



Expert System Announces “Path to Lead” Strategic Plan for 2020-2024

The plan focuses on leveraging Artificial Intelligence market momentum to scale up business in the US and boost global growth around Natural Language Understanding and Natural Language Processing

Modena, June 9, 2020

The [Expert System](#) Board of Directors today approved the 2020-2024 Strategic Plan, which focuses on the Company’s growth path in the Artificial Intelligence (AI) market, with anticipated 2024 revenues of €100 million and EBITDA of €22 million.

Walt Mayo, Expert System Group CEO, commented:

“Expert System is uniquely positioned to become the global leader in applying Artificial Intelligence to unlock the value of language across a range of industries and technologies. The application of AI to augment language insight and understanding at speed and scale will become core to the way that almost every business operates. Expert System knows what it takes to drive real value through practical AI language solutions.

We will invest in our core technology to make it the most intuitive, comprehensive and robust platform for AI language understanding in the market. By joining best-in-class language understanding technology with simplified tools and workflows for solutions in the enterprise or technology stack, we will accelerate time to value for our current verticals and an expanded market of users.

Our investment in sales and marketing in the US will fuel our growth and add to the strong and growing base of customers in Europe. We also see partners emerging as a core part of our go-to-market model to expand our reach and serve customers as part of their larger digital transformation.”

Approval of 2020-2024 Strategic Plan

Expert System’s 2020-2024 plan is aimed at accelerating the company’s global growth in order to take advantage of the Artificial Intelligence (AI) market’s continued growth. Technology and solutions that leverage Natural Language Understanding and Processing (NLU/NLP) will be critical for helping businesses make better decisions and automate processes.

With a strategy built on its AI-based NLU/NLP strengths, Expert System aims to broaden its available market and revenue streams as well as scale faster and more efficiently than other technology vendors using alternative approaches. The main focus will be on enhancing the proprietary platform and tools to further allow easier and widespread adoption of AI through an ‘easy to design, build and operate’ approach, enabling the Company to become the **global platform of reference for AI-based natural language problem solving**.

The Company plans to **simplify its proprietary technology** to allow easier, more pervasive adoption by a wider user community, and it will provide **tools and workflows** to design, build, deploy and manage natural



language solutions at enterprise scale. These developments will further **enable a hybrid approach that leverages the company’s unique mix of natural language understanding and machine learning algorithms and other models** for best-in-class techniques that speed deployment, improve performance and reduce time and costs.

Marco Varone, Expert System Group CTO, commented:

“By leveraging our solid technical expertise, unique know-how and practical Artificial Intelligence experience, and having solved hundreds of real business cases, we are expanding our unique mix of AI algorithms to evolve our platform and tools as the world’s leader in addressing the complete life cycle of NLU challenges.

All of the different techniques will be integrated in a unified approach that will allow every type of user to focus on the implementation of the solution in the fastest and easiest way, without the need to be an expert in machine learning or linguistics. At the same time, the experts will find that the platform offers all of the power they need to solve more complex problems with both established and innovative capabilities.”

The revenue forecast is primarily based on high-potential markets, especially in the US, that offer major growth margins and a flourishing innovation ecosystem that can sustain Expert System’s plan to scale, grow and succeed. Major investments will be focused on the overall go-to-market strategy where the Company expects to hire skilled professionals in marketing and sales.

Under the plan, Expert System aims to achieve total revenues of €100 million with EBITDA of €22 million (31.7% CAGR) in 2024.

Amounts in millions of Euro

€/Million	2020	2021	2022	2023	2024	2020-2024 CAGR
Revenues*	33	34	48	68	100	32%
EBITDA	2	(5)	(0.4)	9	22	

(*) Revenues include contributions for Research and Development.

The goal for SaaS/Recurring revenues is 79% of total 2024 revenues (63% CAGR), including 52% from the United States (116% CAGR). As a result, Professional Services Revenues are expected to reduce from the current 36% of total revenues to less than 13% in 2024.

The 2020-2024 Strategic Plan will be developed in three phases:



- The first phase, covering 2020-2021, will focus on optimizing the go-to-market strategy and the new platform that underpins the plan, taking into account the high degree of uncertainty at the international level as a result of the COVID-19 crisis;
- The second phase, covering 2022-2023, will be characterized by high growth following the investments made in both sales and marketing (in terms of human resources and projects) and technology;
- The third phase, starting from 2024, is expected to see a strong increase in revenues and margins, generating positive cash flow.

Significant investments are expected for R&D, with an estimated €51 million, and for sales and marketing activities, for a total of around €117 million. This will also involve net accumulated cash of €30 million, which will be raised through various financial instruments, including from the capital increase, which will be proposed at the next Shareholders' Meeting, for a maximum of €25 million.

The presentation of the 2020-2024 "Path to Lead" Plan will be made available to the public on the Company's website, www.expertsystem.com, in the Investor Relations section, on June 11, 2020, when the notice of call of the Shareholders' Meeting is published.

Other resolutions

To support its continued growth and adoption, the Expert System Board of Directors also resolved to take the following actions:

- Proposal to grant the Board of Directors a proxy to increase the share capital by a maximum amount of up to €25 million, based on the financial resources needed to sustain the 2020-2024 plan, which is aimed to scale up the business in the US, to expand globally and to aggressively increase hiring to expand sales and marketing capacity to take advantage of AI market opportunities;
- Approval of the '2020-2023 Stock Grant Plan' and the '2020-2023 Stock Option Plan' to reward employees and to attract new, highly qualified professionals to ensure both medium- and long-term support for the 2020-2024 Strategic Plan.

Proposal of a share capital increase to sustain the Strategic Plan

The Board of Directors approved the plan to appoint a proxy to the administrative body, in accordance with articles 2443 and 2420-ter of the Italian Civil Code, to increase the share capital and issue convertible bonds (also excluding option rights pursuant to article 2441, paragraph 5 of the Italian Civil Code) for an overall amount of €25 million. The Board of Directors, following the shareholders' meeting resolution and depending on market conditions, will propose to partially exercise the proxy and execute it by July 2020. The Board of Directors therefore agreed to convene the Ordinary and Extraordinary Shareholders' Meeting for approval of the above on June 26, 2020 (first call) and on June 29, 2020 (second call).

The report illustrating the capital increase proposal will be made available to the public at the Company's registered office and in the Investor Relations section of the website at www.expertsystem.com, within the time interval specified by law (as detailed in the notice itself.)



'2020-2023 Stock Grant Plan'

The '2020-2023 Stock Grant Plan' represents a significant loyalty-building tool to reward employees and ensure that the interests of staff are aligned with those of shareholders over the medium to long term. This will also serve to attract new, highly qualified professionals to support the goals of the Strategic Plan.

The '2020-2023 Stock Grant Plan' is aimed at the employees of Expert System and its subsidiaries and provides for the allocation of a maximum 3,200,000 ordinary Company shares to the beneficiaries, free of charge (at a ratio of 1:1). This benefit is subject to the achievement of specific business performance and/or personal objectives, set periodically for each beneficiary, in each of the four financial years ending at December 31, 2020, 2021, 2022 and 2023, respectively. The Plan offers additional remuneration/bonuses for company staff linked to the trend of the stock exchange value of Expert System shares. In accordance with article 2349 of the Italian Civil Code, a free increase of the share capital is envisaged, up to a maximum amount of €32,000 through the issue of a maximum of 3,200,000 new ordinary shares without nominal value to be used for the '2020-2023 Stock Grant Plan.' The free increase in capital requires the use of an available reserve, which was identified by the Board of Directors as the Expert System 'extraordinary reserve' (including the allocation of 2019 net profit resolved by the Board of Directors on March 27, 2020) of around €4.6 million. The Expert System ordinary shares allocated in accordance with the '2020-2023 Stock Grant Plan' will be subject to a lock-up of 90 days from the date of assignment. The Plan, based on the allocation of ordinary shares generated by a free capital increase achieved by drawing on the Company's available reserves, if all of the maximum 3,200,000 shares are issued, entails a diluting effect of 7.2% on the Expert System share capital and its shareholders on the date the Plan is approved.

