

Tuesday, 06 August 2024

Omar

Good morning and good afternoon, everyone. This is Omar Maher from EFG Hermes. I would like to welcome everyone to Presight's 1H 2024 Results Conference Call. The call will begin with a discussion of the key highlights of the period, and this will be followed by a Q&A session.

I will now hand the call over to Roger Tejwani, Senior Director of Investor Relations at Presight. Thank you very much.

Roger

Thank you, Omar. Good morning and good afternoon, ladies and gentlemen. Thank you for joining us on today's call covering Presight's first half results of 2024. I'm here with Thomas Pramotedham, CEO; Ram Meyoor, CFO; and Dr. Alsharji, COO. So we'll start with Thomas giving an update on the strategic highlights for the period. Ram will then cover our financial performance during the period followed by the outlook, and then we will open the floor for Q&A.

The investor presentation we're about to run through is on our website, www.Presight.ai, and please note that the contents of this call may contain forward-looking statements which should be considered in conjunction with the disclaimer included in with the presentation.

So I'll now hand over to Thomas.

Thomas

All right. Good afternoon and good morning to everyone. Thank you so much for joining us on this, our maiden earnings call. For a start, let me take you through the operational highlights in Q2 and page 1 altogether. So for the first six months, it's been quite incredible for Presight, despite us being first to list last year, but every six months continued to be a transformation journey for us.

So some highlights that took us through Q2, we continued to achieve strong and profitable growth in the first half, and of course our strategic priorities, we continue to strengthen and make significant progresses. Q2 we're assigning new contracts, we've entered into several wide-ranging international MOUs, as well as global partnerships really to bring the power of big data analytics and AI to more governments and the citizens.

Second, we have crystallized our R&D efforts. We've launched two new products designed to empower enterprises of all sizes with AI tools to really maximize the use of potential AI in their data. We have also completed the acquisition of a majority stake in AIQ, a leading AI energy player, and launching a joint venture that is designed to lead transformative smart energy projects across key markets.

At the same time, we have welcomed ADNOC as a shareholder into the Presight cap table. At the same time, we have strengthened our board composition and capabilities, both for the Presight board as well as for the AIQ board.

Unpacking this into each area, in the new contracts and agreement in our domestic market, we have signed multi-year agreements with the UAE Accountability Authority to develop an audit automation platform to improve the efficiency, accuracy and transparency and scalability of its operations. We have furthered our contract with the Abu Dhabi Accountability



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Authority for a secure platform to unify data management and critical information across the departments.

Finally, we have entered a new contract with the Ministry of Education to unite data quality across different domains and as well as to enable advanced AI use case applications. So as you know, one of our priorities post-IPO has been to diversify our revenue base through new and high potential international markets. In the past few years, our footprint has expanded to 15 countries across 4 continents.

In Q2 we signed two wide-ranging MOUs, one in Gambia and one in Mauritius. Firstly, with the Ministry of Communications and Digital Economy of Gambia, we're strengthening their desire to strengthen the nation's digital transformation infrastructure through the creation of a secure, efficient and inclusive digital infrastructure. Our collaboration with them will be executed in two phases, the first of which will focus on the development of digital government services and a national identity initiative, both of which are crucial for improving public service delivery and to ensure secured streamline access to government services.

Second on the infrastructure front, similar to what we have done in Angola, Presight will also support the establishment of a national data center, which will serve as the background for Gambia's digital initiatives. The second phase of Gambia's MOU will see creation of a national safety operational center designed to safeguard the digital infrastructure against potential threats, as well as the creation of a digital supply chain security lab to enable a safe digital environment to empower Gambia's businesses and citizens' environment.

The second notable MOU that we entered in Q2 is with the government of Mauritius. The government of UAE and Mauritius signed an MOU to cooperate in the fields of energy, water and sanitation. Presight was named as one of the two UAE-based companies to execute. This agreement came on the back of our acquisition of a controlling stake in AIQ, and is a testament to Presight's evolving role in the fast-growing energy sector. It allows us to leverage our big data analytics platform in energy, utilities, and infrastructure to continue to drive the economic development of Mauritius by enhancing their energy security, reducing national emissions, and improving the nation's resilience towards the impact of climate change.

And towards the end of the Q2 period, we signed a new multi-year contract valued at AED 312 million with the Ministry of Digital Economy and Entrepreneurship of Jordan to accelerate digital transformation in Jordan's healthcare sector. We believe this is the first of many contracts. This contract allows us to push the development of a healthcare information strategy, a creation of virtual hospitals network, as well as the development of a national billing system and a health analytics program around them.

In the space of collaborations and partnerships, both locally and globally, it's been a busy quarter for us. In the terms of global technology partnerships, two notable ones. We have signed agreements with Intel, you'll be familiar with them, and Dell, as well as a recent investment from Microsoft into our parent company, G42. And if I unpack that, our strategic collaboration of Intel is aimed at accelerating applied AI projects and developing cutting-edge AI solutions together with them, and this is something we're using to address the region's



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unique challenges and opportunities. For example, AI data security and integrity, including safeguarding sensitive data using AI models of life cycle, is something that we're going to work with Intel on, leveraging the Intel trust authority technologies.

Second, a big part of Presight's pipeline includes smart city projects we have seen in many of the announcements we have made, and this is about us developing code smart city Al products together with Intel and to focus on leveraging their open source tools and industry standards to maximize Al software for efficient Al loads.

