



May 29, 2017

**APOLLO ENTERPRISE
SOLUTIONS, LTD.
(AES:BH, OAL:GR - €0.14)**



May 29, 2017

Coverage Initiation

Industry: Application Software

APOLLO ENTERPRISE SOLUTIONS, LTD.

Poised to Emerge as a Leader in Customer Conversion

Analyst: Rob Goldman

mp@marblearchusa.com

APOLLO ENTERPRISE SOLUTIONS, LTD. (AES:BH, OAL:GR - €0.14)

Rating: Speculative Buy

Price Target: €0.90

COMPANY SUMMARY

AES' *TrueConversion™* Artificial Intelligence Platform, powered by *Psychographic Conversion™* AI Technology, enables corporations and organizations, and enterprises in finance, health care, and retail to enhance their member, customer and client experiences while increasing conversion rates for enrollment, services, and payments. The *TrueConversion™* Artificial Intelligence platform is available on all continents through third-party Certified Systems Integrators and Consultants. AES owns one of the largest worldwide portfolios of customer conversion patents.

KEY STATISTICS

| | |
|------------------------|---------------|
| Price as of 5/26/16 | €0.14 |
| 52 Week High – Low | €0.68 - €0.03 |
| Est. Curr. Shares Out. | 43.2M |
| Market Capitalization | €6M |
| Average Volume | N/A |
| Primary Exchange | Frankfurt |

CORPORATE INFORMATION

Apollo Enterprise Solutions, Ltd.
20 Reid Street, 3rd Floor
Williams House
Hamilton, HM11 Bermuda

Phone: 562.513.3709

Website: www.AESTrue.comEmail: lwoodbridge@aestrue.com

INVESTMENT HIGHLIGHTS

Leveraging the approach that customer conversion is driven by emotion, software provider AES is well-positioned to emerge as a leader in its multi-billion target markets. The Company's Artificial Intelligence platform enables clients to enhance customer experiences while increasing conversion rates for enrollment, services, and payments.

AES owns one of the largest worldwide portfolios of customer conversion patents, with 58 patents issued or pending in 146 countries. Customer conversion has emerged as the most important factor in achieving commercial success for all companies and the AES technology's efficacy generates strong outcomes.

AES boasts top tier banking clients and a long list of the leading strategic partners in the industry, including Oracle (NASDAQ – ORCL).

Based on its current pipeline and new target markets, AES is set to generate strong growth ahead. We forecast 2017E sales to grow from \$2M in 2017 to \$12M in 2019, with \$3.4M in EBITDA.

In our view, AES' shares are undervalued based on P/S and P/EBITDA metrics, and when compared to recent M&A. At current levels, AES trades at a substantial discount to its peer group on a price/sales and price/EBITDA basis for 2018. In fact, our €0.90 price target is more than four times the current share price, illustrating the implicit upside potential. Plus, given recent M&A in the AI space, we believe that AES could emerge as a takeover candidate. Thus, we rate these shares Speculative Buy.



COMPANY OVERVIEW

Tracing its roots to 2012, **Apollo Enterprise Solutions, Ltd. (AES:BH, OAL:GR)**, or “AES”, is an innovative Software as a Service (SaaS) provider that is poised to emerge as a leader in customer conversion, a multi-billion dollar opportunity. Although customer conversion has emerged as the single most important factor in achieving commercial success for companies in all industries, conversion efficacy lags behind expectations, heightening the need for AES’ solutions.

Leveraging what may be one of the deepest intellectual property portfolios of any application software platform provider, we believe that AES holds a first-mover advantage in its approach to customer conversion technology and outcomes. The Company boasts 58 patents issued and pending in 146 countries and AES products are deployed globally by the top consulting and enterprise technology service providers in the world.

AES’ *TrueConversion™* Artificial Intelligence Platform, powered by *Psychographic Conversion™* AI Technology, enables financial institutions, healthcare organizations, merchandisers, and other enterprises to enhance customer experiences while increasing conversion rates for enrollment, services, and payments.

