

Buy (old: Buy)

12.03.2024

EUR 1.00 (old: EUR 1.00)

FY prelims without surprises + bullish outlook // chg.

Implied **Q4 sales increased by 9% yoy to € 50.8m** (eNuW: € 47.6m, eCons: € 47.4m). Growth was predominantly driven by the continued recovery of the SAP segment (21% of sales), where revenues increased strongly by 28% yoy to € 10.8m (eNuW: € 8.9m), following several key customer wins as well as a pick-up of the S/4HANA transformation. The Cloud & IoT segment (79% of sales) showed yet another quarter with muted growth of 4.9% yoy to € 40.1m (eNuW: 2.7% organic growth), although exceeding our estimate of € 38.7m. Overall, **FY '23 sales increased 9.4% yoy to € 189m** (eNuW & eCons: € 186m). **50% of the growth is attributable to the productive-data acquisition.**

Q4 EBITDA came in at € 5.8m (eNuW & eCons: € 5.2m), implying an 11.5% margin and a 358% yoy increase. However, the strong increase is mainly due to a decision of the tax authorities in favor of q.beyond, which had a positive effect of € 8.6m (eNuW: € 3.2m net cash effect in '24). On the other hand, the company built up provisions amounting to € 5.3m mainly related to the ongoing business transformation. Hence, while FY reported EBITDA came in at € 5.7m, the **operating EBITDA amounted to € 2.4m.**

Notably, the company generated **FCF of € 1.7m** (eNuW: € 1.4m, eCons: € 0.2m), thus reaching break-even one year ahead of target. With now € 37.6m of net cash, CEO Rixen indicated in yesterday's CC that M&A might already be on the table for late 2024. Here, one possibility could be to partner up with a company from a respective industry in order to access new verticals (see logineer). Mind you, future M&A is not reflected in our model, thus providing a certain upside to our estimates.

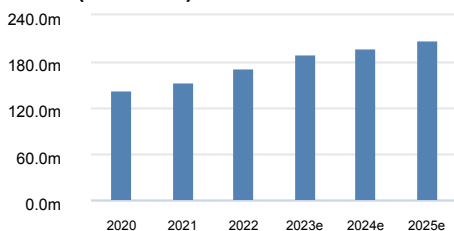
Bullish FY '24 guidance. With the release, management also provided a 2024 outlook, targeting **sales of € 192-198m** (eNuW new: € 197m, eCons: € 196m) and an **EBITDA of € 8-10m** (eNuW new: € 8.1m, eCons: € 7.4m). While **3% sales growth at mid-point should be achievable**, the EBITDA guidance appears quite ambitious, as it implies an incremental margin of 125% at mid-point with respect to the operating EBITDA. Yet, with our new estimates **we expect the company to achieve the lower end of the guided range** due to (1) an increased off- and near-shoring ratio, (2) an increased consulting and development ratio as well as the (3) ongoing streamlining of processes in connection with *one-q.beyond* (i.e. eliminate duplicate structures, optimize order-to-cash).

- continued-

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	143.4	155.2	173.0	189.3	197.5	209.3
Sales growth	-39.8%	8.2%	11.5%	9.4%	4.3%	6.0%
EBITDA	-2.0	31.7	5.4	5.7	8.1	11.4
Net debt (if net cash=0)	-44.9	-54.3	-30.7	-37.6	-45.1	-51.6
FCF	-10.5	-14.9	-4.7	1.7	7.5	6.5
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	-0.16	0.08	-0.27	-0.13	-0.02	0.00
EBITDA margin	-1.4%	20.5%	3.1%	3.0%	4.1%	5.5%
ROCE	-10.1%	9.1%	-23.4%	-7.9%	-3.1%	0.1%
EV/sales	0.2	0.1	0.3	0.2	0.1	0.1
EV/EBITDA	-16.7	0.7	8.1	6.4	3.6	2.0
PER	-3.6	7.4	-2.2	-4.4	-23.1	1626.2
Adjusted FCF yield	-37.8%	136.9%	-15.2%	-14.4%	23.8%	41.7%

