

# BEEKS FINANCIAL CLOUD GROUP

## SOFTWARE AND COMPUTER SERVICES

14 July 2025

BKS.L

212p

Market Cap: £142.8m

### SHARE PRICE (p)



12m high/low

323p/186p

Source: LSE Data (priced as at prior close)

### KEY DATA

Net (debt)/cash	£7.0m (at 30/06/25)
Enterprise value	£135.8m
Index/market	AIM
Next news	Finals, October
Shares in issue (m)	67.4
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](http://www.beeksgroup.com)

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## June sizzles: Beeks ends FY25 with US\$10m Proximity contracts

Beeks ends FY25 with a record month, inking US\$10m Proximity Cloud contracts in June. The year saw revenue soar by 25% Y/Y to £35.5m, underlying EBITDA +29% Y/Y (industry-leading EBITDA margin, 38.9%), with net cash of £6.96m vs £6.58m last year. The results were impacted by currency headwinds and the new deferred revenue contracts; however, as this simply delays revenue recognition it ensures that FY26 is off to a flying start. CEO Gordon McArthur signals that Beeks enters FY26 with “ongoing confidence in our ability to convert the strong pipeline of opportunities across our offerings”. No change to our view: Beeks is gaining from industry tailwinds (cloud adoption, compliance, data sovereignty, cybersecurity, sustainability, analytics, payment modernisation, AI in risk management), which have enabled it to carve out a moat as market leader in cloud infrastructure for financial markets and payments. A long-term secular growth investment play, with a ‘best of breed’ financial model.

- **A banner US\$10m June.** June was a record month for Proximity Cloud, with c.US\$10m contracts. Revenue is to be recognised across both FY25 and FY26, ensuring a strong close to FY25 and a strong start to FY26.
- **Trading update precis.** Expected FY25 revenue +25% Y/Y to £35.5m (vs £28.5m), 26% constant currency, underlying EBITDA growth +29% Y/Y to £13.8m, underlying PBT growth +41% Y/Y to £5.5m.
- **Outlook commentary.** The pipeline continues to grow, with “advanced discussions taking place with existing and prospective customers across the globe and across all of Beeks’ product offerings.” The Board is “confident in continued momentum into FY26 and beyond”.
- **Impact on forecasts.** We leave FY26 estimates unchanged ahead of final results (October). The impact of currency headwinds and the deferred revenue saw expected FY25 revenue at £35.5m vs Progressive £36.8m and adj. EBITDA £13.8m vs Progressive £14.1m.
- **Investment case precis.** Beeks is established, profitable and growing, with a global opportunity, robust moat, improving unit economics and an experienced management team. Beeks 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 for cloud’s cost, agility and security comparative advantages.

FYE JUN (£M)	2022	2023	2024	2025E	2026E
Revenue	18.3	22.4	28.5	36.8	39.5
Adj EBITDA	6.3	8.4	10.7	14.1	15.6
Fully Adj PBT	2.1	2.3	3.9	5.7	6.4
Fully Adj EPS (p)	4.5	4.0	6.4	7.4	8.4
EV/Sales (x)	7.4	6.1	4.8	3.7	3.4
EV/EBITDA (x)	21.5	16.1	12.7	9.6	8.7
PER (x)	47.2	53.5	33.3	28.7	25.3

Source: Company Information and Progressive Equity Research estimates.

