

# CloudTag

## Monitoring personal performance

CloudTag is developing a body-worn physiological measuring device to bring increased accuracy to the fitness and weight loss performance monitoring markets. Combined with proprietary software and a cloud data service, the CloudTag Patch is being designed to provide an easy-to-wear device with an engaging user interface and the ability for user performance to be monitored live, over time and, where relevant, shared with other users including fitness professionals. This report provides background information on the company and its development plans; we are not yet in a position to initiate forecasts or to discuss valuation.

### Developing a sport and wellbeing monitoring device

CloudTag is developing a body-worn device that will measure clinical-grade physiological data and plans to combine this with a smartphone or tablet-based app and a cloud data service. The device will enable users to monitor their physical performance while exercising and to review historical data via a cloud subscription service. Initial target markets include fitness, weight loss and professional sport.

### Upping the game in the body-worn device market

CloudTag will be competing in a market made up of a variety of heart-rate monitor-based watches and activity monitoring body-worn devices. The market is currently dominated by well-established companies like Garmin, Nike and Polar, but is also attracting small specialist start-ups. CloudTag's hardware is being designed to measure biometric output more accurately than any of the existing products in the market; the user interface has been designed to present the data in the most appealing and useful way and the cloud data storage service will allow users to not only track their performance over time but to share their data with other authorised users such as personal trainers and coaches.

### Working towards commercial launch

The company is still finalising the design of the CloudTag Patch, building the cloud server architecture and customising the user interface for the target markets. Once complete, the company will need to trial the product, find a manufacturer, finalise its sales and marketing strategy, sign distribution agreements and obtain app approvals. Commercial launch is targeted for end CY13/early CY14. Tracking performance against these milestones will be crucial to gauge the likelihood of CloudTag reaching commercial product launch on this timescale.

### Financials: Funded to product launch

The March listing on AIM raised net funds of £1.1m. The company estimates it has sufficient cash to fund the business for 12 months post listing and expects this to cover the costs of preparing the complete solution for product launch. Assuming the company achieves commercial launch in the expected timeframe, this implies that no revenues will be generated in FY13 and they will only start to make a meaningful contribution from H214. CloudTag expects it will need to raise further cash to fund the commercial launch and reach break-even.

Pre-initiation of coverage

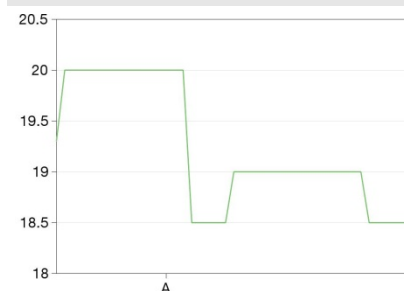
Tech hardware & equipment

1 May 2013

**Price** 18.5p  
**Market cap** £27m

Net cash at end FY12 (£k)	142
Shares in issue	147.8m
Free float	37%
Code	CTAG
Primary exchange	AIM
Secondary exchange	N/A

#### Share price performance



%	1m	3m	12m
Abs	(7.8)	N/A	N/A
Rel (local)	(7.5)	N/A	N/A
high/low		20.0p	18.5p

#### Business description

CloudTag is developing a body-worn fitness device, related software and a cloud data service. It is initially focused on the wellness, weight loss and sports and performance markets.

#### Next events

Interim results	June 2013 (est)
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## Investment summary

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### **Company description: Monitoring personal performance**

CloudTag is developing a device to collect clinical grade biometric data and a bespoke software application and user interface to present the data, accessible via internet-enabled devices such as smartphones and tablets. The data will provide activity and other health-related information to help users exercise more efficiently, lose weight and monitor health. The company is targeting four markets: wellness, weight loss, and sports and performance (challenge and elite). The company believes its product will be the most accurate on the market, will provide the most comprehensive data in a user-friendly way, and that its cloud data service should increase the usefulness of the data collected by allowing the user to track performance over time and to share data with other authorised users.

