Appen Limited
Annual General Meeting

29th May 2020

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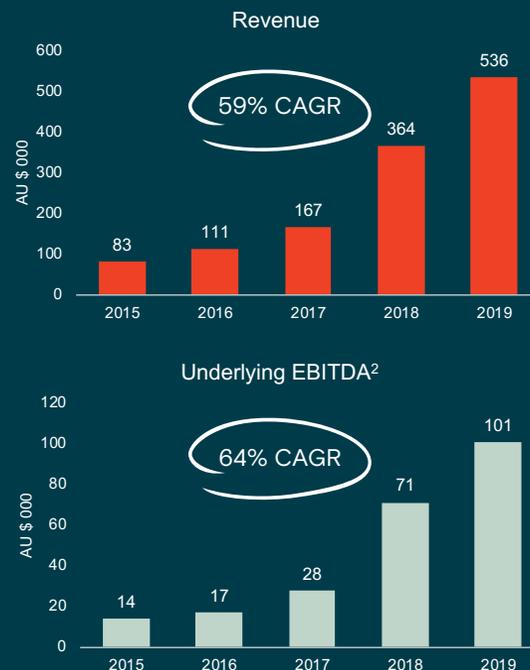
CEO's Presentation

Appen makes AI work in the real world

High growth market

- Appen provides essential training data for AI development and maintenance

- Proven supplier of high-quality speech, natural language, image, video and relevance data

- AI spend growing at 28%[1]

Strong performance

- Track record of high revenue and earnings growth

Revenue

AU $'000

59% CAGR

Year	Value
2015	83
2016	111
2017	167
2018	364
2019	536

Underlying EBITDA[2]

AU $'000

64% CAGR

Year	Value
2015	14
2016	17
2017	28
2018	71
2019	101

Positioned to win

- On-demand 1M+ crowd, covering 180 languages, 70K locations, 130 countries

- Broad and deep technology suite that opens markets and improves scalability

- 24 years of operations

- Highly skilled and experienced staff

High performance in 2019 underpinned by strong organic growth

|					
Revenue	**$536.0M**	**+47%**	Organic Revenue[1]	**$498.1M**	**+37%**
Speech & Image	$67.7M[1]	+32%			
Relevance	$430.0M[1]	+37%			
Figure Eight (ARR[2])	$33.7M[3]	56% CAGR[3]	Organic Underlying EBITDA[1]	**$107.3M**	**+51%**
Underlying EBITDA	$101.0m	+42%			
Underlying EBITDA margins	18.8%	vs. 19.6%	Organic Underlying EBITDA margins[1]	21.5%	vs. 19.6%

