



Analysts Conference
Cologne, 27 May 2019

QSC 2020^{plus} - THE GROWTH STRATEGY

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INNOVATIV.
AN IHRER SEITE.

QSC_{AG}

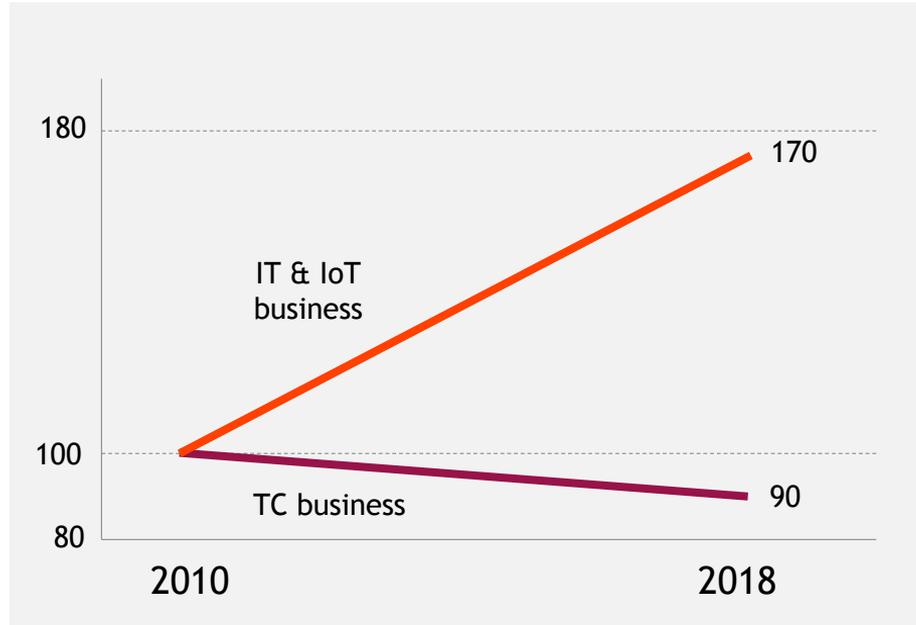
Disclaimer

This presentation contains forward-looking statements based on management estimates and reflects the current views of QSC AG's ("QSC's") management board with respect to future events. These forward-looking statements correspond to the situation at the time this presentation was prepared. Such statements are subject to risks and uncertainties, which often fall outside the sphere of influence of QSC. These risks and uncertainties are covered in detail within the Risk Report sections of our financial reports.

Although the forward-looking statements are made with great care, their correctness cannot be guaranteed. Therefore the actual results may deviate from the expected results described herein. QSC does not intend to update or adjust any forward-looking statements after the publication of the presentation.

Successful transaction accelerates growth strategy

Performance of QSC's market segments*



Strategy 2020^{plus}:

Further development of QSC AG into market outperformer

Plusnet sale:

Successful transaction at upper end of expectations

**QSC 2019:
Telecommunications business
successfully sold**

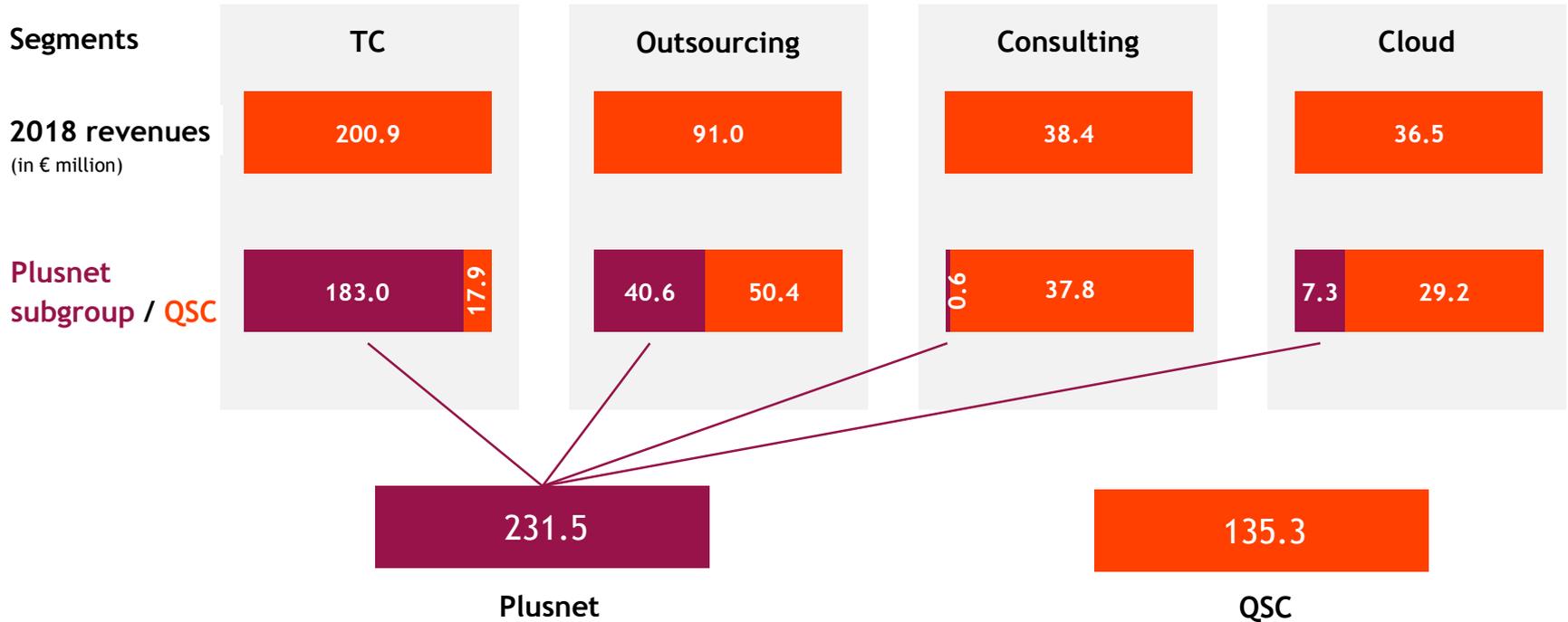
Plusnet sale at a glance

- > QSC sells TC business for
 - >> € 229 million (equity value)
 - >> € 205 million (enterprise value)
- > Closing: 31 July 2019 (assumed)
- > QSC still has telecommunications in its portfolio
- > TC sale accelerates implementation of growth strategy

Key figures for sale

>	Revenues at Plusnet (2018)	€ 231.5 million
>	No. of employees at Plusnet	387
>	Services procured by QSC from Plusnet	€ 7.9 million (per annum)
>	Services procured by Plusnet from QSC	€ 6.8 million (per annum)
>	Admin. services performed by QSC for Plusnet (other operating income)	€ 7.3 million (per annum)

Elements of Plusnet revenues in 2018



Sale serves to implement growth strategy

Cash selling price of € 205 million (enterprise value) primarily to be used for three purposes:

- 1 Accelerated implementation of growth strategy
- 2 Potential acquisitions for targeted additions to technology portfolio
- 3 Complete repayment of debt
 - Tranches still outstanding on 2014 promissory note bond € 54 million*
 - Syndicated loan € 65 million*

* As of 31 December 2018

Higher EBITDA and higher free cash flow expected

For the current financial year, QSC expects (assuming closing as of 31 July 2019)



Revenues in excess of € 255 million
(previously > € 350 million)



EBITDA of more than € 145 million (includes € ~110 million deconsolidation gain)
(previously > € 65 million)



Free cash flow of more than € 130 million
(previously: low single-digit million euro range)

Plusnet sale shapes new free cash flow forecast



Enterprise value

(Cash and debt-free)

€ 205 million



Transaction, consulting and migration costs

(up to)

€ -20 million



Tax, interest and other liabilities

€ -15 million



Growth financing

(up to)

