



Quarterly Statement Q3 2023

At a Glance

Key figures

€ million	2023	2022	2023	2022
	01/07/ – 30/09/	01/07/ – 30/09/	01/01/ – 30/09/	01/01/ – 30/09/
Revenues	45.4	43.1	138.5	126.4
Cloud	36.6	35.3	111.1	101.0
SAP	8.8	7.9	27.3	25.4
EBITDA	0.1	1.7	(0.1)	4.0
Depreciation and amortisation ^{1,2}	3.7	4.3	10.4	12.4
EBIT	(3.6)	(2.6)	(10.5)	(8.4)
Consolidated net income	(4.0)	(2.8)	(11.7)	(9.4)
Earnings per share ³ (in €)	(0.03)	(0.03)	(0.10)	(0.08)
Capital expenditure ⁴	0.2	0.3	1.8	0.5
Free cash flow	1.1	(1.7)	1.1	(5.2)
Net liquidity			37.3 ⁶	35.9 ⁷
Shareholders' equity			104.2 ⁶	115.7 ⁷
Equity ratio (in %)			70.9 ⁶	71.8 ⁷
Xetra closing price ⁵ (in €)			0.66	0.76
Number of shares ⁵			124,579,487	124,579,487
Market capitalisation ⁵			82.2	94.7
Number of employees ⁵			1,127	1,127

¹ Including share-based remuneration.

² Including depreciation of right-of-use assets (IFRS 16).

³ Diluted and basic.

⁴ Not accounting for IFRS 16.

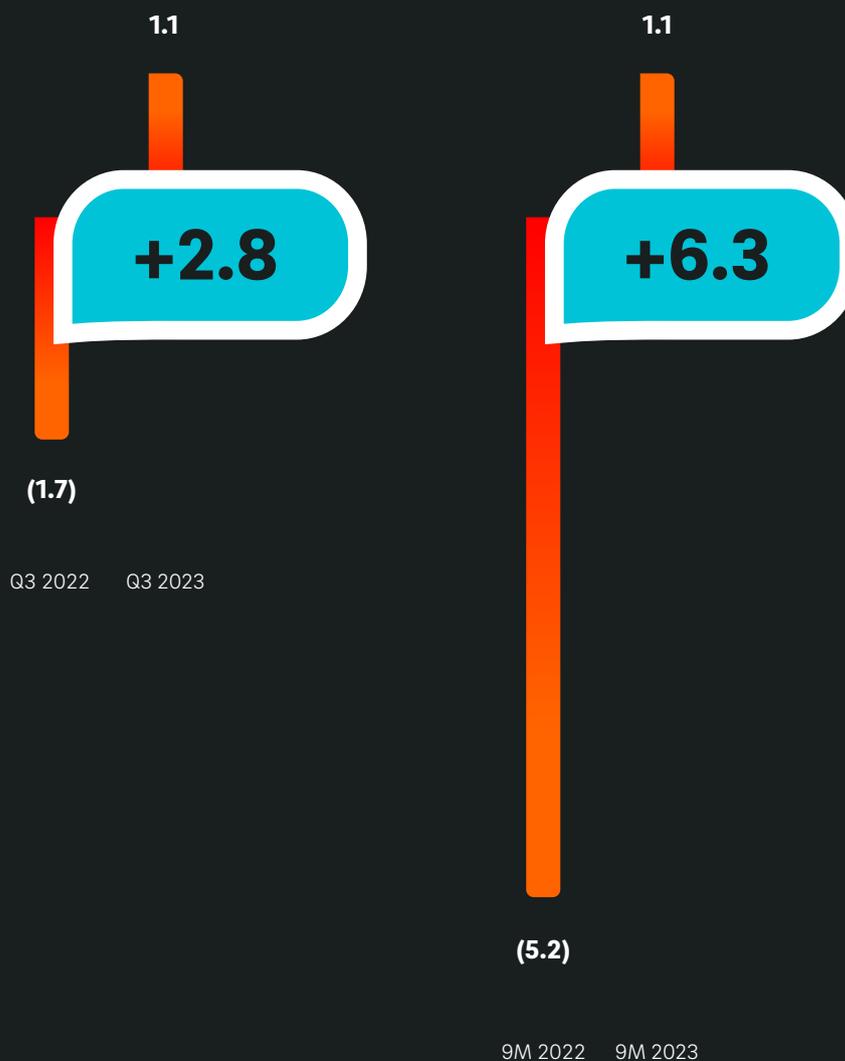
⁵ As of 30 September.

