EXPERT SYSTEM

SEPTEMBER 29, 2020

1H 2020 Financial Results
"Path to Lead" Strategic Plan Update

AGENDA

Introduction/Welcome

- Stefano Spaggiari, Executive Chairman

H1 2020 & Update

- Walt Mayo, CEO

Marketing Update

- Keith C. Lincoln, CMO

Go-to-Market Update

- Colin Matthews, CRO

Product Roadmap

- Marco Varone, CTO

1H FINANCIAL RESULTS

X

HY 2020 AT GLANCE

- Revenues* amount to €9.5m, compared to €11.8m in 2019 (-19.2%)

- Value of production equal to €13.7m compared to €15.4m in 2019 (-€1.6m)

- Recurring licences ~80% of total

- Partner revenue ~10%

- EBITDA equal to -€4.6m against -€ 0.4m 2019 – effect of lower revenue and planned growth spend

- Negative net result of -€3.1m against of -€4.0m in 2019,
- -€3.3m of depreciation
- +€5.1m of capital gain, compared to negative value.

- Net financial position of -€3.8m (with -€31.6m of cash), compared to +€2.8m (with -€21.7m of cash) at the end of 2019 and to +€5.7m (with -€16.9m of cash) at the mid of 2019.

In this document "revenues" or "sales" stand for "revenues net of change of inventories"

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FINANCIAL HEADLINES (HY 2020 VS HY 2019)

First semester - €/m	ACT HY 2019	ACT HY 2020	ACT vs ACT Δ	Δ %
Revenues	11.8	9.5	(2.3)	-19.2%
Value of Production	15.4	13.7	(1.6)	-10.6%
Costs	(15.8)	(18.3)	(2.5)	15.9%
EBITDA	(0.4)	(4.6)	(4.1)	953.2%
EBIT	(4.2)	(7.8)	(3.6)	85.4%
Net Earning	(4.0)	(3.1)	1.0	-24.1%
Net Working Capital	5.5	5.5	(0.1)	-1.1%
Total Invested Capital	23.5	17.2	(6.3)	-26.9%
Net Financial Position	5.7	(3.8)	(9.5)	-167.6%
Total Equity	17.9	21.0	3.2	17.8%

Revenues at €9.5m drop of 19% due to the general slow down of economy after the Covid-19 pandemic.

The revenues of the first half of the year historically represent approximately one third of the annual amount.

Costs at €18.3 increased by 15.9% and are in line with the BP. These higher costs refer to R&D expenses and to new technical & commercial personnel, as a result of the implementation of the strategic plan "Path to Lead".

Net financial position at €-3.8m benefits from the capital increase of €3m in May and the disposal of the investment in CY4Gate for €5.4m

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FROM EBITDA TO NET RESULTS (HY 2020 VS HY 2019)

First semester - €/m	ACT HY 2019	ACT HY 2020	ACT vs ACT Δ	Δ %
EBITDA	**(0.4)**	**(4.6)**	**(4.1)**	**953.2%**
Amortization of Intang. Assets	(3.7)	(3.2)	0.5	-14.1%
Depreciation of Tang. Assets	(0.1)	(0.1)	0.0	-2.5%
Depreciation	0.0	0.0	0.0	
EBIT	**(4.2)**	**(7.8)**	**(3.6)**	**85.4%**
Financial Income/(Expense)	(0.2)	(0.3)	(0.1)	25.1%
Exchange Losses unrealized	0.2	(0.3)	(0.5)	-228.4%
Capital gain from disposal	0.0	5.1	5.1	
Result before taxes	**(4.3)**	**(3.2)**	**1.0**	**-24.1%**
Taxes	0.2	0.2	(0.1)	-24.0%
Net Result	**(4.0)**	**(3.1)**	**1.0**	**-24.1%**

Amortization +€0.5m.

Amortization is mainly related to R&D costs (€2.5m).

The consolidation difference resulting from the acquisitions has been fully amortized in 2019.

Financial Income and expense €0.3m.

Interest paid on debt is slightly higher due to higher financial debt.

Capital gain from disposal of investment.

Sale of the shareholding in CY4GATE, which successfully concluded IPO placement. The participation was sold for a consideration of € 5.4 m.

