

Artificial Solutions

Q3 2020



TODAY'S PRESENTERS



Lawrence Flynn
CEO



Fredrik Törgren
CFO

A CONVERSATIONAL AI PIONEER

- The world's most advanced, Enterprise Conversational AI platform – Teneo
- 111 staff (incl. ~50 AI, ML and linguistic experts)
- HQ in Stockholm, 11 offices
- Teneo available in 40 languages, Teneo Developers in 7
- Founded in 2001 and listed on First North Growth Market in Q1 2019

Global Blue-Chip Clients



Strategic Partners



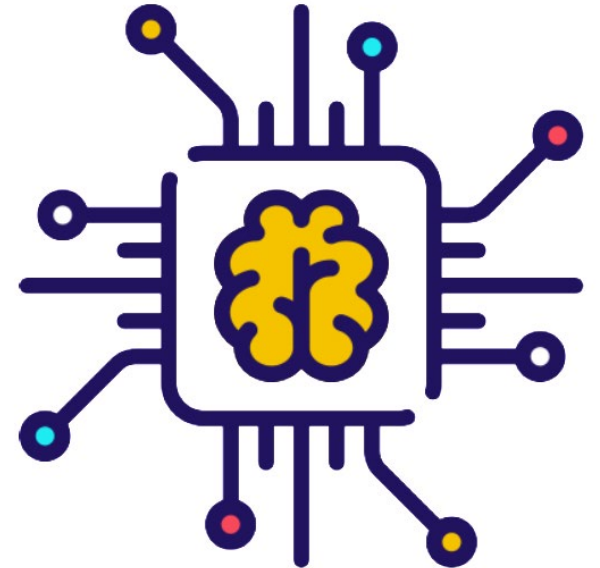
New Partners



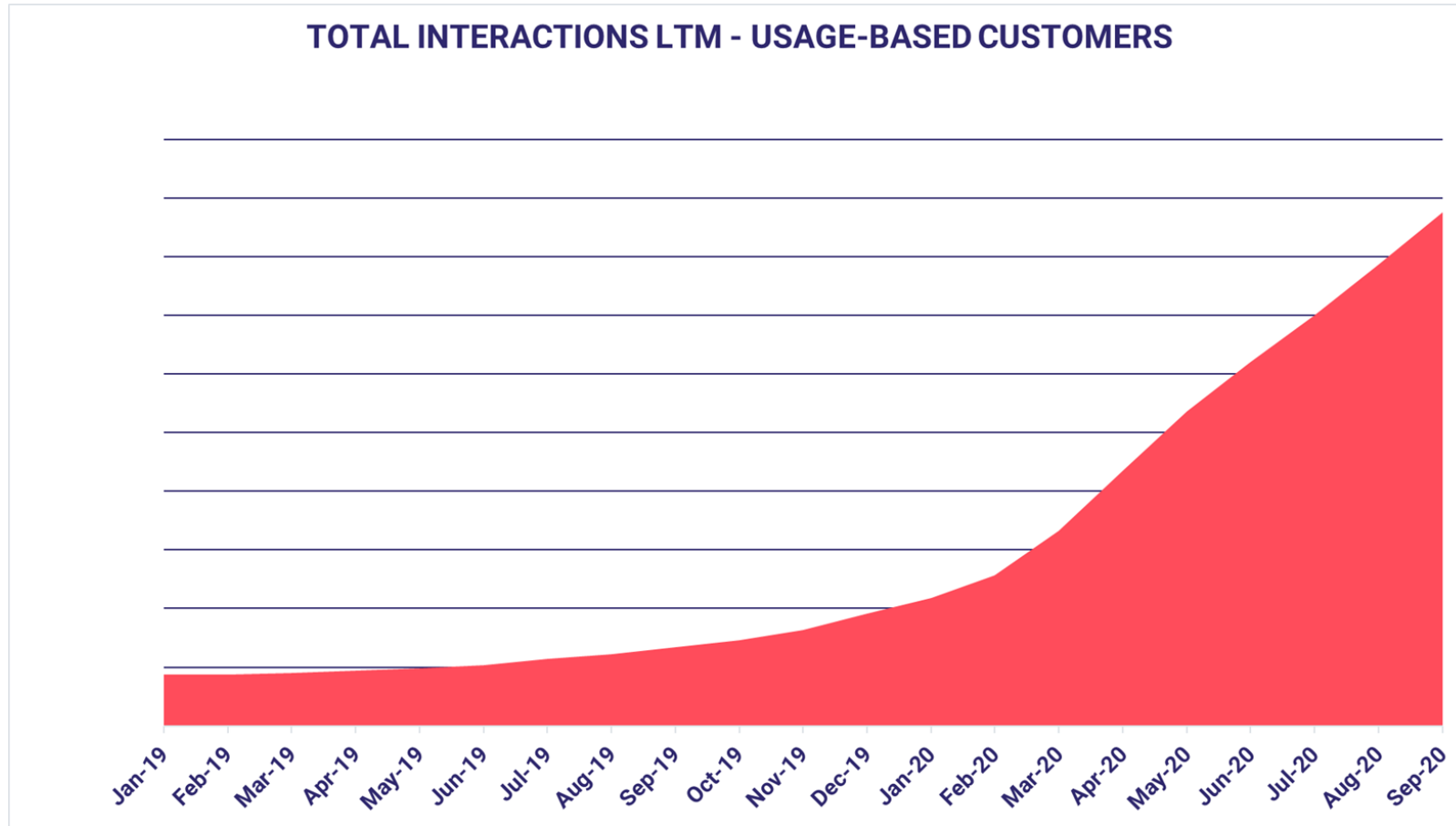
QUARTER 3: KEY FIGURES

MOMENTUM INCREASES ACROSS KEY METRICS AND STRONG ORDER INTAKE +57 %

- Order Intake 9.6 MSEK (6.1), up 57%
- Order Backlog 39.7 MSEK (46.9)
- Revenue 13.3 MSEK (12.8), up 4%
- Usage Revenue 4.4 MSEK (2.7) up 63%
- Partner Revenue increases to 75% (43%)
- Gross Margin up to 71% (62%) – above our guidance
- Adjusted EBITDA -17.9 MSEK (-26.9) – significantly reduced costs during due to Covid-19 in Q3



CONTINUED GROWTH OF USAGE VOLUME



- Usage Volume increases by factor of 7x in twelve months
- Increase in Usage Volume evidences our scalability and the potential for improved gross margins with increased volumes
- Volume not tied directly to revenue but good indication of progress and over time will coincide

QUARTER 3: OPERATIONAL HIGHLIGHTS

- Increased and extended commitments from two key customers
 - Scandinavian retailer ICA
 - Major global auto manufacturer VW group's Skoda
- New Strategic Partnerships signed with:
 - Automation Anywhere (RPA software)
 - Talkdesk (Call Centre solutions)
