Presight AI Holding PLC

Growing multi-year contracts and rising revenue backlog drive revenue visibility

Current Price AED 2.23	Target Price AED 3.05	Upside/Downside (%) +37%	Rating BUY

- The Company maintains debt-free balance sheet with healthy cash balance of AED 1.9 Bn during 4Q24, providing financial support for future organic and inorganic growth.
- Presight AI's revenue backlog also grew to AED 2.99 Bn in 4Q24 compared to AED 1.58 Bn in 3Q24.
- The Company generated 27.4% of revenue from backlog contracts and 72.6% of revenue from quick-turn contracts during 4Q24.
- Presight AI secured c.USD 670 Mn in contract renewals and new agreements during 4Q24, strengthening its revenue visibility.
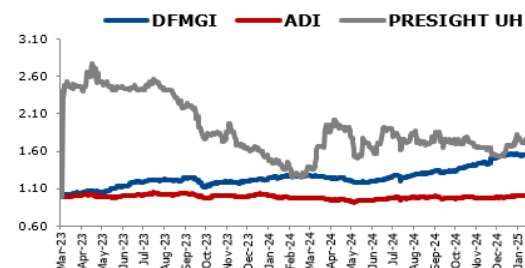
Stock Information

Market Cap (AED, Mn)	12,507.36
Paid Up Capital (Mn)	560.87
52 Week High	2.80
52 Week Low	1.65
3M Avg. daily value (AED)	9,071,908

4Q24 Result Review (AED, Mn)

Total Assets	5,239
Total Liabilities	1,381
Total Equity	3,859
EBITDA	366
Net Profit	260

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	23.15
Price-to-Book Ratio (x)	3.58
Book Value (AED)	0.62
Return-on Equity (%)	16.22

Stock Performance

5 Days	0.00%
1 Months	-1.33%
3 Months	-3.04%
6 Months	-5.91%
1 Year	19.25%
Month to Date (MTD%)	-3.04%
Quarter to Date (QTD%)	7.73%
Year to Date (YTD%)	7.73%

4Q24 Net Profit lower than our estimate

Presight AI Holdings PLC (Presight AI/the Company) net profit declined 13.6% YOY to AED 260 Mn in 4Q24, lower than our forecast of AED 293 Mn. The decline in net profit is mainly attributable to increase in cost of sales, higher G&A and marketing expenses, lower finance income and higher share to NCI partially offset by higher revenue and EBITDA growth.

P&L Highlights

Revenue surged 46.2% YOY to AED 1,043 Mn in 4Q24, driven by strong contract execution, solid organic growth, and AIQ's exceptional performance. Revenue from project services grew 20.7% YOY to AED 856 Mn in 4Q24. Revenue from the sale of hardware and software licenses increased significantly from AED 4 Mn in 4Q23 to AED 187 Mn in 4Q24. Presight AI generated more than 62.9% of its revenue within UAE and the remaining from the international operation in 4Q24. The Company's cost of sales rose 29.9% YOY to AED 572 Mn in 4Q24. The increase was primarily driven by higher staff costs and allowances, along with a rise in other direct costs. However, gross profit grew 72.6% YOY to AED 471 Mn in 4Q24. Meanwhile, the gross profit margin expanded 690 bps YOY to 45.2% in 4Q24, driven by improved operational efficiency and cost management. G&A and marketing expenses increased to AED 123 Mn in 4Q24. The rise was mainly attributed to higher staff costs, professional fees, marketing expense, IT expenses, and provision for expected credit loss. Presight AI's EBITDA rose 38.0% YOY to AED 366 Mn in 4Q24, due to a healthy contribution from AIQ and favourable deployment mix. However, EBITDA margin declined 209 bps YOY to 35.1% in 4Q24. Finance income declined from AED 28 Mn in 4Q23 to AED 12 Mn in 4Q24. Presight incurred an income tax expense of AED 32 Mn in 4Q24 owing to introduction of corporate tax in the UAE in 2024. Furthermore, the Company NCI stood at AED 68 Mn in 4Q24 compared to AED 12 Mn in 3Q24.

Balance Sheet Highlights

Presight AI generated AED 744 Mn in cash flow from operations compared to AED 334 Mn in 3Q24 owing to improved collection on various customer contracts. The Company generated cash flow from working capital of AED 367 Mn in 4Q24 compared to AED 221 Mn in 3Q24. The cash and bank balances rose from AED 1.5 Bn in 3Q24 to AED 1.9 Bn in 4Q24 due to healthy operating cash inflows during the quarter. The Company also boasts debt-free balance sheet.

Target Price and Rating

We maintain our BUY rating on Presight with a target price of AED 3.05. The Company's profitability declined primarily due to higher direct cost, increased G&A and marketing expenses, lower finance income and higher share to NCI in 4Q24. However, the Company's revenue and EBITDA grew double digits, 46.2% YOY and 38.0% YOY, respectively, during 4Q24, owing to strong performance from AIQ and solid organic growth. Presight AI generated 99.9% of the total revenue from multi-year contracts in 4Q24, reflecting a robust future revenue outlook and cash flow generation. The Company also generated 27.4% of revenue from backlog contracts and 72.6% of revenue from quick-turn contracts during 4Q24. Presight AI secured c.USD 670 Mn in contract renewals and new agreements during 4Q24, strengthening its revenue visibility. The Company established two multi-year contracts with domestic sovereign entities, reinforcing its strategic positioning in the UAE. Additionally, its joint venture, IntelliGrid, signed a USD 480 Mn preliminary agreement with Azerbaijan's national oil and gas company (SOCAR) to deploy AI-driven solutions aimed at enhancing the resilience, efficiency, and sustainability of Azerbaijan's energy infrastructure. Presight AI also deepened engagements with key UAE state-owned enterprises, including Etihad Rail, AD Ports, and Masdar, etc through leveraging its AI-driven offerings. Furthermore, AIQ, a subsidiary of Presight AI, secured eight new agreements during 4Q24. The Company's growing partnerships with state-backed entities and a robust pipeline of existing contracts are expected to support revenue growth. The Company is also continuously looking for acquisitions that bring in synergies of products and customer markets. The Company's balance sheet also remained strong and debt-free with cash and bank balance of AED 1.9 Bn which is expected to support its inorganic growth. Presight AI's revenue backlog also grew to AED 2.99 Bn in 4Q24 compared to AED 1.58 Bn in 3Q24 strengthening revenue visibility. Recently the Company also revised its financial guidance with a revised revenue growth of 19-25%, EBITDA growth of 16-21%, and net profit growth of 11-16% in the next four years. The growing multi-year contracts along with strong revenue backlog is expected to support this growth. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

