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ASX ANNOUNCEMENT

24 February 2021

INVESTOR PRESENTATION

Further to the Company's announcement to the market today on its results for the year ended 31 December 2020, please find attached the presentation to be delivered to investors and analysts this morning.

Authorised for release by the Board of Appen Limited.

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Real world AI

Appen Limited

2020 Full Year Results Presentation

24 February 2021

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Artificial intelligence...

Appen makes AI work in the real world by delivering high-quality training data at scale.

Our clients include the world's largest technology companies, global leaders in automotive, financial services, retail, healthcare, and government agencies.

...informed by Appen.

Making AI work in the real world

Search

3.5bn+

online searches per day

Drive

40 terabytes

of data for every eight hours
of autonomous driving

Immerse

1 in 5

US consumers used virtual
reality (VR) in 2020

Chat

30%

annual growth in the
chatbot market

Interact

128m

people in the US will use a voice
assistant at least monthly

Shop

21%+

of total retail sales in
the US are online

Solid growth maintained in FY20

A\$	FY2020	vs FY2019
Group revenue	\$599.9M	+12%
Relevance	\$538.2M	+15%
Speech & Image	\$61.2M	-10%
Underlying EBITDA ¹	\$108.6M	+8%
Underlying EBITDA margin	18.1%	vs 18.8%
Dividend per share	10.0c	+11%

High growth and performance in 1H20

Moderated in 2H20 due to strong Australian dollar and COVID-19 impacts including:

- impact of lower digital ad revenue and uncertain outlook on customer spend
- deferral and reprioritisation of projects
- restricted face-to-face sales and customer engagement

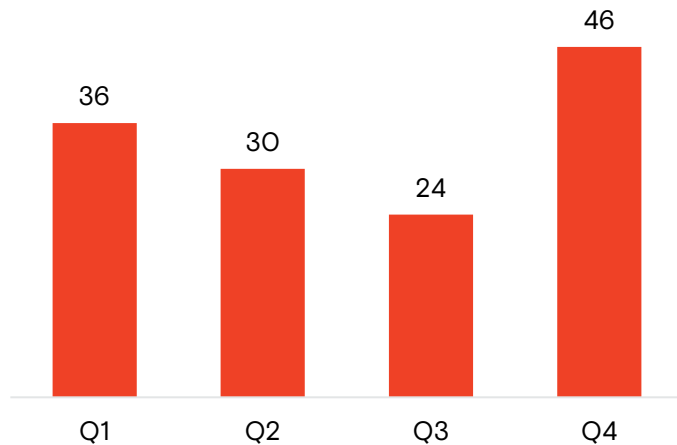
Strong balance sheet – \$78M in cash and no debt as at 31 December 2020

Final dividend of 5.5cps and interim dividend of 4.5cps, both 50% franked

1. Underlying EBITDA excludes transaction costs, acquisition related share based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight acquisition

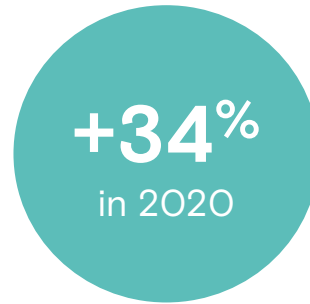
New customer and project wins strengthen our position

Customer wins



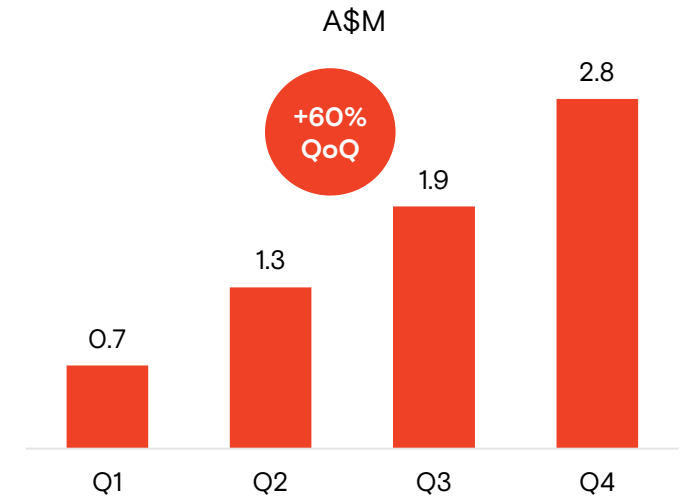
- 136 new customers in 2020
- Multiple industries, geographies, data modalities and use cases
- Growth enabled by sales and marketing investment and annotation platform capabilities

Project wins



- 34% increase in projects with existing major customers
- Customer use of our annotation platform is growing, enabling more data types and use cases, tighter integration and greater retention
- Capabilities aligned with customers' new product development priorities