€ -20 million



Subtotal

> € 150 million



Factoring

€ -10 million



Escrow

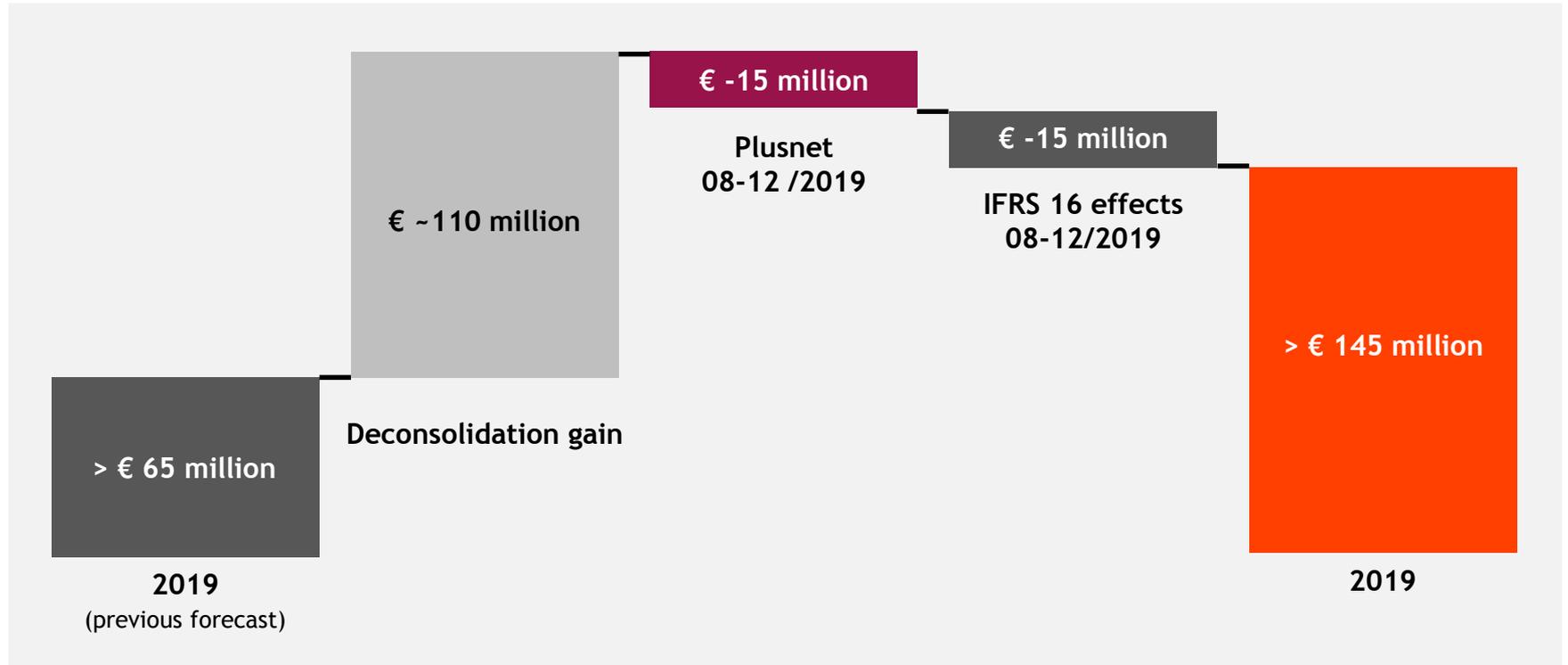
€ -9 million



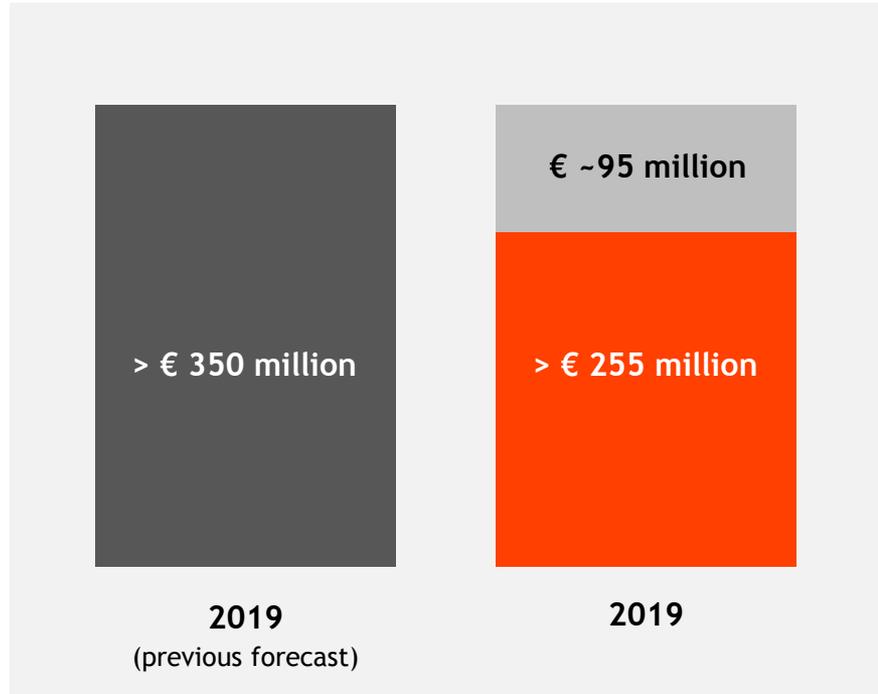
Free cash flow forecast 2019

> € 130 million

Deconsolidation gain drives up EBITDA



Sales performance in 2019



Plusnet's share of revenues for period August to December 2019 (closing assumed at 31 July 2019)

