

Future First Technologies Ltd

FY21 results analysis

Upgrading forecasts & valuation on Asset Vision guidance

Future First Technologies Limited (ASX:FFT) is building a portfolio of digital assets that seek to make life simpler and safer. The company owns two key businesses, farmbuy.com and Asset Vision, which it respectively acquired in April and November 2020, and an 8.8% stake in fintech start up 1derful.com.au. The company has announced better than forecast sales revenues of \$1.5m for FY21, versus our forecast for \$1.2m. The adjusted EBITDA loss for the year was \$1.5m, substantially better than our forecast for an operating loss of \$3.2m. FY21 was a transformative year for the company, and its first year as a SaaS-focused digital technology company. Future First provided guidance in its presentation on the revenues and gross profits it expects to generate from Asset Vision from FY22 to FY25 and we have incorporated this into our forecasts, resulting in upgrades to our revenue forecasts for those year and EBITDA forecasts in FY24 and FY25. As a result, our base case DCF valuation has increased to \$0.31/share (previously \$0.24/share) fully diluted for share based earnouts.

Business model

FFT generates its revenue from its fully-consolidated entities, Asset Vision and farmbuy.com. In the near term, Asset Vision's revenues and earnings will be the key driver of earnings and profitability. Asset Vision operates a SaaS model, generating enterprise contracts with corporates and government to digitally manage assets. Its contracts are usually 3-5 years in duration. Asset Vision's business began with state and local government responsible road authorities and their road maintenance contractors, with its cloud-based asset management platform delivering a simpler way to manage road inspections, schedule maintenance and capital works and optimising the authorities' asset register. The platform now spans assets across rail, buildings, utilities and parks and open spaces. The company has provided guidance on Asset Vision's revenues and gross profit out to FY25, which we address in this report. Farmbuy.com delivers an online marketplace for rural property agencies, buyers and sellers, attracting more than 1m unique visitors a year and on track to deliver an annualised revenue run-rate of more than \$1m by December 2021. Farmbuy.com recently launched a sister website, goregional.com.au to help Australians make the move to regional areas, showcasing 12,000+ regional properties for sale or lease and integrating with seek.com.au (ASX:SEK) to display 70,000+ regional jobs and has partnered with FarmGate Auctions to launch Farmbuy Livestock (announced 18 August).

FY21 result better than forecast, incorporating guidance

Future First Technologies beat our forecasts for FY21 with Asset Vision the key driver of the better than expected result. We have upgraded our Asset Vision forecasts to reflect the company's revenue and gross profit guidance provided in its investor presentation (1 Sept). With recent contract extensions such as that announced last month with Transport for New South Wales (announced 17 August), Asset Vision derived a large part of its revenues from an annual recurring revenue base over several year contracts. FFT is forecasting Asset Vision delivers revenues of \$3.3m in FY22 rising to \$12.3m in FY25. This was ahead of our forecasts and we have adjusted accordingly.

DCF valuation is \$0.31/share (previously \$0.24/share)

We use the discounted cashflow methodology to value FFT using a WACC of 14.5% (beta 1.9, terminal growth rate of 2.2%) and this derives an equity value of \$0.31/share, fully diluted for share earnouts. On the current share count, the valuation is \$0.35/share. Our valuation was previously \$0.24/share.

Earnings History and RaaS' Estimates

Year end	Total Revenue (A\$m)	Gross Profit (A\$m)	EBITDA Adj. (A\$m)	NPAT Adj. (A\$m)	EPS Adj (c)	EV/Sales (x)
06/21a	1.5	1.5	(1.5)	(2.0)	(0.45)	11.2
06/22e	4.0	2.5	(3.0)	(3.6)	(0.84)	5.3
06/23e	7.4	5.1	(2.2)	(2.4)	(0.51)	3.4
06/24e	11.0	7.8	(0.9)	(1.0)	(0.19)	2.1

Source: RaaS Advisory Estimates for FY22e, FY23e and FY24e, Company Data for historical earnings

Software & Services

2nd September 2021

Share details

ASX Code	FFT
Share price (1 Sept)	\$0.055
Market Capitalisation	\$23.4M
Shares on issue	425.9M
Net cash at June 30	\$5.9M

Share performance (12 months)



Upside Case

- Transitioned to SaaS businesses with growth leverage
- Clean balance sheet, debt free
- Demonstrated commitment to delivering shareholder returns

Downside Case

- Little history on continuing businesses
- Farmbuy is still early stage and may require more capital
- Asset Vision's enterprise clients have longer lead times (9-12 months) for making decisions

Catalysts

- Expansion of Farmbuy into additional agents, other business lines
- Conversion of Asset Vision's pipeline into contracts
- Further evidence of operational momentum

