



Half Year Report 2019

AIM Italia Conference – London
October 21st 2019



FROM DATA TO KNOWLEDGE



60% of global enterprises are sitting on **100+** terabytes of unstructured data*. Customer and transaction data, product information, market intelligence, email and social media content make up just some of the **2.5** quintillion bytes of data that is being created on a daily basis**.

In other words, **businesses are producing the text equivalent of a new Library of Congress every day.**

Today's challenges are no longer simply a question of computing speed and power: foremost technologies must be ***intelligent.***

How you can turn this into insight?

* Source: Forrester

** Source: Forbes

ABOUT US



1. LONGEST HISTORY IN IMPLEMENTING AI SOLUTIONS

- ✓ 20 years of experience, more than **300** successful projects for enterprises in all sector and government agencies
- ✓ 20 years of R&D investments to create **Cogito**, best-in-class cognitive Artificial Intelligence platform for text understanding

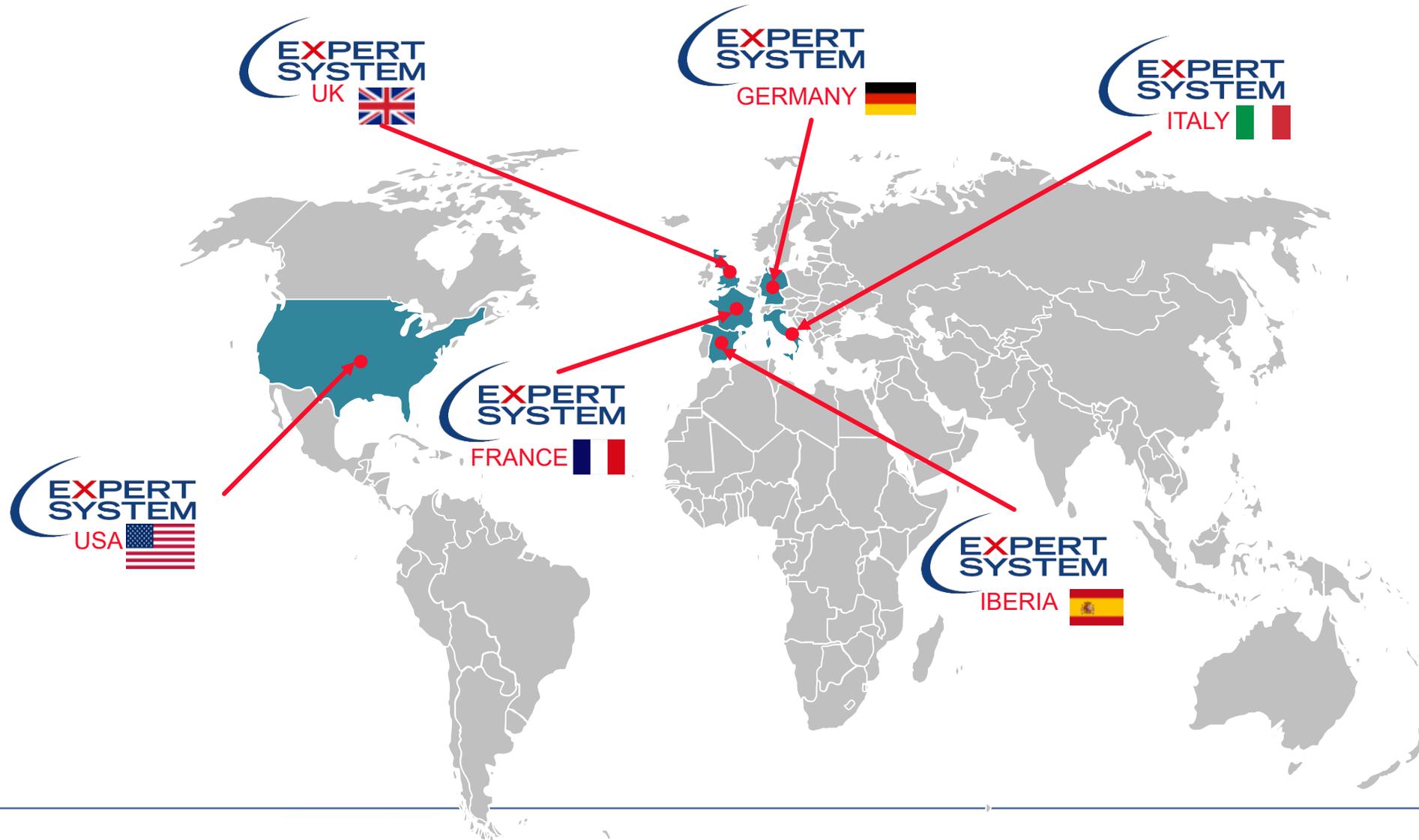
2. INTERNATIONAL COMPANY

- ✓ Public company (EXSY) with branches in US, UK, France, Germany, Spain and Italy
- ✓ Global company with local technical and sales teams
