

# BEEKS FINANCIAL CLOUD GROUP

## SOFTWARE AND COMPUTER SERVICES

15 September 2020

BKS.L

91p

Market Cap: £46.3m

### SHARE PRICE (p)



12m high/low

125p/70p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash	£(0.7)m (at 30/06/20)
Enterprise value	£47m
Index/market	AIM
Next news	AGM, October 2020
Shares in Issue (m)	50.9
Chairman	Mark Cubitt
Chief Executive	Gordon McArthur
Finance Director	Fraser McDonald

### COMPANY DESCRIPTION

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

[www.beeksfinancialcloud.com](http://www.beeksfinancialcloud.com)

**BEEKS FINANCIAL CLOUD GROUP IS A RESEARCH CLIENT OF PROGRESSIVE**

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## Strong FY 20A delivery

Cloud computing and connectivity provider for financial markets, Beeks Financial Cloud Group ("Beeks"), has reported FY 20A results in line with our forecasts. In our view the impressive growth in revenue and EBITDA delivered demonstrates the group's defensive qualities against the COVID-19 environment. The group also made strong operational progress during the year: FY 20A saw the strategically important (organic) Tier-1 client base reach five, alongside material expansion of the platform and a key new product launch. Management commentary on the outlook is positive, and we maintain our FY 21E earnings estimates following the announcement.

- FY 20A results in line with our forecasts:** FY 20A Revenue of £9.36m (+27% YoY) and underlying EBITDA of £3.33m (+34%) were in line with our respective £9.33m and £3.13m forecasts. With 23% YoY growth in Annualised Committed Monthly Recurring Revenues ("ACMRR") to £11.2m, revenue visibility remains high.
- Continuing to deliver on the strategic priority:** Beeks' main strategic objective remains growth in the institutional customer base, particularly with Tier-1 clients, for public, private and secure Cloud deployments. In our view, the FY 20A results demonstrate that the group continues to deliver against this priority. Beeks signed two Tier-1 clients in the year, bringing the total number of (organic) Tier-1 clients to five.
- An expanded platform...:** The group opened seven new Datacentres during the year: Singapore SG1, London LD8 and LD4.2, Paris PA3, Sydney SY3, NY Halsey and NY5 in New York. This brings the global network up to 18 Datacentres and has increased Beeks' capacity by 45% over the past year. All of the new Datacentres are now revenue generating.
- ...and a broader product set:** Beeks launched Back Up as a Service in Q1 20, and the release confirms that client uptake to date has been in line with management's expectations. The group expects its first SaaS-based analytics offering to be launched in the next twelve months.
- Positive outlook commentary:** The release heralds that Beeks has entered the current financial year with a significantly expanded business, increased customer base, expanded product offering and an increased number of Tier-1 reference points. Management remain "excited" about the future for the group.

FYE JUN (£M)	2017	2018	2019	2020	2021E
Revenue	4.0	5.6	7.4	9.4	12.0
Adj EBITDA	0.5	1.9	2.5	3.3	3.8
Fully Adj PBT	0.1	1.2	1.3	1.4	1.7
Fully Adj EPS (p)	(0.3)	2.3	2.6	2.5	2.9
EV/Sales (x)	11.8	8.4	6.4	5.0	3.9
EV/EBITDA (x)	86.6	24.2	19.0	14.1	12.3
PER (x)	N/A	40.0	35.7	37.1	31.6

Source: Company Information and Progressive Equity Research estimates

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

## FY 20 Financial performance

### Revenue & visibility

FY 20A revenue increased by £2.0m to £9.36m, an increase of 27% YoY on FY 19A. Note that the Velocimetrics business (VMX) made a two-month contribution to financials and will make a full-year contribution from FY 21E onwards.

Institutional revenues, which remains the group's focus, contributed the bulk of the increase (+£1.56m) and saw a material increase during the second half as a greater proportion of revenue from secured Tier 1 customers was recognised. The Institutional customer base grew from 220 at June 2019 to 242 at 30 June 2020 and the average entry level new institutional customer contract has increased to £2.4k per month from £2.2k per month when compared with H2 19A. Institutional sales now contribute 85% of total revenue. The retail business (15% turnover FY 20A) also reported positive momentum during the period, delivering a £0.45m YoY increase in revenue.

With the bulk of revenue being generated on an ongoing contract basis, recurring revenue remains high, at c94% of the total. With 23% YoY growth in ACMRR to £11.2m, 93% of our FY 21E revenue forecast, revenue visibility remains high.