Board of Directors

Renata Sguario	Non-Executive Chair
Keith Falconer	Managing Director
Nicole Ferro	Non-Executive Director
Nicholas Chan	Non-Executive Director

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FY21 earnings analysis

Future First Technologies has reported better than forecast revenues, operating losses and an underlying NPAT loss. Comparisons with FY20 are largely irrelevant as the company was transitioning from a professional services company to a digital technology company. FY21's reported NPAT loss included a \$5.56m net loss from the discontinued businesses, non cash employee share scheme and option of \$1.85m, staff redundancies of \$0.18m, onetime restructuring costs of \$0.337m, and acquisition and disposal expenses of \$3.01m. Underlying NPAT of \$2.0m was better than our forecast for a net loss of \$4.7m. The result included farmbuy for the full 12 month period and Asset Vision from November 2020.

Exhibit 1: FY21 vs FY20 and RaaS FY21 forecasts

Year ending June 30	FY20	FY21	RaaS fct
Revenue	51.1	1.5	1.2
Gross Profit	51.1	1.5	1.1
Other income	3.4	0.8	0.8
EBITDA	5.2	(1.5)	(3.2)
EBIT	4.6	(2.7)	(4.0)
NPAT Adj	3.8	(2.0)	(4.7)
NPAT Reported	3.0	(13.0)	(10.2)
EPS Adj	0.6	(0.5)	(1.7)

Source: Company data, RaaS estimates

Upgrade to Asset Vision forecasts

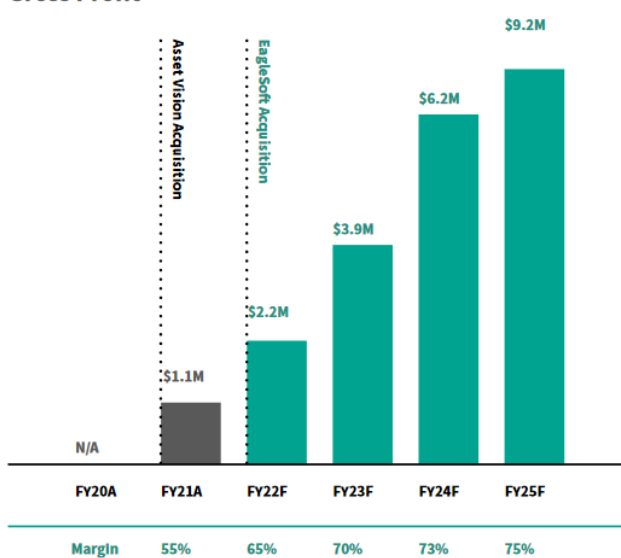
FFT has provided revenue and gross profit guidance for Asset Vision, given the look through the company has on its long dated contracts with state road authorities and corporates. These forecasts are based on organic growth expectations and the ability of Asset Vision to cross sell its Enterprise Asset Management platform, Field Service Management Solutions, Business Intelligence and Intelligent Data Capture solutions (using AI/machine learning) across its client base, including the client base brought in by the Eaglesoft acquisition in July 2021.

Exhibit 2: Asset Vision forecasted revenue and gross profit (FY22-FY25)

Revenue



Gross Profit



Source: Company Presentation, 1 September 2021, page 17

As a result of this guidance, we have addressed our forecasts for Asset Vision and set out the revised changes in the following table. In the near term, we have upgraded our revenue forecasts and factored more COGs in for gross profit and made adjustments to operating costs.

Exhibit 3: Asset Vision forecast changes based on company guidance (1 September 2021)

	FY22 old	FY22 new	FY23 old	FY23 new	FY24 old	FY24 new	FY25 old	FY25 new
Revenue	2.3	3.3	4.3	5.7	7.2	8.3	11.7	12.5
Gross Profit	2.2	2.1	4.2	3.9	7.0	5.9	11.4	9.1
EBITDA	(0.0)	0.0	0.4	0.3	1.2	1.2	2.0	2.1

Source: RaaS estimates

The earnings upgrade for Asset Vision has flowed through to our group revenue and earnings forecasts. We are now forecasting revenues of \$4.0m in FY22, up 29% on our previous estimates and \$7.4m in FY23. We expect the operating losses to be largely unchanged in these two years. Our change in forecasts is set out in Exhibit 2.

