Presight Q3 2024 Results Call

Monday, 10 February 2025

Yousef Husseini Good morning and good afternoon, everyone. This is Yousef Husseini from EFG Hermes, on behalf of my colleague, Omar Maher. I'd like to welcome everyone to Presight's third quarter 2024 results conference call. The conference call will begin with a brief discussion of the key highlights of the period, 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. Please go ahead, Roger.

Roger Tejwani Thank you, Yousef. And good afternoon, everyone. Thank you for joining us on today's call covering Presight's nine-month 2024 results. The call is hosted by Thomas Pramotedham, Group CEO, and Ram Meyoor, Group CFO. Thomas will give an update on strategic highlights during the period and then Ram will cover our financial performance, followed by the outlook. We will then open the floor for Q&A. For your reference, the investor presentation we're about to run through is available in the investor section of the company's website at presight.ai.

And also, please note that the contents of this call may contain forward-looking statements, which should be considered in conjunction with the disclaimer included in the presentation. I'll now hand over to Thomas.

Thomas Pramotedham Good afternoon, everyone. And thank you for joining us. For the first nine months, we have seen and achieved strong growth across the many sectors. There are about six operational highlights I want to take you through. One, in the span of our domestic and international contracts, we have contracted a value over 1.14 billion dirhams of contracts in the nine months running, up from 1 billion of which was the last Q3. As well as brought together wide-ranging arrangements and partnerships to bring forward what we're doing at Presight across different economic sectors.

In the same time, we acquired 51% of the leading AI energy provider, AIQ, with ADNOC. And in June, that business continued to perform well operationally and financially. Under our own stewardship, we have now brought together a new primary suite of solutions that address the global energy transition, including the first net zero industrial AI engine that was announced at ADIPEC last week. While we have launched several groundbreaking solutions specifically to empower enterprises with AI with the tools they need to use to emphasise the use of their data, a new user-friendly AI report generator that enables users to analyse data across a wide range of resources without requiring the need to programme, it's a drag-and-drop, local, no-code programme.

In October, we were delighted to showcase some of our solutions at the Global GITEX exhibition. It's the first time that Presight has our own inaugural presence there. Across the sectors, we have signed agreements in smart city, transport, energy and we have also launched a global smart city solution that's called Presight Intelli platform. Further to that, as part of the commitment to invest in the broader AI system, we have launched our Presight data Hub, a UAE first sovereign enterprise data marketplace platform, as well as a unique AI-startup Accelerator programme focussed on companies from the MENA region and Southeast Asia and Central Asia Space.

Last but not least, we have been awarded and we have maintained a high standard of corporate governance. We were awarded nine ISO certifications across various aspects of organisation management, including corporate governance, risk management, information security and the use of privacy data. If I were to unpack this further for you, in our domestic market, we won two new contracts with the government entity in Abu Dhabi, one of which was the first commercial contract for our enterprise AI solution Presight Vitruvian, which we shared with the analyst team in the

Q2 earnings call, to deliver an audit automation platform to improve the efficiency and scalability of the operations of the entity.

As well as a secure platform to unify data management and critical information across multiple departments. Second, a new multi-year contract with the Abu Dhabi Department of Economic Development to develop and deploy a cloud-based data platform to establish Abu Dhabi's first digital corporate library was awarded to us. Third, a contract between AIQ and ADNOC to deploy the world's first net zero industrial AI engine, offering GenAI solutions across ADNOC’s upstream operations. And, more importantly, this contract creates the foundation for a deepened engagement of ADNOC on the provision of comprehensive AI solutions across its value chain.

In the same breath, AIQ has deployed its SMARTi intelligent operational safety monitoring solution across 86 of ADNOC logistics and services vessels, delivering the cutting-edge AI technology needed to improve safety through automated monitoring detection. Our RoboWell autonomous well control solution has also been deployed across ten wells in ADNOC’s NASR operations. RoboWell has already been proven to deliver up to 30% optimisation in gas lift consumption and up to 5% increase in operating efficiency. With further deployment of this solution across more than 300 of ADNOC’s wells scheduled by the end of 2024.

This is one of the areas that ADNOC have openly publicised about the savings that AIQ has delivered for them through AI. Many of you will be familiar that one of our strategic priorities post-IPO was to diversify our revenue base through new international markets. Of course, in the past year, our footprint has expanded to over 14 countries across four continents. In Q3, we signed a multi-year contract with Jordan's Ministry of Digital Economy and Entrepreneurship to accelerate the adoption of innovative technologies and data-driven strategies targeted at improving healthcare outcomes for the Jordanian citizens.