 - QualityArc (AI Consulting firm) – in October
- Decision to end furlough from 1st November
- Entered a convertible note agreement of up to 60 MSEK in new funding
- Extension of maturity with 2 years of existing credit facilities of 117 MSEK

“In very challenging times we have a strong momentum in our key metrics, growing order intake, continuing growth with our customers, increasing sales through Partners, increasing Usage sales and thereby also improving our gross margin. Our scalable business model has in this quarter evidenced itself.”

KEY FIGURES & KEY METRICS

STRONG MOMENTUM ACROSS MOST KEY METRICS

| MSEK | JUL-SEP | JUL-SEP | JAN-SEP | JAN-SEP | FULL YEAR |
|---------------------------|---------|---------|---------|---------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Order Intake | 9.6 | 6.1 | 35.6 | 45.7 | 62.7 |
| Order Backlog | 39.7 | 46.9 | 39.7 | 46.9 | 49.9 |
| Net Sales | 13.3 | 12.8 | 44.1 | 38.1 | 49.1 |
| Gross Margin | 8.4 | 8.0 | 24.6 | 21.9 | 29.8 |
| Gross Margin % | 71% | 62% | 67% | 58% | 61% |
| Adjusted EBITDA | -17.9 | -26.9 | -62.8 | -82.2 | -112.8 |
| Cashflow from operations* | -23.6 | -33.5 | -48.6 | -84.2 | -112.6 |
| Usage Revenue | 4.4 | 2.7 | 14 | 7.2 | 7.7 |
| Usage Revenue % | 33% | 21% | 32% | 19% | 16% |
| Partner Order Intake % | 94% | 66% | 76% | 40% | 46% |
| Partner Revenue % | 75% | 43% | 57% | 42% | 45% |

* Adjusted for non-recurring external fees and working capital changes

- Order Intake was 9.6 MSEK (6.1) up 57%
- Gross Margin 71% (62%)
- Cash flow from operations YTD of -48.6 MSEK (-84.2)
- Usage revenue as % of net sales of 33% (21%)