### Operating expenses

Total operating expenses grew by £1.16m in the period to £6.03m. The aggregate cost base was impacted by further investment made into the footprint and product development. FY 20A saw the group open seven new data centres - Singapore SG1, London LD8 and LD4.2, Paris PA3, Sydney SY3, NY Halsey and NY5 in New York, with the investment in each having been driven by customer demand. Depreciation & amortisation rose by £0.78m to £1.86m, reflecting increased investment in fixed assets in advance of revenues being recognised from new contracts and also longer sales cycles from Tier-1 clients.

### Profitability and dividend

Underlying EBITDA grew by 34% during the period to £3.33m (2018A £2.48m). FY 20A saw the tax charge swing to an outflow, primarily due to a reversal in the deduction for share option costs in FY 19A. Underlying EPS for the period was broadly stable at 2.52p (2.58p FY 19A).

The board has proposed a final dividend of 0.15p, equating to FY 20A DPS of 0.35p (0.35p FY 19A). We continue to see this as a reflection of management's confidence in the outlook for the business. That said, the release confirms that management will keep the level of future dividends under review should the impact of COVID-19 increase in the year ahead.

### Cash

The group closed FY 20A with a net debt position of £0.75m, vs net cash of £1.02m FY 19A. At £3.3m, operational cash flow saw impressive growth during the year (£2.1m FY 19A). This was offset by increased capex (+£1.9m vs FY19A) reflecting investment in the platform £0.8m of acquisition costs and £0.8m repayments of lease and right of use liabilities. The net result was a £1.4m decline in the gross cash position.

**Financial Summary: Beeks Financial Cloud Group**

Year end: June (£m unless shown)

	2017	2018	2019	2020	2021E
<b>PROFIT &amp; LOSS</b>					
Revenue	3.97	5.58	7.35	9.36	12.03
Adj EBITDA	0.54	1.95	2.48	3.33	3.83
Adj EBIT	0.14	1.36	1.58	1.41	1.73
Reported PBT	(0.76)	0.75	1.04	0.68	1.41
Fully Adj PBT	0.06	1.19	1.32	1.43	1.65
NOPAT	0.14	1.70	1.89	1.45	1.80
Reported EPS (p)	(2.27)	2.26	2.10	1.13	2.21
Fully Adj EPS (p)	(0.32)	2.27	2.55	2.45	2.88
Dividend per share (p)	0.00	0.30	0.35	0.35	0.40
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	0.68	0.54	2.13	3.26	2.37
Free Cash flow	(0.32)	(1.16)	0.04	(0.67)	0.32
FCF per share (p)	(0.63)	(2.28)	0.08	(1.32)	0.62
Acquisitions	0.00	0.00	(1.11)	(0.75)	(0.25)
Capex	(0.85)	(1.46)	(1.66)	(3.54)	(2.60)
Shares issued	0.00	4.36	0.00	0.00	0.00
Net cash flow	(0.01)	2.86	(0.55)	(0.91)	0.07
Overdrafts / borrowings	(0.40)	(0.33)	(1.32)	(2.18)	(2.18)
Cash & equivalents	0.02	2.89	2.34	1.43	1.50
Net (Debt)/Cash	(0.38)	2.56	1.02	(0.75)	(0.68)
<b>NAV AND RETURNS</b>					
Net asset value	(0.38)	4.84	5.63	6.72	(1.39)
NAV/share (p)	(0.74)	9.52	11.07	13.20	(2.74)
Net Tangible Asset Value	1.30	2.14	2.44	6.76	3.22
NTAV/share (p)	2.56	4.20	4.80	13.28	6.34
Average equity	(0.19)	2.23	5.24	6.17	7.23
Post-tax ROE (%)	(29.3%)	53.3%	25.1%	23.2%	22.9%
<b>METRICS</b>					
Revenue growth		40.6%	31.7%	27.3%	28.6%
Adj EBITDA growth		258.4%	27.4%	34.3%	14.9%
Adj EBIT growth		852.4%	16.1%	(10.7%)	22.4%
Adj PBT growth		N/A	10.5%	9.0%	15.4%
Adj EPS growth		N/A	12.2%	(3.9%)	17.4%
Dividend growth		N/A	16.7%	0.0%	15.0%
Adj EBIT margins	3.6%	24.4%	21.5%	15.1%	14.4%
<b>VALUATION</b>					
EV/Sales (x)	11.8	8.4	6.4	5.0	3.9
EV/EBITDA (x)	86.6	24.2	19.0	14.1	12.3
EV/NOPAT (x)	328.9	27.7	24.8	32.5	26.2
PER (x)	N/A	40.0	35.7	37.1	31.6
Dividend yield	N/A	0.3%	0.4%	0.4%	0.4%
FCF yield	(0.7%)	(2.5%)	0.1%	(1.5%)	0.7%

Source: Company information and Progressive Equity Research estimates

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