Appen

ASX Release

26 February 2025

Investor Presentation

Further to Appen Limited's (**Appen**) (ASX:APX) announcement to the market today on its results for the year ended 31 December 2024, please find attached the presentation to be delivered to investors and analysts 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 conference call or copy and paste the link https://s1.c-conf.com/diamondpass/10044604-1jtxlk.html into your browser.

Authorised for release 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 languages[1], in over 200 countries[2], as well as our advanced 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.

[1] Self-reported.
[2] Self-reported, includes territories.

2024 full year results

26 February 2025

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Important Information

The forward-looking statements included in these materials involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Appen Limited. In particular, they speak only as of the date of these materials, they are based on particular events, conditions or circumstances stated in the materials, they assume the success of Appen Limited's business strategies, and they are subject to significant regulatory, business, competitive, currency and economic uncertainties and risks.

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Appen Limited ACN 138 878 298 - 9 Help Street, Chatswood, NSW 2067, Australia

All amounts are in US$M unless stated otherwise.

Some amounts may not add due to rounding.

Underlying results referenced in these materials are a non-IFRS measures used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit.

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Agenda

01 Results and overview

02 FY24 performance

03 Strategy update

04 2025 outlook

Results and overview

Ryan Kolln

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2024 performance highlights

16% revenue growth for the full year, excluding Google

Grew China revenue for FY24 by 71%

Broke into LLM market with 28% of revenue in H2 FY24 from LLM projects

Our technology playing a more important role in project delivery for major clients

Reduced OPEX by 26% for the full year, compared to FY23

Returned to profitability with $3.5m underlying EBITDA, a $23.9m improvement on FY23

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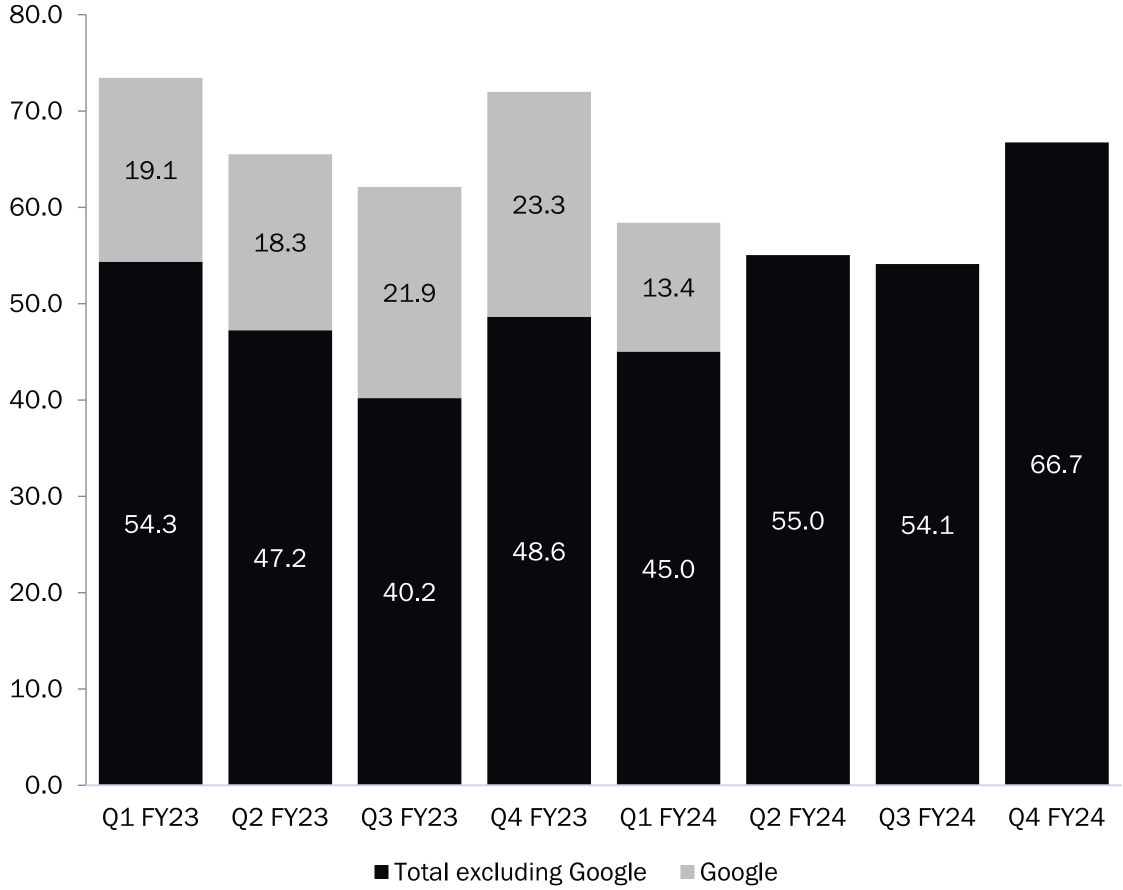
Revenue growth returning

Group revenue



Commentary

- Excluding the impact of Google, we are experiencing a return to revenue growth largely due to the rise of generative AI
- Excluding Google, revenue for Q4 FY24 grew 37% on pcp (from $48.6 million in Q4 FY23)
- Growth continues to be driven by large technology customers in US and China

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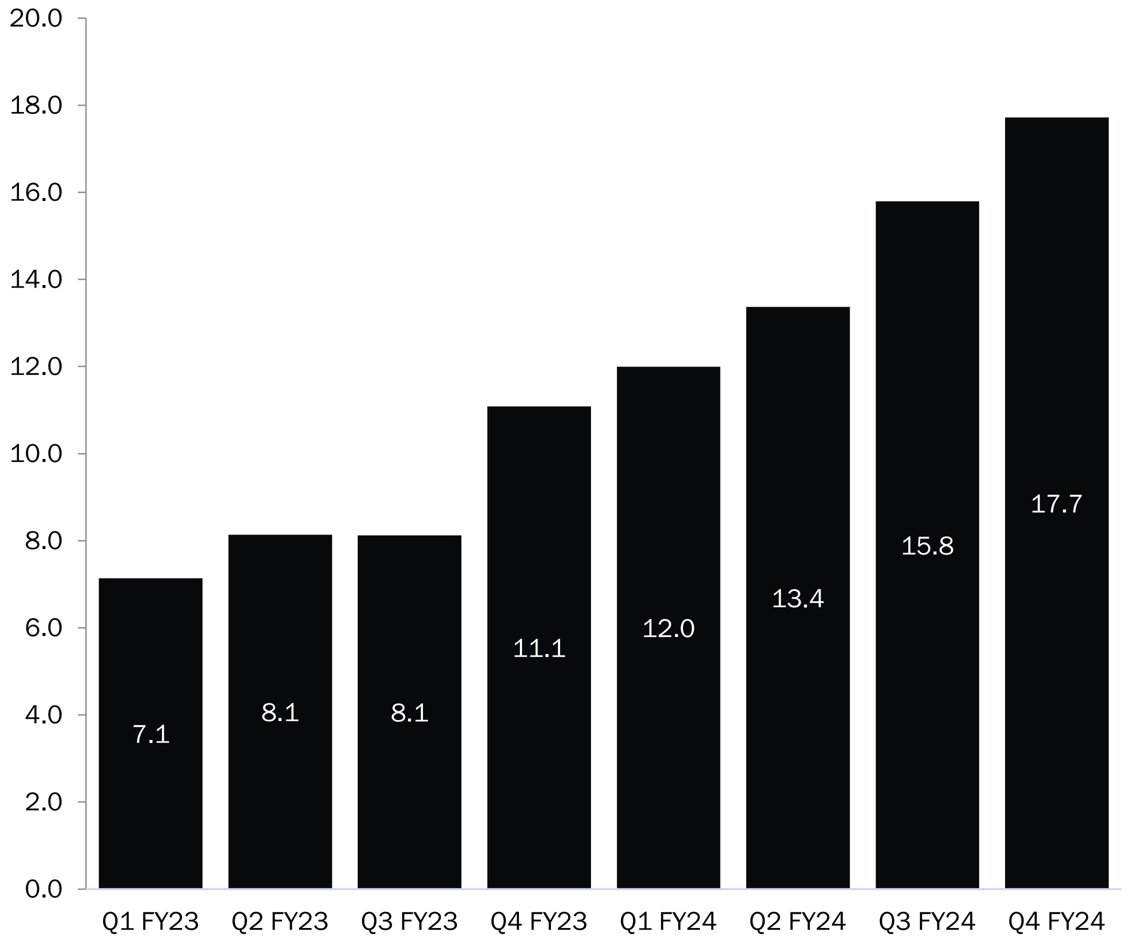
China success continues

China division revenue



Commentary

- 71% growth in FY24 compared to FY23
- China customers include leading LLM model builders, along with leading technology and auto customers
- Projects are mostly for in-facility annotation, resulting in a more predictable revenue profile
- Appen has the unique advantage of partnering closely with both Western and Chinese technology companies

