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# Business and trading update

May 2021

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Information in this presentation should be read in conjunction with Appen's latest and prior interim and annual reports, and Appen's announcements via the ASX.

All amounts are in USD unless otherwise stated.

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# Agenda

- Evolution from services to product
- Enhanced segment reporting
- Trading update

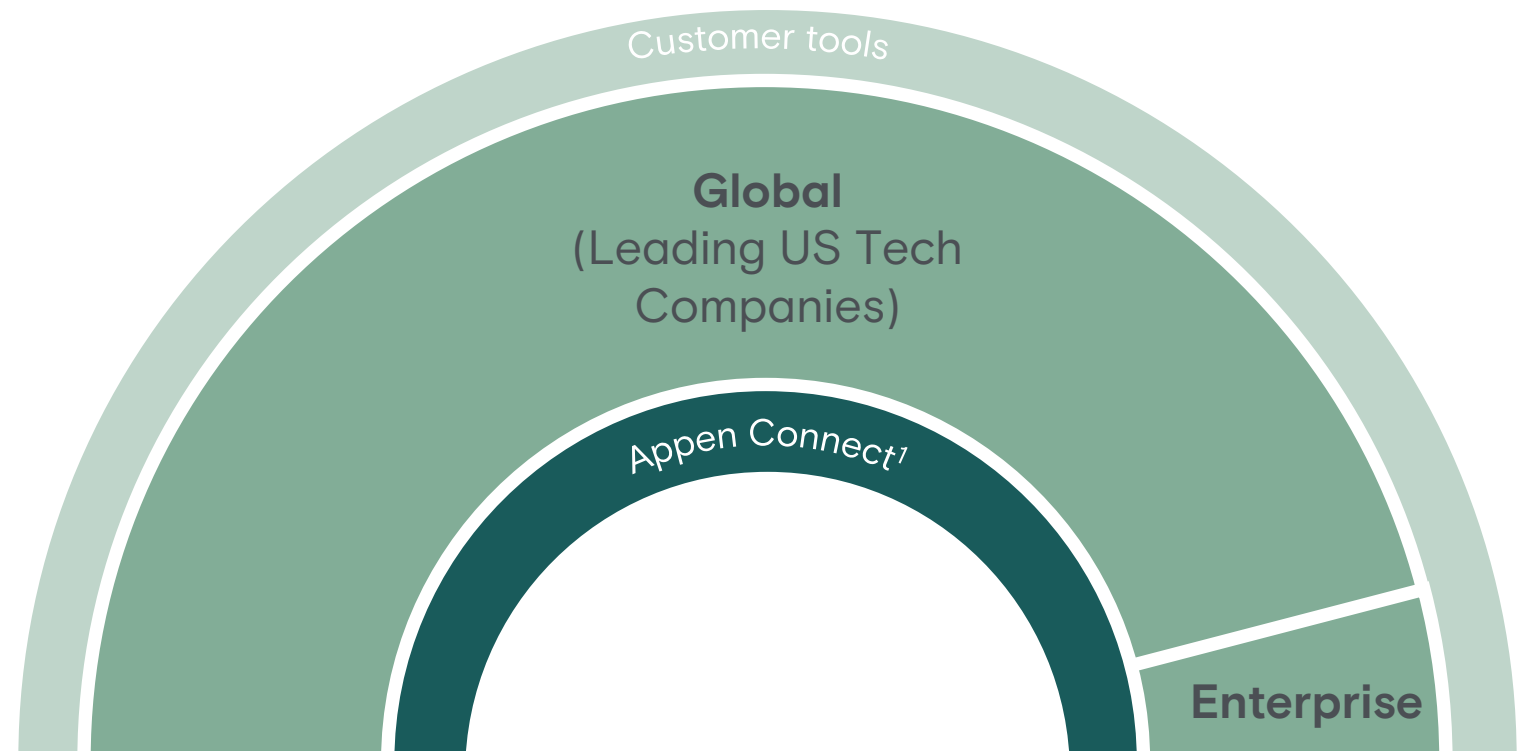
# Appen continues to evolve

	From	To
<b>Data type</b>	Language data	AI data
<b>Delivery model</b>	Service led	Product led
<b>Revenue</b>	Project based	Committed
<b>Customer</b>	Concentration	Diversification
<b>Org structure</b>	Functional alignment	Customer alignment
<b>Reporting</b>	Data modality, AUD	Strategy led, USD

