

Artificial Solutions

Sector: Software/ Artificial Intelligence

ARR keeps growing

Redeye updates its estimates and valuation on the back of the Q1 2023 report, where ARR and recurring revenues came in stronger than expected. Due to continuous accelerating momentum, we raise our valuation slightly.

Q1 report – SaaS ARR growth of 134% y/y

SaaS ARR grew impressively 134% y/y and reached SEK30.2m, while total ARR reached SEK57.3m, beating our forecast. Stronger volume from higher SaaS API calls was the positive driver. By the end of Q1 2023, 18.9m API calls were made, implying an annual volume of c227m. Growing impressively 37% sequentially versus Q4'2022, thereby driving a higher SaaS ARR per customer which is a key value driver going forward. Adj EBITDA was somewhat lower than our expectations due to lower gross margin, as some internal changes were made, which negatively impacted the gross margin by nine basis points. We believe the gross margin to bounce back to normalized levels going forward.

Estimate changes

On the back of the Q12023 report, we make limited revisions as a stronger ARR development is offset by a weaker gross margin.

New base case of SEK3.8 (3.6)

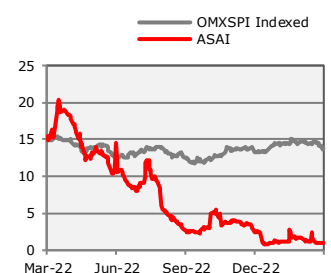
On the back of the Q1 2023 report, we up our base case to SEK3.8 (3.6). Derived from a DCF model and earnings multiple approaches. Our base case corresponds to 12x EV/EBITDA(26e) and 3x EV/S(26e), rather modest multiples for a SaaS company with >90% gross margins at scale. Thus, should the company deliver on its financial targets, there is further potential on the upside. We apply a Wacc of 13% in all scenarios and provide a sensitivity table in our valuation section to illustrate different assumptions.

Key Financials (SEKm)	2022	2023E	2024E	2025E	2026E
Net Sales	46	66	121	165	221
Sales growth	18%	44%	84%	37%	34%
EBITDA	-76	-56	-13	22	57
EBIT	-89	-71	-29	6	37
EBIT Margin (%)	-195%	-108%	-24%	3%	17%
Net Income	-85	-59	-40	-6	20
EV/S	5.5	5.3	3.2	2.4	1.7
EV/EBITDA	neg	neg	neg	17.8	6.5
EV/EBIT	neg	neg	neg	71.1	9.9

FAIR VALUE RANGE

BEAR	BASE	BULL
2.4	3.8	11

ASAI VERSUS OMXSPI



REDEYE RATING



KEY STATS

Ticker	ASAI
Market	First North
Share Price (SEK)	1.15
Market Cap (SEKm)	118
Net Debt 2022 (SEKm)	230
Free Float (%)	80

ANALYSTS

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Investment Case

One of the market leaders in the fast-growing conversational AI market

Artificial Solutions offers attractive exposure to the fast-growing conversational AI market, which is expected to grow by a CAGR of 48% until 2031 e. Supported by enhanced efficiencies, cost reductions, and stronger NPS (net promoter scores) from customers, yielding stronger customer satisfaction and reduced churn. Artificial Solutions held a market share of 10-15% of the world's total number of automated call center interactions in 2022. By the end of March 2023, the implied annual SaaS API calls reached 227m. According to our understanding, no other competitor has reached the same volumes. In addition, The Teneo platform support applications in 86 different languages, which makes the platform easy to implement across geographies.

Clear potential for upselling on existing customers

Artificial Solutions primarily focuses on large blue-chip customers (+500 employees at each call center). Given that the SaaS ARR per customer is at SEK2.5m (Q1'2023) and that management indicates that it only penetrates 5-10% of the volume potential on existing customers, large customers could generate c20m each in SaaS ARR in some years. Indicates that its financial targets of reaching ARR above SEK200m in 2025e could be reached solely on its existing customer base. Once Artificial Solutions begins to scale its SaaS offering, we should expect, over time, a gross margin >90% as incremental revenues from usage (SaaS API volume) requires close-to-zero incremental costs. Illustrating the scalable business model.

Microsoft integration proves its leading technology

Artificial Solutions has collaborated with Microsoft since 2021 and is fully integrated into the Microsoft Azure ecosystem. By being integrated into the Microsoft ecosystem, Microsoft's sales team could promote the Teneo platform to its +1,700 enterprise customers. In addition, Microsoft has previously been pursuing its own solution called Microsoft Composure, which it decided to close down. Opening up for open-sources solutions. Thus, Teneo could somewhat replace Microsoft's solution, proving the technology. In addition, we argue this could accelerate the proposals from new customers.

Challenges – High leverage and negative cash flows

We don't expect Artificial Solution to post positive EBITDA until 2025e. Artificial Solutions has debt terms at 4% - which will be accumulated to principal at maturity in December 2026e. Given the net debt position of SEK230m in 2023e, versus its market cap of cSEK115m, the leverage ratio is high and will take time before it can repay its debt position. However, the refinancing is due in 2026e, and there are changes of more favorable capital markets in the coming years, especially if the company delivers on its growth agenda.