Updated forecast for 2019

QSC 2020^{plus}: The growth strategy

QSC operates in the high-growth IT and IoT market



Sources: Experton 2017; PAC/own research; Deloitte, IoT study 2016

Strategy 2020^{plus}: Focus on profitable growth

“Digitaliser to the SME sector”

Attractive business portfolio

- Highly scalable
- Recurring

Top innovations

- New technologies
- New combined services

Effective “go-to-market” approach

- Strategic partners
- Sector focus

New & experienced management team

- Top expertise
- Entrepreneurial approach

Future investments and M&A

2022: Revenues of € ~200 million, EBITDA >10%, positive free cash flow

QSC strategy is “up and running” and already successful



Successful extension of all existing customer contracts in 2018

Key success factors: performance capacity
- service quality - SME focus

Top wins in recent weeks



Major order:
retail

Migration of entire SAP
landscape to SAP HANA and
SAP HANA Enterprise Cloud

SCHMOLZ + BICKENBACH

Group



Major order:
manufacturing

Migration of all central IT
systems - from SAP to digital
workplace - to a multi-cloud

Large building
service provider

Order:
energy

Operation of one of Germany's
largest IoT platforms for smart
energy management

Successes: high-volume contract extensions



+ 55%



+ 192%



+ 11%



+ 21%

Revenue volume of “new contract” significantly higher than volume of “old contract”

Positioning:

“Digitaliser to the German SME sector”

“Digitaliser to the SME sector”

OUR MISSION

In times of increasing digitalisation, we are enabling our customers to further develop their business models and business processes with maximum flexibility and efficiently.

OUR EXPERTISE

We have longstanding technological and application experience in the fields of Cloud and Colocation, SAP and the Internet of Things.

OUR VALUE PROPOSITION

We offer the utmost end-to-end quality and security - and support our SME customers with an entrepreneurial and service-driven mindset within a partnership of equals.

Unique range of IT & IoT solutions for mid-caps

Services / provider		QSC	Other cloud and IT outsourcing, SAP and industrial IoT providers																
Cloud	IaaS																		
	Multi-cloud management																		
	Cloud transformation																		
SAP	Application management services																		
	Integration of IoT in SAP																		
	SAP cloud business (HEC)																		
	S/4HANA migration																		
IoT	IoT devices																		
	IoT operations																		
	Edge computing																		

Attractive business portfolio

Highly scalable and recurring business in 2022



- Infrastructure-as-a-service
- Multi-cloud management
- Cloud transformation*



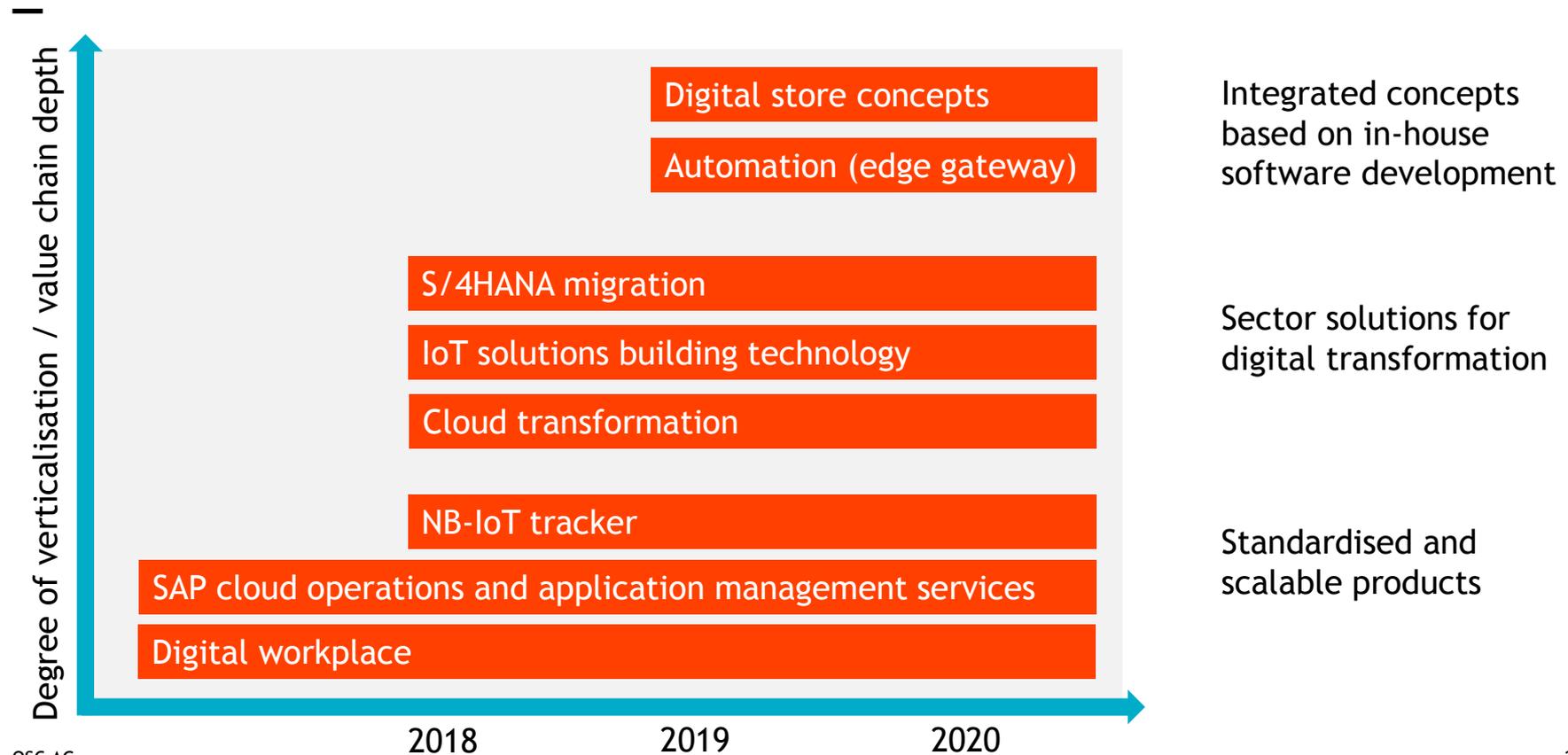
- Application management services
- Integration of SAP into IoT
- SAP cloud business (HEC)
- S/4HANA migration*



