



Quarterly Statement Q1 2023

At a Glance

Key figures

€ million	2022 01/01/ – 31/03/	2023 01/01/ – 31/03/
Revenues	41.2	46.6
Cloud	32.0	36.9
SAP	9.3	9.7
EBITDA	0.8	(1.3)
Depreciation and amortisation ^{1,2}	4.1	3.3
EBIT	(3.3)	(4.6)
Consolidated net income	(3.5)	(5.0)
Earnings per share ³ (in €)	(0.03)	(0.04)
Capital expenditure ⁴	0.1	0.5
Free cash flow	(1.6)	1.1
Net liquidity	35.9 ⁶	37.0 ⁷
Shareholders' equity	115.7 ⁶	110.6 ⁷
Equity ratio (in %)	71.8 ⁶	74.1 ⁷
Xetra closing price ⁵ (in €)	1.67	0.87
Number of shares ⁵	124,579,487	124,579,487
Market capitalisation ⁵	208.0	108.4
Number of employees ⁵	1,126	1,090

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.

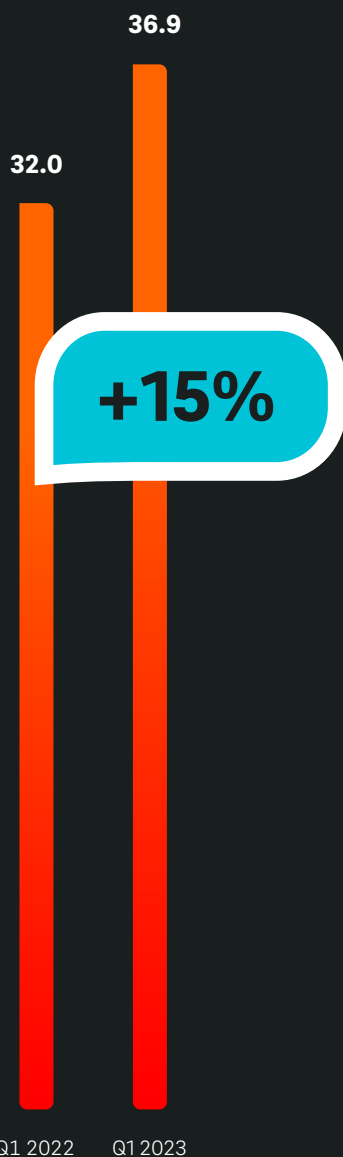
⁵ As of 31 March.

⁶ As of 31 December 2022.

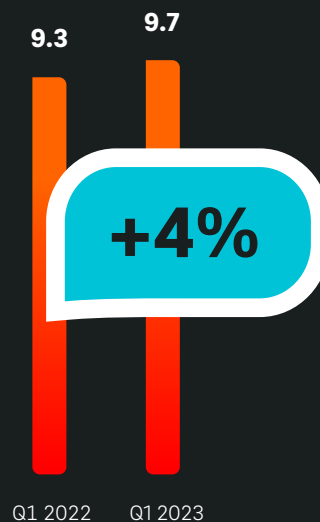
⁷ As of 31 March 2023.

Good start to year due to revenue growth in both segments. As announced, the SAP business regained its growth course.

Revenues Cloud in € million



Revenues SAP in € million



Summary of first quarter of 2023

Business Performance

Strong growth and positive free cash flow

In the first quarter of 2023, our company increased its revenues by 13% to € 46.6 million and generated EBITDA of € -1.3 million (Q1 2022: € 0.8 million) and free cash flow of € 1.1 million (Q1 2022: € -1.6 million). The lower level of EBITDA and higher free cash flow are largely due to the "2025 Strategy", which has now begun to be implemented.

Our CEO Thies Rixen and CFO Nora Wolters first presented their "2025 Strategy" to the public at a virtual analysts' and investors' conference on 30 March 2023. The three strategic priorities are efficiency enhancements within the "One q.beyond" project, a more effective go-to-market approach, and a more clearly focused business model. After numerous acquisitions made in recent years, this particularly involves streamlining the organisation and its capacity management, reducing personnel expenses, and focusing on more profitable orders. This way, we are creating the basis for underpinning our sound growth momentum with corresponding earnings and financial strength by 2025.

