Appen Limited

Annual General Meeting

31 May 2019

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Chairman's welcome

Agenda

- Chairman's address
- CEO presentation
- Address from Nomination & Remuneration Chair
- Formal business and resolutions
- Morning tea

Board of directors

- Mr Chris Vonwiller   Chairman
- Mr Bill Pulver   Non-Executive Director
- Ms Robin Low   Non-Executive Director
- Ms Deena Shiff   Non-Executive Director
- Mr Mark Brayan   Chief Executive Officer

Apology:

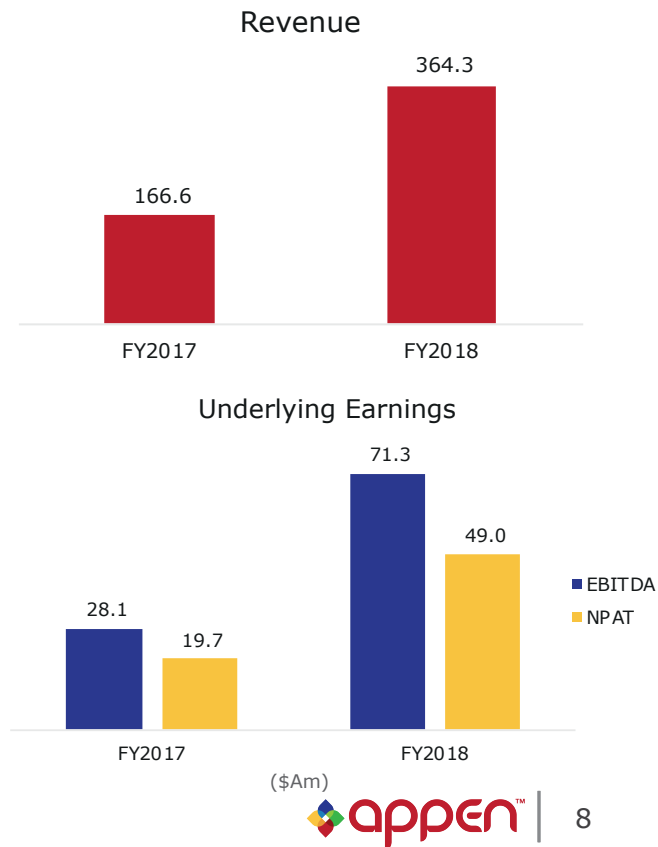- Mr Steve Hasker   Non-Executive Director

Chairman's address

CEO's presentation

FY2018 highlights (A$M)

Appen's strong growth continues

- Revenue up 119% to $364.3M

- Underlying EBITDA of $71.3M up 153%, statutory EBITDA up 206%[1]

- Underlying EBITDA margins improved from 16.9% to 19.6%

- Underlying NPAT of $49.0M up 148%, statutory NPAT of $41.7M up 192%[2]

- Substantial 2H for Language Resources delivers record annual revenue

- High revenue growth and margin expansion for Content Relevance. Strong Q4 performance

- Leapforce integration virtually complete

- Strong cash conversion (92% of underlying EBITDA)

- Full year dividend of 8.0 cps, up 33% on 2018

1. Underlying EBITDA excludes transaction costs and share based payment expenses relating to the Leapforce acquisition.
2. Underlying NPAT excludes after tax impact of items relating to the Leapforce acquisition, including amortisation of identifiable assets, share based payment expenses in respect of contingent shares and transaction costs.
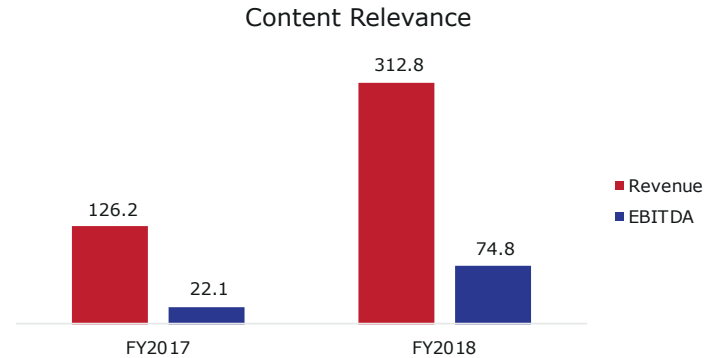
Revenue