- IoT devices
- IoT operations
- Edge computing

More than 80% of our business is highly scalable - with recurring revenues

High IP-driven value creation secures margin



Top innovations

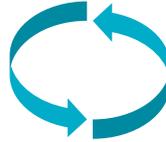
We bring innovation to SMEs

New technologies (examples)

- S/4HANA
- Edge computing

Specifically

- Multi-cloud and DevOps
- Artificial intelligence
- Analytics
- Permissioned Blockchain
- 5G and NB IoT
- ...



New combined services (examples)

- “Sensor meets business”

Specifically

- Digital workplace
- Smart building technology
- Digital store
- Digital supply chain
- Coupling OT and IT
- ...

Innovation #1 - S/4HANA migration

SAP : “By 2025, all systems have to be converted to S/4HANA!”

- To date, only 3% of customers in Germany, Austria, and Switzerland have migrated
- 8% intend to migrate in 2019
- 45% plan to convert by 2021

↓
Large and growing market!

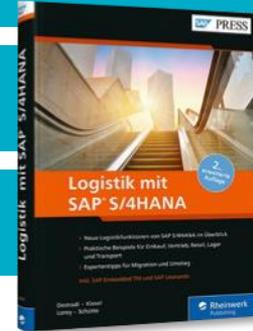
QSC: top expertise for S/4HANA migrations

90% of SAP advisors trained

Top project expertise

SAP Gold Partner

QSC specialist literature



Innovation #2 - edge computing

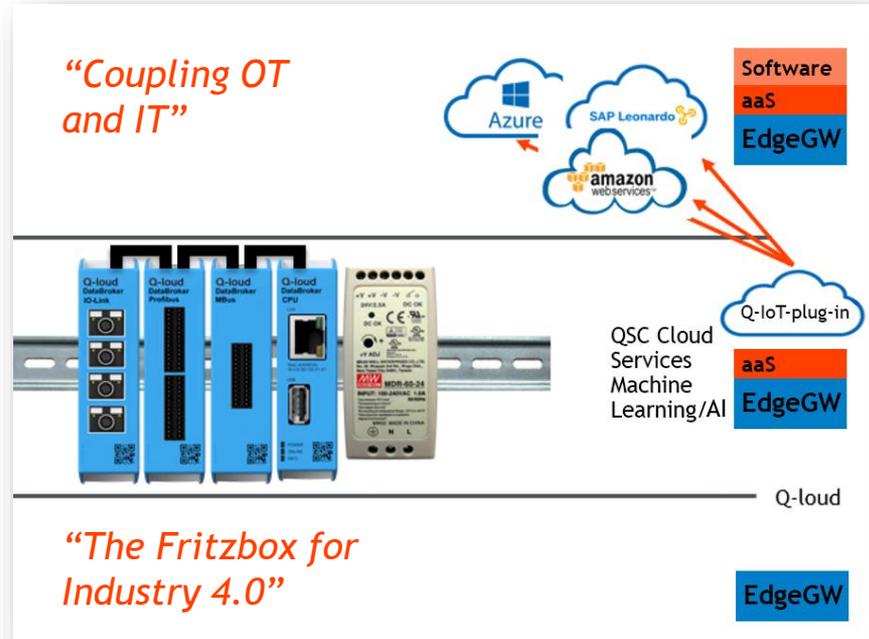
Genuinely autonomous real-time systems (e.g. Car factories, e-mobility, 5G in industry) need decentralized data processing on the edge of the cloud

