

Expert.ai

MID&SMALL VIRTUAL

2ND JULY 2024



Agenda



Overview



Business Plan 2024-2026



FY 2023 Key Financials



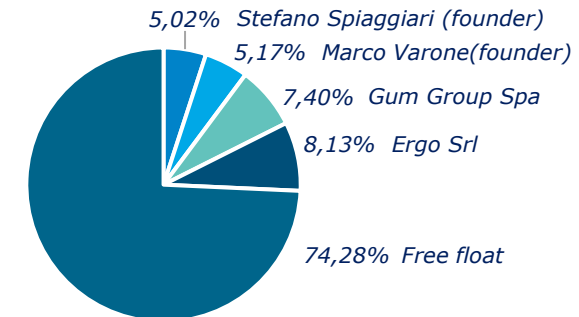
OVERVIEW

Expert.ai introduction

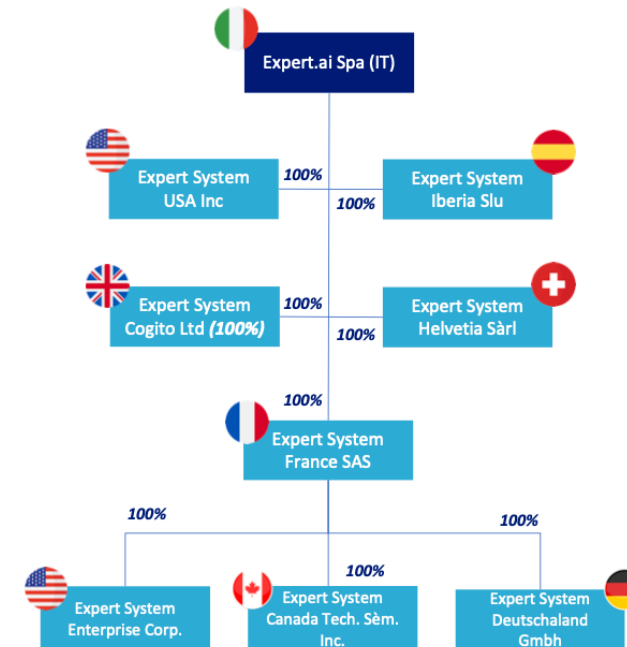
Company overview

- Expert.ai is a leader in the field of artificial intelligence applied to Natural Language Processing (NLP) and Understanding (NLU).
- The company mission is to assist organizations in effectively harnessing the vast pool of available information to expedite business process automation and enhance any activity rooted in information analysis and knowledge management.
- Listed (EXAI.MI) on the Euronext Growth Milan market, since February 2014
- Founded in 1989 in Modena, Italy
- International presence: offices in Italy, USA, Spain, France, UK
- Revenues of ca. € 32M in 2023
- Currently ca. 260 employees globally
- Customers: large corporations, governments and agencies

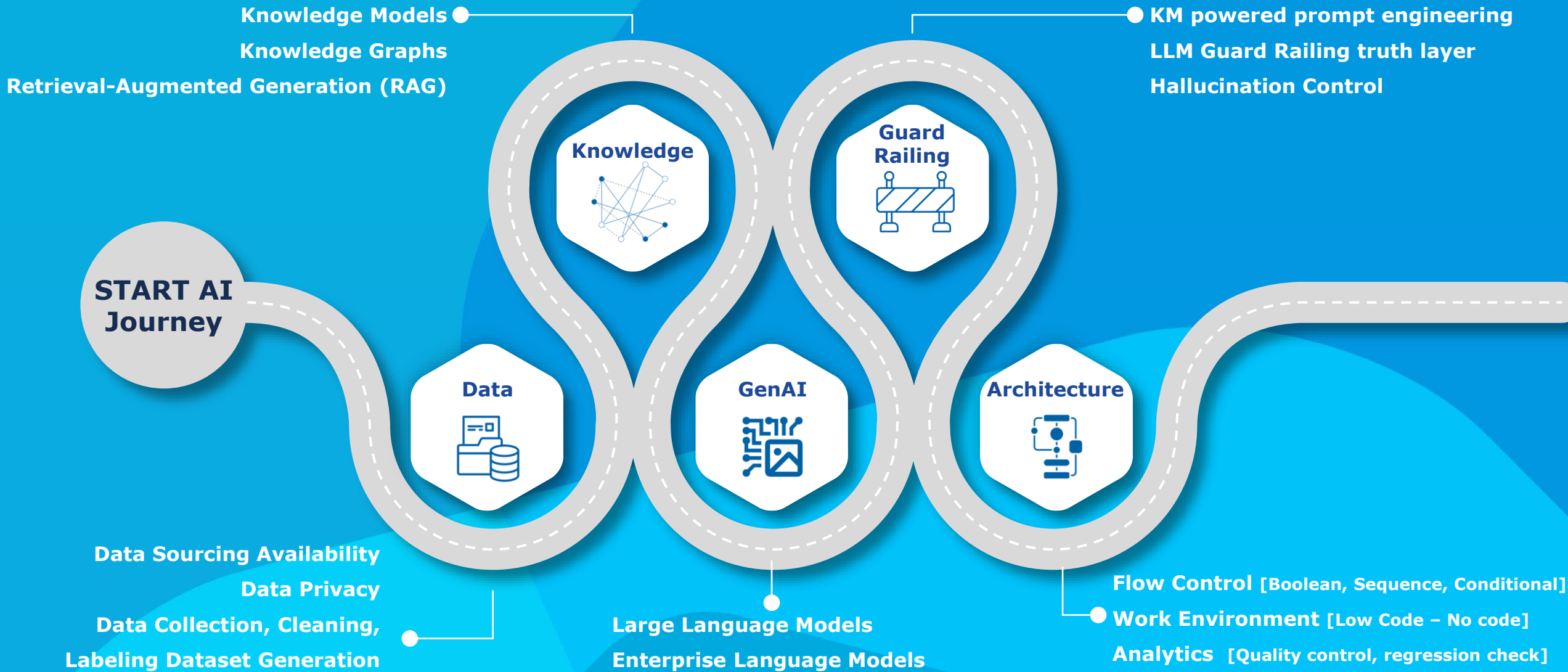
Company shareholders



Current company structure (under restructuring)

