

## Presight AI Holding PLC

Re-phasing of deployment on an international contract impacted the top and bottom-line

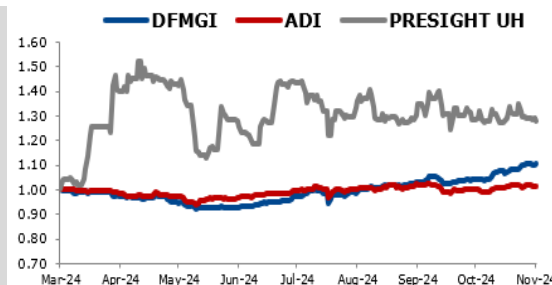
**Current Price**  
AED 2.26

**Target Price**  
AED 3.05

**Upside/Downside (%)**  
+35%

**Rating**  
**BUY**

- The Company maintains a debt-free balance sheet with a healthy cash balance of AED 1.6 Bn providing financial support for future organic and inorganic growth.
- Maintained its medium-term guidance provided in March 2024.
- Added AED 1.14 Bn worth of contracts to the order book in 9M24 with an order backlog of AED 1.58 Bn in 9M24, ensuring a stable and predictable revenue stream.
- Presight secured multiple new contracts including two from the Abu Dhabi government entity, a new contract worth AED 125 Mn between AIQ and ADNOC, and a multi-year contract with Jordan's Ministry of Digital Economy and Entrepreneurship (MODEE).



### 3Q24 Net Profit lower than our estimate

Presight AI Holding PLC (Presight AI/the Company) recorded a 25.8% YOY decline in net profit to AED 97 Mn in 3Q24, lower than our estimate of AED 137 Mn. The introduction of corporate income tax in UAE, lower finance income, and higher payment to non-controlling interest largely drove the decline.

### P&L Highlights

Presight's revenue increased 2.4% YOY to AED 566 Mn in 3Q24, driven by revenue generation from AIQ, however, it declined excluding the contribution from AIQ due to the re-phasing of deployment on one international contract from 3Q24 to 4Q24. The revenue from the Project Services segment rose marginally by 0.5% YOY to AED 554 Mn in 3Q24, while the revenue from Hardware & Software segment grew significantly from AED 3 Mn in 3Q23 to AED 13 Mn in 3Q24. Presight direct costs rose 3.2% YOY to AED 361 Mn in 3Q24 owing to a higher expense incurred on staff cost and allowances coupled with an increase in other direct costs partially offset by a decline in sub-contractor costs. However, gross profit marginally rose 0.9% YOY to AED 205 Mn in 3Q24. Moreover, the gross profit margin declined 53 bps YOY to 36.2% in 3Q24. G&A and marketing expenses increased 4.7% YOY to AED 102 Mn in 3Q24 mainly attributed to increased staff costs, professional fees, depreciation, IT expenses, and other expenses. Thus, EBITDA rose 6.2% YOY to AED 115 Mn in 3Q24, due to a healthy contribution from AIQ. The EBITDA margin also improved 73 bps YOY to 20.3% in 3Q24. The Finance income declined from AED 25 Mn in 3Q23 to AED 17 Mn in 3Q24 due to a decline in cash balance. Presight incurred an income tax expense of AED 11 Mn in 3Q24 owing to introduction of corporate tax in the UAE in 2024. Furthermore, the Company recorded the profit attributed to non-controlling interest holder of AED 12 Mn in 3Q24.

### Stock Information

Market Cap (AED, Mn)	12,675.62
Paid Up Capital (Mn)	560.87
52 Week High	2.80
52 Week Low	1.65
3M Avg. daily value (AED)	12,543,550

### 3Q24 Result Review (AED, Mn)

Total Assets	4,942
Total Liabilities	1,510
Total Equity	3,432
EBITDA	115
Net Profit	97

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	21.86
Price-to-Book Ratio (x)	3.92
Book Value (AED)	0.58
Return-on Equity (%)	19.15

### Stock Performance

5 Days	-1.74%
1 Months	-3.83%
3 Months	-6.61%
6 Months	-9.60%
1 Year	-4.64%
Month to Date (MTD%)	-2.16%
Quarter to Date (QTD%)	-8.87%
Year to Date (YTD%)	4.15%

## Balance Sheet Highlights

Presight generated AED 334 Mn in cash flow from operations in 3Q24 compared to an outflow of AED 113 Mn in 3Q23 owing to improved collection on various customer contracts. The Company generated cash flow from working capital of AED 221 Mn in 3Q24 compared to a negative cashflow of AED 225 Mn in 3Q23. The cash and bank balances rose from AED 1.3 Bn in 2Q24 to AED 1.6 Bn in 3Q24 due to healthy operating cash inflows during the quarter. The Company also boasts a debt-free balance sheet.

