

ASX Announcement

30 October 2024

Q3 FY24 Quarterly Activity Report and Appendix 4C

Q3 Highlights

- **Revenue trend continues to exhibit a stable and positive trajectory with each month in Q3 FY24 representing an increase vs the pcp in Q3 FY23 (excluding Google)**
 - Revenue for Q3 FY24 was \$54.1 million, down 13% on previous corresponding period (**pcp**) (which included \$21.9 million of revenue from Google).
 - Excluding Google, revenue for Q3 FY24 grew 35% on pcp (from \$40.2 million in Q3 FY23).
 - Traction in multiple generative AI projects contributed to revenue growth for China and one of our Global customers.
- **EBITDA improving with cash EBITDA positivity target met in August FY24**
 - Underlying EBITDA¹ (before FX) for Q3 FY24 was a profit of \$1.0 million, a \$8.5 million improvement on pcp loss of \$7.5 million.
 - Underlying cash EBITDA² (before FX) for Q3 FY24 was a profit of \$0.04 million, a \$8.6 million improvement on pcp loss of \$8.6 million.
 - With cost out programs now complete, the focus continues to be on profitable growth.
- **Cash balance remains healthy**
 - Cash on hand as at 30 September 2024 was \$30.3 million. Following successful completion of the A\$50.0 million institutional placement in October, pro-forma cash balance is **\$62.4 million**.

Appen Limited (Appen) (ASX: APX) is pleased to provide this activity report and Appendix 4C for the quarter ended 30 September 2024. Unless noted otherwise, all figures are presented in US\$ and January 2024 to September 2024 are based on unaudited management accounts.

There were no material changes to Appen's principal activities during the quarter.

¹ Underlying EBITDA excludes impairment loss, earn-out adjustment, 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.

Commenting on the performance for the quarter, Appen’s CEO & Managing Director Ryan Kolln said, “Profitability is a key focus for Appen and we are very pleased to have returned to underlying EBITDA and underlying cash EBITDA profitability early in Q3 FY24”.

“Our external environment is showing promising signs of improvement, and we are excited by the potential opportunities that this presents.”

“We’re continuing to experience LLM-related growth which is contributing to our positive revenue trajectory. China continues to experience significant revenue growth, and we have ongoing conviction in the potential of our Enterprise and Government divisions”.