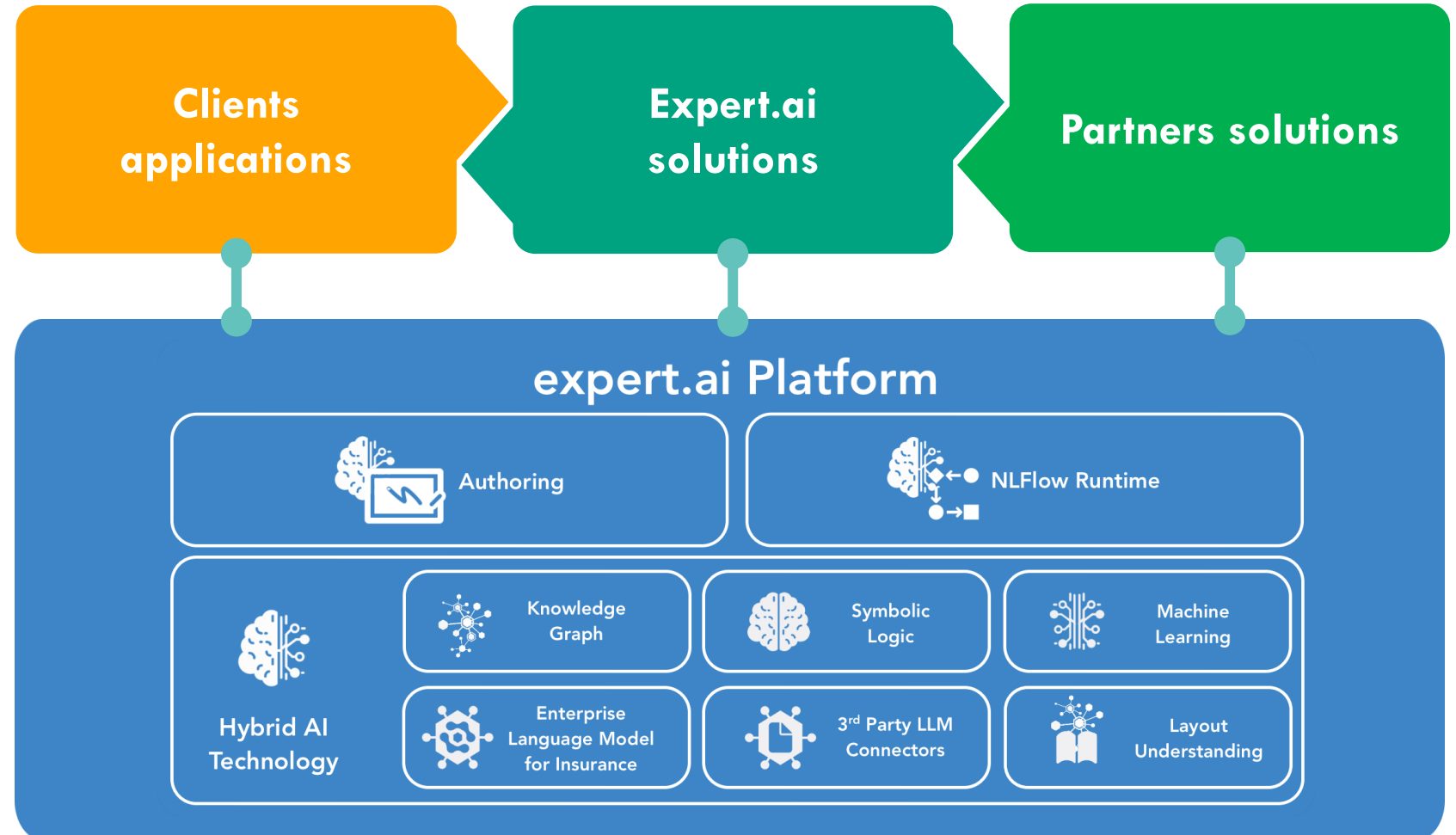


Guardrails for the Adoption Path











Products and solutions developed on Expert.ai platform

- **3 approaches** in applications and solutions development
- Domain and **enterprise specific** applications
- **NLP general purpose platform**
- **Open and scalable** platform, LLM agnostic
- **Cost effective and flexible Hybrid AI technology:**
 - **Symbolic AI** (explainable, not data dependent, human in the loop)
 - **Machine learning** (scalable, optimal for simple use cases and large data)
 - **LLM** (rapid implementation, answers generation, applicable on general knowledge)



The product and the end markets of use

The Group offers solutions based on proprietary artificial intelligence software, which allow natural language processing. The application is consolidated in the banking, insurance and media sectors, which represent over 60% of 2023 revenues. But its use is also present in other sectors such as energy and pharma.

