

Buy (old: Buy)

12.11.2024

EUR 1.10 (old: EUR 1.10)

Q3 in line with est.; consulting on the road to recovery

Topic: QBY released Q3 results that were largely in line with our estimates on the top- and bottom-line. Especially profitability remains on a strongly improved level compared to the previous year. In detail:

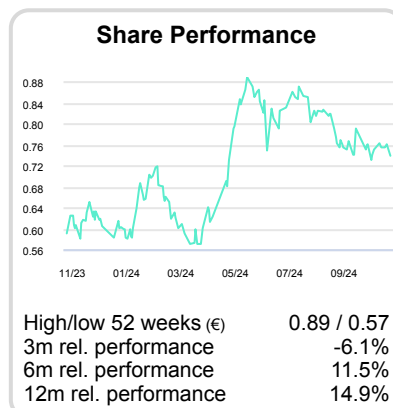
Q3 sales increased 3.5% yoy to € 47.0m (eNuW: € 47.3m; eCons: € 47.4m), again driven by the managed service segment but also a sequential improvement of the consulting segment. Managed service sales increased 6.2% yoy to € 32.9m (eNuW: € 32.8m) and achieved an improved segment gross margin of 79.9% (+1pp yoy). On the other hand, the consulting segment saw a further decline, as sales were down 2.6% yoy to € 14.1m (eNuW: € 14.5m). Yet, we saw a sequential improvement of 4.2% qoq, which is pointing towards a recovery, in our view, as the segment gross margin also improved slightly by 0.4pp qoq to 7.1%. Mind you, management targets to substantially increase the consulting margin going forward, driven by an increased utilization as well as a higher near- and off-shoring ratio (target: 20%; 13% at Q3 '24). Overall gross profit came in at € 7.6m (eNuW: € 7.8m; eCons: € 8.4m, implying a margin of 16.2% (+0.9pp yoy).

Against this backdrop, **Q3 EBITDA improved significantly to € 2.2m** (vs. € -0.1m in Q3 '23; eNuW: € 2.2m; eCons: € 2.3m), implying a 4.6% margin. The drivers behind the improvement were significant reductions in sales & marketing (-14% yoy) as well as G&A expenses (-12% yoy) following the successful implementation of the *One q.beyond* strategy.

On this basis, **management confirmed the FY guidance** of € 192-198m (eNuW: € 193m; eCons: € 193m), EBITDA of € 8-10m (eNuW: € 9.3m; eCons: € 9.2m) as well as positive FCF (eNuW: € 5.6m; eCons: € 4.4m). In our view, the guidance looks absolutely achievable, especially given the seasonally **strong Q4 ahead**. At 9M, FCF arrived at € 4.7m, which compares to € 2.6m in the same period last year.

Overall, the release fully underpins the case in accordance with management's *Strategy 2025*, targeting an EBTIDA margin of 7-8% (eNuW: 7.1%; eCons: 6.8%) as well as sustained positive net income (eNuW: € 2.1m; eCons: € 1.4m).

Reiterate **BUY** with an unchanged **€ 1.10 PT** based on DCF.



Market data

Share price (in €)	0.74
Market cap (in € m)	94.7
Number of shares (in m pcs)	124.6
Enterprise value (in € m)	60.8
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

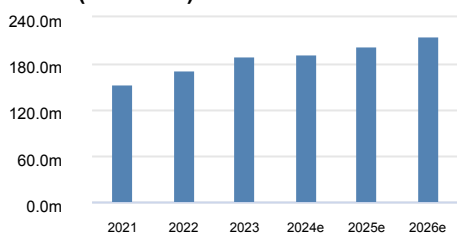
	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	155.2	173.0	189.3	193.2	204.7	216.2
Sales growth	8.2%	11.5%	9.4%	2.1%	5.9%	5.6%
EBITDA	31.7	5.4	5.7	9.3	14.6	17.9
Net debt (if net cash=0)	-54.3	-30.7	-30.4	-36.0	-45.8	-57.7
FCF	-14.9	-4.7	3.9	5.6	9.8	11.9
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.08	-0.27	-0.14	-0.04	0.01	0.03
EBITDA margin	20.5%	3.1%	3.0%	4.8%	7.1%	8.3%
ROCE	9.1%	-23.2%	-7.8%	-3.2%	1.8%	5.1%
EV/sales	0.3	0.4	0.4	0.3	0.2	0.2
EV/EBITDA	1.4	12.4	11.6	6.6	3.5	2.2
PER	9.7	-2.8	-5.4	-19.9	88.3	22.9
Adjusted FCF yield	56.2%	-2.1%	-8.6%	7.2%	18.5%	29.5%

