Artificial Solutions® (SSME:ASAI)

Q3 2022 Results | Presentation

PRESENTERS

Per Ottosson
| CEO

Has +25 years of experience from leading positions in the software and SaaS industry
Most recently spent 10 years with IPSoft (Amelia) - US based vendor of enterprise AI solutions - as Chief Revenue Officer
M.Sc. Business & Administration, Stockholm School of Economics

Fredrik Törgren
| CFO

Various CFO & Finance roles in large corporates and in Private Equity-backed Technology and SaaS companies
Former Investment Banking experience with Handelsbanken Capital Markets and Pareto Securities
M.Sc. Business & Administration, Stockholm School of Economics

- Can you help me (service request)
- I have a question (information request)
- I need to get this done (action request)
- What should I do (decision request)
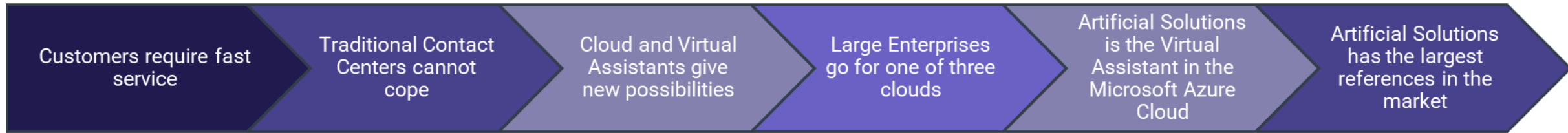- Let me know when X occurs (notification request)
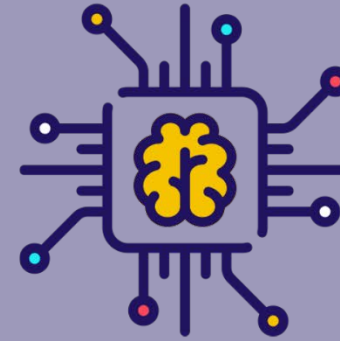
- What does the person want?
- What language are they using?
- Are people, places and details mentioned?
- What is the kind of request?
- Does the user seem happy or upset?
- Have we interacted before?

Conversational AI done right= Better NPS + Cost Savings

ARTIFICIAL SOLUTIONS

ARTIFICIAL SOLUTIONS MARKET

TRANSFORMATIONAL MARKET SHIFT IN LINE WITH ARTIFICIAL SOLUTIONS' OFFERING AND BUSINESS MODEL

Customers require fast service → Traditional Contact Centers cannot cope → Cloud and Virtual Assistants give new possibilities → Large Enterprises go for one of three clouds → Artificial Solutions is the Virtual Assistant in the Microsoft Azure Cloud → Artificial Solutions has the largest references in the market

Contact Center Software Market to reach USD 165 Billion in market size by 2030, growing swiftly at a CAGR of 21%

The global contact center software market size was worth USD 29.5 billion in 2021 and is predicted to reach USD 165 billion by 2030, registering a CAGR of 21% during the forecast period (2022-2030)
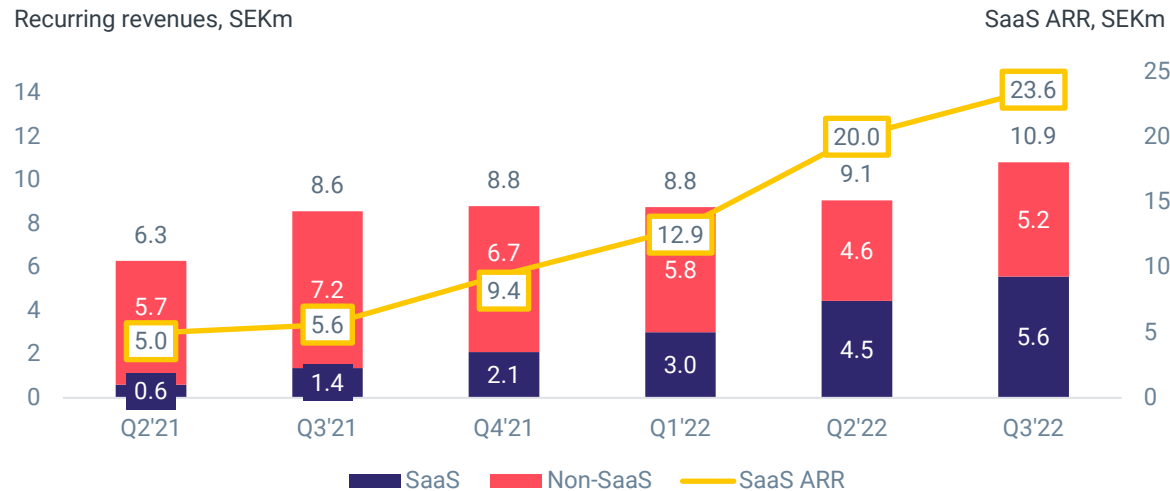
BRIEF INTRODUCTION TO ARTIFICIAL SOLUTIONS

