

# BEEKS FINANCIAL CLOUD GROUP

## SOFTWARE AND COMPUTER SERVICES

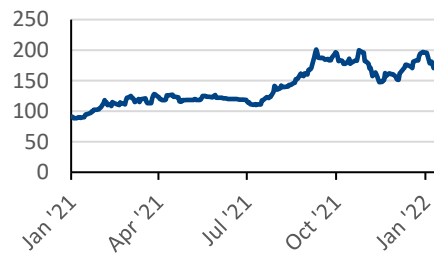
2 February 2022

BKS.L

171p

Market Cap: £95.6m

### SHARE PRICE (p)



12m high/low 201p/89p

Source: LSE Data (priced as at prior close)

### KEY DATA

Net (Debt)/Cash	£1.9m (at 30/06/21)
Enterprise value	£93.7m
Index/market	AIM
Next news	H1 FY22, March '22
Shares in Issue (m)	56.1
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.beeksgroup.com](http://www.beeksgroup.com)

BEEKS FINANCIAL CLOUD GROUP IS A RESEARCH CLIENT OF PROGRESSIVE

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## Major deal prompts revenue uplift

Beeks has announced a second major contract win for its Proximity Cloud product range, effectively a private cloud specifically tailored for financial markets clients. The deal is for \$2.2m over four years, and although some of the upside is already anticipated in our (and consensus) numbers, we upgrade estimates to reflect the positive news. We increase our FY22E revenue estimates and both revenue and profit in FY23E. The group will be reinvesting the additional revenue, so we leave FY22E earnings estimates unchanged at this time.

- Contract announcement.** Today's announcement details a win with "one of the world's largest Foreign Exchange brokers", described as a new client for Beeks. The deal gives rise to revenue of some \$2.2m over four years, and we assume that Beeks will make a strong gross margin, net of costs of communication links and other dedicated infrastructure that may be required for this customer. The first major Proximity Cloud deal, announced in August 2021, was for \$1m, again over multiple years, so this win marks a major step forward in terms of customer and contract size.
- About Proximity Cloud.** Dedicated to the demands of capital markets trading and financial institutions, Proximity Cloud is a secure, high-performance, low-latency private cloud product, pre-built into a physical cabinet. With the ability to now offer fully hosted or private cloud solutions from the company's network of global data centres or on client site, Beeks is positioned to cater to the requirements of all financial institutions, no matter their size, and to capitalise on the rapid acceleration of cloud deployment in financial services.
- Changes to estimates.** The group intends to invest additional revenue into the product itself and additional marketing. We add £1.0m to our FY22E revenue estimate, but leave earnings estimates unchanged to reflect this additional expenditure. For FY23E, we upgrade revenue and adjusted PBT by £2.6m and £0.3m, respectively.

We are pleased to see another material win for Beeks. Although the group is expecting to reinvest the additional revenue from this deal, we would expect any further increase in sales forecasts to flow through to the bottom line. We await with interest further news flow from the group – around the original core product range, the newer Proximity Cloud offering and the Analytics business.

FYE JUN (£M)	2019	2020	2021	2022E	2023E
Revenue	7.4	9.4	11.6	18.2	22.9
Adj EBITDA	2.5	3.3	4.1	5.6	7.3
Fully Adj PBT	1.3	1.4	1.6	2.3	3.2
Fully Adj EPS (p)	2.6	2.5	3.0	3.8	4.8
EV/Sales (x)	12.7	10.0	8.1	5.2	4.1
EV/EBITDA (x)	37.8	28.1	22.6	16.7	12.9
PER (x)	66.8	69.5	57.0	45.2	35.3

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.

## Financials

Following the contract announcement, we make revisions to estimates, as summarised in the following table.

Changes to estimates						
£m unless stated	FY22E			FY23E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	17.2	18.2	5.8%	20.3	22.9	12.8%
Adj EBITDA	5.6	5.6	0.0%	6.7	7.3	9.0%
Fully adj PBT	2.3	2.3	0.0%	2.9	3.2	10.3%
Fully adj EPS (p)	3.8	3.8	0.0%	4.4	4.8	9.1%

Source: Progressive Equity Research Limited, company information

- Our FY22E revenue forecast is increased by £1.0m. However, our profit forecasts are unchanged, reflecting our assumption of increased investment in the Proximity Cloud offering. For FY23E, we expect the deal to add to both revenue and profits.