Under this contract, Presight leverages off M42 expertise in UAE healthcare, digital transformation projects, coupled with our own AI-powered analytical capabilities to implement state-of-the-art solutions. At the same time, deliver a comprehensive public sector, digital healthcare assessment and roadmap, including the establishment of a virtual hospital command centre that will provide telemedicine, teleradiology and teledialysis for peripheral hospitals. In the domain of new agreements and partnerships, we have continued to deepen our relationship as an AI and digital transformation partner in UAE, with key state-owned enterprises signing a few of these agreements.

Namely, one, a memorandum of understanding with Etihad Rail, the developer and operator of the UAE National Railway Network, to accelerate its digital transformation, including smart transportation and logistics solutions using generative AI and enhance capital planning through AI-driven insights. Separately, we have signed an agreement with Maqta Gateway, a part of AD Ports, Abu Dhabi Ports Group's digital cluster, to collaborate exclusively on the development and commercialisation of AI-powered solutions within the international trade and logistic markets.

Thirdly, in the space of renewable energy, we have signed an agreement with Masdar, one of the key enablers of UAE’s vision as a global leader in sustainability and climate action, to develop a bespoke AI-based asset management tool that supports its ambition to digitise its operations worldwide in enhancing efficiency, optimising the energy grids that they serve. And achieving a low-carbon, high-growth future through the integration of renewable energy source. A memorandum of understanding with Nawah Energy Company, the operations that maintains a subsidiary of Emirates

Nuclear Energy Corporation, to further explore the use of generative AI and big data analytics to enhance operational and organisation efficiency.

In the transportation space, we have signed with the Integrated Transport Centre regarding the implementation of smart cities solutions within Abu Dhabi to enhance the quality of urban living and infrastructure management. In Q3 and shortly after our exhibition at GITEX, we included several new agreements in international space. A memorandum of understanding was reached with the Ministry of Science, Technology and Innovation of the Republic of Colombia to collaborate on joint research, technology, development and innovation projects in areas such as AI, data analytics, smart cities, energy and climate.

A commercial framework was signed with ISS, a US leader in video and intelligence, through which IS [unclear 00:08:36] will now deploy our AI-driven solutions in smart city and intelligent transportation across the western hemisphere, including North and South America. On the technology partnerships front, to further enhance our technology portfolio, three key agreements were signed. One with Swiss AIAG, a Switzerland-based AI company, to use advanced big data analytics and AI capabilities to transform city into smarter and more efficient and sustainable environments.

IDEMIA, a leading smart identity company and globally recognised to collaborate in the field of secure identity solutions, AI and data analytics in the regions of Middle East and Africa. And finally, Rich Digital, a subsidiary of Rich Group, to deliver digital solutions across various sectors by combining AI, IoT, data analytics and smart city innovations. At the same time, in the third quarter, we launched our enterprise AI suite. Shortly, post the quarter end, we launched an Intelli platform in our Report Optimiser. And many of you will have followed ADIPEC in November, AIQ launches groundbreaking EnergyGPT solution.

Going into the enterprise suite, we spoke about this during the Q2 call. Presight Connect and Vitruvian are sector- and scale-agnostic solutions that can be rapidly integrated into existing enterprise technology stacks, be it on-premise, on-cloud or even air gapped. The key thing, they provide machine learning and natural language processing tools, with predictive analytics, large language models and generative AI to drive business efficiency and growth across decision-making. Presight Connect is the first UAE-hosted, cloud-based AI system that will deploy adaptable GPT and connect with world-class SaaS systems to bring business applications to enhance operational efficiency and insight delivery.

Its advantages, relative to other AI agents and co-pilots, lies in its ability to bring in enterprise applications to do domain-specific assistant creation, complex multi-source data analysis and insight delivery. On the other hand, Presight Vitruvian is an on-premise AI platform that enables enterprises of any skill to use leading AI tools to transform all aspects of traditional information management, data analysis and insight discovery. Its on-premise deployment and domain-specific knowledge, learning from only trusted sources rather than general-purpose data, are key advantages over ChatGPT.

And this is the first enterprise contract that we received since we reported this in Q2. Presight Report Optimiser is a no-code report generator that uses generative AI and large language model to enable users to retrieve, organise and analyse data across a wide range of sources, including web data and enterprise data sources. Power by GenAI, in a simple no-code interface, it allows any user at any level to gather data, produce insights and take action, simplifying routine tasks and transforming them into optimised experiences that save time and provide overall efficiency. Moving on, the Presight Intelli platform is the core of our AI-enabled smart infrastructure platform.