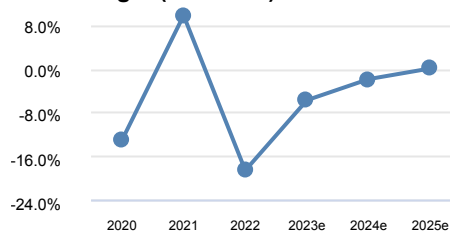
Source: Company data, NuWays, Close price as of 11.03.2024

Sales (2020-25e)



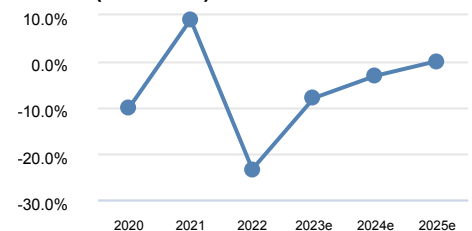
Source: NuWays Research

EBIT margin (2020-25e)



Source: NuWays Research

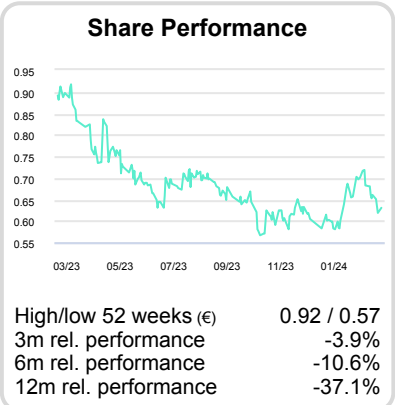
ROCE (2020-25e)



Source: NuWays Research

Company description

q.beyond AG is a German-based digital solutions company, active in the fields of cloud management, system applications and products, IoT, and other IT services. The company operates in several countries with a strong focus on the DACH-region.



Market data

Share price (in €)	0.63
Market cap (in € m)	71.7
Number of shares (in m pcs)	124.5
Enterprise value (in € m)	29.0
Ø trading volume (6 months)	81,317

Identifier

Bloomberg	QBY GR
Reuters	QSCGF
WKN	513700
ISIN	DE0005137004

Key shareholders

Gerd Eickers	12.7%
Dr. Bernd Schlobohm	12.7%
Free Float	74.7%

Estimates changes

	2023e	2024e	2025e
Sales	2%	-1%	-2%
EBIT	-5%	35%	22%
EPS	-47%	28%	121%

Comment on changes

- We now reflect the release of the FY prelims, leading to the change in estimates.

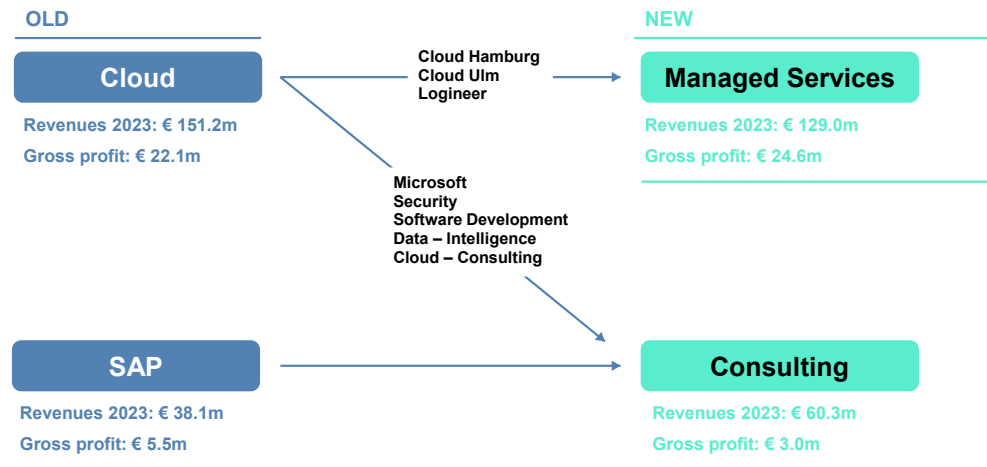
Guidance

- Sales: € 192-198m
- EBITDA: € 8-10m
- FCF: positive

New segmentation: From 2024 onwards, q.beyond will change its segment reporting, as the new segments "Managed Services" and "Consulting" will replace the current segmentation ("Cloud & IoT" and "SAP"). "Managed Services" will comprise the q.beyond data centres in Hamburg and Ulm as well as logineer while "Consulting" will comprise the former SAP segment as well as the Microsoft services, IT-security, software development, data-intelligence and cloud consulting. A more detailed overview is provided below.

