



Appen Limited

2018 First Half Results Presentation

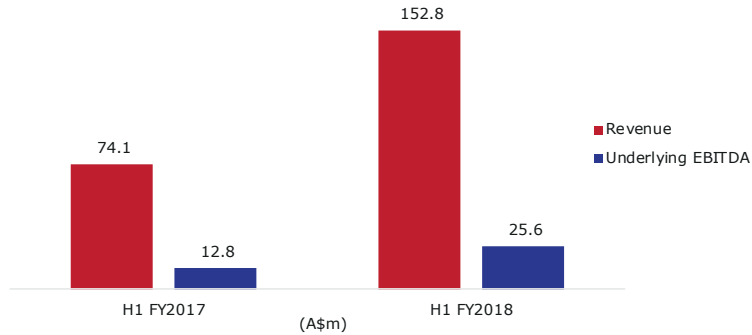
The forward looking statements included in these materials involve subjective judgement and analysis and are subject to significant uncertainties, risks, contingencies, many of which are outside the control of, and are unknown to Appen Limited. In particular, they speak only as of the date of these materials, 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.

Company snapshot

Appen maintains its high growth trajectory



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

Covering over 130 countries and 180 languages

394 full time employees and over 1,000,000 on-demand global crowd

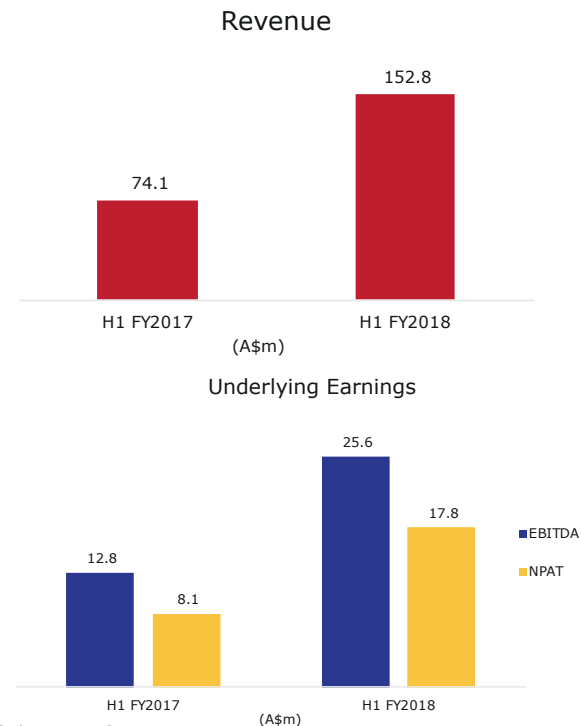
Appen is a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence

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



Appen maintains its high growth trajectory

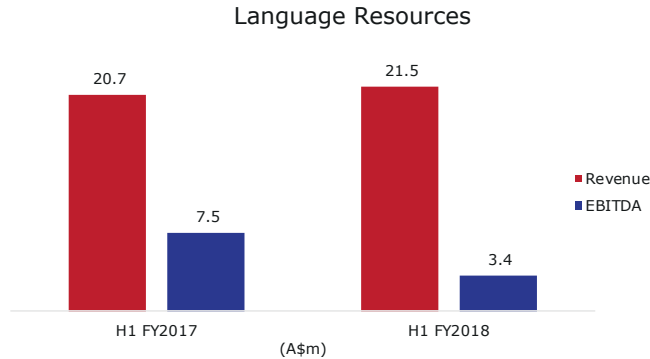
- Revenue up 106% to \$152.8m, including 47% increase in organic revenue
- Underlying EBITDA of \$25.6m up 100%, statutory EBITDA up 87%¹
- EBITDA margins remain high but were impacted by the change in Language Resource mix of work in the period
- Underlying NPAT of \$17.8m up 119%, statutory NPAT of \$14.0m up 73%²
- Strong cash conversion (84% of underlying EBITDA)
- Half year dividend of 4.0 cps, up 33% on 1H 2017
- Strong revenue growth and margin expansion for Content Relevance
- Leapforce performing strongly and integration on schedule



1. Underlying EBITDA excludes transaction costs of \$0.9m and share based payments of \$0.8m in respect of the Leapforce acquisition. Constant currency underlying EBITDA growth was 104%.
2. Underlying NPAT excludes after tax impact of items relating to the Leapforce acquisition - amortisation of identifiable assets (\$2.3m), share based payment expenses (0.8m) and transaction costs (\$0.6m). Constant currency underlying NPAT growth was 125%.