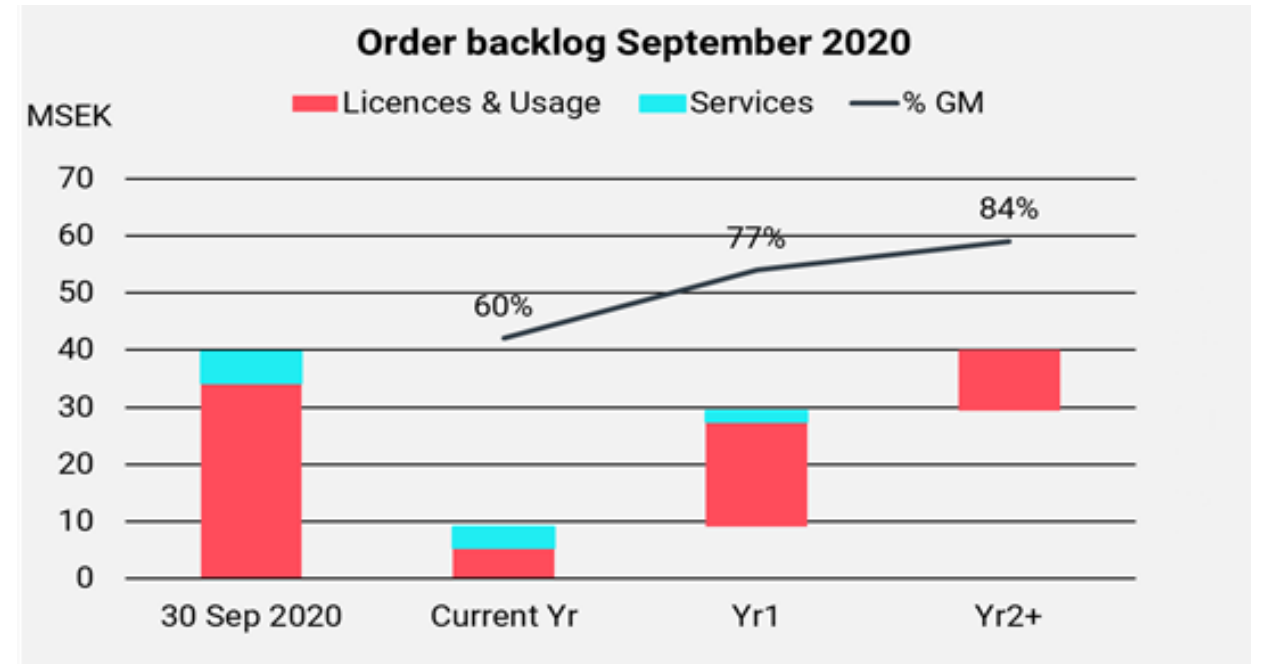
P&L Q3

| MSEK | JUL-SEP | JUL-SEP | JAN-SEP | JAN-SEP | FULL YEAR |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Net Sales | 13.3 | 12.8 | 44.1 | 38.1 | 49.1 |
| Capitalized R&D | 2.2 | 2.6 | 8.7 | 7.5 | 12 |
| Other operating income | 1.4 | - | 2 | - | 7.3 |
| Total operating income | 16.9 | 15.4 | 54.7 | 45.6 | 68.5 |
| Personnel costs | -24.2 | -29 | -84.2 | -86.6 | -117.8 |
| Other external costs | -10.6 | -13.4 | -33.3 | -47.8 | -62.7 |
| Other operating expenses | 0 | -0.2 | 0 | -22.3 | -22.4 |
| D&A | -2.8 | -2.6 | -9.5 | -8.8 | -11.6 |
| Total operating expenses | -37.6 | -45.3 | -127.1 | -165.5 | -214.5 |
| Operating loss | -20.7 | -29.8 | -72.4 | -119.8 | -146 |
| Net financial items | -12.4 | -12.2 | -34 | -24.7 | -35.8 |
| Loss after financial items | -33.1 | -42.1 | -106.4 | -144.5 | -181.7 |
| Tax on result for the period | 0 | - | -0.2 | - | - |
| NET RESULT FOR THE PERIOD | -33.1 | -42.1 | -106.6 | -144.5 | -181.7 |
| Adjusted EBITDA | -17.9 | -26.9 | -62.8 | -82.2 | -112.8 |

- Net sales were 13.3 MSEK (12.8) up 4%
- OPEX reduced Q3 2020 vs. Q3 2019 due to impact of and actions taken due to COVID-19
 - Personnel related actions improved the EBIT in Q3 of 2020 by 3.5 MSEK and cash savings of 5.4 MSEK
 - Lower travel costs and lower premises costs impacting EBIT positively
- Adjusted EBITDA was -17.9 MSEK (-26.9)
- EBIT was -20.7 MSEK (-29.8)

