Powering the

AI life cycle

appen

Appen Limited

2021 Full Year Results Presentation

24th February 2022

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

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1. **FY21 Highlights**

2. **Market Overview**

3. **Our business**

4. **Growth strategy**

5. **FY21 Financial performance**

6. **Outlook**

7. **Questions**

FY21
Highlights

Our Company

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Mission & Vision

Make AI work in the real world

#1 Data for the AI Lifecycle

Products

Data collection

Data preparation

Model evaluation

Technology Platform Expertise Crowd

Performance

$447M — Record revenue in FY21

$78.9M — FY21 EBITDA Before FX Impact

40% — Annualised revenue growth since 2016

32% — Global Services growth 2H21 on 1H21

422% — Revenue growth in China in FY21

Our customers include

Google   amazon   Linked in   Dolby   BOEING   Adobe   SIEMENS

Microsoft   salesforce   Bloomberg   UNIVERSITY of WASHINGTON   nextdoor   THE HOME DEPOT

Our Impact

Crowd

Impact sourcing

Creating opportunities for people in developing countries[1]

17%

were long-term unemployed (>1 year) before joining Appen

16%

living under the global poverty line before joining Appen

63%

use their Appen earnings to support their household or to pay for education

People

38%

female representation amongst senior leadership

up from 30% in 2020

50%

female representation on our Board

up from 43% in 2020

2021 Employee Distribution

■ Asia Pacific   ■ USA   ■ Australia   ■ UK / Europe

Environment

Scope 1 and 2

GHG emissions inventory completed

Net zero emissions

by 2030

100% renewable

Cloud supplier partner

1.   Internal survey of our crowd workers conducted in November 2021 with ~7,000 responses.

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We are making AI work in the real world, for everyone

We helped our customer reduce bias in AI by testing their language model with a diverse crowd

Market
overview

AI is accelerating

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52%
of companies accelerated
their AI adoption plans
because of COVID[2]

86%
of companies say AI is
becoming a "mainstream
technology" for them[2]

72%
of business leaders
are positive about the
role AI will play[3]

AI will be a
ubiquitous and
omni-use
technology[1]

AI will help alleviate
skills shortages
by augmenting
support activities[4]

If companies don't
embrace AI, they
will quite simply
be left behind[1]

1. Reimagining the Future of Business and Tech with Kai-Fu Lee https://www.bcg.com/publications/2021/how-artificial-intelligence-will-reshape-the-future-of-business
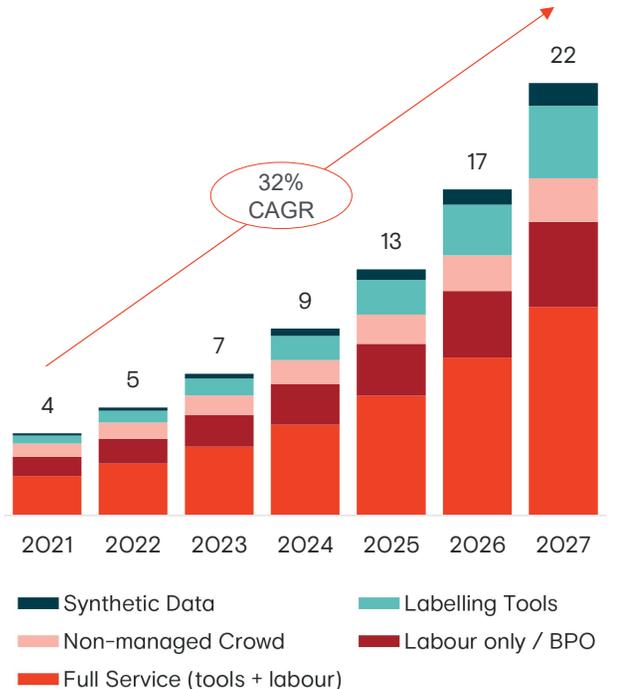2. PwC
3. The AI Journal
4. Harris Poll / Appen

The AI training data market is growing rapidly
Large volumes of human-annotated data remain critical for AI success

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Growing need for labelling

Data labelling market forecast (US$B) [1]

32% CAGR

Appen supports most data labelling delivery models

Legend:
- Synthetic Data
- Non-managed Crowd
- Full Service (tools + labour)
- Labelling Tools
- Labour only / BPO

1. Cognilytica Research Snapshot: Data Labelling Markets (December 2021)

What customers are saying

- Vast, high-quality data sets are required for AI models to work perfectly

- Humans will continue to play a significant role in the creation of unbiased AI training data

- Technology is essential for delivering large-volumes of high-quality labelling and sourcing tasks and integrating with model development pipelines

- Data trust and privacy are paramount

- AI is experimental, requires high agility and expertise to support new product development. Customers less likely to commit spend

- Synthetic data is early but will play a role

Appen is the market leader

## Leading market share

AI data revenue by competitor [1]
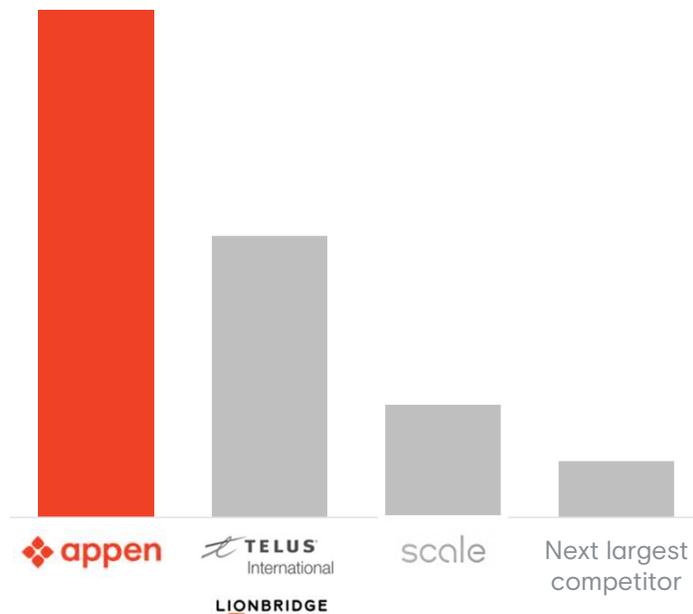
Why we win

