

**Transcript of  
CXApp, Inc.  
CXApp Second Quarter 2023 Earnings Call  
August 14, 2023**

**Participants**

Mr. Khurram Sheikh - Chairman & CEO, CXApp, Inc.

**Presentation**

**Operator**

Good afternoon, ladies, and gentlemen, and welcome to the CXAI Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode, and please be advised that this call is being recorded. After the speaker's prepared remarks there.

We will now turn the call over to Mr. Khurram Sheikh, the Chairman and CEO of CXApp, Incorporated. Please go ahead, sir.

**Khurram Sheikh - Chairman & CEO, CXApp, Inc.**

Thank you, operator. And thank you everyone for joining the first quarterly earnings call for CXAI. I plan to discuss CXAI's financial results for the second quarter of 2023 and provide an overall business update for the new public company. By now, everybody should have access to our earnings announcement and our 10-Q has been filed with the SEC. This information will also be shared on our website [www.cxapp.com](http://www.cxapp.com).

The next two slides are disclaimer slides. I would request the audience to review at your convenience.

Dear Shareholders,

As we gather for our inaugural earnings call, I'd like to take a moment to provide you with a glimpse into the world of **CXAI**, our company, the market we operate in, our amazing enterprise customer base and the reasons why we believe that CXAI is well positioned to assume a dominant role in this rapidly expanding market of **Employee Experiences (EX)**.

CXAI is a SaaS platform anchored on the intersection of **Customer Experience (CX)** and **Artificial Intelligence (AI)** providing digital transformation of the physical workplace to enhance experiences across people, places, and things.

The **future of work** is one of the biggest issues of our century, and every single enterprise globally is looking to find solutions for the digital workplace and workforce.

Both leaders of enterprises and employees are navigating uncharted waters relative to hybrid work in the post-pandemic world and encountering significant challenges.

- *Companies C-Suite want employees back in the office to be more productive, engage in the corporate environment and better utilize the workspace.*
- *Employees want flexibility to work from their home or the office and have high expectations when it comes to having easy access to their workplace tools, finding information and ability to collaborate with peers from anywhere.*

To answer this, enterprise organizations are re-evaluating many of the strategies hastily implemented in 2020 as their first response to hybrid work. It is not enough for companies to set rules for when employees should be at the office. They must also provide a bridge between employees to facilitate collaboration, innovation, conversations, and connections. **Employee Engagement** is mission critical for the hybrid workplace and is the true measure of the productivity of the enterprise as well as the happiness of the employee.

Great work has always been about the ability to feel connected to your employer's mission and be able to feel fully productive in your office environment. Employee engagement can be as simple as being able to easily navigate your campus using step-by-step navigation from your employee's workplace, experience app to something as complex as building a long-term friendship with a co-worker who you discovered loves CrossFit as much as you do through the app's internal social feed. That **"connectedness"** inherent in successful workplace cultures now extends beyond the four walls of the office and the physical devices the company provides them. It now includes transformative workplace solutions that allow employees to experience their full work lifecycle from anywhere.

Our **Workplace SuperApp** provides a full stack solution that allows employees to experience all their work tools in a single application. When you provide your employees with a simplified user interface, easy to configure options, and the flexibility to navigate your workday all seamlessly with an employee engagement app you're leaning towards a more human centric work model.

On the flip side, the Workplace SuperApp can provide employers a dashboard of mobile app usage, office occupancy, sensor activity, and other key metrics that help with managing, refining and even optimizing the health of hybrid workplaces. Leaders of organizations now understand that a piecemeal approach to hybrid work will not be successful and are looking to implement holistic solutions that not only solve the logistical problems of hybrid work, but also truly enhance the employee experience.

In fact, according to Gartner, improving the employee experience is the number one priority for 67% of corporate real estate leaders, fueled by a significant shift in 2023 from a mostly remote working model to a hybrid working model. **The return-to-office (RTO)** trend has solidified the need for organizations to have tools that are adaptable to the dynamics of a changing workplace and can elegantly bridge the gap of their converging needs relative to asset management, facilities management, company communications, physical and virtual collaboration, onsite visitor management, among a host of other digital and physical needs.

Amidst the industry's rapid growth, CXAI stands uniquely positioned to lead the category and shape the workplace experience landscape, given the ongoing digital transformation of nearly all enterprise organizations.

So let me talk about the CXAI platform.

The CXAI platform is a full stack solution offering the most comprehensive solution in the marketplace anchored on AI. And when we think about AI, we think about all the technology capabilities we bring to the table.

Our state-of-the-art technology platform is based on **37** filed patents, with **17** of them already granted. This substantial intellectual property not only establishes our company as a technology front runner, but also secures a position as a pioneer in the industry.

