"Real Intelligence: Sell C3.ai"

/ STRONG SELL OPINION /

C3.ai, Inc. | NYSE: AI

SPRUCE POINT
CAPITAL MANAGEMENT

INVESTMENT RESEARCH REPORT

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Spruce Point's Track Record Exposing Companies Hyped As Technology Disruptors

Spruce Point has a strong track record of exposing highly promoted technology disruptors before the sell-side and investors could figure out the business has inflected negatively.

	iRobot	bazaarvoice:	lightspeed
Report	May 2015 / June 2017 / March 2019	June 2012	Sept 2021
Enterprise Value	$2.5 billion	$1.2 billion	$16.6 billion
Company Promotion / Situation Overview	Innovative robotics company capable of leveraging its success in robotics vacuums into other product categories such as telehealth, and lawn mower robots	Disruptive provider of social commerce solutions that help clients capture, display and analyze online word-of-mouth, including consumer-generated ratings and reviews	Positioned as a best-of-breed commerce technology solution capable of scaling globally and tapping enormous potential for its payment technology
Our Criticism	Failures to innovate and repeated promises to diversify into other categories. Company is more a promotional vehicle for insiders to consistently sell stock at inflated multiples, while masking pressure through related distributor acquisitions	Our research revealed that BV's solution was nothing more than a money losing, rapidly commoditized service that would not scale. Its IPO prospectus was littered with social media buzz words at a time when Facebook was being taken public, and $25 analyst price targets would prove unrealistic	A cash degenerative roll-up of point-of-sale commerce solutions, has inflated its Total Addressable Market (TAM), customer counts, and Gross Transaction Volume (GTV). Overpaying for acquisitions and evidence of slowing (and declining) organic growth. Troubles with Lightspeed Payments. 60%-80% downside potential
Successful Outcome	iRobot's home vacuum market share has been significantly eroded by new entrants, forcing significant price compression. Its telehealth robots have failed to deliver any upside, while it finally just launched a lawn mower vacuum in Feb 2019, yet has not been able to articulate the price or distribution strategy into the U.S. CFO Dean finally resigned in 2020	BV's CFO and CEO eventually resigned and its share price fizzled to low single digits before ultimately being acquired for just $5.50/sh, 54% below its $12 IPO price and 70% below our initiation price	Lightspeed denied our report as "misleading." The Company provided an outlook on its Q3 2021 that showed widening losses. The revenue outlook for the year also was below expectations. The share price declined by ~76% since the report date. A new CEO was appointed

The recommendations shown above are not intended to be exhaustive. A full list of all recommendations made over the past twelve months can be found on our website

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Executive Summary

Spruce Point Estimates 40% - 50% Downside Risk To C3.ai (NYSE: AI) Share Price: ($12.85 - $15.40)

After conducting a forensic financial and accounting review, Spruce Point believes C3.ai, Inc. (NYSE: AI) has a pattern of exaggerated business claims and is using multiple strategic partnerships with well known companies such as Baker Hughes, Hewlett Packard Enterprises, Microsoft, Google and Intel to project an aura as a successful enterprise artificial intelligence platform with limitless growth. In reality, we believe C3 has failed to gain broad market acceptance, is on its third rebrand, and its revenues are being propped up by an aggressively managed and struggling strategic partnership with Baker Hughes amounting to >30% of sales. While C3 boasts a star-studded roster of investors and directors, such as Thomas Siebel and Condoleezza Rice, their track records are not entirely without blemish, or without potential conflict. Mr. Siebel's prior company Siebel Systems was charged by the SEC for Reg FD violations, while Ms. Rice obscures from her biography her role at Kior, a company charged by the SEC with fraud. C3 is on its 3rd CFO since filing to IPO in Sept 2020, and based upon our review, we find numerous instances of aggressive accounting and problematic financial reporting. C3's current CFO was previously CAO and CFO of Telenav, which blind-sided investors with a revenue restatement and material weakness opinion. Even more worrisome, he has an arrest record for violence against his wife and allegedly making a death threat. Now that investors are more focused on fundamentals for technology growth stocks, we expect investors to pay closer attention to C3's revenue, net income and dilution prospects. Based on our research, we expect C3's revenues tied to the Baker Hughes partnership to fall short, while losses could exceed over $100m per year. We see 40% – 50% downside risk.

A Story Stock With The Perfect IPO Backdrop That Will Now Come Under Greater Scrutiny

- We believe C3.ai took advantage of the frothy environment for high growth, technology story stocks to raise capital in late December 2020. Seizing the ticker "AI", and backed by legendary Silicon Valley investor Thomas Siebel, the Company's stock surged to $177 from its $42 per share IPO price. This allowed early investors to exit at attractive prices while the business now struggles
  - However, we believe the euphoria shrouded C3's dark history of business model pivots and restructuring since its founding in 2009; first chasing smart grid opportunities, pivoting its name to C3 IoT, and finally settling on C3.ai to capture the artificial intelligence buzz
  - Siebel attracted multiple brand name investors, Board members, and strategic partners and alliances to support the Company and generate an IPO buzz such as Microsoft, Koch Industries, Baker Hughes, Google, and Condoleezza Rice
- However, now that market ebullience has subsided, Spruce Point believes C3 will come under greater scrutiny as a money-losing company with good, but complex and difficult to sell technology, that has failed to gain broad market acceptance
- We believe a struggling partnership with Baker Hughes/GE, whose contract has been renegotiated three times, is propping up sales through minimum guarantees. Aggressive, if not outright flawed accounting methods appear to be embellishing results. Notably, this is the same Baker Hughes management that came under scrutiny by whistleblower Harry Markopolos in a scathing report on GE in 2019

Evidence Points To Numerous Exaggerated Claims And Failure To Achieve Broad Market Adoption

We find multiple instances of claims made by C3 that appear to be exaggerated, or don't reconcile with our research findings:

- <u>Cumulative Investment In The C3 Technology Platform</u>: claimed to be $1.0 billion vs. our $500-$785m estimate
- <u>Customers:</u> Given shifty customer definition disclosures, we see a high probability C3 is overstating paying and active customers
- <u>Inflated Technology Value</u>: C3 put a value of $60m on its technology as an in-kind donation to its Digital Transformation Institute despite its largest customers spending ~$28m and our research indicating its maximum value was around $25m
- <u>Total Addressable Market (TAM)</u>: C3 materially changed its TAM claim during the IPO process from $170 to $271 billion
- <u>Pace of Market Growth and C3 Adoption (Market Share)</u>: Evidence that market projections keep getting pushed out farther into the future. C3's implied market share of just 0.12% supports market size inflation, or its irrelevance in the industry
- <u>Sales cycle</u>: Conflicting statements between C3 and its CEO. Company says 6-9 months typical sales cycle. CEO says 4.5 months and declining every month. Interviews of former C3 salesforce workers indicate the cycle is closer to 18 months – 2 years
- <u>Alliances</u>: Highly promoted alliances and partnerships with technology bellwethers like HPE, Google, Microsoft, AWS and Intel which we believe either fizzled out, or don't appear to have grown to the degree they were promoted

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A Pattern of Announcing Partnerships

But Our Research Evidence Illustrates Limited Traction

Since 2019, C3 has been busy issuing press releases announcing strategic alliances and partnerships with some of the who's who in the technology space including, Microsoft, Google, Hewlett Packard Enterprises (HPE), and Intel among others

- After carefully reviewing these announcements, we question the efficacy of these alliances and partnerships. Spruce Point estimates that there are upwards of 41,000 people selling C3's product suite across major alliances. Yet, C3's revenue results imply a meager $5,100 of revenue per salesperson. We believe this illustrates C3 is having limited traction in the marketplace. Conversations with former sales employees corroborate our concerns.
  - ➢ HPE: C3's claim that its platform is "tightly integrated" with Hewlett Packard Enterprises' (HPE) ProLiant family of servers is suspect. A recent sale inquiry revealed no such integration exists
  - ➢ Intel: Spruce Point fact-checked C3's claim from a May 23, 2018 press release announcing a partnership with Intel. We observe that on the same day C3 announced the alliance, Intel also issued a press release about enterprise AI, without referencing C3. A review of Intel's website suggests limited evidence of a deep partnership
  - ➢ Google Cloud: We cannot find any prominent feature or reference to C3 on Google Cloud's AI and machine learning website. In fact, C3 is not even referenced as a "Featured Partner Solution" and there is just one website, which must be searched for by the customer, to identify C3. Furthermore, when we queried Google's own AI assistant, it could not identify C3
  - ➢ Microsoft: When we inquired about C3 with a Microsoft sales agent, he knew almost nothing about the product, and directed us twice back to C3's website for more information. The agent made no effort to sell us C3 directly
  - ➢ AWS: There is a listing of C3 as an AI partner on Amazon's website. However, unlike on Microsoft Azures' marketplace, C3 is nowhere to be found or discussed on AWS' marketplace in categories like IoT or Machine Learning

Baker Hughes Contract Amended Three Times

Revenues Keep Getting Deferred To The Future

Baker Hughes CEO Resigns From C3's Board in December

Spruce Point's diligence indicates significant strain with C3's JV with Baker Hughes. Baker Hughes is its largest customer (30% FY'21 /Sales). We believe it plausible that the JV may cease to exist beyond the remaining contract duration

- In 2019, C3 announced a joint venture with Baker Hughes / GE (BHGE or now BH) that resulted in BH purchasing 15% of C3's equity, its CEO Lorenzo Simonelli joining C3's Board, and BH guaranteeing minimum annual sales to C3 totaling $320m over three years from a combination of direct product purchases by BH for internal use, and product resales to its oil and gas customers
  - ➢ Since the original JV agreement signed in 2019, BH's commitment to the JV has waned significantly as there have been two material amendments (2nd amendment on June 1, 2020, 3rd amendment on October31, 2021) that postponed and reduced the peak annual revenue commitments
- A former C3 employee we spoke with said, "*Baker Hughes is a marriage that is not working. The people are not happy. They can't sell the C3 product. It's a nightmare for them to sell it. The culture of C3 is so different that they can't work together.*" Stating further that, "*Baker Hughes just invested and entered a JV with a company called Augury and they can do everything that C3 is currently doing for them.*"
- We believe public actions taken by BH paints the same picture:
  - ➢ From April through June of 2021, BH sold $145m of its investment in C3
  - ➢ The 3rd JV amendment on Oct 31, 2021 was adverse to C3 by eliminating the remaining minimum revenue commitment for FY22, reducing and delaying its peak revenue commitment until FY25 and offering price discounts to prospective customers
  - ➢ December 17, 2021, BH's CEO Lorenzo Simonelli resigned from C3's Board of Directors

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Questionable Financial Maneuvering In Sales Commission Payments with the Baker Hughes JV

Potential Cookie Jar Revenue Accounting

99%+ Gross Margin Revenue?

Why did C3 recently agree to pay an exorbitant sales commission to BH in relation to sales that are being challenged and in the context of a fractured relationship?

- At the time of the 3rd amendment, C3 had recognized $36.7m of BH revenue through the H1'22, annualized at $73.4m. Therefore, we estimate the JV was not on pace to meet its minimum annual revenue requirement stipulated under the predecessor agreement of $75m. Yet, as part of the 3rd amendment, C3 agreed to pay BH a sales commission of $16m (by April 2022)
- The 3rd amendment had other onerous provisions to C3 including price discounts to prospective customers. We believe this may have resulted in a contract modification, and allowed C3 to do a revenue-catch up adjustment used to exceed Q2'22 revenue expectations. We observe a jump in unbilled receivables in the recent quarter highly correlated with the JV's professional service revenue. We also find an accounts receivable reporting discrepancy which highly correlates to changes in unbilled receivables
- Sales commission are being amortized and recognized to the income statement as expense on a vastly different schedule than cash payments are being made. The $16m payment is being deferred over 5 years, though C3 says average contract durations are 3 years. A prior sales commission of $8.3m is being amortized over 3 years, but C3 paid $3.4m or 41% in the first 6 months
- We further struggle to understand why C3 is paying Baker Hughes $24m of sales commissions on what we determined to be a maximum of $11m of eligible revenues for commission payments (could be as low as $2.6m). We call on management to explain if this is truly a sales commission, or an inducement to keep BH from taking more adverse measures to reduce its JV commitment?
- Lastly, related-party revenue directly under the umbrella of the JV is being recognized at more than 99% gross margins. Perhaps even more suspicious, the related-party revenues recognized as professional services is being recognized at 100% gross margin. How can the cost to deliver professional service revenue, which entails human cost and labor, be zero? A former employee we interviewed commented that it was "impossible"

Multiple CFOs and Since IPO

VP of IR Appears To Have Misrepresented himself

Current CFO Should Give ESG Investor Jitters With A Domestic Violence History

Spruce Point observes a revolving door around the CFO function at C3. Notably, C3 is on its third CFO since filing to IPO

- Current auditor Deloitte was appointed in 2018. We find troubling discrepancies of revenue growth claims in FY 2018 (60% vs. 88%)
- Current VP of Investor Relations Paul Phillips was C3's former CFO from Jan 2017 – June 2019, but fails to mention this role on his public biographies. Also, evidence suggests that in the past he may have misrepresented himself as CFO of vArmour Networks
- CFO Marc Levine's name disappeared from SEC filings during the IPO registration process. He was the original CFO signatory on C3's first draft prospectus on September 18, 2020 and then never showed up in any future SEC filings
- CFO David Barter, a former Microsoft financing executive, resigned as CFO in Dec 2021 and after the 3rd BH contract amendment
- **C3's recent CFO appointment is Adeel Manzoor, an executive which we believe has a troublesome past**:
  - As Chief Accounting and Financial Officer of Telenav (Nasdaq: TNAV), the Company restated revenues and issued a material weakness opinion for the period following his appointment
  - Mr. Manzoor was charged in California for domestic violence, and a document alleges a death threat was made
- We believe C3's accounting team is thinly staffed with individuals with limited tenure at C3. It recently appointed a new CAO, and has been looking to hire an individual as a revenue manager to assist in revenue accounting and documentation

Questionable CEO Oversight With A Board Stacked With Allies Who Have Been Funded By the CEO

The Board appears stacked with long-time business associates and allies of CEO & Founder Thomas Siebel. There are instances where we question the objectivity and fitness of certain directors:

- Condoleezza Rice: A decorated academic and civil servant as former Secretary of State. However, her biography fails to disclose her Director role at Kior (Nasdaq: KIOR), a once highly touted alternative energy technology company promoted by another Silicon Valley legend Vinod Khosla that was charged with fraud and went bankrupt. Ms. Rice currently is Managing Director at Makena Capital, that in the past few years, has managed financial assets for CEO Siebel's family foundation
- Mike McCaffery: "Lead Independent Director" and currently Chairman of Makena Capital. Similar concerns as noted above that his frim has managed financial assets for Mr. Siebel's family foundation. Mr. McCaffery fails to put on his biography he was Audit Chair of KB Home (NYSE: KBH), and a year later it issued a non-reliance opinion on its financial statements and took large asset impairments
- Patricia House: A former Siebel Systems executive that also served on the Board of Mr. Siebel's private holding company First Virtual Group. Mrs. House fails to put on her biography she was audit director at Shutterfly (Nasdaq: SFLY), which issued a non-reliance opinion on its financial statements shortly after she resigned from the Board
- S. Shankar Sastry: Dr. Sastry has served in a number of roles with the University of California, Berkeley, including as the Thomas Siebel Professor of Computer Science since January 2019. As an endowed chair, can public investors be certain that Mr. Sastry's will be impartial in decisions involving his benefactor?

Insiders Quick To Cash Out For Extraordinary Profits

- Insiders, notably Mr. Siebel and his long-time partner Mr. Edward Abbo, have reaped extraordinary gains from selling stock at prices above the $42 per share IPO price
  - We estimate Mr. Siebel sold $596m at an average price of $65.17
  - We estimate Mr. Abbo has sold $44m at an average price of $69.44
  - Mr. Siebel and Abbo were selling stock as early as March 8, 2021 or just 3 months after the IPO. This is much earlier then the 180 day lock-up period initially specified due to an exemption

No Clawback Policy In Place

- C3 has not adopted a formal Clawback Policy for fraud or other intentional misconduct by executives. CEO Siebel and his long-time CTO appear to have received better terms for recent options grants by the Compensation Committee than to CFO Barter, who recently resigned

Undisclosed Executive Team Departures

- **Undisclosed Executive Team Departures**: Chief Marketing Officer Bruce Cleveland and General Counsel Brady Mickelsen are no longer employed by C3. In addition, recently appointed President and Chief Revenue Officer Sam Alkharrat (June 2021) has been removed from C3's Executive Team website page without explanation. Although these executives were not explicitly "Named Executives," we believe as a best practice that C3 should have disclosed their departures to investors with an 8-K filing with the SEC or public announcement

Spruce Point Estimates 40% - 50% Downside Risk To C3.ai (NYSE: AI) Share Price: ($12.85 - $15.40)

A Poor Risk / Reward As We Believe Revenue Expectations Will Be Reset Lower

Cash Burn Will Increase

Material Dilution Will Persist

40% - 50% Intermediate Downside Risk

Long-Term Potential That C3 Fetches Little More Than Its Cash on Balance Sheet

We believe C3 is poised to reset expectations as sales fail to materialize, losses balloon, and dilution increases

- Despite C3's abysmal post-IPO performance, analysts are still split on its outlook, with nearly half saying "Buy" and dangling price targets over $100 per share (the current average price target is $53.50 per share). Retail investors appear to be the biggest shareholders being baited by these optimistic targets. We cannot find a single Artificial Intelligence thematic ETF that holds C3 as a Top 10 position in its fund. Furthermore, indices such as the FTSE Russell and S&P don't allow newly public companies with dual share structures into indices. This limits institutional investors matching indices from owning C3
- Sell-side revenue estimates have actually been rising for FY 22 / 23 despite our research findings that revenue growth will remain challenged
- Discissions with former salespeople, and a disclosure by C3 during the last conference call of a "*restructuring of the global sales function*" bode extremely poorly for C3's near-term prospects:
  - We find evidence that C3 is now changing its definition of customer. Between the last two quarters, it changed its description of "Total enterprise AI customer count" to just "customer count"
  - Excluding revenue commitments from Baker Hughes implies that the rest of C3's industry verticals will experience 40% growth. We view this expectation as highly unlikely to be achieved amidst widespread turnover and historical growth at a rate closer to 20%
- Bulls might see C3's strong balance sheet with $1 billion in cash as a downside mitigating factor and the Company's willingness to repurchase stock. Although, CEO Siebel has articulated that M&A won't be a part of C3's strategy and he is not a buyer of the stock on a CNBC interview aired Dec 2, 2021. We believe this leaves the Company adrift to continue burning capital without a deep and experienced salesforce adept at marketing and selling a complex product to achieve broader adoption
- We value C3 as a run-off of its existing revenue from Baker Hughes commitments, and view the partnership at best will cease to exist in FY 25, or at worst be modified with even lower revenue, or cancelled prior to FY 25. We build in additional cash burn over the next 12 months, and additional stock dilution. We adjust C3's balance sheet for newly created operating lease commitments and cash liabilities to the Digital Transformation Institute. We believe the stock has 40% – 50% downside over the next 12 months to between $12.85 and $15.40 per share
- **Recently resigned CFO forfeited options:** We observe CFO David Barter had over 900,000 unvested options struck at $17.10 when he resigned in late November 2021. At the time, the intrinsic value of the options was ~$20 million. We view the price level of $17.10 (33% lower) as an instructive benchmark as to where the stock price is headed
- **Limited risk of a third-party takeover according to one former employee:** "*Two years ago, yes, there would've been a risk because there was not so many on the planet providing services like this; today, I don't think this is a risk. It's unviable, unless it goes down to a $200 million market cap and someone will start moving on it and say, yes I like it, but for more than that, I would not touch it.*"
- Siebel and his close associate own 95% of the super-voting Class B shares, with 71% voting control as of the last proxy. The dual class share structure makes it challenging for outside parties to effect change

Spruce Point Capital Management

Spruce Point Questions C3's Pattern of Exaggerated / Irreconcilable Claims

Spruce Point believes investors should be concerned by various claims made by C3 and its management that appear to be exaggerated, or don't reconcile with our research findings. Be warned that in the past the CEO's Company was charged by the SEC in 2002 for selectively disclosing optimistic commentary when weeks before his commentary was negative.

Warning
SEC vs. Siebel Systems

"The Commission's Order finds that, on November 5, 2001, the company's Chief Executive Officer disclosed material, nonpublic information to the attendees of an invitation-only technology conference in California. At the conference, the company's CEO made positive comments about the company's business that were based on material, nonpublic information and that contrasted with negative statements that he had made about the company's business in a public conference call three weeks earlier."

Source: SEC v. Siebel Systems, Inc

Concern	C3 Statement or Positioning	Spruce Point Belief of Reality
Alliances and Partnerships	Successful partnerships with Baker Hughes, Google, Microsoft, Intel and HP Enterprise among others	Alliances (notably Baker Hughes) are facing significant sales challenges. Other alliances either fizzled out, or don't appear to have grown to the degree they were promoted
Paying Customers	C3 has used a shifty definition that has grown less transparent over time to define what is a customer	We believe there is a high probability that C3 is overstating customers and including ones with contracts that aren't active or generating revenue
Cumulative Investment In Technology Platform	$1.0 billion invested	$500 - $785 million
Size of Total Addressable Market	C3 materially changed its TAM claim during the IPO process from $170 to $271 billion	Likely much smaller given C3's implied market share (see below)
Pace of Market Growth and C3 Adoption (market share)	In 2018, C3 said the market would exceed $250 billion by 2021, and then changed it to 2025	Market is growing much slower than predicted, and C3's adoption is much smaller than expected with just 0.12% market share
Sale Cycle	Conflicting statements between company and CEO. Company says 6-9 months. CEO says 4.5 months and declining every month	Interviews of former C3 salesforce workers indicate sales cycles at 18 months – 2 years
Value of the C3 AI Suite	C3 ascribes a $60 million annual value to the "in-kind" donation of its unlimited AI Suite (including $10m of runtime) to the Digital Technology Institute it formed	C3's two largest clients spend ~$28m. We asked a former salesman what the theoretical max spend for unlimited use of the suite would be an were told ~$25 million

Spruce Point Believes C3 Needs To Clarify Murky Financial Payment Relationships With Key C3 Partners

Spruce Point has concerns about financial relationships and flows of payments between C3, its CEO's foundation, two directors and its sales partners. Spruce Point asks C3 to clarify the nature of the relationships and economic value proposition to C3 shareholders with enhanced disclosures.

Sales Partnership With Google, But C3 Is Committing To A Massive Real Estate Lease Benefiting Google

- Sales Alliance (Google → C3)
- New $103M Lease With Payments Escalating To $10m Per Year (C3 → Google)
- Sales Commissions? (C3 → Google)

Google

We Believe C3 Has Paid Excessive "Sales Commissions" While Assuming Adverse Contract Modifications

- Revenue For Use and Re-Sale of Products (Baker Hughes → C3)
- Minimal / No Costs Allocated For Revenues? (C3 ↔ Baker Hughes)
- $16 Million "Sales Commission" For Adverse Modified Contract (C3 → Baker Hughes)

Baker Hughes

C3 AI Pays Director Fees, CEO's Directors Have Been Compensated In Other Ways By The CEO

- Services Including Audit Committee Oversight (McCaffery) (Directors → C3)
- Directors Fees And Equity Worth Millions (C3 → Directors)
- CEO Siebel Foundation: Capital To Makena Capital (Fees Paid?) (C3 → Directors)
- Endowed Siebel Chair To Director Sastry At Berkeley (C3 → Directors)

Directors McCaffery And Rice Involved With Makena Capital

Sastry Is Siebel Chair of Computer Science

Stock Promotion vs. Reality: *Why We Believe Key Aspects of The C3.ai Story Are Exaggerated Or Irreconcilable*

Spruce Point Capital Management

C3.ai Has Elements of a Stock Promotion: Targeting Retail Investors Through CNBC

We give credit to C3's CEO for relentlessly promoting and evangelizing the investment story. Investors should review seven recent CNBC appearances we identified since coming public to hear the story first hand. We believe CNBC is a targeted medium to attract retail investors, and will show that C3 has failed to attract many institutional caliber investors. In fact, even targeted AI and robotics ETFs specializing in the sector do not hold C3's stock as a material position.

Source: CNBC, C3.ai CEO: I thought 'no way' could we go public in 2020, Dec 9, 202

Source: CNBC, C3.aiSiebel on future of AI, Jan 8, 2021

Source: CNBC, C3.ai founder and CEO Tom Siebel on third quarter earnings and outlook, March 2, 2021

Source: CNBC, C3.AI CEO Tom Siebel on Q4 earnings, June 3, 2021

Source: CNBC, C3.ai founder on Closing Bell, June 7, 2021

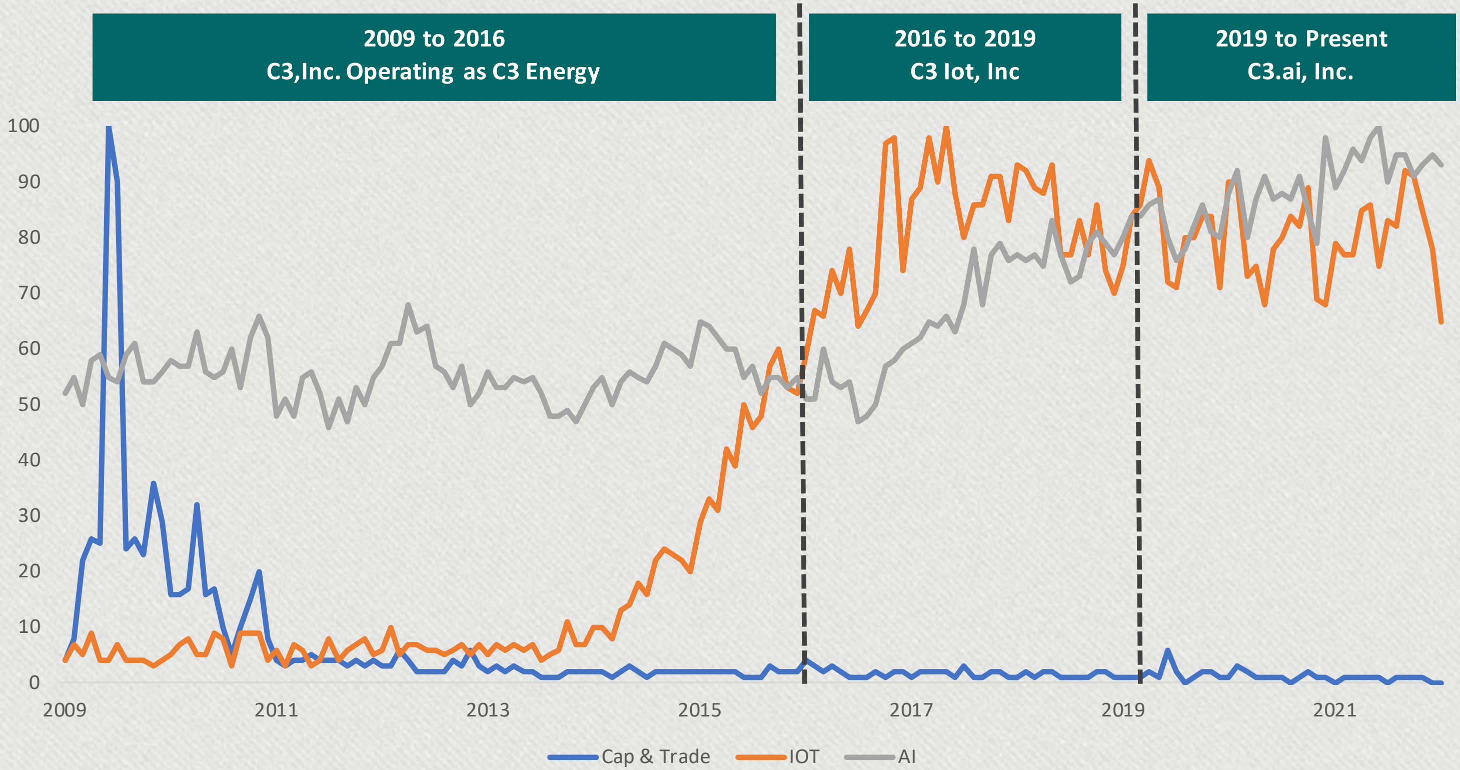
Source: CNBC, Google and C3 AI team up to grow AI in the cloud, Sept 1, 2021

Source: CNBC, Our growth rate is in the top decile of rapidly growing software companies, C3 AI CEO says, Dec 2, 2021

Beware of C3's Long History, And Multiple Name Change Pivots Chasing Technology Buzz Words

We believe C3.ai has gone through multiple iterations as a company chasing popular technology themes and buzzwords while incorporating them into its formal business name. When C3 was created in 2009 it largely operated as C3 Energy chasing the themes of "Cap & Trade" and "Smart Grid". As the cap-and-trade fever subsided, the new theme of Internet of Things (IoT) was gaining popularity and C3 pivoted in 2016 by changing its name to C3 IoT. As the IoT buzzword peaked and began to trend down, C3 yet again changed its name to C3.ai to reflect its new focus on "artificial intelligence". Technology trade circulars such as ZDNet commented on C3.ai as follows, "*patented technology is really a platform-as-a-service for the Internet of Things with some fairly standard AI mixed in*."

C3 Name Change History Overlaid By Google Keyword Trends



"It turns out, the secret sauce is really more about platform-as-a-service, rather than AI per se, which is funny, given that machine learning, a form of AI, is mentioned fifty-five times in the C3 prospectus, while platform is mentioned only once, in the company's self-description: "We believe the C3 AI Suite is the only end-to-end Platform-as-a-Service allowing customers to design, develop, provision, and operate Enterprise AI applications at scale."
Tiernan Ray, ZD Net

Source: techcrunch.com, Google trends, Wayback machine, C3.ai IPO Prospectus, ZD Net article (Dissecting C3.ai's secret sauce: less about AI, more about fixing Hadoop

Spruce Point Capital Management

Pre-IPO Promotion From February 2020 Regarding Bookings Growth

In February 2020 at C3.ai's "Transform" conference in San Francisco, CEO Seibel during his keynote speech reported that C3 was on track to increase bookings in FY20 by 143% to $447m. C3 has not formally defined or disclosed bookings as a public company. However, at the time he offered the bookings figure, C3 and Baker Hughes had signed the JV agreement which added $320m of future revenues ($271m of RPO and uncontracted remaining revenue from Baker Hughes at April 30, 2020). If we exclude bookings growth from Baker Hughes, its 3rd largest shareholder and JV partner, we estimate that core bookings (ex: Baker Hughes) would have been down by -4% to -31%. Our report will fully analyze the Baker Hughes relationship and why we believe financial and reporting issues exist.

$ in millions	FY19 04/19	Low FY20E 04/20	High FY20E 04/20
Bookings[1]	$184.0	$447.0	$447.0
Growth		*143%*	*143%*
Less: Baker Hughes[2]		($271.0)	($320.0)
Core Bookinigs	**$184.0**	**$176.0**	**$127.0**
Growth		*-4.3%*	*-31.0%*

(1) Booking analysis here is based on quote from Tom Siebel
(2) As of April 30, 2020 Total Baker Hughes RPO of $87.2m and $183.8m of total remaining Baker Hughes minimum revenue commitments not yet contracted. Alternatively, if we deducted the full $320m of revenues that were guaranteed at JV inception, we get our "High" case

Tom Seibel at Transform 2020

"At Transform 2020, company founder and CEO Tom Siebel (and also the founder and longtime CEO of Siebel Systems) reported that C3.ai is on track for a 143% increase in bookings to $447 million in fiscal year 2020, up from $184 million in FY 2019."

Source: ZDNet.com

Historical Press Release And Media Account Indicate A Vastly Different Narrative Than What Was Presented in C3's IPO Prospectus

An article from Forbes in July of 2017 indicated that revenues for all of 2017 would approach $100 million at 100% growth. The prospectus shows that FY 2018 (ending April 30, 2018) revenues of $62 million fell well short of the $100 million cited in the Forbes article, and presumably articulated by C3 management. Approximately one year later on May 30, 2018, C3.ai issued a press release that FY 2018 revenues grew 60%. Yet, the IPO prospectus states a more flattering revenue growth trajectory in FY 2018 of 88%. **Notice carefully**: C3's auditor Deloitte & Touche was appointed in 2018, indicating that the previous auditor left around the period of the discrepancy. C3's CFO during this period was current VP of IR Paul Phillips, who we believe may have misrepresented his credentials as having been CFO and Head of Corporate Development at vArmour Networks.

Forbes Article from July 2017

Jul 11, 2017, 09:45am EDT

With C3 IoT, Software Billionaire Tom Siebel Looks To Strike Gold A Second Time

Alex Konrad Forbes Staff
Venture Capital
Covering venture capital, software and startups

Follow

Already cash-flow positive, C3 is on pace to about double its revenue this year to $100 million while tripling its bookings. Big new customers include Con Edison and Origin Energy. And Siebel's business isn't limited to the Internet of Things.

Source: Forbes.com, July 11, 2017

Auditor Since 2018, Who Came Before?

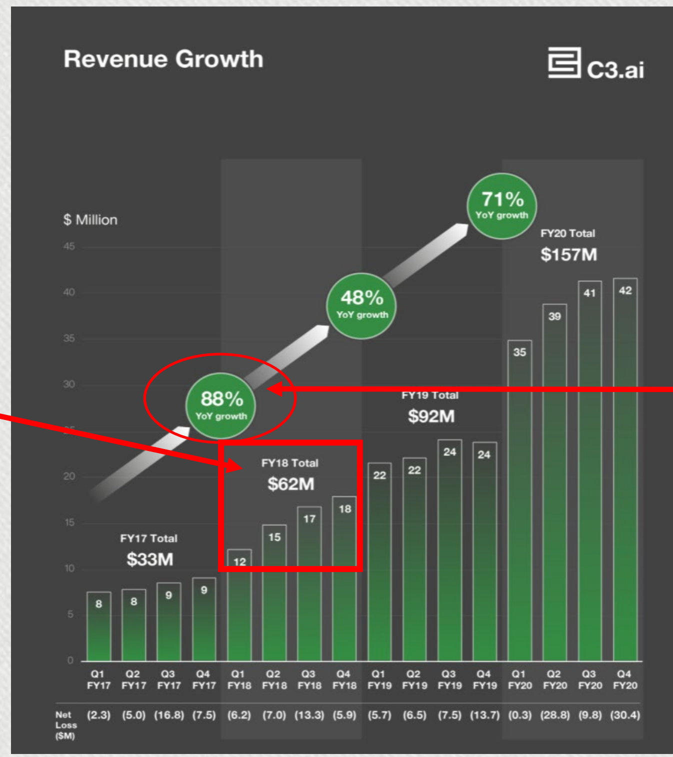
/s/ DELOITTE & TOUCHE LLP

San Jose, California
September 18, 2020

We have served as the Company's auditor since 2018.

Source: IPO prospectus

IPO Prospectus from December 2020



Source: IPO Prospectus

Press Release from April 2018

Redwood City, Calif. – May 30, 2018 – For the second consecutive year, C3.ai, the leading AI and IoT software platform for digital transformation, reported record fiscal year results. In the fiscal year that ended April 30, 2018:

- Revenue increased 60% year over year.
- Bookings grew 130% year over year.

Source: C3,ai historical press release

SPRUCE POINT CAPITAL MANAGEMENT

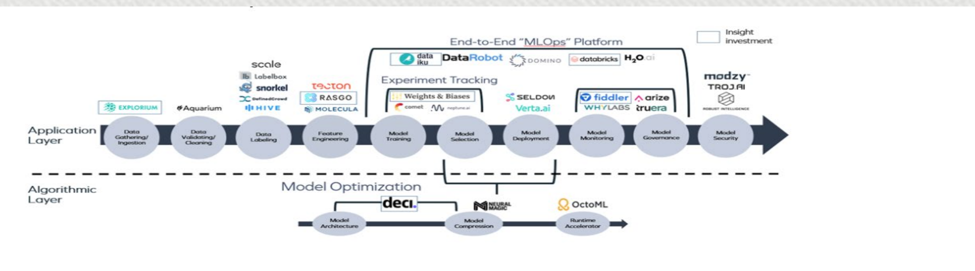
A Picture Worth A Thousand Words: Where Does C3 Fit Into A Cluttered AI Space?

Investors, a former employee, and industry observers appear baffled as to where C3 fits into the complex AI ecosystem. Try finding C3's logo on three recent industry overview pieces by three different analysts…..

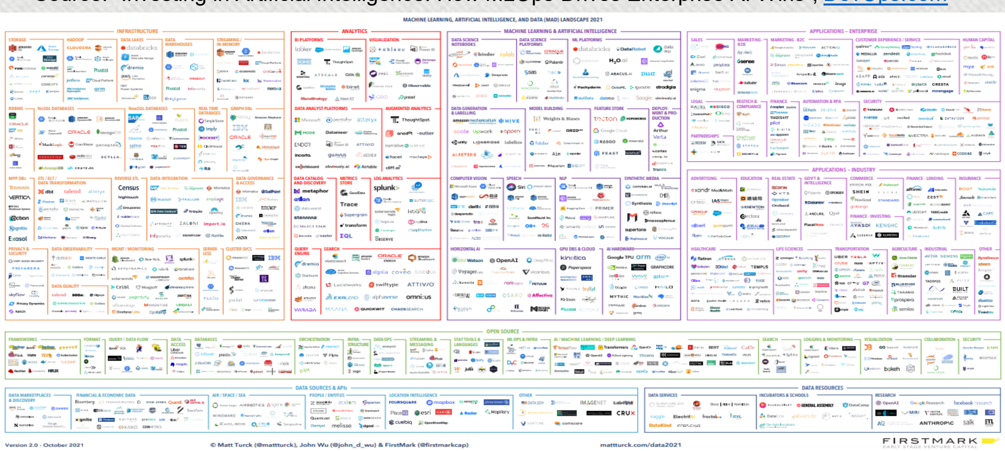
Investors + Former Employee Question Where Does C3 Fits In

First Question At Needham Conf (Jan 11, 2022): *"In my discussions with investors, people are still trying to figure out what C3 AI actually does? How you fit into a broad, very fragmented analytics landscape?"*

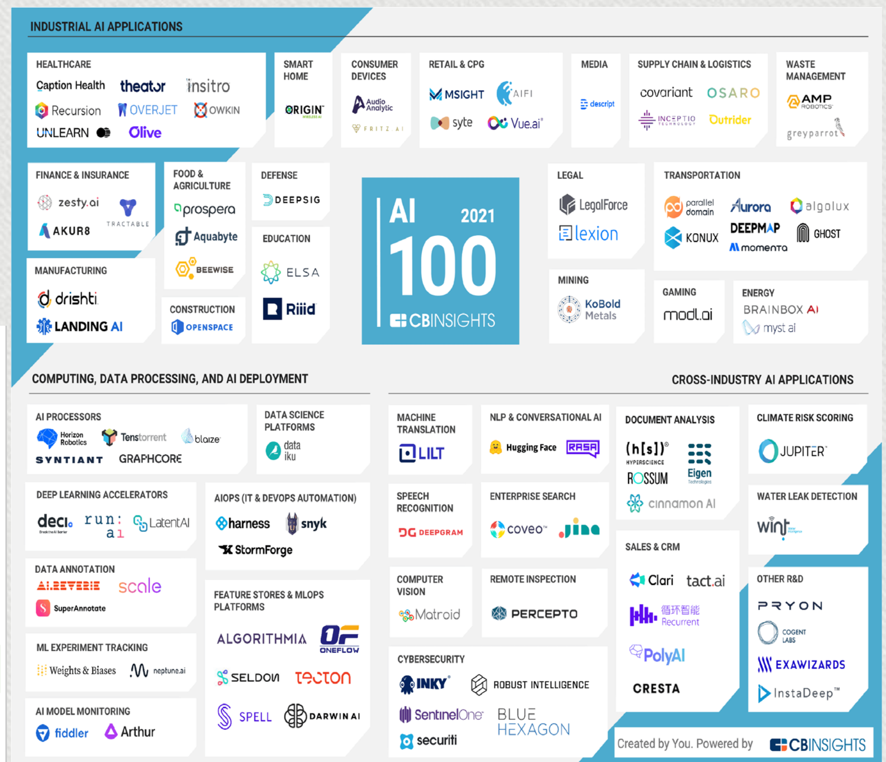
Former C3 Employee (Tegus Interview, Oct 2020): *"So I mean, I've been in this a long time, and I spent a lot of time looking for an AI platform. I didn't find C3 in it. And I don't think it's presented in that, right, as I find new stuff, right? So outside of the advertisements, they are literally invisible right?"*



Source: "Investing in Artificial Intelligence: How MLOps Drives Enterprise AI Wins", DevOps.com



Source: Firstmark, Matt Turck



Source: CB Insights, 2021 Top 100 AI

Spruce Point Capital Management

Insights Into C3 From A Former Employee: "They are literally invisible right?"

Tegus conducted an interview with a former employee who commented about the oddity of C3 not being well known for AI solutions after 12 years in existence.

Tegus Client	*"What's usually the impetus for a company to evaluate a solution like this?"*
Former C3 Employee, Financial Services Sector	*"It's typically C3 creating the need. There were a few examples. And I know there was Wells Fargo, they had their RFI back in February for an AI platform. It's more outbound, but C3 is putting the opportunity for the customers. **So I mean, I've been in this a long time, and I spent a lot of time looking for an AI platform. I didn't find C3 in it**. And I don't think it's presented in that, right, as I find new stuff, right? **So outside of the advertisements, they are literally invisible right?** So they're not a household name. And there's not going to be any order taking because it's a very specialized, large ticket item, talked to only 14 Fortune 100 companies. The only reason why it was still forced to hire people and not to find clients, so they are a leader. **Outside of Silicon Valley, they're totally invisible. And I mean the fact that the company has been around for 12 years and nobody has heard their name, that's not easy, right?** So you look at the H2, their IQ, their ROAs. I mean the currency, obviously, I mean all these companies everybody knows, right? If you do a list of AI vendors, C3 doesn't come up, right? I **mean we were doing ads on NPR, which was completely a broad thing. Why would you put an ad on NPR**?"*
Tegus Client	*"Do you view that as sort of like a failing of C3? Just kind of a weakness of theirs on the marketing side?"*
Former C3 Employee, Financial Services Sector	*"**Yes. The marketing side, totally. In my world, I'll tell you, after 12 years, we were invisible**. Again, I'm not to benchmark everything, but the fact is we didn't know about them when I was looking actively for something like that. When you do a search, I **mean you talk to companies, you ask them who are your top 5 or 10 competitors, right? And they will name, you cross-reference and eventually, you find a good landscape, right? C3 never came up once, right? That is weird, right**?"*

Source: Tegus Interview, October 13, 2020

Spruce Point
Capital Management

Beware of Exaggerated Total Addressable Market ("TAM") Claims By C3

C3 materially changed its TAM claim during the IPO process from $170 to $271 billion. In addition, its historical TAM claims don't appear to have been achieved and keep getting pushed out farther into the future.

CEO Siebel At Recent Conference Dec 2021

*"If we look at the analysts' predictions for the size of the enterprise AI software market, **this promises to be on the order of a $300 billion software market in, say, 2025**."*

Source: Annual Virtual Wells Fargo TMT Summit, Dec 2, 2021

IPO Prospectus Nov 2020

*"We serve a large and rapidly growing market, estimated to be $174 billion in 2020, **growing to $271 billion in 2024**, a 12% compound annual growth rate, or CAGR."*

Source: C3 IPO Prospectus, Oct 2019, citing IDC and Gartner reports (3Q 2020 Update)

$100bn TAM Creation In 2 Months

IPO Prospectus Sept 2020

*"We serve a large and rapidly growing market, **estimated to be $106 billion in 2020, growing to $170 billion in 2024**, a 13% compound annual growth rate, or CAGR."*

Source: C3 IPO Prospectus, citing IDC report Sept 2019

C3 Annual Results Announcement May 2018

*"We are expanding service and distribution capacity globally to accelerate adoption of the C3 Platform in new industries. C3.ai is well positioned to establish a global leadership position in the software market for AI and IoT applications, which is **estimated to exceed $250 billion by 2025**."*

Source: "C3.ai Announces Record Fiscal Year 2018 Results," May 24, 2018

Accelerated by 4 years In Just 5 Months?

Alliance Announcement October 2018

*"This strategic OEM partnership sets out to address the rapidly growing market for AI and IoT enterprise software applications, estimated to **exceed $250 billion by 2021**."*

Source: "C3.ai Announces Strategic OEM Partnership with HP Enterprise," Oct 16, 2018 referencing a BCG report

SPRUCE POINT CAPITAL MANAGEMENT

C3's Miniscule Market Share Supports Our View That It Is A Tiny Player

C3's prospectus claims "*Recognized AI-Industry Leadership*" and that its business is all about gobbling up market share. If in fact true, why is its market share just 0.12%? Our market share estimate even uses C3's market size figure. We will later show how C3 is using fragile related-party revenue. Absent this revenue, its market share would be lower.

CEO Siebel At Recent Conference Jan 2022

"I mean, our goal is to establish, Mike, a global leadership position in enterprise AI."

Source: Needham Conf, Jan 11, 2022

CEO Siebel Dec 2021

*"So this is a -- **clearly, this is a market share game**. And so the -- just like it was a couple of decades ago in the relational database market, just like when we established the CRM market at Siebel Systems, **I mean, this is a -- it's a market share game**. So the game that we're playing is to see if we can -- the market it's in, it's nascent stages. I mean enterprise AI, we're in the first half of the first inning, okay? And we might just have the first guy up to bat. **Actually, it might be that early in the game. And so we want to go out and gobble up as much market share as we possibly can**."*

Source: Annual Virtual Wells Fargo TMT Summit, Dec 2, 2021

"We've established a substantial leadership position in the nascent stage of the enterprise AI market. The addressable market opportunity in enterprise AI is staggering, promising to exceed a $300 billion software market by 2025."

Source: Q2 2022 Conference Call

C3 Estimated Market Share

$ in bn	2020	2021E
Market Size (C3 estimate)	$174.0	$194.8
C3 Sales	$0.17	$0.23
Market Share	0.10%	0.12%

Note: C3 sales based on Jan 31st yr end in following calendar year
2021E market size based on 12% CAGR from 2020

C3 Appears To Exaggerate Development Cost of The C3 Product Suite

Spruce Point Capital Management

The CEO has recently claimed spending upwards of $1.0 billion to develop C3.ai. However, in 2018 a senior employee said that approximately $250 million had been spent since approximately 2010. Since this time, C3 has reported another $247 million of spending. Therefore we estimate $500 million of spending vs. the $1.0 billon claimed by the CEO. In yet another version direct from the Company in April 2020, it claimed $650 million total investment. Adding FY 2021 and YTD 22 spending to this figure results in $785 million total investment, yet again short of the $1.0 billion claim.[1]

Merel Witteveen C3.Ai (2010 - 2018) $250M

*"**We've spent about eight years and a quarter (billion) dollars to develop the platform** as a service to develop, operate and build AI and IoT applications at scale. We truly mean at enterprise scale."*

Source: "C3 IoT: Accelerate Value from Big Data, AI, and IoT Initiatives with One Tenth the Effort in your Data Center" – Intel AI video – Sept 17, 2018

+

$247M Total Reported R&D and Capex Spending

April 30, 2018 thru Oct 31, 2021

$ in mm, FY Ended April 30th	FY 2019	FY 2020	FY 2021	YTD 2022	Total
R&D Expense (inc. stock-comp)	$37.3	$64.5	$68.8	$63.2	$233.8
Capex (inc. capitalized software)	$6.8	$2.8	$1.6	$1.9	$13.1
R&D Expense and Capex	**$44.1**	**$67.3**	**$70.4**	**$65.1**	**$246.9**

≠

CEO Siebel On Development Cost At $1.0 billion

"We were novel in using a model-driven architecture to enable organizations to rapidly design, develop, provision and operate enterprise AI applications at scale," said Siebel. "We spent about a billion dollars inventing this in the last decade and it is our secret sauce."

Source: "C3 AI's Tom Siebel: How To Scale AI", Forbes, June 11, 2021

"We spent hundreds of millions of dollars, perhaps approaching $1 billion on development of this technology stack where we've provided an integrated set of software services in 1 cohesive platform that provides all the services necessary and sufficient for companies to decide to develop, provision, operate enterprise AI applications."

Source: Piper Sandler Conference, Sept 13, 2021

1) C3.ai DTI webinar, April 8, 2020 (5:30 minutes into the webinar)

CEO Calls Aerospace & Defense Market "Freaking Huge", Only To Then Rebrand The Segment

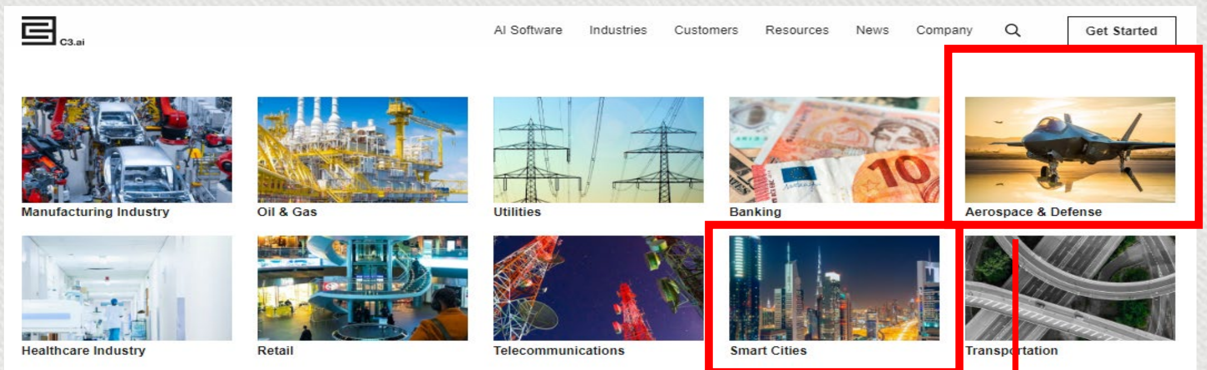
While the CEO talks up defense contracts as "huge", we remind investors that gov't contracts are often margin constrained and offered through highly competitive tender processes. A key Federal business hire quickly departed in Dec 2021.[1]

CEO Siebel First Conf Call As A Public Co.

"So as much as I would like to talk about that deal with Raytheon on that particular transaction, I don't know anything about it. And we can somehow hold the session to talk about it. ***How big is the opportunity in defense and Intel, it's freaking huge****."*

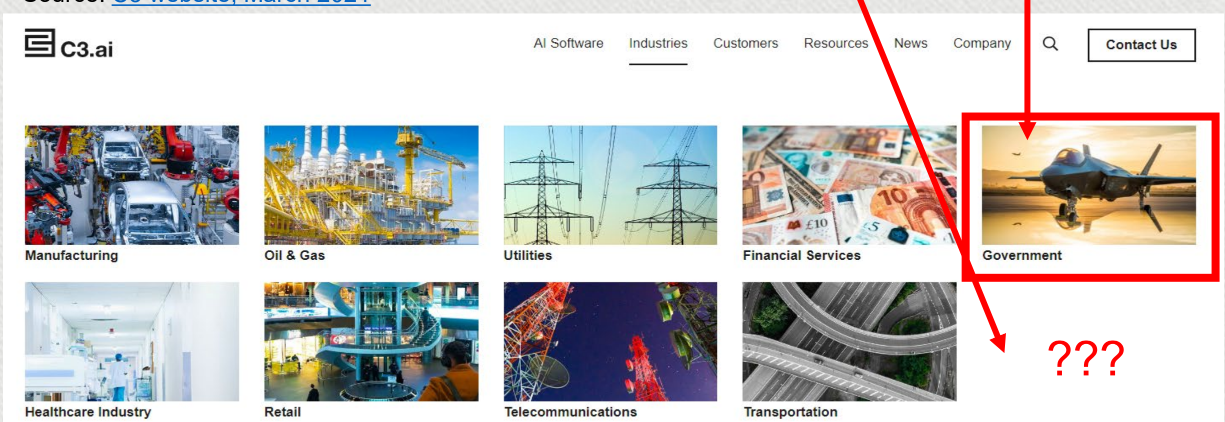
Source: Q3 2021 Conf Call

Post IPO, C3 Promoting Aerospace & Defense as "HUGE"



Source: C3 website, March 2021

C3 Website No Longer Emphasizes Aerospace and Defense, Calling It "Government"



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Source: C3 website, Current

1) CEO Siebel called out Mr. Weber as key hire to expand C3 Federal in the Q1 2021 Conf Call, Sept 2021 but he left in Dec 2021

Spruce Point Capital Management

Sales Cycle Much Longer Than Disclosed, While CEO Makes Conflicting Statements

From the perspective of a recent VP in C3's financial industry vertical, the sales cycle was at least 18 months in late 2020. C3's prospectus notes sales cycles of generally six to nine months, while the CEO recently references a 17 month figure, but is claiming it's down to 4.5 months and is decreasing every month.

What C3 Says About Sales Cycles In Recent 10-Q

"Our results of operations may fluctuate, in part, because of the complexity of customer problems that our AI Suite and AI Applications address, the resource-intensive nature of our sales efforts, the length and variability of the sales cycle for our AI Suite and AI Applications, and the difficulty in making short-term adjustments to our operating expenses. The timing of our sales is difficult to predict. ***The length of our sales cycle, from initial evaluation to payment for our subscriptions is generally six to nine months but can vary substantially from customer to customer and can extend over a number of years for some customers****…. If our sales cycle lengthens or our substantial upfront investments do not result in sufficient revenue to justify our investments, our operating results could be adversely affected."

Source: C3 10-Q, December 2021

CEO Siebel Contradicts SEC Filings Above

"The other comment I would make, Patrick, because I know that you're a stickler for accuracy is you might make a -- I saw in your analyst report, you're making a comment for lengthening sales cycles. I mean, we have published the facts of the sales cycles, okay? ***And the cycle of sale here have been continually decreasing, okay, over the last 5 years, right, from like 17 months down to -- I think last quarter, it was something like average sales cycle, 4.5 months, and it's decreased every month."***

Source: DB Bank Tech Conference, Sept 2021

Tegus Client Question

"Can you kind of walk me through the timeline of the deployment of C3? Like you mentioned it takes a couple of months. But what does that usually look like? Or even starting with the timeline of an RFP process. So you get in touch with the CTO of a big bank. Like, now what? What's next? How do you get that to a closed deal?

Former VP, Financial Services

"So the next is 18 months of pain. It's a very, very long sales cycle because it is a strategic decision*. I mean what comes is about to extract from these large firms are, I mean, staggering numbers. So it needs to be seen as an enterprise AI platform, which means you need to have buy-in from throughout the organization, like CEOs, CIOs, the CTO, every business unit, right? And then find the use cases.* ***So it's a very, very complex, very arduous sale. I think in terms of the cycle, it's at least 18 months"***

Source: Tegus Interview, Oct 2020

Shifty Discussion of "Customers"

We always pay close attention to changing disclosure, especially about key metrics. In C3.ai's case, it now solely reports customers vs. its draft prospectus that reported "production customers". Between Q1 and Q2'2022, C3 changed its description of "Total enterprise AI customer" count to just "customer count." Regardless, we are now witnessing a deceleration in customer growth.

Draft Prospectus

Production Customers	*As of August 31, 2020, we had 28 production customers*

IPO Prospectus

Entities and Customers	*As of October 31, 2020, we had contracts with 30 Entities and 64 customers*

FY21 10K

Enterprise AI Customers	*As of April 30, 2021, we had 89 customers*

2Q22 Press Release

Customers	*As of October 31, 2021, we had 104 customers*

Key Performance Metric: Changing Customer Definitions and Reporting

	4Q19 04/30/19	4Q20 04/30/20	1Q21 07/30/20	2Q21 10/31/20	3Q21 01/31/21	4Q21 04/30/21	1Q22 07/31/21	2Q22 10/31/21
Production Customers / Entities	21	25	N/D	30	No Longer Disclosed			
Enterprise AI Customers					N/D	89	98	104
Customers				64				104

Key Performance Metric: Number of Customers

	4Q20[1] 04/30/20	1Q21[2] 07/31/20	2Q21 10/31/20	3Q21[3] 01/31/21	4Q21[3] 04/30/21	1Q22 07/31/21	2Q22 10/31/21
Customers	49	53	64	76	89	98	104
Sequential Growth	4	11	12	13	9	6	

Even as C3.ai attempted to pivot to a more generous definition of "customer", we are now a witnessing a deceleration in customer growth

Sources: IPO Prospectus, 3Q'21 10Q, FY21 10-K, 1Q'22 10Q , 2Q'22 10-Q, 2Q'22 Press Release

(1) 4Q'21 customer growth was disclosed at 82% in the 4Q'21 presentation, so 49 customers for 4Q'20 was imputed

(2) 1Q'22 customer growth was disclosed at 85% in the 1Q'22 presentation, so 53 customers for 1Q'21 was imputed

(3) Spruce Point Estimates. Customers grew from 64 in 2Q'21 to 89 in 4Q'21, so average growth of 12.5

SPRUCE POINT CAPITAL MANAGEMENT

A Closer Look At C3's Language Around Customers…

C3 significantly modified its definition of a customer and we believe the language gets looser over time. In its first quarter after going public, notice that it qualified its language that a customer only had to "*establish governing terms should we contract to deploy*". In other words, our interpretation is that customer need not be using C3's product or earning revenue to be considered a customer

Latest Language

*"We commonly enter into enterprise-wide agreements with entities that include multiple operating units or divisions. For the purpose of this "Management's Discussion and Analysis of Financial Condition and Results of Operations", **we use the term customer to mean each distinct division, department, business unit, or group within an entity**."*

Source: C3 10-Q, Dec 20, 2021

Entity

"Significantly Qualified"

*"We define an Entity as each such buying entity that **has an enterprise agreement to deploy or establish the governing terms should we contract to deploy the C3 AI Suite or one or more C3 AI Applications** to different customers within the Entity. We often provide our software to distinct departments, business units, or groups within an Entity, and use customer to include each distinct department, unit, or group within an Entity."*

Source: C3 10-Q, March 2, 2021

Customer "Active Contract"

*"We define a Customer as each such buying entity that has an **active contract to deploy the C3 AI Suite or one or more C3 AI Applications**. We often provide our software to a distinct department, business unit, or group within a Customer, and use customer to mean each distinct department, unit, or group within a Customer."*

Source: C3 DRS/A October 23, 2020

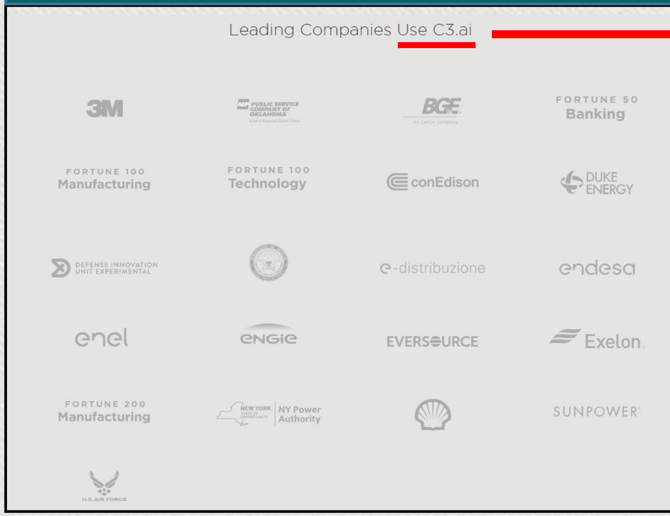
"Production Customers"

*"As of August 31, 2020, we had 28 **production customers, defined as customers who have deployed the C3 AI Suite or one or more C3 AI Applications**, as compared with 21 and 25 as of April 30, 2019 and 2020, respectively."*

Source: C3 DRS Sept 18, 2020

Evolving Description of Customer: Why Doesn’t C3 Say A Customer “Purchases”

2019: Companies “Use C3.ai”

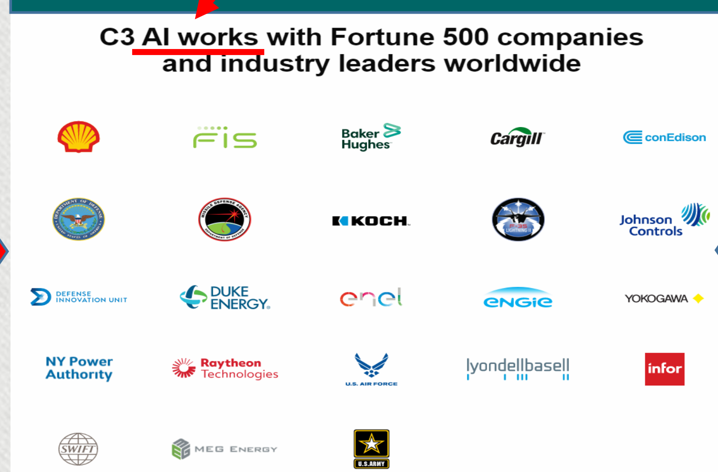


Source: Wayback Machine, June 2019

2020: “Partners With”

Source: Wayback Machine, May 2020

2022: “Works With”



Source: Current C3 Customer Website

Warning Note:
Despite the headline saying “Fortune 500 companies” seven logos are now U.S. government related entities, and Swift is a European Cooperative.

Risk factor warns of sales to gov’t entities: *“Sales to such entities are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale.”*

Warning Note:
Federal contracts are shorter duration

From the IPO Prospectus:

“The weighted average contract duration for commercial Entities in the year ended April 30, 2020 was 35 months, while the weighted average contract duration for federal agency Entities was 11 months.”

Evidence C3 Exaggerates The Value of Its Technology: A Close Look At The DTI Budget

C3.ai formed the Digital Transformation Institute with Microsoft in March 2020. **C3 ascribes a $60 million annual value to the "in-kind" donation of its unlimited AI Suite (including $10m of runtime)**. However, that appears to be unusually large relative to the fair market value of what it receives from its two largest customers. Notably, C3 reports that Engie and BH spent approximately $28.0 million per year. Admittedly, it's unclear to us if these two customers have unlimited usage, albeit even so, we view a valuation of more than 2x for unlimited usage extreme. We corroborated this view by asking a former C3 salesperson what the theoretical maximum cost of using the C3 AI Suite would be and the answer was in the $25 million range (see next slides). We call on C3.ai DTI to release its full financial statements and not the "pages reduced" version currently available. In addition, we call on C3.ai DTI to clarify if it is a non-profit by releasing any of its IRS non-profit filings which are not currently available.[1,2]

C3 Ascribes $60 Million Per Year Annual Value To Its Suite

C3.ai DTI

Budget Summary

Program Element	Description	C3.ai DTI Total Annual Budget	C3.ai DTI Total 5-Year Budget
C3.ai DTI Research Grant Program	Competitive grants in two semiannual cycles. 26 awards annually: • 8 @ $100,000 • 16 @ $250,000 • 2 @ $500,000	$5,800,000	$29,000,000
C3.ai DTI Visiting Scholars Program	• Salary support for visiting scholars from other universities • Expected to fund 6-10 person-years annually	$1,500,000	$7,500,000
C3.ai DTI Curriculum Development	Competitively awarded grants, up to $50,000 (at most 10 per year)	$500,000	$2,500,000
C3.ai DTI Educational Program	Annual conference, publications, communication, website and events	$750,000	$3,750,000
C3.ai DTI Administrative Support	Faculty Director + Chief Scientist + Executive Director + On-site Admin	$1,500,000	$7,500,000
Programmer Support	2 FTE each at UC Berkeley and UIUC for supporting C3 platform usage	$1,000,000	$5,000,000
NERSC and NCSA Support	1 FTE each at UC Berkeley and UIUC for supporting NERSC and NCSA usage	$400,000	$2,0000,000
	Total C3.ai Cash Contribution	**$11,450,000**	**$57,250,000**
C3 AI Suite	In-kind contribution from C3.ai of (i) unlimited C3 AI Suite development license for sole purpose of supporting research, curriculum development and classwork and (ii) up to $10M in C3 Runtime (at C3.ai list price)	$60,000,000	$300,000,000
Microsoft Azure	In-kind contribution from Microsoft of up to $2,000,000 per year of Azure compute capacity	$2,000,000	$10,000,000
	Total C3.ai, LBL, NCSA, and Microsoft In-Kind Contribution	**$62,000,000**	**$310,000,000**

Source: C3 and Microsoft Launch DTI, March 26, 2020

1) C3.ai DTI 2020-21 Annual Report (Reduced Pages)
2) No IRS forms found for C3.ai DTI

C3 Largest Customers Spend $28 Million Per Year

$ in mm	FY 2020	FY 2021
Total Revenue	$156.7	$183.2
Revenue % From Top Two Customers	36%	31%
Revenue From BH and Engie	$56.4	$56.8
Avg. Revenue Per Customer	**$28.2**	**$28.4**

Source: C3 10-K, p. 25

Note: The original BH agreement specified $39.5m of direct subscription fees, which was lowered to $27.2m, though BH is a related-party

Former Senior Level Sales Executive Quotes

Spruce Point interviewed a former sales executive knowledgeable about C3's European business about the opportunities and challenges.

SP Question	*"Can you talk about the opportunity you had at C3?"*
Answer	*"I joined them because C3, because it was a fascinating proposition. It's also a very valuable proposition because they approached the challenges of artificial intelligence from a deep rooted, solid perspective in terms of taking care of what I would call the plumbing and the wiring that those people were failing with to be able to deploy AI on any sort of scale. So they spent 10 years and half a billion dollars building their infrastructure to be able to do that. So on the plus side, my experience was very genuinely that it's a very good product with a very strong and solid message."*
SP Question	*"Can you talk about any challenges you had?"*
Answer	*"**The market acceptance of them, not just through cost, but partly through readiness for the market was very, very poor and continues to be poor in EMEA**. In the time I was there, I had, I think two pilots scheduled, both of which were stopped after a very short period. And C3 management doesn't quite translate very well in the European environment, which is much more about consensus and team building and all that good stuff. **So they had a problem since inception in Europe of retaining good people, who unfortunately leave partly because of the management style and some of the inordinately blunt hiring and firing tactics that were, that we used**. I mean, in the time I was there, which was under two years, there were four, maybe five general managers of EMEA; an unbelievably short tenure for people that would come and go without a whisper or even a comment to the remaining sales force. Even the implementation guys, nobody had any visibility as to how and why these people came and went. Culturally I say it's a shocking organization. Um, you know, the mentality is kind of hire good people pay them well, get their contacts. And if they don't sell anything in three months with a minimum ticket value of $10 million, they're kind of out the door. The success thus far has been small, and they have failed to scale which is not good for quarterly reviews, quite frankly. So it surprised me that they [went public]. I thought it was more likely they would stay private because being public exposes Tom to all sort of things he really doesn't need at his stage of life**. Part of the problem they are facing is with renewal values. Most of the returns are in the first couple of years of the contract. Continued usage has to be based on whether the returns continue after the 3yr, whether that adds up to the type of licensing their paying**. In many cases, in fact I would go further that I'd say in most cases, 90%, the cases, the annual contract rate is adjusted downward, in some cases up to 30% to justify the client's ROI going forward."*

Former Senior Level Sales Executive Quotes

Spruce Point interviewed a former sales executive knowledgeable about C3's European business

Continued Answer on Challenges	*"There's very few players that are capable of doing what C3 does. **But part of the problem is that C3 is kind of almost too technical for consumption**. There are situations where the business benefits are brought down by the fear factor that is generated by IT. It was a tough sell because C3 uses a huge number of 3rd party products like Databricks (which they purchase from) and smaller vendors which are used as part of the infrastructure build. So in a sense, they are mixing together a whole bunch of solutions for a model-based architecture. Part of the C3 pitch is there are upwards of 40 pieces of technology, some of it was open source, some of it proprietary."*
SP Question	*"Mr. Siebel made a comment recently that the sales cycle has generally been going down. Uh, would you agree or disagree with that?"*
Answer	*"The sales cycle is a couple of years. In my experience in which is only as recent the middle of last year, I would disagree with that."*
SP Question	*"A theoretical question, but what would a large client spend of an unlimited usage of the C3 AI Suite? Would it be closer to $25m or $60m a year deal?"*
Answer	*"It would be nearer to $25m. **You could do 80% of what most people wanted with a $3 - $5m per year, with a minimum three year contract**. Most were at $5m per year."*

C3.ai Not A Top Holding In Any Specialist Artificial Intelligence ETFs

C3.ai promotes itself as a leading enterprise AI company, and it even has obtained “AI” as its ticker. However, Spruce Point observes that it is not a top 10 holding in any AI specialist ETF. Even further, according to ETF Database, AI is not a top 15 holding in any ETF.(1) We believe the stock is heavily geared toward retail investors.

Top Ten Holdings of U.S. Listed ETFs With Artificial Intelligence Focus

LRNZ TrueShares AI and Deep Learning	THNQ Robo Global AI	ROBT First Trust AI and Robotics	IRBO iShares Robotics and AI Multisector	BOTZ Global X Robotics & AI
Holdings	Holdings	Holdings	Holdings	Holdings
Zscaler	Fair Isaac	Elbit	Adv Micro Devices	Nvidia
Datadog	Baidu	Ciena	GoDaddy	ABBB
Nvidia	IBM	QinetiQ	Vivendi	Keyence
Crowdstrike	Splunk	Blue Prism	Teradata	Intuitive Surgical
Xilinx	Zendesk	Pal Alto	JOYY	Fanuc
Cash	Alibaba	Hexagon	ATS Automation	SMC Corp
Unity Software	Tencent	Illumina	Kuaishou	Autostore
ServiceNow	Arista	ServiceNow	Faraday Tech	Omron
Varonis	Alphabet	Gentex	IBM	Upstart
SentinelOne	Illumina	NICE Ltd	Proto Labs	Yaskawa

Source: ETF holdings as of (2/14/22).

1) ETF Database

Why After Three Contract Amendments, We Believe C3's Relationship With Its Largest Customer Will Eventually Fail

Baker Hughes JV High Level Narrative

With ~30% of revenues tied to BH, the equity story is very dependent on success of the partnership between Baker Hughes and C3. However, multiple contract amendments pushing revenue into the future, and the resignation of BH's CEO from C3's Board all point to a troubled relationship.

- In June 2019, C3.ai inked a major deal and joint venture with Baker Hughes / GE ("BHGE") now Baker Hughes (BH). The deal was set to be a transformative inflection point for C3.ai as the JV would create both a foundational customer and product reseller. Baker Hughes would offer its industry knowledge and rolodex to the JV while C3.ai would bring AI, predictive and IoT applications
- As part of the agreement, Baker Hughes held a 15% pre-IPO Class A stake in C3.ai for $69m (at an implied $460m valuation), entered a 3 year contract with minimum, non-cancelable revenue commitments, and received a seat on C3's Board. The agreement seemed to establish a perfect partner for C3 as Baker Hughes would not only become its largest customer but would also be the exclusive reseller of C3's software to the oil and gas Industry. When the agreement was inked, it laid out an ambitious non-cancelable revenue trajectory over the course of the next three years with a peak commitment of $170m of revenues by FY22 (April 30, 2022). The revenues would come in the form of $39.5m a year in direct subscription fees (i.e. Baker Hughes using C3 for its own use) and the remainder predominantly coming from Baker Hughes reselling C3's software. Baker Hughes had so much confidence in C3's technology stack that it was comfortable with shortfall payments. In other words, if the minimum, non-cancelable, total revenue commitments had not been achieved from internal use and reselling then Baker Hughes would make up the difference via an annual shortfall cash payment.
- Baker Hughes now was the third largest shareholder and largest customer. In a further sign to illustrate Baker Hughes commitment to the JV, they chose to fill the Board seat with its Chairman and CEO, Lorenzo Simonelli
- Under the guise of COVID-19, one year into the agreement, a material amendment (2nd amendment) was signed with material downward revisions to Baker Hughes annual commitments. Peak revenue commitments that were originally set for $170m in FY22 were pushed out and reduced to $150m in FY24. We believe "committed revenues" with an established public company such as Baker Hughes provided the perfect backdrop for an IPO and lofty share price targets given revenue visibility
- C3.ai IPO'ed on December 8, 2020 and $42/ share. Later that month, the stock hit a high of $183.90 and Baker Hughes stake reached a peak value of just under $2B
- In the first obvious sign to Spruce Point of Baker Hughes' waning commitment to the JV, it sold 20% of its stake from April 2021 through June 2021 for $145m thus recouping over 2x its original investment
- A third amendment to the JV was signed on October 31, 2021. Once again, peak annual revenue commitment declined and were pushed out yet another year. Also language was changed that prospective customers would receive price discounts and payments to C3 as "contingent"
- Based on our employee interviews, we are hearing what the amendments are signaling: that the partnership isn't working
- In the latest sign of Baker Hughes waning commitment, Lorenzo Simonelli stepped down from the C3.ai Board on December 17, 2021

Sources: IPO Prospectus, Original JV Agreement, 2nd Amendment to JV, 3rd Amendment to JV, Baker Hughes Form 4s, Baker Hughes FY20 10-K, Baker Hughes 3Q'21 10-Q; Simonelli Resignation

Baker Hughes Relationship Summary

High Level Summary of Baker Hughes Timeline of JV Agreement and Investment in C3.ai

June 2019
Baker Hughes Buys 15% stake in C3.ai for $69M
at average price of ~$6/ share

Lorenzo Simonelli, Baker Hughes Chairman and CEO
is appointed to C3.ai Board

6/6/2019
JV Agreement
is signed

9/26/2019
1st Amendment
to JV

6/1/2020
2nd Amendment
to JV

12/8/2020
IPO priced at $42 / Share

April 2021 -- June 2021
Baker Hughes Sells 20% of its stake
for $145M at average price of ~$67

10/31/2021
3rd Amendment
to JV

12/1/2021
Restructuring Sales Force(1)

12/17/2021
Lorenzo Simonelli, Baker Hughes Chairman and CEO
steps down from C3.ai board

CEO Siebel

(1) *"While the revenue came in the quarter was strong, the overall performance of the sales organization and specifically new sales activity in the second quarter was unacceptable. The management team and I have spent the past month restructuring the global sales function"* Source: 2Q'22 Conference Call

Sources: Original JV Agreement, 2nd Amendment to JV, 3rd Amendment to JV, Baker Hughes Form 4s, Baker Hughes 3Q'21 10-Q

Summary History of Baker Hughes Financial Commitments To The JV Agreement

Per the original JV contract, peak revenues were slated to be $170m in the year ending April 30, 2022. The most recent amendment has revised the contract for revenues to peak three years later (April 30, 2025) than the original agreement and at a reduced commitment level of $125m.

		Contract Year					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
$ in millions	Source	4/30/20	4/30/21	4/30/22	4/30/23	4/30/24	4/30/25
Original JV Agreement (6/6/19)							
minimum, non-cancelable, total revenue commitments	Orginal JV Agreement[1]	$50.0	$100.0	$170.0			
Including direct subscription fees	C3.ai disclosure[2]	$39.5	$39.5	$39.5			
1st Amendment (9/26/19)							
minimum, non-cancelable, total revenue commitments	1st Amendment[3]	$50.0	$100.0	$170.0			
Including direct subscription fees	C3.ai disclosure[2]	$39.5	$39.5	$39.5			
2nd Amendment (6/1/20)							
minimum, non-cancelable, total revenue commitments (revised)	2nd Amendment[4]	$46.7	$53.3	$75.0	$125.0	$150.0	
Including direct subscription fees (revised)	2nd Amendment[4]		$27.2	$27.2	$27.2	$27.2	
3rd Amendment (10/31/21)							
~~minimum, non-cancelable, total revenue commitments (revised)~~	N/D						
~~Including direct subscription fees (revised)~~	N/D						
"Reserved"	3rd Amendment[5]						
Annual Commitments (revised)	C3.ai disclosure[6]			$36.7	$85.0	$110.0	$125.0

Source: SEC Filings
(1) Original JV Agreement
(2) C3.ai 3Q21
(3) 1st Amendment to JV Agreement
(4) 2nd Amendment to JV Agreement
(5) 3rd Amendment to JV Agreement
(6) C3.ai 2Q22, Note 12: Related Party Transactions disclosure: upon the 3rd amendment to the JV Agreement reached on October 31, 2021, the minimum annual revenue requirements had been reached for the Year 3 (i.e. fiscal year ending April 30, 2022) with total revenue recognized in the six months ending October 31, 2021 of $36.7M. Further, the revised Baker Hughes' annual commitments were modified to $85.0 million in fiscal year 2023, $110.0 million in fiscal year 2024, and $125.0 million in fiscal year 2025.

Signatory History

Signatories for each sequential amendment seem to have moved down the food chain. Baker Hughes signatories began with its Chief Marketing & Technology Officer while the last amendment was just signed by a VP of Operations. Further, Derek Mathieson and Uwem Ukpong are no longer employed by Baker Hughes.

Signatory History of the JV and Amendments					
		C3.ai		Baker Hughes	
	Date	Name	Title	Name	Title
Orginal	6/6/2019	Thomas M. Siebel	CEO	Derek Mathieson	Chief Marketing & Technology Officer
1st Amendment	9/25/2019	Thomas M. Siebel	CEO	Daniel Brennan	Vice President - Operations
2nd Amendment	6/1/2020	Marc Levin	CFO	Uwem Ukpong	EVP
3rd Amendment	10/31/2012	Richard J. Lutton Jr	SVP and General Counsel	Daniel Brennan	Vice President - Operations

Source: Original JV Agreement, 1st Amendment to JV Agreement, 2nd Amendment to JV Agreement, 3rd Amendment to JV Agreement

3rd Amendment Appears Much More Beneficial To Baker Hughes, Punitive To C3

C3.ai's updated disclosure in its most recent 10Q regarding the 3rd amendment to the JV contract notes the structure of the arrangement was revised to further incentivize Baker Hughes' sales of the Company's products and services. Our findings indicate that the 3rd amendment removed the minimum revenue requirements for Baker Hughes for 2H'22. Additionally, C3.ai will pay a $16m commission payment to Baker Hughes for business booked in 1H'22 before April 30, 2022. Further fine print details reveal changes that we believe are more beneficial to Baker Hughes than to C3.

Section	Original Agreement	3rd Amendment	Spruce Point Commentary
New Term	N/A	The Parties acknowledge and agree that upon execution of this Third Amendment and the OF Third Amendment, BH shall have secured the Minimum Annual Revenue Commitment Amount for Year 3 and C3.ai shall pay to BH a sales commission equal to $16,000,000 for Year 3 no later than April 30, 2022.	The Baker Hughes JV was not on track to surpass its minimum revenue requirement for FY22 and yet C3.ai suspicously aggreed to a $16M commission that will be paid no later than April 30, 2022. We see no reason why a commission would be paid based on 1H22 performance as well as the removal of any minimum revenue commitments for the rest of FY22
3.2 Resources (a)	BHGE will maintain an adequate direct sales and marketing force to originate and help close commercial opportunities for C3 Offerings, including a minimum of dedicating [***] full-time equivalent ("FTE") sales personnel during Year 1, [***] FTE sales personnel during Year 2, and [***] FTE sales personnel during Year 3. C3.ai shall cooperate with, and provide assistance to, BHGE in developing a sales plan.	BH will maintain an adequate team of direct sales personnel	Baker Hughes is no longer committing to any minimum full-time equivalent ("FTE") sales personnel
Section 4.1 Joint Marketing		Added: In addition, commencing November 1, 2021, until the end of the Term, C3.ai will contribute up to an additional [***] to reimburse BH on an as-requested basis for business development or other sales and marketing expenses incurred in the BH Field (the " BusinessDevelopment Funds"); provided that requests for Business Development Funds from BH may not exceed $[***] in any quarter without C3.ai's consent	Increased monetary commitment from C3.ai for business development, sales, and marketing expenses

3rd Amendment Has Critical Price Changes, Which May Have Allowed C3 To Pull Forward Revenue

Spruce Point believes the 3rd Amendment to the BH agreement triggered a contract modification. Notably, there is clear language around future price discounts to prospective customers and payments to C3 being "*contingent.*" Deloitte, which is C3's auditor, has guidance on contract modifications and notes, "*Whenever an entity and its customer agree to change what the entity promises to deliver (i.e., the contract's scope) or the amount of consideration the customer will pay (i.e., the contractual price), there is a contract modification.*"[1] There is judgement required, but one scenario suggests that C3's contract modification resulted in a "*cumulative revenue catch-up*". This could explain C3's big increase in unbilled receivables in Q2'22. However, look carefully and C3 is now discounting prices to prospective customers. Furthermore, new risk factor language added by C3 also suggests that revenue will become more variable, and require more judgement that could later be revised as inaccurate.

2. Section 2.2 of Exhibit D-2 to the JV Agreement is hereby deleted and replaced with the following:

Prices for C3 Offerings ordered by BH or its applicable Affiliate under this Agreement for resale to Customers and payable to C3.ai by BH or such applicable Affiliate (the **"C3.ai Reseller Price"**) shall be as follows:

[***]

BH's or such applicable Affiliate's payments to C3.ai of the C3.ai Reseller Price is not contingent on BH's or such applicable Affiliate's collection from Customers except where BH's collection is contingent on a milestone, KPI or other contingency (with respect to Specified Offerings only). BH and its Affiliates may request a discount to the C3 Price List from time-to-time with respect to prospective Customers. [***]

Source: 3rd Amendment to JV Agreement

Prices are omitted, but it is possible that C3 got increased prices for work-in-process….but with a big trade-off in the future

Negative: Price Discounts on "**Prospective** Customers" and "Contingency Payments" To C3

Negative: "Specified Offerings" – a new and undefined term. We interpret this as a narrower scope of C3's total offerings

New Risk Factor Around Revenue Recognition

"Beginning in fiscal year 2023, Baker Hughes' annual commitments will be reduced by any revenue that Baker Hughes generates from certain customers. The amount of revenue generated by Baker Hughes from these customers will be considered to be variable consideration, and we will be required to review our estimates of this amount quarterly and adjust this estimate, as needed to reflect our current assumptions. To the extent that our estimate of this variable consideration in any prior quarter is not accurate, we may be required to adjust our revenue in future periods to adjust for this variance. As a result, our results of operations in any period could be materially and adversely affected."

Source: Q2 FY 2022 10-Q

Source: "Revenue Recognition – Contract Modifications," Deloitte Accounting Spotlight, June 29, 2020

3rd Amendment Increased The Contract Duration By 1 Year While Also Reducing The Total “Cash Commitments”

Spruce Point Capital Management

C3.ai touted to investors on its 2Q22 conference call on December 1, 2021 that the 3rd amendment was a big positive as it increased total revenue commitments. Spruce Point’s forensic accounting analysis reveals that the most recent amendment actually reduced the net cash commitments from the Baker Hughes JV

CEO Siebel

"Let's address customer momentum. We expanded and extended our strategic partnership with Baker Hughes last quarter for the second time. . .This October, we increased the value of the contract again, this time by an additional $45 million to $495 million and extended this term from five to six years. Importantly now guaranteeing a minimum of $357 million in revenue to C3 over the next 3.5 years." Source: 2Q’22 Conference Call

Management Claims	Spruce Point Commentary
Contract minumum now guarantees a minimum of $357 million in revenue to C3 over the next 3.5 years.	Minimum Revenue Requirements over the next 3.5 years actually are $320M
Contract Value Increased by $45M	Guranteed Revenue commitments Increased by $6.7M Total Remaining Net Cash Commitments were actually reduced by $9.3M

Pro Forma Revenue Commitments as of 10/31/2021 Under 2nd and 3rd Amendments

$ in Millions	Year 3 04/30/22	Year 4 04/30/23	Year 5 04/30/24	Year 6 04/30/25	Total
2nd Amendment -- Revenue Details					
Annual Minimum Revenue Requirements	$75.0	$125.0	$150.0		
Less: 1H'22 BH JV Revenues	(36.7)				
Remaining Minimum Revenue Requirements	**$38.3**	**$125.0**	**$150.0**		**$313.3**
3rd Amendment -- Revenue Details					
Revenue Commitments(1)	**Met**	**$85.0**	**$110.0**	**$125.0**	**$320.0**
Difference					**$6.7**
3rd Amendment -- FY22 Commissions Earned (1)	**($16.0)**				
Difference (Net Cash Commitments)					**($9.3)**

Sources: Company Transcripts, 2nd Amendment to JV, 3rd Amendment to JV, 2Q’22 10-Q

(1) Upon signing the 3rd amendment on October 31, 2021, the minimum annual revenue requirement was deemed to be “secured”. Revenues recognized from the Baker Hughes JV through the 1H’22 (i.e for the 6 months ending October 31, 2021) were $36.7m. No additional revenues were committed by Baker Hughes in 2H’22. The 3rd Amendment also disclosed the $16m commission payment to Baker Hughes by April 30, 2022

Spruce Point Capital Management

3rd Amendment Revenue Commitment Redaction Raises Further Questions

There is a redaction in the 3rd amendment regarding revenue commitments. Oddly, revenue commitment under the 3rd amendment were disclosed in the most recent 10-Q. Spruce Point raises further concern that language seems to be carefully selected around the 3rd amendment as the prior language that included non-cancelable is no longer being used.

Contract Extractions	Revenue Commitments	SEC Filings Disclosure

Original JV Agreement

EXHIBIT B-1

MINIMUM ANNUAL REVENUE COMMITMENT

1. Minimum Annual Revenue Commitment.

	Annual Period of the Agreement from the Effective Date	Minimum Annual Revenue Commitment Amount
1.	Year 1	Fifty Million US Dollars (US$50 Million)
2.	Year 2	One Hundred Million US Dollars (US$100 Million)
3.	Year 3	One Hundred Seventy Million US Dollars (US$170 Million)
4.	**TOTAL**	Three Hundred Twenty Million US Dollars (US$320 Million)

2nd Amendment

MINIMUM ANNUAL REVENUE COMMITMENT

1. Minimum Annual Revenue Commitment.

	Annual Period (as defined in the Agreement)	Minimum Annual Revenue Commitment Amount
1.	Year 1	Forty-Six Million, Seven Hundred Thousand US Dollars (US$46.7 Million)
2.	Year 2	Fifty-Three Million, Three Hundred Thousand US Dollars (US$53.3 Million)
3.	Year 3	Seventy-Five Million US Dollars (US$75 Million)
4.	Year 4	One Hundred Twenty-Five Million US Dollars (US$125 Million)
5.	Year 5	One Hundred Fifty Million US Dollars (US$150 Million)
6.	**TOTAL**	Four Hundred Fifty Million US Dollars (US$450 Million)

Disclosed in Contract

*In June 2019, the Company entered into multiple agreements with Baker Hughes Company ("Baker Hughes") under which Baker Hughes received a three-year subscription to use the Company's software. These agreements were revised in June 2020 to extend the term to five years and modify the subscription fees due. Under the revised agreements, Baker Hughes has **made minimum, non-cancelable revenue commitments**, which are inclusive of their direct subscription fees and third party revenue generated through a joint marketing arrangement with Baker Hughes, in the amount of $46.7 million in fiscal year 2020, $53.3 million in fiscal year 2021, $75.0 million in fiscal year 2022, $125.0 million in fiscal year 2023, and $150.0 million in fiscal year 2024.*

3rd Amendment

4. Effective May 1, 2022, Section 1.45 of the JV Agreement, entitled "**Minimum Annual Revenue Commitment**," shall be deleted and replaced with the following:

"RESERVED"

Redacted

*The Company and Baker Hughes further revised these agreements in October 2021 to extend the term by an additional year, for a total of six years, with an expiration date in the fiscal year ending April 30, 2025, to modify the amount of Baker Hughes' **annual commitments** to $85.0 million in fiscal year 2023, $110.0 million in fiscal year 2024, and $125.0 million in fiscal year 2025*

Sources: Original JV Agreement, 2nd Amendment to JV, 3rd Amendment to JV, 2Q'22 10-Q, 1Q'22 10-Q

All Revenues From Baker Hughes Are Being Recognized At 99% Gross Margins?

Spruce Point calls on management to explain how all of the direct revenues recognized from the Baker Hughes JV are being recognized at +99% gross margins? Perhaps, even more unusually, how can professional services revenues recognized from the Baker Hughes JV be recognized at 100% gross margins? When we asked a former employee with knowledge of the relationship how this was possible, the answer was, "*it would be impossible*."

Baker Hughes Direct Revenues From Subscription				
$ in Millions	**FY19**	**FY20**	**FY21**	**1H22**
Revenues	$0.1	$40.4	$30.6	$20.2
COGS	0.0	0.0	0.1	0.2
Gross Profit	**$0.1**	**$40.4**	**$30.5**	**$20.0**
GM%	*100.0%*	*100.0%*	*99.8%*	*99.0%*

Baker Hughes Direct Revenues From Professional Services				
$ in Millions	**FY19**	**FY20**	**FY21**	**1H22**
Revenues		$0.3	$4.8	$8.0
COGS		0.0	0.0	0.0
Gross Profit		**$0.3**	**$4.8**	**$8.0**
GM%		*100.0%*	*100.0%*	*100.0%*

% of Professional Services Revenue from Baker Hughes				
$ in Millions	**FY19**	**FY20**	**FY21**	**1H22**
C3.ai Service		$21.3	$25.9	$17.1
Baker Hughes Service		$0.3	$4.8	$8.0
% Baker Hughes		*1.4%*	*18.7%*	*46.7%*

% of professional service revenue coming from Baker Hughes Direct revenue have increased from 1.4% in FY20 to 46.7% in 1H22

Cost of Subscription Revenue

Cost of subscription revenue consists primarily of costs related to compensation, including salaries, bonuses, benefits, stock-based compensation and other related expenses for the production environment, support and COE staff, hosting of our C3 AI Suite, including payments to outside cloud service providers, and allocated overhead and depreciation for facilities.

Cost of Professional Services Revenue

Cost of professional services revenue consists primarily of compensation, including salaries, bonuses, benefits, stock-based compensation and other related costs associated with our professional service personnel, third-party system integration partners, and allocated overhead and depreciation for facilities.

Sources: IPO Prospectus, FY21 10-K, 2Q'22 10-Q, 1Q'22 10-Q,

Spruce Point Capital Management

Commission Accruals Are Suspect

Spruce Point calls on management to explain the commission structure they are using to pay Baker Hughes above its minimum annual commitments. How is it possible that Baker Hughes is being paid commissions at over 2X the revenues that are potentially eligible for commissions? It is important to note that prior to the 4Q'21, Baker Hughes never earned any commissions. Exiting 2Q'22, Baker Hughes has now earned $24m of commissions on a total of $11m of revenues. We can only imagine what C3.ai means when the say that 3rd amendment "further incentivized" Baker Hughes.

Summary of Baker Hughes Total JV Revenues (Direct and Indirect) and Commissions Details	
($ in millions)	
FY21	
Baker Hughes JV Total Revenues	$55.9
Minimum Annual Revenue Commitment	$53.3
Revenues Above Minimum Revenue Requirement Subject to Commissions(1)	*$2.6*
Commissions Accrued(2)	$8.3
Commissions % of Annual Revenue Contribution	*319%*
1H FY22	
Baker Hugest JV Total Revenues	$36.7
Minimum Annual Revenue Commitment	Met
Maximum Revenues Eligible for Commissions(3)	$8.5
Commissions Accrued(4)	$16.0
Commissions % of 1H22 Revenue Contribution	*188%*
Summary	
Maximum Revenues Subject to Commissions	$11.1
Total Commissions Accrued	$24.3
Commissions % of Annual Revenue Contribution	*219%*

End of year commission accrual at +3X "revenues eligible for commissions"

Mid year commission accrual at ~2X "maximum potential revenues eligible for commissions"

Over 90% of the $24.3m of commissions accrued will be paid to Baker Hughes by October 31, 2022 including $16m payable before April 30, 2022

Sources: IPO Prospectus, FY21 10-K, 2Q'22 10-Q, 1Q'22 10-Q, 3rd Amendment to JV

(1) Total Baker Hughes JV revenues were disclosed at $55.9m and the minimum annual revenue requirement per the 2nd amendment was $53.3m

(2) Accrued commissions of $8.3m payable over 3 years

(3) Baker Hughes JV Contract was amended on 10/31/2021. The 3rd Amendment secured minimum annual requirement for FY22 when 1H'22 revenues were $36.7m. All indirect revenues for 1H'22 of $8.5m are included

(4) The 3rd amendment also included a $16m commission payment to be paid within 6 months of the amended agreement

Are Unbilled Receivables Being Used To Beat Quarterly Guidance?

Spruce Point has had a lot of success in identifying aggressive accounting related to unbilled receivables. Suspiciously, the rise in unbilled receivables may have given C3.ai a "cookie jar" needed to deliver quarterly revenues above the high end of its guidance. As we illustrate in the table below, the direct professional service revenue from Baker Hughes closely resembles the changes in unbilled accounts receivables in 4Q'21 and 2Q'22.

Period Ending *$ in milions*	**1Q21A 7/20**	**2Q21A 10/20**	**3Q21A 01/21**	**4Q21A 4/21**	**1Q22A 7/21**	**2Q22A 10/21**
Baker Hughes JV Revenues						
Direct -- Subscription Fees	$6.8	$6.8	$8.0	$9.0	$10.2	$10.0
Direct -- Professional Services	0.0	0.0	0.0	4.8	2.1	5.9
Make Whole / Non Direct -- Subscription and Professional Service	2.7	4.2	4.9	8.7	3.8	4.7
Total	**$9.5**	**$11.0**	**$12.9**	**$22.5**	**$16.1**	**$20.6**
Unbilled Receivables(1)						
Unbilled Receivables	N/D	$0.1	$0.6	$3.8	$1.5	$7.3
Increase (decrease) in Unbilled Receivables			0.5	3.2	(2.3)	5.8
Reported Revenues vs. Guidance						
Reported Revenues				$52.3	$52.4	$58.3
Revenue Guide						
High				$51.0	$52.0	$58.0
Low				$50.0	$50.0	$56.0
Reported Revenues vs. High End of Revenue Guide				$1.3	$0.4	$0.3

Sources: IPO Prospectus, 3Q'21 10-Q, FY21 10-K, 2Q'22 10-Q, 1Q'22 10-Q, company press releases
(1) Unbilled receivables are recognized revenue that you have accounted for, but not yet sent an invoice to the customer

It's worth noting the guidance range C3 provides is very narrow, and it has barely been beating its estimates by a small margin.

Major Discrepancy With Baker Hughes Reported Accounts Receivables Supports Our Case

Here is more evidence to suggest that Baker Hughes might be used as a "cookie jar" reserve when revenues are needed. Our forensic accounting review detected a major discrepancy in C3's accounts receivable disclosures. C3's balance sheet for 4Q'21 and 2Q'22 shows that Baker Hughes accounts receivables are materially higher than what is reported in its "*Customer Concentration and Accounts Receivable"* footnote. In other words, Baker Hughes receivables were 35% and 23% of C3's total receivables for the 2Q'22 and 4Q'21, respectively. This contrasts with the *Customer Concentration and Accounts Receivable* footnote that disclose that highest concentration from a single customer was 16% and 18% for 2Q,22 and 4Q,21, respectively. The difference is very close to the change in unbilled receivables.

$ in millions	4Q'21 04/21	2Q'22 10/21
Total Accounts Receivable	**$65.5**	**$27.2**
Baker Hughes [1]		
Accounts Receivable (A)	$15.2	$9.4
% of A/R	**23%**	**35%**
Concentration Disclosure [2]		
Top Customer Accounts Receivable (B)	$11.8	$4.3
% Top Customer	**18%**	**16%**
Difference (A-B)	**$3.4**	**$5.0**
Quarterly Change in Unbilled Receivables	**$3.2**	**$5.8**

Discrepancies like this can indicate material issues with their revenue recognition. The difference of disclosure almost directly matches the change in unbilled receivables

Sources: 2Q'22 10-Q and 10-K
1) From the footnotes of the Consolidated Balance Sheet that disclosed related-party amounts (Baker Hughes is the only disclosed related-party)
2) From the "Customer Concentration" disclosure section. Note: We assume the largest accounts receivable customer is Baker Hughes. Though even if it is the #2 customer, the discrepancy still exists and would be larger

Spruce Point Capital Management

New Risk Section In The Most Recent 10-Q Reveals That Revenue Recognition Regarding The Baker Hughes JV Is Now Subject To Estimates

The newest risk factor in regard to the 3rd Amendment to the Baker Hughes JV introduces "variable consideration" disclosure. We find this of particular interest as the term "minimum annual non-cancelable revenues commitments" have now been replaced with "commitments". The latest amendment opens up the door for more aggressive revenue recognition in regard to Baker Hughes reselling arrangements. Given, the obvious clues that Baker Hughes commitment to the JV continues to wain, the 3rd amendment may give some leeway to Baker Hughes to avoid any potential shortfall obligations.

New Risk Section added in most recent 10-Q

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could adversely affect our financial results or financial condition.

GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, such as revenue recognition, impairment of intangible assets, lease obligations, vendor allowances, tax matters and litigation, are complex and involve many subjective assumptions, estimates and judgments. Changes in accounting standards or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. The implementation of new accounting standards could also require certain systems, internal process and other changes that could increase our operating costs.
For example, in October 2021, we amended our agreements with Baker Hughes to extend the term by an additional year, for a total of six years, with an expiration date in fiscal year 2025, to modify the amount of Baker Hughes' annual commitments to $85.0 million in fiscal year 2023, $110.0 million in fiscal year 2024, and $125.0 million in fiscal year 2025, and to revise the structure of the arrangement to further incentivize Baker Hughes' sales of our products and services. Beginning in fiscal year 2023, Baker Hughes' annual commitments will be reduced by any revenue that Baker Hughes generates from certain customers. The amount of revenue generated by Baker Hughes from these customers will be considered to be variable consideration, and we will be required to review our estimates of this amount quarterly and adjust this estimate, as needed to reflect our current assumptions. To the extent that our estimate of this variable consideration in any prior quarter is not accurate, we may be required to adjust our revenue in future periods to adjust for this variance. As a result, our results of operations in any period could be materially and adversely affected.

1Q'21 Disclosure

*In June 2019, the Company entered into multiple agreements with Baker Hughes Company ("Baker Hughes") under which Baker Hughes received a three-year subscription to use the Company's software. These agreements were revised in June 2020 to extend the term to five years and modify the subscription fees due. Under the revised agreements, Baker Hughes has **made minimum, non-cancelable revenue commitments**, which are inclusive of their direct subscription fees and third party revenue generated through a joint marketing arrangement with Baker Hughes, in the amount of $46.7 million in fiscal year 2020, $53.3 million in fiscal year 2021, $75.0 million in fiscal year 2022, $125.0 million in fiscal year 2023, and $150.0 million in fiscal year 2024.*

2Q'21 Disclosure

*The Company and Baker Hughes further revised these agreements in October 2021 to extend the term by an additional year, for a total of six years, with an expiration date in the fiscal year ending April 30, 2025, to modify the amount of Baker Hughes' **annual commitments** to $85.0 million in fiscal year 2023, $110.0 million in fiscal year 2024, and $125.0 million in fiscal year 2025*

Sources: 1Q'22 10-Q , 2Q'22 10-Q

We Believe C3's Accounting For Sales Commissions Are Not Reflective of Cash And Contract Reality

C3's sales commission expense recognition policies do not appear to match the underlying economics of its contracts. The Company states that commercial customers (a majority of its customers) have a weighted average duration of under 3 years. However, it generally expenses sales commissions over a 5 year period. It recently paid a significant portion of a sales commission to BH in the first 6 months, yet is amortizing costs over 3 years. We believe this illustrates the accounting vs. cash disconnect.

Contract Duration

*"The duration of our contracts vary by customer. The weighted average contract duration for commercial Entities in the year ended April 30, 2020 was **35 months**, while the weighted average contract duration for federal agency Entities was **11 months**."*

Doesn't Match Sales Commission Recognition Period

*"Sales commissions are deferred and then amortized taking into consideration the pattern of transfer to which assets relate. If the commissions paid on the initial and renewal contracts are not commensurate, the Company amortizes the commissions. paid on the initial contract over an expected period of benefit, including expected renewals, **which is determined to be approximately five years**. In arriving at the average period of benefit the Company considered the duration of the Company's relationships with customers and the Company's technology."*

Source: C3 Prospectus

Real Example

C3 Stretching Expenses Over Long Period Despite Actually Paying 40% In The First 6 Months

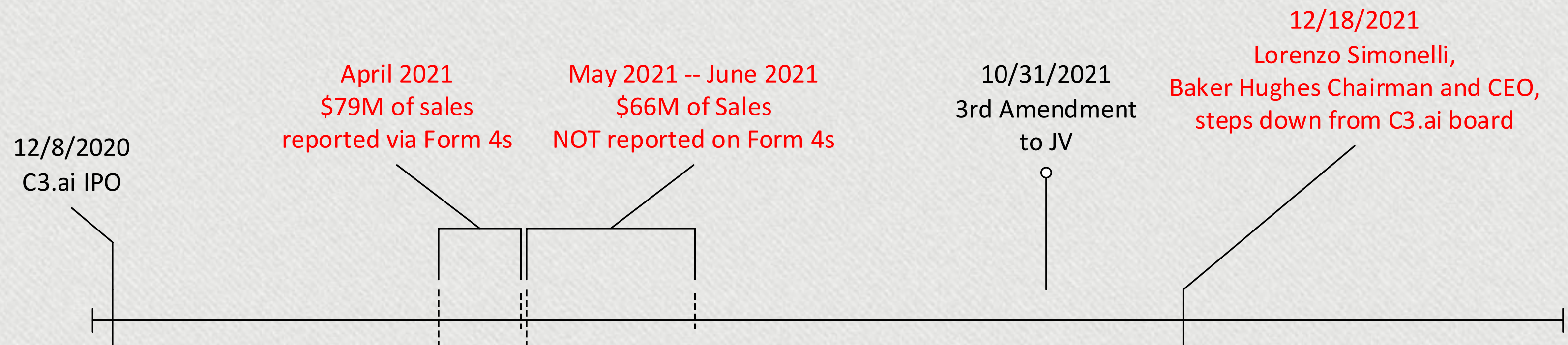
*"The Company recognized **$8.3 million of sales commission** as deferred costs during the fiscal year ended April 30, 2021 related to this arrangement, which **will be amortized over an expected period of five years**."*

*"**The sales commissions of $8.3 million** recognized in the fiscal year ended April 30, 2021 is payable to Baker Hughes over the **term of three years** based on the agreements, **of which the Company paid $3.4 million during the six months ended October 31, 2021**."*

Source: Q1 and Q2 2022 10-Q

Baker Hughes Has Sold 20% Of Its Stake Thus Far Recouping 2x Its Original Investment

Baker Hughes purchased a 15% stake in C3.ai in June of 2019 for $69M as part of a collaboration and joint venture with C3.ai. From April to June 2021, Baker Hughes sold $145m of stock recouping over 2x its original investment from June 2019. We believe that Baker Hughes did not sell any stock from July through October 2021 as Baker Hughes and C3.ai were in the midst of negotiating the 3rd amendment and therefore Baker Hughes was in possession of material non-public information. Further, given the material non-public information (MNPI) that Baker Hughes often possesses given business and further potential amendments, we believe their window of selling is often very limited. Most importantly, Baker Hughes did not report any of its sales beyond April 22nd when they were no longer a 10% shareholder. Baker Hughes still was occupying a Board seat during the remainder of its sales in 2Q'21, yet they did not file any Form 4s



Total Amount Invested

$ in millions

Date	% held	Buy / Sell	Price	Shares	Amount
June 2019	15.0%	Buy	$6.42	10.813	$69.4
Total				**10.813**	**$69.4**

Total Amount Sold[1,2]

$ in millions

Date	% held	Buy / Sell	Price	Shares	Amount
4/7/2021	10.5%	sell	$64.60	0.467	$30.2
4/8/2021	10.1%	sell	$63.84	0.407	$26.0
4/9/2021	9.9%	sell	$60.86	0.189	$11.5
4/22/2021	9.8%	sell	$67.99	0.170	$11.6
4/23/21 to 6/30/2021	8.8%	sell	$70.76	0.930	$65.8
3Q'21	8.8%	No sales			
Total			**$67.05**	**2.163**	**$145.0**

Why were these sales not reported in Form 4's? Baker Hughes still had Board representation during these sales and no Form 4's were filed.

Sources: Form 4s filed with the SEC, Baker Hughes 3Q'21 10-Q
(1) Shares sold from 4/7/21 thru 4/22/21 were reported with SEC on Form 4s
(2) Shares sold from 4/23/21 thru 6/30/21 were calculated based on BKR's 2Q'21 10-Q disclosure

Spruce Point Interview of a Former Employee With Knowledge of C3's Oil & Gas Business

Spruce Point interviewed a former sales executive knowledgeable about C3's Oil & Gas Business

SP Question	*"Can you speak to the Baker Hughes Joint Venture?"*
Answer	*"Baker Hughes is a marriage that is not working. The people are not happy. They can't sell the C3 product. It's a nightmare for them to sell it. The culture of C3 is so different that they can't work together."*
SP Question	*"From the disclosure that C3 offers, you can break out Baker Hughes direct revenues which is further broken out between subscription and professional service. I know you're not an accountant, but would it be impossible to recognize professional services revenue without there being any expenses attached? In other words, it would be impossible for professional service revenues to be recognized at 100% gross margin, right?"*
Answer	*"Absolutely, it would be impossible."*
SP Question	*"When the JV agreement with Baker Hughes ends in 2025, do you think that Baker Hughes could potentially walk away?"*
Answer	*"At some point they may very well, Baker Hughes just invested and entered a JV with a company called Augury and they can do everything that C3 is currently doing for them. So I don't know why."*

Baker Hughes Investment And JV With Augury, Another AI Company Specializing In Predictive Maintenance

On October 26, 2021, Baker Hughes announced an investment and multi-year alliance with Augury. Baker Hughes led the Series E round that valued Augury over $1 billion. Baker Hughes will also take a seat on Augury's Board of Directors. **Almost one month after this announcement, Lorenzo Simonelli, Chairman and CEO of Baker Hughes, stepped down from C3.ai's Board.**

Lorenzo Simonelli, chairman and CEO at Baker Hughes

"This alliance is a critical addition to our industrial asset management capabilities as we continue to strategically invest for growth by delivering integrated APM solutions for our energy and industrial customers. We share the same strategic vision of combining critical equipment engineering with digital analytics, and Augury also has broad technology and skillsets that complement our existing offering to improve efficiencies, productivity and operational excellence."

Company Promotion	Spruce Point Reality

Company Promotion

Baker Hughes and Augury Announce Alliance to Add Machine Health Capability to Baker Hughes Asset Performance Portfolio

- *Augury's machine health technology will further build out Baker Hughes' integrated asset performance capability, expanding coverage from critical assets to balance of plant machines in the energy and industrial markets*
- *Machine health uses advanced sensors and artificial intelligence-based software to predict and prevent machine failures, driving reliability, efficiency and sustainability for energy and industrials*
- *Augury's technology adds critical capability to Baker Hughes' broader industrial asset management solutions*

Baker Hughes

AUGURY

Spruce Point Reality

Augury secures $180 million Series E, takes valuation over $1 billion

The Israeli company focuses on machine health, offering a platform that alerts to issues on production lines. Augury CEO: "When the right time comes we will go public"

Meir Orbach 15:00 26.10.21

TAGS: Augruy Baker Hughes SE Ventures Fundraising

Mechanical diagnostics platform provider Augury announced Tuesday that it raised $180 million in its Series E round, at a valuation of over $1 billion. The current financing round was led by Baker Hughes, a service provider in the energy and technology fields and a former GE division with $20 billion in revenues. The energy giant will also take a seat on Augury's board of directors and incorporate its solutions into its software. The round also included new investor SE Ventures, the corporate venture arm of Schneider Electric, and existing investors Insight Partners, Eclipse Ventures, Qumra Capital, Qualcomm Ventures LLC, the HSB Fund of Munich Re Ventures, and Lerer Hippeau. With this round, Augury has raised a total of $286 million.

Source: Baker Hughes Press Release (October 26, 2021), CalcalistTech.com

We Believe Estimate Revisions Are On The Horizon

The Baker Hughes revenue commitment for FY23 was reduced from $125m to $85m as part of the 3rd amendment on October 31, 2021. Surprisingly, sell-side estimates have actually increased since the amendment (see next slide). The sell-side is now imputing that revenues from all customers outside of the Baker Hughes JV will fill the gap.

Estimate Revision History Since 10/31/2021

$ in Millions	FY22E 4/30/2022	FY23E 4/30/2023
Before 3rd Amendment (at 10/31/2021)		
Revenue Estimate	$245.9	$329.9
Less: Baker Hughes FY22E revenues	73.4	
Less: Baker Hughes JV Commitment for FY23		125.0
Implied Non Baker Hughes JV Revenues	**$172.5**	**$204.9**
Growth		**19%**
After 3rd Amendment (Current Expectations)		
Revenue Estimate	$249.6	$332.9
Less: Baker Hughes FY22E revenues	73.4	
Baker Hughes JV Commitment for FY23		85.0
Implied Non Baker Hughes JV Revenues	**$176.2**	**$247.9**
Growth		**41%**

Sources: Bloomberg, 1Q'22 10-Q, 2Q'22 10-Q, 2nd Amendment, 3rd Amendment

Sell-side estimates are now imputing FY23 growth of 40% for C3.ai customers outside of the Baker Hughes JV. Prior to the 3rd amendment, the imputed growth was 18%

Spruce Point Calculation of True Backlog

$ in millions	4Q20 4/30/2020	1Q21 7/31/2020	2Q21 10/31/2020	3Q21 1/31/2021	4Q21 4/30/2021	1Q22 7/31/2021	2Q22 10/31/2021
GAAP Remaining Performance Obligations (RPO)	**$239.7**	**$275.1**	**$267.4**	**$247.5**	**$293.8**	**$290.6**	**$465.5**
+Baker Hughes Commitments not in RPO	183.8	270.9	249.9	241.8	219.3	204.4	23.7
= Non-Cancellable Backlog	**$423.5**	**$546.0**	**$517.3**	**$489.3**	**$513.1**	**$495.0**	**$489.2**
Non-Cancellable Backlog -- Breakout							
From Baker Hughes JV(1)	$270.0	$393.8	$382.8	$369.9	$350.0	$333.9	$320.0
From All other Customers	153.5	152.2	134.5	119.4	163.1	161.1	169.2
Total	**$423.5**	**$546.0**	**$517.3**	**$489.3**	**$513.1**	**$495.0**	**$489.2**

Backlog growth outside of the Baker Hughes JV does not support an acceleration of growth heading into FY23

Sources: Bloomberg, 3Q'21 10-Q, FY'21 10-K, 1Q'22 10-Q, 2Q'22 10-Q, 2nd Amendment, 3rd Amendment

(1) Baker Hughes JV Backlog consists of total revenue commitments as disclosed in each amendment less revenue burned – See appendix

Sell-side Revenue Estimates Continue To Be Modeled Higher Despite Issues From Baker Hughes

Revenue commitments from Baker Hughes were reduced by $40m for FY23 as disclosed in C3's 2Q'22 10-Q filed on December 2, 2021, yet we believe revenue estimates do not reflect this revision.

FY23 Revenue Revision History

AI US Equity | Alert | Export | Earnings & Estimates: Consensus History

C3.ai Inc — Period 2023 - Yr — Source Standard — Cur USD

1) Earnings & Estimates Home | EE » — Broker --------

Measure Revenue

Snapshot

	Time Frame	Estimate	%Chg from Dt
11)	Current Estimate	332.900M	0.00%
12)	1 Day Ago	332.900M	0.00%
13)	1 Week Ago	332.900M	0.00%
14)	1 Month Ago	332.700M	0.06%
15)	3 Months Ago	329.900M	0.91%
16)	6 Months Ago	329.100M	1.15%
17)	12 Months Ago	318.222M	4.61%

Full Revision History

	Date	Estimate	%Chg from Dt
21)	01/13/2022	332.900M	0.00%
22)	01/12/2022	332.900M	0.00%
23)	01/05/2022	332.900M	0.00%
24)	12/16/2021	332.900M	0.00%
25)	12/14/2021	332.700M	0.06%
26)	12/10/2021	332.700M	0.06%
27)	12/08/2021	332.700M	0.06%
28)	12/02/2021	332.700M	0.06%
29)	12/01/2021	330.300M	0.79%
30)	09/13/2021	329.900M	0.91%
31)	09/02/2021	329.900M	0.91%

Source: Bloomberg and C3 10-Q

Why We Believe C3's Other Marquee Partnerships With Google, Intel, Amazon, Microsoft Et Al Are Struggling

Spruce Point Capital Management

Big Salesforce Partnership Numbers Not Backed With Revenue Results

Spruce Point estimates that there are upwards of 41,000 people selling C3's product suite. Yet, its revenue results imply a meager $5,100 of revenue per salesperson. We believe this illustrates C3 is having limited traction in the marketplace. In the following slides, we will highlight specific challenges with key partnerships.

CEO Siebel

"I have tens of thousands of people selling with us around the market today at -- with the Microsoft Azure team. I have 4,000 professionals selling with us at Google Cloud and Thomas Kurian."

"I have 12,000 people selling with us in oil gas from Baker Hughes."

Source: Needham Conference, Jan 11, 2022

C3 Internal Sales Disclosures

"As of October 31, 2020, we had 41 individuals serving on our sales team globally."

"As of August 31, 2020, we had 46 individuals serving on our sales team globally."

Source: C3 Prospectus from Oct to Nov 2020

$ in mm, except employees	C3.AI Internal (A)	Baker Hughes (B)	Google (C)	Microsoft (D)(1)	Total E=(A to D)	LTM Sales (F)	Est Avg Sales Per Salesperson F/E
Total Salesforce	~40	12,000	4,000	25,000	~41,000	$212.0	$5,165

Source: Spruce Point Analysis
1) Siebel said "tens of thousands" while a MSFT blog from 2019 says there are 25,000 members of its salesforce

Spruce Point Questions The Existence of C3's Highly Promoted Hewlett Packard Enterprise Partnership

Spruce Point fact-checked C3's claim that its platform is "tightly integrated" with Hewlett Packard Enterprises' (HPE) ProLiant family of servers. A recent sale inquiry revealed no such integration exists.

C3 Touts Hewlett Packard Enterprise (HPE) Alliance

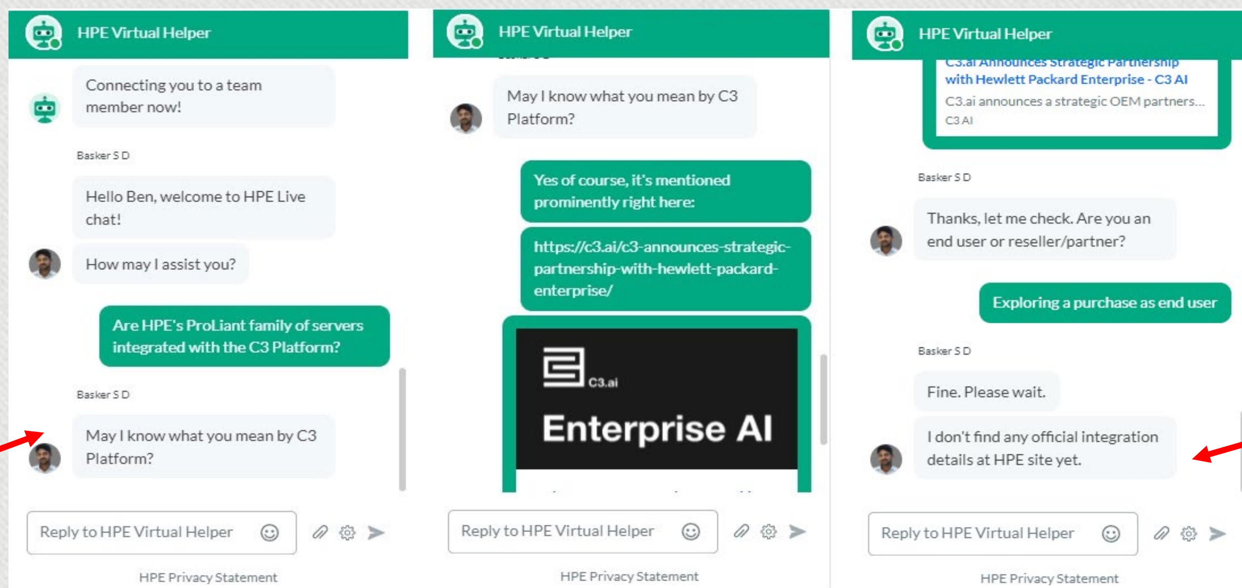
"Hyperscale Cloud and Infrastructure Partners. We have formed global strategic go-to-market alliances with hyperscale cloud providers including Amazon, Microsoft, and Google. In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology such as Hewlett Packard Enterprise and Intel."

Source: C3 10-K Annual Report

HPE / C3 Alliance Announcement

*"**The tight integration of the C3 Platform with HPE's ProLiant family of servers, including the HPE ProLiant for Microsoft Azure Stack, unlocks tremendous value for organizations across the globe and in every vertical market – enabling AI, machine learning, and deep learning while addressing governance, compliance, and security needs**," said Phillip Cutrone, VP and GM of the WW OEM Business at HPE. "The C3 Platform innovation brings exciting benefits that enable customers to analyze massive amounts of data."*

Source: "C3.ai Announces Strategic OEM Partnership with Hewlett Packard Enterprise", press release, Oct 16, 2018



Sales Agent Didn't Immediately Recognize C3

No Integration With C3 Identified

Spruce Point Questions The Intel Partnership

Spruce Point fact-checked C3's claim from a May 23, 2018 press release announcing a partnership with Intel. We observe that on the same day C3 announced the alliance, Intel also issued a press release about enterprise AI, without referencing C3.(1) A review of Intel's website suggests limited evidence of a deep partnership.

