

BEEKS FINANCIAL CLOUD GROUP

SOFTWARE AND COMPUTER SERVICES

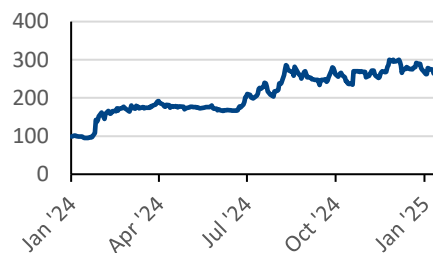
22 January 2025

BKS.L

264p

Market Cap: £174m

SHARE PRICE (p)



12m high/low

300p/95p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£6.6m (at 30/06/24)
Enterprise value	£167.4m
Index/market	AIM
Next news	Interims, Mar 2025
Shares in issue (m)	65.9
Chairman	William Meldrum
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

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Nasdaq contract: Beeks has blown the doors off

Nasdaq Stock Market, the world's second largest stock exchange, is the unnamed 'major Exchange Cloud customer' first announced by Beeks on 6 February 2024. The service is now live. The contract underpins FY25 estimates and has scope to grow further. For us, referenceability at Nasdaq will help to convert the 'substantial pipeline of opportunities' that CEO Gordon McArthur identifies, with Beeks in 'advanced discussions with other major Exchanges across the globe'. Beeks was the top-performing LSE tech company (n=75) in cal2024 with a TSR +182% 2024YTD vs the sector +10.5%. In our view, Beeks is gaining from secular tailwinds (cloud adoption, compliance, data sovereignty, cybersecurity, sustainability, analytics, payment modernisation, AI in risk management etc), which have enabled it to carve out a moat as market leader in cloud infrastructure for financial markets and payments. The FY1 valuation (EV/EBITDA 11.5x) does little to reflect the proven execution on global TAM and the opportunity for more. Investors undoubtedly buy Beeks for long-term secular growth.

- The news.** Beeks confirms that the 'major Exchange Cloud customer' announced on 6 February 2024 is the Nasdaq Stock Market. The service is now live, with customers expected to be onboarded at the end of February.
- Use case.** The agreement enables Nasdaq to offer access to cloud infrastructure and analytics to its thousands of members. Utilising Beeks' existing inventory, Exchange Cloud will initially be deployed in Nasdaq's core data centre in Carteret NY11 (NJ), with potential for further expansion.
- Guidance commentary.** This material multi-year contract has scope to grow, further supporting the group's growth aspirations. The contract underpins the Board's FY25 expectations.
- Investment case precis.** Beeks is established, profitable and growing, with a global opportunity, robust moat, improving unit economics and (more) experienced management team. The IaaS is optimised for low-latency private cloud compute, connectivity and real-time analytics. Continued growth is predicated on customers migrating on-prem to cloud as they reconcile cloud's cost, agility and security advantages, as any residual performance, regulatory and data sovereignty concerns are addressed.

FYE JUN (£M)	2022	2023	2024	2025E	2026E
Revenue	18.3	22.4	28.5	38.5	44.5
Adj EBITDA	6.3	8.4	10.7	14.5	16.7
Fully Adj PBT	2.1	2.3	3.9	5.8	6.7
Fully Adj EPS (p)	4.5	4.0	6.4	7.3	8.4
EV/Sales (x)	9.2	7.5	5.9	4.3	3.8
EV/EBITDA (x)	26.5	19.9	15.6	11.5	10.0
PER (x)	58.8	66.7	41.5	36.4	31.5

Source: Company Information and Progressive Equity Research estimates.

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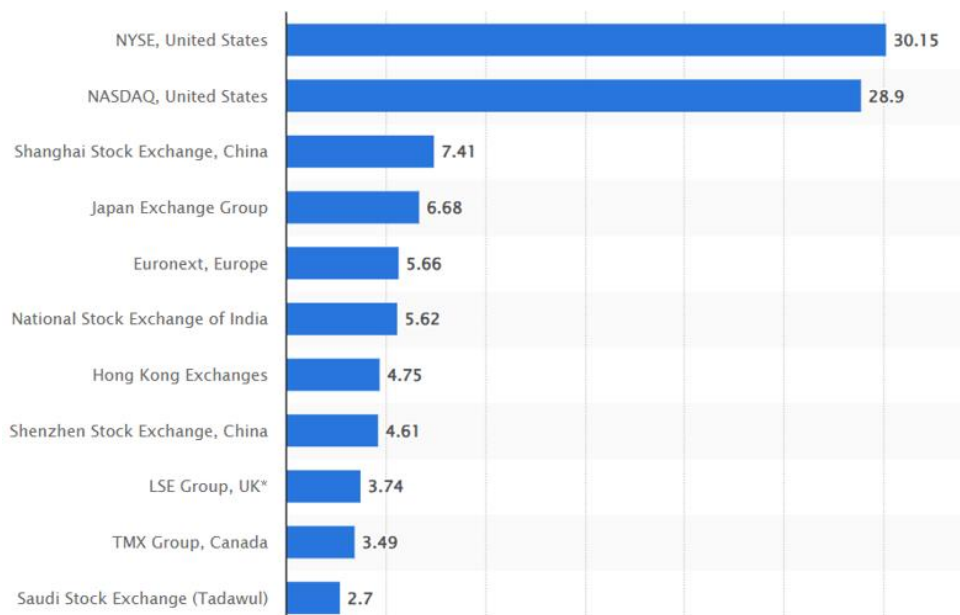
Please refer to important disclosures at the end of the document.