# Phase 1: Dominate the AI data annotation services market

## Leading provider of AI data annotation services

- Acquired Butler Hill 2010
- Acquired Leapforce 2017



1. Appen Connect included in Leapforce acquisition. Built on existing capabilities to manage crowd workforce.

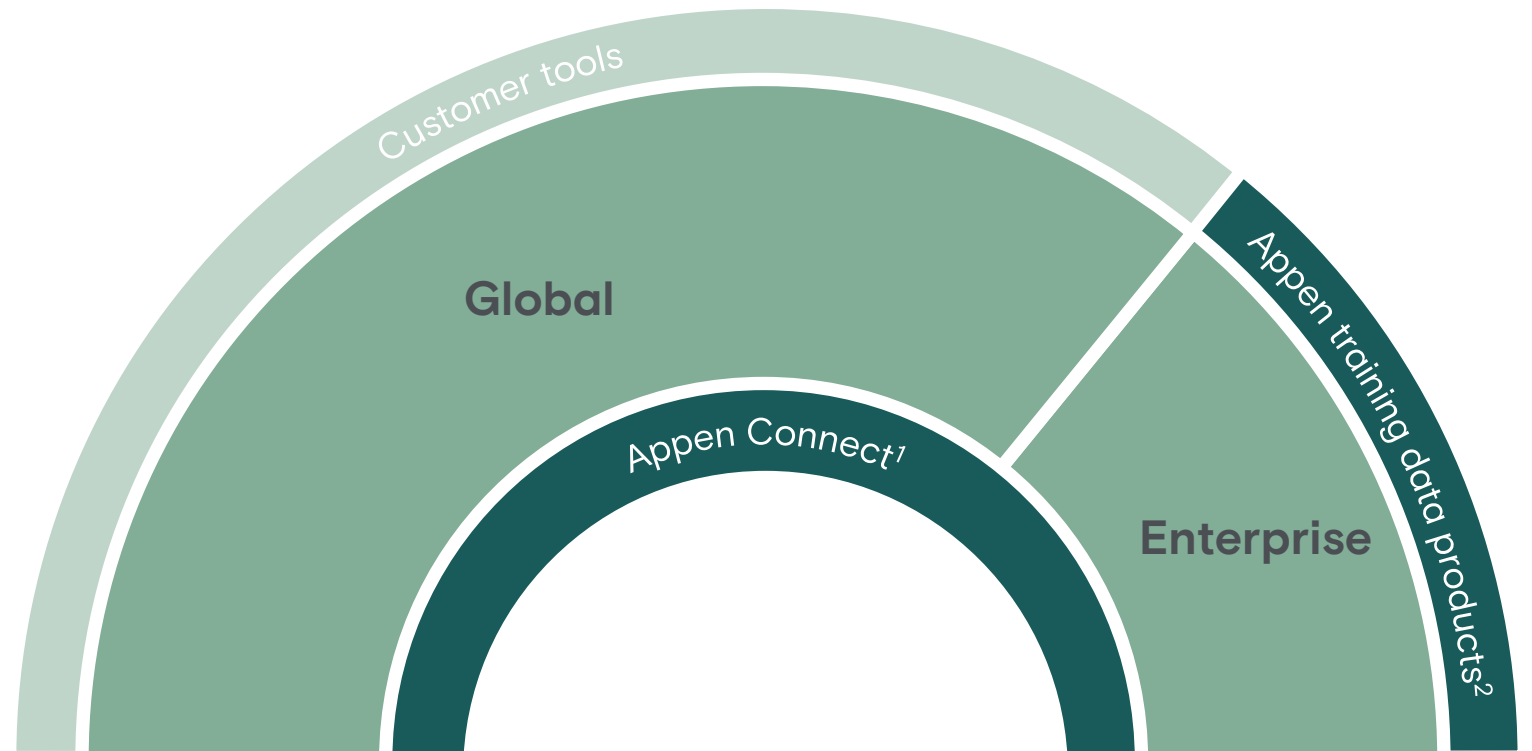
# Phase 2: Build leading data annotation products

## Leading provider of AI data annotation services

- Acquired Butler Hill 2010
- Acquired Leapforce 2017

## Acquired market leading technology platforms and tools

- Acquired Figure Eight 2019
- Ongoing product investment
- New Enterprise customer base



1. Appen Connect included in Leapforce acquisition. Built on existing capabilities to manage crowd workforce. 2. Appen training data products include Figure Eight annotation platform and tools.

