Text Analytics & Cognitive Computing Company

Stefano Spaggiari, CEO
London – October 9, 2017

About Us

- **LARGEST EUROPEAN VENDOR** of Text Analytics & Cognitive Computing

- **GLOBAL PUBLIC COMPANY** (approx. 65% of free float) with offices and R&D labs in 10 different countries – **EUROPE** and **USA**

- **PATENTED TECHNOLOGY**

- The technology of choice **FOR ENTERPRISES** in all sectors and **GOVERNMENT**

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

History

ONLY 2 YEARS

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

EXPERT SYSTEM FOUNDED IN MODENA (ITALY) IN 1989

1989

COGITO IS PROVIDED IN MULTIPLE LANGUAGES

2006

AIMItalia
Borsa Italiana

LISTING ON THE ITALIAN AIM EXCHANGE

02/2014

CY4 GATE

EXPERT SYSTEM IBERIA & CY4GATE ARE BORN

12/2014

TWO NEW AMERICAN SUBSIDIARIES: EXPERT SYSTEM USA & EXPERT SYSTEM ENTERPRISE

10/2015

FORRESTER

TOP 10 BIG DATA TEXT ANALYTICS PLATFORMS, Q2 2016

05/2016

ZURICH

SIGNED GLOBAL AGREEMENT

02/2017

2000

COGITO TECHNOLOGY DEVELOPED

COGITO®

2011

CREATION OF THE US-BASED SUBSIDIARY

COGITO TECHNOLOGY IS PATENTED IN THE UNITED STATES

06/2014

NEW OFFICES IN SILICON VALLEY AND UK

09/2015

100% ACQUISITION OF TEMIS GROUP (FRENCH LEADER IN TEXT ANALYTICS SOLUTIONS)

TEMIS

2016

CAPITAL INCREASE SUCCESSFULLY COMPLETED (€4.8 MLN)

02/2017

NEWEST RELEASE OF THE COGITO PLATFORM ("COGITO 14")

06/2017

MQ INSIGHT ENGINES

Gartner

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Market validation

FORRESTER **GARTNER'S MAGIC QUADRANT** **Google for Work Partner Premier**

- **GARTNER**
  MQ for Insight Engines - 2017

- **FORRESTER WAVE**
  Big Data Text Analytics Platforms - 2016

- **FORRESTER REPORT**
  Artificial Intelligence Can Finally
  Unleash Your Business Applications'
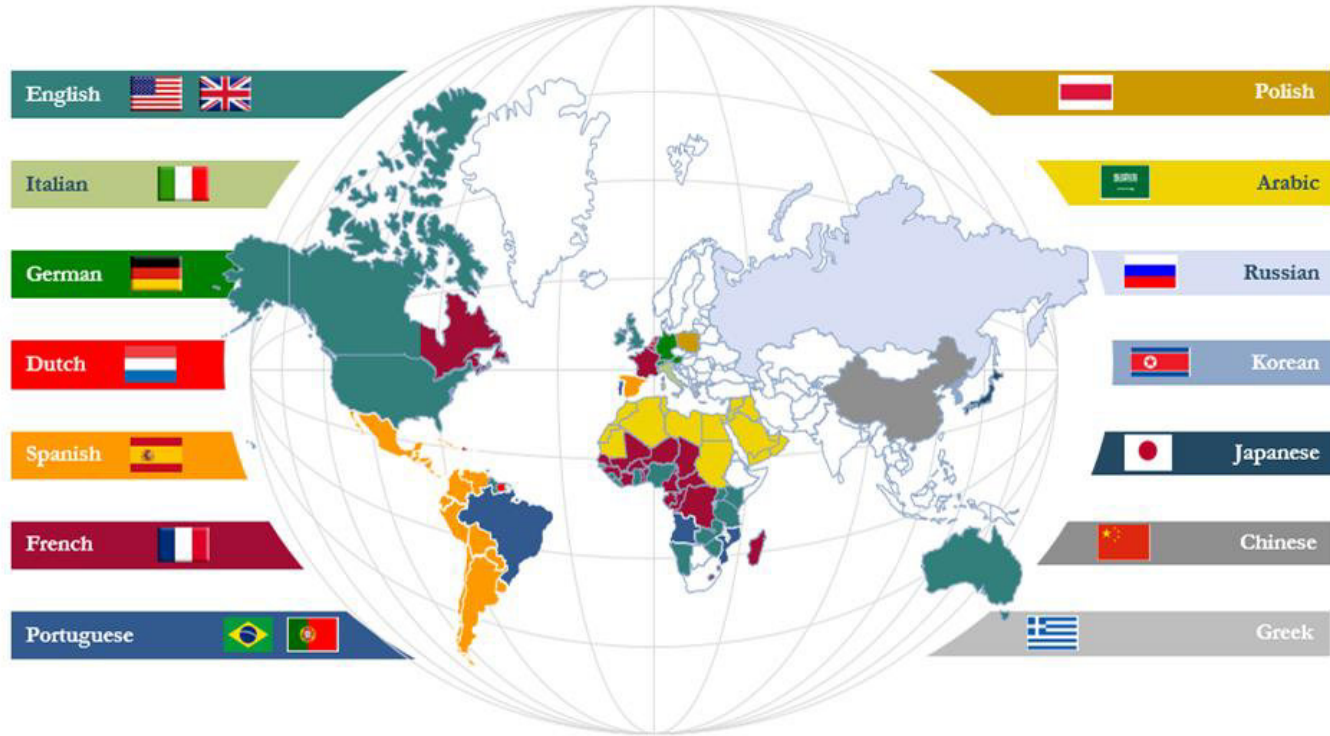 Creativity - 2015