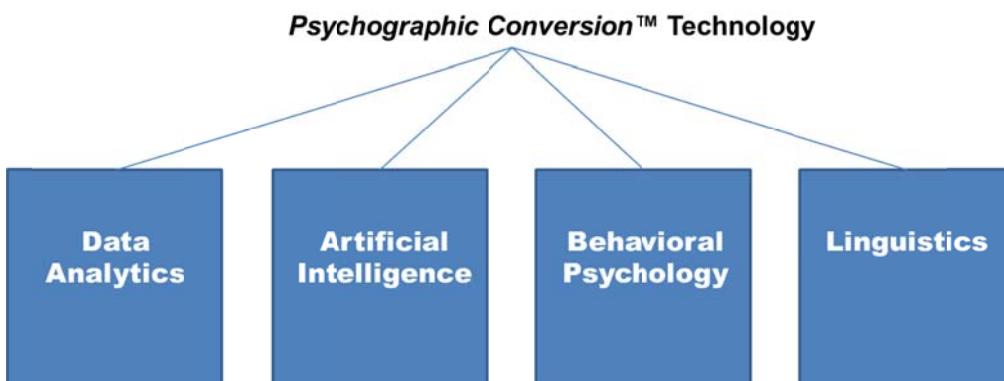


Figure 1: AES Core Technology
Source: AES

The AES concept is direct and spot-on: “***Conversion is Driven by Emotion.***” Thus, the science behind the Company’s *Psychographic Conversion™* AI technology combines data analytics, artificial intelligence, four layers of behavioral psychology, and linguistics into a single platform that emotionally motivates users to convert into the target action. This approach improves customer acquisition, retention, and revenue generation in a cost-effective manner. Moreover, AES technologies enable its clients to achieve increases in revenues, improvements in operational efficiencies and collections, and reductions in write-offs.



AES boasts an enviable early adopter clientele that represents some of the top financial institutions and agencies in finance, including **Bank of America (NYSE – BAC)**, **GE Capital (NYSE – GE)**, **Lloyd's Banking Group (NYSE – LYG)**, and others. Importantly, the Company has secured a number of Tier 1 strategic partners such as **Oracle (NASDAQ – ORCL)**. As a result of this relationship, AES AI products are being integrated with Oracle's Omni Channel Banking Platform. The new joint products will be marketed to Oracle's 3,600 financial services customers worldwide. Other key strategic/consulting partners include KPMG, PwC, **Accenture (NYSE – ACN)**, **Cap Gemini (CAP.PA)** and others. The *TrueConversion™* Artificial Intelligence platform is available on all continents through third-party Certified Systems Integrators and Consultants.

AES' *TrueConversion™* integrated AI platform (or suite), contains vertical market-centric products. This vertical market segmentation increases the speed of implementation, simplifies the technology on-boarding process, and reduces the cost of adopting AES' breakthrough AI and other technologies.

Based on its current backlog, additional deployments, and new target markets, AES is set to generate strong top-line growth driven by the platform's vertical market-centric products in the financial and payments arena and health insurance enrollment functions. In addition, the spring 2017 introduction of *TrueWealth™* and *TrueFund Manager™*, which target the lucrative wealth management market, should serve as important contributors beginning in 2H17 and beyond.

AES offers investors a pure play customer conversion company with a unique approach leading to a first-mover advantage in a multi-billion dollar opportunity. Plus, with a deep IP portfolio, strong strategic partners, and enviable early adopter clientele, AES holds an advantage over competing methodologies. As a result, we believe AES can enjoy hockey-stick type sales growth in the next 2-3 years. Our current forecast calls for sales to leap from \$2M in 2017 to \$7.5M next year and \$12M in 2019. As a SaaS provider, we project AES will generate strong EBITDA margins in 2018 and 2019, with EBITDA of \$2M and \$3.4M, respectively.

At current levels, AES trades at a substantial discount to its peer group on a price/sales and price/EBITDA basis for 2018. In fact, the stock barely trades at a 1x price/sales multiple on our estimated 2018 sales, as compared with a P/S metric of 4.4x for the peer group, despite its higher projected growth rate. Moreover, while the 2018 P/Es for the group tend to hover in the stratosphere of around 50x, AES trades at an anemic 3.8x 2018 EBITDA. Thus, our €0.90 price target is based upon a 5.3x sales multiple on 2018E revenue and 20x 2018 estimated EBITDA. We note that this target is affirmed by a Net Present Value (NPV) calculation derived from our projected 2019 revenue and EBITDA figures. We rate these shares Speculative Buy.



INDUSTRY OVERVIEW

Although customer conversion is now the single most important factor in achieving commercial success, conversion efficacy remains poor, especially in the financial, health care, and retail/merchandising segments, presenting AES and others with major opportunities. This harsh reality is confirmed by leading market research firms.

- *Financial:* Abandonment rates for online banking applications are at an all-time high of 97.5%. (Forrester)
- *Health care:* Within the healthcare industry, website conversion averages 5.5%. (Digital Pharma)
- *Retail:* The current average conversion rate for online retailers is 3.01%. (Monetate)

At present, there appear to be 3 primary approaches that seek to improve customer conversion and the customer experience: *Conversion Optimization*, *Customer Experience Management*, and *Artificial Intelligence*. While this has resulted in few (if any) direct AES competitors as a customer conversion solutions provider, AES' positioning reaches or blends across these 3 large, related solutions markets. Looking ahead, AES' unique technology approach and outcomes could potentially be considered an evolution or an upgrade over these competing models, leading to broad, future AES solutions deployment.

Before we compare/contrast other segment characteristics with AES, a primer on these industry segments is instructive.

