

9 April 2010

## FFastFill

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/08	11.4	0.2	0.1	0.0	84.0	N/A
03/09	14.4	0.2	0.1	0.0	84.0	N/A
03/10e	14.3	1.2	0.3	0.0	28.0	N/A
03/11e	16.0	2.4	0.6	0.0	14.0	N/A

Note: \*PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

## Investment summary: SaaS book grows

FFastFill has released a trading update that reveals the pressure its customer base has been under as a result of the financial crisis. Nevertheless the group has continued to win new customers, including HSBC, and the SaaS order book is still expanding. While the credit crunch has deferred some revenues, we remain of the view that there is a major opportunity to drive revenues per customer higher to deliver a business with c £20m in sales and margins of over 20% within three years.

## SaaS platform for derivatives traders

FFastFill has spent eight years building a high-performance software-as-a-service (SaaS) platform targeting the front, middle and back offices of traders of exchange-traded derivatives. The initial investment has been completed, and the SaaS business model is providing a strong recurring revenue base – the group has c 90 customers together contracted to pay c £14.2m in revenues, of which c 75% is SaaS.

## Trading update: Undepinned by SaaS

The company says it has seen a “reduction in activity from certain customers caught up in the financial crisis”. However, while the overall order book was flat over a year earlier, the SaaS component continued to grow, rising from £10.5m at the end of September to £10.7m. The group is expected to report final results on May 20.

## Forecasts and valuation: The investment case remains

We have pulled our revenue forecasts back by £0.7m in FY10 to £14.3m and by £1.0m in FY11 to £16.0m, which is largely due the further decline in third party software sales. Hence the forecast gross margins move higher and operating costs lower due to good cost control. Our pre-tax profits forecasts fall by £0.3m in FY10 to £1.2m and by £0.4m in FY11 to £2.4m. The group generated free cash flow of c £0.7m in FY10, taking net cash to c £2.4m and we forecast free cash flow of £1.0m in FY11, taking net cash to £3.4m. While not cheap in near term P/E ratio terms, in our view FFastFill has a customer proposition (truly global SaaS trading platform) and business model that can deliver significant cash flows going forward.

Price 8.4p  
Market Cap £33m

## Share price graph



## Share details

Code FFA  
Listing AIM  
Sector Software & Computer Services  
Shares in issue 397m

## Price

52 week High 9.9p Low 5.0p

## Balance Sheet as at 30 September 2009

Debt/Equity (%) N/A  
NAV per share (p) 3.0  
Net cash (£m) 2.7

## Business

FFastFill develops and markets a derivative trading software-as-a-service platform for banks.

## Valuation

	2009	2010e	2011e
P/E relative	933%	239%	146%
P/CF	34.5x	10.7x	9.6x
EV/Sales	2.1x	2.2x	1.8x
ROE	2%	9%	17%

