

ASX ANNOUNCEMENT

25th February 2020

HIGH PERFORMANCE UNDERPINNED BY STRONG ORGANIC GROWTH Figure Eight rebounds

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 31st December 2019.

- Revenue up 47% to \$536.0M
- Underlying EBITDA¹ of \$101.0M up 42%, statutory EBITDA up 29%
- Underlying NPAT² of \$64.7M up 32%, statutory NPAT flat on last year

- Organic revenue⁴ of \$498.1M up 37%
- Organic underlying⁴ EBITDA up 51% to \$107.3M

- Figure Eight rebounds to high growth with year end ARR of \$33.7M³
- Speech and Image⁴ delivers an unprecedented revenue result of \$67.7M, up 32% on 2018
- Relevance revenue of \$430.0M⁴, up 37% and margins improve to 25.7%

- 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, Feb-Dec 2020)

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 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

3 US\$24.95M at A\$1=US\$0.74. Guidance range A\$30M – A\$35M at A\$1=US\$0.74

4 Excluding Figure Eight

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Appen's Chief Executive Officer, Mark Brayan, said that Appen has delivered another high-performance result for shareholders, underpinned by strong organic growth.

"We're pleased with this performance" Mr Brayan said. "The Company's ability to maintain this high level of growth in revenue and translate this into improving margins and earnings growth, while investing heavily in technology, is a testimony to the strength and durability that we've built into the business.

We are particularly proud that we are able to achieve these results in conjunction with a strong focus on the ethical treatment of our crowd and an ongoing commitment to social impact through our Crowd Code of Ethics and membership of the Global Impact Sourcing Coalition."

Speech and Image growth of 32% on last year was a standout, considering a historic growth rate of 17.9%⁵

"Our Relevance team has done another outstanding job this year" said Brayan, "revenue is up 37% and margins have expanded from 21.3% to 25.7% as scale and technology make a greater impact."

After a soft second quarter, Figure Eight has rebounded to high growth with ARR of \$33.7M, lifting it to a CAGR of 56%⁶. The strong second half included new and larger customer wins, lower churn and joint wins across the Appen and Figure Eight sales teams.

The integration of Figure Eight and Appen has commenced with major components expected to be completed by the end of 2020.

"Our new growth markets are progressing well, although it is early days" said Brayan, "setup of our US government operations is on track and will enable greater participation in government contracts. Our operation in China is growing fast. The team is in place and the pipeline is building."

The Company's China operations are young and targets are modest. As such, Appen expects a negligible impact from the Coronavirus on FY20 group revenue and earnings based on currently available information

⁵ Revenue CAGR 2015 to 2018
⁶ 2015 to 2019

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In addition to growth in these markets the Company is continuing to focus on expanding its customer base over the next few years and will make significant investments in sales and marketing in 2020. This will soften margins in the first half of FY20.

Appen's technology strategy is being implemented to good effect. Machine learning is being deployed to improve productivity of internal processes and crowd work. The Company has enhanced its capabilities in the high growth autonomous vehicle market with the release of its LIDAR annotation product.

Appen's Chairman, Chris Vonwiller, said "We're very pleased with this year's result. As we are getting bigger we are getting better, demonstrated by the Company's ability to simultaneously deliver growth, margin expansion and invest in future-proofing the business through technology, sales and marketing and entry into new markets."

The high-growth AI market continues to rely on high quality training data. Furthermore, obtaining data is identified as a major challenge⁷. Appen's global crowd, leading technology and track record of quality and reliability position it very strongly to win in this market.

The Board has declared an interim dividend of 5.0c per share, 50% franked, up 25% on the same period last year.

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FINANCIAL SUMMARY (A\$M)

Results	FY2019	FY2018	% change	% change constant currency
Speech & Image	67.7	51.4	32%	24%
Relevance	430.0	312.8	37%	28%
Figure 8	37.9	-		
Other	0.4	0.1		
Total Revenue	536.0	364.3	47%	37%
Statutory EBITDA	87.9	68.1	29%	20%
Underlying EBITDA⁸	101.0	71.3	42%	31%
Underlying EBITDA Margin	18.8%	19.6%		
Statutory NPAT	41.6	41.7	(0%)	(10%)
Underlying NPAT⁹	64.7	49.1	32%	20%

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.

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