### **Pathway to commercial launch**

CloudTag is in the process of finalising the technical requirements for the initial target end markets. The design of the key technology within the device is currently in development and the design of the final product (outsourced to design company Seymour-Powell), including where and how it is worn, is also in process. The user interface and software application is in beta test and the cloud architecture is also in development. Once the product technology and design is finalised, the solution will be tested (target completion of phase 1 in Q313) and a manufacturer selected. The company is also developing its sales strategy and will need to seek approval from the relevant app stores and sign distribution agreements. We note that Matt Roberts is a consultant to the business and has an agreement in place for CloudTag to use the Matt Roberts brand. Commercial launch is targeted for end CY13/early CY14.

### **Financials: Funded to product launch**

The recent listing on AIM raised net funds of £1.1m. The company estimates it has sufficient cash to fund the company for 12 months post listing and expects this to cover the costs of preparing the complete solution for product launch. Assuming the company achieves commercial launch in the expected timeframe, this implies that no revenues will be generated in FY13 and will only start to make a meaningful contribution from H214. The company expects it will need to raise further cash to fund the commercial launch and reach break-even.

### **Sensitivities: Achieving product launch**

As an early stage company, CloudTag has a number of milestones to achieve before it can reach sustainable revenues, including product development and testing, signing of distribution agreements, app approvals and pricing strategy. There is no guarantee it will be able to do this in the timeframe indicated and the company is likely to need to raise more money before it reaches cash break-even. CloudTag will have a sole source for the sensor module – the company could struggle to find an alternative supplier if sensors were no longer available from the current supplier. CloudTag will be competing against well-established and well-funded companies such as Garmin, Nike and Polar. Stock liquidity will be affected by lock-up provisions over more than 60% of shares. As a Cayman Islands incorporated-company, CloudTag Inc is not subject to the takeover provisions of the City Code nor the FSA's disclosure and transparency rules. The company has written equivalent provisions into its Articles of Association, although directors can choose to disregard them.

## Company description: Performance analysis

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CloudTag is developing a solution that combines a wireless body-worn physiological monitoring device with an app for internet-enabled devices and a cloud subscription service. The solution should enable users to monitor performance when exercising or track progress with weight loss.

### Background

CloudTag Inc was incorporated in the Cayman Islands in June 2010 with the aim of developing a physiological monitoring technology for the professional sports, consumer well-being and weight-loss markets. The solution will combine hardware and software to give a more accurate, comprehensive biometric sensing solution, with data stored and delivered via the cloud and a user interface designed for smartphones and tablets.

CloudTag Inc listed on AIM on 20 March 2013, raising £1.5m (gross)/£1.1m (net).

### Customer proposition

CloudTag is developing a device to collect clinical-grade biometric data and a bespoke software application and user interface to present the data, accessible via internet-enabled devices such as smartphones and tablets. The data will provide activity and other health-related information to help users exercise more efficiently, lose weight and monitor health.

The CloudTag device is designed to be worn by the user – the data collected is transmitted to the user's smartphone on a regular basis and from there to CloudTag's cloud storage via 3G or Wi-Fi. The CloudTag app has been designed to translate the data into user-friendly information and charts. By acquiring a subscription, the user can also access all their data from the cloud. This enables the user to monitor their performance over a period of time, and to share their data with other users such as personal trainers or coaches, for monitoring or competition purposes.

### Market focus

Although the product and related software could have many applications, the company has decided to initially focus on four markets:

#### 1) CloudTag Weight Loss

CloudTag will focus on users wanting to monitor their activity levels to assess how they are burning calories, in order to help with their weight loss targets. The software is likely to be designed to use a simplified range of data analysis and to provide a range of support materials to help with weight loss. The app will work in conjunction with existing calorie content apps in order to provide a comprehensive calories in/calories out picture to users. In this market, some users may subscribe for data to track their weight loss progress and some may want to share their results with a group of fellow dieters to improve motivation.

#### 2) CloudTag Wellness

Users in this market, typically gym users and fitness enthusiasts, want to be able to monitor the frequency and intensity of their exercise and to improve the efficiency of their workouts. This version of the product will have a range of programmes available to download from professional trainers such as Matt Roberts. The company expects a high take up level of data subscribers from this group.

### **3) CloudTag Sport & Performance I (Challenge)**

This market includes people training for events such as 10km runs, half and full marathons, triathlons, Iron Man events, cycle races, etc. Using the CloudTag device could help users to improve their performance (go faster, go further, recover faster) and it should be possible to develop training programmes for specific events. Users are very likely to want to track their performance via the data subscription. By sharing data, users could compete with each other in training.

