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ASX ANNOUNCEMENT

29th August 2019

APPEN DELIVERS AGAIN

Appen Limited (“Appen”) (**ASX:APX**) a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence (AI), has today announced its First Half results for the half year ended 30th June 2019.

- Revenue up 60% to \$245.1M
- Underlying EBITDA¹ of \$46.3M up 81%, statutory EBITDA up 48%
- Underlying EBITDA margins improved from 16.8% to 18.9%
- Underlying NPAT² of \$29.6M up 67%, statutory NPAT of \$18.6M up 33%
- Momentum building for Speech and Image³. Revenue for the half up 85% to \$39.9M, all from organic growth
- Relevance revenue of \$193.7M⁴, up 48%, with margin expansion
- Leapforce now fully integrated
- Figure Eight delivering on the strategic thesis
- The Company’s full year underlying EBITDA for the year ending Dec 31st, 2019 including Figure Eight is trending to the upper end of \$85M - \$90M (at A\$1 = US\$0.74 Aug-Dec 2019)⁵.

Appen’s Chief Executive Officer, Mark Brayan, said that Appen continues to deliver for shareholders and customers into the high-growth AI data market, with its market-leading combination of technology and its global crowd.

“Our core business performed very strongly this half” Mr Brayan said. “Speech and image data grew by 85% on the first half of last year, relevance revenue by 48%, and underlying EBITDA margins expanded from 16.8% to 18.9%.”

¹ Underlying EBITDA excludes transaction costs and share based payment expenses relating to the Leapforce and Figure Eight acquisitions

² Underlying NPAT excludes after tax impact of transaction costs, deemed interest on the Figure Eight earn out, amortisation of Leapforce identifiable intangibles and share based payment expense relating to the Leapforce and Figure Eight acquisitions

³ Former Language Resources division. Excludes Figure Eight

⁴ Excludes Figure Eight

⁵ 2H includes 6 months of Figure Eight losses vs. \$2.6M in 3 months in 1H. 1H benefits from FX gains of \$4.7M. 2H at 0.74c

The increase in speech and image data sales was an especially pleasing result.

“Speech and image is gathering speed,” said Brayan, “we’re seeing an increase in use cases and our existing customers are asking for more data to develop new AI products and to improve their existing offerings.”

In addition to high revenue growth, the Company grew margins from relevance data as the system and process upgrades took effect following the completion of the integration of Leapforce, along with other efficiency and scale benefits.

Appen’s acquisition of Figure Eight, which closed on April 2nd this year, is delivering on its strategic thesis.

“Figure Eight is accelerating our technology roadmap, diversifying revenue and expanding markets for us” said Brayan, “The number and size of joint opportunities is exceeding our expectations, its technology, including its secure SOC 2 accreditation, is better than we first thought, and its government footprint is unique with very high barriers to entry. This market is emerging as a new growth pillar for the Company.”

He pointed out that Figure Eight’s necessary shift to target larger deals plus the distraction of the transaction cost some momentum in the second quarter but added that despite this, the synergies and path to profitability are on track.

Appen’s Chairman, Chris Vonwiller, said “We’re very pleased with this half’s result, and the Company’s ability to simultaneously deliver growth, margin expansion and invest in future-proofing the business through technology and new markets. We’re also proud to welcome new executives in Jon Kondo, Becky Scott and Roc Tian who strengthen our top team.”

The high-growth AI market continues to drive the need for quality training data. Gartner estimates that the number of AI projects per organisation is growing at 106% per annum⁶.

The Company’s ongoing investment in technology uniquely positions the company to meet the market’s demand for high volumes of quality data at speed across multiple data types for a growing number of use cases.

The Board has declared an interim dividend of 4.0c per share, partially franked in line with the same period last year.

⁶ Gartner: “AI and ML Development Strategies”, 2018

FINANCIAL SUMMARY (A\$M)

	H1 FY2019	H1 FY2018	% change	% change constant currency
Statutory Results				
Speech & Image	39.9	21.5	85%	73%
Relevance	193.7	131.2	48%	35%
Figure 8	11.2	-		
Other	0.3	0.1		
Total Revenue	245.1	152.8	60%	47%
Statutory EBITDA	35.3	23.9	48%	33%
Underlying EBITDA	46.3	25.6	81%	63%
Underlying EBITDA Margin	18.9%	16.8%		
Statutory NPAT	18.6	14.0	33%	16%
Underlying NPAT	29.6	17.8	67%	47%

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About Appen

Appen is a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence. Appen brings over 20 years of experience collecting and enriching a wide variety of data types including speech, text, image and video. With deep expertise in more than 180 languages and access to a global crowd of over 1,000,000 skilled contractors, Appen partners with leading technology, automotive and eCommerce companies - as well as governments worldwide - to help them develop, enhance and use products that rely on natural languages and machine learning.