LT-INNOVATE AWARD   100 COMPANIES That Matter in Knowledge Management   CONTENT, DOCUMENT and KNOWLEDGE Management KMWorld   //CODiE// 2016 SIIA CODIE WINNER   KMWorld Trend-Setting PRODUCT OF 2017   EXPERT SYSTEM SEMANTIC INTELLIGENCE

Global Distribution Network

COGITO TECHNOLOGY SUPPORTS 14 LANGUAGES

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

BLUE CHIP CLIENT BASE AMONG 100+ CUSTOMERS

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Differentiation

Combining the advantages of **Semantics** (knowledge graph, semantic analysis and disambiguation) with **Machine Learning**

What does this mean?

A **couple of hours** is all it took for Cogito to **read** and **learn from Wikipedia**.

On the eve of a revolution

As a company that has experienced tremendous growth internally while expanding our footprint as a multinational organization, we are on the eve of a revolution.

MARKET OVERVIEW

Cognitive Systems & AI Forecasts

$47 billion in 2020

Widespread adoption of cognitive systems and artificial intelligence (AI) across a broad range of industries will drive **worldwide revenues from nearly $8.0 billion in 2016 to more than $47 billion in 2020 (CAGR +55%)**

$1.5 billion in banking in 2016

The industries that invest the most in cognitive/AI systems in 2016 are banking and retail, followed by healthcare and discrete manufacturing (combined, these four industries will generate more than half of all worldwide cognitive/AI revenues in 2016)
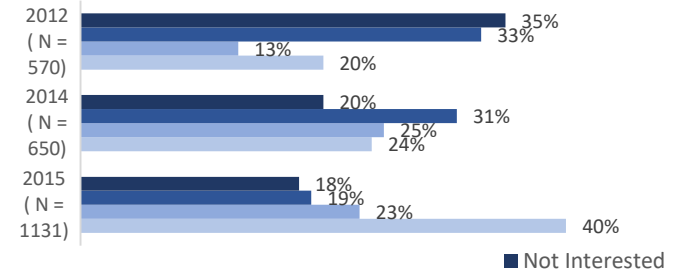
$6.2 billion in North America

North America (US & Canada) is by far the largest region for cognitive/AI spending with 2016 revenues approaching $6.2 billion. Europe, the Middle East and Africa (EMEA) will remain the second largest region throughout the forecast, but cognitive/AI revenues from Asia/Pacific including Japan will nearly close the gap with EMEA by 2020.