- ✓ Chosen by “S&P500”-“Blue Chip” Leading Companies all over the world and European and US Intelligence Agencies

3. LARGEST EUROPEAN VENDOR

- ✓ More than €28,7M in revenue in 2018
- ✓ More than 230 employees working on “state of the art” AI technology and solutions

GLOBAL FOOTPRINT



MARKET VALIDATION

FORRESTER®



Gartner®

FORRESTER WAVE™

AI-based Text Analytics Platforms 2018 (Top 8 out of 100+ competitors)

“Expert System is architected on a healthy mix of rules, ontologies and AI. (...) **The years Expert System invested into building these rules and ontologies are paying off – Cogito produced one the highest levels of accuracy on an untrained data set among other Wave participants.** Cogito also uses AI for process automation (such as insurance claims processing, loan underwriting, etc), and more recently for Robotic Process Automation (RPA).”

FORRESTER

Look to Four Use Case Categories To Push RPA and AI Convergence

GARTNER

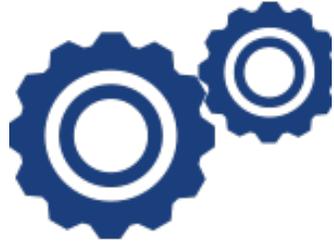
Magic Quadrant for Insight Engines 2017 – 2019

“Insight engines are an evolution of search technologies that provide on-demand and proactive knowledge discovery and exploration augmented by semantic and machine learning (ML) technologies.”