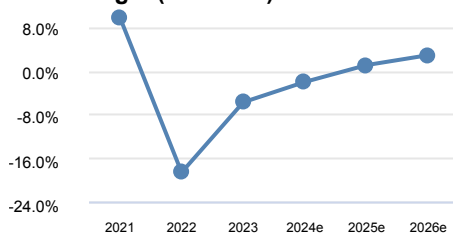
Source: Company data, NuWays, Close price as of 04.11.2024

Sales (2021-26e)



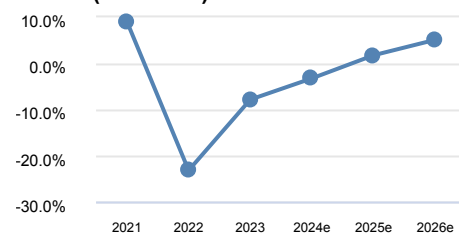
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



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.

Guidance

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

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	155.2	173.0	189.3	193.2	204.7	216.2
Sales growth	8.2%	11.5%	9.4%	2.1%	5.9%	5.6%
Cost of sales	124.9	145.6	161.7	159.4	163.4	171.2
Gross profit	30.3	27.5	27.6	33.9	41.3	45.0
Sales and marketing	12.6	12.6	14.6	11.4	12.8	13.0
General and administration	17.2	14.9	16.4	13.7	15.4	15.7
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	31.7	5.4	5.7	9.3	14.6	17.9
Depreciation	13.0	12.5	11.0	8.3	8.0	7.7
Amortisation of goodwill	0.0	15.8	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.6	9.4	5.7	4.9	4.5	4.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	15.2	-32.3	-10.9	-3.9	2.1	6.2
Interest income	0.0	0.1	0.7	0.8	0.9	1.1
Interest expenses	0.3	0.2	0.5	0.4	0.4	0.4
Investment income	-0.3	-0.9	-0.5	-0.2	0.0	0.0
Financial result	-0.5	-1.0	-0.3	0.2	0.5	0.7
Recurring pretax income from continuing operations	14.6	-33.2	-11.3	-3.7	2.6	6.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	14.6	-33.2	-11.3	-3.7	2.6	6.9
Income tax expense	4.8	-0.2	5.2	0.0	0.5	1.7
Net income from continuing operations	9.8	-33.1	-16.4	-3.7	2.1	5.2
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	9.8	-33.1	-16.4	-3.7	2.1	5.2
Minority interest	0.1	0.2	1.0	1.0	1.0	1.0
Net profit (reported)	9.7	-33.3	-17.5	-4.8	1.1	4.1
Average number of shares	124.5	124.6	124.6	124.6	124.6	124.6
EPS reported	0.08	-0.27	-0.14	-0.04	0.01	0.03

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	80.5%	84.1%	85.4%	82.5%	79.8%	79.2%
Gross profit	19.5%	15.9%	14.6%	17.5%	20.2%	20.8%
Sales and marketing	8.1%	7.3%	7.7%	5.9%	6.2%	6.0%
General and administration	11.1%	8.6%	8.6%	7.1%	7.5%	7.2%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	20.5%	3.1%	3.0%	4.8%	7.1%	8.3%
Depreciation	8.4%	7.2%	5.8%	4.3%	3.9%	3.5%
Amortisation of goodwill	0.0%	9.1%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	2.3%	5.4%	3.0%	2.6%	2.2%	1.9%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	9.8%	-18.7%	-5.8%	-2.0%	1.0%	2.9%
Interest income	0.0%	0.1%	0.4%	0.4%	0.4%	0.5%
Interest expenses	0.2%	0.1%	0.3%	0.2%	0.2%	0.2%
Investment income	-0.2%	-0.5%	-0.3%	-0.1%	0.0%	0.0%
Financial result	neg.	neg.	neg.	0.1%	0.2%	0.3%
Recurring pretax income from continuing operations	9.4%	-19.2%	-5.9%	-1.9%	1.3%	3.2%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	9.4%	-19.2%	-5.9%	-1.9%	1.3%	3.2%
Tax rate	32.7%	0.5%	-46.0%	0.0%	20.0%	25.0%
Net income from continuing operations	6.3%	-19.1%	-8.7%	-1.9%	1.0%	2.4%
Net income	6.3%	-19.1%	-8.7%	-1.9%	1.0%	2.4%
Minority interest	0.1%	0.1%	0.5%	0.5%	0.5%	0.5%
Net profit (reported)	6.3%	-19.2%	-9.2%	-2.5%	0.5%	1.9%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	51.9	28.7	28.1	24.1	20.6	17.6
Property, plant and equipment	39.0	37.8	31.8	26.6	21.9	17.7
Financial assets	6.3	5.3	2.8	2.8	2.8	2.8
FIXED ASSETS	97.2	71.8	62.6	53.5	45.3	38.1
Inventories	0.2	0.2	0.1	0.2	0.3	0.3
Accounts receivable	35.4	39.7	34.1	37.1	39.3	41.5
Other assets and short-term financial assets	5.0	4.9	11.8	11.8	11.8	11.8
Liquid assets	56.7	36.4	37.6	43.2	53.0	64.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	5.8	8.2	8.0	8.0	8.0	8.0
CURRENT ASSETS	103.1	89.3	91.7	100.3	112.4	126.5
TOTAL ASSETS	200.3	161.1	154.3	153.8	157.7	164.6