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

## Contract and Trading Update – the highlights

### Contracts

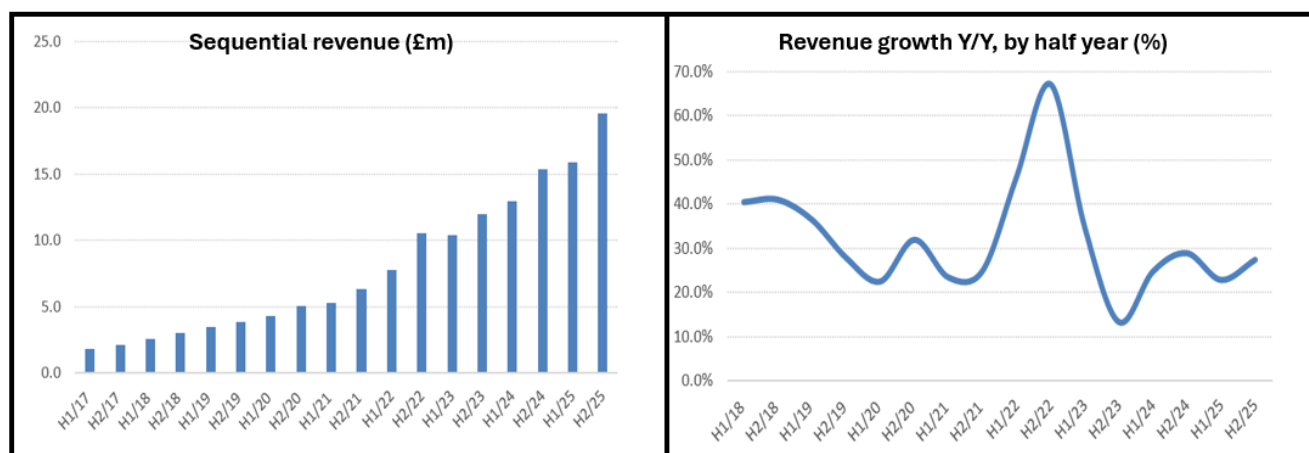
June was a record month for Proximity Cloud, with c.US\$ 10m contracts signed. The contracts comprise a mix of customer wins and renewals, and reflect the growing demand for Beeks' private cloud infrastructure to global financial institutions. Revenue is to be recognised across both FY25 and FY26, contributing to a strong close to FY25 and strong start to FY26.

Recap: Proximity Cloud is a high-performance, dedicated and client-owned trading environment, fully optimised for low latency trading conditions and built with security and compliance at the forefront.

### FY25: Trading Update

**Summary:** FY25 revenue +25% Y/Y to £35.5m (vs £28.5m in FY24), underlying EBITDA growth +29% to £13.8m (vs £10.7m), with underlying PBT +41% Y/Y to £5.5m (vs £3.9m). On a constant currency basis, revenue grew 26% Y/Y to £35.9m, underlying PBT +46% Y/Y to £5.7m.

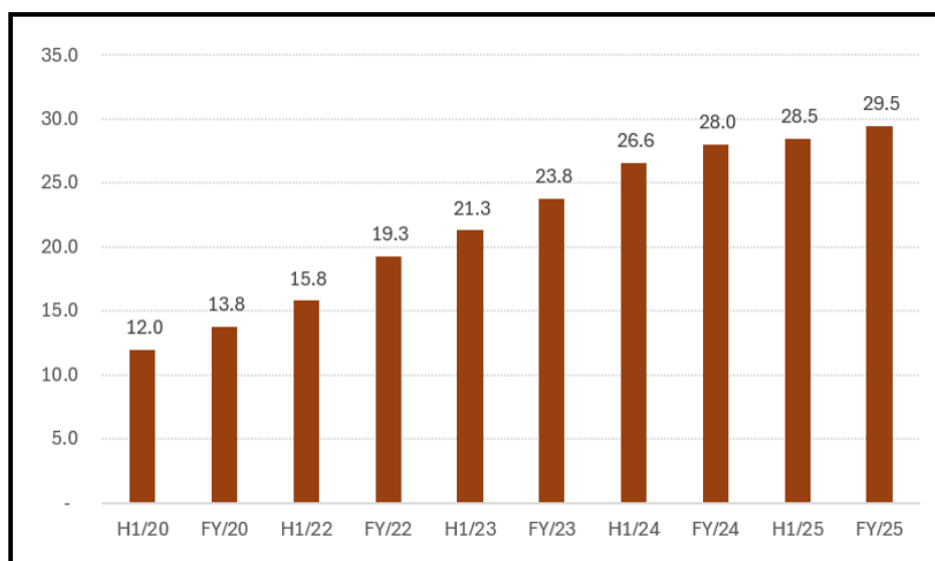
#### Beeks – Revenue grows, and grows (£m)



Source: Company data, Progressive Equity Research

**ACMRR:** Beeks exited FY25 with c.5% Y/Y ACMRR growth to £29.5m, vs £28.0m last year. One of the contracts saw ACMRR reduce by £0.7m when the customer elected to move from Private Cloud to Proximity Cloud. This has a different accounting treatment, so part of the revenue was recognised upfront.