China revenue

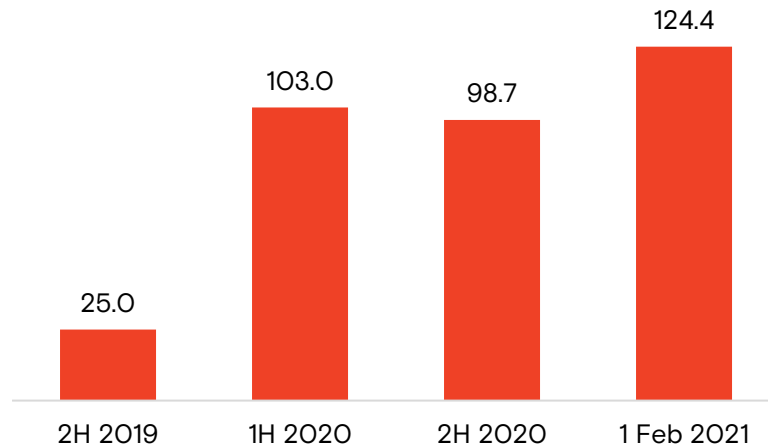


- China revenue growth 60% quarter on quarter
- Customers include major Chinese technology players plus autonomous vehicle, health and education companies

Ongoing growth in committed revenue

Annual contract value (ACV)

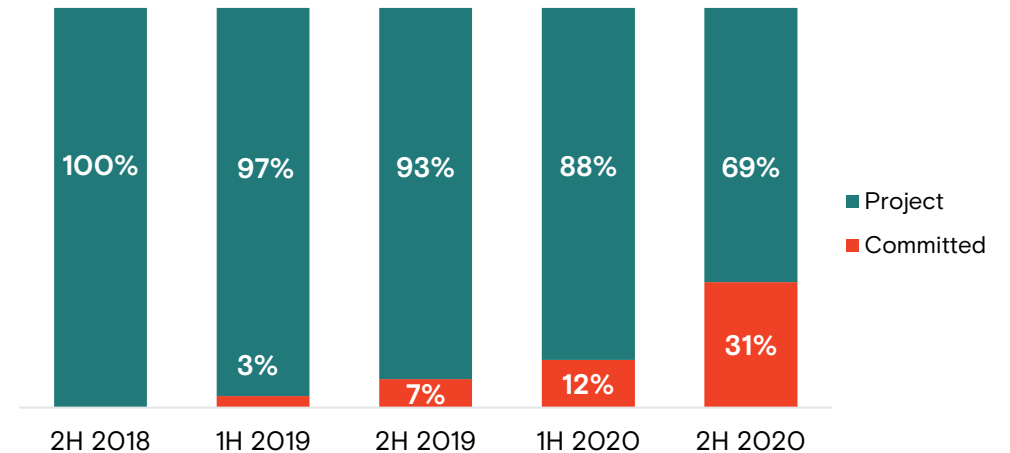
At end of period
US\$M



- 399% increase in ACV to US\$124.4M (1 Feb 21 v 2H19)
- Increase underpinned by expansion of enterprise-wide platform agreement with existing major customer
- Some smaller customers continued to be impacted by COVID-19 in 2H20

