



Appen Limited  
Level 6, 9 Help Street  
Chatswood, NSW 2067  
Tel + 61 2 9468 6300  
Fax + 61 2 9468 6311

[www.appen.com.au](http://www.appen.com.au)

<https://www.linkedin.com/company/appen>

## ASX ANNOUNCEMENT

25<sup>th</sup> February 2019

### APPEN'S STRONG GROWTH CONTINUES

**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 Full Year results for the year ended 31<sup>st</sup> December 2018.

- Revenue up 119% to \$364.3M
- Underlying EBITDA of \$71.3M up 153%, statutory EBITDA up 206%<sup>1</sup>
- Underlying EBITDA margins improved from 16.9% to 19.6%
- Underlying NPAT of \$49.0M up 148%, statutory NPAT of \$41.7M up 192%<sup>2</sup>
- Substantial 2H for Language Resources delivers record annual divisional revenue
- High revenue growth and margin expansion for Content Relevance. Strong Q4 performance
- Leapforce integration nearing completion
- Leapforce efficiency savings of \$6M in 2019, to be reinvested in engineering
- Strong cash conversion (92% of underlying EBITDA)
- Full year dividend of 8.0 cps, up 33% on 2018
- The Company's full year underlying EBITDA for the year ending Dec 31st 2019 is currently forecast to be in the range \$85M - \$90M (after engineering investment of \$6M. At A\$1 = US\$0.74 Feb-Dec 2019)

Appen's Chief Executive Officer, Mark Brayan, said that the Company's strong growth is a result of the accelerating AI market and the high and growing demand for quality training data. Growth was driven by existing and new customers that are developing an increasing array of AI solutions.

"Our Content Relevance division, including Leapforce, continues to be the growth engine for Appen and performed particularly strongly in Q4," Mr Brayan said, adding that "the inclusion of Leapforce, customer expansion and economies of scale have all contributed to growth and margin expansion."

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<sup>1</sup> Underlying EBITDA excludes transaction costs and share based payment expenses relating to the Leapforce acquisition

<sup>2</sup> Underlying NPAT excludes after tax impact of items relating to the Leapforce acquisition, including amortisation of identifiable assets, share based payment expenses in respect of contingent shares and transaction costs

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Language Resources played a strong hand in the result. A substantial second half, fuelled by the demand for speech and natural language data, resulted in a record revenue year for the division.

“Language Resources margins were down on prior years due to the mix of work, including lower volumes of complex government work,” said Brayan, “but revenue growth came from a vigorous focus on the technology sector that paid off.”

Appen’s Chairman, Chris Vonwiller, said “This pleasing result is built upon strong execution of a well-developed strategy. We operate in an exciting sector with excellent further growth potential. The achievements have only been possible through the commendable and sustained efforts of our global staff.”

The AI market is booming. Analysts forecast a market of \$169B to \$191B by 2025<sup>3</sup>. The McKinsey Global Institute estimates that up to 10% of the cost of AI is labelled data<sup>4</sup>, sizing Appen’s addressable market at up to \$19B by 2025.

AI performance improves with larger volumes of high quality data<sup>5</sup>. Customers also demand delivery at speed and competitive pricing.

Appen is investing to enhance its proven and highly scalable crowd-sourced delivery model with technology that enables greater crowd productivity, increases data volumes and quality, and cements the Company’s competitive position. This investment has been sourced from the efficiency savings identified for 2019 from the Leapforce integration and forecast at \$6M P&L impact in 2019.

The Board has declared a final dividend of 4.0c per share, 73% franked, up 33% from 2018.

#### FINANCIAL SUMMARY (\$AM)

	FY2018	FY2017	% change	% change constant currency
<b>Statutory Results</b>				
Language Resources	51.4	40.4	27%	25%
Content Relevance	312.8	126.2	148%	140%
<b>Total Revenue</b>	<b>364.3</b>	<b>166.6</b>	<b>119%</b>	<b>112%</b>
<b>Statutory EBITDA</b>	<b>68.1</b>	<b>22.2</b>	<b>206%</b>	<b>190%</b>
<b>Underlying EBITDA</b>	<b>71.3</b>	<b>28.1</b>	<b>153%</b>	<b>141%</b>
Underlying EBITDA Margin	19.6%	16.9%		
<b>Statutory NPAT</b>	<b>41.7</b>	<b>14.3</b>	<b>192%</b>	<b>173%</b>
<b>Underlying NPAT</b>	<b>49.0</b>	<b>19.7</b>	<b>148%</b>	<b>133%</b>

<sup>3</sup> Allied Markets and Market & Markets

<sup>4</sup> McKinsey Global Institute

<sup>5</sup> <https://towardsdatascience.com/deep-learning-specialization-by-andrew-ng-21-lessons-learned-15ffaaef627c>

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**Please contact for more information:**

Mark Brayan (CEO) [mbrayan@appen.com](mailto:mbrayan@appen.com) +612 9468 6300

Kevin Levine (CFO) [klevine@appen.com](mailto:klevine@appen.com) +612 9468 6300

**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.*

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