

Share price: 38.5p

Update

3rd Strategic Agreement Preps Group to Exceed Expectations

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	9.1	5.7	3.2	1.5
EV/EBITDA x	(27.1)	36.6	8.4	2.8
EV/EBIT x	(22.7)	53.3	9.3	2.9
P/E x	(31.0)	61.6	11.5	4.6
PEG x	(0.4)	(0.4)	0.0	0.0
ROCE/WACC x	(1.2)	0.5	2.4	6.2

SHARE DATA

12m Lo - Hi p	28.25	-	62.00
Mkt Cap. £m			46.2
Issued shares m			108.9
30 Day Ave. Vol, 000			188
30 Day Ave. Value £000			73
Beta			0.76

SHARE PERFORMANCE

	1m	3m	12m
Actual %	(2.5)	16.7	(19.8)



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This morning, cloudBuy completed the signing of an enlarged three-year contract with a global Financial Institution ('FI') in Hong Kong. cloudBuy is a technology leader in the emerging corporate and public sector electronic marketplaces and uniquely the only provider with line level spend analysis data. Since October 2013, Visa Asia Pacific, a division of the world's largest electronic money transactions group Visa Inc., has been an active strategic partner of the group.

The group originally announced this agreement for a FI branded marketplace accessible across all electronic devices on 2 October whilst on the UKTI's Peak Performance Programme tour that visited major business centres in the Middle East and Asia. The original agreement indicated that the marketplace would be populated with c. 3,000 of the FI's B2B merchant community.

Under the completed agreement, the FI will populate the marketplace with about 8,500 B2B suppliers during the implementation phase before promoting it into the rest of the Asia Pacific region.

Many commentators have scoffed at the group's short-medium term revenue targets but we have consistently maintained that even those targets for the up to US\$100tn B2B global transactions market are modest and achievable. Our confidence is further strengthened by the three significant announcements the group has made since mid-September:

1. Visa Asia Pacific extends strategic agreement from three to five years;
2. Marketplace agreement secured with SYNISE, a leading procurement provider in India; and
3. A global FI, based in Hong Kong, signs a three-year marketplace agreement that will be rolled out to its B2B customer base throughout Asia Pacific.

This agreement together with the SYNISE deal is strategically transformational for cloudBuy because the annualised revenue potential for cloudBuy from them is between US\$150m – US\$200m at maturity at current activity levels. The key to cloudBuy's immediate, and future, success remains its ability to deliver already signed agreements, which in turn will drive further major agreements to it. We are confident in the group's ability to deliver because of the strong team that has been established across all activities over the past year.

We continue to actively review our forecasts, and despite the recent positive news we are resisting lifting our 2015 – 2017 forecasts until these sites go live. We have again updated our valuation models, which include the expanded peer group of other marketplace groups (Alibaba, Amazon, Basware and eBay) that indicates potential upside to 126.5p.

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

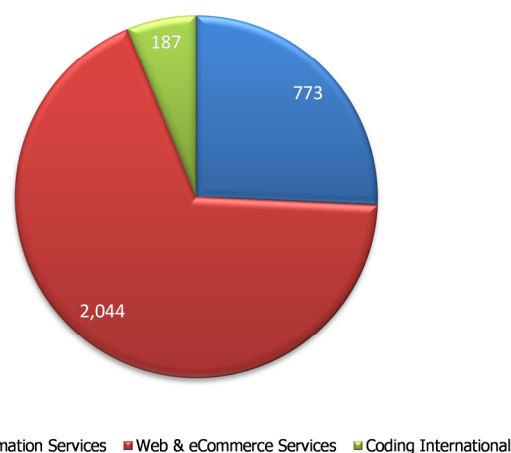
Y/e 31 Dec	2010A	2011A	2012A	2013A
Turnover	2,051.0	2,353.4	2,219.0	3,004.1
Cost of Sales	(673.8)	(551.8)	(468.7)	(443.0)
Gross Profit	1,377.2	1,801.5	1,750.3	2,561.2
Margin	67.1%	76.6%	78.9%	85.3%
Admin. Expenses	(1,777.9)	(1,936.9)	(2,430.1)	(3,166.7)
R&D	(189.5)	(40.9)	(167.8)	(324.7)
Operating Profit	(590.2)	(176.2)	(847.6)	(930.2)
Margin	(28.8%)	(7.5%)	(38.2%)	(31.0%)
Net Interest	(1.4)	(1.4)	(1.9)	(6.2)
Pre-tax (clean)	(589.8)	(151.1)	(754.0)	(768.3)
Margin	(28.8%)	(6.4%)	(34.0%)	(25.6%)
Exceptionals	0.0	0.0	0.0	0.0
Pre-tax (reported)	(591.6)	(177.6)	(849.5)	(936.4)
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
Operational	(352.1)	(114.2)	(591.4)	(840.4)
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)
Free Cash Flow	(299.4)	(361.6)	(834.5)	(887.0)
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
Movement in Cash & Equivalents	(196.1)	391.2	(420.2)	4,157.4

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
Fixed Assets	37.8	283.1	452.9	317.4
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
Current Assets	259.7	860.0	442.7	5,216.4
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
Current Liabilities	503.5	668.2	772.6	687.5
Loans	18.3	5.8	0.0	0.0
Other Debtors	0.0	0.0	0.0	0.0
Non-Current Liabilities	18.3	5.8	0.0	0.0
Net Assets	(224.2)	469.0	123.0	4,846.3
NAV p	(0.3)	0.7	0.1	4.4
Leverage:				
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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