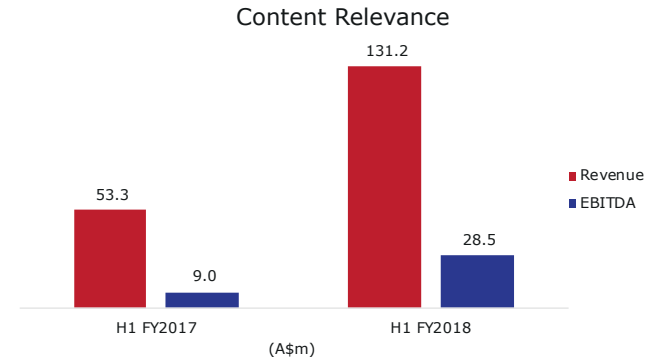
Content Relevance leads divisional performance (A\$m)

Language Resources revenue up 4%



- Margins impacted by mix of work. Fewer complex government projects in 1H 2018. Timing issue
- Project uptick in 2H 2018 fueled by technology sector, multiple data types and various applications
- New technology customers. Investing to win share in the technology sector
- Language Resources' diverse capabilities offer opportunities for growth

Content Relevance revenue up 146%, Margin expansion to 21.7%

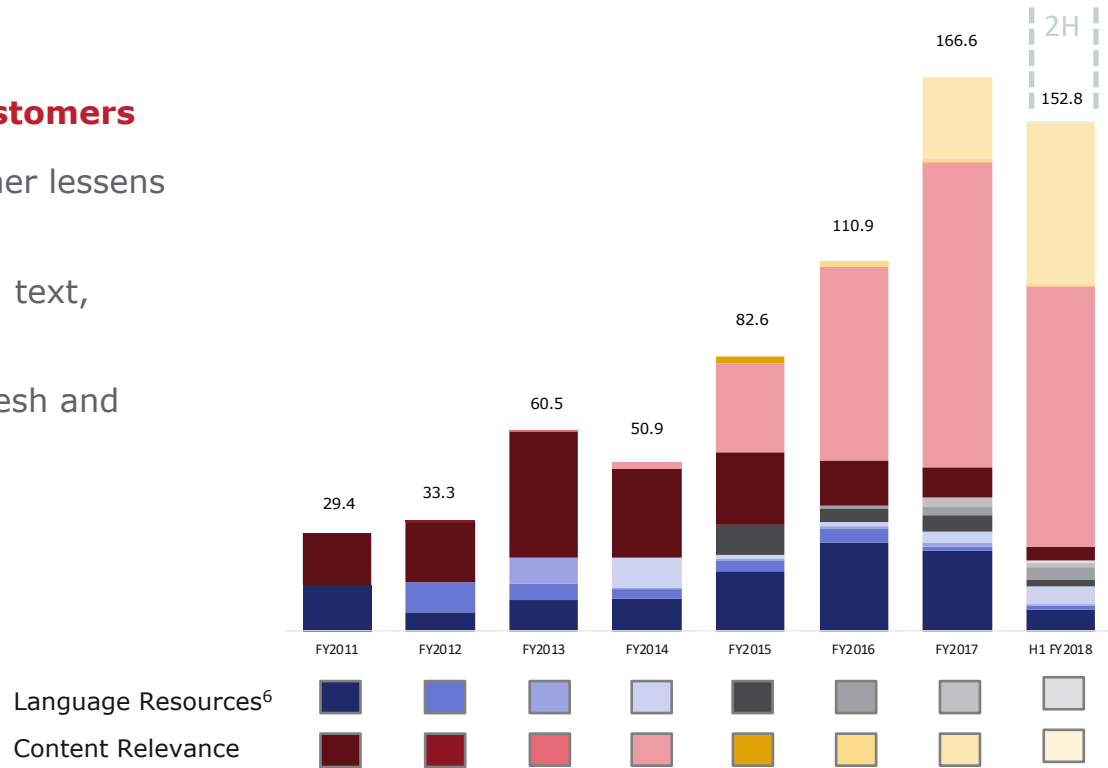


- Growth driven by Leapforce acquisition, and expansion of work with current customers
- Margin expansion from 16.8% to 21.7% due to Leapforce, scale and automation. Remain vigilant to competition
- Content Relevance organic revenue and EBITDA growth of 64% and 88% respectively

Long term customer relationships (A\$m)

Substantial growth in major customers

- Multiple projects within each customer lessens point dependency
- Working in all data formats at scale: text, audio, image and video
- Data quality and continual data refresh and update drives repeat business



6. Chart shows revenue by customer cohort origination and successive revenue from those originating cohorts, for each division

