

# QuantumSphere Technologies

## Q3 2024 Investor Statement

For the Quarter Ended September 30, 2024

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### Press Release

For Immediate Release

October 25, 2024

QuantumSphere Technologies Reports Record Q3 Results, Exceeding Market Expectations with 142% Year-over-Year Growth

**Cambridge, Massachusetts** – QuantumSphere Technologies (NYSE: QSPH), the global leader in quantum computing solutions, today announced financial results for its third quarter ended September 30, 2024, demonstrating exceptional growth and market leadership in the quantum computing sector.

“Our third quarter results reflect the accelerating adoption of quantum computing across industries and the strong market position of our integrated hardware, software, and cloud solutions,” said Dr. Sarah Chen, CEO of QuantumSphere Technologies. “With revenue growth of 142% year-over-year and continued expansion of our recurring revenue base, we’re executing well on our strategy to democratize quantum computing while maintaining strong profitability.”

### Third Quarter Fiscal 2024 Financial Highlights

- Revenue of \$428.5 million, up 142% year-over-year
- Gross profit of \$299.9 million, representing a gross margin of 70.0%
- Operating income of \$98.5 million, or 23.0% of revenue
- Net income of \$73.9 million, or \$1.85 per diluted share
- Adjusted EBITDA of \$107.1 million, representing a 25.0% margin
- Free cash flow of \$64.3 million

### Business Highlights

- Secured 18 new enterprise customers, including three Fortune 100 companies
- Launched enhanced QuantumCloud™ Platform with advanced error correction capabilities
- Expanded global presence with new research centers in Singapore and Frankfurt
- Achieved record customer retention rate of 97%
- Grew recurring revenue to 65% of total revenue
- Successfully deployed 5 QS1000 systems and 12 QS500 systems

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## CEO Letter to Shareholders

Dear Fellow Shareholders,

Q3 2024 was another exceptional quarter for QuantumSphere Technologies, marked by strong execution across all business segments and continued momentum in our strategic initiatives. Our financial results demonstrate the growing demand for quantum computing solutions and our ability to deliver value to customers across various industries.

### Strategic Progress

During the quarter, we made significant strides in several key areas:

1. **Product Innovation**
  - Successfully launched QuantumCloud™ 2.0 with enhanced capabilities
  - Achieved breakthrough in error correction technology
  - Advanced development of next-generation quantum processors
2. **Market Expansion**
  - Established new research centers in Singapore and Frankfurt
  - Expanded partner ecosystem by 45%
  - Entered three new industry verticals
3. **Operational Excellence**
  - Improved gross margins through scale and efficiency
  - Reduced customer implementation time by 35%
  - Strengthened supply chain resilience

### Financial Performance

Our Q3 results exceeded expectations across all key metrics:

- Revenue grew 142% year-over-year to \$428.5 million
- Gross margin remained strong at 70.0%
- Operating margin improved to 23.0%
- Generated free cash flow of \$64.3 million

### Looking Ahead

As we enter the final quarter of 2024, we remain focused on:

1. **Innovation Leadership**
  - Accelerating next-generation hardware development
  - Expanding software capabilities
  - Enhancing cloud platform features
2. **Market Development**
  - Growing enterprise customer base
  - Expanding geographic presence

- Strengthening industry partnerships
- 3. Operational Efficiency**
- Scaling operations globally
  - Optimizing cost structure
  - Improving productivity

We're confident in our ability to maintain strong growth while delivering value to customers, shareholders, and society at large.

Sincerely,

Dr. Sarah Chen Chief Executive Officer QuantumSphere Technologies

## Financial Details

### Income Statement Highlights

(in millions, except per share data)

Metric	Q3 2024	Q3 2023	Change	YTD 2024	YTD 2023	Change
Revenue	\$428.5	\$177.1	+142%	\$1,056.9	\$436.7	+142%
Gross Profit	\$299.9	\$123.9	+142%	\$739.8	\$283.9	+161%
Operating Income	\$98.5	\$28.5	+246%	\$231.3	\$65.8	+251%
Net Income	\$73.9	\$21.4	+245%	\$173.5	\$49.4	+251%
Diluted EPS	\$1.85	\$0.54	+243%	\$4.34	\$1.24	+250%

### Revenue by Segment

(in millions)

Segment	Q3 2024	Q3 2023	Change
Hardware	\$171.4	\$79.7	+115%
Cloud Services	\$150.0	\$47.6	+215%
Professional Services	\$42.8	\$21.4	+100%
Software Licenses	\$64.3	\$28.4	+126%

### Key Metrics

Metric	Q3 2024	Q3 2023	Change
Gross Margin	70.0%	70.0%	-
Operating Margin	23.0%	16.1%	+690 bps
Net Margin	17.2%	12.1%	+510 bps

Metric	Q3 2024	Q3 2023	Change
Recurring Revenue	65%	45%	+2000 bps

## Forward-Looking Guidance

### Q4 2024 Outlook

Metric	Guidance	YoY Growth
Revenue	\$500-515M	+140-145%
Gross Margin	70-71%	-
Operating Margin	23-24%	+600 bps
EPS (Diluted)	\$2.10-2.20	+235%

### Full Year 2024 Outlook

Metric	Guidance	YoY Growth
Revenue	\$1.55-1.57B	+142-144%
Gross Margin	70-71%	-
Operating Margin	22-23%	+550 bps
EPS (Diluted)	\$6.40-6.50	+240%

## Non-GAAP Reconciliation

(in millions)

Metric	Q3 2024	Q3 2023
GAAP Net Income	\$73.9	\$21.4
Stock-Based Comp	\$21.4	\$8.9
Amortization	\$7.1	\$3.6
Non-recurring Items	\$4.7	\$2.1
Adjusted Net Income	\$107.1	\$36.0

### About QuantumSphere Technologies

QuantumSphere Technologies (NYSE: QSPH) is a global leader in quantum computing solutions, providing integrated hardware, software, and cloud services that enable breakthrough discoveries in science, medicine, and artificial

intelligence. Founded in 2019, QuantumSphere is headquartered in Cambridge, Massachusetts, with operations across North America, Europe, and Asia.

*Forward-Looking Statements*

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially. For additional information regarding these risks and uncertainties, please refer to our SEC filings.

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**Conference Call Information**

QuantumSphere will host a conference call today at 5:00 PM Eastern Time to discuss these results.

- Date: October 25, 2024
- Time: 5:00 PM ET
- Dial-in: +1 (888) 555-1234
- Webcast: [ir.quantumsphere.com/earnings](https://ir.quantumsphere.com/earnings)
- Replay available through November 8, 2024