

18th October 2021

Future First Technologies

Asset Vision secures first WA contract

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 around 8% of a third business, 1derful.com.au. The company has announced today that Asset Vision has won its first contract in Western Australia with a new Statement of Work to work with Venture Smart, a joint venture between Ventia and NYSE-listed Johnson Controls (NYSE:JCI), on the Statewide Electrical Infrastructure Services Contract for Main Roads Western Australia. Asset Vision's software will be integrated with Main Roads Western Australia's systems and be used to maintain road assets, including traffic signals, street lighting, electronic school zone signs, roadside assist help phones, CCTV cameras, vehicle detection systems, fibre optics and Bluetooth travel time units from Broome to Esperance and Kalgoorlie. The contract win comes on the heels of Asset Vision's work with Ventia on its Regional Intelligent Transport Systems contract for Transport for NSW.

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 Software-as-a-Service (SaaS) model, generating enterprise contracts with corporates and governments 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 optimise the authorities' asset registers. The platform now spans assets across rail, buildings, utilities, and parks and open spaces. Farmbuy.com delivers an online marketplace for rural property agencies, buyers and sellers, attracting more than 1m unique visitors a year. It 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. It has also partnered with FarmGate Auctions to launch Farmbuy Livestock.

Benefiting from Ventia relationship

Asset Vision is yielding the benefit of its relationship with essential infrastructure services provider Ventia, having in May been awarded an initial contract of \$2m over a 3+2-year term to supply its SaaS platform across Ventia's transport sector clients. We view this new contract as a significant endorsement by Ventia and its JV partner, Johnson Controls, of Asset Vision's SaaS solution. The revenues from this contract have already been factored into the company's guidance for revenues and gross profits (August 2021 presentation).

Base case DCF valuation is \$0.24/share, fully diluted

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 \$0.24/share, fully diluted for earnouts from the EagleSoft acquisition and full take up of the current entitlements offer.

Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	Total Revenue* (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/21a	1.5	1.5	(1.5)	(2.0)	(0.45)	10.1
06/22e	4.0	2.5	(3.0)	(3.5)	(0.62)	5.1
06/23e	7.4	5.1	(2.2)	(2.3)	(0.38)	3.2
06/24e	11.0	7.8	(0.9)	(0.9)	(0.14)	2.0

Source: Company data, RaaS Advisory Estimates for FY22e, FY23e and FY24e

Share details

ASX code	FFT
Share price (intraday)	\$0.049
Market capitalisation (post entitlements issue)	\$27.8M
Shares on issue (post entitlements issue)	567.9M
Net cash post issue (est)	\$11.1M
Free float	~68%

Share price 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.com is still early stage and may require additional capital
- Asset Vision's enterprise clients have longer lead times (9-12 months) for making decisions

Catalysts

- Outcome of strategic review of farmbuy.com
- Conversion of Asset Vision's pipeline into contracts
- Further evidence of operational momentum

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FINANCIAL SERVICES GUIDE

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Effective Date: 6th May 2021

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- complaint processes

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