Trust | Data privacy compliant, with platform option for secure, onsite data labelling

Quality | Platform quality controls ensure unbiased, low-error and globally representative results

Usability | Easy to integrate and use labelling platform

Scale | Breadth and depth of labelling technology that support large-scale data requirements

Speed | In-built labelling automation to deliver rapid results

Expertise | Deep domain expertise developed from over 25 years of experience

Appen is strongly positioned against competitors

Competitive landscape

Workforce capacity

Annotation technology
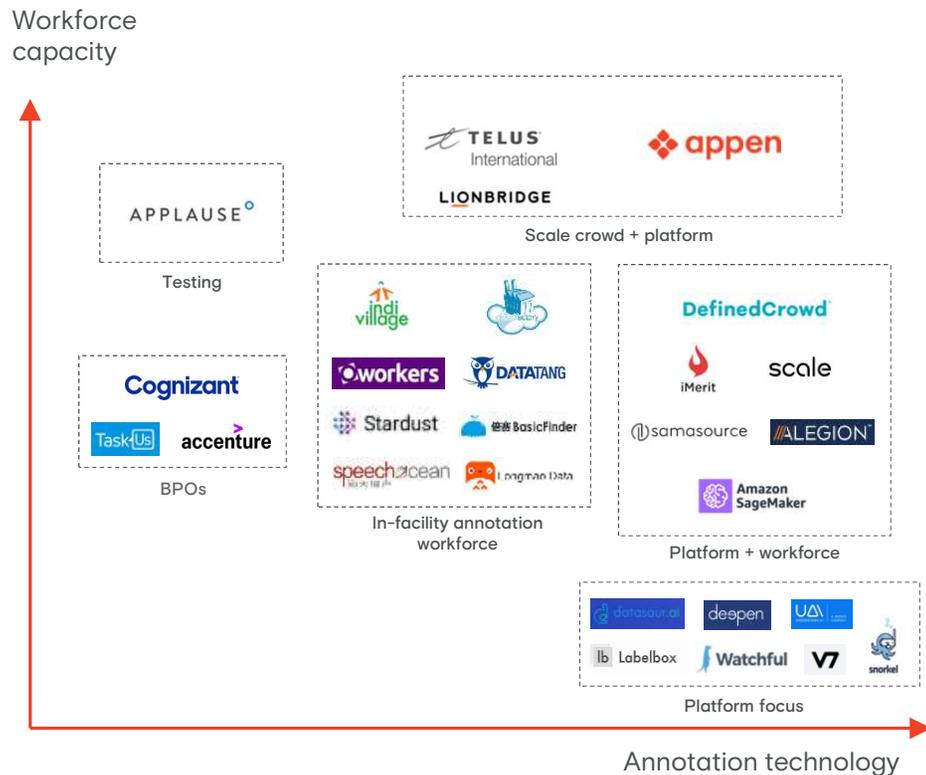
Our differentiators

- Unique combination of **leading annotation technology** and **global crowd**

- **Trusted by global AI leaders** to support both in-deployment and emerging AI enabled products

- 25 years expertise working delivering **high quality AI training data**

- Appen's crowd supports **large-scale data requirements with high quality**

- **Full market coverage** with dedicated business units focusing on Global (big-tech), China, Government and Enterprise

Our
business

Our vision: #1 Data for the AI Lifecycle

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Who we are

#1 Data for the AI Lifecycle

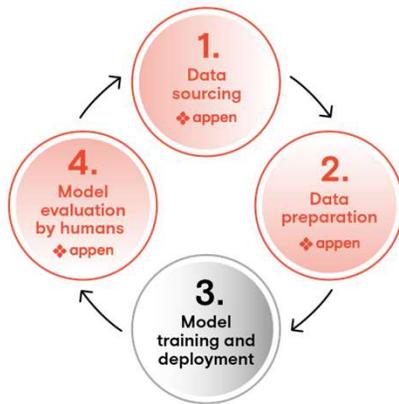| **Trust**	**Quality**	**Usability**	**Scale**	**Speed**
Data privacy compliant, with option for secure, onsite data labelling	Unbiased, high-quality and globally representative data	Easy to use, with simple UX and API integrations	Breadth and depth of tools to enrich all data types and use cases	In-built automation that minimizes latency of results

Our products

1. Data Sourcing
- **Data Collection** - leverage our crowd of over 1m workers to collect high quality, unbiased AI training data
- **Prelabelled Datasets** – use prelabelled datasets to kickstart AI projects
- **Synthetic Data** (Beta) – artificially generate hard-to-find data to enhance model coverage and performance

2. Data Preparation
- **Data Annotation** - enrich data through ML-assisted labelling with automated quality checks of input and output data quality for bias and duplicates
- **Knowledge Graphs** - define taxonomy and relationship between data labels to organise and integrate sources

3. Model training and deployment
Partnerships including: Microsoft Azure   Google Cloud   🦩 **Pachyderm**   Amazon SageMaker

4. Model Evaluations by Humans
- **Model Testing (incl. Relevance)** – validate real-world model performance across a range of use cases with human judgements
- **Model Benchmarking** - compare model performance to competitors to ensure best-in-class results

