



13th Oddo BHF German Conference
Frankfurt, 19 February 2019

THE DIGITISER OF THE GERMAN SME SECTOR

SICHER.
INNOVATIV.
AN IHRER SEITE.

QSC AG

Disclaimer

This presentation contains statements relating to the future which are based on estimates of the QSC AG (“QSC“) Management Board and which reflect its current views on future events. The statements relating to the future correspond to the circumstances at the time of creating the presentation. Statements of this nature are subject to risks and uncertainties which QSC is largely unable to influence. These risks and uncertainties will be dealt with in detail in the risk report as part of financial reporting.

Although the statements relating to the future have been made with the greatest of care, their correctness cannot be guaranteed. The actual results may therefore differ from the expected results described here. QSC shall neither adjust nor update statements relating to the future after publication of the presentation.

1. Business overview

Key figures at a glance

QSC_{AG}

>30,000
SME customers

Revenues of
€357.9m
in 2017

30 years
of experience

Proprietary
TÜV and
ISO-certified
data centres on
20,000 m²

Proprietary
nationwide
**All-IP-based
network**

~1,300 employees
in 12 locations

Awards

- ISG Provider Lens
Cloud Leader 2019
- Experton Industrie 4.0
IoT Rising Star 2017
- Experton Cloud
Leader 2016

