

# QSC AG

Company Presentation

Results Q2 2013

Cologne, August 12, 2013

**QSC**<sub>AG</sub>

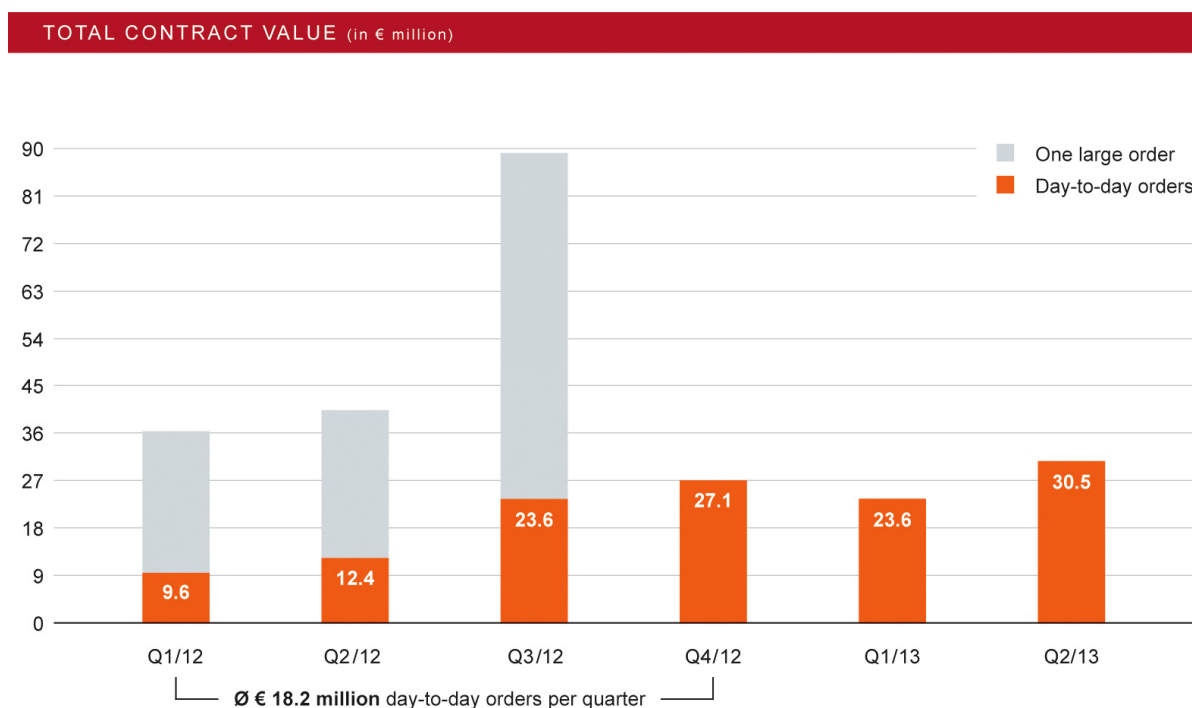
# AGENDA

1. Highlights Q2 2013
2. Financial Results Q2 2013
3. Outlook 2013
4. Questions & Answers

## PROFITABLE GROWTH OF ICT BUSINESS IN Q2 2013

- Transformation process is paying off
  - Direct Sales (ICT) revenues increased by 10% to € 50.3 million
  - Indirect Sales (ICT) revenues increased by 7% to € 30.8 million
  - Resellers (mainly TC) revenues decreased by 23% to € 32.4 million
- As in Q1 2013, QSC managed to compensate negative regulatory impact, to a certain extent, through
  - a higher demand for Outsourcing
  - temporarily stronger demand for IP-based voice products
- Increase in profitability despite lower revenues
  - EBITDA up by 6% to € 19.2 million
  - EBIT up by 35% to € 6.6 million
  - Net profit up by 79% to € 5.2 million

# DIRECT SALES GENERATES A HIGH LEVEL OF DAY-TO-DAY-ORDERS



- Day-to-day orders on a higher level than on average in 2012
- TCV in 2012 positively impacted by three large outsourcing orders
- In H2 2013, QSC might win one or two large orders. This would lead to the usual upfront CAPEX but no significant revenue impact in 2013

