

Presight AI Holding PLC

Current Price
AED 2.35

Target Price
AED 3.05

Upside/Downside (%)
+30%

Rating
BUY

3Q24 Net profit below our estimate

- Net revenue grew 2.4% YOY to AED 566 Mn in 3Q24, supported by strong revenue growth from AIQ partially offset by deployment re-phasing of one international contract from 3Q24 to 4Q24.
- Revenue from project services grew 0.5% YOY to AED 554 Mn in 3Q24, while revenue from the sale of hardware and software licenses grew significantly from AED 6 Mn in 3Q23 to AED 13 Mn in 3Q24.
- Presight generated 85.7% of its revenue within UAE, while 14.3% from outside UAE in 3Q24.
- The Company recorded AED 976 Mn of revenue from backlog contracts in 9M24 compared to AED 646 Mn in 9M23.
- The Company's revenue from multi-year contracts stood at AED 1072 Mn in 9M24 compared to AED 976 Mn in 9M23.
- Gross profit increased marginally 0.9% YOY to AED 205 Mn in 3Q24. Gross profit margins declined 53 bps YOY and 289 bps QOQ to 36.2% in 3Q24.
- EBITDA fell 32.1% YOY to AED 72 Mn in 3Q24, while EBITDA margins declined from 19.1% in 3Q23 to 12.7% in 3Q24.
- Net profit declined 25.8% YOY to AED 97 Mn in 3Q24, with a decline in net profit margin from 23.6% in 3Q23 to 17.1% in 3Q24.

Earnings Call Summary

- Presight contracted a value of AED 1.14 Bn through new domestic and international multi-year contracts in 3Q24.
- The Company entered into smart city transport and energy sectors agreements and launched a global smart city solution called the Presight Intelli platform.
- The Company introduced the Presight Data Hub, the UAE's first sovereign enterprise data marketplace platform, along with a unique AI startup accelerator program tailored for companies from the MENA region, Southeast Asia, and Central Asia.
- The Company secured two new contracts in Abu Dhabi's domestic market, the first commercial contract for its enterprise AI solution and the second a multi-year agreement with the Abu Dhabi Department of Economic Development to develop a cloud-based data platform for the city's first digital corporate library.
- Presight signed an MOU with Etihad Rail to accelerate its digital transformation, focusing on smart transport and logistics solutions with generative AI.
- The Company also signed an agreement with AD Ports Group's digital cluster to exclusively develop and commercialize AI-powered solutions for the international trade and logistics markets.
- In renewable energy, the Company signed an agreement with Masdar to develop a custom AI-based asset management tool that will support Masdar's global digitalization goals.
- In the transportation sector, the Company signed a contract with the Integrated Transport Center to implement smart city solutions in Abu Dhabi to improve urban living and infrastructure management.
- The Company also signed an international contract and established an MOU with Minciencias Colombia to collaborate on research, technology, and innovation projects in AI, smart cities, energy, and climate.
- Presight also formed a technology partnership with SwissAI AG, a Switzerland-based AI company, IDEMIA Smart Identity and Reach Digital.
- The Company launched UAE's first sovereign data marketplace for secure data exchange and insights, supporting finance, retail, and smart infrastructure sectors.

- Presight launched a UAE-centric program for MENA AI startups, offering resources and market access across 14 regions to scale market-ready solutions.
- The Company expects the 4Q24 revenue to be strongest and in line with the current consensus.
- Presight revenue grew 9.6% YOY to AED 1,170 Mn in 9M24, owing to a strong contribution from the AIQ. Excluding AIQ, the Company's revenue would have declined owing to the deployment re-phasing.
- The Company expects EBITDA growth of 15% to 20% over the next 3-4 years.
- Plans to diversify into other sectors like financial services, energy utilities, and smart infrastructure sectors, which will contribute to future growth.

Presight AI Holdings PLC– P&L

AED mn	3Q23	2Q24	3Q24	3Q24F	Var	YOY Ch	QOQ Ch
Revenue	553	341	566	688	-17.7%	2.4%	65.9%
Cost of sales	-350	-208	-361	-482	-25.0%	3.2%	73.7%
Gross Profit	203	133	205	206	-0.7%	0.9%	53.6%
G&A & marketing exp	-97	-67	-102	-62	64.7%	4.7%	51.4%
Finance income	25	22	17	19	-11.5%	-31.8%	-23.8%
Other Income	0	0	0	0	NM	NM	NM
EBITDA	106	72	72	149	-51.8%	-32.1%	0.0%
Profit before tax	131	88	120	164	-26.7%	-8.1%	35.8%
Income tax expense	0	-8	-11	-15	-26.5%	NM	38.1%
Profit before NCI	131	80	109	149	-26.7%	-16.4%	35.6%
Non-controlling interest	0	9	12	12	2.0%	NM	33.8%
Net Profit	131	71	97	137	-29.2%	-25.8%	35.8%

FABS estimate & Co Data

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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