, social media and ecommerce



- Appen has provided more than three billion relevance data points

Speech and Natural Language Data

- Data for speech recognition, speech synthesis and natural language understanding
- Used for personal assistants, chatbots and in-vehicle speech systems



- Appen has delivered over half a million hours of speech data

Image and Video Data

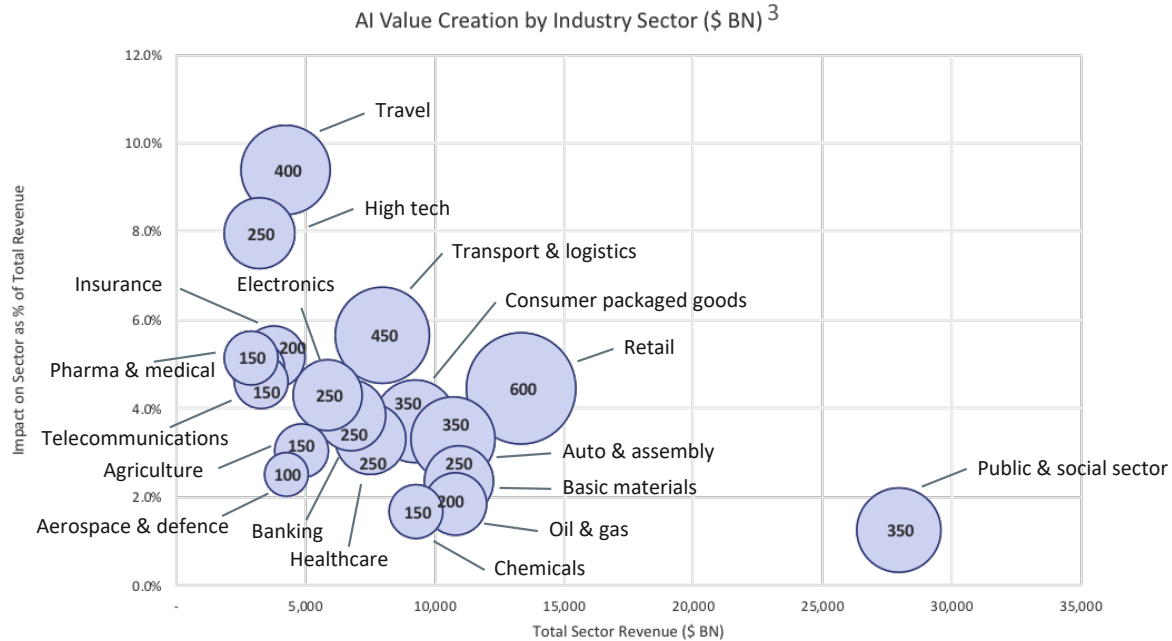
- Image and video data is used to build AI that helps systems and devices 'see' like humans
- Use cases include driverless vehicles, surveillance, medical image diagnosis etc



- Appen is ramping up its image and video data capabilities

The market opportunity is huge

- AI will disrupt every sector
- Total potential value creation by AI is \$3.5 trillion to \$5.8 trillion³



Appen is delivering growth

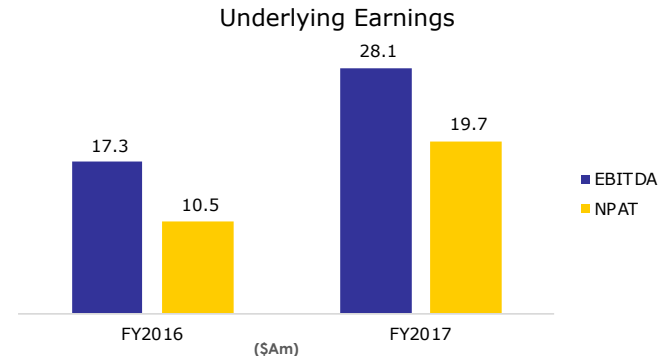
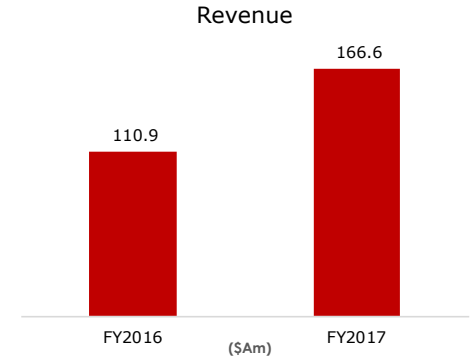
FY2017 Highlights (\$Am) - High growth continues