## INDIRECT SALES IS STRENGTHENING ITS PARTNER NETWORK

- Since 2012, QSC has managed to win 110 additional ICT sales partners
- In 2013, our experts are working on building sustainable relationships by
  - training employees
  - certifying partners (focus on QSC-tengo in H2 2013)
  - establishing interfaces and back-office-procedures
- These upfront investments and patience are needed to pave the way for marketing QSC's innovative ICT portfolio

## RESELLER BUSINESS FACES ADVERSE MARKET CONDITIONS

- Revenue decline by 23% to € 32.4 million in Q2 2013 mainly caused by
  - ongoing decline of ADSL2+ revenues in a very competitive market
  - stricter regulation since December 1, 2012
- Currently, the highly efficient NGN is enabling QSC to earn additional voice revenues with sufficient margins despite fierce price competition
- In general, Resellers business plays an important role in utilizing the modern voice/data network of QSC

## TC BUSINESS IMPACTED BY TIGHTENED REGULATION

- As of December 1, 2012, the German Federal Network Agency has lowered interconnection fees. Three major changes:
    - Lower mobile fees: decreased by 45 – 47%
    - Lower fixed-line fees: decreased by 20 – 40%
    - A new structure of fixed-line termination fees for altnets
  - Effects on QSC:
    - € 7-8 million less in revenues per quarter in 2013  
(~55% Reseller / ~45% Indirect Sales)
    - some € 1 million less profit per quarter in 2013
- ⇒ **QSC managed to partly compensate for these effects in H1 2013**

## NEW ORGANIZATION TAKES SHAPE

- On May 27, 2013, QSC merged four INFO subsidiaries with INFO AG
- On August 6, 2013, QSC merged INFO AG with QSC AG
- QSC is now able to offer really one-stop shopping for an extensive range of ICT services
- Cost and Service Centers support a Profit Center organization in three business areas (Direct Sales, Indirect Sales, Resellers)
- Small subsidiaries like QSC-tengo GmbH will help to accelerate the market entry for innovations based on QSC's intellectual property



