Appen Limited
Level 6, 9 Help Street
Chatswood NSW 2067

Tel: 02 9468 6300
www.appen.com

ASX ANNOUNCEMENT
27 February 2023

INVESTOR PRESENTATION

Further to the Company's announcement to the market today on its results for the year ended 31 December 2022, please find attached the presentation to be delivered to investors and analysts this morning.

Authorised for release by the Board of Appen Limited.

Please contact for more information:

Rosalie Duff
Investor Relations
+61 2 9468 6300
investorrelations@appen.com
www.appen.com/investors

27
February
2023

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Powering Real World AI

Full year results presentation

Important information

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All amounts are in US$ unless stated otherwise.

Appen Limited ACN 138 878 298 - 9 Help Street, Chatswood, NSW 2067, Australia

Agenda

01 | FY22 Financial Performance

02 | CEO Introduction

03 | Q&A

01

FY22 Financial Performance

Kevin Levine

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FY22 snapshot

	FY22	FY21	change
Revenue	388.5	447.3	-13%
Underlying EBITDA [1]	11.0	77.7	-86%
Underlying EBITDA margin	2.8%	17.4%	
Underlying EBITDA [1] before FX	13.6	78.9	-83%
Underlying EBITDA margin before FX	3.5%	17.6%	
Underlying NPAT	(22.8)	40.6	
Statutory NPAT [2]	(239.1)	28.5	

1. Underlying EBITDA excludes the impairment loss, restructure costs, transaction costs, inventory losses and acquisition-related share-based payment expenses.
2. Includes non-cash impairment of $204.3 million reflecting the impairment of Goodwill and certain intangibles associated with the New Markets (excl China) cash generating units, comprising Global Product, Enterprise, and Government.

- Revenue decreased 13.1% to $388.5M, primarily reflecting a lower contribution from the Global Division
- Underlying EBITDA (before FX) decreased 82.8% to $13.6M due to lower revenue, lower gross margin and increased costs to support China and Quadrant growth as well as product, technology and transformation spend
- Statutory NPAT includes an impairment charge of $204.3M
- Underlying NPAT includes increased amortisation for product development and acquired intangibles (Quadrant)
- Nil final dividend to ensure appropriate allocation of capital
- Revenue and EBITDA within guidance provided in October 2022

FY22 Highlights

184
new clients

25
non-global deals over $250k

Average deal size for enterprise
>$120k

Second largest customer up
20%

9/10
Leading auto customers in China

36%
revenue growth in China

57%
of employees are female

22
Customer NPS[1]

1. Customer NPS measured at end of FY22.

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Revenue

Group

$388.5M

$447.3M in FY21

- Revenue down 13% on FY21
- Majority of decline from Global Services
- H2 revenue up 12% on H1
- Q4 revenue up 11% on Q3

Global Services

$299.8M

$344.7M in FY21

- FY22 revenue of $299.8M, down 13%
- Challenging market and macro conditions led to reduction in some large core projects
- Second largest client revenue up 20% YoY
- H2 revenue up 18% on H1. Q4 revenue up 12% on Q3

New Markets

$88.4M

$102.5M in FY21

- Revenue impacted by lower contribution from Global Product
- Excluding Global Product, New Markets FY22 revenue up 15% YoY
- China revenue up 36%
- H2 revenue (ex Global Product) up 4% on H1. Q4 revenue up 14% on Q3

Note: All figures in USD unless stated otherwise

Underlying EBITDA[1] (before FX)

Group

$13.6M

$78.9M in FY21

- EBITDA down 83% impacted by lower revenue, lower gross margin and investment in people and opex to drive growth, product, technology and transformation
- H2 costs up 12% (rev up 12%) and Q4 costs down 9% (rev up 11%) on Q3 from cost initiatives
- Reprioritise FY23 spend to support growth via annualised EBITDA costs savings of ~$10M and rental cost savings of ~$1M

Global Services

$54.5M

$91.2M in FY21

- EBITDA of $54.5M down 40% on FY21
- EBITDA margin of 18% impacted by lower revenue on some core high margin projects, higher delivery overhead (increased project activity) and transformation and support cost allocation
- H2 costs up 15% (rev up 18%) and Q4 costs down 11% (rev up 12%) on Q3 from cost initiatives

New Markets

–$36.5M

–$11.5M in FY21

- EBITDA loss of $36.5M reflects lower Global Product revenue, increased costs to support China and Quadrant growth and product, technology and transformation spend in Enterprise
- Excluding Global Product - H2 costs up 10% (rev up 4%) and Q4 costs down 3% (rev up 14%) on Q3 from cost initiatives

Note: All figures in USD unless stated otherwise.