# Phase 3: Product led expansion

## Leading provider of AI data annotation services

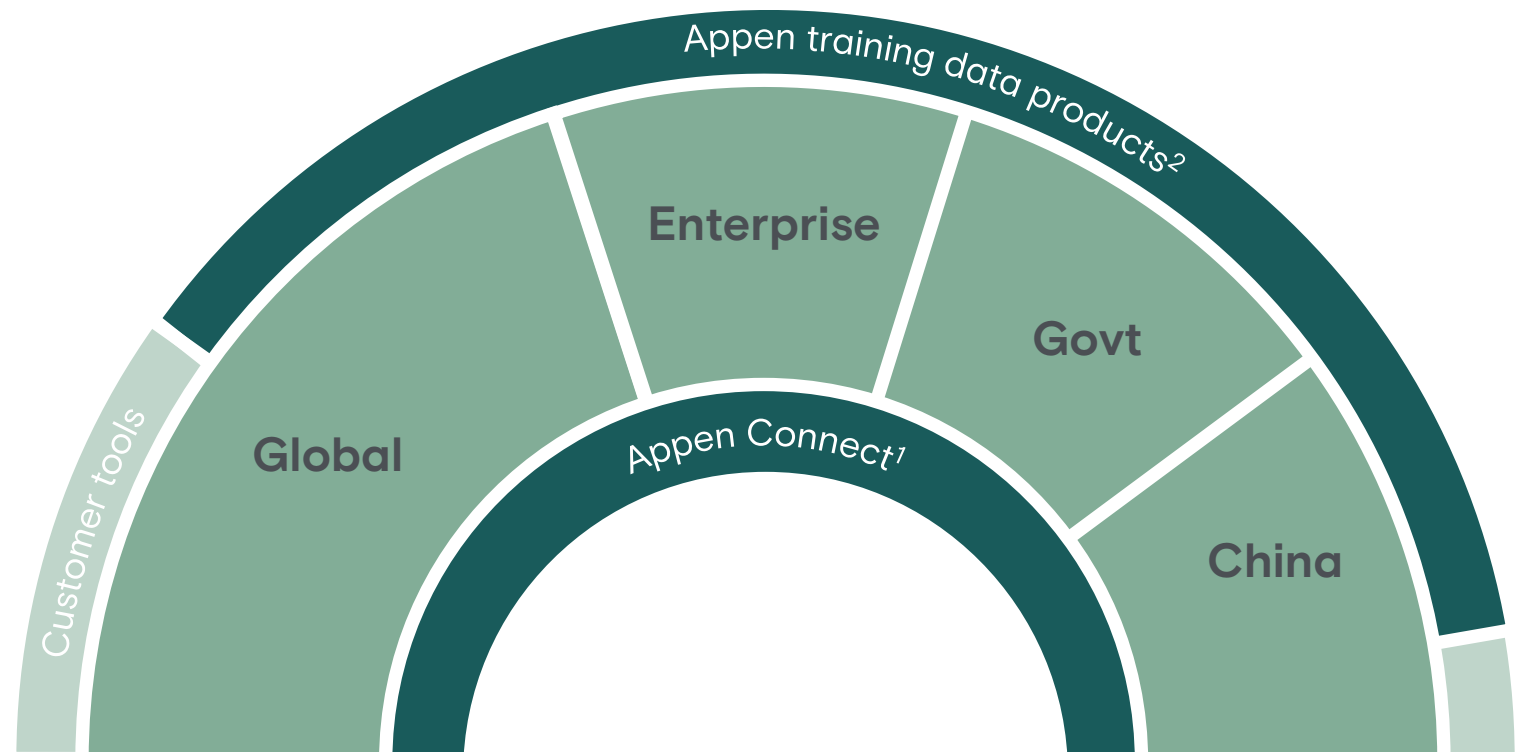
- Acquired Butler Hill 2010
- Acquired Leapforce 2017

## Acquired market leading technology platforms and tools

- Acquired Figure Eight 2019
- Ongoing product investment
- New Enterprise customer base

## Expanded into new customer and market segments

- Increased sales and marketing
- China and Govt BUs established
- Global customers on Appen products



1. Appen Connect included in Leapforce acquisition. Built on existing capabilities to manage crowd workforce. 2. Appen training data products include Figure Eight annotation platform and tools.

Appen is accelerating  
its transformation into  
an AI powered provider  
of AI data and solutions



# Our areas of focus


## Product Led

Our future is product led, enabling us to deliver high-quality training data, faster, at larger scale, with improved unit economics, and is a foundation for future capabilities

## Customer Centric

We are aligning our operations to better support the needs of our target customer cohorts


# Our product suite is a foundation of the business



**Appen Connect**

Match our global crowd workforce to annotation tasks

- Assigns tasks to our global workforce of 1m+ working in 170+ countries and 235 languages
- Pays 70k+ crowd workers per month
- Quality management and fraud detection



**Appen Data Annotation Platform**

Collect and annotate training data

- Full suite of data collection and annotation tools
- AI-enabled/automation capabilities
- Ability to support complex, multi-step annotations
- Wide array of data security options



**Appen Intelligence**

Empower Appen products with proprietary machine learning models


- Over 20 proprietary models to improve crowd productivity and data labelling quality
- Used extensively to automate internal crowd management tasks