Valuation

Considering the company's leading position in the fast-growing market, the scalable business model, and its high net debt. We apply a rather wide valuation range to illustrate the different scenarios if the company succeeds in reaching its targets. Our new valuation range is between SEK2.4 - SEK11, with a base case of SEK3.8. Derived from a DCF model and earnings multiple approaches. Our base case corresponds to 12x EV/EBITDA(26e) and 3x EV/S(26e), rather modest multiples for a SaaS company with >90% gross margins at scale. Thus, should the company deliver on its financial targets, there is further potential on the upside.

Q1 2023 review

The Q1 2023 report once again showed strong ARR growth, where the SaaS ARR grew 134% y/y and came in at SEK30.2m. Total ARR (Including legacy platform) reached SEK57.3m, growing 70% y/y. Beating our forecast by SEK4.4m. The solid growth is particularly from stronger volume among existing customers. SaaS ARR per customer reached SEK2.5m, up from 1.9m in Q4'22, an important metric to analyze the sticky revenues and the growth possibilities on its existing customer base. However, profitability was somewhat lower than expected, particularly from a weaker gross margin.

Deviation table:

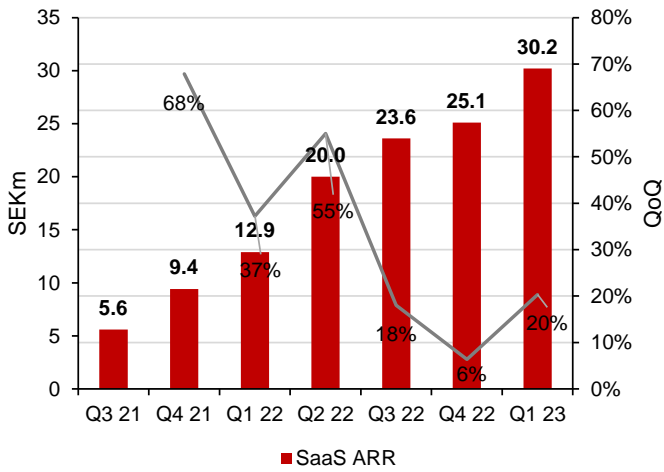
Artificial Solutions: Forecast deviations						Actuals		
SEKm	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23e	Q1 23	Diff (%)	Diff absolute
License & Support	5.6	5.5	6.0	6.2	6.4	6.3	-2%	-0.1
Usage	3.2	3.6	4.9	5.7	6.6	7.1	8%	0.5
Other	1.4	1.1	1.5	1.0	0.3	0.2	-20%	-0.1
Net sales	10.1	10.2	12.4	12.9	13.3	13.6	3%	0.3
COGS	-2.6	-3.4	-5.2	-4.7	-4.0	-6.0	51%	-2.0
Gross Profit	7.5	6.8	7.2	8.2	9.3	7.6	-18%	-1.7
Gross margin %	74%	67%	58%	64%	70%	56%	-12pp	
Personnel	-19.3	-21.7	-21.1	-23.3	-22.7	-25.3	12%	-2.6
External	-9.7	-11.4	-8.9	-9.6	-9.4	-6.9	-26%	2.5
Cap development	3.0	3.2	2.6	4.4	4.0	3.9	-2%	-0.1
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0
Opex	-26.0	-29.9	-27.4	-28.5	-28.1	-28.3	1%	-0.2
EBITDA adj	-18.0	-22.4	-19.9	-19.0	-16.3	-18.1	11%	-1.8
D&A	-3.7	-3.2	-2.7	-3.0	-3.2	-3.7	16%	-0.5
EBITDA	-18.5	-23.1	-20.2	-14.5	-18.8	-20.6	9%	-1.8
EBIT	-22.2	-26.3	-22.9	-17.5	-22.0	-24.3	10%	-2.3
Recurring revenues	8.8	9.1	10.9	11.9	13.0	13.4	3%	0.4
ARR	33.8	38.9	45.1	49.5	52.9	57.3	8%	4.4
O/W SaaS ARR	12.9	20.0	23.6	25.1	31.3	30.2	-3%	-1.1
O/W Non-SaaS ARR	20.9	18.9	21.5	24.4	21.6	27.1	25%	5.5

Source: Redeye (estimates), company data (historicals)

To illustrate the volume, Artificial Solutions disclose the number of SaaS API calls. By the end of Q1 2023, the SaaS API calls reached 18.9m, which implies an annual volume of c227m. This is equivalent to a growth of 244% y/y and 37% q/q, evidential for a higher adoption rate of AI solutions. In addition, some of its largest and newly signed customers are not yet fully up and running, and we should expect to see a further acceleration going forward. As volume becomes higher, the gross margins follow as it comes with very little incremental costs, which is why we expect the gross margin to improve going forward. The company mentioned that it reached a gross margin of over 90% on a large scalable customer in Q1 2023.