Line of Business	Key Offerings				Group Revenues	
 Banking & Finance	Consulting	Business process analysis	Knowledge discovery	Augmented intelligence	Digitalization & Automation	20%
 Insurance						24%
 Telecoms						2%
 Energy and Utilities						6%
 Government & Defense						13%
 Publishing & Media						19%
 Healthcare & Pharma						5%
 Other						11%

Expert.ai: the ideal 'Copilot' for GenAI adoption

Experts in NLP & NLU

Leaders in technology, software and solutions for Natural Language Processing and Natural Language Understanding

Gartner

FORRESTER

Main offices in Italy/US and offices in London, Paris and Madrid

Customer Centric

Hundreds of projects in production, 2+ decades of experience in the field, the utmost attention to our clients' needs

Strong Presence in FSI World

Half of our business comes from projects implemented for the world's leading banks and insurance companies



Main developed Applications for several Markets



Intelligent Process Automation

Mortgage Onboarding
Contracts and policies Analysis
Back Office Automation
Anonymization & Pseudonymization
Claims Management
Content Enrichment
...



Customer Interaction

Email & Ticket Automation
Chatbot & Virtual Assistants
Customer Service Automation
Customer Analytics
Q&A Search Bot
...



Knowledge Discovery

AML/KYC Analysis
Horizon Scanning
Environmental Crimes (ESG)
Regulatory Monitoring
Risk Monitoring
Document Archive
...

Use Cases Maturity cross Countries 1/2

	Industry	Offering	Technology Dependency	Country	Installation References
Virtual assistant and chatbot	Cross	License+PS	Platform, ELMS, Virtual Assistant (*)	IT	Fastweb, BNL, Generali, Credit Agricole, etc
Email Routing	Cross	License+PS SAAS	Platform, Elms, Insight Mail	IT, ES	Talete, Autostrade, Fineco, Aria, etc.
Ticket automation	Cross	License+PS	Platform, Elms, custom UI	IT	Intesa, Generali, Reale, Zurich
Claims mgmt	Insurance	License+PS	Platform, Elms, custom UI	IT UK NA	Unipol, Zurich, etc RSA Hartford, Traverlers, FMG
Risk engineering	Insurance	License+PS SAAS	Platform, Elms, custom UI	UK DACH NA	Starr, Aviva, Axaxl, Zurich Hamilton
Policy review	Insurance	License+PS	Platform, Elms, custom UI	UK NA	SwissRe, HX Patra
UW Submission intake	Insurance	License+PS	Platform, Elms, Insight Mail	UK DACH	-

Use Cases Maturity cross Countries 2/2


	Industry	Offering	Technology Dependency	Country	Installation References
IP Shield	Life Science	License+PS	Platform, Elms, Insight Engine	NA	Sanofi
Anonimizaz.	Cross	License+PS	Platform, Elms, custom UI	IT, ES	3M, Camera dei Deputati, Sole24Ore, Cua recasas e Unicredit
AML – KYS/KYC	Cross	License+PS Saas	CIP	IT	3 MPS, ISP, BCC ICCREA, Enel, Esselunga
Smart internet banking	Banking	License+PS	Platform, ELMs	IT	ISP
Content Enrichment	Publishing, Life Science, Oil&Gas	License [+PS]	Platform, ELMs	NA	>5 Bloomberg, EBSCO, DJ, S&P, ALM, etc
Search Engine and Knowledge management	Cross	License+PS	Platform, ELMs, Insight Search	IT, ES	BNL, Bper, BPM, ING, Intesa, etc.
Compliance – (Reg/LegTech)	Banking	License+PS SAAS	Platform, Elms, Insight Engine	IT	-





BUSINESS PLAN 2024-2026

Performance of the AI market in Italy

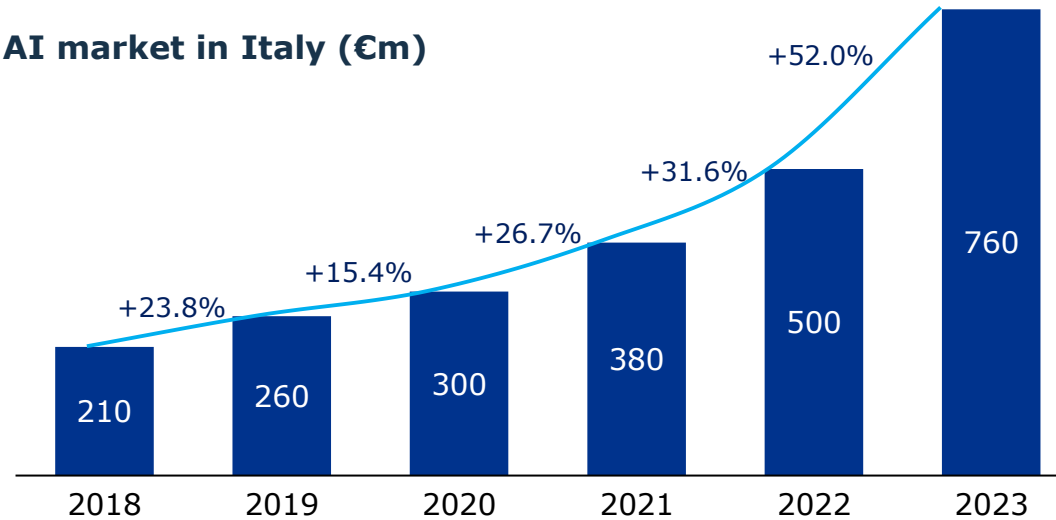
Expert's solution finds application in Text Analysis which is a relevant segment of the market