### **4) CloudTag Sport & Performance II (Elite)**

For elite sports people, there is scope to monitor performance on an individual or team basis. The service would be suitable for team sports such as basketball, American football, soccer, hockey, netball, rowing, cycling or ice hockey and for individual sports such as running, rowing, and cycling. It will be possible to review performance from previous training sessions and to take into account training conditions (weather, altitude, equipment worn/used) and the company expects all users will subscribe for the data service. A group interface will also be available that will enable a coach to analyse team performance on a live and a historic basis.

### **Other potential uses of the CloudTag technology**

As the underlying sensor technology in the device was originally designed for the healthcare market, it is well suited to health monitoring. It could be used by insurance companies to monitor compliance with exercise programmes and hence entitle the user to benefits such as cheaper insurance or discounted gym membership. Other potential uses include government/security forces/first responders, racehorses or pastoral herds, broadcast media data and consumer 'second screen' viewing.

### **Distribution strategy**

CloudTag's Commercial Director Andy Jackson will co-ordinate sales and marketing alongside Matt Roberts (see p9 for background).

The company expects to start selling the device via a major UK high street retailer, both online and in store, as well as through a number of smaller UK retailers.

The company is also considering selling through gym chains, weight loss companies and fitness professionals (either via individuals or larger organisations). In the longer term, the company would like to broaden its reach into the US, European and Asian markets.

## **Technology**

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The full solution will comprise three elements: the CloudTag Patch, the user interface and cloud data storage.

### **CloudTag Patch**

The CloudTag hardware device, called the CloudTag Patch, will contain an Isansys ECG (electrocardiogram) module and an accelerometer. Isansys is an Oxford-based private company specialising in the development of medical monitoring devices. The ECG module will be based on the Isansys LifeTouch sensor, which is currently used for continuous wireless patient monitoring in hospitals. The LifeTouch module contains a small, ultra low power sensor interface (to measure the heart rate), a microcomputer, a wireless transceiver (to transmit the data to a smartphone or tablet), and embedded software that analyses the ECG in real time. The wireless transceiver is currently based on the ANT wireless protocol and the module uses a non-rechargeable battery, but Isansys

has agreed to develop a Bluetooth wireless transceiver and a micro-USB rechargeable battery for the patch and to include an accelerometer.

CloudTag has signed a binding term sheet with Isansys for the development and supply of device and system technology. The development and testing work is expected to take approximately five months from listing, so it should be complete by September. CloudTag is not paying for the development work. The company will buy the modules from Isansys at cost plus an agreed margin and will pay a royalty for the software embedded in the module. Isansys has agreed not to sell the technology for products competing with CloudTag in the 12 months following delivery of the first order, and thereafter provided CloudTag orders more than 25,000 units per annum. While the exclusivity is in place, CloudTag will pay a royalty of 5% of revenues from the sale of the Patch plus 5% of revenues from subscriptions for 12 months following its launch.

The ECG module will be sealed in a package that can be worn in a variety of ways, although for accurate heart rate data the ECG sensor will always need to be in contact with the chest. The form factor of the final product is still in development (contracted out to design company Seymour-Powell), but several options that are being considered include a sticking plaster or incorporation into clothing.

## Data outputs

The device will measure heart rate using the sensor and movement and position using the x,y,z accelerometer. The embedded software in the device takes the data inputs and applies algorithms to calculate the following outputs (see Exhibit 2). The output data is then transmitted by the Bluetooth transceiver to the user's smartphone or tablet. Separately, the GPS chip in the user's smartphone or tablet can be used to calculate distance travelled, speed and altitude for outdoor activities. The smartphone/tablet will upload data to the internet via 3G or Wi-Fi as long as there is a connection available. CloudTag expects to vary the data outputs used according to the end-user application.