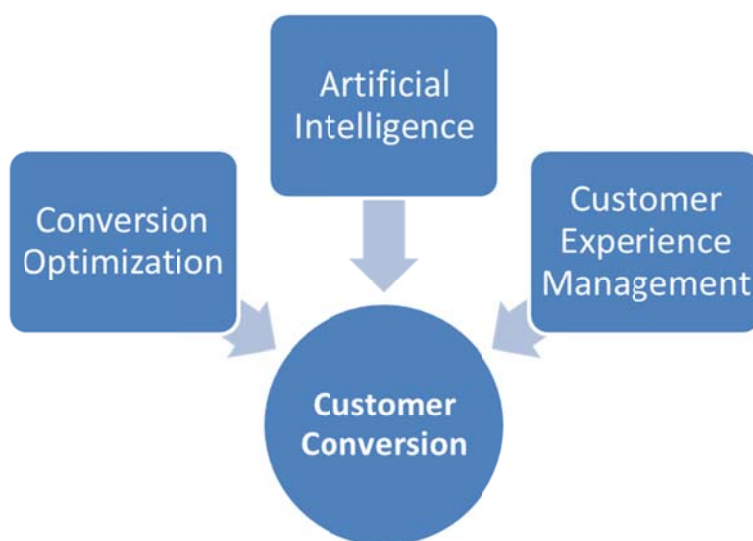


Figure 2: Industry Segments Leading to AES
Source: Marble Arch Research



Conversion Optimization

According to Gartner, by 2020, customers will manage 85% of the relationship with an enterprise without interacting with a human. Increasingly, customer-facing divisions of corporations and enterprises attempt to direct customers and prospective customers to their websites for all engagement. Inevitably, the rate of engagement or conversion into an activity or a transaction via internet marketing programs suffers.

In response, companies engage in conversion optimization to migrate new visitors into new customers—or in some cases improve conversion of actions by existing customers. Conversion optimization-centric firms may thus engage in split testing for content and other factors, data collection, and the implementation of mathematical models, to achieve this optimization. These tools and analytics are useful but they are best served for use in internet marketing for new customers, rather than servicing existing customers. Plus, this approach does not improve a customer experience that is not exclusively web-based. As a result, customer conversion effectiveness can be limited. AES may incorporate some of these types of tools in its analytics, but it is just one of the four wheels of the AES vehicle.

This segment tends to be highly fragmented, with no dominant market leaders and comprised of low-revenue companies that also offer Search Engine Optimization (SEO) and other advertising and Social Media Marketing (SMM) services. Moreover, customers tend to be in the enterprise space, rather than of Fortune 500 size.

Customer Experience Management (CEM)

Born out of the contact center market (and before that the call center business), Gartner defines the CEM market as: “...the practice of designing and reacting to customer interactions to meet or exceed customer expectations and, thus, increase customer satisfaction, loyalty and advocacy.” The market is huge; a Markets and Markets report predicts the CEM market will grow from \$5 billion in 2015 to \$13 billion in 2021.

Unlike conversion optimization, which has its basis in obtaining new customers via internet marketing, CEM is focused on total customer engagement. As a result, characteristics of CEM include customer retention, reducing customer churn, generating incremental revenue, and improving loyalty with customers. It is referred to as Customer Experience Management because it includes all forms of communication, not just web-based interactions. While there are elements of predictive analysis, outcomes of CEM tend to center on branding, servicing, and loyalty, rather than conversion to an activity. Conversely, the AES approach seeks outcomes that include meaningful improvement in existing or new customer conversion *and* an enhanced customer experience.



CEM companies tend to carry high valuations due in part to their perceived high value, high touch customer/enterprise model, and have used their shares as currency to make acquisitions in order to further penetrate the key verticals in the corporate and enterprise markets.

Given the size and history of the CEM market, there are a number of major players, despite its high fragmentation. These include the typical major platform provider household names such as **Adobe (NASDAQ – ADBE)**, **Microsoft (NASDAQ – MSFT)**, Oracle, SAS, and others. Some of the pure-play CEM software providers offer enterprise-wide solutions, while others offer agent-centric tools. These firms include **Nice (NASDAQ – NICE)**, **Callidus (NASDAQ – CALD)**, **Five9 (NASDAQ – FIVN)**, among others. **Salesforce.com (NASDAQ – CRM)**, with an all-encompassing Customer Relationship Management (CRM) platform, is also a tangential player in this market.

