



Appen Limited

2018 Full Year Results Presentation

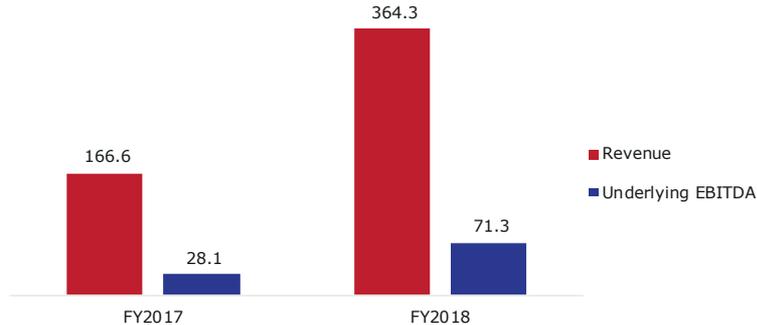
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Company snapshot

Appen provides high quality data for machine learning



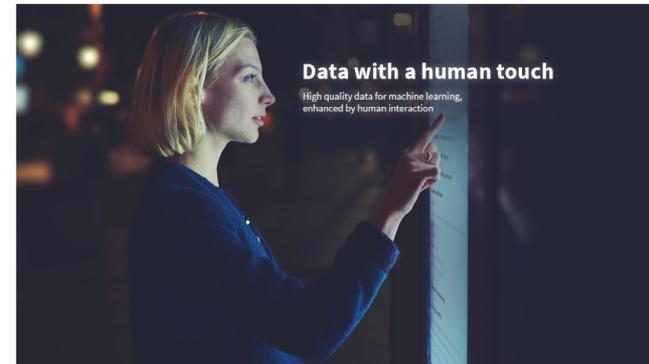
Appen is a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence

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

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

Data includes speech and natural languages data, from 130 countries and in 180 languages, image and video data, and relevance data

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

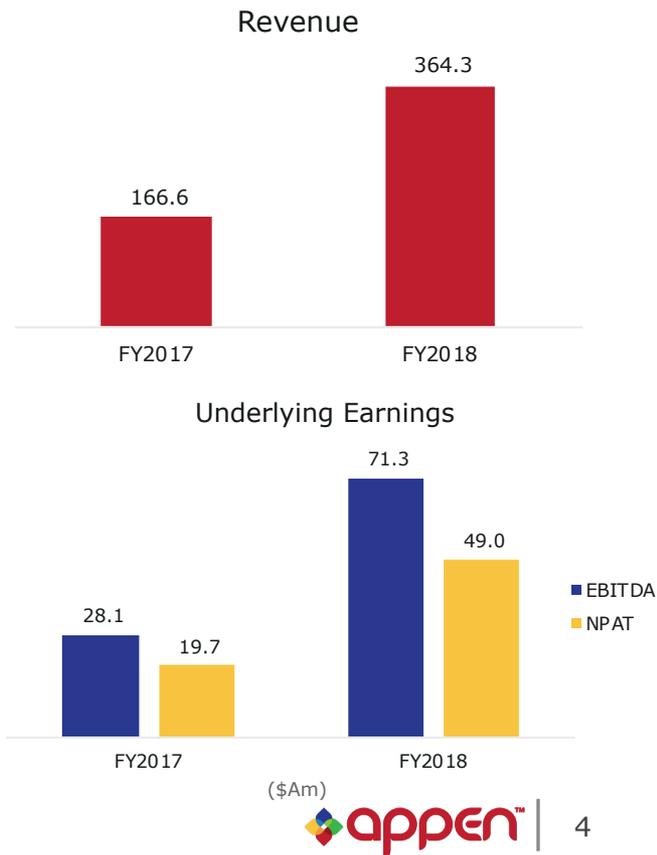


FY2018 highlights (A\$M)

Appen's strong growth continues

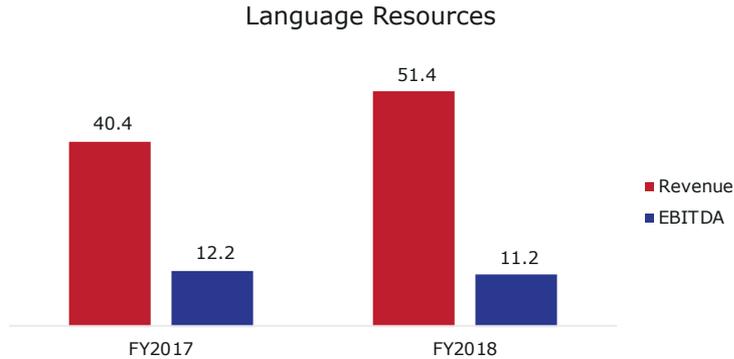
- Revenue up 119% to \$364.3M
- Underlying EBITDA of \$71.3M up 153%, statutory EBITDA up 206%¹
- Underlying EBITDA margins improved from 16.9% to 19.6%
- Underlying NPAT of \$49.0M up 148%, statutory NPAT of \$41.7M up 192%²
- Substantial 2H for Language Resources delivers record annual revenue
- High revenue growth and margin expansion for Content Relevance. Strong Q4 performance
- Leapforce integration nearing completion
- 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.