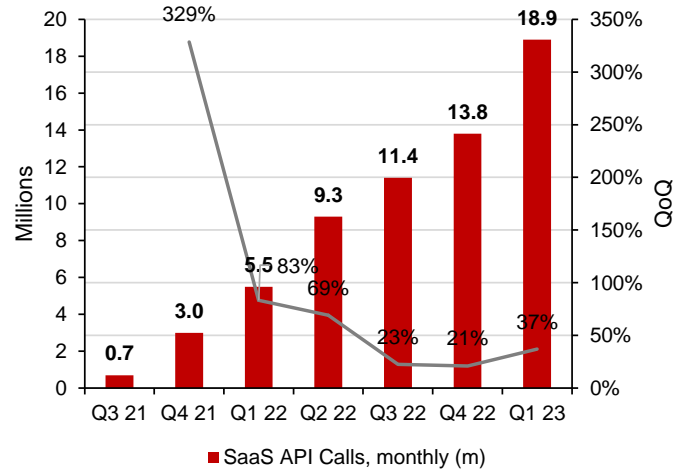
The company has a financial target of delivering over one billion API calls annually during 2024. Indicating there is plenty of room for growth.

Artificial Solutions: SaaS ARR and growth QoQ %



Source: Redeye, company data

Artificial Solutions: SaaS API calls, monthly

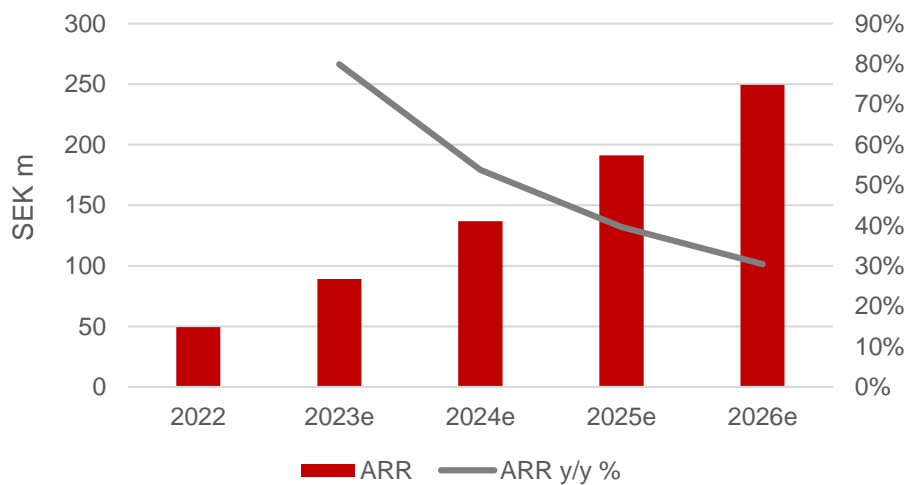


Source: Redeye, company data

During the quarter, Artificial renewed contracts with the leading Italian online bank, Widiba, and the Swedish insurance firm, Folksam. Artificial Solutions also signed new partnerships with Accelerate Venture Holding (AVH), which could use Teneo for outbound calling capabilities. In addition, three other partnerships were signed during the quarter, where Valcon, a leading IT consultancy firm, partnered with Artificial Solutions.

Furthermore, given the solid reception of its new solution, Open Question, which shortens the implementation time reduces the costs of acquiring new customers. In conjunction with a stronger interest in implementing AI solutions for enterprises, this has shifted the company's short-term focus to signing new customers and scaling the offering on existing ones. In general, the implementation time for onboarding new customers is 90 days, and the company targets to have a payback time of 120 days. However, this could have a short-term negative effect on profitability but should lead to higher margins once new potential customers scale their offering.

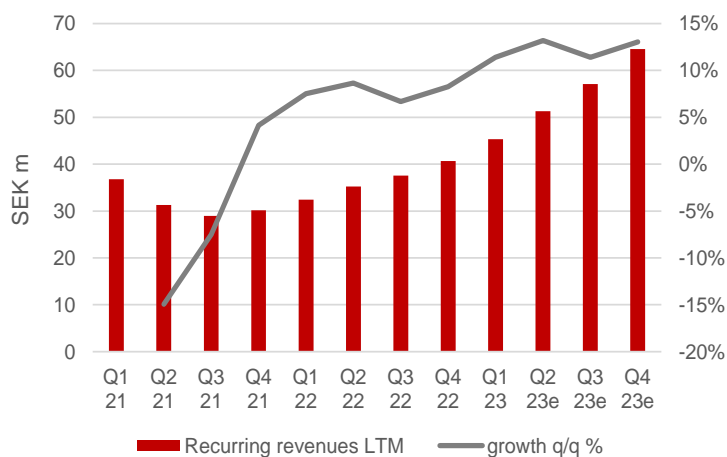
Artificial Solutions: ARR and growth y/y



Source: Redeye research

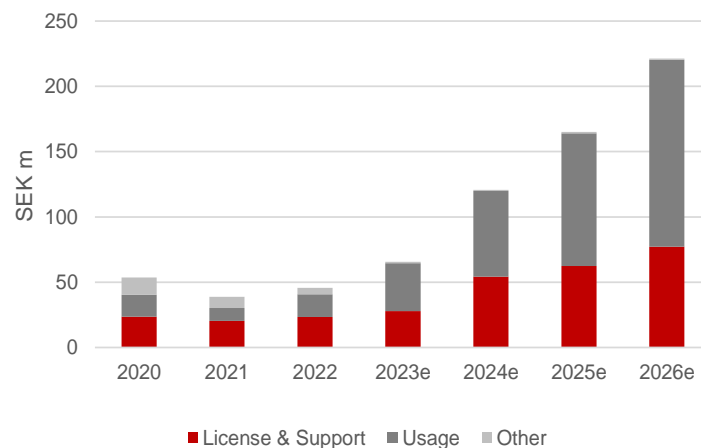
Net sales amounted to SEK13.6m (10.1), whereas the recurring revenues came in at SEK13.4m (8.8), accounting for 98% of revenues. Usage (volume from SaaS API calls) was the strongest contributor and accounted for 52% of sales. All in all, net sales came in slightly above our expectations, driven by higher SaaS API volumes among existing customers.