Our Delivery

Technology platforms	**Crowd**	**Expertise**

Data Types							
	Text	Image	Audio	Video	LiDAR/3D	Multi-modal	Point-of-Interest

14

Growth strategy

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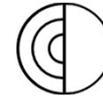|				
Vision	**#1 Data for the AI Lifecycle**			
Core strategic pillars	**Grow** revenue and diversify Drive growth in target customer segments	**Automate** crowd and labelling processes Leverage AI and ML in our labelling operations to improve the productivity of our crowd	**Expand** our product offering Expand our TAM by adding new products and capabilities – e.g. Quadrant and synthetic data	**Evolve** how we do business Improve the scalability and productivity of our GTM and project delivery
Enablers	New customer–aligned organisation structure	Increased investment in Product and Engineering (up to 10% of revenue)	Dedicated team of data scientists to build and deploy ML models to pre-label training data	Quadrant acquisition unlocks broader Point of Interest market	~$5m annual investment for dedicated transformation team, starting in FY22
Delivering financial outcomes in FY26	**At least double FY21 revenue**		**More than one third of revenue from non-Global[1] customers**	**EBITDA margin target 20%**
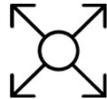
1. Non-Global includes customers from China, Enterprise, Government and Quadrant

16

Delivering against our strategy

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High-level roadmap

Delivering outcomes by FY26

	FY21	**FY22 and beyond**
Grow	✓ New and expanded delivery centres in Dalian and Wuxi, China ✓ New leadership team for Enterprise ✓ Hired Chief Product Officer	▪ Maintain growth through customer and project diversification ▪ Leverage China success into Japan and Korea ▪ Greater use of equity compensation to attract and retain expert people
Automate	✓ Built team and base capabilities for ML-based automation ✓ Developed and launched automation that doubles audio annotation productivity	▪ Apply automation to additional data modalities ▪ Expand data science team ▪ Ongoing investments in product and engineering
Expand	✓ Quadrant acquisition unlocks POI market and increases TAM ✓ Launched China AV tools	▪ Embed and unlock value from investments and partnerships ▪ Maintain investment in new product development to support AI lifecycles
Evolve	✓ Transformation program established ✓ Hired Chief Transformation Officer	▪ Deliver revenue and margin benefits of transformation program. Net EBITDA positive from FY23 ▪ Investing ~$5m annually in transformation team

At least double FY21 revenue

More than one third of revenue from non-Global customers

- Targeting >35% CAGR in non-Global customers

EBITDA margin target 20%

- We are investing for growth which may impact margin in the near term

17

Automate: Improving crowd productivity
Full service requires a mix of human-based and automated services

	Data Sourcing			Data Preparation		Model Evaluation	
	Data Collection	Prelabelled Datasets	Synthetic Data	Data Annotation	Knowledge Graphs	Model Testing (incl. Relevance)	Model Benchmarking
Human involvement	High	Low	Low	Med	Low	High	Med
Automation potential	Low	High	High	Med	Low	Low	High

80% of Appen's revenue in FY21

Our large-scale crowd forms a competitive moat for tasks with high human involvement
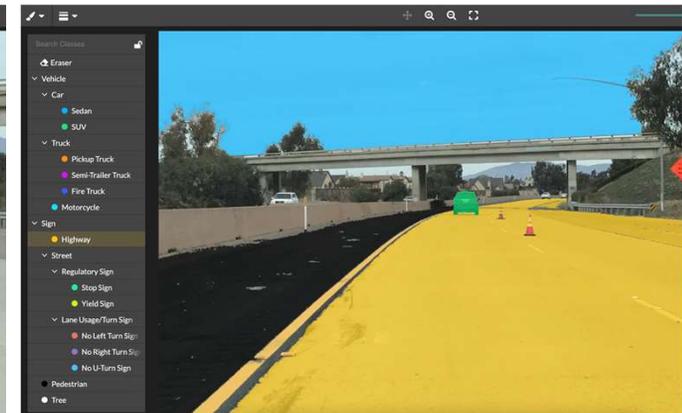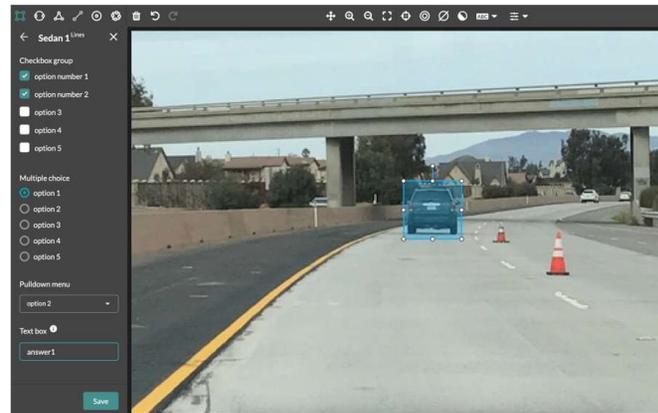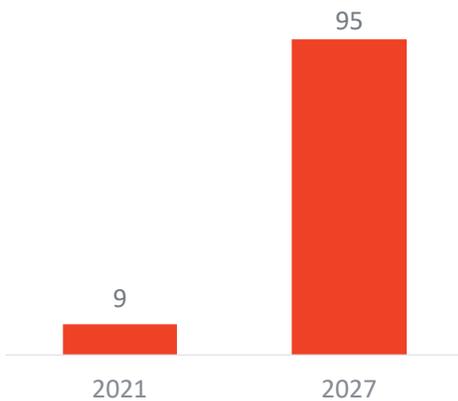
Our tech improves the productivity of our crowd in areas with automation potential

AI in Computer Vision Market (US$B)[1]

95

9

2021   2027

- Autonomous vehicles (AV) requires vast amounts of training data

- Multiple modalities – image, video, LiDAR, speech

- High data quality and security requirements

- Successfully developed and deployed AV data annotation technology

- Built skilled and scalable specialist labelling and QA workforce

- Eleven auto AV customers

- >20 other tech customers developing autonomous mobility products (e.g., robotics)

