ASX ANNOUNCEMENT

22 January 2024

Customer update and FY23 preliminary results

Appen Limited (Appen) (ASX: APX) received notification on Saturday, 20 January 2024 AEDT from a material customer, Google LLC, that as part of a strategic review process it will be terminating its global inbound services contract with Appen, resulting in the cessation of all projects with Appen by 19 March 2024. Appen had no prior knowledge of Google's decision to terminate the contract.

In FY23, Appen's revenue from Google was $82.8m[1] at a gross margin[2] of 26%.

The news is unexpected and disappointing, particularly considering the progress made against Appen's transformation and performance in November and December 2023. Appen saw Q4 on Q3 growth in both Global Services and New Markets (including China). On a YoY basis, Global Services Q4 2023 revenue was down while New Markets (including China) was up. Within the New Markets division, China achieved a quarterly revenue record in Q4 2023 of $11.1m.

At a group level, based on unaudited management accounts, Appen recorded revenue of $24.1m and $25.9m in November and December 2023 respectively, along with execution of cost management initiatives, which enabled achievement of cash EBITDA breakeven objectives. Based on the unaudited management accounts, Appen also recorded:

- Underlying EBITDA[3] (excluding FX) of $3.2m and Underlying cash EBITDA (excluding FX)[4] of $2.3m in December 2023;
- Revenue of $273.0m and an Underlying EBITDA (excluding FX) loss of $20.4m for the full year; and
- $32.1m cash on hand at 31 December 2023.

These results are preliminary and subject to change as the audit process is finalised. Appen's full year FY23 results remain unaudited and are subject to Board review and approval as well as completion of the external audit.

Appen continues to focus on cost management, business turnaround and delivery of high-quality AI data for its customers. Appen will immediately adjust its strategic priorities following the notification of the Google contract termination and provide further details in its FY23 full year results on 27 February 2024.

Authorised for release by the Board of Appen Limited.

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[1] All amounts stated are in US$, unless otherwise stated.
[2] Gross margin refers to revenue less crowd expenses.
[3] Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses.
[4] Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.

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Important Information

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision. This notice contains forward-looking statements, including statements of opinion and expectation. These statements may be affected by various assumptions, risks and uncertainties, including matters which are outside the control of Appen, and may differ from results actually achieved. Investors are cautioned against placing undue reliance upon such statements.

About Appen

Appen is a global market leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world's most innovative artificial intelligence systems. Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry's most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products. Founded in 1996, Appen has customers and offices globally.