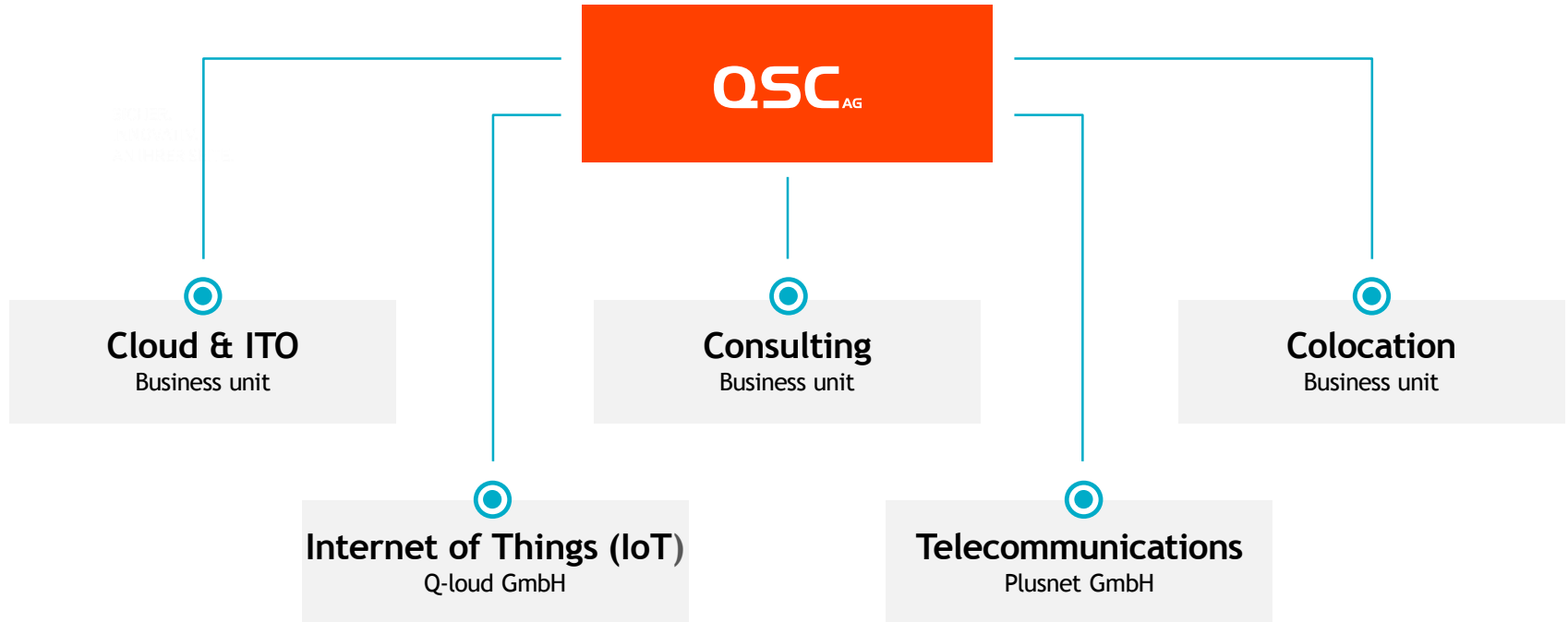
Our mission

QSC AG is the digitiser of the German SME sector.

With decades of experience and expertise in the areas of **Cloud, Internet of Things, Consulting, Telecommunications and Colocation**, QSC accompanies its customers securely into the digital age.

Secure.
Innovative.
At your side.

Broad expertise - lean and agile organisation



Portfolio covers the key digital technologies

Key digital technologies*



CLOUD



BIG DATA



IOT



SECURITY



ALL-IP

Digital QSC portfolio

- Workplace Services
- Application Services
- Communication as a Service
- Multi Cloud

- SAP HANA Platform
- SAP S/4HANA

- Proprietary IoT Cloud platform for a large number of IoT and Industry 4.0 scenarios

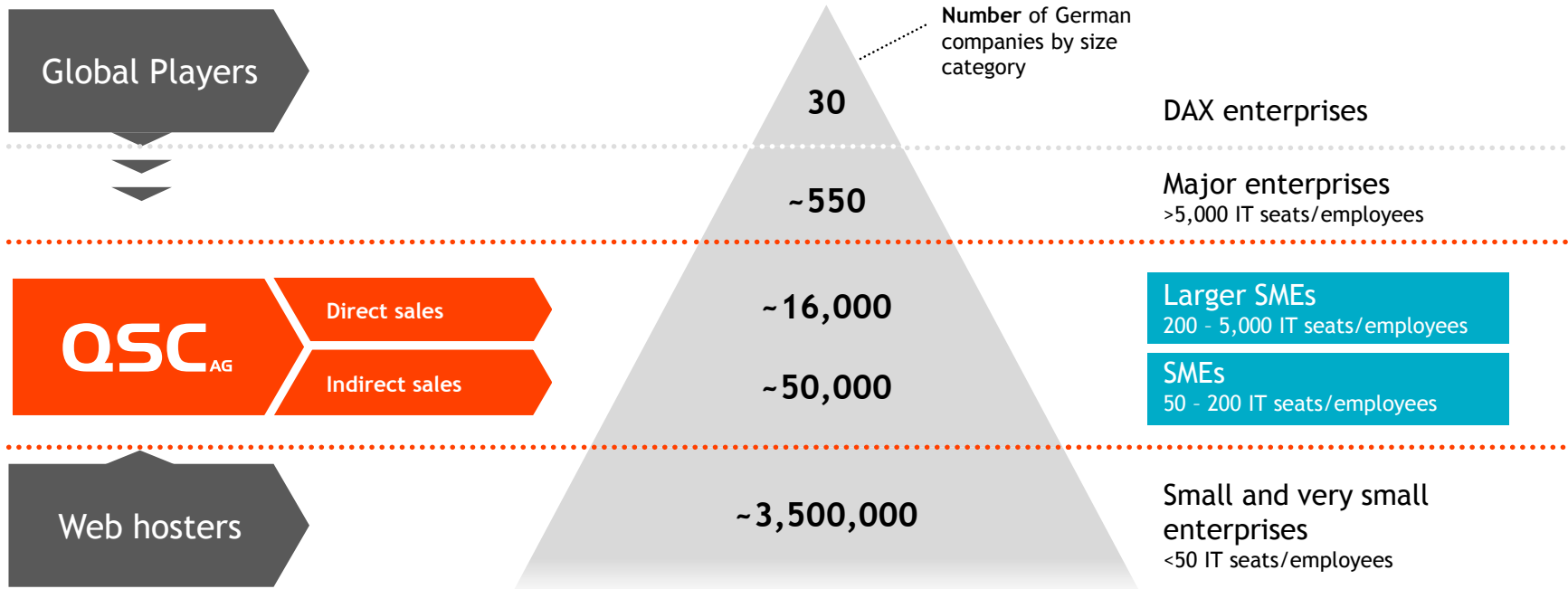
- Managed Security Services
- Certified German Data Centres

