

Share price: 43p

**Going From Strength To Strength****FORECASTS**

Y/e 31 Dec	2014E	2015E	2016E	2017E
Turnover £000	4,000	7,000	11,600	19,800
EBITDA £000	(1,346)	1,082	4,373	10,397
EBIT £000	(1,605)	743	3,980	9,967
PBT £000	(1,600)	750	4,000	10,000
EPS p	(1.2)	0.6	3.3	8.3
Div. p	0.0	0.0	0.0	0.0

**VALUATION**

Y/e 31 Dec	2014E	2015E	2016E	2017E
EV/Sales x	10.4	6.4	3.7	1.8
EV/EBITDA x	(30.8)	41.6	9.7	3.3
EV/EBIT x	(25.8)	60.5	10.6	3.5
P/E x	(34.6)	68.8	12.9	5.2
PEG x	(0.5)	(0.5)	0.0	0.0
ROCE/WACC x	(1.0)	0.4	2.1	5.3

**SHARE DATA**

12m Lo - Hi p	28.25	-	62.00
Mkt Cap. £m			51.6
Issued shares m			108.9
30 Day Ave. Vol, 000			247
30 Day Ave. Value £000			106
Beta			0.77

**SHARE PERFORMANCE**

	1m	3m	12m
Actual %	(10.6)	4.1	(13.6)

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cloudBuy is the technology leader in the emerging sector of secure end-to-end corporate and public sector marketplaces and uniquely the only provider with line level spend analysis data. The group is partnered with Visa Global Asia Pacific, who on 15 September 2014 signed an extension to the exclusive global marketing agreement. Visa has estimated the value of transactions across the B2B market to be at least US\$109 trillion per annum while others believe that it may be approaching US\$300 trillion per annum.

Yesterday, 2 October 2014, cloudBuy released two important announcements – a placing and a contract win.

The company has raised £4.3m (before expenses) through the placing of 10.0m new Ordinary shares at 43p per share with institutional and other investors. The over-subscribed placing was completed at a 13.2% premium to yesterday's closing mid-market price of 38p. The proceeds further strengthen the group's balance sheet and will be used for platform development and staff recruitment.

Additionally, cloudBuy reached a three-year agreement to provide a branded marketplace with a global financial institution in Hong Kong. This marketplace will be populated with the financial institution's existing merchant community of c.3,000 B2B suppliers. The contract has a minimum value of US\$0.55m for the initial implementation and licence fees with scope for additional revenue opportunities for other value added services.

CloudBuy, supported by UKTI, Visa, and local partners, is only part way through a Middle East and Asia Pacific trade tour and it is highly likely that further contract wins or conversions of earlier interest will be announced over the next few weeks. This tour commenced on 30 September in Mumbai and will conclude on 20 October in Dubai and takes in Singapore (2 October), Sydney (13 October) and Hong Kong (16 October).

Despite the positive news flow, we are retaining our existing forecasts due to additional upfront infrastructure costs, such as additional development staff and the opening of a locally staffed Hong Kong regional office, temporarily mitigating the benefits. That stated it is becoming increasingly inevitable that our 2015 – 2017 forecasts will have to be increased.

In light of (and adjusted for) the placing, we have again updated our valuation which now includes the expanded peer group of other marketplace groups (Alibaba, Amazon, Basware and eBay) but still indicates potential upside to 116.8p.

**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**

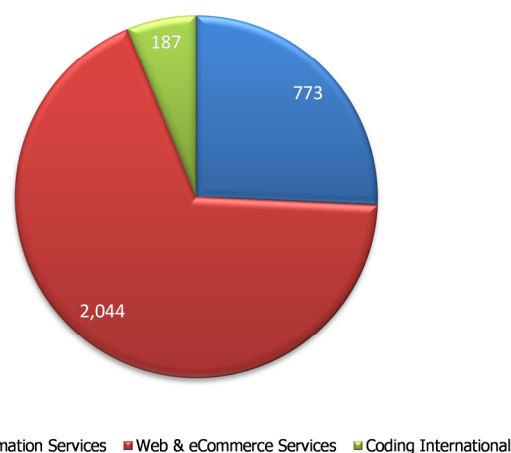
Y/e 31 Dec	2010A	2011A	2012A	2013A
<b>Turnover</b>	<b>2,051.0</b>	<b>2,353.4</b>	<b>2,219.0</b>	<b>3,004.1</b>
Cost of Sales	(673.8)	(551.8)	(468.7)	(443.0)
<b>Gross Profit</b>	<b>1,377.2</b>	<b>1,801.5</b>	<b>1,750.3</b>	<b>2,561.2</b>
Margin	67.1%	76.6%	78.9%	85.3%
Admin. Expenses	(1,777.9)	(1,936.9)	(2,430.1)	(3,166.7)
R&D	(189.5)	(40.9)	(167.8)	(324.7)
<b>Operating Profit</b>	<b>(590.2)</b>	<b>(176.2)</b>	<b>(847.6)</b>	<b>(930.2)</b>
Margin	(28.8%)	(7.5%)	(38.2%)	(31.0%)
Net Interest	(1.4)	(1.4)	(1.9)	(6.2)
<b>Pre-tax (clean)</b>	<b>(589.8)</b>	<b>(151.1)</b>	<b>(754.0)</b>	<b>(768.3)</b>
Margin	(28.8%)	(6.4%)	(34.0%)	(25.6%)
Exceptionals	0.0	0.0	0.0	0.0
<b>Pre-tax (reported)</b>	<b>(591.6)</b>	<b>(177.6)</b>	<b>(849.5)</b>	<b>(936.4)</b>
Margin	(28.8%)	(7.5%)	(38.3%)	(31.2%)
Eps p	(0.9)	(0.1)	(0.9)	(0.7)
Dividend p	0.0	0.0	0.0	0.0
Cover x	NA	NA	NA	NA

