

ASX Announcement

26 February 2025

FY24 results and FY25 outlook

Appen Limited (Appen) (ASX: APX) today reported its full year results for period ended 31 December 2024 and outlook for FY25.

Appen's FY24 result reflects a transformative year for the company. A return to revenue growth during H2 FY24, as well as tightly controlled costs, enabled Appen to achieve its cash EBITDA profitability objective in early H2 FY24.

Appen's FY24 result¹ includes:

- **Group operating revenue** of \$234.3 million decreased 14.2%, primarily due to termination of the Google contract
- **Adjusted operating revenue**² of \$220.9 million increased 16.0%, driven largely by generative AI related projects within our Global and China divisions
- **New Markets revenue** of \$116.2 million up 42.6%, benefiting from strong growth in China and Global Product
- **Gross margin**³ improved 3.0 percentage points to 39.3% due to customer and project mix
- **Underlying EBITDA**⁴ (before FX) of \$3.5 million, a \$23.9 million improvement compared to prior corresponding period (pcp). The improvement reflects a return to revenue growth and execution of cost out programs in FY23 and H1 FY24
- **Underlying EBITDA (including FX)** of \$7.8 million, a \$32.3 million improvement compared to pcp
- **Underlying net loss after tax**⁵ of (\$10.5) million, a \$42.3 million improvement compared to pcp
- **Statutory net loss after tax** of (\$20.0) million, a \$98.1 million improvement compared to pcp
- **Cash balance** of \$54.8 million at 31 December 2024

¹ All amounts stated in US\$ and all comparisons are to the year ended 31 December 2024, unless stated otherwise. Numbers presented throughout the announcement may not add due to rounding. All comparisons are to the prior corresponding period unless stated.

² Excludes the impact of Google contract termination.

³ Gross margin refers to revenue less crowd expenses.

⁴ Underlying EBITDA excludes restructure costs, transaction costs, acquisition-related and one-time share-based payment expense, impairment loss, and earn-out adjustment.

⁵ Underlying NPAT excludes after tax impact of restructure costs, transaction costs, acquisition-related and one-time share-based payment expense, amortisation of acquisition related intangibles, impairment loss, earn-out adjustment and deemed interest on earn-out liability.

Commenting on the performance for the year, Appen's CEO & Managing Director Ryan Kolln said, "2024 has been a transformative year for both Appen and the AI ecosystem we serve. We reacted swiftly to the Google termination, executed on cost out, returned to revenue growth, and hit our target of reaching cash EBITDA positive on a run-rate basis in early H2 2024."

"The return to revenue growth was largely driven by Appen's success in generative AI. We saw strong growth in China and Global Product divisions driven by generative AI projects, with China growing 71% and Global Product growing 222% compared to 2023."

"We have conviction in the potential of our Enterprise & Government divisions, however we are yet to see material traction. Investment in each of these divisions is being carefully managed to ensure it is proportionate to existing volumes and the near-term opportunity."

"Profitability remains a key focus for Appen. Tight cost controls remain in place, in keeping with the company's focus on managing costs in line with the revenue opportunity."

"Generative AI marks a once-in-a-generation paradigm shift. Machines are evolving from simple search and retrieval capabilities to demonstrating reasoning and content generation capabilities. At the heart of this revolution lies high-quality data - a critical foundation that Appen provides. This is an incredibly exciting time, and we are honoured to play such a pivotal role in shaping this transformative future."

Financial and Operating Performance

Group revenue

Global Services

Global Services revenue decreased 38.3% to \$118.1 million and was impacted by the termination of the Google contract in Q1 FY24. Excluding Google, revenue decreased 3.9% to \$104.7 million.

New Markets

New Markets revenue increased 42.6% to \$116.2 million. The increase was driven by strong growth in China and Global Product revenue.

Within New Markets:

- *Global Product* revenue increased 221.9% to \$31.3 million, primarily due to new generative AI projects delivered on Appen's technology.
- *China* revenue increased 70.7% to \$58.9 million, with quarter on quarter growth throughout FY24. The growth was largely driven by continuing traction in generative AI related projects.
- *Enterprise and Government* revenue decreased 30.2% to \$26.0 million, driven by lower volumes within existing large projects and uncertain timing around new generative AI related spend. We have conviction in the potential of these divisions, however investment is being carefully managed to ensure it is proportionate to existing volumes and the near-term opportunity.

Financial performance

Underlying EBITDA improved by \$32.3 million to \$7.8 million. Before the impact of foreign exchange gains or losses, underlying EBITDA improved by \$23.9 million to \$3.5 million.

The improvement in underlying EBITDA reflects the return to revenue growth and cost out programs executed during FY23 and H1 FY24. Operating expenses⁶ for FY24 decreased 26.1% or \$30.0 million compared to FY23.

Statutory NPAT improved by \$98.1 million to (\$20.0) million. Statutory results include one-off restructure costs of \$3.0 million relating to the cost out program and the refresh of executive leadership.

Cost reduction program

\$13.5 million cost out program previously announced was executed during H1 FY24. 80% of the cost out was achieved in March 2024, with the remainder executed by the end of June 2024.

Outlook

We continue to see positive signals on LLM related data growth, including from our Global and China customers.

The LLM market is evolving rapidly and there is significant experimentation, therefore we expect to see month-to-month revenue variability.

Year to date, LLM project volumes are tracking lower than Q4 FY24 largely due to annual planning by our major customers, however we remain confident in the potential for growth in 2025.

Tight cost controls remain in place, in keeping with the company's focus on managing costs in line with the revenue opportunity. We remain highly focused on ongoing cash EBITDA positivity.

⁶ Includes all expenses impacting Underlying EBITDA (before FX), except for share-based payment expense, and crowd expenses (crowd expenses included in gross margin calculation).

Investor briefing

A result briefing will be hosted by Ryan Kolln, CEO & Managing Director and Justin Miles, CFO at 11:00am (AEDT). The briefing will be webcast live at [Open Briefing](#).

Those wishing to ask questions during the briefing can join via conference call. Please pre-register for the call at [Diamond Pass Invitation \(c-conf.com\)](#) or copy and paste the link <https://s1.c-conf.com/diamondpass/10044604-1jtxlk.html> into your browser.

Financial summary	FY24	FY23	Change
Revenue	234.3	273.0	(14%)
Global Services revenue	118.1	191.5	(38%)
New Markets revenue	116.2	81.5	43%
Revenue (excluding Google)	220.9	190.4	16%
Gross Margin%	39.3%	36.3%	3.0 pp
Underlying EBITDA before FX	3.5	(20.4)	nm
Underlying EBITDA after FX	7.8	(24.5)	Nm

Authorised by the Board of Appen Limited.

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About Appen

Appen is a global market leader in data for the AI Lifecycle. With over 28 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 500 languages⁷, in over 200 countries⁸, as well as our AI data 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.

⁷ Self-reported.

⁸ Self-reported, includes territories.