Artificial Solutions: Recurring revenues and growth q/q



Source: Redeye research

Artificial Solutions: Net sales distribution



Source: Redeye research

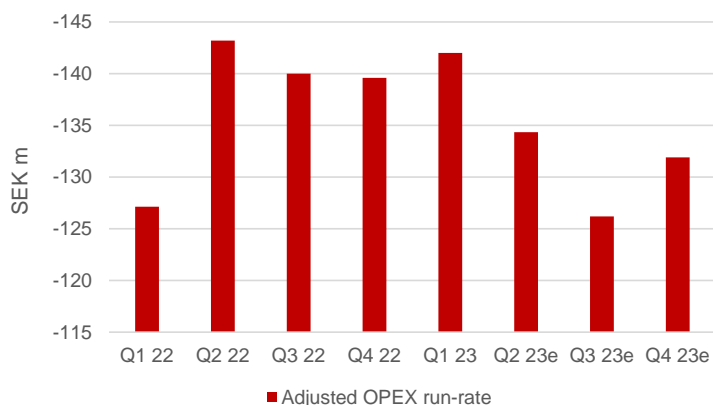
We expect SaaS API calls to be the major growth driver going forward as large customers scale up their operations. Usage represented 38% of net sales in 2022. We estimate it to represent 65% in 2025e. Leading to an improved gross margin, as once Artificial Solutions begins to scale its SaaS offering, we should expect, over time, a gross margin >90%. Incremental usage revenues require close-to-zero incremental costs. We expect the gross margin to reach 85% in 2026e, up from 65% in 2022.

The gross margin was 56% in the quarter (74). We estimated a gross margin of 70%. The weaker gross margin is partly due to adopting internal strategy changes, where strong sales yield higher commissions, negatively impacting the gross margin. However, this should yield stronger sales and profitability in the long run, as the Teneo platform is sticky. In addition, some customers are not fully up and running, harming the utilization rate. Considering the above, management stated that the gross margin would be 65%, closer to our estimates. We believe the company will improve its gross margin in the coming quarters.

Total Net Opex came in at SEK-28.3m (-26). Slightly higher than our estimates due to higher personnel expenses. Furthermore, management is implementing cost efficiencies across its organization and will lay off some employees. These measures are expected to yield effects from the second quarter. Positively, the implied annual Opex decreased sequentially from Q4'2022.

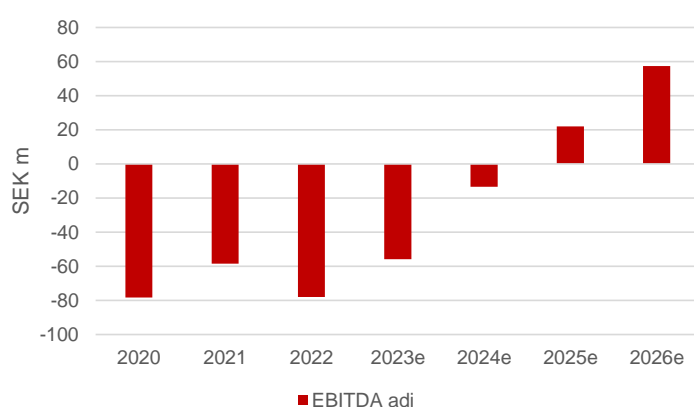
Adj EBITDA came in at SEK-18.1m (-14.9), somewhat higher than our estimate of SEK-16.3m. We expect Artificial Solutions EBITDA to move towards a positive trajectory and reach positive EBITDA levels in 2025e, for a margin of 13%, which will rapidly scale towards 26% in 2026e. The positive EBITDA levels will be reached by higher sales volume, stronger gross margin, and a more efficient cost structure.

Artificial Solutions: Adj Opex annualized



Source: Redeye research

Artificial Solutions: Adj EBITDA



Source: Redeye research

Market tailwinds

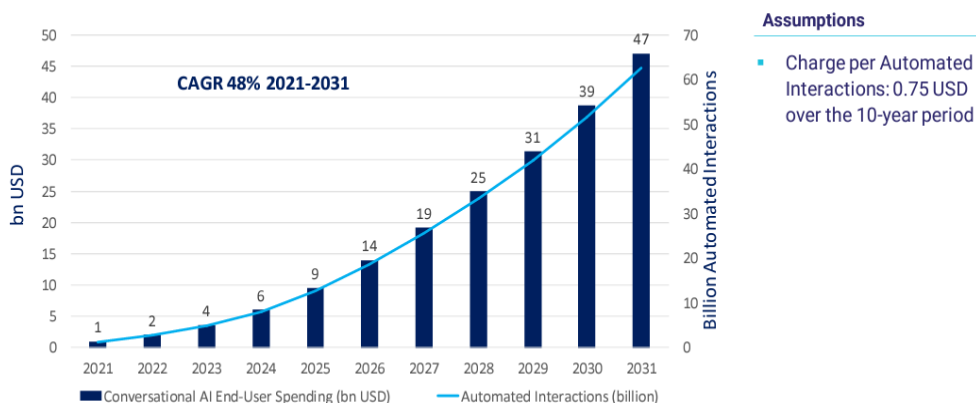
The market for contact centers is going digital, and the software market for contact centers is expected to increase from USD29.5bn in 2021 to USD165bn in 2030e, for a CAGR of 21%. However, the virtual assistant market is a subset of this market, which is the core of Artificial Solutions market and has been sized by Gartner as a USD2bn market this year, with an expected **2021–2031e CAGR of 48%**.

