



ASX Announcement
26 May 2022

INDICATIVE AND NON-BINDING PROPOSAL IN RELATION TO APPEN AND TRADING UPDATE

Following media reports today, Appen Limited (**Appen**, ASX: APX) announces that it has received an unsolicited, conditional and non-binding indicative proposal from TELUS International (**Telus**) to acquire, by way of a scheme of arrangement, 100% of the shares of Appen at an indicative cash offer price of A\$9.50 per share (the **Indicative Proposal**).

The Indicative Proposal is subject to several conditions including completion of due diligence to the satisfaction of Telus; Telus finalising its financing arrangements; the Appen Board unanimously recommending the proposal; and the parties entering into a mutually acceptable scheme implementation agreement, which would also be subject to a number of conditions including regulatory and third-party approvals.

The Appen Board has carefully considered the Indicative Proposal, including obtaining advice from its financial advisers, Barrenjoey Capital Partners and Atlas Technology Group, and its legal adviser, Allens.

The Board is in discussions with Telus to seek an improvement in the terms of the Indicative Proposal. To facilitate this, the Board has offered to provide, on a non-exclusive basis, limited business and financial information, subject to Telus agreeing to enter into a mutually acceptable confidentiality and standstill agreement, which it has yet to execute. At this point in time, no material non-public information has been provided to Telus.

The Board intends to consider any revised proposal from Telus in an orderly manner and in the best interests of all Appen shareholders. In assessing any revised proposal, the Board will consider a number of factors, including:

- Appen's global market leading position in the AI data lifecycle sector as a result of its world-class annotation technology platform and its curated global crowd of over 1 million skilled annotators
- Appen's delivery of long-term revenue growth, including 40% annualised revenue growth from 2016 to 2021
- Appen's strong customer base across leading US tech companies, as well as its growing global Enterprise customer base and ongoing opportunities with government partners
- The considerable top-line growth in New Markets, up 21% in FY21, supported by 422% FY21 revenue growth in China and strong China growth in 1H FY22
- The significant investments underway in the transformation of Appen including diversifying revenues, automating crowd and labelling processes and expanding the product offering
- The strong growth forecast for the AI data labelling industry (Cognilytica estimates the industry will grow by 32% per annum from 2021 to 2027)

Appen shareholders do not need to take any action in response to the Indicative Proposal. There is no certainty that discussions with Telus will result in a transaction.

Trading update

In advance of Appen's Annual General Meeting scheduled for tomorrow (Friday 27 May 2022), Appen provides the following trading update.

- As at 30 April 2022, the company's year-to-date revenue plus orders in hand for delivery was approximately US\$297 million, up approximately 14% compared to the same time last year¹.
- The company expects FY22 revenue to exhibit a greater skew to 2H than FY21, supported by the strong level of current orders in hand.
- As at 30 April 2022, Appen's year-to-date revenue is lower than it was at this time last year.
- The company expects 1H FY22 EBITDA to be materially lower than the prior corresponding period due to lower than expected revenue and reflecting investment in our transformation office, product and technology and lower share based payments in the prior corresponding period. The company expects FY22 EBITDA to be significantly weighted to 2H reflecting the revenue skew and fixed cost operating leverage.
- The company continues to experience solid EBITDA to cash flow conversion and free cash flow generation.

Appen remains committed to its growth strategy and achieving its long-term objectives and remains confident of its prospects in the high-growth AI market.

Authorised for release by the Board.

For further information, please contact:

For Investors:

Rosalie Duff
Head of Investor Relations
+61 421 611 932
rduff@appen.com

For Media:

Lauren Thompson
Domestique Consulting
+61 438 954 729
lauren@domestiqueconsulting.com

About Appen

Appen is the global 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.

1. Consistent with prior year methodology and timing used for the update provided at the AGM in May 2021.