COGITO TECHNOLOGY



UNDERSTANDING



REASONING



LEARNING



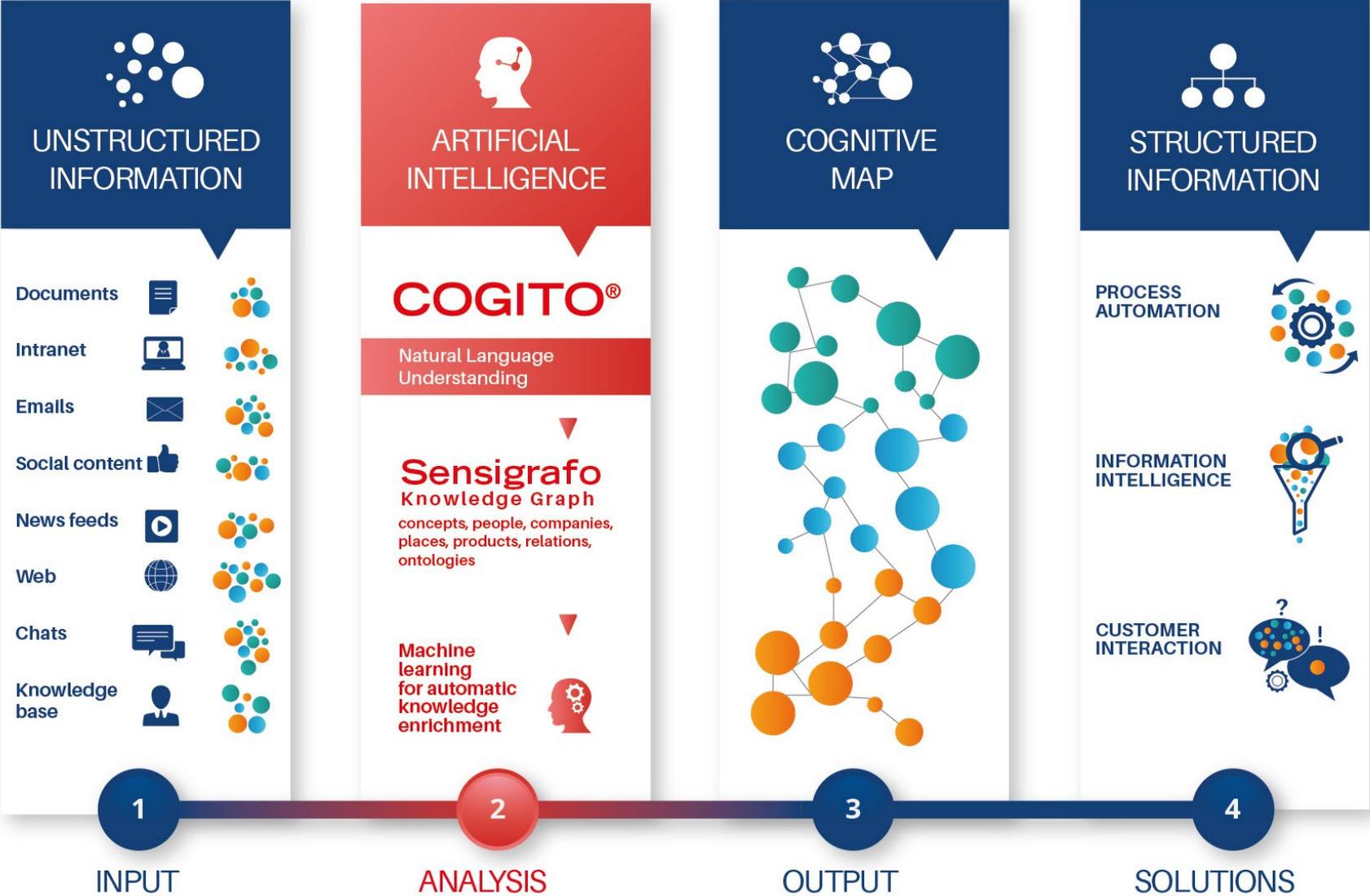
DECISION MAKING

- ✓ Best-in-class AI platform for text understanding and analytics
 - More than 400 man/years of development
 - 2 million concepts and entities, 6 million relations, advance rules based system
- ✓ Recognize the right meaning of every word and expression in the context with one of the highest levels of accuracy in the market (source Forrester)
- ✓ Based on patented AI algorithms, Cogito mimics the human ability to read and understand any textual content

- ✓ Cogito is available in 14 languages:

English	Polish
Italian	Arabic
French	Russian
German	Korean
Spanish	Japanese
Portuguese	Chinese
Dutch	Greek

COGITO: FROM CHAOS TO ORDER



BEST TECHNOLOGY PLATFORM

- ④ Full integration of **semantic** and **machine learning** techniques to have **the best hybrid cognitive/AI platform** on the market
- ④ **Richer and deeper coverage of languages**
- ④ **Cloud and APIs:** implementation on different platforms
- ④ **From technology to products:** implementation of **vertical components** for **specific industries** and **use cases** to reduce sales cycle duration and increase margins

TECHNOLOGY HIGHLIGHTS

Expert System's commitment to the democratization of Artificial Intelligence continues with the consolidation of its **training and certification program** for partners.

Artificial Intelligence and **Robotic Process Automation**: companies can benefit from both technologies by using an all-in-one platform to automate end-to-end processes and easily exploit the value of intelligence functionalities.

Release of **Cogito 14.4** with improvements across the board: speed, quality, usability, automatic enrichment, security, integrations and packaging.