## Revenues on geography H1 10

Europe	US	Australia
83%	9%	8%

## Analysts

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## Exhibit 1: Financials

	£'000s	2007	2008	2009	2010e	2011e
Year end 31 March		IAS	IAS	IAS	IAS	IAS
<b>PROFIT &amp; LOSS</b>						
<b>Revenue</b>		<b>6,063</b>	<b>11,359</b>	<b>14,384</b>	<b>14,272</b>	<b>16,009</b>
Cost of Sales		(1,330)	(2,911)	(3,214)	(2,283)	(2,241)
Gross Profit		4,733	8,448	11,170	11,988	13,768
<b>EBITDA</b>		<b>(285)</b>	<b>991</b>	<b>866</b>	<b>1,888</b>	<b>3,068</b>
<b>Operating Profit (before amortisation and except.)</b>		<b>(1,083)</b>	<b>214</b>	<b>259</b>	<b>1,238</b>	<b>2,368</b>
Goodwill Amortisation		0	0	0	0	0
Exceptionals		0	(368)	(643)	0	0
Other		0	0	0	0	0
<b>Operating Profit</b>		<b>(1,083)</b>	<b>(154)</b>	<b>(384)</b>	<b>1,238</b>	<b>2,368</b>
Net Interest		(14)	17	(57)	(25)	40
<b>Profit Before Tax (norm)</b>		<b>(1,097)</b>	<b>231</b>	<b>202</b>	<b>1,213</b>	<b>2,408</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(1,097)</b>	<b>(137)</b>	<b>(441)</b>	<b>1,213</b>	<b>2,408</b>
Tax		(10)	1,061	34	0	0
<b>Profit After Tax (norm)</b>		<b>(1,097)</b>	<b>231</b>	<b>236</b>	<b>1,213</b>	<b>2,408</b>
<b>Profit After Tax (FRS 3)</b>		<b>(1,107)</b>	<b>924</b>	<b>(407)</b>	<b>1,213</b>	<b>2,408</b>
Average Number of Shares Outstanding (m)		241.0	351.0	381.0	398.4	399.4
EPS - normalised (p)		(0.5)	0.1	0.1	0.3	0.6
EPS - normalised fully diluted (p)		(0.5)	0.1	0.1	0.3	0.6
EPS - FRS 3 (p)		(0.5)	0.3	(0.1)	0.3	0.6
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		78.1	74.4	77.7	84.0	86.0
EBITDA Margin (%)		(4.7)	8.7	6.0	13.2	19.2
Operating Margin (before GW and except.) (%)		(17.9)	1.9	1.8	8.7	14.8
<b>BALANCE SHEET</b>						
<b>Fixed Assets</b>		<b>4,314</b>	<b>11,510</b>	<b>13,589</b>	<b>14,989</b>	<b>15,589</b>
Intangible Assets		3,229	9,075	11,200	12,500	13,000
Tangible Assets		985	785	750	850	950
Investment in associates		100	1,650	1,639	1,639	1,639
<b>Current Assets</b>		<b>2,553</b>	<b>5,089</b>	<b>6,341</b>	<b>5,352</b>	<b>6,433</b>
Stocks		0	0	0	0	0
Debtors		1,537	2,665	4,182	2,649	2,972
Cash		1,016	2,424	2,159	2,703	3,461
<b>Current Liabilities</b>		<b>(3,106)</b>	<b>(6,225)</b>	<b>(7,976)</b>	<b>(7,468)</b>	<b>(7,841)</b>
Creditors		(2,858)	(6,122)	(7,476)	(7,168)	(7,741)
Short term borrowings		(248)	(103)	(500)	(300)	(100)
<b>Long Term Liabilities</b>		<b>(107)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long term borrowings		(107)	0	0	0	0
Other long term liabilities		0	0	0	0	0
<b>Net Assets</b>		<b>3,654</b>	<b>10,374</b>	<b>11,954</b>	<b>12,873</b>	<b>14,181</b>
<b>CASH FLOW</b>						
<b>Operating Cash Flow</b>		<b>(372)</b>	<b>2,157</b>	<b>926</b>	<b>3,113</b>	<b>3,318</b>
Net Interest		(14)	17	(57)	(25)	40
Tax		(9)	61	45	0	0
Capex		(909)	(1,585)	(2,254)	(2,200)	(2,400)
Acquisitions/disposals		0	(4,210)	(826)	(151)	0
Financing		1,325	5,220	1,231	7	0
Dividends		0	0	0	0	0
Net Cash Flow		21	1,660	(935)	744	958
<b>Opening net debt/(cash)</b>		<b>(640)</b>	<b>(661)</b>	<b>(2,321)</b>	<b>(1,659)</b>	<b>(2,403)</b>
HP finance leases initiated		0	0	0	0	0
Other		0	0	273	0	0
<b>Closing net debt/(cash)</b>		<b>(661)</b>	<b>(2,321)</b>	<b>(1,659)</b>	<b>(2,403)</b>	<b>(3,361)</b>

Source: Edison Investment Research, Ffastfill accounts

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