



Quarterly Statement Q3 2020

q.beyond is growing

Key figures

€ million	2019 01/07/ – 30/09/	2020 01/07/ – 30/09/
Revenues	32.3	35.1
Cloud & IoT	22.7	25.1
SAP	9.6	10.0
EBITDA	(2.2)	(0.6)
Depreciation and amortisation ^{1,2}	4.1	4.3
EBIT	(6.3)	(4.9)
Net income (loss)	(2.6)	(5.0)
Earnings per share ³ (in €)	(0.02)	(0.04)
Capital expenditure ⁴	0.9	0.5
Free cash flow	(11.8)	(3.9)
Net liquidity	66.0 ⁶	49.4 ⁷
Shareholders' equity	160.2 ⁶	141.1 ⁷
Equity ratio (in %)	71.2 ⁶	74.2 ⁷
Xetra closing price ⁵ (in €)	1.25	1.31
Number of shares ⁵	124,172,487	124,397,487
Market capitalisation ⁵	155.2	163.0
Number of employees ⁵	896	921

¹ Including non-cash share-based compensation.

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.

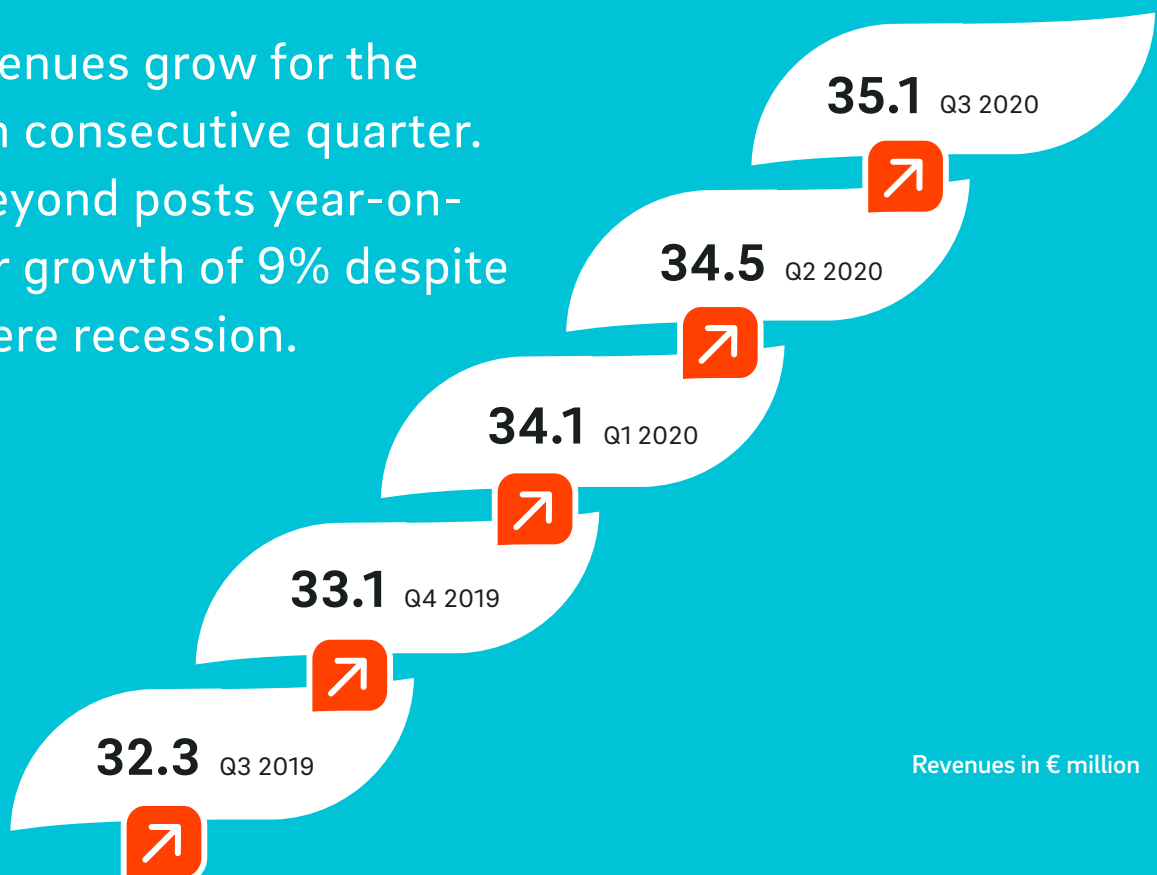
⁶ As of 31 December 2019.

⁷ As of 30 September 2020.