- All-IP Voice and Data Services
- Corporate Network Services

* Sources: Bitkom, Crisp Research, IDC, own research

Additional USP: The clear focus on German SME sector

Providers



Selected SME customers and more at a glance



Hören Sie selbst,
was unsere Kunden
über QSC berichten!

2. Operational update and forecast

9M 2018: QSC increases revenue forecast

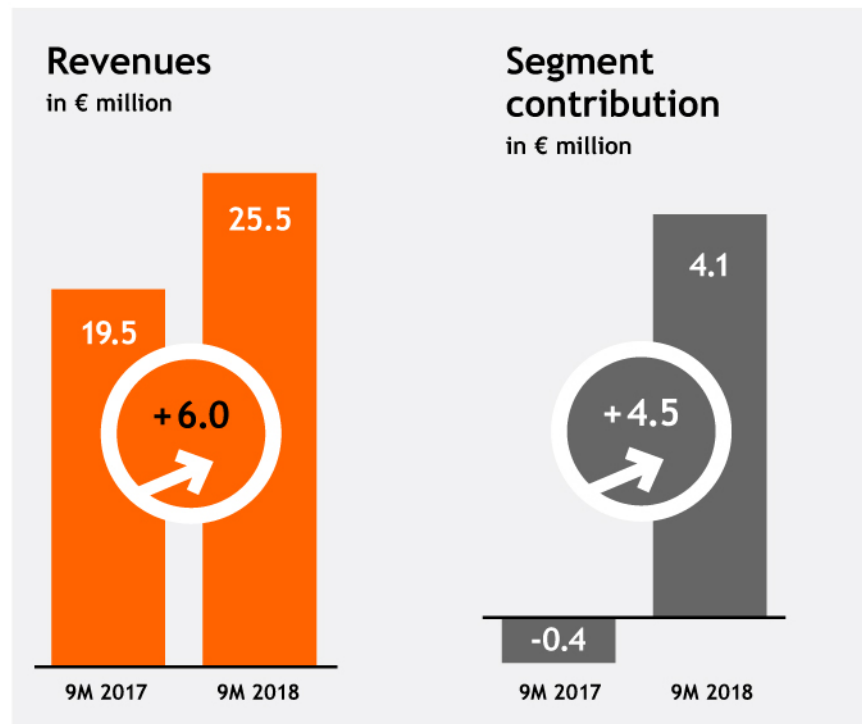
- Revenues increased by 4% to € 276.4 million
 - Cloud revenues grew by 31%
 - TC revenues up by 11%
- New vertical organisation is supporting revenue growth
- TC subsidiary Plusnet is benefiting from greater independence
- New revenue forecast: At least € 360 million in FY 2018 (initial: € 345–355 million)

9M 2018: Ongoing revenue growth

in € million	9M 2017	9M 2018	Δ
Revenues	264.8	276.4	+11.6
Cost of revenues	196.2	208.7	-12.5
Gross profit	68.6	67.6	-1.0
Sales and marketing expenses	19.1	21.1	-2.0
General and admin expenses	20.1	19.4	+0.7
Other operating income	-	0.2	+0.2
EBITDA	29.3	27.3	-2.0
Depreciation	22.8	20.4	+2.4
EBIT	6.5	7.0	+0.5
Financial result	(3.2)	(3.2)	-
Income taxes	(0.7)	(2.1)	-1.4
Net profit	2.6	1.6	-1.0