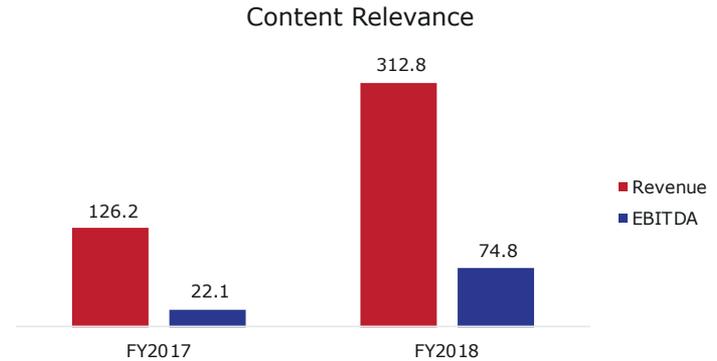
Strong divisional performance (A\$M)

Substantial 2H for Language Resource delivers record annual revenue



- 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

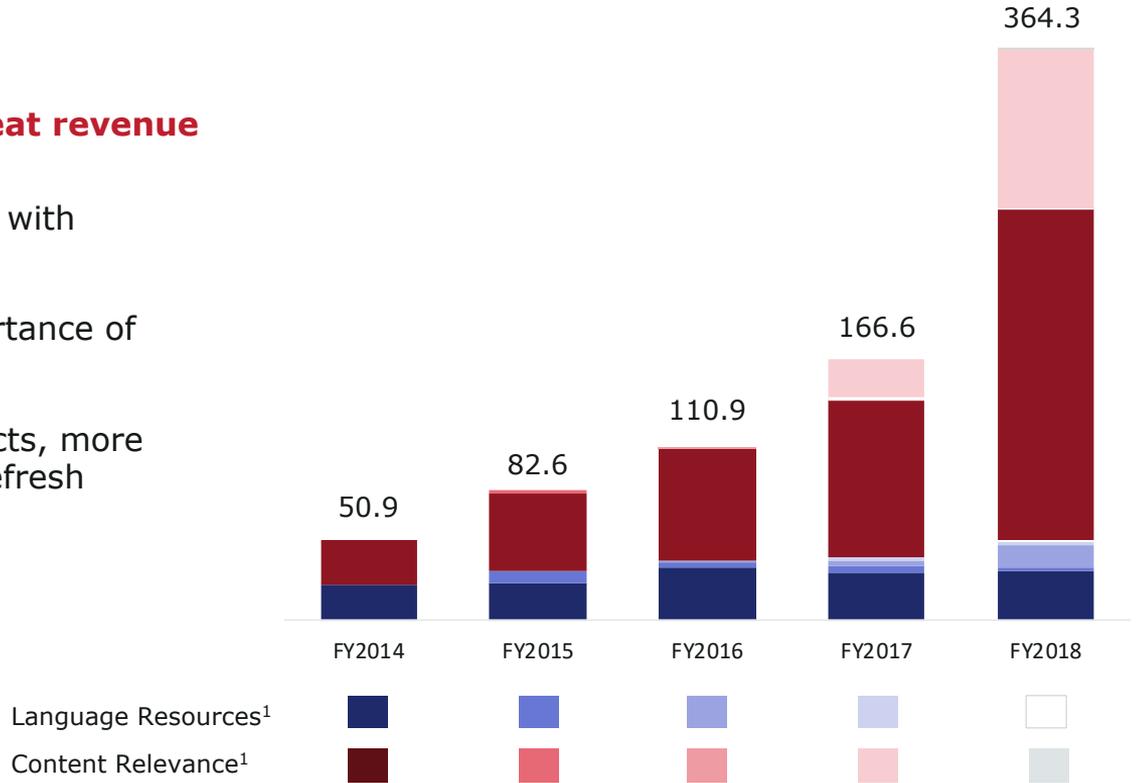


- Revenue growth of 148% driven by existing and new customer investments in AI
- Margin expansion from 17.6% to 23.9% from Leapforce and organic growth, and economies of scale
- Strong Q4 performance