The MOU with Dell is aimed at accelerating digital transformation across different sectors by integrating what they already have, including also the development of smart city solutions, focusing on incorporating green technologies.

The Microsoft investment into G42 has now opened numerous opportunities for us at preset, both within UAE and internationally. We now have access to Microsoft's cutting edge cloud computing and AI technologies available in the Azure and OpenAI space. We have been able to extend our reach globally and to bring our own solution to wider audiences through the Microsoft ecosystem and the Microsoft marketplace.

Within the UAE, we are now embedding our solutions into Microsoft technology assets, making it available to both the UAE market as well as the emerging markets who is accepting a cloud-based solution from the UAE. And of course, more importantly, we now have access to Microsoft's expert training and development tools to drive our own workforce skillset and innovation development.

So on the back of the acquisition of AIQ, Presight has also entered into a joint venture with Esyasoft and IHC, an International Holding Company entity. The joint venture has been created to lead transformative smart energy projects in areas that we're active in, Azerbaijan, Kazakhstan and other key markets. The goal is to deploy smart gas grids, advanced metering infrastructure, advanced analytics across IoT devices and create intelligent AI platforms to create a more reliable and more affordable and sustainable energy infrastructure.

And finally, we have a French company, Obvious Technologies, which is part of OODA world, a software company that develops 3D visualization, incident management and command control solutions. We signed an MOU partnership agreement with them. This focus will revolutionize what our human computer interface will look like in the crisis, emergency and disaster management sector. It incorporates advanced big data analytics and AI from Presight into these systems to improve prevention, preparation, response and recovery during emergency situations. This is part of the work that we have done for the National Crisis Emergency and Management Agency in the UAE, and it's something that we can replicate very quickly into the [indiscernible 10:04].

Thirdly, on new product development, we continue to invest in the generative Al-centric offerings, and we're delighted to have launched a new smart city and smart grid solution together with a Presight enterprise Al suite of solutions named Vitruvian and Connect, something that we really want to unpack and share with you later. The enterprise suite is a



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major milestone for Presight, enabling rapid and large scale deployment of generative AI technology across any sectors. It leverages machine learning, natural language processing, predictive analytics, large language models and incorporates generative AI into existing enterprise technology stacks to drive business value.

These solutions now effectively empowers enterprises of any size with the tools they need to harvest the full potential AI application. With the flexibility and scalability, it allows businesses to leverage AI capabilities without the need for requiring them to have deep technical knowledge of the underlying algorithms. We position it as a cost effectiveness deployment. The businesses only pay for the resources they need, and limited needs for substantial upfront capital as well as interoperability.

So if I would describe the two, Presight Vitruvian is an on-premise AI platform that integrates seamlessly with an organization's existing data systems and provide powerful data analytic and AI tools across the organization's trusted data systems. It supports enterprises of any size, and has the ability to learn from the organization data and create AI application across a diverse set of use cases and verticals.

Presight Connect, on the other hand, is a UAE-based, cloud-based enterprise AI system that is developed as a SaaS model and can be activated immediately. It's a freemium enterprise model. It provides a unique collaborative framework where we can integrate business intelligence, deploying the most adaptive GPT models, and connects with your existing SaaS system and business applications. So these are the two cornerstone products that anchors Presight's enterprise AI suite.

Finally, on the acquisition of AIQ, June 7th we completed the acquisition of a controlling stake in AIQ. As a result, ADNOC now retains a 49% interest in AIQ and has become a 4% shareholder in Presight, and this solidifies our partnership with ADNOC and represents a significant expression of their confidence in Presight's capability and Presight's growth.

AIQ will continue to operate as an independent entity post-acquisition with His Excellency, Doctor Sultan Al Jaber, a visionary in the fields of AI, energy and technology, assuming the role of Chairman, and His Excellency, Mansoor Al Mansoori, the Chairman of Department of Health, as the Vice Chairman. For those who are not familiar, launched in 2020 with G42, AIQ has established itself as a leading provider of AI solutions in the energy sector. It has developed over 20 AI applications, 16 with patent pending, [indiscernible 13:24] a vast amount of data within ADNOC that will help deliver efficiency and value in broad scenarios from safety sustainability, from increasing productivity and efficiency.

For example, it has used AI to detect safety violations. It controls remote upstream equipment. It's able to predict operation and maintenance failures. It helps to reduce costs and enhance safety. In the state of upstream, it visualizes reservoirs, model boreholes data to optimize development and reduce planning time. AIQ's track record of growth and profitability is a testament to its status. It had revenue growth of 60% last year and an industry leading net profit margin of 47%.



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So from Presight's perspective, the acquisition aligned with our strategy to expand our solutions portfolio. It takes us into a pivotal role in the global energy transition, and it reinforces a commitment to make AI the backbone of a smarter and more sustainable future. What we can expect going forward, Presight will partner with ADNOC through its digital transformation initiatives to bring the expertise in big data analytics shared with AI and supercomputing into the data integration work that ADNOC [indiscernible 14:45]. It will help us advance ADNOC's ambition to build the energy system of tomorrow to deliver enhanced value to Abu Dhabi and the UAE.

At the same time, it will combine AIQ's energy solutions with our cross-sector big data analytics platform, our product development capabilities, and international market access to deliver unprecedented efficiencies and advancement in the energy sector globally. This is certainly supported by our recent partnership with Microsoft. We believe that the market for AI solutions in the oil and gas sector is expected to grow at over 14%, and AIQ is well-positioned under Presight's ownership to deliver an enhanced value for all sectors.