Exhibit 1: Data provided by the CloudTag device	
Raw data feeds	Data outputs
Heart rate	Heart rate
Accelerometer	Respiration rate
GPS (from smartphone)	Physical activity level and intensity
	Calories burned
Manual data feeds	Time in training zones
Age	Steps taken
Weight	BMI
Height	Distance travelled (via smartphone)
Gender	Travelling speed (via smartphone)
Calories in	Altitude (via smartphone)
Source: CloudTag	

## CloudTag software application and user interface

CloudTag has contracted Preciousbluedot (PBD – see p9) to design the user interface and software application for internet-enabled smartphones and tablets. The software takes the data outputs from Exhibit 1 and presents them as usable graphical interfaces. The user interface will also allow the user to add in contextual data such as exercise equipment, footwear or weather conditions. Once the data has been received by the smartphone/tablet via Bluetooth, the data can then be transmitted to the cloud for storage via either 3G or Wi-Fi. To date, PBD has developed the app and the user interface, which are currently in beta test, and is now focused on narrowing the functionality to match the initial target markets and developing the Bluetooth data transfer from the Patch to the smartphone or tablet.

The most basic level of service will be available via a free app; additional functionality could be charged for via paid-for apps, including training programmes from Matt Roberts. In addition, users

can sign up to a monthly subscription that will enable them to access their data from any internet-connected device. Cloud-based storage of data also means that third parties (such as personal trainers or coaches) could, with permission, access the data to monitor performance remotely.

The user interface has been designed to be flexible enough to be adapted for a variety of applications of the CloudTag technology. The IP for the software and user interface developed by Preciousbluedot belongs to CloudTag.

## CloudTag cloud architecture

All data produced by users will be stored on CloudTag's secure servers. Historical data can be analysed to monitor changes over time in factors such as fitness levels or weight loss. The software could also analyse data to estimate levels of fatigue during training and to help predict adverse events that could cause injury.

A high volume of data will be generated by the use of the CloudTag app – this will need to be stored efficiently and securely, and will need to be readily accessible. The company plans to use the Amazon cloud platform, which should enable it to scale capacity as demand grows.

Preciousbluedot is co-ordinating the development of the architecture.

## Pathway to commercial launch

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We estimate that CloudTag will need to achieve the following milestones before the product can be launched commercially:

- Finalise the technical features required by the target markets.
- Develop the module (Isansys) and integrate the module into the patch (Seymour-Powell).
- Complete the design concept development (Seymour-Powell).
- Optimise and complete the user interface requirements for the target markets (PBD).
- Complete the cloud and server development.
- Test the device: Matt Roberts will facilitate trials of the prototype with personal trainers, elite athletes and weight loss groups; phase 1 testing should be completed in Q313.
- Identify suitable manufacturers based on the final design (Seymour-Powell).
- Develop a sales and marketing strategy. The company expects to price the product competitively compared to the most popular traditional heart rate or fitness monitors.
- Progress discussions with distributors/retailers/partners.
- Get app approved. CloudTag will need to submit the app to the relevant app providers (Apple's App Store and Google Play).
- Product launch: the company expects to be ready to launch the product commercially towards the end of 2013/early 2014.

## Market potential

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### Competitive environment

There are a number of wearable devices available on the market already, offering varying levels of functionality. The devices tend to fit into one of the following categories:

- **Watches** – used for running, hiking and cycling, and, more rarely, swimming. They usually require a separate chest-worn heart rate monitor that feeds data to the watch wirelessly.
- **Clip-on or body-worn devices** – used to monitor activity levels on a 24-hour basis. The cheapest are simple pedometers measuring steps taken. The more complex devices contain accelerometers for more accurate movement measurement and some have biometric sensors that enable the user to monitor calorie usage on a 24-hour basis.

The higher-end devices usually offer users the ability to download data to the PC in order to track performance over a period of time, and some also offer smartphone apps and integration with third-party apps. In Exhibit 2 we compare the higher-end devices that we believe are the closest competition for CloudTag. No competitor has the ability to measure respiration rate and in terms of data outputs, no other device yet produces as much information as the CloudTag device will (refer to Exhibit 1 for the CloudTag outputs). We also note how the user can access the data from each device, whether a smartphone app is available, and whether a paid subscription is required to access the data.

There are also many free smartphone apps that are available in the fitness and weight loss markets that do not measure biometric data and therefore do not require an additional device.

