



# Financial statements bulletin January 1–December 31, 2020

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## Fourth quarter: Growth continued and profitability improved more than expected

### Fiscal year 2020

- Net sales increased by 36.1 percent to EUR 79,455 thousand (58,373)\*. At comparable exchange rates, net sales increased by 37.7 percent.
- Net sales of distribution licenses grew by 4.8 percent to EUR 15,255 thousand (14,556).
- The operating result was EUR 17,017 thousand (219).
- The operating margin (EBIT-%) was 21.4 percent (0.4%).
- Earnings per share were EUR 0.53 (-0.01).

### October–December 2020

- Net sales increased by 40.9 percent to EUR 23,819 thousand (16,907)\*. At comparable exchange rates, net sales increased by 46.6 percent.
- The operating result was EUR 6,134 thousand (-48).
- The operating margin (EBIT-%) was 25.8 percent (-0.3%).
- Earnings per share were EUR 0.19 (-0.01).

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

This financial statement bulletin was prepared in compliance with IAS 34 Interim Financial Reporting. The amounts from the financial statements presented in this bulletin are based on the company's audited financial statements. The Auditor's Report was issued on 17 February 2021.

### BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The Board of Directors of Qt Group Plc proposes to the Annual General Meeting that no dividend be paid for the fiscal year that ended on December 31, 2020.

### Business Report

#### Financial performance:

Qt's net sales for the fourth quarter amounted to EUR 23,819 thousand (EUR 16,907 thousand), up 40.9 percent. License sales and consulting grew by 55.3 percent, while maintenance revenue increased by 4.0 percent. The effect of exchange rates on the comparison period's net sales was EUR -663 thousand and at comparable exchange rates, net sales increased by 46.6 percent.

Full-year net sales for 2020 increased by 36.1 percent year-on-year and amounted to EUR 79,455 thousand (EUR 58,373 thousand). License sales and consulting grew by 46.9 percent, while maintenance revenue increased by 11.7 percent. As part of license sales and consulting, the net sales of distribution licenses grew by 4.8 percent to EUR 15,255 thousand (14,556 thousand). The effect of exchange rates on the comparison period's net sales was EUR -662 thousand and at comparable exchange rates, net sales increased by 37.7 percent.

Qt's operating result for October–December 2020 was EUR 6,134 thousand (EUR -48 thousand). The operating result for the financial year was EUR 17,017 thousand (EUR 219 thousand). Expenses for the financial period were particularly increased by subcontracting costs, which were allocated on consulting and product development, among other things, and an increase in wages due to an increase in personnel. Travel and marketing expenses were lower than in the comparison period.

The Group had 366 employees at the end of 2020, compared to 340 a year earlier. The increase in the number of employees has been strongest in the sales organization and the Asian consulting organization.

Juha Varelius, President and CEO:

The fiscal year 2020 was exceptional in many ways due to the global COVID-19 pandemic, but a very successful one as a whole for Qt Group. The company succeeded in increasing its net sales very strongly throughout the year, while the profitability of operations remained at a very good level. Excellent sales of developer licenses was a particular growth driver. Sales of developer licenses were particularly good in the EMEA region. The demand for consulting services also remained even surprisingly strong

despite the COVID-19 epidemic during the fiscal year.

The growth rate of distribution license revenue, on the other hand, fell short of the company's expectations during the fiscal year. 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. As a result, also the company's distribution license revenue from the sales of customers' products was lower than expected. During the second half of the fiscal year, growth in net sales also faced difficulty due to the impact of exchange rates.

Following the publication of the new major product version, Qt 6.0, in December, the company will migrate to a new recurring invoicing model in developer license sales. The updated pricing model is expected to have a positive effect on the net sales of developer licenses in 2021–2023.

In response to the COVID-19 epidemic, the company widely adopted remote work arrangements already in the spring 2020. As shown by the company's success, remote work has gone well in the company. However, remote work has had a negative impact on the number and quality of customer meetings. We slowed down recruitment efforts early in the COVID-19 crisis but restored the normal level of recruitment towards the end of the year. The COVID-19 epidemic has also resulted in many marketing events being cancelled, postponed, or replaced by virtual events.

The strong growth in net sales was also favorably reflected in the development of the operating result. The positive development of the operating result was in part supported by costs being lower than budgeted, as growth investments could not be made in all respects as planned due to the COVID-19 pandemic. The operating result showed a profit by a clear margin throughout the fiscal year, and the operating margin even exceeded 25% during the second half of the fiscal year.

The company launched new versions of several products during the fiscal year 2020. In addition to the new major product version Qt6, the company released new versions of Qt for MCUs 1.4, Qt Design Studio 1.6 and Qt Automotive Suite 5.15 products, among others, to improve compatibility between the different tools and enable customers to further enhance their development of embedded systems.

The company has systematically progressed in accordance with the growth targets set in 2016 and is in an excellent position to reach its goals going forward as well, both during its current strategy period ending in 2021 and the new strategy period extending to 2025.

## 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. In addition to organic growth, the company also pursues growth opportunities through acquisitions that support its strategy.