**Appen In-Platform Audit**

Organise and analyse training data to identify quality, distribution & bias

- Enables our customers to navigate and troubleshoot training data



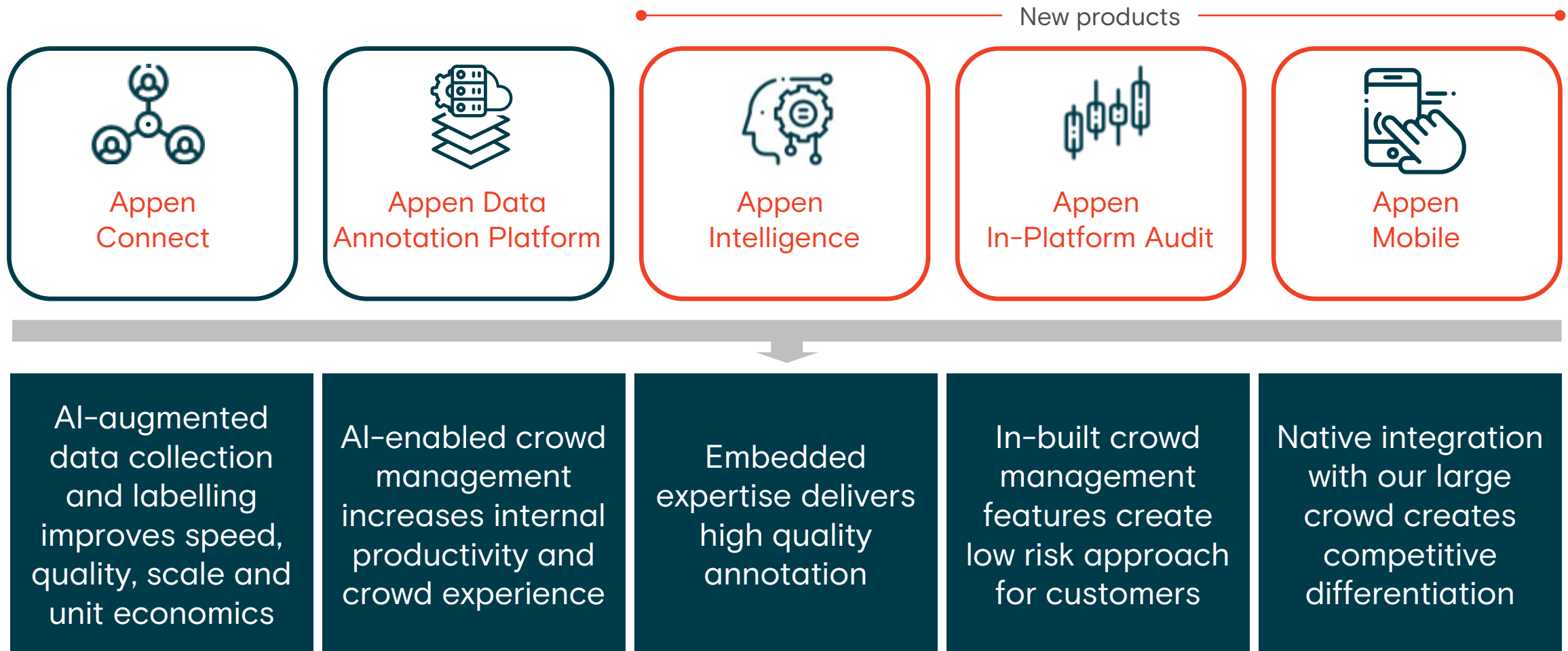
**Appen Mobile**

Engages, enables and expands crowd

- Simple and intuitive user experience
- Crowd can interact with Appen anywhere and anytime
- Reaches people who don't have access to a desktop or prefer mobile
- Enables location-based data collection

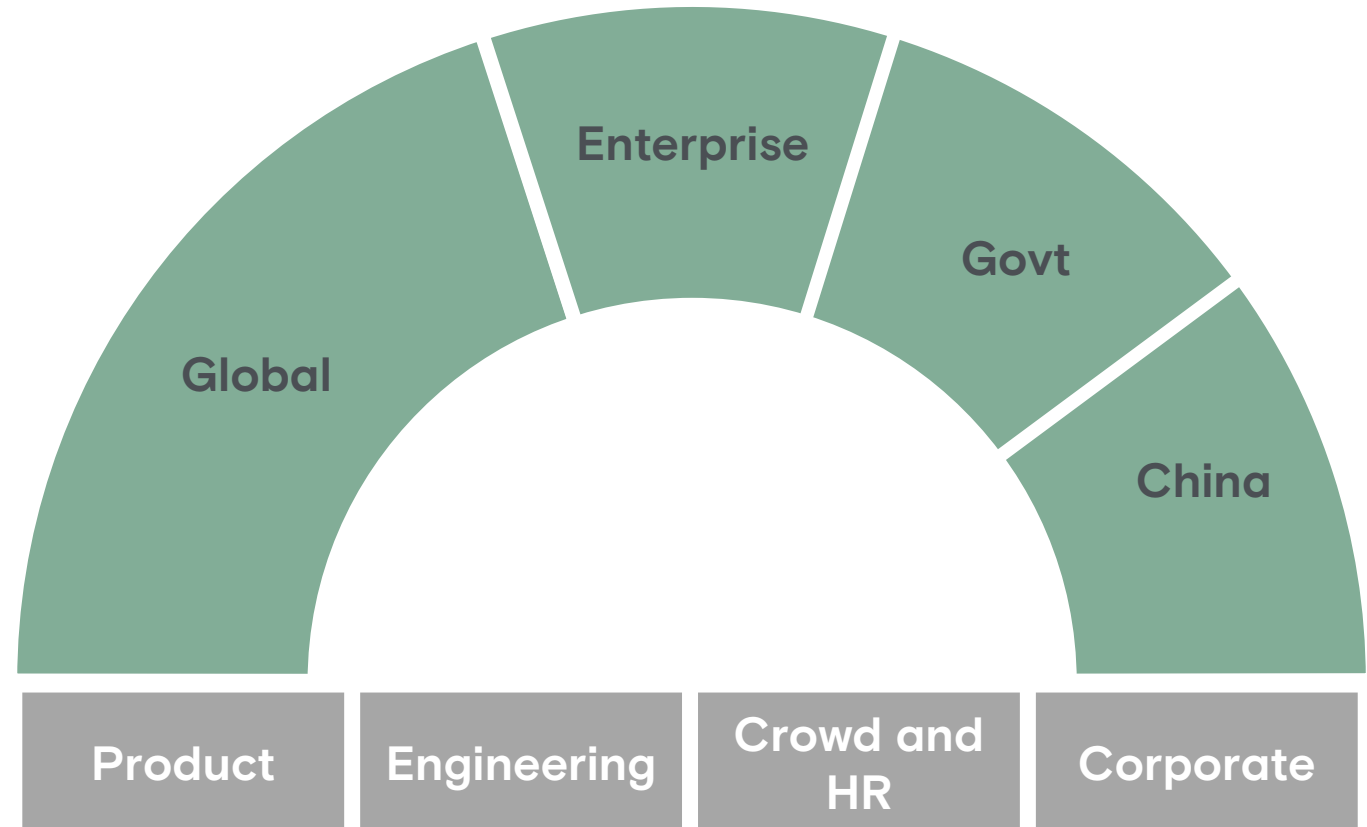
New products

# Value created from our products



# Customer-centric org structure

- Four customer focused business units with end-to-end operational and P&L accountability
- Respond quickly to changing customer needs and market trends
- We are optimising resources to align with the new operating model and technology-driven productivity benefits
- Reduced delivery resource requirements will deliver benefits from 2H21