# AGENDA

1. Highlights Q2 2013
2. Financial Results Q2 2013
3. Outlook 2013
4. Questions & Answers

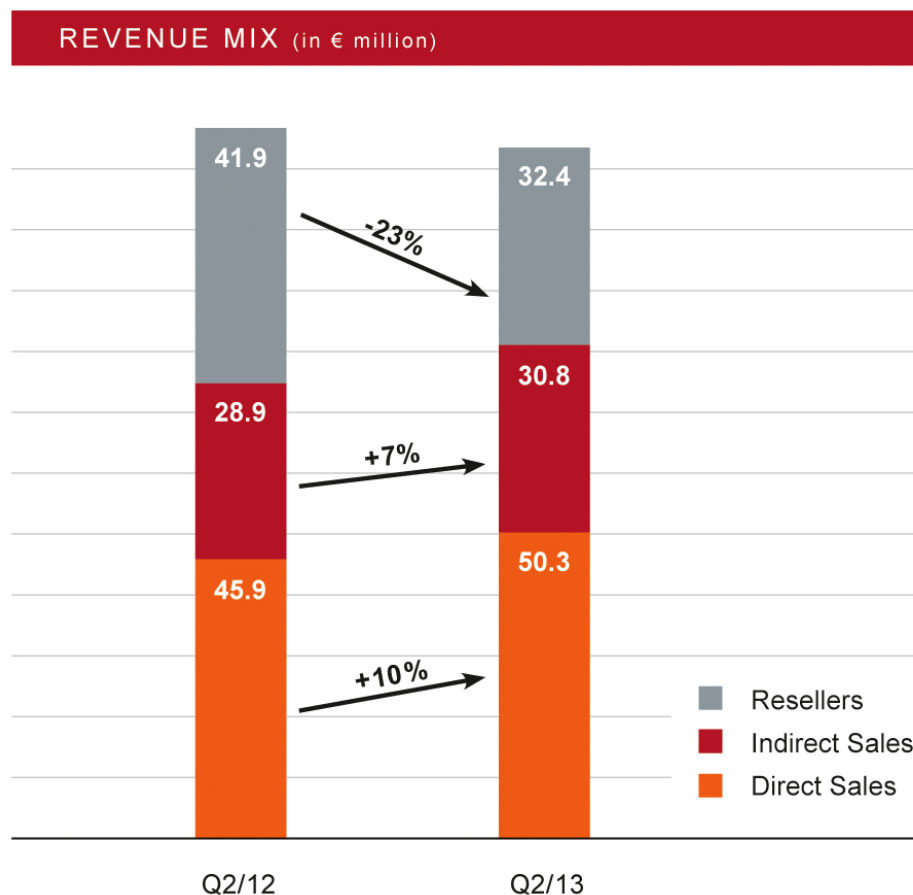
# HIGHER PROFITS DESPITE LOWER REVENUES

| In € million                              | Q2 2012      | Q2 2013      | Δ             |
|---|--------------|--------------|---------------|
| • Revenues                                | 116.6        | 113.5        | -2.7%         |
| • Cost of Revenues <sup>(1)</sup>         | 79.1         | 75.5         | -4.6%         |
| • <i>Gross profit</i>                     | <b>+37.5</b> | <b>+37.9</b> | <b>+1.1%</b>  |
| • Other operating expenses <sup>(1)</sup> | 19.4         | 18.7         | -3.6%         |
| • <i>EBITDA profit</i>                    | <b>+18.1</b> | <b>+19.2</b> | <b>+6.1%</b>  |
| • Depreciation                            | 13.2         | 12.6         | -4.5%         |
| • <i>EBIT profit</i>                      | <b>+4.9</b>  | <b>+6.6</b>  | <b>+34.7%</b> |
| • Financial results                       | -1.0         | -0.9         | -10.0%        |
| • Income taxes                            | -1.0         | -0.5         | nm            |
| • <i>Net profit</i>                       | <b>+2.9</b>  | <b>+5.2</b>  | <b>+79.3%</b> |

10

(1) Excluding depreciation and non-cash share-based remuneration

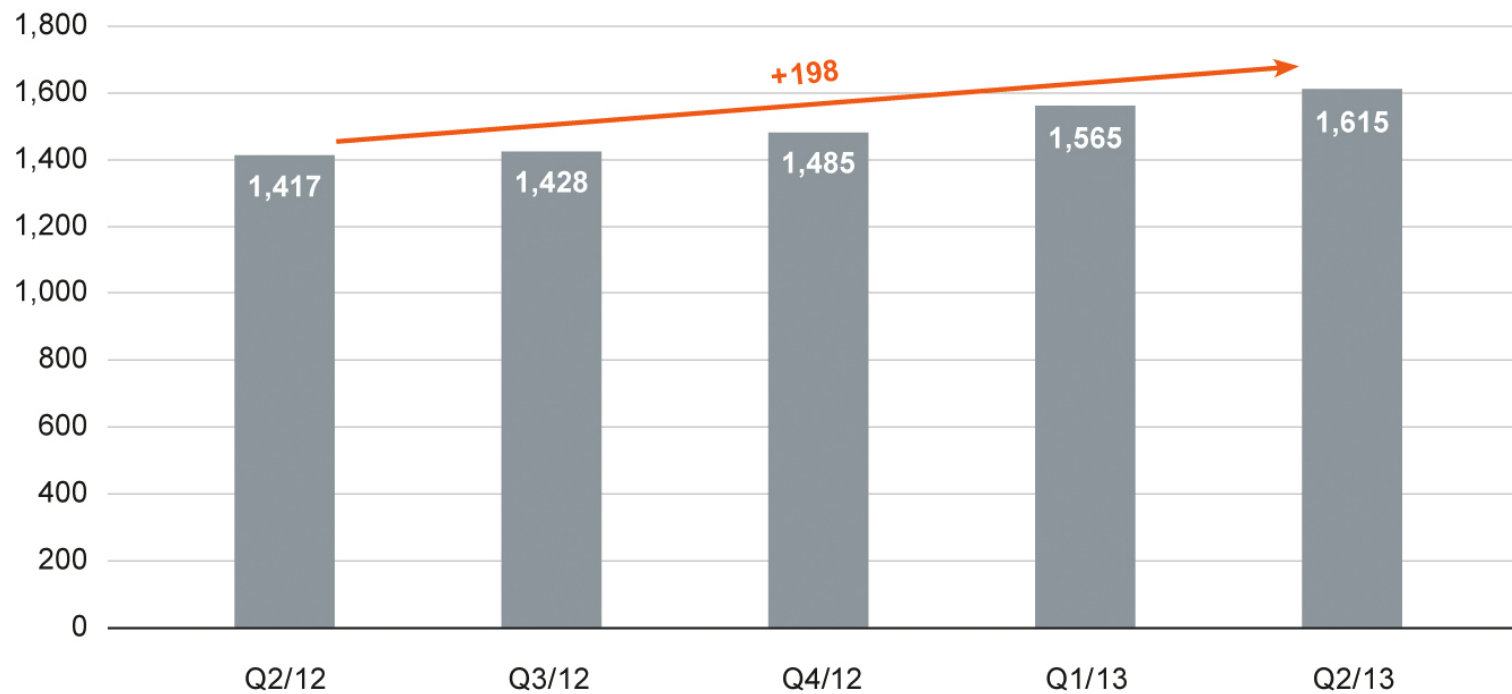
# POSITIVE DEVELOPMENT OF HIGHER MARGIN ICT BUSINESS HELPS TO BOOST PROFITABILITY