Speech and Image maintaining high revenue growth

(A$M)
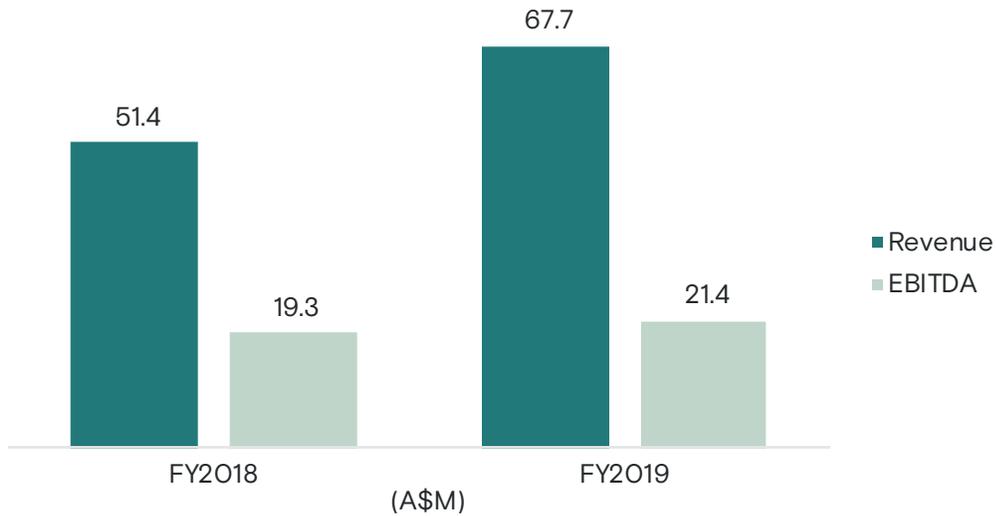
- Revenue of $67.7M[1] up 32%
- EBITDA up 11%[1], impacted by large projects peaking in 1H
- Multiple projects across major customers
- Gross margin tradeoff for sales expansion
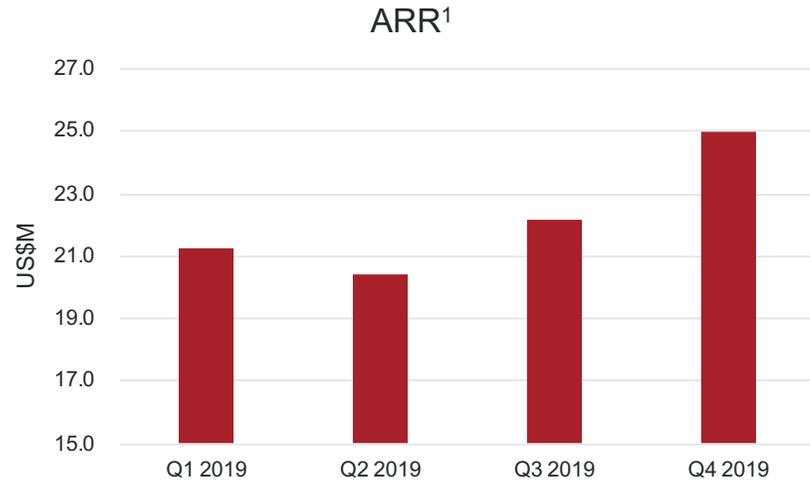- Maintaining resource investment for future growth

Strong Relevance growth with margin expansion

(A$M)
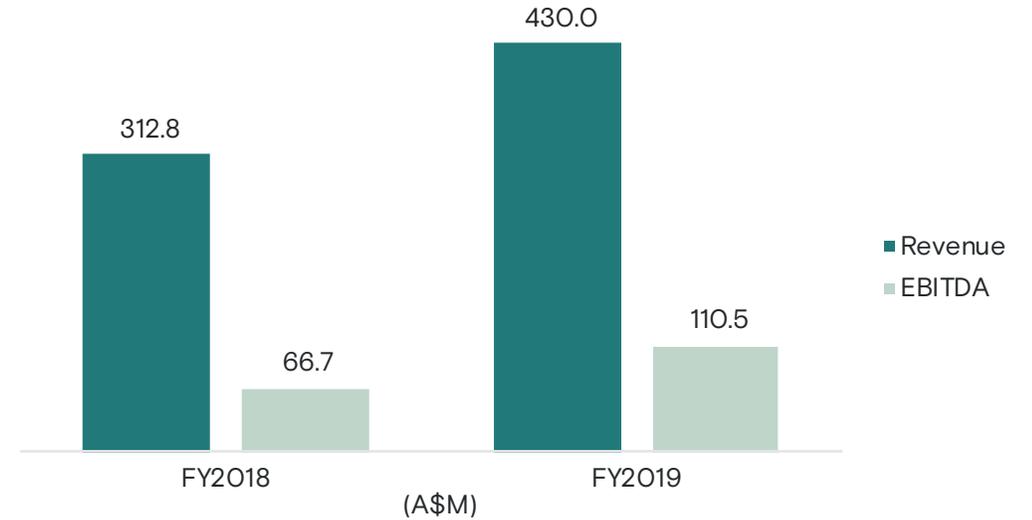
- Revenue of $430.0M[1] up 37%
- EBITDA up 66%[1]
- YoY margin expansion from 21.3% to 25.7% from scale and technology
- Multi-year agreement with one of our largest customers to hold prices for five years[2]