New summarization feature that generates snippets of text from a conceptual abstract of the main elements of a document.

Enrichment of core knowledge graph and improvements across many languages (including German and Arabic)

New components for the Insurance market and the new features and refinements for the Information Intelligence offering.

BUSINESS HIGHLIGHTS

Swiss Re Group Chooses Expert System to Power Knowledge-Intensive Processes with Artificial Intelligence

“Cogito allows us to reduce the time to production. Thanks to its out-of-the-box capability to understand natural language based on a unique knowledge graph, we have easily internalized and integrated natural language understanding into our ecosystem”

Michael Foehner,
Head Digital and Smart Analytics at Swiss Re

New customers in all countries and strategic vertical markets including **Banking, Insurance, Intelligence** and Media.

Steady **growth of recurring licenses** for all customers at an accelerated pace, now at 91% of total license.

Strong efforts to build the **third parties’ channel** through new partnerships and certificated activities with now more than 250 of registered users (from 25 different countries) on our training platform.

Expert System supports media organizations in Hollywood and beyond with the MovieLabs Creative Works Ontology

“A key goal of the Creative Works Ontology was to provide a framework for content producers and service providers to help build interoperability into their core data structures. By integrating the ontology into their AI product, Expert System is providing an important new tool for advancing that goal.”

Raymond Drewry, Principal Scientist, MovieLabs

CUSTOMER HIGHLIGHTS



AXA XL Leverages AI to Enhance Its Property Risk Engineering Capabilities Using Expert System's Cogito Platform

“By adopting AI based capabilities, AXA XL Risk Consulting can enhance its risk modelling capabilities, be more efficient in the management of low value tasks, and ultimately better serve clients.”

Corinne Vitrac, CEO of AXA Matrix

“Delivering enhanced data and analytical capabilities, both internally and externally, is an essential element of our journey, and the work completed in partnership with our Risk Consulting team and Expert System adds to the AXA XL tool kit.”

Steven Walden, Director of Strategy Operations for Global Property at XL Catlin

Lloyd's Signs Global AI Deal With Expert System

October 9, 2017

PRINT EMAIL

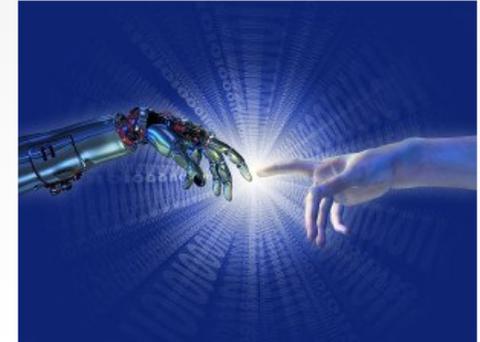
Lloyd's of London wants to infuse artificial intelligence technology into the daily business it does with its customers.

The world's largest insurance market signed a global deal with Expert System that will bring on cognitive automation, via the company's Cognito software, to modernize its business processes in order to support the needs of market participants.

Neither side disclosed financial terms.

Craig Civil, head of Data Innovation with Lloyd's said the agreement will help boost the productivity of its market members.

“Artificial intelligence drives productivity by changing the way we benefit from data, and Lloyd's continues its history of innovation,” Civil said in prepared remarks. “Expert System's cognitive applications help meet our strategic objective and evolve business models through new applications.”



FINANCIAL HIGHLIGHTS

On April 23rd, 2019 a **Capital increase of €7m** has been subscribed by a pool of private investors: entrepreneurs, managers and professionals including Claudio Costamagna, Diego Piacentini and Francesco Caio.

These new resources will fuel development of business in the United States and Europe.

“As a group of financial investors, we are firmly convinced of the tremendous opportunity for the company to grow and expand in a technology sector with great potential, as the one related to the understanding of unstructured information”, said Claudio Costamagna, Chairman of CC & Soci.

