

3 March 2025

ASX Compliance
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear ASX Compliance

Appen Limited (ASX:APX): ASX Aware Letter

We refer to your letter of 28 February 2025 (**ASX Aware Letter**).

We have set out the responses of Appen Limited (ASX:APX) (**APX**) in Annexure A using the same numbering.

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

Yours sincerely



Carl Middlehurst
Company Secretary

Annexure A - Responses to the ASX Aware Letter

Unless otherwise indicated, capitalised terms in this letter have the same meaning as given in the ASX Aware Letter.

- 1 **Does APX consider that any measure of its statutory or underlying earnings for the year ended 31 December 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):**

APX response: No, APX does not consider that any measure of its Earning Information differed materially from the market's expectations.

- 1.1 **If APX had published earnings guidance, that guidance.**

APX response: APX did not provide earnings guidance.

- 1.2 **If APX is covered by sell-side analysts, the earnings forecasts of those analysts.**

APX response: APX was covered by 4 sell-side analysts during FY24. It is noted that APX released a Q4 FY24 Quarterly Activity Report and Appendix 4C on 30 January 2025 which included key elements of full year Earnings Information. Accordingly, prior to the Results Announcement, consensus estimate for the key measures of Operating Revenue [\$234.3 million] and Underlying EBITDA before FX [\$3.5 million] aligned to the Results Announcement.

- 1.3 **If paragraphs 1.1 and 1.2 are not applicable, APX's earnings for the prior corresponding period, being the year ended 31 December 2023.**

APX response: Not applicable.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

- 2 **Please explain the basis for the view provided in response to question 1. In doing so, please specify how APX determined market expectations in relation to each relevant measure of its earnings, including:**

- 2.1 **If APX had published earnings guidance, details of:**

APX response: Not applicable.

2.1.1 that guidance and when it was released to the market; and
2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.

- 2.2 **If APX used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:**

2.2.1 the method that APX used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not APX used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;

APX response: Consensus estimate.

2.2.2 the entity's estimate of market expectations using that method; and

APX response: See response to 1.2 above.

2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.

APX response: Following release of Q4 FY24 Quarterly Activity Report and Appendix 4C on 30 January 2025 we had a reasonable degree of certainty expected earnings would be in line with expectations. It is noted sell-side analyst forecasts and consensus estimates are reviewed regularly throughout the year.

2.3 If paragraphs 2.1 and 2.2 are not applicable, the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, APX's earnings for the prior corresponding period.

APX response: Not applicable.

3 Does APX consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of APX's securities? Please answer separately for each measure of earnings referred to in the Earnings Information.

APX response: No.

4 If the answer to question 3 is "no", please provide the basis for that view.

APX response: It is noted that APX released a Q4 FY24 Quarterly Activity Report and Appendix 4C on 30 January 2025 which included key elements of full year Earnings Information. Accordingly, prior to the Results Announcement, consensus estimate for the key measures of Operating Revenue [\$234.3 million] and Underlying EBITDA before FX [\$3.5 million] aligned to the Results Announcement.

5 If the entity first became aware of the variance before the release of Results Announcements, did APX make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe APX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps APX took to ensure that the information was released promptly and without delay.

APX response: Not applicable. APX did not become aware of any variance before the release of the Results Announcement.

6 Please provide details of any other explanation APX may have for the trading in its securities following the release of the Results Announcements.

APX response: APX is not able to definitively comment as to the factors which may influence trading in its securities. However, following the negative share price reaction to APX's FY24 Results, APX believes that it is possible that the market may have misinterpreted the following outlook provided in APX's FY24 Results.

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.

Appen wishes to caution against this statement being extrapolated for full year performance for FY25 given the cyclical nature of APX's revenue and the fact that year to date revenue is tracking at approximately 16% higher than the prior corresponding period (pcp) excluding the impact of the Google termination¹.

As APX is currently in a quarterly reporting cycle (Quarterly Activity Report and Appendix 4C), the view was taken to inform the market that Q1 FY25 was tracking lower than Q4 FY24 to ensure the market was informed ahead of the Q1 FY25 Quarterly Activity Report and Appendix 4C.

- 7 Please confirm that APX is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

APX response: Confirmed.

- 8 Please confirm that APX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board.**

APX response: Confirmed.

¹ Google terminated their global services contract in March 2024. Revenue for Q1 FY24 has been excluded to ensure a like-for-like comparison.



28 February 2025

Reference: 106755

Mr Carl Middlehurst
Company Secretary
Appen Limited

By email only.

Dear Mr Middlehurst

Appen Limited('APX'): ASX Aware Letter

ASX refers to the following:

- A. APX's announcements released on the ASX Market Announcements Platform on 26 February 2025 in connection with its full year results for the period ended 31 December 2024 ('Results Announcements'), being:
- 1.1 Appendix 4E, released at 8:17 AM AEDT;
 - 1.2 2024 Annual Report, released at 8:19 AM AEDT;
 - 1.3 FY24 Results and FY25 Outlook, released at 8:20 AM AEDT; and
 - 1.4 Investor Presentation, released at 8:21 AM AEDT.
- B. The change in the price of APX's securities from \$2.88 immediately prior to the release of the Results Announcements to a low of \$1.74 following the release of the Results Announcements.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:**
- 3.1A.1 One or more of the following 5 situations applies:**
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*

- The information is a trade secret; and

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

- G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for information

Having regard to the above, ASX asks APX to respond separately to each of the following questions and requests for information:

1. Does APX consider that any measure of its statutory or underlying earnings for the year ended 31 December 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):

1.1 If APX had published earnings guidance, that guidance.

1.2 If APX is covered by sell-side analysts, the earnings forecasts of those analysts.

1.3 If paragraphs 1.1 and 1.2 are not applicable, APX's earnings for the prior corresponding period, being the year ended 31 December 2023.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how APX determined market expectations in relation to each relevant measure of its earnings, including:

2.1 If APX had published earnings guidance, details of:

2.1.1 that guidance and when it was released to the market; and

2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.

2.2 If APX used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:

2.2.1 the method that APX used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not APX used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;

2.2.2 the entity's estimate of market expectations using that method; and

2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.

2.3 If paragraphs **Error! Reference source not found.** and **Error! Reference source not found.** are not applicable, the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, APX's earnings for the prior corresponding period.

3. Does APX consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of APX's securities?

Please answer separately for each measure of earnings referred to in the Earnings Information.

4. If the answer to question 3 is "no", please provide the basis for that view.
5. If the entity first became aware of the variance before the release of Results Announcements, did APX make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe APX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps APX took to ensure that the information was released promptly and without delay.
6. Please provide details of any other explanation APX may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that APX is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that APX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of APX with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEDT Wednesday, 5 March 2025**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, APX's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require APX to request a trading halt immediately if trading in APX's securities is not already halted or suspended.

Your response should be sent by e-mail to ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in APX's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to APX's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that APX's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance