

BEEKS FINANCIAL CLOUD GROUP

SOFTWARE AND COMPUTER SERVICES

19 June 2023

BKS.L

116p

Market Cap: £76.1m

SHARE PRICE (p)



12m high/low

166p/110p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£3.4m (at 31/12/22)
Enterprise value	£72.7m
Index/market	AIM
Next news	Trading update, July
Shares in Issue (m)	65.6
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

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

Reference client signed in South Africa

Beeks has today announced the signing of a contract with the Johannesburg Stock Exchange (JSE) for the deployment of an advanced managed Infrastructure-as-a-Service (IaaS) solution. The announcement contains no detail on the potential contract size, and we make no changes to forecasts at this stage. Nevertheless, we believe the JSE is a useful reference client win and being the second (blue-chip) Exchange customer for the Exchange Cloud suite, the deal further highlights the momentum building in the Beeks business.

- Beeks is deploying Exchange Cloud with the JSE.** With its partner IPC, Beeks has signed a contract with the JSE for the deployment of an advanced managed Infrastructure-as-a-Service (IaaS) solution for the JSE on a white-label basis. Called Colo 2.0, the solution enables clients (in this case the JSE) to market low-latency connectivity and hosting solutions on a co-location basis directly to their own customers. Essentially the deal represents a revenue opportunity for the JSE – the Exchange providing a Cloud-based offering to its own customers. The project requires no cash investment from Beeks, with hardware being delivered from Beeks' existing inventories (valued at £2.4m H1 23).
- A reference client win, and the second Exchange customer for Exchange Cloud.** Founded in 1887 and with a current market capitalisation of cUS\$460m, the JSE is Africa's largest stock exchange by market capitalisation, and claims to be the 16th largest exchange in the world.
- Momentum building in Exchange Cloud.** Beeks' interim results announced in February 2023 signalled the group was undergoing final contractual negotiations with two further material Exchange Cloud clients following 12- and 18-month sales cycles. We understand that today's announcement represents the successful conclusion of one of those negotiations. The JSE is the second Exchange client for the suite, following the ICE Global Network (part of the group that owns the NYSE) contract announced in September 2022.
- Forecasts maintained.** We leave estimates unchanged following the announcement. With the close of FY23 less than a fortnight away, we expect the deal to have a minimal impact on current year estimates. For FY24, we believe that the transaction helps to underpin our 19% YoY revenue and 30% YoY EBITDA growth forecasts.

FYE JUN (£M)	2020	2021	2022	2023	2024
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)	7.8	6.3	4.0	3.0	2.5
EV/EBITDA (x)	21.8	17.6	11.5	8.7	6.7
PER (x)	47.3	38.8	27.7	27.5	23.7

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
PROFIT & LOSS					
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
CASH FLOW & BALANCE SHEET					
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
NAV AND RETURNS					
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%
METRICS					
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%
VALUATION					
EV/Sales (x)	7.8	6.3	4.0	3.0	2.5
EV/EBITDA (x)	21.8	17.6	11.5	8.7	6.7
EV/NOPAT (x)	56.2	39.6	29.1	18.4	14.1
PER (x)	47.3	38.8	27.7	27.5	23.7
Dividend yield	0.2%	N/A	N/A	N/A	N/A
FCF yield	(0.9%)	(5.0%)	(10.1%)	(1.1%)	(1.0%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

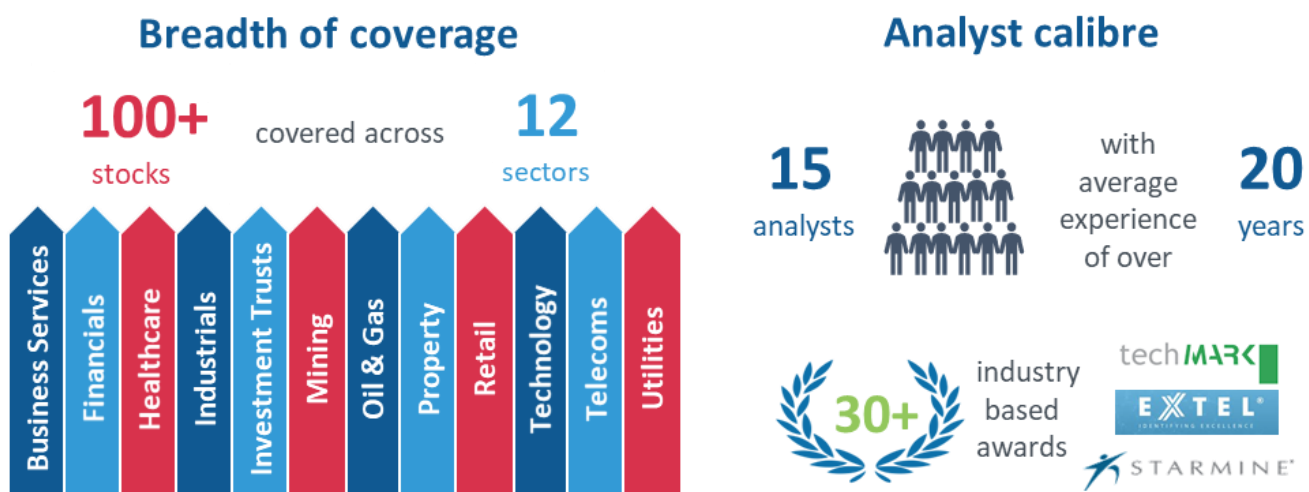
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To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com