

# BEEKS FINANCIAL CLOUD GROUP

## SOFTWARE AND COMPUTER SERVICES

6 September 2023

BKS.L

97p

Market Cap: £63.6m

### SHARE PRICE (p)



12m high/low

166p/97p

Source: LSE Data (priced as at prior close)

### KEY DATA

Net (debt)/cash	£4.4m (at 30/06/23)
Enterprise value	£59.2m
Index/market	AIM
Next news	FY23 results, October
Shares in issue (m)	65.6
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](http://www.beeksgroup.com)

BEEKS FINANCIAL CLOUD GROUP IS A RESEARCH CLIENT OF PROGRESSIVE

### ANALYSTS

Blaine Tatum

+44 (0) 20 7781 5309

btatum@progressive-research.com



Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com



[www.progressive-research.com](http://www.progressive-research.com)

## Growth in FY23, strong start to FY24

Beeks' FY23 trading update (12 months to 30 June) confirms that the group delivered impressive growth in revenue and profits during the year (revenue +20% YoY, underlying EBITDA +35%). Although this outcome is ahead of our forecast at the EBITDA level, we understand revenue progression was impacted by the shifting of certain Exchange Cloud revenues into FY24. The release signals a 'strong' start to FY24, with record ACMRR of over £25m and good visibility on FY24 revenue. Cash performance during FY23 was solid, with the group delivering positive free cash flow in H2 23 and closing the year with a £4.4m net cash balance.

- FY23: Double-digit growth across key measures.** The update signals FY23 YoY growth in revenue, underlying EBITDA and underlying PBT of 20%, 35% and 10%, respectively. We believe that delivering double-digit growth across all three measures is a solid performance, and note that the implied underlying EBITDA of c.£8.5m is ahead of our £8.4m forecast (suggesting impressive margin expansion). However, FY23 revenue growth of +20% implies sales of £22m, behind our £24.5m forecast. We understand FY23 revenue progression was stifled by the shifting of certain revenues from Exchange Cloud, which typically have long sales cycles, into FY24.
- A 'strong' start to FY24, with good visibility.** Beeks closed FY23 with (a then record) Annualised Committed Monthly Recurring Revenue (ACMRR) of £23.8m, which has now risen to over £25m as at 31 August 23. The release signals that the group has made a 'strong' start to FY24, and has a significant and growing pipeline of opportunities for each of its offerings. We note that £25m ACMRR represents over 85% of our FY24E revenue forecast. With initial revenues from the JSE deployment expected in the coming weeks, ACMRR, and by extension revenue visibility, should further improve.
- Solid financial position.** Beeks delivered positive free cash flow in H2 23 and closed the period with an (unaudited) net cash balance of £4.41m (H1 23: £3.35m, FY22: £7.86m). With a net cash balance equating to roughly 7% of the current market capitalisation, we believe the group's financial position remains solid.
- Forecasts unchanged.** We leave our estimates unaltered, as below, and will reflect FY23 results once fully detailed by the company in October.

FYE JUN (£M)	2020	2021	2022	2023E	2024E
Revenue	9.4	11.6	18.3	24.5	29.1
Adj EBITDA	3.3	4.1	6.3	8.4	10.8
Fully Adj PBT	1.4	1.6	2.1	3.2	3.7
Fully Adj EPS (p)	2.5	3.0	4.2	4.2	4.9
EV/Sales (x)	6.3	5.1	3.2	2.4	2.0
EV/EBITDA (x)	17.8	14.3	9.4	7.1	5.5
PER (x)	39.6	32.4	23.1	23.0	19.8

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: Beeks Financial Cloud Group**

Year end: June (£m unless shown)