 **90%**
of the AI market in Italy
it is due to large
companies

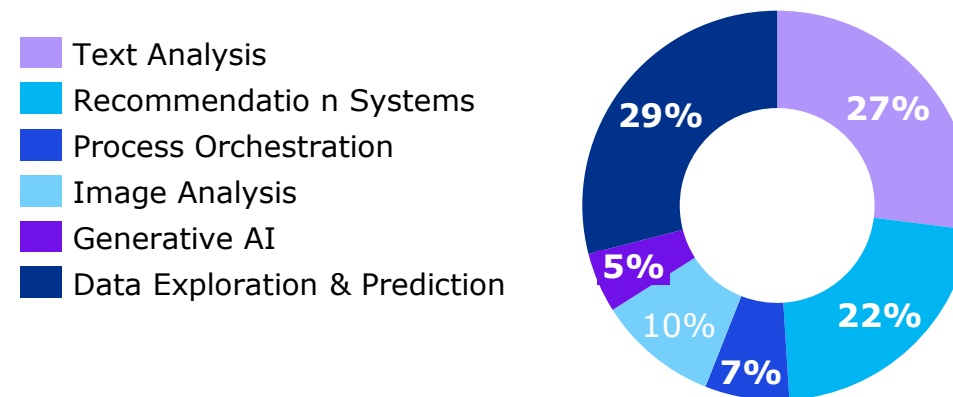
 The sectors that spend
the most on AI are Telco-
Media, Insurance,
Energy, Banks and
Finance

 **+49%**
growth in investments in
digital technologies from
September 2022

AI market in Italy (€m)



AI market share by solution type



€760m*

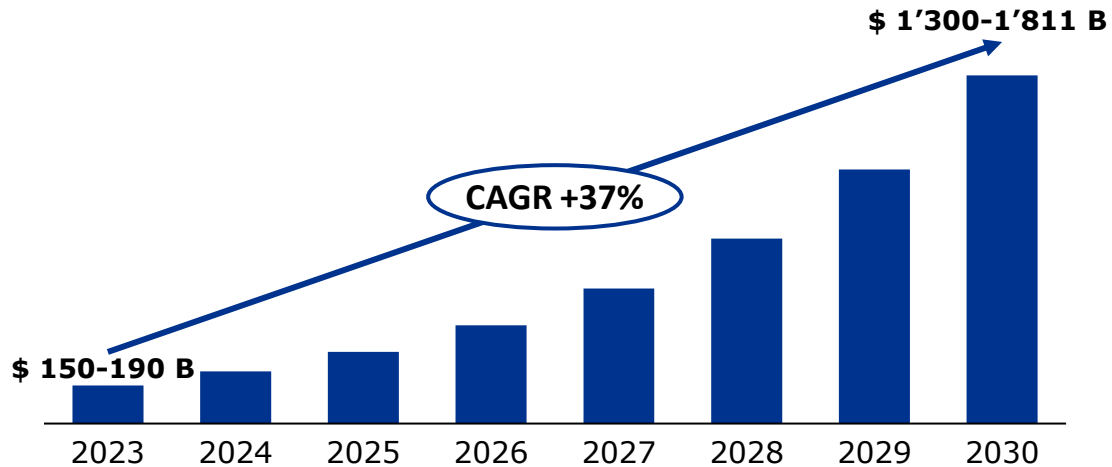
AI market value achieved
in 2023, growing by 52%

The positioning of
Expert.ai is consistent
with the market in terms
of market sectors
covered and commercial
offering.

- The main customers
are insurance,
publishing and banks
- The proprietary
solution uses AI
potential to process
natural language (text
analysis)

Artificial Intelligence market growth

Global Artificial Intelligence market



Sources: GrandviewResearch, Markets&Markets, IDC, Bloomberg

Key growth factors

- Advancements in generative AI products
- Increasing demand for automated solutions across various industries
- Rising investments in AI technologies
- Rise in adoption of big data and analytics
- Surge in partnerships and collaborations within the industry

Market players

- Fragmented market with several players
- Increasing of M&A activities
- High R&D investments from large players
- Still very high company valuation

- **Generative AI market** poised to explode from \$40B in 2022, growing at CAGR 40% (*Bloomberg Intelligence*)
- **NLP market** in 2023 > \$20B, CAGR 2023-2030 in range 24%-29% (*various sources*)
- **Software solutions** accounted for ca. 37% of 2023 market
- **North America** dominated the market (ca. 36-40%) in 2023
- **Italian AI market** +52% in 2023, reaching €760M (*Osservatorio Artificial Intelligence, Politecnico Milano*)

Relevant trends in the AI market

1) Rising need for enterprise solutions to streamline business operations and demand for predictive analysis to reduce risks and identify growth opportunities.

"For which of the following do you anticipate your organization will use generative AI in the next 12 months for internal or customer-facing production applications? "

(Multiple responses accepted)



Base: 275 AI decision-makers

Source: Forrester's September 2023 Artificial Intelligence Pulse Survey

2) Open source AI and customized enterprise generative AI models

- Open source will be the choice for 85% of enterprise (*Forrester*)
- Cost effective smaller language models. (In domain-specific models we've reached the point of diminishing returns from larger parameter counts).
- Model optimization and integration is getting more accessible
- Narrow-tailored AI solutions promote the adoption of artificial intelligence, via system integration.

3) Explainable AI

- Advancing transparency, interpretability and trustworthiness through Explainable AI methods in decision-making
- Mitigating potential risks and increasing productivity
- Allowing regulatory compliance

From restructuring to....