Artificial Intelligence

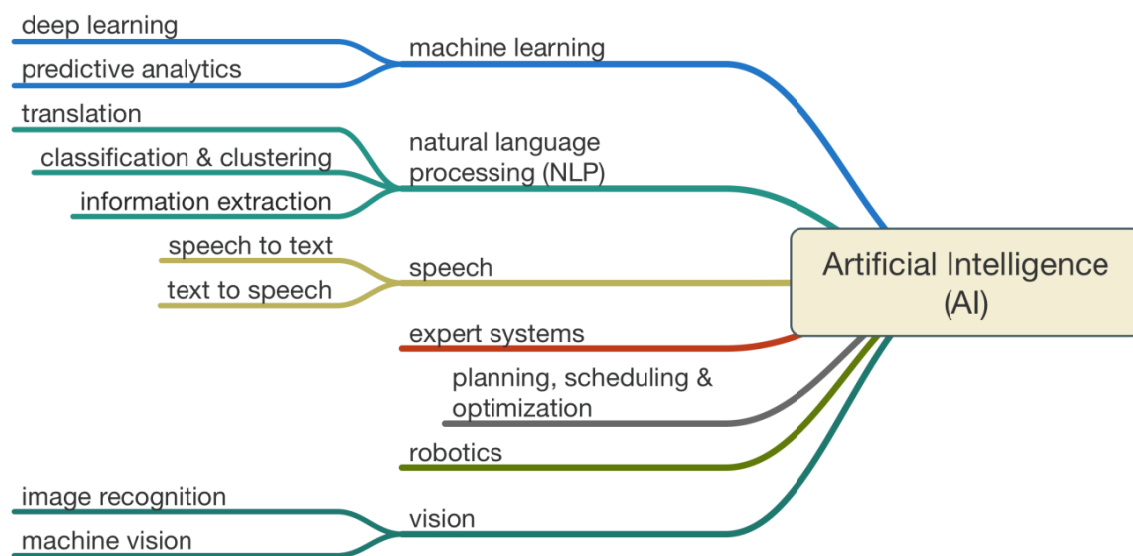


Figure 3: Graphic Representation of AI
Source: www.CodeProject.com

Given the advances in technology and the execution of a flurry of M&A by some of the world's largest companies, it is no surprise that AI is being used or developed for varied applications from the basic virtual assistant (Alexa, Siri) to the sophisticated autonomous driving cars. Of course, AI is used in elements of customer conversion as well, as is the case with AES. In fact, according to market research firm Tractica:



“Artificial intelligence (AI) technologies are being deployed for an increasing variety of use cases across consumer, enterprise, and government markets around the world. AI is an umbrella term that includes multiple technologies, such as machine learning, deep learning, computer vision, natural language processing (NLP), machine reasoning, and strong AI. Tractica defines AI as an information system that is inspired by a biological system designed to give computers the human-like abilities of hearing, seeing, reasoning, and learning. AI has applications and use cases in almost every industry vertical and is considered the next big technological shift, similar to past shifts like the industrial revolution, the computer age, and the smartphone revolution...

...Tractica forecasts that the revenue generated from the direct and indirect application of AI software will grow from \$1.38 billion in 2016 to \$59.75 billion by 2025. This represents a significant growth curve for the forecast period with a compound annual growth rate (CAGR) of 52%.”

It should be noted that in the CEM and customer conversion approaches, AI is utilized for machine learning specifically for the B2C relationship and is integrated with various software platforms and engines. Interestingly, some of the largest players in the AI and CEM segments either strongly leverage their own AI technology, or have obtained the technology via acquisition.

Key players include **Apple (NASDAQ – AAPL)**, **Alphabet (NASDAQ – GOOG)**, **Tesla (NASDAQ – TSLA)**, **Facebook (NASDAQ – FB)**, **IBM (NYSE – IBM)** and others. It should be noted that Salesforce.com has executed a series of acquisitions in the AI arena for use in CRM, CEM, and conversion while NICE has an AI engine as well. Privately-held Sentient Technologies is one of the few pure-play AES comps, and is a leader in AI. Sentient utilizes its AI platform to offer conversion optimization, ecommerce customer engagement, and even securities trading. With over \$143M raised to date, AI platform leader Sentient is a noted player in these applications.

A major differentiator in the AES AI technology as compared to Sentient and others is how it is used. Most AI tech in the space do not incorporate the comprehensive AES behavioral psychology “emotional triggers,” and instead focus on the impassive elements of predictive analysis, among other characteristics. Thus, we believe that the integration of AI in software platforms that offer data-driven *and* emotion-based features appear to be the next evolution in this segment of the application software sandbox.

Enter Apollo Enterprise Solutions, Ltd.



THE AES MODEL

AES is a pure play, SaaS company that leverages its *TrueConversion™* Artificial Intelligence Platform, powered by *Psychographic Conversion™* AI Technology to improve customer conversion and engagement outcomes. Customer conversion has emerged as the single most important factor in achieving commercial success for companies in all industries. Unfortunately, as practiced today, "customer conversion" addresses mostly the areas of graphic design aesthetics, clarity of language, and time-to-action. AES technologies go far beyond by also including in the mix Strategic Positioning, Behavioral Psychology, Linguistics, and Artificial Intelligence to achieve much higher customer conversion rates and long-term brand loyalty.

