



Analyst Conference
Cologne, 5 March 2018

THE DIGITISER TO THE GERMAN SME SECTOR

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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.

Agenda

- Words of welcome **Jürgen Hermann**
- Preliminary figures for 2017 & outlook for 2018 **Stefan A. Baustert**
- New growth opportunities in the new organisation **Jürgen Hermann**
- Questions & answers



Stefan A. Baustert, CFO




Preliminary figures for 2017 & outlook for 2018

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Financial development in 2017

QSC exceeds raised free cash flow target

	2017 objectives	2017 results	
Revenues	€ 355 – 365 million	€ 357.9 million	
EBITDA	€ 36 – 40 million	€ 38.3 million	
Free cash flow	€ 10 – 11 million (raised FCF forecast)	€ 12.6 million	

QSC is back in the black

in € million	2016	2017	Δ
Revenues	386.0	357.9	-28.1
Costs of revenues	282.9	266.1	-16.8
Gross profit	103.1	91.8	-11.3
Sales and marketing expenses	33.0	27.2	-5.8
General and administrative expenses	31.8	27.0	-4.8
Other operating result	(1.2)	0.7	+1.9
EBITDA	37.1	38.3	+1.2
Depreciation	50.2	31.1	-19.1
EBIT	(13.1)	7.1	+20.2
Financial income	(5.8)	(4.4)	+1.4
Income taxes	(6.1)	2.4	+8.5
Consolidated net income	(25.1)	5.1	+30.2

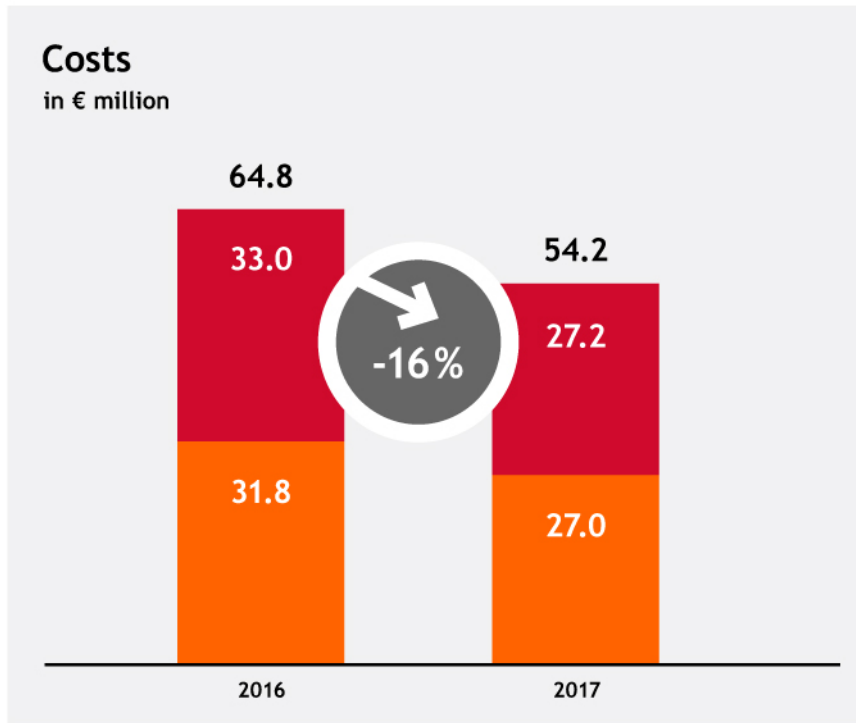
Revenues

- High growth in the Cloud
- Decline in Outsourcing and in the TC business with resellers (of which: ~ € 15 million - regulation effect)

Results

- High cost discipline proving successful
- Depreciation clearly receding

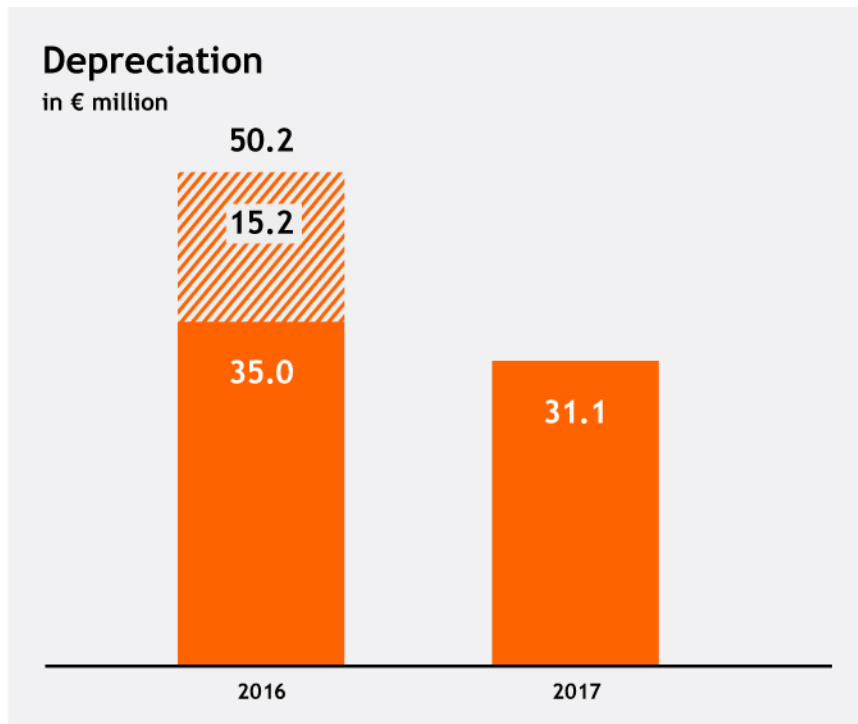
Strict cost discipline in sales and administration



- Steep decline in sales & marketing and administrative expenses within one year
- Declining sales & marketing expenses are also a result of lower commissions in the TC business for resellers

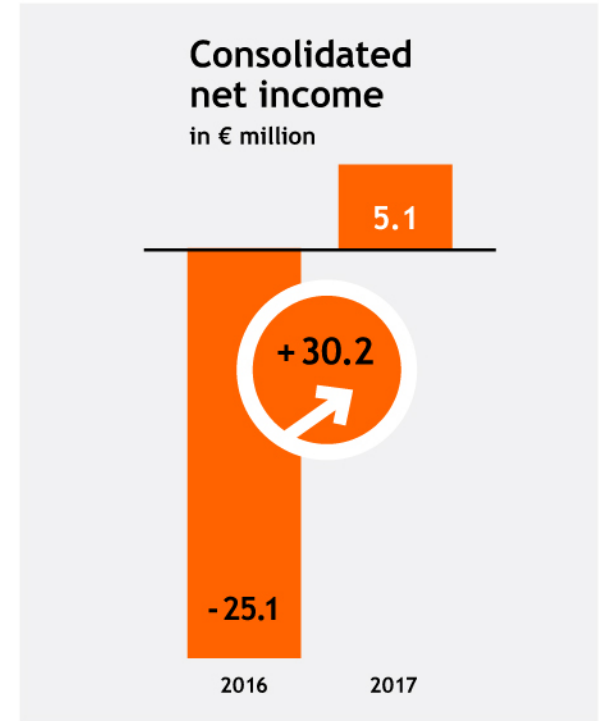
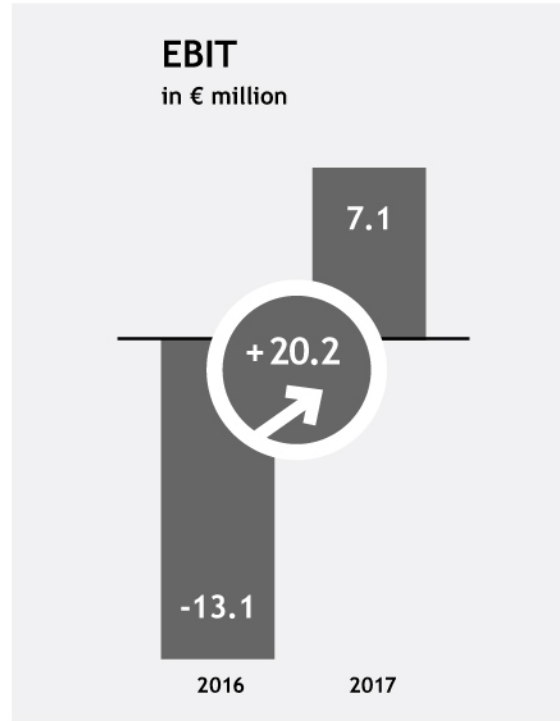
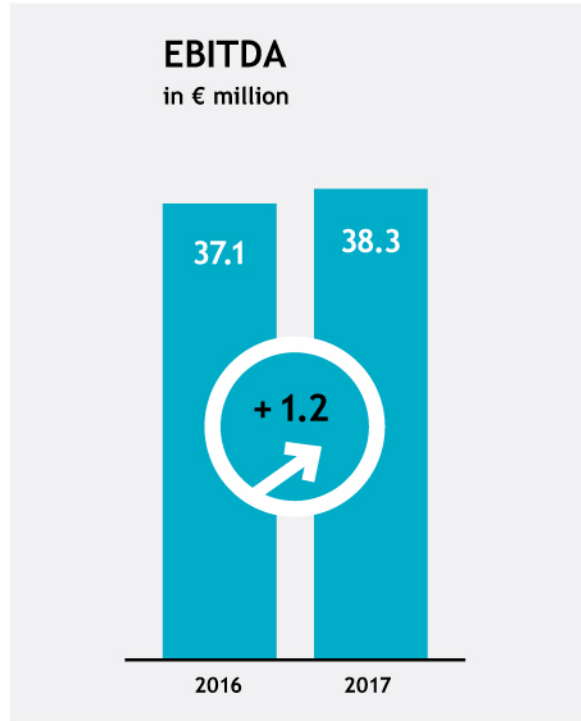
■ Sales and marketing expenses
■ General and administrative expenses

Depreciation continues to recede

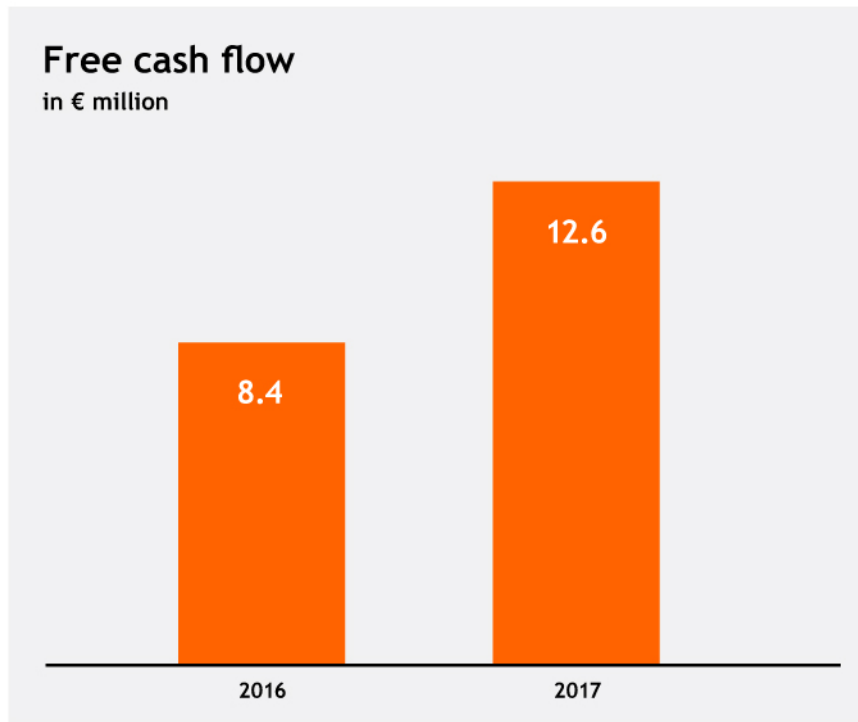


- **Scheduled depreciation** decreased to € 31.1 million in 2017
- Lower depreciation reflects **change in the business model**

QSC increased all key earnings figures in 2017

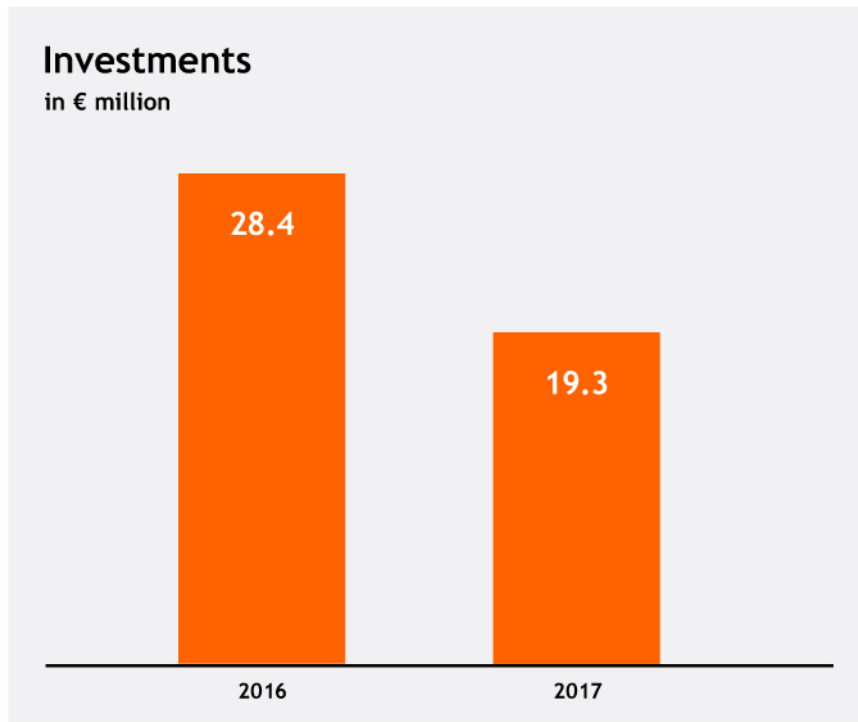


Free cash flow up by 50%



- FCF of € 12.6 million clearly exceeds high forecast of € 10-11 million
- Positive FCF permits QSC to pay out a dividend once again
- Management Board proposes a dividend of 3 cents per share for the FY 2017

Moderate investments strengthen free cash flow



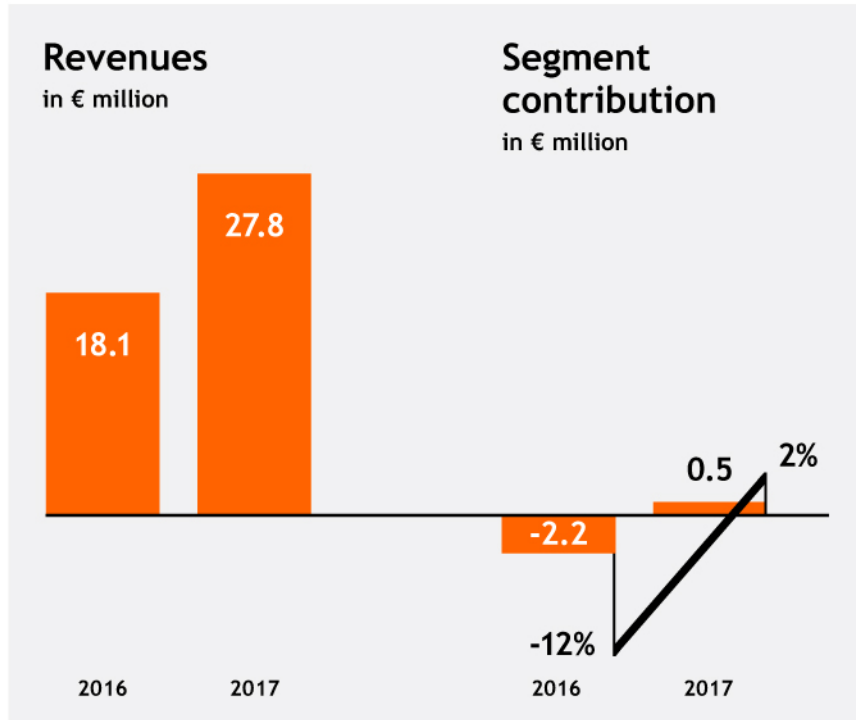
Two focal areas:

- Infrastructure and technology (41%)
- Customer projects (40%)
- Other tangible assets and licences (19%)

Continuous optimisation in the data centres

Customer projects in Cloud and IoT environment, among others, require initial investments

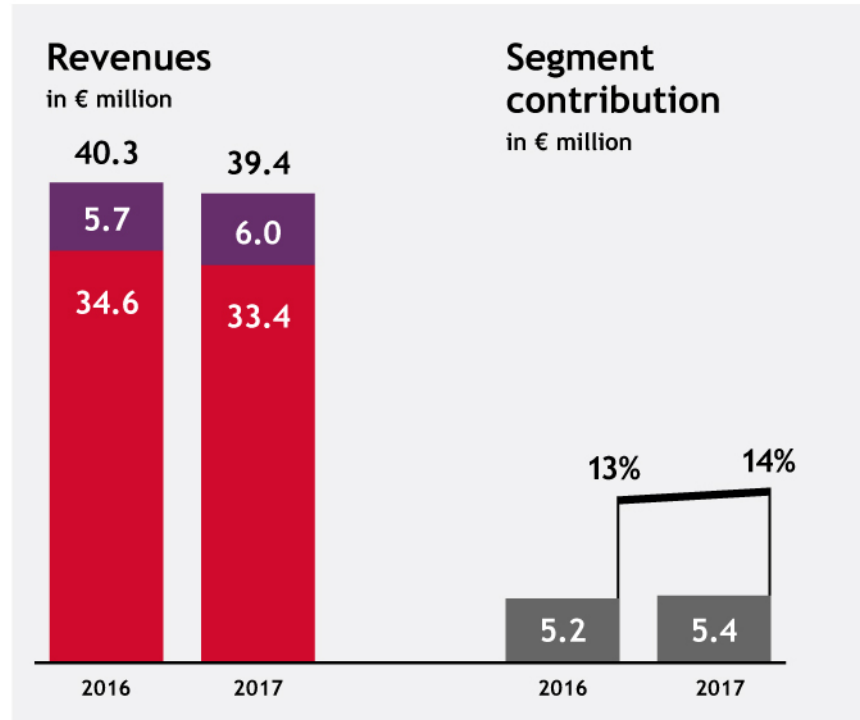
Cloud: moving into the black with high growth



- Pure Enterprise Cloud and IoT drive Cloud business
- High growth requires expansion of the team
- On an annual basis Cloud nevertheless achieved a positive segment contribution for the first time