Text Analytics Market

Forrester survey: Plans to implement text analytics

2012 (N = 570)
- 35%
- 33%
- 13%
- 20%

2014 (N = 650)
- 20%
- 31%
- 25%
- 24%

2015 (N = 1131)
- 18%
- 19%
- 23%
- 40%

■ Not Interested

Global Text Analytics Market ($US Bn)
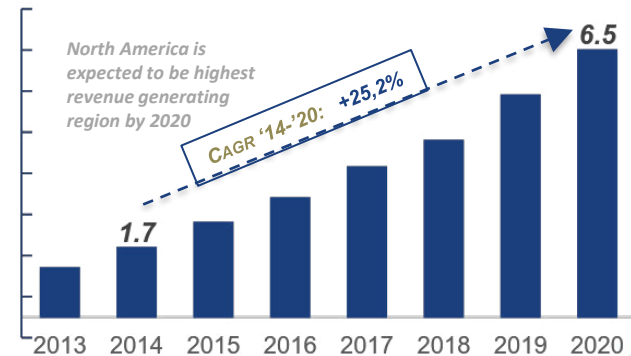
North America is expected to be highest revenue generating region by 2020

CAGR '14-'20: +25,2%

1.7   6.5

2013 2014 2015 2016 2017 2018 2019 2020

EXPERT SYSTEM SEMANTIC INTELLIGENCE

Market still immature

- In the last few years, the interest for **AI has progressively increased**, becoming one of the fundamental aspects of future economic development.

- Despite the above consideration, it has not yet been translated into a greater propensity for companies to initiate big projects and investments in this sector, thereby also **modifying their business model**.

- For this reason, there is a general interest in AI now but the market is recording growth that is lower than forecasted and it's still in its "infancy," but with **great potential**.

- In this context, competitors (large/medium and start up) are still continuing to invest in gaining market share and none of them have achieved positive results. At the moment, we are competing in the **early stage of a hi-tech market** that is characterized by these dynamics.

- Expert System is working in this market with financial resources that are often not comparable with those of our competitors. This notwithstanding, **the company is winning important software selection bids** in the USA and Europe.

Some deals

- **Databricks:** Big data analytics platform built by a team that grew out of the Apache Spark project. Raised $140 million in August 2017 by Andreessen Horowitz. Considering the prior round, Databricks' total funding raised is $247 million.

- **Google:** Launched a new venture capital program focused on artificial intelligence.

- **Lattice Data:** Apple acquired the AI company Lattice Data for $200 million. This company was established in 2015 and now has 20 engineers.

- **Element AI:** A Montreal-based studio that tackles problems using machine learning systems; has raised $102 million.

BUSINESS OUTLOOK
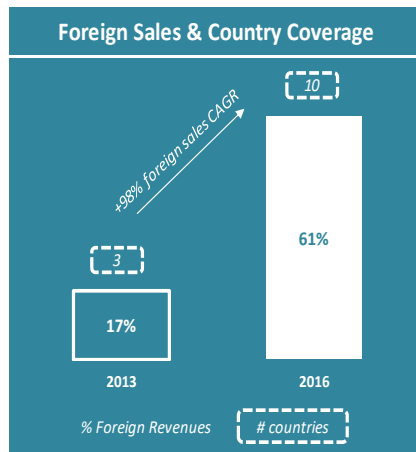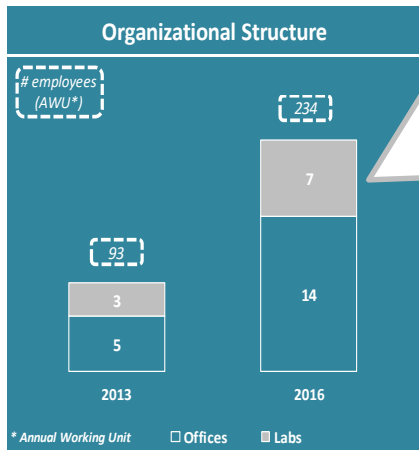
3 years of growth