HY 2019 AT GLANCE

The first semester of 2019 is in line with the expectations:

- Revenues* amount to €11.8m, compared to €12.9m in 2018 (-8.3%) due to a different seasonality of the revenues.
- Recurring licences on total licences sold have rumped up to 91% compared to 79% in 2018.
- EBITDA equal to -€0.4m against €0.1m in 2018.
- Value of production equal to €15.4m, compared to €15.9m in 2018 (-€0.5m)
- Negative net result for €4.0m, which includes €3.8m of depreciations, compared to negative value of € 3.7 million in 2018
- Net financial position for €5.7m with €16.9m of cash, compared to €12.4m at the end of 2018.

* In this document “revenues” or “sales” stand for “revenues net of change of inventories”

FINANCIAL HEADLINES (HY 2019 VS HY 2018)

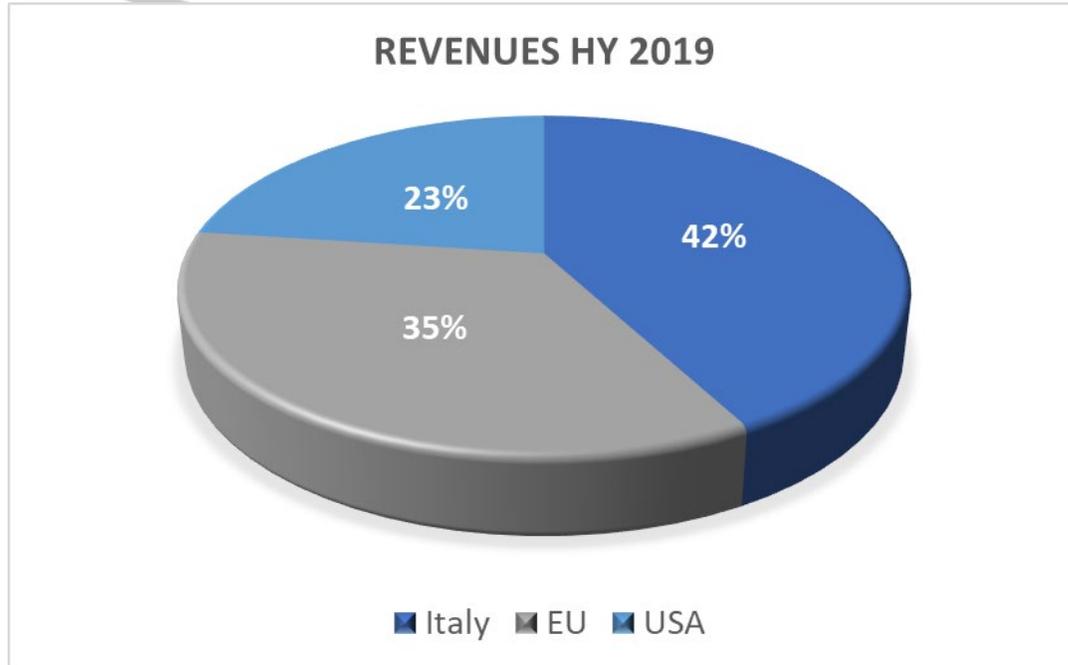
First semester - €/m	HY 2018	HY 2019	Δ
Revenues	12,9	11,8	-8,3%
Value of Production	15,9	15,4	-3,4%
Costs	(15,8)	(15,8)	-0,2%
EBITDA	0,1	(0,4)	-710,1%
	<i>Margin%</i>		
EBIT	0,4%	-2,8%	
	<i>Margin%</i>		
Net Earning	(3,6)	(4,2)	18,4%
	<i>Margin%</i>		
Net Earning	-22,5%	-27,5%	
Net Working Capital	(3,7)	(4,0)	7,4%
Net Working Capital	5,0	5,5	3,6
Total Invested Capital	25,2	23,5	1,7
Net Financial Position	10,0	5,7	(4,3)
Total Equity	15,2	17,9	2,6

Revenues at €11.8m which represents nearly 36% of estimated revenues for the entire year. This value is in line with the historical average of the seasonality of the business, with the exception of 2018 where the first half has accounted for 45%.