Presight - Relative valuation

(at CMP)	2022	2023	2024	2025F
EV/EBITDA (x)	NA	17.4	17.7	14.6
PE (x)	NA	19.0	24.4	19.2
PB (x)	NA	3.7	3.7	3.1

FABS Estimates & Co Data

Presight – P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Revenue	714	566	1,043	1,014	2.8%	46.2%	84.2%	1,781	2,213	24.3%
Cost of sales	-440	-361	-572	-681	-16.0%	29.9%	58.3%	-1,123	-1,272	13.3%
Gross Profit	**273**	**205**	**471**	**334**	**41.1%**	**72.6%**	**NM**	**658**	**941**	**43.0%**
G&A & marketing exp	0	-102	-123	-14	NM	NM	20.9%	-162	-346	NM
Finance income	28	17	12	21	-44.8%	-57.6%	-30.0%	75	78	4.6%
Other Income	0	0	0	0	NM	NM	NM	0	0	NM
EBITDA	**265**	**115**	**366**	**317**	**15.4%**	**38.0%**	**NM**	**507**	**634**	**25.1%**
Profit before tax	**301**	**120**	**360**	**341**	**5.4%**	**19.7%**	**199.9%**	**571**	**674**	**18.0%**
Income tax expense	0	-11	-32	-31	6.0%	NM	NM	0	-61	NM
Profit before NCI	**301**	**109**	**327**	**311**	**5.4%**	**8.9%**	**NM**	**571**	**613**	**7.4%**
Non-controlling interest	0	12	68	18	NM	NM	NM	0	89	NM
Net Profit	**301**	**97**	**260**	**293**	**-11.3%**	**-13.6%**	**167.9%**	**570**	**524**	**-8.1%**

FABS estimate & Co Data

Presight - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Gross Profit	38.3%	36.2%	45.2%	690	896	37.0%	42.5%	557
EBITDA	37.2%	20.3%	35.1%	-209	1,474	28.5%	28.7%	19
Net Profit	42.1%	17.1%	24.9%	-1,724	777	32.0%	23.7%	-834

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	2.90	70.0%	2.03
Relative Valuation	3.38	30.0%	1.01
Weighted Average Valuation (AED)			**3.05**
Current market price (AED)			2.23
Upside/Downside (%)			+37%

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 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.5%, a beta of 1.00, 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)	2,996
Terminal value (AED, Mn)	13,273
FV to Common shareholders (AED, Mn)	**16,269**
No. of share (Mn)	5,609
Current Market Price (AED)	2.23
Fair Value per share (AED)	**2.90**

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	749	882	1,012	1,151	1,257
Depreciation & amortization	-19	-10	-5	-2	0
(-) CAPEX	-3	-3	-4	-4	-5
Working Capital	-294	-162	-207	-201	-94
Net change in debt	-9	-10	-12	-14	-16
Free Cash Flow to Equity (FCFE)	**425**	**696**	**784**	**930**	**1,142**
Discounting Factor	*0.93*	*0.85*	*0.78*	*0.71*	*0.65*
Discounted FCFE	**394**	**590**	**608**	**661**	**743**

Source: FAB Securities

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 2025 EV/EBITDA multiple of 26.4x and a EV/Sales Multiple of 4.3x in line with peers. However, it is valued at a 2024 PE multiple of 34.2x against peer multiple of 46.8x.

Company	Market (USD Mn)	EV/Sales (x)		EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F	2024F	2025F
Palantir Technologies	271,449	70.5x	56.0x	165.6x	125.6x	215.7x	172.0x
Altair Engineering	9,443	14.0x	12.9x	63.0x	54.2x	84.7x	78.0x
Informatica	5,995	3.9x	3.7x	11.5x	10.5x	16.0x	14.8x
Coforge Limited	5,917	4.3x	3.4x	26.4x	20.2x	54.0x	36.2x
Appier Group	1,117	3.5x	2.9x	21.4x	13.1x	38.1x	28.1x
ELM	21,897	10.8x	8.9x	39.3x	32.5x	46.8x	39.5x
Solutions	10,637	2.8x	2.5x	18.3x	15.8x	23.4x	21.2x
Average		**15.7x**	**12.9x**	**49.4x**	**38.8x**	**68.4x**	**55.7x**
Median		**4.3x**	**3.7x**	**26.4x**	**20.2x**	**46.8x**	**36.2x**
Max		**12.4x**	**10.9x**	**51.2x**	**43.3x**	**69.4x**	**58.8x**
Min		**3.7x**	**3.2x**	**19.9x**	**14.5x**	**30.8x**	**24.6x**

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani   +971-2-6161629   ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk   +971-2-6161700/1   Online Trading Link
                        +971-2-6161777

Institutional Desk   +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.