Value Of Production

in Euro/mln

+30% CAGR

13,4 → **29,6**

2013: Sales 10,6 / Other revenues 2,8
2016: Sales 23,4 / Other revenues 6,2

■ Sales ■ Other revenues
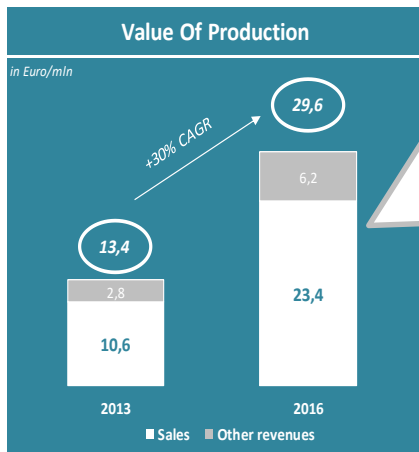
> ***Strong growth in Value of Production from IPO**, also thanks to Temis acquisition in 2015*

Foreign Sales & Country Coverage

+98% foreign sales CAGR

10
3

2013: 17%
2016: 61%

% Foreign Revenues   # countries

> *Focus on **internationalization***
>
> *Foreign revenues tripled in the last 3 years*
>
> *Business areas increase from 3 to 10*

Organizational Structure

employees (AWU*)

93
234

2013: Offices 5 / Labs 3
2016: Offices 14 / Labs 7

* Annual Working Unit   □ Offices ■ Labs

> *Great geographical and organizational **expansion***
>
> ***160+ tech employees** in the organigram*

R&D and Languages coverage

+2,5x R&D capex x Year

6
14

2013: 2,3 €/mln
2016: 5,7 €/mln

R&D Capex per Year (€/mln)   # languages
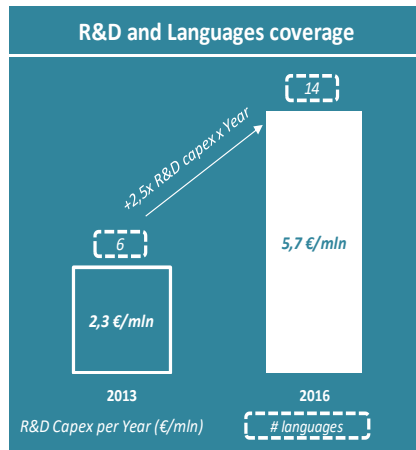
> *Significant investments in **R&D** to expand semantic software offering and implement new languages*

Profit & Loss

Figures in €/mln	2015	2016	1H2016	1H2017
Sales	16,4	23,4 +43%	8,6	8,4 -2%
Value of Production	23,2	29,6 +28%	13,2	11,7 -11%
Payroll	(11,3)	(18,5)	(9,1)	(9,8)
Ebitda	1,5	(2,2)	(1,9)	(4,0)
Net Earning	(3,3)	(8,1)	(5,0)	(7,6)