Company overview

- Founded in 2001, Artificial Solutions offers a cloud-based software for Conversational AI (CAI), enhancing customer experience, capacity and resource-efficiency
- Its unique CAI platform named Teneo, allows businesses to create highly sophisticated and intelligent communication applications
  - Allows humans to communicate with applications through voice, speech and text
  - Supports +86 languages and is easy to implement in various applications such as virtual assistance, conversational bots and more
  - +70 live projects, handling over 200 million interactions annually, with the largest references in the 48% CAGR market
- Subscription based business model with considerable revenue upside as use increases with customer integration and applications – ongoing conversion from legacy to SaaS

Select blue chip customers

swisscom | at&t | ŠKODA
O2 Telefónica | TIAA | CIRCLE K
A1 | HR SA | Medtronic
HELLO FRESH | | SCANIA

Select partners

Azure
Cognizant | EY | VONAGE
CGI | CSg | Tech Mahindra

Development of recurring revenues[1] and SaaS ARR[2,3]

Recurring revenues, SEKm — SaaS ARR, SEKm

Quarter	SaaS	Non-SaaS	Total	SaaS ARR
Q2'21	0.6	5.7	6.3	5.0
Q3'21	1.4	7.2	8.6	5.6
Q4'21	2.1	6.7	8.8	9.4
Q1'22	3.0	5.8	8.8	12.9
Q2'22	4.5	4.6	9.1	20.0
Q3'22	5.6	5.2	10.9	23.6

■ SaaS ■ Non-SaaS — SaaS ARR

Artificial solutions in numbers

>321%
SaaS ARR growth YoY

86+
languages supported

>11m
monthly API call[4] volume

200
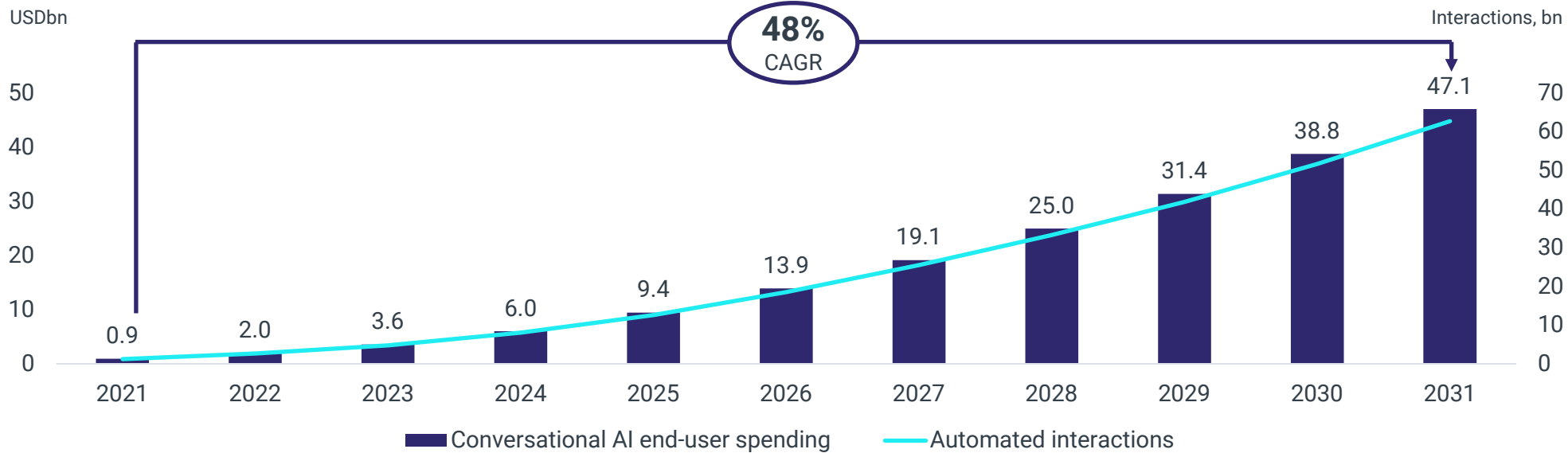SEKm ARR target by 2025

25%
cost reductions

+18 tNPS
Bot vs Human

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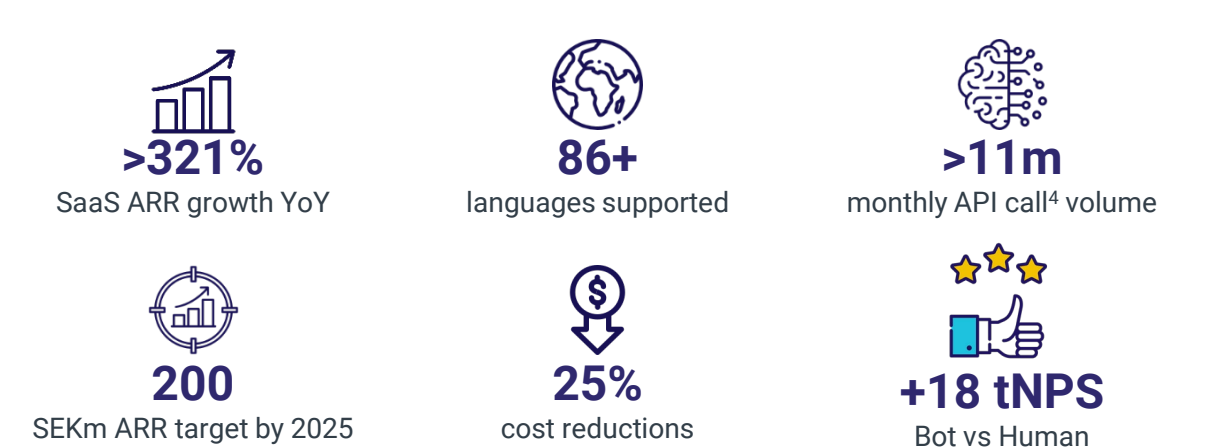
ARTIFICIAL SOLUTIONS' CORE MARKET AT A GLANCE

