

20 May 2010

FFastFill

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/09	14.4	0.2	0.1	0.0	123	N/A
03/10	14.3	1.2	0.3	0.0	26.2	N/A
03/11e	15.5	2.3	0.6	0.0	13.2	N/A
03/12e	16.8	3.0	0.7	0.0	10.5	N/A

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

Investment summary: Strong SaaS story

FFastFill has released annual results in line with last month's trading update. High margin SaaS revenues have continued to grow in FY10 while other activities have declined. The group is now comfortably profitable and with its major investment phase behind it, FFastFill is generating healthy cash flows. 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.

Preliminary results: In line with expectations

Group revenue eased to £14.3m as declines in software licensing, hosting and customer development outweighed the 15% SaaS growth. Operating profit jumped to £1.2m and operating cash flow rose to £3.3m on the back of rising profitability and increased amortisation. As we stated last month, the company has seen a reduction in activity from some customers caught up in the financial crisis. While the overall order book was flat over a year earlier, the SaaS component has continued to grow, rising from £10.5m at the end of September to £10.7m as FFastFill won new customers in H2, including HSBC and another un-named Tier 1 institution.

Forecasts: Eased back as third-party software declines

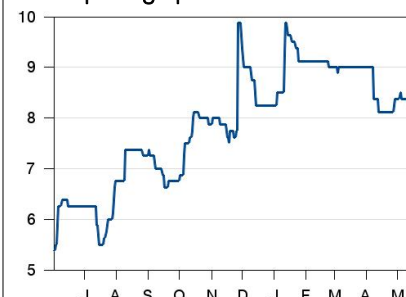
As the group has maintained its strategy to reduce its low-margin third-party software hosting activities, we have pulled our FY11 revenue forecast back by an additional £0.5m to £15.5m. Our forecast FY11 gross margin rises to 91% while operating costs are moved higher and our FY11 pre-tax profits forecast eases by £0.1m to £2.3m. The group generated free cash flow of £1.0m in FY10, taking net cash to c £2.4m, and we forecast free cash flow to expand in FY11 to £1.6m, taking net cash to £4.0m as at the end of March 2011.

Valuation: Potential to generate substantial cash flows

The shares trades on c 13x our FY11 forecast earnings, falling to c 10x in FY12. We continue to believe FFastFill has a customer proposition (truly global SaaS trading platform) and business model that can deliver significant cash flows going forward.

Price 7.62p
Market Cap £30m

Share price graph



Share details

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

Price

52 week High 9.875p Low 5.375p

Balance Sheet as at 31 March 2010

Debt/Equity (%) NA
NAV per share (p) 3.2
Net cash (£m) 2.045

Business

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

Valuation

	2010	2011e	2012e
P/E relative	247%	115%	110%
P/CF	9.1	7.6	6.0
EV/Sales	1.9	1.7	1.4
ROE	9%	15%	16%

Geography based on revenues (2008)

	US	Asia Pacific
Europe	79.5%	13.1%
		7.4%

Analysts

Richard Jeans 020 3077 5731
Dan Ridsdale 020 3077 5729
tech@edisoninvestmentresearch.co.uk