We are aligning our  
segment reporting to  
our product-focused  
strategy



# New reporting segments: Global Services and New Markets



## Global Services

- Services provided to leading US tech companies utilising their data annotation tools
- Includes large relevance programs
- Appen Connect is critical to provide crowd resources at scale
- Potential to utilise Appen training data products

## New Markets

- New Markets reflects progress against our Product Led strategy, includes Global customer revenue through Appen products and Enterprise, Government and China
- Our products are delivering growth today
  - 300+ customers currently use our products, including our global customers
  - Wide variety of industries and use cases
- We continue to focus on automating internal and crowd processes to deliver larger volumes of higher-quality training data with improved unit economics

# Reporting change to USD commencing with 2021 interim result

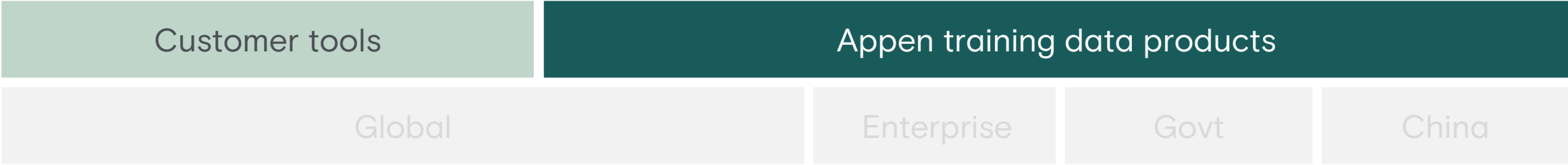
- Reflects business, >90% of revenue and assets are in US dollars
- Removes volatility in translation of US\$ into A\$
- Enables easier comparison of performance over time

## Restated 2020 P&L in US dollars

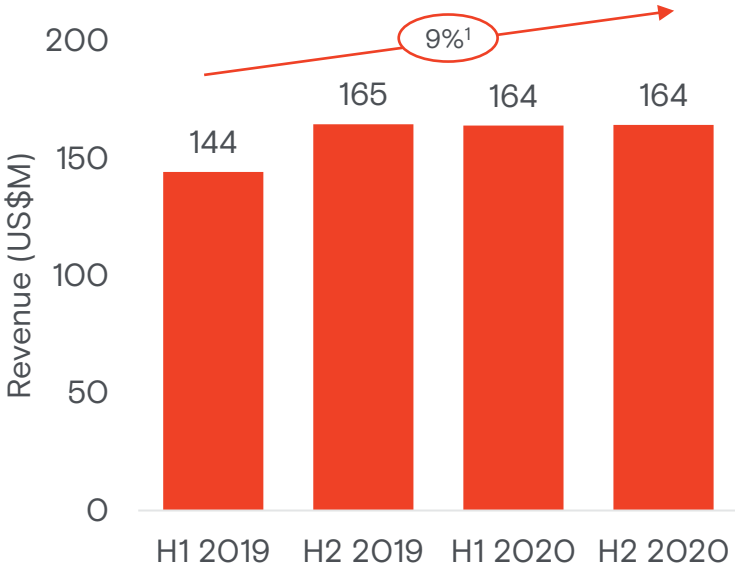
US\$	FY2020	vs FY2019
Group revenue	<b>\$413.0M</b>	<b>+11%</b>
Global Services	\$328.1M	+6%
New Markets	\$84.5M	+34%
Underlying EBITDA <sup>1</sup>	<b>\$75.4M</b>	<b>+8%</b>
Underlying EBITDA margin	18.3%	vs 18.9%

Note: See the Appendices to the ASX Announcement dated 19 May 2021 for the new segment reporting and restatement of historical financial information in US dollars. 1. Underlying EBITDA excludes transaction costs, acquisition related share-based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight acquisition.

