

# 2018: THE YEAR IN REVIEW

Milan, April 2, 2019



# BUSINESS 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

**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

### **New use cases:**

- Know Your Customer in Banking
- Cognitive **Underwriting** in Insurance
- Legal and Compliance

# TECHNOLOGY HIGHLIGHTS

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Release of the new version of **Cogito Intelligence Platform** that covers new use cases, it is more scalable and flexible and cloud ready

Improved **language** coverage for **Chinese, Dutch, Arabic** and Russian

New release of **Cogito 14.3** includes **knowledge graph** improvements, enhanced **machine learning workflow**, and **Robotic Process Automation (RPA)** integration

Unique and innovative machine learning algorithms that don't require any human supervision to generate knowledge graphs that can be validated manually at any level of detail

**From technology to products:** implementation of **vertical components** for **specific industries** and **use cases** to reduce sales cycle duration and increase margins

# MARKET VALIDATION



## 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).”

## GARTNER

Magic Quadrant for Insight Engines 2017 – 2018

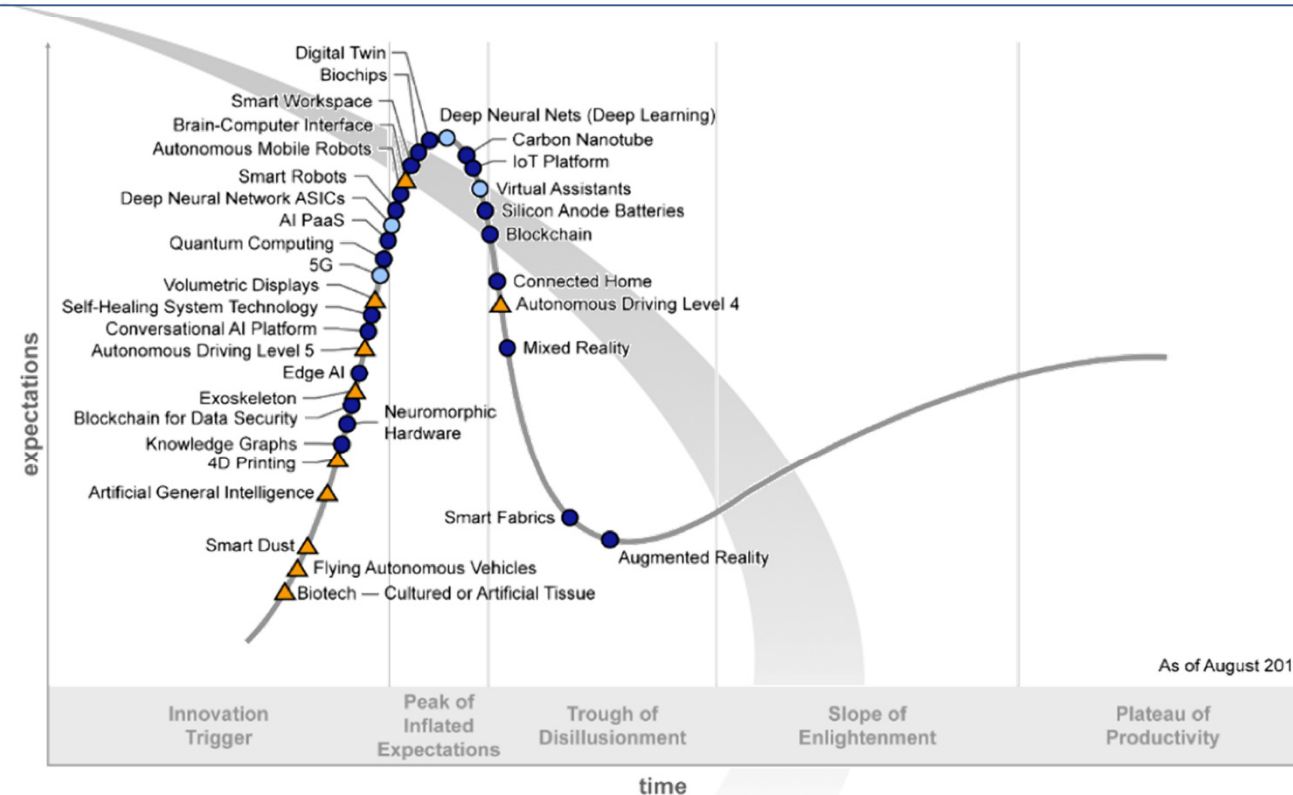
## FORRESTER

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

**Gartner**® **FORRESTER**®



# MARKET VALIDATION



Better late than never!