ASAI TARGETS CONTACT CENTERS WITH +1,000 STAFF IN CALL CENTER

Significant potential on the global market for CAI in contact centers

USDbn / Interactions, bn

48% CAGR

Year	Conversational AI end-user spending
2021	0.9
2022	2.0
2023	3.6
2024	6.0
2025	9.4
2026	13.9
2027	19.1
2028	25.0
2029	31.4
2030	38.8
2031	47.1

■ Conversational AI end-user spending   — Automated interactions

In the news

Recently approved bill in Spain limits call center wait time to **3 minutes**

Failure to comply may result in **fines of:**

EUR
150 – 100,000

Call centers are incentivized to design and implement **more efficient processes**

Important market characteristics

Mega vendors and fragmented specialist landscape
- Large, heavily branded vendors, such as Microsoft and Google, offer powerful solutions that require large developer teams to implement
- Fragmented specialist CAI landscape – difficult to navigate for customers, though characterized by more user-friendly platforms, suitable for smaller customers
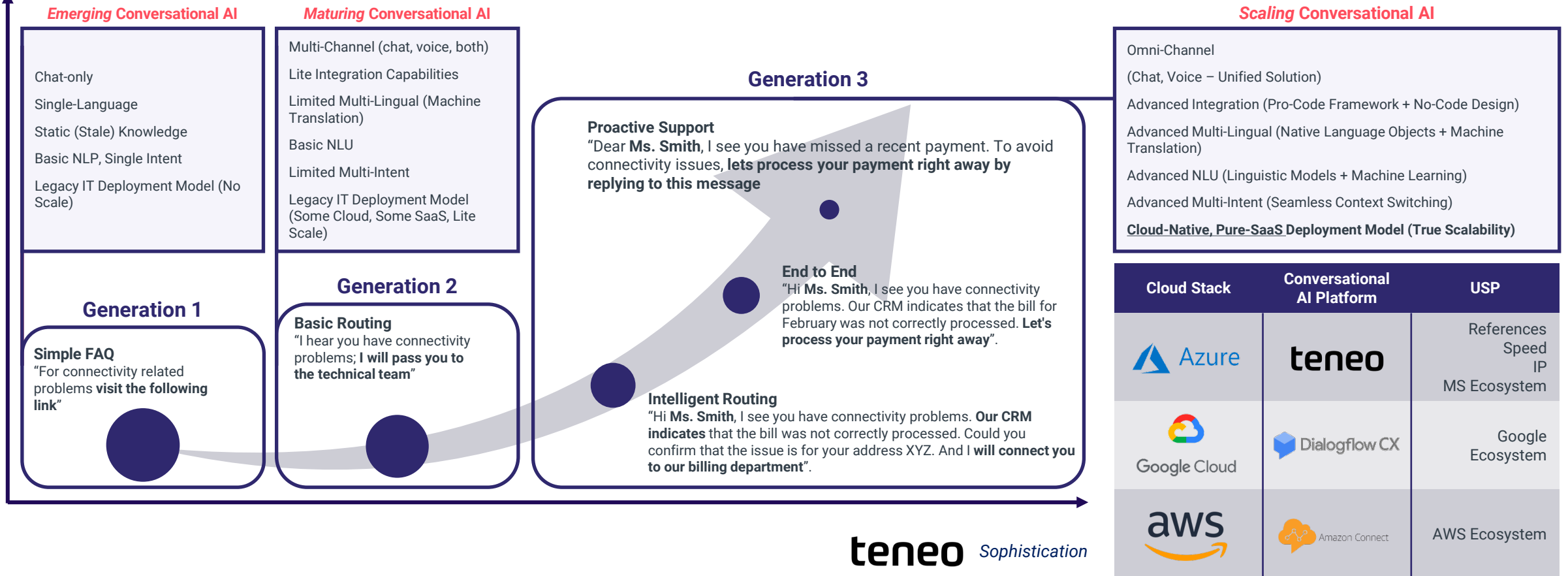
High cost of deployment limits customer base
- Implementations will be led by large deployments with financial resources to fund the professional services and planning to fully benefit from automation
- Over time, cost of deployment is expected to decrease as the industry, the offerings and the technology matures

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6

COMPANY VIEW ON THE MARKET LANDSCAPE

Competition is lagging behind in technological sophistication

ROI & Customer Satisfaction

Emerging Conversational AI

- Chat-only
- Single-Language
- Static (Stale) Knowledge
- Basic NLP, Single Intent
- Legacy IT Deployment Model (No Scale)

Maturing Conversational AI

- Multi-Channel (chat, voice, both)
- Lite Integration Capabilities
- Limited Multi-Lingual (Machine Translation)
- Basic NLU
- Limited Multi-Intent
- Legacy IT Deployment Model (Some Cloud, Some SaaS, Lite Scale)