- Consistent quarterly **revenue growth** in 2018
- **Gross profit** and **EBITDA** have developed as expected (change mainly due to higher share of low-margin TC business with resellers)
- **EBIT** is benefiting from lower depreciation
- Sustainable **net profit** since Q1 2017 (latest development affected by higher tax burden)

Cloud: Beginning to prove its scalability



Proof of scalability:

- 9M 2018: Revenues + € 6.0 million
Cost of revenues + € 0.9 million
Sales and marketing + € 0.6 million
- Segment margin soared to 16%
- In 2018, the Cloud segment will - for the first time - make a **significant contribution** to QSC's overall profitability

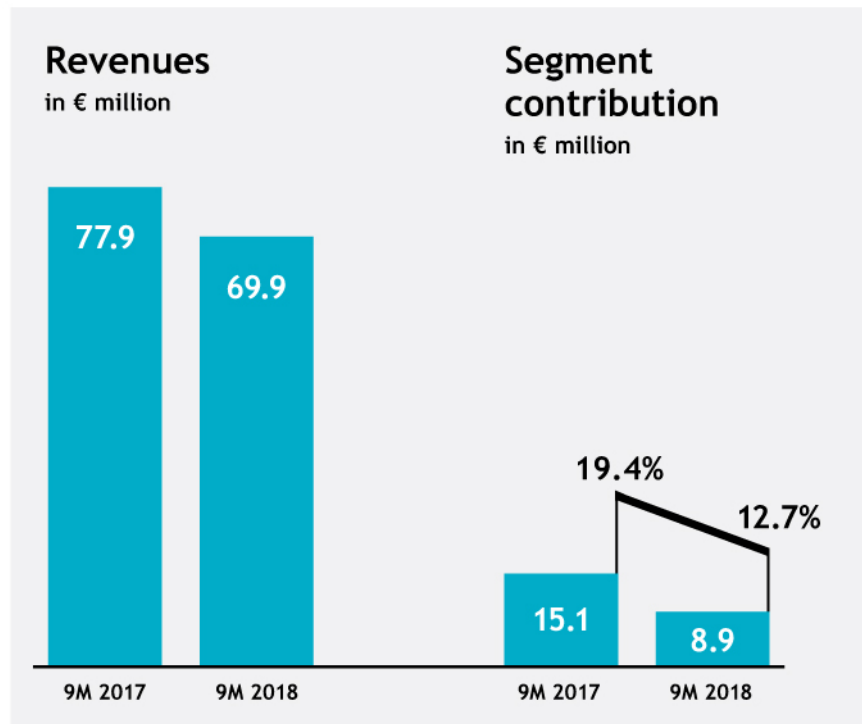
IoT: Huge potential in Industry 4.0 environments

- QSC's IoT subsidiary, Q-loud, focusses on the needs of German SMEs
- New opportunities arising from the combination of IoT and SAP know-how
→ QSC's "Energy Management Cockpit" is Germany's first SAP-Leonardo-qualified solution
- Since October 2018, Q-loud has been headed up by Dr. Myriam Jahn, a previous board member of Industry 4.0 specialist TiSC AG (~220 employees)
- With its enhanced management team, Q-loud will enter an era of stronger sales activities
→ One target: Industry 4.0 and automation specialists' need for holistic IoT know-how