The key drivers for implementing conversational AI centers are reduced costs, increased value creation, increased ARPC, improved employee satisfaction, and attracting new customers.

Artificial Solutions is estimated to have at least a 15% market share of the total number of interactions this year (2.7bn). It is currently at a c166m API call run rate with existing SaaS customers and likely generates as much (at least) with legacy customers. However, this leadership is not reflected in current revenues. We understand that the market projections include a substantial portion of professional services. This is provided by Artificial Solutions’ partners.

GARTNER PREDICTS HIGH GROWTH IN CONVERSATIONAL AI

| ARTIFICIAL SOLUTIONS KEY NICHE CONTACT CENTER - 48% CAGR TO 2031



* Gartner June 2022: Conversational AI End-User Spending from Contact Center Deployments Worldwide 2021-2031



Source: company data

Limited revisions post the report

On the back of the Q1 2023 report, we raise our ARR assumptions slightly based on higher usage (SaaS API calls). However, we forecast somewhat lower profitability in 2023e due to lower gross margin. However, we make limited changes in 2024-2025e as we argue that higher volume will drive a higher gross margin going forward.

Artificial Solutions	New Estimates				Old Estimates				Diff %			
	2023e	2024e	2025e	2026e	2023e	2024e	2025e	2026e	2023e	2024e	2025e	2026e
SEKm												
License & Support	27.8	54.3	62.4	77.1	28.4	53.5	62.1	76.8	-2%	1%	0%	0%
Usage	36.8	65.6	101.7	143.2	34.1	64.7	101.2	142.6	8%	1%	0%	0%
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-5%	-5%	-5%	-5%
Net sales	65.5	120.8	165.0	221.3	63.5	119.2	164.3	220.3	3%	1%	0%	0%
COGS	-18.8	-24.2	-26.4	-33.2	-16.4	-23.8	-26.3	-33.0	14%	1%	0%	1%
Gross Profit	46.8	96.6	138.6	188.1	47.1	95.3	138.0	187.3	-1%	1%	0%	0%
Gross margin %	71%	80%	84%	85%	74%	80%	84%	85%				
Opex	-102.6	-111.0	-117.6	-131.7	-107.6	-119.1	-127.2	-142.2	-5%	-7%	-8%	-7%
EBITDA adj	-55.8	-13.4	22.0	57.3	-50.0	-13.7	20.3	55.1	12%	-3%	8%	4%
D&A	-14.8	-15.7	-16.5	-19.9	-13.1	-15.5	-16.4	-19.8	13%	1%	1%	1%
EBIT	-70.6	-29.1	5.5	37.4	-63.1	-29.2	3.9	35.3	12%	-1%	42%	6%
Net finance	12.0	-11.4	-11.9	-12.3	-10.6	-11.4	-11.9	-12.3	-213%	0%	0%	0%
PTP	-58.6	-40.5	-6.3	25.1	-73.7	-40.6	-8.0	22.9	-20%	0%	-21%	9%
Net income	-58.6	-40.5	-6.3	20.1	-73.7	-40.6	-8.0	18.3	-20%	0%	-21%	9%
Recurring revenues	64.6	113.0	164.1	220.3	62.5	111.5	163.3	219.3	3%	1%	0%	0%
ARR	89.1	137.0	191.2	249.4	87.1	135.9	190.7	247.9	2%	1%	0%	1%

Source: Redeye (estimates), company data (historicals)

Financials

We forecast the ARR to reach SEK249m in 2026, up from SEK50m in 2022, delivering a 2022-2026e CAGR of 50%. As the ARR is the leading indicator of net sales, we expect net sales to grow similarly. We expect the SaaS API calls to be the major growth driver, and potential price increases on seats and new large customer wins could act as a positive surprise. Given that the incremental costs on each additional API call are minimal, it enables Artificial Solutions to operate with a very high gross margin at scale. Hence, stronger sales alongside gross margins at >80% lead to scalability. Thus, we expect the EBITDA margin to reach 26% in 2026e, and we expect the company to post positive EBITDA results in 2025e.