⁶ As of 30 September 2023.

⁷ As of 31 December 2022.

Consistent implementation of the 2025 Strategy will lead to a significant improvement in the free cash flow in the current year already.

Free cash flow in € million



Summary of third quarter of 2023

Business Performance

Ongoing growth and positive free cash flow in third quarter of 2023

Notwithstanding the weak economic climate in Germany, our company upheld its growth in the third quarter of 2023, with revenues rising by 5% to € 45.4 million. Year-on-year comparison of the figures for the nine-month period underlines the resilience of our business model. Revenues in the first three quarters of this year grew by 10% to € 138.5 million.

At the same time, the company made further progress in implementing its "2025 Strategy". In the short term, the success of this project is particularly apparent in the free cash flow, which stood at € 1.1 million in the third quarter of 2023 compared with € -1.7 million in the previous year. In the nine-month period, the free cash flow improved by € 6.3 million to € 1.1 million. Given the challenging inflationary climate, it will take more time for the measures set out in the 2025 Strategy, some of which are of a far-reaching nature, to be fully reflected in the company's profitability as well. EBITDA for the third quarter of 2023 amounted to € 0.1 million, as against € 1.7 million one year earlier. Nine-month EBITDA totalled € -0.1 million, compared with € 4.0 million in the previous year.

Progress in implementing 2025 Strategy

We are creating a basis in the current financial year to significantly raise our profitability in the years ahead. The 2025 Strategy sets three priorities: We are building a more focused business model, achieving a more effective go-to-market approach, and standardising and simplifying all processes and structures in the "One q.beyond" project.

The process of focusing the business model is now well advanced. From the first quarter of 2024, we will therefore convert our segment reporting and focus on the two decisive components of our IT services: "Consulting and Development" and "Operations". As previously, further growth in the six underlying core business fields of SAP, Microsoft, Software Development, Data Intelligence, Cloud and Security will be driven above all by internal operations. In addition, the company also plans to make targeted acquisitions in these fields and in its focus sectors. q.beyond's net liquidity of € 37.3 million as of 30 September 2023 makes it possible to finance acquisitions of this nature with its own resources.

The new go-to-market approach is already proving its worth in practice. Indirect sales are generating significantly more leads than in the previous year. Direct sales are also increasingly drawing on the "product factory" of standardised services on which the automated indirect sales model is based. New orders totalled € 27.4 million in the third quarter of 2023, up from € 25.1 million in the previous year.

Tangible progress is also apparent in the “One q.beyond” strategic priority. The third quarter of 2023 witnessed the merger of q.beyond Cloud Solutions GmbH, formerly scanplus GmbH, into q.beyond AG. The same process was completed at q.beyond Consulting Solutions GmbH, formerly datac Kommunikationssysteme GmbH, at the end of October 2023. Customers appreciate the availability of all services from a single source. Many customers of the former subsidiaries are now also procuring IT services, including cybersecurity and cloud services, from q.beyond’s portfolio.

The elimination of duplicate structures in the “One q.beyond” project as well as the reduction in the number of positions in areas outside the well-focused business model involved one-off expenses of € 1.6 million in the first nine months of the current year.

Foundation of an offshoring company in India

A further objective of “One q.beyond” is to significantly increase the share of nearshoring and offshoring services in order to boost our efficiency while effectively countering the shortage of IT specialists in Germany. Since September 2023, the company has operated its third international subsidiary – q.beyond logineer India. This move was preceded by the launch of operations firstly at SIA Q.BEYOND in Latvia and then at the beginning of this year at q.beyond ibérica. Since day one, the new company in India has employed more than 50 IT experts who already worked on behalf of customers at q.beyond’s logistics subsidiary logineer. The Indian team will continue to focus their activities on supporting logistics customers with their day-to-day IT operations.