The AES model is based on the notion that: "*conversion is driven by emotion.*" Numerous experts bear this out. Forrester reported that emotion trumped effectiveness and ease in 17 of the 18 industries studied. Daniel Kahneman, the 2002 Nobel Prize winner in Economic Sciences, stated: "*Emotions rule our decision-making processes.*" AES' platform, engine, and front-end reflect this concept throughout the entire customer experience, which is a stark departure from competing methodologies. Moreover, it is a primary reason why the Company has executed favorable outcomes for its clients.



Figure 4: The AES Approach
Source: AES



The Technology



AES' *Psychographic Conversion™ Technology* merges traditional User Experience and Customer Experience techniques with artificial intelligence, behavioral psychology and linguistics in order to generate phraseology and imaging that deliver optimum user-behavior scenarios. The *Psychographic Conversion™ Technology* uses over 6500 peer-reviewed, science-based "emotional triggers" to persuade users to make informed decisions and take the most beneficial actions, while dramatically enhancing their Customer Experience. The Company boasts 58 patents issued and pending in 146 countries and AES products are being deployed globally by the top consulting and enterprise technology service providers in the world.

The Company has produced two exceptional explainer videos that describe the basis for and implementation of its core technology. Links to these videos can be accessed here:

http://www.aestruer.com/AES_Technologies/Psychographic_Persuasion_Technology/what_it_is.php

http://www.aestruer.com/AES_Technologies/Psychographic_Persuasion_Technology/how_it_works.php

AI is a central aspect of the AES approach. There are various types of AI, and the type used by AES is "Machine Learning". AES AI's observes the behavior of the users and discerns patterns which it then uses to construct enhanced text and



graphics in order to improve outcomes, such as customer conversion. Most importantly, AES AI's learning and problem solving is done completely automatically, 24/7, without the assistance of human operators.

AES' *Enterprise Management System* is the only totally integrated all-in-one digital experience and online marketing platform on the market today. EMS performs all functions with a single consistent interface and none of the integration problems that plague patchwork systems. By way of contrast, other systems rely on a patchwork of plug-ins built by third parties.

This makes implementations very difficult and expensive, and the resulting systems are hard to use, expensive to maintain, unreliable, and open to cyberattacks. AES' proprietary *Agent Emulation®* Technology replicates the behavior of the best performing human agents ('super-agents') by supercharging self-serve and live agent prompting systems using AES' proprietary *Psychographic Conversion™* and other technologies.

A central capability of all *TrueConversion™* products is the patented, enterprise-grade *Dynamic Choices™* Technology, powered by AES powerful *Intelligent Decisioning™* Engine. Acting either in synchronicity with the company's strategies system of record or independently, AES' forward-deployed *Intelligent Decisioning™* Engine gives companies the flexibility to modify "on-the-fly" the sets of choices offered to their users. The sets of choices are constructed based on external regulations, internal company business rules, and observed user behaviors. Using the *Dynamic Choices™* Technology enables companies to deliver high-converting user experiences at significantly lower costs, much faster than possible with conventional legacy approaches.

AES' proprietary *Intelligent Decision Engine™* enables AES products to instantly access millions of customer records, and perform analyses in sub-second time. AES operates gateways to multiple third-party Big Data sources of credit scores, fraud data, area demographics, and more. AES products generate valuable consumer behavior data that can be mined to help create enhanced products and services.

AES Market-Centric Products

TruePay+™ is a multi-featured payments system. It enables the processing of payments at any point in the business cycle: when acquiring a new product or service, making periodic payments, settling an overdue payment in collection, and more. The system is fully compliant with all regulatory requirements governing cash transactions, and can be quickly and safely configured and deployed on site, on the web, on mobile, or in the cloud. *TruePay+™* uses *Psychographic Conversion™*, *Agent Emulation®*, and other advanced technologies in order to maximize



conversion while delivering an optimal customer experience. To date, most of the Company's revenue has been generated via this segment and we expect it to comprise the largest percentage of sales, going forward.

TrueHealth™ is a multi-featured health insurance enrollment system. It enables health insurance plans and their agents and brokers, to quickly and efficiently enroll new members and provide them with all the information they require in order to make an informed decision. *TrueHealth™* uses *Psychographic Conversion™*, *Agent Emulation®*, and other advanced technologies in order to maximize conversion while delivering an optimal customer experience. Looking ahead to 2017 and beyond, this offering is set to be a major revenue driver for the Company.

Powered by AES's patented *Psychographic Conversion™* technology, and integrated with the Oracle Wealth Management System, *TrueWealth™ Manager* was launched in 2Q17. The new offering will increase the ability of Wealth Managers, Family Offices, and Private Bankers to originate and retain high net worth investor clients.

Understanding the behavior of the investors is vital in helping them realize their goals. *TrueWealth™ Manager* recognizes that although they share common characteristics, high net worth individuals have wildly different behavioral profiles, differentiated by a wide range of attributes. *The TrueWealth™ Manager Acquisition & Retention System* uses an unparalleled combination of Artificial Intelligence, Behavioral Psychology, and Advanced Linguistics capabilities to construct a multi-layered behavioral profile for each high net worth individual.