Exhibit 4: Future First Technologies earnings adjustments

	FY22 old	FY22 new	FY23 old	FY23 new
Revenue	3.1	4.0	6.0	7.4
Gross Profit	2.8	2.5	5.3	5.1
EBITDA	(3.0)	(3.0)	(2.2)	(2.2)
NPAT	(3.4)	(3.6)	(2.3)	(2.4)
EPS	(0.8)	(0.8)	(0.5)	(0.5)

Source: RaaS estimates

Base Case DCF valuation increased to \$0.31/share fully diluted

We believe the discounted cashflow methodology is the most appropriate method to value FFT, given the relatively early stage of both Farmbuy.com and Asset Vision. We arrive at a base case valuation of \$0.31/share after applying a WACC of 14.5% and terminal growth rate of 2.2% to our base case free cashflows. The terminal value accounts for \$0.24/share of our valuation. We also apply full dilution for the \$8m EagleSoft earnout, which will be earned over the next three years with the second and third tranche subject to meeting annualised revenue hurdle rates which we estimate as \$2m and \$3m respectively. We have assumed that 50% of the earnout will be paid in shares and applied the same price (\$0.064/share) that the initial 15m tranche was paid. Based on the current share count of 425m shares, the valuation is \$0.35/share.

Exhibit 5: Base Case DCF valuation

	Parameters
Discount rate (WACC)	14.5%
Terminal Growth Rate	2.2%
Beta	1.9
Present value of free cashflows (\$m)	32.3
Terminal value (\$m)	108.7
Plus Net Cash post EagleSoft acquisition (est)	(5.9)
Plus 8.8% equity stake in 1derful	2.8
Equity value (\$m)	149.7
Shares on issue (fully diluted for EagleSoft earnout)	488.4
Equity value per share	\$0.31