Great growth momentum has been forecast for edge computing
(Goldman Sachs: € 35 billion worldwide)

QSC is currently Europe's only developer and operator of edge computing - sector focus on mechanical engineering and construction

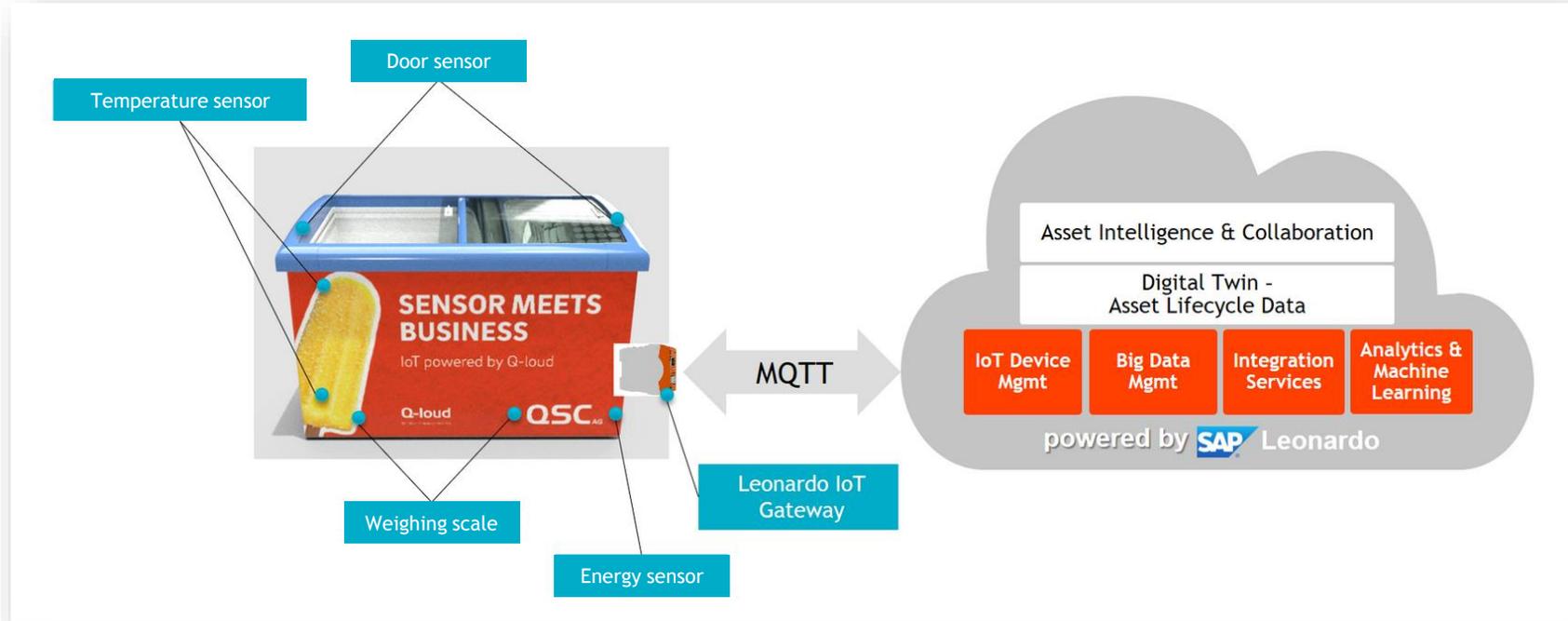
QSC competence

Example



Innovation #3 - "Sensor meets business"