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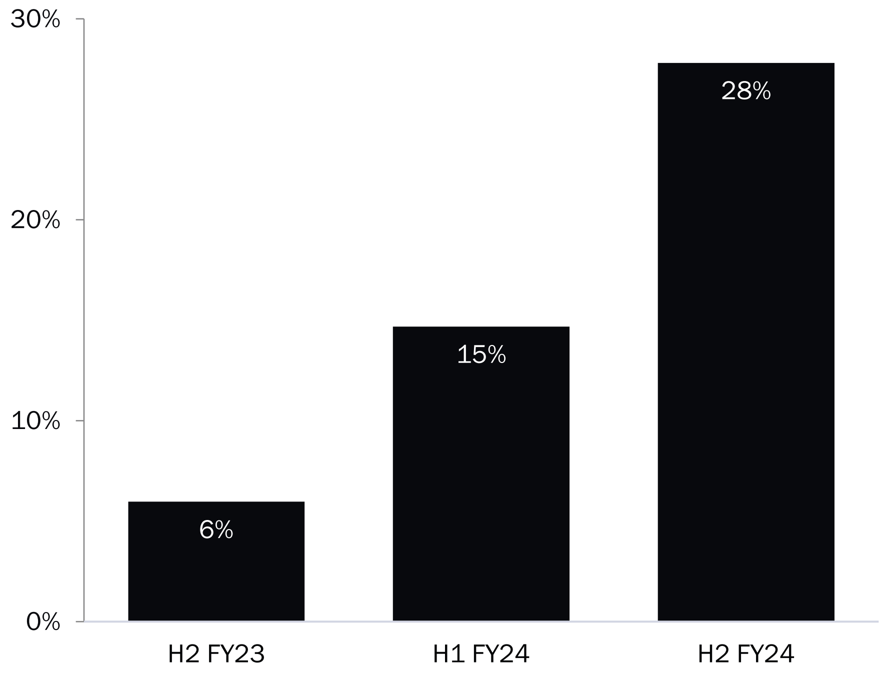
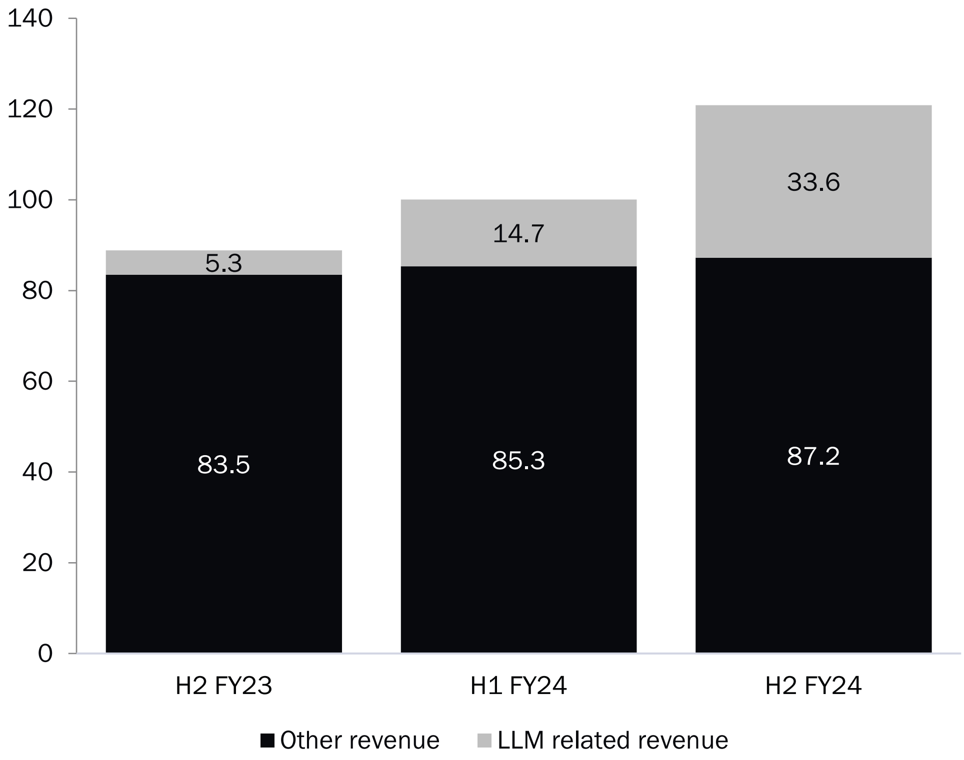
Generative AI major driver of revenue growth

28% of group revenue
from generative AI-related projects[1]
in H2 FY24



Non-LLM growing ~2% HoH, $33.6m revenue in
H2 FY24 from generative AI related projects



1. Excludes Google

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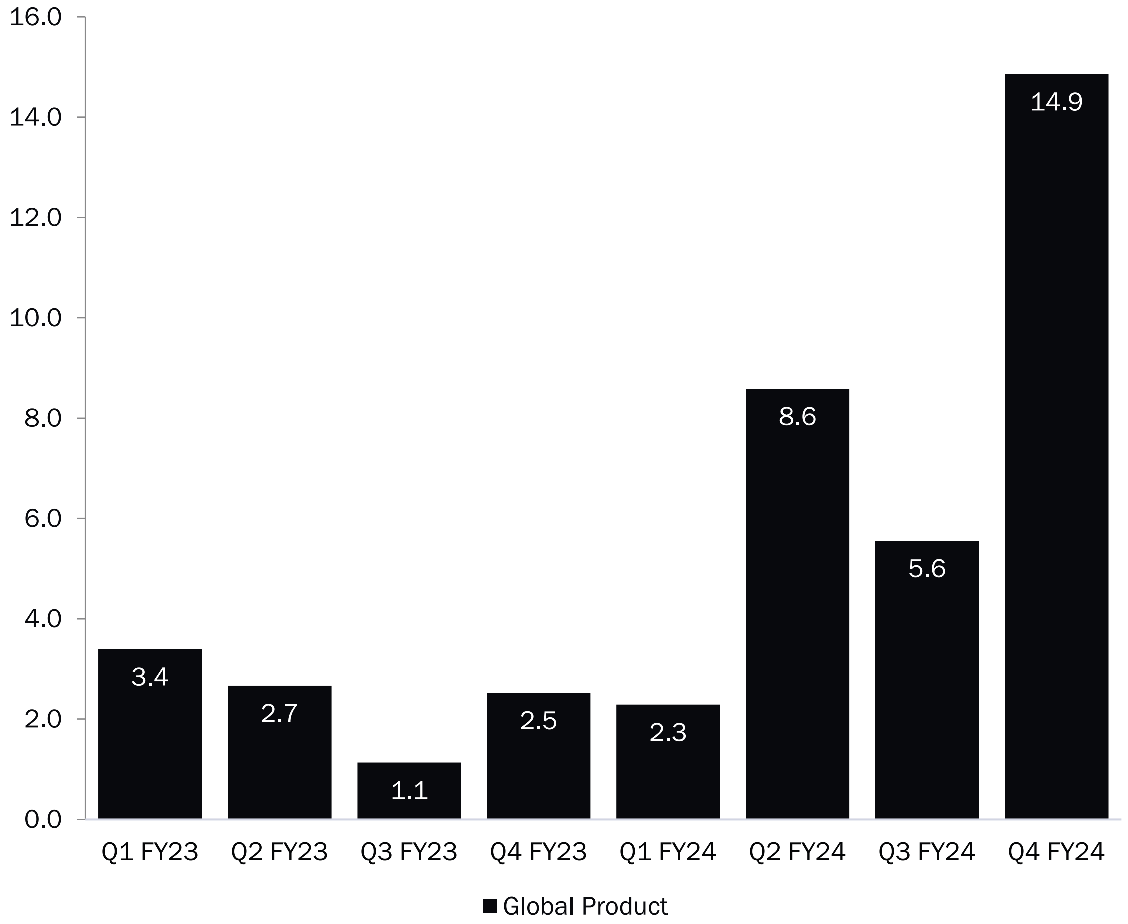
Global product growth reflects reliance on Appen’s technology

Global Product revenue



Commentary

- Global Product revenue represents projects that are delivered on Appen’s data platform
- For our largest US technology customers, most work has traditionally been delivered on their internal platforms
- With the rise of generative AI, we have seen an increasing reliance on our technology to support projects

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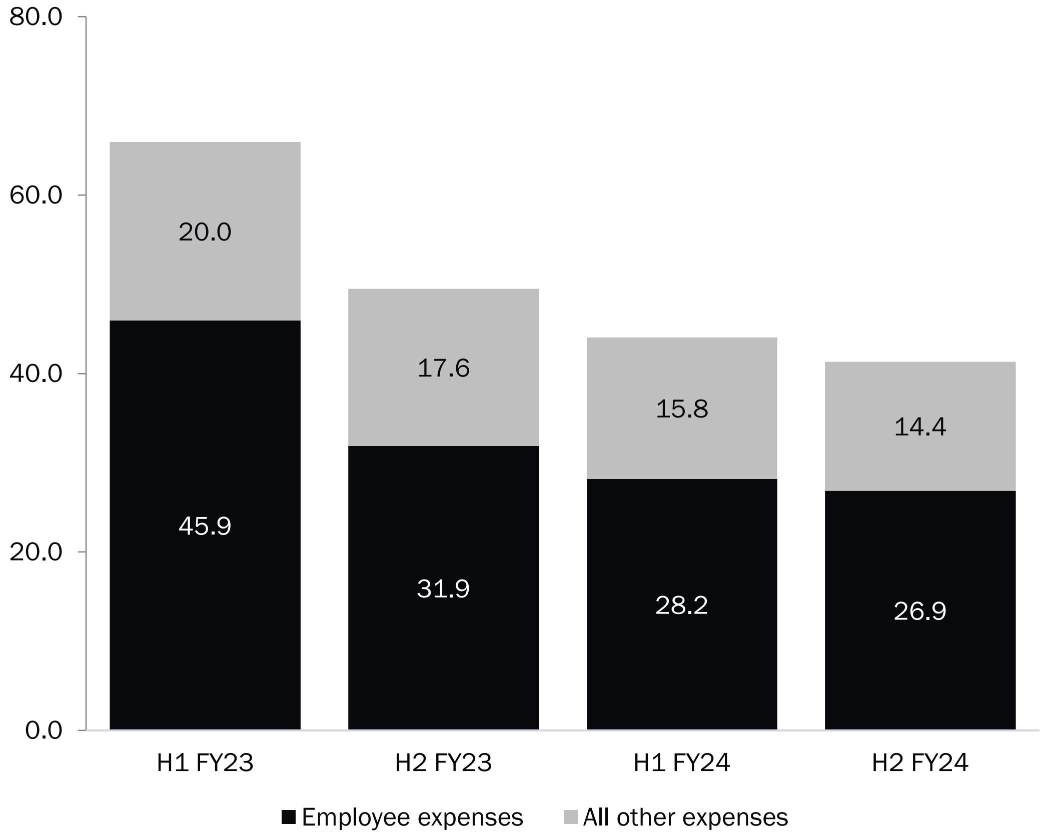
Opex reduced by 37% H1 FY23 to H2 FY24

Opex[1,2]



Commentary

- Employee expenses reduced by 41% and all other expenses by 28% compared to H1 FY23
- Significantly reduced product and engineering spend achieved by establishing a hub in Hyderabad
- Consolidation of business units and rationalisation of delivery resources contributed to the reduction in employee expenses
- Rationalisation of corporate overhead and tight cost controls on all other expenses also a key driver of the reduction
- Focus remains on managing the cost base in line with the revenue opportunity

1. Employee expenses per management reporting. Excludes share-based payment expense and direct project workers included in gross margin calculation (i.e. crowd expenses).
2. All other expenses included in underlying EBITDA before FX.

