

ASX ANNOUNCEMENT

12 February 2024

Update on cost management

Appen Limited (Appen) (ASX: APX) advises that it has now finalised details of additional measures to mitigate the impact of the loss of a material customer contract.

As disclosed to the market on 22 January 2024, Appen advised that it had received notification from 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. In FY23, Appen's revenue from Google was \$82.8 million¹ at a gross margin of 26%².

Appen remains focused on returning to profitability and is committed to managing costs in line with the revenue opportunity. In keeping with this, Appen will implement measures to achieve \$13.5 million in annualised cost savings. The cost initiatives represent direct and indirect costs associated with the delivery of Google projects.

Appen expects to complete 80% of the cost initiatives by March 2024 and the remainder by June 2024. The bulk of the costs are direct costs, however indirect costs have been further scrutinised resulting in the eventual closure of the Toronto and Bellevue offices in North America.

The first full year benefit of these cost savings is expected to be realised in FY25. The one-off costs associated with implementing the cost reduction initiatives are expected to be approximately \$1.5m–\$2.5m and will be reported as a non-recurring expense and excluded from underlying EBITDA for FY24.

The above initiatives are in addition to the total annualised cost savings of \$60 million from initiatives completed over the course of FY23³ which enabled Appen to achieve its cash EBITDA profitability objective in December 2023. Achieving cash EBITDA profitability in FY24 will largely depend on revenue growth from our non-global customers, the timing of which remains uncertain.

Appen will report its FY23 full year results on 27 February 2024.

Authorised 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 FY23 annualised cash opex included STI at 15.6% achievement (that represents partial achievement for non-financial metrics).



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.