# Segment revenue by service and product led offering

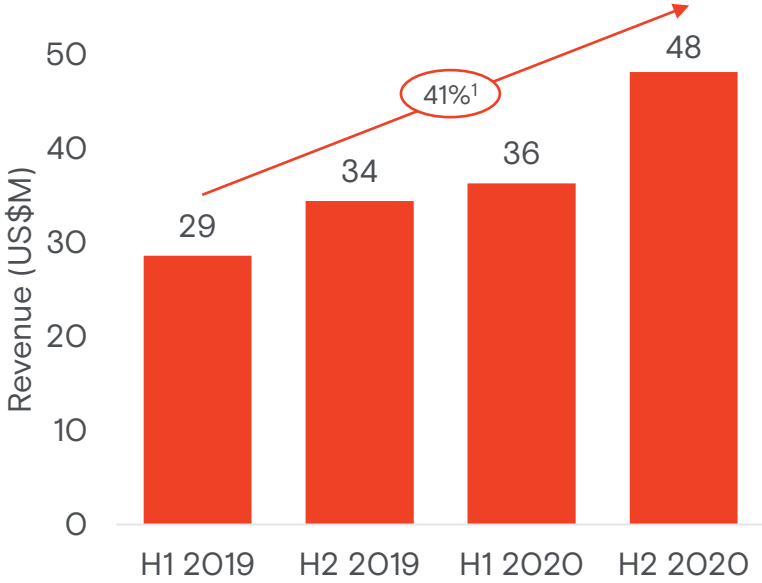


## Global Services



## New Markets

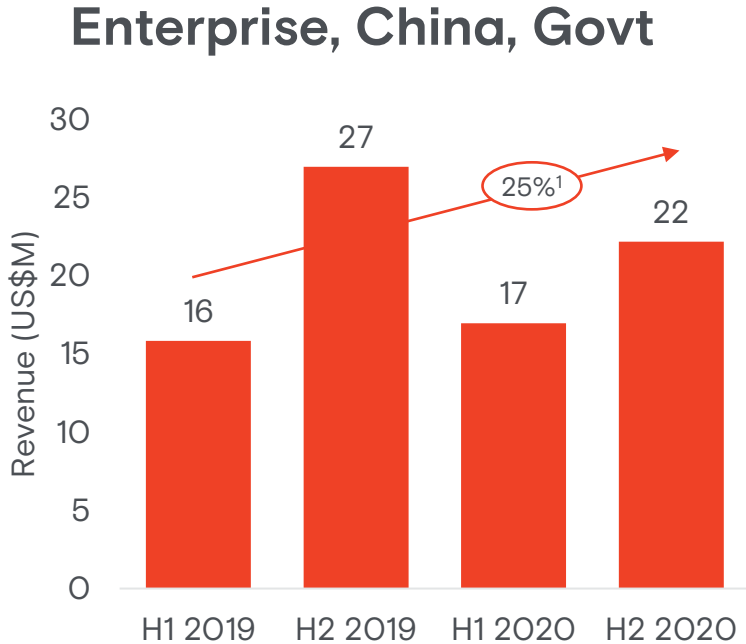
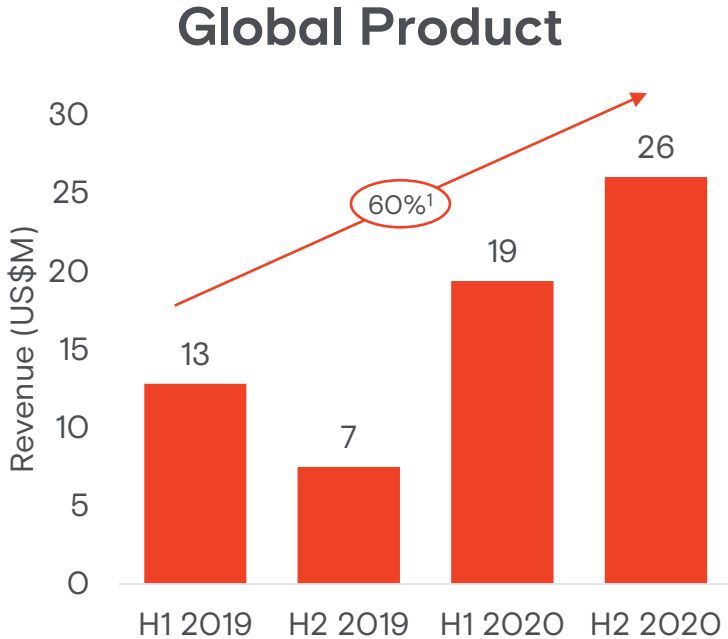
Includes Global customer revenue through Appen products and Enterprise, Govt, and China



Note: All figures in US\$M. 1. Annualised CAGR from H1 2019 to H2 2020.