Record level of new orders

- Successful launch of q.beyond – rebranding marks key milestone in repositioning.
- New orders reach record level of € 52.3 million, exceeding previous quarter's figure by 45%.

- Revenues grow for the fifth consecutive quarter. q.beyond posts year-on-year growth of 9% despite severe recession.



The Third Quarter of 2020

Business Performance

Fifth successive quarter of revenue growth

Revenues grew to € 35.1 million in the third quarter of 2020, marking the fifth successive quarter of revenue growth. In the equivalent period in the previous year, revenues still amounted to € 32.3 million. This year-on-year growth of 9% was achieved despite the severest recession in post-war German history. The effects of the Covid-19 crisis prevented us from achieving even higher growth, with restrictions on contact having an adverse impact, particularly on the consulting business at customers on location. Furthermore, given the prevailing uncertainty due to the numbers of Covid-19 cases, customers are deferring individual projects that are not urgently necessary.

Revenues € million



New orders reach record level of € 52.3 million

As the coronavirus crisis has shown, the importance of digitalisation is undisputed among SMEs, as is their acceptance of this process. That is also reflected in q.beyond's new orders, which act as the key indicator of our medium-term growth. In the third quarter of 2020, new orders reached a new record of € 52.3 million, equivalent to an increase of 45% on the previous quarter. Around 70% of these orders were received from new customers, particularly in our sector focuses of retail and manufacturing. The remaining share of our marketing success was due to extensions in the scope and/or term of contracts with existing customers. The new order received from Sächsische Lotto GmbH offers a good example of q.beyond's digitalisation expertise. We will be digitalising that company's entire administration, which will involve consolidating all its business administration processes in a central SAP S/4HANA environment and integrating further services from the SAP cloud into its ERP landscape based on a hybrid cloud approach. The expertise we have pooled in the fields of Cloud and SAP enables us to automate administration processes and increase the speed of reporting activities.

Double-digit growth in Cloud business

In the third quarter of 2020, the Cloud & IoT segment increased its revenues year-on-year by 11% to € 25.1 million. The key growth driver here was once again the growing demand for Cloud solutions. These provide companies with very effective assistance in curbing the impact of the Covid-19 crisis and restrictions on contact, for example by setting up and operating digital workplaces. Despite ongoing high investments in our future growth, the revenue growth also led to an improvement in the segment contribution. This came to € 1.4 million in the third quarter of 2020, as against € 1.0 million in the previous year's period.

Cloud & IoT revenues € million



SAP business benefits from stable application management and operations

Revenues in the SAP segment grew to € 10.0 million in the third quarter of 2020, up from € 9.6 million in the previous year's period. q.beyond's broad-based position in the SAP business is paying off particularly clearly in the current financial year. After all, SAP operations and application management continued to work even during the shutdown in spring 2020. By contrast, the restrictions on contact had an adverse effect on the consulting business. In these difficult circumstances, the segment contribution rose year-on-year by € 0.1 million to € 0.6 million.

SAP revenues € million



q.beyond launched on 22 September 2020

In keeping with our new claim of "Expect the next", following our rebranding we are pressing ahead with implementing our customers' digitalisation projects based on an even more customer-oriented portfolio. The positive response shows how important this milestone in our repositioning has been for how we are viewed in the market. Our customers now clearly see us as an integrated IT service provider that combines the most important digitalisation technologies and makes new business models possible.

Incloud takeover boosts and extends technological competence

As already communicated in the Half-Year Report, q.beyond acquired a 100% stake in the software engineering specialist Incloud as of 31 July 2020. The front-end, software and development expertise available at Incloud ideally complement our platform, cloud and sales competence. Since the takeover, the total of more than 60 experts at Incloud have supported our team, particularly when it comes to developing sector-specific solutions and integrating these into state-of-the-art cloud architectures. Not only that, they are also already making valuable contributions enabling us to attract new customers and extend our contracts with existing customers.

Earnings Performance

Gross profit rises year-on-year by 25%

Based on revenues of € 35.1 million, the cost of revenues came to € 29.6 million in the third quarter of 2020. This led to gross profit of € 5.5 million, which represents an improvement of 25% on the previous year's figure of € 4.4 million.

Sales and marketing expenses amounted to € 3.4 million in the third quarter of 2020, compared with € 3.0 million in the previous year's period. This rise was due to increased activities in connection with our rebranding in September 2020.

By contrast, our general and administrative expenses fell to € 3.2 million, down from € 4.9 million in the third quarter of 2019. This reduction is due to adjustments made to align our administration activities to the new size of the Company following the sale of the Plusnet telecommunications subsidiary.

