



HY 2018 Consolidated Results

2nd October 2018

Agenda

- **BUSINESS & TECHNICAL HIGHLIGHTS**
- **HY 2018 CONSOLIDATED RESULTS**

HY 2018 business highlights

New customers in all verticals (Insurance, Finance, Intelligence and others) and countries and relevant upsells on new customers added in 2017

Key strategic wins in **Process Automation** and **information intelligence** scenarios fully leveraging **Cogito** depth and richness

Additions of **new partnerships** at global and local level: traditional system integrators, strategic consulting firms and vendors.

HY 2018 technology highlights

Release of two products for the Insurance market:

- **Cogito for Claims**
- **Cogito for Underwriting**

Strong focus on **components**: enrichment of **vertical components** for **specific industries** and **use cases** to simplify the work of partners in implementing Cogito based solutions for their customers

New version of **Cogito Intelligence Platform**

Richer and deeper **coverage of languages**

Market validation



Gartner

Gartner

Magic Quadrant for Insight Engines - 2018

FORRESTER

Forrester Wave

AI-based Text Analytics Platforms - Q2 2018

Forrester Report

Now Tech: AI-Based Text Analytics Platforms - Q2 2018

Now Tech: Social Listening Platforms - Q2 2018

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



HY 2018 at a glance

The first semester of 2018 had very good results and shows:

- Revenues reached **€12.9m**, compared to €8.4m in 2017 (**+52.4%**)
- Positive EBITDA equal to **€0.1m** compared to a negative EBITDA of €4.0m in 2017 (**+€4.1m**); adjusted EBITDA after one-off costs is **€0.6m**
- Value of production equal to €15.9m, compared to €11.7m in 2017 (+€4.2m)
- Negative net result for €3.7m, which includes €3.6m of depreciations, compared to €7.6m in 2017 (+€3.9m)
- Net financial position for €10.0m with more than €9.4m in cash

Financial Headlines HY 2018 vs HY 2017

Half Year - €/m	HY 2017	HY 2018	Δ
Revenues	8,4	12,9	52,4%
Value of Production	11,7	15,9	35,3%
EBITDA	(4,0)	0,1	101,8%
<i>Margin%</i>	-33,9%	0,4%	
EBIT	(7,3)	(3,6)	51,1%
<i>Margin%</i>	-62,1%	-22,5%	
Net Earning	(7,6)	(3,7)	-50,9%

Revenue increase of €4.4m mostly transferred to the EBITDA improvement €4.1m: Growing sales with almost flat operating costs. The increase also reflects a better distribution of revenue throughout the year.

Positive EBITDA €0.1m in HY 2018 compared to -4 of HY 2017

Net Working Capital	1,4	5,0	3,6
Total Invested Capital	23,5	25,2	1,7
Net Financial Position	13,8	10,0	(3,9)
Total Equity	9,7	15,2	5,6

Adjusted EBITDA €0.6m considering one-off costs for restructuring of €0.5m

Improved financial position at €10.0m compared to the same period in 2017

Investments	(2,5)	(2,4)	0,1
Sales abroad (%)	61%	54%	-7%

Value of Production (VoP) breakdown

€m	HY 2017	HY 2018	Δ%
Sales	8,5	12,9	51,5%
Grant	0,4	0,6	32,5%
Capitalised Costs (R&D)	2,5	2,3	-7,3%
Other revenues	0,3	0,1	-66,9%
Value of Production	11,7	15,9	35,3%

Grants equal to €0.6m, showing an increase that depends on projects won and authorized by Public Entities.

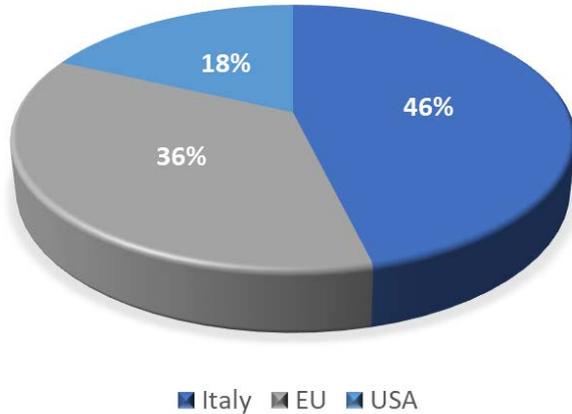
R&D at €2.3m. Stable investments in Cogito and related products.