Revenue by type

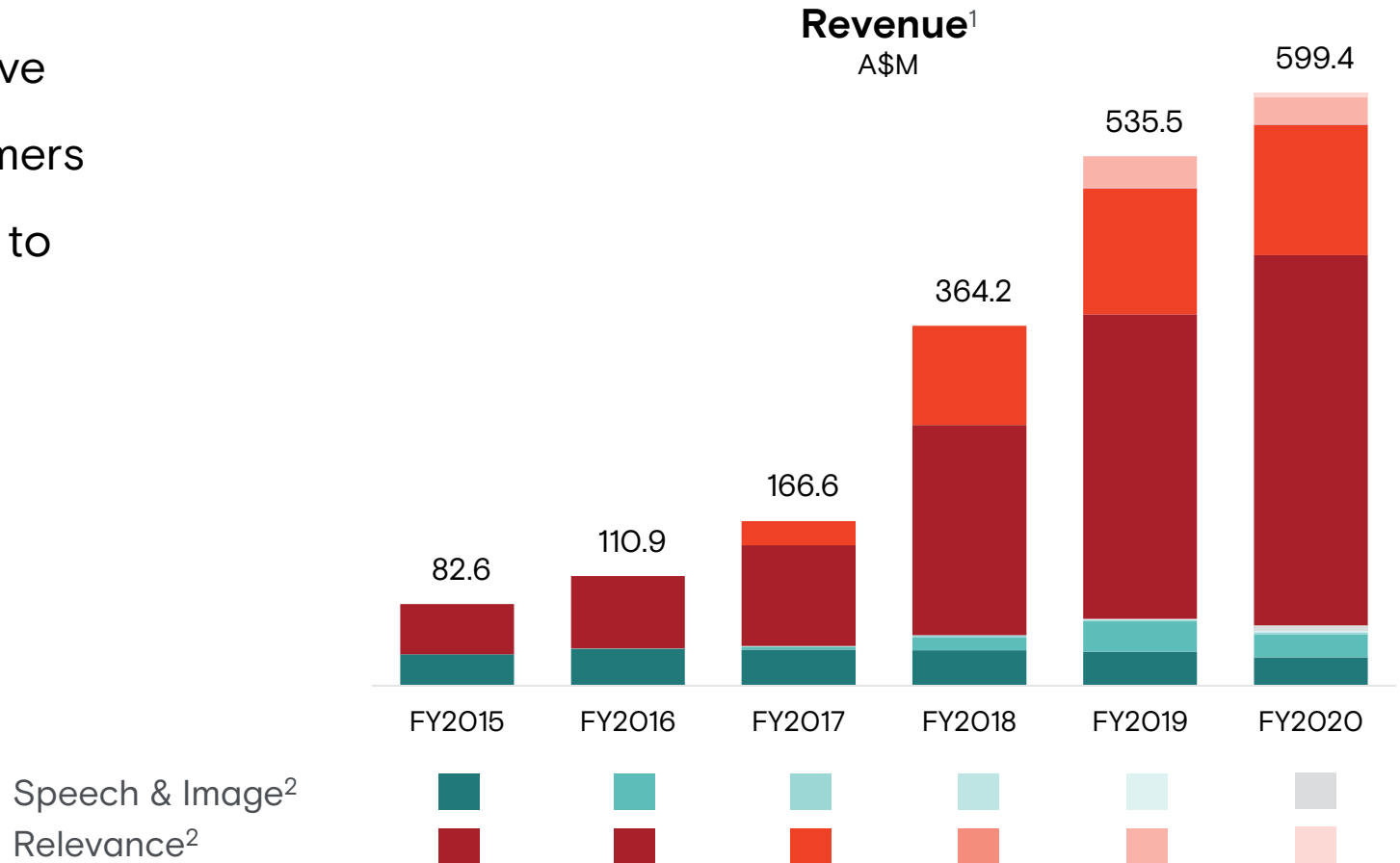
A\$M



- 343% increase in committed revenue (2H20 v 2H19)
- \$92.0M of committed revenue in 2H20, 31% of total – up from \$36.3M in 1H20, 12% of total

Growth from new and long-standing customers

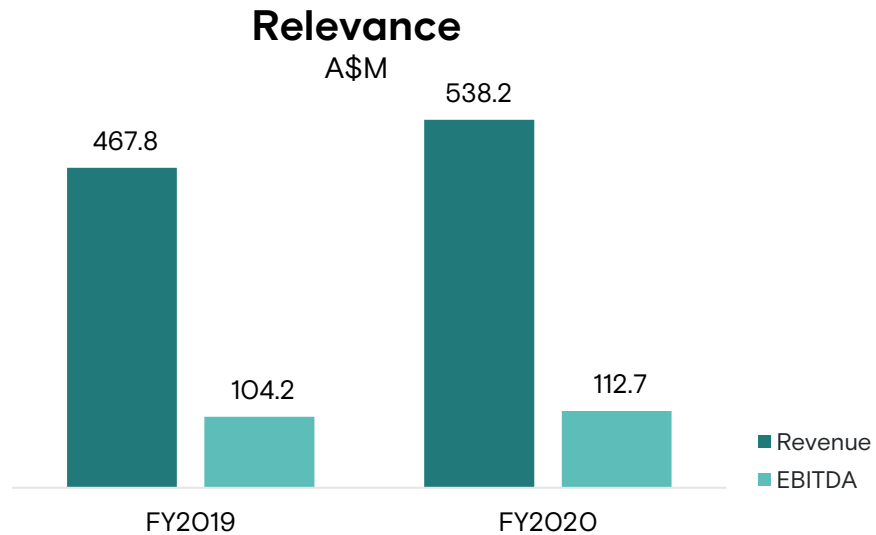
- Major programs are highly retentive
- Continued growth in major customers
- Adding new customers each year to diversify the customer base



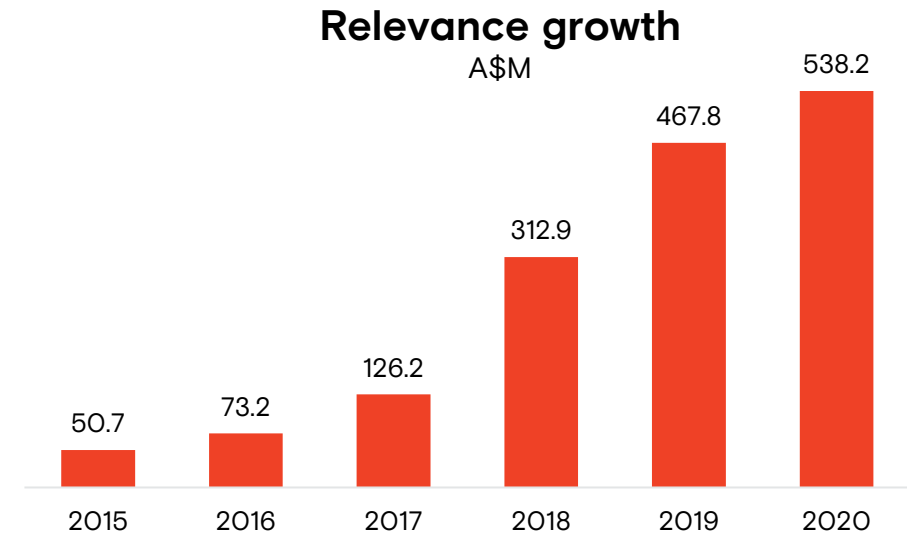
1. Excludes interest and other income.