Scaling Conversational AI

- Omni-Channel
- (Chat, Voice – Unified Solution)
- Advanced Integration (Pro-Code Framework + No-Code Design)
- Advanced Multi-Lingual (Native Language Objects + Machine Translation)
- Advanced NLU (Linguistic Models + Machine Learning)
- Advanced Multi-Intent (Seamless Context Switching)
- **Cloud-Native, Pure-SaaS Deployment Model (True Scalability)**

Generation 3

Proactive Support
"Dear **Ms. Smith**, I see you have missed a recent payment. To avoid connectivity issues, **lets process your payment right away by replying to this message**

End to End
"Hi **Ms. Smith**, I see you have connectivity problems. Our CRM indicates that the bill for February was not correctly processed. **Let's process your payment right away**".

Intelligent Routing
"Hi **Ms. Smith**, I see you have connectivity problems. **Our CRM indicates** that the bill was not correctly processed. Could you confirm that the issue is for your address XYZ. And I **will connect you to our billing department**".

Generation 2

Basic Routing
"I hear you have connectivity problems; **I will pass you to the technical team**"

Generation 1

Simple FAQ
"For connectivity related problems **visit the following link**"

teneo *Sophistication*

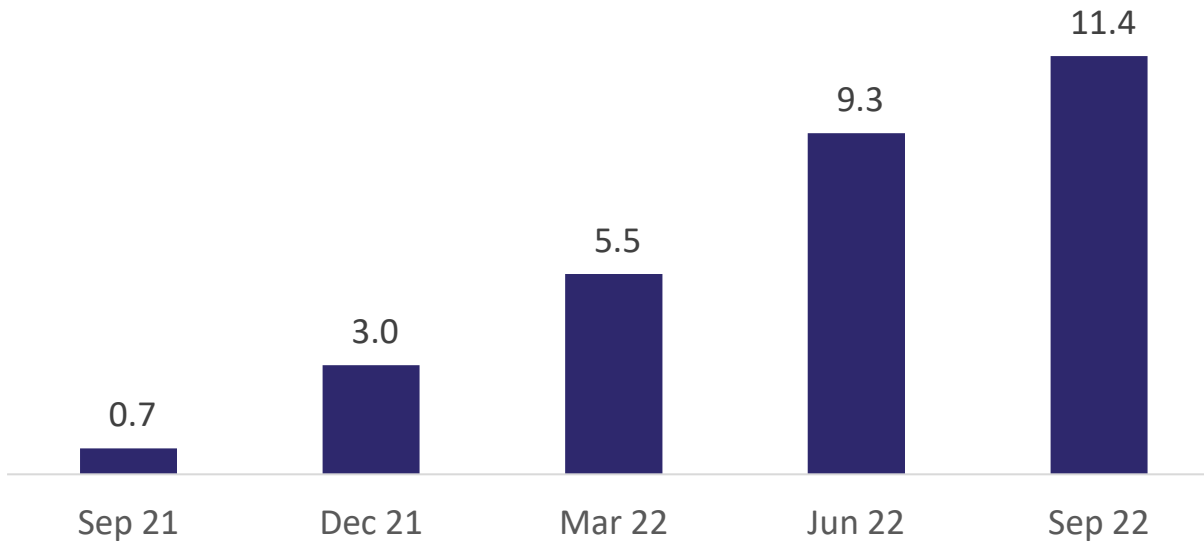| Cloud Stack	Conversational AI Platform	USP
Azure	teneo	References Speed IP MS Ecosystem
Google Cloud	Dialogflow CX	Google Ecosystem
aws	Amazon Connect	AWS Ecosystem

Q3 2022 OPERATIONAL HIGHLIGHTS

- 3 New Solutions for existing customers live

- Telefonica O2 IVR Solution presented

- Winner of Microsoft's Swedish Independent Software Vendor (ISV) Partner of the Year Award for 2022

- Teneo SaaS end-to-end with Encrypted Data

- High growth in SaaS API Call volumes

  – +1,508% September 2022 vs. September 2021

- SaaS ARR experiencing high growth
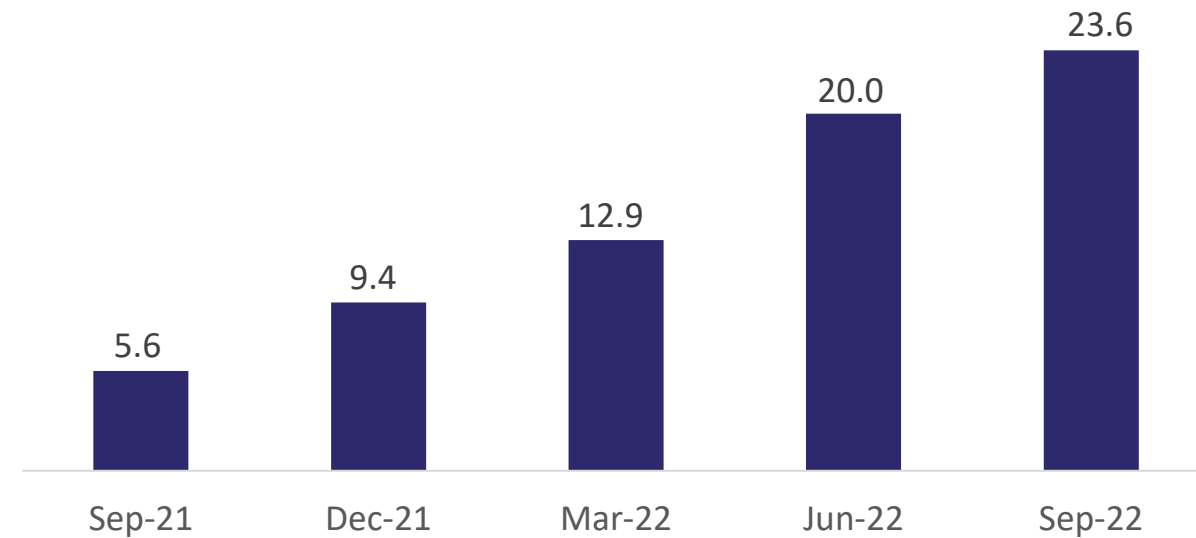
  – +321% September 2022 vs. September 2021