VoP +35.3% vs HY 2017, €4.4m higher turnover achieved

License & Maintenance. Commercial focus on major clients and recurring licences. Increase in revenue mainly for Banking & Insurance, Media, Intelligence & Government.

Revenues by region

REVENUES HY 2018



54% of sales are abroad, 36% in Europe and 18% in USA.

Some growth highlights:

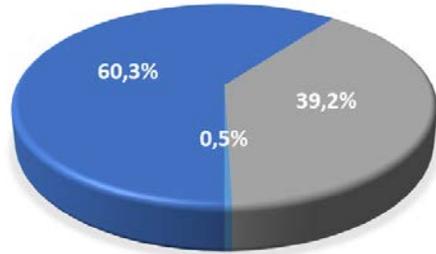
- Italy: **+81%**
- UK: **+434%** reaching **5%** of total revenues
- Spain: **+12%**
- Switzerland: **+186%**

Huge results in Italy due to some important new projects.

Very good results also in foreign markets like UK, Spain and Switzerland.

Revenues by type HY 2018 vs HY 2017

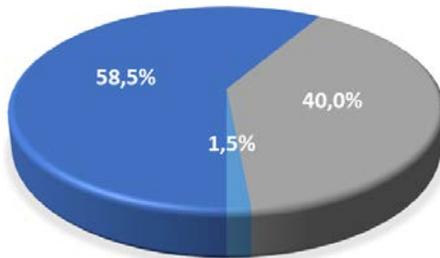
REVENUES HY 2017



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

Recurring licenses 33%
Perpetual licenses 67%

REVENUES HY 2018



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

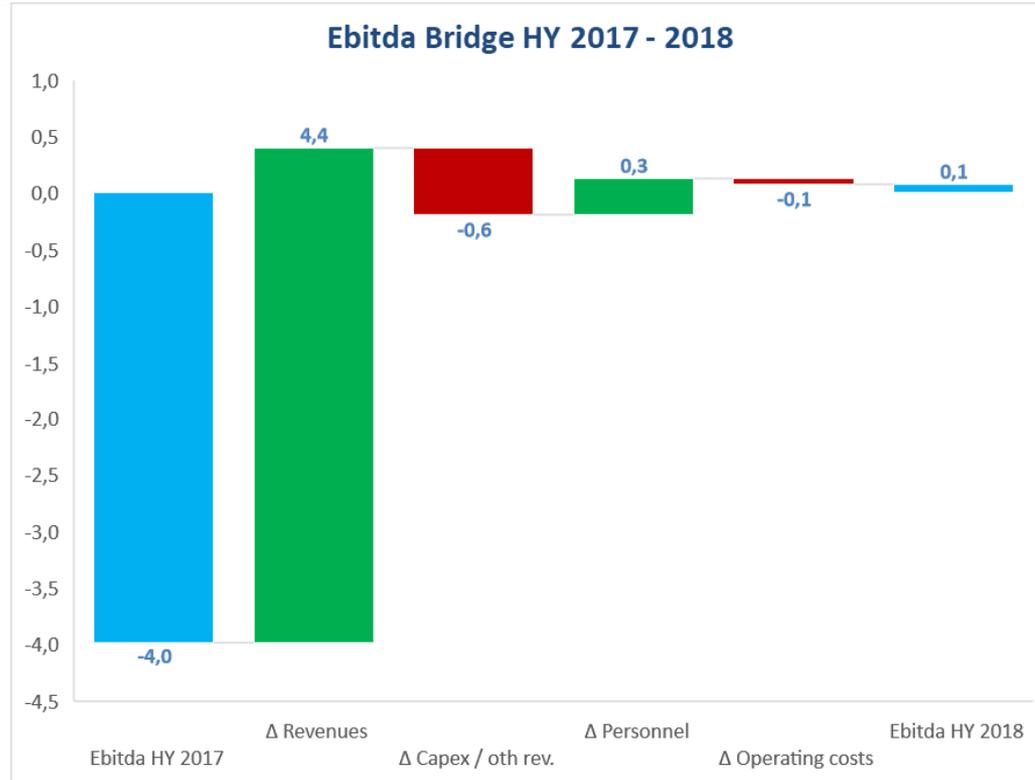
Recurring licenses 79%
Perpetual licenses 21%