1. Underlying EBITDA excludes the impairment loss, restructure costs, transaction costs, inventory losses and acquisition-related share-based payment expenses.

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No debt on balance sheet

	Dec 2022	Dec 2021
Cash	23.4	47.9
Receivables	64.3	89.2
Contract assets	30.4	10.5
Other current assets	6.5	14.4
Non-current assets	130.3	340.2
Total assets	**254.9**	**502.2**
Current liabilities	65.1	64.6
Non-current liabilities	41.8	45.7
Total liabilities	**106.9**	**110.3**
Net Assets	**148.0**	**391.9**
Total equity	**148.0**	**391.9**

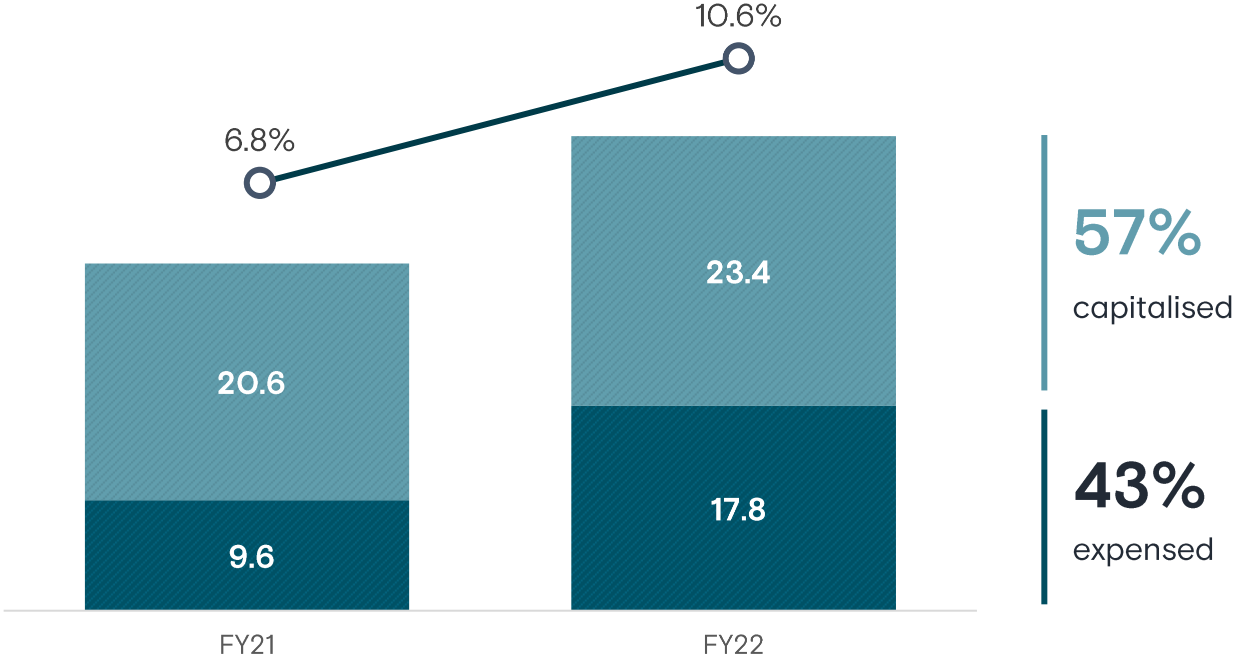
- Receivables impacted by lower revenue volumes and time based billing milestones (shown in contract assets)
- Non-current assets reduction reflects impairment loss of $204.3M
- Total liabilities decreased by $3.4M mainly due to reducing our leased office footprint
- Quadrant earnout subject to performance metrics, payable in cash or shares in 2024
- Credit approval extension of A$20m debt facilities to Jan 2024. Full debt refinance process in 2HFY23

Note: All figures in USD unless stated otherwise

Investment in product development

Investment in product development[1]

Product development (ex amortisation) as a % of revenue



1. Product development relates to investment in engineering to ensure that the collection, annotation and evaluation products and tools support our clients and their use cases, and drive efficiencies and scale. These amounts exclude amortization expense.