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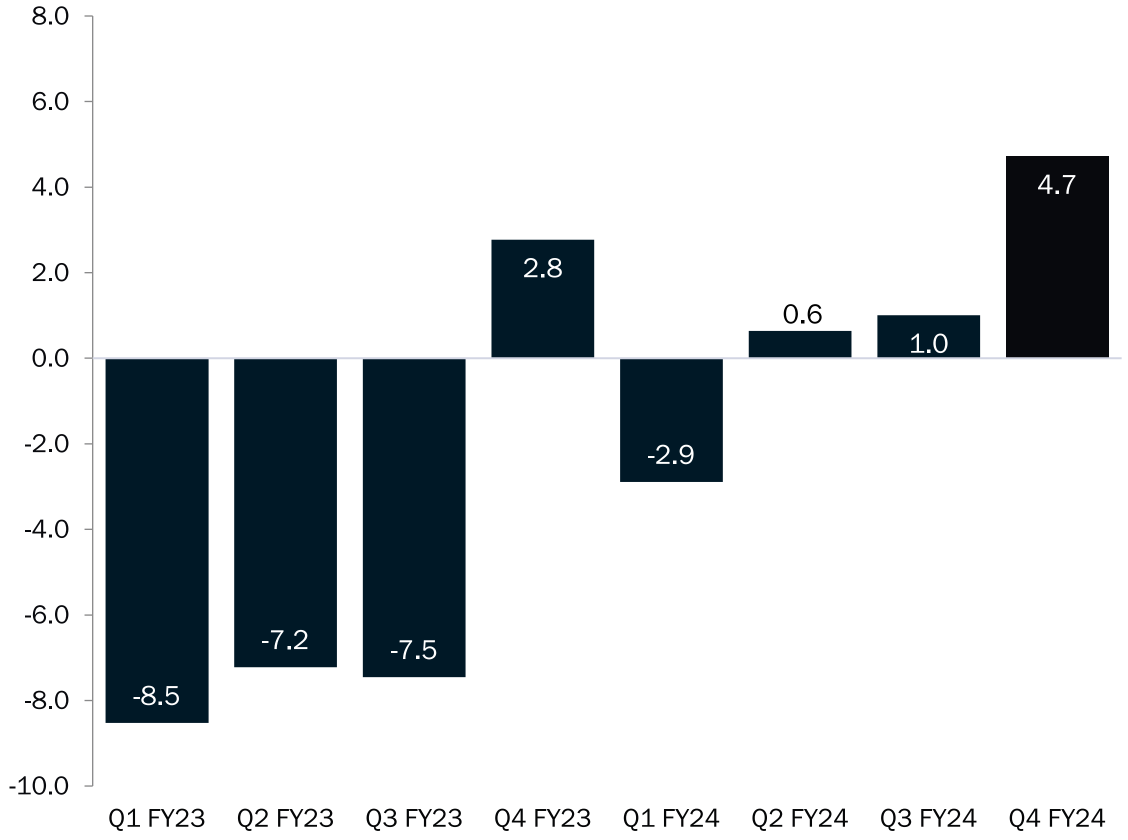
EBITDA improving as costs remain in control

Underlying EBITDA before FX[1]



Commentary

- Underlying EBITDA[1] (before FX) for Q4 FY24 was a profit of $4.7 million, continuing the return to profitability
- We acted swiftly to control costs following the Google announcement, and have now completed the $13.5m cost reduction
- Revenue growth in China and improved gross margins resulted in positive EBITDA contribution in Q2
- Profitability remains a key focus for Appen

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

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Financial performance

Justin Miles

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FY24 snapshot

	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[1]%	**39.3%**	36.3%	3.0 pp
Underlying EBITDA[2] before FX	**3.5**	(20.4)	nm

Commentary

- Revenue decreased 14% to $234.3m, reflecting termination of the Google contract
- Excluding the impact of Google, revenue grew by 16%
- Global Services impacted by termination of the Google contract
- New Markets benefited from strong growth in China and Global Product. Growth reflects significant traction in generative AI projects
- Gross margin % improvement primarily due to change in customer and project mix
- $23.9m improvement in underlying EBITDA (before FX)
- Significant EBITDA improvement despite decrease in revenue. Due to cost out programs executed during FY23 and H1 FY24

1. Gross margin refers to revenue less crowd expenses.
2. Underlying EBITDA excludes restructure costs, transaction costs, impairment loss, earn-out adjustment, and acquisition-related and one-time share-based payment expense.

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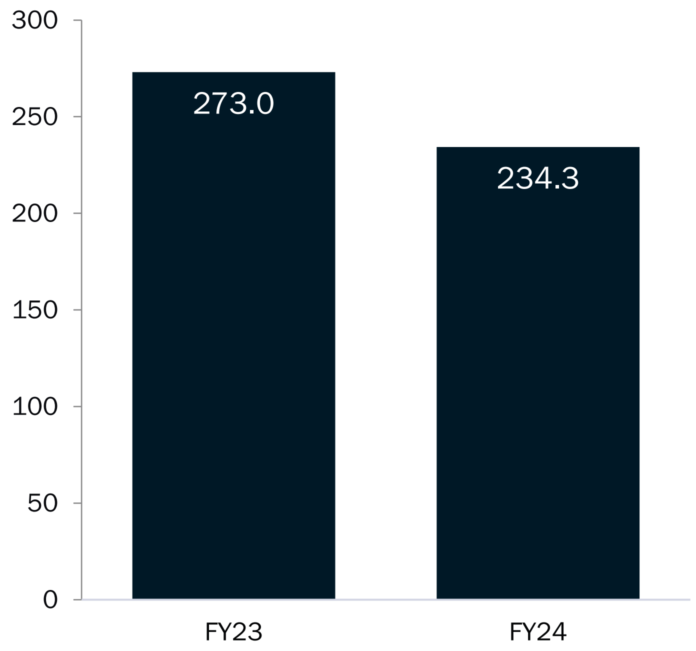
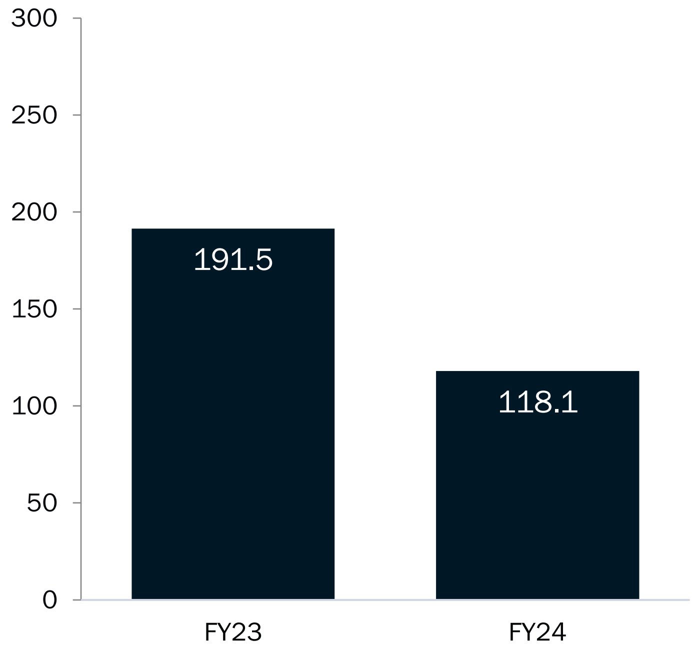
Revenue

Group



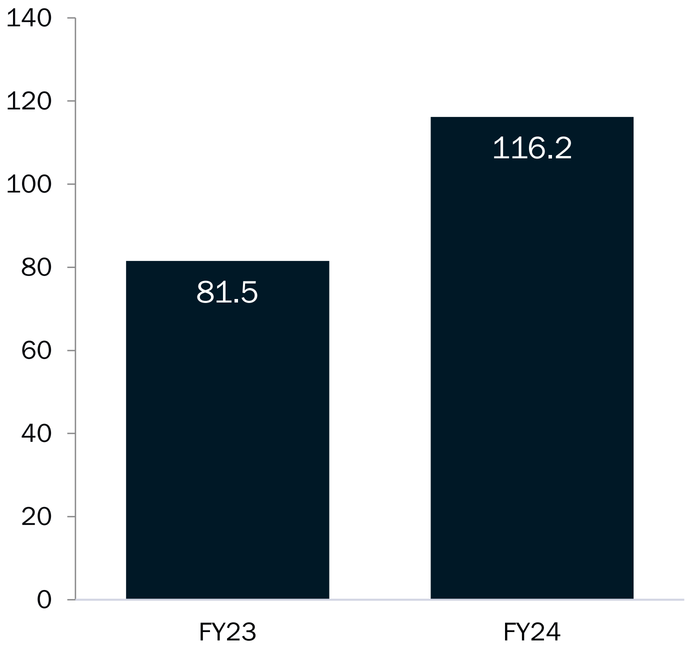
- Revenue down 16% on FY24
- Impacted by termination of Google contract
- Excluding the impact of Google, increase of 16%

Global services



- Revenue down 38% on FY23
- Impacted by termination of Google contract

New markets



- Revenue up 43% on FY23
- Strong growth in China and Global Product
- Growth reflects significant traction in generative AI projects