2. Chart shows revenue by cohort in year of origination and each successive year thereafter.

Relevance growth continues



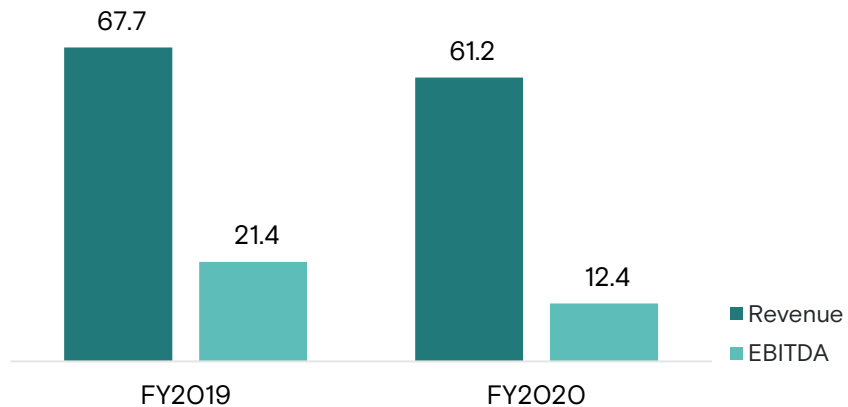
- Revenue \$538.2M, up 15%
- EBITDA up 8% to \$112.7M, including growth investments
- 2H20 growth impacted by COVID-19 re-shaping customers' activities and priorities
- Continued to deliver high-quality data during pandemic due to resilience and strength of remote work crowd model (1 million+ crowd, 170+ countries)



- 60% CAGR FY15-FY20
- Core projects ongoing, significant wins in new markets and sectors
- Relevance continues to demand skilled, diverse human annotators at-scale and ongoing data refresh
- Less amenable to automation, insourcing
- No material change in competitive landscape
- Investing in crowd management technology and processes to increase productivity

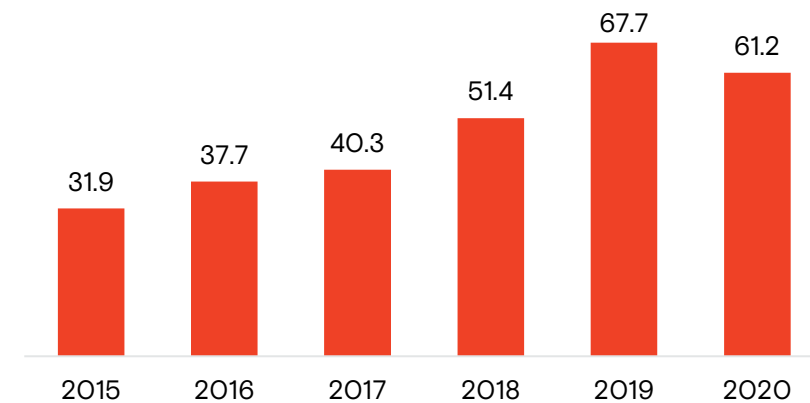
Speech & Image impacted by project timing

Speech & Image
A\$M



- Revenue \$61.2M, down 10%
- Revenue cyclical due to product life cycle, timing of customer investment
- New business activity hampered by COVID-19
- EBITDA down 42% due to lower revenue and impact of growth investments