### Beeks – The march of ACMRR (£m)



Source: Company data, Progressive Equity Research

**This is an investment case predicated on broad-based sales momentum:** Contract wins through FY25 included the previously announced significant multi-year Exchange Cloud wins with the Australian Securities Exchange, Grupo Bolsa Mexicana de Valores, and Beeks' first cryptocurrency exchange, Kraken, as well as a multi-year Proximity Cloud contract with a leading global FX broker. These wins, combined with the JSE contract extension and large Exchange Cloud approval announced in H1 FY25, demonstrate Beeks' ability to convert its substantial pipeline into multi-year wins.

**Free Cash grows:** Unaudited net cash was £6.96m at the period end, vs £6.58m last year. This was after a c.£0.5m currency headwind and a significant (c.£3m) hardware spend for the H2 FY25 Proximity and Exchange Cloud deals, including BMV Mexico, ASX, Kraken, JSE extension as well the Proximity cloud announcement. Due to the proximity of the year-end, there was minimal invoicing to these customers. Operating cash flows from these start in FY26.

#### CEO Gordon McArthur - the core messages:

**Double-digit revenue growth – business as usual at Beeks:** "Consistent with previous years, we are yet again set to deliver significant double-digit growth. The steady flow of new customer wins, as well as the significant expansion potential across our existing customer base, serve as a testament to the value of our product offerings, our ability to execute on sales, and our established position as a leading technology provider for financial markets."

**Proximity cloud illustrates ongoing demand:** "The Proximity wins mark a strong end to the year and reflect the continued demand we are seeing for our solutions across the financial services sector."

**Improved ability to execute:** "We enter FY26 with ongoing confidence in our ability to convert the strong pipeline of opportunities across our offerings."

## Forecast considerations

### Update on moving revenue model

Beeks is transitioning to a revenue-sharing model for Exchange Cloud contracts to enhance profitability and drive long-term value. Revenue recognised on Proximity and Exchange Cloud booked to date have an element of upfront recognition (hardware), but these contracts with new customers are migrating to a revenue-sharing model. The benefits of the approach include a shorter sales cycle, which should improve profitability, but as revenue is usage-based it is more difficult to forecast.

The recent customer win at Kraken is the first example – here Beeks' offering will be available to Kraken's c.13m customer base.

In our view, the change in the selling model is consistent with the wider IaaS industry, which is moving to predominantly use consumption-based pricing models with:

- (i) Pay As-You-Go (PAYG) where customers are billed only for the resources they consume (a utility service),
- (ii) Usage-based pricing, with the charge based on actual consumption of computing resources.
- (iii) Per-use basis with fees calculated by the hour, week, or month, depending on the resources used.
- (iv) In addition, there are 'upfront models such as:
  - a. Reserved Instances where a customers can pay upfront to secure resources for up to three years at discounted rates vs PAYG.
  - b. Spot/Preemptible Instances for unused resources at significantly reduced rates but may involve some upfront costs.