FY2017: 166.6
FY2018: 364.3

Underlying Earnings

FY2017: EBITDA 28.1, NPAT 19.7
FY2018: EBITDA 71.3, NPAT 49.0

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Strong divisional performance (A$M)

Substantial 2H for Language Resource delivers record annual revenue

Language Resources
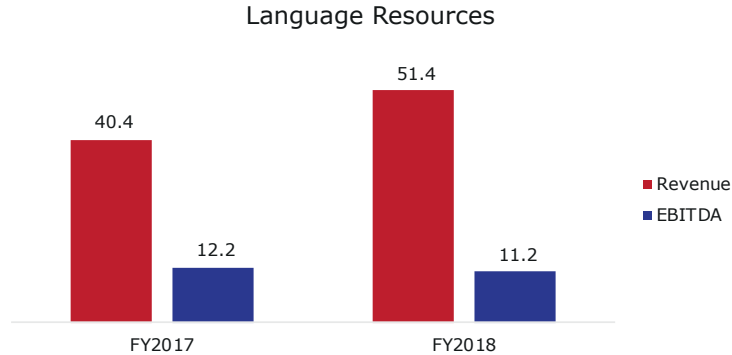
- Half on half revenue growth of 39%, from $21.5M 1H to $29.9M 2H, delivers record full year revenue result of $51.4M, up 27% on FY2017

- Growth fueled by multiple tech sector projects

- Margins continue to be impacted by mix of work. Lower volumes of complex government work
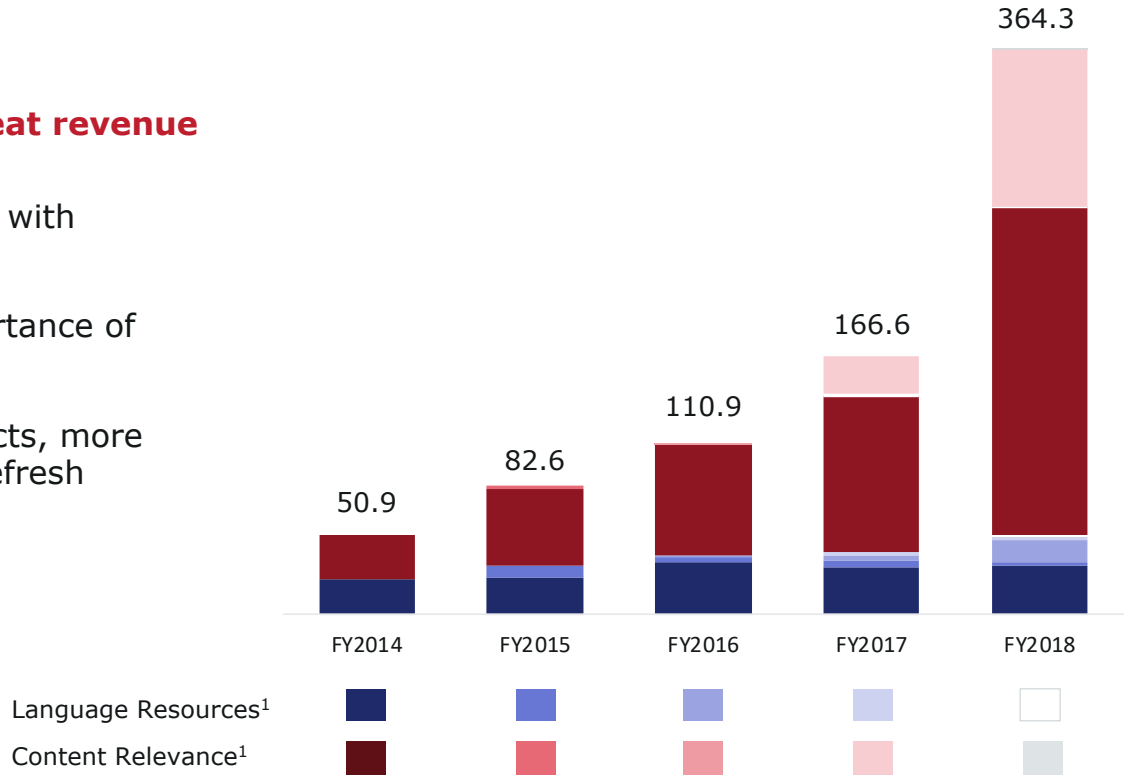
High revenue growth and margin expansion for Content Relevance