It's a domain-agnostic, scalable and adaptable platform that drives urban optimisation and urban operations. It allows city governments and infrastructure entities to leverage the power AI and generative AI to deliver unparalleled level of real-time intelligence over their operation and operating environment. For example, it's applicable to smart cities, airports, ports, manufacturing, energy, utility companies, public safety, and so forth. This is the core platform that we're using to support our agreements with Masdar. Built and engineered in the UAE, is validated by global technology partners such as Intel and Dell, the platform will be on OpenAI standards and it will be data-agnostic across multiple sources.

It serves, not just expensive megacities, but it is able to scale to provide from provincial applications to city application. It has a no-code environment which allows users to quickly deploy customised solutions to a drag-and-drop functionality. It can be deployed on premise or on the cloud. It is seamlessly integrated into Microsoft Azure. And many of you would know our partnership with Azure has us expanding the reach of our solutions. It will ensure that organisations can operate with the same level of performance and security, irrespective of where the data is hosted.

The global smart city market is expected to grow from 1.3 trillion this year to over 6.8 trillion in 2022. Intelli, while was recently launched, we're already in advanced discussions on a multi-year, smart city traffic management system across the Balkan region. Finally, when we get to ENERGYai, ENERGYai is the world's first net zero industrial AI engine, designed to revolutionise the global energy landscape by optimising supply chain, balancing demand and enhancing sustainability. It will be first applied to ADNOC’s upstream operations, such as reservoir management, field development, exploration and appraisal.

It will offer round-the-clock, unparalleled predictive analytics. It uses the concept of agentic AI that offers continuous learning across all data streams and real-time optimisation of greenhouse gas emissions. It will operate on top of the underlying high-performance clusters and data infrastructure in UAE. It is well placed to be the world's first foundation EnergyGPT. Not just for ADNOC. We have planned to scale the solution across the whole ADNOC’s full value chain, from investment planning, predictive maintenance, from upstream production to process optimisation, down to downstream workflows.

Moving on, looking at the Q3 2024 operational highlights, in 2024 October, we launched a two first-of-its-kind initiatives in the UAE. The Presight Data Hub and the Presight AI-startup Accelerator programme. And let me unpack that further. The Data Hub is UAE's first sovereign enterprise data marketplace platform. And it's a big step towards data democratisation in the UAE through a powerful data marketplace, along with Presight’s expertise in data strategy and exchange. It will enable any organisation to create data products, exchange and manage data securely and efficiently and extract actionable insights from its data.

Data Hub is a cloud-native platform that will be deployed on the sovereign UAE Microsoft Azure Stack, ensuring data sovereignty and security, while maintaining extensive customisation capabilities to suit different organisations’ need. Some key examples you will see Data Hub being applied, in finance where companies will need the ability to securely exchange data, improve trade strategies, ensuring compliance in the retail space to personalise customer experience, optimise inventory management and improve marketing strategies. In the smart infrastructure space to enhance energy distribution, utility management and resource efficiency to drive sustainability.

Moving on, the Presight's AI Accelerator, it's a uniquely UAE-centric programme dedicated to AI start-ups across the world. Focussing on companies from the MENA region first, the three-month programme is designed to support companies that develop a prototype beyond MVP that are market-ready and has the ability to take on revenue in this region. We will offer them high-performance computing that's available from the G42 ecosystem. We will offer them data security and exposure to large foundation LLMs and GPTs and algorithms provided by the group.

More importantly, it will tap on the fact that Presight and the group has extensive market access over the 14 markets to immediately generate revenue for the companies who are ready to take on MVP during production. This sums up most of the highlights across the operations, the business. I'll turn to Ram to take us through the financial highlights.

Ram Meyoor Thank you, Thomas. Good afternoon, everyone. Let me first summarise our performance for our first nine months, which has been characterised by strong growth in profits, margin expansion, robust cash flow conversion and a step-up in our order book. Our revenue growth in the first nine months of 2024 was 9.6% year-on-year, plus 21.3% year-on-year, adjusting for some rephased deployment on one international project, which I shall comment on shortly. Our EBITDA growth for the first nine months was 16.5% year-on-year, with favourable deployment mix and strong quarter-on-quarter growth from AIQ, underpinning an increase in EBITDA margin from 21.6% to 23%.

