

## OUR PICK – Appen Limited (APX.ASX)

**Recommendation** – Buy at \$5.50.

Target Price \$6.00 over 6 months - Stop Loss \$4.50.

**Overview** – Appen Limited, together with its subsidiaries, provides data solutions and services for technology companies and government agencies primarily in Australia and the United States. It operates through two segments, Content Relevance, and Language Resources.

The Content Relevance segment offers annotated data used in search technology embedded in Web, e-commerce, and social engagement for enhancing relevance and accuracy of search results.

The Language Resources segment provides data used in speech recognizers, machine translation, speech synthesizers, and other machine-learning technologies.

Appen is well positioned in a growing market. Their customers include the world's leading technology companies, automakers and governments, the long-term customer relationships support growth and resilience.

The Company's full year EBITDA for its financial year 2017, ending Dec 31st, 2017, is trending at the upper end of 40% to 50% above the prior year's result. EBITDA margin improvement from 14.5% 2H 2016 to 17.2% 1H 2017, and no debt.

In 2017, Appen Ltd reported a dividend of 0.06 AUD, which represents a 20% increase over last year. We expect the company to pay dividends of 0.07 AUD for the upcoming fiscal year, a further increase of 16.6%.

(Source: Yahoo Finance, Financial Times and Appen Presentation HY17)

| Valuation Measures         | APX     |
|----------------------------|---------|
| Market Cap (intraday):     | 533.78M |
| PEG Ratio (5 yr expected): | N/A     |

| Financial Highlights            | APX    |
|---------------------------------|--------|
| <b>Profitability</b>            |        |
| Profit Margin:                  | 10.02% |
| <b>Management Effectiveness</b> |        |
| Return on Assets:               | 22.87% |
| Return on Equity:               | 37.49% |
| <b>Income Statement</b>         |        |
| Revenue Per Share:              | 1.35   |
| EBITDA:                         | 19.38M |
| <b>Balance Sheet</b>            |        |
| Total Debt/Equity:              | 0.01   |

| Trading Information        | APX  |
|----------------------------|------|
| <b>Stock Price History</b> |      |
| Beta:                      | 2.2  |
| 52-Week High (14/10/2016): | 5.55 |
| 52-Week Low (27/06/2016):  | 2.35 |

Source: Yahoo Finance

| GB8                    | APX  |
|------------------------|------|
| <b>Recommendations</b> |      |
| Investor               | BULL |
| Conservative Trader    | BULL |
| Aggressive Trader      | BULL |
| Very Aggressive Trader | BULL |

# Chart



**George Beyrouthi** is an authorised representative (ASIC #315 563) of FS Securities (QLD) Pty Ltd (ACN 148 991 968) AFSL #410 183. He has been authorised to provide General Advice and Dealing services in the following classes of financial products –Securities, Derivatives and Futures products, FOREX products to Retail and Wholesale clients.

**DISCLAIMER** Any trading advice contained in this communication is of a general nature only, and your personal financial circumstances have not been considered in its preparation. Please be aware that trading in financial markets results in both profit and loss.

# Glossary

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- **P/E Ratio = Price to earnings.** Calculated by current stock price divided by earnings per share (EPS). Tells us how much investors are willing to pay per dollar of earnings.
- **PEG Ratio = The price/earnings to growth ratio (PEG ratio)** is a stock's price-to-earnings ratio divided by the growth rate of its earnings for a specified time period. The PEG ratio is used to determine a stock's value while taking the company's earnings growth into account and is considered to provide a complete picture than the P/E ratio.
- **P/B Ratio = Price to book.** Calculated by dividing the current stock price by the latest quarter's book value per share. This could tell where the stock is undervalued or overvalued.
- **P/E Growth = Price to earnings growth.** This ratio also helps us to see if the shares price is over or undervalued.
- **P/S Ratio = Price to Sales.** Compares a company's stock to its revenues. Calculated by dividing the company's market capitalization by its total sales.
- **EBITDA = Measurement of a company's operating profitability as a percentage of its total revenue.** It is equal to earnings before interest, tax, depreciation and amortisation (EBITDA) divided by total revenue.
- **Current Ratio = A liquidity ratio that measures a company's ability to pay short-term and long-term obligations.** Calculated by current assets divided by current liabilities.
- **Debt/Equity = Ratio used to measure a company's financial leverage.** Calculated by dividing a company's total liabilities by its stockholder's equity.

Source: Reuters Thomson/ Investopedia