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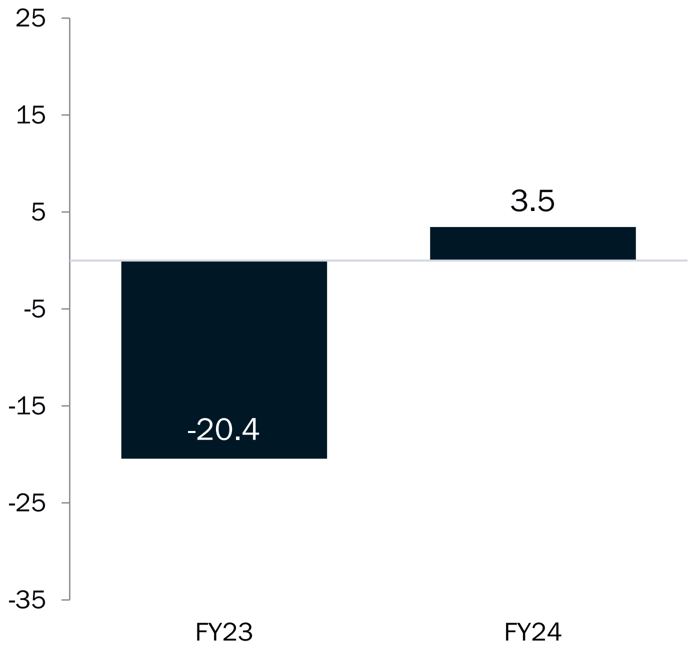
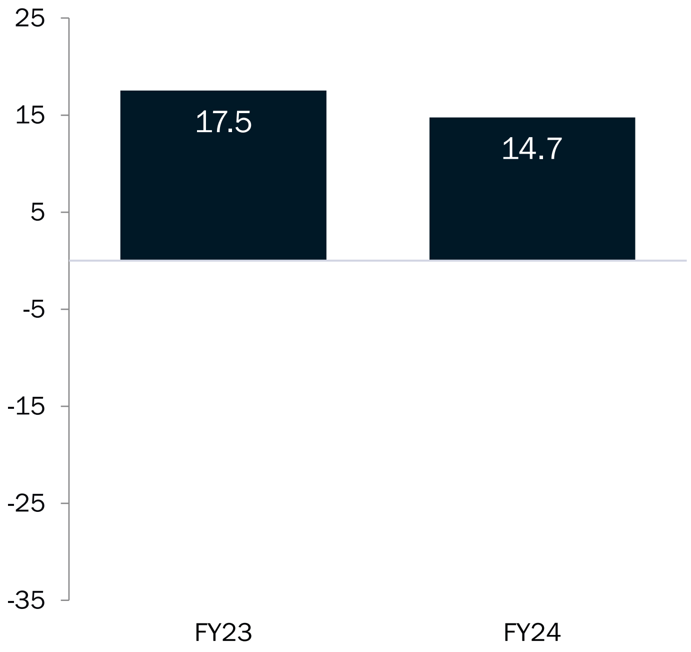
Underlying EBITDA[1] (before FX)

Group



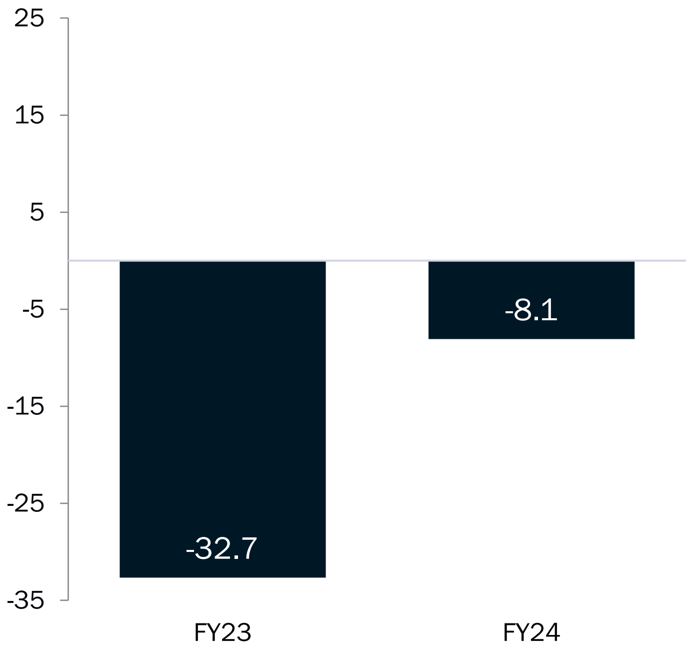
- $23.9m improvement on FY23
- Despite lower revenue, significant improvement due increased gross margin % and cost out programs executed during FY23 and H1 FY24

Global services



- EBITDA of $14.7m down 16% on FY23
- Decrease reflects lower revenue and gross margin, partially offset by benefit of cost out programs

New markets



- $24.6m improvement on FY23
- Improvement driven by growth in revenue and gross margin for China and Global Product, as well as benefit of cost out programs

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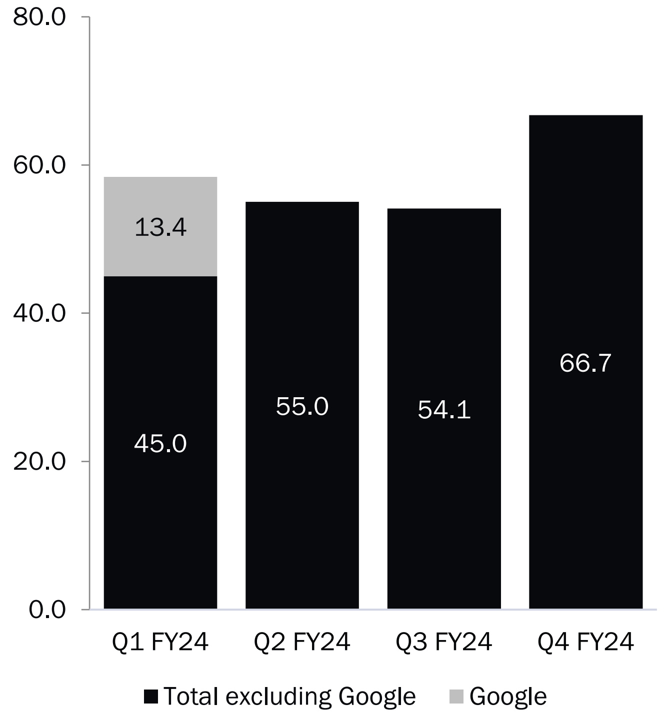
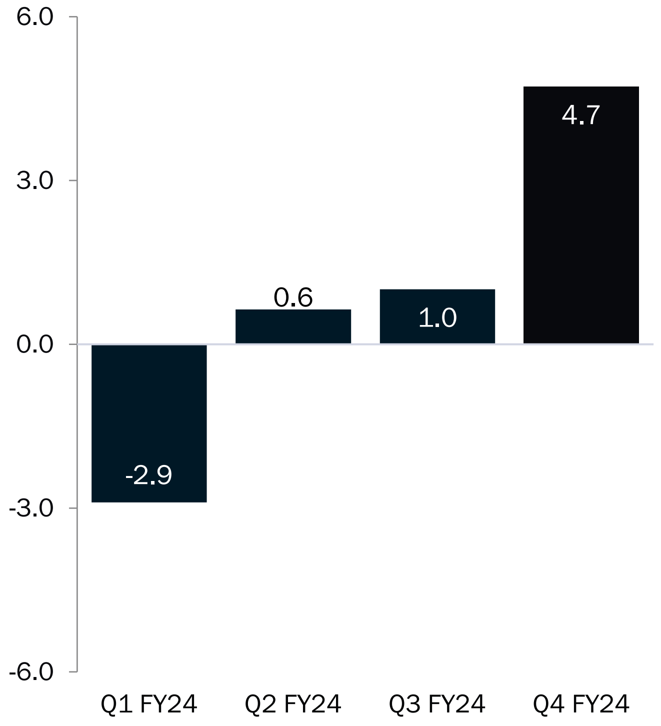
1. Underlying EBITDA excludes restructure costs, transaction costs, impairment loss, earn-out adjustment, and acquisition-related and one-time share-based payment expense.

EBITDA improving quarter-on-quarter

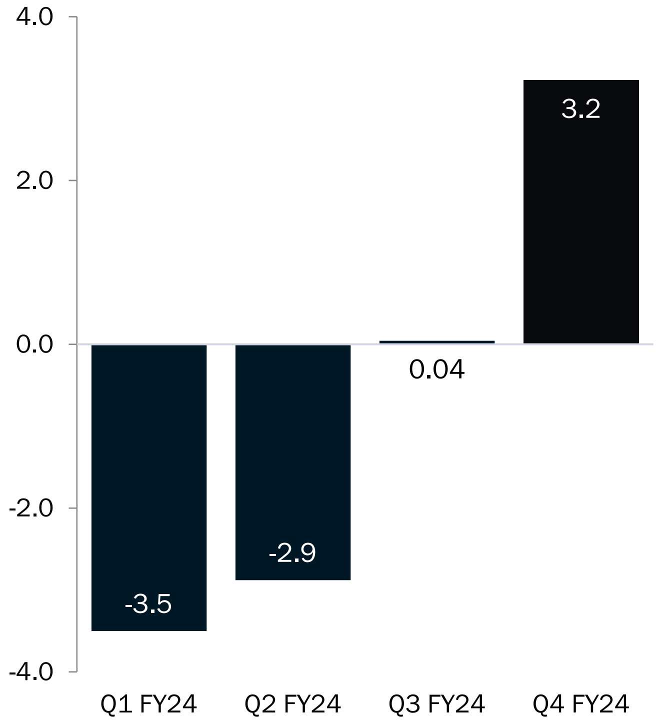
Revenue



Underlying EBITDA[1] before FX



Underlying cash EBITDA[2] before FX



1. Underlying EBITDA excludes restructure costs, transaction costs, and acquisition-related and one-time share-based payment expense.
2. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.