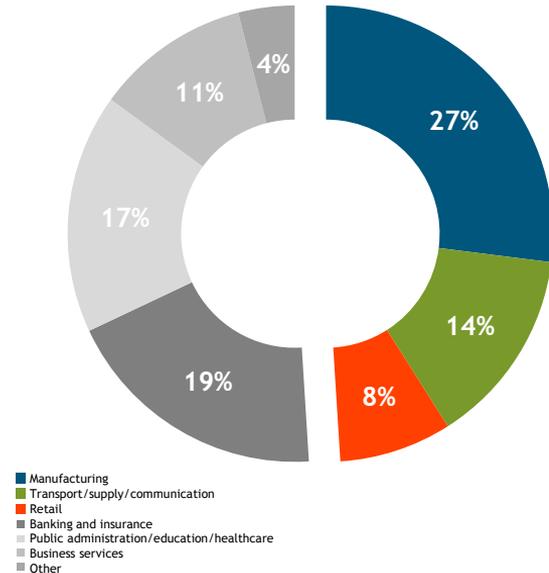
Example of application "smart freezer", retail



Effective “go-to-market” approach

Clear focus on growth sectors

The three sectors account for almost 50% of the total IT services market in Germany. New technology such as AI and IoT will accelerate growth.



- **Manufacturing** is the sector with the highest volume of IT investments. Key drivers are Industry 4.0 applications for which cloud technologies provide the foundation.
- In the **energy industry**, smart metering and smart grids require new IT services. Furthermore, there is above-average growth in demand for IoT solutions.
- **Retail** is particularly affected by transformation. The conversion to online shopping is largely complete; IoT is now the innovation driver.

Source: IDC, The Market for IT Services in Germany, 2017 - 2022, January 2019

Multiplication in market thanks to strong partners

IT services for SMEs
(Cloud and SAP)

IoT products and solutions
for Industry 4.0

Strategic partnerships

Sector-specific solutions



Retail



Manufacturing



Energy

Standardised and scalable products and services for all SME sectors



+ Sourcing advisor

Effective sales organisation

Customer focus



Retail



Manufacturing



Energy

- Regional focus
- Sector focus
- Target customers per region

QSC - Sales/regional structure for company IT

Hamburg region

East Westphalia
Lippe

West

South

- Target: Occupy customer networks at an early stage and identify deals, draw on strategic partners

Support from portfolio departments



Specialist
sales



Portfolio



Marketing

- Services provided from portfolio departments
- Services managed via a central deal board