Nasdaq is growing

U.S. equity options quarterly summary												
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Volume (mm contracts)	794	714	772	789	811	746	790	781	773	776	858	921
Market share	32.0%	31.4%	32.6%	31.9%	30.8%	30.6%	31.7%	30.8%	29.2%	29.3%	30.2%	30.3%
Revenue capture per contract¹	\$0.12	\$0.12	\$0.12	\$0.12	\$0.13	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12	\$0.13	\$0.12
European options and futures quarterly summary												
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Volume (mm contracts)	23.0	16.6	17.6	17.7	22.1	18.2	16.1	17.0	15.2	15.1	14.1	14.2
Revenue capture per contract¹	\$0.44	\$0.49	\$0.44	\$0.47	\$0.41	\$0.39	\$0.43	\$0.46	\$0.50	\$0.48	\$0.47	\$0.57
U.S. equity quarterly summary												
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Volume (mm matched shares)	142,204	139,034	119,920	121,674	121,803	113,729	106,680	113,343	116,708	119,264	118,179	125,234
Nasdaq on-exchange matched market share as a % of total industry volume²	17.8%	17.8%	17.2%	17.3%	16.7%	17.1%	16.2%	16.1%	16.3%	16.1%	16.1%	14.4%
Industry on-exchange volume as a % of total industry volume³	59.7%	58.8%	56.4%	57.0%	55.9%	56.4%	55.1%	56.6%	56.1%	54.2%	52.7%	49.7%
Nasdaq on-exchange matched market share⁴	29.8%	30.3%	30.5%	30.3%	29.8%	30.2%	29.4%	28.4%	29.0%	29.7%	30.4%	29.0%
Revenue capture (per 1,000 shares)⁵	\$0.48	\$0.54	\$0.58	\$0.60	\$0.64	\$0.69	\$0.67	\$0.66	\$0.64	\$0.72	\$0.69	\$0.70
European equity quarterly summary												
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Value of shares traded (\$ billion)	315	243	198	197	231	198	168	200	213	206	196	198
Market share⁶	73.0%	72.2%	71.1%	69.0%	68.8%	71.3%	71.6%	72.1%	71.7%	73.5%	71.6%	70.9%
Revenue capture (per \$'000 traded)⁷	\$0.11	\$0.12	\$0.12	\$0.12	\$0.11	\$0.12	\$0.13	\$0.12	\$0.12	\$0.12	\$0.13	\$0.13
Number of Listings												
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Companies on The Nasdaq Stock Market	3,795	3,804	3,795	3,702	3,624	3,559	3,516	3,444	3,401	3,359	3,327	3,307
Companies on exchanges that comprise Nasdaq Nordic and Nasdaq Baltic	1,244	1,260	1,253	1,251	1,250	1,249	1,236	1,218	1,203	1,198	1,186	1,174
Total Listed companies⁸	5,039	5,064	5,048	4,953	4,874	4,808	4,752	4,662	4,604	4,557	4,513	4,481
Exchange Traded Products on The Nasdaq Stock Market⁹	447	465	501	528	539	547	570	600	619	645	712	768
Total Listings	5,486	5,529	5,549	5,481	5,413	5,355	5,322	5,262	5,223	5,202	5,225	5,249

Source: Nasdaq

How big is big: Nasdaq is the second largest stock exchange (market cap US\$tn)



Source: Statistica

Financial Summary: Beeks Financial Cloud Group

Year end: June (£m unless shown)