## Target Price and Rating

We maintain our BUY rating on Presight with an unchanged target price of AED 3.05. The Company generated 91.6% of the total revenue from multi-year contracts in 9M24, reflecting a robust future revenue outlook and cash flow generation. It also generated 83.4% of 9M24 revenue from backlog contracts. In addition, it received an additional order worth AED 1.14 Bn in 9M24, taking the total order backlog to AED 1.58 Bn at the end of 3Q24 and ensuring a stable and predictable revenue stream. Presight secured two new contracts for the Abu Dhabi government entity including the first commercial contract for Enterprise AI module Vitruvian, to create an audit automation platform. The company also signed a new contract worth AED 125 Mn between AIQ and ADNOC to deploy and implement Energyai, the world's first net-zero industrial AI engine for upstream operations of ADNOC offering GenAI-enabled solutions. Presight also signed a new multi-year contract with ADDED (Abu Dhabi Department of Economic Development) to deploy and develop a cloud-based data platform to create a Digital Corporate Library. AIQ also increased deployment of its pioneering solutions during 3Q24 including the Robowell Autonomous Well-control solution in ten wells of ADNOC's NASR operations, and plans to deploy the solutions in more than 300 ADNOC wells by 2024. SMARTi Intelligent Operational Safety Monitoring solution was also deployed on 86 ADNOC Logistics and Services' vessels to improve safety through automated detection, reporting, and monitoring of safety protocol violations and incidents. Presight also signed a multi-year contract with Jordan's Ministry of Digital Economy and Entrepreneurship (MODEE) to increase the integration of data-driven strategies and innovative technologies to improve healthcare facilities and establish a virtual hospital command center. The Company maintained its financial guidance and expects 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. The acquisition of AIQ has affected the group's performance positively boosting profitability. Presight also signed multiple new partnerships and agreements during 3Q24 including UAE state-owned enterprises such as Etihad Rail, AD Ports, Masdar, Nawah Energy Company, and ITC (Abu Dhabi Mobility). The Company also established international relations with the Ministry of Science, Technology, and Innovation of the Republic of Colombia and ISS. Presight also signed technology agreements with Swiss AI AG, IDEMIA Smart Identity, and Reach Digital. The Company also invested in product development during 3Q24 including Enterprise suites of Vitruvian and Connect, Intelli Platform for smart cities, Presight Report Optimizer, and the world's first net-zero industrial AI engine Energyai. Presight also launched its sovereign enterprise data marketplace platform Presight Datahub and Presight AI-Startup Accelerator for artificial intelligence start-ups in MENA, Central Asia, and South-East Asia. 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	17.4	20.0
PE (x)	NA	19.0	22.9
PB (x)	NA	3.7	3.6

FABS Estimates & Co Data

#### Presight – P&L

AED Mn	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
Revenue	553	341	566	688	-17.7%	2.4%	65.9%	1,781	2,184	22.7%
Cost of sales	-350	-208	-361	-482	-25.0%	3.2%	73.7%	-1,123	-1,380	23.0%
<b>Gross Profit</b>	<b>203</b>	<b>133</b>	<b>205</b>	<b>206</b>	<b>-0.7%</b>	<b>0.9%</b>	<b>53.6%</b>	<b>658</b>	<b>804</b>	<b>22.2%</b>
G&A & marketing exp	-97	-67	-102	-62	64.7%	4.7%	51.4%	-162	-237	45.9%
Finance income	25	22	17	19	-11.5%	-31.8%	-23.8%	75	88	17.5%
Other Income	0	0	0	0	0.0%	NA	NA	0	0	NM
<b>EBITDA</b>	<b>109</b>	<b>72</b>	<b>115</b>	<b>149</b>	<b>-22.7%</b>	<b>6.2%</b>	<b>60.4%</b>	<b>507</b>	<b>585</b>	<b>15.5%</b>
<b>Profit before tax</b>	<b>131</b>	<b>88</b>	<b>120</b>	<b>164</b>	<b>-26.7%</b>	<b>-8.1%</b>	<b>35.8%</b>	<b>571</b>	<b>655</b>	<b>14.8%</b>
Income tax expense	0	-8	-11	-15	-26.5%	NA	38.1%	0	-59	NM
<b>Profit before NCI</b>	<b>131</b>	<b>80</b>	<b>109</b>	<b>149</b>	<b>-26.7%</b>	<b>-16.4%</b>	<b>35.6%</b>	<b>571</b>	<b>596</b>	<b>4.5%</b>
Non-controlling interest	0	9	12	12	2.0%	NA	33.8%	0	39	NM
<b>Net Profit</b>	<b>131</b>	<b>71</b>	<b>97</b>	<b>137</b>	<b>-29.2%</b>	<b>-25.8%</b>	<b>35.8%</b>	<b>570</b>	<b>557</b>	<b>-2.2%</b>