- Leveraging capability to expand share in the US and Europe

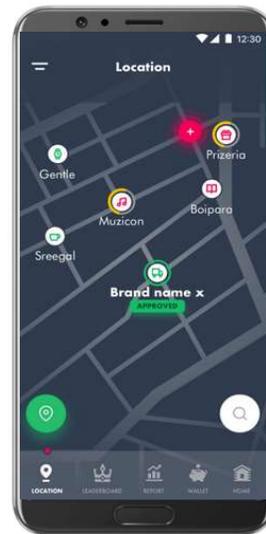1. The Insight Partners:AI in Computer Vision Market Forecast to 2027
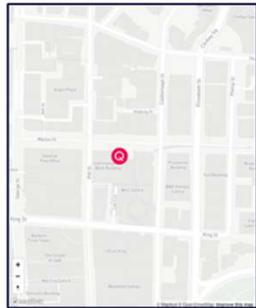
paradiso CAFE
Restaurant, Cafe

Phone:
(02) 9876 5432

Address:
13 Martin Pl, Sydney
NSW 2000, Australia

Lat / Lon:
-33.8686 / 151.2090

Offers Takeaway:
No

Opening Hours:
Permanently Closed

- Accurate location data is essential for maps, ecommerce, ride-sharing, real estate, delivery...

- Rich location data requires accurate collection, multiple data points and regular update – especially post-COVID

- Quadrant Geolancer: efficient, crowd-sourced, in-field point-of-interest (POI) data collection and verification

- Location data will converge with augmented and virtual reality (AR/VR)

- AR/VR users will enjoy localised AI and richer real-world experience

Two reporting segments, five customer-facing business units

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Global Services	New Markets				
Services provided to leading US tech companies utilising their platform Includes large relevance programs	New Markets reflects progress against our Product Led strategy Includes Global Product (Global customer revenue through Appen products), Enterprise, Govt, China and Quadrant All project types and data modalities				

Global	Enterprise	Govt	China	Quadrant
Leading US tech companies, including Google, Amazon and Microsoft	Covering North America, EMEA and SEA	Federal agencies	China, Japan and Korea	Provider of location data

Financial highlights

US$	FY21	vs FY20
Group revenue	**$447.3M**	**+8%**
Global Services [1]	$344.7M	+5%
New Markets [2]	$102.5M	+21%
Underlying EBITDA [3] (before FX)	**$78.9M**	**+12%**
Underlying EBITDA margin (before FX)	**17.6%**	**vs 17.1%**
Underlying EBITDA (after FX)	$77.7M	+3%
Underlying EBITDA margin (after FX)	17.4%	vs 18.3%
Dividend per share (A cents)	**10.0c**	Flat

1. Revenue from major US technology customers (Global customers) through their platforms
2. Revenue from Global Product (Global customers using the Appen platform and tools) and Enterprise, China, Government and Quadrant customers
3. Underlying EBITDA excludes restructure costs, transaction costs, cloud computing costs and acquisition-related share-based payment expenses, and for FY20, the earnout adjustment relating to the Figure Eight acquisition

Record full year revenue performance driven by strong 2H Global Services contribution and uplift in New Markets

- **Global services revenue** reflects second half revenue growth of 32% on the first half of FY21

- **New markets revenue** driven by 422% increase in revenue in China

Underlying EBITDA before FX up 12%, driven by revenue growth and gross margin expansion in 2H

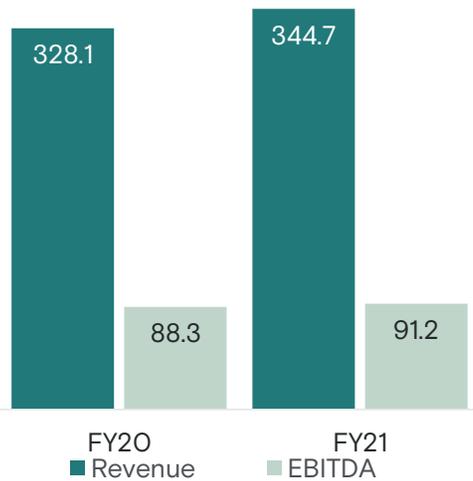**Strong balance sheet** – $48M in cash and no debt as at 31 December 2021

Final dividend A$ 5.5 cents per share, flat on FY20
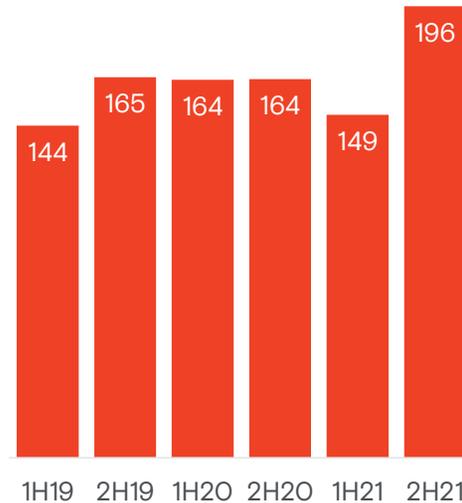
Revenue and EBITDA (US$M)

- Full year Global Services revenue of $344.7M, up 5.0%
- EBITDA of $91.2M, up 3.3%

Revenue by half (US$M)

- Strong 2H FY21
- Delivered into projected 2H skew, 32% growth on 1H
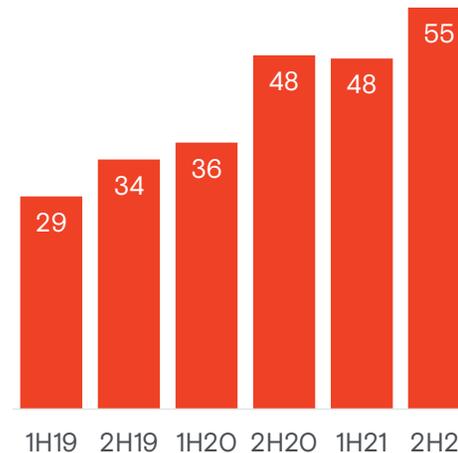- Growth underpinned by multiple new product developments to offset ad dependencies

