

Mid&Small 2024

3rd December 2024

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Agenda

- Overview
- Business Plan 2024-2026
- 1H 2024 Key Financials

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Overview

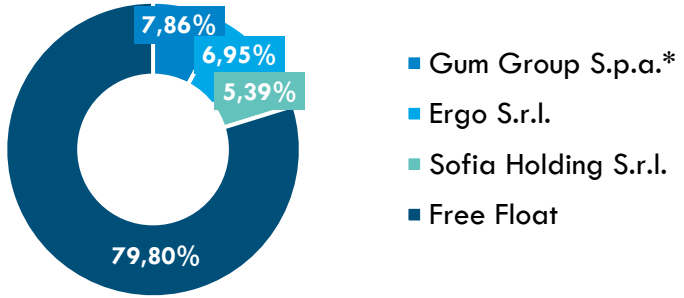
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Expert.ai introduction

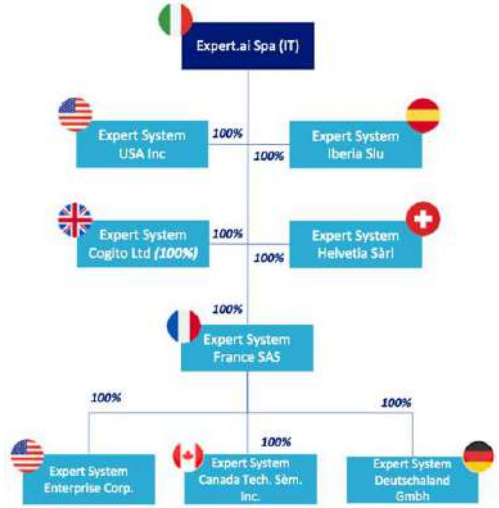
Company overview

- 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, Germany, Canada
- Revenues of ca. € 32M in 2023
- Currently ca. 220 employees globally
- Customers: large corporations, governments and agencies

Company shareholders**



Current company structure (under restructuring)

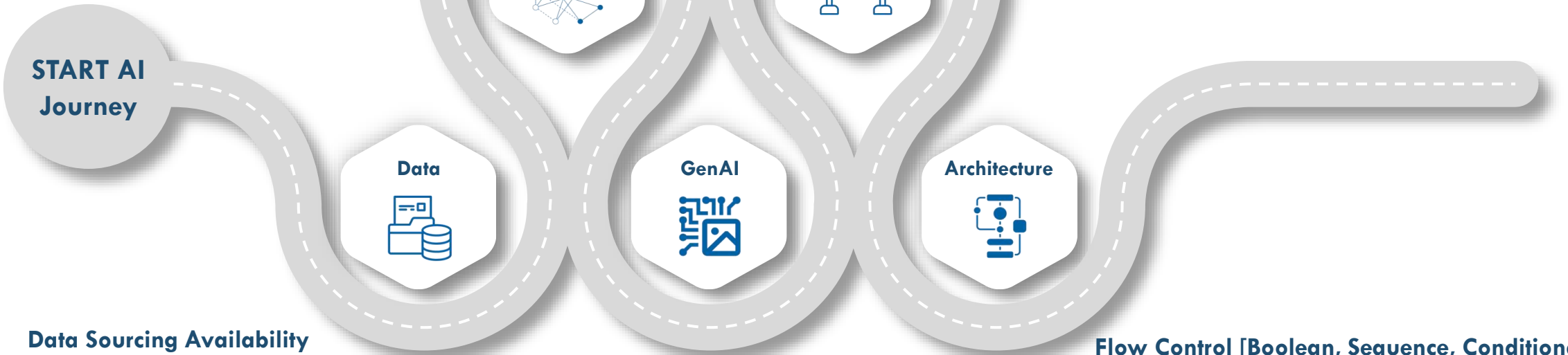


*Company attributable to Dario Pardi

** Press release August 6, 2024

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Guardrails for the Adoption Path



Knowledge Models

Knowledge Graphs

Retrieval-Augmented Generation (RAG)