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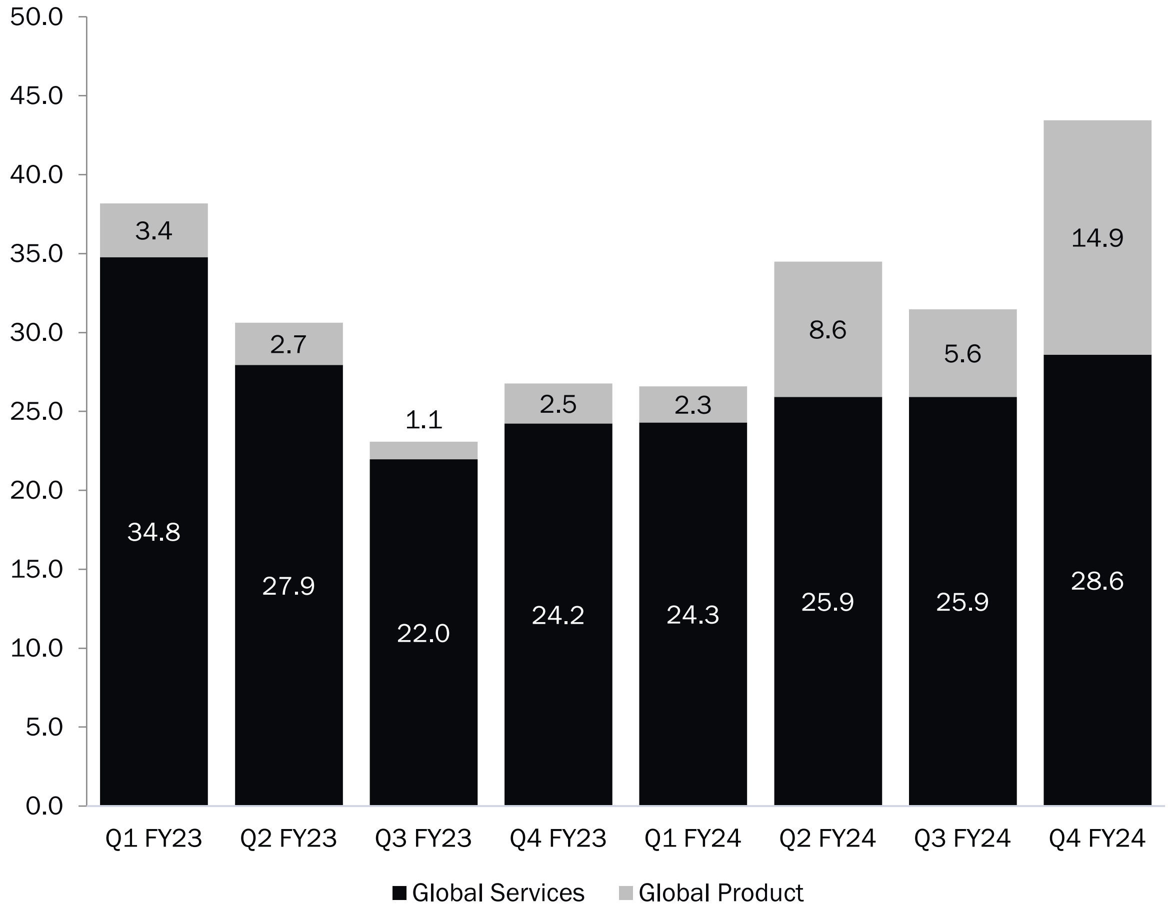
Global revenue growth returning

Global revenue excluding Google



Commentary

- Following stabilisation of revenue in H2 FY23, growth returned in Q2 FY24
- Global Product growth driven by multiple generative AI projects. Volumes for these projects can be inconsistent with large volumes over a short period of time with customers then assessing and adapting to their evolving needs
- Global Services growth driven by increase in projects / volumes across multiple customers.
- See Appendix 2 for Global revenue including Google

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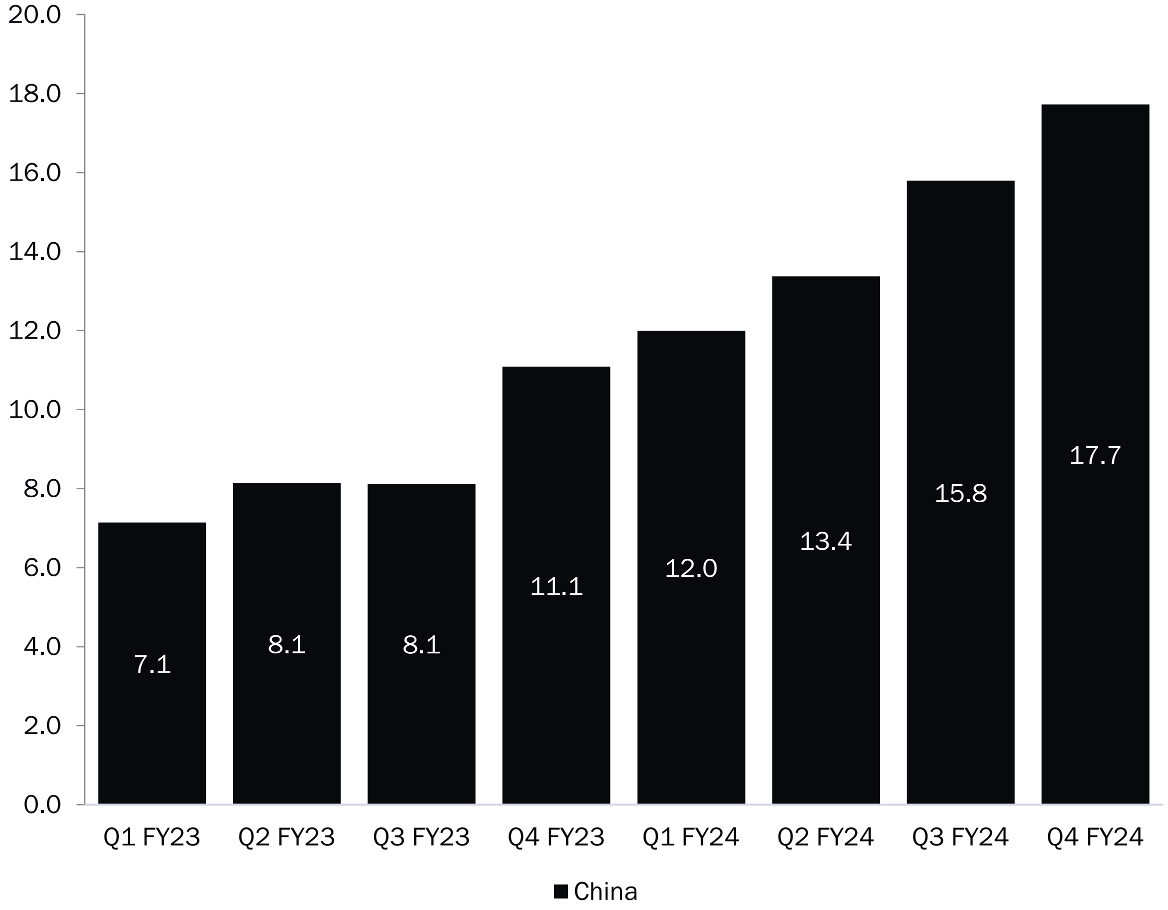
Impressive growth for China with record revenue each quarter

China revenue



Commentary

- Revenue growth for China which includes Japan and Korea continued throughout the year, with an impressive increase of 71% in FY24 compared to FY23
- Growth was largely driven by continued traction in generative AI related projects, with China continuing to support leading LLM model builders
- Growth came from expansion within existing large technology customers as well as new customer wins
- Projects are mostly for in-facility annotation, resulting in a more predictable revenue profile, however gross margins are generally lower than other divisions

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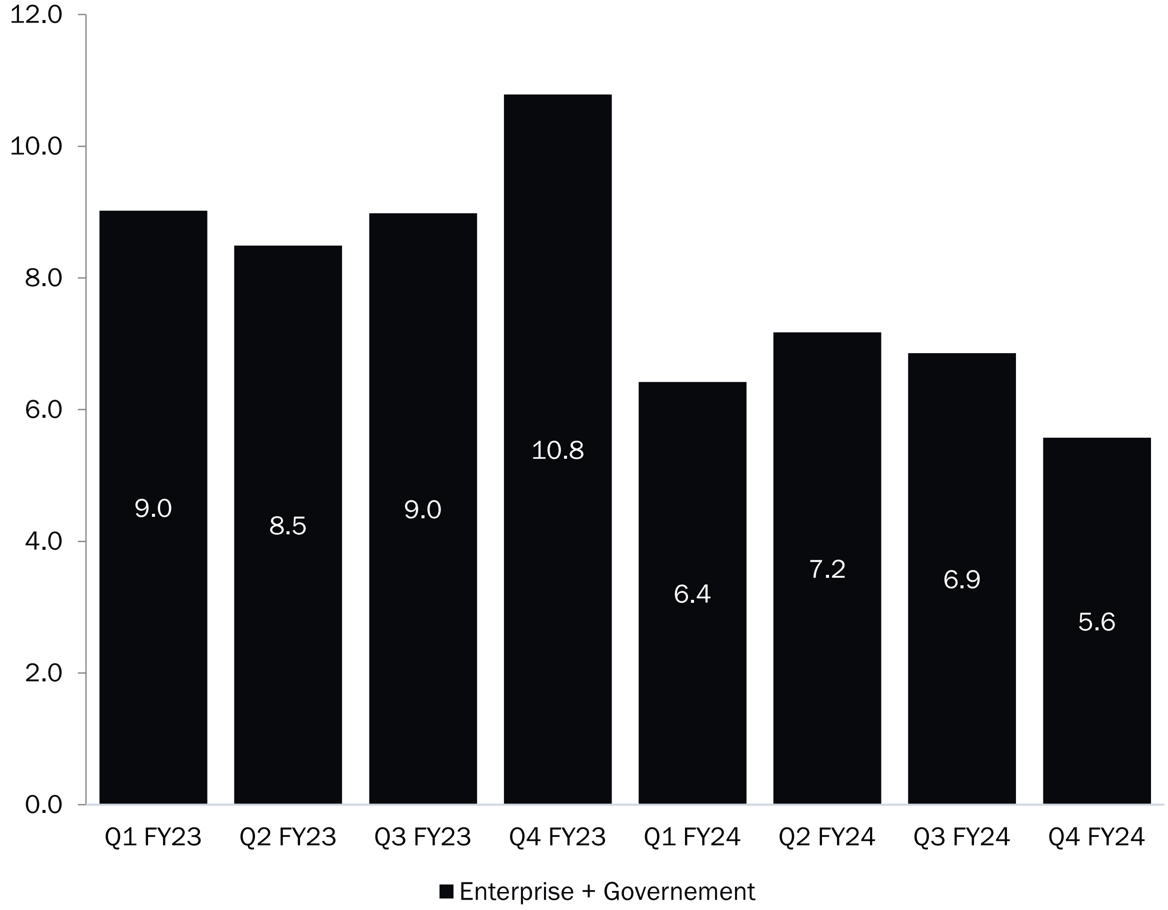
Conviction in the potential for Enterprise, Government – timing is unclear

Enterprise, Government revenue



Commentary

- Decrease in revenue driven by lower volumes within existing large Enterprise projects, including some projects coming to an end
- Conviction remains in the opportunity; however, timing is unclear with uncertainty continuing around how enterprises will proceed with generative AI investment
- Healthy Government pipeline, however, awards are infrequent and linked government budget and contract cycles
- Investment carefully managed to ensure it is proportionate to existing volumes and near-term opportunity