Financial and Operating Performance³

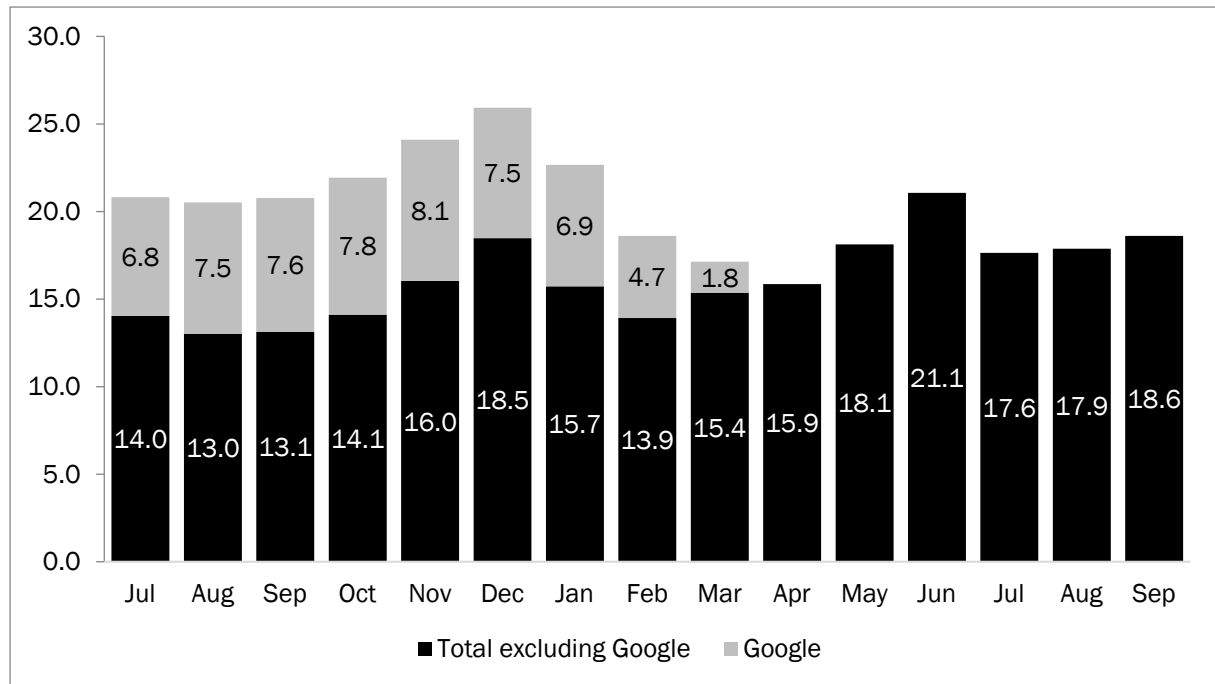
Summary

	Q3 FY24	Q3 FY23	YoY change	YTD FY24	YTD FY23	YoY change
Revenue	54.1	62.1	-13%	167.5	201.1	-17%
Revenue (excl Google)	54.1	40.2	35%	154.1	141.8	9%
Gross Margin % ⁴	41.2%	33.6%	7.6 pp	38.8%	36.1%	2.7 pp
Underlying EBITDA (before FX)	1.0	-7.5	nm	-1.2	-23.2	nm
Underlying cash EBITDA (before FX)	0.04	-8.6	nm	-6.3	-31.8	nm

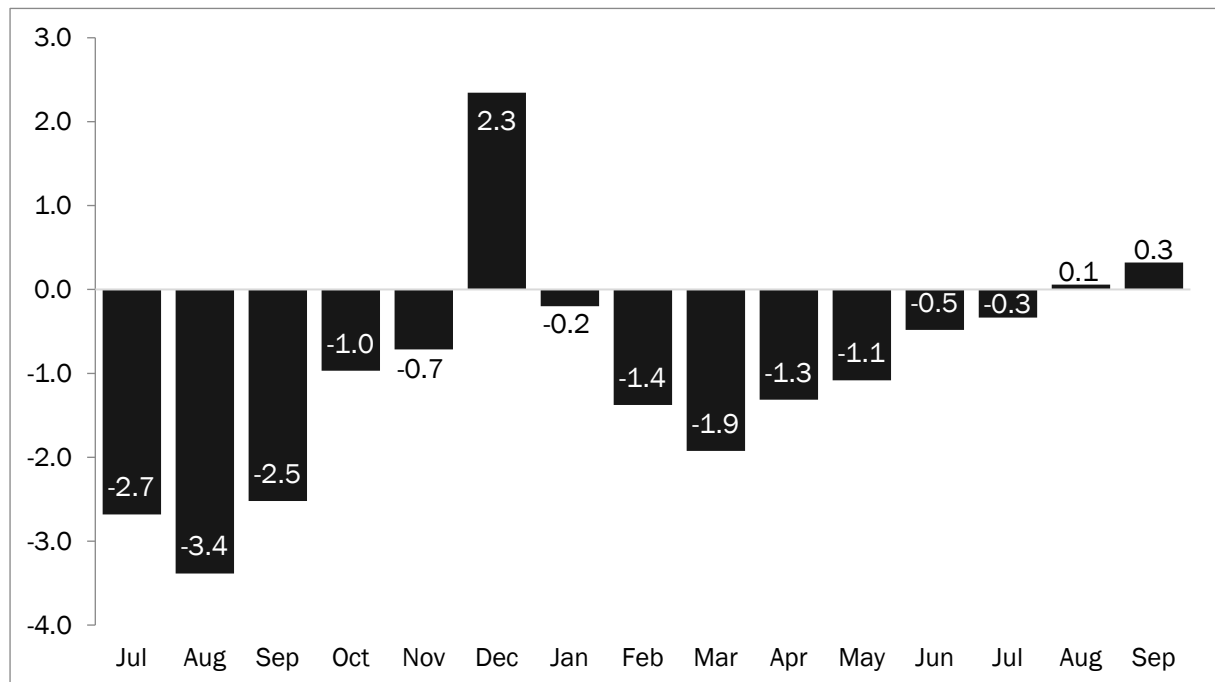
³ Numbers presented may not add due to rounding.