Sustainably positive EBITDA from fourth quarter of 2020

Net of other operating income and expenses, EBITDA came to € -0.6 million in the third quarter of 2020, equivalent to an improvement of more than 70% on the previous year's figure of € -2.2 million. As previously announced, our Company is thus approaching break-even on EBITDA level. Starting in the current fourth quarter of 2020, we will generate sustainably positive EBITDA.

Depreciation and amortisation amounted to € 4.3 million in the third quarter of 2020, with € 1.3 million of this total being attributable to the depreciation of IFRS 16 lease liabilities. Operating earnings (EBIT) improved to € -4.9 million in the third quarter of 2020, up from € -6.3 million in the previous year. Consolidated net income totalled € -5.0 million, as against € -2.6 million in the third quarter of 2019. In the previous year, one-off tax items resulting from the Plusnet transaction had led to a positive tax result of € 3.9 million.

Financial and Net Asset Position

Solid financing based on liquid funds

Since selling Plusnet in mid-2019, our Company has been debt free and financed its activities from liquid funds. As of 30 September 2020, we had net liquidity of € 49.4 million, as against € 54.7 million as of 30 June 2020. The change in net liquidity/debt traditionally corresponds to the free cash flow, although this figure is adjusted in advance to eliminate non-operating factors such as acquisitions and dividend distributions. In the third quarter of 2020, q.beyond paid € 1.5 million for the Incloud takeover. This resulted in a free cash flow that, when rounded up, came to € -3.9 million in the past quarter.

Excluding IFRS 16 items, capital expenditure amounted to € 0.5 million in the third quarter of 2020. For the year to date, capex stood at a moderate € 3.0 million and predominantly involved replacement and extension investments at the data centres. As a result of the low volume of capital expenditure and scheduled depreciation and amortisation, the long-term assets stated in the consolidated balance sheet as of 30 September 2020 decreased to € 103.5 million, down from € 111.7 million at the end of 2019. Short-term assets fell to € 86.8 million, as against € 113.4 million as of 31 December 2019. This reduction was due above all to the change in liquid funds and to the settlement of receivables by the former Plusnet subsidiary. These were previously recognised as other current assets.

Equity ratio rises to 74%

q.beyond's equity stood at € 141.1 million as of 30 September 2020, compared with € 160.2 million at the balance sheet date at the end of 2019. This decrease was due to the fact that, consistent with the Company's planning, consolidated net income was negative. Given the simultaneous reduction in total assets, the equity ratio rose to 74%, up from 71% as of 31 December 2019. The long-term liabilities of € 19.9 million (31 December 2019: € 23.6 million) still predominantly comprised IFRS 16 lease liabilities. Short-term liabilities fell from € 41.4 million at the end of 2019 to € 29.2 million as of 30 September 2020. This line item mainly included trade payables and other liabilities of € 17.7 million (31 December 2019: € 28.6 million).

Outlook

q.beyond expects strong fourth quarter and confirms forecast

q.beyond still expects its full-year revenues to grow by at least 13% to more than € 143 million in 2020. We therefore expect to see a strong fourth quarter of 2020. Towards the end of the year, we will benefit from the high volume of new orders, totalling € 122.0 million, in the financial year to date. This forecast, which dates back to spring 2020, is still based on the assumption that economic activity will normalise and that companies will maintain their operations even during the partial shutdown in November 2020. In view of its record order volumes and the high share of recurring revenues, however, q.beyond is also well positioned for a more prolonged situation in connection with the pandemic.

Given strong developments on the new business front, we will continue to consistently implement our "2020plus" growth strategy in the fourth quarter of 2020. q.beyond is investing in its future growth, developing new digital services and recruiting IT specialists. As a result, we still expect to generate EBITDA of up to € -5 million and free cash flow of up to € -16 million this year. We will generate sustainably positive EBITDA from the current fourth quarter of 2020 onwards.

Further Information

About this quarterly statement

This document should be read in conjunction with the 2019 Annual Report, which can be found at www.qbeyond.de/en/ir-publications. Unless they are historic facts, all disclosures in this report constitute forward-looking statements. These are based on current expectations and forecasts concerning future events and may therefore change over time.

About q.beyond AG

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 900 people accompanies SME customers securely and reliably throughout their digital journey. We are experts in Cloud, SAP and IoT. q.beyond AG results from the rebranding of QSC AG in September 2020. With nationwide locations and its own certified data centres, it is one of Germany's leading IT service providers.