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SAAS BUSINESS MODEL RAMPING UP

| API CALL VOLUMES AND SAAS ARR INCREASING

SaaS API Calls (million) + 1,508% YoY

Sep 21	Dec 21	Mar 22	Jun 22	Sep 22
0.7	3.0	5.5	9.3	11.4

SaaS ARR* (MSEK) + 321% YoY

Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
5.6	9.4	12.9	20.0	23.6

* ARR measured as SaaS recurring revenues generated from the SaaS revenue model last month in quarter multiplied by 12.

REVENUE MODEL WITH HIGH OPERATING LEVERAGE

| SMALL & LARGE CUSTOMER CASES

Subscription revenues from accessing Teneo Studio provides basis in the new model coupled with volume linked user revenues (#API calls)
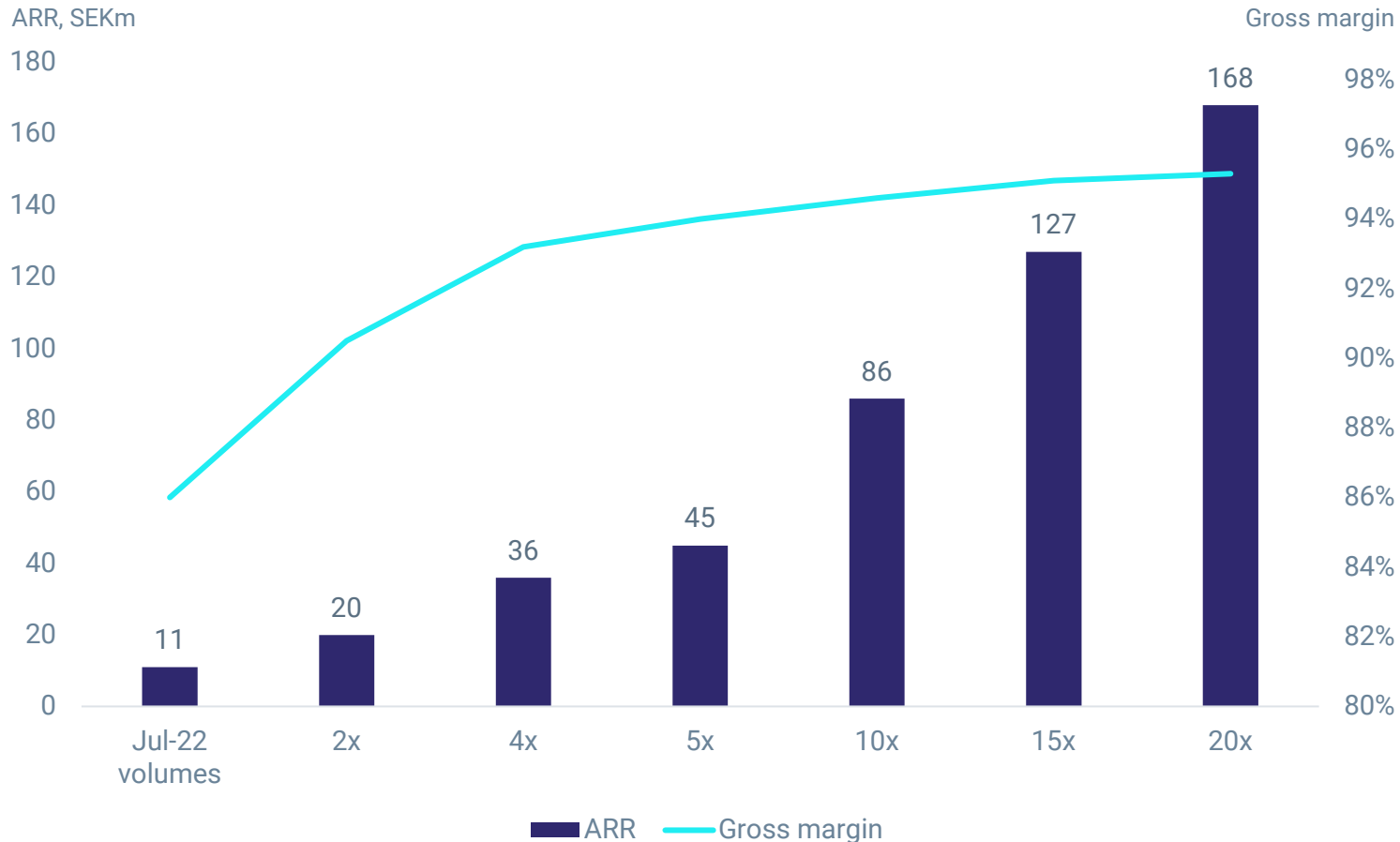
ARR – Small & Large Customer MSEK