KM powered prompt engineering

LLM Guard Railing truth layer

Hallucination Control

Data Sourcing Availability

Data Privacy

Data Collection, Cleaning,

Labeling Dataset Generation

Large Language Models

Enterprise Language Models

Flow Control [Boolean, Sequence, Conditional]

Work Environment [Low Code – No code]

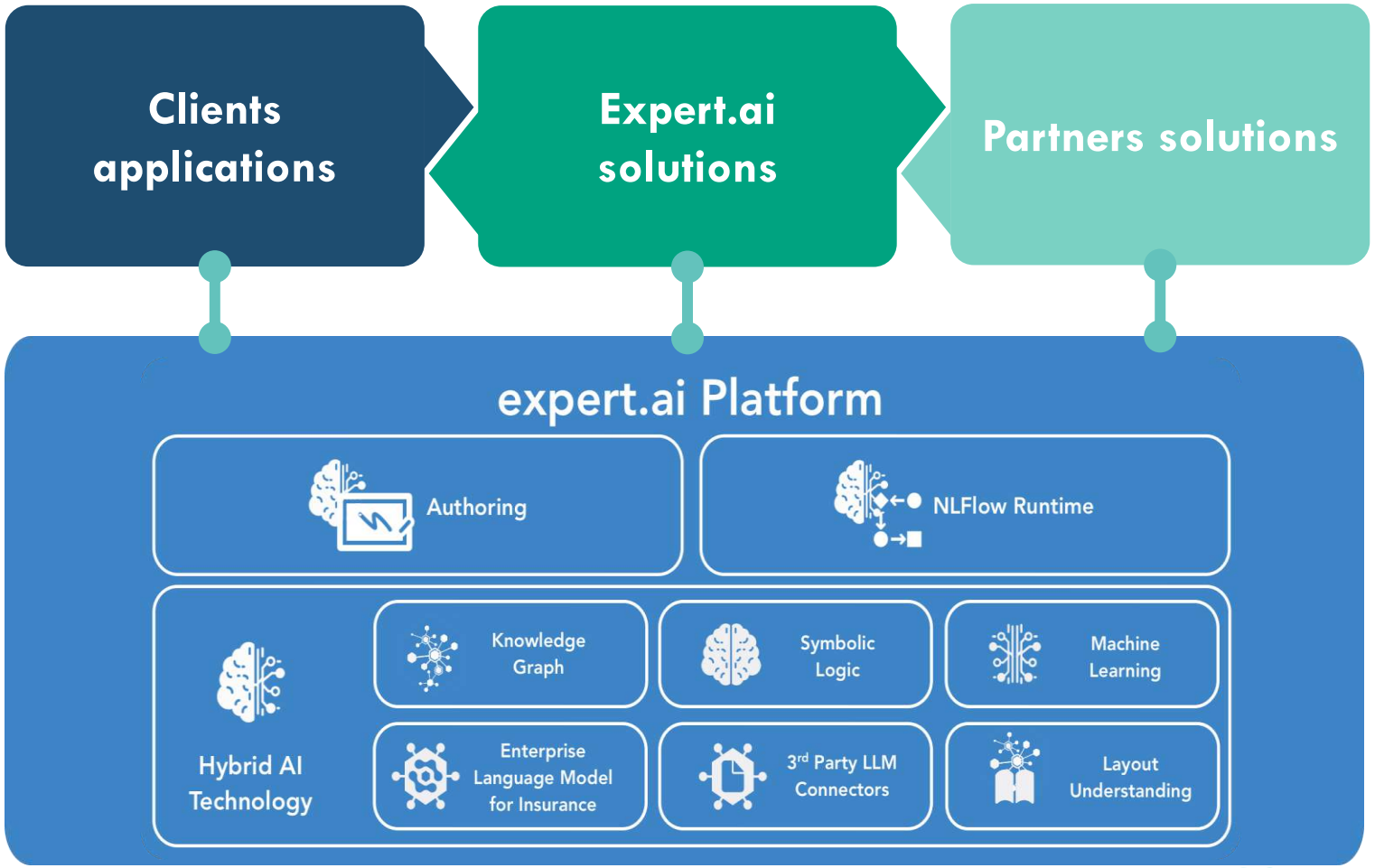
Analytics [Quality control, regression check]

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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)



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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 Group revenues. But its use is also present in other sectors such as energy and pharma.