Client Wins

In theory, every business in every industry needs customer conversion solutions. However, given the Company's model and with such strategic partners as Oracle, AES has targeted large financial institutions such as banks and others in effort to assist them in improving customer originations servicing, and collections of credit products. AES has signed on clients via license fees for payments conversion and other applications, using the Company's core technology platform. Clients include Bank of America, Lloyd's Banking Group, GE Capital, and others.

Another key vertical for the Company is health care. The Company was recently awarded a lucrative contract from Brand New Day, the Medicare product line of Universal Care, Inc. The initial agreement has evolved into a consumer online enrollment transformation project and conversion platform implementation. In addition to Brand New Day, a number of similar-sized organizations are in the pipeline.



While the retail/merchandising segment offers great potential, we believe that the greatest activity could be generated in the wealth management arena, with the 2Q17 launch of the 2 new products aimed at aiding wealth managers, family offices, and private bankers to originate and retain high net worth individual clients. A tectonic shift is underway in this sector as customers vie away from large firms and towards smaller companies, in an effort to experience hands-on relationships, versus the robo-broker model. Thus, the competition is fiercer than ever. It is anticipated that the initial focus shall be on European managers with \$200M in AUM (assets under management) or greater with a launch in the U.S. to occur sometime in early 2018.

Strategic Partners

Given its indirect sales and integration model, it is crucial for AES to engage strategic partners and consultants in which to deploy the Company's products. The most significant relationship to date is with Oracle, with whom AES is a Gold level member

















of the Oracle PartnerNetwork. AES achieved Oracle Validated Integration with Oracle Banking Collections delivering an end-to-end Collections Default Management Platform using the AES TruePay+™ System, which is powered by and Psychographic Conversion™ Application Software

Technology. The combined technologies will deliver a highly advanced self-serve and live agent automation customer experience for Payments and Default Management. As a result of this relationship, AES AI products are being integrated with Oracle's Omni Channel Banking Platform. The new joint products will be marketed to Oracle's 3,600 financial services customers worldwide. In addition to Oracle, AES boasts a significant list of Tier 1 partners.



Looking Ahead

We forecast that much of the Company's revenue going forward will be derived from financial institutions, health care organizations, and wealth managers. With signature wins under its belt, AES already has a tangible pipeline of potential business from top 25 banks, insurance companies, utilities and government agencies in the U.S. and Europe. Some of these multi-year agreements could begin implementation in 2017, with revenue to be staged on an increasing basis as implementation is executed. On the health care side, the Company's highly effective, targeted product should result in a number of wins, with meaningful revenue to be recorded beginning in 2018. With thousands of prospects in Europe and the U.S., the opportunity in the wealth management industry is enormous. Moreover, with little competition, and a virtually "green field" opportunity, this product could be a major revenue contributor, beginning in 2018.

Separately, we should note that as AES gains tractions in its target market silos, the Company is likely to be viewed as a takeover candidate by one or more of the players mentioned in the CEM, AI, or related industry. M&A is routine in this industry and a company with a strong IP portfolio, differentiated product line and diverse customer base would be very attractive to an acquirer, especially one with an existing relationship with strategic partners like Oracle.

EXECUTIVE LEADERSHIP TEAM

Joseph Konowiecki, Chairman, Chief Executive Officer

Mr. Konowiecki is Chairman and CEO of Apollo Enterprise Solutions, Ltd. Mr. Konowiecki also currently serves as Chairman of Alignment Health Inc. Mr. Konowiecki was previously CEO of Future Solutions with UnitedHealth Group's Ovation division, focusing on products and services for individuals over 50. Mr. Konowiecki has also held the positions of general counsel and executive vice president corporate affairs at PacifiCare Health Systems, Inc., one of the nation's largest consumer health organizations. In addition, he is a founding partner of the law firm Konowiecki & Rank, where his areas of practice included health care, regulatory, mergers and acquisitions, corporate, partnership, securities, general business, and real estate. In the health care sector, Mr. Konowiecki has represented non-profit and proprietary hospitals, preferred provider organizations, full-service and specialty HMOs, and all forms of medical groups. He has also led some of the largest healthcare public offerings and merges in the country. Mr. Konowiecki serves as a member of the RAND Healthcare Advisory Board.



Adrian Gluck PhD PE, Chief Operating Officer

Dr. Gluck is responsible for all operations at AES, including Systems Development, Data Processing, Training Programs, Product Development, and Intellectual Property. Dr. Gluck was the founder and CEO of Fortrex Systems, and co-founder and board member of Upper Deck. He led Rainbow Technologies' IPO which was later acquired by SafTNet for \$475 million. Dr. Gluck holds patents for several technologies which have generated sales of over \$5 billion to date. He has industrial engineering and MBA degrees from University of Toronto, a PhD in business systems from Breyer State University, and he is a Registered Professional Engineer.