So with this thought, we sum up the four key highlights of Q2 and H1. And I'll let Ram take you through our financial performance before we open up for questions.

Okay. Thank you, Thomas, and good afternoon, everyone on the call. Let me first summarize our performance for the first six months, which has been characterized by a significant step up in revenue and profit growth. Our revenue growth in the first half of 2024 was more than twice the rate of growth achieved in the first half of last year. Our EBITDA growth outpaced [indiscernible 16:05] revenue, up 25.8 percentage points, including AIQ with favorable deployment mix resulting in organic growth across both quarters exceeding the prior period [indiscernible].

Our profit before tax increased by 39.1% year-on-year, or 24.5% year-on-year on an organic basis, which is a significant increase on the 5.1% growth achieved in the first half of 2023, and our profitability across all key metrics was higher year-on-year. Our balance sheet remains debt free and robust, with cash of AED 1.28 billion after paying AED 900 million towards the acquisition of AIQ, which has of course launched [ph] and operating capital of AED 179 million in the second quarter. We saw a further improvement in revenue quality, with almost 91% of the revenues in the first half coming from multi-year contracts, which provide a solid platform for future revenue and cash flow generation. [Audio disruption 17:22].

Now, turning to key headline figures for the next six months. Firstly, looking at the group revenues, revenue in the first half increased 17.4% year-on-year to AED 603 million, more than twice the level of growth achieved in the prior comparable [indiscernible 17:42]. Second quarter revenue increased by 18.7% year-on-year to AED 341 million. Excluding AIQ, we achieved double-digit growth in the first half, [indiscernible] of 7.4% growth in the comparable period in the prior year.

Our order book increased by AED 132 million over the six months' period. Shortly following the June period end, the AED 312 million multi-year contract in the healthcare sector was

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signed with the Jordanian Ministry of Digital Economy and Entrepreneurship, which Thomas detailed earlier.

Now the second part, group earnings before interest, tax, depreciation, amortization. EBITDA in the first half increased by 25.8% to AED 153.9 million, with 51.2% growth in the second quarter. Excluding AIQ, high single-digit EBITDA growth was achieved in the first half, with growth rates across both quarters exceeding primary period [indiscernible 18:41]. EBITDA margin in the first half increased by 1.7% year-on-year to 25.5% and by 4.5% year-on-year in the second quarter. Excluding AIQ, EBITDA margin in the first half was broadly in line with the prior year, with marketing in the second quarter offsetting some of the impact of facing incremental personal and marketing cost into quarter one.

Now, looking at group net profit, profit before tax for the first half increased 39.1% year-on-year, to AED 194 million, with 31.9% growth in the second quarter. Excluding AIQ, profit before tax increased by 24.5% in the first half, a significant step up from the 5.1% growth achieved in the first half of 2023.

Pretax margin for the first half increased by 5% year-on-year to 32.1% and 2.6% year-on-year in the second quarter. Excluding AIQ, pretax margin in the first half was 30.5%, which is up 3.4% year-over-year, with margin expansion in the first quarter and broadly flat margin in quarter two.

Now, profit after tax for the first half increased by 26.6% year-on-year to AED 176 million, with 20.1% growth in quarter two. Now, excluding AIQ again, profit after tax increased 30.3% for the first half, well ahead of the 5.1% growth achieved in the first six months of 2023, notwithstanding the inclusion of UAE corporation tax in [indiscernible 20:24].

Post-tax margin for the first half increased by 2.1% year-on-year to 29.2% and by 0.3% in quarter two. Excluding AIQ organically, post-tax margin was 37.8% for the first half, up 0.7% year-on-year, including 2.7% of adverse impact of corporation tax and profitability in the current half, driven by mostly margin expansion in the [indiscernible 20:52].

Now, moving on to some key H1 and Q2 headline metrics that we track, looking at revenue quality, 91.9% of the first half revenue, or AED 555 million came from backlog contracts, which are contracts won in the prior years that are accruing revenue in the current year, compared to 82.4% or AED 425 million in the prior comparable comps. The respective figures for the second quarter was 86.8% or AED 296.5 million compared with 83.1% or AED 239.1 million in the second quarter of 2023.

Our backlog at the end of June 2024 was AED 1.14 billion, which, of course, excludes the Jordanian contract which we signed as well; 90.7% of first half revenue, or AED 547.2 million came from multi-year contracts, compared to 88.6% or AED 455 million [indiscernible 21:59]. The multi-year contracts provide a strong foundation for future revenue and capital generation. The respective figures for quarter two were 88.1% or AED 82.9 million of revenue compared to 93.7% or AED 269.7 million in Q2 2023.



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Taking a look at the geographical split of the business, 6.7% of the revenues in the first half, or AED 40.6 million, came from international markets, compared to 14.3% or about AED 73.6 million in the first half of 2023. The respective figures for second quarter were 4.9% of revenues, or AED 16.7 million, compared to 19.5%, or AED 56.2 million of revenues in Q2 of 2023. Over the medium-term, we expect the growth in international business revenues to accelerate to approximately 30% of the total.

Now taking a look at the medium-term guidance. Just to recap, it's worth highlighting the medium-term financial guidance that we issued in March this year, in which we anticipate compound annual growth rate over the next four years to be as follows: the group revenue growth of 17% to 23%; group EBITDA growth of 15% to 20%; and group post-tax profit growth of 10% to 15%.