Line of Business	Key Offerings					Group Revenues
	Consulting	Business process analysis	Knowledge discovery	Augmented intelligence	Digitalization & Automation	
Banking & Finance						●
Insurance						●
Telecoms						●
Energy and Utilities						●
Government & Defense						●
Publishing & Media						●
Healthcare & Pharma						●
Other						●

● *High revenue generation for the Group* ● *Medium revenue generation for the Group* ● *Low revenue generation for the Group*

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



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Main developed Applications for several Markets



Mortgage Onboarding

Contracts and policies Analysis

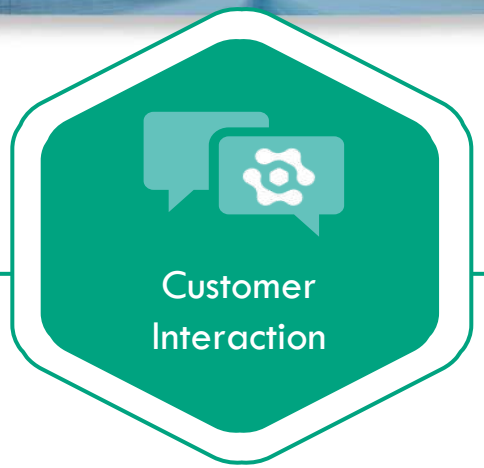
Back Office Automation

Anonymization & Pseudonymization

Claims Management

Content Enrichment

…



Email & Ticket Automation

Chatbot & Virtual Assistants

Customer Service Automation

Customer Analytics

Q&A Search Bot

…



AML/KYC Analysis

Horizon Scanning

Environmental Crimes (ESG)

Regulatory Monitoring

Risk Monitoring

Document Archive

…

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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	-

**Product supplied by partners*

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Use Cases Maturity cross Countries 2/2

	Industry	Offering	Technology Dependency	Country	Installation References
IP Shield	Life Science	License+PS	Plattorm, 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	-

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Business Plan 2024-2026

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Performance of the AI market in Italy

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

90%

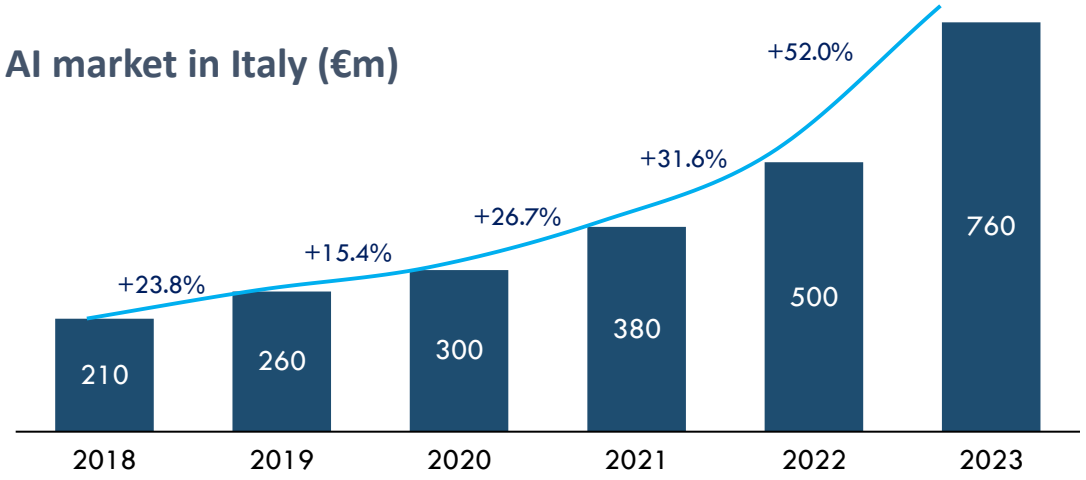
of the AI market in Italy it is due to large companies