Speech & Image
A\$M



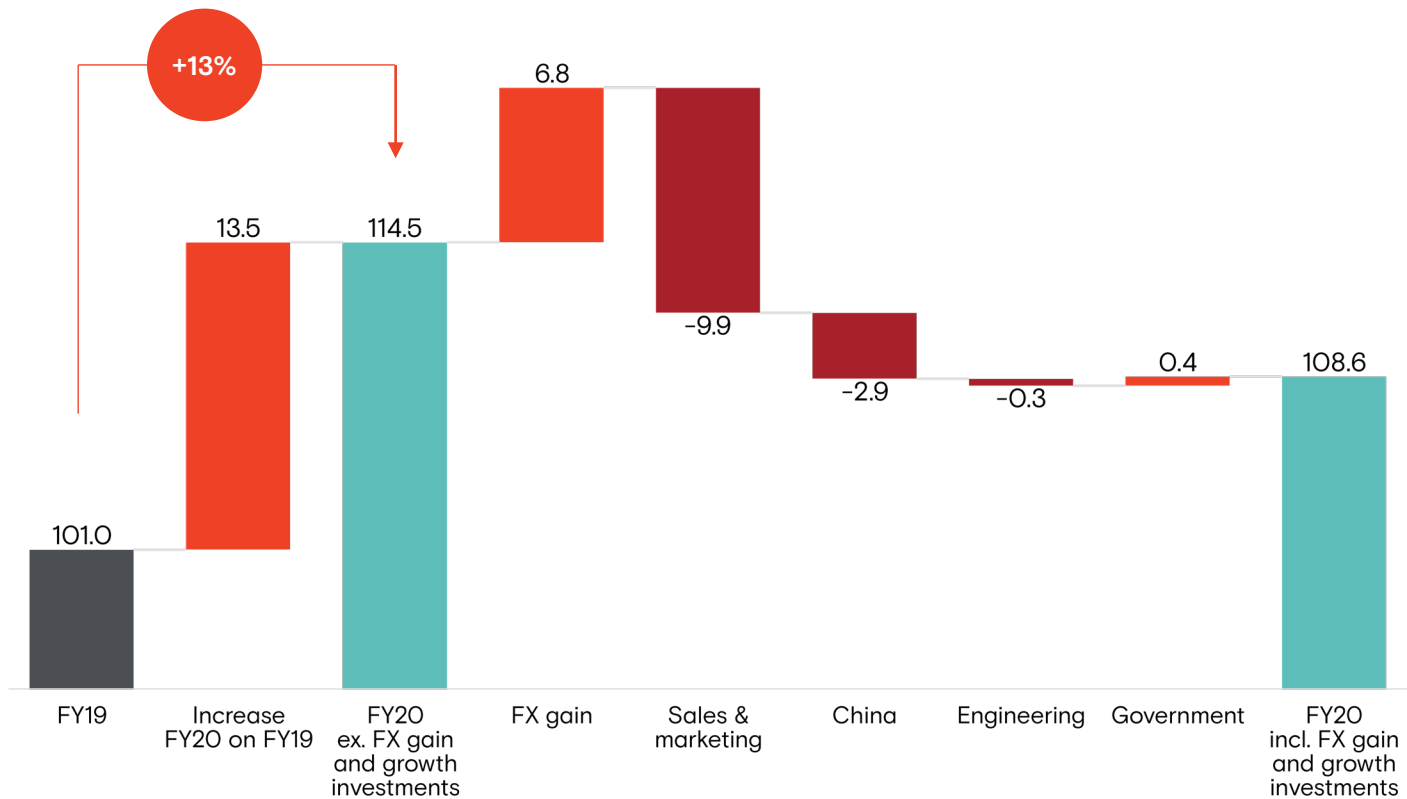
- 14% CAGR FY15-20
- Multiple new customer wins in 2020
- Increased projects in AR/VR and chatbot growth markets
- Operating structure maintained and well-positioned for next wave of investment and product development

Maintaining investments for future growth

Underlying EBITDA growth of 13%

ex. FX gains and incremental growth investments

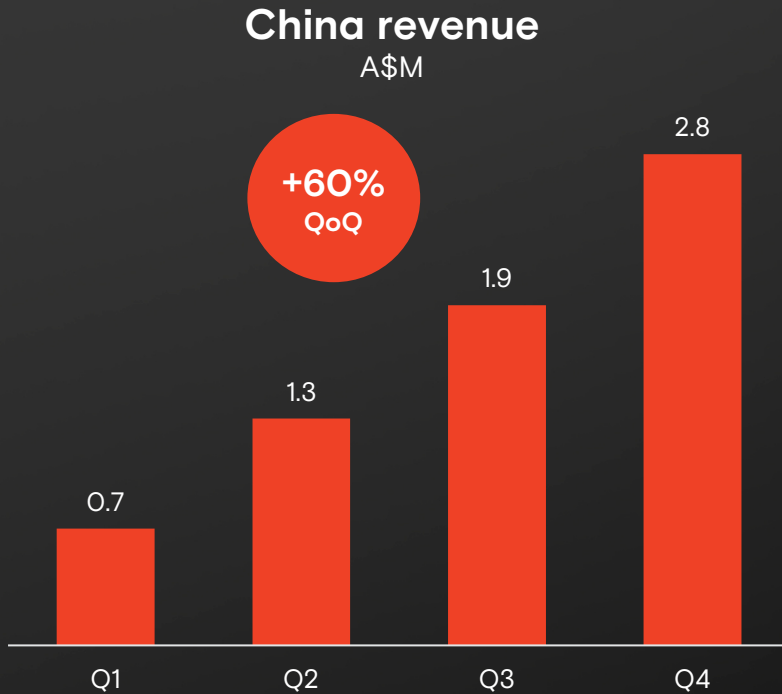
A\$M



Incremental growth investment in 2020

- FY20 includes significant growth investments totalling \$12.7M
 - Sales and marketing - to add new customers to improve diversification
 - China - to open a growth market
 - Engineering investment is normalising
- FX gain of \$6.8M due to US\$ debt restatement of \$4.7M (1H20: ~\$3.6M) and hedge book \$2.1M