Gartner®

Plateau will be reached:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years
- ⊗ obsolete before plateau

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# 2018 AT GLANCE

2018 closed with a very good result:

- Revenues\* reached **€28.7m**, compared to €25.6m in 2017 (+**12.1%**), meeting guidance
- Positive EBITDA equal to **€4.6m** with growth of around **€ 3.6m (+343%)** compared to **€1.0m** in 2017, meeting guidance
- Value of production equal to €35.5m, compared to €32.8m in 2017 (+€2.7m)
- Negative net result for €3.8m, which includes €7.9m of depreciations, compared to negative value of € 8.3 million in 2017
- Net financial position for €12.4m with more than €7.9m of cash

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

# FINANCIAL HEADLINES (2018 VS 2017)

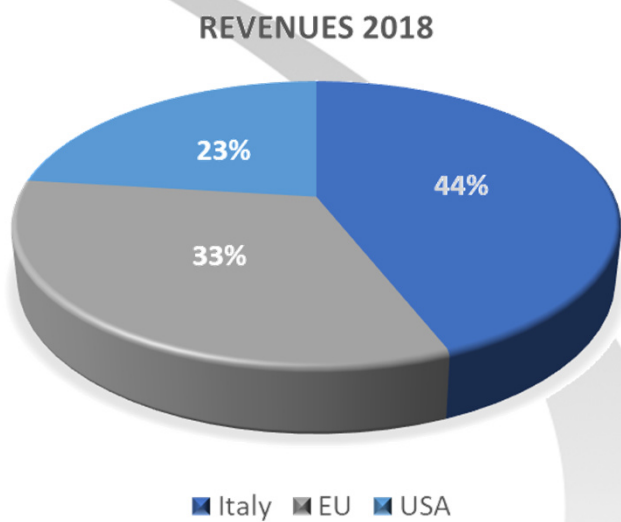
Year ended 31 December - €/m	2017	2018	Δ
Revenues	25,6	28,7	12,1%
Value of Production	32,8	35,5	8,2%
EBITDA	1,0	4,6	343,3%
<i>Margin%</i>	4,1%	16,2%	
EBIT	(6,5)	(3,2)	-50,3%
<i>Margin%</i>	-25,4%	-11,2%	
Net Result	(8,3)	(3,8)	-54,7%
Net Working Capital	13,1	15,7	2,6
Invested Capital	28,1	27,5	(0,6)
Net Financial Position	8,8	12,4	3,6
Shareholder's Equity	19,3	15,1	(4,2)

**Revenues increase of €3.1m (+12.1%)**

**EBITDA increase of €3.6m:** growing sales with a reduction in costs, improving efficiency in all areas of the group

**Net financial position at €12.4m** mainly due to the Net Working Capital increase for € 2.6 millions.

# REVENUES BY REGION



**56% of sales are abroad**, 33% in Europe and 23% in USA

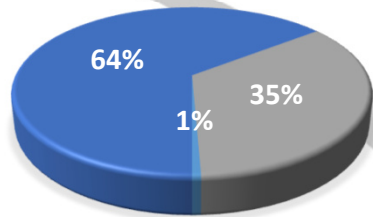
Some highlights:

- UK: **+64%**
- Spain: **+95%**
- USA Fed: **+66%**
- Italy: **+32%**



# REVENUES BY TYPE 2018 VS 2017

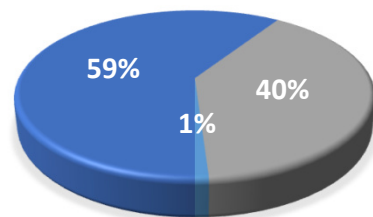
REVENUES 2017



Recurring licenses: 41%  
Perpetual licenses: 59%

■ License (inc. maint.) ■ Prof. Services ■ Other

REVENUES 2018



Recurring licenses: **72%**  
Perpetual licenses: **28%**

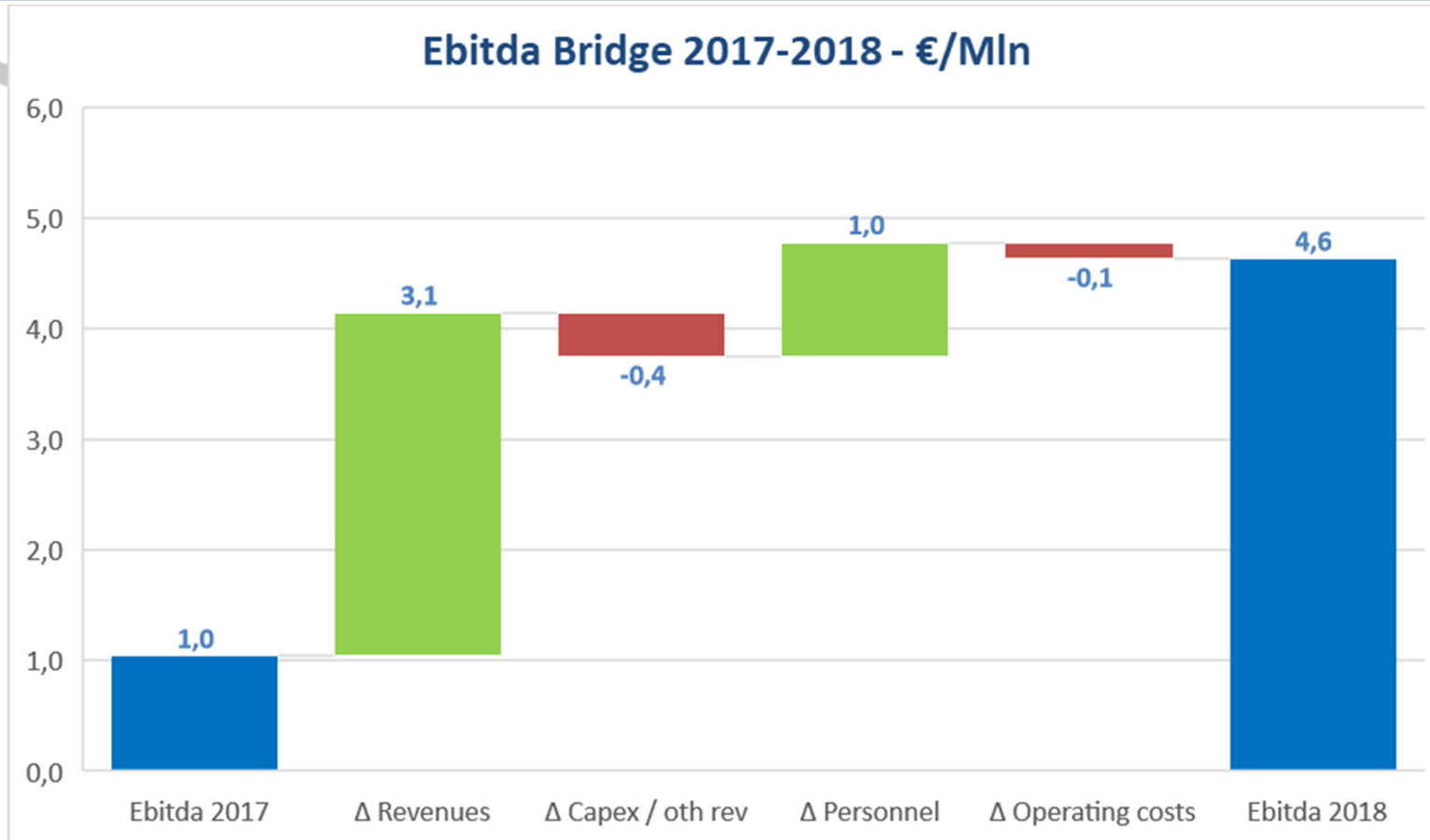
■ License (inc. maint.) ■ Prof. Services ■ Other

**Sales Model:** customers added in 2016 and 2017 generated significant **upsell** with new projects and extension of the first ones; still mainly direct with initial deals closed with Accenture, Atos, Cap Gemini, Deloitte

**Licences:** the vast majority of the 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 trend is continuing in 2019

**Professional services margin:** the reorganization of 2017 has generated very positive results, with an increase in efficiency and an improved balance of the workloads across the group

# EBITDA BRIDGE



# FROM EBITDA TO NET RESULTS 2017 VS 2018

Year ended 31 December - €/m	2017	2018	Δ
<b>EBITDA</b>	<b>1,0</b>	<b>4,6</b>	<b>3,6</b>
Amortization of Intangible Assets	(7,2)	(7,6)	(0,4)
Amortization of Tangible Assets	(0,2)	(0,2)	0,0
Depreciation	(0,1)	(0,1)	0,0
<b>EBIT</b>	<b>(6,5)</b>	<b>(3,2)</b>	<b>3,3</b>
Financial Income/(Expense)	(0,6)	(0,4)	0,2
Exch. Gains / (Losses) unrealized	(1,6)	0,5	2,1
<b>Result before taxes</b>	<b>(8,7)</b>	<b>(3,1)</b>	<b>5,6</b>
Taxes	0,3	(0,6)	(1,0)
<b>Net Result</b>	<b>(8,3)</b>	<b>(3,8)</b>	<b>4,6</b>

## Amortization +€0.4m.

Higher amortization for intangible assets connected to investments in R&D (+€0.4m).