EBITDA at -0.4m has been also influenced by higher income from grants and capitalization.

Net financial position at €5.7m benefits of the capital increase of €7m in April 2019.

REVENUES BY REGION



58% of sales are abroad, 35% in Europe and 23% in USA

Some highlights:

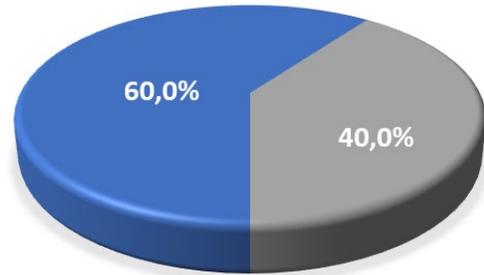
- UK: **+62%**
- France: **+23%**
- USA Fed: **+16%**
- Italy: **-16%**

Italian result has been affected by the uncertainty of political environment.

On the other side we achieved very good results in UK, France and in USA federal market; in particular in France the reorganization activities of the past years are leading to a better performance of the subsidiary.

REVENUES BY TYPE HY 2019 VS HY 2018

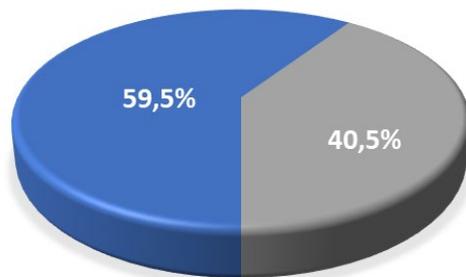
REVENUES HY 2018



■ License (inc. maint. & rec. services) ■ Prof. Services

Recurring licenses: 79%
Perpetual licenses: 21%

REVENUES HY 2019



■ License (inc. maint. & rec. services) ■ Prof. Services

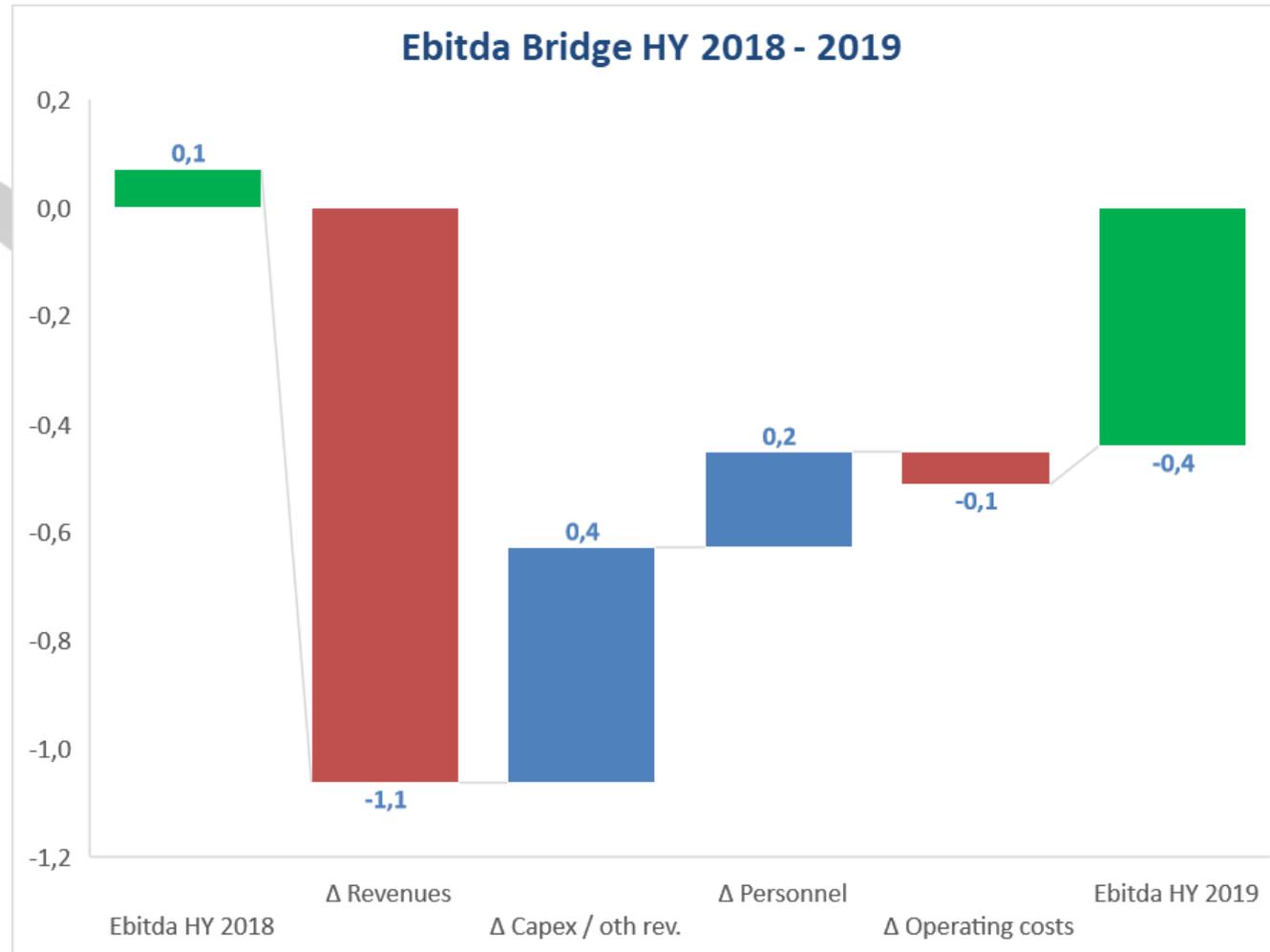
Recurring licenses: **91%**
Perpetual licenses: **9%**

