



Interim Statement

1 January – 30 September 2020

Third quarter:

Very strong profitable growth (net sales growth of 30.6 percent, EBIT margin 26.5 percent)

July–September 2020

- Net sales increased by 30.6 per cent year-on-year to EUR 19,199 thousand (14,700)*. At comparable exchange rates, net sales increased by 35.7 per cent.
- The operating result was EUR 5,089 thousand (72).
- The operating margin (EBIT -%) was 26.5 per cent (0.5).
- Earnings per share were EUR 0.16 euro (-0.01).

January–September 2020

- Net sales increased by 34.2 per cent to EUR 55,636 thousand (41,466). At comparable exchange rates, net sales increased by 34.2 per cent.
- The operating result was EUR 10,883 thousand (267).
- The operating margin (EBIT %) was 19.6 per cent (0.6).
- Earnings per share were EUR 0.35 (-0.01).

* the figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year.

Business Report

Financial performance:

Qt Group Plc's net sales for the third quarter amounted to EUR 19,199 thousand (EUR 14,700 thousand), up 30.6 percent. License sales and consulting grew by 39.5 percent, while maintenance revenue increased by 10.5 percent. The effect of exchange rates on the comparison period's net sales was EUR -550 thousand and at comparable exchange rates, net sales increased by 35.7 percent.

Qt's net sales for the review period January–September amounted to EUR 55,636 thousand (EUR 41,466 thousand), up 34.2 percent. License sales and consultancy grew by 43.3 percent while maintenance sales increased by 14.5 percent. Exchange rates did not have any impact on the comparison period's net sales, so at comparable exchange rates, net sales increased by 34.2 percent.

Qt Group's operating result in the third quarter was EUR 5,089 thousand (EUR 72 thousand). In January–September, the operating result was 10,883 thousand (267 thousand). The Group had 348 employees at the end of the third quarter, compared to 339 a year earlier.

The Group's financial position is good, but the development of the situation and the business forecasts for all of the Group's operations are being very closely monitored with regard to the potential impacts of the coronavirus epidemic.

Juha Varelius, President and CEO:

Qt Group's net sales growth remained very strong in the third quarter of 2020. The growth of net sales was the strongest in Asia and North America, where the company signed a significant multi-year licensing deal with a major international software company in September.

Starting from the spring 2020, the COVID-19 epidemic has led to project postponements and production interruptions of various degrees to many of the company's customers, which has meant that the customer companies have not been able to launch their products as they have previously scheduled. For Qt, this has meant missing out on distribution license revenue, the growth of which lagged behind the company's expectations during the period under review.

In response to the COVID-19 epidemic, the company – and many of its customer companies – widely adopted remote work arrangements in the spring 2020, which has had a significant effect on the number and quality of customer meetings. Recruitment has also become substantially more difficult, although there were clear signs of a recovery in recruitment toward the end of the review period. The epidemic has also resulted in many marketing events being cancelled, postponed, or replaced by virtual events. On the whole, however, the impacts of the COVID-19 epidemic on the company's business has thus far been relatively minor.

The growth of Qt's net sales in the third quarter was also negatively affected by the depreciation of the US dollar. About two-thirds of Qt's sales are USD-based. Typically, the net sales and growth of Qt's individual quarters fluctuate significantly also in the future due to the timing of large deals.

During the review period, Qt began selling new developer licenses based on subscription invoicing in addition to its existing developer licenses. The new license pricing model sees us follow the software industry trend of moving toward subscription invoicing, which means that the customer pays a fixed annual fee for the right to use the software and customer support. In the subscription pricing model portion of maintenance is smaller and thus majority of revenue is recognized immediately at the time of the license grant whereas maintenance revenue to be recognized over the license period declines. On the whole, we estimate that this change in the pricing model will have a positive effect on net sales in the short term and the long term.