Evan Pinchuk, Senior Vice President

Evan Pinchuk is responsible for overseeing global sales, strategic partnerships, and business development. He has over 14 years of experience in the areas of operations, intellectual property management, business development, and strategic alliances. He has established partnership programs and strategic alliances with US and global Fortune 500 companies including Time Warner, Sony, Oracle, Hewlett-Packard, First Data, PwC, KPMG, and Deloitte. Mr. Pinchuk holds a B.A. in Political Science and Media Studies from the University of California, Santa Cruz, and an interdisciplinary M.A. in Business, Law, and Film from New York University.

FINANCIALS

With \$1.04 million in revenue and an EBITDA loss of **(\$3.4 million)** for 2016, we view last year as a building year for the Company, as it expended a great deal of effort on the Oracle integration, which is already beginning to bear fruit in 2017. Moreover, sales cycles to the large financial institutions can be lengthy with quarterly recorded revenue "lumpy." However, the Company is also receiving a boost in 2017 with its broader deployment in the health care sector, along with the *TrueWealth™* introduction. It is possible AES could close 2 of these deals per quarter, beginning in 3Q17. These events should be reflected in the Company's top-line, beginning in 2H17.

For the full year 2017, we are forecasting \$2.05 million in revenue with an EBITDA loss of **(\$1.6 million)**, a substantial improvement over last year. Plus, with higher sales should come gross margin expansion as well, aiding in operating loss reduction. With more than a full year of *TrueWealth™* under its belt, and major contributions from its core channels and products, we believe that 2018 will be the breakout year for the Company. As a result, we project \$7.5 million in revenue with EBITDA of \$2 million---the same figure as revenue for 2017. Since the Company has generally fixed costs, additional sales and high gross profitability flows to the operating line, thus bringing EBITDA margin to well over 26%. Our 2018 forecasts



include sales of \$12 million and EBITDA of \$3.4 million—and we believe these figures could prove to be conservative.

Table II. APOLLO ENTERPRISE SOLUTIONS, LTD.

Pro Forma Income Statement Snapshot

| | 2016A | 2017E | 2018E | 2019E |
|------------------------------------|----------------------|----------------------|--------------------|---------------------|
| Sales | \$1,040,549 | \$2,050,000 | \$7,500,000 | \$12,000,000 |
| Direct Cost of Sales | \$231,449 | \$348,000 | \$1,200,000 | \$2,400,000 |
| Total Cost of Sales | \$231,449 | \$348,000 | \$1,100,000 | \$2,400,000 |
| Gross Profit | \$809,100 | \$1,702,000 | \$6,300,000 | \$9,600,000 |
| Gross Margin (%) | 77.8% | 83.0% | 84.0% | 80.0% |
| Operating Expenses: | | | | |
| Sales, Gen'l & Admin* | \$4,248,810 | \$3,300,000 | \$4,300,000 | \$6,200,000 |
| Total Operating Expense | \$4,248,810 | \$3,300,000 | \$4,300,000 | \$6,200,000 |
| Expense Margin (%) | 408.3% | 161.0% | 57.3% | 51.7% |
| EBITDA | (\$3,439,710) | (\$1,598,000) | \$2,000,000 | \$3,400,000 |
| EBITDA Margin (%) | -330.6% | -78.0% | 26.7% | 28.3% |
| * denotes R&D exp part of SG&A | | | | |
| Sources: AES, Marble Arch Research | | | | |

RISK FACTORS

In our view, the Company's biggest risks are related to the timing and magnitude of new business or deeper penetration of existing clients for greater product deployment. Secondary risks could include a slower ramp of the *TrueWealth™* initiatives or the entrance of new players or even existing ones with emotion-driven customer conversion platforms. In our view, all of these corporate risks are consistent with firms of similar standing and standing to AES.

Volatility and liquidity are typical concerns for microcap stocks that trade on smaller stock exchanges and especially those that are not generating meaningful revenue. Separately, the shares outstanding of this stock could increase due to potential capital needs or to execute future acquisitions. However, since the proceeds of any future funding would likely be used in large part to fund its revenue development efforts, we believe that any dilutive effect from such a funding would be nullified by a related increase in overall market value.



VALUATION AND CONCLUSION

By most measures, AES's shares are clearly undervalued. For example, in the first quarter of 2017 alone, 34 artificial intelligence start-ups were acquired. Most of these companies are pre-revenue, with little in the way of IP as compared with AES. Yet, the price of these deals and those closed last year have averaged in the tens of millions—and Apple just acquired an AI start-up two weeks ago for a reported \$175 - 200M! Salesforce, Apple, Microsoft, Google and Facebook have been some of the more active buyers. Clearly, there is significant value in firms that have integrated AI functionality into their technology platforms, such as AES, which trades at a market cap of roughly \$8M.

