

ASX ANNOUNCEMENT

6 October 2022

FY2022 trading update

Appen Limited (Appen) (ASX: APX) has today provided a further trading update.

On 25 August 2022, Appen stated that it expects FY22 revenue skew to be weighted to the latter half of the second half of FY22, although revenue is not expected to be at prior year levels due to the slowdown of Global customers. Appen also stated that its FY22 EBITDA and EBITDA margin is expected to be materially lower than FY21, mainly due to lower revenue, as well as investment in product, technology, and transformation.

Since Appen's half year result, there has been no improvement in trading conditions in August and September. While there are significant challenges in providing guidance, including ongoing uncertainty in relation to global customer spend and the impact of economic conditions on new business, Appen has provided additional clarity for FY22 revenue and EBITDA.

In line with our revenue outlook provided on 25 August 2022 we expect FY22 revenue to be in the range of US\$375 million to US\$395 million. In relation to FY22 EBITDA and EBITDA margins, our expectation remains that they continue to be materially lower than FY21 and the most recent trading data reinforces this position.

Based on the current outlook, our view is that FY22 EBITDA¹ (before any FX impact) is expected to be in the range of US\$13 million to US\$18 million. This is largely due to lower gross profit from lower revenue, and a change in the revenue mix – specifically, a reduction in some large higher margin projects and an increase in smaller lower margin projects. It is also due to ongoing investments in product, technology, and transformation.

As noted at the half year, challenging external operating and macro conditions have resulted in weaker digital advertising revenue and a slowdown in spending by some of our major customers. This has impacted our ad-related programs and had a flow on impact to non-ad related programs and some core programs.

The Global Division continues to win new projects and the project count is at an all-time high, however the size and stage of these projects is insufficient to offset the reduction in revenue from some of our higher margin core programs.

Our non-global business continues to grow, and momentum in the Enterprise business is building with year-to-date bookings up 22% compared to this time last year. However, non-global revenues are typically at lower margins compared to our core programs.

In response to the challenging external operating environment, Appen is focused on high impact initiatives; accelerating productivity improvements; increasing the use of offshore facilities for project delivery, engineering, and business support; and right sizing investments to market opportunities.

Appen's CEO Mark Brayan said, "Despite the challenging operating conditions, we remain committed to our long-term strategy including investments in New Markets to diversify revenue and products to improve productivity. While our plans to increase the use of offshore facilities are

¹ Underlying EBITDA excludes transaction costs, inventory losses, acquisition-related share-based payment expenses and restructure costs.

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gathering pace as well as our actions to reduce costs, the full benefits of these programs will not be evident in FY2022.

“Appen has a strong balance sheet with no debt. Additionally, the business has solid cash conversion, and we remain confident in our ability to invest and implement our strategy during this transitional period.”

Investor conference call

A conference call will take place today at 10:00am (AEDT). It will be hosted by Mark Brayan, CEO and Kevin Levine, CFO. A replay will be made available after the event on Appen’s website.

Please register for the call at: [Diamond Pass Invitation \(c-conf.com\)](https://s1.c-conf.com/diamondpass/10025812-swc0n6.html) or copy and paste the link into your browser <https://s1.c-conf.com/diamondpass/10025812-swc0n6.html>

Authorised by the Sub-Committee of the Board of Appen Limited.

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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.

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