The change in the license pricing model is partly related to the release of the company's next major product version, Qt 6.0, which is planned to take place by the end of 2020. As a rule, the customers' current licenses do not include the right to updates for Qt 6.0. Instead, customers will need to replace their existing licenses with new licenses based on subscription invoicing to obtain access to the new Qt 6.0. The updating of licenses is expected to have a positive effect on the net sales of developer licenses in 2021–2023.

During the period under review, Qt released new versions of several products (including Qt for MCUs 1.4, Qt Design Studio 1.6 and Qt Automotive Suite 5.15) to improve compatibility between the different tools and enable customers to further enhance their development of embedded systems.

Future Outlook

Operating environment and market outlook

The company estimates the growth prospects for its business in the next few years as very promising. The Group's business development efforts will focus on desktop applications as well as embedded systems in the automotive industry, consumer electronics, medical devices, and industrial automation sectors. Product development efforts will also focus on the value-added features and tools needed in the creation of embedded systems. Sales growth associated with embedded systems will also reflect on the earnings logic. Volume-based distribution license revenue from these sales accumulates over the long term. Accordingly, it is typical of Qt as a company that quarterly net sales and growth may vary significantly between quarters.

The future outlook involves increased short-term uncertainty due to the coronavirus epidemic. Throughout the year, many companies around the world have announced various negative business impacts of varying degrees caused by the epidemic. Qt estimates that, if the epidemic continues, its impacts on the business of the company's customers will also be reflected — at least to some extent — on the company, particularly by slowing down the growth of net sales of distribution licenses. Nevertheless, the company estimates that the risk posed to the company by the epidemic will continue to be mitigated by the breadth of the customer base and Qt's operations being distributed over several geographic regions and customer industries. For the time being, at least, there are no signs that the epidemic will have a significant negative impact on the company's business or the growth of net sales. Going forward, in the event company succeeds in pursuing its growth investments according to plans, associated costs will burden the development of operating profit margin more than in the past review period.

Outlook 2020

The company specifies its previously issued outlook for the year and estimates that net sales in 2020 will increase by more than 25 percent year-on-year at comparable exchange rates and that the operating result will be positive in 2020 by a clear margin.

According to the previous estimate published in the Half-Year Report, net sales in 2020 were expected to increase by more than 20 percent year-on-year at comparable exchange rates and that the operating result was expected to be positive in 2020.

Events after the review period

The company had no other significant events deviating from normal business operations after the end of the review period.

Espoo, October 29, 2020

Qt Group Plc

Board of Directors

Communications

The company does not hold briefings on interim statements. The interim statement will be available in the Investors section at www.qt.io from 8:00 am on 29 October 2020.

Further information

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NASDAQ Helsinki
Key media

Financial information January 1–June 30, 2020

Segment reporting

Qt reports one business segment. The reported segment covers the entire Group, and its figures are congruent with the consolidated figures.

Information on products and services

Qt reports its net sales by type as follows: License sales and consulting, and support and maintenance revenue. License sales includes developer licenses and distribution licenses (runtimes).

EUR 1,000	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
License sales and consulting	14,227	10,199	39.5%	40,633	28,363	43.3%	40,503
Maintenance revenue	4,972	4,501	10.5%	15,002	13,103	14.5%	17,870
Group total	19,199	14,700	30.6%	55,636	41,466	34.2%	58,373

Geographical information

Geographical distribution of personnel:

PERSONNEL (number of employees, on average)	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Finland	92	94	-2%	96	93	3%	95
Rest of Europe & APAC	200	190	5%	199	184	8%	185
North America	55	51	7%	53	51	3%	51
Group total	347	335	4%	348	327	6%	331