'2020-2023 Stock Option Plan'

In line with common practice on financial markets, the '2020-2023 Stock Option Plan' represents a tool for rewarding, attracting and building the loyalty of beneficiaries and is aimed at ensuring direct involvement in the value creation process by those who contribute to the Group's growth and development, as well as to align the interests of parties that may be strategic for the Company, by orienting key company resources toward strategies aimed at achieving the goals of the Expert System 2020-2024 Strategic Plan.

The '2020-2023 Stock Option Plan' is aimed at members of the Board of Directors, employees, agents and consultants of Expert System and its subsidiaries, and it envisages the free allocation of 1,800,000 option rights conditional on subscribing, at a price agreed upon beforehand, of Expert System ordinary shares (at a ratio of 1:1). The entitlement to the option rights is subject to the achievement of specific business performance and personal objectives set periodically for each beneficiary. Options will be assigned on a personal basis and are non-transferable. In accordance with article 2441, paragraph 5 of the Italian Civil Code, an increase of the share capital against payment is envisaged, on a divisible basis and excluding option rights, up to a maximum amount that will be determined after calculation of the strike price, which will be calculated based on the weighted average of the last three months of the value of the security at the market close the day before the Shareholders' Meeting, applying a discount consistent with the best market practices through the issue of a maximum of 1,800,000 new ordinary shares without nominal value, to be used for the '2020-2023 Stock Option Plan.' The "2020-2023 Stock Option Plan," if all of the maximum 1,800,000 shares are issued, implies diluting effects of 4.2% on the share capital of Expert System and its shareholders at the date that the plan is approved.



The '2020-2023 Stock Option Plan', like the '2020-2023 Stock Grant Plan,' is structured into four allocating periods corresponding to the next four Expert System financial years. For each period, each beneficiary must achieve performance and/or personal objectives, which will be determined by the Board of Directors at the time the options are allocated. The Expert System ordinary shares subscribed in accordance with the '2020-2023 Stock Option Plan' will be subject to a lock-up of 90 days from the date when the said shares are credited.

It should also be noted that for both incentive plans, the related "Procedure for Related Party Transactions" adopted by the Company, where applicable due to the nature of the beneficiaries of the respective plans, will not apply, as it would fall within a case of exclusion expressly provided for by the aforesaid procedure.

For further information on the proposals that will be submitted for examination and resolution at the next Shareholders' Meeting, in ordinary and extraordinary session as described above, please refer to the Directors' Explanatory Report, which will be made available to the public at the Company's registered office and on the website, in the same section indicated above, within the terms of the law or upon publication of the notice calling the Shareholders' Meeting.

About Expert System

Expert System is a global leader in artificial intelligence applied to text. Its flagship platform provides a unique mix of natural language understanding and machine learning algorithms to help organizations bring human-like comprehension of any kind of text to accelerate business processes, enhance knowledge discovery and improve decision making. Headquartered in Italy (EXSY:MIL), Expert System operates throughout Europe, the Americas, Canada and the Middle East across a vast range of sectors and use cases including content enrichment, customer care, compliance, third party risk mitigation and intelligence applications. It has cemented itself at the forefront of the artificial intelligence sector, working with global businesses such as AXA XL, Lloyd's of London, Zurich Insurance Group, Generali, Bayer, Bloomberg BNA, BNP Paribas, Rabobank, Dow Jones, Gannett, IMF and EBSCO.

For more information visit <https://expertsystem.com>. Follow us on [LinkedIn](#) and [@Expert_System](#) on Twitter.

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