Until 2023

- Disproportionate investments in the core proprietary platform while the market has been moving to open source AI
- Sales model only based on direct sales
- Fragmented offering with custom solutions, not replicable and scalable
- Not enough financial planning and controlling discipline
- Business model still based on recurrent term licenses mostly on premise and professional services with limited profitability

2024: Restructuring

- **Cost restructuring**, aiming at positive free cashflow from 2024
- **Financial and Debt restructuring**, renegotiating duration and repayment schedule of bank loans
- **Capital increase** to sustain the growth
- **New international structure**: Internationalization and simplification of the company structure
- **New infrastructure to serve the company**: Increasing management and financial discipline and simplifying and automating processes

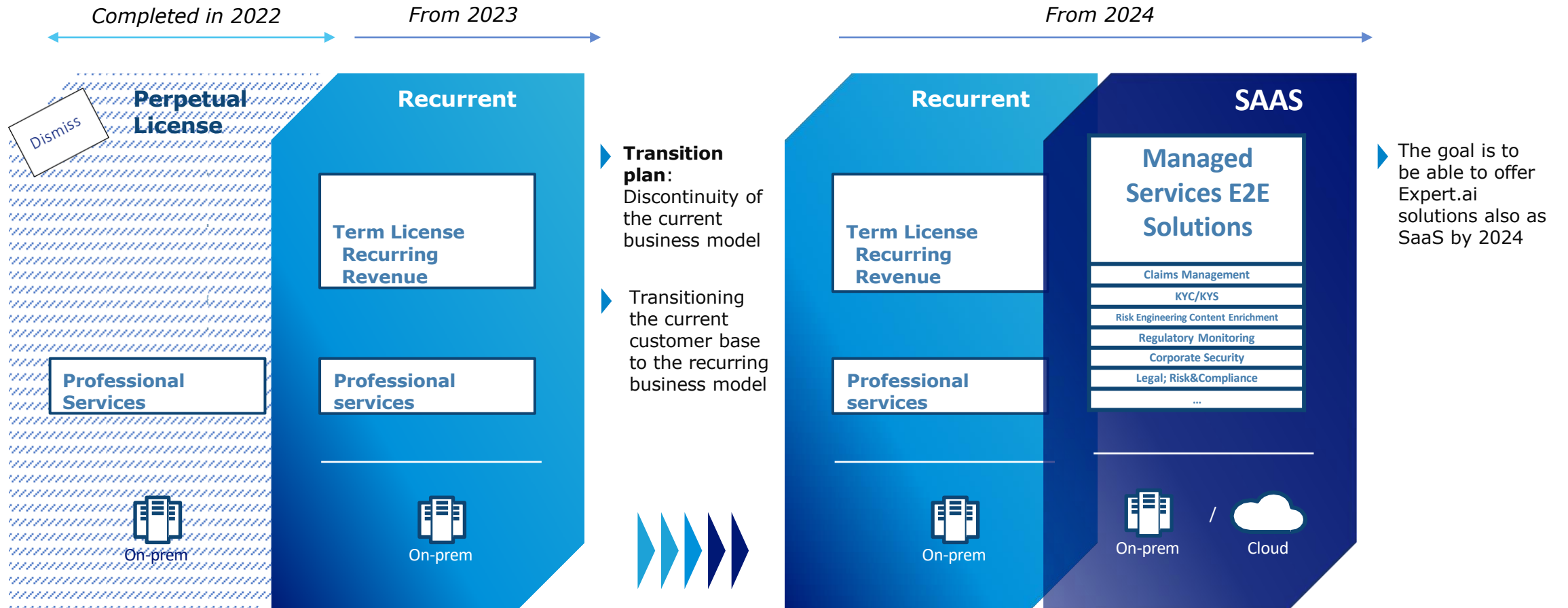
...the new 2024-2026 Business Plan

2024 – 2026: Growth

- **New products/solutions roadmap:** Focus on vertical end-to-end enterprise solutions and cost-effective integration of open source GenAI models
- **New business model & strategy:**
 - Focus on replicable and scalable proprietary products/solutions (less dependency on custom projects) on selected market segments
 - Accelerating transition from Term Licences to MSaaS model
 - Customers retention programs
- **Partnership program:** Strategic partnerships development for both product and market development
- **Professional services carve out** to assure efficiency and profitability around system integration activities
- **New Foundation** for the future (R&D, spinoff, startups)
- Targeted **M&A** activities to expand customer base and/or complete products and solutions

The evolution of the business model

The way proprietary software licenses are sold is evolving into a model «recurrent» with the aim of offering SaaS mode in the near future



A capital increase to sustain growth

The Extraordinary Shareholders Meeting **approved a Share Capital Increase of max € 30M**, aimed to collecting the financial resources necessary **to fulfil the strategic goals defined in the Business Plan 2024 – 2026**, as well as at rebalancing the Group's financial structure.

The shareholder **GUM Group S.p.A.*** expressed its, non-binding interest, **to subscribe its own share of the Share Capital Increase** as well as the New Shares remained eventually unsubscribed by other shareholders, for an amount to be determined and in any case **not exceeding € 15M**.

In addition, the Extraordinary Shareholders Meeting **conferred to the Board of Directors a proxy for an additional Share Capital Increase up to € 20M**.