C3 Continues To Tout Intel Alliance

*"In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology. These partners include Hewlett Packard Enterprise **and Intel**."*

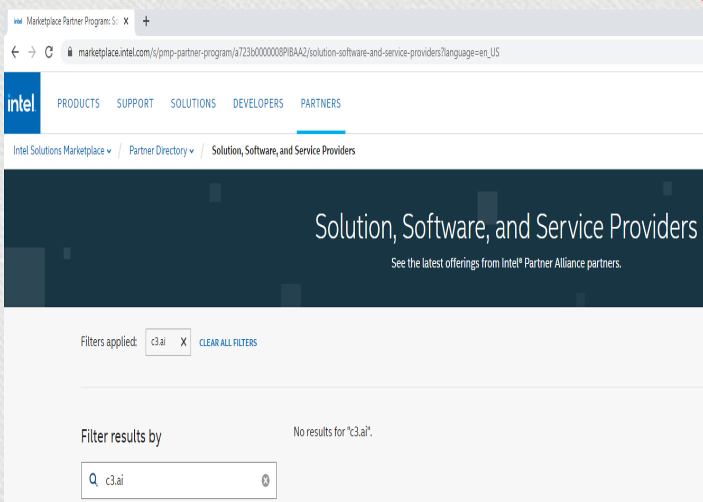
Source: C3 10-K Annual Report

C3 / Intel Alliance Announcement

*"The collaboration includes a C3 AI Appliance powered by Intel AI and a go-to-market program for joint marketing, sales, training, and rapid prototyping initiatives to accelerate customer success with AI and IoT application development. **C3.ai is also joining the Intel AI Builders Program** that provides Intel partners implementing AI with the resources and support to accelerate the adoption of their Intel-based AI platforms."*

Source: "C3.ai Partners with Intel to Deliver AI Appliance", press release, May 23, 2018

C3 Is Not Listed As A Solution, Software or Service Provider Partner

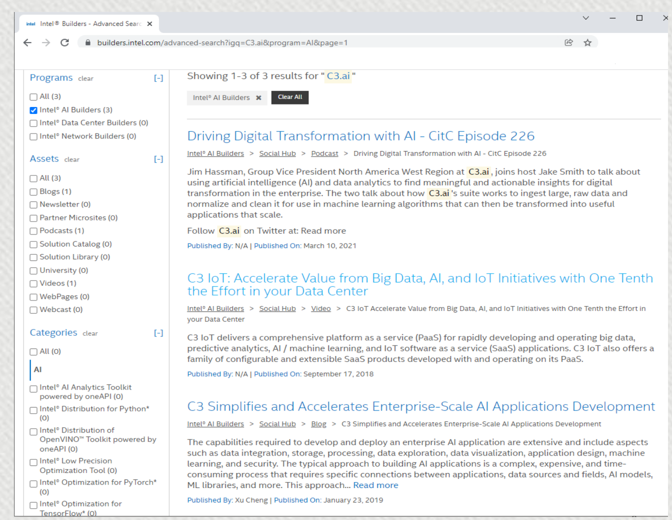


Source: marketplace.intel.com

Only 3 Entries Since 2018 In The Intel AI Builders Platform

Last Entry From Jim Hassman (March 2021)

Mr. Hassman Recently Resigned From C3.ai In Sept 2021(2)



Source: builders.intel.com

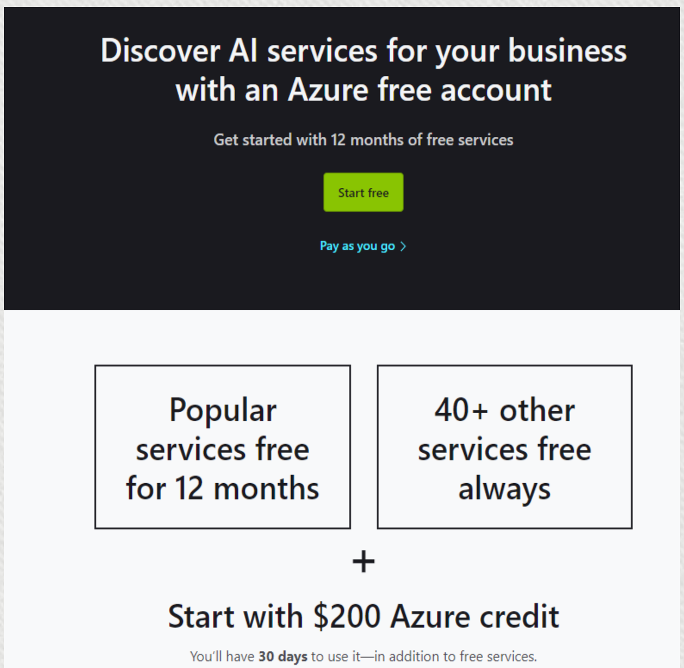
1) "Beyond the CPU or GPU: Why Enterprise-Scale Artificial Intelligence Requires a More Holistic Approach," Intel press release, May 23, 2018
2) Jim Hassman LinkedIn biography

Spruce Point Questions C3's Highly Promoted Microsoft Azure Partnership

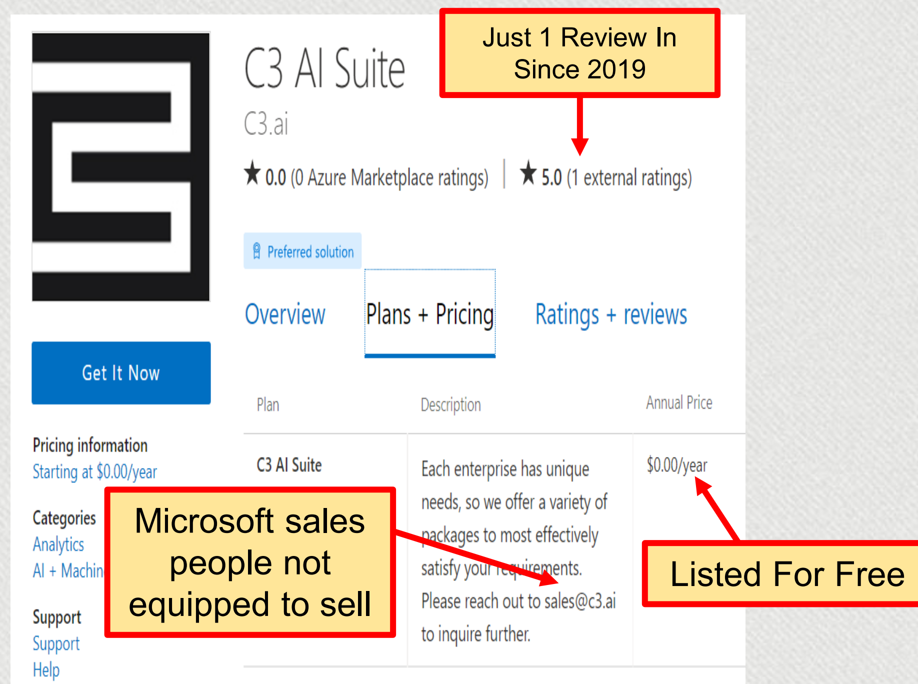
C3's apps on Microsoft's Azure marketplace contain just one review since 2019. The core C3 AI Suite is currently being promoted for free. C3 is not even listed as a "Featured" partner under AI + Machine Learning.(1)

CEO Siebel Wells Fargo Conf Dec 2, 2021

*"**So we have a huge selling and service motion going on with Microsoft** and -- our friends at Microsoft with their Azure Stack. And I think we've closed about -- in excess of a couple of hundred million dollars worth of business with them, and we have a very, very large pipeline that we're working.."*



Source: Microsoft Azure AI website



Source: Microsoft Azure Marketplace for C3 AI Suite

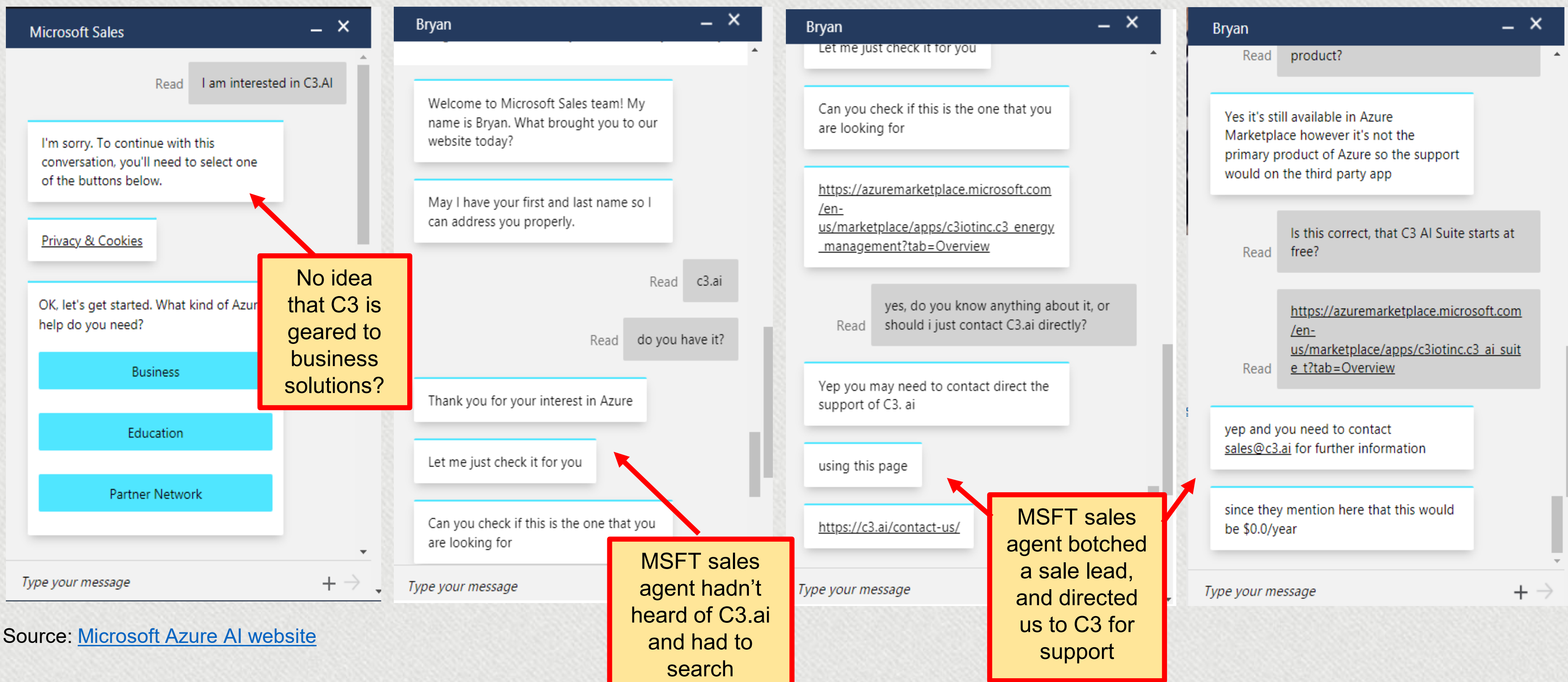
1) Featured AI + Machine Learning apps (Featured at the top)

Spruce Point Questions C3's Highly Promoted Microsoft Azure Partnership (Cont'd)

When we inquired about C3.ai with a Microsoft sales agent, he knew almost nothing about the product, and directed us twice back to C3's website for more information. The agent made no effort to sell us C3 directly.

CEO Siebel Needham Conf Jan 11, 2022

"I have tens of thousands of people selling with us around the market today at -- with the Microsoft Azure team."



Source: [Microsoft Azure AI website]

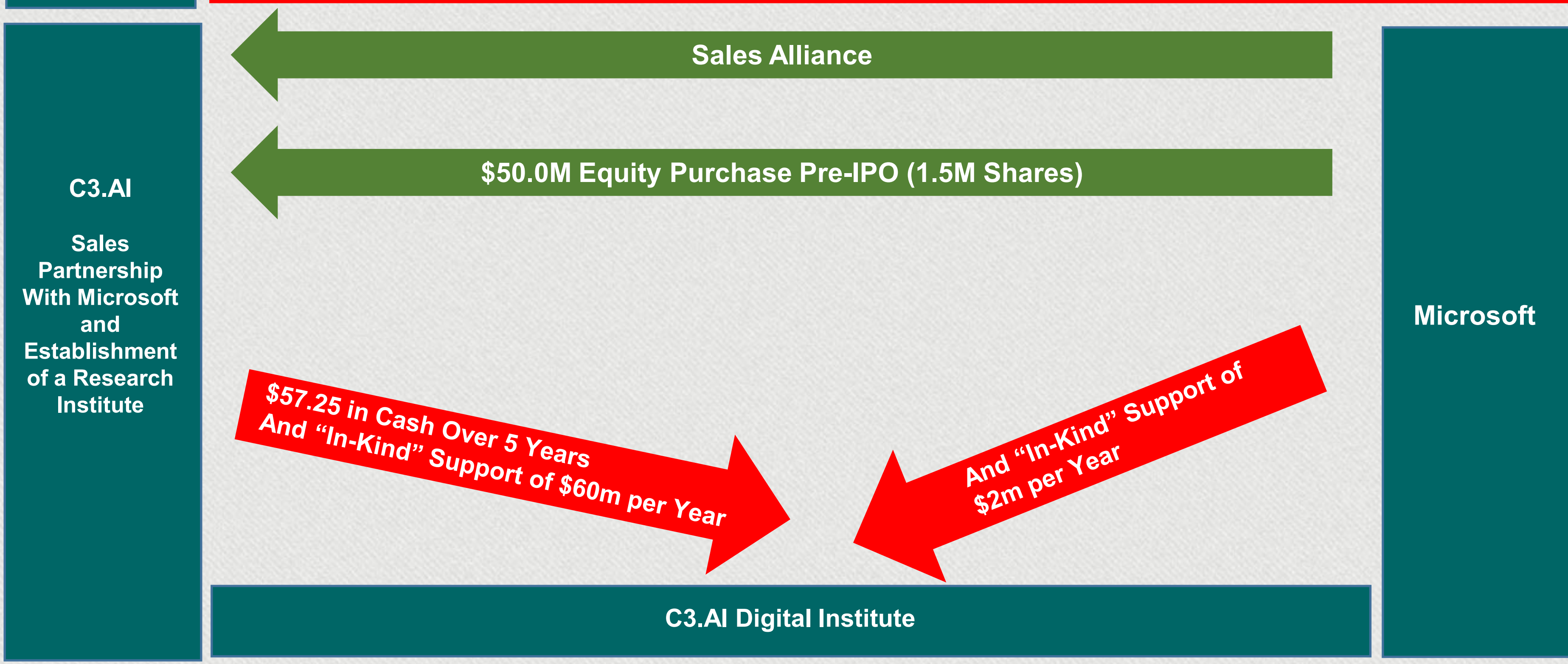
Spruce Point Capital Management

Murky Financial Payment Relationships With Microsoft And The DTI

Microsoft and C3.ai formed the Digital Transformation Institute ("DTI") in March 2020. Microsoft then purchased $50.0m of equity pre-IPO, which is roughly the amount C3 is contributing to the DTI over five years of $57.25m. **Microsoft is not contributing any cash**, and providing approximately $2 million of "in-kind" technology. Microsoft and C3 also have a sale alliance as noted on the prior slides. Former C3 CFO David Barter, who recently resigned, came from Microsoft and was CFO of its Financing Division.

Who Owns The IP Generated From DTI?

"IP is for the public good. The developed IP will be open-sourced. It will be used royalty free but not exclusively."



Source: C3 Prospectus

Spruce Point Questions C3's Highly Promoted Google Partnership

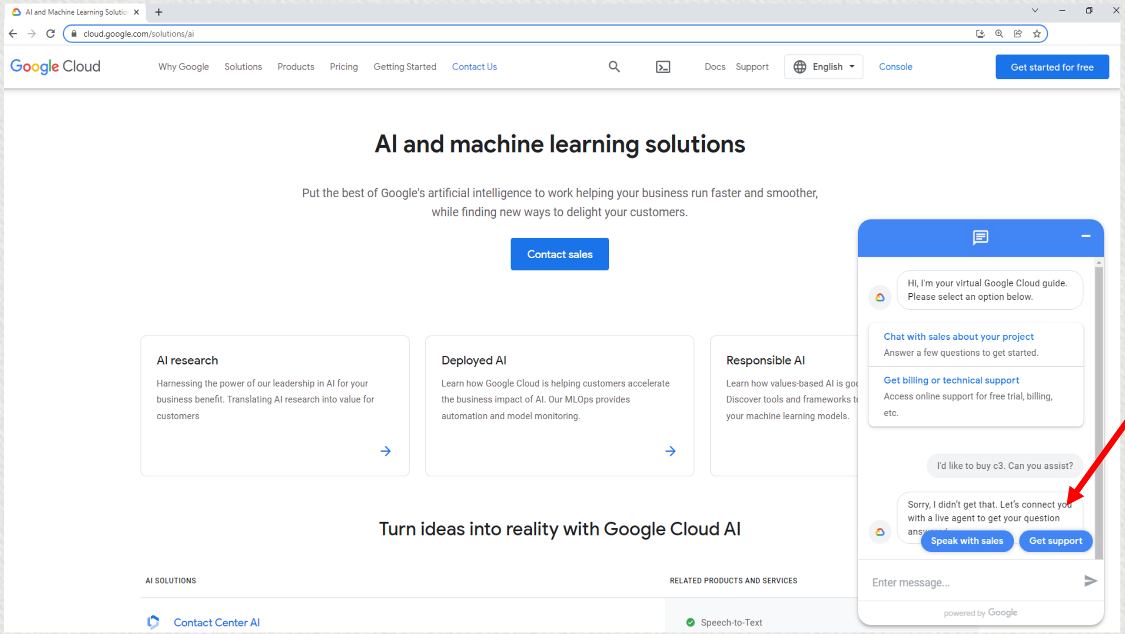
C3 is highly promoting a strategic alliance with Google Cloud. Yet, we cannot find any prominent feature or refence to C3 on Google Cloud's AI and machine learning website. In fact, C3 is not even referenced as a "Featured Partner Solution" and there is just one website, which must be searched for by the customer, to identify C3.(1,2) Furthermore, when we queried Google's own AI assistant, it could not identify C3.

CEO Siebel on Google Cloud Partnership

"We significantly expanded this partner ecosystem in Q1, entering an important highly strategic alliance with Google Cloud to allow the entire Google Cloud global sales and service organization to co-sell and service the entire family of C3 AI applications globally. The 2 companies will tightly integrate C3 AI and Google Cloud technologies and go-to-market initiatives with the effect of accelerating enterprise AI adoption."

Source: [Q1 2022 Conference Call]

C3 Not Prominently Featured or Identified on Google Cloud AI Solutions



Google's own AI assistant doesn't recognize C3 when Spruce Point inquired about purchasing

Source: [Google Cloud AI Solutions]

1) [Google Cloud Featured Partners]
2) [C3 AI on Google Cloud]

Lease Expansion Appears Excessive

On August 25, 2021, days before announcing a highly promoted alliance with Google on September 1st, C3 entered into a massive real estate lease expansion encompassing 283,015 square feet split between two office towers.[1,2] The lease term is 126 months and the total undiscounted base rent payments over the term are approximately $103m. **A benchmarking analysis of high growth data technology peers suggests that C3's total lease burden relative to its current employee base is 2.2x greater than peers**. **We believe C3 needs to explain how the lease economics come into play with respect to its sales alliance with Google.**

Benchmark Analysis of Lease Obligations Relative To Current Employee Base

$ in mm	Datadog	Alteryx	Splunk	Palantir	Peer Average	C3 AI FY End April (A)	New Lease From Google (B)	Pro Forma C3 AI A+B=C
Undiscounted Leases	$76	$118	$512	$186	$31.6	$6	$103	$109
Employees	1,085	1,786	6,500	2,439	2,953	574	668	668
Undiscounted Lease / Employee	$69,677	$66,069	$78,785	$76,302	**$72,708**	$10,279	$154,341	**$163,174**

Lease burden 2.2x average

Source: Latest company filings that undiscounted leases
1) Real estate lease with Google, filed as 8-K
2) "Google Cloud and C3AI Create Industry-First Alliance To Accelerate Enterprise AI," press release

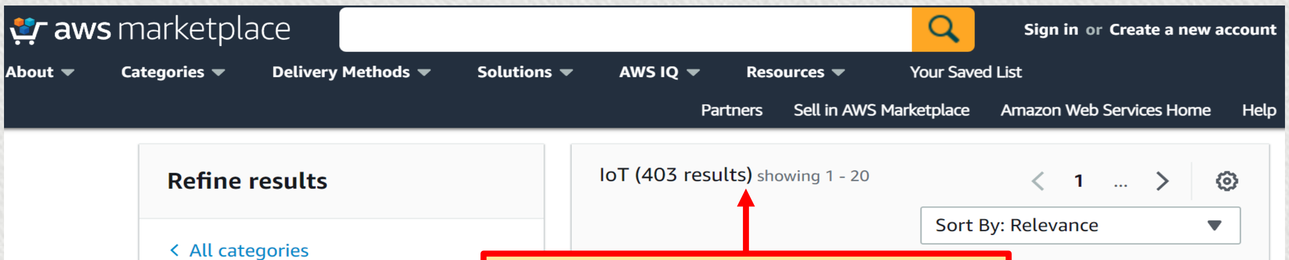
Spruce Point Questions C3's Highly Promoted AWS Partnership

There is a listing of C3.ai as an AI partner on Amazon's website.[1] However, unlike on Microsoft Azures' marketplace, C3.ai is nowhere to be found or discussed on AWS' marketplace in categories like IoT or Machine Learning.

CEO Siebel Wells Fargo Dec 2, 2021

*"We go to market with Google Cloud. **We go to market with AWS**. We go to market with NVIDIA. So those all look like market partners. So that is -- so we're using a lot of market leverage to be able to expand into these markets very quickly."*

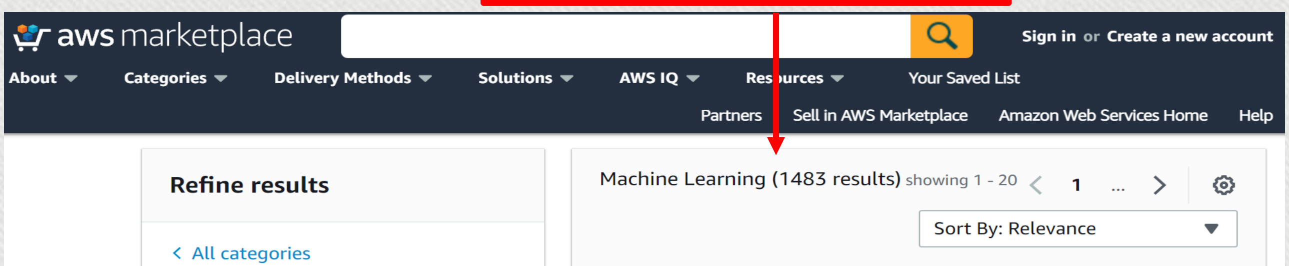
Nothing on C3 Under "IoT"



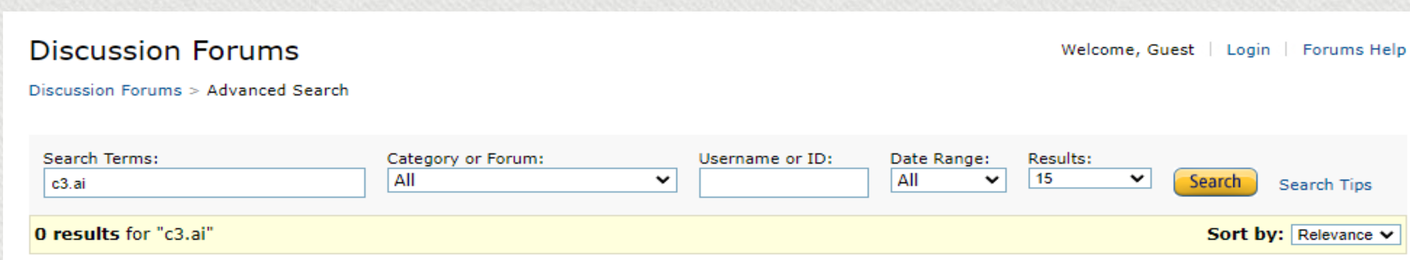
Source: AWS website

Almost 2,000 results, but none with C3.ai

Nothing on C3 Under "Machine Learning"



Nothing about C3.ai on Discussion Forum



Source: AWS discussion forum on website

1) AWS website

Concerns With C3's New CFO And His Aggressive Background, And The Revolving Door In The Finance And Sales Functions

CFO Turnover Raises Red Flags

There have been three different CFOs at C3 since the beginning of its IPO process in September 2020. We find it peculiar that Marc Levine would leave just after the commencement of C3 IPO process and being the original CFO signatory on its DRS on September 18, 2020. In October of 2020, David Barter was hired as the replacement CFO for Marc Levine. In the continuous revolving door of CFO, David Barter resigned after 14 months on November 27, 2021. We believe both CFO departures raise red flags. Why would Marc Levine either resign or why would C3.ai terminate its CFO just as the IPO process was commencing? Why would David Barter forfeit over 900,000 unvested options struck at $17.10 per share that had an intrinsic value of ~$20m?[1] Even more perplexing, why does C3's Paul Phillips, current VP of Investor Relations, fail to put on his biography that he served as CFO from Jan 2017 – June 2019?

CFO History Since 2017		
Name	**Tenure**	**Spruce Point Commentary**
Adeel Manzoor	December 2021 to Present	Adeel Manzoor was CFO of Telenav which reported a material weakness in its internal control over financial reporting, specifically revenue recognition related to ASC 606. Mr. Manzoor was charged in a domestic violence case against his wife, and allegedly made a death threat
David Barter	October 2020 to December 2021	David Barter resigned in December and forfeited over 900,000 unvested options that at the time had an intrinsic value of ~$20M. Did David leave prior to being the CFO signatory on its next year end audited financials?
Marc Levine	May 2019 to September 2020	Marc Levine was listed as C3.ai's CFO on its original draft prospectus filed on September 18, 2020 and then never showed up again on any further SEC filings. Spruce Point finds this departure to be suspect. Why would a CFO leave just as the IPO process was being commenced? We struggle to understand the timing of this departure. If he was fired, then why wouldn't C3.ai do this before the IPO process began? Why would he resign before a majority of his stock and options vested?
Paul Phillips	January 2017 to June 2019	Paul Phillips who is currently C3.ai's IR was listed as a CFO according to the wayback machine. Paul Phillips makes no reference to his CFO tenure on his LinkedIn Bio. Spruce Point finds this suspect. Why would Paul not want to disclose this? And was he CFO of vArmour Networks?

Sources: Telenav 8-K (October 6, 2020), David Barter Employment Contract, Original DRS where Marc Levine was CFO, David Barter LinkedIn Bio, Marc Levine LinkedIn Bio, Paul Phillips LinkedIn Bio, Wayback Machine Showing Paul Phillips as CFO, Paul Phillips LinkedIn Bio

1) Form 4 shows Barter had 913,891 options at $17.10. On his resignation day of Nov 27th, C3's share price was around $38.00

Did C3's VP of Investor Relations Misrepresent His CFO Position At vArmour Networks?