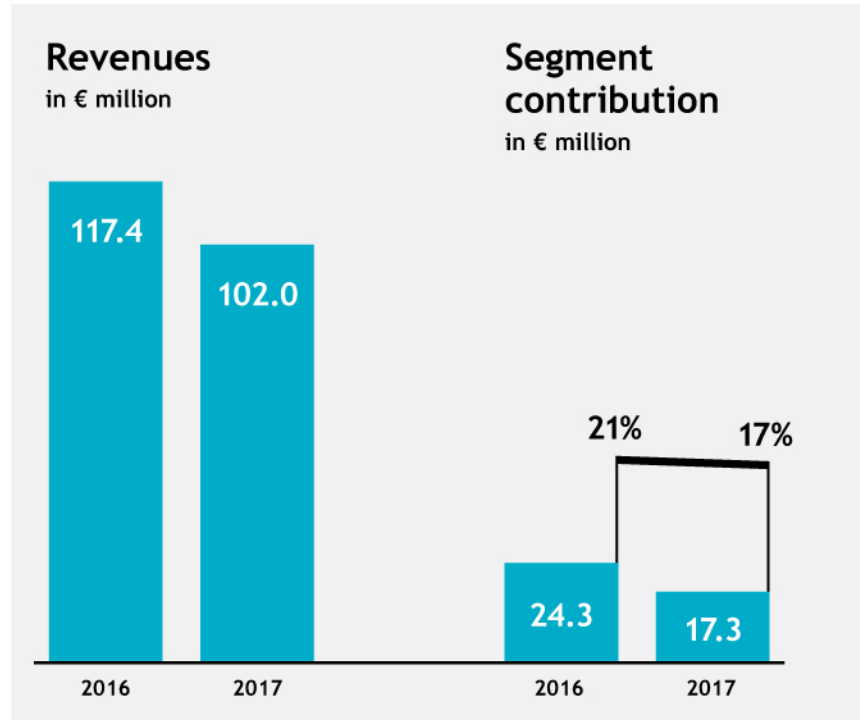
— Segment margin

Consulting: segment margin up by 1 percentage point



- Growth pause in 2017: revenues in Consulting did not quite meet up to expectations
- New initiatives will bring the segment back on a growth course in 2018
- Share of cloud projects (SAP HANA) continues to rise
- Segment margin in this personnel-intensive business remains two-digit

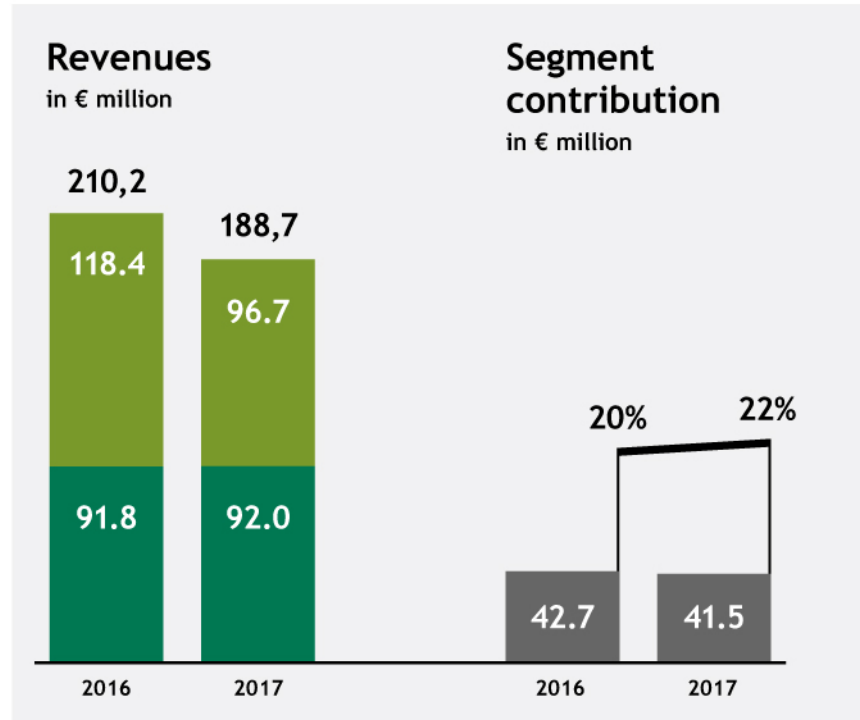
Outsourcing: revenues are developing as expected



- Traditional Outsourcing business continues to change:
 - First customers are migrating to the Pure Enterprise Cloud
 - An internationally active major customer decided in favour of global IT service provider
 - Tough price competition requires concessions in contract extensions
- Consequence: segment margin under pressure