Significantly higher EBITDA margin planned

The 2025 Strategy sets ambitious targets: by 2025, the company intends to increase its revenues by an average of 7% to 8% a year. By then, the EBITDA

margin should more than double from 3% in 2022 to 7% to 8%. Positive consolidated net income is also expected for 2025, while free cash flow is budgeted to be sustainably positive starting 2024.

Expansion in consulting and development expertise

The higher level of free cash flow in the past first quarter of 2023 shows that the first measures within this strategy are already taking effect. The impact of other measures will only gradually become visible. In particular, these include expanding q.beyond's consulting and development expertise. By 2025, we aim to generate around 50% of our revenues with our expertise in SAP, Microsoft and bespoke (custom code) software solutions. At the end of 2022, these activities accounted for almost one third of our revenues. The other half of our revenues will be contributed by operating services. Key focuses here include hybrid cloud solutions, which efficiently combine the resources of our proprietary data centres with those at public cloud providers, and application operations.

The company successfully recruited further experts for its consulting and development business in recent months. However, the associated recruitment expenses have adversely affected earnings for the first quarter of 2023. Moreover, reducing positions in areas outside the well-focused business model and eliminating duplicate structures within the "One q.beyond" project will involve one-off expenses. Provisions of € 1.3 million were stated in the past quarter for selective reductions in positions at the locations in Germany.

The conversion in the personnel structure will impact positively on earnings in the current financial year already, as the share of higher-margin consulting and development revenues will increase and a rising share of operating services will be performed at the two nearshoring locations in Latvia and Spain.

New orders show a high share of new projects and customers

The expansion in our consulting and development business has also impacted on our new orders. These amounted to € 21.4 million in the first quarter of 2023 compared with € 76.3 million in the previous year's period, which was shaped by the extension of major contracts. Of orders received in the first quarter of 2023, 80% involved new customers or new projects with existing customers, while 20% related to contract extensions.

Consistent with the 2025 Strategy, and unlike in the previous year, direct sales activities focused on acquiring consulting and development orders. Order volumes here are initially lower compared with situations in which q.beyond takes over all aspects of IT operations. Experience nevertheless shows that high-quality consulting and trust-based cooperation lead to the provision of further IT services to a given customer. These three aspects of consulting, development and subsequent operations are the centre-piece of the new strategy.

Designations for Microsoft portfolio

The designations received in no fewer than five categories in Microsoft's new partner programme show how well our company is already positioned in its consulting business. Designations were issued for the following categories: "Modern Work", "Infrastructure Azure", "Data & AI Azure", "Digital & App

Innovation Azure", and "Security". The designations granted in the first quarter of 2023 reflect the company's proven expertise gained in numerous customer projects and the fact that more than 160 of q.beyond's employees have certifications in these five areas of technology.

Earnings Performance

Revenues rise by 13% in first quarter of 2023

Revenues rose year-on-year by 13% to € 46.6 million in the first quarter of 2023. This double-digit growth was partly driven by the consolidation of productive-data, the data analytics specialist taken over in the fourth quarter of 2022. Of revenues reported for the first quarter of 2023, 73% were recurring, while 60% were generated in the three established focus sectors of retail, logistics and manufacturing.

Slight improvement in gross margin to € 6.0 million

Cost of revenues rose to € 40.6 million in the first quarter of 2023, corresponding to year-on-year growth of 15%. Gross profit rose by € 0.2 million to € 6.0 million.

As we explained upon publication of the 2022 Annual Report, our company will have to absorb significantly higher electricity, licence and personnel expenses this year and these cannot be charged directly to customers. Not only that: The company will incur one-off expenses to recruit additional experts for the consulting and development business, to reduce staff numbers in business fields

that are no longer prioritised and to eliminate duplicate functions. The corresponding provisions were stated in the past quarter.