Paul Phillips has been on C3's earnings calls as VP of Investor Relations.(1) His LinkedIn biography says he's an "Advisor" and doesn't disclose he was formerly C3's CFO from 2017 – 2019 during a period we find revenue growth claims being inconsistent and Deloitte was appointed new auditor.(2) In addition, using the Wayback Machine, we see he once claimed to be the "*CFO and Head of Corporate Development*" at vArmour Networks. He later changed that to a "*senior management position*" while his LinkedIn now claims he was an "Advisor". Using the Wayback Machine, we cannot find Mr. Phillips listed as the CFO or under executive management on vArmour's website from 2015 – 2016.(3)

Claimed To Be CFO and Head of Corporate Development

Chief Financial Officer

Paul Phillips

Paul Phillips is the Chief Financial Officer at C3 IoT. Prior to C3 IoT, Mr. Phillips was the Chief Financial Officer and Head of Corporate Development at vArmour Networks and prior to that was the Head of Corporate and Business Development at Forescout Technologies. Previously, he held senior management positions in the technology investment banking groups of Goldman Sachs, Citigroup, and Bank of America. Mr. Phillips earned a Master of Business Administration degree from the Harvard Business School and a Bachelor of Arts degree from Amherst College.

Source: Wayback Machine, Feb 2017

Revised to "Senior Management Position"

CHIEF FINANCIAL OFFICER

Paul Phillips

Paul Phillips is the Chief Financial Officer at C3. Prior to C3, Mr. Phillips held senior management positions at vArmour Networks and ForeScout Technologies. He has also held senior management positions in the technology investment banking divisions of Goldman Sachs, Bank of America, and Citigroup, with an emphasis on enterprise software/SaaS.

Mr. Phillips earned a bachelor's degree from Amherst College, and an M.B.A. from the Harvard Business School.

Source: Wayback Machine, Feb 2019

1) C3's earnings call
2) Paul Phillips LinkedIn profile
3) vArmour website Sept 2015 - Feb 2016 doesn't show Mr. Phillips under Executive Team, and there are no press releases announcing his appointment

Indications of Aggressive Behavior, C3's Current CFO Has An Arrest Record For Family Violence

Public records show that C3's CFO has a record of domestic violence, notably against his wife. A recent incident documented by a police report in 2018 illustrates that his wife sustained scratches, redness and pain after he made an attempt to unlock her phone. Adeel was booked into jail, and released on bail. The State of California brought misdemeanor charges against him. The conviction date was 11/12/2019 and a judge approved record clearance on 11/20/20.

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA
HALL OF JUSTICE

THE PEOPLE OF THE STATE OF CALIFORNIA,
Plaintiff,

vs.

ADEEL MANZOOR (02/26/1975),
3119 CASTLE CANYON WAY SAN JOSE CA 95135

Defendant(s).

C1803393

MISDEMEANOR COMPLAINT

DA NO: 181031859
CEN
18032912 AM BAIL 10/23/2018

FILED
OCT 18 2018
Clerk of the Court
Superior Court of CA County of Santa Clara
BY ____________ DEPUTY

The undersigned is informed and believes that:

COUNT 1

On or about August 24, 2018, in the County of Santa Clara, State of California, the crime of BATTERY ON SPOUSE, COHABITANT, PARENT OF CHILD, FORMER SPOUSE, FIANCE, FIANCEE OR DATING RELATIONSHIP, in violation of PENAL CODE SECTION 243(e), a Misdemeanor, was committed by ADEEL MANZOOR who did willfully and unlawfully use force and violence against a spouse, Maria Adeel.

SAN JOSE POLICE DEPT
DISTRICT ATTORNEY HARDCOPY
DISTRICT ATTORNEY COPY ***FOR OFFICIAL USE ONLY***
GO# SJ 2018-182360585 OPEN 273.5A-3 273.5(A) PC DV MINOR INJURY

Municipality: SAN JOSE , California 95135
District: DP Beat: Grid: 123

Phone Numbers
Home: (408) 876-8786
Cellular: (408) 876-8786

Particulars
Place of birth: Pakistan
Occupation: VICE PRESIDENT
Employer: HP 3000 HANOVER ST SAJEEL
Driver's license [redacted] California
SSN [redacted]
Ethnicity: ASIAN INDIAN
Height: 5'07 Weight: 170 lbs.
Eye color: BROWN
Hair color: BROWN

Linkage factors
Resident status : RESIDENT
Age range : 30-49 YEARS
Access to firearm : No
Armed with : UNARMED
Offense: 273.5A- 3 273.5(A) PC DV MINOR INJURY - COMPLETED
Arrest date: Aug-24-2018 (Fri.)
Arrest type: ON VIEW ARREST

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA

Facility: HOJ

THE PEOPLE OF THE STATE OF CALIFORNIA
VS.
ADEEL MANZOOR
AKA:

Date: 11/20/2020 at 9:00 AM, Dept. 44

Docket No.: C1803393
PFN.: EFD831

FILED
NOV 20 2020
Clerk of the Court
Superior Court of CA County of Santa Clara
BY ____________ DEPUTY
Clark Saka

Conviction Date: 11/12/2019 Type of Probation: Probation Denied Expiration Date:

CONVICTIONS: Ct. 2 - 415(1) PC, Misd.

The Applicant has requested:
[X] Record Clearance pursuant to Section 1203.4a(a) PC

SAN JOSE POLICE DEPT
DISTRICT ATTORNEY HARDCOPY
DISTRICT ATTORNEY COPY ***FOR OFFICIAL USE ONLY***
GO# SJ 2018-182360585 OPEN 273.5A-3 273.5(A) PC DV MINOR INJURY

Related Text Page(s)
Document: SYNOPSIS
Author: 4230 - SANGERVASI II [redacted]
Related date/time: Aug-24-2018 (Fri.) 1532

On 08-24-2018 at approximately 1532 hours, a domestic violence was reported at 3119 Castle Canyon Wy in San Jose. The victim and suspect had been driving in the car together. The victim argued with the victim about her phone. The suspect then grabbed the victim's hand to force her thumb print to unlock the phone. The victim sustained scratches, redness, and complaints of pain. The suspect was booked into jail.

The victim and suspect have been married for 17-years. They have two biological children together.

Source: Superior Court of California, County of Santa Clara, State of California vs. Adeel Manzoor

Spruce Point Capital Management

A Death Threat Was Alleged

According to court records, C3's CFO allegedly has made a death threat.

LETHALITY ASSESSMENT (MANDATORY)
Ask the victim ALL of these questions verbatim

IF THE VICTIM ANSWERS "YES" TO ANY OF QUESTIONS 1-3, call the domestic violence crisis hotline and have a counselor speak with the victim.

1. Have they (your current or previous partner)) ever used a weapon against you or threatened you with a weapon? [NO]

2. Have they threatened to kill you or someone else? [YES]

3. Do you think they might try to kill you? [NO ANSWER]

IF VICTIM ANSWERS "YES" TO 4 OR MORE OF QUESTIONS 4-14, call the domestic violence crisis hotline.

2018-182360585 Page ______ of ______

Source: Superior Court of California, County of Santa Clara, State of California vs. Adeel Manzoor

CFO's Prior Role At Telenav Marked By Revenue Revisions And A Material Weakness

C3's CFO Adeeel Manzoor was previously appointed on July 8, 2019 CFO and Chief Accounting Officer of Telenav (Nasdaq: TNAV) a provider of connected-car and location-based services.(1) On February 11, 2020 TNAV filed an NT 10-Q.(2) In the filing, the Company evaluated whether revenue had been "faithfully depicted" related to a transaction that occurred under Mr. Manzoor's tenure and determined a revision was necessary. In addition, the Audit Committee issued a material weakness of internal controls. The periods covered by these actions were subsequent to Mr. Manzoor being appointed CFO/CAO.

In August 2019, the Company entered into certain agreements with Grab, including: (i) a services agreement pursuant to which the Company agreed to provide certain services to Grab through certain of its employees designated to work on the Company's OpenTerra Platform; (ii) a license agreement pursuant to which the Company granted to Grab a perpetual license to certain intellectual property associated with the OpenTerra Platform; and (iii) an asset purchase agreement pursuant to which the Company sold certain intellectual property associated with the OpenTerra Platform to Grab and facilitated offers for employment or consulting arrangements by Grab of certain of the OpenTerra employees. The transactions contemplated by the services agreement, license agreement and asset purchase agreement together comprise the "Grab Transaction."

In determining revenue the Company would recognize in connection with the Grab Transaction, the Company allocated consideration, which included cash and equity, between products and services, as well as the identified assets, which allocation the Company determined subject to ASC 606. **Subsequent to the Company's issuance of its press release, investor letter and commentary on February 6, 2020, the Company reassessed whether the methodology it used to determine and allocate consideration in order to determine revenue associated with the Grab Transaction faithfully depicted the portion of the consideration the Company would be entitled to when satisfying each obligation and, specifically, the revenue the Company would recognize in exchange for the rights transferred under the perpetual license (as compared to the incremental rights transferred upon the asset purchase). As a result of this reassessment, the Company determined the stand-alone selling price for the rights transferred to Grab upon purchase should reflect what the Company would sell such incremental rights for separately in similar circumstances and to similar customers. This resulted in a correction of the revenue the Company recognized under the Grab Transaction for the three months ended September 30, 2019 and revision of the revenue the Company would recognize for the three and six months ended December 31, 2019, as well as an adjustment to the net income the Company provided in its outlook for the three months ending March 31, 2020**.

In addition, the Company received under the Grab Transaction consideration which included nonmarketable ordinary shares of Grab Holdings, Inc. To determine the fair market value of these ordinary shares, the Company used all information available from Grab regarding the assessment of its board of directors of the fair market value of the ordinary shares, including the limited number of arms' length sales of Grab ordinary shares and a review of recent Grab financial statements. Because there is no public trading market for Grab ordinary shares and because Grab does not prepare its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), or file its financial statements with the SEC or another securities regulatory body, the Company relied on limited information to assess the fair market value of Grab's ordinary shares.

The Audit Committee of the Board of Directors concluded that the Company has a material weakness in its internal control over financial reporting as of September 30, 2019 and December 31, 2019 related to a design deficiency in the Company's review controls over unusual or non-recurring and significant transactions. Specifically, the Company's controls were not properly designed to provide reasonable assurance that it timely identifies and assesses the accounting implications of terms in unusual or non-recurring agreements. As a result of the material weakness, the Audit Committee has concluded that the Company's internal control over financial reporting and disclosure controls and procedures were not effective as of September 30, 2019 and December 31, 2019.

1) TNAV 8-K
2) TNAV NT 10-Q

Spruce Point Capital Management

Key Alliance And Sales Executives Departing

An executive named Gene Reznik touted by CEO Siebel as heading up a key growth initiative recently resigned in Jan 2022. Based on our analysis, sales and alliance executives have short duration tenures, often leaving under 2yrs.

Analyst Sills

"I wanted to ask about the vertical partner focus here. Obviously, you talked about some leverage that you'll see here from some of these partnerships could you help us understand for perhaps some of the newer ones like Raytheon FIS, these are relatively new verticals for the company. What kind of resources are committed from these partners? How are you going to market together? How are you expected to get that leverage through these partnerships?"

CEO Siebel First Conf Call As A Public Company

*"**And then we brought in a very senior executive by the name of Gene Reznik, who was the Chief Strategy Officer at Accenture, here to head up this initiative of coordinating the vertical market partners.** So we expect a significant investment here and expect in the coming quarters, there will be additional announcements with these vertical market partners that we think will give us a -- increase our competitive advantage in the market."*

Source: Q3 2021 Conf Call

Key Executive Departures In Sales And Alliance Roles

Executive	Title	Departure	Approximate Tenure With C3
Gene Reznik	**GM Industries and Alliances**	**Jan-22**	**1 yr 5 months**
Matthew Baird	Vice President	Dec-21	2 years
Merel Witteveen	Vice President Of Alliances	Dec-21	5 and half years
Ton Veenhof	Vice President, Benelux and Nordics	Dec-21	1 year
Tod Weber [(1)]	SVP and GM of Federal Systems	Dec-21	8 months
Valery Pankratov	VP of Sales (Moscow)	Nov-21	1 year 7 months
Don Barrett	Vice President Industrial Sales	Nov-21	2 years 5 months
John Carolan	Vice President, North America East Sales	Nov-21	1 year 8 months
Robin Marks	VP Telecom and Media	Nov-21	9 months
Steve Rog	Group Vice President, NA East Region	Jun-21	1 year 5 months
Roger Turner	VP UK Sales	May-21	1 year 9 months

1) CEO Siebel called out Mr. Weber as key hire to expand C3 Federal in the Q1 2021 Conf Call, Sept 2021.

Former Employee Insights on Culture

Spruce Point interviewed a former employee and asked about the culture and sales outlook.

SP Question	*"Can you speak to your relationship with Tom and the culture at C3.ai?"*
Answer	*"I've never seen a company with such a toxic culture straight from the top. It starts with Tom and the top-level management. They are involved in every aspect of your job, whatever level you are. So it is really a culture of saying yes all the time, if you don't say yes, you are just out. And certainly, when it comes to sales and business development, I had four various bosses in six months. So pretty ruthless if you say no, if you just push back, you can do it once, but the second time you are out simple as that. The attrition is a real problem and the fact that they can't keep and attract good talents."*
SP Question	*"Can you speak to C3.ai's pipeline?"*
Answer	*"Well, put it this way. I mean, first of all, Tom is a really smart guy, so he's gonna do what he's got to do. Before the IPO, all the sales guys during those big sales meeting, we had to just build the pipeline of opportunities. And we needed to have a really, really big pipeline. The pipeline was $1 billion in sales. I mean, the, the revenue was for the year, $160 million or something, but the pipeline was about six times that. It was $1 billion. But in the pipeline, they were asking us to put every opportunity, even if it was a 10% probability or something. But some of these opportunities, you knew that you would never in a million years sign. You're just having a quick call with a client. You introduced them to C3.ai. They have no clue. They will never sign. They're not ready and they're certainly not willing to sign, but because of the IPO, he wanted to have a big pipeline. Maybe they have 35 or 37 clients today. So the pipeline didn't change. Knowing Tom and knowing how aggressively he was asking us to put pipeline numbers, which were unrealistic in the system. I would not believe any of his pipeline. Absolutely not."*

We Believe C3 Is Thinly Staffed In The Accounting Function

Given anomalies we've observed in the revenue reporting and commissions with the BH joint venture, we are concerned that C3's commissions accounting manager has only been with the Company three months, and that it is currently looking to hire a new "Senior Revenue Manager".[1] There are many new hires within C3's accounting department that have been with the Company under a year, and its Chief Accounting Officer has only been at the Company for a little over 1 year and was recently appointed Dec 3, 2021.[2]

Key Accounting Professionals At C3.ai

Executive	Title	Approximate Tenure With C3
Juho Parkkinen, CPA	**Chief Accounting Officer**	**1 yr 1 months**
Stefanie Terweduwe	Director	10 months
Tiffany Yeates	Senior Accounting Manager	3 years 4 months
Saqib Shehzad, CPA	SEC Reporting and Technical Accounting Director	10 months
Syed Mujtaba Jawad Kazmi	Senior Accounting & Reporting Manager	1 year
Navjeet Kaur, CPA	**Commissions and Accounting Manager**	**3 months**
Kim Huynh	Director of Accounting	2 years 4 months
Anna Huang	Accounting Ops Analyst	3 year 5 months
Shaun Seah	Assistant Corp Controller	10 months

1) C3 job posting for Senior Revenue Manager
2) Chief Accounting Officer appointment

Spruce Point Capital Management

Glassdoor Reviews Corroborate Our Independent Interviews

Some may discount employee review websites such as Glassdoor. However, some of our former employee interviews echo comments made on the website.

"Overall, a strong culture of fear. The culture and company practices promote individual, rather than team, achievement, motivating selfish choices and combative relationships between coworkers. Public shaming is common practice, and team leadership turns a blind eye to disrespectful behavior between colleagues." – [Glassdoor.com review]

"A culture of fear of making mistakes, with no leeway to try something new. If it didn't come from the CEO, it doesn't matter. CEO leads by decree, and is the de facto CIO, CHRO, CMO--they all just do what he tells them. CEO decisions are executed without question or discussion. Dept heads are basically Yes men (and they're almost all men). Informal but consistent pressure on employees to write positive Glassdoor reviews. Low morale, specially since work from home began, which got lower after CEO required many employees to log accomplishments by the hour." – [Glassdoor.com review]

"Certain members of the senior management team are immature and inexperienced leaders. They don't have the leadership skills and the emotional intelligence required to make them successful in their roles and this is the biggest challenge to C3's growth. These individuals may be intelligent but the damage they cause is more than any benefit they bring to the company. Employee attrition and several lost deals can be traced back to these individuals as employees and clients perceive them as tactless and egotistical. Their leadership immaturity is displayed in their lack of control over their impulses, stubbornness, shouting at people they disagree with and showing no professional respect for colleagues. They promote culture of fear, submission and greed rather than respect, growth and cooperation and because of this retention of other senior leaders and talented individuals is a serious issue as no one wants to work with them." – [Glassdoor.com review]

"Feels like a scam to sell a product that is worse than free alternatives (Tensorflow or any other open-source libraries).
Company lies to their customers a lot by making fake demos (lol at CRM)
Some teams have secretly made projects using React and pretended that they are using the framework
Most of your [total compensation] comes in the form of stock which has been on a steady decline since IPO" – [Glassdoor.com review]

"Micro management and over emphasis on status reporting.... not a place to grow professionally. Incompetent delivery leadership who do not like to engage customers. Too many unhappy customers and counting.." – [Glassdoor.com review]

Egotistic Management who thinks they are the gods when in reality they know nothing about the product, leading to over promising and under deliverance. You have to be a Yes Man in order to survive. Don't like how some people run the company? You'll be asked to clear your desk. The management is so fragile that they're terrified of feedback from a new grad, unless you bend over. Sometimes it felt like working in a cult instead of a software company." –
[Glassdoor.com review]

Governance Concerns

Spruce Point Capital Management

Undisclosed Executive Departures

Spruce Point cautions investors that two Executive Officers, Chief Marketing Officer ("CMO") Bruce Cleveland and General Counsel Brady Mickelsen are no longer employed by C3. Because they are not explicitly "Named Executives" in C3's proxy statement, C3 did not file an 8-K with the SEC, or announce their replacements, to notify investors. However, we believe as a best practice C3 should have done so. On C3's website, Rip Gerber is now listed as CMO since Jan 2022 and Chip Lutton is SVP and GC since September 2021. Even more alarming, on June 2, 2021 C3 announced Sam Alkharrat as President and Chief Revenue Officer. Mr. Alkharrat appeared on C3's Executive Team page, but has since been removed.(1)

EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of August 1, 2021. Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Thomas M. Siebel	68	Chief Executive Officer and Chairman of the Board
David Barter	49	Senior Vice President and Chief Financial Officer
Edward Y. Abbo	56	Chief Technology Officer
Houman Behzadi	43	Chief Product Officer
Bruce Cleveland	62	Senior Vice President and Chief Marketing Officer
Brady Mickelsen	50	Senior Vice President and General Counsel

With CFO David Barter also having resigned, half of the executives have left since Aug 2021

Chip Lutton

Senior Vice President and General Counsel

Mr. Lutton has served as our Senior Vice President and General Counsel since September 2021. Prior to joining us, Mr. Lutton was Senior Director of Legal, Hardware Products and Services at Google, from 2018 to 2021. From 2012 to 2018, Mr. Lutton served as Vice President and General Counsel of Nest, which was acquired by Alphabet. From 2001 to 2011, Mr. Lutton served as Associate General Counsel and Chief Patent Counsel at Apple. He also worked in private practice from 1993 to 1999 in Texas and California and served as a judicial law clerk to Circuit Judge Randall R. Rader on the United States Court of Appeals for the Federal Circuit

Mr. Lutton holds a B.S. in Electrical Engineering from Rice University and a J.D. from Columbia University.

Rip Gerber

Senior Vice President and Chief Marketing Officer

Mr. Gerber has served as our Senior Vice President and Chief Marketing Officer since January 2022. Mr. Gerber brings over 25 years of enterprise cloud software and marketing management experience to his role, at public and private software companies and global marketing agencies. Prior to C3 AI, he served as Chief Marketing Officer and Chief Alliances Officer of Vlocity, Inc., an industry cloud CRM company, acquired by Salesforce in June 2020.

Mr. Gerber holds an M.B.A. from Harvard University and a Bachelor of Science in Chemical Engineering from the University of Virginia.

Source: C3 proxy statement and C3.ai Leadership website

1) Sam Alkharrat hiring announcement, appearance on Executive Team, and disappearance

Spruce Point
Capital Management

Undisclosed Potential Conflicts of Interest: Can The Board Truly Be Objective?

Documentary evidence shows that CEO Siebel's foundation maintained investments with Makena Capital through 2019. The Foundation has not made any subsequent filings. Two current C3 directors, Condoleezza Rice and Michael McCaffery (who is "Lead Independent Director" are affiliated with Makena Capital. Mr. McCaffery sits on C3's audit committee. If the Siebel family still maintains assets at Makena Capital and paying it management fees, how can C3's Board members be objective and without conflict?

Siebel Foundation With Money At Makena Capital

THE THOMAS AND STACEY SIEBEL FOUNDATION 94-3256331

FORM 990-PF OTHER INCOME STATEMENT 2

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST-MENT INCOME	(C) ADJUSTED NET INCOME
NET PASSHTRU INCOME FROM AVIATION HOLDINGS III, LP	124,123.	124,123.	
NET PASSHTRU INCOME FROM AVIATION HOLDINGS III, LP - UBTI	50,470.	0.	
NET PASSHTRU INCOME FROM NINETEEN77 GLOBAL MERGER ARBITRAGE, LLC	366,261.	366,261.	
NET PASSHTRU INCOME FROM EUROPEAN HEDGE FUND, LLC	1,365,729.	1,365,729.	
NET PASSHTRU INCOME FROM MAKENA CAPITAL SPLITTER X, LP	205,022.	205,022.	
NET PASSHTRU INCOME FROM MAKENA CAPITAL SPLITTER X, LP - UBTI	134,769.	0.	
NET PASSHTRU INCOME FROM MULTI-ALTERNATIVE OPPORTUNITIES FUND (B) LP	116,419.	116,419.	
NET PASSHTRU INCOME FROM MULTI-ALTERNATIVE OPPORTUNITIES FUND (B) LP - UBTI	63,584.	0.	
NET PASSHTRU INCOME FROM ROCKPOINT GROWTH AND INCOME REAL ESTATE FUND - UBTI	109,582.	109,582.	
NET PASSHTRU INCOME FROM ROCKPOINT GROWTH AND REAL ESTATE FUND II, LP	4,942.	0.	
NET PASSHTRU INCOME FROM ROCKPOINT GROWTH AND REAL ESTATE PARALLEL III	-13,934.	0.	
TOTAL TO FORM 990-PF, PART I, LINE 11	2,526,967.	2,287,136.	

Source: 2019 IRS Form 990-PF

Current C3 Directors Active At Makena Capital

Michael G. McCaffery. Mr. McCaffery has served as a member of our board of directors since March 2009. Since December 2005, **Mr. McCaffery has served as the Managing Director for Makena Capital Management, an investment management firm, and was Chief Executive Officer of Makena Capital Management from December 2005 to January 2013**.

Source: C3 prospectus and Makena Capital website

Dr. Rice served as Chief National Security Advisor to President George W. Bush. **Dr. Rice currently serves on the boards of directors** of Dropbox, Inc., a cloud-based file sharing company, **and Makena Capital Management, LLC, a private endowment firm**.

Source: C3 prospectus and Makena Capital website

Concerns With Director Sastry

Spruce Point sees an inherent conflict if Director Sastry has received funding from Mr. Siebel. Berkley's website says it is an endowed chair.(1) How objective can he be in his decision-making, and will he look out for shareholders' interests ahead of Mr. Siebel's interests?

Is Mr. Siebel Funding A Professorship For A Director?