Figure Eight rebounds to high growth

ARR[1]

Chart (US$M) with quarterly bars:
- Q1 2019: ~21.2
- Q2 2019: ~20.4
- Q3 2019: ~22.2
- Q4 2019: ~24.95

Y-axis values: 15.0, 17.0, 19.0, 21.0, 23.0, 25.0, 27.0

- 2019 year-end ARR US$24.95M, AU$33.7M[2]
- Strong 2H – new customer and expansion deals with improved churn management
- Increase in larger customer wins
- Growth improves to 56% CAGR[3]
- Q2 impacted by acquisition, lower new business and higher churn

Integration on track

- Path to profitability ahead of plan[4]
- Cost management of non-essential items
- Earnout payment of A$39M, total acquisition cost of $286.5M, 5.7x 2019 revenue
- All teams combined
- Consolidating crowds, moving work to Appen crowds and facilities
- Unified product offering
- Refreshed messaging and visual identity
- Integrated back office functions and infrastructure
- Integration to be complete in 2020

High-value, long-term customer relationships

- Appen's existing customers underpin revenue growth with increased demand for existing and new projects

- Strong and enduring customer relationships

- Substantial investment in Sales and Marketing in FY20 to lay foundation for future growth

	FY2015	FY2016	FY2017	FY2018	FY2019
	82.6	110.9	166.6	364.2	535.5
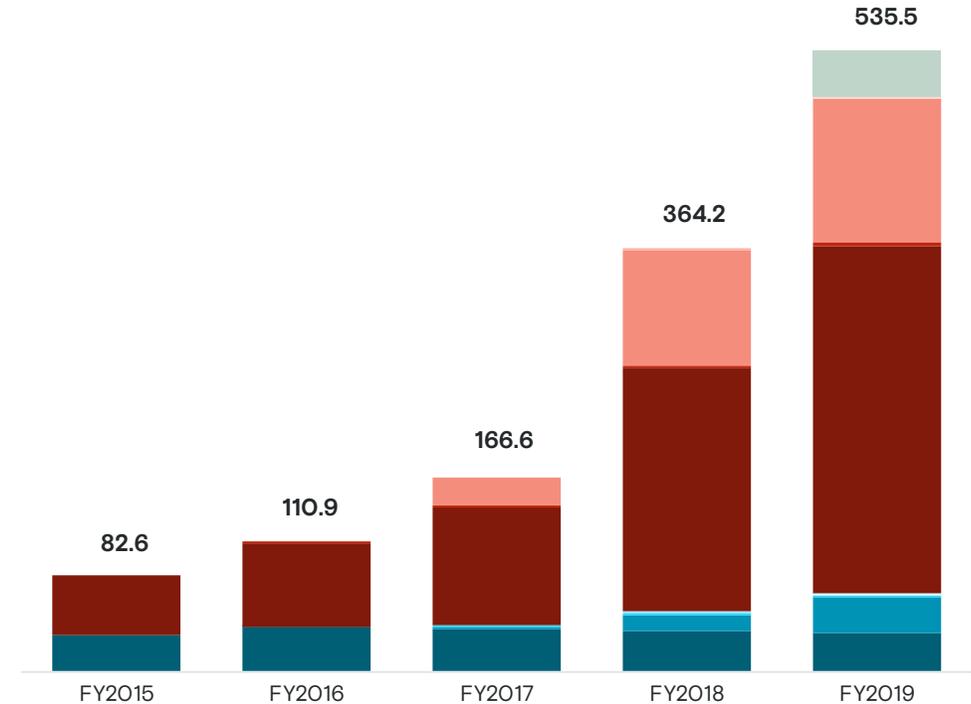
Speech and Image[1]
Relevance[1]
Figure Eight[1]