Small customer: 1.2 (Teneo Studio 0.9, Teneo Engine 0.2)
Large customer: 4.4 (Teneo Studio 1.2, Teneo Engine 2.9, Teneo Data 0.3)

■ Teneo Studio ■ Teneo Engine ■ Teneo Data
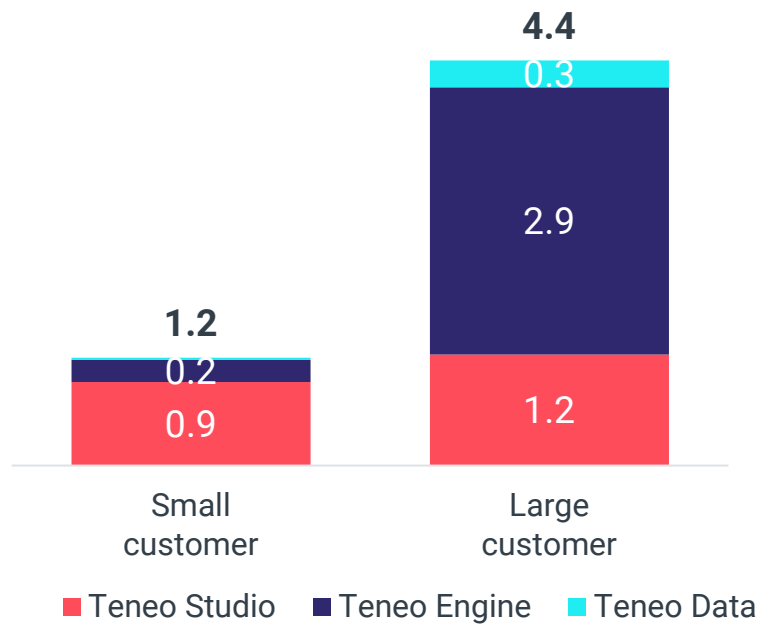
Revenue model to leverage scalability of Teneo

Revenue stream	Subscription (Studio)	API calls (Engine)	Data	Training & expert services
Source	teneo Studio	teneo Engine	teneo Data	
Price	EUR 10,000 /mo for 5 seats	0.008 USD per API Call[1]	Per MB	5-15 days
Type	Recurring	Recurring	Recurring	Non-recurring

Studio
Powerful graphical interface for to develop the conversational AI solution

Engine
"AI brains" bringing the solutions to life

Data
Learning from customers' conversations to enhance solutions
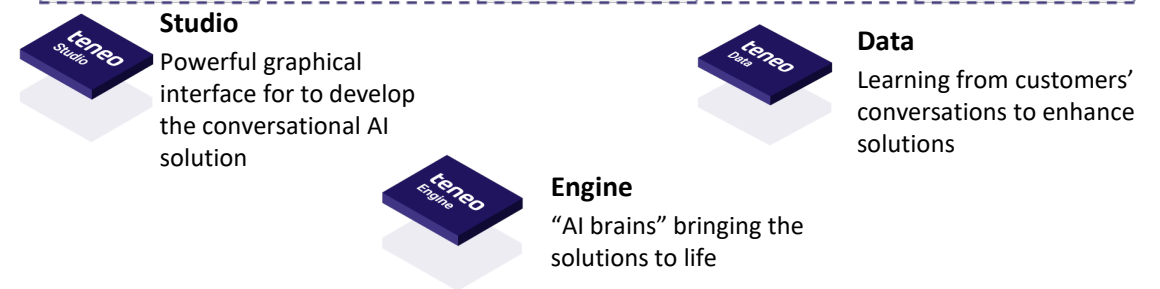
SUBSTANTIAL POTENTIAL IN SCALING API CALLS

Illustrative example − effects of increasing API calls on two existing customers

ARR, SEKm

Gross margin

Bar chart values (ARR):
- Jul-22 volumes: 11
- 2x: 20
- 4x: 36
- 5x: 45
- 10x: 86
- 15x: 127
- 20x: 168

Legend: ■ ARR — Gross margin

Assumptions

- Based on numbers of two existing SaaS customers
- Status of current API call volumes:
  - Jul'22 volumes of ~8m, yielding an annualized volume of ~96m
  - 4x increase in call volumes since Dec'21
- Pricing:
  - 0.008 EUR or USD per API call
  - Subscription revenues from Teneo Studio, decreasing share of ARR as volumes increase

Commentary

- Illustrative example showcasing the upside case of more extensive use of the Teneo platform
- Gross margin, which is already at ~85% for SaaS revenues, increases rapidly as API call volumes multiply
- API call volumes are integral in the scalability of Teneo
- Artificial Solutions sees realistic potential in multiplying API call volumes on existing customer base
  - Corresponding implications on revenue potential