### Currency headwinds

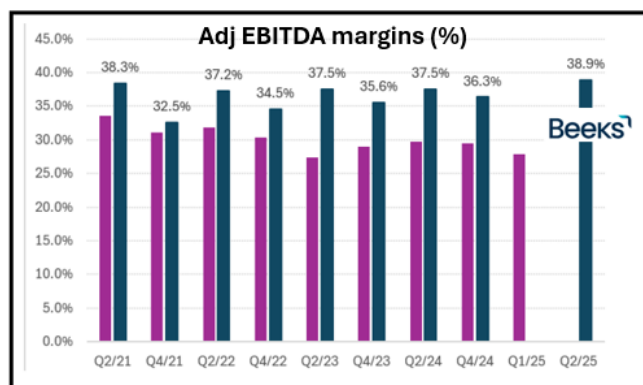
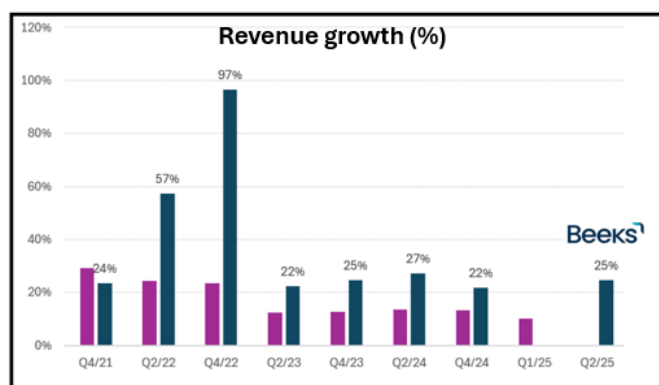
Currency translation was a headwind for FY25. Reported revenue growth was 25% Y/Y to £35.5m, on constant currency basis +26% Y/Y (£35.9m). Underlying PBT growth 41% to £5.5m is +46% Y/Y on constant currency to £5.7m. The effect is exaggerated as over half Exchange clients are invoiced in US Dollars.

These volatile markets mean more currency risk, however most forecasts project a weakening US dollar in the next 12 months due to anticipated Federal Reserve rate cuts (50-75 basis points, likely starting in September 2025), global trade tensions, and shifting investor sentiment. These factors could well make translation a tailwind. That said, looking at a deteriorating geopolitical landscape we are conscious of the US Dollar position as a 'safe-haven', and this could well offer support, especially during periods of heightened geopolitical or economic uncertainty.

## Revenue growth and adj. EBITDA margins are best in class

Beeks enjoys best in class revenue growth and adj. EBITDA margins as we look across the wider IaaS company cohort (including Alibaba, AWS, Azure, Digital Realty, Equinix, Google Cloud, Iomart, Oracle Cloud, Rackspace, Redcentric).

### Beeks – Revenue growth and adj. EBITDA margins are best in class



Source: Company data, Progressive Equity Research

## Macro business driver (Capital Markets trading volume) remains strong

In January 2025, Tradeweb reported a total trading volume of US\$54.6tn, with average daily volume up 20.3% Y/Y. International securities trading volumes climbed by 68% Y/Y in Q1 2025, with particularly strong growth in APAC and European markets. Stock exchanges are, as a consequence, experiencing robust growth worldwide in 2025. As of June 2025, global stock market capitalisation reached an all-time high of US\$134tn, representing a 13.6% Y/Y increase and a CAGR 6.9% from 2005 to 2025.

This surge marked the highest number of trades in a half-year over the past five years, surpassing even the peaks observed during the pandemic. The growth is attributed to high market liquidity and strong investor participation, despite ongoing economic and geopolitical uncertainties.

Regional trends show that this increase is broad-based, though the Americas have driven much of the growth in market capitalisation and trading activity, with the APAC region also seeing record numbers of trades, while EMEA markets have been relatively flat. Positively while market volatility contributed to these higher volumes, the underlying trend is one of growing investor engagement and a broader base of market participants, including a notable rise in retail trading activity.

## Positioning Beeks in the wider IaaS world

We review Beeks relative to the IaaS competitor group. Beeks has better revenue growth, adj. EBITDA and FCF margins. For us, the secret sauce is Beeks' end-market focus, which:

- gives Beeks a strong moat,
- insulates Beeks from the more generalist 'rent-a-rack' hosting market while removing the IaaS hyperscalers from the competitive market, and
- allows Beeks a degree of pricing power.

We are in the midst of a large 'cloud' shift that favours the IaaS cohort. While the hyperscalers seem the obvious 'winners,' the IaaS segment includes an array of companies who will gain from vertical market focus, but also in the wider cloud migration, as well as the more 'classic' RAS (reliable, available, Secure) corporate requirements. In addition, most modern applications were designed to run on cloud, rather than on-prem systems.