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Fundraising for strategic plan implementation

- On May 14, 2020 Expert System successfully raised € 3 m ($ 3.5 m) closing the Capital Increase of € 10 m approved in April 2019.

- On June 19, 2020 Expert System sold its minority shareholding (17%) of CY4GATE, a company established in 2014 with Elettronica S.p.A., which operates in the cybersecurity industry. Shares were sold for a consideration of € 5.4 m ($ 6.3 m). The sale of the equity investment in CY4GATE is in line with the objectives underlying the 2020-2024

- "Path to Lead" strategic plan: Expert System will use sales resources to further accelerate the strengthening of its business in the United States and of the Group's global growth.

- On July 30, 2020 Expert System has successfully raised € 25 m ($ 29.4 m) in the latest round of funding, which includes € 17 m ($ 20 m) raised through institutional investors and € 8 m ($ 9.4 m) through the exercise of shareholder option rights (event not included in the numbers of the first half).

MARKET RECOGNITION

Best Overall Natural Language Processing Company

Forrester Wave AI-Based Text Analytics Platforms, Q2 2020

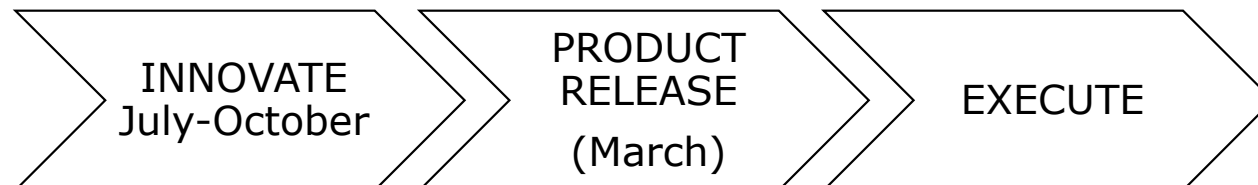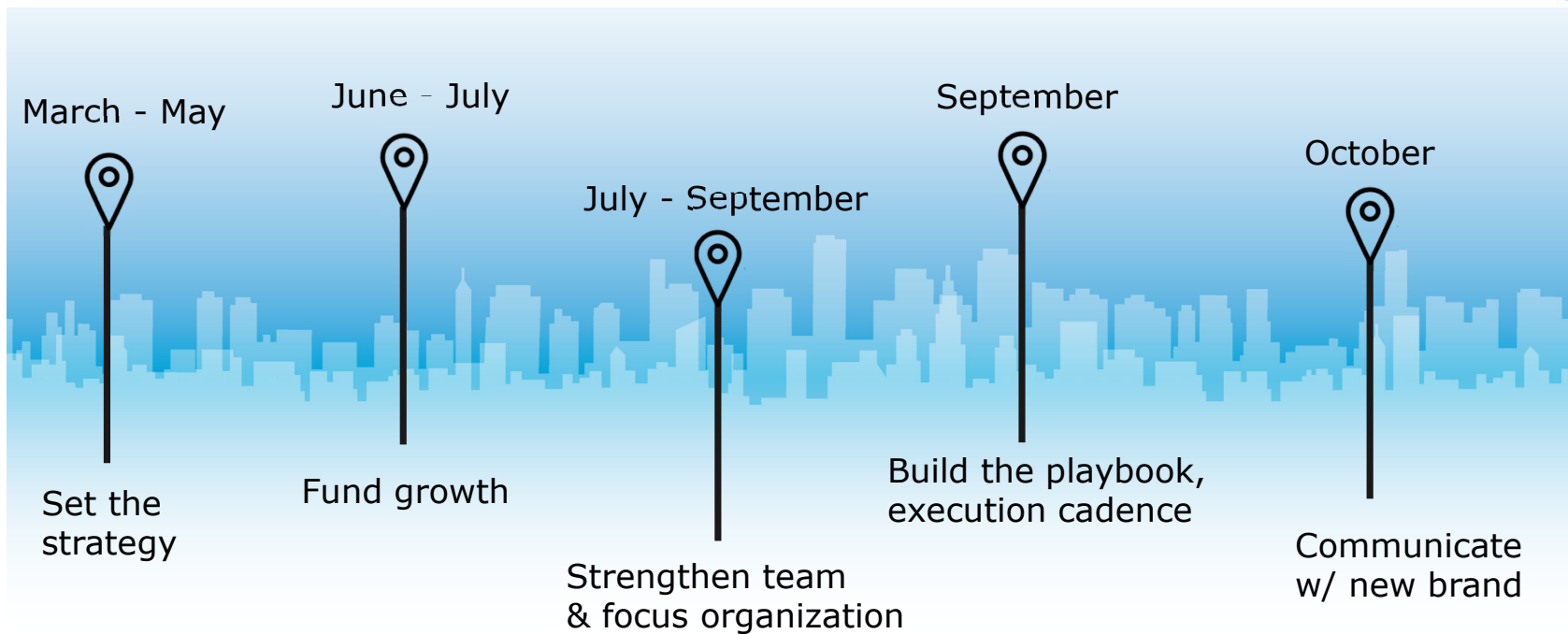**KMWorld Magazine "Trend-Setting Product of 2020"**