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Delivering non-financial outcomes

Environmental

- Low environmental footprint
- Buying carbon credits to offset 2019 travel
- Further investments in offsets in 2020

Social

- Crowd Code of Ethics for fair treatment of workers
- Member of Global Impact Sourcing Coalition. Jobs to disadvantaged communities

- Translators Without Borders project – partnering with global tech leaders for pandemic language data for at-risk countries

Governance

- Added US-based NED to increase independence and add market knowledge
- Phased implementation of enhanced reporting based on Integrated Reporting Framework (IIRC)

Growth initiatives

Government

Known government AI budgets include $5BN in the US[1] and £2.3BN in the UK[2]

New US government customer win in 2019. Current customer renewal and expansion in 2020

David Poirier joins to lead government unit

- US military and defence contractor career

Government investment and setup on track:

- Team and pipeline growing

- Washington DC office open

1. Bloomberg Government
2. UK Ministry of Defence

Growth initiatives

Sales and Marketing

Investing to win new customers and diversify revenue

Growing pipeline

Hiring sales teams to plan

- Sector coverage: tech, auto, financial services ...

- Geographic coverage: North America, UK/Europe, Asia and China

Growing sales support

Growth initiatives

China

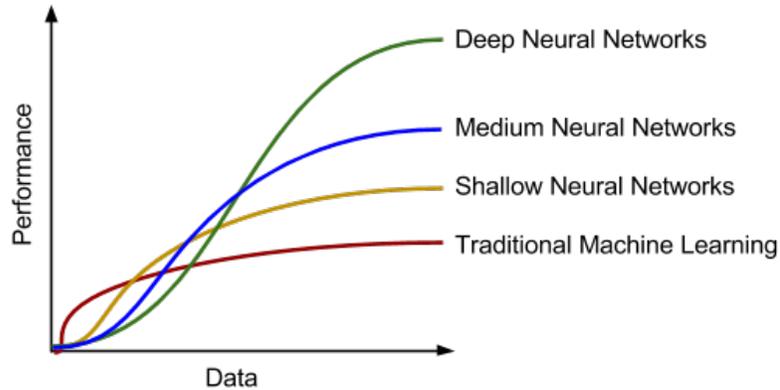Investing to plan

Adding new customers and revenue

- Focus on major technology companies

- Differentiated global offering
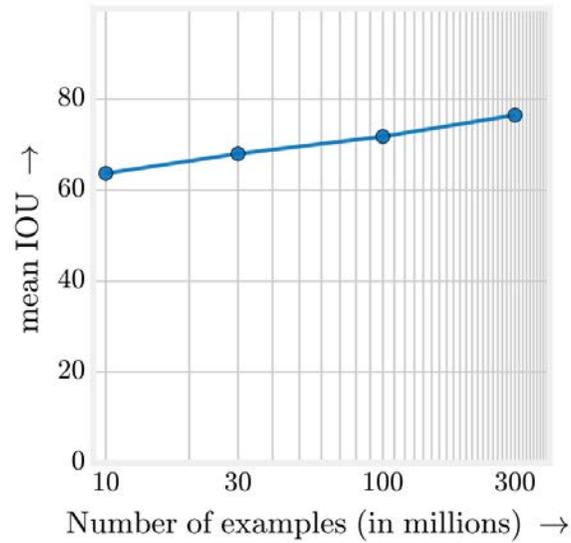
Secure facility in place