The future outlook involves increased short-term uncertainty due to the coronavirus epidemic. The coronavirus epidemic has caused diverse negative impacts of varying degrees to the business of many companies globally. From the company's point of view, these impacts have mainly been visible in the form of slower growth in net sales from distribution license sales for the time being. If the epidemic continues, these impacts on the company's operations will presumably also continue. Should it be prolonged, the negative impacts of the epidemic may also extend to the consulting services provided by the company. Going forward, in the event the company succeeds in pursuing its growth investments according to plans, associated costs will burden the development of the operating result more than in the past fiscal year.

### Outlook 2021

We estimate that the impacts of the COVID-19 epidemic on the general market situation as well as the company's business will continue during the first half of 2021, after which the situation will start to get better during the second half of the year. We estimate that our full-year net sales for 2021 will increase by 25–35 percent year-on-year at comparable exchange rates and our operating profit margin will be at least 15 percent.

### Financial reporting

#### Net sales and profit performance

Qt's net sales for the fourth quarter amounted to EUR 23,819 thousand (EUR 16,907 thousand), up 40.9 percent. License sales and consulting grew by 55.3 percent, while maintenance revenue increased by 4.0 percent. The effect of exchange rates on the comparison period's net sales was EUR -663 thousand and at comparable exchange rates increased by 46.6 percent.

Qt's operating result for the period under review October–December 2020 was EUR 6,134 thousand (EUR -48 thousand). The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating

expenses, amounted to EUR 17,781 thousand (EUR 17,636 thousand) in the fourth quarter, up 0.8 percent year-on-year. Personnel expenses accounted for 65.1 percent (62.6%) of operating expenses, or EUR 11,572 thousand (EUR 11,040 thousand).

The company's net financial expenses in the fourth quarter amounted to EUR 442 thousand (EUR 66 thousand positive), due to translation differences in currency-denominated internal receivables and debts related to the financing of international subsidiaries.

Qt's earnings before tax for the fourth quarter totaled EUR 5,691 thousand (EUR 18 thousand) and the result was EUR 4,462 thousand (EUR -205 thousand). Taxes for the period under review amounted to EUR 1,229 thousand (EUR -222 thousand).

Earnings per share totaled EUR 0.19 during the fourth quarter (EUR -0.01).

Full-year net sales for 2020 increased by 36.1 percent year-on-year and amounted to EUR 79,455 thousand (EUR 58,373 thousand). License sales and consulting grew by 46.9 percent, while maintenance revenue increased by 11.7 percent. As part of license sales and consulting, the net sales of distribution licenses grew by 4.8 percent to EUR 15,255 thousand (EUR 14,556 thousand). The effect of exchange rates on the comparison period's net sales was EUR -662 thousand and at comparable exchange rates, net sales increased by 37.7 percent.

The operating result for the financial year was EUR 17,017 thousand (EUR 219 thousand). The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 62,901 thousand (EUR 59,434 thousand), up 5.8 percent year-on-year. Personnel expenses accounted for 67.0 percent (66.2%) of operating expenses, or EUR 42,140 thousand (EUR 39,359 thousand). Expenses for the period under review were particularly increased by subcontracting costs, which were allocated on consulting and product development, higher salary expenses driven by increased number of personnel and a performance-based bonus scheme for revenue growth. Travel and marketing expenses were lower than in the comparison period.

The company's net financial expenses for the financial year amounted to EUR 657 thousand (EUR 102 thousand), due to translation differences in currency-denominated internal receivables and debts related to the financing of international subsidiaries.

The other operating income includes income from events held and tax-free research and development investment grants received by the company in Norway, totaling approximately EUR 222 thousand (EUR 351 thousand). The grants concern the applicable personnel expenses related to the research and development activities of Qt's Norwegian company, and they were paid to the company in the second half of 2020.

Qt's earnings before tax for the financial year totaled EUR 16,360 thousand (EUR 117 thousand) and the result was EUR 12,826 thousand (EUR -352 thousand). Taxes for the period under review amounted to EUR 3,534 thousand (EUR 469 thousand).

Earnings per share for the financial year totaled EUR 0.53 (EUR -0.01).

#### Financing and investments

Cash flow from operating activities during the financial year was EUR 12,745 thousand (EUR 6,110 thousand) due to positive result. Qt's cash and cash equivalents totaled EUR 22,046 thousand (EUR 11,944 thousand) at the end of the financial year.

Qt Group's consolidated balance sheet total at the end of the financial year stood at EUR 61,416 thousand (EUR 49,996 thousand). Net cash flow from investments in the financial year was EUR -630 thousand (EUR -465 thousand).

The equity ratio was 66.6 percent (54.3%) and gearing was -64.9 percent (-46.4%). Interest-bearing liabilities amounted to EUR 2,655 thousand (EUR 4,081 thousand) of which short-term loans accounted for EUR 1 282 thousand (EUR 1,625 thousand).

The return on investment for the financial year was 63.6 percent (1.1%) and return on equity was 54.8 percent (-2.0%).

#### Research and development

Product development expenses are included in the result for the fiscal year in their entirety and the company has no capitalised product development expenses on its balance sheet.