- FY22 investment of $41.2M reflects continuing focus on product development and customer experience
- ~57% of spend capitalised in FY22 reflecting greater focus on current product set and platform stability
- 10.6% of revenue reinvested in product development in FY22.
- FY23 product development expected to be ~10% of total revenue

Note: All figures in USD unless stated otherwise

Solid cash flow conversion

- Cash balance decreased in line with lower revenue and increased investment in people, product and technology
- Cash conversion from EBITDA increased from 77% to 135%
- Positive working capital impact and lower tax payments, somewhat offset impact of lower volumes and higher payments
- Cash used to pay tax, dividends, capex and investments to support future growth

	FY22	FY21
Receipts	395.6	434.3
Payments and other	(380.8)	(374.2)
Cash flow from operations before interest and tax	**14.8**	**60.1**
Net interest	(0.4)	(0.6)
Taxes	3.8	(5.6)
Net cash from operations	**18.2**	**53.9**
Cash flows – investing activities	(32.1)	(50.8)
Cash flows – financing activities	(9.5)	(14.1)
Net cash flow for the year	**(23.4)**	**(11.0)**
Opening cash balance	47.9	60.5
FX impact	(1.1)	(1.6)
Closing cash balance	**23.4**	**47.9**
Cash flow reconciliation		
Underlying EBITDA	**11.0**	**77.7**
Working capital	3.8	(17.6)
Cash flow from operations before interest and tax	**14.8**	**60.1**
Underlying EBITDA cash conversion	**135%**	**77%**

Note: All figures in USD unless stated otherwise

01

CEO introduction

Armughan Ahmad

Appen powers the worlds leading AI

Google
amazon
Microsoft
salesforce
Adobe
Bloomberg
Pinterest
nextdoor
LinkedIn
SIEMENS
ORACLE
Dolby
BEST BUY
THE HOME DEPOT
BOEING
AIRBUS

+ many more

8 out of 10

largest global big tech companies by market capitalization

184

new clients in 2022

+9 years

average tenure of our top 5 clients

Appen is an AI platform services business

We provide **AI platform services** to most advanced big tech companies

Fortune 500 clients **value** our **expertise** and consultative approach

Our **AI data platform** underpins our services

Immediate focus on managing costs and delivering growth

Operational rigour

Establish business management systems

Cost reallocation to growth vectors

Product velocity

Launch products that capture new market growth

Incorporate Generative AI labeling automation

Drive internal productivity improvements

World class go to market

Build consultative sales and go-to-market capabilities

Elevate our brand with greater marketing awareness

Ecosystem partnerships

Expand our partner ecosystem to reach more clients

Focus on key industry verticals

#AIforGood

Deliver trustworthy AI for our clients

Responsibility by design

Establish and chair AI for Good Committee

One Appen

Operational rigour improvements

New product and engineering measurements to drive delivery and business impact

Cost review underway across all business areas

Target Operating Model for delivery functions to drive efficiency and automation focus

Generative AI automation in our annotation processes

Business Management System for financial and operational metrics

Weekly, Monthly, Quarterly business unit review cycle across revenue generating business units

AI is changing the world

The total contribution of AI to the global economy is expected to reach

~$16 trillion by 2030*

AI is one of the most important things humanity is working on. It is **more profound than electricity or fire.**

Alphabet Inc. CEO
Sundar Pichai

AI is just at the beginning of the S-curve. The near-term and long-term **opportunities are enormous.**

Microsoft CEO
Satya Nadella

One of my goals for Meta is to build on our research to become a **leader in generative AI** in addition to our leading work in recommendation AI.