Performing strongly and integration on schedule

- Leapforce acquisition added customers, expert people, seasoned crowd workers and scale
- Leapforce performing strongly
- Integrating Leapforce staff and corporate processes into Appen teams and systems
- Implementing Leapforce platform, now Appen Connect, for all Appen and Leapforce project work to improve scalability and productivity
- Synergy benefits expected to flow through from Q1 2019



New growth drivers

Secure data annotation

- Growing demand due to data privacy and commercial confidentiality
- Work in existing facilities growing
- New facilities under review due to customer requirements and data sovereignty

Engineering investment

- Implementing Leapforce platform, now 'Appen Connect', for all customer-facing project work
- Appen Connect will improve scalability and productivity
- Software development ongoing for new features to further improve productivity

Multiple data formats

- Image and video data projects increasing
- Individual customers requiring data in multiple formats

New projects and customers

- Major customers investing in new and novel projects
- New customer wins in technology sector
- Early project wins in China

Growth trajectory continues (A\$m)

	H1 FY2018	H1 FY2017	% change	% change constant currency
Statutory Results				
Language Resources	21.5	20.7	4%	5%
Content Relevance	131.2	53.3	146%	151%
Total Revenue	152.8	74.1	106%	110%
Statutory EBITDA	23.9	12.8	87%	91%
Underlying EBITDA	25.6	12.8	100%	104%
Underlying EBITDA Margin	16.8%	17.2%		
Statutory NPAT	14.0	8.1	73%	76%
Underlying NPAT	17.8	8.1	119%	125%
Underlying diluted earnings per share (cents)	16.47	8.21	101%	106%

1. Underlying EBITDA excludes transaction costs of \$0.9m and share based payments of \$0.8m in respect of the Leapforce acquisition. Constant currency underlying EBITDA growth was 104%.
2. Underlying NPAT excludes after tax impact of items relating to the Leapforce acquisition - amortisation of identifiable assets (\$2.3m), share based payment expenses (0.8m) and transaction costs (\$0.6m). Constant currency underlying NPAT growth was 125%.

Revenue up 106% on 1H 2017

Growth driven by Leapforce acquisition, and expansion of work with current customers

Outstanding Contact Relevance growth, organically and with Leapforce

Underlying EBITDA up 100%¹

EBITDA margins remain high but were impacted by the change in Language Resource mix of work in the period

Underlying NPAT up 119%²

Effective tax rate reduced from 30.3% to 21.2% due to employee share issue tax deduction. Normalised tax rate (excluding share based payment expense related items) ~29%

Strong Balance Sheet (A\$m)

	Jun-18	Dec-17
Cash	23.6	24.0
Receivables	55.7	42.9
Other Current Assets	1.2	1.2
Non-Current Assets	121.1	119.9
Total Assets	201.6	188.0
Current Liabilities	27.9	24.9
Borrowings	64.9	67.9
Other Non-current Liabilities	3.0	1.8
Total Liabilities	95.8	94.6
Net Assets	105.7	93.4
Total Equity	105.7	93.4

Strong balance sheet

Increase in receivables relates to increase in revenue volumes

Non-current assets include Goodwill of \$67.8M and identifiable intangible assets of \$34.1M in relation to the Leapforce acquisition

Borrowings relate to debt funding for Leapforce acquisition. Debt repayment of \$6.8M during the period, somewhat offset by period end unrealized FX restatement loss of \$3.8M

Net debt of \$41.8M resulting in debt leverage ratio of 0.83x for last 12 months

Half year dividend of 4.0 cps up 33% from 1H 2017, fully franked

Future dividends are likely to have partial or no franking credits

Strong cash conversion (A\$m)

	H1 FY2018	H1 FY2017
Receipts	142.6	71.9
Payments and other	(121.1)	(59.2)
Cash flow from operations before interest and tax	21.5	12.7
Interest	(1.4)	-
Taxes	(5.6)	(3.5)
Total Cashflow from Operations	14.5	9.2
Cashflows - Investment Activities	(5.8)	(2.2)
Cashflows - Financing Activities	(10.0)	(2.6)
Net Cashflows for the period	(1.3)	4.4
Opening cash balances	24.0	16.5
FX Impact	0.9	(0.9)
Closing cash balances	23.6	20.0

Cash balance reduced by \$1.3m

from beginning of period (excluding FX impact)

Cash flow from operations increased by 69% and remains strong

Cash used to fund Leapforce acquisition costs, invest in secure facility, repay debt and pay dividend

Strong cash flow conversion

	H1 FY2018	H1 FY2017
Underlying EBITDA	25.6	12.8
Working capital	(3.3)	(0.1)
Other	(0.8)	0.0
Cash flow from operations before interest and tax	21.5	12.7