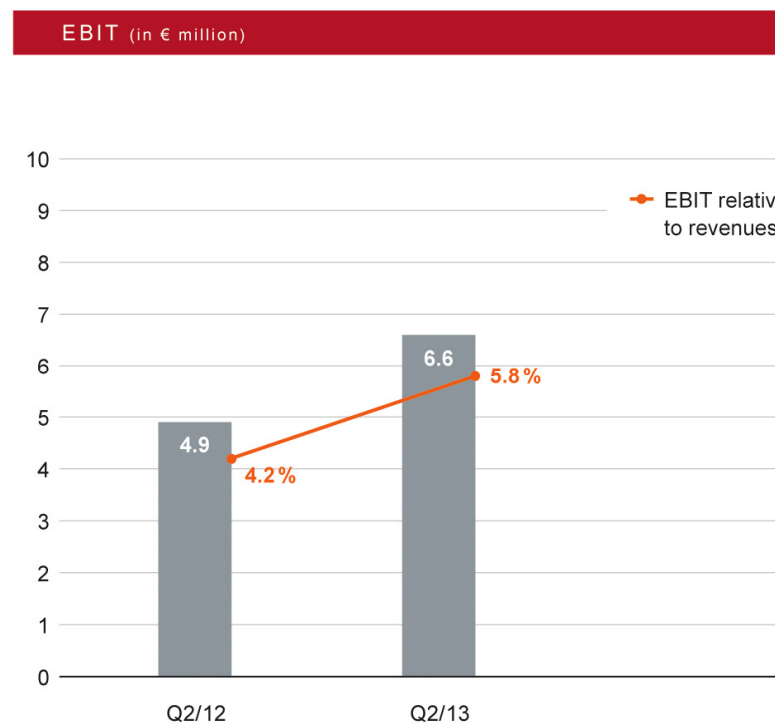
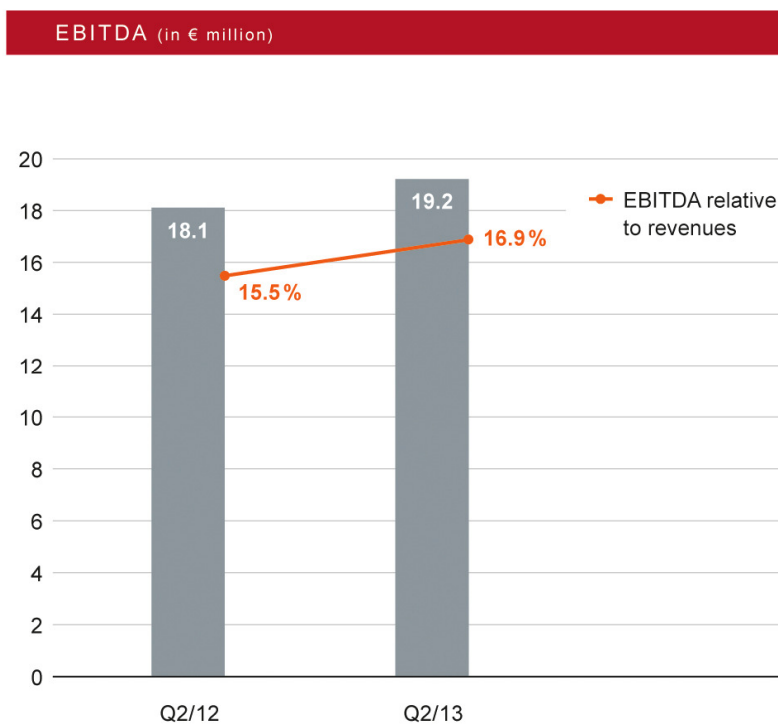
- Only 29 percent of QSC's revenues still come from low-margin TC business (Q2 2012: 36 percent)
- In Q2 2013, QSC earned attractive EBITDA margins in ICT segments
  - Direct Sales: 21%
  - Indirect Sales: 25%
  - Resellers: 2%