Source: RaaS estimates

Exhibit 6: Financial Summary

Future First Technologies (FFT)						Share price (1 September 2021)						A\$	0.05
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Revenue	H121A	H221F	H122F	H222F	H123F	H223F	
Sales revenue	51.1	1.5	4.0	7.4	11.0	EBITDA	(1.5)	(0.0)	(1.8)	(1.2)	(1.2)	(1.1)	
Total Revenue	54.5	2.3	4.0	7.4	11.0	EBIT	(4.9)	(0.7)	(2.1)	(1.5)	(1.5)	(1.3)	
Gross Profit	51.1	1.5	2.5	5.1	7.8	NPAT (normalised)	(5.6)	0.7	(2.1)	(1.5)	(1.5)	(0.9)	
EBITDA	5.2	(1.5)	(3.0)	(2.2)	(0.9)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	
Depn	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(11.2)	(4.7)	(2.1)	(1.5)	(1.5)	(0.9)	
Amort	(0.4)	(1.1)	(0.6)	(0.5)	(0.4)	EPS (normalised)	(2.4)	(0.5)	(0.5)	(0.4)	(0.3)	(0.2)	
EBIT	4.6	(2.7)	(3.6)	(2.8)	(1.4)	EPS (reported)	(2.4)	(0.5)	(0.5)	(0.4)	(0.3)	(0.2)	
Interest	(1.1)	(0.1)	0.0	(0.0)	(0.0)	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0	
Tax	0.4	0.7	0.0	0.4	0.4	Imputation	0.0	0.0	0.0	0.0	0.0	0.0	
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.7)	(1.9)	0.7	(1.2)	(1.0)	(1.1)	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	(1.9)	0.6	(1.2)	(1.1)	(1.2)	
NPAT pre significant items	3.8	(2.0)	(3.6)	(2.4)	(1.0)	Divisions							
Significant items	(0.8)	(11.0)	0.0	0.0	0.0	Asset Vision							
NPAT (reported)	3.0	(13.0)	(3.6)	(2.4)	(1.0)	Revenue	0.2	0.9	1.2	2.1	2.8	3.0	
Cash flow (A\$m)						Gross Profit	na	0.8	0.8	1.3	1.9	2.0	
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	EBITDA	(0.0)	(0.1)	(0.2)	0.3	0.1	0.2	
EBITDA	5.2	(1.5)	(3.0)	(2.2)	(0.9)	farmbuy							
Interest	(1.1)	(0.1)	0.0	(0.0)	(0.0)	Revenue	0.0	0.1	0.2	0.5	0.7	0.9	
Tax	0.6	0.2	0.0	0.0	0.0	Gross Profit	na	0.0	0.1	0.3	0.5	0.7	
Working capital changes	(5.5)	(1.2)	2.5	0.1	(0.2)	EBITDA	(0.5)	(0.7)	(0.6)	(0.4)	(0.3)	(0.1)	
Operating cash flow	(0.9)	(2.6)	(0.5)	(2.2)	(1.1)	Corporate costs							
Mice capex	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)		(0.7)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	
Free cash flow	(1.0)	(2.6)	(0.6)	(2.2)	(1.2)	Group EBITDA							
Growth capex	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)		(1.5)	(0.0)	(1.8)	(1.2)	(1.2)	(1.1)	
Acquisitions/Disposals	6.8	16.9	(2.5)	(4.0)	0.0	Note that Asset Vision was only included from 2 November 2020							
Other	(0.1)	(3.3)	0.0	0.0	0.0								
Cash flow pre financing	5.6	10.8	(3.1)	(6.3)	(1.3)								
Equity	2.5	(5.9)	1.0	5.0	3.7	Margins, Leverage, Returns							
Debt	(10.3)	0.0	0.0	0.0	0.0	EBITDA		9.5%	(65.4%)	(74.7%)	(30.3%)	(8.3%)	
Dividends paid	(0.5)	(0.3)	0.0	0.0	0.0	EBIT		8.5%	(115.3%)	(89.8%)	(37.4%)	(12.5%)	
Net cash flow for year	(2.6)	4.5	(2.1)	(1.3)	2.4	NPAT pre significant items		7.0%	(88.3%)	(89.2%)	(32.1%)	(8.8%)	
Balance sheet (A\$m)						Net Debt (Cash)		0.5	5.3	3.2	1.8	4.2	
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Net debt/EBITDA (x)	(x)	0.101	n/a	n/a	n/a	n/a	
Cash	1.5	5.9	3.9	2.4	4.8	ND/ND+Equity (%)	(%)	(1.4%)	(37.7%)	(23.8%)	(9.9%)	(23.5%)	
Accounts receivable	7.1	0.5	0.3	0.6	0.8	EBIT interest cover (x)	(x)	0.2	n/a	n/a	n/a	n/a	
Inventory	0.0	0.0	0.0	0.0	0.0	ROA	nm		(7.6%)	(15.3%)	(13.0%)	(6.2%)	
Other current assets	2.5	0.8	0.8	0.8	0.8	ROE	nm		(46.0%)	(19.6%)	(13.1%)	(4.6%)	
Total current assets	11.1	7.2	4.9	3.7	6.4	ROIC	nm		(23.6%)	(24.9%)	(24.8%)	(10.2%)	
PPE	0.2	0.1	0.2	0.4	0.5	NTA (per share)		0.01	0.02	0.02	0.02	0.02	
Intangibles inc Goodwill	31.5	9.9	9.9	9.9	9.9	Working capital		4.8	0.1	0.1	0.2	0.3	
Investments	0.0	2.7	2.7	2.7	2.7	WC/Sales (%)		8.9%	4.5%	1.5%	2.2%	2.6%	
Deferred tax asset	0.0	0.2	0.2	0.6	1.0	Revenue growth	nm		(95.7%)	72.2%	85.9%	47.9%	
Other assets	2.6	4.7	4.1	3.6	3.2	EBIT growth pa		nm	n/a	n/a	n/a	n/a	
Total non current assets	34.3	17.6	17.1	17.1	17.2	Pricing							
Total Assets	45.4	24.8	22.0	20.8	23.7	No of shares (y/e)	(m)	501	426	458	501	501	
Accounts payable	2.3	0.4	0.2	0.4	0.5	Weighted Av Dil Shares	(m)	340	453	423	466	509	
Short term debt	0.5	0.4	0.4	0.4	0.4	EPS Reported	cps	0.76	(2.87)	(0.86)	(0.52)	(0.20)	
Tax payable	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	0.61	(0.45)	(0.84)	(0.51)	(0.19)	
Other current liabilities	4.8	4.3	4.3	0.3	0.3	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	n/a	
Total current liabilities	7.60	5.12	4.95	1.10	1.24	DPS	cps	-	-	-	-	-	
Long term debt	0.4	0.2	0.2	0.2	0.2	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Other non current liabs	0.3	0.1	0.1	0.1	0.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total long term liabilities	0.69	0.24	0.24	0.24	0.24	Dividend imputation		0	0	0	0	0	
Total Liabilities	8.3	5.4	5.2	1.3	1.5	PE (x)		7.0	-	-	-	-	
Net Assets	37.1	19.5	16.9	19.5	22.2	PE market		18.4	18.4	18.4	18.4	18.4	
Share capital	90.4	85.4	86.4	91.4	95.0	Premium/(discount)		(62.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	
Accumulated profits/losses	(54.8)	(67.8)	(71.4)	(73.7)	(74.7)	EV/EBITDA		5.0	(11.4)	(7.0)	0.0	0.0	
Reserves	1.5	1.9	1.9	1.9	1.9	FCF/Share	cps	(0.2)	(0.6)	(0.1)	(0.4)	(0.2)	
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		(35.0)	(8.9)	(60.6)	(12.7)	(25.3)	
Total Shareholder funds	37.1	19.5	16.9	19.5	22.2	Free Cash flow Yield		(2.9%)	(11.3%)	(1.7%)	(7.9%)	(4.0%)	

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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