Remains a **BUY with an unchanged PT of € 1.00** based on DCF.

New Segmentation at q.beyond



Source: Company data, NuWays Research

Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	143.4	155.2	173.0	189.3	197.5	209.3
Sales growth	-39.8%	8.2%	11.5%	9.4%	4.3%	6.0%
Cost of sales	120.3	124.9	145.6	161.7	160.3	167.0
Gross profit	23.2	30.3	27.5	27.6	37.1	42.3
Sales and marketing	12.6	12.6	12.6	14.6	13.8	14.7
General and administration	14.7	17.2	14.9	16.4	15.8	16.2
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	2.8	36.3	6.0	9.4	1.0	1.0
Other operating expenses	0.7	5.1	0.5	0.2	0.4	1.0
Total operating expenses	25.1	-1.5	22.1	21.9	29.0	30.9
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-2.0	31.7	5.4	5.7	8.1	11.4
Depreciation	16.8	16.6	16.6	13.9	9.5	9.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	21.0	2.7	2.4	2.1
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-18.8	15.2	-32.3	-10.9	-3.8	0.1
Interest income	0.1	0.0	0.1	0.5	0.0	0.0
Interest expenses	0.5	0.3	0.2	0.2	0.1	0.1
Investment income	-0.0	-0.3	-0.9	-0.6	-0.6	0.0
Financial result	-0.5	-0.5	-1.0	-0.3	-0.7	-0.0
Recurring pretax income from continuing operations	-19.3	14.6	-33.2	-11.2	-4.4	0.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-19.3	14.6	-33.2	-11.2	-4.4	0.1
Income tax expense	0.6	4.8	-0.2	5.2	-1.3	0.0
Net income from continuing operations	-19.9	9.8	-33.1	-16.4	-3.1	0.0
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-19.9	9.8	-33.1	-16.4	-3.1	0.0
Minority interest	0.0	0.1	0.0	0.0	0.0	0.0
Net profit (reported)	-19.9	9.7	-33.1	-16.4	-3.1	0.0
Average number of shares	124.3	124.5	124.5	124.5	124.5	124.5
EPS reported	-0.16	0.08	-0.27	-0.13	-0.02	0.00

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	83.8%	80.5%	84.1%	85.4%	81.2%	79.8%
Gross profit	16.2%	19.5%	15.9%	14.6%	18.8%	20.2%
Sales and marketing	8.8%	8.1%	7.3%	7.7%	7.0%	7.0%
General and administration	10.3%	11.1%	8.6%	8.7%	8.0%	7.7%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	2.0%	23.4%	3.5%	4.9%	0.5%	0.5%
Other operating expenses	0.5%	3.3%	0.3%	0.1%	0.2%	0.5%
Total operating expenses	17.5%	-0.9%	12.8%	11.6%	14.7%	14.8%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-1.4%	20.5%	3.1%	3.0%	4.1%	5.5%
Depreciation	11.7%	10.7%	9.6%	7.3%	4.8%	4.4%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	12.1%	1.5%	1.2%	1.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-13.1%	9.8%	-18.7%	-5.8%	-1.9%	0.1%
Interest income	0.0%	0.0%	0.1%	0.3%	0.0%	0.0%
Interest expenses	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%
Investment income	-0.0%	-0.2%	-0.5%	-0.3%	-0.3%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-13.4%	9.4%	-19.2%	-5.9%	-2.3%	0.0%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-13.4%	9.4%	-19.2%	-5.9%	-2.3%	0.0%
Tax rate	-3.2%	32.7%	0.5%	-46.2%	30.0%	30.0%
Net income from continuing operations	-13.9%	6.3%	-19.1%	-8.7%	-1.6%	0.0%
Net income	-13.9%	6.3%	-19.1%	-8.7%	-1.6%	0.0%
Minority interest	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-13.9%	6.3%	-19.1%	-8.7%	-1.6%	0.0%