# HIGHER PROFITS DESPITE HIGHER PERSONNEL EXPENSES

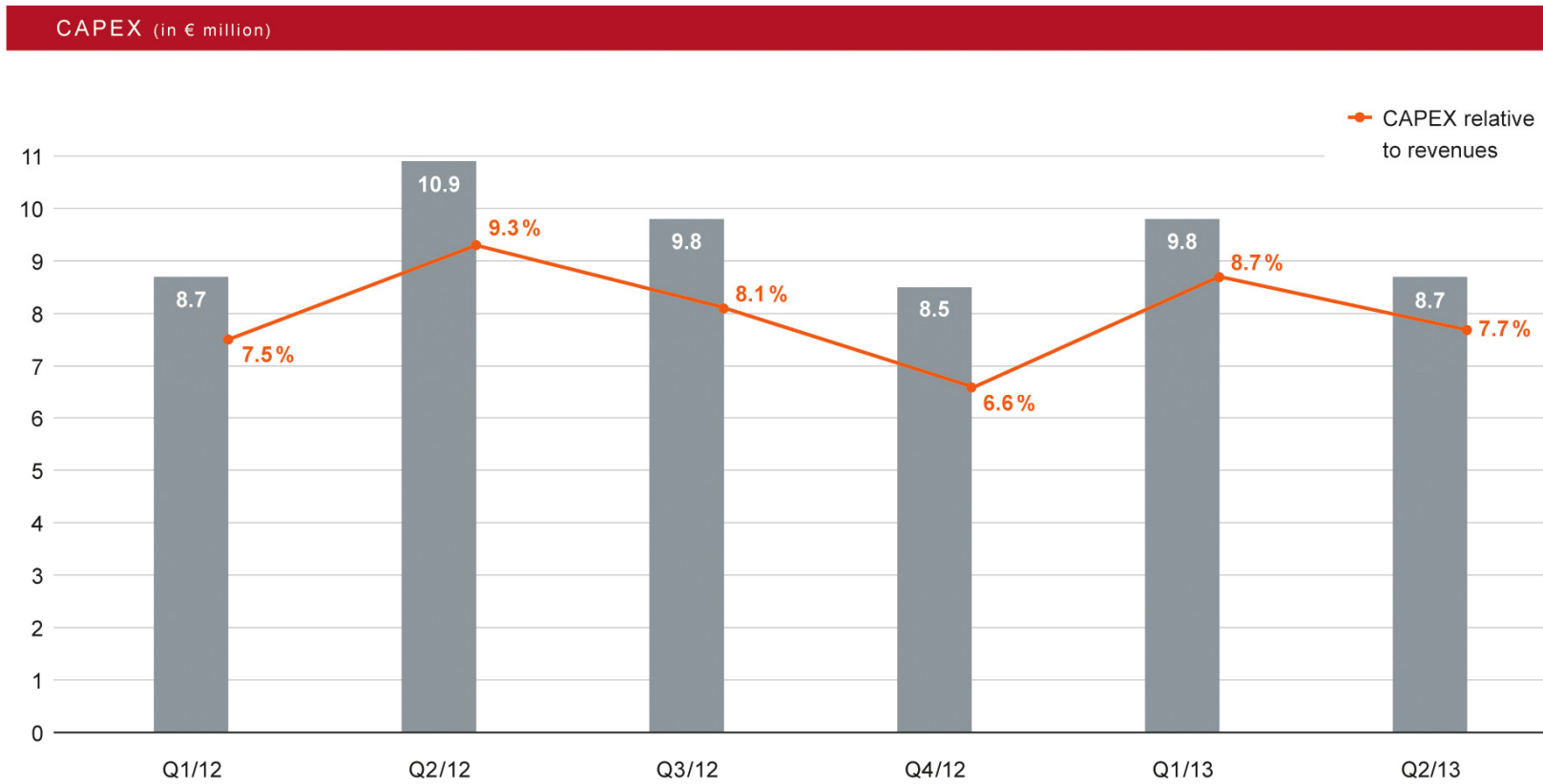
## DEVELOPMENT OF EMPLOYEES



# HIGHER-MARGIN REVENUES AND LOWER COSTS LEAD TO HIGHER PROFITABILITY



# IN H1 2013, QSC INVESTED IN NEW CUSTOMERS AND IN NEW PRODUCTS



## QSC EARNED A SUSTAINABLE FREE CASH FLOW

| (in € million)   | March 31, 2013 | June 30, 2013 | FCF Q2/2013  |
|--|----------------|---------------|--------------|
| Cash and short-term deposits                               | 41.0           | 43.2          | + 2.2        |
| Available-for-sale financial assets                        | 0.3            | 0.3           | -            |
| <b>Liquidity</b>   | <b>41.3</b>    | <b>43.5</b>   | <b>+ 2.2</b> |
| Liabilities under financing and finance lease arrangements | -10.5          | -10.4         | + 0.1        |
| Liabilities due to banks                                   | -81.1          | -88.0         | -6.9         |
| <b>Interest-bearing liabilities</b>                        | <b>-91.6</b>   | <b>-98.4</b>  | <b>-6.8</b>  |
| <b>Net debt</b>  | <b>-50.3</b>   | <b>-54.9</b>  | <b>-4.6</b>  |