KEY FINANCIAL HIGHLIGHTS IN Q3 2022

| STRONG GROWTH TRAJECTORY ON ALL SALES METRICS

- Recurring revenues amounted to 10.9 MSEK (8.6), + 27%

- SaaS ARR amounted to 23.6 (5.6) MSEK, + 321%

- SaaS API Calls volumes 11.4 million (0.7), + 1,508%

- Net sales amounted to 12.4 MSEK (11.0), + 12%

- Growth in all relevant SaaS metrics Q2´22 vs. Q3´22

- EBITDA adjusted amounted to -20.0 MSEK (-12.5)

- Cash position : 39.1 MSEK end of September 2022

SaaS Recurring Revenues as % of Total Recurring Revenues Q3 2022

52%

Recurring Revenues as % of Total Net Sales Q3 2022

88%

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12

GROWTH IN RECURRING REVENUES

| Y-o-Y GROWTH OF 27% IN Q3 2022 Y-o-Y GROWTH SAAS 321%

Quarterly Recurring Revenues (SaaS & Legacy), ARR EoM and LTM Recurring Revenues (MSEK)

September SaaS ARR 23.6 MSEK and Total ARR 45.1 MSEK

Legend: Recurring Revenues SaaS — Recurring Revenues Non-SaaS — Recurring revenue (R12) — ARR SaaS

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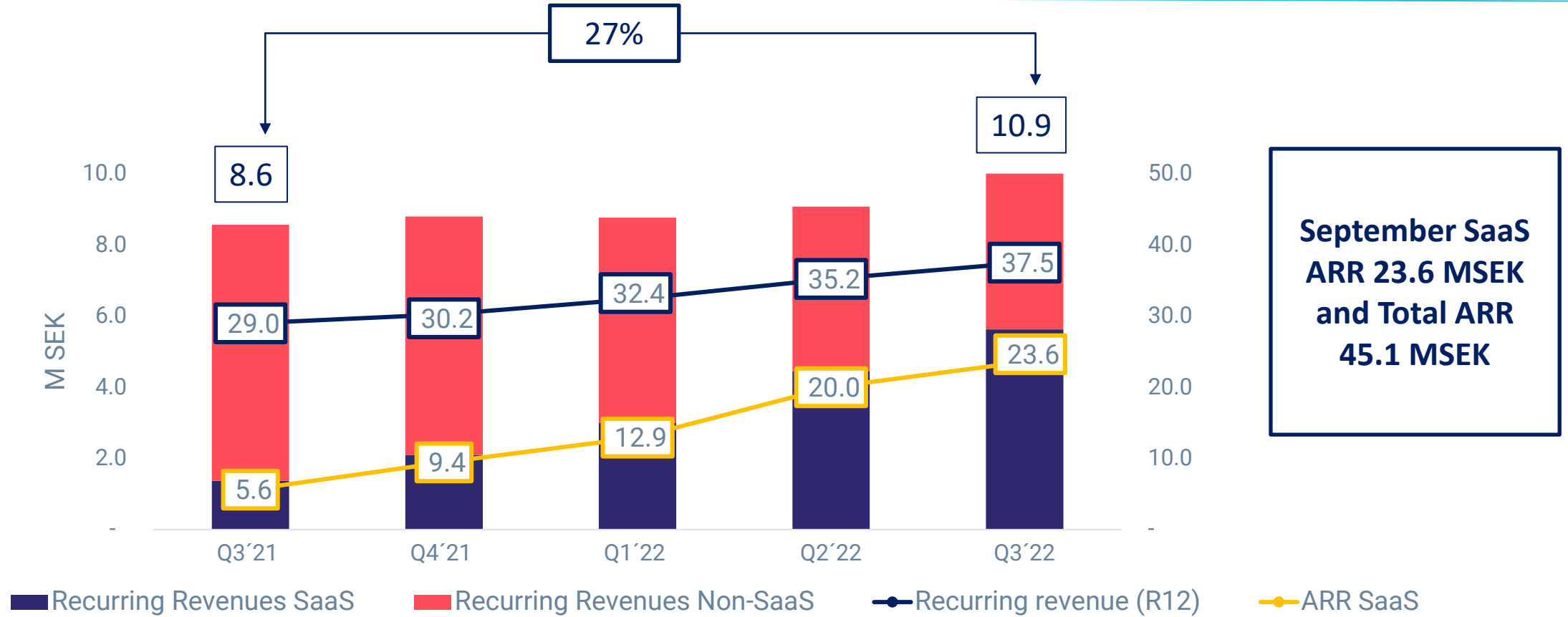
GRADUAL COST INCREASE AS GUIDED FOR