The activity-based apps usually make use of the phone's embedded GPS functionality to calculate distance travelled, speed and route covered. These include RunKeeper, MapMyRun, and Endomondo Sport (each with more than 13m users). Weight loss apps, such as Lose It! (>10m users) and MyFitnessPal (>30m users) make use of databases of food calorie content and use theoretical calorie burn calculations. While these types of apps can provide useful information, the lack of personal physiological information means that users do not get a truly accurate picture of their fitness or calorie burn.

## **Market for body-worn health devices**

Data on the market for body-worn devices is relatively sparse as none of the companies operating in the market publicly provide sales data on their products. In 2012, ABI Research forecast that wireless-enabled wearable devices in the sport and health markets would grow at a CAGR of 41% from 20.8m in 2011 to nearly 170m by 2017. IMS Research forecasts that Bluetooth-enabled wireless sports and fitness monitors would overtake ANT-enabled devices by 2016, and that 60m Bluetooth-enabled sports, fitness and health monitoring devices are likely to ship from 2010 to 2015.

While Nike has not disclosed the number of Fuelbands sold to date, it has disclosed that it has 11m Nike+ registered users (Nike+ is the trainer-based sensor technology that is used to track running performance), highlighting the strong consumer demand for fitness performance analysis.





Exhibit 2: Wearable sport and health monitors										
Supplier	Polar	Garmin	Suunto	Nike/TomTom	Timex	Nike	adidas	Motorola	fitbit	Ki Performance
Product	RS800CX	910XT	Ambit	Nike+ Sportwatch GPS	Ironman Global Trainer GPS	Fuelband	miCoach Pacer bundle	Motoactv	fitbit one	Ki Fit
Device type	watch	watch	watch	watch	watch	wristband	clip-on device plus shoe sensor	use with clip/watch strap/arm strap	clip-on device	device in arm strap
Uses*	S, P, W	S, P (including swimming), W	S, P, W	S, W	S, P (including swimming), W	W, WL	S, P, W	W, WL	W, WL	W, WL
<b>Data feeds</b>										
GPS	uses separate device	✓	✓	✓	✓			✓		
Accelerometer	✓	✓	✓	In foot sensor-also need to wear Nike+ shoes		✓	in shoe sensor	✓	✓	✓
Heart rate monitor (HRM)	separate chest strap	separate chest strap	separate chest strap		separate chest strap		separate chest strap	separate chest strap		
Compatible with third party HRM			✓	✓						✓
Temperature sensor										✓
Heat flux sensor										✓
Galvanic skin response sensor										✓
Altimeter	✓	✓	✓						✓	
<b>Outputs</b>										
Sleep monitor									✓	✓
Heart rate data	✓	✓	✓	If HRM used	✓		✓	If HRM used		
Calories burned	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Distance travelled, travelling speed	✓	✓	✓	✓	✓			✓	Distance travelled only	
Altitude	✓	✓	✓	✓	✓			✓	✓	
<b>Other features</b>										
Communication: device to phone	N/A	N/A	N/A	N/A	N/A	Bluetooth	N/A	Bluetooth	Bluetooth	Bluetooth
Communication: device to PC	IrDA USB adaptor	ANT+ USB	USB	USB	USB	USB	USB	USB, WiFi	Bluetooth USB	USB
Online service/ access to data	polarpersonaltrainer	Garmin Connect	movescount.com	Nike+ Connect	No	Nike+ Connect	miCoach Connect	Motoactv	Fitbit.com	Online Activity Manager
Related app	No	Garmin Fit: 69p	Movescount: free	No	No	Nike+ Fuelband: free	miCoach: free	Android only	Fitbit Activity & Calorie tracker: free	BodyMedia FIT: free
Subscription required	N/a	Only for Livetrack	No	No	N/a	No	No	No	No	Yes
<b>Data sharing with:</b>										
Twitter	✓	✓	✓	✓		✓		✓		
Facebook	✓	✓	✓	✓		✓		✓		✓
Device cost	£454	£360	£349	£129	£300	£129	£120	£250	£80	£128
Monthly subscription cost	N/A	£1.49/mth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	From £9.88/mth

Source: Edison Investment Research; Note: \* S=sport, P=professional, W= wellness, WL=weight loss



