

Share price: 29p

Update – Indian Contracts

CII Marketplace Launch Date Confirmed & New Contract

FORECASTS

Y/e 31 Dec	2014A	2015E	2016E	2017E	2017E
Turnover £000	2,125	3,800	8,600	17,500	17,500
EBITDA £000	(4,384)	(3,465)	324	6,934	6,934
EBIT £000	(4,629)	(3,602)	199	6,793	6,793
PBT £000	(4,625)	(3,600)	200	6,800	6,800
EPS p	(3.6)	(3.0)	0.2	5.6	5.6
Div. p	0.0	0.0	0.0	0.0	0.0

VALUATION

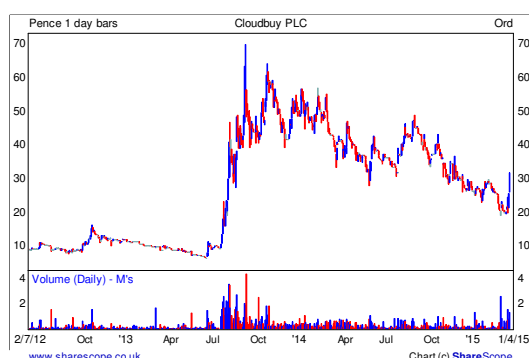
Y/e 31 Dec	2014A	2015E	2016E	2017E	2017E
EV/Sales x	18.8	9.0	4.0	1.7	1.7
EV/EBITDA x	(9.1)	(9.9)	107.4	4.2	4.2
EV/EBIT x	(8.6)	(9.5)	174.3	4.3	4.3
P/E x	(10.9)	(9.8)	176.5	5.2	5.2
PEG x	(0.0)	0.5	(1.7)	0.0	0.0
ROCE/WACC x	(3.1)	(2.9)	0.1	4.3	4.3

SHARE DATA

12m Lo - Hi p	19.75	-	47.00
Mkt Cap. £m			34.8
Issued shares m			121.2
30 Day Ave. Vol, 000			396
30 Day Ave. Value £000			94
Beta			0.80

SHARE PERFORMANCE

	1m	3m	12m
Actual %	14.9	11.5	(18.6)



Yesterday, cloudBuy made two announcements concerning its expansion within India, i.e., an update on and launch date for its Confederation of Indian Industry ('CII') and a new contract.

cloudBuy signed the contract to develop a global B2B trading platform with the 7,000 strong member organisation, CII, on 5 December 2014 and today confirmed that this marketplace will be launched on 24 April 2015 at the Global Exhibition on Services in New Delhi. Since the original announcement, cloudBuy has been working with the CII to develop a post launch marketing strategy. In the process, it received ecommerce site orders from 5 small early adopters – their sites will go live soon. The group's revenue strategy is two-fold: Earn a shared transaction fee related to market activity through the marketplace, and earn a competitive fee from upselling CII member companies an e-commerce site, with annual maintenance fees if they do not already have one and a connection app if they do, so that their products or requirements can be uploaded readily from their websites to the global CII marketplace.

cloudBuy has been working with five early adopters to set up their individual ecommerce sites and we understand that the company has received further ecommerce site orders as other Indian organisations have become more aware of the CII marketplace.

India is a difficult county in which to undertake business for two primary reasons

1. There is no national language (e.g., excluding English and Hinglish there are 8 major languages by population size although at least 780 other local or regional languages); and
2. Very complex tax system (e.g., there are direct and indirect taxes set at National, State, Regional and local levels).

cloudBuy by recognising and understanding these issues has stolen a march upon its larger potential B2B competitors. Its ecommerce sites are multilingual and can calculate all the taxes payable from source to final destination.

On the assumption, over the next 5 years, that cloudBuy directly upsold ecommerce sites or connection apps to the global marketplace to only 20% of the 7,000 CII membership, this would suggest a possible revenue stream over the period of about £3m. However, were the CII global marketplace transacting, say, £500m pa at peak optimisation and assuming a similar transaction fee rate indicated for other marketplaces this suggests a revenue income to cloudBuy of around £7.5m - £12.5m.

In addition, cloudBuy has secured a 3-year contract to provide a purchasing portal to an Indian construction company, which will generate annual revenues of £40,000 over 3 years as well as a small transaction fee based upon the value of the transactions passing through the portal.

In conclusion, we are not adjusting our current conservative estimates but remain reassured that the group is on the verge of significant long-term revenue growth and that our indicative valuation of 68.6p (see note of 31 March 2015) considerably understates this potential.

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Business: cloudBuy provides the only integrated and secure (PCI/DSS compliant) cloud B2B eCommerce platform with embedded electronic payment solutions for all sizes of public and private sector organisation. Also a leading UK company formation specialist.