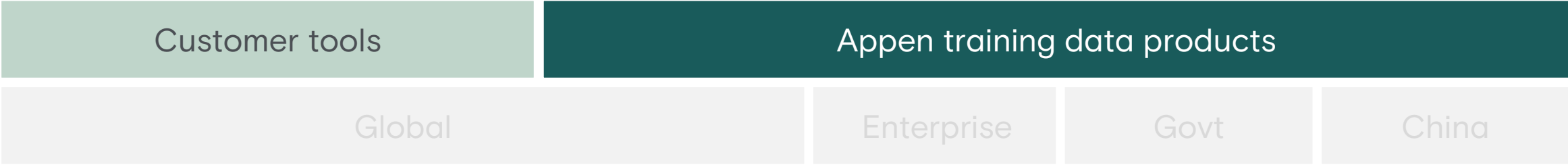


# New Markets revenue breakdown

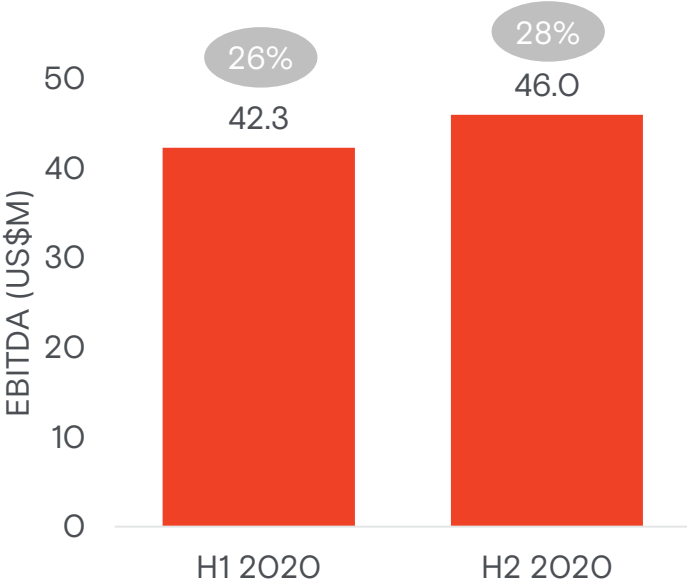


Note: All figures revenue in US\$M. 1. Annual CAGR from H1 2019 to H2 2020.

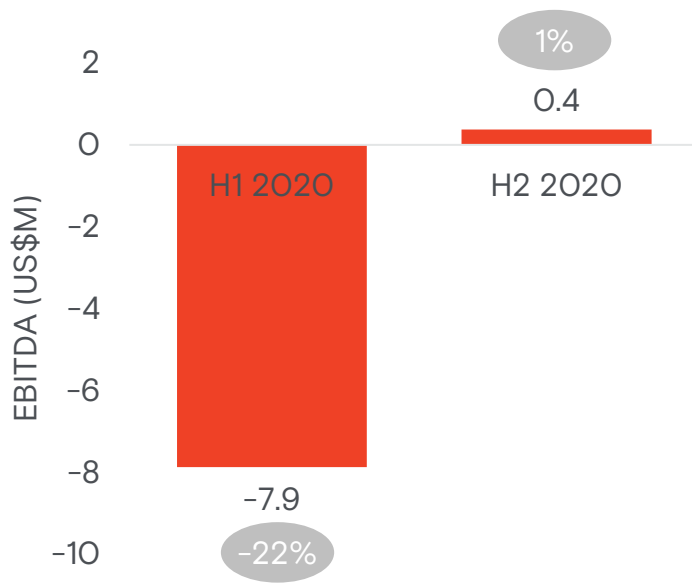
# Segment EBITDA by service and product led offering



## Global Services



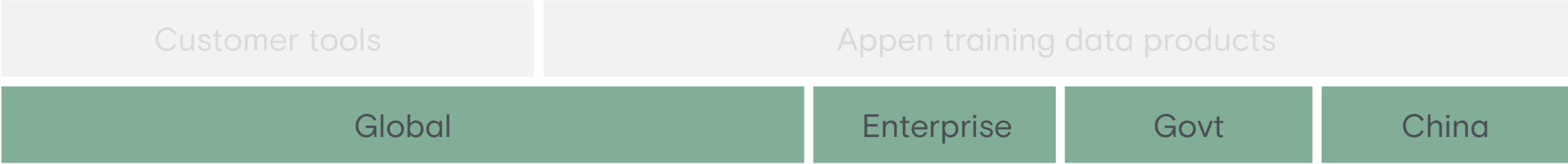
## New Markets



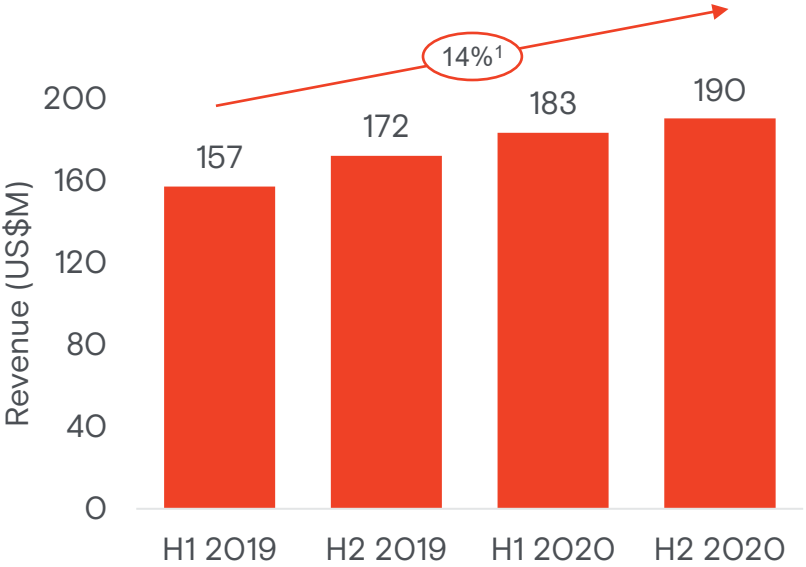
EBITDA %

Note: All figures in US\$M. EBITDA includes all corporate costs excluding share-based payment and FX gains and losses.