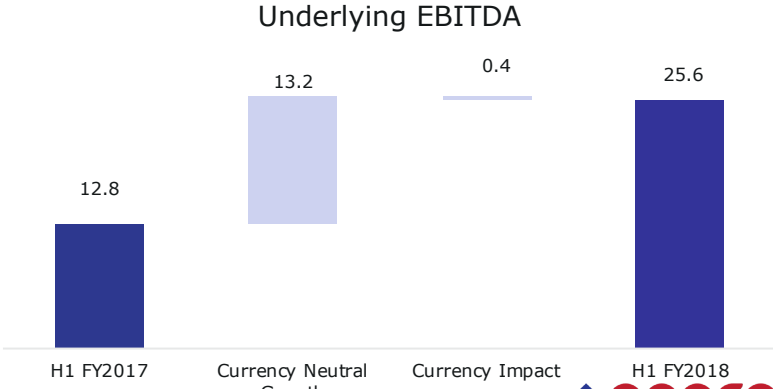
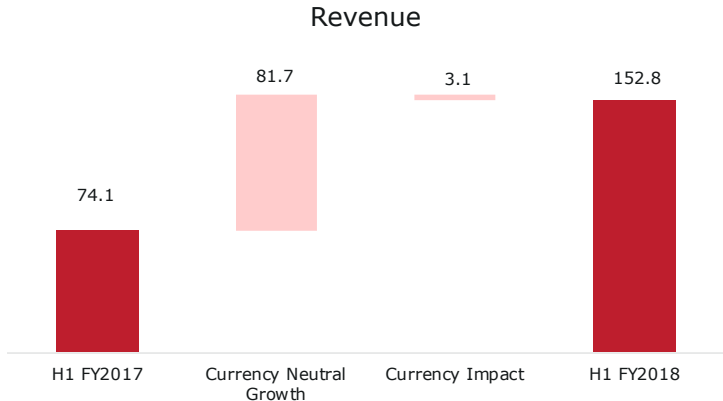
Underlying EBITDA cash conversion of 84%

Currency impact (A\$m)

Almost all revenue derived offshore,
most in USD

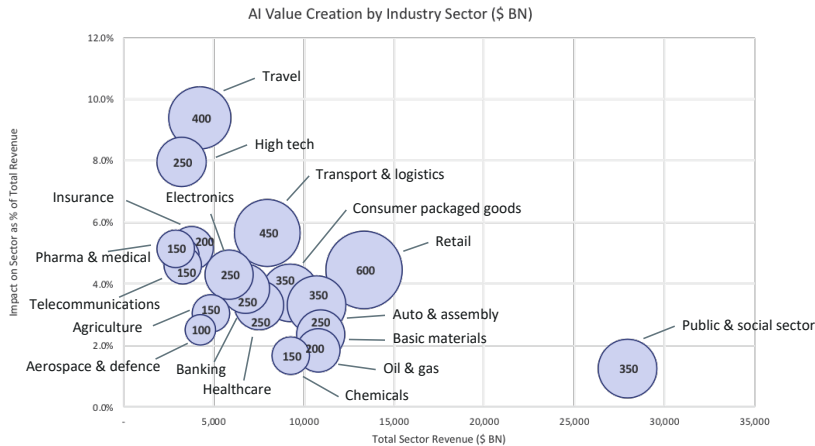
Very low currency impact in 1H 2018

Underlying business performing well



Strong tailwinds fuelling need for AI data

Vast market opportunity



- AI will disrupt every sector
- Total potential value creation of \$3.5 TN to \$5.8 TN³

Large volumes of data required continually

“A supervised deep-learning algorithm will generally achieve acceptable performance with around 5,000 labelled examples per category and 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
3. McKinsey Global Institute

Appen strongly positioned and executing well



Established Provider

Founded in **1996**

Delivered **500K hours** of
speech data

Provided **3B+** relevance
data points

Image and video data
volumes ramping due to
client demand



Global Presence



Scalable Operations

394 full time staff
worldwide

High staff engagement,
low turnover

1,000,000+ on-demand
global crowd

Covering over **130**
countries and **180**
languages

Outlook

Appen is strongly positioned and continues to execute well in a high growth market

The company is investing in engineering for scale and productivity as well as market growth

YTD revenue plus orders in hand for delivery in 2018 ~\$250m at end July 2018

Note that more purchase orders are expected to be received in 2H 2018 vs. prior corresponding periods, due to new customers with more frequent purchase order cycles.

The Company's full year underlying EBITDA for the year ending Dec 31st 2018 is currently forecast to be in the range \$54m - \$59m (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@boardroomlimited.com.au

appen.com