	2020	2021	2022	2023E	2024E
<b>PROFIT &amp; LOSS</b>					
Revenue	9.36	11.62	18.29	24.47	29.12
Adj EBITDA	3.33	4.14	6.31	8.36	10.85
Adj EBIT	1.18	1.67	2.36	3.59	4.29
Reported PBT	0.68	1.26	0.07	2.89	3.41
Fully Adj PBT	1.43	1.61	2.06	3.23	3.75
NOPAT	1.29	1.84	2.50	3.95	5.15
Reported EPS (p)	1.13	3.07	1.43	3.99	4.75
Fully Adj EPS (p)	2.45	2.99	4.19	4.22	4.90
Dividend per share (p)	0.20	0.00	0.00	0.00	0.00
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	3.26	3.26	4.70	6.99	8.00
Free Cash flow	(0.67)	(3.80)	(7.68)	(0.81)	(0.76)
FCF per share (p)	(1.02)	(5.80)	(11.70)	(1.24)	(1.16)
Acquisitions	(0.75)	(1.02)	0.00	0.00	0.00
Capex	(3.54)	(6.75)	(12.09)	(6.86)	(7.96)
Shares issued	0.00	5.01	14.76	0.00	0.00
Net cash flow	(0.91)	(0.31)	6.79	(0.81)	(0.76)
Overdrafts / borrowings	(2.18)	(1.49)	(2.30)	(2.30)	(2.30)
Cash & equivalents	1.43	3.37	10.16	9.35	8.59
Net (Debt)/Cash	(0.75)	1.89	7.86	7.05	6.29
<b>NAV AND RETURNS</b>					
Net asset value	6.72	13.77	30.77	35.08	41.83
NAV/share (p)	10.24	20.99	46.92	53.50	63.80
Net Tangible Asset Value	6.76	10.39	16.27	17.91	19.17
NTAV/share (p)	10.30	15.85	24.81	27.32	29.24
Average equity	6.17	10.24	22.26	32.32	35.25
Post-tax ROE (%)	23.2%	15.7%	9.2%	10.0%	10.6%
<b>METRICS</b>					
Revenue growth		24.1%	57.5%	33.8%	19.0%
Adj EBITDA growth		24.3%	52.4%	32.5%	29.8%
Adj EBIT growth		42.1%	41.1%	52.3%	19.6%
Adj PBT growth		N/A	27.9%	56.8%	16.1%
Adj EPS growth		N/A	40.2%	0.6%	16.1%
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margin	12.6%	14.4%	12.9%	14.7%	14.7%
<b>VALUATION</b>					
EV/Sales (x)	6.3	5.1	3.2	2.4	2.0
EV/EBITDA (x)	17.8	14.3	9.4	7.1	5.5
EV/NOPAT (x)	45.8	32.2	23.7	15.0	11.5
PER (x)	39.6	32.4	23.1	23.0	19.8
Dividend yield	0.2%	N/A	N/A	N/A	N/A
FCF yield	(1.1%)	(6.0%)	(12.1%)	(1.3%)	(1.2%)

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

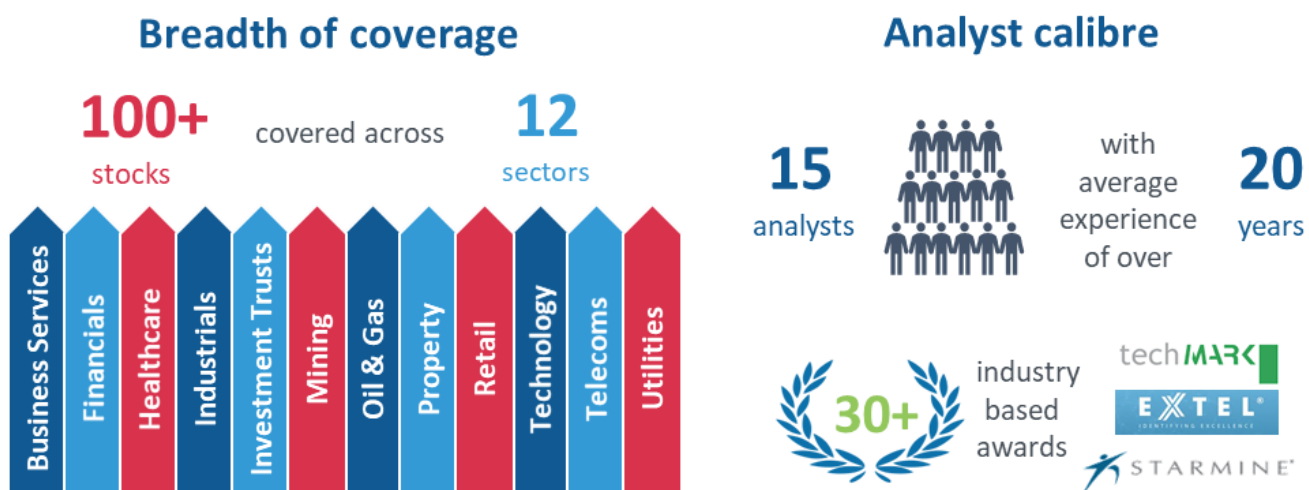
Copyright 2023 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



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