Our profit before tax increased by 16.2% year-on-year for nine months, despite receiving lower interest income in the third quarter after paying AED 900 million towards acquisition of AIQ in June, which is our first tranche. And our pre-tax profit margin increased from 25.3% to 26.8%. Our balance sheet remained debt-free and robust, with cash of 1.6 billion, which gives us the financial flexibility to fund future organic and inorganic growth. Our cash conversion has been good, with operating cash flows of AED 408 million for the nine months. And our order book has increased by 1.14 billion, 1 billion of which came in third quarter.

With a closing backlog at the end of September of AED 1.58 billion. This does not however include the recent news about the recently concluded agreement with SOCAR, which we formally expect to conclude in Q4, which would then add to the backlog balance. And for the full year 2024, we anticipate growth in the group revenue, EBITDA and profit after tax to be in line with the current analysts' consensus. Before unpacking the headline numbers in more detail, it is worth providing some context around our performance in the third quarter. Presight's revenue in any particular quarter comprises a mix of various projects and their stage in deployment lifecycle at the point in time.

Furthermore, in line with our robust approach to governance, revenue recognition is a subject to fulfilment of stringent, predetermined conditions precedent. In practice, this means that revenue can and typically does accrue at different rates between quarters, with our final quarter traditionally being the strongest contributor to the annual revenue, which is in line with the normal deployment and client budget cycles. To give you an example of this, in 2023, 40% of annual revenues was recognised in the final quarter. And in 2022, the same percentage was around 37% of the full year revenue.

Planning for Q3 included deployment of this initial phase of a large international project, which we now expect the conditions precedent to be expected to be concluded in Q4 24. As a result, the revenue and the corresponding margins roll over into Q4. To help illustrate this impact on our numbers, this slide compares Presight's reported revenue and profit growth for Q3 24 and the nine months ending September 2024 with the pro forma numbers had the deployment commenced during the third quarter as expected. Turning to the reported headline figures for the first nine months' group revenue, revenue in the first nine months increased by 9.6% year-on-year to AED 1.169 billion, reflecting rephasing of the deployment of Q4 24.

Third quarter revenue increased by 2.4% year-on-year to AED 566 million, with positive growth against a strong comparable quarter in the prior year, underpinned by a robust revenue generation from AIQ. Excluding AIQ, revenue declined 6% for the nine months to September, largely reflecting the deployment rephasing. Without which the growth remains strongly positive. Our order book increased by 1.14 billion over the nine months, of which AED 1 billion was in Q3 24. And again, this does not include the recently concluded SOCAR agreement, which will add to the backlog later in the quarter.

Group earnings before interest tax depreciation and amortisation, EBITDA for the nine months increased by 16.5% to AED 269.1 million, with a 6.1% growth in Q3 24, reflecting both a strong EBITDA growth at AIQ and the adverse impact of deployment rephasing. Excluding AIQ, EBITDA declined by 9% year-on-year in nine months to September, reflecting both the deployment rephasing and scaling up costs in Q3 24 ahead of the traditionally strongest revenue-generating quarter, which is Q4. EBITDA margin for the first nine months increased 1.4% year-on-year to 23%. And by 0.7% year-on-year in Q3 24 to 20.4%, reflecting AIQ's contribution to the margin mix.

Excluding AIQ, EBITA margin in the first nine months was down 0.7% year-on-year to 20.9%, with a favourable deployment mix offset by a higher proportion of operating costs in Q3 24. And Q3 24 EBITDA margin down 1.4% year-on-year to 18.2%. Moving on to group net profit metrics, profit before tax for the first nine months increased 16.2% year-on-year to AED 313.8 million. Including strong growth from AIQ by quarter-on-quarter profit before tax increased by approximately one third. Profit before tax in the third quarter was down 8.1% year-on-year, with lower interest income post-AED 900 million payment for the first tranche of AIQ acquisition, accounting for about six percentage points of the decline.

Assuming deployment on the international contract had commenced in Q3 24 as expected, Q3 profit before tax would have been up 2.3% year-on-year. And excluding AIQ, profit before tax for the first nine months was broadly flat year-on-year, but up 3.7% year-on-year had the deployment commenced in Q3 as expected. Pre-tax margin for the first nine months increased 1.5% year-on-year to 26.8%, with Q3 24 margin down 2.4% to 21.2%, with lower interest income year-on-year accounting for about 1.4% of this decline. Excluding AIQ pre-tax margin in the first nine months was up 26.5%, up 1.2% year-on-year and down 2.3% in Q3 24 year-on-year or down about half a percentage point, excluding the impact on lower interest income.