The services offered here range from working in SAP and CargoWise environments to IT infrastructure topics to guaranteeing 24/7 support. In line with customer requirements, the new subsidiary will in future also offer these services on a cross-sector basis.

Pioneering role in sustainability boosts go-to-market approach

At the end of September 2023, our company was one of the first medium-sized IT service providers in Germany to sign up to the EU Code of Conduct on Data Centre Energy Efficiency. In times of rising energy costs, the resultant efficiency gains will on the one hand help to stabilise costs while also increasing the scope for achieving targeted improvements in profitability. On the other hand, signing up to the Code will make our company even more attractive for customers wishing to procure sustainable IT services in order to achieve their own sustainability targets. We will further extend this competitive edge in the coming year. Following measures to renovate their cooling technology, our data centres will also meet the EU’s taxonomy criteria for sustainable data centre operations.

Indian operation boosts efficiency and counters shortage of IT specialists.

Earnings Performance

High share of recurring revenues

Our company's continued growth in the current financial year has been driven by its well-focused business model. Of third-quarter revenues, 75% were of a recurring nature and based on contracts with terms generally lasting 3 to 5 years, while 58% were attributable to the three focus sectors of retail, logistics, and manufacturing.

Cost of revenues amounted to € 38.5 million in the past quarter, as against € 35.9 million in the previous year. As already explained in the 2022 Annual Report, our company has to absorb significantly higher electricity, personnel and licence expenses in the current year. It will only be possible to charge these on to customers, if at all, at a later point in time. Gross profit therefore amounted to € 6.9 million, as against € 7.3 million in the third quarter of 2022.

Quarterly sales and marketing expenses fell year-on-year from € 3.5 million to € 3.2 million. Due not least to the foundation of the Indian subsidiary, general and administrative expenses rose to € 3.9 million, up from € 3.6 million in the third quarter of 2022. The other operating result amounted to € 0.2 million, compared with € 1.6 million in the previous year's period.

Together with the additional expenses incurred due to inflation, this change in the other operating result had a corresponding impact on EBITDA, which came to € 0.1 million in the third quarter of 2023 as against € 1.7 million in the previous year. Depreciation and amortisation fell year-on-year by € 0.6 million to € 3.7 million in the quarter under report.

Operating earnings (EBIT) amounted to € -3.6 million in the third quarter of 2023, compared with € -2.6 million in the previous year. Net of the financial result, income from associates and taxes on income, consolidated net income stood at € -4.0 million in the third quarter of 2023, as against € -2.8 million in the previous year.

Earnings Performance by Segment

Cloud business remains on growth course

Notwithstanding the weak economic climate and price discounts granted upon the extension of major existing contracts in previous months, the "Cloud" segment upheld its growth trajectory in the third quarter of 2023. Revenues rose by 4% to € 36.6 million. Due to inflation, cost of revenues for the same period grew by 7% to € 31.5 million. This resulted in gross profit of € 5.1 million, compared with € 5.8 million in the previous year. The segment contribution came to € 2.6 million, down from € 2.9 million in the third quarter of 2022.

Year-on-year comparison of the nine-month figures shows how the Cloud business has performed over a more extended period in the challenging climate in 2023. Cloud revenues in the year to date grew by 10% to € 111.1 million. Gross profit improved by 8% to € 16.7 million, while the segment contribution increased by 10% to € 8.5 million.

Significant revenue and earnings growth in SAP business

Revenues in the "SAP" segment grew by 11% to € 8.8 million in the third quarter of 2023. The sales campaign conducted in recent quarters has generated significant success. Quarterly cost of revenues rose year-on-year by 9% to € 7.0 million. This produced a 29% increase in gross profit to € 1.8 million. The segment contribution even improved by 50% to € 1.2 million.

Here too, year-on-year comparison of the nine-month figures shows how the "SAP" segment has improved its major key figures. Revenues rose by 7% to € 27.3 million, while gross profit grew by 2% to € 4.6 million. Due to higher sales and marketing expenses, by contrast, the segment contribution decreased to € 2.5 million, down from € 2.7 million in the previous year's period.

Financial and Asset Position

Positive free cash flow in first nine months

Our company has no liabilities to banks and finances its growth from liquid funds. As of 30 September 2023, we had net liquidity of € 37.3 million compared with € 35.9 million as of 30 June 2023.