Cloud Services meet the needs of German SMEs

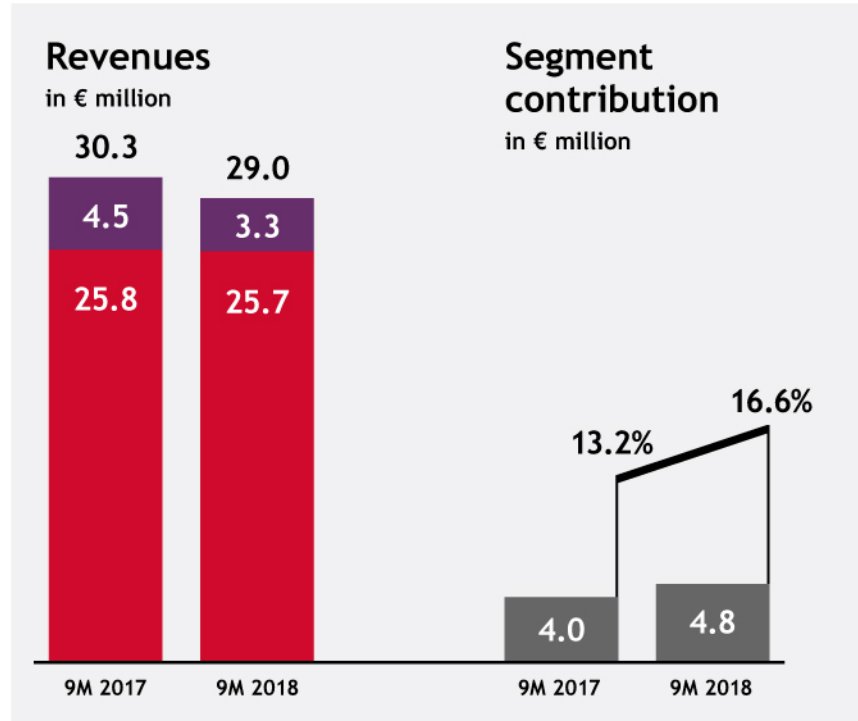
- QSC's Cloud business is mainly being driven by rising demand for the Company's largely proprietary Cloud Services
- Dedicated sales force is winning new customers
 - in typical German manufacturing strongholds (e.g. automotive suppliers)
 - in financial services (e.g. PEAC Germany)
- Step by step, QSC is migrating existing Outsourcing customers from on-premise solutions to the Cloud → boundary between Cloud/Outsourcing business is becoming less and less
- New head of Cloud Services and Outsourcing is positioning his organisation as a perfect partner for SMEs

Outsourcing: Revenues developed as expected



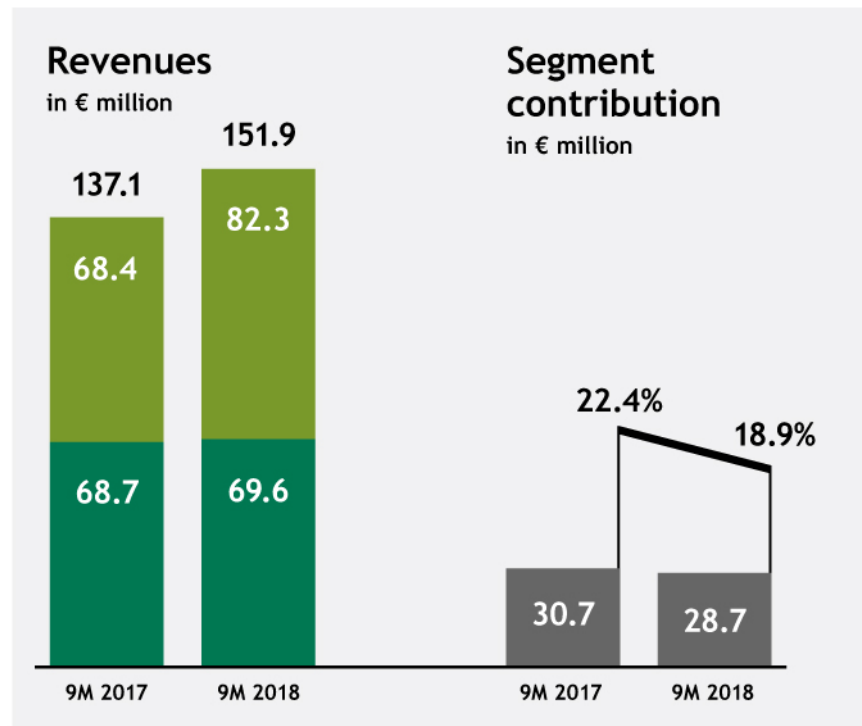
- Revenues were mainly influenced by one large contract termination in Q3 2017 and by another in H2 2018
- A further contract will expire at the beginning of 2019
- Ongoing revenue transition to the Cloud segment
- Organisational restructuring has effects on the segment contribution