Profit after tax for the first nine months increased by 5.8% year-on-year to 285.5 million or by 10.4% year-on-year, had the deployment of international contract commenced in Q3. Profit after tax Q3 24 was down 16.4% year-on-year, with the UAE corporation tax, which was not included in the prior comparable period and a lower interest income accounting for 14.3 percentage points of the decline. Excluding AIQ, profit after tax declined 10.3% for the first nine months, with the UAE corporate tax accounting for 8.9 percentage points of the decline. Post-tax margin for the first nine months was 24.4%, down 0.9% year-on-year.

With the inclusion of UAE corporation tax adversely impacting the margin by about 2.4%. Post-tax margin for third quarter was 19.3%, down 4.3% year-on-year, with tax and lower interest income accounting for 3.4% of the decline. Excluding AIQ, post-tax margin was 24.1% for the first nine months, down 1.2% year-on-year. With the UAE corporation tax adversely impacting year-on-year margins by about 2.4%. Looking at some of the key performance indicators that we track, the first one is being the revenue quality. 83.4% of the first nine months' revenue or about AED 976 million came from backlog contracts.

Just to remind everybody, our backlog contracts are contracts which are being signed or executed in the prior years that we carry forward, that is, for which revenue has to be accrued in this current year, compared to about 60.5% or about 645.5 million in the prior comparable period. The respective figures for third quarter was 74.4% or AED 421.4 million compared to 40.1% or AED 220 million in the third quarter of 2023. 91.6% of the first nine months' revenue or AED 1.07 billion came from multi-year contracts, compared to 91.5% or AED 976 million in the prior comparable period.

Multi-year contracts provide a strong foundation for future revenue and cash flow growth. Our backlog at the end of September 2024 was 1.58 billion, up from 1.14 billion in the first half. Looking at the geographical split of the business, 10.4% of revenues in the first nine months or 121.5 million came from international markets, compared to 8.1% or 86.5 million in the first nine months of 2023. The respective figures for the third quarter were 14.3% of revenues or AED 81 million, compared to 2.3% or AED 12.9 million of revenues in the first three quarters of 2023. Over the medium term, we expect the growth in international revenues to accelerate to approximately 30% of the total.

Before providing my closing remarks, I wanted to touch on our expectations for 2024. With approximately six weeks of the year remaining, we anticipate full-year growth in revenue, EBITDA and profit after tax to be in line with the current analyst consensus forecasts. Our performance in the year-to-date has been strong and we look forward to providing a further update at our financial year 24 results in February 2025. I will hand it back to Thomas for closing remarks before we open up for Q&A.

Thomas Pramotedham Thanks, Ram. Our third quarter continued the trend that we witnessed in the first half. Our strategy for the company has been steadfast. We maintain a domestic focus while expanding international contracts. We continue to bring in wide-ranging agreements and partnerships that establish Presight as a digital transformation and AI partner to key industries and key leaders. We use that as a way to accelerate the adoption of advanced AI capabilities. We continue to invest and launch cutting-edge and apply AI products that will expand both our international footprint as well as support long-term growth ambitions.

Our inaugural presence at the GITEX Global 2024 has allowed us to showcase to a global audience the expanding suite of AI products. It's been designed to support governments and enterprises of all size, regionally, internationally, to help them realise that ambition. Alongside new partnerships with international brands like Swiss AI, Intel, Dell, they'll continue to help us power our solution portfolio to continue to empower societies with responsible and adequate use of AI. I'm certain that we will continue to see momentum in our final quarter as we close out another transformative year for Presight.

We thank you for taking time with us on our second earnings call. And I would like to, at this point in time, open up the discussion for Q&A. Thank you.

Yousef Husseini Thank you, guys, so much for the presentation. We'll now begin the Q&A session. If you have any questions, you can either use the raise hand function to ask your question verbally or you can send us your question in the Q&A box. We already got a few questions in the Q&A box. We'll start there until the rest of the questions come in. First question is from Parth Desai. He's saying, since the company is deploying customised AI models at multiple clients, what is the operating leverage the company expects to generate? Assuming a CAGR of X percent, what earnings growth could that generate, I guess is the question, from these AI models?

Ram Meyoor Thank you for the question. I would refer you back to our medium-term guidance. I think, on the whole, we are providing a guidance of EBITDA in the range of 15 to 20% over the next three to four years. And at this point, I think we are fairly comfortable in making sure our business would generate that kind of returns at the EBITA level. And if there is an opportunity or a distinct opportunity that gives us a positive view of the medium term, we will obviously revisit our guidance and change accordingly. But at this time, I would refer you back to our current guidance that we have provided. It's available on the deck that we have loaded onto the website. And we'll stick to that for now.

