

BEEKS FINANCIAL CLOUD GROUP

SOFTWARE AND COMPUTER SERVICES

6 February 2024

BKS.L

108p

Market Cap: £71.2m

SHARE PRICE (p)



12m high/low 149p/89p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£4.4m (at 30/06/23)
Enterprise value	£66.8m
Index/market	AIM
Next news	H1 FY24, March
Shares in issue (m)	65.9
Chairman	Mark Cubitt
CEO	Gordon McArthur
CFO	Fraser McDonald

COMPANY DESCRIPTION

Beeks provides low-latency Infrastructure-as-a-Service (IaaS) for automated trading of financial products.

www.beeksgroup.com

BEEKS FINANCIAL CLOUD GROUP IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Gareth Evans

+44 (0) 20 7781 5301

gevens@progressive-research.com



This year good, next year better

Beeks has this morning provided a robust (in-line) update for H1 FY24 (six months to 31 December 2023) and outlook for the full year. There is also news of two significant contracts and guidance to upgraded estimates for FY25 based on recent competitive tender wins. We see this combination as a major move forward for the business, both in terms of near-term financials and the scale and style of future client wins. The business is clearly enjoying rude health against a challenging global backdrop. We expect further good news in coming months and believe that performance could become even stronger if markets continue their recent form.

- Positive trading update.** In a reassuring update, trading for H1 FY24 is described as having been 'in line with Board expectations', importantly demonstrating positive free cash flow and revenue growth of 25% yoy (roughly consistent with our 29% growth forecast for the full year). The group is 'confident' of achieving in-line results for FY24, while guiding to FY25 trading 'significantly ahead of previous Board expectations'.
- Investment manager Proximity Cloud contract expansion.** The RNS details a major win for the Proximity Cloud trading environment, with a Tier 1 investment manager expanding, following the initial contract win announced in November 2023. The contract is more than doubled in value to \$3.6m over four years. With 70% of the customer's infrastructure still not covered by this contract, there appears scope for further expansion.
- First phase of project with new Exchange Cloud customer.** Alongside the Tier 1 investment manager deal, Beeks announced a new contract with a major global exchange customer for its Exchange Cloud offering. The deal, contingent on regulatory approval, is expected to form the first phase of a multi-year relationship. For now, we choose not to include any material revenue from this customer in our estimates, although clearly a successful rollout could contribute materially to Beeks' revenue in future years.
- Changes to estimates.** Given the comments around FY24 being in line with expectations, we make no change to current-year estimates. Our FY25E estimates were set cautiously, and with the certainty provided by the investment manager contract we choose to upgrade both revenue and EBITDA, as shown overleaf. This reflects both today's deal and other positive trading activity, and we believe that we remain cautious in terms of margin assumptions. We will look to revisit estimates again as the year progresses, hopefully on the back of further positive newsflow.

FYE JUN (£M)	2021	2022	2023	2024	2025
Revenue	11.6	18.3	22.4	29.1	38.5
Adj EBITDA	4.1	6.3	8.4	10.8	14.5
Fully Adj PBT	1.6	2.1	2.3	3.7	5.6
Fully Adj EPS (p)	3.0	4.5	4.0	4.9	7.4
EV/Sales (x)	5.7	3.7	3.0	2.3	1.7
EV/EBITDA (x)	16.1	10.6	7.9	6.2	4.6
PER (x)	36.1	24.1	27.3	22.0	14.7

Source: Company Information and Progressive Equity Research estimates.

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Changes to estimates

As described, we reflect today's upbeat commentary and guidance around FY25 trading. Our new estimates are as shown in the table below:

Changes to estimates

£m unless stated	FY 24E			FY 25E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	29.12	29.12	0.0%	33.48	38.51	14.9%
Adj EBITDA	10.85	10.85	0.0%	12.75	14.51	14.2%
Fully adj PBT	3.75	3.75	0.0%	5.09	5.63	9.8%
Fully adj EPS (p)	4.90	4.90	0.0%	6.67	7.36	10.4%
Net Cash/(debt)	4.59	4.93	7.4%	6.10	7.51	23.0%

Source: Company information, Progressive Equity Research estimates

We leave FY24E estimates unchanged other than to reflect the positive commentary around cash flow in H1, allowing a modest increase in our assumption for end-FY24 net cash.

We had previously anticipated that our FY25E estimates might have been cautious, and we hope that we have retained a degree of prudence in the upgraded FY25E figures. This is especially the case for adjusted EBITDA, where we have assumed no uplift in margins despite the boost to revenue.

We will look to revisit our FY25E figures, and introduce FY26E estimates, as this year progresses. For now, we see today's announcement as a clear positive, with the group performing strongly even in the face of pressured global markets.