Meta CEO
Mark Zuckerberg

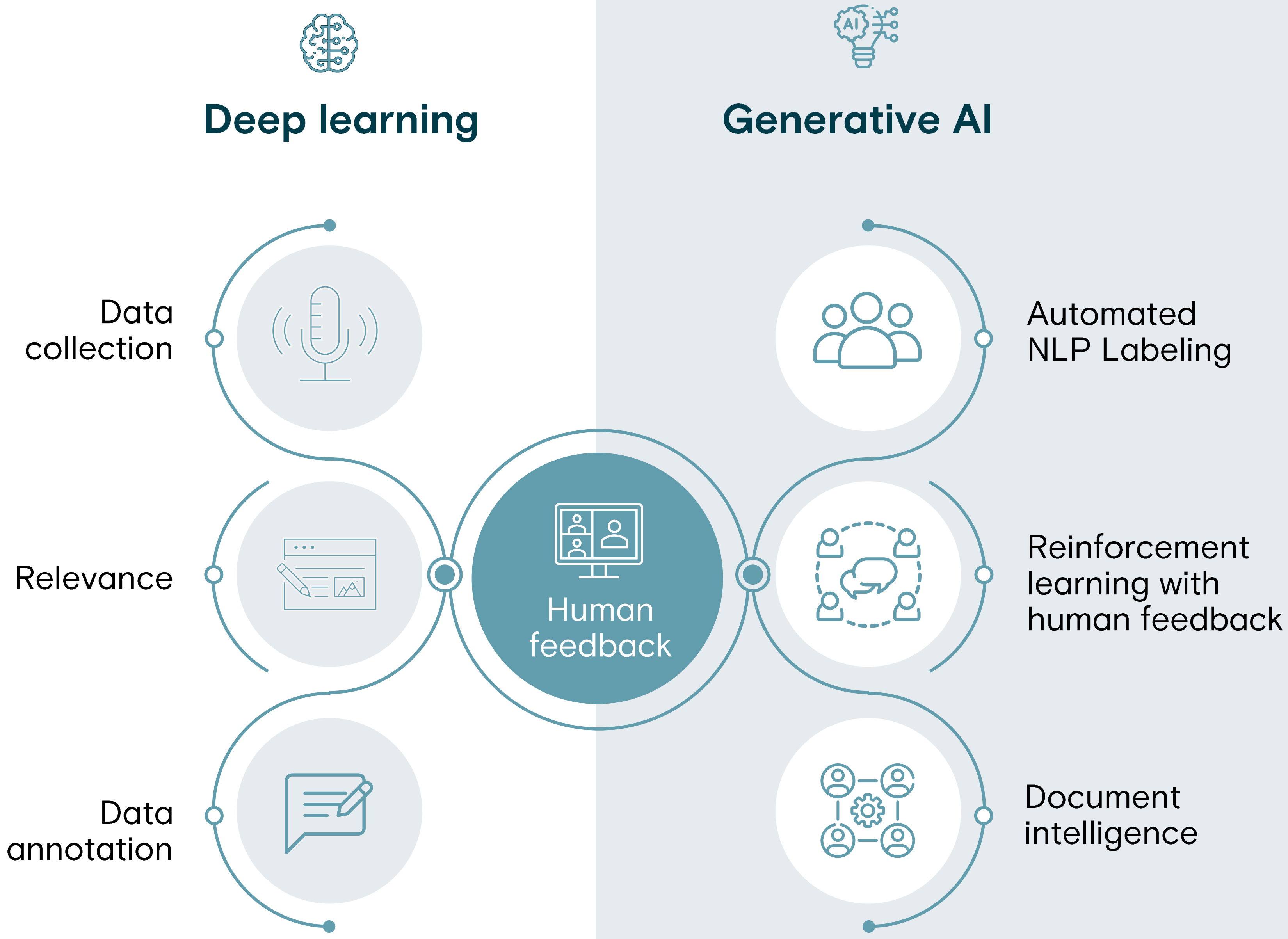
*PwC Global

Exponential change

ChatGPT reaches 100M users in 2 months

Time to reach 100M global users

Generative AI growth opportunity for Appen



Our clients are using AI to create new customer experiences

Unused data
80% of enterprise data is unstructured

Data preparation is difficult
>80% of data scientist time spend on preparing data

