

Share price: 51p

Trading Update Confirms Opportunity

FORECASTS

Y/e 31 Dec	2012A	2013E	2014E	2015E
Turnover £000	2,219	3,000	4,450	7,000
EBITDA £000	(710)	(723)	(1,342)	1,165
EBIT £000	(848)	(884)	(1,546)	839
PBT £000	(850)	(875)	(1,530)	850
EPS p	(0.8)	(0.8)	(1.3)	0.7
Div. p	0.0	0.0	0.0	0.0

VALUATION

Y/e 31 Dec	2012A	2013E	2014E	2015E
EV/Sales x	3.7	13.8	12.0	7.6
EV/EBITDA x	(11.5)	(57.1)	(39.7)	45.5
EV/EBIT x	(9.6)	(46.7)	(34.5)	63.2
P/E x	(12.2)	(61.5)	(38.5)	69.3
PEG x	(0.0)	43.2	(0.6)	(0.4)
ROCE/WACC x	(2.7)	(0.7)	(2.2)	0.9

SHARE DATA

12m Lo - Hi p	6.05	-	70.10
Mkt Cap. £m			55.6
Issued shares m			88.9
30 Day Ave. Vol, 000			297
30 Day Ave. Value £000			143
Beta			0.55

SHARE PERFORMANCE

	1m	3m	12m
Actual %	2.0	9.7	379.0

Reporting Calendar

Interim	Sept.
Preliminary	June
AGM	July



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cloudBuy, the world's only provider of a secure, controlled transactional environment for B2B trading that readily integrates with existing enterprise systems, released a trading update for the financial year ended 31 December 2013 that stated the group would announce a modestly increased pre-tax loss compared with that for 2012 when results are released on 12 March 2014.

This is actually a substantial positive, because it confirms that the group is being structurally and operationally strengthened more rapidly than previously anticipated to capitalise fully upon its global B2B opportunity. The global B2B market, estimated to be worth c. US\$20 trillion and growing in line with global GDP, is immature and highly fragmented.

cloudBuy commenced a significant transformation as it emerged from stealth mode following the 3 October 2013 global launch of its B2B eCommerce/Spend Analysis platforms with its exclusive partner, Visa Inc., the world's largest money transaction network. In late September, the group raised £5.3m (before expenses) and quickly set about strengthening its operational and delivery teams with a succession of high calibre appointments across its regional offices to keep pace with Visa's global rollout plan. The revenue model is also changing from small upfront licensing fees to receiving a percentage of the user's transaction fees.

The group ended the year with its strongest ever pipeline of active prospects, believed to be at least 17 organisations across both the global public and private sectors. Given the globally exclusive relationship with Visa (and their member banks), it is now a question of when, not if, these and other earlier stage prospects convert.

The following table shows the impact of the pulling forward of the operational expenses ('OpEx') upon our earlier 'base case' estimates.

Table: Revised Estimates, £000

Financial Year	2013E	2014E	2015E
Turnover	3,000	4,450	7,000
Cost of Sales	(700)	(950)	(1,400)
Gross Profit	2,300	3,500	5,600
OpEx	(2,115)	(2,725)	(4,225)
PBT (OLD)	185	775	1,375
OpEx pulled forward	(1,060)	(2,305)	(525)
PBT (NEW)	(875)	(1,530)	850

We reiterate our view that meaningful bottom line benefits from the exclusive Visa partnership will begin to arise materially during the 2015 financial year, although with a strengthened operational and delivery team, this may prove conservative.