Aucap Goals



Capital increase timetable

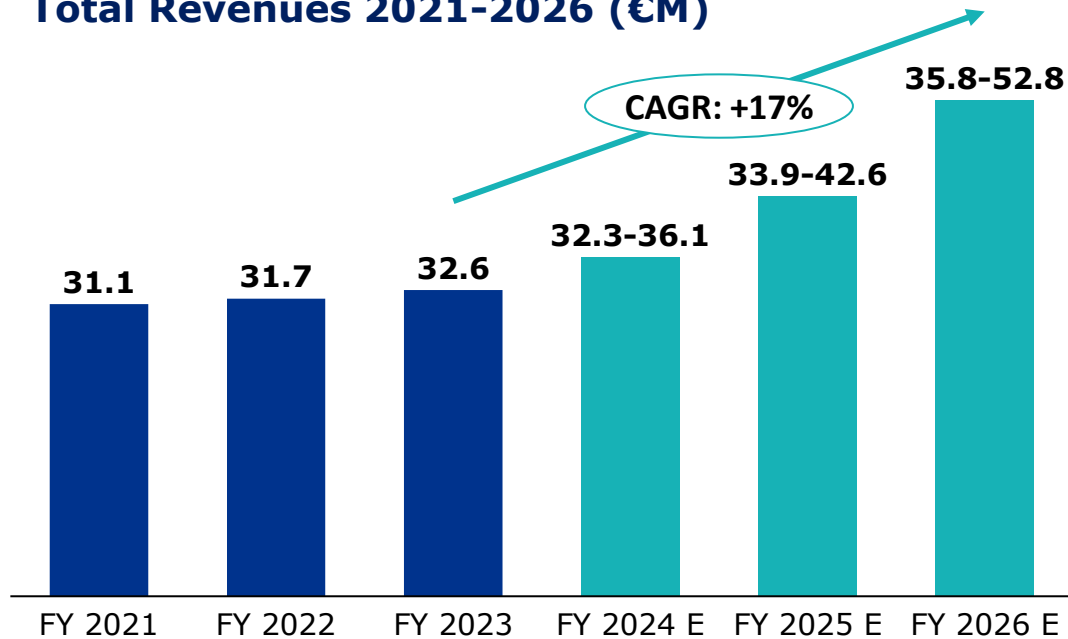
Capital increase to be offered in option to all shareholders, pursuant to Article 2441, paragraph 1, of the Italian Civil Code

Issuer	Expert.ai
Amount	Up to Euro 29,667,518.10
Subscription Price	€ 1.10
n. Shares to be issued	Up to 26,970,471 new ordinary shares in the <i>ratio</i> of no. 9 new ordinary shares for every no. 23 shares of expert.ai held
Offering period	8 July 2024 - 25 July 2024 (both included)
Negotiation of option rights	8 July 2024 - 19 July 2024 (both included)

- **Subscription commitment by GUM Group S.p.A.** for its entire quota of the capital increase, equal to 7.40% of the share capital, as well as for all the shares that will remain unsubscribed following the Stock Exchange Offer, up to a total amount of Euro 5 million.
- **Subscription commitments also by Ergo S.r.l.** for Euro 0.9 million and **by Sofia Holding S.r.l. for Euro 1.2 million** (the latter commitment, non-irrevocable).

Revenues growth driven by the new sales strategy

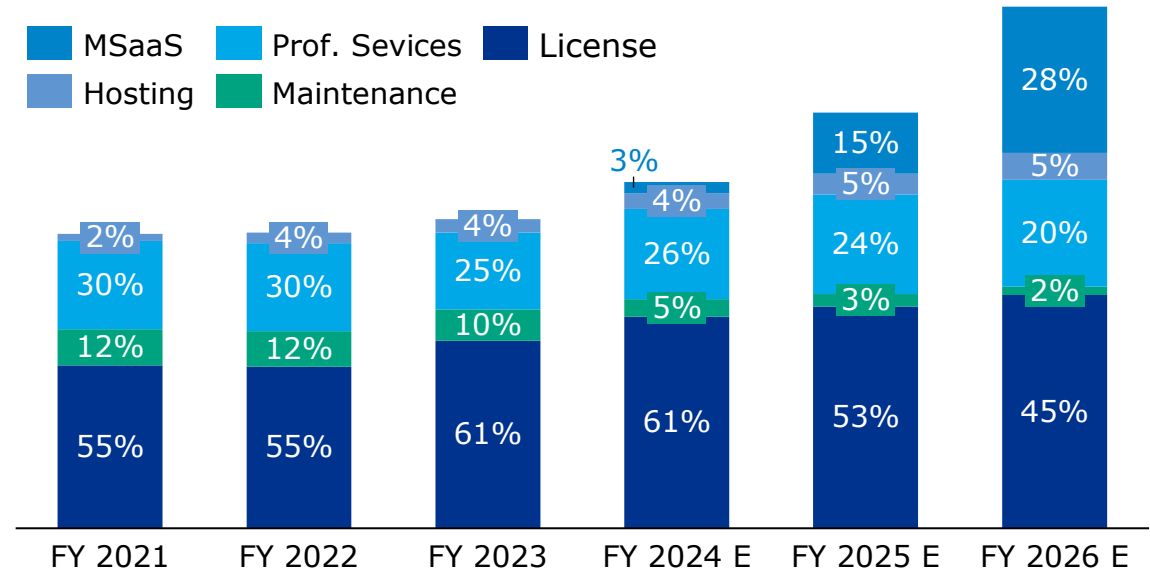
Total Revenues 2021-2026 (€M)



Revenues CAGR 2024-26 +17%

- New Business Model implementation, increasing recurring revenue component
- Strategic partnerships development, fostering growth in vertical markets and abroad (NA and EMEA increase to 52% in 2026)