Data is incomplete
Creating new AI experiences often requires new or external data

Enterprise data pipelines are nascent
Many enterprises do not have data infrastructure to support production AI

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High-growth products follow s-curves

Sustainable growth requires stacking s-curves

Microsoft

Appen is defining our s-curves

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Growth vision

AI enabled customer experiences

Unused data | Data preparation is difficult | Data is incomplete | Enterprise data pipelines are nascent

Appen AI Platform

Deep learning

Data for the AI lifecycle

Generative AI NEW

Reinforcement Learning with Human Feedback

Automated NLP labeling

Document Intelligence

Industry vertical AI solutions

Ecosystem partnerships

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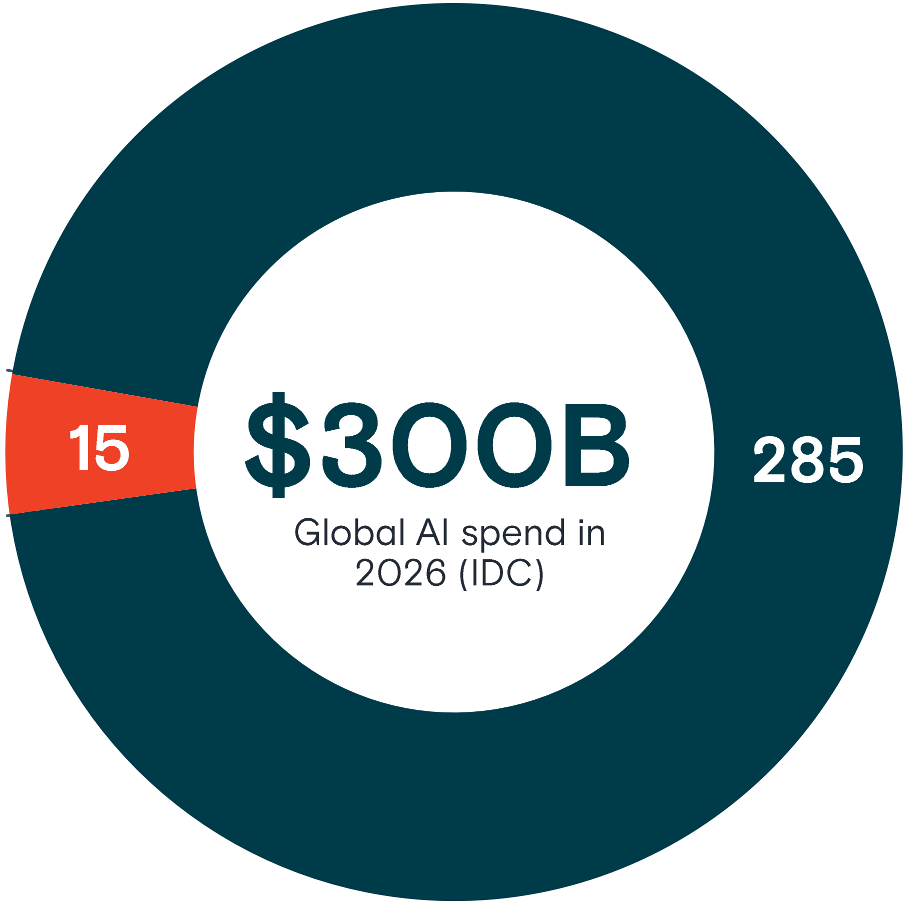
20x TAM expansion

$15B
AI training data market by 2026



Why we can win

- Front-row seat on latest AI innovation from leading tech companies
- Deep industry vertical expertise
- Partnerships with AI ecosystem leaders
- Execution focused leadership

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We create a positive impact #AIforGood

Crowd

We provide flexible, work-from-home opportunities to our global crowd of 1 million+ contractors.
We help make AI ethical and fair through our Crowd Code of Ethics.

