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ASX ANNOUNCEMENT

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APPEN MAINTAINS ITS HIGH GROWTH TRAJECTORY WITH STRONG 1H 2018 RESULT

Appen Limited (“Appen”) (**ASX:APX**) a global leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence, has today announced its First Half results for the half year ended 30th June 2018.

- Revenue rose 106% to \$152.8M, including 47% organic revenue growth.
- Underlying EBITDA of \$25.6M up 100%, statutory EBITDA of \$23.9m up 87%¹.
- EBITDA margins remain high but were impacted by the change in Language Resource mix of work in the period.
- Underlying NPAT of \$17.8M up 119%, statutory NPAT of \$14.0m up 73%².
- Strong cash conversion (84% of underlying EBITDA.)
- Half year dividend of 4.0 cps, up 33% on 1H 2017.
- Strong revenue growth and margin expansion for Content Relevance.
- Leapforce performing strongly and integration on schedule.
- The Company’s underlying EBITDA for the year ending Dec 31st 2018 is forecast to be in the range \$54M - \$59M (at A\$1 = US\$0.80.)

Chief Executive Officer Mark Brayan said that the Company is maintaining its high growth trajectory due to the sustained demand for data for artificial intelligence (AI), the acquisition of Leapforce in 2017, expansion of work with current customers and winning new customers.

“Our investment in Leapforce coupled with increased scale and ongoing productivity initiatives has attributed to outstanding revenue and margin growth for Content Relevance,” Mr Brayan said, and added that Content Relevance continues to perform extremely well with organic revenue up 64% and EBITDA up 88%, excluding the Leapforce contribution.

¹ Underlying EBITDA excludes transaction costs of \$0.9m and share based payments of \$0.8m in respect of the Leapforce acquisition. Constant currency underlying EBITDA growth was 104%.

² Underlying NPAT excludes after tax impact of items relating to the Leapforce acquisition - amortisation of identifiable assets (\$2.3m), share based payment expenses (0.8m) and transaction costs (\$0.6m). Constant currency underlying NPAT growth was 125%.



The company has integrated Leapforce's employees and corporate functions into Appen and is in the process of implementing all of Appen's customer-facing projects on Leapforce's scalable crowd-management platform, now called Appen Connect.

"The Appen Connect platform will be deployed across the group in the first quarter of next year and will lift productivity and improve margins across the business," said Brayan, "and some of these savings will be reinvested into future systems for sustainable long term improvements to scalability and productivity."

Language Resources margins were down on 1H 2017 due to a change in the mix of work in this period. The division completed less complex government work and more projects in the high-growth technology sector. This is seen as a timing issue, not structural. However, Appen is investing to win increased share in the technology sector with a view to margin improvement over time.

Data privacy regulations and commercial confidentiality are driving an increase in secure work. The demand for secure work may see future investments in other facilities. The company is also seeing growth in projects with multiple data types including text, speech, image and video.

Appen's Chairman, Chris Vonwiller, said "The 1H result is pleasing and reflects the strong work done by the company on productivity and operational processes. We continue to be well positioned in the high growth and exciting area of artificial intelligence, with the benefits of scale and global coverage. At the same time, Appen is striving to remain flexible and responsive to the rapidly evolving market in which our customers participate".

Mr. Vonwiller said that Appen is continuing to invest in technology and seek further growth opportunities. "We have a strong balance sheet and we are committed to maintain our role as a world leader in the development of high-quality, human annotated datasets for machine learning and artificial intelligence".

The Board has declared an interim dividend of 4.0c per share, fully franked, up 33% from 1H 2017. Future dividends are likely to have partial or no franking credits.

FINANCIAL SUMMARY (\$Am)

	H1 FY2018	H1 FY2017	% change	% change constant currency
Statutory Results				
Language Resources	21.5	20.7	4%	5%
Content Relevance	131.2	53.3	146%	151%
Total Revenue	152.8	74.1	106%	110%
Statutory EBITDA	23.9	12.8	87%	91%
Underlying EBITDA	25.6	12.8	100%	104%
Underlying EBITDA Margin	16.8%	17.2%		
Statutory NPAT	14.0	8.1	73%	76%
Underlying NPAT	17.8	8.1	119%	125%
Underlying diluted earnings per share (cents)	16.47	8.21	101%	106%

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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 400,000 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.