While the newsflow tells us that CapEx is on the increase, there is less attention to improving adj. EBITDA margins and recovering FCF margins, which feature in the KPI dashboard.

### IaaS cohort – KPI Dashboard



Source: Alibaba, AWS, Azure, Beeks, Coreweave, Digital Realty, Equinix, Google Cloud, IBM, Oracle, Rackspace, Redcentric

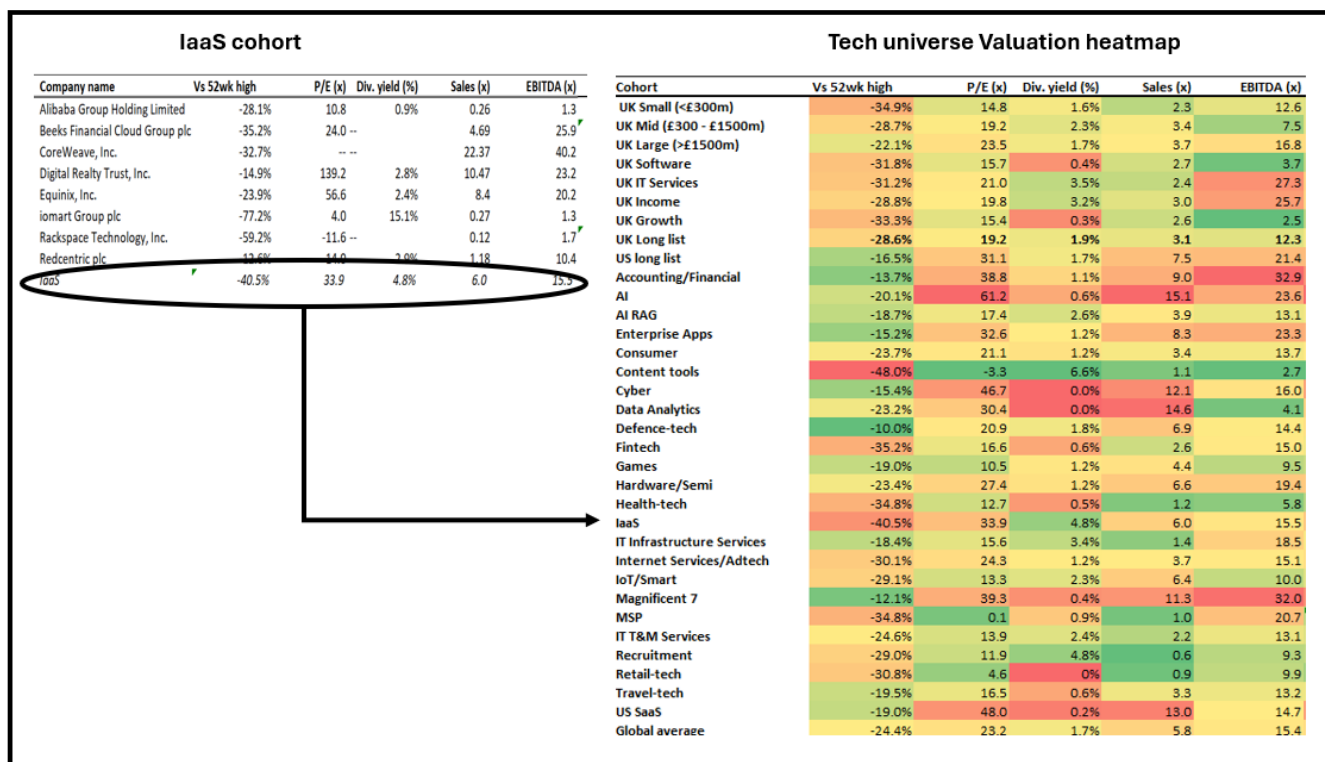
Source: Company data, Progressive Equity Research

## Valuation: Beeks, the IaaS industry and the wider tech world

Given the current disruption in financial markets, we show Beeks and the IaaS group relative to the wider tech universe. The series of charts illustrate:

- valuations in the group,
- the IaaS cohort in the wider tech universe, and
- how the sector has fared in the current correction stemming from the US.