Consulting: High segment margin



- Revenues at a stable level of between € 9 and € 10 million per quarter (Q3 2018: € 9.8 million, Q2 2018: € 9.4 million; Q1 2018: € 9.8 million)
- Skills shortage has an influence on SAP consulting, especially on S/4HANA business
- Ongoing optimisation of current staff utilisation is ensuring a high segment margin

Telecommunications: Strong growth and high margin



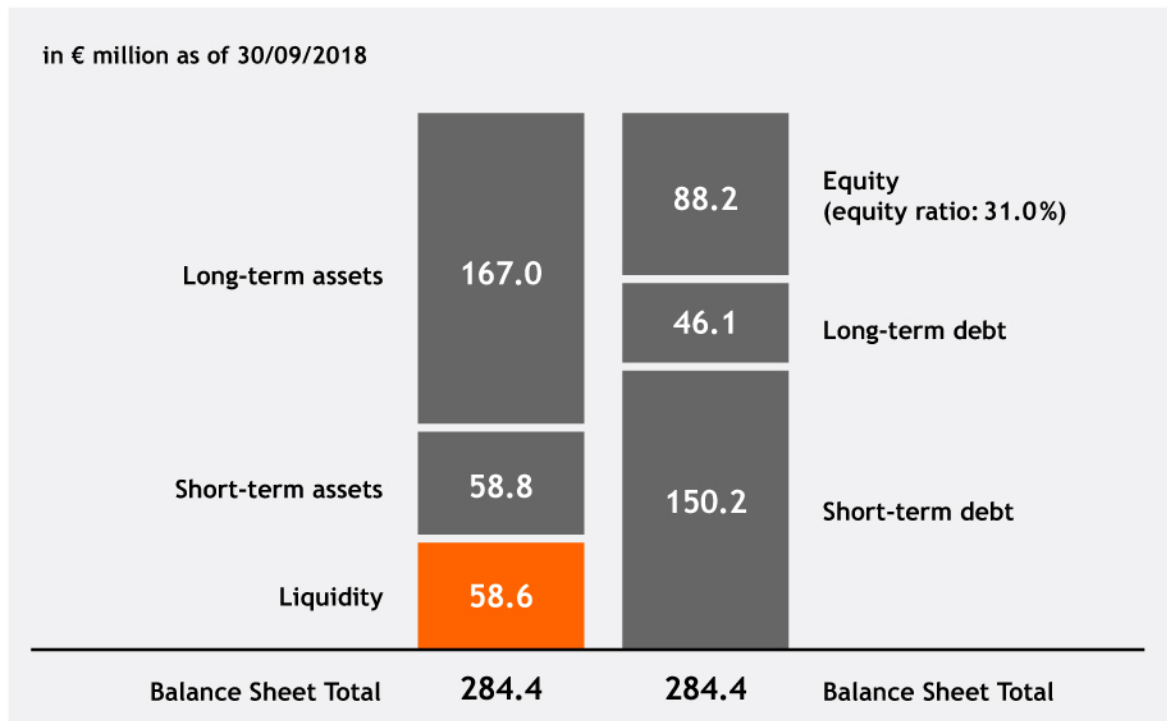
- TC reseller business is still benefiting from a favourable market environment and the highly efficient Next Generation Network (NGN)
- Continued moderate growth in business with corporate customers
- Change in revenue mix and increased sales activities have impacted the segment contribution