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Profit and loss summary

	FY24	FY23	Change
Revenue	234.3	273.0	(14%)
Gross Margin[1]%	39.3%	36.3%	3.0 pp
Employee expenses [2]	55.1	77.8	(29%)
Share-based payments expense [3]	3.2	4.2	(24%)
Other expenses [4]	30.3	37.6	(20%)
Underlying EBITDA [5]	7.8	(24.5)	nm
Underlying EBITDA [5] before FX	3.5	(20.4)	nm
Underlying NPAT [6]	(10.5)	(52.8)	nm
Statutory NPAT	(20.0)	(118.1)	nm

Commentary

- Revenue decreased 14% to $234.3m, reflecting termination of Google contract
- Gross margin % improvement primarily due to change in customer and project mix
- Significant decrease in expenses, driven by full execution of cost out programs
- $23.9m improvement in underlying EBITDA (before FX) despite decrease in revenue. Due to cost out programs executed during FY23 and H1 FY24
- $98.1m improvement in statutory NPAT due to cost out programs executed and lower restructure costs, no impairment charge in FY24, decrease in depreciation and amortisation following FY23 impairment charge, and a lower product development cost base

1. Gross margin refers to revenue less crowd expenses.
2. Employee expenses per management reporting. Excludes direct project workers included in gross margin calculation (i.e. crowd expenses).
3. Non-cash expense. Excludes acquisition-related and one-time share-based payment expense.
4. All other expenses included in underlying EBITDA before FX.
5. Underlying EBITDA excludes restructure costs, transaction costs, impairment loss, earn-out adjustment, and acquisition-related and one-time share-based payment expense.
6. Underlying NPAT excludes after tax impact of restructure costs, transaction costs, impairment loss, earn-out adjustment, acquisition-related and one-time share-based payment expense, amortisation of acquisition related intangibles, and deemed interest on earn-out liability.

Balance sheet

	Dec 2024	Dec 2023
Cash	54.8	32.1
Receivables	46.7	49.9
Contract assets	19.7	15.6
Other current assets	8.0	9.1
Non-current assets	41.4	48.5
Total assets	**170.6**	**155.2**
Current liabilities	43.9	47.7
Non-current liabilities	12.4	14.7
Total liabilities	**56.3**	**62.4**
Net Assets	**114.3**	**92.8**
Total equity	**114.3**	**92.8**

Commentary

- Cash balance of $58.4m, up $22.7m from December 2023. Balance impacted by receipt of a $10.0m payment from a major customer in the first week of January 2025 versus December 2024 as scheduled
- Receivables and contract assets combined increased $0.9m despite lower revenue Q4 FY24 compared to Q4 FY23, primarily due to $10.0m noted above
- Non-current assets decreased $7.1m due to the amortisation of platform at higher rate than new investment in product development. Includes intangible assets of $30.1m
- Current liabilities $3.8m lower due to settlement of the Quadrant earnout liability in January 2024 via the issue of ordinary shares
- Non-current liabilities $2.3m lower primarily due to decrease in non-current lease liabilities

Cash flow summary

	FY24	FY23
Receipts	231.5	294.5
Payments and other	(232.5)	(317.9)
Cash flows - operations before interest and tax	**(1.0)**	**(23.4)**
Net interest	0.5	(0.1)
Taxes	(0.1)	0.5
Net cash used in operating activities	**(0.6)**	**(23.0)**
Cash flows – investing activities	(13.1)	(20.9)
Cash flows – financing activities	37.7	52.7
Net cash flow for the period	**24.0**	**8.8**
Opening cash balance	32.1	23.4
FX impact	(1.3)	(0.1)
Closing cash balance	**54.8**	**32.1**

Cash flow reconciliation

Underlying EBITDA	7.8	(24.5)
Working capital	(8.8)	1.1
Cash flow from operations before interest and tax	**(1.0)**	**(23.4)**
Underlying EBITDA cash conversion	nm%	nm%

Commentary

- Cash balance of $58.4m, up $22.7m from December 2023
- Cash flow used in operations of $1.0m, an improvement of $22.4m compared to FY23
- Cash balance and cash flow from operations impacted by the receipt of a payment from a major customer in the first week of January 2025 versus December 2024 as scheduled
- Cash flow used in investing activities $7.8m lower compared to FY23, due to lower investment in product development. This reflects the cost out program executed during FY23
- Cash inflow from financing includes $42.1m net proceeds from the equity raise in Q4 FY24
- Cash used to fund operations, capex, and one-off costs associated with $13.5m cost reduction program

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Strategy update

Ryan Kolln

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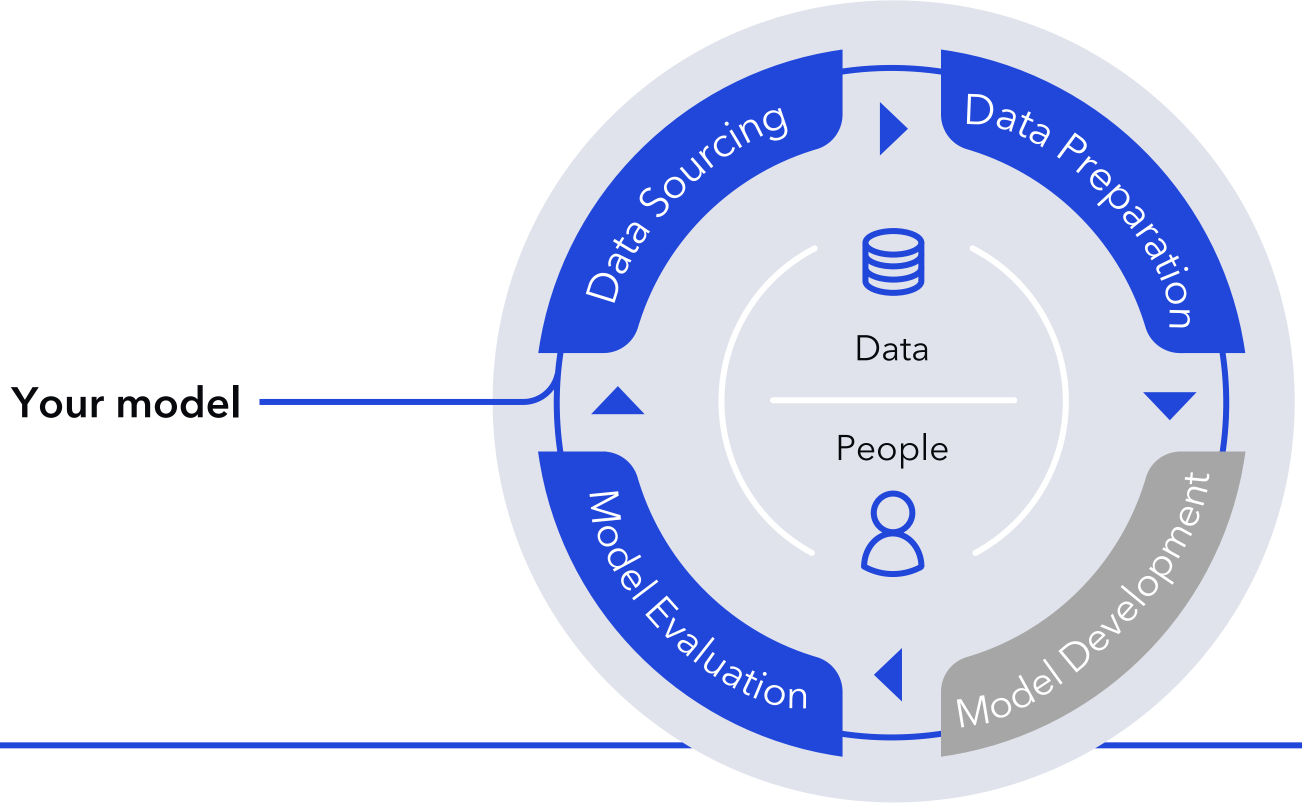
Appen specialises in high-quality data that brings human expertise into AI model development



Curate the right data ▸ Prepare useable training data ▸ Develop and deploy your models ▸ Evaluate model performance

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Appen AI data solutions

AI/ML data we support

AI Solutions

Personalized Recommendation	Ad Relevance	Content Relevance	Content Moderation	Metaverse AR / VR	Computer Vision Models	Audio & Speech Models	LLM Foundation Models	Enterprise LLM Customization
Product Cataloguing	News Feed Evaluation	Search Engines	Sentiment Analysis	Autonomous Vehicles	Translation & Localization	Multimodal AI Models	Multimodal Generative AI	Enterprise LLM Red Teaming

Core AI lifecycle services

Data Sourcing ▶
- Custom Data Collection
- Off-the-shelf or Prelabeled Datasets

Data Preparation ▶
- Data Annotation (Traditional AI/ML, Relevance)
- Supervised Fine Tuning (General, Multilingual, Domain-Specific)
- Human Preference Ranking (RLHF / DPO)

Model Evaluation ▶
- Model Evaluation
- A/B Testing
- Benchmarking
- Red Teaming
- Application and User Testing

AI Data Platform

- Appen AI Data Platform (ADAP)
- MatrixGo Data Platform (China)

CrowdGen Contributor Platform

Languages	English	German	Spanish	French	Hindi	Mandarin	Portuguese	Japanese	500+ Others
Domains	Coding / Programming	Mathematics	Biology / Physics / Chemistry	Literature	Music	Finance / Business	Legal	Health	100+ Others

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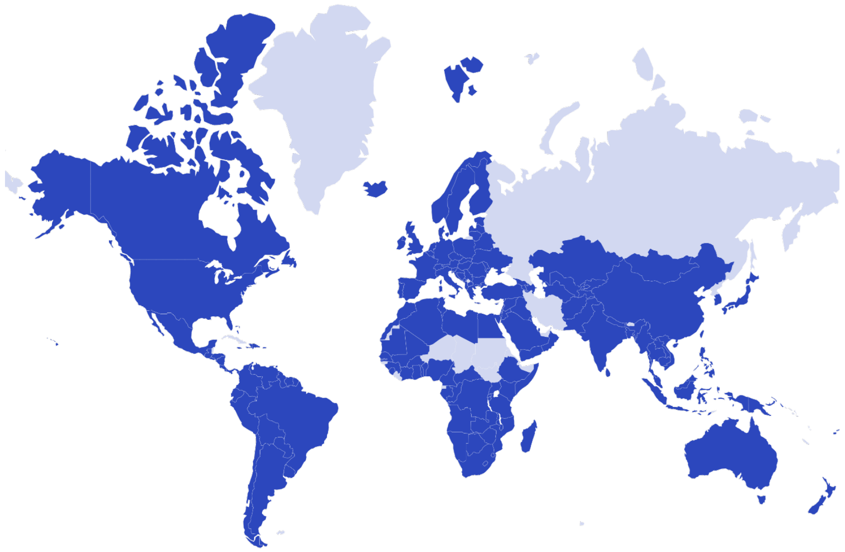
Appen global workforce