Yousef Husseini Thank you. Second question is, since the company's products are used for law enforcement and the government sector, do these products need to adhere to any specific sales restrictions?

Ram Meyoor Sorry? What?

Thomas Pramotedham Could you repeat the question, please?

Yousef Husseini Sure. Since the company's products are used for law enforcement and the government sector, do these products need to adhere to any sales restrictions?

Thomas Pramotedham Sales restrictions?

Ram Meyoor Sales restrictions.

Thomas Pramotedham Sales restrictions. No. Part of it is the deployment of apply AI solutions that we have done since the genesis of Presight as a company. The platform continues to, one, conform to [inaudible 00:31:19] government policy standards applicable in each of the country that we operate. There are no sales restrictions, per say, but the deployment of it conforms to each of the government's deployment, be in the law enforcement sector, in the public services sector for e-government digital services. That's what we do. On top of that, our compliance to broad strokes corporate policies that flows down, of course, from the Microsoft investment in the G42.

Our strict compliance policy across how we operate across the region, especially EMEA. These are the enforcements that we put around, no matter which domain we go into in any of the solutions that we on-sell.

Yosef Husseini Thank you so much. Next question is, since the company's addressable market like public financial and utilities are expected to grow at a healthy rate, how much market share does the company target to achieve going forward?

Ram Meyoor Again, for example, public services continues to be the largest contributor to our revenue streams. I think as of 2023, it contributed close to 90%. And globally, the public services sector is expected to grow around 22 to 24% CAGR. And that term is around 1.2 trillion. Firstly, there's a significant runway, we think, that is yet to be had in terms of opportunity for growth. Separately, on the financial services sector as well, I think it's well into the double digits in terms of…

Yousef Husseini Sorry, guys, we seem to have lost you there for a second.

Ram Meyoor [Inaudible 00:33:24] the case in the point would be our acquisition of AIQ in Q2. And also diversifying our revenue streams geographically…

Yousef Husseini Sorry…

Ram Meyoor Sorry?

Yousef Husseini Sorry, go ahead. You guys cut up for a little bit there. And I apologise, if it's possible to just go back about 30 seconds, if that's okay?

Ram Meyoor The last 30 seconds?

Yousef Husseini Yes.

Ram Meyoor I don't know how much I… I think the question was, what is the revenue growth that is expected? In the medium term, refer back to your guidance, the revenue growth in the medium term is about 17% to 23% range that we have provided. We are fairly comfortable with that range. Again, to give you a bit more colour on the sectorial market time and growth, the public services continues to be the most significant contributor to the overall revenue streams. As of last year, it contributed roughly about 90%. And at the global time on the public services is about 1.2 trillion.

And what's more, it's expected to grow at 22% a year on CAGR on that base. It's a significant amount of opportunity that we can capitalise on. And it will continue to play a central piece to our overall revenue growth strategy. Secondly, we would also like to diversify sectorially, which would mean that we get new sources of revenue streams, either by making prudent investments into R&D, such as us developing the enterprise suite of products and also acquiring companies in the new sectors, such as us acquiring the AIQ in June of this year. Overall, we expect that to grow, that to add to our overall revenue growth guidance that we have provided and which positions us in a very strong place insofar as achieving those targets.

Thomas Pramotedham Just adding on to Ram's point, we have provided sectoral guidance in the investment deck. Public services will continue to be our largest and most dominant sector. We expect energy utilities to come close second. We're focussed on that most of this year and you will see that representative. Financial services and smart infrastructure will continue to grow and that is where we're going at it. I think right now, if you refer back to our guidance for forward five years, we will continue to maintain that. But energy and utilities, right now, evident in the launch of the ENERGYai model with ADNOC, evident in the SOCAR smart grid digital transformation project we signed yesterday.

We expect that energy will become the second largest revenue sector for Presight as a whole. I hope that answers the question.

Yousef Husseini Yes. Thank you so much. Next question is from Ahmed Al-Shehhi [unclear 00:36:19]. What percent of revenues are coming from the AIQ consolidation?