SHAREHOLDERS EQUITY	147.1	115.1	97.8	94.9	97.0	102.7
MINORITY INTEREST	0.3	0.5	1.5	1.5	1.5	1.0
Long-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	2.4	5.7	7.2	7.2	7.2	7.2
Provisions for pensions and similar obligations	4.8	2.3	2.1	2.1	2.1	2.1
Other provisions and accrued liabilities	4.7	2.4	5.0	5.0	5.0	5.0
NON-CURRENT LIABILITIES	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	25.4	24.6	25.9	29.1	30.9	32.6
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.0	2.2	6.0	6.0	6.0	6.0
Other liabilities (incl. from lease and rental contracts)	13.7	7.7	6.6	6.6	6.6	6.6
Deferred taxes	1.6	0.0	0.8	0.8	0.8	0.8
Deferred income	0.4	0.5	1.3	0.6	0.6	0.6
CURRENT LIABILITIES	39.0	32.4	32.5	35.7	37.4	39.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	200.3	161.1	154.3	153.8	157.7	164.6

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	25.9%	17.8%	18.2%	15.7%	13.1%	10.7%
Property, plant and equipment	19.5%	23.5%	20.6%	17.3%	13.9%	10.8%
Financial assets	3.1%	3.3%	1.8%	1.8%	1.8%	1.7%
FIXED ASSETS	48.5%	44.6%	40.6%	34.8%	28.7%	23.1%
Inventories	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Accounts receivable	17.7%	24.6%	22.1%	24.1%	24.9%	25.2%
Other assets and short-term financial assets	2.5%	3.0%	7.7%	7.7%	7.5%	7.2%
Liquid assets	28.3%	22.6%	24.4%	28.1%	33.6%	39.5%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	2.9%	5.1%	5.2%	5.2%	5.1%	4.9%
CURRENT ASSETS	51.5%	55.4%	59.4%	65.2%	71.3%	76.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	73.4%	71.5%	63.4%	61.7%	61.5%	62.4%
MINORITY INTEREST	0.1%	0.3%	1.0%	1.0%	1.0%	0.6%
Long-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	1.2%	3.5%	4.7%	4.7%	4.6%	4.4%
Provisions for pensions and similar obligations	2.4%	1.4%	1.4%	1.4%	1.3%	1.3%
Other provisions and accrued liabilities	2.3%	1.5%	3.2%	3.2%	3.2%	3.0%
NON-CURRENT LIABILITIES	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	12.7%	15.3%	16.8%	18.9%	19.6%	19.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.0%	1.3%	3.9%	3.9%	3.8%	3.6%
Other liabilities (incl. from lease and rental contracts)	6.8%	4.8%	4.3%	4.3%	4.2%	4.0%
Deferred taxes	0.8%	0.0%	0.5%	0.5%	0.5%	0.5%
Deferred income	0.2%	0.3%	0.9%	0.4%	0.4%	0.3%
CURRENT LIABILITIES	19.5%	20.1%	21.0%	23.2%	23.7%	23.8%
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)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	9.8	-33.1	-16.4	-3.7	2.1	5.2
Depreciation of fixed assets (incl. leases)	12.7	17.9	11.0	8.3	8.0	7.7
Amortisation of goodwill & intangible assets	3.6	20.0	5.7	4.9	4.5	4.0
Other costs affecting income / expenses	-33.2	-4.3	2.7	0.0	0.0	0.0
Cash flow from operating activities	-12.6	-7.8	1.5	5.7	10.4	12.9
Increase/decrease in inventory	0.0	0.0	0.1	-0.1	-0.0	-0.0
Increase/decrease in accounts receivable	2.4	-4.1	5.5	-2.9	-2.2	-2.2
Increase/decrease in accounts payable	0.5	6.2	1.3	3.2	1.7	1.7
Increase/decrease in other working capital positions	-3.5	-3.9	-3.4	0.0	0.0	0.0
Increase/decrease in working capital	-0.6	-1.7	3.6	0.2	-0.5	-0.5
Cash flow from operating activities	-7.7	-1.3	6.5	9.6	14.1	16.4
CAPEX	7.3	3.5	2.6	4.1	4.3	4.5
Payments for acquisitions	15.5	10.6	0.0	0.0	0.0	0.0
Financial investments	6.4	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	53.8	0.1	0.9	0.0	0.0	0.0
Cash flow from investing activities	24.7	-14.0	-1.7	-4.1	-4.3	-4.5
Cash flow before financing	17.0	-15.2	4.8	5.6	9.8	11.9
Increase/decrease in debt position	-5.4	-0.0	-0.5	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.2	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	-5.1	-3.0	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	-5.3	-5.1	-3.5	0.0	0.0	0.0
Increase/decrease in liquid assets	11.8	-20.3	1.3	5.6	9.8	11.9
Liquid assets at end of period	56.7	36.4	37.6	43.2	53.0	64.9