Licences: the vast majority of the new customers opted for a recurring license creating a much more predictable stream of revenues for the future, with a temporary impact on the short term revenues.

The new licenses sold in the first half of the year are recurring for **91%** making the perpetual sales component marginal; in 2017 they were only 33%.

These results reward our efforts in the implementation of a new business model.

EBITDA BRIDGE HY 2018 → HY 2019



FROM EBITDA TO NET RESULTS 2018 VS 2019

First semester - €/m	HY 2018	HY 2019	Δ
EBITDA	0,1	(0,4)	(0,5)
Amortization of Intangible Assets	(3,5)	(3,7)	(0,1)
Amortization of Tangible Assets	(0,1)	(0,1)	(0,0)
Depreciation	0,0	0,0	0,0
EBIT	(3,6)	(4,2)	(0,7)
Financial Income/(Expense)	(0,2)	(0,2)	(0,0)
Exchange Losses unrealized	0,3	0,2	(0,1)
Result before taxes	(3,5)	(4,3)	(0,8)
Taxes	(0,3)	0,2	0,5
Net Result	(3,7)	(4,0)	(0,3)

Amortization +€0.1m.

Amortization are mainly referred to R&D costs (€2.2m) and to the consolidation difference resulting from the acquisitions (€1.1m)

Financial Costs €0.2m.

Interests paid on debt are stable and benefit of a low interest rate.