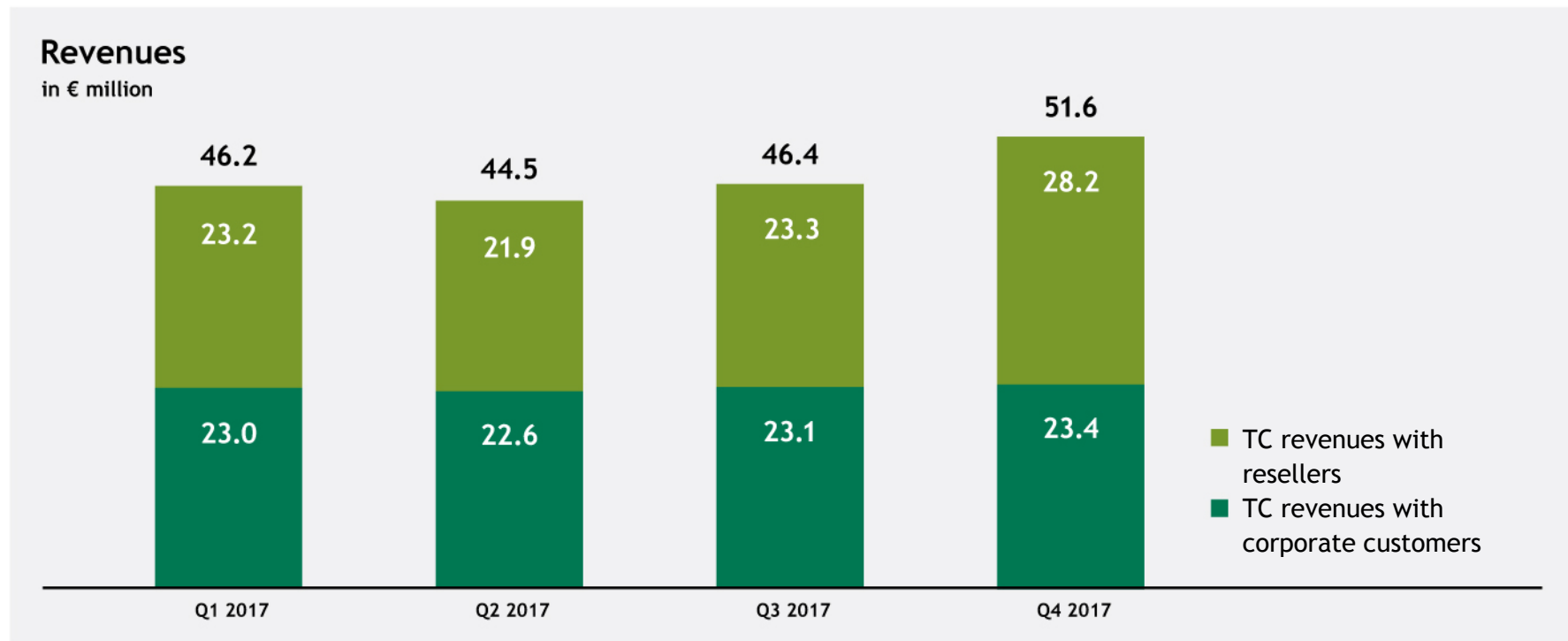
■ Segment margin

TC: attractive margins in corporate customer business

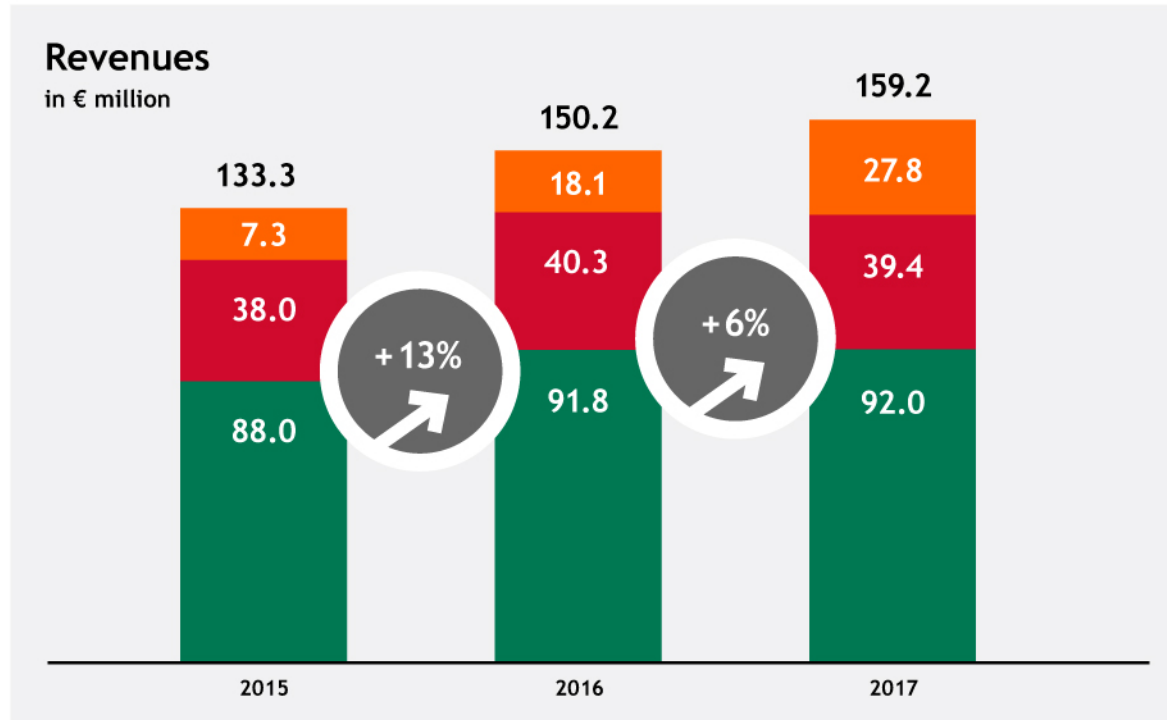


- Stable TC business with corporate customers in a challenging environment
- Two effects with resellers:
 - Stricter regulation (~ € 15 million)
 - Tough price competition
- Greater weight of the corporate customer business causes the segment margin to rise

Higher revenues with resellers in Q4 2017



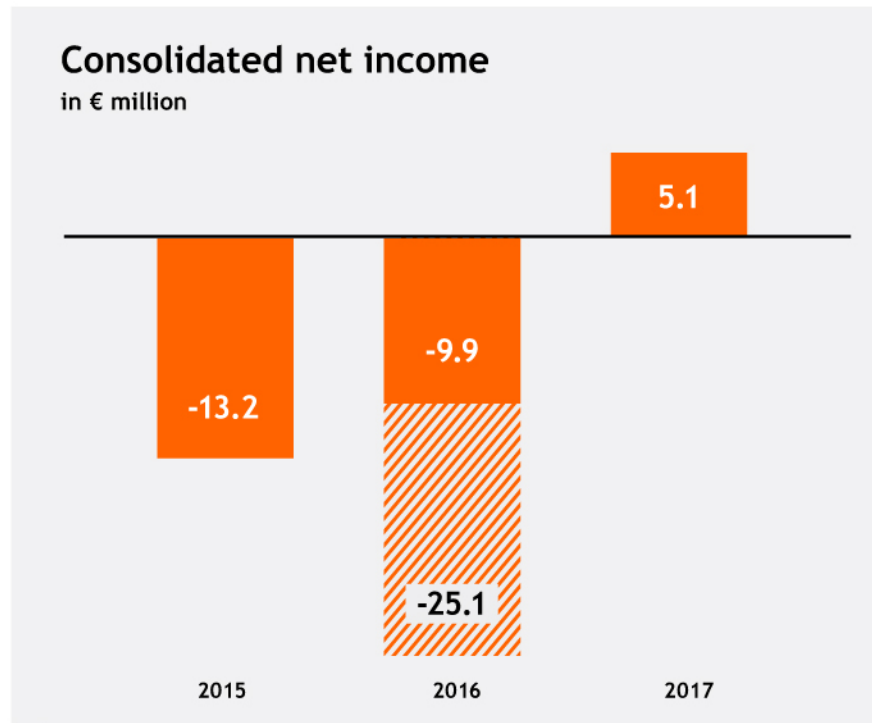
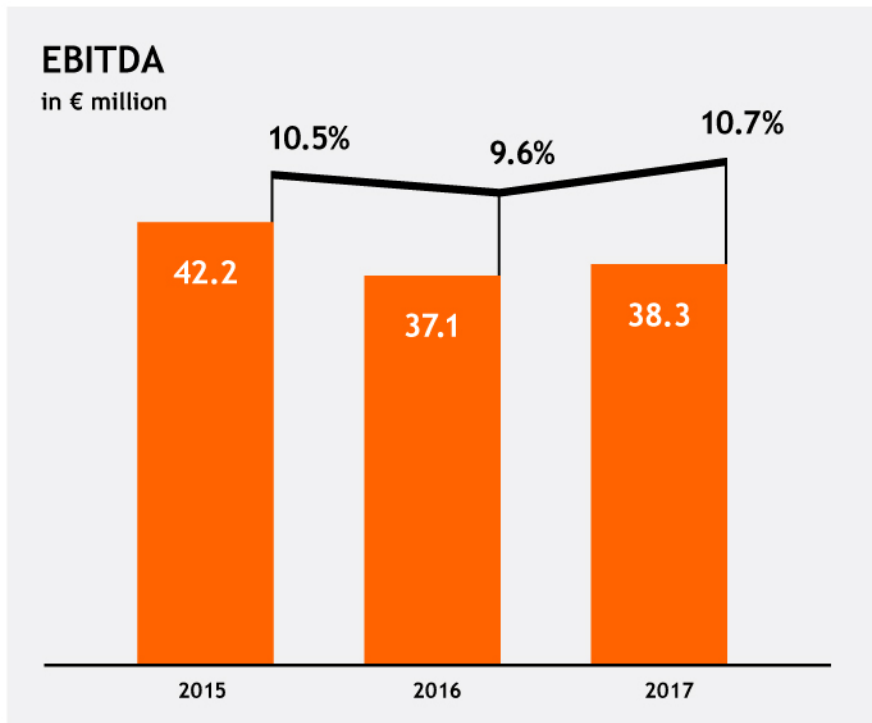
Progress made in forward-looking business fields