On the CX stack, we have an intuitive **user interface (UI)** that allows for customizable and differentiated user experiences. We have support for iOS, Android, and Web App platforms. We have an advanced mapping solution that allows for accurate navigation indoors as well as **On Device Positioning** called **ODP**. We support all major cloud providers for secure app and data hosting, collection, and analytics.

On the AI stack, we have **data analytics**, the dashboards that based on the rich data sets from our diversified global customer base. **Generative AI solutions** that run the full myriad of use cases, automating the workflow for the enterprise. **Content management systems (CMS)** tailored to meet the needs of our enterprise customers. And our upcoming **Augmented Reality** application provides seamless integration of digital experiences with the real world and transforms the way users navigate and interact with their environment.

We also integrate with more than **100** third-party solutions that provide our customers all their enterprise functions under one umbrella, as well as full visibility into their entire workplace environment. As part of the transaction, we have integrated all these technologies into a new, simplified, and powerful CXAI platform. We've also completed a massive restructuring, saving **over 50%** in G&A costs, and streamlining the organization to be action-oriented, and results driven.

The new culture of the company is innovation focused with three core values: **purpose, passion, and positivity.**

We are headquartered in the San Francisco Bay area with regional tech hubs in Southeast Asia and Canada. The global presence and diversity of experiences gives us a leading edge as we shape the future of work everywhere.

Our primary business is a SaaS platform that we sell to enterprise customers as an annual subscription for normally three-year periods. The customers deploy our cloud hosted software across their enterprise campuses to allow employees to connect with their workplace for a myriad of use cases, examples being desk/room booking, collaboration, navigation, food ordering and internal communications.

Our large enterprise customers are mainly divided into the following top five verticals: **Financial Services, Technology, Media and Entertainment, Healthcare and Consumer.** We are proud to have some of the largest logos of the world as our customers that are at the leading edge of the workplace transformation. We have healthy distribution across all verticals, and we see the adoption trend developing from technology sector focused companies into the larger Fortune 500 portfolios. Our customers are sophisticated buyers of technology solutions and do not compromise on quality, performance, security, reliability, scalability, and technology roadmap.

Our enterprise customers start with one campus deployment and typically go across all their campuses within a year or so. Today we have an existing base of 22 workplace experience customers of which over a dozen of Fortune 500 companies. Currently we have deployed our solution to more than **463 campuses in 224 cities across 59 countries**, with only a small direct sales force in the U.S. It's a testament to the power of our platform that we have been able to deploy globally with a diversified set of customers equally in all geographic regions.

One of our top customers is **Pinterest**, and they have deployed our Workplace Experience (WEX) solution to **26** of their global campuses to help their employees navigate the workplace, find colleagues, plan the best days to attend the workplace, access amenities along with leveraging the application as a centralized communications tool to keep employees informed and aligned.

To further enhance the solution, Pinterest has plans to integrate visitor management and occupancy sensors as part of a holistic approach to make Pinterest a fully digitally connected workplace, and we're super excited to have them as one of our top customers.

As we move to discussing the financial results of Q2, we would like to remind the audience that the following Q2 results should serve as the first true baseline for the business structure of the new CXAI. The key highlight of this quarter has been the record growth we accomplished in our new bookings. Between April 1 to June 30,

Transcript Provided by



2023, we increased sales bookings by **over 55%** from the previous quarter, which included a combination of expansions with existing customers as well as contracting new customers.

We have added four new customers, of which **two are Fortune 200 customers** and have the potential to grow from the initial limited deployments to hundreds of additional campuses as we execute to our plans. These wins also demonstrate our focus effort to acquire quality customers with large scale potential. Another highlight of Q2 was being selected by one of the world's largest financial organizations after a rigorous due diligence process where the customer evaluated multiple vendors in the space. We were ultimately awarded a large subscription revenue contract for the initial three-year term, with potential expansions in value-based applications in parallel as we launch the first deployment.

Our gross margin for the quarter was **75%**, which is an attractive figure that will potentially increase as our subscription revenues increase. We have optimized the operational cost structure with a net 50% operating expense reduction as compared to prior to the acquisition and **25%** from the previous quarter. With our new cost structure and our healthy balance sheet, the company is well positioned to accelerate our growth initiatives to scale the business.

CXAI's strategy of **'land and expand'** also continues to be a contributor to growing subscription revenues with our existing customer base. As an example of this land and expand strategy, one of our Media and Entertainment clients has grown subscription revenues by **over 80%** since being contracted in 2021. Growth has been fueled by product enhancements and a growing footprint from initially starting with two campuses to now having contracted over 50 campuses globally with additional potential campuses to be deployed on the horizon.