Ram Meyoor Currently, it's about less than 10% at this point in time. Again, we acquired this in late Q2. And it's still early days insofar as the consolidation of AIQ into our overall revenue and our financials. But so far, we have been very, very excited about the opportunities it provides, the AIQ. It provides us the access into the energy sector. And you would have recently come across the announcements that AIQ, through its ENERGYai solutions, would form the centrepiece of ADNOC’s AI initiatives. And I think that bodes very well for us in terms of future revenue streams.

Yousef Husseini Thank you so much. The next question comes from the line of Nakheel Meshra [unclear 00:37:15]. Nakheel, I've unmuted your line. One second. You should be able to unmute your line yourself now, Nakheel. We'll come back around to Nakheel in a moment. We can try Erving [unclear 00:37:49] next. Erving, I've unmuted your mic. Please, go ahead. Ajeni [unclear 00:37:55], sorry. Apologies. Your line’s now open.

Erving Ajeni Am I audible now?

Yousef Husseini Yes, you are. Please, go ahead.

Erving Ajeni Thank you so much for the presentation. I have three questions, if I may. Maybe I do it one by one. My first question is on the outlook. Despite lower Q3, you said that you expect to meet consensus estimates for 2024. And if you look at 2025, I think consensus expects some growth acceleration towards high 20s area. I'm not asking you for specific guidance, but just would like to hear if you think that directionally it's valid to expect growth acceleration next year, especially given the major award from SOCAR and you still have some support from M&A for the first five months. Thank you.

Ram Meyoor Let me take that up. I think the first part of the question was with respect to the current year guidance. The consensus estimate is the Q4 number of about a billion dirhams. We are still fairly comfortable in our estimates to land in line with the consensus numbers. A few things to give you guys a background, historically, Q4 has been the highest revenue-generating quarter for us. Last year, it formed about 40% of our annual revenues. And the year before, around the same metric on 37%. And this year will be along the same lines.

And if we actually keep the fact that there's a roll-over of the current international deployment into Q4, if you back that out, the growth metrics year-on-year for Q4 is very reasonable. And it falls, both for the revenue, for EBITDA as well as the PBT and PAT numbers, fall well within the trends that has already been established in terms of our business in the year 2023 and 2024. It's nothing untoward. And we feel that it's fairly along the same similar lines. Insofar as 2025 numbers go, the Q4 is turning out to be a reasonably good quarter insofar as anticipating our orders.

We would revisit the 2025 numbers in terms of our guidance later in Q4 or closer towards the time we are announcing the FY 2024 results in February 2025. And we'll provide you an updated guidance, if need be, depending on the results of our backlog position and the revenue-regeneration capacity of our contracts at that point in time.

Erving Ajeni Ram, thank you. That's clear. My second question, please, is on AI's use. You have mentioned the first Vitruvian contract. One, congratulations. Can you maybe disclose if you are in discussions with some more clients regarding fees? And on Presight Connect, can you share some colour on how it's progressing? I think in August, you mentioned you see use cases in food and beverage, healthcare, financials across small and medium enterprises. Any colour here as well? Thank you.

Thomas Pramotedham I'll take you through. Yes, for Vitruvian. And this is along the same breath as what you can see, OpenAI announcement, Microsoft and Google announcement that agentic AI, which is a concept of Vitruvian models, taking a large language model and develop industrial domain expertise applications around that is a way to go. We are seeing a strong uptake in that. Conversations around creating bespoke models for an on-premise air gap environment is the discussions that we see. And this is largely in large financial sectors, the types of central banks, government ministries.

On the Presight Connect piece, we're seeing adoption across multiple sectors in the government, in the universities, in ports and in retail. The way Connect runs as a pipeline, it begins its ability to host out our UAE in August and then sign up multiple clients who is on trial for a number of seats. Right now, there's an excess of 15 clients who are on trial. And we expect the conversion to come in towards the end of Q4 and Q1, where we can openly discuss and publish the organisations that are using that. But the big driver around that, and if you have kept up with it, is the driver of enterprise AI systems that has been prevalent in the last six months across the whole AI emerging use cases.

I think you will see this too. We'll be happy to report in the closing of Q4, the full financial year, new clients who'll have taken on Vitruvian, as well as the number of seats most likely and more organisations that'll have taken on Presight Connect as an AI assistant as a service.

Erving Ajeni Thank you, Thomas. That's great. And my last question, if I may, is on AIQ profitability. I think implied net profit margin in Q3 was around 19%. That compares with around 50% average last year in H1. My understanding was that compared to Presight, AIQ revenue mix is skewed more towards analytics and software and should be sustainably higher margin with lower volatility. Are there any changes in the operational model of AIQ or any other ad hoc costs that drove such a material decline in profitability in this quarter? Thank you.