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



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

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 nearing completion.
- Increased automation and scalability for all operational processes under Appen Connect (prior Leapforce platform enhanced for all Appen projects)
- Relevance projects on Appen Connect (>50% now, all by end Q1)
- Speech, Image and Video work on Appen Connect end Q2
- Efficiency savings of \$6M expected in 2019 from Leapforce integration



Growth trajectory continues (A\$M)

	FY2018	FY2017	% change	% change constant currency
Statutory Results				
Language Resources	51.4	40.4	27%	25%
Content Relevance	312.8	126.2	148%	140%
Total Revenue	364.3	166.6	119%	112%
Statutory EBITDA	68.1	22.2	206%	190%
Underlying EBITDA	71.3	28.1	153%	141%
Underlying EBITDA Margin	19.6%	16.9%		
Statutory NPAT	41.7	14.3	192%	173%
Underlying NPAT	49.0	19.7	148%	133%

Revenue up 119% on 2017

Growth largely driven by current and new projects with existing customers and the addition of Leapforce

Contact Relevance provided the bulk of revenue and growth. Language Resources delivered a strong 2H

Underlying EBITDA up 153%¹

EBITDA margins improved from 16.9% to 19.6% due to Leapforce and economies of scale

Underlying NPAT up 148%²

Effective tax rate reduced from 29.9% to 25.4% mainly due to employee share issue tax deduction. Normalised tax rate (excluding share based payment expense related items) ~29%

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

Strong Balance Sheet (A\$M)

	Dec-18	Dec-17
Cash	40.0	24.0
Receivables	60.5	31.6
Other Current Assets	13.8	12.5
Non-Current Assets	124.1	119.9
Total Assets	238.4	188.0
Current Liabilities	40.3	24.9
Non-current Liabilities	58.7	69.7
Total Liabilities	99.0	94.6
Net Assets	139.4	93.4
Total Equity	139.4	93.4

Strong balance sheet

Increase in receivables relates to increase in revenue volumes

Non-current assets include Goodwill of \$81.1M and identifiable intangible assets of \$40.2M in relation to the Leapforce acquisition

Borrowings relate to debt funding for Leapforce acquisition. Debt repayment of \$17.8M during the period, somewhat offset by period end unrealized FX restatement loss of \$6.9M

Net debt of \$18.7M resulting in debt leverage ratio of 0.26x for last 12 months

Full year dividend of 8.0 cps up 33% from 2017. Final dividend 73% franked

Strong cash conversion (A\$M)

	FY2018	FY2017
Receipts	340.4	157.7
Payments and other	(275.0)	(136.8)
Cash flow from operations before interest and tax	65.4	20.9
Interest	(3.0)	0.0
Taxes	(15.6)	(7.5)
Total Cashflow from Operations	46.8	13.4
Cashflows - Investment Activities	(7.6)	(97.6)
Cashflows - Financing Activities	(25.2)	92.8
Net Cashflows for the period	14.0	8.6
Opening cash balances	24.0	16.5
FX Impact	2.0	(1.1)
Closing cash balances	40.0	24.0

Cash balance increased by \$16.0M

Cash flow from operations increased by 249% and remains strong

Cash used to repay debt, pay dividends, fund capex and Leapforce transaction costs

Strong cash flow conversion

	FY2018	FY2017
Underlying EBITDA	71.3	28.1
Working capital	(2.3)	(3.6)
Other	(3.6)	(3.6)
Cash flow from operations before interest and tax	65.4	20.9

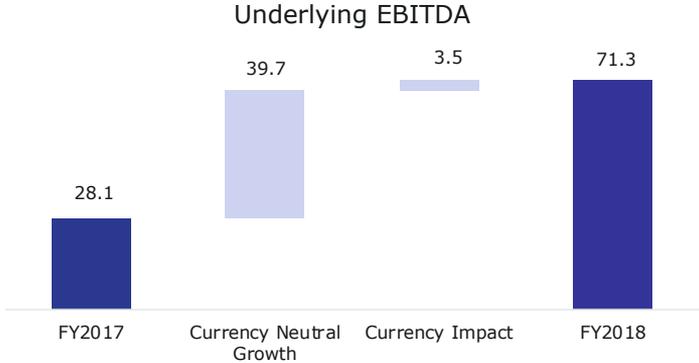
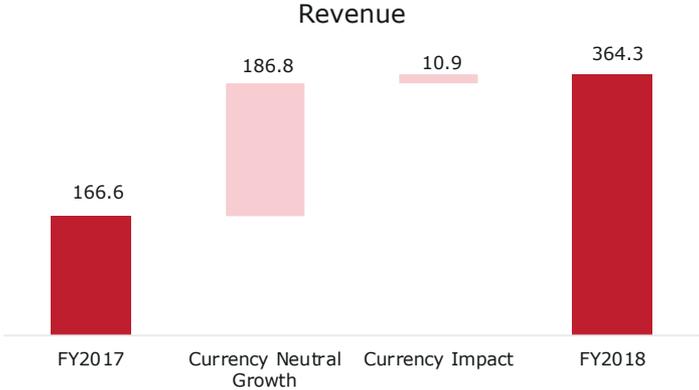
Underlying EBITDA cash conversion of 92%

