

2024 AGM Q&A and Investor Product Demo Day - Summary

Summary of Investor Q&A from the AIM 2024 AGM:

1. Revenue Recognition and Financial Impact

- **Hardware Revenue and Encoder Value:** Revenue for hardware encoders is recognized upfront, with encoders having a Lifetime Value (LTV) of US\$50,000 per encoder, due to their role in driving recurring SaaS revenue from the growing LEXI toolkit. AIM anticipates an increase in LTV with upcoming product releases.
- **Encoder Revenue:** Hardware encoders are recognized as a one-off, upfront fee, with varying pricing based on customer size and volume. Currently, there are over 5,000 AIM encoders installed and online. ALTA, a virtual encoder, is offered as a SaaS product on an annual subscription, or through a bundled per-hour fee.
- **Tech Revenue Growth:** A 35% compound annual growth rate (CAGR) target for tech revenue is the key goal to achieve the EBITDA target of \$60M in FY29.
- **Services to Tech transition:** As customers move from human-service to LEXI over iCap tech solutions, generally the revenue conversion ratio is 1:10 (i.e. \$1 in services becomes \$0.10 in tech).
- **Margin Differentiation:** Technology revenues have an 80% margin compared to 40% for Services.

2. Competitive Landscape and Market Position

- **Unique Ecosystem Advantage:** AIM's competitive moat lies in the LEXI over iCap ecosystem, powered by data from the AIM encoders and processed in the iCap Cloud. AIM's ecosystem orchestrates, automates and synchronizes inputs in real time into dozens of AI engines hosted on the iCap Cloud. There is no competitor to iCap from Encoder vendors like ENCO and EVERTZ.
- **Europe Broadcast Market:** Early market feedback suggests AIM is well placed to displace incumbents like Cavena and Fab in Europe, capitalizing on momentum from deals with ITV. AIM remains confident

iCap can establish similar dominance in Europe Broadcast as it has in the US.

- **Competitors' Responses:** While competitors diversify into niche features, AIM's strategy is to expand into new markets and segments including Government, Enterprise & Education.
- **Differentiation:** AIM's ecosystem - which combines hardware encoders with AI-driven LEXI products, integrated with customers' own data and systems, connected via the iCap network - is its unique product proposition.

3. Strategic Growth Areas and Opportunities

- **FY25 Growth Priorities:** AIM is targeting European Broadcast and the introduction of LEXI Voice for US Broadcast as FY25 growth priorities.
- **LEXI Voice:** AIM will launch the AI-powered LEXI Voice product in April at the NAB Show in Las Vegas. It will be the biggest launch since LEXI 3.0 in April 2022. AIM forecasts LEXI Voice to be a greater revenue line than LEXI captioning by FY29. LEXI Voice translates live speech into speech in less than 10 seconds.
- **M&A Opportunities:** AIM sees opportunities for acquisitions or partnerships, particularly from opportunities to add the LEXI over iCap infrastructure to large third-party encoder networks outside of the US Broadcast market seeking AI solutions.

4. Risk Management and Operational Challenges

- **Regulatory and Operational Risks:** Compliance with government regulations, data security, system uptime, and quality assurance are key risk focus areas, especially ahead of the planned 2025 switch off of the legacy Services infrastructure.
- **Architecture:** The value of LEXI over iCap is the robust architecture and automatic failovers, critical for maintaining uptime and reliability in solutions like LEXI DR. Feature parity between on-prem and cloud products in an FY25 product goal, and the target of 99.999% uptime for AIM customers.
- **Market Adoption:** AIM recognises scepticism and resistance to change among potential customers remains an inhibitor to LEXI adoption. AIM's sales strategy is to demonstrate that the risks of human error outweigh the risks of automation through LEXI. AIM further responds to ethics concerns of customers by focusing on the secure and private

nature of customer data as an embedded security feature in AIM's LEXI architecture.

5. Market Dynamics and External Influences

- **ITV Deal Significance:** The partnership with ITV, a major European broadcaster, represents a pivotal milestone in expanding AIM's reach and ecosystem in Europe. Highlighting the first major European broadcaster to adopt the AIM Encoder ecosystem and deploy LEXI over iCap. Secondly, it provides AIM a scalable model to expand into Europe without requiring the setup of a human-services infrastructure. The Services element is performed by ITV. AIM is looking to replicate this model with other Services providers globally.
- **Competitive Threats in Translation:** The disruption to the translation market delivered by LEXI Voice will spurn competitive responses from large incumbent providers. AIM will compete with them based on its competitive advantage in LIVE translation, with the LEXI over iCap infrastructure equally beneficial to optimize LEXI VOICE as with LEXI captions

Summary of AIM's Product Demonstration Day

On Thursday 28 November 2024, AIM CEO Tony Abrahams, Chief Sales Officer James Ward, accompanied by AIM broadcast customer, Mark McKeown Head of Innovation and Operations from Sky News, presented to institutional investors.