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	52.9	51.9	28.7	27.0	25.6	24.5
Property, plant and equipment	49.0	39.0	37.8	26.8	20.3	14.2
Financial assets	0.2	6.3	5.3	5.3	5.3	5.3
FIXED ASSETS	102.1	97.2	71.8	59.0	51.1	44.0
Inventories	0.1	0.2	0.2	0.2	0.2	0.3
Accounts receivable	37.1	35.4	39.7	36.3	37.9	40.1
Other assets and short-term financial assets	3.5	5.0	4.9	4.9	4.9	4.9
Liquid assets	44.9	56.7	36.4	40.8	48.3	54.8
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	3.2	5.8	8.2	8.2	8.2	8.2
CURRENT ASSETS	88.8	103.1	89.3	90.4	99.4	108.2
TOTAL ASSETS	190.9	200.3	161.1	149.4	150.5	152.2

SHAREHOLDERS EQUITY	136.6	147.1	115.1	107.4	107.5	107.6
MINORITY INTEREST	0.0	0.3	0.5	0.5	0.5	0.5
Provisions for pensions and similar obligations	6.3	4.8	2.3	2.3	2.3	2.3
Other provisions and accrued liabilities	6.8	4.7	2.4	2.4	2.4	2.4
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	22.4	25.4	24.6	24.9	26.0	27.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	17.9	13.7	7.7	7.7	7.7	7.7
Deferred taxes	0.3	1.6	2.2	0.3	0.3	0.3
Deferred income	0.6	0.4	0.5	0.6	0.6	0.6
CURRENT LIABILITIES	40.3	39.0	32.4	32.6	33.7	35.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	190.9	200.3	161.1	149.4	150.5	152.2

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	27.7%	25.9%	17.8%	18.1%	17.0%	16.1%
Property, plant and equipment	25.7%	19.5%	23.5%	17.9%	13.5%	9.3%
Financial assets	0.1%	3.1%	3.3%	3.5%	3.5%	3.5%
FIXED ASSETS	53.5%	48.5%	44.6%	39.5%	34.0%	28.9%
Inventories	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
Accounts receivable	19.4%	17.7%	24.6%	24.3%	25.2%	26.4%
Other assets and short-term financial assets	1.8%	2.5%	3.0%	3.3%	3.2%	3.2%
Liquid assets	23.5%	28.3%	22.6%	27.3%	32.1%	36.0%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	1.7%	2.9%	5.1%	5.5%	5.4%	5.4%
CURRENT ASSETS	46.5%	51.5%	55.4%	60.5%	66.0%	71.1%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	71.5%	73.4%	71.5%	71.9%	71.4%	70.7%
MINORITY INTEREST	0.0%	0.1%	0.3%	0.3%	0.3%	0.3%
Provisions for pensions and similar obligations	3.3%	2.4%	1.4%	1.5%	1.5%	1.5%
Other provisions and accrued liabilities	3.5%	2.3%	1.5%	1.6%	1.6%	1.6%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	11.8%	12.7%	15.3%	16.7%	17.2%	18.1%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	9.4%	6.8%	4.8%	5.2%	5.1%	5.1%
Deferred taxes	0.2%	0.8%	1.3%	0.2%	0.2%	0.2%
Deferred income	0.3%	0.2%	0.3%	0.4%	0.4%	0.4%
CURRENT LIABILITIES	21.1%	19.5%	20.1%	21.8%	22.4%	23.2%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-19.9	9.8	-33.1	-16.4	-3.1	0.0
Depreciation of fixed assets (incl. leases)	16.9	16.2	17.9	13.9	9.5	9.2
Amortisation of goodwill & intangible assets	0.0	0.0	20.0	2.7	2.4	2.1
Others	-0.0	0.0	-5.1	0.0	0.0	0.0
Cash flow from operating activities	-13.4	-12.6	-12.5	-1.0	7.9	7.2
Increase/decrease in inventory	0.0	0.0	0.0	-0.0	-0.0	-0.0
Increase/decrease in accounts receivable	-6.3	2.4	-4.1	3.4	-1.6	-2.3
Increase/decrease in accounts payable	0.1	0.5	6.2	0.2	1.1	1.6
Increase/decrease in other working capital positions	3.2	-3.5	-3.9	0.0	0.0	0.0
Increase/decrease in working capital	-2.9	-0.6	-1.7	3.6	-0.5	-0.7
Cash flow from operating activities	-5.0	-7.7	-1.3	4.0	11.4	10.6
CAPEX	5.6	7.3	3.5	2.3	4.0	4.1
Payments for acquisitions	1.5	15.5	10.6	0.0	0.0	0.0
Financial investments	0.0	6.4	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	53.8	0.1	2.7	0.0	0.0
Cash flow from investing activities	-7.1	24.7	-14.0	0.4	-4.0	-4.1
Cash flow before financing	-15.8	17.0	-15.2	4.4	7.5	6.5
Increase/decrease in debt position	-5.7	-5.4	-0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.3	0.2	0.0	0.0	0.0	0.0
Dividends paid	3.7	0.0	0.0	0.0	0.0	0.0
Others	-0.0	0.0	-5.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-9.1	-5.3	-5.1	0.0	0.0	0.0
Increase/decrease in liquid assets	-21.1	11.8	-20.3	4.4	7.5	6.5
Liquid assets at end of period	44.9	56.7	36.4	40.8	48.3	54.8