Market Guide for Text Analytics

CEO Update

"Path to Lead" Plan Update

March - May

Set the strategy

June – July

Fund growth

July - September

Strengthen team & focus organization

September

Build the playbook, execution cadence

October

Communicate w/ new brand

INNOVATE
July-October

PRODUCT RELEASE (March)

EXECUTE

C Team Introduction

Walt Mayo
Chief Executive Officer

Marco Varone
Chief Technology Officer

Valentina Biscotti
Chief Financial Officer

Keith C. Lincoln
Chief Marketing Officer

Francesca Petronio
Chief People Officer

Colin Matthews
Chief Revenue Officer

Gabriele Donino
Chief Operating Officer

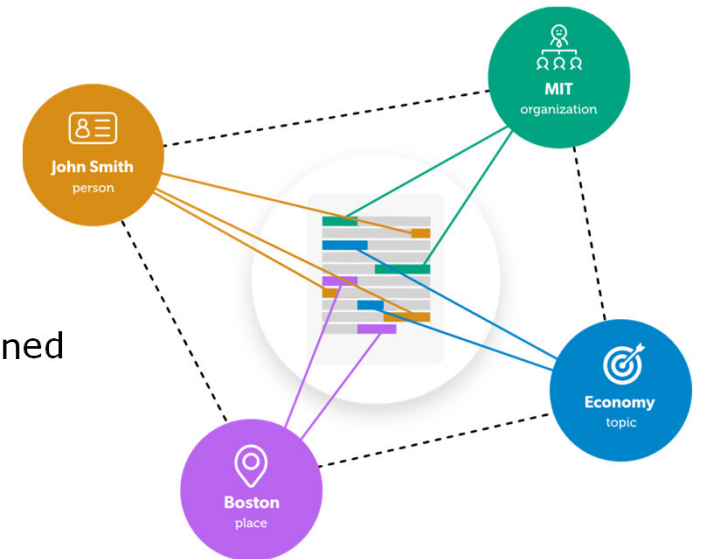**Luca Scagliarini**
Chief Product Officer

Marketing Update

expert.ai

Why Rebrand?

AI has evolved

- While AI techniques have advanced, practical AI has not been made easy

- Unstructured data resides as and asset in every organization

- For years, Expert System has created value for enterprises

- Expert System solution is comprehensive, deep and uniquely positioned but, to this point, we were the experts

- As AI is pushed into enterprises users need to access, leverage, and scale our solution

- expert.ai makes AI available, makes AI simple, makes everyone...expert

Sneak Peek

GTM Update

GTM Strategy: *Scale First* … Increase velocity, Lower cost to serve

Packaged Value / Accelerators - Define verticalized "solution sets" for repeatable use cases

Platform Capability - Capture the core. Platform-based solutions across multiple enterprise use cases

Value Direct

- Insurance
- Publishing, Information, Media (PIM)
- Financial Services
- Emerging Sectors

Value Indirect - Channel

- Target select Tier 1 SI's & Tier 2 "Value Add Solution Providers"
- Leverage traction with Deloitte (UK), Cognizant, IBM- *to NA*
- Fewer, better partners …
    - convinced of NLP/NLU opportunity with serious plans to pursue