Content Relevance

- Revenue growth of 148% driven by existing and new customer investments in AI

- Margin expansion from 17.6% to 23.9% from Leapforce and organic growth, and economies of scale

- Strong Q4 performance

High growth, long term customer relationships (A$M)

Ongoing customer growth and repeat revenue

- New and existing customers growing with multiple projects

- Consistent growth underscores importance of data and quality of Appen's delivery

- Growth driven by data for new projects, more data for existing projects and data refresh

	FY2014	FY2015	FY2016	FY2017	FY2018
	50.9	82.6	110.9	166.6	364.3

Language Resources[1]

Content Relevance[1]

Business initiative updates

Secure facilities

- Growing demand due to data privacy and commercial confidentiality

- Manila facility ISO 27001 certified

- Exeter facility ISO 27001, and ISO 9001 certified

Leapforce

- Integration virtually complete

- Increased automation and scalability for all operational processes under Appen Connect (prior Leapforce platform enhanced for all Appen projects)

- All Relevance projects now on Appen Connect

- Speech, Image and Video work on Appen Connect end Q2

- Efficiency savings of $6M expected in 2019 from Leapforce integration

Additional growth initiatives

Customer-centric alignment

- LR and CR sales teams combined to unify customer engagement and support

- Operations teams combined under global Client Services team to improve scalability and quality of delivery

- Reporting to continue to be based on data type

China

- Largest AI market outside US

- Building out team, customer base and operations in Shanghai

- Providing Chinese language data to US customers

- Judicious investment

- 'Air gapped' tech and operations for data and IP security
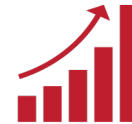
Transformative acquisition

Leading global crowd

Best in class SaaS platform

Integrated global data annotator

- Over 1m on-demand global crowd
- Covers 130 countries across 180 languages and dialects
- Delivered over 3 billion relevance data points and 500k hours of speech data
- Blue chip customer base, including eight of the world's top ten technology companies

- Unique 'human-in-the-loop' platform capabilities transforming unstructured data into high quality training data
- 325m data points delivered in 2018
- Growing partner ecosystem with leading cloud providers including Google, Amazon, IBM and Microsoft
- Diversified customer base, including government contracts, providing recurring revenue

- Vertically integrated combination with global crowd solutions utilising advanced annotation platform
- Increased revenue growth, longer term margins and an accelerated path to sticky recurring revenues
- Optimal efficiency providing reliable and high quality data quickly
- End to end solution to serve growing need for labelled data

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AI mimics human behaviour, typically two approaches
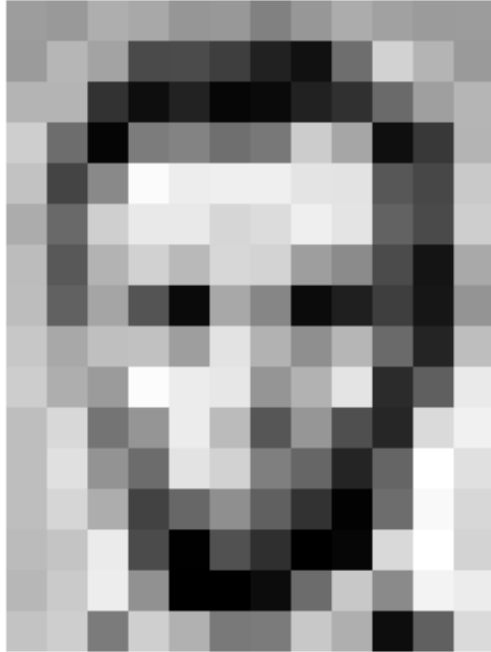

