

Growth



Mark Brayan, CEO, Appen

The speed of Appen's growth has received a large boost over the years from private equity.



Private equity helps tech speak for itself.

Boutique firm Anacacia Capital takes a local technology company onto the international playing field.

Digital technology appears to be a global language but, in fact, companies must overcome a metaphorical Tower of Babel to use it.

Listed technology company Appen focuses on solving this problem. It helps major players build products that have a linguistic component, such as search engines and anything with voice technology, like Apple's Siri.

A company will build a language engine for a product but then it needs to be trained to understand words and their meaning. "It learns in the sense that the more data it consumes the more accurate it becomes," Appen CEO Mark Brayan explains.

This is the essence of Appen's business. It works in 180 languages and collects data from 130 countries. The company has 230 full-time staff based in Australia, the US and the Philippines. Many of them are linguists, or other experts who specialise in the science and structure of language. It also has an online community of about 400,000 people, allowing it to crowdsource answers when it has specific queries about language.

Brayan says there is a subtlety to language that machines are finally getting to grips with. "When you think about it, a computer can tell the difference between a request to book a ship to

France or to ship a book to France," he explains. However, there is still a long way to go.

There will be few limits on what technology will be able to do for people when we are better able to communicate naturally with devices, and Brayan can hardly control his sense of excitement about it. "Once a digital assistant like Apple's Siri or Microsoft's Cortana can recognise everything, the next step is [having] a conversation with it," he says. "Voice will be ubiquitous as the interface with technology. You will use a digital assistant to do things for you in a very natural way."

Brayan says early adopters of technology are already using digital assistants in this way but there is still a lag between what we say and what technology understands that acts as a brake on widespread adoption. He says the technology now fails to understand about 1 word in 10. "When we have 99 per cent accuracy, then more people will use it," he predicts. Also, the technology has developed further in English than in other languages. "To [get] there in all languages around the world will take a long time," he says.

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Appen was founded in 1996 by Dr Julie Vonwiller, a linguist who used to work at Sydney University. She and her husband, Chris Vonwiller, set up the company. It was steadily growing when, in



Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

2009, Anacacia Capital took a majority stake in the business to enable the founders to have a staged retirement and support future growth.

Jeremy Samuel, the founder and managing director of Anacacia, recalls that, at the time, they were looking for companies that were taking advantage of Australia's competitive edge as a multicultural society. "Appen quickly emerged as a logical candidate," Samuel says.

He started by enabling the Vonwillers to step back into non-executive director roles by bringing in a new executive. In addition, Anacacia helped the company hire staff outside Australia, given that Appen is "a business with more than 90 per cent of its clients outside the country", he says.

Overseas expansion has also been important to Appen's growth and Anacacia worked to identify potential international partners. A major milestone came in 2011, when the business acquired a similar company in the USA that also had Microsoft as a client and was working with the technology giant on how to get better answers from search engines.

"Search and social media relevance has underpinned the growth of the business," says Brayan, as it has grown from a turnover of less than \$20 million when Anacacia invested, to more than \$100 million in the last financial year with annual earnings (EBITDA) now approaching \$20 million. Appen was listed on the ASX in early 2015, leaving Anacacia's private equity fund with a substantial stake and Jeremy Samuel stayed on the board until late 2016. Anacacia's Wattle public equity fund remains an active supporting shareholder today. The Vonwillers continue to hold more than 10 per cent and Chris Vonwiller is the non-executive chairman.

When Brayan joined Appen, just after its listing, he brought a background that is a mixture of technology, sales and running listed companies. He also had experience with private equity and venture capital, and he knew that with a private equity backer you get "a sense of focus on strategy and growth" that pushes the company to a new level. "You also get a view about scale that most small businesses don't have on their own," he explains.

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"Private equity wants to make an outsized return. So right from the start they think, 'How can we make ourselves 10 times the size?' If you think like that from the start, you do things differently, and that is the huge contribution private equity can make that you won't get from a bank or another type of strategic investor."

Brayan has found Anacacia's involvement to be a real boon. "[Samuel] is one of my sounding boards for a variety of things," he says, "particularly when we are looking at an M&A opportunity."

He also says Anacacia's specific experience with family-run companies whose owners want to build the business and exit is important because they "require a dexterity and emotional intelligence from the investor as well, and that can be hard to find".

Samuel agrees. "Buying from, and adding value to, family businesses is a particular skill that takes years of experience," he says. "Shareholder agreements are important but, ultimately, it is the professional respect and personal traits that will ensure that, together, the founders, management team and private equity principals can influence the outcomes and success for all."

Have a story to tell? Express your interest via communications@avcal.com.au.