

Adjusting for additional shares from rights issue

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 a one-for-three, non-renounceable entitlements offer at \$0.045/share to raise \$6.4m to fund the integration of Asset Vision and EagleSoft (\$2m), invest in sales and marketing (\$1.5m) and working capital (\$2.6m) and to fund the offer (\$0.3m). The offer has been priced at a 15.1% discount to FFT's last traded share price on September 24. We have assumed that the full entitlement offer is taken up, delivering \$6.4m in additional funds and increasing the number of shares on issue by 142m. This has resulted in our base case valuation increasing to \$155m (previously \$149m) which equates to \$0.24/share fully diluted for the EagleSoft earnouts. On the post rights issue share count, this equates to \$0.27/share.

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 have applied to our forecasts. 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).

Rights issue to deliver working capital, farmbuy.com reviewed

Future First Technologies is seeking to raise \$6.4m in a one-for-three, non-renounceable rights issue, the proceeds of which will be used for working capital, sales and marketing and integration expenditure within Asset Vision/EagleSoft as well as pursue potential future strategic acquisitions. The company has also announced a formal strategic review of the farmbuy.com assets to assess a range of commercial and restructuring operations to unlock value in that business.

DCF valuation is \$155m (previously \$149m)

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 \$155m or \$0.24/share, fully diluted for share earnouts. On the current share count, the valuation is \$0.27/share. Our valuation was previously \$0.31/share due to fewer shares on issue pre rights issue. Within our base case valuation, Asset Vision accounts for \$0.232/share, farmbuy.com \$0.047/share and corporate (\$0.046/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)	9.3
06/22e	4.0	2.5	(3.0)	(3.6)	(0.84)	4.7
06/23e	7.4	5.1	(2.2)	(2.4)	(0.51)	3.0
06/24e	11.0	7.8	(0.9)	(1.0)	(0.19)	1.8

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

Software & Services

30th September 2021

Share details

ASX Code	FFT
Share price (29 Sept)	\$0.046
Market Capitalisation post issue	\$26.1M
Shares on issue post issue	567.85M
Net cash post issue	~\$11.4M

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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Exhibit 1: Financial Summary