24

Revenue and EBITDA (US$M)
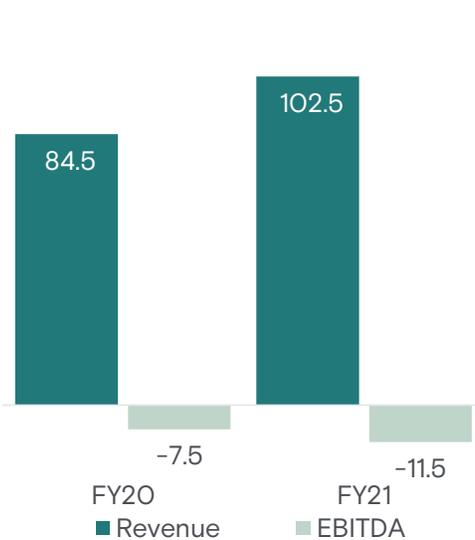
- FY21 revenue of $102.5M, up 21%
- Growth supported by strong performance in China
- EBITDA loss of $11.5M due to investing in growth
- 2H loss down 48% on 1H

Revenue by half (US$M)

- Strong growth half on half, up 15%
- Record half for New Markets in 2H

Annual revenue (US$M)

	FY20	FY21
Total	373.5	386.3
Global Product	45.4	41.6
Global services	328.1	344.7

- Global services
- Global Product

- Full year 2021 revenue of $386.3M, up 3.4% on FY21
- Growth underpinned by existing programs and new product developments
- Global Product revenue down 8.2% on FY20 due to end of a single large project

Revenue by half and project type (US$M)

	H1FY19	H2FY19	H1FY20	H2FY20	H1FY21	H2FY21
Revenue	156	171	183	190	171	215
% revenue from non-ads projects	69%	61%	68%	74%	75%	77%

— % revenue from non-ads projects
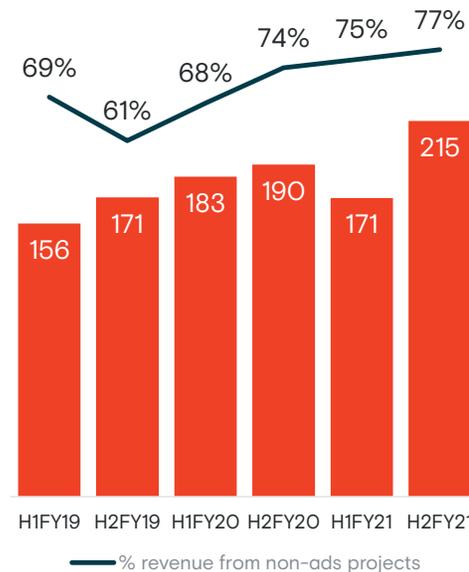
- Record 2H revenue, returns Global to growth trajectory
- Growth driven by non-ad projects (up 28%) as customers invest in new products and applications
- Percentage of non-ad projects increasing, 77% in 2H FY21
- Ad-related revenue returned to growth in 2H FY21 (up 18% on 1H21)

Note: numbers are subject to rounding

Digital ad spending worldwide (2020-2025)

Billions, % change, and % of total media ad spending

- Digital ad spending
- % change
- % of total media ad spending
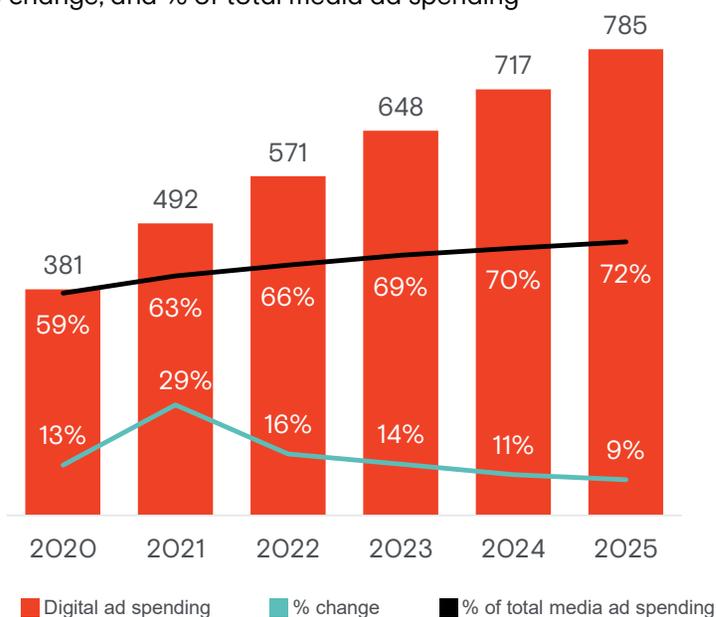
Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS, and P2P messaging-based advertising
Source: eMarketer, October 2021

Market observations and implications

- Digital Ad Market continues to grow
- Market dynamics include
  - Emergence of new social media companies wining global share
  - Participants investing to address technical developments (e.g., iOS changes)
- Major search and social media companies continue to invest
  - Ongoing ad-related products to win share
  - New products to diversity revenue streams
- Appen is working with search and social media companies globally, including US and China, to support development of ad and non-ad products

27

Enterprise, China, Government, Quadrant
Growth continues

Annual revenue (US$M)
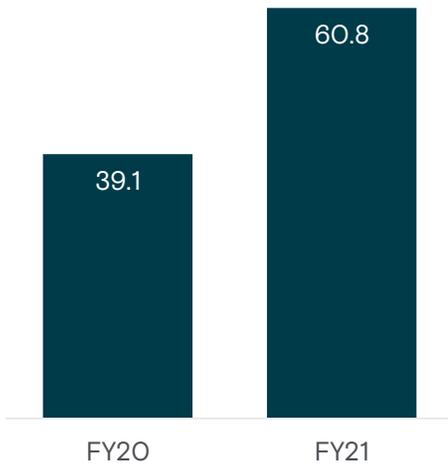
- FY21 revenue of $60.8M, up 55.4% on FY20
- Growth supported by strong performance in China
- Enterprise, China, Govt and Quadrant now 14% of group revenue, up from 9% in FY20