Our Crowd Code of Ethics:

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

Do Good, Be Good, Lead Good

LARRAKIA NATION

United Nations Global Compact

WORLD ECONOMIC FORUM

Do good
for society through our crowd model and social impact initiatives

Be good
by doing the right thing internally

Lead good
by working with our clients to improve how AI impacts the world

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2023 outlook

Carrying over from 2022, we see a soft start to 2023

Immediate focus on instilling discipline and greater operational rigour to recover margins and drive sales

Annualised cost savings of ~$10 million identified – benefit from cost savings and increased operational rigour expected to commence in H2 FY23 and FY24

Continued investment in product development, expected to be ~10% of FY23 revenue

FY23 EBITDA outlook under review, 1H FY23 EBITDA expected to be materially lower than 1H 2022

Withdrawal of current FY26 targets, pending full strategy review to be announced in May

Wrap up

Five key take aways

1 **AI is changing the world**. Generative AI is creating new experiences like we have not seen before. The future is with us

2 **Appen is well positioned to capture growth.** Generative AI requires human feedback to turn impressive AI into next generation customer experiences.

3 **Ethical and unbiased AI is increasingly important**: Appen is well aligned to support this shift

4 **Our growth vision** is to move beyond AI data into industry vertical AI solutions and products, expanding out TAM by 20x

5 **Establishing operational rigor** is a key priority to manage costs, increase revenue visibility and fund new growth

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03

Questions

Thank you for your attendance

Appendix

Reconciliation between statutory and underlying results

1. Underlying results are a non-IFRS measure used by management to assess the performance of the business and have been calculated from statutory measures. Non-IFRS measures have not been subject to audit. Underlying EBITDA excludes the impairment loss, restructure costs, transaction costs, inventory losses and acquisition-related share-based payments expenses
2. Contingent liability with respect to the Quadrant acquisition which will settle no later than 29 February 2024, subject to Quadrant attaining revenue milestones
3. Includes a true-up adjustment reducing the share-based payments expense in relation to the 2020 and 2021 Long-Term Incentive Plans, for rights that did not vest
4. EBIT is defined as earnings before interest and tax
5. EBITDA is EBIT before depreciation and amortisation

-	Year ended 31 December 2022 USD $000	Year 31 December 2021 USD $000	Change
Underlying net profit after tax (NPAT) [1] *(Less)/add underlying adjustments (net of tax)*	**(22,739)**	40,597	(156%)
Impairment loss	**(204,326)**	-	
Amortisation of acquisition-related identifiable intangible assets	**(9,573)**	(8,303)	
Restructure costs	**(488)**	(1,625)	
Transaction costs	**(1,096)**	(1,929)	
Deemed interest on earn-out liability [2]	**(540)**	(461)	
Losses on inventory	**(257)**	-	
Cloud computing costs	**-**	(17)	
Acquisition-related share-based payments [3]	(49)	257	
Statutory NPAT	**(239,068)**	28,519	(938%)
Add: tax (benefit)/expense	**-**	7,356	
Add: net interest expense	**772**	1,362	
Add: deemed interest on earn-out liability [2]	**813**	657	
EBIT [4]	**(237,483)**	37,894	(727%)
Add: depreciation and amortisation	**41,582**	35,038	
Statutory EBITDA [5] *Add/(less): underlying adjustments*	**(195,901)**	72,932	(369%)
Impairment loss	**204,326**	-	
Restructure costs	**678**	2,256	
Transaction costs	**1,556**	2,729	
Acquisition-related share-based payments [2]	**49**	(257)	
Inventory losses	**309**	-	
Cloud computing costs	**-**	24	
Underlying EBITDA [1]	**11,017**	77,684	(86%)
Statutory diluted earnings per share (cents)	**(193.78)**	22.85	
Underlying diluted earnings per share (cents)	**(18.43)**	32.53	
% Statutory EBITDA/sales revenue	**(50.4%)**	16.3%	
% Underlying EBITDA/sales revenue	**2.8%**	17.4%	