One key objective of the 2025 Strategy is to further optimise the personnel expense ratio. Achievement of this objective will be assisted by expanding the company's nearshoring locations and accelerating the integration of our subsidiaries within the "One q.beyond" project. This integration will make it easier to establish uniform lean structures.

At € 3.6 million, sales and marketing expenses in the first quarter of 2023 were ahead of the previous year's figure of € 2.6 million, but roughly at the level seen in the three last quarters of 2022. General and administrative expenses remained almost unchanged at € 3.8 million, as against € 3.7 million in the previous year. By contrast, the other operating result fell to € 0.2 million, compared with € 1.2 million in the first quarter of 2022.

EBIT benefits from lower depreciation and amortisation

This change in the other operating result by € 1.0 million also impacted on EBITDA, as did the provisions stated for personnel reductions. EBITDA stood at € -1.3 million in the first quarter of 2023 compared with € 0.8 million in the previous year. At € 3.3 million, depreciation and amortisation were significantly lower than the figure of € 4.1 million reported for the first quarter of 2022. Of this sum, € 0.9 million involved depreciation of lease liabilities pursuant to IFRS 16 (Q1 2022: € 1.0 million). EBIT amounted to € -4.6 million, as against € -3.3 million in the previous year. Including the financial result, the result from associates and taxes on income, consolidated net income amounted to € -5.0 million, compared with € -3.5 million in the first quarter of 2022.

Earnings Performance by Segment

Cloud revenues rise by 15%

The cloud business was again the key growth driver in the first quarter of 2023. Revenues here grew by 15% to € 36.9 million. Cost of revenues rose over the same period by 16% to € 32.5 million. As outlined in the "Earnings Performance" section, this increase was particularly due to higher electricity, personnel and licence expenses, as well as to one-off expenses incurred in connection with staff restructuring.

These increased expenses affected profitability in the "Cloud" segment. Gross profit improved to € 4.5 million in the first quarter of 2023, as against € 4.0 million in the previous year. By contrast, the segment contribution of € 1.6 million fell short of the previous year's figure of € 1.9 million.

SAP business regains growth course

After a weak period in 2022, the SAP segment returned to its growth course in the first quarter of 2023, with revenues rising year-on-year by 4% to € 9.7 million. Cost of revenues increased by 11% to € 8.2 million, as external specialist expertise was required for several projects. Over the coming quarters, the SAP team will further optimise the utilisation of internal resources.

The increased expenses incurred for external specialists meant that, at € 1.5 million, gross profit for the first quarter of 2023 fell slightly short of the previous year's figure of € 1.8 million. The segment contribution amounted to € 0.8 million, compared with € 1.3 million in the first quarter of 2022.

Financial and Asset Position

Significant improvement in free cash flow

Our company has no liabilities to banks and finances its business exclusively with its own liquidity. As of 31 March 2023, we had net liquidity of € 37.0 million compared with € 35.9 million as of 31 December 2022.

This change in net liquidity by € 1.1 million corresponds to our free cash flow which, based on our definition, does not account for payments made for acquisitions and distributions in the period under report. No such payments arose in the first quarter of 2023. Compared with the previous year's figure of € -1.6 million, free cash flow therefore directly improved by € 2.7 million to € 1.1 million.

Low volume of capital expenditure at start of 2023

Excluding IFRS 16 items, capital expenditure amounted to € 0.5 million in the first quarter of 2023, compared with € 0.1 million in the previous year. For the year as whole, we are still budgeting capital expenditure of up to € 6 million. This will be channelled in particular into the ongoing modernisation of our data centres.

Given the low volume of capital expenditure and scheduled depreciation and amortisation, total non-current assets as stated in the consolidated balance sheet decreased to € 72.6 million as of

31 March 2023, compared with € 74.3 million at the end of 2022. Total current assets fell to € 76.7 million, down from € 86.7 million as of 31 December 2022. This was crucially due to the reduction in trade receivables, not least thanks to the "order-to-cash" project, to € 31.1 million, as against € 39.7 million at the end of 2022.