Profit & Loss

EBITDA 1H2017 - BRIDGE
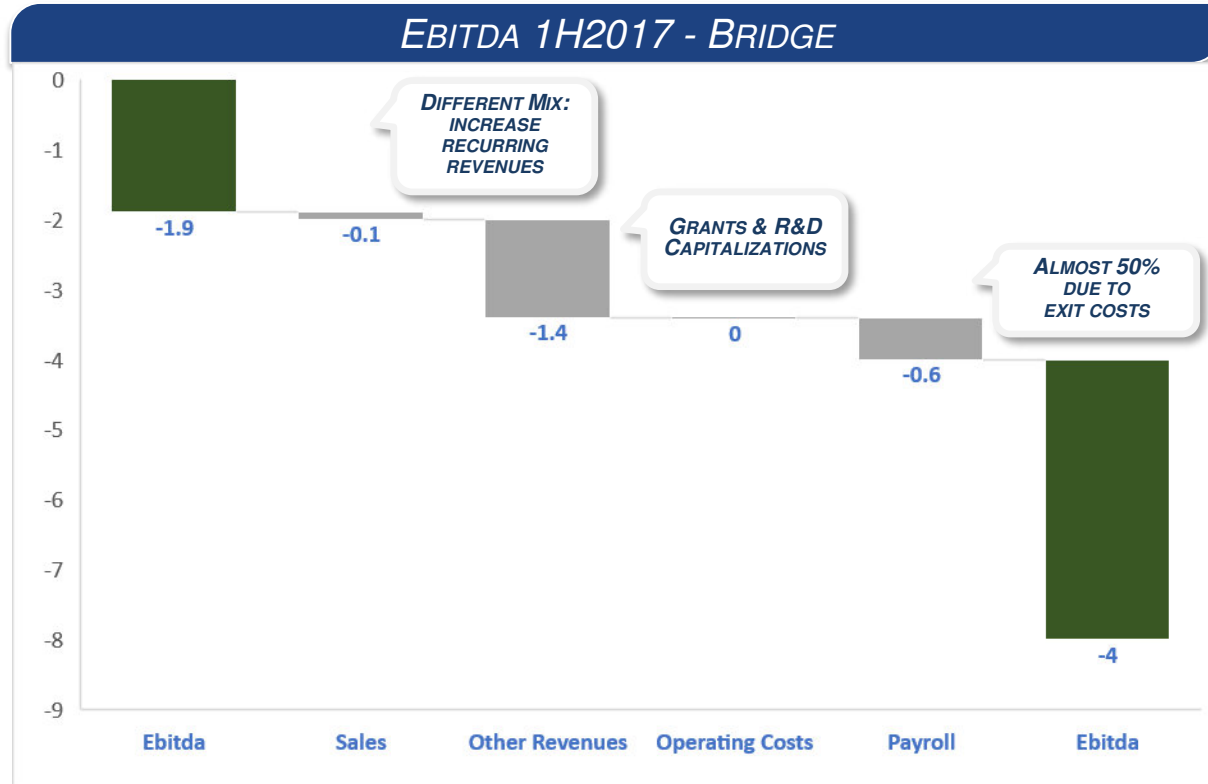
Profit & Loss

- In recent years, there has been steady growth in sales. The slight decline in the first half of 2017 is primarily linked **to a different mix with an increase in annual license sales against perpetual**. This is consistent with the company's future strategy driven by the increase in the recurring component of revenues.

- The future strategy is also focused on increasing sales overseas, which is also confirmed by the performance of sales in the first half of 2017, where this component has reached **about 62% (+29% compare to 1H2016)**.

- Operating Costs and Payroll are under control (and the management team is working to make further reductions – estimated €2.5-€3.0 Mln in 2018) despite that the company is managing companies in seven countries, is standardizing business procedures and commercial approaches (also with staff turnover) after recent acquisitions.

- The financial cost growth is due to no cash exchange losses (€1.1 Mln).

- The management estimates results for 2017 full year are to achieve the same value achieved in 2016 but with a higher incidence of recurring revenues and expectations of growth, mainly in the US (estimates +20% compared to 2016) and also in Europe (for example, estimates for Spain are +40% compared to 2016) or the UK (+300% compared to 2016).

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Balance Sheet

FINANCIALS HIGHLIGHTS – BALANCE SHEET

Figures in €/mln

	2015	2016	1H2017	
NWC & Funds	5,5	4,9	(0,5)	TRADE RECEIVABLES REDUCTION (€3,4 MLN)
Fixed Asset	25,7	22,6	24,0	INCREASE IN FINANCIAL ASSETS (€2,2 MLN)
Net Capital Employed	31,2	27,5	23,5	
NFP	11,1	11,1	13,8	CASH AVAILABILITY FROM €9 MLN TO €5,6 MLN. STABLE BANK LOAN (€19,4 MLN)
Equity	20,1	16,4	9,7	

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Strategic guidelines

- **New customer acquisitions** among the largest and most important US and European Government Agencies and Corporations
- Increased shift from perpetual licenses to **recurring subscriptions**
- Focus on the sectors with the **highest growth potential**
- **Offer productization**
- **Consolidation of key partnerships** in support of an increased focus on indirect channels
- **Higher revenue concentration** from top customers

Why Invest in Expert System

- Outstanding, **unique positioning** in the Cognitive Computing, Artificial Intelligence market

- **International expansion** with both internal and external growth

- A **strong client portfolio**, **key partnerships**, **indirect sales channels** with vendors and system integrators

Contacts

Thank you!

Stefano Spaggiari
sspaggiari@expertsystem.com

www.expertsystem.com

in linkedin.com/company/expert-system

twitter.com/Expert_System

info@expertsystem.com