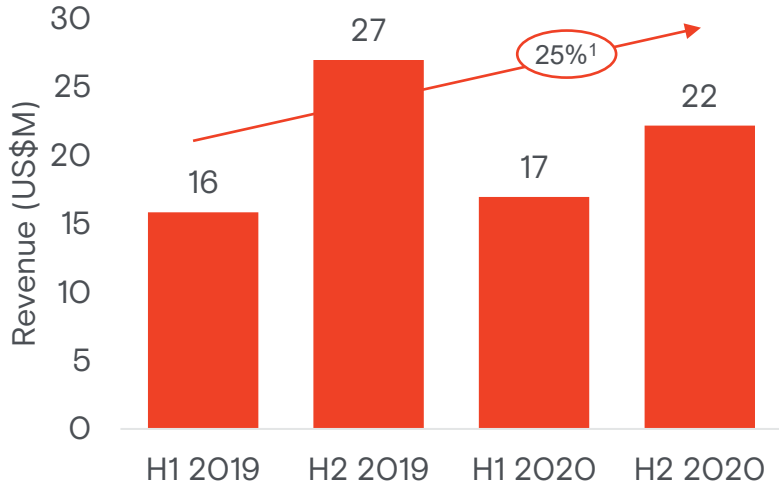
# Revenue by customer-focused business units



**Global**



**Enterprise, Govt, China**



Note: All figures in US\$M. 1. Annualised CAGR from H1 2019 to H2 2020.

## 2021 revenue growth outlook

- **Global Services** skewed to H2; full-year mid to high single-digit growth
- **New Markets** expected growth circa 25%, in line with broader AI market

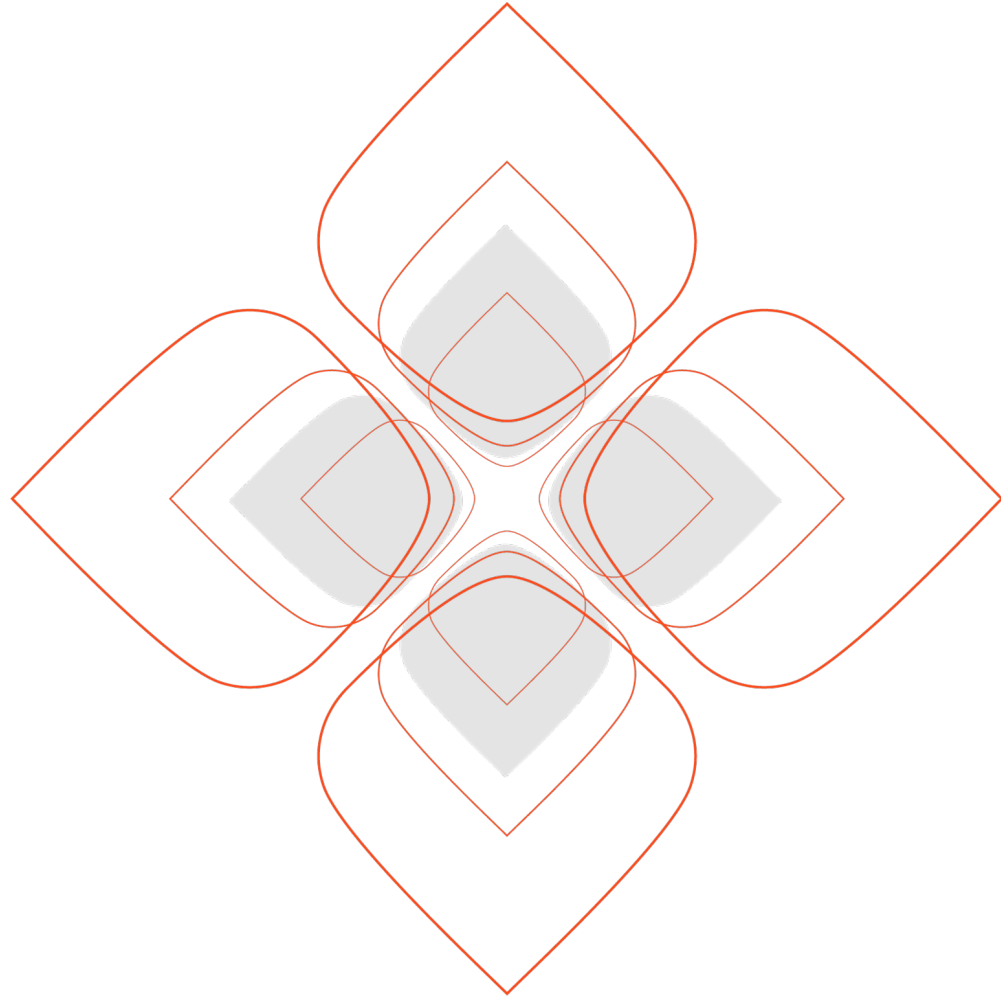
## Resource optimisation

- Restructure and tech-enabled productivity allow resource optimisation, mainly in delivery resources
- Restructuring costs in H1 2021, partial benefits to be realised in H2 2021
- Full year gross cost savings (before reinvestment) of US\$15M expected in 2022

# Trading update

- Year-to-date revenue plus orders in hand of ~US\$260M<sup>1</sup> at end of April 2021, consistent with prior methodology<sup>2</sup>
- Heavy weighting to underlying EBITDA in 2H21 due to:
  - Key projects that were delayed in late 2020 are returning with a skew to delivery in 2H21
  - 1H21 cost base reflects full year cost of 2020 hiring
  - Resource optimisation benefits to flow 2H21
- Full year underlying EBITDA guidance of US\$83M - US\$90M is maintained

1. ~AU\$340M at AUD/USD FX rate of 77c. 2. Year-to-date revenue and orders in hand at the same time in 2020 was approximately US\$240 million.



# Questions