We believe this example is representative of growth we can expect from other existing and new customers. Other notable expansion and add-on revenue came from existing customers that included a global insurance provider and a next generation auto manufacturer.

Professional Services and one-time revenues decreased nearly 50% year-over-year compared to the same period in 2022. This represents a deliberate and focused strategy to move away from one-time revenues to growing our subscription-based revenues.

Moving into the future, we continue this shift to subscription revenues through a refocused, go-to-market strategy and product innovation to further automate and accelerate our SaaS platform delivery.

Our subscription based recurring revenue was **79%** of the total revenue and an overall increase of more than **25%** from last year. Organizationally, teams have been

Transcript Provided by



restructured to align with our goals to focus on customer retention, expansion, and value-based new business acquisition.

With our **two large Fortune 200 customer wins** this quarter coming from the **Financial Services sector**, we see a momentum gathering in regulated industries with the **return to office or RTO**, as it being called in the industry, is gaining momentum as well as the enhanced collaboration and engagement paramount for enterprise success. The AI category is developing into three layers, foundational AI models, AI infrastructure and AI business applications. The CXAI platform is anchored on AI and we are developing category leading horizontal and vertical AI applications. We believe these AI native applications will become the norm for the new knowledge economy and generate transformational employee experiences everywhere.

AI is core to the transformation of the workforce and the workplace. AI powered tools will enhance the overall workplace experience by fundamentally automating all routine tasks to create new levels of productivity and efficiency. With enhanced tools like **Augmented Reality** and data visualization, teams can collaborate more effectively, increase their ability to innovate faster. Personalization of employee preferences as well as the workflow tasks create a new digital twin model for employees and employers as they save precious time and create a new dynamic for engagement and job satisfaction. And lastly, we live in a world where we have conflicting priorities and having the tools to create a flexible lifestyle of optimized work life balance is critical for employee engagement and retention.

Our AI tools and models are being built on the strong foundation of our full stack software solution that provides contextual awareness using indoor mapping and On Device Positioning technology, as well as the data collection of millions of data points from our enterprise app. These rich data sets are super critical for the analytics dashboards as well as creating the new era of spatial intelligence, which creates the opportunity to personalize the workplace experience at the same time as redefine the workplace environment.

This quote by a noted VC investor in AI software reinforces the key ingredients that are critical for creating leading AI applications and why we are well positioned within our current assets and access to the data to create leading edge AI applications.

I'm going to talk about one of the biggest problems our enterprise customers are facing today, which is: ***"where do you find information, the right information in your enterprise?"***

A Gartner report states that 47% of employees surveyed struggle to find information or data needed to effectively perform their jobs. We believe the average knowledge worker spends 25% of their time searching for data in SharePoint and similar systems. And there's also data that shows 80% of employees ask for help from coworkers to find what they can find via Teams or Slack.

Transcript Provided by



The search for answers is super critical in the new age of workplace transformation. I'm super excited about the new launch of this revolutionary **CXAI Search**, an AI based enterprise search solution that will transform the way an organization operates. This is a game changing AI application that swiftly recovers or delivers the right answers regardless of their data location within the organization, eliminating information silos and creating an answer engine that is intuitive, fast, dependable and results oriented.

The **CXAI platform**, we call it the '**CXAI (pronounced Sky)**' platform offers a secure, scalable, and permissioned federated search across the entire organization's data, including tools and subscriptions, customer specific indexes are tailored to meet unique organizational needs. The platform utilizes reinforcement learning to continue refine search results and improve over time and with always on assistance. It feels like having a well-informed colleague always ready to help.

Our focus has always been on delivering cutting edge solutions to empower users and I'm excited to see how this will transform employee experience. We have been playing with this technology for the last couple of months and we are finding it to be super intuitive, super interesting, and we are excited to launch to our whole customer base this platform. So, look out for the next thing around CXAI (Sky) Search.

I'm going to conclude our call with my final slide.

***Why do you want to invest in CXAI or Sky?***

We are shaping the **future of work** with leading edge technology solutions that are defining a new category in enterprise software- **Employee Experiences**.

We have an amazing customer base, diversified globally across all major sectors, ready for massive scale up with our next generation AI platform.

And most importantly, we have the leadership team and Board that has a track record of leading industry transformations, and we're ready to take CXAI to the sky and beyond!

Thank you, everybody, and look forward to the next earnings call. Back to you, operator.

Operator

All right, ladies and gentlemen, that does conclude today's conference. As a reminder, all the information will be available on the CXApp website at [www.cxapp.com](http://www.cxapp.com). Once again, thank you for joining us today. You may now disconnect your lines.