Within this guidance, we assume the following: the public sector continues to remain the largest contributor, with energy and utilities being key growth enablers as we diversify sectors and we diversify geographically on those two [indiscernible 23:40], more than 90% of the forecast revenue from market contracts and a current backlog of AED 1.12 billion [ph], of course, not including the Jordanian contract there, and 9% of UAE corporation tax rate.

Our performance in the year-to-date has been strong. We have seen strong new business early in the second half, and we look forward to providing an update on the medium-term outlook at our Q3 results in November 2024.

Now, I'll hand it back to Thomas for some closing remarks before we open the Q&A. Thank you very much.

Thanks, Ram. As you have seen, the past six months have been transformational for Presight. It's not just the new agreements and partnerships that have helped us support governments around the world in really sustainably realizing their digital ambitions, it's also the new generative AI-enabled enterprise level products and solutions that we have launched that now allow us to support large scale deployment of generative AI technology.

The acquisition of a majority stake in AIQ reinforces our commitment in the energy sector. It provides us a fast growth sector, but at the same time, it allows us to continue the promise to create safer and more sustainable societies through AI problem-solving. Along with the change, we were privileged to welcome His Excellency, Doctor Sultan AI Jaber as Presight's Chairman. Many of you will know him as the COP28 President, the Group CEO of ADNOC, as well as the Minister of Industry and Advanced Technology. And with that, he brings a wealth of experience and visionary leadership that's going to help us fast track the energy transition in AI globally.

At the same time, we continue to share our deepest gratitude to His Excellency, Mansoor Al Mansoori, the Chairman of Department of Health, for his guidance as the chairman and took us through the IPO year, and has been critical in steering Presight through its remarkable journey so far. But at the same time, we still have him as the Vice Chairman and the Head of our Executive Committee within Presight.

Thomas



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The board of Presight has expanded from five to seven, taking in new members such as Mister Suhail Taffar, the group's COO of [indiscernible 25:57] and myself joining the board, that represents the increased responsibility of Presight as a group across the multiple joint ventures and acquisitions that we will undertake in the year to come.

So with that as a closing note, thank you for joining our first maiden earnings call. Thank you for listening in, and I think we can now open the discussion for Q&A.

Thank you very much for the presentation, gentlemen. So we're going to start the Q&A. If anyone would like to ask any questions, you can either use the raise hand function to ask your question verbally, or simply put your question in writing in the Q&A box.

And our first question is from Nikhil Visha [ph]. Please go ahead.

[Audio disruption] the presentation and taking the questions. A couple of questions from my side. First of all, on the M&A, can you please provide some color on what is your M&A strategy? Also, which segments or which solutions we should look at which are the targets for the M&A? And also with geographies, will you be looking at M&A mostly outside of UAE or within UAE?

Second question, something on the similar lines regarding the guidance. Does your current guidance, medium-term guidance, is it all organic, or does it also include AIQ integration, and also any potential M&A going forward? Thank you.

Thank you, Nikhil. So I'll take the first question. The M&A strategy is guided by our sectors that we are focused in. So in the guidance, you will see that while the public sector remains a key focus sector, we are diversifying into financial, into energy, and infrastructure and utilities. There are four key pillars of the Presight business; the public sector public services business, the financial analytics and now with the acquisition of AIQ, the energy sector. And of course, we have a very strong smart cities portfolio pipeline and solution. These are the sectors that guide our M&A strategy for where we look.

Second as an example with AIQ, we are a balance sheet investor. We look at businesses that, one, will contribute to inorganic revenue. Second, we'll be able to leverage our market access so that we can amplify their business as well as ours. And then, thirdly, it has to possess innovative IP like when we did the AIQ with the 16 patterns [ph] that will add on to our portfolio of solutions.

On the question, is it going to be UAE and worldwide? The geography of it is not central to us. What's important is, can we add value to it? We're not designed as a venture cap or venture builder. So at this point in time, it has to be everything that's accretive to our revenue and profits, something that our access to the 15 international markets can help springboard and expand revenue as well as profitability.

Then for the question on guidance, Ram, can you take this?

Omar

Nikhil

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Ram

Yes. Thanks, Thomas. Just to add a couple of other points, on the mergers and acquisitions, our balance sheet is very pristine. We are debt-free and it's highly flexible, and then we still have some residual cash, a significant portion that is at our disposal. So M&A is on top of mind, and we are using the parameters that Thomas described earlier to guide our strategy and guide our positions on that. And so far as the inclusion of AIQ with the guidance, it already is included. It's baked into the medium-term guidance we have provided. We have been contemplating AIQ acquisitions for quite a bit, and the guidance came out and they should have first guided to March [ph], so it includes that. And that said, based on my prepared remarks earlier, we will continue to look at our outlook and will revisit this in November for any updates.

Nikhil Thank you very much. That is very clear.

Ram You're welcome. Thank you.

Omar The next question is from Evgenia Netcov. Please go ahead.

Evgenia Hi. Can you hear me now?

Thomas Yes, we can.

Evgenia Thank you so much for the presentation and opportunity to ask questions. I have three,

please. First is your new launch of enterprise suites, I understand it's early days, but if you can give some first updates, client interest, and which verticals would you expect the faster uptake? Maybe financial sector? And related to that, do you expect your marketing costs to

pick up materially into age as you ramp up B2B segment?

My second question is on your international expansion. You have a target of 30% of total revenue over medium-term. Can you please comment on the competitive environment in your new markets in Africa, in GCC? It's interesting that you announced these contracts in Jordan and simultaneously yesterday, Elm from Saudi said they are also entering Jordan. If you can highlight the competitive environment and if it should impact your margins due to different pricing.