⁴ Gross margin refers to revenue less crowd expenses.

Group Revenue (US\$ m)



Underlying cash EBITDA (before FX)



Month	Underlying EBITDA (before FX)
Jul	(2.3)
Aug	(3.1)
Sep	(2.1)
Oct	(0.6)
Nov	0.2
Dec	3.2
Jan	(0.1)
Feb	(1.3)
Mar	(1.5)
Apr	(1.1)
May	(0.7)
Jun	2.4
Jul	0.0
Aug	0.3
Sep	0.7

Notes related to cash balance

Cash on hand as at 30 September 2024 was \$30.3 million. Cash on hand was down from \$34.7 million at 30 June 2024.

Net cash from operating activities was \$0.3 million for the quarter, down from \$2.6 million in Q2 FY24. The decrease was largely due to annual invoices from certain suppliers paid during the quarter, as well as general working capital cycles as Appen's revenues continue to grow. This was expected and noted in the Q2 FY24 activity report.

Administration and corporate costs for the quarter includes \$0.6 million one-off outflows associated with executing cost out programs. Exits were actioned in prior quarter but timing of payments flowed to this quarter (\$2.8 million YTD - includes former CEO exit payment).

Staff costs includes employed direct project workers (crowd expenses). This amount was \$4.6 million for the quarter, up from \$2.9 million in Q2 FY24 (YTD \$9.8 million). The increase aligns with revenue growth for projects requiring employed project workers.

Net cash used in investing activities was \$3.5 million for the quarter, in line with Q2 FY24. \$2.8 million outflow in relation to intellectual property refers to capitalised investment in product development.

Appendix 4C item 6.1 includes \$0.3 million aggregate payments to the CEO and Managing Director and Independent Directors. All amounts paid were in their capacity as Executive and Independent Directors.

Authorised by a duly appointed sub-committee of the Board of Appen Limited.

For further information, please contact:

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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 languages⁵, in over 200 countries⁶, 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.

⁵ Self-reported.

⁶ Self-reported, includes territories.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Appen Limited

ABN

60 138 878 298

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	57,831	181,174
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(30,738)	(95,631)
(c) advertising and marketing	(519)	(1,621)
(d) leased assets	-	-
(e) staff costs	(17,092)	(50,608)
(f) administration and corporate costs	(9,802)	(22,960)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	102	278
1.5 Interest and other costs of finance paid	(2)	(13)
1.6 Income taxes paid	536	1,137
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	316	11,756
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(710)	(1,365)
(d) investments	-	-
(e) intellectual property	(2,828)	(8,515)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – transaction costs	(10)	(203)
2.6	Net cash from / (used in) investing activities	(3,548)	(10,083)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – leases	(1,211)	(3,340)
3.10	Net cash from / (used in) financing activities	(1,211)	(3,340)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,672	32,152
4.2	Net cash from / (used in) operating activities (item 1.9 above)	316	11,756

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,548)	(10,083)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,211)	(3,340)
4.5	Effect of movement in exchange rates on cash held	46	(210)
4.6	Cash and cash equivalents at end of period	30,275	30,275

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	29,921	34,331
5.2	Call deposits	354	341
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	30,275	34,672

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Directors' remuneration	323
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	316
8.2 Cash and cash equivalents at quarter end (item 4.6)	30,275
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	30,275
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2024

Authorised by a duly appointed sub-committee of the Board of Appen Limited.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.