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	8.2%	11.5%	9.4%	2.1%	5.9%	5.6%
EBITDA growth	-1704.4%	-83.1%	7.1%	61.3%	57.6%	22.5%
EBIT growth	-180.6%	-312.6%	-66.1%	-63.9%	-154.2%	190.0%
EPS growth	-148.7%	-442.8%	-47.5%	-72.8%	-122.5%	285.4%
Efficiency						
Sales per employee	152.5	153.8	170.3	173.8	181.4	186.0
EBITDA per employee	31.2	4.8	5.2	8.3	12.9	15.4
No. employees (average)	1,018	1,125	1,112	1,112	1,129	1,163
Balance sheet analysis						
Avg. working capital / sales	4.2%	8.7%	4.9%	6.1%	4.2%	4.0%
Inventory turnover (sales/inventory)	623.1	797.3	1,736.5	800.0	800.0	800.0
Accounts receivable turnover	83.3	83.7	65.8	70.0	70.0	70.0
Accounts payable turnover	74.2	61.8	58.5	55.0	55.0	55.0
Cash flow analysis						
Free cash flow	-14.9	-4.7	3.9	5.6	9.8	11.9
Free cash flow/sales	-9.6%	-2.7%	2.1%	2.9%	4.8%	5.5%
FCF / net profit	neg.	14.3%	neg.	neg.	464.8%	230.4%
Capex / sales	8.8%	2.0%	1.4%	2.1%	2.1%	2.1%
Solvency						
Net debt	-54.3	-30.7	-30.4	-36.0	-45.8	-57.7
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	13.0%	6.8%	10.6%	5.6%	5.0%	5.0%
Returns						
ROCE	9.1%	-23.2%	-7.8%	-3.2%	1.8%	5.1%
ROE	6.6%	-28.9%	-17.9%	-5.0%	1.1%	4.0%
Adjusted FCF yield	56.2%	-2.1%	-8.6%	7.2%	18.5%	29.5%
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	0.08	-0.27	-0.14	-0.04	0.01	0.03
Average number of shares	124.5	124.6	124.6	124.6	124.6	124.6
Valuation ratios						
P/BV	0.6	0.8	1.0	1.0	1.0	0.9
EV/sales	0.3	0.4	0.4	0.3	0.2	0.2
EV/EBITDA	1.4	12.4	11.6	6.6	3.5	2.2
EV/EBIT	3.0	-2.1	-6.1	-15.4	23.9	6.3

Source: Company data, NuWays

Disclosures

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Indication of conflict of interest

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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	14.05.2024	Sennewald, Philipp	Buy	EUR 1.10	EUR 0.73

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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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