## Management

CloudTag Active will undertake the development and launch of the CloudTag product range, under the direction of CloudTag Inc. The table below shows the directors of both companies. The non-executive chairman, Anthony Reeves, has many years' experience at board level. CloudTag Active will be run by Andy Jackson, who has many years' experience in the fitness industry including 18 years as commercial director of FitPro (a global network of more than 168,000 fitness professionals). Michael Hirschfield, a chartered accountant, is the company's interim finance director. Mark Butcher was previously the director of GPG (UK) Holdings, the UK investment arm of Guinness Peat Group plc, and has been on the boards of Autologic Holdings plc, Newbury Racecourse plc and Nationwide Accident Repair Services plc. Lee Musgrave is one of the founders of Preciousbluedot (see below). Pantelis Georgiou is an engineer working at Imperial College with expertise in the type of technology used within the CloudTag Patch.

<b>Exhibit 3: Boards of directors</b>			
<b>CloudTag Inc</b>	<b>Role</b>	<b>CloudTag Active</b>	<b>Role</b>
Anthony Reeves	Non-executive Chairman	Anthony Reeves	Non-executive Chairman
Andrew Jackson	Commercial director	Andrew Jackson	Commercial director
Michael Hirschfield	Interim finance director	Michael Hirschfield	Interim finance director
Mark Butcher	Non-executive director	Mark Butcher	Non-executive director
		Lee Musgrave	Non-executive director
		Pantelis Georgiou	Non-executive director

Source: CloudTag

## Key partnerships

### Matt Roberts

CloudTag is employing Matt Roberts on a consultancy basis and has also signed an agreement with Matt Roberts Personal Training Limited to use the Matt Roberts trademark until the end of 2015. Matt Roberts is a well-known fitness professional who has been active in the personal training industry since 1995. His four personal training clinics in London employ a wide range of personal trainers, physiotherapists and nutritionists and Matt has trained many well-known people from fashion, music, politics and TV. Matt has also published many books on health, fitness and nutrition.

### Preciousbluedot

Preciousbluedot was founded in 2010 by Lee Musgrave and Mark Betteridge, both former executives at Rare. Rare was the developer of many well-known video games, including Donkey Kong Country and GoldenEye 007, and was bought by Microsoft in 2002. After that the Rare team went on to develop Microsoft's Xbox Kinect software and avatar interfaces. Lee and Mark have many years' experience developing engaging graphical content based on complex data inputs.

## Sensitivities

The following factors could influence company performance, forecasts and the share price:

- **Early stage company:** CloudTag has a number milestones to achieve before it can reach sustainable revenues, including product development, signing of distribution agreements, app approvals and pricing strategy. There is no guarantee it will be able to do this in the timeframe indicated.
- **Funding requirements:** the company is likely to need to raise more money before it reaches cash break-even.
- **Relationship with Isansys:** CloudTag plans to source the sensor module for the Patch from Isansys – there is the risk that if Isansys no longer produced the module, CloudTag could struggle to find an alternative supplier, although the company is aware of other companies with similar technology.
- **Larger competitors:** CloudTag will be competing against well-established and well-funded companies such as Garmin, Nike and Polar.
- **Lock-up provisions:** directors and other shareholders owning 55.03% of the company's shares have committed not to sell any shares for at least 12 months from Admission. Shareholders holding a further 8.29% of shares have committed not to sell any shares until 90 days after Admission, ie mid-June 2013. This will reduce stock liquidity.
- **CloudTag Inc is incorporated in the Cayman Islands:** this means it is not subject to the takeover provisions of the City Code nor the FSA's disclosure and transparency rules. The company has written equivalent provisions into its Articles of Association, although directors can choose to disregard them.

## Financials

The business was incorporated in June 2010. In FY11 (from 22 June 2010 to 30 September 2011), the company incurred costs of £10k and raised £5k from the issue of 5m shares.

In FY12 (the year to 30 September 2012), the company incurred costs of £660k (of which £388k were for R&D), raised £577k from the issue of 117.4m shares (of which £100k was unpaid at the end of FY12, and before issue costs of £41k), and settled £11k of expenses through the issue of 11m shares. We note that post year-end £200k of the FY12 trade creditor balance was settled via the issue of 1m shares in lieu of fees and the £100k owed for a previous share issue was also received.