New and experienced management team

The new management: experts & entrepreneurs



T·Systems

Head of Cloud
and IT Outsourcing

Since 2019

Thies Rixen, 47



Managing Director
of Q-loud GmbH

Since 2018

Dr. Myriam Jahn, 50



Head of SAP
and Innovation

Since 2019

Thorsten Raquet, 41



Head of
Colocation

Since 2016

Rüdiger Hofer, 52



Head of Strategic
Partner Management

Since 2019

Waldemar Gerlach, 50



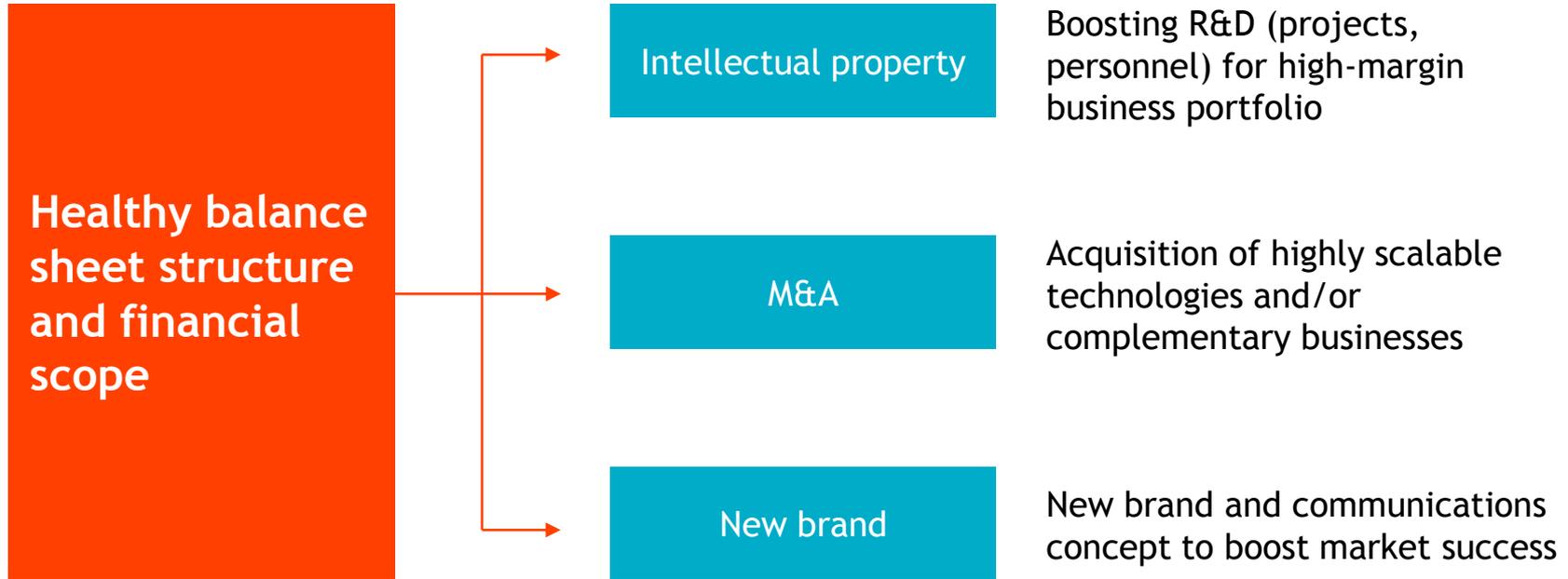
Head of
Finance

Since 2013

Christoph Reif, 39

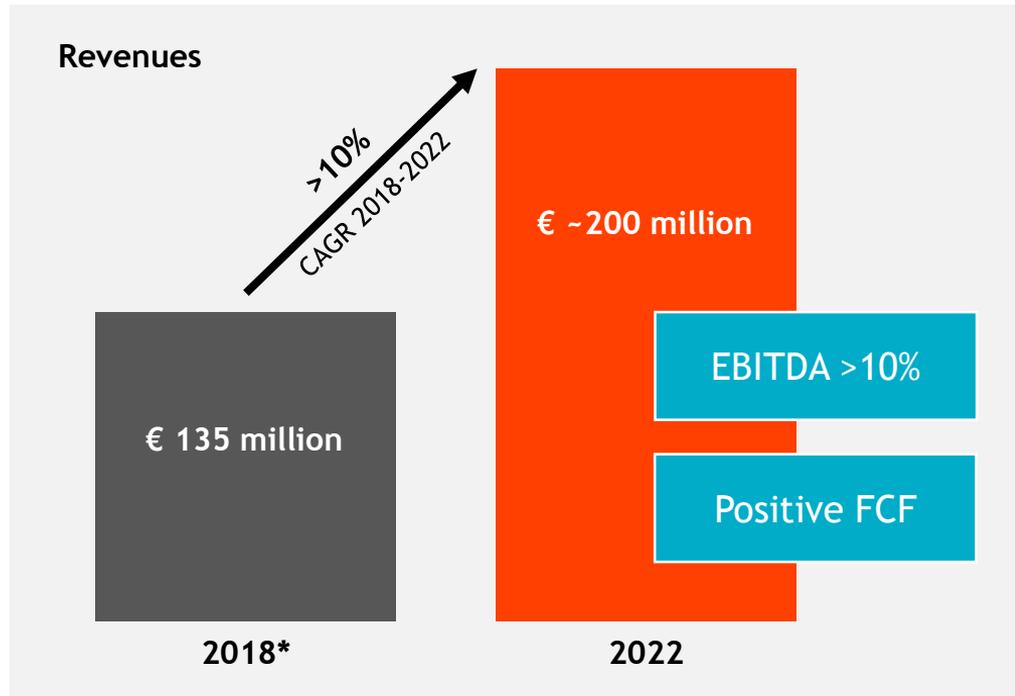
Future investments and M&A

We are investing in our profitable growth



Goal: “Outperformer”

Strategy 2020^{plus}: “above-market” growth



Outperformer
compared with
competitors

QSC: A highly attractive growth company

“Digitaliser to the SME sector”

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New & experienced management team

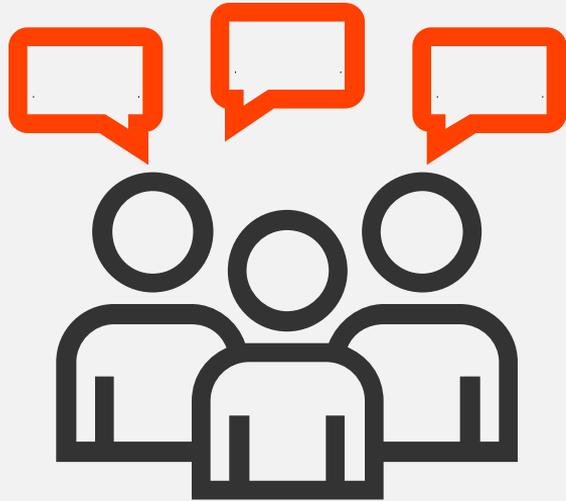
- Top expertise
- Entrepreneurial approach

Future investments and M&A

2022: Revenues of € ~ 200 million, EBITDA >10%, positive free cash flow

Questions & answers

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