Breakdown by segment

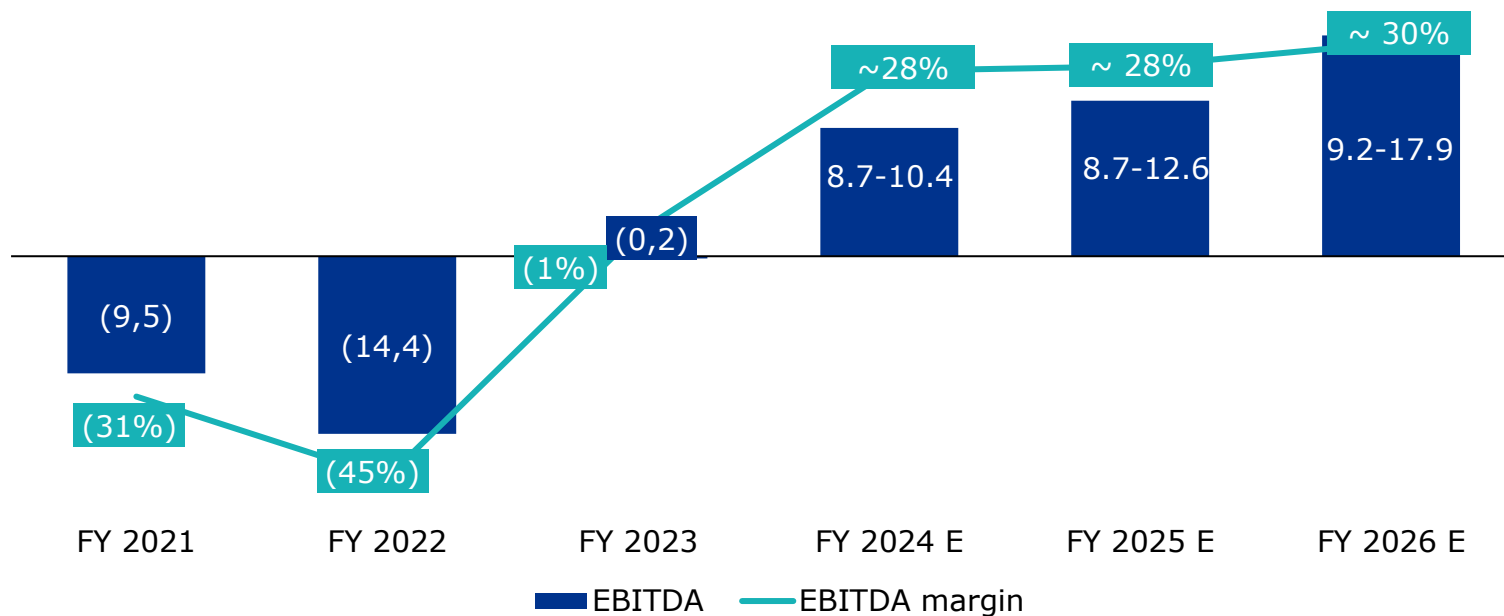


New sales strategy:

- **New business model** | MSaaS offer in Italy
- **New products** | verticals aimed at customers in the insurance and publishing sectors in the USA - License
- **New partnership agreements** (indirect channel) that support growth in international markets
- Continuous **migration from perpetual to recurring licenses**, which drives the decrease in maintenance revenues and increases the ARR (Annual Recurring Revenues) component

Strong improvement of profitability expected

(€M)



Profitability 2024-26

- **In 2024 full implementation of the costs saving plan** started in 2023
- €4M extraordinary costs expected for organization restructuring
- **Gross profit increase, CAGR 2024-26 +17%**
- S&M aligned to core markets
- Continued R&D innovation investments
- From 2025 **EBITDA improvement driven by revenues growth**
- **Return to positive EBITDA cash** with rewarding remuneration objectives for shareholders and integration of sustainability into the business

EBITDA Cash (€M)*					
FY 2021	FY 2022	FY 2023	FY 2024 E	FY 2025 E	FY 2026 E
(18.1)	(23.3)	(5.9)	4.3-5.8	3.7-7.4	4.1-12.3



FY 2023 KEY FINANCIALS

Consolidated Income Statement FY 2023

€M	FY 2023	FY 2022	Change %
Net revenues	29.8	28.5	5%
Other revenues	2.9	3.2	(11%)
Inventory change	(0.0)	0.0	(200%)
Total revenues	32.6	31.7	3%
Own work capitalized	6.4	8.9	(27%)
Production value	39.1	40.5	(4%)
External operating costs	(15.4)	(20.0)	(23%)
Economic value added (EVA)	23.6	20.5	15%
Cost of labour	(23.8)	(34.9)	(32%)
EBITDA	(0.2)	(14.4)	n.a.
Amortizations, depreciations, and other provisions	(8.6)	(8.7)	(1%)
EBIT	(8.8)	(23.1)	n.a.
Financial income and expenses	(1.0)	(1.2)	(13%)
EBT	(9.8)	(24.3)	n.a.
Income taxes	(0.0)	0.5	(103%)
Net result	(9.9)	(23.8)	n.a.