At q.beyond, the free cash flow is traditionally determined by deducting payments for acquisitions and distributions in the period under report from the change in net liquidity. In the third quarter of 2023, the company received an outstanding payment of € 0.3 million from a co-shareholder in the logineer subsidiary founded in 2021. Accounting for this acquisition-related payment, the free cash flow amounted to € 1.1 million in the third quarter of 2023.

Our company achieved a significant year-on-year improvement in this major key figure in the nine-month period as well. At the end of the first three quarters of the current financial year, the free cash flow totalled € 1.1 million, compared with € -5.2 million in the previous year. This increase largely resulted from a sharp rise in the cash flow from operating activities, and here in particular from optimised receivables management.

q.beyond has no liabilities to banks and increased its net liquidity to € 37.3 million in the past quarter.

Equity ratio of 71%

The consolidated balance sheet as of 30 September 2023 underlines how solidly our company is financed. As of this reporting date, the equity ratio stood at 71% as against 72% at 31 December 2022. A change arose within equity due to the merger of q.beyond Cloud Solutions GmbH. On the one hand, the capital reserve fell to € 125.6 million compared with € 144.1 million as of 31 December 2022. On the other hand, this led to an improvement by the same amount in the accumulated deficit. Due to the accumulated deficit at the end of September 2023, equity itself decreased to € 104.2 million, down from € 115.7 million at the balance sheet date at the end of 2022.

At € 14.2 million as of 30 September 2023, non-current liabilities were virtually unchanged on the figure of € 14.5 million at the end of 2022. Current liabilities fell to € 28.6 million as of 30 September 2023, down from € 30.9 million at the end of 2022. This reduction was primarily attributable to lower trade payables and other liabilities.

On the asset side of the balance sheet, total non-current assets decreased to € 70.1 million, down from € 74.3 million as of 31 December 2022, with this reduction mainly being due to depreciation and amortisation. Total current assets declined to € 76.9 million, as against € 86.7 million as of 31 December 2022. This change is principally due to the company's optimised receivables management.

Overall, trade receivables stood at € 30.9 million as of 30 September 2023, compared with € 39.7 million at the end of 2022.

Opportunity and Risk Report

No material changes in opportunity and risk situation

There are currently no material changes compared with the opportunities and risks presented in the 2022 Annual Report. Just like other risks or erroneous assumptions, however, all of the risks listed in the Annual and Half-Year Financial Reports could lead future actual earnings to deviate from q.beyond's expectations. Unless they constitute historic facts, all disclosures in this unaudited interim group report represent forward-looking statements. They are based on current expectations and forecasts concerning future events and may therefore change over time.

Outlook

q.beyond confirms forecast

For the 2023 financial year as a whole, we continue to expect revenues of € 185 million to € 191 million, EBITDA of € 5 million to € 7 million, and free cash flow of up to € -4 million. It should be noted with regard to the EBITDA forecast that, as in previous years, this key figure has always also included the other operating result. In the current year, the scale of this result will largely depend on the decision by the tax authorities now pending concerning the tax treatment of the Plusnet sale in 2019. Our budget assumes that this decision will turn out at least partly in our favour and thus have a positive one-off impact on this year's result.

Further Information

About this quarterly statement

This document should be read in conjunction with the 2022 Annual Report, which can be found at [+ www.qbeyond.de/en/ir-publications](https://www.qbeyond.de/en/ir-publications). Unless they are historic facts, all disclosures in this quarterly statement constitute forward-looking statements. These are based on current expectations and forecasts concerning future events and may therefore change over time.

About the company

q.beyond AG is the key to successful digitalisation. We help our customers find the best digital solutions for their business and then put them into practice. Our strong team of 1,100 people accompanies SME customers securely and reliably throughout their digital journey. We are experts in Cloud, SAP, Microsoft, data intelligence, security, and software development. With locations throughout Germany, as well as in Latvia, Spain and India, and its own certified data centres, q.beyond is one of Germany's leading IT service providers.