Revenue by half (US$M)
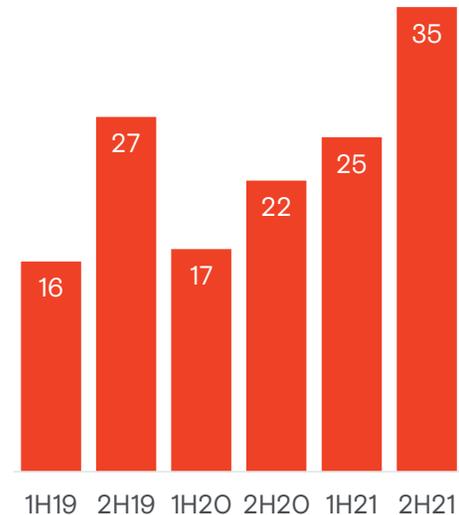
- Record revenue in 2H FY21
- 2H FY21 up 59% on PCP

Breakout growth in FY21

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China revenue by quarter (US$M)

Bar chart showing China revenue by quarter:
- 1Q20: 0.4
- 2Q20: 0.8
- 3Q20: 1.4
- 4Q20: 2.1
- 1Q21: 2.9
- 2Q21: 4.6
- 3Q21: 7.4
- 4Q21: 9.8
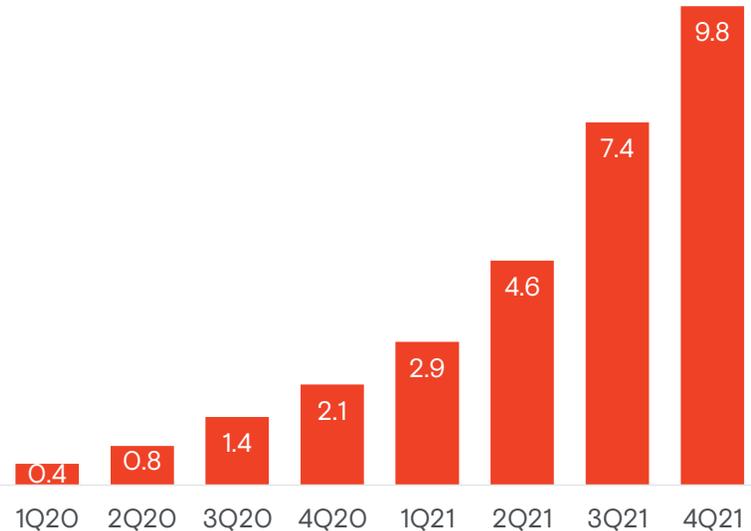
Summary of performance

- FY21 revenue of $24.7M, 422% up on FY20

- Customers include tech giants, social media, mobile providers and autonomous vehicle (AV) companies

- 11 leading auto AV companies as customers

- >20 other tech customers developing autonomous mobility products (e.g., robotics)

- Highly focused on growth – including new customer and share from incumbents

- On track to be market leader in China

- Gross margin continues to improve

Enterprise, Government and Quadrant
Building for high-growth

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Growing Enterprise customer base

- Wins with Salesforce, Boeing, Adobe, Bloomberg
- Multiple data modalities
- New leadership team focused on accelerating growth

salesforce Linked in ◀◀ Dolby

BOEING UNIVERSITY of WASHINGTON Adobe

Bloomberg SIEMENS nextdoor

THE HOME DEPOT

Ongoing opportunities with Government

- Selected in a partnership for the Joint Artificial Intelligence Center (JAIC) BPA to support technology capabilities acceleration[1]
- Continue to deliver into existing programs
- Adding new pilot projects
- Building essential partner ecosystem

Quadrant delivering early wins

- Quadrant well received by Appen customers
- Multiple projects underway across both Global and Enterprise customers
- Back-office integration largely complete

QUADRANT
an ❖ appen company

1. BPA: blanket purchase agreement up to $249M to be allocated across multiple vendors over multiple years

Revenue, EBITDA and NPAT summary

US$M	FY21	FY20	% change
Global Services [1]	344.7	328.1	5.0%
New Markets [2]	102.5	84.5	21.3%
Other income	0.1	0.4	
Total revenue	**447.3**	**413.0**	**8.3%**
Statutory EBITDA	**72.9**	**74.8**	**(2.4%)**
Underlying EBITDA [3]	**77.7**	**75.4**	**3.0%**
Underlying EBITDA margin	17.4%	18.3%	
Underlying EBITDA [3] before FX	**78.9**	**70.7**	**11.6%**
Underlying EBITDA margin	17.6%	17.1%	
Statutory NPAT	**28.5**	**35.6**	**(19.9%)**
Underlying NPAT [4]	**40.6**	**45.3**	**(10.4%)**
Underlying basic eps (cents)	**33.0**	**37.2**	**(11.3%)**

Note: numbers are subject to rounding

1. Revenue from major US technology customers (Global customers) through their platforms
2. Revenue from Global Product, Enterprise, China, Government and Quadrant customers
3. Underlying EBITDA excludes restructure costs, transaction costs, cloud computing costs and acquisition-related share-based payment expenses, and for FY20, the earnout adjustment relating to the Figure Eight acquisition
4. Underlying NPAT excludes after tax impact of items relating to restructure, cloud computing and acquisition related costs, including acquisition related intangibles, share-based payments, deemed interest on earn out liability and transaction costs, and for FY20, consideration adjustments relating to the Figure Eight acquisition

Revenue growth of 8%, underpinned by strong half-on-half growth of 28%, following a 1H decline of 2% versus pcp

Major contributor was Global Services which delivered into the strong 2H revenue forecast, with a record 2H performance, up 19% on pcp and 32% on 1H FY21