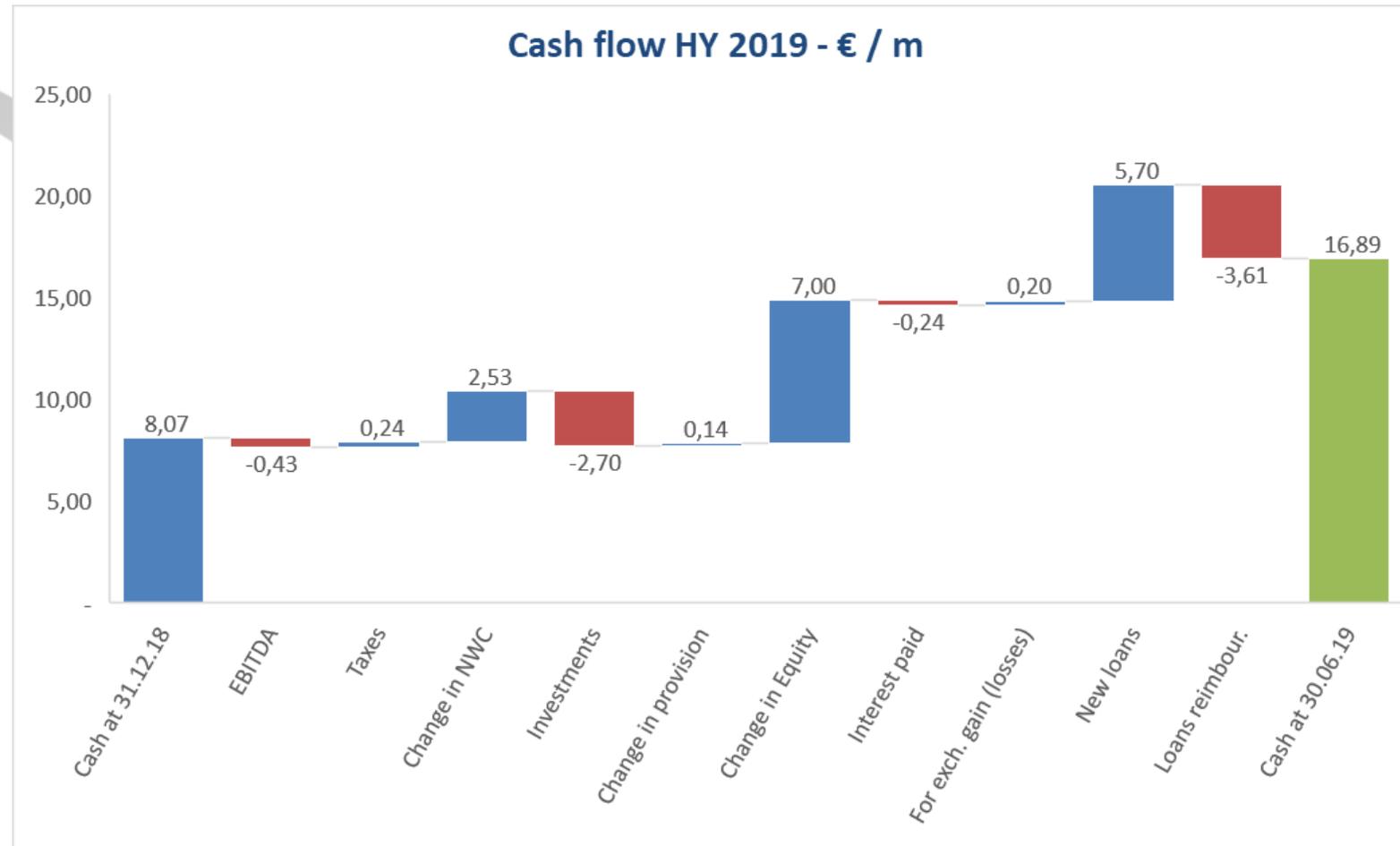
Unrealized exchange profit for €0.2m.

Referred to a better €/€ exchange rate impacting intercompany exposure.

Taxes

2018 mainly referred to the holding company that has turned to profit; 2019 figure mainly refers to deferred taxes related to tax losses of the period in ES Iberia.

CASH FLOW BRIDGE 31.12.2018 → 30.06.2019



STRATEGIC GUIDELINES 2019



Push on indirect channel with a reinforced team, specific investments and local approach in several countries

Strategic **partnerships** with leading **RPA** vendors (**UiPath** and **Blue Prism**) to enable the next step in robotic process automation that leverage the full power of Cogito

New sales team for the **US corporate** market focused on Insurance and Banking with the direct support of HQ teams for marketing and presale activities

Based on market scenarios and the commercial pipeline, we expect to close 2019 with revenues near to 33 million and EBITDA in a range between 5 and 6 million.

The company is working on a new business plan for the next three years that will be presented in the coming months.



THANKS!

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