Growth investments – China



- China revenue growth of 60% quarter on quarter
- Customers include the major Chinese technology players
- Growing position in autonomous vehicles
- Working in all major data modalities
- Gross margins improving quarter on quarter, positive for the year
- Air-gapped operations and technology stack for privacy and IP protection

Growth investments

– Sales and marketing

- 136 new customers
- 34% increase in number of projects with major customers
- New customers, projects and use cases in all geographies
- Underpinned by annotation platform

New customers

Payments tech company

Labelling documents to train OCR models

Medical technology company

Classifying images of completed testing devices

Financial/banking institute

Natural language processing for customer support

Writing assistant

Sentiment analysis in messages

Robotics system integrator

Training robotic material handling equipment

Aviation company

Language processing for air traffic control

Autonomous trucking company

Image annotation to support autonomous driving

Vehicle safety system provider

Road positioning and collision avoidance

Auto manufacturer

Natural Language Processing for map data

Growth investments – Technology

Crowd management

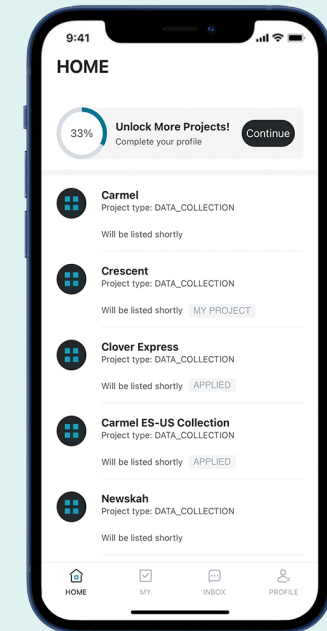
- Appen Connect platform for crowd recruitment, onboarding, management
- AI-driven smart matching connects crowd to projects based on experience and performance
- Speeds project ramp-up and time to value
- Improves recruiter and project manager productivity

Platform and tools

- Appen annotation platform and tools for at-scale data collection and annotation across data modalities
- AI-assisted annotation for text, speech, image, video and LiDAR, up to 6 times faster
- 3D point cloud annotation for autonomous vehicles
- AI workflow automates and streamlines processes to improve throughput and productivity

Mobile app

- New mobile app to improve crowd utility and productivity





Growth investments – Government

Government set up complete

- Prime contractor eligibility
- Experienced team in place
- Washington DC office open
- Air-gapped technology and operations

2020 progress

- Hampered by COVID-19 and U.S. presidential election

Business development ongoing

- Growing pipeline of platform and service opportunities

Revenue and EBITDA growth

A\$M	FY2020	FY2019	% change	% change constant currency
Relevance	538.2	467.8	15%	14%
Speech & Image	61.2	67.7	-10%	-11%
Other	0.5	0.5		
Total revenue	599.9	536.0	12%	11%
Statutory EBITDA	107.9	87.9	23%	23%
Underlying EBITDA¹	108.6	101.0	8%	8%
Underlying EBITDA margin	18.1%	18.8%		
Statutory NPAT	50.5	41.6	21%	23%
Underlying NPAT²	64.4	64.7	-1%	1%

1. Underlying EBITDA excludes transaction costs, acquisition related share based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight acquisition

2. Underlying NPAT excludes after tax impact of items relating to acquisitions, including amortisation of identifiable assets, share based payment expenses, transaction costs and fair value adjustments (interest unwind and consideration adjustments) for the Figure Eight acquisition

Revenue up 12%

- Growth largely driven by increase in existing and new Relevance projects with existing customers
- Growth impacted by major customers' response to COVID-19 and the strong AUD in H2 FY20
- Speech & Image revenue mainly impacted by cyclical and pandemic