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

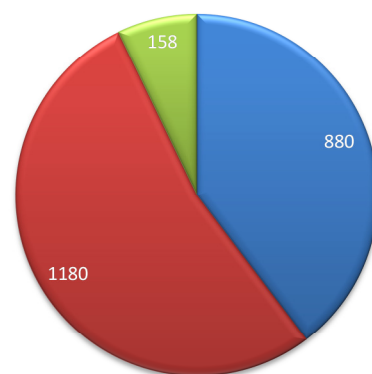
Y/e 31 Dec	2009A	2010A	2011A	2012A
Turnover	2,295.4	2,051.0	2,353.4	2,219.0
Cost of Sales	(623.7)	(673.8)	(551.8)	(468.7)
Gross Profit	1,671.7	1,377.2	1,801.5	1,750.3
Margin	72.8%	67.1%	76.6%	78.9%
Admin. Expenses	(2,152.3)	(1,777.9)	(1,936.9)	(2,430.1)
R&D	(258.8)	(189.5)	(40.9)	(167.8)
Operating Profit	(739.3)	(590.2)	(176.2)	(847.6)
Margin	(32.2%)	(28.8%)	(7.5%)	(38.2%)
Net Interest	10.0	(1.4)	(1.4)	(1.9)
Pre-tax (clean)	(714.2)	(589.8)	(151.1)	(754.0)
Margin	(31.1%)	(28.8%)	(6.4%)	(34.0%)
Exceptionals	(69.2)	0.0	0.0	0.0
Pre-tax (reported)	(798.5)	(591.6)	(177.6)	(849.5)
Margin	(34.8%)	(28.8%)	(7.5%)	(38.3%)
Eps p	(1.2)	(0.8)	(0.1)	(0.8)
Dividend p	0.0	0.0	0.0	0.0
Cover x	NA	NA	NA	NA

Cash Flow Statement, £000

Y/e 31 Dec	2009A	2010A	2011A	2012A
Operating Profit	(808.5)	(590.2)	(176.2)	(847.6)
Depreciation	156.2	56.6	38.2	42.0
Amortisation	15.1	1.8	26.5	95.5
Change in W/cap	(68.3)	174.5	(19.1)	48.4
Other	(9.6)	5.2	16.5	70.2
Operational	(715.2)	(352.1)	(114.2)	(591.4)
Tax	206.1	59.7	63.9	66.2
Financing	10.0	(1.4)	(1.4)	(1.9)
Capex	(16.2)	(5.6)	(309.9)	(307.4)
Free Cash Flow	(515.3)	(299.4)	(361.6)	(834.5)
Net (Acquisitions)/Disposals	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Shares Issued	198.5	115.9	765.3	371.8
Changes in Borrowings	(11.5)	(12.5)	(12.5)	42.4
Other inc FX	0.0	0.0	0.0	0.0
Movement in Cash & Equivalents	(328.2)	(196.1)	391.2	(420.2)

Balance Sheet, £000

as at 31 Dec	2009A	2010A	2011A	2012A
Intangible	1.8	0.0	239.6	358.2
Tangible	88.8	37.8	43.4	94.8
Other	0.0	0.0	0.0	0.0
Fixed Assets	90.5	37.8	283.1	452.9
Stocks	0.0	0.0	0.0	0.0
Trade Debtors	317.6	136.9	211.0	312.6
Other Debtors	164.0	93.8	228.7	130.1
Investments	0.0	0.0	0.0	0.0
Cash	225.1	29.1	420.2	0.0
Current Assets	706.7	259.7	860.0	442.7
Loans	12.5	12.5	12.5	60.8
Trade Creditors	135.9	167.9	181.3	226.4
Other Creditors	411.5	323.0	474.4	485.4
Current Liabilities	559.9	503.5	668.2	772.6
Loans	30.8	18.3	5.8	0.0
Other Debtors	0.0	0.0	0.0	0.0
Non-Current Liabilities	30.8	18.3	5.8	0.0
Net Assets	206.6	(224.2)	469.0	123.0
NAV p	0.4	(0.3)	0.7	0.1
Leverage:				
Net Shareholder %	(88.0)	(0.8)	(85.7)	49.4
Net Cap. Employed %	(72.7)	(0.9)	(82.5)	33.1
Interest Cover x	(269.5)	(411.8)	(128.6)	(452.6)

Group Turnover £000

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

Major Shareholders

RJ & HL Duncan & associated family	19.6%
DJ Holloway	8.2%
ML Pasternak	5.7%
Majedie Asset Management	6.6%
Herald Investment Management	4.6%
Standard Life Investments	5.0%

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