Cambridge Technology Enterprises announces its Q1FY19 results

Revision of daily price band to 5%
Growth in base revenues post consolidation exercise
Progress on track to achieve Vision 2020

Bengaluru, August 07, 2018: Cambridge Technology Enterprises Limited (NSE: CTE; BSE: 532801), a leading global technology company focused on Artificial Intelligence as a Service (AIaaS) to transform organizations into AI-first leaders, today announced its unaudited financial results for the quarter ended June 30, 2018.

We Believe AI is the Future

The world is transforming. The convergence of Big Data and Cloud with Artificial Intelligence (AI) and Machine Learning (ML) will be the next game changers and we believe it will be a multi-trillion dollar opportunity. Data is the next natural resource, like oil, air and water. We are in the middle of the single largest technological revolution.

AI and ML have been discussed for decades but the convergence of Big Data and Cloud with AI/ML is real now for the following reasons:

i. **Computing power:** Computing resources available today are exceptional**.** With access to technologies like AWS, Microsoft Azure, computing power is no longer a constraint.
ii. **Bandwidth:** Better availability of high bandwidth has positively impacted accessibility.
iii. **Big Data:** Access to large volumes of unstructured and structured data is changing the information landscape at our disposal.

The convergence of Big Data and Cloud powered by AI and ML will define industries both new ones and old, transforming data into a valuable knowledge asset and a catalyst for disruption. Every human life and business in this world will be transformed with this disruption and millions of transformative businesses will be created.

Businesses are going to end up with 'haves and have-nots' in the AI space. There will be businesses with resources to implement AI solutions and use AI to get to decisions, and there will be businesses standing still in the have-not space. As we approach this future, we will see startups and enterprises take advantage of AI to re-invent and innovate. Discovering the power of AI for every business will be the new normal.

As stated above, we believe that the convergence of Big Data and Cloud powered by AI and ML is going to transform businesses faster than ever and the following developments have occurred in the market place that is reinforcing this belief:

- The world's leading cloud vendors like AWS, Microsoft Azure are on track to record USD 100 billion approximately in combined enterprise-cloud revenue in calendar year 2018.
- According to a recent Citi research, 2020 projected revenues of AWS is USD 44 billion, Microsoft Azure is USD 19 billion and Google Cloud Platform is USD 17 billion.
- According to Stanford University's inaugural AI Index, there is a 14x increase in the number of active AI startups since 2000.
- The share of jobs requiring AI skills has risen by more than 4 times since 2013.

Therefore, it is evident from the above facts that industry has done the fundamental exercise of gathering and storing data.

The last generation of trillion dollars were created out of traditional Indian IT technology businesses that were focused on back end and costs. The next trillions of dollars will be created by front end innovation driven technology companies focused on value.

Cambridge Technology – Creating Transformative AI-First Businesses

Cambridge Technology (CT) is a leading global technology company transforming organizations into AI-first leaders.

Over the last three years, the company has achieved tremendous success in building its foundation with 2.5x growth in employee strength, AWS certified workforce, strong partnerships and working with marquee clients who are leaders in their verticals. The consolidated revenues and profitability of the company has grown by more than 3 times from INR 32 cr in FY15 to INR 99 cr in FY18.

In the first phase, the company focused on building the foundation with the following:

1. **Infrastructure: People and Presence**
   a. **Presence in USA, India and Philippines:** In line with providing its global clients access to 24/7 development cycle, CT has expanded its presence across USA, India and Philippines.
   b. **2.5x increase in workforce:** The workforce has grown from ~150 in January 2015 to more than 350 now. We have more than 100 professionals working in Philippines in just one year of operations.
   c. **100% AWS certified:** CT is one of the few organizations in the world with 100% AWS certified Cloud Operations Centre with proven experience of over 10 million instance management hours. Nearly 15% of the developers are certified at the highest level of a Ninja. Globally, only a few 1000 professionals are certified at this level.
   d. **Attract and retain talent:** CT launched Cambridge Innovations (CI) to work with the most innovative U.S. startups which helps the company identify cutting edge technologies and attract the best talent to work with it. This has enabled our employees to work with the best minds in the industry.

2. **Technology and Referenceability**
   a. The company has built partnerships with technologies like AWS, Microsoft Azure, Pentaho, Forgerock.
   b. Case Study: For one of its clients in energy management space, CT developed a self-learning diagnostic platform that monitors on-premise equipment so that the customers can be notified of impending issues using the AWS cloud solutions. CT utilized AWS Cloud, IoT and ML resources to accelerate time to market for enhancing the product's automation and predictive capabilities.
   c. CT is an AWS Advanced Tier and a Marketplace Consulting Partner with competencies in Big Data, DevOps, Enterprise Applications – Oracle and the Managed Services Program (MSP).

3. **Base revenues increased by 300%**
    a. In FY15, the base revenues were INR 32 cr and the company believed that it will take us two years to get to a minimum scale.
    b. Based on market feedback, the company initiated a consolidation exercise in February 2017 (Q4FY17) to retain the right pieces and put it all together in a thoughtful manner to improve its profitability and scalability.
    (Refer: www.ctepl.com/cambridge-technology-enterprises-announces-results-q3-fy17/)
    c. In August 2017 (Q2FY18), the company reset its base revenues and retained only 80-90 percent of its old base.
    (Refer: www.ctepl.com/business-plan-update-focus-artificial-intelligence-vision-2020/)
    d. On a consolidated basis in FY18, the company revenues have grown from its new base set in August 2017.

In the next phase, the company focused on building a body of work to demonstrate the value of AI to its clients. With referencable clients in place, the company has conducted events to engage with a broader set of new clients. The company is primarily focused on USA as it is home to the largest companies in the world.

Key select events:

1) **Date & Country:** May 2017, USA
   Title: Cambridge Envision event with AWS
   Theme: Conducted in Alabama and Kansas, the event was focused on data driven decision making.

2) **Date & Country:** December 2017, USA
   Title: Beyond Prediction: Using AWS AI/ML platform for Data driven Decision Making
   Theme: The event demonstrated limitations of pure predictive models and outlining solutions for enterprises to start building their capabilities in AI and ML.

3) **Date & Country:** February 2018, India
   Title: Beyond Prediction: Using Microsoft Azure's AI/ML platform for Data Driven Decision Making
   Theme: The event demonstrated limitations of pure predictive models and outlining solutions for enterprises to start building their capabilities in AI and ML.

4) **Date & Country:** March 2018, USA
   Title: Beyond Prediction: Building Data Lake for Machine Learning with AWS
   Theme: CT successfully hosted a series of events with AWS between 8 - 22 March 2018 covering seven cities in USA. The event was themed on building a Data Lake for organizations to store massive amounts of data in its original form.

Plan, Build and Scale AI-First Business

For years, experts have spoken about the future of AI in making a tangible difference to businesses, and at CT, we believe that future is now. Over three quarters of executives from around the world believe that they would like to incorporate AI into their business practices over the next 3 years, but now there is no reason to wait as technology is already transforming every aspect of the way an organization operates.

No matter what the size of a business is, there are AI services and solutions that can be integrated into any business model to improve the way they do everything from advertise to interact with their customers utilizing their datasets. CT's AI solutions are focused on being client size agnostic with a goal to help its clients analyze their business needs and challenges, develop a unique plan to meet them, and put that plan into action.

How can becoming an AI-First Business Benefit

Becoming an AI-First business means embracing AI to work in collaboration with human workforce and be the foremost in adopting data-driven culture in industry to get ahead of the competition and becoming a leader in your industry. It means offering a more personalized and seamless experience for your customers, from the moment they hear about your product or service to the moment they complete their transactions and beyond. It means more productivity from your staff. AI-First businesses adopt technologies to free employees from monotonous daily tasks so that they can tap into their creativity and focus more on the aspects of business that still require a human touch.

