

ARTIFICIAL SOLUTIONS INTERNATIONAL AB

www.investors.artificial-solutions.com

Sector: Software
List: Nasdaq First North Stockholm
Market cap: SEK 163m

NRR signals high value-added and effectiveness

On Friday, April 19, 2024, Artificial Solutions (the company or ASAI) presented its Q1 report for 2024. Top-line figures were solid. Net sales grew by 26% YoY to SEK 17.1m, of which 99.4% was recurring revenue. SaaS ARR grew by an impressive 31% to SEK 37.2m, and SaaS API call volume grew by 40% to 23.8 million.

NRR remains at outstanding levels, more specifically at 141%, up from 134% in Q1 2023. NRR show the company’s ability to grow with existing clients over a certain period (12 months). It is thus a measurement of customer loyalty as well as product value-added and effectiveness. A figure above 100% signals that ASAI can increase revenue from existing clients – an important measure in the current growth strategy.

The chart below illustrates net sales and NRR development over the previous five quarters, Q1, 2023 to Q1 2024.

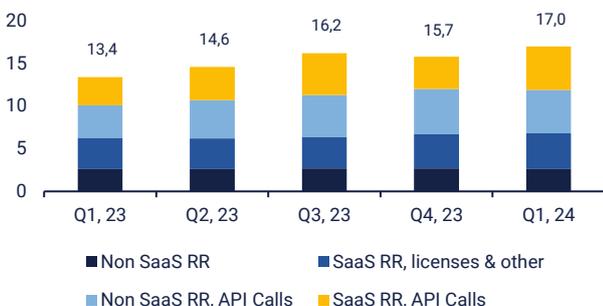
Net sales (SEKm) and NRR (%)



Source: Company information and Carlsquare

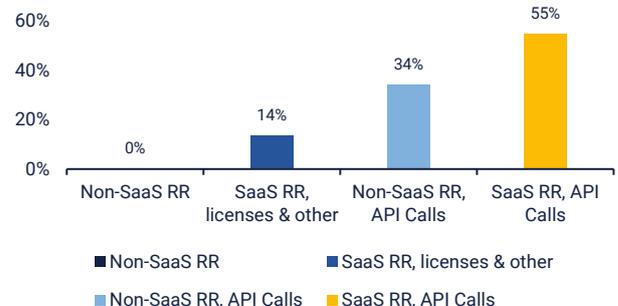
Key for NRR is the strong growth rates for non-SaaS recurring revenue, API calls, and SaaS recurring revenue, API calls that grew by 34% and 55%, respectively, in Q1 2024.

Recurring revenues (SEKm)



RR = Recurring revenue. Source: Company information and Carlsquare

RR, growth rates Q4 2024 by revenue type



Source: Company information and Carlsquare

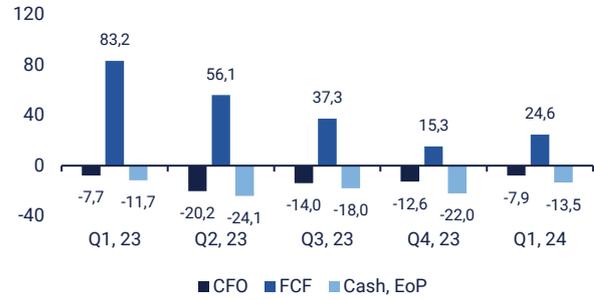
With a larger share of revenue coming from API call volume, the gross margin improved substantially to 79% (56%). The headcount is down to 59 (76), which has lowered personnel

costs from SEK 25.3m in Q1 2023 to SEK 21.0m in Q1 2024. Meanwhile, operating expenses fell by 10% to SEK 37.8m, yielding an adjusted EBITDA of minus SEK 8.5m.

Adj. EBITDA (SEKm) and growth (%)



CFO, FCF, Cash EoP (SEKm)



Source: Company information and Carlsquare

CFO = Cash flow from operating activities. FCF = Free cash flow. EoP = end of period. Source: Company information and Carlsquare

Cash flow from operating activities was minus SEK 7.9m, while the cash position at the end of the period amounted to SEK 24.6m.

To summarise the Q1 report, the good volume growth from existing customers is encouraging and validates the business model API call volume-based revenue. The company states that the pipeline of potential new large contracts is impressive and still intact, although the sales cycle has been longer than expected. ASAI aims to push sales efforts towards larger deals in the coming quarters to leverage from its portfolio of reference customers, however, in an OPEX-efficient manner.

A space attracting investor interest and funding

On Feb. 5, 2024, ASAI announced the outcome of the rights issue, which was carried out in January and February. Subscription interest corresponded to approx. 166% of the offer, implying outstanding demand in the current market. Meanwhile, kore.ai, the provider of enterprise conversational and generative AI platform technology, announced at the beginning of the year that it received a growth investment of USD 150m from FTV Capital and Nvidia, amongst others. In other words, investors' interest in conversational AI is high.

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