Interim Consolidated Financial Statements

Consolidated Statement of Comprehensive Income (unaudited)

€ 000s	2023	2022	2023	2022
	01/07/ – 30/09/	01/07/ – 30/09/	01/01/ – 30/09/	01/01/ – 30/09/
Revenues	45,446	43,128	138,476	126,387
Cost of revenues	(38,499)	(35,875)	(117,288)	(106,370)
Gross profit	6,947	7,253	21,188	20,017
Sales and marketing expenses	(3,180)	(3,526)	(10,205)	(9,653)
General and administrative expenses	(3,882)	(3,637)	(11,615)	(10,499)
Depreciation and amortisation				
(including share-based remuneration)	(3,739)	(4,304)	(10,414)	(12,393)
Other operating income	239	1,687	599	4,625
Other operating expenses	(30)	(46)	(102)	(507)
Operating earnings (EBIT)	(3,645)	(2,573)	(10,549)	(8,410)
Financial income	163	2	373	55
Financial expenses	(81)	(30)	(198)	(79)
Income from associates	(148)	(204)	(493)	(671)
Earnings before taxes	(3,711)	(2,805)	(10,867)	(9,105)
Income taxes	(266)	6	(854)	(291)
Consolidated net income	(3,977)	(2,799)	(11,721)	(9,396)
Other comprehensive income	-	-	-	-
Total comprehensive income	(3,977)	(2,799)	(11,721)	(9,396)
Attribution of consolidated net income and total comprehensive income				
Owners of the parent company	(4,228)	(3,239)	(12,589)	(9,890)
Non-controlling interests	251	440	868	494
Attribution of consolidated net income and total comprehensive income				
	(3,977)	(2,799)	(11,721)	(9,396)
Earnings per share (basic) in €	(0.03)	(0.03)	(0.10)	(0.08)
Earnings per share (diluted) in €	(0.03)	(0.03)	(0.10)	(0.08)

Consolidated Balance Sheet

€ 000s	30/09/2023 (unaudited)	31/12/2022 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	17,855	21,113
Land and buildings	16,123	16,662
Goodwill	12,703	15,854
Right-of-use assets	9,613	7,802
Other intangible assets	6,096	5,074
Financial assets recognised at equity	5,166	5,277
Prepayments	1,437	1,464
Other non-current assets	1,137	1,068
Non-current assets	70,130	74,314
Current assets		
Trade receivables	30,863	39,681
Prepayments	6,788	6,667
Inventories	228	217
Other current assets	1,761	3,793
Cash and cash equivalents	37,276	36,388
Current assets	76,916	86,746
TOTAL ASSETS	147,046	161,060

Consolidated Balance Sheet

€ 000s	30/09/2023 (unaudited)	31/12/2022 (audited)
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,579	124,579
Capital reserve	125,617	144,084
Other reserves	(319)	(319)
Accumulated deficit	(147,027)	(153,203)
Equity attributable to owners of the parent company	102,850	115,141
Non-controlling interests	1,378	510
Shareholders' equity	104,228	115,651
Liabilities		
Non-current liabilities		
Trade payables	375	750
Lease liabilities	5,868	5,009
Other financial liabilities	5,184	5,686
Pension provisions	1,957	2,312
Other provisions	863	780
Non-current liabilities	14,247	14,537
Current liabilities		
Trade payables and other liabilities	20,113	23,898
Lease liabilities	3,705	2,731
Other provisions	840	1,604
Tax provisions	2,814	2,155
Deferred income	1,099	484
Current liabilities	28,571	30,872
Liabilities	42,818	45,409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	147,046	161,060

Consolidated Statement of Cash Flows (unaudited)