**Exhibit 4: CloudTag financials, FY11-12 (£000s)**

P&L	FY11	FY12	Cash flow	FY11	FY12	Balance sheet	FY11	FY12
Revenues	0	0	Cash flow from operations	-5	-294	Cash	0	142
Operating expenses	-10	-660	Equity financing	5	436	Accounts receivable	0	107
Operating loss	-10	-660	Cash b/f	0	0	Current assets	0	249
Net loss	-10	-660	Cash flow	0	142	Trade payables	-5	-367
EPS (p)	-0.20	-0.71	Cash c/f	0	142	Current liabilities	-5	-367
						Net assets	-5	-118

Source: CloudTag

## Use of proceeds

The company estimates that the net proceeds of £1.1m should provide working capital for at least 12 months from Admission. The company will use the funds to develop the prototype of the device, to finish development of the app, to finalise the cloud infrastructure, to test the prototype, and to develop the distribution strategy in readiness for the commercial launch.

According to the listing document, the company is committed to paying salaries, management, consultancy and other fees of at least £600k in FY13.

## **Business model**

At this early stage in the product's development, we currently expect the company to generate revenues and incur costs as follows:

- **Revenues:** the company will generate revenues from the sale of the devices (including through reseller agreements), paid-for apps and monthly subscriptions (which should give the company an element of recurring revenue). In the longer term, the company could sell bespoke platforms to professional sports teams.
- **Cost of sales:** for the device, this will include the cost of the Isansys patch and the cost of manufacturing the rest of the device. For the app, there will be payment to the app platforms, typically 30% of the fee for the app. The monthly subscriptions acquired via app platforms will also be subject to the same payments. CloudTag will also need to pay Amazon for the use of its platform and storage of data. This is structured on a per user basis, starting with a minimum of 50,000 users and then purchasing additional blocks of users.
- **Operating costs:** the company will have ongoing costs for product and software development, sales and marketing, and administration.
- **Tax position:** CloudTag Inc is incorporated in the Cayman Islands where no corporation tax is payable for the next 20 years. Once the company reaches profitability, we would expect any CloudTag Active profits to be taxed in the UK, although there are already some UK tax losses that should offset this.

Contact details		Revenue by geography					
Kitwell House The Warren, Radlett Herts, WD7 7DU UK 0844 8159339 www.cloudtag.com		N/A					
CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 10-14e	N/A	ROCE 13e	N/A	Gearing YY	N/A	Litigation/regulatory	○
EPS 12-14e	N/A	Avg ROCE 10-14e	N/A	Interest cover YY	N/A	Pensions	○
EBITDA 10-14e	N/A	ROE YY	N/A	CA/CL YY	N/A	Currency	○
EBITDA 12-14e	N/A	Gross margin YY	N/A	Stock days YY	N/A	Stock overhang	●
Sales 10-14e	N/A	Operating margin YY	N/A	Debtor days YY	N/A	Interest rates	○
Sales 12-14e	N/A	Gr mgn / Op mgn YY	N/A	Creditor days YY	N/A	Oil/commodity prices	○
Management team							
Non-executive chairman: Anthony Reeves				Commercial director: Andrew Jackson			
Anthony has more than 45 years of experience in the recruitment sector and is currently non-executive chairman of Kellan Group plc. He has had board level experience at several companies including hotgroup plc and Delphi Group plc. He is currently a vice president of Chelsea Football Club.				Andrew has worked in the fitness industry for more than 20 years and was previously the Global Commercial Director of FitPro, a professional network of 168,000 personal trainers. While there he oversaw the launch of more than 20 new products, including FitClub and 10 Minute Gym.			
Interim finance director: Michael Hirschfield							
Michael is a chartered accountant and is a director of Sirius Petroleum plc and Tri-Star Resources plc. He has held senior management positions with a number of companies.							
Principal shareholders							(%)
Osuna Limited							21.0
Corvus Capital Limited							19.5
TD Wealth Institutional (UK) Nominees Limited							14.0
Ambeson Limited							7.4
Michael Hirschfield							4.7
Calvet International Limited							3.2
Companies named in this report							
Garmin (GRMN), Nike (NKE), Polar (N/A)							

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