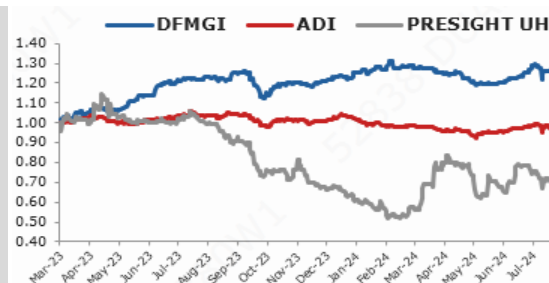


Presight AI Holding PLC

Higher proportion of multi-year contracts and favourable deployment mix benefitted topline

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.44	AED 3.05	+25%	BUY

- Revenue and profit before tax saw strong YOY growth, driven by a higher proportion of multi-year contracts, a favorable deployment mix, and a one-month boost from AIQ.
- Maintained its medium-term guidance provided in March 2024.
- Added AED 131.8 Mn worth of contracts to the order book in 1H24 with an order backlog of AED 1.14 Bn in 1H24, ensuring a stable and predictable revenue stream.
- Presight secured a new AED 312 Mn contract with Jordan's Ministry of Digital Economy to transform healthcare IT, including virtual hospitals and billing systems in July 2024.
- Presight completed the acquisition of a 51% stake in AIQ, a leading provider of AI solutions in the energy sector.



Stock Information

Market Cap (AED, Mn)	14,133.87
Paid Up Capital (Mn)	560.87
52 Week High	3.26
52 Week Low	1.65
3M Avg. daily value (AED)	11,164,730

2Q24 Result Review (AED, Mn)

Total Assets	4,774
Total Liabilities	1,451
Total Equity	3,322
EBITDA	72
Net Profit	71

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	14.53
Price-to-Book Ratio (x)	4.51
Book Value (AED)	0.56
Return-on Equity (%)	21.11

Stock Performance

5 Days	6.33%
1 Months	2.44%
3 Months	5.44%
6 Months	39.23%
1 Year	-22.22%
Month to Date (MTD%)	4.13%
Quarter to Date (QTD%)	19.43%
Year to Date (YTD%)	16.13%

2Q24 Net Profit lower than our estimate

Presight AI Holding PLC (Presight AI/the Company) recorded a 7.4% YOY increase in net profit to AED 71 Mn in 2Q24, lower than our estimate of AED 89 Mn. The increase was largely driven by a higher proportion of multi-year contracts, a favorable deployment mix, and a one-month boost from AIQ partially offset by an introduction of tax expenses in 2024 and profit attributed to non-controlling interest holder.

P&L Highlights

Presight's revenue increased significantly by 18.7% YOY to AED 341 Mn in 2Q24, driven by a strong performance of multi-year contracts, the one-month contribution from AIQ, and favorable deployment mix. The revenue from the Project Services segment rose 9.5% YOY to AED 309 Mn in 2Q24, while the revenue from Hardware & Software segment grew significantly from AED 6 Mn in 2Q23 to AED 33 Mn in 2Q24. Presight direct costs rose slightly 0.9% YOY to AED 208 Mn in 2Q24 owing to a higher expense incurred on staff cost and allowances partially offset by a decline in sub-contractor costs. Thus, gross profit rose significantly from AED 82 Mn in 2Q23 to AED 133 Mn in 2Q24. Moreover, the gross profit margin rose from 28.4% in 2Q23 to 39.1% in 2Q24. G&A expenses increased significantly from AED 37 Mn in 2Q23 to AED 67 Mn in 2Q24 mainly attributed to a rise in marketing expenses, staff costs, professional fees, depreciation, bank charges, other finance costs, IT expenses, and other expenses. Thus, EBITDA rose from AED 48 Mn in 2Q23 to AED 72 Mn in 2Q24, while EBITDA margin also improved from 16.5% in 2Q23 to 21.0% in 2Q24. The finance income remained unchanged at AED 22 Mn in 2Q24 compared to 2Q23. Presight incurred an income tax expense of AED 8 Mn in 2Q24 owing to introduction of corporate tax in the UAE in 2024. Furthermore, the profit attributed to non-controlling interest holder rose from AED 1 Mn in 2Q23 to AED 9 Mn in 2Q24.

Balance Sheet Highlights

Presight generated AED 179 Mn in cash flow from operations in 2Q24 compared to a positive AED 132 Mn in 2Q23 owing to a growth in profit and efficient working capital management in 2Q24. The Company generated cash flow working capital of AED 105 Mn in 2Q24 compared to a negative cash outflow of AED 189 Mn in 1Q24. The cash and bank balances declined from AED 2.0 Bn in 1Q24 to AED 1.3 Bn in 2Q24 due to an outflow of AED 900 Mn to acquire a majority stake in AIQ during 2Q24.