Interim Consolidated Financial Statements

Consolidated Statement of Income (unaudited)

	2020	2019	2020	2019
€ 000s	01/07/ – 30/09/	01/07/ – 30/09/	01/01/ – 30/09/	01/01/ – 30/09/
Net revenues	35,056	32,332	103,621	204,921
Cost of revenues	(29,588)	(27,885)	(87,265)	(147,817)
Gross profit	5,468	4,447	16,356	57,104
Sales and marketing expenses	(3,445)	(2,957)	(9,633)	(18,624)
General and administrative expenses	(3,175)	(4,916)	(10,886)	(28,047)
Depreciation and amortisation				
(including non-cash share-based compensation)	(4,262)	(4,096)	(12,664)	(33,113)
Other operating income	610	1,470	1,970	137,649
Other operating expenses	(56)	(262)	(310)	(4,452)
Operating profit (EBIT)	(4,860)	(6,314)	(15,167)	110,517
Financial income	12	19	34	41
Financial expenses	(111)	(200)	(321)	(6,010)
Income from associates	(11)	-	(34)	-
Net income (loss) before income taxes	(4,970)	(6,495)	(15,488)	104,548
Income taxes	(2)	3,870	(44)	(1,379)
Net income (loss)	(4,972)	(2,625)	(15,532)	103,169
Attribution of net income				
Owners of the parent company	(4,972)	(2,625)	(15,532)	103,245
Non-controlling interests	-	-	-	(76)
Earnings per share (basic) in €	(0.04)	(0.02)	(0.12)	0.83
Earnings per share (diluted) in €	(0.04)	(0.02)	(0.12)	0.83

Consolidated Balance Sheet

€ 000s	30/09/2020 (unaudited)	31/12/2019 (audited)
ASSETS		
Long-term assets		
Property, plant and equipment	27,556	30,341
Land and buildings	20,947	21,498
Goodwill	20,724	18,365
Right-of-use assets	16,819	19,127
Other intangible assets	13,294	15,911
Financial assets recognised at equity	168	202
Prepayments	1,482	1,401
Other long-term assets	2,485	4,819
Long-term assets	103,475	111,664
Short-term assets		
Trade receivables	30,296	31,034
Prepayments	2,830	3,525
Inventories	272	228
Other short-term assets	4,026	12,610
Cash and cash equivalents	49,350	66,031
Short-term assets	86,774	113,428
TOTAL ASSETS	190,249	225,092

Consolidated Balance Sheet

€ 000s	30/09/2020 (unaudited)	31/12/2019 (audited)
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,397	124,172
Capital surplus	144,135	144,132
Other capital reserves	(2,147)	(2,147)
Accumulated deficit	(125,246)	(105,989)
Shareholders' equity	141,139	160,168
Liabilities		
Long-term liabilities		
Lease liabilities	13,505	16,698
Other financial liabilities	22	25
Accrued pensions	5,910	6,293
Other provisions	440	548
Long-term liabilities	19,877	23,564
Short-term liabilities		
Trade payables and other liabilities	17,664	28,593
Lease liabilities	5,576	5,501
Other financial liabilities	102	-
Other provisions	5,203	7,030
Accrued taxes	54	54
Deferred income	634	182
Short-term liabilities	29,233	41,360
Liabilities	49,110	64,924
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	190,249	225,092

Consolidated Statement of Cash Flows (unaudited)

€ 000s	2020 01/01/ – 30/09/	2019 01/01/ – 30/09/
Cash flow from operating activities		
Net income (loss) before income taxes	(15,488)	104,548
Depreciation and amortisation of long-term assets	8,971	15,110
Depreciation of right-of-use assets (IFRS 16)	3,712	18,010
Other non-cash income and expenses	521	60
Profit from sale of subsidiaries	-	(135,253)
Loss on disposals of assets	39	237
Income tax paid	(364)	(1,421)
Income tax received	105	57
Interest received	8	8
Interest paid in connection with leases (IFRS 16)	(310)	(2,091)
Net financial expenses	287	5,969
Income from associates	34	-
Changes in provisions	(2,317)	314
Changes in trade receivables	579	7,532
Changes in trade payables	(2,268)	(34,263)
Changes in other assets and liabilities	2,153	4,492
Cash flow from operating activities	(4,338)	(16,691)
Cash flow from investing activities		
Purchase of intangible assets	(156)	(3,976)
Purchase of property, plant and equipment	(2,959)	(7,106)
Payments for acquisition of a subsidiary		
less liquid funds thereby acquired	(1,508)	-
Proceeds from sale of property, plant and equipment	6	-
Proceeds from sale of a subsidiary		
less liquid funds thereby disposed of	-	185,813
Cash flow from investing activities	(4,617)	174,731
Cash flow from financing activities		
Dividends paid	(3,725)	(3,725)
Repayment of convertible bonds	(3)	(6)
Proceeds from loan to former subsidiary	-	3,430
Proceeds from issuance of common stock	248	-
Taking up of loans	-	23,000
Repayment of loans	-	(142,000)
Interest paid	(11)	(5,021)
Payments for redemption of lease liabilities	(4,235)	(17,231)
Cash flow from financing activities	(7,726)	(141,553)
Change in cash and cash equivalents	(16,681)	16,487
Cash and cash equivalents as of 1 January	66,031	53,618
Cash and cash equivalents as of 30 September	49,350	70,105