1M+
people

50M+
people hours on platform

500+
languages

100+
domain specific capabilities

7
secure facility options

200+
countries

Human data a critical component in Generative AI model development

LLM development lifecycle

	Pre-Training	Post-Training	Evaluation
Purpose	Builds general knowledge from large-scale internet data	Adapts the model to specific style, tasks, context, or languages	Ensures accuracy, safety, and reliability before deployment
Data Used	Publicly available text, images, and code	Human-annotated data + synthetic data to enhance learning	Real-world test cases, expert review, and user feedback
Customization	General-purpose AI, not specialized	Fine-tuned for accuracy, compliance, and domain expertise	Measures model performance across different scenarios
Human involvement in data preparation	Minimal; mostly automated data collection	High; experts refine outputs and generate high-quality labels	Critical; experts assess errors, biases, and improvements

Appen plays a critical role in two of the three major model development steps for Generative AI

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Generative AI is a key component of our service offering

Generative AI case studies

Multilingual fine-tuning data for a leading LLM model builder

250,000+ rows of preference ranking and fine-tuning data in 70+ language dialects including German, Spanish, Chinese, Japanese, and Russian delivered in ADAP

Multi-domain reasoning data for a leading LLM model builder

Complex Chain-of-Thought (CoT) data across 9 reasoning types and 10 domains including math and physics to help achieve cutting-edge reasoning performance

Coding/programming fine-tuning data for a leading LLM builder

1M+ rows of preference ranking and A/B testing data for enhancing LLM performance on code generation and multi-step programming tasks

Localisation of multimodal generative AI applications for a leading software company

Evaluation of generated designs across 15 dimensions to help our customer optimise their model for user prompts across 25 languages

LLM evaluation and A/B testing for a leading LLM model builder

Rapid sprints of 50,000 evaluations per week to support customer model iterations including specialised domains

Multimodal data for image generation models for a leading technology company

50,000+ rows of image-to-text descriptions for specific image style to improve performance of image generation models in their applications

Red teaming enterprise models for a leading generative AI technology provider

Data insights into the effectiveness of safety guardrail implementations for enterprise LLM deployments across 6 harm categories.

Next-generation benchmark development for a leading LLM model builder

Expert-level question and answer groupings to help develop more advanced domain-specific MMLU-style LLM benchmarks

Generative AI market opportunity continues to grow – three growth drivers

1. Development cost decreasing	New model techniques are lowering training and inference costs (e.g., DeepSeek)	**More models developed**
2. Unit price declining	Inference prices are rapidly declining, including for complex reasoning models	**More model usage**
3. Capex Investments increasing	Microsoft, Amazon, Google and other big tech companies are significantly increasing capital expenditure to ~$200bn in 2025	**Faster innovation**

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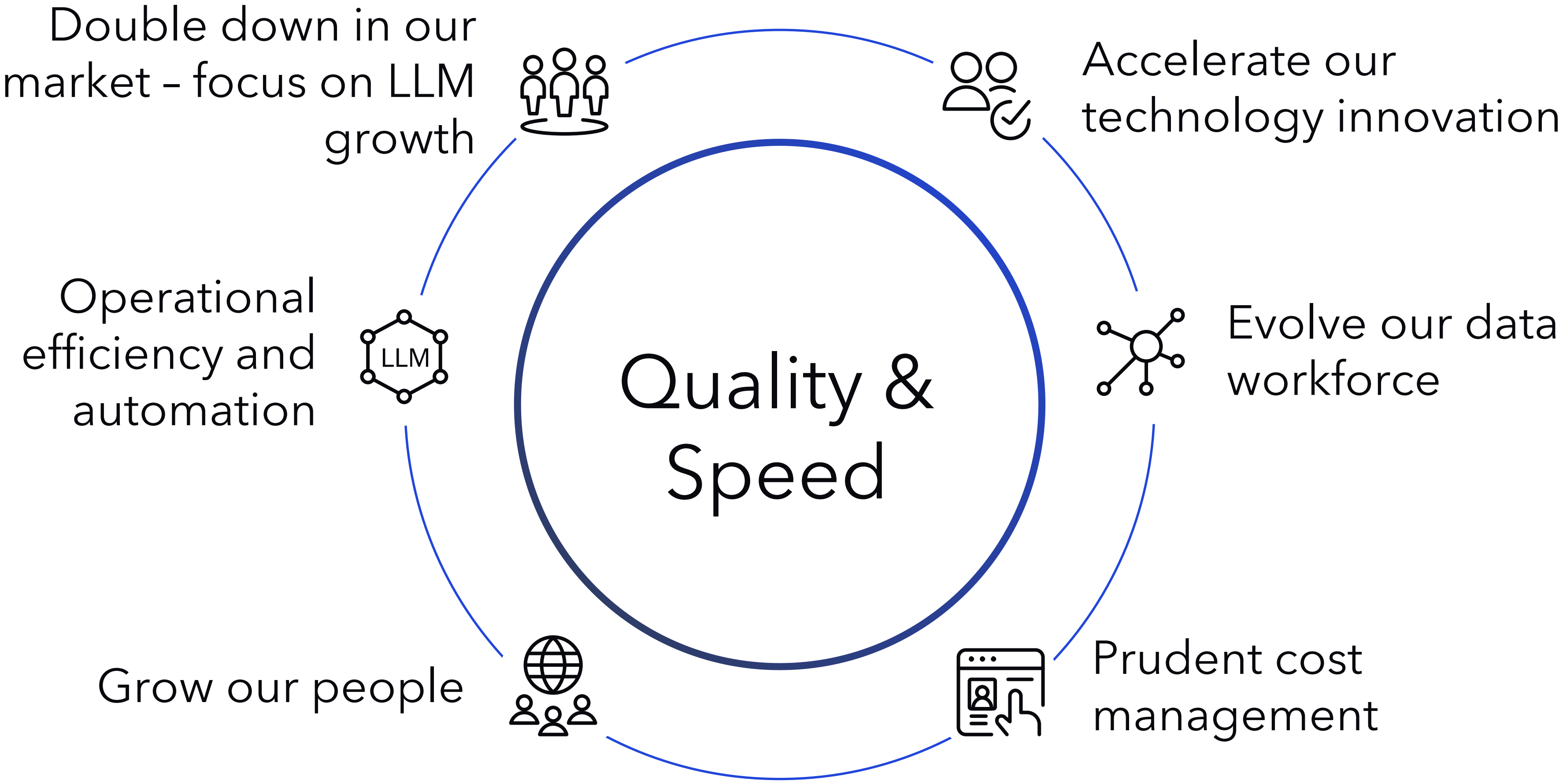
2025 focus



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2025 outlook

Ryan Kolln

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2025 outlook statement

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 some 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

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Appendix

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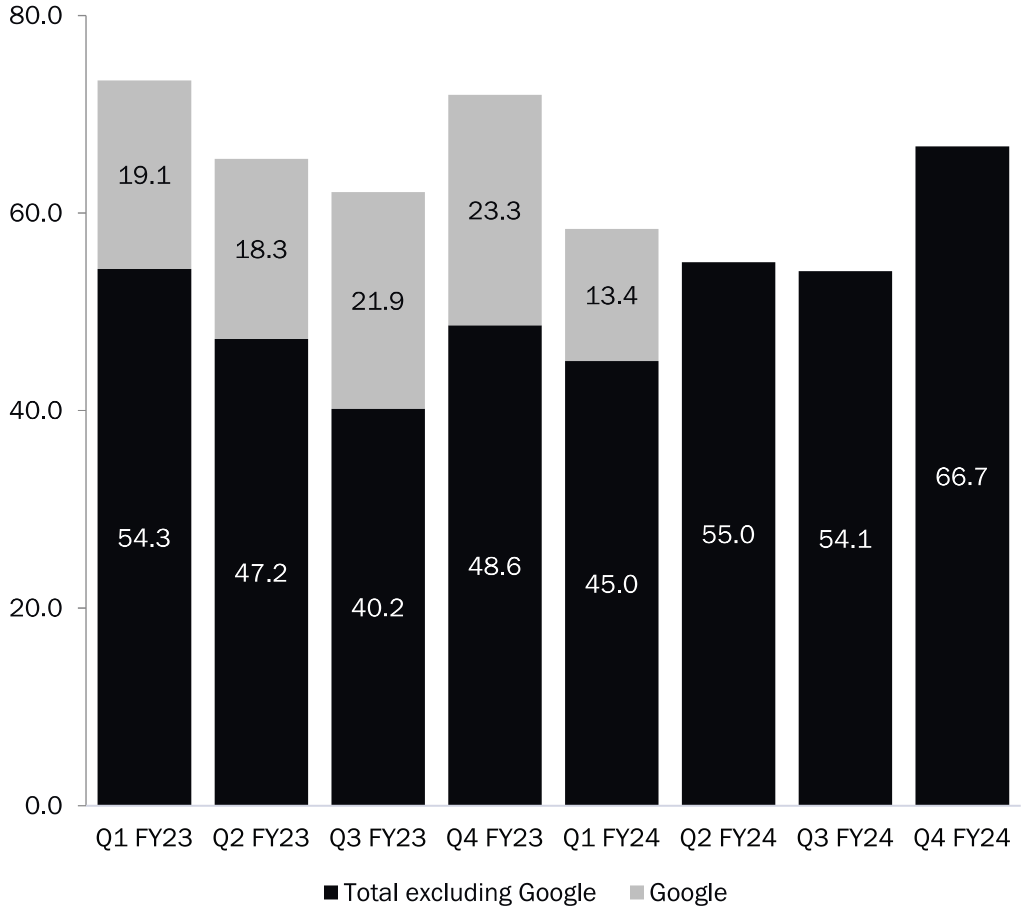
Appendix 1: Appen reporting structure