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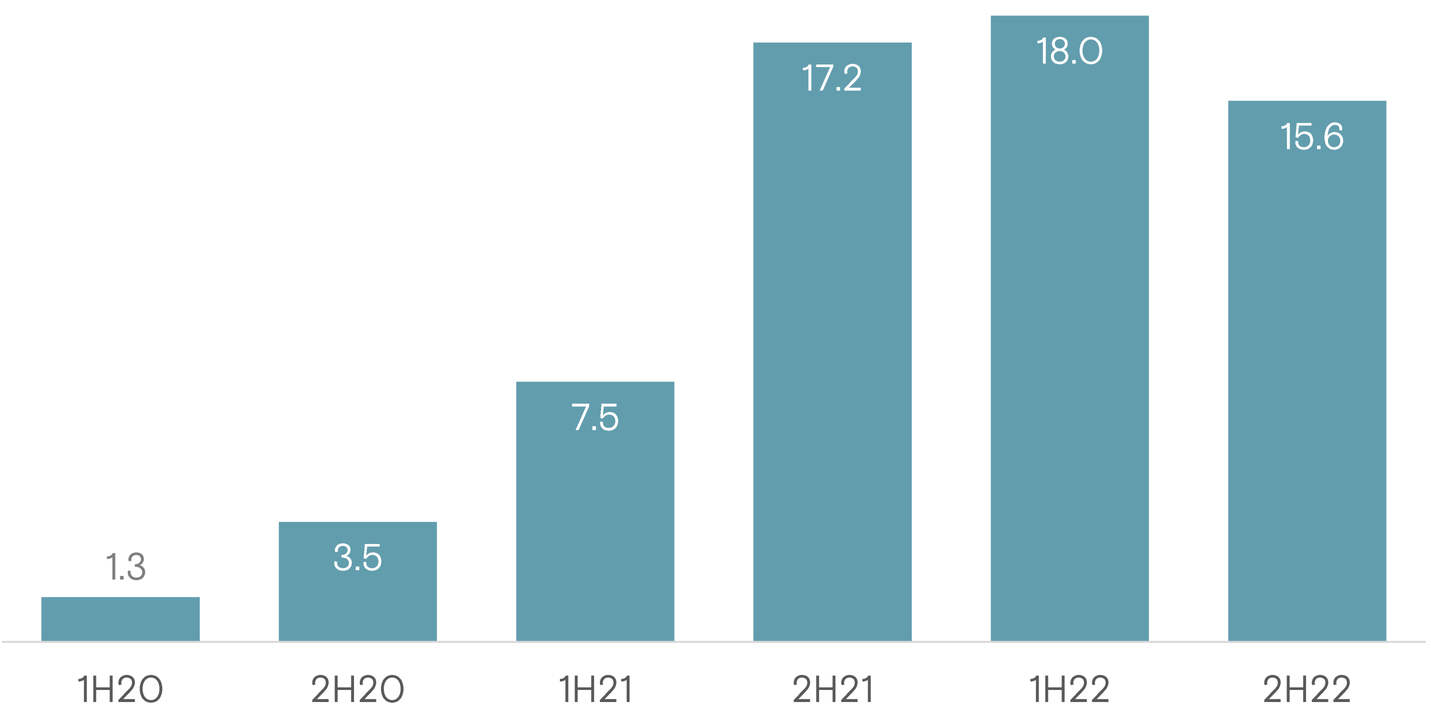
China revenue

China revenue by half ($M)