€ 000s	Cloud & IoT	SAP	Consolidated Group
01/07/ – 30/09/2020			
Net revenues	25,080	9,976	35,056
Cost of revenues	(21,017)	(8,571)	(29,588)
Gross profit	4,063	1,405	5,468
Sales and marketing expenses	(2,640)	(805)	(3,445)
Segment contribution	1,423	600	2,023
General and administrative expenses			(3,175)
Depreciation and amortisation			
(including non-cash share-based compensation)			(4,262)
Other operating income and expenses			554
Operating profit (EBIT)			(4,860)
Financial income			12
Financial expenses			(111)
Income from associates			(11)
Net income (loss) before income taxes			(4,970)
Income taxes			(2)
Net income (loss)			(4,972)

€ 000s	Cloud & IoT	SAP	Consolidated Group
01/07/ – 30/09/2019			
Net revenues	22,736	9,596	32,332
Cost of revenues	(19,172)	(8,713)	(27,885)
Gross profit	3,564	883	4,447
Sales and marketing expenses	(2,565)	(392)	(2,957)
Segment contribution	999	491	1,490
General and administrative expenses			(4,916)
Depreciation and amortisation			
(including non-cash share-based compensation)			(4,096)
Other operating income and expenses			1,208
Operating profit (EBIT)			(6,314)
Financial income			19
Financial expenses			(200)
Net income (loss) before income taxes			(6,495)
Income taxes			3,870
Net income (loss)			(2,625)

€ 000s	Cloud & IoT	SAP	Consolidated Group
01/01/ – 30/09/2020			
Net revenues	72,350	31,271	103,621
Cost of revenues	(61,172)	(26,093)	(87,265)
Gross profit	11,178	5,178	16,356
Sales and marketing expenses	(6,696)	(2,937)	(9,633)
Segment contribution	4,482	2,241	6,723
General and administrative expenses			(10,886)
Depreciation and amortisation			
(including non-cash share-based compensation)			(12,664)
Other operating income and expenses			1,660
Operating profit (EBIT)			(15,167)
Financial income			34
Financial expenses			(321)
Income from associates			(34)
Net income (loss) before income taxes			(15,488)
Income taxes			(44)
Net income (loss)			(15,532)

€ 000s	Cloud & IoT	SAP	Divested business*	Consolidated Group
01/01/ – 30/09/2019				
Net revenues	67,015	27,289	110,617	204,921
Cost of revenues	(56,012)	(24,284)	(67,521)	(147,817)
Gross profit	11,003	3,005	43,096	57,104
Sales and marketing expenses	(8,634)	(1,086)	(8,904)	(18,624)
Segment contribution	2,369	1,919	34,192	38,480
General and administrative expenses				(28,047)
Depreciation and amortisation				
(including non-cash share-based compensation)				(33,113)
Other operating income and expenses				133,197
Operating profit (EBIT)				110,517
Financial income				41
Financial expenses				(6,010)
Net income (loss) before income taxes				104,548
Income taxes				(1,379)
Net income (loss)				103,169

* As of 30 June 2019.



expect the next

Calendar

Annual Report
30 March 2021

Quarterly Figures
10 May 2021
9 August 2021
8 November 2021

Annual General Meeting
12 May 2021

Contact

q.beyond AG
Arne Thull
Head of Investor Relations
Mathias-Brüggen-Strasse 55
50829 Cologne, Germany

T +49 221 669-8724
F +49 221 669-8009
invest@qbeyond.de
www.qbeyond.de

twitter.com/qbyirde
twitter.com/qbyiren
blog.qbeyond.de

Editorial Responsibility
q.beyond AG, Cologne

Design
sitzgruppe, Düsseldorf

This translation is provided as a convenience only. Please note that the German-language original of this Quarterly Statement is definitive.