

ASX Announcement
24 February 2021

Appen Maintains Solid Growth

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 full year ended 31 December 2020.¹

- Revenue up 12% to \$599.9M
- Underlying EBITDA² of \$108.6M up 8%, statutory EBITDA up 23%
- Growing customer base including 136 new customer wins in 2020
- 34% increase in the number of projects with top five customers
- Committed revenue increased to 31% of 2H20 total revenue, up from 12% in 1H20
- China revenue growing at 60% quarter on quarter
- \$78M in cash at 31 December 2020
- Final dividend of 5.5 cps, 50% franked, up 10% on 2019 final dividend
- Full year underlying EBITDA for the year ending 31 December 2021 is expected to be in the range of A\$120M – A\$130M, representing growth of 18% – 28% on FY20 underlying EBITDA (ex. FX gain) of \$101.8M³

“2020 was a breakout year for new sales, new projects, committed revenue and our entry into China, but it was not without its challenges” said Appen’s Chief Executive Officer, Mark Brayan. “I am extremely proud of our team’s efforts to support our customers and growth strategy, and deliver for our shareholders, in such a difficult year” he added.

Appen’s investments in sales and marketing yielded 136 new customers in 2020 across a variety of sectors and data types. Many of these customers are small but they increase Appen’s market penetration and lay a strong foundation for growth in coming years.

The Company also expanded the number of projects across its top five customers by 34%, supporting many new product developments.

¹ Unless stated otherwise all comparisons are to the year ended 31 December 2019 and all amounts are in A\$.

² Underlying EBITDA excludes transaction costs, acquisition related share based payment expenses and fair value adjustments (consideration adjustments) for the Figure Eight acquisition.

³ At FY20 constant currency A\$1 = US\$0.6904.

Customer and project growth was enabled by Appen's annotation platform, acquired with Figure Eight in 2019. Ongoing investment in the platform, including in AI-enabled annotation, is improving productivity and further strengthens our competitive position. The platform also provides a pathway to valuable committed revenue, which reached 31% of the Company's total revenue in the second half of the year, up from 12% in the first half.

Revenue in China grew 60% each quarter in 2020, winning market share and providing a solid base for future growth. Customers in China include the country's largest technology companies as well as autonomous vehicle, health and education technology providers.

Appen's government team is in place, having navigated the turbulence of last year, and is focused on building our brand and pipeline.

Relevance continues as the growth engine of the business with revenue up 15% to \$538.2M. Relevance is a unique use case that requires a large-scale, diverse crowd providing human judgements. These capabilities are highly specialised and consequently there has not been a material change in the competitive landscape. Relevance is also less amenable to automation and insourcing and will continue to be the bedrock of Appen's business.

Speech and Image revenue of \$61.2M was down 10% on the extremely strong result in 2019, reflecting the inherent cyclicity of major programs and business development challenges amidst the pandemic. It maintains its positive long-term trend.

The combination of new customers and projects, higher committed revenue and growth in China, along with our existing customers and programs, has improved Appen's market position and set a strong foundation for further growth in 2021.

2020 was not without its challenges however, and a number of factors conspired to dampen Appen's 2H result.

The Company's B2B selling was impacted by the pandemic-driven shift to working from home, resulting in fewer customer wins in Q2 and Q3, before bouncing back in Q4.

The pandemic also reduced online advertising mid-2020, impacting Appen's major customers and resulting in less spending on advertising-related AI programs as resources were re-prioritised to new products and some projects were deferred.

Appen is involved in many of these new projects, which are in their early stages and growing, and they will complement our major programs. The majority of deferred projects are recommencing in 2021.

Appen is in sound financial health, delivering consistent profitable growth, \$78M in cash and no debt at 31 December 2020, and cash conversion of 104% of underlying EBITDA.

Appen's Chairman, Chris Vonwiller, said "Our customers highly value our deep expertise in the AI training data market. We are the largest provider of high-quality data at scale, and in 2021 we will reach our 25th year in operation. Over that time we have built global scale, breadth of services and technology depth and have established a strong and unique role at the centre of one the world's most exciting industries."

The Company's year-to-date revenue plus orders in hand for delivery in FY21 is approximately A\$240M at February 2021.

The Company's full year underlying EBITDA for the year ending 31 December 2021 is expected to be in the range of A\$120M – A\$130M at constant currency, representing growth of 18% – 28% on FY20 underlying EBITDA (ex. FX gain) of \$101.8M.⁴

The Board has declared a final dividend of 5.5 cps, 50% franked, up 10% on the 2019 final dividend.

FINANCIAL SUMMARY

A\$M	FY2020	FY2019	% change	% change constant currency
Relevance	538.2	467.8	15%	14%
Speech & Image	61.2	67.7	-10%	-11%
Other	0.5	0.5		
Total revenue	599.9	536.0	12%	11%
Statutory EBITDA	107.9	87.9	23%	23%
Underlying EBITDA⁵	108.6	101.0	8%	8%
Underlying EBITDA margin	18.1%	18.8%		
Statutory NPAT	50.5	41.6	21%	23%
Underlying NPAT⁶	64.4	64.7	-1%	1%

⁴ FY20 constant currency A\$1 = US\$0.6904. Equivalent to an underlying EBITDA range for FY21 of US\$83M – US\$90M representing growth of 17% – 27% on FY20 underlying EBITDA (ex. FX gain) of US\$70.7M.

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

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 acquisition.

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 expertise in 235 languages and access to a global crowd of over 1,000,000 skilled contractors, Appen partners with leading technology, automotive and e-commerce companies - as well as governments worldwide - to help them develop, enhance and use products that rely on natural languages and machine learning.