Profit & Loss, £000

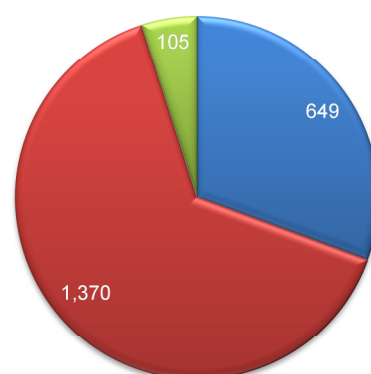
Y/e 31 Dec	2011A	2012A	2013A	2014A
Turnover	2,353.4	2,219.0	3,004.1	2,124.7
Cost of Sales	(551.8)	(468.7)	(443.0)	(397.5)
Gross Profit	1,801.5	1,750.3	2,561.2	1,727.2
Margin	76.6%	78.9%	85.3%	81.3%
Admin. Expenses	(3,714.8)	(4,367.0)	(5,596.8)	(9,048.0)
R&D	(40.9)	(167.8)	(324.7)	(475.4)
Operating Profit	(176.2)	(847.6)	(930.2)	(4,629.5)
Margin	(7.5%)	(38.2%)	(31.0%)	(217.9%)
Net Interest	(2.8)	(3.2)	(8.1)	(2.0)
Pre-tax (clean)	(151.1)	(754.0)	(768.3)	(4,461.0)
Margin	(6.4%)	(34.0%)	(25.6%)	(210.0%)
Exceptionals	0.0	0.0	0.0	0.0
Pre-tax (reported)	(177.6)	(849.5)	(936.4)	(4,625.3)
Margin	(7.5%)	(38.3%)	(31.2%)	(217.7%)
Eps p	(0.1)	(0.9)	(0.7)	(3.6)
Dividend p	0.0	0.0	0.0	0.0
Cover x	NA	NA	NA	NA

Cash Flow Statement, £000

Y/e 31 Dec	2011A	2012A	2013A	2014A
Operating Profit	(176.2)	(847.6)	(930.2)	(4,629.5)
Depreciation	38.2	42.0	58.0	81.7
Amortisation	26.5	95.5	168.1	164.2
Change in W/cap	(19.1)	48.4	(369.5)	254.2
Other	16.5	70.2	233.2	507.7
Operational	(114.2)	(591.4)	(840.4)	(3,621.6)
Tax	63.9	66.2	50.2	(0.6)
Financing	(1.4)	(1.9)	(6.2)	4.2
Capex	(309.9)	(307.4)	(90.6)	(88.4)
Free Cash Flow	(361.6)	(834.5)	(887.0)	(3,706.4)
Net (Acquisitions)/Disposals	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Shares Issued	765.3	371.8	5,105.1	4,094.8
Changes in Borrowings	(12.5)	42.4	(60.7)	0.0
Other inc FX	0.0	0.0	0.0	0.0
Movement in Cash & Equivalents	391.2	(420.2)	4,157.4	388.4

Balance Sheet, £000

as at 31 Dec	2011A	2012A	2013A	2014A
Intangible	239.6	358.2	202.6	38.4
Tangible	43.4	94.8	114.8	121.4
Other	0.0	0.0	0.0	0.0
Fixed Assets	283.1	452.9	317.4	159.9
Stocks	0.0	0.0	0.0	0.0
Trade Debtors	211.0	312.6	235.3	635.7
Other Debtors	228.7	130.1	823.8	647.3
Investments	0.0	0.0	0.0	0.0
Cash	420.2	0.0	4,157.3	4,545.7
Current Assets	860.0	442.7	5,216.4	5,828.7
Loans	12.5	60.8	0.0	0.0
Trade Creditors	181.3	226.4	270.1	307.2
Other Creditors	797.5	959.9	902.9	1,215.9
Current Liabilities	668.2	772.6	687.5	1,105.7
Loans	24.2	5.8	0.0	0.0
Other Debtors	0.0	0.0	0.0	0.0
Non-Current Liabilities	5.8	0.0	0.0	0.0
Net Assets	469.0	123.0	4,846.3	4,882.9
NAV p	0.7	0.1	4.4	4.0
Leverage:				
Net Shareholder %	(85.7)	49.4	(85.8)	(93.1)
Net Cap. Employed %	(82.5)	33.1	(85.8)	(93.1)
Interest Cover x	(128.6)	(452.6)	(150.0)	n/a

Group Turnover £000

■ Company Formation Services ■ Web & eCommerce Services ■ Coding International

Major Shareholders

RJ & HL Duncan & associated family	17.4%
DJ Holloway	7.4%
ML Pasternak	5.8%
Majedie Asset Management	5.9%
Standard Life Investments	4.5%
Herald Investment Management	3.7%

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