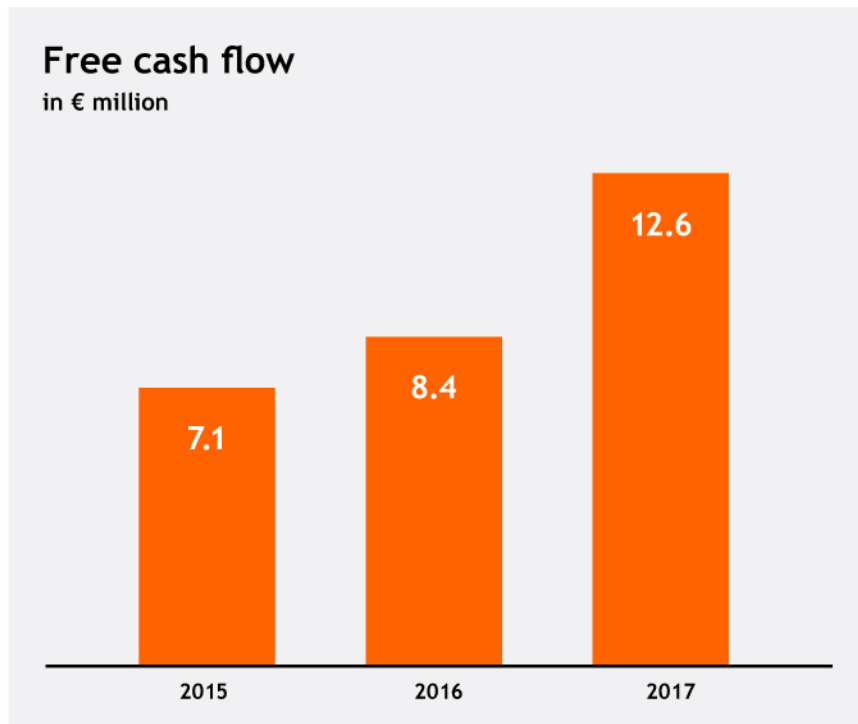
- Higher revenues in the forward-looking business fields in 2017 too: clear strategic alignment and reorganisation are bearing fruit
- Since 2015 the share of the three strategically important business fields in overall revenues has increased by 12 percentage points to 45%

- Cloud
- Consulting
- TC business with corporate customers

Progress leads to higher profitability



Free cash flow increased for the third time in succession



Strategic alignment of QSC is bearing fruit:

- Rising revenues in the forward-looking business fields
- EBITDA, EBIT and consolidated net income have improved - markedly in some cases
- Free cash flow increases from year to year

Financial outlook for 2018

2018: free cash flow of more than € 10 million planned






QSC expects the following for the 2018 financial year:

> Revenues of € 345 – 355 million

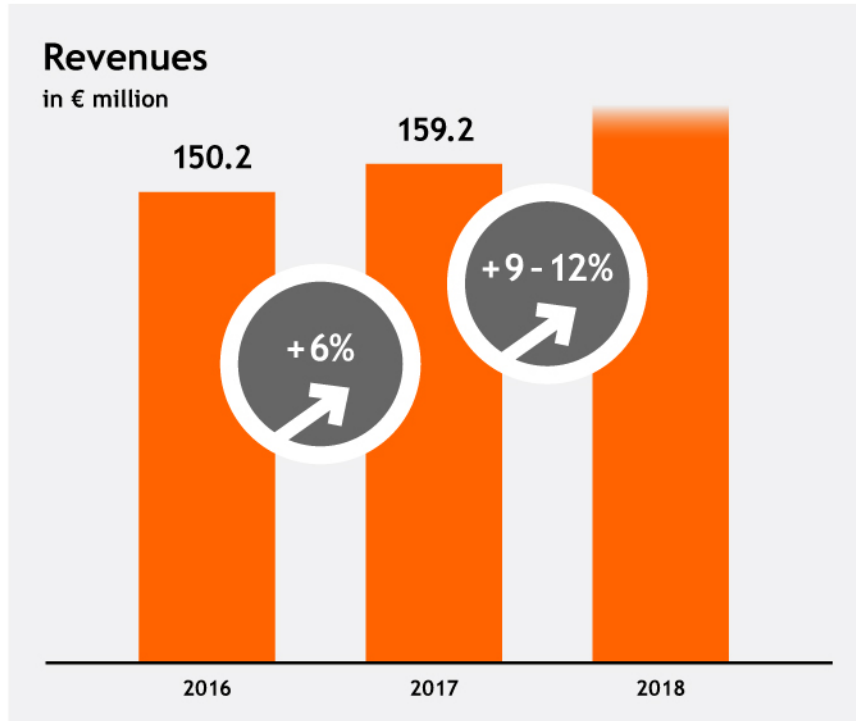
> EBITDA of € 35 – 40 million

> Free cash flow > € 10 million

2018: where QSC expects growth

Drivers in 2018		Revenue development in 2018
Cloud	Pure Enterprise Cloud and IoT	
Consulting	SAP HANA projects	
Outsourcing	Migration to cloud services, end of contract with a major customer; realignment towards SME businesses	
TC for corporate customers	Growing demand for All-IP solutions; new opportunities with regional carriers and municipal utilities	
TC for resellers	Tough price competition, receding importance of ADSL technology	

Accelerated growth in growth areas



- QSC is expecting the following for the current year:
 - Further growth in Cloud revenues
 - Return to growth course in Consulting
 - Higher TC revenues with corporate customers
- Share of forward-looking business fields could exceed 50% for the first time