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
P&L growth analysis						
Sales growth	-39.8%	8.2%	11.5%	9.4%	4.3%	6.0%
EBITDA growth	-101.4%	-1704.4%	-83.1%	6.5%	41.8%	41.0%
EBIT growth	-121.4%	-180.6%	-312.6%	-66.2%	-65.6%	-103.0%
EPS growth	-127.0%	-148.7%	-440.7%	-50.3%	-81.1%	-101.4%
Efficiency						
Sales per employee	144.4	152.5	148.2	158.3	162.7	167.4
EBITDA per employee	-2.0	31.2	4.6	4.8	6.7	9.1
No. employees (average)	994	1,018	1,167	1,196	1,214	1,250
Balance sheet analysis						
Avg. working capital / sales	4.5%	4.2%	8.7%	5.8%	6.9%	5.9%
Inventory turnover (sales/inventory)	2,516.1	623.1	797.3	800.0	800.0	800.0
Accounts receivable turnover	94.3	83.3	83.7	70.0	70.0	70.0
Accounts payable turnover	68.1	74.2	61.8	48.0	48.0	48.0
Cash flow analysis						
Free cash flow	-10.5	-14.9	-4.7	1.7	7.5	6.5
Free cash flow/sales	-7.4%	-9.6%	-2.7%	0.9%	3.8%	3.1%
FCF / net profit	53.0%	neg.	14.3%	neg.	neg.	14686.8%
Capex / sales	3.9%	8.8%	2.0%	1.2%	2.0%	2.0%
Solvency						
Net debt	-44.9	-54.3	-30.7	-37.6	-45.1	-51.6
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	0.8%	13.0%	6.8%	8.0%	2.2%	3.1%
Returns						
ROCE	-10.1%	9.1%	-23.4%	-7.9%	-3.1%	0.1%
ROE	-14.6%	6.6%	-28.7%	-15.3%	-2.9%	0.0%
Adjusted FCF yield	-37.8%	136.9%	-15.2%	-14.4%	23.8%	41.7%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.16	0.08	-0.27	-0.13	-0.02	0.00
Average number of shares	124.3	124.5	124.5	124.5	124.5	124.5
Valuation ratios						
P/BV	0.5	0.5	0.6	0.7	0.7	0.7
EV/sales	0.2	0.1	0.3	0.2	0.1	0.1
EV/EBITDA	-16.7	0.7	8.1	6.4	3.6	2.0
EV/EBIT	-1.8	1.5	-1.3	-3.3	-7.7	200.7

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

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Company	Disclosures
q.beyond AG	2

Historical target price and rating changes for q.beyond AG

Company	Date	Analyst	Rating	Target Price	Close
q.beyond AG	26.10.2023	Sennewald, Philipp	n.a.	EUR 1.00	EUR 0.58
	14.08.2023	Sennewald, Philipp	n.a.	EUR 1.20	EUR 0.71

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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