| Payment of dividend  |                |               | + 11.1       |
| <b>Free cash flow</b>                                      |                | <b>+6.5</b>   |              |

# AGENDA

1. Highlights Q2 2013
2. Financial Results Q2 2013
3. Outlook 2013
4. Questions & Answers



# QSC CONFIRMS GUIDANCE FOR FINANCIAL YEAR 2013

QSC anticipates

- revenues of at least € 450 million
- an EBITDA margin of at least 17%
- free cash flow of at least € 24 million

## TWO-TRACK DEVELOPMENT IN 2013

### **Direct Sales – on growth course**

- Largest business area well on track to grow revenues faster than the ICT market in 2013, as it did in 2012
- High level of new orders remains a good base for anticipated growth

### **Indirect Sales – stable development**

- Higher demand for IP-based voice products will most probably not continue in H2 2013
- Despite regulatory impact, Indirect Sales will remain stable in 2013

### **Resellers – shrinking importance of TC business**

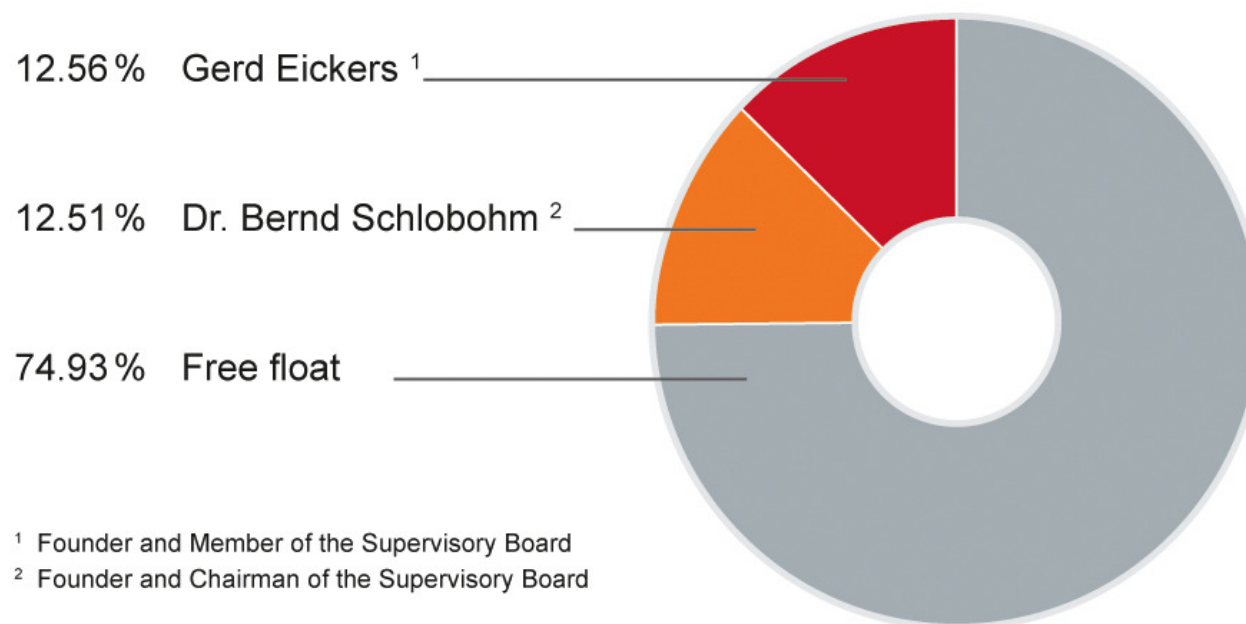
- Ongoing revenue decline due to market conditions and regulation