Global Services	New Markets
Services provided to leading US tech companies utilising their platform	New Markets reflects progress against our product led strategy Includes Global Product (Global customer revenue through Appen products), Enterprise, China, and Government. Quadrant was integrated into the Enterprise division from 1 January 2024. All project types and data modalities

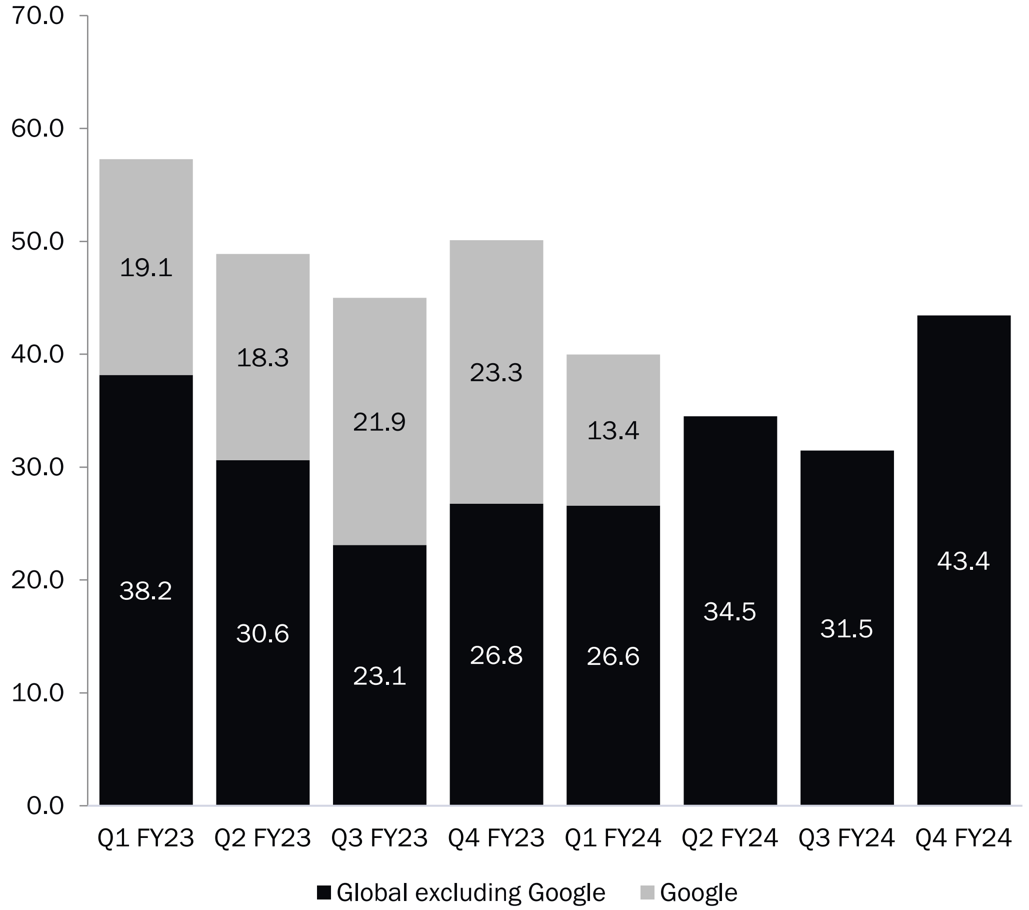
Global	Enterprise	Government	China
Leading US tech companies, including Amazon and Microsoft	Covering North America, EMEA and SEA	Federal agencies	China, Japan and Korea

Appendix 2: Google contribution to revenue

Group revenue



Global revenue



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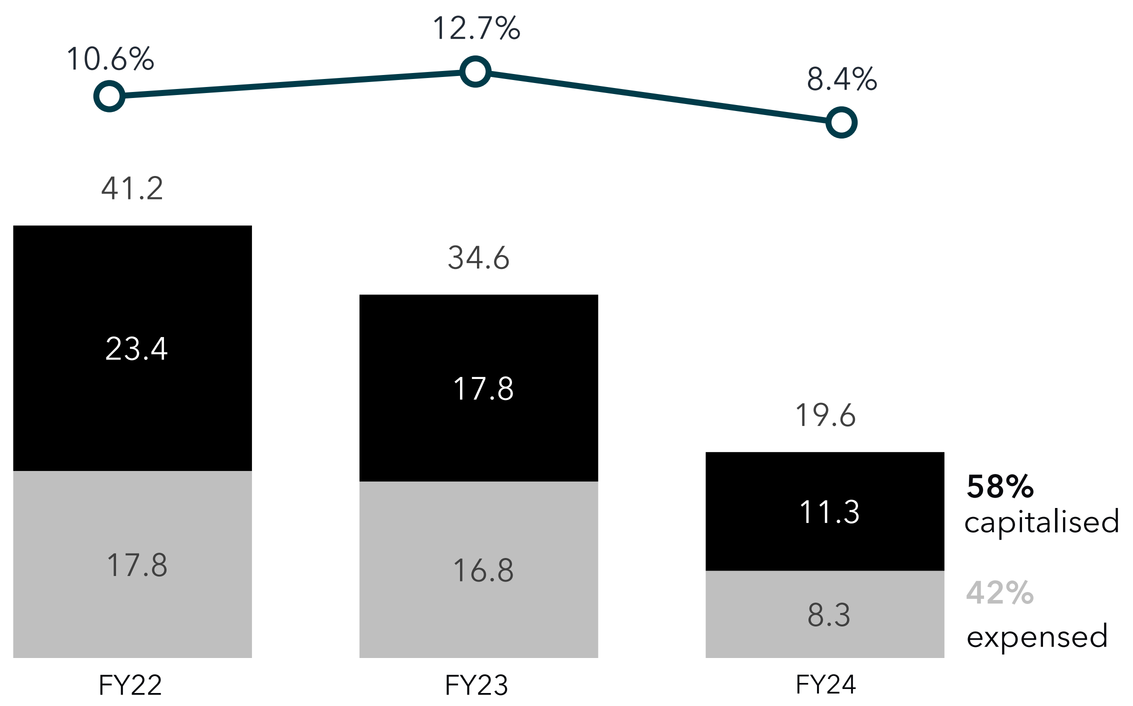
Appendix 3: Investment in product development

Investment in product development[1]

Product development (exc. amortisation) as a % of revenue



Commentary

- $19.6m investment in product development significantly lower than prior periods, reflecting cost out program executed during FY23
- Savings primarily achieved by establishing a product and engineering hub in Hyderabad
- ~58% of spend capitalised, up on FY23 due to increased effort on development vs. maintenance during the period. 8.4% of revenue reinvested in product development
- While the quantum of product development spend was lower in FY24, Appen remains committed to the development of industry-leading products and tools to deliver high quality data for our customers, including supporting generative AI

1. Product development relates to investment in engineering to ensure our AI data platform and tools support our clients and their use cases, drive efficiencies and scale. These amounts exclude amortisation expense.

Appendix 4: Reconciliation between statutory and underlying results

	Year ended 31-Dec-24 $000	Year ended 31-Dec-23 $000	Change
Underlying net loss after tax (NPAT)[1]	(10,546)	(52,810)	nm%
Less underlying adjustments (net of tax)			
Amortisation of acquisition-related identifiable intangible assets	(6,140)	(6,158)	
Restructure costs	(2,273)	(6,515)	
Transaction costs	(166)	(380)	
Deemed interest on earn-out liability[2]	-	(248)	
Acquisition-related and one-time[3] share-based payments	(884)	(1,501)	
Impairment loss	-	(61,663)	
Earn-out adjustment	-	11,196	
Statutory NPAT	(20,009)	(118,079)	nm%
Add/(less): tax expense/benefit	16	(6,870)	
Add: net interest expense	335	805	
Add: deemed interest on earn-out liability[2]	-	354	
EBIT[4]	(19,658)	(123,790)	nm%
Add: depreciation and amortisation	23,320	35,147	
Statutory EBITDA[5]	3,662	(88,643)	nm%
Add: underlying adjustments			
Restructure costs	3,039	8,967	
Transaction costs	234	542	
Acquisition-related and one-time[3] share-based payments	884	1,501	
Impairment loss	-	69,182	
Earn-out adjustment	-	(15,994)	
Underlying EBITDA[1]	7,819	(24,445)	nm%
Statutory diluted earnings per share (cents)	(8.74)	(83.10)	
Underlying diluted earnings per share (cents)	(4.61)	(37.17)	
% Statutory EBITDA/sales revenue	1.6%	(32.3%)	
% Underlying EBITDA/sales revenue	3.3%	(8.9%)	

1. Underlying results are a non-IFRS measure used by management to assess the performance of the business and have been calculated from statutory measures. Non-IFRS measures have not been subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, and acquisition-related and one-time share-based payments expense.
2. Contingent liability with respect to the Quadrant acquisition. Settled in January 2024.
3. Former CEO one-off sign-on bonus, in receipt of bonuses forgone and was intended to replace a portion of the bonus payments that the former CEO would have received from his previous employer had he not ceased employment.
4. EBIT is defined as earnings before interest and tax.
5. EBITDA is EBIT before depreciation and amortisation.

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Appendix 5: AI market opportunity

	Appen's traditional TAM	New Generative AI opportunities	
	Deep learning model builders	**Generative AI model builders**	**Companies adopting generative AI**
Description	Technology and software companies that have built AI into their core product offering	Well-funded start up and technology companies that are building foundation models	Companies that are customising foundation models for their internal use cases
Main customer segments	• US and China major tech companies • Global software companies • Ecommerce • Federal	• US and China major tech companies • LLM startups (i.e, OpenAI, Cohere, Anthropic)	• Fortune 2000 companies, mostly non-tech
Estimated TAM for data services and software by 2030	**$12-17B[1]** Mostly data services	**$2-4B[2]** Mostly data services	**$2-4B[3]** Mostly software

1. $17B market size from Grandview Research. $12.75B market size from Research and Markets, $15.5B market size from Spherical Insights.
2. Management estimates of data services market based on extrapolation of current estimate spend from major LLM vendors.
3. Management estimates based on expected adoption rate of LLM in enterprises and willingness to spend on software platforms to support implementation and ongoing model performance optimization.

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