■ Cloud / Consulting / TC business with corporate customers



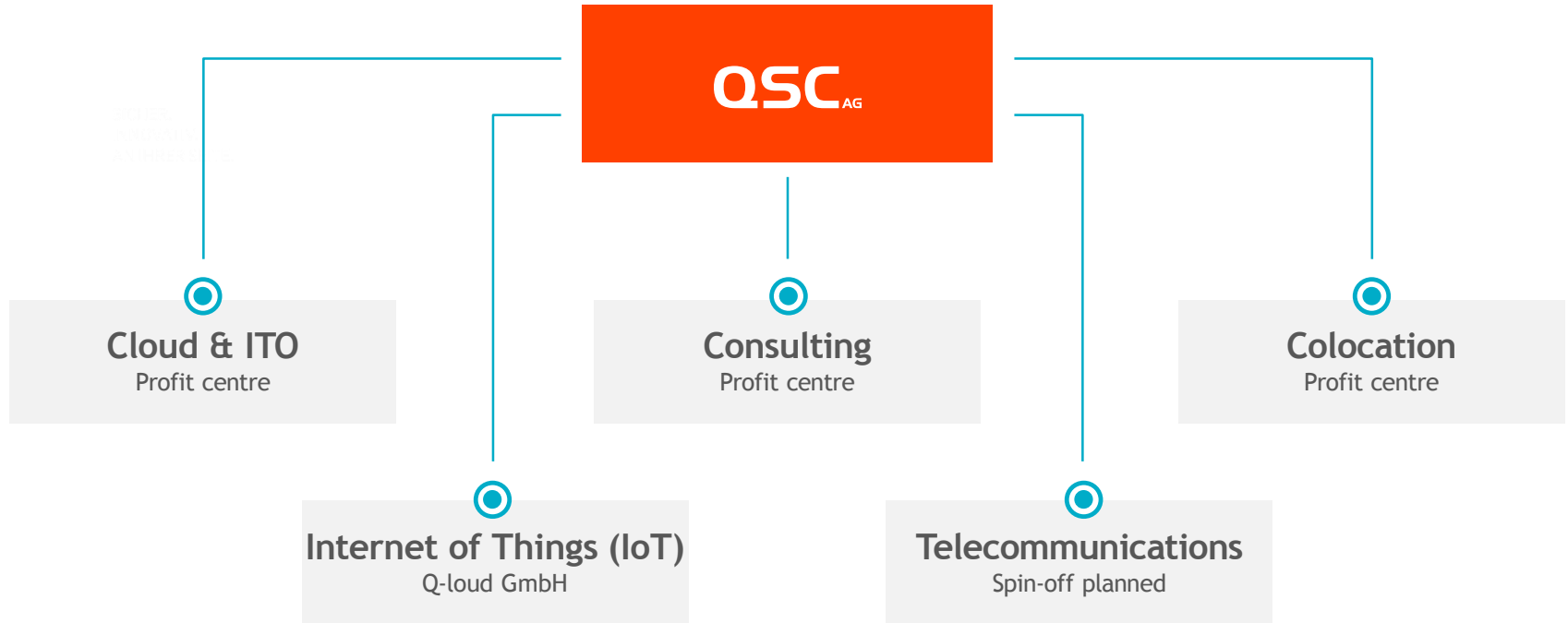
Jürgen Hermann, CEO

New growth opportunities in the new organisation

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The new vertical organisation at a glance



The decisive advantages of verticalisation

1. More agility

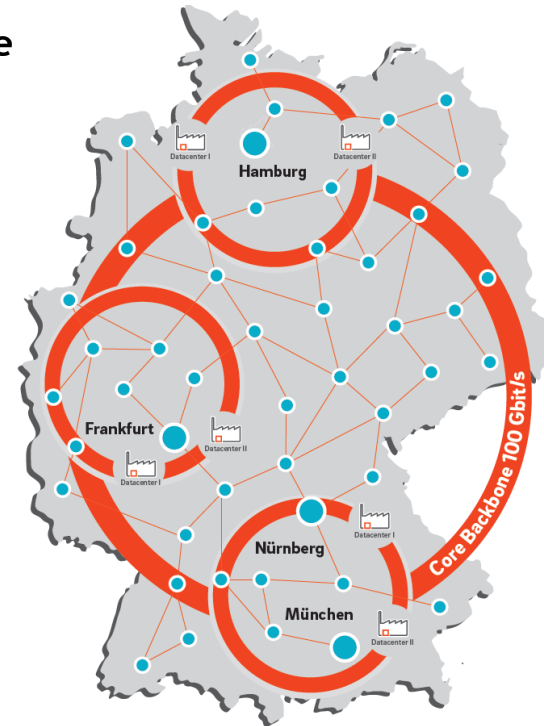
2. More customer orientation

3. More dynamism

Innovative growth opportunities in all business fields

New strength in an “old” business area

- TC networks are experiencing a renaissance as the **backbone of digitisation**
- QSC has a **nationwide infrastructure**:
 - Nationwide 100 Gbit/s backbone network
 - Broadband open access network
 - xDSL access network
 - Nationwide WLL infrastructure
- QSC has **extensive all-IP expertise**
 - 11 years of experience with All-IP products
 - > 250,000 active SIP-Voice-over-IP connections
 - > 4 million active telephone numbers of our customers
 - > 1 billion connected mins./month via IP network



Simplified overview

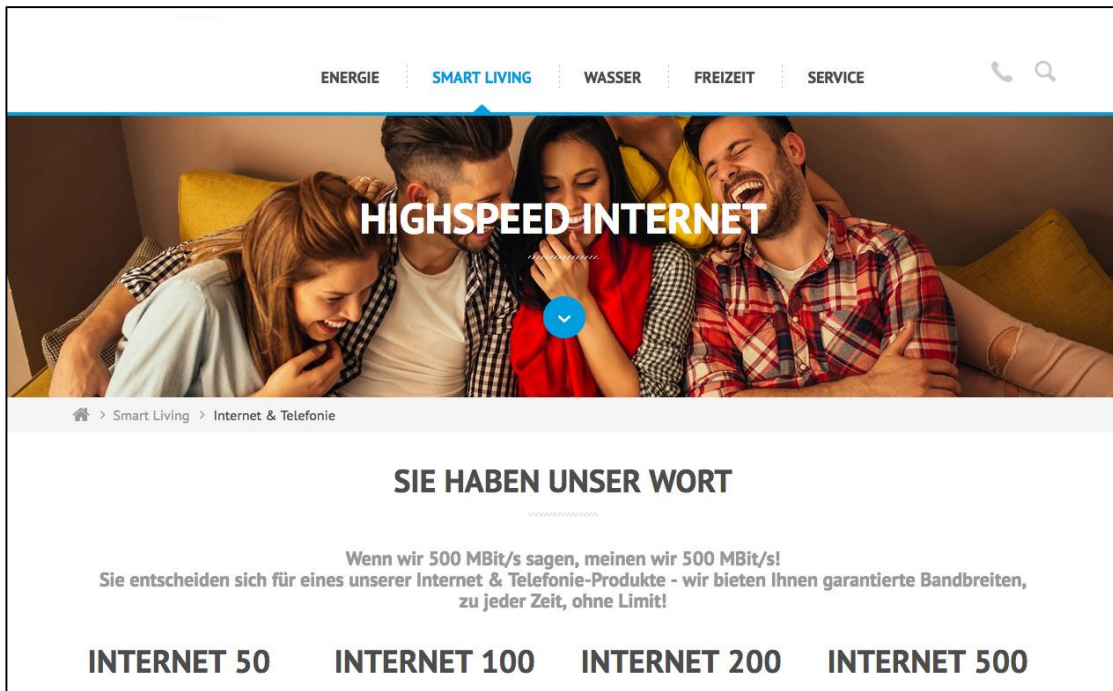
New opportunities with corporate customers: NetCologne



