ASX ANNOUNCEMENT

24 February 2022

Appen 2021 Full Year Results

Appen Limited (Appen) (ASX: APX) the global leader of data for the AI lifecycle, has today reported its results for the full year ended 31 December 2021.

All amounts in US$, unless stated otherwise

Appen's full year result include[1]:

- **Group revenue** of $447.3 million up 8%, a record full year performance which reflected a strong second half for Global Services and a higher contribution from New Markets
- **Global Services** revenue[2] of $344.7 million up 5%, with 2H21 up 32% on 1H21
- **New Markets revenue**[3] of $102.5 million up 21%, driven by a 422% increase in revenue in China that further diversified our customer base
- **Underlying EBITDA**[4] (before FX impact) of $78.9 million up 11.6%, due to higher revenue and gross margin expansion in 2H21
- **Cash balance** of $47.9 million on 31 December 2021
- **Full year dividend** of A 10.0 cps, flat on FY20 dividend. The final dividend of A 5.5 cps is 50% franked

Commenting on the 2021 full year result, Appen's Chief Executive Officer, Mark Brayan said,

"Appen has maintained its track record of profitable growth in 2021. The result benefited from an increase in new non-ad-related Global projects and a significant increase in new business in China.

"In the second half, we saw a 32% half on half increase in Global Services revenue across a broad range of areas including augmented and virtual reality, ecommerce, and mapping, reflecting our clients' strategies to grow beyond their core ad-based products.

"In China, we continue to grow at a rapid pace with annual revenue growth of 422% and quarterly compound revenue growth of 56% (from 1Q20 to 4Q21). We now count

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[1] All comparisons are to the full year ended 31 December 2020, unless stated otherwise.

[2] Revenue from major US technology customers (Global customers) through their platforms.

[3] New Markets reflects our product-led growth strategy. It includes revenue from Global Product (Global customers using the Appen platform and tools) and Enterprise, China, Government and Quadrant customers.

[4] Underlying EBITDA excludes restructure costs, transaction costs, cloud computing costs and acquisition-related share-based payment expenses, and for FY20, the earnout adjustment relating to the Figure Eight acquisition.

11 of the leading autonomous vehicle (AV) companies as customers and we are fast establishing ourselves as a key provider in the China market.

“While our Enterprise business also had a good year, it has yet to achieve its full potential. We have fresh leadership, rebuilt the team and they are focused on accelerating growth.

“Our Government team continued to work with clients and partners to support their AI initiatives. This work is bearing fruit as we were recently selected in a partnership for the US government’s Joint Artificial Intelligence Centre’s (JAIC) Blanket Purchase Agreement to support technology capabilities acceleration.

“During the year, we experienced negligible COVID-related impacts, and continued to deliver quality outcomes for our customers, with our seamless, flexible remote crowd delivery capability.

“We continue to invest for the future. Our investments in product development reflect the important role our technology plays to drive new business, scale, quality and margin expansion.

“This year we also completed a strategic review to ensure that we remain at the forefront of technology and market trends. As part of this strategy, we’ve set ourselves ambitious future revenue, business mix and profitability targets.

We’ve also had an encouraging start to the year with our revenue order book at ~$190 million.”

OPERATING PERFORMACE

Appen achieved a record full-year revenue performance of $447.3 million, reflecting a strong second half performance for Global Services and a 21% uplift in the contribution from New Markets.

Global Services achieved revenue of $344.7 million, up 5% on last year. This reflected a significant turnaround from the first half, with second half revenue growth of 32% on the first half of FY21. This was driven by an increase in new customer products which helped to offset ad dependencies.

Non-ad related projects now represent 76% of total revenue from Global customers, up from 71% in FY20.

New Markets revenue grew 21% to $102.5 million, driven mainly by growth in China.

New Markets reflects our product-led strategy. It has a diverse customer base across industries and geographies, which provides a strong foundation for future growth and improves revenue diversification.

New Markets revenue contributed 23% of revenue in FY21, up from 20% in FY20.

Revenue from Enterprise, China, Government and Quadrant grew 55% to $60.8 million. Collectively, Enterprise, China, Govt and Quadrant account for 14% of group revenue, up from 9% in FY20, improving our customer diversification.

China grew at a rapid pace with revenue up 422% to $24.7 million, from new and existing customers. We count China's leading technology, mobile and AV companies amongst our customers.

INVESTMENT IN PRODUCT DEVELOPMENT

We continued to invest in our product-led roadmap to productise our capabilities to improve quality, value to customers, repeatability, speed of delivery and margins.

We're increasing our range of products with more pre-labelled data sets, automated data labelling and model evaluation products for a broad range of AI data types and use cases.