And lastly, a more technical question, please, on cash flow generation and accounts receivable. In Q2, the number was positive, but overall in H1 it remained negative versus 700 million plus last year. What should we expect 2H? And what is the normalized level for receivables going forward? Thank you.

Ram

Okay. If I may, Thomas, let me address the second question first, and then we can probably address the other questions. Thank you for the questions. So far as our cash flows and operating cash flows, firstly, just to recap, our customer base is predominantly here in the UAE, with pristine creditworthiness, and it's also evidenced in our financials, and so far as any easier losses that we may have provision for.



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Firstly, the customer credit is pretty highly credit-worthy customers. We are dealing with a majority of government customers. Hence, that will be a certain lengthy process with the [indiscernible 32:53] time-to-time. But overall, just to give you a sense, in the second quarter we generated 179 million dirhams worth of operating cash. We expect that trend to continue. Also, in the first half of the year, we collected close to 670 million dirhams worth of collecting our cash inflows from various customer accounts.

Overall, while the pace sometimes [indiscernible 33:22], overall, we are pretty comfortable with the receivables position and the fraction that we have in terms of collections [indiscernible]. We also collected a significant portion of our receivables in the July period which we are reporting now in Q3.

I'll now hand it over to Thomas for his part.

Thomas

Thank you for the question. Let me take the enterprise AI question ahead. I think one, it's very exciting where the AI ecosystem has developed, which, is in turn, why we brought forward our R&D plans to launch the enterprise AI suite. So you will notice that there's two parts of our enterprise AI platform. One is a SaaS model posted out of the—

Roger

Sorry, could I just ask everyone on the line to go on mute, please? Thank you.

Thomas

All right. Thank you. So just to recap. There are two parts of the enterprise AI suite that we want to leverage. And the reason why we brought this ahead of time in our R&D and to launch it this year, one the Vitruvian suite is what the market requires. So as you have seen many of the conversations around ChatGPT and large language models that are in the open source internet space, many banks, many federal governments, many large organizations have resisted on putting their information to check [ph] on what ChatGPT can offer.

The Vitruvian offering, it's an enterprise-grade, closed source, large language model that trains within your organizations and report within your organization behind your firewall. So essentially, you can develop your own organization, Al brain, that understands what your organization does without the leaks or possible leakages to the open internet, where other people may train on your data, which is very much of the Al concerns today. That model itself, we have clients in the government sectors, they are early adopters. We have banks that are looking at adopting this because this suits their need. You'll be familiar that some banks have banned their employees from using ChatGPT, or putting any kind of proposals, documents, client information on their platform. This is the answer to that.

The second platform is Presight Connect. So some background, Presight as a company have always deployed national platforms. So we have always deployed large scale national platforms that are often across large contract values. Presight Connect is our step towards an enterprise AI assistant that is available as a SaaS model. And in fact, if you go to Connect or Presight today, you can even see a free trial. So it's a premium model that leads to enterprise rollout at a user base. And this launch is seeing smaller organizations who want to dabble in enterprise AI and on ChatGPT with the ability to take on 10, 20, 30 users in a very easy to



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deploy manner. So here we have organizations that are looking at it, that are in the F&B, that are in the healthcare, and in the financial institution portfolio.

The second question around our international expansion, and yes, we are very delighted to have been awarded the Jordan contract. It's about something that transformed their healthcare sector across analytics, data management, health records. Jordan has been a genesis of work that is out of the Middle East that is not from Saudi and not from the UAE that is taking steps to digitize their work, which is why you see Elm has reported that. I think in UAE, there are several companies that have won in Jordan, and that continues to be a big push for us.

If you have been familiar with the history of Presight, we have always moved alongside UAE in the foreign policy, digital transformation outreach programs. And our work in Angola, in West Africa, in East Africa, our work in Kazakhstan with our joint venture with Samruk-Kazyna, the sovereign fund energy budget, all of them have been supported very strongly with the ties back to UAE strong relations, and Jordan is a good example of that.

As we continue to diversify our international portfolio, we now have 15 markets that we're actively working in. We'll continue to work with the stakeholders within the UAE, as well as joint venture partners that are of government and state-owned enterprise status in those countries to deliver a risk-free international portfolio to the Presight revenue segments.

Does that answer your question?

Evgenia

Yes, that's great. Thank you. Just a quick follow up on enterprise suites. Do you expect marketing costs into age to increase due to this launch, so you need to advertise it more actively?

Thomas

Yes, we do, but the campaign is quite different. Let me cite two examples. For an on-premise, Vitruvian. Presight Vitruvian on-premise, it continues to sell to our large government sectors. So that's an add-on extension of a portfolio of our existing clientele, because they want to adopt generative AI within their organization. So that is not a big increase in marketing.

Now, of course they are now taken as a SaaS model to develop a new AR revenue stream for a B2B model. Yes, that will take up some, but the beauty about this is I related earlier about Microsoft's investment in the G42 and our ability to tap on Microsoft ecosystem. Because Presight Connect now sits on the Azure ecosystem and Azure infrastructure in the UAE, Microsoft is a strong partner to push Presight Connect together with us into their marketplace and their clientele.

In fact, through the partnership with Microsoft, we've been able to double the impact of outreach and not incur the kind of cost that it would have been a brand new SaaS enterprise Al provider. So we are tapping on the Microsoft ecosystem as well as their marketplace to really push this out.