FABS estimate & Co Data

#### Presight AI - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
Gross Profit	36.7%	39.1%	36.2%	-53	-289	37.0%	36.8%	-16
EBITDA	19.6%	21.0%	20.3%	73	-69	28.5%	26.8%	-167
Net Profit	23.6%	20.9%	17.1%	-649	-379	32.0%	25.5%	-650

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	2.99	70.0%	2.09
Relative Valuation	3.19	30.0%	0.96
<b>Weighted Average Valuation (AED)</b>			<b>3.05</b>
Current market price (AED)			2.26
Upside/Downside (%)			+35%

### 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 4.1%. 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)	2,589
Terminal value (AED, Mn)	14,176
<b>FV to Common shareholders (AED, Mn)</b>	<b>16,766</b>
No. of share (Mn)	5,609
Current Market Price (AED)	2.26
<b>Fair Value per share (AED)</b>	<b>2.99</b>

### DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net profit	596	675	816	946	1,097
Depreciation & amortization	8	22	20	18	16
(-) CAPEX	-2	-3	-3	-4	-4
Working Capital	30	-139	-116	-115	-117
Net change in debt	-8	-9	-10	-12	-14
<b>Free Cash Flow to Equity (FCFE)</b>	<b>624</b>	<b>530</b>	<b>686</b>	<b>808</b>	<b>951</b>
Discounting Factor	0.99	0.91	0.84	0.77	0.71
<b>Discounted FCFE</b>	<b>155<sup>1</sup></b>	<b>498</b>	<b>593</b>	<b>645</b>	<b>698</b>

Source: FAB Securities, <sup>1</sup>FCFF 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, EV/Sales, and PE multiple. It is valued at a 2024 EV/EBITDA multiple of 28.3x and a EV/Sales Multiple of 5.1x in line with peers. However, it is valued at a 2024 PE multiple of 39.2x against peer multiple of 53.7x.

Company	Market (USD Mn)	EV/Sales (x)		EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F	2024F	2025F
Palantir Technologies	143,470	49.9x	40.2x	128.7x	102.6x	166.3x	133.3x
Altair Engineering	8,880	13.2x	12.1x	59.2x	52.0x	79.7x	73.4x
Informatica	7,860	5.1x	4.8x	15.1x	13.9x	23.3x	21.1x
Coforge Limited	6,422	4.7x	3.9x	28.3x	22.7x	53.7x	39.1x
Appier Group	966	3.9x	3.1x	28.0x	16.3x	68.1x	30.7x
ELM	22,985	11.9x	9.7x	44.3x	36.5x	52.5x	43.8x
Solutions	8,248	2.5x	2.3x	16.2x	14.8x	20.9x	20.5x
<b>Average</b>		<b>13.0x</b>	<b>10.9x</b>	<b>45.7x</b>	<b>37.0x</b>	<b>66.4x</b>	<b>51.7x</b>
<b>Median</b>		<b>5.1x</b>	<b>4.8x</b>	<b>28.3x</b>	<b>22.7x</b>	<b>53.7x</b>	<b>39.1x</b>
<b>Max</b>		<b>12.5x</b>	<b>10.9x</b>	<b>51.7x</b>	<b>44.2x</b>	<b>73.9x</b>	<b>58.6x</b>
<b>Min</b>		<b>4.3x</b>	<b>3.5x</b>	<b>22.1x</b>	<b>15.6x</b>	<b>37.9x</b>	<b>25.9x</b>

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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