Ram Meyoor With respect to AIQ, I think that the Q2 number, the profitability was measured on one month of consolidation, just to remind you. There was a software deployment in the month of June and then, lo and behold, that consequently gave you a higher profitability number. In Q3 and Q4, it is more AIQ's business models are fairly consistent with the way Presight operates as well, in that there is the lower margin pertaining to deployment and implementation and higher margin deployment to software. I think when we close the year, we think this will fall into a more traditional pattern, which will again lead us back to the consensus guidance which we feel we are in line to meet with at the end of Q4.

There is nothing untoward. It's just the Q2 was a one-month snapshot of what happened with respect to AIQ. And even in general, with overall Presight's numbers, the profitability numbers in terms of margins would be fairly consistent when you look at Q4 business processes and cycles as such, even in 2023 and 2022. I think one of the reasons why we are feeling fairly reasonably confident that we will be in line with the consensus estimates, top line and bottom line.

Erving Ajeni Thank you, Ram. That's clear. Thank you so much.

Ram Meyoor Thank you.

Yousef Husseini Thank you, guys. Nakheel, if you still have a question, please do let us know. Let me see if I can unmute. I've sent you an unmute request. Please unmute yourself. Go ahead. You should be able to talk now, Nakheel.

Nakheel Meshra [Inaudible 00:45:31] taking the questions. Just one question on ENERGYai. Can you give us a bit more context on what is the scope of Presight or AIQ in this ENERGYai announcement? And what should be the impact in terms of the top line that we can expect over the coming quarters or years of that? Thank you.

Thomas Pramotedham I think, one, ENERGYai, it's a product developed by AIQ for ADNOC. That's the first. Presight's immediate role is through AIQ. AIQ is developing a large language model as agentic-centric across major use cases. The phase one of it was showcased at ADIPEC this year. And I think in our management report, we've also reported that it's 125-million-dirham contract that's been published. That's a part of it. That's only the first part of developing a large language model that is industry-specific. We expect the base project to continue to develop and scale towards midstream, downstream and sustainably use cases.

And that will add on to AIQ's ability to position themselves as a global ENERGYai company. ENERGYai is a product developed for ADNOC, but the current use cases are still small. And if you equate what the revenue is to the use cases, you can extrapolate the future revenue streams that you would generate out of that. And more importantly, post-ADNOC's use, this is AIQ's ability to continue to bring this to their international portfolio. And we have known and reported that AIQ has existing arrangements with PETRONAS in Malaysia and several other small, medium oil and gas companies in the region. And this is a part of their portfolio.

Nakheel Mishra Thank you. Very clear.

Thomas Pramotedham Thank you.

Yousef Husseini Thank you so much. We have one last question left from Manke Bansal [unclear 00:47:35]. I think you guys already addressed this, but can I ask it just in case there's anything you wanted to add. How much interest and traction are you getting for your enterprise AI offerings, namely Vitruvian and Connect, from private commercial clients, which are not affiliated to the UAE or foreign governments? When can we expect sizeable revenues to come from commercial clients?

Thomas Pramotedham I think we need to be pragmatic in answering these questions. I've shed light about the interest of it. I think enterprise AI Assistant will grow. It'll be a commercial uptake around the solutions that we have. But predominantly, Presight operates many national platforms that are high-value in contracts multi-year. The enterprise AI-as-a-service products such as Presight Connect, will gain more organisations. But in terms of revenue attribution, I don't think you will see the same size as a national platform or an ENERGYai project like what we have with AIQ.

What you will see is the ability for us to penetrate beyond the regular federal logos that you see Presight has. You will see has ability to go into retail, finance, hospitality. And from there, deepen the conversations around where AI can apply. And therefore, give us the ability to learn, expand the portfolios that we can into these logos.

Yousef Husseini Thank you guys so much for your time. We do not have any more questions at this stage. I'd like to hand it back to the management team for any closing remarks. Thank you.

Thomas Pramotedham Thank you very much for the team to join. It's always good to have these conversations. Like we said, the earnings calls are open. I think our IR team is available to engage with you any time outside these sessions. But with that, thank you very much for your time and we look forward to this same conversation in February and hopefully to give you more colour on some of the questions you ask around Vitruvian, around Presight Connect, where enterprise AI is adopted. And also, the second phase of the energy LLM, as well as new international projects that we can disclose by the time of February 2025. Thank you.

Yousef Husseini Thank you so much. This concludes the conference call. Have a nice day.