### Beeks and the IaaS cohort valuation relative to the wider tech universe (x)



Source: Company data, Yahoo Finance, Progressive Equity Research

IaaS cohort – Unexpectedly cheap and over-sold in the global tech universe



Source: Company data, Yahoo Finance, Progressive Equity Research



# Financial Summary: Beeks Financial Cloud Group

Year end: June (£m unless shown)

<b>PROFIT &amp; LOSS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
Revenue	18.29	22.36	28.49	36.80	39.50
Adj EBITDA	6.31	8.42	10.73	14.10	15.57
Adj EBIT	2.36	3.27	3.79	5.99	6.84
Reported PBT	0.07	(0.65)	1.46	3.03	4.31
Fully Adj PBT	2.06	2.33	3.90	5.67	6.44
NOPAT	2.50	3.59	5.53	7.25	7.93
Reported EPS (p)	1.42	(0.13)	3.11	3.62	5.30
Fully Adj EPS (p)	4.49	3.96	6.36	7.38	8.38
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00
<b>CASH FLOW &amp; BALANCE SHEET</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
Operating cash flow	4.61	7.12	9.83	11.95	14.29
Free Cash flow	(7.76)	(0.14)	3.27	2.91	5.38
FCF per share (p)	(11.53)	(0.20)	4.86	4.33	7.98
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)	0.58	2.92
Overdrafts / borrowings	(2.30)	(3.42)	(1.12)	(1.12)	(1.12)
Cash & equivalents	10.16	7.84	7.70	8.27	11.20
Net (Debt)/Cash	7.86	4.41	6.58	7.15	10.08
<b>NAV AND RETURNS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
Net asset value	30.76	32.79	37.50	38.30	46.15
NAV/share (p)	45.67	48.69	55.67	56.87	68.51
Net Tangible Asset Value	16.27	17.95	20.03	18.70	16.70
NTAV/share (p)	24.16	26.65	29.73	27.76	24.80
Average equity	22.26	31.77	35.14	37.89	42.21
Post-tax ROE (%)	9.2%	7.3%	11.1%	15.0%	15.3%
<b>METRICS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
Revenue growth	N/A	22.2%	27.4%	29.2%	7.3%
Adj EBITDA growth	N/A	33.4%	27.4%	31.5%	10.4%
Adj EBIT growth	N/A	38.6%	16.1%	57.8%	14.2%
Adj PBT growth	N/A	13.3%	67.4%	45.5%	13.5%
Adj EPS growth	N/A	(11.8%)	60.6%	16.1%	13.5%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margin	12.9%	14.6%	13.3%	16.3%	17.3%
<b>VALUATION</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
EV/Sales (x)	7.4	6.1	4.8	3.7	3.4
EV/EBITDA (x)	21.5	16.1	12.7	9.6	8.7
EV/NOPAT (x)	54.4	37.8	24.6	18.7	17.1
PER (x)	47.2	53.5	33.3	28.7	25.3
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(5.4%)	(0.1%)	2.3%	2.0%	3.8%

Source: Company information and Progressive Equity Research estimates

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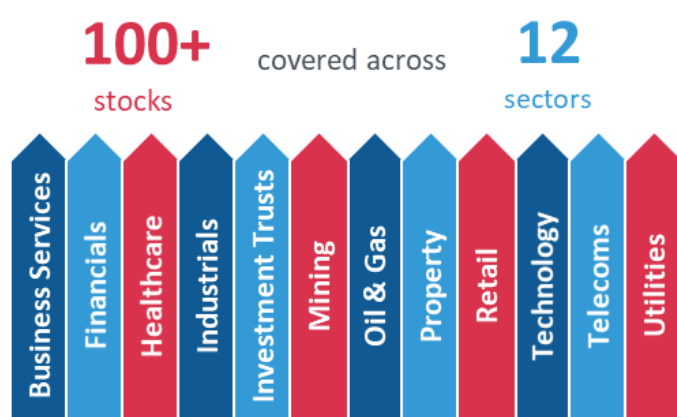
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