**Cash Flow Statement, £000**

Y/e 31 Dec	2010A	2011A	2012A	2013A
Operating Profit	(590.2)	(176.2)	(847.6)	(930.2)
Depreciation	56.6	38.2	42.0	58.0
Amortisation	1.8	26.5	95.5	168.1
Change in W/cap	174.5	(19.1)	48.4	(369.5)
Other	5.2	16.5	70.2	233.2
<b>Operational</b>	<b>(352.1)</b>	<b>(114.2)</b>	<b>(591.4)</b>	<b>(840.4)</b>
Tax	59.7	63.9	66.2	50.2
Financing	(1.4)	(1.4)	(1.9)	(6.2)
Capex	(5.6)	(309.9)	(307.4)	(90.6)
<b>Free Cash Flow</b>	<b>(299.4)</b>	<b>(361.6)</b>	<b>(834.5)</b>	<b>(887.0)</b>
Net (Acquisitions)/Disposals	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Shares Issued	115.9	765.3	371.8	5,105.1
Changes in Borrowings	(12.5)	(12.5)	42.4	(60.7)
Other inc FX	0.0	0.0	0.0	0.0
<b>Movement in Cash &amp; Equivalents</b>	<b>(196.1)</b>	<b>391.2</b>	<b>(420.2)</b>	<b>4,157.4</b>

**Balance Sheet, £000**

as at 31 Dec	2010A	2011A	2012A	2013A
Intangible	0.0	239.6	358.2	202.6
Tangible	37.8	43.4	94.8	114.8
Other	0.0	0.0	0.0	0.0
<b>Fixed Assets</b>	<b>37.8</b>	<b>283.1</b>	<b>452.9</b>	<b>317.4</b>
Stocks	0.0	0.0	0.0	0.0
Trade Debtors	136.9	211.0	312.6	235.3
Other Debtors	93.8	228.7	130.1	823.8
Investments	0.0	0.0	0.0	0.0
Cash	29.1	420.2	0.0	4,157.3
<b>Current Assets</b>	<b>259.7</b>	<b>860.0</b>	<b>442.7</b>	<b>5,216.4</b>
Loans	12.5	12.5	60.8	0.0
Trade Creditors	167.9	181.3	226.4	270.1
Other Creditors	323.0	474.4	485.4	417.5
<b>Current Liabilities</b>	<b>503.5</b>	<b>668.2</b>	<b>772.6</b>	<b>687.5</b>
Loans	18.3	5.8	0.0	0.0
Other Debtors	0.0	0.0	0.0	0.0
<b>Non-Current Liabilities</b>	<b>18.3</b>	<b>5.8</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Assets</b>	<b>(224.2)</b>	<b>469.0</b>	<b>123.0</b>	<b>4,846.3</b>
NAV p	(0.3)	0.7	0.1	4.4
<b>Leverage:</b>				
Net Shareholder %	(0.8)	(85.7)	49.4	(85.8)
Net Cap. Employed %	(0.9)	(82.5)	33.1	(85.8)
Interest Cover x	(411.8)	(128.6)	(452.6)	(150.0)

**Group Turnover £000****Major Shareholders**

RJ & HL Duncan & associated family	19.3%
DJ Holloway	8.1%
ML Pasternak	7.0%
Majedie Asset Management	6.5%
Standard Life Investments	5.0%
Herald Investment Management	4.6%

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