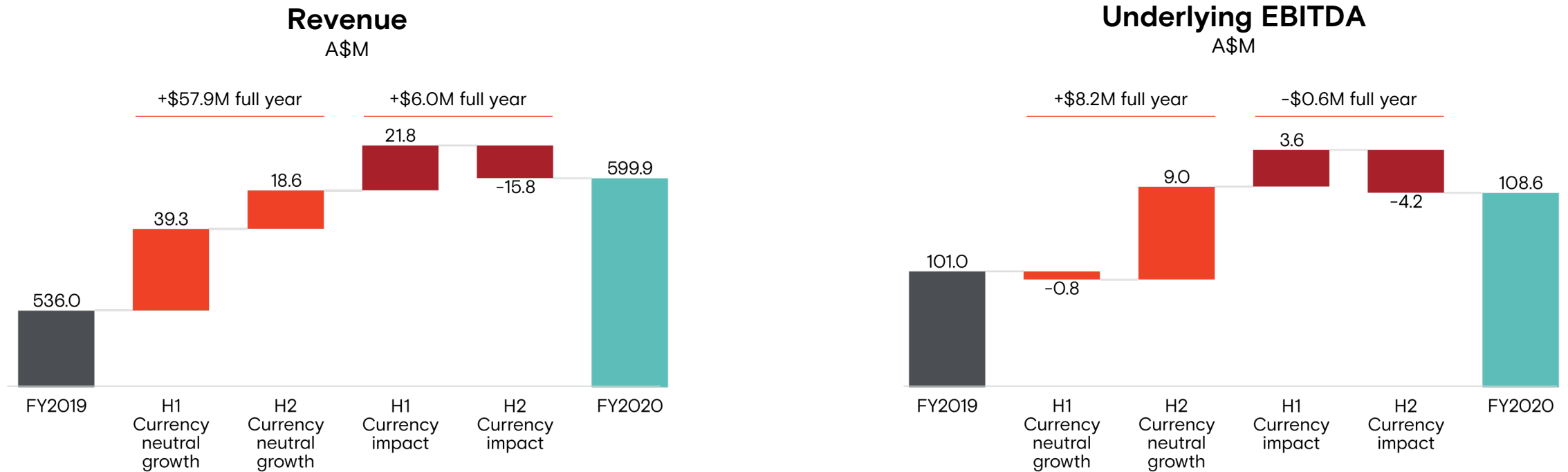
Underlying EBITDA¹ up 8%

- EBITDA margins reduced to 18.1% from 18.8% due to growth investment of \$12.7M mainly in sales and marketing and China
- Includes FX gain of \$6.8M
- Excluding FX gain and investment, underlying EBITDA is \$114.5m up 13% with margin of 19.1%

Underlying NPAT² down 1%

- Impacted by growth investment (net of tax) and increased amortisation
- Effective tax rate reduced to 20.5% from 24.4% mainly due to tax effect relating to share based payments and overseas tax rate differential. Normalised tax rate (excluding share-based payment related items) ~28%

FX – minimal full year impact, half-on-half swings



- Almost all revenue and earnings are derived offshore, mainly in US\$
- The full year FX impact was not meaningful, however the swings between H1 and H2 were significant:
 - H1 FY20 Impact - revenue: +\$21.8M or +7.1%; underlying EBITDA: +\$3.6M or +7.3%
 - H2 FY20 Impact - revenue: -\$15.8M or -5.4%; underlying EBITDA: -\$4.2M or -7.1%

Balance sheet continues to strengthen

A\$M	Dec 2020	Dec 2019
Cash	78.4	75.3
Receivables	65.7	116.3
Contract assets	40.9	7.9
Other current assets	15.8	3.1
Non-current Assets	399.6	431.5
Total assets	600.4	634.1
Current liabilities	77.8	128.8
Non-current liabilities	36.7	23.5
Total liabilities	114.5	152.3
Net assets	485.9	481.8
Total equity	485.9	481.8

- Strong balance sheet, impacted by year end translation at high AUD rate
- \$78.4M in cash at 31 December 2020
- Decrease in receivables relates to year end timing related to billing milestones (see increase in Contract assets)¹ and 2019 receipt timing (refer Cash flow slide)
- Non-current assets include Goodwill of \$262.8M and identifiable intangible assets (IIA) of \$96.6M. Reviewed for impairment, with significant headroom
- Borrowings repaid in August 2020 from cash reserves
- Final dividend of 5.5 cps, 50% franked, up 10% from 2019 final dividend

1. Invoices have since been raised for the majority of contract assets outstanding at 31 December 2020. As at 16 February 2021, 80% of these invoices had been paid.

Cash flow generation and conversion was strong

A\$M	FY2020	FY2019
Receipts	597.8	488.6
Payments and other	(485.1)	(405.8)
Cash flow from operations before interest and tax	112.7	82.8
Net interest	(1.6)	(2.0)
Taxes	(17.5)	(13.5)
Net cash from operations	93.6	67.3
Cash flows - investing activities	(67.5)	(256.0)
Cash flows - financing activities	(12.8)	221.9
Net cash flow for the period	13.3	33.2
Opening cash balance	75.3	40.0
FX impact	(10.2)	2.1
Closing cash balance	78.4	75.3

Numbers are subject to rounding

- Cash balance increased by \$3.1M, negatively impacted by translation at high AUD rate
- Positive impact from receipt timing (expected Dec 19 receipts received in Jan 20)
- Cash flow from operations increased by 39% and remains strong
- Cash used to repay debt and pay tax, dividends, capex, opex and growth investments
- Cash conversion from EBITDA was 104%