Growing China crowd

Building out China tech stack

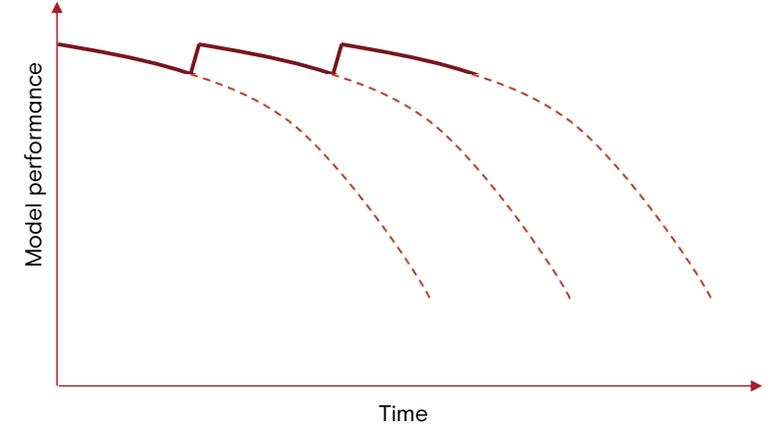# The market opportunity: AI relies on relies on large volumes of training data and regular data updates

AI performance improves with the volume of training data.

Very large increases in data are required for relatively small improvements in performance.

In this example[1], 30x data improved model from ~62% to ~77%

Refreshing training data ensures optimal model performance
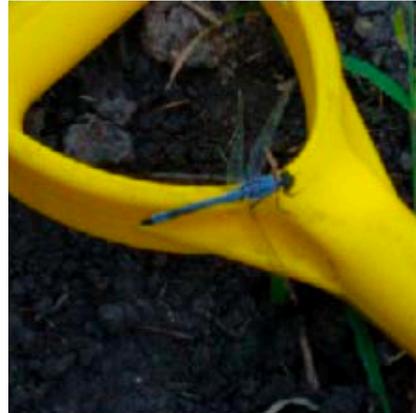
~34% of models need to be refreshed monthly[2]

1. Source: Sun, C. et al., Revisiting Unreasonable Effectiveness of Data in Deep Learning Era, https://arxiv.org/abs/1707.02968, Aug. 2017.
2. McKinsey