Evgenia

That's clear. Thank you so much.



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Thomas

Thank you.

Omar

Thank you. We have a few questions in writing, so we'll take those. First one is, 'You mentioned signing a large contract in Jordan post the June period end. Does the process of winning business internationally differ from that in the UAE? And are there additional risks to international expansion, and are you able to mitigate them?'

Ram

Yes, let me take that, and Thomas maybe can chime in [indiscernible 40:44]. So, yes, as a management team, we are very clear in the [indiscernible] process between the domestic markets and the international markets. The international markets, depending on the geography, the region's risks, there are so many other factors and risk factors that we need to contemplate, and we need to factor in into our commercial process.

So not so much so with Jordanian water. But in general, if I may take a step back and look at the larger international business as a whole, emerging markets tend to offer greater opportunities for growth, but it also has associated risks that we need to cater to and mitigate. For instance, our commercial processes, the signing of contracts, typically tries to mitigate risks such as country risks. We commercially include terms and conditions with the customer. When we deal with governments, it is always the approval of the sovereigns. We take out the FX risk by making sure the contract is denominated in AED or in dollars. We take out the credit risk by putting it in financial structures whereby we bring in investment grade banks or financing entities to provide the capital and the liquidity to the sovereign that we are contracting with.

And these are independent commercial bilateral financing agreements between the sovereign and the financing entities, so much so the risk is not on our balance sheet. All these commercial structures will be put into place, and it depends, as the geography changes, the degree to which we implement these mitigation changes as well. Jordan is a part of the Middle East region, it's slightly on the lower risk levels as compared to many emerging markets in Africa, so we put an appropriate level of controls for that as well.

I hope that answers the question. If you have any follow-ups, please let me know.

Omar

Thank you. And we have another one in writing. Next one is, "Can you comment on the scalability opportunity across your products and solutions, particularly in targeting 30% of revenues from outside UAE over the medium-term? And which are the key focus territories and how much additional investment is needed to meet your international rollout plans? And are there any limiting factors?' Sorry, it's a bit of a complex question. So if you want to break it down, happy to do that.

Thomas

Yes, no worries. Let me take it down in parts. One, we currently operate across 15 countries and 4 continents, and you will see that the repeatability of the sectors that we address in the continents will be aligned to the key sectors. So public services, data infrastructure, financial services, where we work with a central bank, smart cities. What we do well in each of these sectors, we continue to invest to create repeatable solutions that we can bring into the markets that we go into, so that's one part of the question.



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Second, the diversification of the international and the domestic revenue, we don't have a specific number, but currently a focus in GCC is one area that we're looking at in Jordan. Central and Southeast Asia is another. Africa, we've been doing well. Excluding South Africa, each of these country has a growing middle class, has the need for good computing power and has got strong political will for digital aspiration. So that's one way that we go into it.

The multi-year revenue in Jordan, we expect this to be an example of how we can further accelerate the international business. The acquisition of AIQ will bring about their AI energy solutions with our access to international markets. We mentioned earlier that we have a joint venture with Kazakhstan's sovereign fund. It's a \$73 billion fund. We have a joint venture with them to drive digital transformation across the state-owned enterprises. We have an existing office out of Azerbaijan who's working with SOCA. In Indonesia, we're appointed as a company to lead UAE's data center and AI infrastructure in Indonesia, which in turn gives us access to Pertamina, the National Oil and Gas Company in that country.

So with that, in combination with AIQ, we have a platform to bring the solutions that work well in the UAE, in ADNOC, and amplify that across the countries where we are present, especially the energy producing one. And of course, a big part of us, if you have followed Presight, we went from a project company to [indiscernible 45:43] to a platform company. And coming to our fourth year now, the work and the solutions that were developed in the UAE are now increasingly being viewed as a platform that is deployable in an international context.

Late last year and earlier this year, we launched Lifesaver, an emergency response system designed for Abu Dhabi, and our current partnership agreement with Obvious Technologies, the French company who develops the AI and visual analytics control dashboards for emergency response, that's been packaged into an exportable platform solution deployed at a national level for any national emergency and crisis management agency. Agencies like FEMA, agencies that deal with disasters and crisis, now we can take that wholesale and have Abu Dhabi as a showcase for that.

There are no limiting factors to the expansion, but like Ram said earlier, we're very careful with the markets that we pick. Emerging markets offer a lot of opportunity, but same with the risks. So we pick the ones that we manage well, one that we can hedge the financial risk by denominating their projects in AED or dollars, one that is supported by the Abu Dhabi credit export agency. But Presight is an Abu Dhabi-based company, and that makes us one of Abu Dhabi's largest digital technology services exporters.

So we use this to guide us on where we go. We use the relationship that we have and the cover that we can get from the Ministry of Foreign Affairs, Ministry of Investments in the UAE, to guide our selection of emerging markets. So that's how we take it. There's no fixed number. If the market is well-appointed, the opportunity is there, that is the market that we go to. Thank you.



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Omar

We have a few more in the Q&A box. Next one says, 'Can you please clarify how many months of revenues from AIQ have been consolidated in 2Q '24 financials?'

Thomas

Just one month for the month of June. The completion of the transaction occurred on the 7th of June. So we consolidated one month of financials from AIO.

Omar

Thank you. Next one is in the Q&A box as well. It says, 'How do you see the AIQ shaping up the overall growth story of Presight? And also, where do you see the total addressable market for AI within the GCC?'