Growth largely driven by continued increase in new non-ad Global projects, return to growth in Global ads projects and increases in market and customer share in China

Underlying EBITDA (before FX) and margins positively impacted by 2H revenue growth, gross margin expansion and moderate expense increase to support growth

Underlying NPAT impacted by increased amortisation associated with investment in product development

Effective tax rate constant at 20.5% due to tax effect of movements from expensing and vesting of employee performance shares. Normalised tax rate (excluding share-based payment related items) ~25%

Strong and resilient balance sheet

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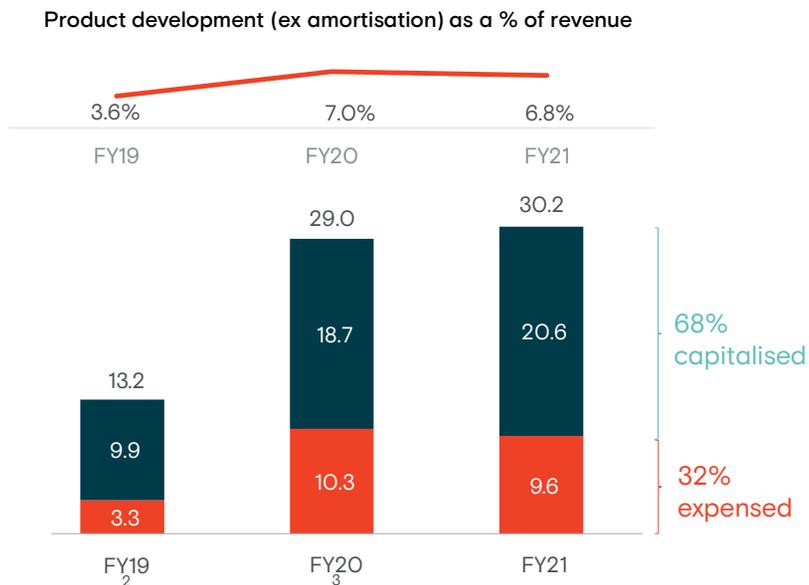| US$M	Dec 2021	Dec 2020
Cash	47.9	60.5
Receivables	89.2	50.6
Contract assets	10.5	31.5
Other current assets	15.1	12.2
Non-current Assets	336.2	306.8
Total assets	**498.9**	**461.6**
Current liabilities	66.6	60.0
Non-current liabilities	40.4	27.9
Total liabilities	**107.0**	**87.9**
Net assets	**391.9**	**373.7**
Total equity	**391.9**	**373.7**

Note: numbers are subject to rounding

- Increase in receivables due to increased volumes around year end and includes invoices raised on 31 December 21, as time-based billing milestones satisfied, resulting in reduction in contract assets

- Non-current assets include Goodwill of $247.7M and identifiable intangible assets (IIA) of $67.1M Goodwill and IIA has been reviewed for impairment, with adequate headroom

- Goodwill of $45.4M has been recorded in respect of the Quadrant acquisition. This will be further analysed as part of the purchase price adjustment in FY22.

- Non-current liabilities include an earn out liability of $18.4M in respect of the Quadrant acquisition

- Final dividend of AU 5.5 cps. Final dividend 50% franked

Investment in product development

Investment in product development[1] (US$M)

Product development (ex amortisation) as a % of revenue

	FY19	FY20	FY21
% of revenue	3.6%	7.0%	6.8%

- 68% capitalised
- 32% expensed

- **FY21 investment of $30.2M reflects continuing focus on product development to drive customer wins, scalability, repeatability, quality data and margin expansion**

- **Significant increase in FY20 vs FY19 due to strategic focus on engineering following the acquisition of Figure Eight, with new engineering staff added to enhance existing products and develop new products**

- **Approximately 68% of product spend was capitalised in FY21 reflecting investment in platform development and new tools and products**

- **6.8% of revenue was reinvested in product development in FY21**

- **Ongoing investment in product development up to 10% of revenue**

1. Product development relates to investment in engineering to ensure that the annotation platform and tools support our customers and their use cases, and drive efficiencies and scale. These amounts exclude amortization expense.
2. FY19 includes amounts capitalised related to the acquisition of Figure Eight
3. FY20 spend includes annualisation of Figure Eight engineering spend (acquisition completed April 2019).

Solid cash flow conversion

US$M	FY21	FY2O
Receipts	434.3	413.6
Payments and other	(374.2)	(335.6)
Cash flow from operations before interest and tax	**60.1**	**78.0**
Net interest	(O.6)	(1.2)
Taxes	(5.6)	(12.1)
Net cash from operations	**53.9**	**64.7**
Cash flows – investing activities	(50.8)	(48.8)
Cash flows – financing activities	(14.1)	(8.2)
Net cash flow for the period	**(11.0)**	**7.7**
Opening cash balance	60.5	52.8
FX impact	(1.6)	–
Closing cash balance	**47.9**	**60.5**

Note: numbers are subject to rounding

- Cash balance decreased by $12.6M due to upfront payment for Quadrant of $25.3M

- Cash balance and cash conversion impacted by timing issues – working capital cycle impact of higher volumes in November and December 21

- Working capital cycle impact, offset by lower tax payments, resulted in cash flow from operations decreasing by 13%

- Cash used to pay tax, dividends, capex and fund operations and planned investments to support future growth

- Cash conversion from EBITDA decreased from 103% to 77%

Cash flow reconciliation (US$M)	FY21	FY2O
Underlying EBITDA	**77.7**	**75.4**
Working capital	(17.6)	2.5
Cash flow from operations before interest and tax	**60.1**	**78.0**
Underlying EBITDA cash conversion	**77%**	**103%**

We are guiding to long-term shareholder value creation

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FY26 financial targets

At least double FY21 revenue

We are highly focused on long-term revenue growth

Our revenue order book including year-to-date revenue plus orders in hand stands at ~$190M at February 2022[1]

FY22 half on half revenue skew expected to be similar to prior years (excluding FY20)

Improved customer mix with 1/3 of revenue from non-Global[2] customers

We will invest for growth in new products, sales and marketing, partnerships and explore M&A opportunities

Targeting >35% CAGR revenue growth from non-Global customers

EBITDA margin of 20%

Our long-term revenue focus may impact near-term EBITDA margins and future dividend payout ratios

Our long-term focus means we will no longer provide short-term quantitative EBITDA guidance

Higher costs in 1H22 include new transformation office, investment in product and technology, and share-based payment expenses

Earnings skew to 2H will be larger when compared to FY21

1. Consistent with prior year methodology. FY21 order book of ~$165.7 million (~A$240 million).
2. Non-Global includes customers from China, Enterprise, Government and Quadrant.