S. Shankar Sastry. Dr. Sastry has served as a member of our board of directors since January 2009. **Dr. Sastry has served in a number of roles with the University of California, Berkeley, including as the Thomas Siebel Professor of Computer Science since January 2019**, the director of the Blum Center for Developing Economies since February 2007, and the co-director of the C3.ai Digital Transformation Institute since March 2020. He also served as the Dean and Roy W. Carlson Professor of Engineering from July 2007 to June 2018 and as Chairman, Department of Electrical Engineering and Computer Sciences, University of California, Berkeley from January 2001 through June 2004. From October 2004 to July 2007, Dr. Sastry served the Director of the Center for Information Technology in the Interests of Society, an interdisciplinary center spanning UC Berkeley, Davis, Merced and Santa Cruz. From November 1999 to March 2001, he was the Director of the Information Technology Office at the Defense Advanced Research Projects Agency. He was elected to the National Academy of Engineering in 2001 and the American

Source: C3 proxy statement

1) Berkley Engineering Endowed chairs and distinguished professorships

Beware of Celebrity Directors Hiding Dark Pasts

Three key directors of C3, with otherwise impressive credentials, fail to disclosure their corporate director roles at companies that went through accounting scandals and/or were alleged to have committed fraud. Notably, Condoleezza Rice fails to list her director role at Kior (Nasdaq: KIOR), which went bankrupt and was charged with fraud by the SEC. Patricia House served on the Audit Committee of Shutterfly (Nasdaq: SFLY) and resigned ahead the company issuing a "non-reliance" opinion on its financials and having to conduct a multi-year financial restatement. Michael McCaffrey's biography omits his role at KB Home during a tumultuous financial restatement.

	Condoleezza Rice	Patricia House	Michael McCaffrey
Boards Listed In C3 Prospectus	"Dr. Rice currently serves on the boards of directors of Dropbox, Inc., a cloud-based file sharing company, and Makena Capital Management, LLC, a private endowment firm."	"She also previously served on the board of directors of Levi Strauss & Co from July 2003 until November 2007"	"Since February 2015, Mr. McCaffery has also served on the board of directors for NVIDIA Corporation, a technology company"
Past Board Service **Not** Mentioned In C3's Prospectus	Chevron, Charles Schwab, Transamerica, Hewlett-Packard Kior (Nasdaq: KIOR) August 2011 – Dec 2013	Shutterfly, BDNA, and First Virtual (Siebel's investment holding Corp)	KB Homes
What Happened?	KIOR went bankrupt and the SEC charged the former CEO and President with Fraud Executives were sued by the State of Mississippi for alleged fraud	Oct: 2009: Shutterfly issues a "Non-Reliance" opinion on its financial statements and restates financials March 2009: Patricia House, who was on the audit committee, resigned ahead of the restatement	Dec 2005: McCaffrey appointed Chair of Audit and Compliance Committee Dec 2006: KB Home Issued a "Non-Reliance" opinion on its financial statements and inventory impairment charges that would be \$235m to \$285m and \$90m related to land option contracts
Comparison To C3	• Speculative biomass technology venture with a history of losses • Backed by a legendary Silicon Valley investor Vinod Khosla (and Bill Gates) • Promoted IPO on the Nasdaq	• Fast growing technology company • Backed by VC and legendary technologist James H. Clark, founder of Netscape	

CEO Siebel Has Sold $596m of C3 Stock In 2021 At Attractive Prices

Mr. Siebel borrowed money from C3.ai and has been active seller of C3.ai both as private company and of course, since the company went public. Prior to C3.ai's IPO, Tom Siebel sold $100m of stock in October 2019 and then sold $596m of stock in 2021. We estimate his long-time partner Mr. Abbo has sold $44m at an avg price of $69.44. Certain conditions allowed the executives to sell stock after 90 days instead of the traditional 180 day lock-up period.

Loan Transacton Between Tom Siebel and C3.ai

$ in Millions

Date	Description	Amount
January 2018	Loan Issued to Tom Siebel	$24.5
September 2020	Loan repaid by Tom Siebel	($26.0)

Stock Sales Prior to IPO

$ in Millions

Date	Price	Shares	Amount
October 2019	$25.23	3,962,798	$100.0
Total		**3,962,798**	**$100.0**

CEO Siebel Quote, ZdNet.com

"Nothing about this is going to change my life financially. That being said, building relational database management systems was an important technology that changed the world. At Siebel I'm confident we did something important. I think this is more important and can change the face of computing. This is what is motivating me. I want to make a big contribution.“

Stock Sales in 2021

$ in Millions

Date	Price	Shares	Amount
3/8/2021	$83.61	1,000,000	$83.6
3/9/2021	$84.91	922,083	78.3
3/10/2021	$84.56	341,158	28.8
3/15/2021	$86.77	484,860	42.1
3/16/2021	$83.00	42,135	3.5
3/17/2021	$80.56	611,029	49.2
6/7/2021	$60.91	500,000	30.5
6/8/2021	$63.29	650,000	41.1
6/9/2021	$62.10	144,356	9.0
6/10/2021	$58.08	705,644	41.0
6/14/2021	$60.00	351,409	21.1
6/15/2021	$57.25	329,500	18.9
7/13/2021	$55.12	239,453	13.2
7/14/2021	$51.44	427,838	22.0
8/16/2021	$46.62	297,633	13.9
8/17/2021	$45.94	229,315	10.5
8/18/2021	$46.08	126,997	5.9
9/13/2021	$49.05	337,366	16.5
9/14/2021	$48.50	228,100	11.1
9/15/2021	$49.68	75,400	3.7
10/13/2021	$46.76	185,800	8.7
10/14/2021	$46.63	134,749	6.3
10/15/2021	$45.30	163,600	7.4
11/15/2021	$48.28	369,525	17.8
11/16/2021	$48.47	245,963	11.9
Total	**$65.18**	**9,143,913**	**$596.0**

Attractive Average Sale Prices By Mr. Siebel Relative To The Current Price

Sources: Bloomberg, ZDNet.com, IPO Prospectus

No Standard Clawback Policy For Fraud

Why did the compensation committee grant options on much harsher terms to a new CFO than to the CEO and his long-time associate Mr. Abbo? We observe that C3 does not have a formal Clawback Policy for fraud adopted.

Equity compensation is a key component of our executive compensation program that is designed to further align the interests of our executive officers with the interests of our stockholders and maintain the focus of our leadership team on long-term performance. In fiscal year 2021, equity compensation was provided in the form of options granted under the C3.ai, Inc. 2012 Equity Incentive Plan, or the 2012 Plan. Going forward, we expect equity compensation will be provided in the form of options and restricted stock units under the C3.ai, Inc. 2020 Equity Incentive Plan, or the 2020 Plan.

In July 2020, our compensation committee granted options to purchase 166,667 shares of common stock to Mr. Abbo. Each of the options has an exercise price per share of $4.56. Twenty percent of the shares of common stock subject to such options vest on the one-year anniversary of the grant date, and the remaining eighty percent of the shares of common stock subject to the option vest in equal monthly installments over four years thereafter, subject to Mr. Abbo's continuous service with us as of each such vesting date. In addition, the options permit early exercise, whereby Mr. Abbo may purchase shares subject to such options prior to vesting, subject to our right to repurchase such shares lapsing over time in accordance with the vesting schedule of the original option.

In August 2020, our board of directors granted options to purchase 6,116,666 shares of common stock to Mr. Siebel. Each of the options has an exercise price per share of $11.16. The shares of common stock subject to these options vest in equal quarterly installments over five years measured from the grant date, subject to Mr. Siebel's continuous service as our Chief Executive Officer or Executive Chairman as of each such vesting date. In addition, the options permit early exercise, whereby Mr. Siebel may purchase shares subject to such options prior to vesting, subject to our right to repurchase such shares lapsing over time in accordance with the vesting schedule of the original option. Each option vests in full on a change in control, as defined in the applicable option agreement.

In October 2020, our compensation committee granted options to purchase 1,166,667 shares of common stock to Mr. Barter. Each of the options has an exercise price per share of $17.10. Twenty percent of the shares of common stock subject to such options vest on the one-year anniversary of the grant date, and the remaining eighty percent of the shares of common stock subject to the option vest in equal monthly installments over four years thereafter, subject to Mr. Barter's continuous service with us as of each such vesting date. In addition, the options permit early exercise, whereby Mr. Barter may purchase shares subject to such options prior to vesting, subject to our right to repurchase such shares lapsing over time in accordance with the vesting schedule of the original option. Each option vests in full twelve months following a change in control, as defined in the 2012 plan, or immediately upon termination following a change of control if Mr. Barter is terminated without cause or is not offered an equivalent position with the successor following the change in control. In addition, if Mr. Barter is terminated without cause, regardless of a change in control, within the first year of Mr. Barter's employment, twenty percent of the shares subject to these options will immediately vest. For these purposes, "cause" means (a) a good faith finding by our board of directors that Mr. Barter has (i) engaged in theft, fraud, embezzlement, dishonesty, gross negligence, misconduct or similar conduct; (b) been convicted of, or entered a pleading of guilty or *nolo contendere*, or confessed guilt of, a felony or any crime or act involving moral turpitude or fraud; (c) materially breached or threatened material breach of any of the material provisions contained in Mr. Barter's offer letter agreement, any agreement with us, or any of our written policies; or (d) materially failed, except to the extent due to disability or death, to perform his duties for us.

Valuation And Downside Case: 40% – 50%

Spruce Point Capital Management

Food For Thought: Why Did The Recent CFO Abandon In-The-Money Options At $17.10 Per Share?

By resigning on November 27, 2021, former CFO David Barter walked away from over 900,000 options with a $17.10 exercise price. The share price was around $38 at the time, and the options had nearly $20m of intrinsic value. One plausible explanation is that the former CFO thought by the time he could exercise the remaining options, the stock would be below $17.10 per share.

CFO's David Barter's Last Form 4 (Signed By Mickelsen Who Has Also Departed C3)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Stock Option (Right to Buy)	$17.1	11/12/2021		M(1)			19,444	(2)	10/20/2030	Class A Common Stock	19,444	$0.00	913,891	D	

Explanation of Responses:

1. Transaction pursuant to a previously established Rule 10b5-1 Plan.

2. Twenty percent (20%) of the shares subject to the option grant vested on October 8, 2021, and the remaining eighty percent (80%) of each such grant vests on a monthly basis for the following four years, so long as the Reporting Person continues to provide services through such vesting dates.

Remarks:

/s/ Brady Mickelsen, Attorney-in-Fact — 11/15/2021

** Signature of Reporting Person — Date

Source: Form 4 David Barter former CFO
Note: Red emphasis Spruce Point. Resignation notification.

The Market Mismodels C3's Capital Structure

Spruce Point believes that current market data services fail to account for significant dilutive securities (options and RSUs), new operating lease commitments, and the liability to the Digital Transformation Institute (DTI).

Spruce Point Adjusted Enterprise Value

$ in mm, except shares	C3.AI	Spruce Point Adjustments	Pro Forma Capital Structure
Stock Price US$	**$25.69**	--	**$25.00**
Basic and Diluted[1]	105.0	31.2	136.3
Market Capitalization	**$2,698.4**	**--**	**$3,517.8**
DTI Commitments[2]	--	$37.4	$37.4
Operating Lease Liability[3]	$4.4	$50.9	$55.3
Total Debt	**$4.4**	**$88.3**	**$92.7**
Less: Cash and Equivalents	($1,072.1)	--	($1,072.1)
Enterprise Value	**$1,630.7**	**--**	**$2,538.4**

Source: Spruce Point Analysis
1) 34.4m dilutive options at $6.39 (25.2m post treasury methods) and 6m RSUs
2) Cash commitments to the Digital Technology Institute
3) $103m lease discounted at 7.3% over 10 years

Market Data Providers Ignore Leases In For Total Debt

Share Statistics	
Avg Vol (3 month) [3]	4.11M
Avg Vol (10 day) [3]	3.54M
Shares Outstanding [5]	101.54M
Implied Shares Outstanding [6]	105.04M

Source: Yahoo! Finance

Relative Value Peers

Spruce Point believes that C3 might look optically cheap relative to high growth data and AI peers, but that C3's revenue estimates are too high, and lie on a shaky foundation with a related-party Baker Hughes. If history is any guide, there is continued risk of revenue deferment with Baker Hughes, or an outright termination of the agreement. For the purposes of the table below, we show a conservative 20% haircut to Baker Hughes FY 2023 revenue, and the resulting valuation impact. We also estimate that gross margins outside of the Baker Hughes relationship is in the mid 60% range which is extremely low for software companies (see: Appendix)

$ in mm, except per share figures

	Stock	Adj	2022E			Sales	EV / Sales		EV / Gross Profit	
	Price	Ent.	Gross	OCF	EBITDA	Growth				
Name (Ticker)	2/15/2022	Value	Margin	Margin	Margin	'21E-'22E	2022E	2023E	2022E	2023E
Datadog (DDOG)	$169.35	$57,828	78.4%	18.9%	15.7%	37.3%	27.5x	19.8x	35.1x	24.7x
MongoDB (MDB)	$447.20	$29,125	72.1%	-4.9%	0.3%	37.2%	25.6x	20.2x	35.5x	27.2x
Palantir (PLTR)	$14.15	$25,566	80.3%	25.4%	26.8%	30.7%	12.8x	10.9x	16.0x	12.3x
Splunk (SPLK)	$124.46	$21,632	75.7%	9.7%	-7.5%	18.3%	7.2x	5.5x	9.6x	8.0x
Elastic (ESTC)	$92.68	$8,651	76.8%	5.1%	0.4%	28.6%	8.9x	6.4x	11.6x	9.1x
Alteryx (AYX)	$52.28	$3,720	90.3%	15.3%	6.8%	19.2%	5.0x	3.8x	5.6x	4.5x
			80.3%	25.4%	26.8%	37.3%	27.5x	20.2x	35.5x	27.2x
			76.7%	10.8%	7.1%	30.4%	16.4x	12.5x	21.5x	16.2x
			72.1%	-4.9%	-7.5%	18.3%	7.2x	5.5x	9.6x	8.0x
C3.ai (AI)	**$25.69**	**$1,631**	**75.4%**	**-27.6%**	**-31.8%**	**34.1%**	**5.3x**	**4.1x**	**7.1x**	**5.4x**
SP Adjusted	**$25.69**	**$2,538**	**65.1%**	**-27.6%**	**-31.8%**	**34.1%**	**7.6x**	**6.7x**	**11.7x**	**10.4x**

Source: Spruce Point Analysis and Bloomberg consensus estimates

Spruce Point Estimates 40% To 50% Downside Over The Next 12 Months

Spruce Point believes there is significant downside to C3's share price as investors begin to discount the value and continuation of the Baker Hughes relationship beyond 2025. Furthermore, Spruce Point believes that major estimate revisions for FY23 are likely as sell-side analysts are incorporating an acceleration in revenue growth (excluding Baker Hughes) that is double the historical growth rate that we have witnessed since April 2019. We value C3 as a run-off of the high-margin (99%+) Baker Hughes revenues, and apply a discounted multiple to the remaining revenue.

		Valuation Range		
		Low	Medium	High
$ in million	**FY22E**	**FY23E**	**FY23E**	**FY23E**
Value of All Other Customers [1]				
All Other Customers Revenues	$176.1	$202.5	$211.3	$228.9
Growth		*15%*	*20%*	*30%*
Multiple		4.0x	4.5x	5.0x
Value of "All Other Customers"		**$809.9**	**$950.8**	**$1,144.4**
PV of Baker Hughes Revenue Contracts Through FY25 [2]		**$326.1**	**$326.1**	**$326.1**
Enterprise Value		**$1,136.0**	**$1,276.9**	**$1,470.6**
Estimated Net Debt (cash) at 4/30/2023				
Total Current Debt		$92.7	$92.7	$92.7
Beg Cash as of 10/31/2021		$1,072.1	$1,072.1	$1,072.1
Less: Cash Burn through FY23 [3]		($154.9)	($154.9)	($154.9)
Ending Cash at 4/30/2023		**$917.2**	**$917.2**	**$917.2**
Net Debt (cash) at 4/30/2023		**($824.5)**	**($824.5)**	**($824.5)**
Implied Market Capitalization		**$1,960.5**	**$2,101.4**	**$2,295.1**
Future Diluted Shares Count [4]		143.1	143.1	143.1
Price Target		**$13.70**	**$14.68**	**$16.04**
Upside / Downside		***-47%***	***-43%***	***-38%***

Source: Bloomberg, Spruce Point Research

(1) Spruce estimate of valuation for all customers excluding Baker Hughes
(2) Present value of Baker Hughes remaining revenue contributions in FY23 through FY25 and assumed $36.7m of revenues in 2H'22 using a 9.6% WACC discount rate. We assume that cash flow generated from Baker Hughes equals its revenue generation
(3) Free Cash Flow burn over the next six quarters are based on Bloomberg estimates
(4) We assume 4% diluted share count growth over the next six quarters

Spruce Point Projections

Spruce Point believes projections from “all other customers” ex: Baker Hughes embedded in sell-side estimates are simply too high given significant employee turnover across verticals and regions, and our backlog analysis.

($ in Millions)	FY19 4/19	FY20A 4/20	FY21A 4/21	FY22 1Q22A 07/21	FY22 2Q22A 10/21	FY22 3Q22E 01/22	FY22 4Q22E 04/22	FY22E 4/22	FY23E (4/23) Cons	FY23E (4/23) Spruce Point
Baker Hughes Direct										
Revenues	$0.1	$40.7	$35.4	$12.3	$15.9	$14.1	$14.1	$56.4		$65.0
Cost of Revenues	$0.0	$0.0	$0.1	$0.1	$0.1	$0.0	$0.0	$0.2		$0.0
Gross Profit	**$0.1**	**$40.7**	**$35.3**	**$12.2**	**$15.8**	**$14.1**	**$14.1**	**$56.2**		**$65.0**
GM%	100%	100%	100%	99%	99%	100%	100%	100%		100%
Baker Hughes Non-Direct[(1)]										
Revenues	$0.0	$6.0	$20.5	$3.8	$4.7	$4.3	$4.3	$17.0		$20.0
Cost of Revenues	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		$0.0
Gross Profit	**$0.0**	**$6.0**	**$20.5**	**$3.8**	**$4.7**	**$4.3**	**$4.3**	**$17.0**		**$20.0**
GM%	100%	100%	100%	100%	100%	100%	100%	100%		100%
All Other Customers										
Revenues	$91.5	$110.0	$127.3	$36.3	$37.7	$48.9	$53.3	$176.1	$247.9	$211.3
Growth		*20%*	*16%*	*17%*	*24%*	*35%*	*79%*	*38%*	*41%*	*20%*

Source: Bloomberg, Spruce Point Research

(1) Non-Direct Baker Hughes revenues are assumed to be recognized at 100% gross margins

Growth from “All Other Customers” excluding Baker Hughes has grown in the range of 16% to 24% since April 2019.

Yet, the sell-side is modeling an acceleration to +40% in FY23. This is more than double the growth rate we have witnessed since April 2019. We’ve documented significant sales turnover across many of C3’s verticals

Spruce Point’s applied a similar logic to understand growth in C3.ai’s backlog excluding commitments from Baker Hughes We estimate that Backlog (see backlog analysis) from all other customers has increased ~$6m thus far this year from $163.1m to $169.2m which does not substantiate the 40% revenue growth that sell-side analysts currently expects

Appendix: Remaining Performance Obligation And Backlog Detail

Appendix: Baker Hughes JV Backlog Reconciliation

Spruce Point Calculation of True Backlog							
$ in millions	4Q20 4/30/2020	1Q21 7/31/2020	2Q21 10/31/2020	3Q21 1/31/2021	4Q21 4/30/2021	1Q22 7/31/2021	2Q22 10/31/2021
GAAP Remaining Performance Obligations (RPO)	**$239.7**	**$275.1**	**$267.4**	**$247.5**	**$293.8**	**$290.6**	**$465.5**
+Baker Hughes Commitments not in RPO	183.8	270.9	249.9	241.8	219.3	204.4	23.7
= Non-Cancellable Backlog	**$423.5**	**$546.0**	**$517.3**	**$489.3**	**$513.1**	**$495.0**	**$489.2**
Non-Cancellable Backlog -- Breakout							
From Baker Hughes JV[1]	$270.0	$393.8	$382.8	$369.9	$350.0	$333.9	$320.0
From All other Customers	$153.5	$152.2	$134.5	$119.4	$163.1	$161.1	$169.2
Total	**$423.5**	**$546.0**	**$517.3**	**$489.3**	**$513.1**	**$495.0**	**$489.2**

(1) See next slide for calculation

Not much recent backlog growth from Non-Baker Hughes Customers In Past Three Quarters

SPRUCE POINT
CAPITAL MANAGEMENT

Appendix: Baker Hughes JV Backlog Reconciliation (Cont'd)

Baker Hughes JV Backlog Reconciliation

$ in millions	4Q20 4/30/2020	1Q21 7/31/2020	2Q21 10/31/2020	3Q21 1/31/2021	4Q21 4/30/2021	1Q22 7/31/2021	2Q22 10/31/2021
Original Contract							
Year 1	Completed						
Year 2	$100.00						
Year 3	$170.00						
Revenue Burn	$0.00						
2nd Amendment (6/1/2020)							
Year 1							
Year 2		$53.3	$53.3	$53.3	Completed	Completed	
Year 3		$75.0	$75.0	$75.0	$75.0	$75.0	
Year 4		$125.0	$125.0	$125.0	$125.0	$125.0	
Year 5		$150.0	$150.0	$150.0	$150.0	$150.0	
Revenue Burn		($9.5)	($20.5)	($33.4)		($16.1)	
3rd Amendment (10/31/21)							
Year 1							
Year 2							
Year 3							
Year 4							$85.0
Year 5							$110.0
Year 6							$125.0
Revenue Burn							
Total	**$270.0**	**$393.8**	**$382.8**	**$369.9**	**$350.0**	**$333.9**	**$320.0**

Baker Hughes Total Revenues

	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Baker Hughes Total Revenues							
Direct Revenues		$6.8	$6.8	$8.0	$13.8	$12.3	$15.9
Indirect Revenues [(1)]		2.7	4.2	4.9	8.7	3.8	4.7
Baker Hughes Total Revenues		**$9.5**	**$11.0**	**$12.9**	**$22.5**	**$16.1**	**$20.6**

(1) Quarterly Estimates are imputed and estimated based on C3.ai's disclosure

Spruce Point Capital Management

Gross Margins (Non-Baker Hughes)

Spruce Point's analysis shows that without Baker Hughes, C3's margins are in the mid 60% range.

Spruce Point Gross Profit Analysis

($ in Millions)	FY19 4/19	FY20A 4/20	1Q21A	2Q21A	3Q21A	4Q21A	FY21A 4/21	FY22 1Q22A 07/21	FY22 2Q22A 10/21	FY22 3Q22E 01/22	FY22 4Q22E 04/22	FY22E 4/22	FY23E (4/23) Cons	FY23E (4/23) Spruce Point
Baker Hughes Direct														
Revenues	$0.1	$40.7	$6.8	$6.8	$8.0	$13.8	$35.4	$12.3	$15.9	$14.1	$14.1	$56.4		$65.0
Cost of Revenues	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1	$0.1	$0.0	$0.0	$0.2		$0.0
Gross Profit	**$0.1**	**$40.7**	**$6.8**	**$6.8**	**$8.0**	**$13.7**	**$35.3**	**$12.2**	**$15.8**	**$14.1**	**$14.1**	**$56.2**		**$65.0**
GM%	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*99%*	*99%*	*100%*	*100%*	*100%*		*100%*
Baker Hughes Non-Direct(1)														
Revenues	$0.0	$6.0	$2.7	$4.2	$4.9	$8.7	$20.5	$3.8	$4.7	$4.3	$4.3	$17.0		$20.0
Cost of Revenues	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		$0.0
Gross Profit	**$0.0**	**$6.0**	**$2.7**	**$4.2**	**$4.9**	**$8.7**	**$20.5**	**$3.8**	**$4.7**	**$4.3**	**$4.3**	**$17.0**		**$20.0**
GM%	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*		*100%*
All Other Customers														
Revenues	$91.5	$110.0	$31.0	$30.3	$36.2	$29.8	$127.3	$36.3	$37.7	$48.9	$53.3	$176.1	$247.9	$211.3
Growth		*20%*					*16%*	*17%*	*24%*	*35%*	*79%*	*38%*	*41%*	20%
Cost of Revenues	30.4	38.8	10.5	10.1	12.2	11.7	44.5	12.9	15.9	16.0	16.7	61.5		
Gross Profit	**61.1**	**71.2**	**20.5**	**20.3**	**24.0**	**18.1**	**82.9**	**23.4**	**21.8**	**32.9**	**36.6**	**114.6**		
GM%	*66.8%*	*64.7%*	*66.1%*	*66.8%*	*66.2%*	*60.9%*	*65.1%*	*64.4%*	*57.8%*	*67.3%*	*68.7%*	*65.1%*		

(1) Quarterly estimates are imputed and estimated based on C3.ai's disclosure