Volume Indirect - OEM

- Technology / JV driven
    - CTO level partnering

Volume / Velocity

- NL API + Platform
- Strong belief in opportunity, size unclear
- PQL approach
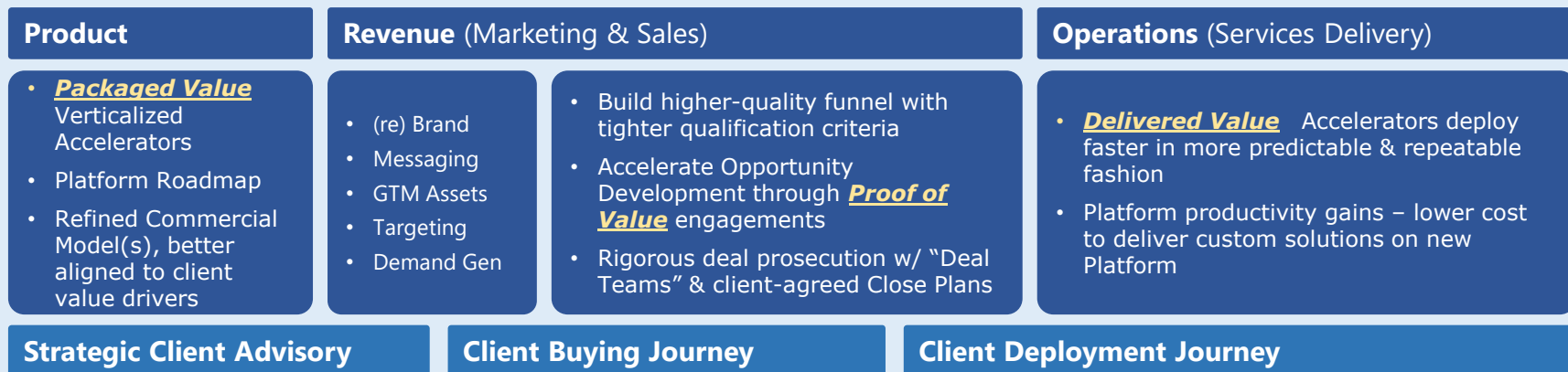- Q2'21 for meaningful user engagement

Coordinated GTM Execution – Grow faster and more profitably

"PRO" Initiative

Product, Revenue, Operations – Sequential Go-to-market strategy, coordinated planning & execution