Thomas

So two parts of the question. One, the acquisition of AIQ has now put us in a frontal position to deploy AI solutions, and the result is reflected in the guidance now. But if you will take our forward assessment, we expect the energy sector to be probably the second-largest revenue sector of the Presight group of companies. One big part of it is because the incremental need for energy driven by data center and AI infrastructure across the world, is incredible. There's a huge need for energy.

The second piece of it, the switch to renewal energy is taking slower than before. So the solution that has been put forth, and this has been discussed at COP28 too, is that you need to produce the current energy output at a more efficient, more sustainable and as green as you can. And the way to do it is to deploy AI and analytics solutions into your existing upstream, downstream and distribution sectors to maximize what you have without increasing the need to draw down more hydrocarbons.

So that, I believe, is a space we continue to drive at. That will shape our energy sector into probably the second-largest sector that we have in Presight itself.

Roger

Total addressable market, [overlapping voices 50:05at].

Thomas

I think in GCC, you need to look at the maturity of the markets that we're looking at. UAE, it's not just a user of AI. So the addressable market in UAE is large because UAE is creating AI applications that they want to showcase to the world. Saudi is close to developing their own. Other than that, Jordan is adopting not just AI, but data analytics and digital transformation. So I think these are the key parts of it. We continue to have worked in Bahrain as a piece of it.

Ram

Just to add to that, generally, the addressable markets, or the biggest piece of the pie of revenue streams is public services, which globally the addressable market is close to 1.2 trillion and what's more, it's growing a more than 20% CAGR over the next medium-term. So that continues to play a very important role or contribution to our revenue streams and also within the MENA region, public sector services, we expect very strong, green large addressable markets that also has very strong growth opportunities. So about contributing to the majority of our revenue stream, we feel that we are solidly placed to capitalize on that opportunity.

Thomas

Yes, the sector with the budget to spend on AI right now is the governments largely, and then followed closely by the financial sector and energy sector. These are the three sectors that will drive, and the time around public sectors, of course, more than 1.2 trillion. We expect



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another 18 trillion to be added on to AI applications globally. So that's the direction that we're looking at, which is why we are focused on the four/five key sectors that we're in right now.

Omar

Thank you. And the next one is from the Q&A box as well. It's three pieces. So first one is, 'What is the current mix of revenue by type? So one-time contract versus recurring business and SaaS subscription? And what is the breakdown of your backlog, and what's the current pipeline?' So this is the first one.

Second one is, 'What do you expect AIQ to add to your top and bottom line next year?' And the third piece is, 'Any plan to enter Saudi Arabia and bid on AI projects in NEOM?'

Ram

I'll take that. The first one is on the quality of revenue, which is [indiscernible 52:49].

Thomas Ram Yes, the split between the multi-year contracts and one-off.

Okay. So currently for the first half, the multi-year contracts contributed close to 91% of the overall revenues, and for the quarter it was 84% of the revenues.

And the second question was order book.

Omar

Yes. The second question is your expectation AIQ's contribution to top and bottom line next year.

Ram

Well, firstly, again, stepping back, the AIQ numbers are already included and baked into the medium-term guidance. We don't really give out breakdowns by inorganic segments and organic segments. But overall, it will be a strong contributor to the top line as well as to the to the bottom line for next year and beyond. Also, again, as we continue to bring in AIQ and consolidate them with the operations more and more, we will revisit if there are any changes to the outlook that we see from a management standpoint, we'll come back and revisit the guidance for the medium-term.

Thomas

Yes. For energy and utilities in our guidance, we said it would get to about 11% to 18% and I think that holds true for now. We're trying to revisit the guidance towards the end of the year. And the reason I say that is when we put out the guidance at the beginning of year, the momentum around large language models, energy for AI hasn't quite picked up as much.

We are now, of course, investing extensively in the R&D for creating enterprise AI and large language models that will serve the oil and gas and renewable energy markets. We'll be in a better position to look at what's accretive to our forward revenues coming towards the end of the year. But right now, like I said earlier, we expect that in the next 36 months, energy and energy-related sectors will become the second-largest revenue sector for Presight. And this is also largely spring-boarded by the fact that now we have ADNOC as a shareholder. We have ADNOC as a client, partner, as a whole.

The second question is around the order book. In Q2 we closed the order book at about AED 1.14 billion. This is excluding about AED 312 million that is to be taken from the Jordan contract. We expect this year to continue in a very positive trend. They are renewable



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contracts that we expect to successfully be renewed, so we expect to exit the year with a strong order book position.

The backlog and order book position has been a focus on the management team, because as we develop the multi-year contract that we are seeing, it has helped create a stable stream of revenue that allow us to work through a sustainable growth pattern. At the same time, it gives us the ability to invest in new revenue streams, such as the SaaS model that we just launched. So like I said, it's just launched, and we hope that by next time we get on an earnings call, we can tell you how much is coming from SaaS, but right now, it's a new model. We know that it can be significant over time, but that is something that we're adding on to the market.

Roger

And special plans to enter Saudi [ph].

Thomas

So in Saudi right now, we have a partnership through the G42 ecosystem. We have a partner through Nesma in Saudi that is marketing our solutions through them. They are a system integrated function. They are answering projects in NEOM. They have people on the ground, so we're working through them. In the meantime, we are focused on our work in Central Asia, in Western Africa and East Africa, where projects are landing at a much faster speed. We believe that Saudi is high growth, and we're doing that through partners at this point in time.