Equity ratio of 74%

Due to negative consolidated net income, equity fell from € 115.7 million at the balance sheet date at the end of 2022 to € 110.6 million as of 31 March 2023. Given the significant overall reduction in total assets, however, the equity ratio rose by 2 percentage points to 74%.

Non-current liabilities changed only slightly compared with the 2022 balance sheet date and now amount to € 14.6 million (31 December 2022: € 14.5 million). By contrast, current liabilities showed a marked reduction, falling from € 30.9 million at the end of 2022 to € 24.1 million as of 31 March 2023. This was mainly due to trade payables and other liabilities decreasing to € 14.9 million, compared with € 23.9 million as of 31 December 2022.

At the end of March 2023, q.beyond had net liquidity of € 37.0 million.

Outlook

Outlook confirmed

The business performance in the first quarter of 2023 offers confirmation of our company's full-year outlook. We still plan for revenues to grow to between € 185 million and € 191 million (2022: € 173.0 million), EBITDA of € 5 million to € 7 million (2022: € 5.4 million), and free cash flow of up to € -8 million (2022: € -9.7 million).

Consistent implementation of the "One q.beyond" project in particular will assist in sustainably increasing our earnings strength as 2023 progresses. The provisions stated in the first quarter of 2023 for personnel reductions will be countered by lower personnel expenses in the further course of the year. Together with efficiency enhancements resulting from "One q.beyond", this will lead to rising EBITDA, above all in the second half of the year. Given outstanding capital expenditure and outlays incurred to implement various measures within the 2025 Strategy, however, free cash flow in the coming quarters will be lower than in the past quarter.

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 and software development. With locations throughout Germany, as well as in Latvia and in Spain, 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 01/01/ – 31/03/	2022 01/01/ – 31/03/
Revenues	46,585	41,241
Cost of revenues	(40,627)	(35,406)
Gross profit	5,958	5,835
Sales and marketing expenses	(3,581)	(2,567)
General and administrative expenses	(3,801)	(3,662)
Depreciation and amortisation (including share-based remuneration)	(3,304)	(4,095)
Other operating income	206	1,555
Other operating expenses	(48)	(338)
Operating earnings (EBIT)	(4,570)	(3,272)
Financial income	68	44
Financial expenses	(57)	(24)
Income from associates	(189)	(210)
Earnings before taxes	(4,748)	(3,462)
Income taxes	(287)	(41)
Consolidated net income	(5,035)	(3,503)
Other comprehensive income	-	-
Total comprehensive income	(5,035)	(3,503)
Attribution of consolidated net income and total comprehensive income		
Owners of the parent company	(5,317)	(3,557)
Non-controlling interests	282	54
Attribution of consolidated net income and total comprehensive income	(5,035)	(3,503)
Earnings per share (basic) in €	(0.04)	(0.03)
Earnings per share (diluted) in €	(0.04)	(0.03)

Consolidated Balance Sheet

€ 000s	31/03/2023 (unaudited)	31/12/2022 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	19,843	21,113
Land and buildings	16,482	16,662
Goodwill	15,854	15,854
Right-of-use assets	8,087	7,802
Other intangible assets	4,482	5,074
Financial assets recognised at equity	5,088	5,277
Prepayments	1,637	1,464
Other non-current assets	1,091	1,068
Non-current assets	72,564	74,314
Current assets		
Trade receivables	31,066	39,681
Prepayments	4,487	6,667
Inventories	231	217
Other current assets	3,468	3,793
Cash and cash equivalents	37,478	36,388
Current assets	76,730	86,746
TOTAL ASSETS	149,294	161,060