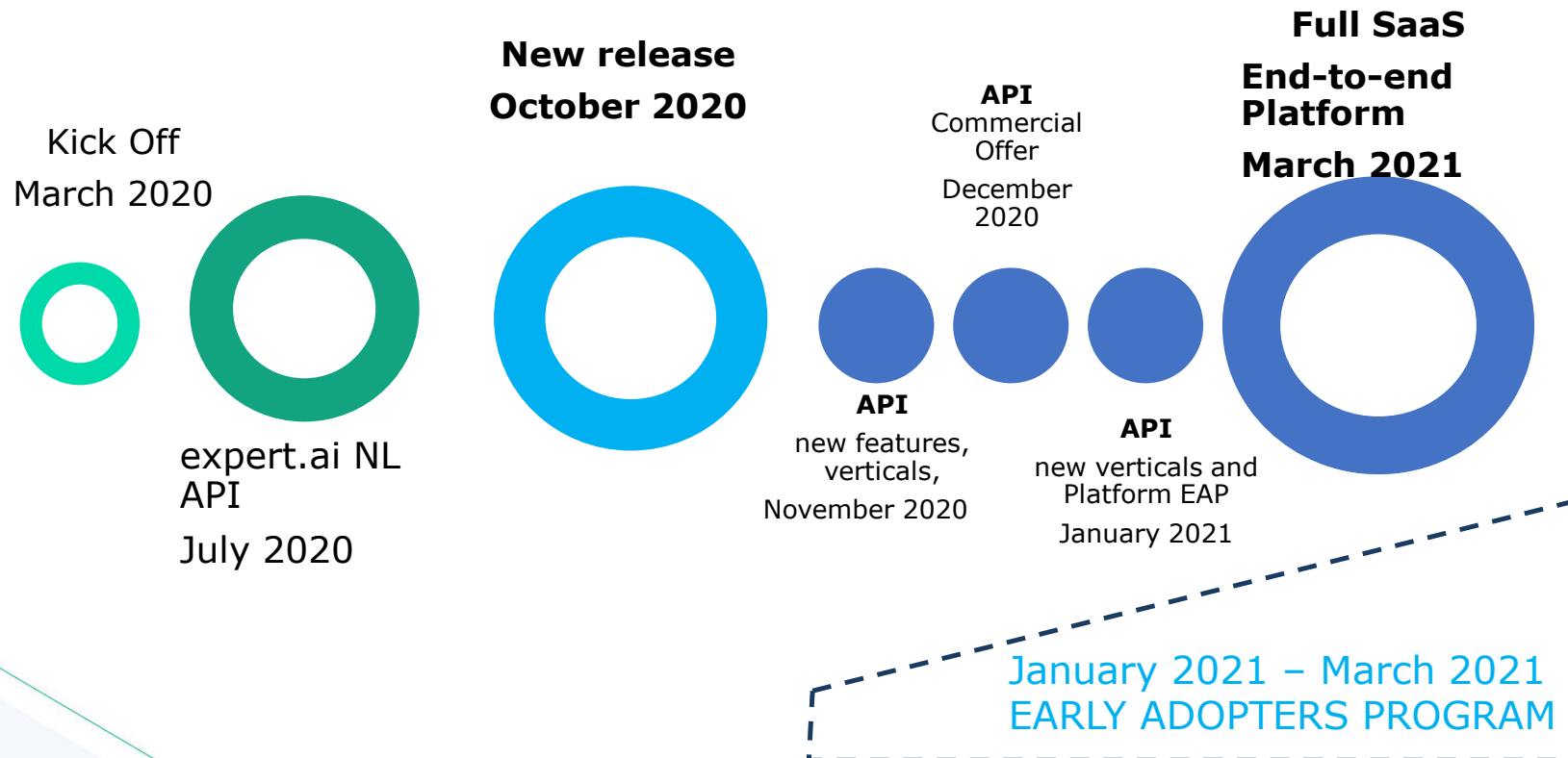Hands-on & collaborative executive leadership (CPO, CMO, CRO, COO) to:
- Accelerate growth and yield cost efficiency
- Enact practical plans and bring best resources to bear in coordinated fulfillment
- Identify *connected KPIs*, set goals, measure progress

Product	**Revenue** (Marketing & Sales)		**Operations** (Services Delivery)
• *Packaged Value* Verticalized Accelerators • Platform Roadmap • Refined Commercial Model(s), better aligned to client value drivers	• (re) Brand • Messaging • GTM Assets • Targeting • Demand Gen	• Build higher-quality funnel with tighter qualification criteria • Accelerate Opportunity Development through *Proof of Value* engagements • Rigorous deal prosecution w/ "Deal Teams" & client-agreed Close Plans	• *Delivered Value* Accelerators deploy faster in more predictable & repeatable fashion • Platform productivity gains – lower cost to deliver custom solutions on new Platform
Strategic Client Advisory	**Client Buying Journey**		**Client Deployment Journey**

Product
Roadmap

expert.ai

SaaS Platform Development … on schedule

Kick Off
March 2020

expert.ai NL API
July 2020

New release
October 2020

API
new features, verticals,
November 2020

API
Commercial Offer
December 2020

API
new verticals and Platform EAP
January 2021

Full SaaS
End-to-end Platform
March 2021

January 2021 – March 2021
EARLY ADOPTERS PROGRAM

NL API & Platform Update

API

New features and capabilities to extend the output at all levels (geographical taxonomy, sentiment analysis) and with unique features (like semantic relations)

Edge API implementation: the only edge implementation of a NLU API to cover all the needs of data scientists, knowledge engineers and data engineers

expert.ai Studio: The richest and most powerful low code IDE to implement any categorization and extraction solution, leveraging the most advanced NLU technology on the market

End to end platform: Preview of the core capabilities of the SaaS platform to show the key elements of the workflow and the power of the hybrid approach

Thank You.

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