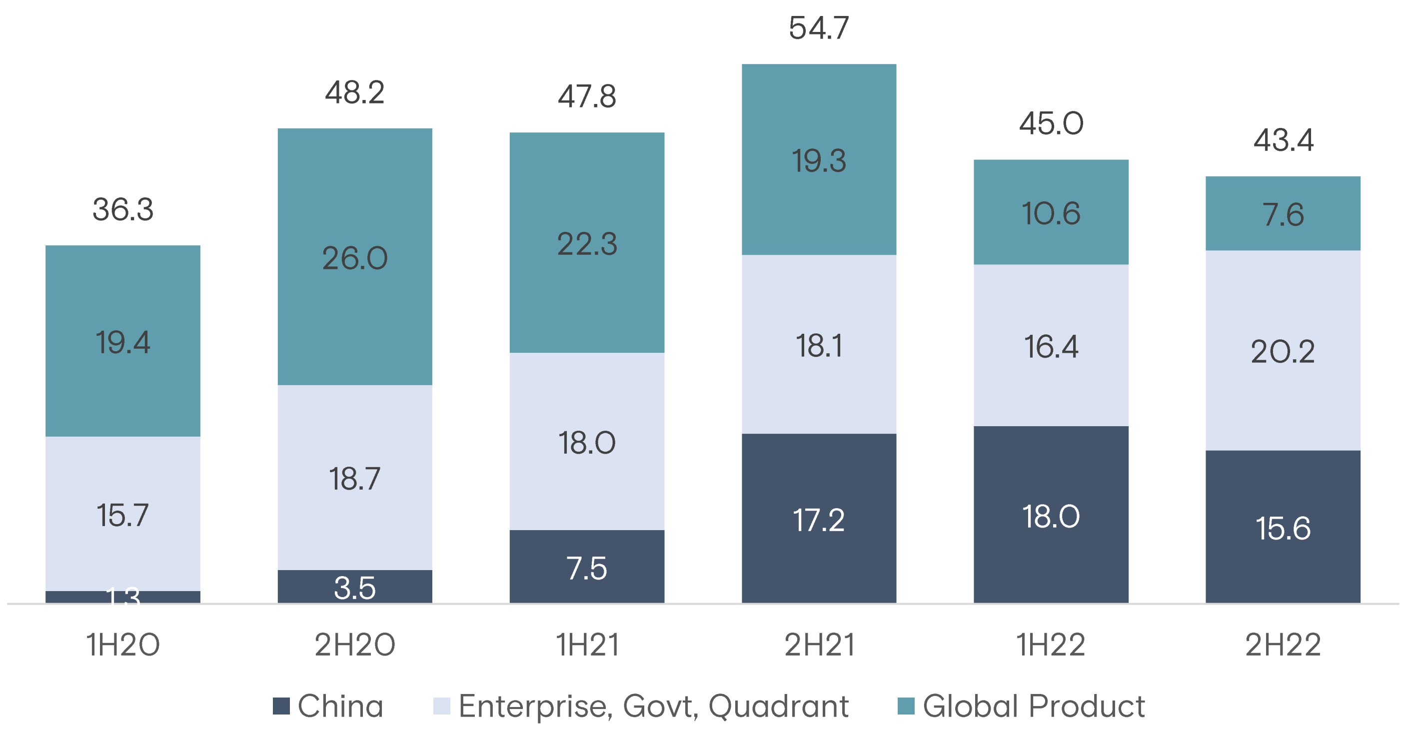


- Covid lockdown restrictions created challenging operating environmentt in FY22
- Despite challenging environment revenue 36% YoY growth
- China won 80 new clients
- Japan and Korea won 15 new clients
- 2H revenue declined 14% due to impact of COVID on sales, staffing and delivery
- Appen remains leading AI data company in China

Note: All figures in USD unless stated otherwise

New Markets revenue

New Markets division revenue by half ($M)



- Excluding Global Product, 15% YoY growth
- Global Product down 56% in FY22, driven mostly by end of a large project

Note: All figures in USD unless stated otherwise

Non-cash asset impairment charge

Indicators of impairment were identified for assets relating to the New Markets (ex-China) group of cash generating units (CGU)

High conviction remains in the future growth prospects of the New Markets (excluding China) business, however given the FY22 performance, future revenue growth assumptions have been reduced to reflect lower growth rates

This resulted in a total impairment loss of $204.3m. Allocated to specific Figure Eight-related customer relationships assets of $15.4m and Goodwill of $188.9m

The impairment charge is non-cash related and is a non-operating item. Underlying EBITDA and underlying NPAT are not impacted. Additionally, no covenant or debt facility impacts

Following completion of a value-in-use model for the Global Services CGU, significant headroom was determined and no impairment was necessary