**Financial Summary: Beeks Financial Cloud Group**

Year end: June (£m unless shown)

	2019	2020	2021	2022E	2023E
<b>PROFIT &amp; LOSS</b>					
Revenue	7.35	9.36	11.62	18.18	22.92
Adj EBITDA	2.48	3.33	4.14	5.62	7.27
Adj EBIT	1.50	1.18	1.67	2.46	3.30
Reported PBT	1.04	0.68	1.26	2.09	2.92
Fully Adj PBT	1.32	1.43	1.61	2.35	3.18
NOPAT	1.89	1.29	1.84	2.70	3.63
Reported EPS (p)	2.10	1.13	3.07	3.19	4.47
Fully Adj EPS (p)	2.55	2.45	2.99	3.78	4.83
Dividend per share (p)	0.35	0.20	0.00	0.00	0.00
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	2.13	3.26	5.99	6.78	9.11
Free Cash flow	0.04	(0.67)	(1.07)	(0.61)	1.54
FCF per share (p)	0.07	(1.20)	(1.91)	(1.09)	2.76
Acquisitions	(1.11)	(0.75)	(1.02)	0.00	0.00
Capex	(1.66)	(3.54)	(6.75)	(6.86)	(6.86)
Shares issued	0.00	0.00	5.01	0.00	0.00
Net cash flow	(0.55)	(0.91)	2.42	(0.61)	1.54
Overdrafts / borrowings	(1.32)	(2.18)	(1.49)	(1.49)	(1.49)
Cash & equivalents	2.34	1.43	3.37	2.76	4.31
Net (Debt)/Cash	1.02	(0.75)	1.89	1.28	2.82
<b>NAV AND RETURNS</b>					
Net asset value	5.63	6.72	13.77	16.51	19.95
NAV/share (p)	10.05	11.98	24.56	29.46	35.58
Net Tangible Asset Value	2.44	6.76	10.39	13.66	16.10
NTAV/share (p)	4.35	12.05	18.54	24.37	28.72
Average equity	5.24	6.17	10.24	15.14	18.23
Post-tax ROE (%)	22.7%	21.3%	14.0%	10.6%	12.9%
<b>METRICS</b>					
Revenue growth		27.3%	24.1%	56.5%	26.1%
Adj EBITDA growth		34.3%	24.3%	35.7%	29.4%
Adj EBIT growth		(21.5%)	42.1%	47.2%	34.2%
Adj PBT growth		N/A	12.1%	46.1%	35.4%
Adj EPS growth		N/A	22.0%	26.3%	27.8%
Dividend growth		(42.9%)	(100.0%)	N/A	N/A
Adj EBIT margins	20.4%	12.6%	14.4%	13.5%	14.4%
<b>VALUATION</b>					
EV/Sales (x)	12.7	10.0	8.1	5.2	4.1
EV/EBITDA (x)	37.8	28.1	22.6	16.7	12.9
EV/NOPAT (x)	49.5	72.4	51.0	34.6	25.8
PER (x)	66.8	69.5	57.0	45.2	35.3
Dividend yield	0.2%	0.1%	N/A	N/A	N/A
FCF yield	0.0%	(0.7%)	(1.1%)	(0.6%)	1.6%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

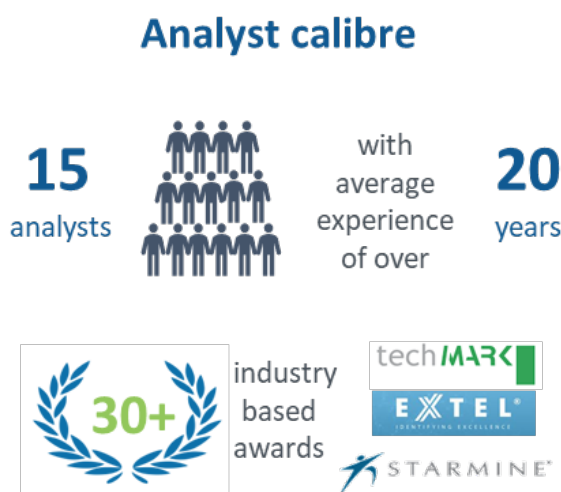
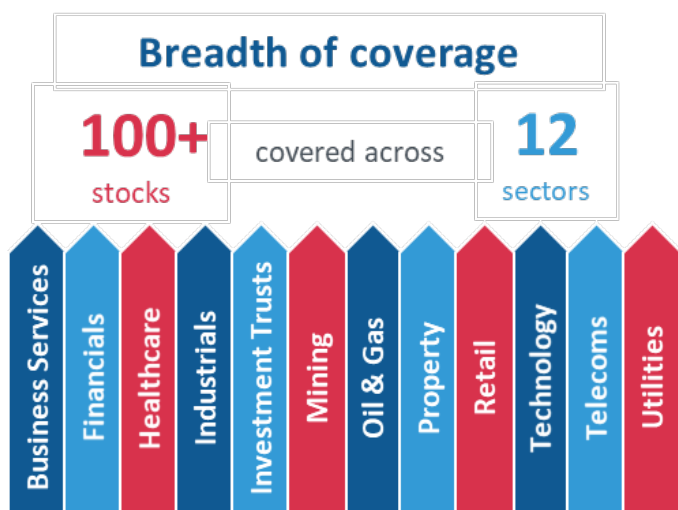
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