Target Price and Rating

We maintain our BUY rating on Presight with an unchanged target price of AED 3.05. The company generated 90.7% of the total revenue from multi-year contracts in 1H24, reflecting a robust future revenue outlook and cash flow generation. It also generated 91.9% of 1H24 revenue from backlog contracts. In addition, it received an additional order worth AED 131.8 Mn in 1H24, taking the total order backlog to AED 1.14 Bn at the end of 2Q24 and ensuring a stable and predictable revenue stream. Moreover, Presight secured a new AED 312 Mn contract with Jordan's Ministry of Digital Economy to transform healthcare IT, including virtual hospitals and billing systems in July 2024. The Company also received new multi-year domestic contracts from the UAE Accountability Authority (UAEAA), the Abu Dhabi Accountability Authority (ADAA) and the Ministry of Education (MoE) for the deployment of AI solutions benefiting topline. It also recorded a margin expansion in 2Q24 owing to a less than proportionate rise in direct costs. The Company maintained its financial guidance and expects its revenue growth of 17-23%, EBITDA growth of 15-20%, and net profit growth of 10-15% in the next four years. Presight acquired a 51% stake in AIQ in 2Q24. AIQ is the leading provider of AI solutions in the energy sector. AIQ combines its AI energy solutions with Presight's cross-sector big data analytics and global market access offering a strong expansion opportunity. It also announced a strategic partnership with Wand AI, a leader in human-AI collaboration based in the US, to develop and deploy generative AI technology for several industries including finance, retail, real estate, construction, legal, and others. Moreover, it signed MoUs with Dell Technologies to develop and deploy Smart City solutions and Obvious Technologies (OODA World) to revolutionize crisis and disaster management with AI. Gambia's Ministry of Communications and Digital Economy (MOCDE) partnered with Presight. The partnership's scope includes developing a digital ecosystem for the citizens while fostering its B2G relationships. Presight is poised to benefit from the partnerships as it will drive innovation, advance the development of cutting-edge AI solutions, and expand its global reach. The Company allocated a budget of USD 150-200 Mn for an M&A deal to enhance its product portfolio and technological capabilities. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

Presight - Relative valuation

(at CMP)	2022	2023	2024F
EV/EBITDA (x)	NA	18.7	22.1
PE (x)	NA	20.2	24.5
PB (x)	NA	3.9	3.9

FABS Estimates & Co Data

Presight – P&L

AED Mn	2Q23	1Q24	2Q24	2Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	288	262	341	353	-3.3%	18.7%	30.2%	1,781	2,173	22.0%
Cost of sales	-206	-131	-208	-213	-2.4%	0.9%	59.1%	-1,123	-1,434	27.8%
Gross Profit	82	131	133	140	-4.7%	63.3%	1.6%	658	739	12.3%
G&A & marketing exp	-37	-53	-67	-58	16.1%	83.4%	26.8%	-162	-192	18.4%
Finance income	22	27	22	16	38.9%	0.9%	-18.5%	75	63	-16.1%
Other Income	0	0	0	0	NM	NM	NM	0	0	NM
EBITDA	48	82	72	97	-25.9%	50.4%	-12.6%	507	565	11.4%
Profit before tax	67	106	88	98	-9.9%	31.9%	-16.3%	571	610	6.8%
Income tax expense	0	-10	-8	-9	-11.0%	NM	-18.4%	0	-55	NM
Profit before NCI	67	96	80	89	-9.7%	20.1%	-16.1%	571	555	-2.8%
Non-controlling interest	1	0	9	0	NM	NM	NM	0	44	NM
Net Profit	66	96	71	89	-19.9%	7.4%	-25.6%	570	510	-10.5%

FABS estimate & Co Data

Presight AI - Margins

	2Q23	1Q24	2Q24	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
Gross Profit	28.4%	50.1%	39.1%	1,069	-1,104	37.0%	34.0%	-296
EBITDA	16.5%	31.2%	20.9%	442	-1,026	28.5%	26.0%	-247
Net Profit	23.1%	36.6%	20.9%	-219	-1,570	32.0%	23.5%	-854

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and relative valuation methods to value Presight. In the relative valuation, an average of EV/EBITDA and PE multiple is used for valuation. We have assigned 70% weight to DCF and 30% to relative valuation.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.92	70.0%	2.04
Relative Valuation	3.35	30.0%	1.01
Weighted Average Valuation (AED)			3.05
Current market price (AED)			2.44
Upside/Downside (%)			+25%

1) DCF Method:

Presight AI is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 8.5%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, a beta of 0.90, and an equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.5%.

Sum of PV (AED, Mn)	2,624
Terminal value (AED, Mn)	13,735
FV to Common shareholders (AED, Mn)	16,359
No. of share (Mn)	5,609
Current Market Price (AED)	2.44
Fair Value per share (AED)	2.92

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net profit	555	652	789	915	1,062
Depreciation & amortization	8	22	20	18	16
(-) CAPEX	-2	-3	-3	-4	-4
Working Capital	71	-133	-109	-109	-109
Net change in debt	-8	-9	-10	-12	-14
Free Cash Flow to Equity (FCFE)	624	530	686	808	951
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFE	303	475	566	614	666

Source: FAB Securities, ¹FCFF adjusted for partial year

2) Relative Valuation:

We have used local as well as international peers to value Presight and it is valued using the average of EV/EBITDA and PE multiple. It is valued at a 2024 EV/EBITDA multiple of 31.1x and a P/E Multiple of 48.4x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Palantir Technologies	72,562	69.2x	57.7x	91.7x	75.5x
Altair Engineering	7,620	52.6x	43.1x	73.4x	65.3x
Informatica	7,437	14.5x	13.5x	21.7x	20.1x
Coforge Limited	4,837	22.8x	18.7x	39.5x	30.4x
Appier Group	1,104	31.1x	18.6x	72.1x	33.5x
ELM	21,185	40.7x	34.2x	48.4x	41.3x
Solutions	9,422	18.7x	16.8x	22.1x	19.6x
Average		35.7x	29.0x	52.7x	40.8x
Median		31.1x	18.7x	48.4x	33.5x
Max		46.6x	38.6x	72.7x	53.3x
Min		20.7x	17.7x	30.8x	25.2x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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