Humans provide the rules
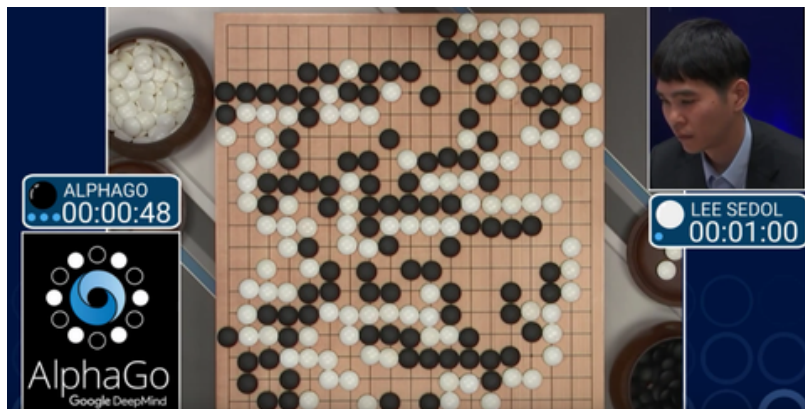
Humans provide examples

We support leading AI applications by providing 'examples' (aka training data)

This sequence of numbers is an image of Abraham Lincoln

More training data = better performance
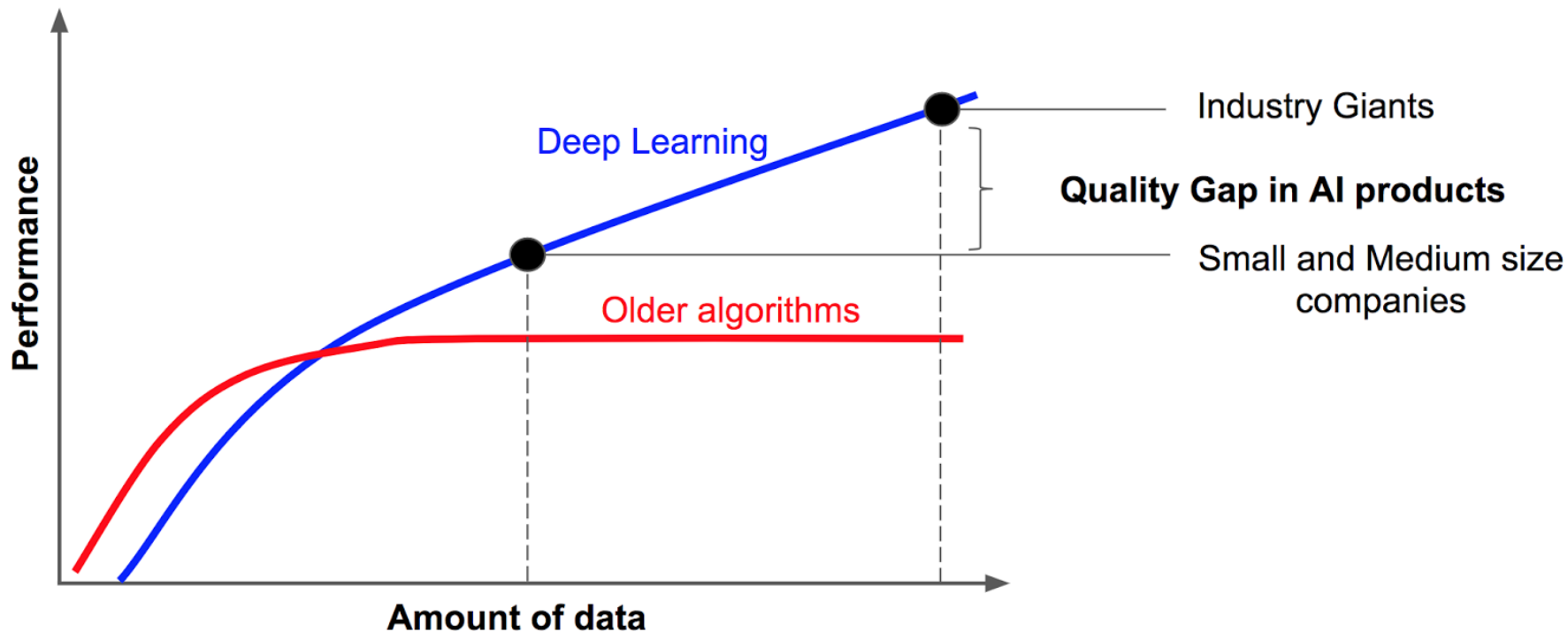
Training data is the 'product' when it comes to AI