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

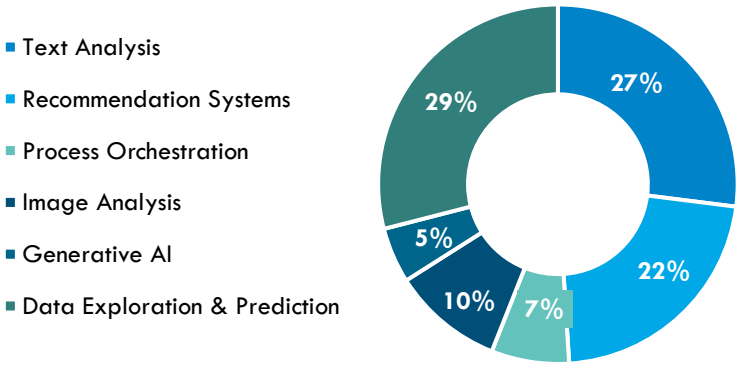
+49%

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)

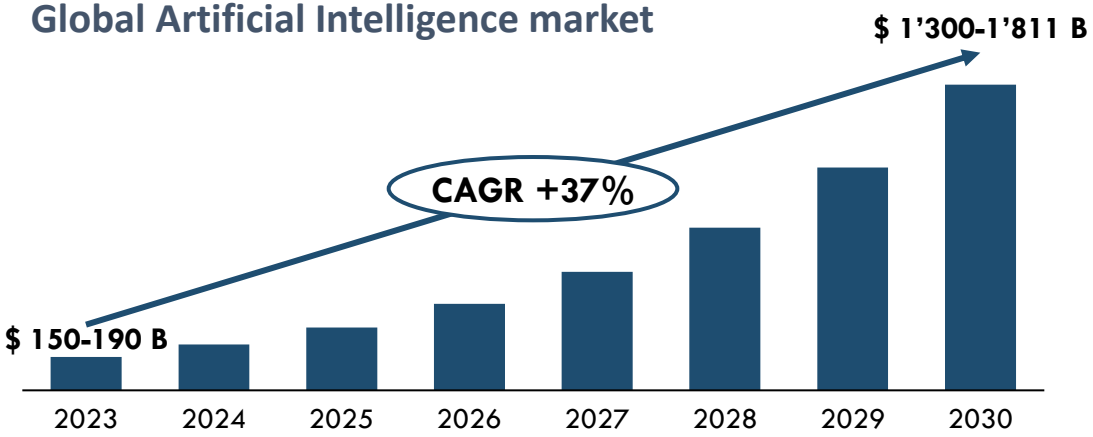
Source: Artificial Intelligence Observatory of the Polytechnic of Milan AI market in Italy

**Demand-side data represents the value of AI products and services purchased by customers.*

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Artificial Intelligence market growth

Global Artificial Intelligence market



Sources: GrandviewResearch, Markets&Markets, IDC, Bloomberg

- **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)

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

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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

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Repositioning Strategy in 2024

Today

Driving through
Transformation and Evolution

2023

Expert.ai *creates technology that transforms language into knowledge and insight*

