

## **ASX Announcement**

27<sup>th</sup> August 2020

### **Appen maintains high growth in 1H 2020**

**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 results for the half year ended 30<sup>th</sup> June 2020.

- Revenue up 25% to \$306.2M
- Underlying EBITDA<sup>1</sup> of \$49.1M up 6%, statutory EBITDA up 44%
- Underlying EBITDA excluding growth investments<sup>2</sup> of \$62.5M up 35%
- 4 of 5 major customers using Appen annotation platform (former Figure Eight platform)
- Enterprise-wide platform agreement with a major customer. Includes US\$80M annual commitment
- Substantial increase in annual contract value (ACV) to US\$103M at the end of the half
- No material change to growth investments through the pandemic
- \$126M in cash at 30 June 2020
- Interim dividend of 4.5 cps, 50% franked, up 12.5% from 1H 2019

“We’re very pleased to have delivered another strong half with exceptional revenue growth” said Appen’s Chief Executive Officer, Mark Brayan. “I am extraordinarily proud of our team and their resilience and customer focus” he added.

Revenue growth of 25% on the first half of last year to \$306.2M provided underlying EBITDA of \$49.1M up 6%, or up 35% to \$62.5M excluding growth investments<sup>2</sup>.

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1 Underlying EBITDA excludes transaction costs, acquisition related share based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight earn out liability

2 Growth investments in sales and marketing, China, engineering and government market

“Figure Eight is firmly part of Appen now”, said Brayan. “The almost fully integrated business is delivering on our strategic thesis. Four of our five major customers are now using our annotation platform<sup>3</sup> and we signed an enterprise-wide platform agreement with one of them that included an US\$80M annual commitment. This increased our total ACV at the end of the half to US\$103M.”

Relevance continues as the growth engine of the business with revenue up 34% to \$273.9M. Speech and Image revenue was down by 20%, from a breakout result in 1H 2019, to \$31.9M but up on 2H 2019, reflecting the inherent cyclicity of major programs. It maintains its positive long-term trend.

The company is highly confident in the long-term market for AI and training data and remains committed to its growth investments in sales and marketing to add customers to improve diversification, in technology to open markets and improve scalability and automation, and in growth markets including China and the government sector.

Revenue growth and customer acquisition in China has been especially pleasing as have a number of new customer wins in the first half in the US and Europe.

Appen is in robust financial health. The company is growing consistently and highly profitable, with \$126M of cash at 30<sup>th</sup> June 2020<sup>4</sup>, net debt positive and cash conversion of 154% of underlying EBITDA.

Appen’s Chairman, Chris Vonwiller, said “We are especially pleased with this result amidst the pandemic and the implementation of our growth initiatives. The strength of our business model, market exposure, competitive position and our consistent execution give us the confidence to push forward with our investments to solidify future growth.”

The pandemic is accelerating growth in advantaged sectors, including technology, ecommerce, pharmaceuticals, logistics/delivery, entertainment streaming and gaming and any business that operates on a contactless basis.

AI, as well as the need for training data, will cement the advantages these sectors enjoy through search and recommendation engines for ecommerce, speech recognition and natural language processing for contactless communication and computer vision for contactless manufacturing, logistics and retail.

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<sup>3</sup> Formerly the Figure Eight platform

<sup>4</sup> Prior to payment of Figure Eight earnout of \$39M in August 2020

Appen’s capabilities, track record, technology and at-home crowd is proven, scalable and uninterrupted, and ideally positioned to deliver long-term growth.

The pandemic had a negligible impact on the first half result. A slowdown in new business development and deferred renewals by smaller customers amounted to low single digit percentage points of revenue.

The global slowdown in online advertising spend brought about by the pandemic will have a small impact on Appen’s ad-related revenue in 2H.

The company is maintaining its guidance based on current information.

- YTD revenue plus orders in hand for delivery in FY20 of ~\$475M at August 2020
- The Company’s full year underlying EBITDA for the year ending Dec 31st, 2020 is expected to be in the range \$125M – \$130M (at A\$1 = US\$0.70, Aug-Dec 2020)
- Full year underlying EBITDA margins at high teen percentages

The Board has declared an interim dividend of 4.5 cps, 50% franked, up 12.5% from 1H 2019

## FINANCIAL SUMMARY (A\$M)

Statutory Results	H1 FY2020	H1 FY2019	% change	% change constant currency
Relevance	273.9	204.9	34%	24%
Speech & Image	31.9	39.9	-20%	-25%
Other	0.4	0.3		
<b>Total Revenue</b>	<b>306.2</b>	<b>245.1</b>	<b>25%</b>	<b>16%</b>
<b>Statutory EBITDA</b>	<b>50.9</b>	<b>35.3</b>	<b>44%</b>	<b>34%</b>
<b>Underlying EBITDA</b>	<b>49.1</b>	<b>46.3</b>	<b>6%</b>	<b>-2%</b>
Underlying EBITDA Margin	16.0%	18.9%		
<b>Statutory NPAT</b>	<b>22.3</b>	<b>18.6</b>	<b>20%</b>	<b>8%</b>
<b>Underlying NPAT</b>	<b>28.9</b>	<b>29.6</b>	<b>-3%</b>	<b>-12%</b>

5. Underlying EBITDA excludes transaction costs, acquisition related share based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight earn out liability

6. Underlying NPAT excludes after tax impact of items relating to acquisitions, including amortisation of identifiable assets, share based payment expenses, transaction costs and fair value adjustments (interest unwind and consideration adjustments) for the Figure Eight earn out liability

The release of this announcement was authorised by the board.

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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.*