- Revenue up 50% to \$166.6M
- Underlying EBITDA of \$28.1M up 62%, statutory EBITDA up 29%⁴
- Underlying NPAT of \$19.7M up 86%, statutory NPAT up 36%⁵
- Underlying EBITDA margin improvement from 15.6% to 16.9%
- Strong cash conversion (74% of EBITDA⁶)
- 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

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

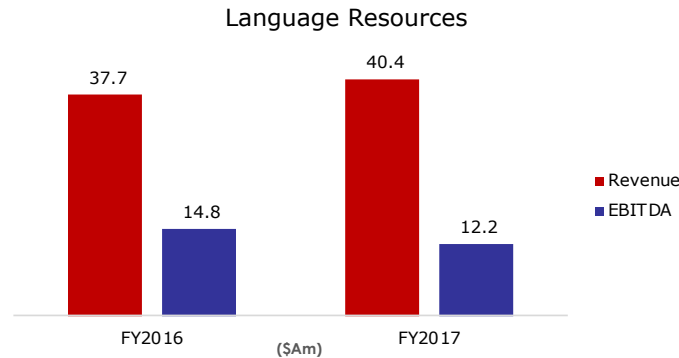
5. Underlying NPAT excludes after tax impact of transaction costs of \$5.5m. Constant currency underlying NPAT growth was 87%.

6. 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.

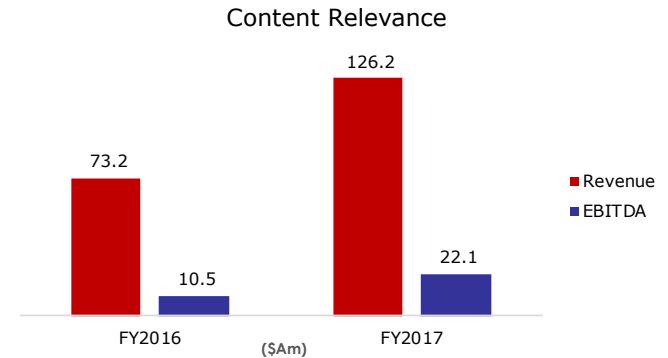
Margins high, impacted by investment in secure facility, mix of work and client cycles

Investing in business development

Long term trends for speech remain strong

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

Content Relevance revenue up 72%, EBITDA up 110%⁷



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

Leapforce acquisition

Acquisition of Leapforce concluded in December 2017

Highly automated business through its own 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 projects, expert people and seasoned crowd workers

Integration underway and progressing to plan



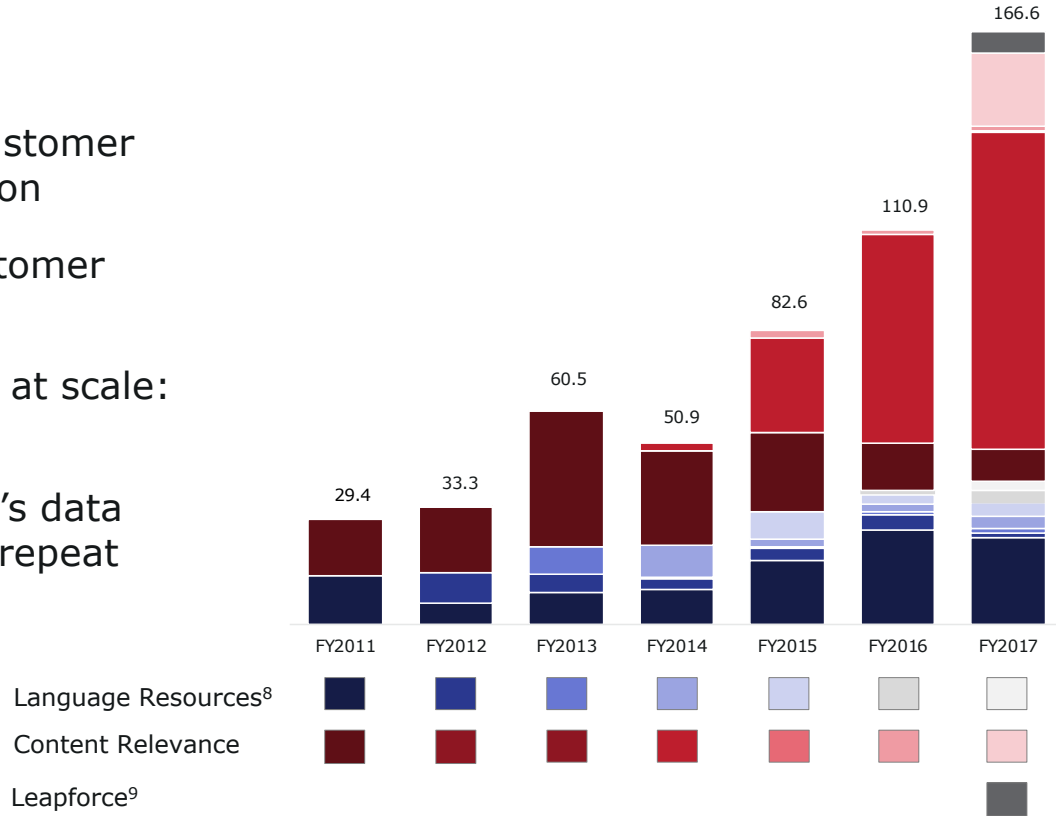
Long term customer relationships (A\$m)