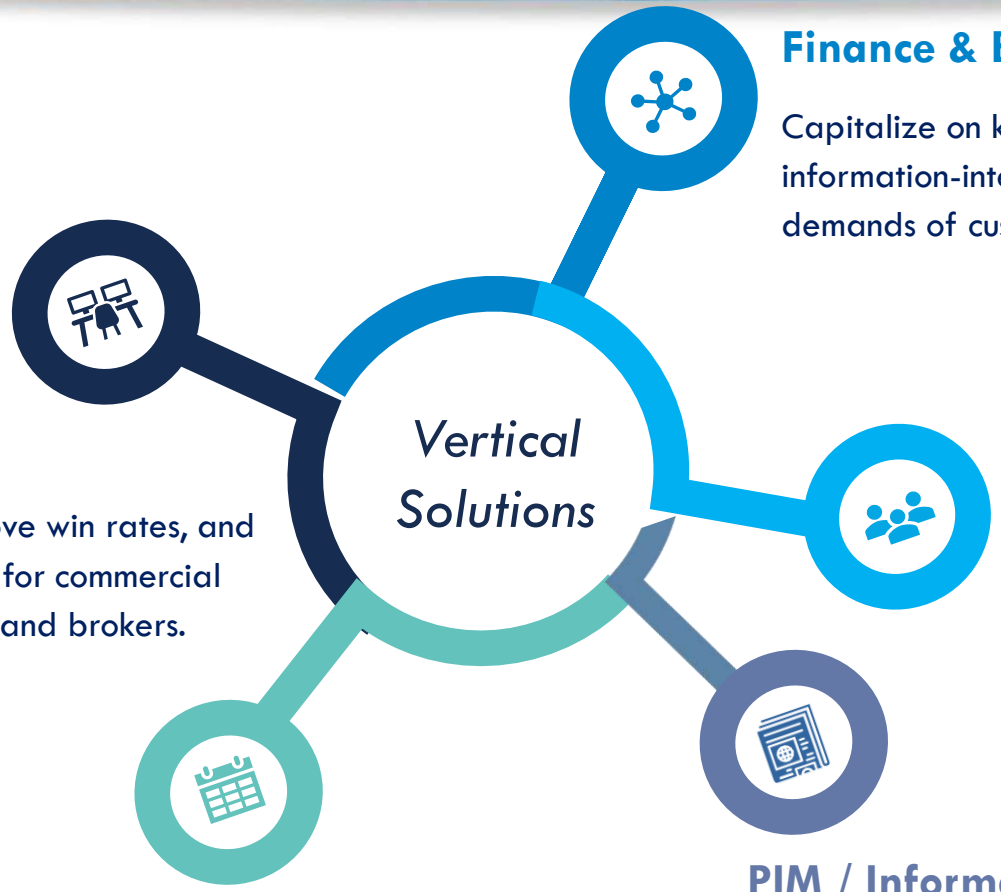
2024

Introducing new solutions designed to drive measurable business value, ensuring that AI innovations align with business outcomes

2025

***Expert.ai** delivers enterprise AI solutions driving measurable business value*

Focus on Vertical Solution based on horizontal framework



Finance & Banking

Capitalize on knowledge and streamline information-intensive processes to meet demands of customers and regulators.

Insurance

Reduce risk, improve win rates, and increase capacity for commercial insurance carriers and brokers.

Enterprise

Leverage the value of information hidden in language for automation, insight and efficiency

Healthcare & Pharma

Make the most of available data to improve R&D, prevent operational risks and enhance the quality of treatment and care.

PIM / Information services

Improve the process of content creation and enrichment, as well as augment manual processes and workflows

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Work in progress – profitability and financial sustainability

Cost restructuring

- Annualized savings achieved of approx. € 4M
- Confirming reaching cost savings targets

Debt renegotiation

- Successful renegotiation of debt terms with majors financing banks. These measures will free up over € 3.5M in 2024 and over € 3M in 2025.

Capital increase

- Successful capital increase of ca. € 30 M in July 2024

Professional services "carve out"

- Work in progress about new management approaches, new organization and new incentives on profitability

New company infrastructure

- Work in progress about processes analysis and optimization, new operative tools, new policies.

Achieved Work in progress

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Work in progress – preparing the ground for the growth

New solutions roadmap

- Implementation of new projects that involve GenAI integration
- Selection of verticals and use cases in progress

New business model & strategy

- Preliminary growth strategy defined
- Customer success program started

Partnerships

- First selection of partners
- Differentiated approach defined by type of partners
- Preliminary definition of combined offering

M&A

- M&A strategy and plan defined
- First screening of possible targets in the Italian market

New Foundation

- First joint venture in evaluation about offering strategic AI consulting

Achieved Work in progress

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1H 2024
Key Financials

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Consolidated Income Statement 1H 2024