Design	Code	Test	Iterate

	Design	**Code**	**Test**	**Iterate**
Old approach	Start with logic (e.g., Abraham Lincoln has a beard but no moustache)	Take the logic and convert into code	Use real world examples to test	Improve the performance by adding/changing logic and corresponding code
Deep learning	Start with training data (e.g., 5000 of Honest Abe, 5000 of other people)	Deep learning network programs itself using training data	Use real world examples to test	Add more training data

Typically most important step in process

Appen provides high-quality AI training data
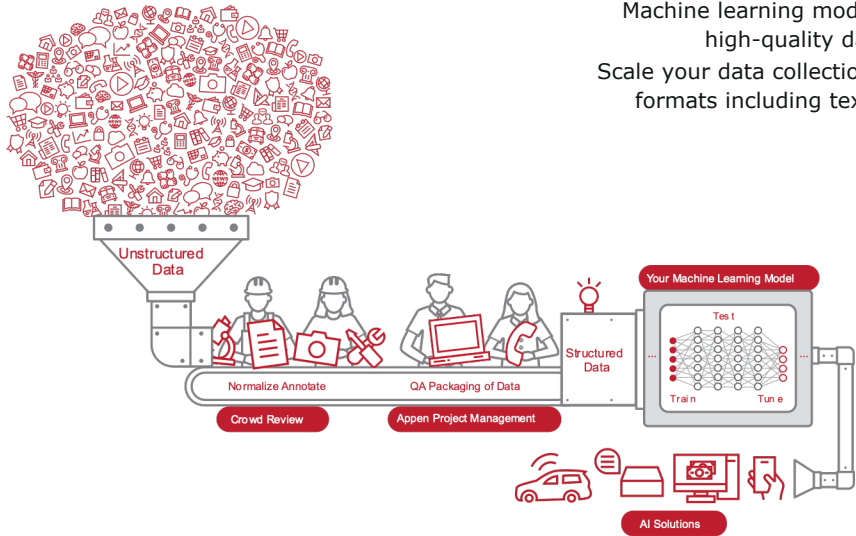
Data Collection

Machine learning models require large volumes of high-quality data to be trained effectively. Scale your data collection efforts across multiple file formats including text, image, video and speech.

Data Annotation

Annotated data enables richer and more valuable machine learning-based products. Appen's curated crowd allows you to get the high-quality data you need to develop better products for your customers.

We focus on three main data types

Relevance

- Enhance on-site search, categorization, personalization and more

- Use cases include search, social media and eCommerce

Speech & Natural Language

- Data for speech recognition, speech synthesis and natural language understanding