Future First Technologies (FFT)						Share price (29 September 2021)						AS	0.046				
Profit and Loss (A\$m)						Interim (A\$m)						H121A	H221F	H122F	H222F	H123F	H223F
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Revenue	1.0	1.3	1.4	2.6	3.5	3.9					
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)	(1.4)	(1.4)	(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)	(1.4)	(1.4)	(0.9)					
Amort	(0.4)	(1.1)	(0.6)	(0.5)	(0.4)	EPS (normalised)	(2.4)	(0.5)	(0.4)	(0.3)	(0.2)	(0.1)					
EBIT	4.6	(2.7)	(3.6)	(2.8)	(1.4)	EPS (reported)	(2.4)	(0.5)	(0.4)	(0.3)	(0.2)	(0.1)					
Interest	(1.1)	(0.1)	0.1	0.1	0.1	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	(1.1)	(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)	(1.0)	(1.1)					
NPAT pre significant items	3.8	(2.0)	(3.5)	(2.3)	(0.9)	Divisions	H121A	H221F	H122F	H222F	H123F	H223F					
Significant items	(0.8)	(11.0)	0.0	0.0	0.0	Asset Vision											
NPAT (reported)	3.0	(13.0)	(3.5)	(2.3)	(0.9)	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)	0.1	0.1	0.1	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)	(0.4)	(2.1)	(1.0)	Corporate costs	(0.7)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)					
Mtce capex	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	Group EBITDA	(1.5)	(0.0)	(1.8)	(1.2)	(1.2)	(1.1)					
Free cash flow	(1.0)	(2.6)	(0.5)	(2.2)	(1.1)	Note that Asset Vision was only included from 2 November 2020											
Growth capex	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)	Margins, Leverage, Returns		FY20A	FY21F	FY22F	FY23F	FY24F					
Acquisitions/Disposals	6.8	16.9	(2.5)	(4.0)	0.0	EBITDA		9.5%	(65.4%)	(74.7%)	(30.3%)	(8.3%)					
Other	(0.1)	(3.3)	0.0	0.0	0.0	EBIT		8.5%	(115.3%)	(89.8%)	(37.4%)	(12.5%)					
Cash flow pre financing	5.6	10.8	(3.0)	(6.2)	(1.2)	NPAT pre significant items		7.0%	(88.3%)	(88.1%)	(31.0%)	(8.2%)					
Equity	2.5	(5.9)	7.3	5.0	3.7	Net Debt (Cash)		0.5	5.3	9.4	8.0	10.5					
Debt	(10.3)	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	0.101	n/a	n/a	n/a	n/a					
Dividends paid	(0.5)	(0.3)	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(1.4%)	(37.7%)	(68.8%)	(44.9%)	(58.7%)					
Net cash flow for year	(2.6)	4.5	4.3	(1.2)	2.5	EBIT interest cover (x)	(x)	0.2	n/a	n/a	n/a	n/a					
Balance sheet (A\$m)						ROA		nm	(7.6%)	(13.5%)	(10.1%)	(4.8%)					
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	ROE		nm	(46.0%)	(16.6%)	(9.5%)	(3.3%)					
Cash	1.5	5.9	10.0	8.6	11.1	ROIC		nm	(23.6%)	(24.9%)	(11.7%)	(6.0%)					
Accounts receivable	7.1	0.5	0.3	0.6	0.8	NTA (per share)		0.01	0.02	0.02	0.02	0.03					
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		4.8	0.1	0.1	0.2	0.3					
Other current assets	2.5	0.8	0.8	0.8	0.8	WC/Sales (%)		8.9%	4.5%	1.5%	2.2%	2.6%					
Total current assets	11.1	7.2	11.0	9.9	12.7	Revenue growth		nm	(95.7%)	72.2%	85.9%	47.9%					
PPE	0.2	0.1	0.2	0.4	0.5	EBIT growth pa		nm	n/a	n/a	n/a	n/a					
Intangibles inc Goodwill	31.5	9.9	9.9	9.9	9.9	Pricing		FY20A	FY21F	FY22F	FY23F	FY24F					
Investments	0.0	2.7	2.7	2.7	2.7	No of shares (y/e)	(m)	501	426	611	654	654					
Deferred tax asset	0.0	0.2	0.2	0.6	1.0	Weighted Av Dil Shares	(m)	340	453	568	611	654					
Other assets	2.6	4.7	4.1	3.6	3.2	EPS Reported	cps	0.76	(2.87)	(0.62)	(0.38)	(0.14)					
Total non current assets	34.3	17.6	17.1	17.1	17.2	EPS Normalised/Diluted	cps	0.61	(0.45)	(0.62)	(0.38)	(0.14)					
Total Assets	45.4	24.8	28.2	27.0	29.9	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	n/a					
Accounts payable	2.3	0.4	0.2	0.4	0.5	DPS	cps	-	-	-	-	-					
Short term debt	0.5	0.4	0.4	0.4	0.4	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Other current liabilities	4.8	4.3	4.3	0.3	0.3	Dividend imputation		0	0	0	0	0					
Total current liabilities	7.60	5.12	4.95	1.10	1.24	PE (x)		6.1	-	-	-	-					
Long term debt	0.4	0.2	0.2	0.2	0.2	PE market		18.4	18.4	18.4	18.4	18.4					
Other non current liabs	0.3	0.1	0.1	0.1	0.1	Premium/(discount)		(67.1%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)					
Total long term liabilities	0.69	0.24	0.24	0.24	0.24	EV/EBITDA		4.3	(9.4)	(6.3)	0.0	0.0					
Total Liabilities	8.3	5.4	5.2	1.3	1.5	FCF/Share	cps	(0.2)	(0.6)	(0.1)	(0.3)	(0.1)					
Net Assets	37.1	19.5	23.0	25.7	28.4	Price/FCF share		(30.4)	(7.7)	(79.1)	(15.1)	(31.4)					
Share capital	90.4	85.4	92.4	97.4	101.1	Free Cash flow Yield		(3.3%)	(13.0%)	(1.3%)	(6.6%)	(3.2%)					
Accumulated profits/losses	(54.8)	(67.8)	(71.3)	(73.6)	(74.5)												
Reserves	1.5	1.9	1.9	1.9	1.9												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	37.1	19.5	23.0	25.7	28.4												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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

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