

# Artificial Solutions Q1'24: Report in line

Artificial Solutions Research Note 2024-04-26 08:50

Redeye provides a brief comment on Artificial Solutions' Q1 2024 report, which closely aligns with our sales target and EBITDA-Capex estimate. The strengthening of SaaS API calls continues, a trend we view very positively.



Mark Siöstedt

## Initial comment

Artificial Solutions: Financial forecast										
SEKm	2022a	Q1 23a	Q2 23a	Q3 23a	Q4 23a	2023a	Q1 24e	Q1 24a	Diff (abs)	Diff (%)
Net sales	46	13,6	14,8	16,4	15,8	61	16,4	17,1	0,7	4%
Growth YoY (%)	18%	35%	45%	32%	22%	33%	21%	26%		
COGS	-21	-6	-4	-6	-4	-20	-3	-4		
Gross profit	25	8	11	10	12	41	13	14	0,4	3%
Gross margin (%)	55%	57%	72%	63%	77%	67%	80%	79%		
Capitalised dev	13	4	4	4	9	21	8	6		
Personnel	-85	-25	-22	-24	-18	-88	-18	-21		
External expenses	-35	-7	-8	-6	-9	-30	-9	-13		
Opex + Capitalisation	-134	-36	-34	-34	-37	-140	-36	-39	-3,6	-9%
EBITDA	-76	-21	-15	-16	-6	-58	-6,4	-9,9		
EBITDA (%)	-167%	-152%	-102%	-99%	-38%	-96%	-39%	-58%		
Non-recurring	11	3	1	3	0	8	0			
EBITDA adj	-65	-18	-14	-13	-6	-51	-6,4	-8,5	-2,1	-24%
EBITDA adj (%)	-143%	-133%	-93%	-79%	-36%	-83%	-39%	-50%		
D&A	-13	-4	-4	-3	-4	-14	-3	-4		
EBIT	-89	-24	-19	-20	-10	-72	-10	-14		
EBIT adj	-78	-22	-18	-16	-9	-72	-10			
Net finance	4	30	2	-8	-10	15	-3	4		
PTP	-85	5	-17	-27	-19	-58	-12	-10		
Net income	-85	5	-17	-27	-19	-58	-12	-10	2,5	25%
EPS										
Adj EBITDA-Capex	-79	-22	-18	-17	-15	-72	-14	-14	0,4	3%

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

Artificial Solutions' total ARR grew by 25% y/y, while the SaaS ARR came in even stronger at 32% y/y. Total ARR amounted to SEK66.9m, and SaaS ARR was SEK37.2m.

SaaS API call volumes averaged 23.8 million in Q1 2024, up by 40% y/y and thus surpassing the previous top in Q3 2023. Management writes: "This number shows that volumes are back, and the impact from the last 4 months of 2023 due to two of our US customers closing the WhatsApp channel, has been overcome. At the beginning of 2024, the two US customers have restarted their WhatsApp channels albeit with many limitations for security reasons and the first quarter of 2024 has continued on a positive growth trajectory versus the fourth quarter 2023, resulting in a growth of 32% versus the fourth quarter 2023." Meanwhile, the existing non-SaaS customers experienced -9% reduction in quarterly average API call volumes between the first quarter 2023 and the first quarter 2024.

Recurring revenues (Usage, License, and Support) in Q1 2024 amounted to SEK17m, which was close to 100% of net sales (SEK17.1m). Thus, net sales grew by 26% and recurring sales by 27% y/y. Artificial Solutions' net sales were consequently 4% stronger than our estimate. Management writes: "During the fourth quarter 2023 we reorganized to focus on new sales as well as developing existing customers. We have built an impressive Pipeline with companies with very large contact centers and I was expecting us to be able to close a few of these in the first quarter 2024. However, I misjudged the sales cycle length in these companies. As it became apparent that getting to signature in these really large enterprises would take longer we decided to quickly focus on creating a SaaS delivery at a lower price point. Already right after the quarter close our first customer in this delivery model – Medhelp – decided to use Teneo.ai in their employee health service. We will continue to focus on the large volume customers but also add small and medium sized customers that contribute to in selected segments." This is something we will ask more about on the conference call, especially what the outlook looks like. New customers act as



**REDEYE QUALITY RATING**

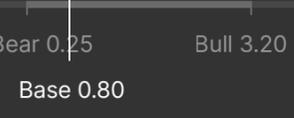
2      3      1



People    Business    Financials

**FAIR VALUE RANGE**

Price 0.55



Bear 0.25      Bull 3.20

Base 0.80

**TIMELINESS**



5

**KEY STATS**

Market Cap	149.9 MSEK
Entprs. Value (EV)	404.4 MSEK
Net Debt (2024e)	254.4 MSEK
30 Day Avg Vol	506 K
Shares Outstanding	273.1M
Price / Earnings	N/A
PEG	N/A
Dividend Yield	N/A

Data from 2024-04-26 08:50

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All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

Redeye, Mäster Samuelsgatan 42, 10tr, Box 7141, 103 87 Stockholm. Tel. +46 8-545 013 30  
E-post: [info@redeye.se](mailto:info@redeye.se)

positive catalysts, and Artificial Solutions has shown that it can grow considerably with its customer base. In Q1 2024, the net revenue retention (NRR) was 141%, which is best-in-class.

The gross margin of 79% was in line with our 80% estimate, and the EBITDA-Capex of SEK-14m was slightly better than our estimate of about SEK-14.4m. Cash on the balance sheet amounted to SEK24.6m.

Since the reported numbers align fairly well with our Q1 2024 forecast, we do not intend to make any major revisions unless new information arises during the conference call that alters our perspective.

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