Humans are best at collecting and labelling data

Human says: Dragonfly
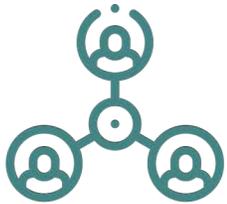AI says: Skunk

Human says: Dragonfly
AI says: Banana

Human says: Dragonfly
AI says: Sea lion

Human says: Dragonfly
AI says: Mitten

Our investments in technology open markets and improve scalability

Platform assets

Accelerating scalability

Crowd management

Client Workspace

Annotation Tools

1. Product breadth

2. Crowd productivity

3. Internal efficiency

Revenue growth and quality

- Increased market share by supporting more use cases and customers

- Diversified customer base and greater stickiness

Improved margins

- Lower cost to serve due to crowd and internal productivity gains

Competitive advantage

- Technology and scale creates competitive moat

COVID-19 pandemic impact

Operations and safety

- Most staff working safely and productively from home

- Exceptions for secure work and in China

- At-home crowd ideally placed during pandemic

- Negligible impact on customer delivery and support

Resilient earnings

- Business as usual on current information

- Major customers experiencing high usage

- Slowdown in digital ad spending having minimal impact on major customers thus far
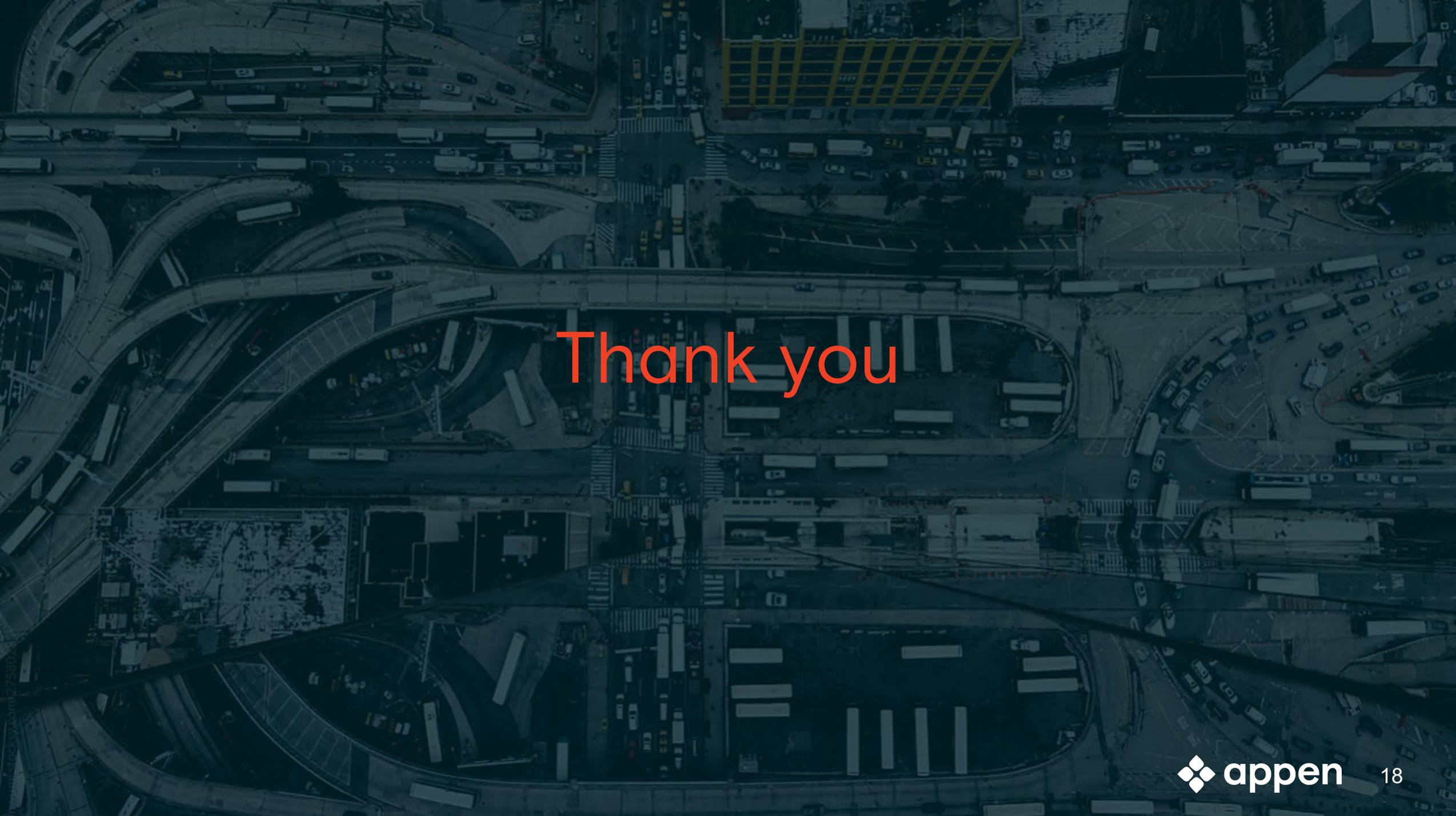
- Economic downturn may impact smaller customers

Strong balance sheet

- Cash balance in excess of $100M

- Undrawn working capital facility available

- Healthy cash flow and conversion

- Low capital requirements

Outlook

- Appen continues to strengthen its position in a high growth market through investments in technology and customer growth and diversification

- Investments will soften 1H FY20 margins to mid teens. Margins expected to be high teens for the full year FY20

- Expect negligible pandemic impact on currently available information.

- Guidance reaffirmed:
  - YTD revenue plus orders in hand for delivery in FY20 of ~$350M at May 2020
  - The Company's full year underlying EBITDA for the year ending Dec 31st, 2020 is expected to be in the range $125M – $130M (at A$1 = US$0.70, May–Dec 2020)

- Ongoing review of Appen's capital management priorities, including dividend policy

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

Thank you