

**Chairman's address**  
**2021 Annual General Meeting**  
28 May 2021

Shareholders, welcome to this morning's Annual General Meeting.

In about seven weeks, our company will celebrate the 25th anniversary since its foundation in July 1996. In these times of the digital services revolution with shorter corporate lifecycles, 25 years of continuous and profitable growth represents an impressive journey.

Appen was founded with the early recognition that the implementation of intelligent machine learning algorithms – in our case initially speech recognition systems – needed large volumes of training data, delivered to demanding quality standards and with highly reliable delivery times. In the subsequent years, we have built upon this to become the AI industry's largest provider of intelligent training data with global scale. We work in over 235 languages, and support AI applications in all data modalities: speech, natural language, text, image, video and beyond.

Our success derives from the culture of customer focus and quality, our agility and 'can-do' attitude to addressing novel challenges, talented individuals, and relentless focus on innovation.

Our role at the centre of AI/ML is exciting but requires ongoing evolution. Such evolution happens more quickly than in most other industries. The Board is ensuring that Appen remains strong, nimble, and well-positioned to take advantage of changing market dynamics. The announcements we made nine days ago reflect this. Through investment in technology, Appen is moving to a product led company, compared historically to our revenue being derived from projects and services. Our CEO, Mark Brayan, will speak further about this shortly.

**FY2020 Financial Performance**

Turning now to the 2020 results:

- Total revenue grew 12% to \$599.9 million.
- Statutory EBITDA increased by 23% to \$107.9 million. Underlying EBITDA increased 8% to \$108.6 million. This includes growth investments of \$12.7 million in sales and marketing, technology, and our China business.
- We maintained healthy profitability on sales and achieved an underlying EBITDA margin of 18.1%.

- Statutory NPAT was \$50.5 million, an increase of 21%. Underlying NPAT was \$64.4 million, a small decrease of 1% from 2019 due to the impact of growth investments and higher amortisation.
- The Board declared dividends totalling 10 cents per share, 50% franked.

We have spoken in the past of the impact on our customers and on our business of the COVID-19 pandemic. These factors contributed to lower than forecast growth in the last quarter of 2020 which resulted in us missing guidance.

The Board is oversighting positive actions to enhance our performance. Investment in new technology is continuing. As our business evolves and pivots towards a product and technology platform company, we are seeking greater proportions of contracted revenue streams. Already we are seeing a significant expansion in our number of customers and the diverse range of industries in which AI is being deployed, ranging from automotive to retail, fashion to healthcare.

In future reporting, we will be seeking to provide more transparency on the drivers of our financial performance. In alignment with the sources of our revenue, we will be reporting in US dollars and we have introduced new segment reporting reflecting our product led growth strategy.

## **Our People**

We employ staff in many countries, with the largest group in the US. There is fierce demand for top talent and if we are to continue to succeed, we must remunerate fairly and competitively. Our remuneration principles are heavily weighted towards performance-based pay and drive long-term sustainable outperformance. Since our company's IPO in 2015, under Mark Brayan's leadership and under our performance-based reward structure, we have achieved growth in earnings per share and share price far exceeding the ASX norms.

The Board believes that this framework is appropriate and that it has delivered for shareholders. The Chairman of our Nomination and Remuneration Committee, Bill Pulver, will speak to this later in his report.

It is clear however that there are shareholder concerns about the structure of Appen's remuneration. The Board will consider this carefully and take this into account.

## Social and Environment

The nature of Appen's business means that we have a relatively low environmental footprint within our own operations. Nevertheless, we are committed to reducing the impact of our operations, including buildings, power consumption, travel, and water usage, and to achieving net zero emissions by 2050.

AI opens attractive opportunities but must be implemented ethically. This is an issue of focus for the Board. Appen seeks to assist customers to implement AI solutions which are fair and unbiased. We have been helping develop responsible AI standards through our multi-year partnership with the World Economic Forum.

In strengthening our governance framework, we have been sensitive to feedback from our stakeholders including our crowd, employees, customers, and shareholders. Our policies and practices have been guided by external frameworks including the fourth edition of the ASX Corporate Governance Principles and Recommendations, the Sustainability Accounting Standards Board Standards, the Integrated Reporting Framework, and the Task Force on Climate-related Financial Disclosures.

A valued attribute of Appen is the cultural and linguistic diversity of our workforce. Our inclusive practices are guided by our Diversity Policy. We also seek to maintain Appen as a great place to work with a high-performing culture.

I take this opportunity to thank our employees who have responded impressively to the many challenges through the year. The coronavirus pandemic has changed the ways in which we work with our customers and within the company. To keep them safe and informed, we established a COVID Response Team to define safety protocols for all our offices globally and update them frequently.

Mark Brayan and his Executive Team has also shown commendable leadership through their quick and effective response to the pandemic and in the strategic realignment of our company.

Our 1 million plus crowd continues to be one of Appen's most valuable assets. Our ability to support remote working in a secure environment has been a success factor in the new work environment. We have implemented policies to manage the risks of modern slavery and human rights abuses, and we work with our customers to ensure ethical sourcing. Our crowd operations are governed by our Crowd Code of Ethics.

## **Governance**

The Board composition requires a mix of industry knowledge, international business experience, diversity, and governance competencies. The Appen board was strengthened by the appointment during 2020 of Vanessa Liu. Vanessa is based in New York and brings a deep understanding of digital technologies and AI. At this meeting, the Board is recommending the reappointment of two directors, Stephen Hasker and Robin Low.

At the same time, we intend to carry out a process of renewal in Board composition. We are seeking amendments to Appen's Constitution to facilitate a period of smooth transition by providing the flexibility of having more than the current limit of seven directors at any one time.

## **Closing remarks**

In conclusion, we see the future potential for Appen as attractive as ever. We operate in the most exciting sector of the technology market, Artificial Intelligence and Machine Learning. The strengths we have built in our scale and depth, and our continued investment in technology, are a foundation on which we can build the next phase of our growth.

We are grateful for your support as shareholders.