Artificial Solutions: Key financials											
SEKm	2020	2021	2022	Q1 23	Q2 23e	Q3 23e	Q4 23e	2023e	2024e	2025e	2026e
License & Support	23.5	20.4	23.3	6.3	6.6	6.9	8.0	27.8	54.3	62.4	77.1
Usage	16.9	9.7	17.4	7.1	8.5	9.8	11.4	36.8	65.6	101.7	143.2
Other	13.3	8.6	5.0	0.2	0.3	0.3	0.3	1.0	1.0	1.0	1.0
Net sales	53.7	38.8	45.6	13.6	15.3	17.0	19.6	65.5	120.8	165.0	221.3
Recurring revenues	40.4	30.2	40.7	13.4	15.1	16.7	19.4	64.6	113.0	164.1	220.3
ARR	0.0	0.0	49.5	57.3	67.3	80.0	89.1	89.1	137.0	191.2	249.4
ARR y/y %				70%	73%	77%	80%	80%	54%	40%	30%
SaaS ARR per customer	0.0	1.2	1.9	2.5	3.0	3.5	4.1	4.1	6.3	8.3	10.0

Artificial Solutions: Financial forecast											
SEKm	2020	2021	2022	Q1 23	Q2 23e	Q3 23e	Q4 23e	2023e	2024e	2025e	2026e
Net sales	54	39	46	14	15	17	20	66	121	165	221
COGS	-18	-12	-16	-6	-4	-4	-4	-19	-24	-26	-33
Gross profit	56	27	30	8	11	13	15	47	97	139	188
Gross margin (%)	66%	70%	65%	57%	72%	75%	78%	71%	80%	84%	85%
Capitalised development	0	12	13	4	4	4	4	16	16	17	18
Personnel	-116	-71	-85	-25	-22	-21	-22	-90	-95	-102	-114
External	-25	-30	-40	-7	-7	-7	-7	-29	-31	-33	-36
Other costs	0	-2	0	0	0	0	0	0	0	0	0
Total Opex	-141	-91	-112	-28	-26	-24	-25	-103	-111	-118	-132
EBITDA adj	-78	-59	-78	-18	-15	-11	-10	-56	-13	22	57
EBITDA adj (%)	-146%	-151%	-171%	-134%	-95%	-64%	-49%	-85%	-11%	13%	26%
Non-recurring	0	-4	-3	-3	0	0	0	0	0	0	0
EBITDA	-67	-58	-76	-21	-15	-11	-10	-56	-13	22	57
EBITDA (%)	-126%	-150%	-167%	-152%	-95%	-64%	-49%	-85%	-11%	13%	26%
D&A	-12	-13	-13	-4	-4	-4	-4	-15	-16	-17	-20
EBIT	-79	-71	-88.9	-24.4	-18.3	-14.6	-13.4	-71	-29	6	37
EBIT (%)	-148%	-182%	-195%	-179%	-119%	-86%	-68%	-108%	-24%	3%	17%
Net finance	-57	1	4	30	-3	-3	-3	12	-11	-12	-12
PTP	-136	-69	-85	5	-21	-18	-17	-59	-40	-6	25
Net income	-136	-69	-85	5	-21	-18	-17	-59	-40	-6	20
EPS	-32.0	-10.6	-13.0	0.1	-0.2	-0.2	-0.2	-0.6	-0.4	-0.1	0.2

Source: Redeye (forecasts), company data (historicals)

Valuation

DCF

We derive our fair value range from a fundamental DCF framework and earnings multiple approach. We also supplement our DCF analysis with a peer group comparison. We apply a WACC of 13% across all scenarios. We also supplement our DCF analysis with a peer group comparison.

New fair value range of SEK3.8 (3.6)

Our updated fair value range spans from SEK2.4-11, and our Base Case is SEK3.8. The fair value range is wide, owing to the unpredictable nature of Artificial Solutions' long-term growth and profitability levels and its high net debt of SEK230m in 2023e versus the current market cap of SEK115m. Once Artificial Solutions scales its SaaS offering, we should expect, over time, a gross margin of >90%. Incremental usage revenues require close-to-zero incremental costs. In turn, this should support high long-term operating margins. We forecast a terminal EBITDA margin of 35%.

Trading above Nordic SaaS peers and below global AI peers on near-term EV/S multiples

In relation to a group of Nordic SaaS companies (as seen on the next page), Artificial Solutions is trading in line with Nordic key peers across the entire forecast period 2023e-2025e. The group trades at a median 2023e EV/S multiple of 5.3x. This falls to 2.4x by 2025e. In contrast, global AI peers trade at a median 2023e EV/S multiple of 4.3x in 2023e, fading down to 3.1x in 2025e.

Artificial Solutions trades at 5.3x EV/S in 2023e and at 2.4x in 2025e. Indicating that the company trades in line with global peers on 2023e but at a discount on 2024e-2025e. Given the business model and its geographic presence, we argue that global peers are most comparable.

Bear Case: SEK2.4

We base our bear case scenario on a EV/S multiple of 3.0x in 2026e. Indicates a premium to Nordic SaaS peers but a discount versus Global peers.

Furthermore, Artificial Solutions has patents worth cSEK1,500m, which we argue acts as a support for the technique.