In 2023 major corporate restructuring program has been launched to improve profitability. First results already achieved during the year:

- External operating costs reduced by -23%
- Operating balance achieved thanks to a strong cost reduction with an EBITDA at breakeven

Revenues Breakdown by segment & geography

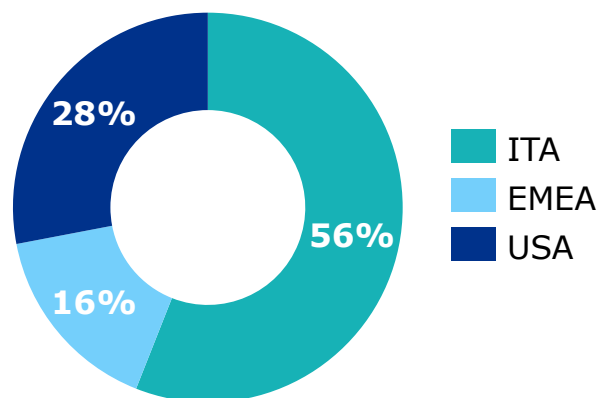
€M	FY 2023	FY 2022	Change %
License	18.1	15.6	16%
Maintenance	3.0	3.4	(12%)
Prof. Sevices	7.4	8.5	(13%)
Hosting	1.3	1.0	30%
Total Net revenues	29.8	28.5	5%
Other revenues	2.9	3.2	(11%)
Inventory change	(0.0)	0.0	(200%)
Total revenues	32.6	31.7	3%

Total revenues almost flat YoY as result of the new strategic course.

Net revenues at € 29.8 millions, +5% YoY driven by:

- License growth +17% YoY
- Hosting growing by 30%
- Decrease in maintenance and professional services revenues

Revenues breakdown by geography



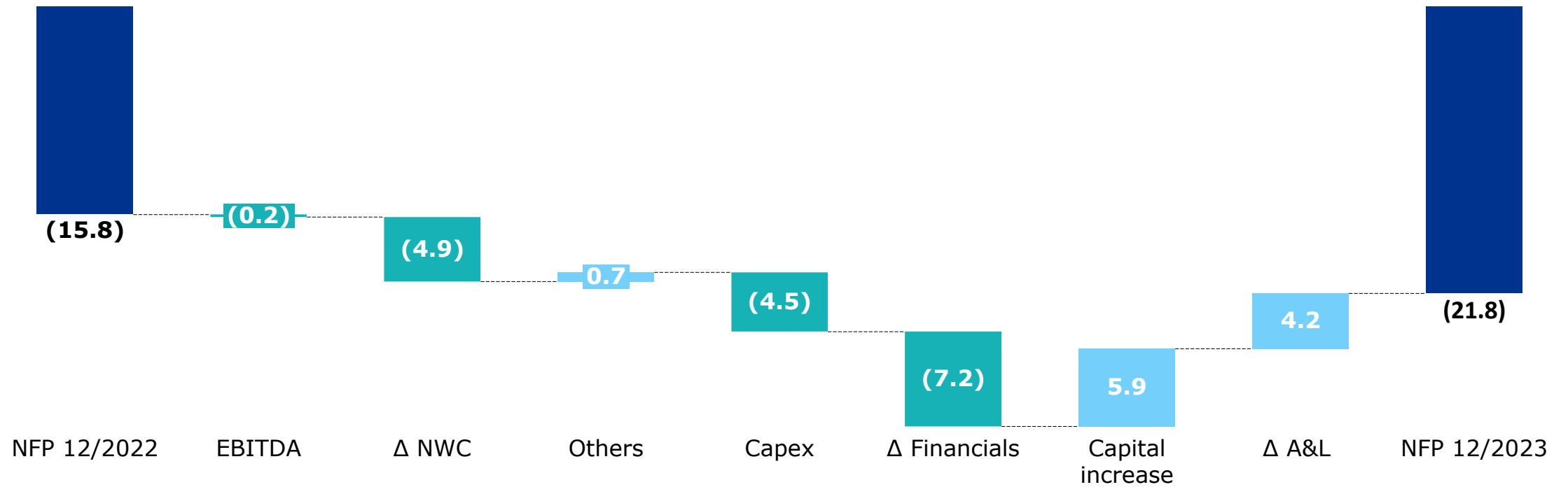
- **44%** of revenues generated **abroad**
- Confirmed the **focus on the USA market** (28% of total revenues)

Consolidated Balance Sheet FY 2023

€M	FY 2023	FY 2022
Net intangible assets	19.4	20.3
Net rights of use	1.2	1.7
Net tangible assets	0.7	0.8
Equity investments and other non - current financial assets	10.5	13.1
Fixed capital	31.8	36.0
Inventory	0.0	0.0
Trade receivables	21.5	18.1
Other receivables	6.6	7.0
Accrued income and prepaid expenses	0.9	1.6
Short-term assets	29.1	26.8
Trade payables	(5.2)	(6.5)
Advances received	(0.6)	(0.9)
Tax and social security liabilities	(1.9)	(1.9)
Other payables	(4.2)	(5.3)
Accrued expenses and deferred income	(6.0)	(6.5)
Short-term liabilities	(17.9)	(21.1)
Net working capital	11.2	5.7
Employee severance indemnity	(4.1)	(3.8)
Accrued expenses and deferred income over 12 months	(3.3)	(3.1)
Other medium-long term liabilities	(1.6)	(1.4)
Medium-long term liabilities	(9.0)	(8.3)
INVESTED CAPITAL	34.0	33.3
Shareholders' equity	(12.2)	(17.5)
Net medium-long term financial position	(11.3)	(19.3)
Net short term financial position	(10.5)	3.4
OWN EQUITY AND NET FINANCIAL DEBT	(34.0)	(33.3)

- **In the past the Group benefited from huge cash availability** (thanks to previous capital increases), **which allowed commercial investments** (economic losses and investments) to support product and business development
- Furthermore, **the liquidity also financed the gradual repayment of the financial debt**
- **At the end of 2022**, management initiated **extraordinary actions**, which were implemented in 2023 **to contain the financial needs**

NFP Bridge FY 2023



- Positive Items
- Negative Items

Thank You

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