Product development expenses during the fiscal year totaled EUR 13,601 thousand (EUR 12,865 thousand), accounting for 17.1 percent (22.0%) of net sales. Product development expenses increased by 5.7 percent year-on-year. There were, on average, 117 people working in product development during the financial year (119).

#### Personnel

The number of Group personnel was 361 (342) on average during the fourth quarter and 366 (340) at the end of the financial year. The Group's personnel expenses during the quarter amounted to EUR 11,572 thousand (EUR 11,040 thousand), up 4.8 percent year-on-year. Personnel expenses totaled EUR 42,140 thousand (EUR 39,359 thousand), during the financial year, up 7.1 percent.

At the end of the financial year, international personnel represented 73 percent (71%) of the total.

#### Other events in the review period

## Governance

Qt Group Plc's Annual General Meeting held on March 10, 2020, adopted the company's annual accounts, including the consolidated annual accounts for the accounting period January 1–December 31, 2019, approved the Remuneration Policy of the company's governing bodies and discharged the Members of the Board and the Chief Executive Officer from liability. The general meeting resolved, in accordance with the Board's proposal, that no dividend will be paid based on the balance sheet adopted for the accounting period that ended on December 31, 2019.

The general meeting resolved on the remuneration of the company's Board of Directors and auditors, decided that the number of members on the Board of Directors would be five (5) and elected the company's Board of Directors. Robert Ingman, Jaakko Koppinen, Mikko Marsio, Leena Saarinen and Tommi Uhari were re-elected as members of Qt Group Plc's Board of Directors. At its organizing meeting held after the general meeting, the Board of Directors elected Robert Ingman as its Chairman and Tommi Uhari as the Vice Chairman.

The general meeting granted the following authorizations to the Board of Directors of Qt Group Plc:

Authorizing the Board of Directors to decide on repurchasing the company's own shares and/or accepting them as collateral

The general meeting authorized the Board of Directors to decide on the repurchase and/or acceptance as collateral of a maximum of 2,000,000 of the company's own shares by using funds in the unrestricted equity.

According to the authorization, the Board will decide on how these shares are to be purchased. The shares may be repurchased in a proportion other than that of the shares held by the current shareholders. The authorization also includes the acquisition of shares through public trading organized by Nasdaq Helsinki Ltd in accordance with its and Euroclear Finland Ltd's rules and instructions, or through offers made to shareholders.

Shares may be acquired in order to improve the company's capital structure, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes, to be transferred for other purposes, or to be cancelled.

The shares shall be repurchased for a price based on the fair value quoted in public trading. The authorization is valid for 18 months from the issue date of the authorization, i.e. until September 10, 2021, and it replaces any earlier authorizations on the repurchase and/or acceptance as collateral of the company's own shares.

Authorizing the Board of Directors to decide on a share issue and the granting of special rights entitling to shares

The general meeting authorized the Board to decide on a share issue and the granting of special rights pursuant to Chapter 10, Section 1, of the Companies Act, subject to or free of charge, in one or several tranches on the following terms.

The maximum total number of shares to be issued by virtue of the authorization is 2,000,000.

The authorization concerns both the issuance of new shares and the transfer of shares held by the company. By virtue of the authorization, the Board of Directors is entitled to decide on share issues and the granting of special rights waiving the pre-emptive subscription rights of the shareholders (directed issue).

The authorization may be used in order to finance or carry out acquisitions or other arrangements, to carry out the company's share-based incentive schemes and to improve the capital structure of the company, or for other purposes decided by the Board of Directors.

The authorization includes the Board of Directors' right to decide on all terms relating to the share issue and granting of special rights including the subscription price, its payment, and its entry into the company's balance sheet.

The authorization is valid for 18 months from the issue date of the authorization, i.e. until September 10, 2021, and it replaces any earlier authorizations on the granting of shares or special rights entitling to shares.

Events after the review period

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

Risks and uncertainties

The company's short-term risks and uncertainties are related to potential significant changes in the company's business operations as well as the retention and recruitment of the personnel required for business development. Furthermore, the prolongation of the coronavirus epidemic may slow down the growth of the business and affect the valuation of assets. The epidemic has not affected the valuation of assets thus far.

Exchange rate fluctuations, particularly between the US dollar and euro, may have a large impact on the development of the company's net sales. Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is the contract turnaround times which, in the major customer segment, are very long at up to 18 months.

The company's business risks and preparations for them are also described on the company website at [www.qt.io](http://www.qt.io).

Espoo, February 18, 2021

Qt Group Plc

Board of Directors

Communications

Qt Group will hold a briefing on this financial statement bulletin for analysts in Finnish via MS Teams on Thursday, February 18, 2020, at 10:00 a.m. Advance registration is kindly requested by Thursday, February 18, 2021 at 9:45 by sending the request to [jouni.lintunen@qt.io](mailto:jouni.lintunen@qt.io). The participation link will be sent prior to the briefing.

The financial statement bulletin and presentation will be available in the Investors section at [www.qt.io](http://www.qt.io) from 10:00 a.m. on February 18, 2020.

Further information

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