Base Case: SEK3.8

Sales CAGR 2022-2026e: 49%
Sales CAGR 2026e-2034e: 17%
Avg. EBIT-m 2022-2026e: -76%
Avg. EBIT-m 2026e-2034e: 22%
Terminal growth: 2%
Terminal EBIT-m: 29%
WACC: 13.0%
Equivalent to 12x EV/EBITDA(26e)

Bull Case: SEK11

Sales CAGR 2022-2026e: 54%
Sales CAGR 2026e-2034e: 20%
Avg. EBIT-m 2022-2026e: -66%
Avg. EBIT-m 2026e-2034e: 32%
Terminal growth: 2.5%
Terminal EBIT-m: 39%
WACC: 13.0%
Equivalent to 25x EV/EBITDA(26e)

Artificial Solutions: valuation in base case sensitivity analysis

		WACC				
		11.0%	12.0%	13.0%	14.0%	15.0%
EBITDA-m	30.0%	5.2	4.1	3.2	2.4	1.8
	32.5%	5.7	4.5	3.5	2.7	2.0
	35.0%	6.2	4.9	3.8	3.0	2.3
	37.5%	6.7	5.3	4.2	3.3	2.5
	40.0%	7.2	5.7	4.5	3.5	2.7

Source: Redeye research

Peer table

Company name	Mkt Cap SEKm	EV SEKm	EV/S			EV/EBITDA			EV/EBIT		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Artificial Solutions International AB	120	349	5.3	3.2	2.4	-25.0	-25.0	17.9	-4.9	-13.2	71.5
Nordic SaaS											
Admicom Oyj	2,417	2,372	6.2	5.7	5.1	16.2	14.9	12.8	18.3	16.6	14.3
Bambuser AB	568	191	0.8	0.6	0.5	neg	neg	neg	neg	neg	neg
Carasent ASA	1,218	509	2.1	1.8	1.5	11.2	5.8	4.1	36.3	14.2	7.6
Checkin.com Group AB	1,166	1,066	8.9	5.0	2.8	32.3	14.8	8.5	71.0	21.3	10.6
Efecte Oyj	756	740	2.6	2.2	1.9	>100	31.5	17.4	neg	68.7	23.6
Fortnox AB	43,353	42,210	25.1	19.0	14.9	51.0	36.8	28.3	62.8	44.0	33.3
Irisity AB	252	261	2.1	1.7	1.3	na	14.5	9.3	neg	neg	neg
Pexip Holding ASA	1,531	1,212	1.4	1.3	1.2	8.6	7.5	6.2	32.7	21.1	14.0
Physitrack Limited	247	252	1.4	1.1	0.9	4.8	3.4	2.5	16.6	6.6	3.9
SignUp Software AB	2,362	2,056	6.6	5.4	4.6	42.4	29.1	20.8	57.5	32.2	21.3
SmartCraft ASA Class A	3,404	3,204	8.4	7.2	6.3	20.3	16.8	14.4	25.0	20.7	17.0
Upsales Technology AB	960	877	5.8	4.6	3.7	20.4	15.4	13.3	25.8	19.5	16.2
Average - Nordics	4,489	4,254	5.9	4.5	3.6	14.0	12.7	12.0	26.2	19.4	18.0
Median - Nordics	1,166	877	5.3	3.2	2.4	18.2	14.8	13.0	29.2	20.7	16.2
Global peers											
C3.ai, Inc. Class A	20,352	12,106	4.4	3.7	3.1	neg	neg	neg	neg	neg	neg
Jamf Holding Corp	23,336	24,438	4.2	3.5	3.2	60.7	30.2	25.1	60.7	37.2	31.0
RingCentral, Inc. Class A	27,289	43,895	1.9	1.7	1.6	8.3	6.9	6.1	10.8	8.6	7.4
Intapp, Inc.	27,720	25,930	7.3	6.4	5.6	>100	>100	>100	>100	>100	>100
nCino Inc	28,779	28,332	5.7	4.9	4.1	46.9	34.2	23.8	58.2	40.5	29.2
ACI Worldwide, Inc.	27,534	39,932	2.7	2.5	2.4	10.0	9.3	8.3	17.4	15.6	13.5
Average - Global	25,835	29,106	4.4	3.8	3.3	21.0	13.4	10.6	24.5	17.0	13.5
Median - Global	27,412	27,131	4.3	3.6	3.1	28.5	19.7	16.1	37.8	26.4	21.4
ASAI - Discount / premium versus Nordics peers			0.0%	0.0%	0.0%	(237.2%)	(268.5%)	37.2%	(116.8%)	(163.8%)	340.2%
ASAI - Discount / premium versus Global peers			22.6%	(11.8%)	(23.6%)	(187.8%)	(226.7%)	11.5%	(113.0%)	(150.1%)	234.4%

Source: FactSet, Redeye

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report:

People: 2

Artificial Solutions appointed Per Ottosson as CEO in November 2020. Ottosson brings extensive C-suite experience from highly successful companies within software and AI – most recently as CRO at IPSoft. Additionally, Ottosson has attracted many high-profile senior recruitments to Artificial Solutions. So far, management has delivered on its goals, i.e., transition to a SaaS model, expand partnerships, and decrease the cost base. Also, we value SEB-Stiftelsen ownership and long-term commitment (c11% of the capital and votes) and some founders and reputable technology investors having meaningful stakes. Board and management hold approximately 7% of the capital. Greater consistency in capital allocation could help improve the rating going forward.

Business: 3

Since transitioning to a SaaS business model in 2021, the company has operated an asset-light (Kubernetes cloud infrastructure) and highly scalable venture, owing to its usage-based revenues – creating product stickiness. Additionally, it relies on global partners such as Microsoft, Deloitte, and CGI to drive sales – which on the flip side, makes some dependencies. Artificial Solutions core market grows at a 48% CAGR – the prospect of achieving long-term organic growth is highly feasible. However, Artificial Solutions is not immune to competition and innovations in the space and have, to some degree, high customer concentration, although this is steadily decreasing.