€ 000s	2023	2022
	01/01/ – 30/09/	01/01/ – 30/09/
Cash flow from operating activities		
Earnings before taxes	(10,867)	(9,105)
Depreciation and amortisation of non-current assets	7,744	9,510
Depreciation of right-of-use assets (IFRS 16)	2,711	3,086
Other non-cash income and expenses	23	25
Profit from sale of financial assets recognised at equity	-	(25)
Profit from retirement of assets	(2)	(9)
Income taxes paid	(240)	(20)
Income taxes received	3	10
Interest received	360	52
Interest paid in connection with leases (IFRS 16)	(190)	(69)
Net financial expenses	(174)	24
Income from associates	493	671
Changes in provisions	(1,036)	(3,863)
Changes in trade receivables	7,939	(2,803)
Changes in trade payables	(6,149)	5,605
Changes in other assets and liabilities	4,210	(4,172)
Cash flow from operating activities	4,825	(1,083)
Cash flow from investing activities		
Payments for purchase of intangible assets	(386)	(98)
Payments for purchase of property, plant and equipment	(1,813)	(502)
Payments for purchase of a subsidiary, less liquid funds thereby acquired	-	(8,471)
Proceeds from sale of property, plant and equipment	855	32
Proceeds from sale of financial assets recognised at equity	-	134
Cash flow from investing activities	(1,344)	(8,905)
Cash flow from financing activities		
Repayments of convertible bonds	(3)	(6)
Contribution to capital reserve	298	-
Contribution to capital resources	(382)	-
Interest paid	-	(3)
Repayments of lease liabilities	(2,506)	(3,732)
Cash flow from financing activities	(2,593)	(3,741)
Change in cash and cash equivalents	888	(13,729)
Cash and cash equivalents as of 1 January	36,388	56,700
Cash and cash equivalents as of 30 September	37,276	42,971

Segment Reporting (unaudited)

€ 000s	Cloud	SAP	Group
01/07/ – 30/09/2023			
Revenues	36,618	8,828	45,446
Cost of revenues	(31,481)	(7,018)	(38,499)
Gross profit	5,137	1,810	6,947
Sales and marketing expenses	(2,560)	(620)	(3,180)
Segment contribution	2,577	1,190	3,767
General and administrative expenses			(3,882)
Depreciation and amortisation (including share-based remuneration)			(3,739)
Other operating income and expenses			209
Operating earnings (EBIT)			(3,645)
Financial income			163
Financial expenses			(81)
Income from associates			(148)
Earnings before taxes			(3,711)
Income taxes			(266)
Consolidated net income			(3,977)

€ 000s	Cloud	SAP	Group
01/07/ – 30/09/2022			
Revenues	35,268	7,860	43,128
Cost of revenues	(29,460)	(6,415)	(35,875)
Gross profit	5,808	1,445	7,253
Sales and marketing expenses	(2,885)	(641)	(3,526)
Segment contribution	2,923	804	3,727
General and administrative expenses			(3,637)
Depreciation and amortisation (including share-based remuneration)			(4,304)
Other operating income and expenses			1,641
Operating earnings (EBIT)			(2,573)
Financial income			2
Financial expenses			(30)
Income from associates			(204)
Earnings before taxes			(2,805)
Income taxes			6
Consolidated net income			(2,799)

Segment Reporting (unaudited)

€ 000s	Cloud	SAP	Group
01/01/ – 30/09/2023			
Revenues	111,130	27,346	138,476
Cost of revenues	(94,395)	(22,893)	(117,288)
Gross profit	16,735	4,453	21,188
Sales and marketing expenses	(8,215)	(1,990)	(10,205)
Segment contribution	8,520	2,463	10,983
General and administrative expenses			(11,615)
Depreciation and amortisation (including share-based remuneration)			(10,414)
Other operating income and expenses			497
Operating earnings (EBIT)			(10,549)
Financial income			373
Financial expenses			(198)
Income from associates			(493)
Earnings before taxes			(10,867)
Income taxes			(854)
Consolidated net income			(11,721)

€ 000s	Cloud	SAP	Group
01/01/ – 30/09/2022			
Revenues	100,985	25,402	126,387
Cost of revenues	(85,456)	(20,914)	(106,370)
Gross profit	15,529	4,488	20,017
Sales and marketing expenses	(7,861)	(1,792)	(9,653)
Segment contribution	7,668	2,696	10,364
General and administrative expenses			(10,499)
Depreciation and amortisation (including share-based remuneration)			(12,393)
Other operating income and expenses			4,118
Operating earnings (EBIT)			(8,410)
Financial income			55
Financial expenses			(79)
Income from associates			(671)
Earnings before taxes			(9,105)
Income taxes			(291)
Consolidated net income			(9,396)



expect the next

Calendar

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29 March 2024

Quarterly Figures
13 May 2024
12 August 2024
11 November 2024

Annual General Meeting
29 May 2024

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