As evidenced by Table II, AES trades at a substantial discount to its peer group, which is comprised of CEM, AI, and CRM application software companies. The valuation discount is especially pronounced on a price/sales and price/EBITDA basis for 2018. In fact, the stock barely trades at a 1x price/sales multiple on our estimated 2018 sales, as compared with a P/S metric of 4.4x for the peer group, despite its higher projected growth rate. Moreover, while the 2018 P/Es for the group tend to hover in the stratosphere of around 50x, AES trades at an anemic 3.8x 2018 EBITDA. Thus, our \$1 price target is based upon a 5.3x sales multiple on 2018E revenue and 20x 2018 estimated EBITDA. We note that this target is affirmed by a Net Present Value (NPV) calculation derived from our projected 2019 revenue and EBITDA figures in which we utilized a 20% discount rate.

Investors should note that while we used P/Es for the peer group, we elected to use EBITDA for AES, as we believe it is the best measure for an early revenue stage firm. As noted below, we assigned a 20x multiple to AES' 2018 EBITDA (not too high a figure considering the peer group's P/E ratio), and a 5.3x P/S multiple, due to the higher than average sales growth rate. Thus, we arrive at a normalized valuation of €0.90, versus the recent €0.14 per share price.

AES offers investors a pure play customer conversion company and a takeover candidate, with a unique approach leading to a first-mover advantage in a multi-billion dollar opportunity. Plus, with a deep IP portfolio, strong strategic partners, and enviable early adopter clientele, AES holds an advantage over competing methodologies.

We rate these shares Speculative Buy.



MARBLE ARCH
RESEARCH, INC.

Table II. Apollo Enterprise Solutions Ltd.

Peer Group

| Company Name | Symbol | Price (5/25/17) | Mkt Cap (mil) | FY17E Rev (mil) | FY17E EPS | FY18E Rev (mil) | FY18E EPS | 2018E Price/Rev | 2018E Price/EPS |
|-------------------|------------|--------------------|------------------|--------------------|------------|--------------------|---------------|--------------------|--------------------|
| Callidus Software | CALD | \$22.60 | \$1,147 | \$244 | \$0.31 | \$289 | \$0.42 | 4.0 | 53.8 |
| Five9, Inc. | FIVN | \$21.84 | \$1,190 | \$192 | (\$0.02) | \$225 | \$0.08 | 5.3 | 273.0 |
| Nice, Ltd. | NICE | \$78.16 | \$4,610 | \$1,340 | \$3.97 | \$1,450 | \$4.41 | 3.2 | 17.7 |
| Rocket Fuel | FUEL | \$3.05 | \$142 | \$201 | (\$0.76) | \$190 | (\$0.55) | 0.7 | N/A |
| Salesforce.com | CRM | \$91.27 | \$64,920 | \$10,300 | \$1.30 | \$12,270 | \$1.68 | 5.3 | 54.3 |
| Splunk | SPLK | \$67.09 | \$9,280 | \$1,190 | \$0.60 | \$1,151 | \$0.89 | 8.1 | 75.4 |
| <i>Average</i> | | | <i>\$13,548</i> | <i>\$2,245</i> | | <i>\$2,596</i> | | <i>4.4</i> | <i>94.8</i> |
| AES* | AES | € 0.14 | € 6 | \$2 | N/A | \$7.5 | € 0.02 | 0.8 | 7.0 |

AES w/normalized val* **€ 0.90** **€ 39** **\$2** **\$7.5** **€ 0.05** **5.2** **20.0**

* denotes EBITDA not EPS

Sources: www.Yahoo!Finance.com, Company websites, AES, Marble Arch Research



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman joined Marble Arch Research in 2016. He founded and has operated Goldman Small Cap Research Inc. since 2009. Rob has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

DISCLAIMER

This research report was prepared for informational purposes only.

Marble Arch Research, Inc. produces sponsored research reports on publicly-traded and privately-held companies. *Marble Arch Research, Inc.* was compensated by the Company in the amount of \$3000 for research and related services. All information contained in this report was provided by the Company via its filings, press releases or its website, or through our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Marble Arch Research Inc.* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Marble Arch Research Inc.* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Marble Arch Research Inc.* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

Separate from the factual content of our articles about the Company, we may from time to time include our own opinions about the Company, its business, markets and opportunities. Any opinions we may offer about the Company are solely our own, and are made in reliance upon our rights under the First Amendment to the U.S. Constitution, and are provided solely for the general opinionated discussion of our readers. Our opinions should not be considered to be complete, precise, accurate, or current investment advice. Such information and the opinions expressed are subject to change without notice.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a



complete discussion of the risks mentioned. Neither *Marble Arch Research Inc.*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *MARBLE ARCH RESEARCH INC.* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *MARBLE ARCH RESEARCH INC.* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

MARBLE ARCH RESEARCH, INC.

Michael J. Price
Managing Director
email: mp@marblearchusa.com
Phone: 404.449.3309