Financials: 1

Artificial Solutions has a negative FCF profile and will likely remain unprofitable until 2025e, as it invests significant resources in sales growth. The rating's retrospective nature limits the company from achieving a higher score. However, we positively regard the increasing gross profit margin and expect it to, over time, increase to >90%.

	2022	2023e	2024e	2025e						
INCOME STATEMENT					DCF Valuation Metrics					Sum FCF (SEKm)
Revenues	46	66	121	165	2023-26					-73
Cost of Revenues	16	19	24	26	2027-34					343
Gross Profit	30	47	97	139	2034-					351
Operating Expenses	112	103	111	118	Firm Value					621
EBITDA	-76	-56	-13	22	Net Debt					230
Depreciation & Amortization	13	15	16	17	Equity Value					391
EBIT	-89	-71	-29	6	Fair Value per Share					3.8
Net Financial Items	4	12	-11	-12						
EBT	-85	-59	-40	-6						
Income Tax Expenses	0	0	0	0						
Non-Controlling Interest	0	0	0	0						
Net Income	-85	-59	-40	-6						
BALANCE SHEET										
Assets										
Current assets										
Cash & Equivalents	18	45	20	22						
Inventories	0	0	0	0						
Accounts Receivable	36	51	95	129						
Other Current Assets	0	0	0	0						
Total Current Assets	54	96	115	151						
Non-current assets										
Property, Plant & Equipment, Net	1	1	2	2						
Goodwill	0	0	0	0						
Intangible Assets	32	35	40	45						
Right-of-Use Assets	0	0	0	0						
Shares in Associates	0	0	0	0						
Other Long-Term Assets	2	2	2	2						
Total Non-Current Assets	35	37	43	49						
Total Assets	89	134	158	200						
Liabilities										
Current liabilities										
Short-Term Debt	0	0	0	0						
Short-Term Lease Liabilities	0	0	0	0						
Accounts Payable	17	25	46	62						
Other Current Liabilities	0	0	0	0						
Total Current Liabilities	58	71	124	161						
Non-current liabilities										
Long-Term Debt	264	274	285	297						
Long-Term Lease Liabilities	0	0	0	0						
Other Long-Term Liabilities	0	0	0	0						
Total Non-current Liabilities	264	274	285	297						
Non-Controlling Interest	0	0	0	0						
Shareholder's Equity	-234	-211	-252	-258						
Total Liabilities & Equity	89	134	158	200						
CASH FLOW										
NOPAT	-89	-71	-29	6						
Change in Working Capital	-2	-3	10	2						
Operating Cash Flow	-78	-37	-4	24						
Capital Expenditures	-1	0	-1	-1						
Investment in Intangible Assets	-14	-18	-21	-21						
Investing Cash Flow	-15	-18	-21	-22						
Financing Cash Flow	-2	81	0	0						
Free Cash Flow	-93	-54	-25	2						
					CAPITAL STRUCTURE					
					2022	2023e	2024e	2025e		
					Equity Ratio	-2.6	-1.6	-1.6	-1.3	
					Debt to equity	-1.1	-1.3	-1.1	-1.1	
					Net Debt	246	230	265	275	
					Capital Employed	30	63	34	39	
					Working Capital Turnover	-2.0	-3.4	-4.1	-5.2	
					GROWTH					
					Revenue Growth	18%	44%	84%	37%	
					Basic EPS Growth	23%	-96%	-31%	-84%	
					Adjusted Basic EPS Growth	23%	-96%	-31%	-84%	
					PROFITABILITY					
					ROE	48%	26%	17%	2%	
					ROCE	-294%	-112%	-87%	14%	
					ROIC	-1188%	-529%	-205%	41%	
					EBITDA Margin (%)	-167%	-85%	-11%	13%	
					EBIT Margin (%)	-195%	-108%	-24%	3%	
					Net Income Margin (%)	-187%	-89%	-34%	-4%	
					VALUATION					
					Basic EPS	-13.0	-0.6	-0.4	-0.1	
					Adjusted Basic EPS	-13.0	-0.6	-0.4	-0.1	
					P/E	neg	neg	neg	neg	
					EV/Revenue	5.5	5.3	3.2	2.4	
					EV/EBITDA	neg	neg	neg	17.8	
					EV/EBIT	neg	neg	neg	71.1	
					P/B	neg	neg	neg	neg	
					SHAREHOLDER STRUCTURE					
							CAPITAL %	VOTES %		
					Sven Härgestam		11.3%	11.3%		
					SEB-Stiftelsen		11.1%	11.1%		
					Theodor Jeansson Jr.		6.0%	6.0%		
					Avanza Pension		5.0%	5.0%		
					Provider Investment AB		3.9%	3.9%		
					SHARE INFORMATION					
					Reuters code				ASAI.ST	
					List				First North	
					Share price				1.15	
					Total shares, million				102.429	
					MANAGEMENT & BOARD					
					CEO				Per Ottosson	
					CFO				Fredrik Törgren	
					Chairman				Åsa Hedin	
					ANALYSTS					
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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2023-05-01)

Rating	People	Business	Financials
5p	7	6	2
3p - 4p	147	145	38
0p - 2p	24	27	138
Company N	178	178	178

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CONFLICT OF INTERESTS

Viktor Lindström owns shares in the company : No

Redeye performs/have performed services for the company and receives/have received compensation from the company in connection with this.