The Product Demonstration presentation provided insights into the Company's strategy, technology, and market approach. The session addressed AIM's strategic direction to build on its integrated ecosystem of hardware, AI-powered services, and SaaS solutions, while navigating competition, regulatory challenges, and market opportunities.

Key highlights & quotes included:

1. Core Technology and Products:

Highlighting advancements in AI-Media's product suite and how LEXI is setting industry benchmarks:

- AIM's flagship product, LEXI Live, reached a performance level surpassing human captioning in speed, accuracy, and cost efficiency in November 2023, with improvements in quality continuing at an unprecedented pace.
- The speed of AI-based innovation in 2024 has generated improvements in LEXI accuracy in the last six months equal to the gain achieved in the entire decade from 2010-2020.
- The key to LEXI's success is the "LEXI over iCap" architecture based on the AIM Encoder network
- Introduction of new products like LEXI Voice and LEXI Recorded, targeting live and non-live captioning markets, respectively.
- Focus on cloud-based and on-prem solutions with a commitment to feature parity.
- The LEXI Latency reduction of one second has been a game-changer for viewer readability and satisfaction.
- **"LEXI is cheaper, faster, more secure, and a better experience in every way for most content."** - AIM CEO, Tony Abrahams



- **"In the last six months, we've seen more improvement in quality than in the previous ten years."** - *AIM CEO, Tony Abrahams*
- **"We've achieved a 99.1% accuracy rate with LEXI, surpassing human captioning."**- *AIM CEO, Tony Abrahams*
- **"LEXI Voice represents our next big leap, targeting global voice translation with under 10 seconds latency."**- *AIM CEO, Tony Abrahams*

2. Market Expansion and Strategy:

Focus on how AIM is expanding globally and disrupting traditional methods:

- Significant growth in the adoption of LEXI in established markets like the US and emerging markets in Europe and APAC.
- Partnerships with broadcasters like ITV and Sky News have replaced human captioning with LEXI.
- Commenced a push to expand into markets with low regulation but high demand for captions and translations due to market expansion opportunities for customers.
- **"ITV's adoption of LEXI in the UK marks a major milestone after years of groundwork."** - *James Ward, AIM Chief Sales Officer*
- **"We are targeting 30 countries where we see the greatest opportunity to grow. From selling 55 encoders in Europe last year to 108 this year—this showcases our growing traction in emerging markets. In Eastern Europe, there are no captioners—human captioning is not a profession—so AI solutions like LEXI create entirely new opportunities."** - *James Ward, AIM Chief Sales Officer*

3. Sales and Marketing Approach:

- Sales strategies include direct outbound, partnerships, and trade shows. Leveraging regulatory requirements for captioning in established markets and cost-efficiency pitches in non-regulated regions.
- **"Why is 50% of US broadcast still using legacy human captioning? The answer is inertia."** -*AIM CEO, Tony Abrahams.*

4. Customer Success and Feedback:

Provided real-world examples of how AI-Media's products have transformed operations:

- Case studies highlight cost savings, increased viewer experience, and operational efficiency from AIM's solutions.
- Highlighted AIM's commitment to delivering consistent and reliable customer experience with full interoperability and automatic failover between cloud and on-prem.
- Sky News example demonstrates transformation in workflow and financial benefits. Sky News, customer testimonial with Mark McKeown:
 - **"Sky News has increased its captioning hours fivefold while reducing costs significantly"**- Mark McKeown, Sky News
 - **"Viewer complaints dropped to zero with LEXI, a year after implementation and the issue disappeared from regular Executive discussion."** - Mark McKeown, Sky News.
- Major League Baseball (MLB):
 - **"MLB is exploring LEXI Voice to deliver real-time Japanese commentary for their app, unlocking new global markets."** - James Ward, Chief Sales Officer
- **"We have the best pipeline, and the most engaged customer set we've ever had."** - *AIM CEO, Tony Abrahams*

5. Future Growth Areas:

Provide insights into financial performance and long-term goals:

- **"Tech revenue has grown from \$0 to \$32.9 million in just four years, driven by the shift to SaaS models. We're targeting \$60 million EBITDA in five years by expanding from captioning to broader language services."** - AIM CEO Tony Abrahams
- **"The same elements that made LEXI a winner in the ASR space in US broadcast will play to our advantage in the \$69 billion language services market."** - *AIM CEO Tony Abrahams*