	2022	2023	2024	2025E	2026E
PROFIT & LOSS					
Revenue	18.29	22.36	28.49	38.50	44.47
Adj EBITDA	6.31	8.42	10.73	14.51	16.72
Adj EBIT	2.36	3.27	3.79	6.08	7.06
Reported PBT	0.07	(0.65)	1.46	3.12	4.02
Fully Adj PBT	2.06	2.33	3.90	5.76	6.66
NOPAT	2.50	3.59	5.53	7.30	8.47
Reported EPS (p)	1.42	(0.13)	3.11	3.78	4.48
Fully Adj EPS (p)	4.49	3.96	6.36	7.26	8.39
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00
CASH FLOW & BALANCE SHEET					
Operating cash flow	4.61	7.12	9.83	12.21	14.47
Free Cash flow	(7.76)	(0.14)	3.27	3.17	5.29
FCF per share (p)	(11.78)	(0.20)	4.97	4.81	8.03
Acquisitions	0.00	0.00	0.00	0.00	0.00
Capex	(12.09)	(7.15)	(6.79)	(8.10)	(7.70)
Shares issued	14.76	0.00	0.00	0.00	0.00
Net cash flow	6.79	(2.33)	(0.76)	0.83	2.84
Overdrafts / borrowings	(2.30)	(3.42)	(1.12)	(1.12)	(1.12)
Cash & equivalents	10.16	7.84	7.70	8.53	11.37
Net (Debt)/Cash	7.86	4.41	6.58	7.41	10.25
NAV AND RETURNS					
Net asset value	30.76	32.79	37.50	42.90	49.70
NAV/share (p)	46.67	49.76	56.89	65.09	75.40
Net Tangible Asset Value	16.27	17.95	20.03	18.70	16.70
NTAV/share (p)	24.69	27.24	30.39	28.37	25.34
Average equity	22.26	31.77	35.14	40.20	46.30
Post-tax ROE (%)	9.2%	7.3%	11.1%	14.3%	14.4%
METRICS					
Revenue growth	N/A	22.2%	27.4%	35.1%	15.5%
Adj EBITDA growth	N/A	33.4%	27.4%	35.3%	15.2%
Adj EBIT growth	N/A	38.6%	16.1%	60.3%	16.1%
Adj PBT growth	N/A	13.3%	67.4%	47.8%	15.5%
Adj EPS growth	N/A	(11.8%)	60.6%	14.2%	15.5%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margin	12.9%	14.6%	13.3%	15.8%	15.9%
VALUATION					
EV/Sales (x)	9.2	7.5	5.9	4.3	3.8
EV/EBITDA (x)	26.5	19.9	15.6	11.5	10.0
EV/NOPAT (x)	67.1	46.6	30.3	22.9	19.8
PER (x)	58.8	66.7	41.5	36.4	31.5
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(4.5%)	(0.1%)	1.9%	1.8%	3.0%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

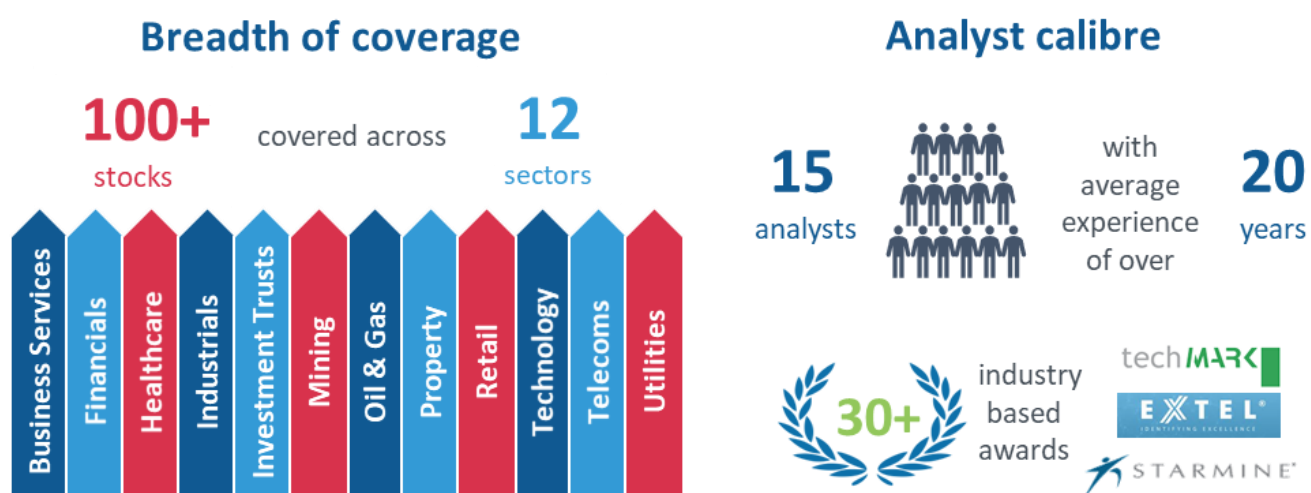
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