## Financial Costs €0.4m.

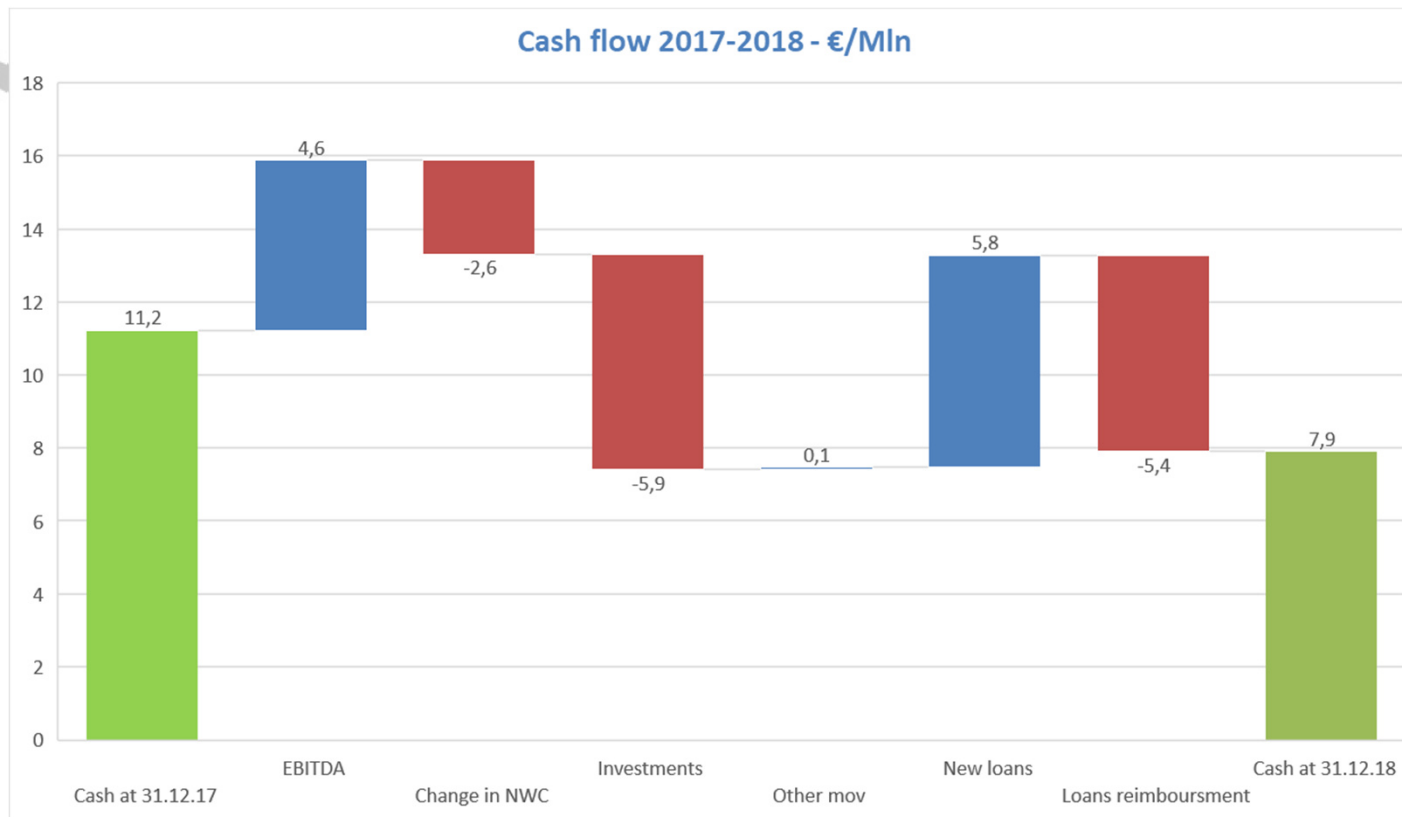
Interests paid on debt are stable, the reduction is due to 2017 exchange losses.

## Unrealized exchange profit for €0.5m.

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

**Taxes** refer the holding company that has turned to profit.

# CASH FLOW BRIDGE



# STRATEGIC GUIDELINES 2019



**Push on indirect channel** with a reinforced team, specific investments and global 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

Upsell across countries in **large multinational customers** to replicate local success stories and to implement new use cases

# THANKS!



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