- Used for personal assistants, chatbots and in-vehicle speech systems

Image & Video

- Data collection and annotation for computer vision

- Use cases include driverless vehicles, surveillance, medical image diagnosis, etc.
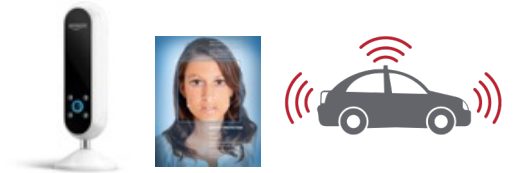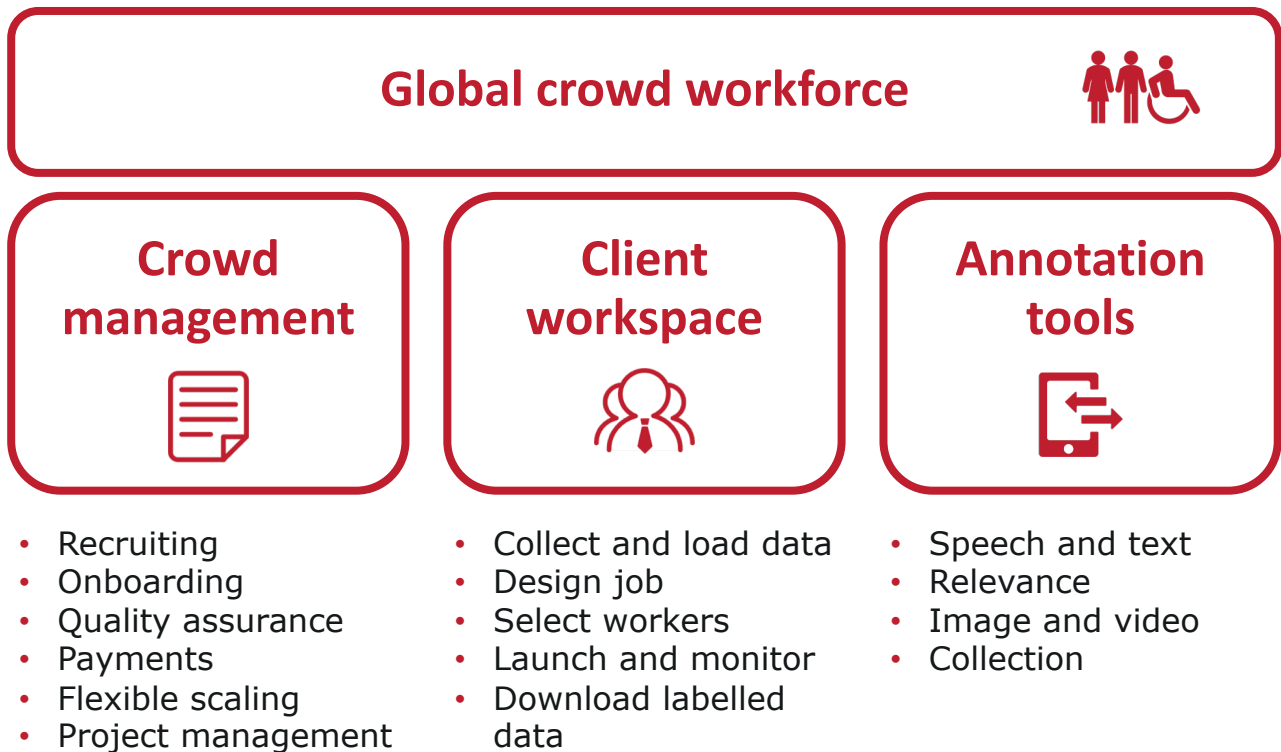
We deliver at scale

Scale >1m crowd, >10 billion data points to date

Diversity >180 languages, >130 countries, >70k locations

Social impact Access to 'Differently Abled' workforce

Leading technology to enable our crowd and customers

Global crowd workforce

Crowd management

- Recruiting
- Onboarding
- Quality assurance
- Payments
- Flexible scaling
- Project management

Client workspace

- Collect and load data
- Design job
- Select workers
- Launch and monitor
- Download labelled data

Annotation tools

- Speech and text
- Relevance
- Image and video
- Collection

Appen is strongly positioned in a high growth market

Established Provider

Founded in **1996** with industry-leading work in speech solutions

Added **search relevance expertise in 2007,** working with leading tech companies

Strategic acquisitions over the past 3 years have positioned Appen to support client needs for **high levels of data security & large volumes of data**

Global Presence

Seattle
San Francisco
Detroit
Exeter
Beijing
Shanghai
Manila
Davao
Sydney

Scalable Operations

600+ full-time staff worldwide

High staff engagement, **low** turnover

1+ million on-demand skilled annotators globally

Providing data for an **increasing range of AI** applications

Outlook

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

Appen's core business is performing well and Figure Eight is meeting expectations

YTD revenue plus orders in hand <u>including Figure Eight</u> for delivery in 2019 ~$270M at mid-May 2019

The Company's full year underlying EBITDA for the year ending Dec 31st 2019 <u>including Figure Eight</u> is currently forecast to be in the range $85M - $90M (at A$1 = US$0.74 May-Dec 2019)

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

Thank you

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