€M	1H 2024	1H 2023	Var.	Var. %
Total revenues	12.0	13.1	(1.2)	(9%)
COGS	(4.1)	(5.9)	1.7	(30%)
Gross Margin	**7.8**	**7.3**	**0.6**	**8%**
% Revenue	*66%*	*55%*		
Sales & Marketing	(4.6)	(5.4)	0.8	(14%)
Product & R&D	(2.7)	(4.9)	2.2	(44%)
G&A and management	(3.3)	(3.9)	0.7	(17%)
EBITDA Cash	**(2.8)**	**(7.0)**	**4.2**	**(60%)**
% Revenue	*(23%)*	*(53%)*		
Capitalized R&D expenses	2.0	3.8	(1.9)	(49%)
EBITDA	**(0.8)**	**(3.2)**	**2.3**	**(74%)**
% Revenue	*(7%)*	*(24%)*		
Amortization & Depreciation	(3.7)	(4.1)	0.4	(9%)
EBIT	**(4.5)**	**(7.2)**	**2.7**	**(38%)**
% Revenue	*(38%)*	*(55%)*		
Financial income/expenses	(0.2)	(0.5)	0.3	(58%)
Restructuring expenses	(1.9)	0.0	(1.9)	
Result before Taxes	**(6.6)**	**(7.7)**	**1.1**	**(14%)**
Taxes	0.1	0.0	0.0	9%
Net Result	**(6.6)**	**(7.7)**	**1.1**	**(14%)**
% Revenue	*(55%)*	*(59%)*		

Comparison 1H 2024 vs 1H 2023

- **Revenues** decrease referred mainly to professional services revenue;
- **Gross Margin improvement** thanks to higher focus on projects profitability;
- **Cost reduction** in every department with consequent **positive impact (+€4.2M) on cash EBITDA;**
- **Lower capitalization** of R&D expenses for selected investments;
- Restructuring expenses due to reorganization, savings in the **Personnel costs** and **extraordinary expenses** for capital increase and debt renegotiation.

Restructuring Expenses details 1H 2024 Consolidated

€M	1H 2024
Capital increase	0.2
Debt renegotiation	0.3
Reorganization and legal support	0.3
Total external advisors	**0.7**
Severances	0.3
Overrun payroll	0.9
Total personnel savings	**1.2**
Total restructuring expenses	**1.9**

- Extraordinary expenses for external advisors supporting the capital increase, debt renegotiation and the company reorganization;
- The reduction in staff, from dismissals and resignations not replaced, will result in an annualized **savings in Personnel costs of approximately € 3.8 - 4 million;**
- The current forecast of restructuring expenses for the full year is around € 4M, as by the capital increase Prospectus.

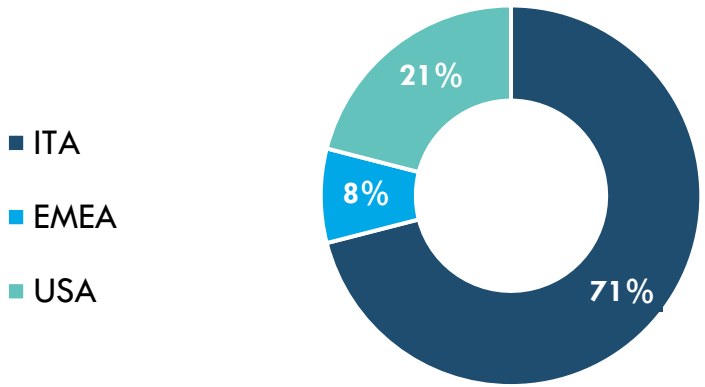
Revenues Breakdown by Segment & Geography – 1H 2024

€M	1H 2024	1H 2023	Var.	Var. %
Licenses	6.1	6.1	(0.1)	(1%)
Professional Services	2.8	3.7	(0.9)	(24%)
Maintenance	1.2	1.5	(0.2)	(16%)
Hosting	0.5	0.6	(0.1)	(12%)
Total Net Revenues	**10.6**	**11.9**	**(1.3)**	**(11%)**
Grants & other	1.3	1.2	0.1	9%
Total revenues	**12.0**	**13.1**	**(1.2)**	**(9%)**

Revenues breakdown by Segment

- **License** almost stable;
- **Professional Services and Maintenance** decreased in the first half, due to a different timing of revenues recognition;
- **Hosting** growing by 61%.

Revenues breakdown by Geography



- **29%** of revenues in the first half generated **abroad;**
- **Strong** performance in Italy;
- The breakdown by geography will change in the second half due to business seasonality and the impact of new licenses revenue from USA.