- TC revenues with resellers
- TC revenues with corporate customers
- TC total
- Segment margin

TC business is benefiting from the new structure

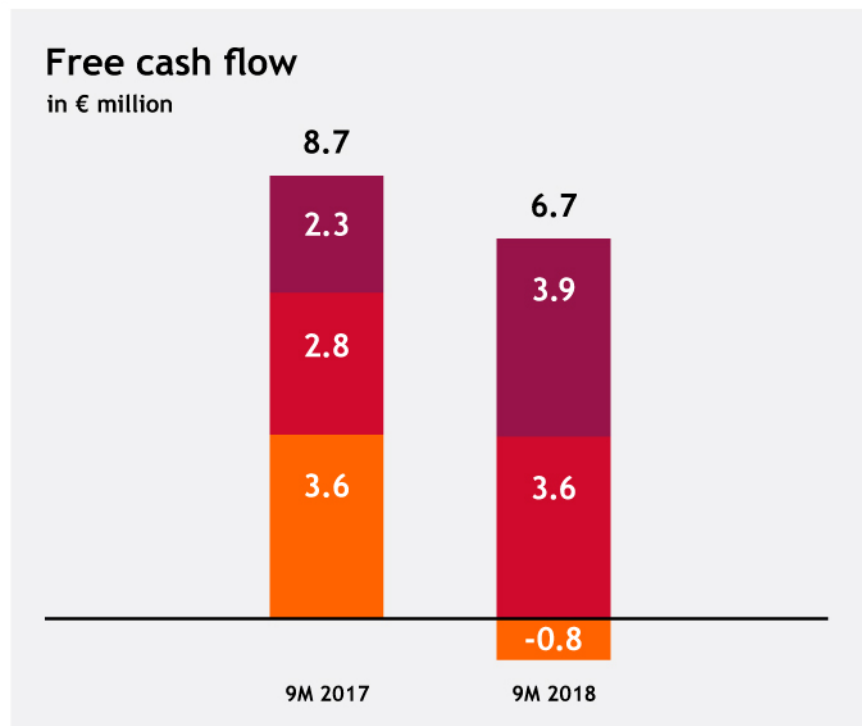
- Plusnet is now up and running as a 100% subsidiary of QSC
- Dedicated sales force is opening up new opportunities with business customers & resellers
- Plusnet spin-off has led to higher visibility
 - Several enterprises have expressed their interest in acquiring the company
- QSC has entered into talks with suitable investors regarding this strategic option
- Talks will continue into Q1 2019
- All other strategic options for Plusnet (e.g. further development as a stand-alone business or co-operations) remain unaffected

Solid balance sheet and sound financing



- Equity ratio up by 1 percentage points compared to 31 Dec 2017
- Increase in short-term debt caused by reclassification of first tranches of promissory note loan (€ 100 million), due in May 2019
- Successful increase in syndicated loan volume to € 100 million guarantees smooth refinancing of promissory note loan due in May 2019

