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ASX ANNOUNCEMENT

26th May 2017

Annual General Meeting Chairman's Address

Good morning shareholders. Welcome to Appen's Annual General Meeting and a review of another year of success for our company.

Financial results

As reported, 2016 was another successful year of profitable and strategic growth for Appen. Excellent performance was achieved in all major financial measures:

- Total revenue was \$111.0m, an increase of 34% on FY2015 revenue of \$82.7m
- Full year EBITDA was \$17.2m, up 24% on FY2015 EBITDA of \$13.8m
- Net Profit After Tax was \$10.5m, up 26% compared to FY2015 figure of \$8.3m

Based upon this full-year result, the board declared a final dividend of 3.0 cents per share. Coupled with the interim dividend of 2.0 cents per share paid in September 2016, this represents a total dividend of 5.0 cents for 2016, compared to 4.2 cents per share in 2015.

Although we are still in the early months of 2017, the current year is emerging as another year of record revenue and profit. You will be aware that last week we announced an upgrade of our forecast earnings, which are now expected to be in the range 40% to 50% above 2016. Our CEO, Mark Brayan, will be commenting on this further in his address later in this meeting.

Customers

We operate in the most dynamic of business environments. Appen's revenue is won by serving some of the world's largest and most sophisticated companies. We support most of the major global IT and Internet giants, auto manufacturers as well as some major governments. Over the years, we have established ourselves as a consistent and trusted supplier of high-quality data for machine learning and artificial intelligence.

Our customers demand excellence in the products and services they buy, and at the same time cost competitiveness. They require their suppliers and partners to demonstrate high agility to support the dynamic nature of their businesses. We are proud of the strong relationships we have built with our clients, in most cases extending over many years. We are grateful for their choice of Appen as a global supplier and partner.

At the same time, there is relentless pressure on costs and functionality in the services which we provide. Innovation is central to our continued growth and market share. Mark Brayan and his team in Appen have continued to respond magnificently to these challenges and this contributes to our earnings outlook for 2017.



Growth opportunities

The future potential for Appen continues to be exciting. Our expansion is being driven by the spectacular growth in the application of artificial intelligence – particularly (but not only) in natural language processing. The algorithms which power today’s AI applications require a constant feed of training data. This is the opportunity which we recognised when Appen was founded and over the past 20 years we have sought to build and consolidate our position as one of the world’s leading suppliers of high-quality, human annotated datasets for machine learning and artificial intelligence.

We are currently well placed in both scale and scope to capitalise on the opportunities. We work in over 180 languages and we have deep resources and global presence. We support speech, text, image, video and other modalities of artificial intelligence, and can respond quickly to rapidly increasing demand from our major customers.

As elaborated in the CEO’s report, our capabilities are being enhanced by ongoing investment in systems, people and facilities. These investments will drive cost reductions and responsiveness, as well as place us in locations closer to our existing and potential customers. Of particular note is the opening of Appen’s presence in China and the strengthening of our resources in the UK.

The centrepiece of our strategy continues to be to exploit the many opportunities for organic growth. However, the board will pursue acquisitions where we are confident that this would be consistent with our strategy and where this would add value. During 2016, we completed one acquisition, Mendip Media Group in the UK. We have enjoyed a long and productive relationship with Mendip over several years, and this acquisition made sense strategically, financially, operationally and to our respective customers.

Board change

At the end of 2016, Jeremy Samuel stepped down as director. Jeremy served on the Appen board for some eight years, including during the IPO in early 2015. Through this period of extraordinary growth, Jeremy has contributed significantly to our company’s direction and success. On behalf of the board, I would like to thank Jeremy for his support.

Staff

Our professional staff numbers continued to be strengthened in 2016, reaching some 280 employees at the end of the year. Our employees comprise a diverse set of nationalities, languages and professional skills, working as a global team. We have world-class talent, as evidenced by our ability to win business from the most advanced organisations internationally. I would like to publicly express the board’s appreciation for their sustained contributions over the year.

Our staff are supported by our more than 400,000 crowd-sourced contractors, representing one of Appen’s key strategic assets.



I acknowledge and thank my fellow directors – Robin Low, Deena Schiff, Steve Hasker, Bill Pulver, and our CEO Mark Brayan. Our board has a strong mix of skills in governance, technology and international business, and we share a sense of excitement about Appen’s future potential.

Finally, thank you, our shareholders, for your ongoing support. We are very conscious of our responsibilities to our investors and we value your loyalty and trust.

Sincerely

Chris Vonwiller
Chairman

About Appen

Appen is a global language technology solutions provider with capability in over 180 languages and 130 countries, serving global technology companies, automakers and government agencies.

Appen offers high quality large scale training data, linguistic models and consulting services to assist the development of technology products and services that rely on natural languages including smartphones, digital assistants, social media, content analytics, software, e-commerce platforms, automobiles, government security and intelligence, consumer electronics (game and TV consoles), cloud services and search technology.