Consolidated income statement

EUR 1,000	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Net sales	19,199	14,700	30.6%	55,636	41,466	34.2%	58,373
Other operating income	14	54	-73.5%	367	598	-38.6%	1,279
Materials and services	-954	-856	11.5%	-3,278	-2,062	59.0%	-3,070
Personnel expenses	-9,902	-9,907	-0.1%	-30,568	-28,318	7.9%	-39,359
Depreciation, amortization and impairment	-586	-638	-8.1%	-1,897	-1,862	1.9%	-2,572
Other operating expenses	-2,683	-3,282	-18.3%	-9,377	-9,556	-1.9%	-14,433
Operating result	5,089	72	6,933.9%	10,883	267	3,978.0%	219
Financial expenses (net)	-42	-97	-57.2%	-214	-167	28.0%	-102
Profit before taxes	5,048	-25		10,669	100	10,619.4%	117
Income taxes	-1,103	-170	550.0%	-2,305	-247	833.2%	-469
Net profit for the review period	3,944	-195		8,364	-147		-352
Other comprehensive income:							
Items which may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	-88	-17	416.9%	-188	39		17
Total comprehensive income for the review period	3,856	-212		8,176	-108		-336
Distribution of comprehensive income for the review period:							
Parent company shareholders	3,944	-195		8,364	-147		-352
Distribution of comprehensive income for the review period:							

Parent company shareholders	3,856	-212	8,176	-108	-336
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Earnings per share (EPS), EUR	0.16	-0.01	0.35	-0.01	-0.01
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EPS adjusted for dilution, EUR	0.16		0.33		
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Consolidated statement of financial position

Assets

EUR 1,000	September 30, 2020	September 30, 2019	December 31, 2019
Non-current assets			
Goodwill	6,562	6,562	6,562
Other intangible assets	3,829	4,206	4,082
Tangible assets	3,518	5,070	4,593
Long-term receivables	324	262	251
Deferred tax assets	1,679	3,504	3,463
Total non-current assets	15,912	19,605	18,952
Current assets			
Trade receivables	15,635	11,959	13,772
Other receivables	6,218	5,650	5,327
Cash and cash equivalents	16,804	9,488	11,944
Total current assets	38,657	27,097	31,044
Total assets	54,569	46,701	49,996

Shareholders' equity and liabilities

EUR 1,000	September 30, 2020	September 30, 2019	December 31, 2019
Shareholders' equity			
Share capital	500	500	500
Unrestricted shareholders' equity reserve	27,195	23,651	23,651
Own shares	-5,440	-1,123	-1,922
Translation difference	352	563	540
Retained earnings	-5,457	-5,728	-5,477
Net profit for the review period	8,364	-147	-352
Total shareholders' equity	25,515	17,716	16,940
Liabilities			
Long-term interest-bearing liabilities	1,298	2,330	2,456
Deferred tax liabilities	489	431	445
Other long-term liabilities	2,201	1,521	1,742
Total long-term liabilities	3,988	4,282	4,643
Short-term interest-bearing liabilities	1,684	2,192	1,625
Other short-term liabilities	23,382	22,511	26,788
Total short-term liabilities	25,066	24,703	28,413
Total liabilities	29,054	28,985	33,056
Total shareholders' equity and liabilities	54,569	46,701	49,996

Consolidated key figures

EUR 1,000	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Net sales	19,199	14,700	55,636	41,466	58,373
Operating profit	5,089	72	10,833	267	219
- % of net sales	26.5%	0.5%	19.6%	0.6%	0.4%
Net profit	3,944	-195	8,364	-147	-352
- % of net sales	20.5%	-1.3%	15.0%	-0.4%	-0.6%
Return on equity, %	18.6%	-1.1%	39.4%	-0.8%	-2.0%
Return on investment, %	20.6%	0.4%	44.0%	1.3%	1.1%
Interest-bearing liabilities	2,982	4,522	2,982	4,522	4,081
Cash and cash equivalents	16,804	9,488	16,804	9,488	11,944
Net gearing, %	-54.2%	-28.0%	-54.2%	-28.0%	-46.4%
Equity ratio, %	68.0%	59.6%	68.0%	59.6%	54.3%
Earnings per share (EPS), EUR	0.16	-0.01	0.35	-0.01	-0.01
EPS adjusted for dilution, EUR	0.16		0.33		