Strategic Sales: The focus is moving more and more to bigger, strategic deals with multinational companies in selected markets.

Annual Licences: The huge shift from perpetual license to recurring, annual fees is accelerating. This is an important indicator that shows that we are pursuing and achieving one of our strategic goals.

Professional services margin: The global PS team has been reorganized during 2017 to better balance the workload in different markets and verticals and to increase its efficiency.

EBITDA bridge HY 2017 → HY 2018



From EBITDA to Net Result HY 2017 vs HY 2018

Half Year - €/m	HY 2017	HY 2018	Δ
EBITDA	(4,0)	0,1	4,1
Amortization of Intangible Assets	(3,2)	(3,5)	(0,4)
Amortization of Tangible Assets	(0,1)	(0,1)	0,0
Depreciation	(0,0)	0,0	0,0
EBIT	(7,3)	(3,6)	3,7
Financial Income/(Expense)	(0,2)	(0,2)	0,0
Exchange Losses unrealized	(1,1)	0,3	1,5
Result before taxes	(8,7)	(3,5)	5,2
Taxes	1,0	(0,3)	(1,3)
Net Result	(7,6)	(3,7)	3,9

Amortization +€0.4m.

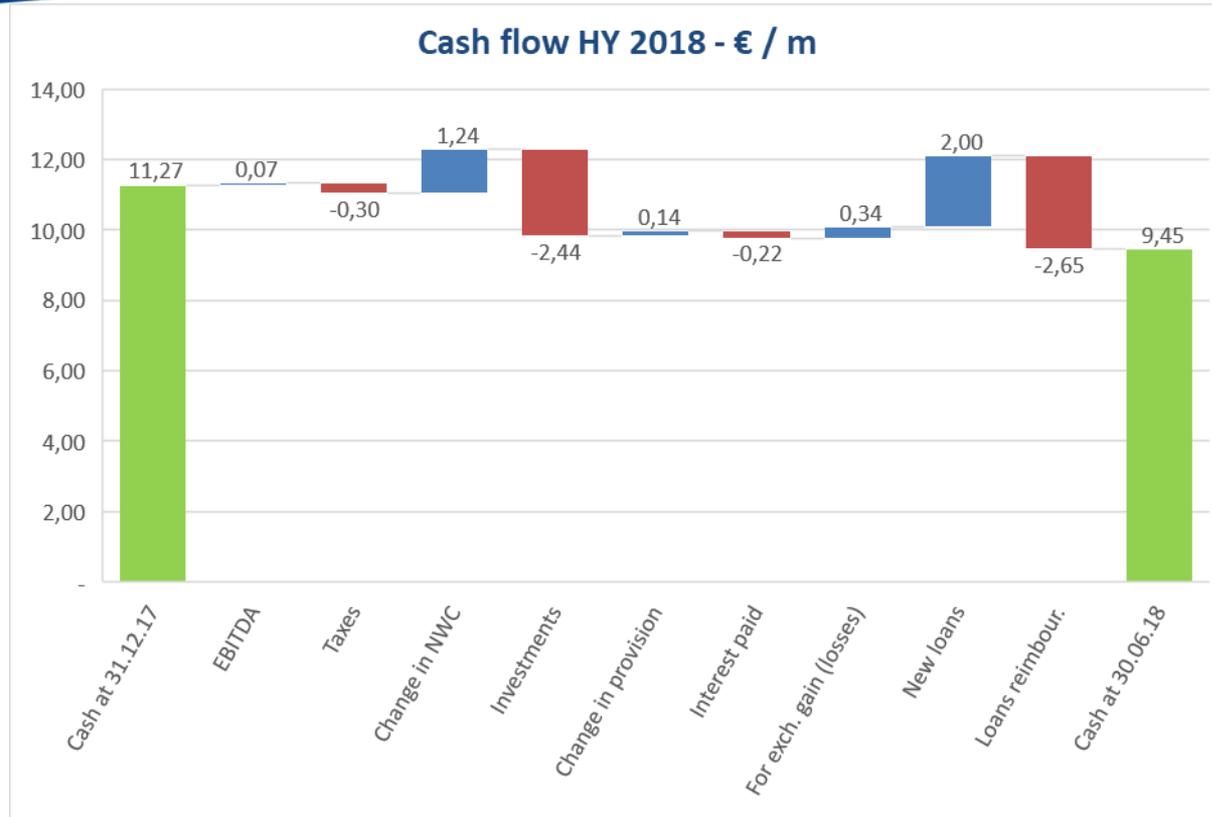
Higher amortization for intangible assets connected to investments in R&D.