AI is not a one-size-fits-all solution. It incorporates numerous aspects of technologies, platforms, and services tailored to meet the specific business needs. That's why CT offers solutions ranging from strategic workshops to AIaaS implementation.

CT's offerings

a) **AI Advisory:** If a business or organization is new to AI, but it still wants to make AI an essential part of its strategy, then CT's AI Advisory workshop is the best place to start. Here, the client will finish the process with a better understanding of exactly what is artificial intelligence, how it is currently improving its industry, and readiness for incorporating it into its business model.

Key elements of CT's AI Advisory workshops include:

- Educational sessions for organization's C-suite executives
- Brainstorming sessions to determine how AI will impact specific industry
- The opportunity to put together a business case to determine the benefits of AI as they relate to the client
- Creation of a specific blueprint for implementing AI solutions within a 90 to 180 day rollout period

b) **AI Solutions:** CT's AI solutions are for businesses that know the potential of AI. If a client is ready to begin implementation but does not want to go through the trouble of putting together its own internal AI team, CT offers innovative solutions by combining the following elements:

- Use of customer-owned IP and solutions
- Development and IT teams with access to world-class research from the top academic institutions
- Customer collaboration to create a unique plan tailored specifically for the client
- Assistance with the implementation of AI technology
- Management and continuous support for client's infrastructure as it relates to its AI solutions

c) **AIaaS:** AI can make immediate contributions towards critical business decisions leading to increased profitability for the organizations. Through the AIaaS model, CT enables businesses unlock the value of their data by bringing together unparalleled access to cutting-edge technology and expertise in building solutions for some of the world's largest and most innovative enterprises. CT is excited to partner with enterprises on cutting edge technologies, provide superior value and more effective service on revenue generating IPs.

If a business has already recognized AI as the way of the future and are ready to make a complete investment, AIaaS is the best option. CT's expert team builds AI technology for the client's existing platforms by integrating customized AI solutions via web programs and an API. CT's team also hosts and manage the client's AI applications without them required to put together an internal team.

AIaaS elements potentially includes:

- Joint and/or customer-owned IP development
- Identification of business opportunities for AI application
- Revenue share business model
- Development of API to leverage AI power
- Management and continuous support for your infrastructure as it relates to your AI solutions

Along with a fixed management fee, CT also receives substantial share in the incremental growth in the net revenues of the client derived from CT's algorithm. Working with clients in AIaaS model leads to potential upside in profitability based on performance unlike the standard time and material pricing model.

Client in AIaaS

As a progress, CT announced its first client in AIaaS in FY18. Based in North America, the client has a strong focus on the BFSI vertical.

The solution employs a number of state of the art algorithmic techniques such as contextual multi-armed bandits, and using techniques in the emerging subfield of counterfactual ML.

Under this engagement, CT owns additional IP along with the rights to resell and adapt the IP in Australia, Europe and Asia-Pacific regions. CT benefits from receiving a share in the incremental revenues of its client's business by deploying its proprietary algorithms.

Vision 2020

In February 2017, the company began its internal consolidation exercise to start the next phase of the journey. (Refer: www.ctepl.com/cambridge-technology-enterprises-announces-results-q3-fy17/)

In May 2017, the Vision 2020 was announced to potentially achieve USD 50 million revenues in three years. (Refer: www.ctepl.com/cambridge-technology-enterprises-announces-fy17-annual-results/)

In August 2017, the company successfully completed its consolidation exercise. (Refer: www.ctepl.com/cambridge-technology-enterprises-announces-h1fy18-q2fy18-results/)

The company is on track to achieve its Vision 2020 by December 2020 from the following focus areas:
- a. Organic Growth: Over the next three years, on an average the company expects an annual revenue of USD 10 Million approximately from each of its four service engines i.e. Cambridge Bigdata, Cambridge BizServe, Cambridge Datascience and Cambridge Innovations.
- b. Upside from equity: The company will take 3-5 years to generate liquidity from its investments.
- c. Inorganic Growth: The company is open to explore inorganic growth opportunities.