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

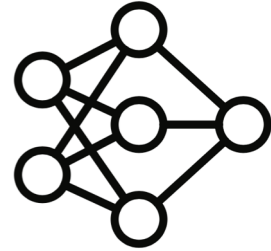


8. Chart shows revenue originating in successive years for each division

9. Includes Leapforce contribution since December 2017.

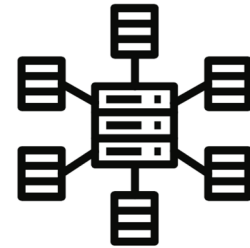
Technology

- Implementing Leapforce's system across Appen to increase productivity and strengthen margins through improvements to productivity and quality
- Investing in Silicon Valley engineering talent to develop advanced, machine learning-based toolsets to streamline and automate data collection and labelling for future margin expansion
- Silicon Valley talent is expensive and in demand. Appen presents an attractive, global opportunity for top talent



Secure data processing

- Increasing demand for secure data handling and processing under GDPR and other regulations
- Data security challenges present opportunities for Appen. Solutions include electronic, HR (background checking etc.) and bricks-and-mortar ('crowd in a room')
- Appen has invested in secure centres of up to 1,000+ seats with various accreditations including ISO 27001 for information security
- Secure data processing and bricks-and-mortar provide Appen with a valuable competitive advantage
- Currently accounted for under Language Resources



Content moderation

- Higher scrutiny on content (e.g. 'fake news') requires better AI for content moderation and placement
- Algorithms require high volumes of data with frequent updates
- Data must be comprehensive and representative to build impartial and fair AI
- Appen works in this area today and is investing in people, systems and infrastructure to support growing customer needs



Management changes



Phil Hall, SVP Language Resources, has retired after 17 years and a superb contribution to Appen



Pablo Grodnitzky, a seasoned high-growth sales executive, previously of Nuance and IBM, to lead Language Resources. Based in Silicon Valley, close to customers



Tammy Garves, SVP Content Relevance, has left Appen to support her family's business. Tammy's leadership over many years contributed to a period of outstanding growth. The search to replace her is well underway

A search is underway for a Silicon Valley-based engineering leader to further develop and deliver technology to support Appen's growth strategy

Corporate Social Responsibility



- Translators Without Borders is a global non-profit organization offering language and translation support for humanitarian and development agencies
- Appen provides translation services for TWB for documentation to help refugees and new arrivals assimilate
- Appen transcribes and translates interviews for TWB to support agencies working with refugees at border crossings

Outlook

Appen is well positioned in a high growth market and is investing in people and technology for continued sales growth and unit cost reductions

Growth investments and mix of work pressuring Language Resources margins

YTD revenue plus orders in hand for delivery in 2018 ~\$190M at end April 2018

The Company's full year underlying EBITDA for the year ending Dec 31st 2018, is trending to the upper end of \$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

Kevin Levine, CFO klevine@appen.com

Leanne Ralph, Company Secretary leanne.ralph@boardworx.net.au