Financial Costs €0.2m are under control with a low interest rate.

Not realized exchange profit for €0.3m. Mostly referred to €/€ rate mainly due to intercompany exposure.

Taxes refer to the result of the holding company.

Cash Flow bridge



Financial highlights 2018-2019

Year ended 31 December - €/m	2017	HY 2018	2018	2019
Revenues	25,6	12,9	28,5 - 30	33 - 34,5
Value of Production	32,8	15,9	35,5 - 37	39,8 - 41,3
EBITDA	1,0	0,1	4,0 - 5,0	7,0 - 8,0
<i>Margin%</i>	3,2%	0,4%	11,3% - 13,5%	17,6% - 19,4%
EBIT	(6,5)	(3,6)	(3,7) - (2,7)	(1,1) - (0,1)
<i>Margin%</i>	-19,8%	-22,5%	-10,4% - 7,3%	-2,8% - 0,2%
Net Earning	(8,3)	(3,7)	(4,6) - (3,9)	(2,3) - (1,6)
Net Financial Position	8,8	10,0	13,6 - 12,9	13,0 - 12,0

We confirm the guidelines presented on March 2018; we are confident to achieve our goals considering:

- Actual results of the first semester 2018
- The new and more efficient organizational structure and commercial offer that allows us to leverage existing resources

Strategic guidelines 2018-2019

Key directions:

- **Grow market penetration** in existing markets with the current offering, in particular in **USA, Germany and France**
- Scale marketing activities on a **global level**
- Speed up the creation of the structured **indirect channel**
- **Productize Cogito solutions** for specific vertical markets (like insurance) for both direct and indirect
- Target **large multinational customers**, with a strong focus on the finance and insurance sectors
- **Increase recurring licenses** vs perpetual licenses
- Leverage the skilled professional service team (mainly based in Italy) to **increase margins and profitability of projects**

Q&A



Thank you!

www.expertsystem.com



[linkedin.com/company/expert-system](https://www.linkedin.com/company/expert-system)



twitter.com/Expert_System



info@expertsystem.com

Disclaimer

This presentation contains forward-looking statements regarding future events (which impact the Expert System's future results) that are based on current expectations, estimates and opinions of management.

These forward-looking statements are subject to risks, uncertainties and events that are unpredictable and depend on circumstances that might change in future. As a result, any expectation on Expert System results and estimates set out in this presentation may differ significantly depending on changes in the unpredictable circumstances on which they are based.

Therefore, any forward-looking statement made by or on behalf of the Expert System refer on the date they are made.

Expert System shall not undertake to update forward-looking statements to reflect any changes in the Company's expectations or in the events, conditions or circumstances on which any such statements are based. Nevertheless, Expert System has a "profit warning policy", in accordance with Italian laws, that shall notify the market (under "price-sensitive" communication rules) regarding any "sensible change" that might occur in Company expectations on future results.