Questions?

Appendix

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- Product development is amortised over 3 years
- Amortisation expense has increased due to the strategic focus on product development, which commenced in FY19. FY21 amortisation is based on spend in FY19, FY20 and FY21, with the nominal spend in FY18 being replaced with the much higher spend in FY21

Year of origination of capitalised spend	Amount capitalised	US$'000 Amounts amortised			
		2018	2019	2020	2021
2017[1]	288	96	96	96	–
2018	762	247	254	261	–
2019[2]	9,925	–	3,168	3,113	3,104
2020	18,712	–	–	6,063	6,063
2021	20,574	–	–	–	6,858
Total	50,261	343	3,518	9,533	16,025

Figures may vary from period to period due to the impact of foreign currency translation

1. Amortisation of 2017 capitalised spend commenced in 2018.
2. 2019 includes capitalised amounts relating to the acquisition of Figure Eight, which is amortised between 3 and 7 years.

Year of amortisation
■2018 ■2019 ■2020 ■2021

Year of origination of capitalised spend

38
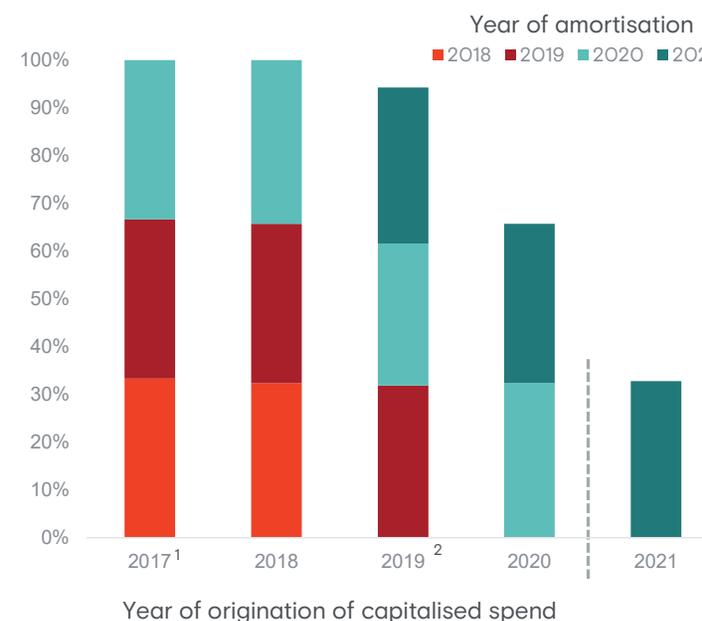
Reconciliation between statutory and underlying results

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	Year ended 31 December 2021 USD $000	Restated Year ended 31 December 2020 USD $000	Change
Underlying net profit after tax (NPAT) [1] *(Less)/add underlying adjustments (net of tax)*	**40,597**	45,276	(10%)
Amortisation of acquisition-related identifiable intangible assets	(8,303)	(7,859)	
Restructure costs [2]	(1,625)	–	
Transaction costs	(1,929)	(573)	
Deemed interest on earn-out liability [3]	(461)	(615)	
Cloud payments	(17)	–	
Acquisition-related share-based payments [4]	257	(2,441)	
Figure Eight earn-out adjustment	–	1,844	
Statutory NPAT	**28,519**	35,632	(20%)
Add: tax	7,356	8,907	
Add: net interest expense	1,362	1,435	
Add: deemed interest on earn-out liability [3]	657	853	
EBIT [5]	**37,894**	46,827	(19%)
Add: depreciation and amortisation	35,038	27,923	
Statutory EBITDA [6] *Add/(less): underlying adjustments*	**72,932**	74,750	(2%)
Restructure costs [2]	2,256	–	
Transaction costs	2,729	807	
Acquisition-related share-based payments [4]	(257)	2,441	
Cloud computing costs	24	–	
Figure Eight earn-out adjustment	–	(2,559)	
Underlying EBITDA [1]	**77,684**	75,439	3%
Statutory diluted earnings per share (cents)	22.85	28.81	
Underlying diluted earnings per share (cents)	32.53	36.61	
% Statutory EBITDA/sales revenue	16.3%	18.1%	
% Underlying EBITDA/sales revenue	17.4%	18.3%	

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 restructure costs, transaction costs, acquisition-related share-based payments expenses, cloud computing costs and the earn-out (consideration) adjustment relating to the Figure Eight acquisition. Underlying NPAT for the year ended 31 December 2020 has been restated for a change in accounting policy associated with cloud computing implementation costs (refer to note 2(ii) for further information).

2. Includes costs incurred in FY21 associated with the organisational restructure.

3. Contingent liability with respect to the Quadrant acquisition which will settle no later than 29 February 2024, subject to Quadrant attaining revenue milestones. The prior year comparative relates to Figure Eight.

4. Includes a true-up adjustment reducing the share-based payments expense in relation to specific (non market) hurdles of the 2020 and 2021 Long-Term Incentive Plans, based on management's assessment of achieving these hurdles.

5. EBIT is defined as earnings before interest and tax.

6. EBITDA is EBIT before depreciation and amortisation.

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