In FY21, product development investment (excluding amortisation) represented 6.8% of revenue or $30.2 million.

QUADRANT

During FY21, Appen acquired Quadrant, a global leader in mobile location and Point-of-Interest data (POI), expanding our product offerings and addressable market to include POI/geolocation data for mapping, ecommerce, marketing and supply chain applications.

Quadrant has been well received by Appen customers with multiple projects underway across both Global and Enterprise customers. The back-office integration of Quadrant is largely complete.

ORANISATIONAL RESTRUCTURE

The organisational restructure announced in May is complete and teams are aligned to Appen's customer centric and product-led strategy.

As part of the organisational restructure, Appen's executive team was strengthened by the addition of four new members:

- Sujatha Sagiraju, joined in September 2021 as Chief Product Officer and is responsible for product and go to market strategy.
- Jen Cole, joined in November 2021 as SVP and GM of Enterprise and is responsible for growing our Enterprise division.
- Eric de Cavaignac, joined in November 2021 as Chief Transformation Officer and is responsible for delivering our product-led roadmap.
- Mike Davie, SVP and GM of Quadrant, is the founder of Quadrant and will continue to lead the Quadrant team to grow the business.

FINANCIAL PERFORMANCE

Underlying EBITDA (before FX) grew 11.6% to $78.9 million, representing a full year net margin of 17.6%, compared to 17.1% in FY20. Margins were impacted by higher cost of sales which reflected a change in the mix of customers and projects. China also contributed a higher proportion of the group revenue and at lower margins, in line with the strategy to prioritise market share.

A charge of $2.3 million was taken to reflect restructuring costs announced in May 2021.

Underlying NPAT was down 10.4% to $40.6 million, due to the increased amortisation associated with investment in product development.

Appen had no debt and a cash balance of $47.9 million as of 31 December 2021.

Cash conversion from EBITDA decreased from 103% to 77% due to the working capital impact from strong Q4 volumes.

The Board has determined a final dividend of A 5.5 cents per share, 50% franked. This takes the total FY21 dividend to A 10.0 cents per share which is in line with FY20.

STRATEGY AND OUTLOOK

In FY21, Appen made significant progress to reshape its strategy to capture market growth, with a particular focus on achieving growth outside our global customers where we are targeting >35% compound annual revenue growth rate from non-Global customers[5].

The four pillars of Appen's strategy are to **GROW** and diversify revenue, **AUTOMATE** our crowd and labelling processes, **EXPAND** our product offering and **EVOLVE** how we do business.

As part of Appen's strategy, we've set the following revenue, profitability, and business mix targets for FY2026.

- At least double FY21 revenue
- Improve customer mix with one-third revenue from non-Global customers
- EBITDA margin target of 20%

We are highly focused on these targets and will invest for growth in new products, sales and marketing, partnerships and explore M&A opportunities with a focus on long-term revenue growth. Our long-term revenue focus may impact EBITDA margins in the near term and future dividend payouts.

[5] Non-Global includes customers from China, Enterprise, Government and Quadrant

Our long-term focus means we will no longer provide short-term quantitative EBITDA guidance.

Our revenue order book including year-to-date revenue plus orders in hand stands at ~$190 million in February 2022[6]. FY22 half on half revenue skew is expected to be similar to prior years (excluding FY20).

We expect costs to be higher in 1H 22 due to new transformation office costs, investment in product and technology, and share-based payment expenses. This will result in a larger earnings skew to 2H 22 when compared to FY21.

FINANCIAL SUMMARY

US$	FY21	vs FY20
Group revenue	**$447.3M**	**+8%**
Global Services [2]	$344.7M	+5%
New Markets [3]	$102.5M	+21%
Underlying EBITDA[4] (before FX)	**$78.9M**	**+12%**
Underlying EBITDA margin (before FX)	**17.6%**	**vs 17.1%**
Underlying EBITDA[4] (after FX)	$77.7M	+3%
Underlying EBITDA margin (after FX)	17.4%	vs 18.3%
Dividend per share (A cents)	10.0c	Flat

INVESTOR BRIEFING

A results briefing will be hosted by Mark Brayan, CEO and Kevin Levine, CFO at 11:00am AEDT.

Audio webcast - the briefing will be webcast live at http://www.openbriefing.com/OB/4487.aspx

Conference call - those wishing to ask questions during the briefing can join via conference call. Please pre-register for the call at https://s1.c-conf.com/diamondpass/10018577-eu37sv.htm

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The release of this announcement was authorised by the Board of Appen Limited.

[6] Consistent with prior year methodology. FY21 order book of ~$165.7 million (~A$240 million).

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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 over 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.