Financial Summary: Beeks Financial Cloud Group

Year end: June (£m unless shown)

	2021	2022	2023	2024E	2025E
PROFIT & LOSS					
Revenue	11.62	18.29	22.36	29.12	38.51
Adj EBITDA	4.14	6.31	8.42	10.85	14.51
Adj EBIT	1.67	2.36	3.27	4.17	5.89
Reported PBT	1.26	0.07	(0.65)	1.12	3.00
Fully Adj PBT	1.61	2.06	2.32	3.75	5.63
NOPAT	1.84	2.50	3.59	5.00	7.07
Reported EPS (p)	3.07	1.42	(0.14)	4.75	4.59
Fully Adj EPS (p)	2.99	4.49	3.96	4.90	7.36
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00
CASH FLOW & BALANCE SHEET					
Operating cash flow	3.26	4.61	7.12	8.94	11.95
Free Cash flow	(3.80)	(7.76)	(0.14)	0.52	2.58
FCF per share (p)	(5.77)	(11.78)	(0.21)	0.79	3.92
Acquisitions	(1.02)	0.00	0.00	0.00	0.00
Capex	(6.75)	(12.09)	(7.05)	(8.00)	(9.10)
Shares issued	5.01	14.76	0.00	0.00	0.00
Net cash flow	(0.31)	6.79	(2.33)	0.52	2.58
Overdrafts / borrowings	(1.49)	(2.30)	(3.42)	(3.42)	(3.42)
Cash & equivalents	3.37	10.16	7.83	8.35	10.93
Net (Debt)/Cash	1.89	7.86	4.41	4.93	7.51
NAV AND RETURNS					
Net asset value	13.77	30.76	32.79	35.41	42.42
NAV/share (p)	20.89	46.67	49.75	53.73	64.36
Net Tangible Asset Value	10.39	16.27	17.95	19.12	19.61
NTAV/share (p)	15.76	24.69	27.24	29.02	29.76
Average equity	10.24	22.26	31.77	33.37	35.47
Post-tax ROE (%)	15.7%	9.2%	7.3%	11.2%	15.9%
METRICS					
Revenue growth		57.5%	22.2%	30.2%	32.3%
Adj EBITDA growth		52.4%	33.4%	28.8%	33.8%
Adj EBIT growth		41.1%	38.6%	27.5%	41.4%
Adj PBT growth		N/A	13.0%	61.3%	50.1%
Adj EPS growth		N/A	(11.8%)	23.9%	50.1%
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margin	14.4%	12.9%	14.6%	14.3%	15.3%
VALUATION					
EV/Sales (x)	5.7	3.7	3.0	2.3	1.7
EV/EBITDA (x)	16.1	10.6	7.9	6.2	4.6
EV/NOPAT (x)	36.3	26.7	18.6	13.4	9.4
PER (x)	36.1	24.1	27.3	22.0	14.7
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(5.3%)	(10.9%)	(0.2%)	0.7%	3.6%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

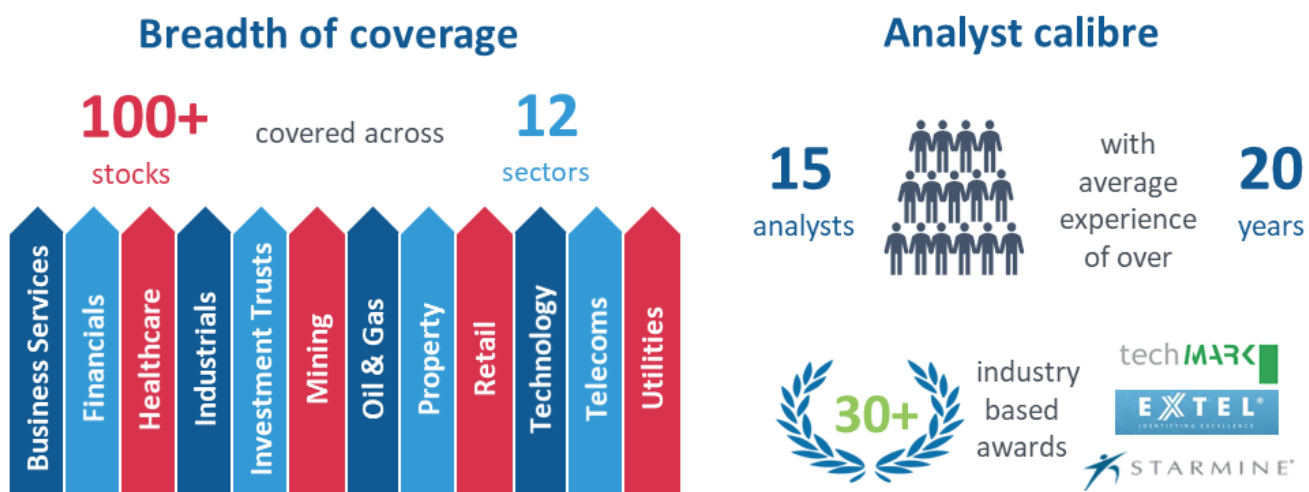
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To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com