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Consolidated Balance Sheet 1H 2024

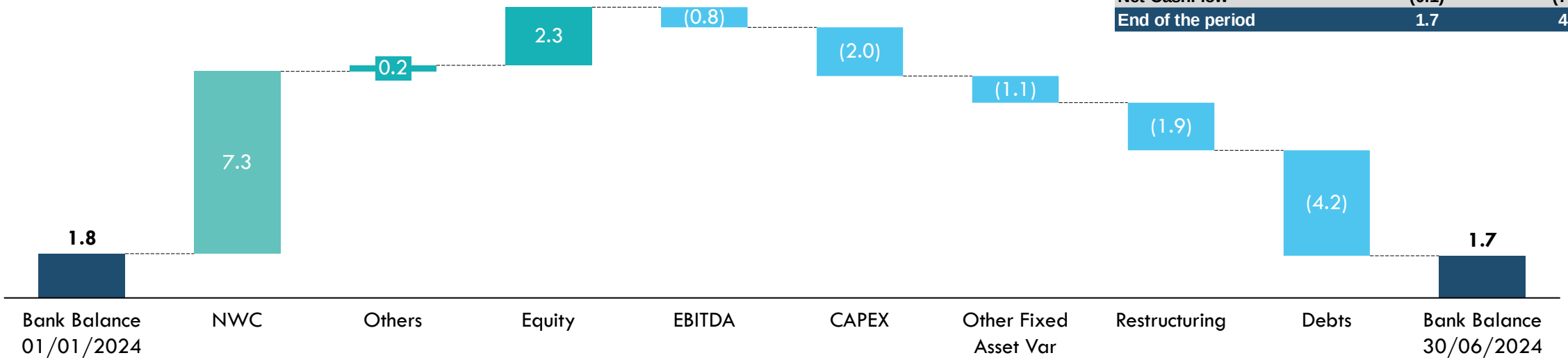
Consolidated Balance Sheet	30/06/2024	31/12/2023	30/06/2023
Trade receivables (long term)	5.0	4.2	4.1
Fixed asset	26.1	27.6	29.5
Fixed asset & Long Term Receivables	**31.1**	**31.8**	**33.6**
Trade receivables	14.0	21.5	14.2
Other receivables	7.0	7.5	8.4
Short-term assets	**21.0**	**29.1**	**22.7**
Short-term liabilities	**(17.9)**	**(17.9)**	**(17.7)**
Net working capital	**3.1**	**11.2**	**4.9**
Medium-long term liabilities	**(8.3)**	**(9.0)**	**(8.6)**
INVESTED CAPITAL	**25.9**	**34.0**	**29.9**
Shareholders' equity	(8.0)	(12.2)	(10.3)
Net financial position	(18.0)	(21.8)	(19.6)
OWN EQUITY AND NET FINANCIAL DEB	**(25.9)**	**(34.0)**	**(29.9)**

- Trade receivables (long term) include invoices to be issued referred to **multiyear contracts;**
- Significant **trade receivables** decreased due to business seasonality, revenue are concentrated in H2.
- **Capital increase (ca. €30M)** has been finalized in July 2024;
- **NFP** a debt rescheduling with major banks has been achieved with a positive effect on cash burn **for more than €3.5 M in 2024 and € 3M in 2025.**

Cashflow 1H 2024

- **Positive Free Cashflow** +€1.8M in the first half 2024;
- **Receivable and payables mitigation** improved the NWC +€6.3M (vs 1H 2023);
- Equity improved due to **advanced of capital increase** in June for €2.2M.

€M	1H 2024	30/06/2023
Beginning of the period	**1.8**	**12.0**
EBITDA	(0.8)	(3.2)
NWC	7.3	1.0
Others Operating	0.2	0.2
Restructuring Cost	(1.9)	0.0
Capex	(2.0)	(4.1)
Other Fixed Asset Var	(1.1)	2.4
Free CashFlow	**1.8**	**(3.6)**
Debts	(4.0)	(4.2)
Financial Interests	(0.2)	(0.5)
Equity	2.3	0.5
Net CashFlow	**(0.1)**	**(7.8)**
End of the period	**1.7**	**4.2**



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