Progress since consolidation exercise: Improvement in Revenues and Profitability

The company completed its consolidated exercise in August 2017 and reset its base revenues to focus on building its core skillsets and retaining the right contracts to focus on AI.

Summing up the restructuring initiatives taken in the last one year:

- Post the consolidation exercise in August 2017, the company closed down 10-20% of the business and retained only 80-90% of its old base.
- Implemented measures to streamline operations by closing its Chennai premises and consolidating in Philippines and Hyderabad, resulting in restructuring expenses.
- The company expanded in Philippines in 2017 and expensed its investments in recruiting, training, infrastructure, building competencies; therefore, impacting the profitability in the short term. The Philippines operations has achieved tremendous success with over 100 professionals working for it.
- In FY18, CI constituted to only 5-10% of the revenues compared to 25-30% approximately in FY17. The company focused on adding enterprise clients that are leaders in their verticals.
- Shown remarkable improvement in business and profitability despite these measures to focus on building the foundation for next phase of growth in AI and ML.

CT is focused on transforming businesses into AI first leaders and will give itself the next 9-12 months to add the right clients for its business. Incase, the market opportunity and what CT has built does not intersect in time, then the company will consider providing ancillary and complementary services to its dozen plus existing enterprise clients that have huge IT budgets.

Aashish Kalra, Chairman of Cambridge Technology said, "Transforming organisations into AI-First leaders remains our focus. If the convergence in AI/ML and adoption by markets is delayed then we will consider providing other potential services to our dozen plus enterprise clients for whom we have built applications and strengthened our relationships over the years. The company's existing clients have a large scope for account mining. Given the market developments and our paths, we feel confident."

CAMBRIDGE TECHNOLOGY ENTERPRISES CONSOLIDATED FINANCIAL RESULTS: QUARTER ENDED 30 JUNE 2018 vs. QUARTER ENDED 30 JUNE 2017 (INR Cr)			
Particulars	**Quarter Ended**		
	30-June -18	**30-June-17**	**% Change (Y-o-Y)**
Revenue	23.7	22.6	5%
EBITDA	5.1	4.1	23%
Net Profit	2.7	2.4	13%
EBITDA Margin	21.5%	18.4%	
PAT Margin	11.4%	10.8%	

About Cambridge Technology

Cambridge Technology (CT) is a leading global technology company transforming organizations into AI-first leaders. CT is enabling its customers to create AI solutions that transform their businesses; by helping solve the world's complex and most interesting business challenges with AI. CT gives organizations unparalleled access to cutting-edge technology by bringing together the best-in-industry using its years of expertise in building solutions for some of the world's largest and most innovative enterprises; leveraging Big Data, Cloud & Machine Learning experience. CT's products and services address all the transformational AI needs of an organization — from strategic workshops to implementation of transformative business solutions through its AI as a Service (AIaaS). CT's expertise across multiple domains makes it the preferred choice for organizations seeking an AI Partner to innovate and leapfrog the market. CT is assessed at Maturity Level 5 for CMMI v1.3 with ISO 27001:2013 certification. For more information, visit www.ctepl.com or follow @cam_technology on twitter.

Forward-looking and Cautionary Statements

Certain statements in this press release may contain statements concerning our future growth prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the industry in India and world-wide, competition, the company's ability to successfully implement its strategy, the Company's future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company's market preferences and its exposure to market risks, as well as other risks. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this press release. The Company assumes no obligation to update any forward-looking information contained in this press release. Any forward-looking statements and projections made by third parties included in this press release are not adopted by the Company and the Company is not responsible for such third party statements and projections.