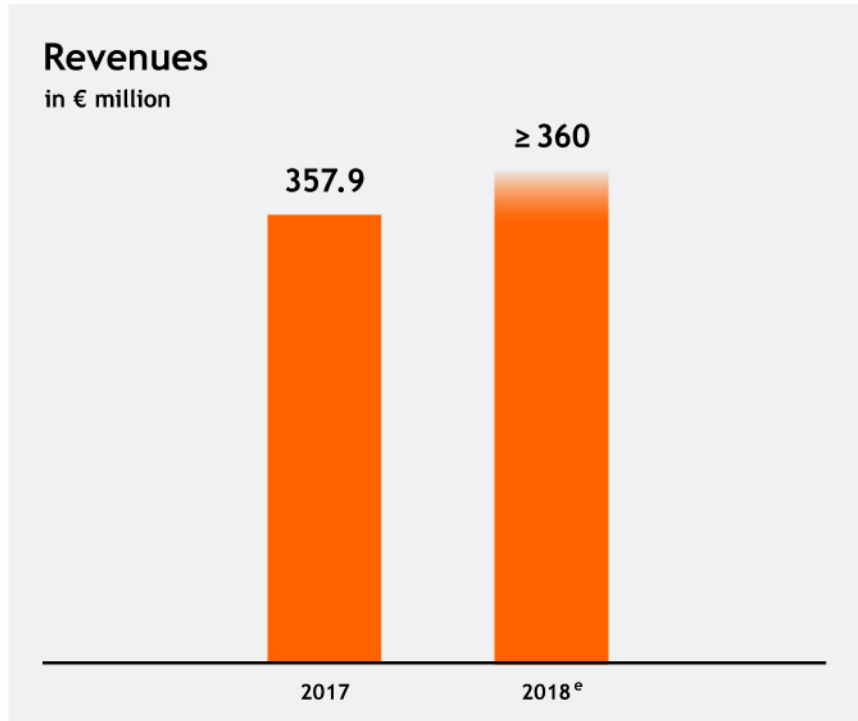
FCF has shown a strong increase since Q2 2018



- Q1 2018 was influenced by both high prepayments for the full year and severance payments
- In Q2 and Q3 2018, FCF benefited from positive development in operating business
- In general, FCF is the base of the yearly dividend since FY 2011 (FY 2017: € 0.03)

-
- 3rd quarter
 - 2nd quarter
 - 1st quarter

Forecast: QSC now expects to surpass its 2017 revenues



Given the recent revenue development, QSC is now expecting:

- Revenues of at least € 360 million

QSC continues to expect:

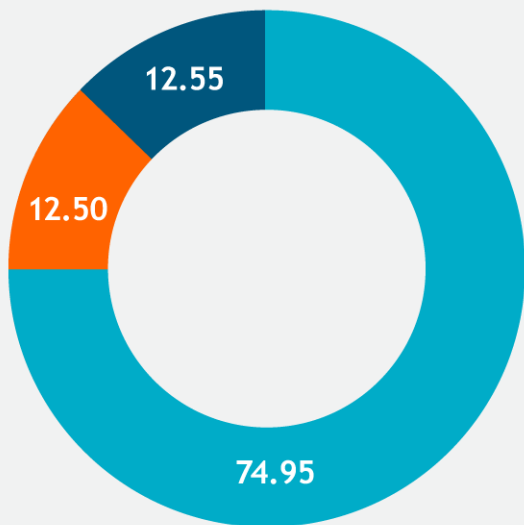
- EBITDA of € 35–40 million
- Free cash flow > € 10 million

3. Appendix

Stable shareholder structure

Shareholders structure

in %



Founders never sold a single share since the IPO in 2000

12.55% Gerd Eickers¹

12.50% Dr. Bernd Schlobohm²

74.95% Free float

¹ Founder and Member of the Supervisory Board

² Founder and Chairman of the Supervisory Board

As of 31 December 2018

Financial calendar

27 February 2019

Publication of preliminary results for fiscal year 2018
Publication of outlook for fiscal year 2019

29 March 2019

Publication of the 2018 Annual Report

13 May 2019

Publication of the Q1/2019 Quarterly Statement

29 May 2019

Annual Shareholders Meeting

5 August 2019

Publication of the H1/2019 Quarterly Report

11 November 2019

Publication of the 9M/2019 Quarterly Statement

Contact



QSC AG
Arne Thull
Head of Investor Relations

T +49 221 669-8724

F +49 221 669-8009

invest@qsc.de

www.qsc.de

Twitter.com/QSCIRde

Twitter.com/QSCIRen

blog.qsc.de

xing.com/companies/QSC AG

slideshare.net/QSCAG

QSC AG
Mathias-Brüggen-Str. 55
50829 Cologne, Germany

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