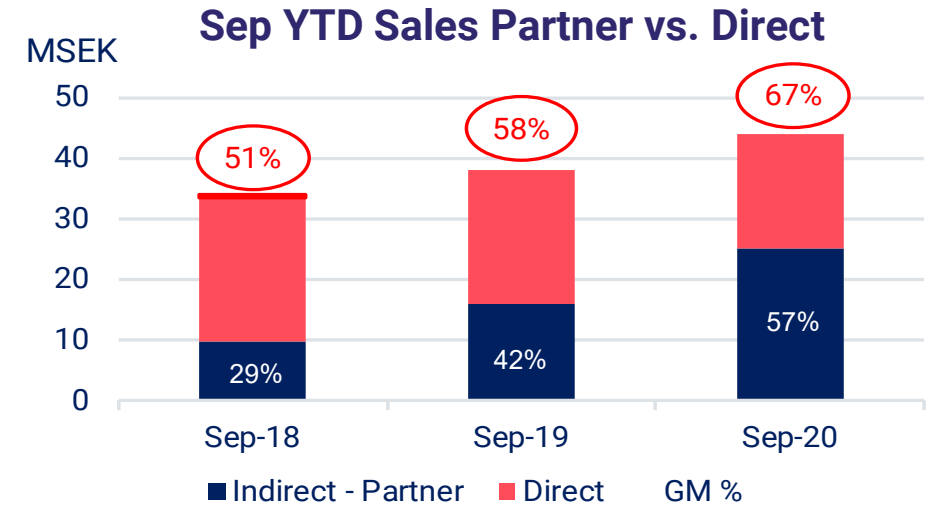
RECOVERY IN Q3 ORDER INTAKE

- Order Intake increased to 9.6 MSEK (6.1) + 57%
- Summer months are usually slow for new orders
- Despite a 57% order intake growth Y-o-Y, it was below the value of delivered revenues
- Overall value of Backlog decreased by 15% to 39.7 MSEK (46.9) due to revenues exceeding the new order intake level
- Of the remaining backlog, 9 MSEK expected to be delivered in 2020
- Mix in revenue elements improves profitability Y-o-Y and the overall profitability increases over the life of an agreement



SCALABLE PARTNER LED BUSINESS MODEL

- Increased gross profit and higher margins
 - Partners focus on lower margin Professional Services
 - Company focus on higher margin license and usage revenues
- Revenues through our Partners in Q3 up to 75% (43%)
- Revenues through our Partners YTD Q1 - Q3 up to 57% (42%)
- Gross Margin improved from 51% YTD Q3 18 to 67% YTD Q3 2020
- Direct sales will continue to support order intake going forward



New Partners in Q3



NEW FINANCING – TO CONTINUE GROWTH PATH

1. CONVERTIBLE NOTE AGREEMENT OF UP TO 60 MSEK IN Q4

- Convertible provides the company with capital for continued growth at a reasonable cost while maintaining flexibility to use other forms of financing
 - Following utilization of the initial 20 MSEK, Artificial Solutions can decide if, and when, the remaining tranches will be drawn
 - Limited dilution effect – approx. 4% for mandatory 20 MSEK convertible notes
 - Following Q3, company has drawn 10 MSEK of the convertible note facility

2. EXTENSION OF CURRENT CREDIT FACILITIES OF 117 MSEK

- Credit extension provides the company with financial stability and has limited dilutive effect for shareholders
 - The extension provides us with financing stability over a longer tenure
 - The strike price of the warrants is 32 SEK per share

UPDATED MARKET GUIDANCE REVIEW IN Q3 2020

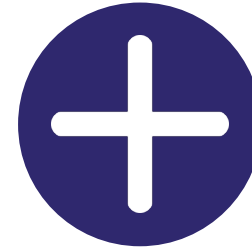
BOARD REITERATE CASH FLOW FROM OPERATIONS GUIDANCE



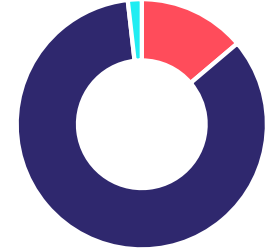
Order intake on medium and long term shall grow in excess of NLP market



Gross margin above 70 per cent as from 2020



Positive cash flow from operations during first half of 2021



Usage predicted to exceed 80% of all Teneo revenue in 2022

FINANCIAL CALENDAR

Year-end Report 2020

18 February 2021

Interim Report Q1 2021

6 May 2020



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Q&A