Cash flow reconciliation (A\$M)	FY2020	FY2019
Underlying EBITDA	108.6	101.0
Working capital	(4.1)	(18.2)
Cash flow from operations before interest and tax	112.7	82.8
Underlying EBITDA cash conversion	104%	82%

Creating value for our stakeholders



Global crowd

Our goal: Have a happy, engaged and diverse crowd

Crowd Code of Ethics

- Fair pay
- Inclusion
- Crowd voice
- Privacy and confidentiality
- Communication
- Wellbeing

1 million+ crowd in 170+ countries, expertise in 235 languages

New Crowd Care Team

Crowd NPS 48, up 1 on 2019



Appen employees

Our goal: Make Appen a great place to work

Our values

- Performance
- Honesty
- Humility
- Grit

1,125 employees, up 44%

58% of workforce is female, 30% target for senior leaders

29,380 hours of employee training

Employee engagement 82%, up 6 percentage points on 2019



Social and environment

Our goal: Manage our impacts and make a positive contribution

Responsible AI Standards partnership with the World Economic Forum

COVID-19 translation initiative with Translators without Borders - datasets for 70,000 key COVID terms and phrases for 38 languages

Member of the Global Impact Sourcing Coalition

New Environment Position Statement

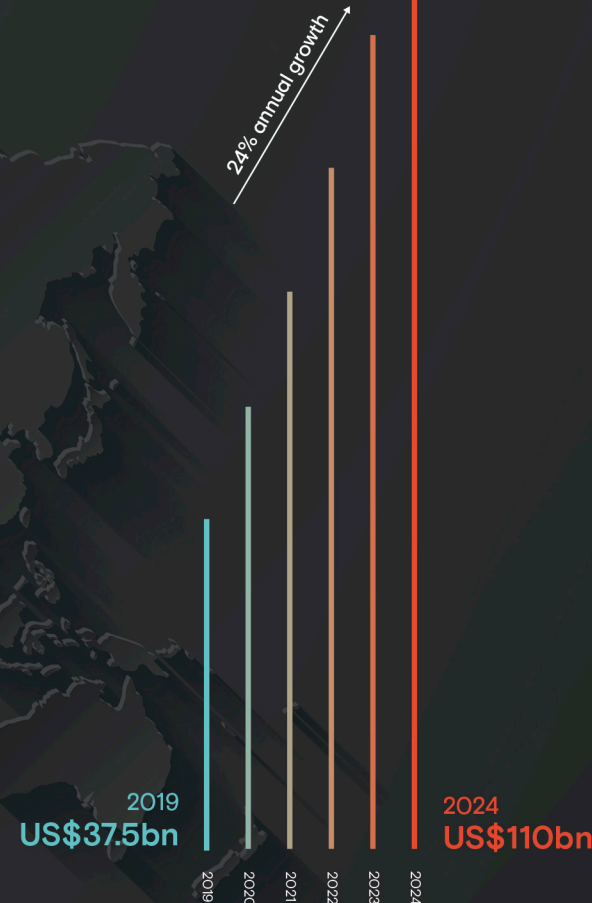
Capturing the market opportunity

The growth in AI-enabled products and services highlights the growing demand for quality training data.

Global spend on AI

\$110bn

by 2024



Accelerators



Growth in online advertising



E-commerce acceleration



Uptake of voice interface systems



New AI use case adoption



Autonomous driving



Automated machine learning (AutoML) for model building

Source: Global spend on AI - IDC Worldwide Artificial Intelligence Spending Guide 2019 and 2020

Outlook

- While providing guidance is challenging given near-term uncertainty, we remain committed to transparency
- Year-to-date revenue plus orders in hand of ~A\$240M at February 2021, consistent with prior year methodology and timing
- 1H21 earnings growth will be impacted by the near-term challenges, a greater skew in timing of project delivery to 2H21, and the lower pcpcost base
- Underlying EBITDA for FY21 is expected to be in the range of A\$120M - A\$130M at constant currency¹ representing growth of 18-28% on FY20 underlying EBITDA (ex. FX gain) of \$101.8M
- This is equivalent to an underlying EBITDA range for FY21 of US\$83M - US\$90M representing growth of 17-27% on FY20 underlying EBITDA (ex. FX gain) of US\$70.7M
- Full year EBITDA margins at high teen percentages

Near-term challenges

- Strong Australian dollar
- Impact on major customers' priorities and resource allocation due to:
 - uncertainty re post COVID-19 economic trends
 - evolving regulatory environment
 - new product development

Strongly positioned for the long-term

- AI-industry tailwinds – growing adoption, use cases
- Largest global player – crowd, technology, expertise
- Growth investments delivering new customers, more projects, growth in China, higher ACV
- AI-enabled technology platform opening new markets and delivering automation and scalability
- Adapting in sync with our major customers – capabilities aligned with their evolving needs

1. FY20 constant currency A\$1 = US\$0.6904.



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