| COST INCREASES FLATTENING OUT GOING FORWARD

Annual OPEX Run Rate* MSEK
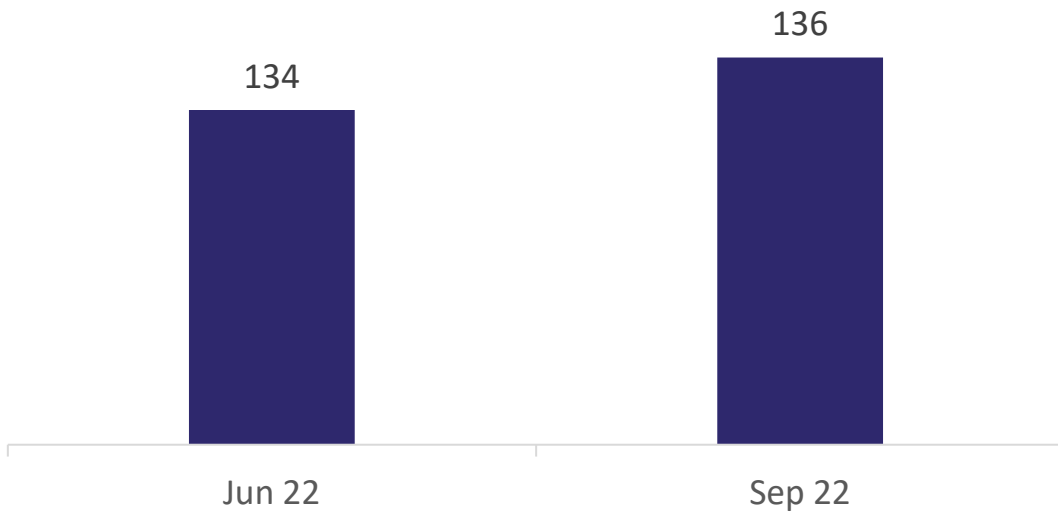
- OPEX(*) run rate of 136 MSEK in September 2022

- Monthly OPEX(*) in first 9 months of 2022 of 11.3 MSEK(**)

- OPEX increase in Q3 2022 in accordance wih previous guidance

* Excluding non-recurring items.
** Of which COGS represents 1 MSEK monthly

NEW FINANCIAL TARGETS

NEW FINANCIAL TARGETS ANNOUNCED TO CLARIFY BUSINESS POTENTIAL AND FUTURE KPIS

- >1 billion API calls during 2024

- >200 MSEK in ARR during 2025

- Cash flow positive from operations during 2024

- A long-term EBITA margin of 30% in a mature state

API calls	ARR	Cash flow	EBITA margin
>1 billion Annualized rate during 2024	**SEK >200m** To be reached during 2025	**Positive** From operations during 2024	**>30%** Long term
Commentary • Artificial Solutions aims to generate more than one billion API calls at an annualized rate during 2024	Commentary • Annualized monthly recurring revenues to reach levels exceeding SEK 200m during 2025	Commentary • Generate positive cash flows from operations during 2024	Commentary • The company aims to achieve a long-term EBITA margin exceeding 30% in a mature state

KEY INVESTMENT HIGHLIGHTS
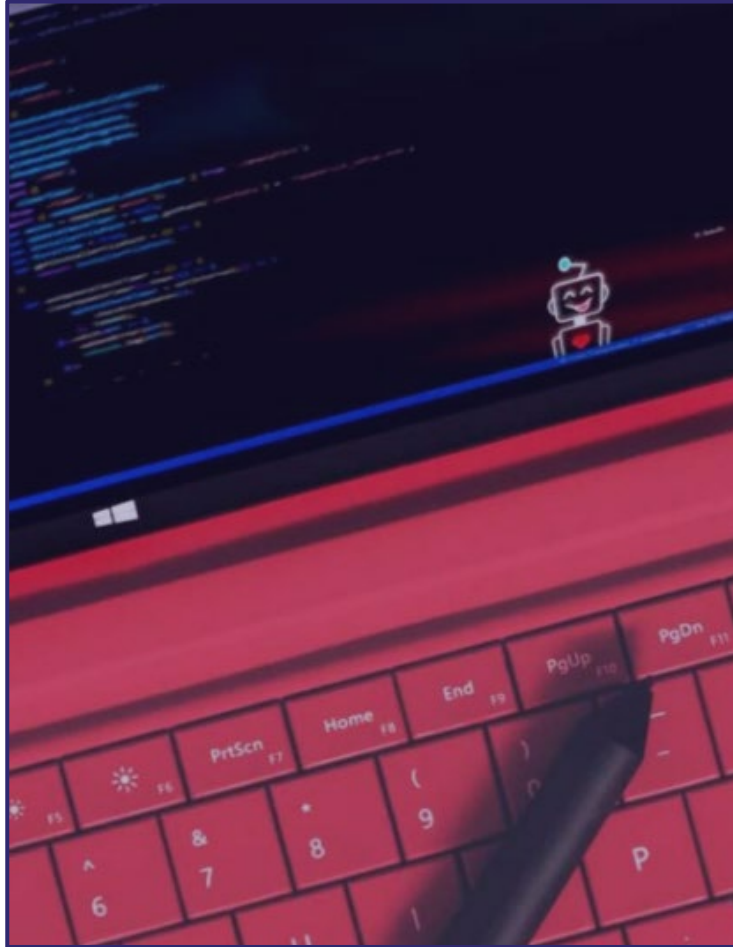
20+ years of experience and investments have created a prominent player in a market expected to grow at a 48% CAGR in the coming decade

Gross margins on fully onboarded customers approach 95%

Technology tailored for enterprise solutions with blue chip customers in key industries

Quality of offering paired with material switching costs support revenue retention

Main Enterprise virtual assistant software within the Azure ecosystem, providing a massive reach within the enterprise segment

Q&A