Omar

Thank you. And the next one is in the Q&A box again. It says, 'Can you elaborate on the seasonality of revenue recognition? Will the current Q2 year-on-year growth rate continue for the coming quarters, or will we see a jump in H2 growth rate as seen in 2023?'

Roger

So can you elaborate on the seasonality of revenues that we've seen so far this year? Can you give some color around the second half also?

Ram

Secondly, usually looking at the seasonality, within a year the revenues are loaded towards the second half. This coincides typically with the government budget cycles, as well as the product deployment cycles. As we get towards the end of the year, there is upgraded [indiscernible 58:13] hit the deployment targets from a customer standpoint, so that accelerates some of the deployment. And traditionally it has typically led to a strong second half numbers.

But at this time, we don't really provide inter-year guidance at this stage, and would not necessarily extrapolate last year's growth distribution of any prior year's period distribution, because now that we have brought in new acquisitions into the consolidated numbers, business has changed fundamentally. And also, our finance guidance reflects the management's view of compound growth and revenue, EBITDA post-tax profit over the next four years.

So within this guidance period, some of the quarters of fiscal periods, we may be ahead of the medium-term guidance and sometimes behind it. But that said, overall, we are comfortable with the range of analysts' forecast currently in the market, and we will continue to update the market at any point where our expectations of the performance over the medium-term changes.



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Omar

Thank you. And there's another one in the Q&A box as a follow up from Evgenia. It says, 'Has your headcount reached optimal level, or do you expect it to expand in 2024/'25? What is your employee attrition rate? What is the situation in the UAE IT market overall? Do you see any big wage inflation?'

Thomas

So I have all the answers to the question, so let's start with one. One, we're quite delighted to report. As a group, we consistently are within the Top 20 of Great Places to Work. So staff engagement levels are high in Presight as a whole. Two, attrition rate is low, where a single-digit attrition is about 8.5%.

There's also a big focus on amortization. So we are looking at increasing the workforce, balancing our amortization. Amortization today is at 11.5%. We want to push that to about 15%. Is the workforce optimized? Well, I guess, the question is, are we still growing? And in what areas are we growing?

So there is a demand as we win new projects. Internationally, we partner, so we don't burden ourselves with hiring engineers and project deployment resources in the UAI and sending them by high cost [ph]. We partner with local partners, with resident engineers, so that manages our margins.

Second, we continue to work with members at UAI and we're working with Khalifa University to bring in interns, final year students, as well as post-graduate programs. In fact, we just launched our first management training program with [indiscernible 61:08] UAI and this is a continued resource of candidates for us.

Omar

Thank you. And one last question is, 'How do you think about capital allocation and maximizing shareholder value, and when do you expect to start paying dividends?'

Ram

Well, thank you for the question. We have a clear strategy for judiciaries and prudent capital allocation. Basically we prioritize to drive capital allocation, to drive profitable growth through investing in innovation and new product creation across core and emerging verticals, including new areas such as generative AI, which Thomas was alluding to earlier, which we think presents a very strong growth opportunity for Presight. And on that note, [indiscernible 62:03] evidence that we recently launched the enterprise suite of solutions.

We also want to allocate capital responsibility to expand our international footprint and structurally growing across all the continents. It may be through establishment of the local infrastructure or through JVs, joint ventures of strategic partnerships. And as you can see in our H1 announcements, there have been quite a few new partnerships and joint ventures that have been announced, and we expect to continue to work on that and drive it more and more.

Now, lastly, but definitely not least, we also go through value accretive opportunities, including the M&A's, the guidelines and the strategies Thomas and I outlined earlier. That's going to be a continued area of focus for us. It's absolutely top of our mind. And like I said, our balance sheet continues to be strong and flexible. And for example, AI is a good example of



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how our M&A strategy was put into practice, which now we believe helps us to diversify more on the energy sector, and also, it offers significant opportunities for Presight to cross-sell into the energy sector using IT tools and vice versa, for AIQ to deliver their products and solutions through Presight's channels domestically as well as internationally.

Omar

Thank you, gentlemen. Those were all the questions for today. So back to you, in case you'd like to make any concluding remarks.

Thomas

For one, thank you, everyone, for taking the interest and time to spend with us and understand how each one has gone. I know there are questions around where enterprise AI suite of product is going to be. One thing we can tell you with certainty is that we expect the deployment of AI across organizations to be high. And with that, what we would like you to focus on how we report our news, is that what applied AI solutions are we putting to the market, and how we are making it easy for organizations to extract value and in turn, to buy the AI application. That's one part of it.

Second, we will continue to provide news and updates around our international expansions. I believe that is key. Being a top digital technology services exporter of Abu Dhabi and the UAE, we are privileged to be able to reach out to these markets with a much lower risk exposure than most enterprise companies who just enter these markets independently.

And then, thirdly, please stay closely to our energy sector news as we continue to look at the deployment of AI solutions, not just within ADNOC, but the ability to create innovation products in the second half of the year. There are definitely a few milestone events that we're looking at that we want you to pay attention to as we get through ADFW, the Abu Dhabi Financial Week, the ADIPEC event in November, and GITEX in October, those will be the key places where we will be making significant launches. So stay tuned to that. But thank you very much for your time and the team for putting this together.

Roger

Thank you.

Omar

Thank you, gentlemen, for the presentation and the insights. And thank you, everyone, for your participation. This concludes the call for today. Have a nice day.

Thomas

Thank you, everyone. Have a good day ahead.