# AGENDA

1. Highlights Q2 2013
2. Financial Results Q2 2013
3. Outlook 2013
4. Questions & Answers

# SHAREHOLDER STRUCTURE AFTER PURCHASE OF ADDITIONAL SHARES BY TWO FOUNDERS

## SHAREHOLDER STRUCTURE



<sup>1</sup> Founder and Member of the Supervisory Board

<sup>2</sup> Founder and Chairman of the Supervisory Board

As of July 31, 2013

## FINANCIAL CALENDAR

|                    |   |
|--------------------|---|
| August 28, 2013    | TMT Conference, Commerzbank, Frankfurt  |
| September 4, 2013  | Pan-European TMT Conference,<br>Deutsche Bank, London                               |
| September 23 ,2013 | 2 <sup>nd</sup> German Corporate Conference,<br>Berenberg and Goldman Sachs, Munich |
| September 24, 2013 | German Investment Conference,<br>UniCredit and Kepler Cheuvreux, Munich             |
| November 11, 2013  | Publication of Quarterly Report III/2013  |
| November 12, 2013  | Deutsches Eigenkapitalforum,<br>Deutsche Börse, Frankfurt                           |
| November 14, 2013  | 5 <sup>th</sup> German Company Day,<br>LBBW, London                                 |

# CONTACT

QSC AG  
Arne Thull  
Head of Investor Relations  
Mathias-Brüggen-Strasse 55  
50829 Cologne

Phone +49-221-6698-724  
Fax +49-221-6698-009  
E-mail [invest@qsc.de](mailto:invest@qsc.de)  
Web [www.qsc.de](http://www.qsc.de)



[twitter.com/QSCIRde](https://twitter.com/QSCIRde)



[twitter.com/QSCIRen](https://twitter.com/QSCIRen)



[blog.qsc.de](http://blog.qsc.de)



[xing.com/companies/QSCAG](http://xing.com/companies/QSCAG)



[slideshare.net/QSCAG](http://slideshare.net/QSCAG)

# SAFE HARBOR STATEMENT

This presentation includes forward-looking statements as such term is defined in the U.S. Private Securities Litigation Act of 1995. These forward-looking statements are based on management's current expectations and projections of future events and are subject to risks and uncertainties. Many factors could cause actual results to vary materially from future results expressed or implied by such forward-looking statements, including, but not limited to, changes in the competitive environment, changes in the rate of development and expansion of the technical capabilities of DSL technology, changes in prices of DSL technology and market share of our competitors, changes in the rate of development and expansion of alternative broadband technologies and changes in prices of such alternative broadband technologies, changes in government regulation, legal precedents or court decisions relating, among other things, to line sharing, rent for co-location and unbundled local loops, the pricing and timely availability of leased lines, and other matters that might have an effect on our business, the timely development of value-added services, our ability to maintain and expand current marketing and distribution agreements and enter into new marketing and distribution agreements, our ability to receive additional financing if management planning targets are not met, the timely and complete payment of outstanding receivables from our distribution partners and resellers of QSC services and products, as well as the availability of sufficiently qualified employees.

A complete list of the risks, uncertainties and other factors facing us can be found in our public reports and filings with the U.S. Securities and Exchange Commission.

# DISCLAIMER

- This document has been produced by QSC AG (the “Company”) and is furnished to you solely for your information and may not be reproduced or redistributed, in whole or in part, to any other person
- No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein and, accordingly, none of the Company or any of its parent or subsidiary undertakings or any of such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document
- The information contained in this document does not constitute or form a part of, and should not be construed as, an offer of securities for sale or invitation to subscribe for or purchase any securities, and neither this document nor any information contained herein shall form the basis of, or be relied on in connection with, any offer of securities for sale or commitment whatsoever