Exhibit 1: Financials

Year end 31 March	£'000s	2007 IAS	2008 IAS	2009 IAS	2010 IAS	2011e IAS	2012e IAS
PROFIT & LOSS							
Revenue		6,063	11,359	14,384	14,274	15,495	16,838
Cost of Sales		(1,330)	(2,911)	(3,214)	(2,286)	(1,395)	(1,515)
Gross Profit		4,733	8,448	11,170	11,988	14,101	15,323
EBITDA		(285)	991	866	1,718	2,851	3,500
Operating Profit (before amortisation and except.)		(1,083)	214	259	1,213	2,301	2,900
Goodwill Amortisation		0	0	0	0	0	0
Exceptionals		0	(368)	(643)	(33)	0	0
Other		0	0	0	0	0	0
Operating Profit		(1,083)	(154)	(384)	1,180	2,301	2,900
Net Interest		(14)	17	(57)	19	40	75
Profit Before Tax (norm)		(1,097)	231	202	1,232	2,341	2,975
Profit Before Tax (FRS 3)		(1,097)	(137)	(441)	1,199	2,341	2,975
Tax		(10)	1,061	34	(58)	0	0
Profit After Tax (norm)		(1,097)	231	236	1,174	2,341	2,975
Profit After Tax (FRS 3)		(1,107)	924	(407)	1,141	2,341	2,975
Average Number of Shares Outstanding (m)		241.0	351.0	381.0	396.7	399.7	402.7
EPS - normalised (p)		(0.5)	0.1	0.1	0.3	0.6	0.7
EPS - normalised fully diluted (p)		(0.5)	0.1	0.1	0.3	0.6	0.7
EPS - FRS 3 (p)		(0.5)	0.3	(0.1)	0.3	0.6	0.7
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		78.1	74.4	77.7	84.0	91.0	91.0
EBITDA Margin (%)		(4.7)	8.7	6.0	12.0	18.4	20.8
Operating Margin (before GW and except.) (%)		(17.9)	1.9	1.8	8.5	14.8	17.2
BALANCE SHEET							
Fixed Assets		4,314	11,510	13,589	14,080	14,940	15,600
Intangible Assets		3,229	9,075	11,200	11,799	12,500	13,000
Tangible Assets		985	785	750	840	940	1,000
Investment in associates		100	1,650	1,639	1,441	1,500	1,600
Current Assets		2,553	5,089	6,341	5,517	7,869	10,853
Stocks		0	0	0	0	0	0
Debtors		1,537	2,665	4,182	2,969	3,723	4,046
Cash		1,016	2,424	2,159	2,548	4,146	6,808
Current Liabilities		(3,106)	(6,225)	(8,343)	(6,974)	(7,135)	(7,445)
Creditors		(2,858)	(6,122)	(7,843)	(6,849)	(7,035)	(7,345)
Short term borrowings		(248)	(103)	(500)	(125)	(100)	(100)
Long Term Liabilities		(107)	0	(125)	0	0	0
Long term borrowings		(107)	0	(125)	0	0	0
Other long term liabilities		0	0	0	0	0	0
Net Assets		3,654	10,374	11,462	12,623	15,674	19,009
CASH FLOW							
Operating Cash Flow		(372)	2,157	926	3,337	3,983	5,087
Net Interest		(14)	17	(57)	19	40	75
Tax		(9)	61	45	7	0	0
Capex		(909)	(1,585)	(2,254)	(2,374)	(2,400)	(2,500)
Acquisitions/disposals		0	(4,210)	(826)	(151)	0	0
Financing		1,325	5,220	1,231	24	0	0
Dividends		0	0	0	0	0	0
Net Cash Flow		21	1,660	(935)	862	1,623	2,662
Opening net debt/(cash)		(640)	(661)	(2,321)	(1,534)	(2,423)	(4,046)
HP finance leases initiated		0	0	0	0	0	0
Other		0	0	273	27	0	0
Closing net debt/(cash)		(661)	(2,321)	(1,659)	(2,423)	(4,046)	(6,708)

Source: Edison Investment Research, FFastFill accounts

EDISON INVESTMENT RESEARCH LIMITED

Edison is Europe's leading investment research company. It has won industry recognition, with awards in both the UK and internationally. The team of more than 50 includes over 30 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 250 companies across every sector and works directly with corporates, investment banks, brokers and fund managers. Edison's research is read by major institutional investors in the UK and abroad, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584).

DISCLAIMER

Copyright 2010 Edison Investment Research Limited. All rights reserved. This report has been commissioned by FFastFill and prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. This communication is intended for professional clients as defined in the FSA's Conduct of Business rules (COBS 3.5).

Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.