Consolidated Balance Sheet

€ 000s	31/03/2023 (unaudited)	31/12/2022 (audited)
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,579	124,579
Capital reserve	144,084	144,084
Other reserves	(319)	(319)
Accumulated deficit	(158,520)	(153,203)
Equity attributable to owners of the parent company	109,824	115,141
Non-controlling interests	792	510
Shareholders' equity	110,616	115,651
Liabilities		
Non-current liabilities		
Trade payables	750	750
Lease liabilities	5,219	5,009
Other financial liabilities	5,686	5,686
Pension provisions	2,163	2,312
Other provisions	807	780
Non-current liabilities	14,625	14,537
Current liabilities		
Trade payables and other liabilities	14,929	23,898
Lease liabilities	2,833	2,731
Other provisions	1,779	1,604
Tax provisions	2,390	2,155
Deferred income	2,122	484
Current liabilities	24,053	30,872
Liabilities	38,678	45,409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	149,294	161,060

Consolidated Statement of Cash Flows (unaudited)

€ 000s	2023	2022
	01/01/ – 31/03/	01/01/ – 31/03/
Cash flow from operating activities		
Earnings before taxes	(4,748)	(3,462)
Depreciation and amortisation of non-current assets	2,505	3,070
Depreciation of right-of-use assets (IFRS 16)	861	1,035
Other non-cash income and expenses	(11)	(170)
Profit from sale of financial assets recognised at equity	-	(25)
Profit from retirement of assets	(1)	(3)
Income taxes paid	(55)	(50)
Income taxes received	2	-
Interest received	64	43
Interest paid in connection with leases (IFRS 16)	(54)	(21)
Net financial expenses	(11)	(20)
Income from associates	189	210
Changes in provisions	53	(1,668)
Changes in trade receivables	7,774	(2,469)
Changes in trade payables	(7,264)	6,934
Changes in other assets and liabilities	2,207	(3,783)
Cash flow from operating activities	1,511	(379)
Cash flow from investing activities		
Payments for purchase of intangible assets	(3)	(6)
Payments for purchase of property, plant and equipment	(436)	(168)
Payments for purchase of a subsidiary, less liquid funds thereby acquired	-	(7,386)
Proceeds from sale of property, plant and equipment	852	32
Proceeds from sale of financial assets recognised at equity	-	134
Cash flow from investing activities	413	(7,394)
Cash flow from financing activities		
Repayments of convertible bonds	-	(1)
Interest paid	-	(1)
Repayments of lease liabilities	(834)	(1,233)
Cash flow from financing activities	(834)	(1,235)
Change in cash and cash equivalents	1,090	(9,008)
Cash and cash equivalents as of 1 January	36,388	56,700
Cash and cash equivalents as of 31 March	37,478	47,692

Segment Reporting (unaudited)

€ 000s	Cloud	SAP	Group
01/01/ – 31/03/2023			
Revenues	36,911	9,674	46,585
Cost of revenues	(32,458)	(8,169)	(40,627)
Gross profit	4,453	1,505	5,958
Sales and marketing expenses	(2,883)	(698)	(3,581)
Segment contribution	1,570	807	2,377
General and administrative expenses			(3,801)
Depreciation and amortisation (including share-based remuneration)			(3,304)
Other operating income and expenses			158
Operating earnings (EBIT)			(4,570)
Financial income			68
Financial expenses			(57)
Income from associates			(189)
Earnings before taxes			(4,748)
Income taxes			(287)
Consolidated net income			(5,035)

€ 000s	Cloud	SAP	Group
01/01/ – 31/03/2022			
Revenues	31,964	9,277	41,241
Cost of revenues	(27,966)	(7,440)	(35,406)
Gross profit	3,998	1,837	5,835
Sales and marketing expenses	(2,079)	(488)	(2,567)
Segment contribution	1,919	1,349	3,268
General and administrative expenses			(3,662)
Depreciation and amortisation (including share-based remuneration)			(4,095)
Other operating income and expenses			1,217
Operating earnings (EBIT)			(3,272)
Financial income			44
Financial expenses			(24)
Income from associates			(210)
Earnings before taxes			(3,462)
Income taxes			(41)
Consolidated net income			(3,503)



expect the next

Calendar

Annual General Meeting
24 May 2023

Half-Year Financial Report 2023
14 August 2023

Quarterly Statement Q3 2023
13 November 2023

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