Currency impact (A\$M)

Almost all revenue derived offshore,
most in USD

Low currency tailwind impact in 2018

Underlying business performing well



AI and the need for data is booming

The AI market is booming

Total AI market by 2025:

\$169B¹

to

\$191B²

Investment driven by new and existing use cases



- Chatbots
- Assistants
- Natural language applications
- Translation Services



- Search
- Social media
- Online advertising



- Surveillance
- Computer vision
- Social media
- Video search



- Autonomous vehicles
- Geospatial analysis
- Computer vision
- Facial recognition

Data is up to 10% of the AI investment³

Data labelling market by 2025:

\$17B

to

\$19B

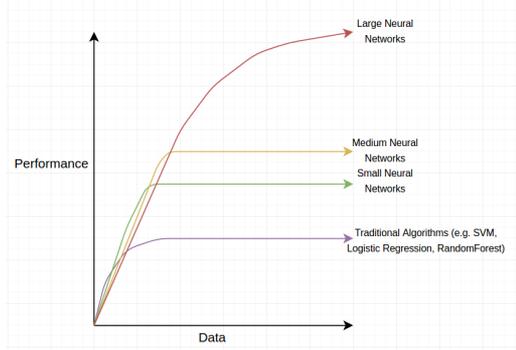
1. Allied Market research

2. Markets and Markets: "Artificial Intelligence Market by Offering (Hardware, Software, Services), Technology (Machine Learning, Natural Language Processing, Context-Aware Computing, Computer Vision), End-User Industry, and Geography - Global Forecast to 2025

3. McKinsey Global Institute

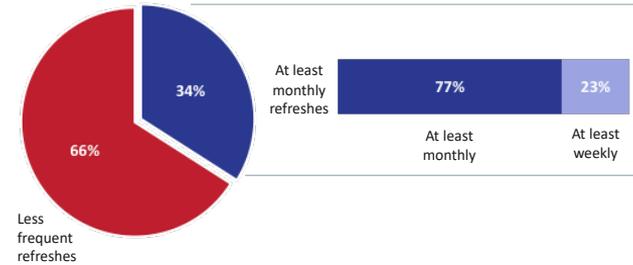
Data volume and refresh are critical

AI performance improves with data volume



- Work by Andrew Ng¹, co-founder of Google Brain, shows that the performance of large neural networks improves with the volume of labelled training data

Applications require regular data refresh²



- One third of AI applications require frequent, monthly data updates
- One quarter of those require weekly updates

1. https://en.wikipedia.org/wiki/Andrew_Ng
2. McKinsey Global Institute

Appen investing in technology to meet the demand for data

Global crowd workforce



Client workspace



Development of self-serve capabilities will improve customer engagement and grow addressable market

Annotation tools



Investments in annotation tools with AI assistance will accelerate work rates, efficiency and quality

Crowd management



Appen Connect supports and improves crowd operations. Ongoing investment in functionality

Technology Investment

- Hired Wilson Pang as CTO. Formerly Chief Data Officer Ctrip.com and Senior Director Engineering at eBay
- Building out global software engineering team
- Engineering investments of \$6M on P&L in 2019

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
- Judicious investment
- 'Air gapped' operation for data and IP security



Appen strongly positioned and delivering



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

513 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 uniquely positioned and continues to execute strongly in a high growth market

The company is investing in engineering to meet the demand for data. Investments of \$6M (P&L impact) funded by efficiency savings in 2019 from Leapforce integration

Future investments necessitate a review of Appen's capital management priorities, including dividend policy

YTD revenue plus orders in hand for delivery in 2019 ~\$165M at mid-February 2019

The Company's full year underlying EBITDA for the year ending Dec 31st 2019 is currently forecast to be in the range \$85M - \$90M, after engineering investment (at A\$1 = US\$0.74 Feb-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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