The screenshot shows the NetCologne website interface. At the top, there is a navigation menu with links for 'Überblick', 'Telefonanlage', 'Preise', 'Service', 'Shop', and 'Login'. The main header features the NetCologne logo and the text 'DIE TELEFONANLAGE MIT BUSINESS-KOMPETENZ'. A prominent red banner on the right side of the header states 'Jetzt schon ab 2,95 € mtl.* in den ersten 6 Monaten.'. Below the header, there is a large image of a hand holding a smartphone with a network diagram overlay. The diagram consists of a grid of nodes connected by lines, with several circular icons representing different services: a cloud, a location pin, a hand holding a phone, a thumbs up, and a padlock. A text box on the left side of the main image provides details about the service: 'Verbinden Sie neueste Hightech-Telefonie mit dem Know-how eines erfahrenen Telekommunikationsanbieters. Mit der Cloud PBX von NETCOLOGNE verlagern Sie Ihre Telefonanlage ins Web. Keine Hardwarekosten, keine Wartungskosten. Sie brauchen nur einen Internetanschluss und ein IP-fähiges Endgerät. Und schon kommunizieren Sie so sicher, flexibel und professionell wie nie zuvor.' At the bottom left, there is a red button with a right-pointing arrow and the text 'JETZT KALKULIEREN'.

- QSC provides central components for the new cloud offering of NetCologne
- White label solution for the development of cloud-based telephone systems
- Fast time to market (TTM) thanks to flexible IT architecture

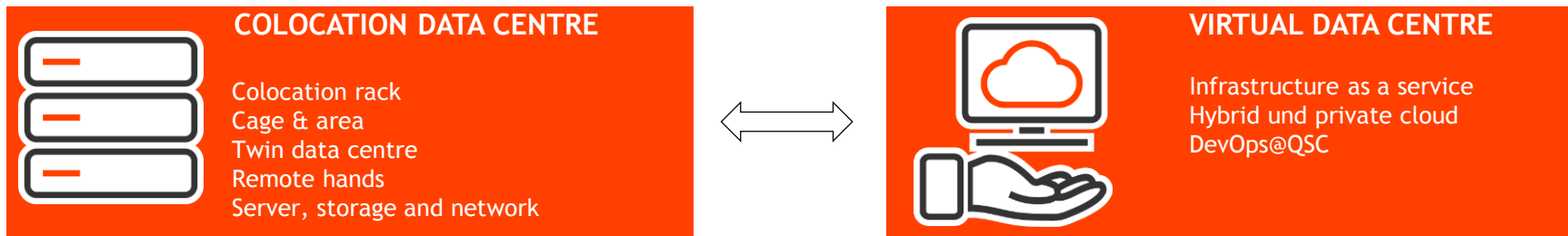
New opportunities with resellers: fibre optics



The screenshot shows a website interface for 'SMART LIVING'. The navigation bar includes 'ENERGIE', 'SMART LIVING', 'WASSER', 'FREIZEIT', and 'SERVICE'. A search icon is visible on the right. The main banner features a group of four people smiling and looking at a smartphone, with the text 'HIGHSPEED-INTERNET' overlaid. Below the banner, a breadcrumb trail reads 'Smart Living > Internet & Telefonie'. The main heading is 'SIE HABEN UNSER WORT', followed by a sub-heading 'Wenn wir 500 MBit/s sagen, meinen wir 500 MBit/s!' and a paragraph: 'Sie entscheiden sich für eines unserer Internet & Telefonie-Produkte - wir bieten Ihnen garantierte Bandbreiten, zu jeder Zeit, ohne Limit!'. At the bottom, four service options are listed: 'INTERNET 50', 'INTERNET 100', 'INTERNET 200', and 'INTERNET 500'.

- More and more local authorities are developing their own fibre optic networks - QSC can operate them
- Since October 2017, QSC has also been feeding this customer's network with voice, data and IPTV functionalities
- Fibre optic network will cover 50,000 FTTH and FTTB connections

Colocation services: flexible and individual



SERVICES & SOLUTIONS

Managed Network	Managed Solutions	Managed Monitoring
Managed Virtualisation	Managed OS	Storage on Demand
Backup		

SECURITY & DOMAINS

DDoS Protection	Firewall	SSL certificates
Email Security	Domains	VPN

Banks and IT service providers appreciate QSC colocation

Cloud
Transformation/Operation Services & XaaS
Leader Germany

2017

ISG Provider Lens

- Focus on potential customers in the environment of existing data centres
- Pros: efficient and scalable infrastructure plus high speed link plus certifications (ISO 27001, 9001, 20000, etc.)
- Numerous add-on products
- Offering convinces particularly critical customers: Banks and IT service providers
- New opportunities in these and other target groups

Security
Leader Germany

2016

EXPERTON
GROUP

Consulting: QSC is an excellent SAP full-service provider



QSC is an SAP Gold Partner

The partner status recognises performance in terms of service, quality and SAP expertise. SAP customer projects and qualified customer references are included.



The award documents that the **SAP-HANA offering** as well as the project implementation satisfy the high expectations of QSC customers.



The award is given to partners with **special expertise and successful reference projects** for an SAP solution or sector.

SAP HANA® Dienstleister
Leader Germany

2017



SAP HANA Leader Germany 2017

The end-to-end approach - with which the SME sector is fully supported in all SAP-HANA services - was highlighted above all else.



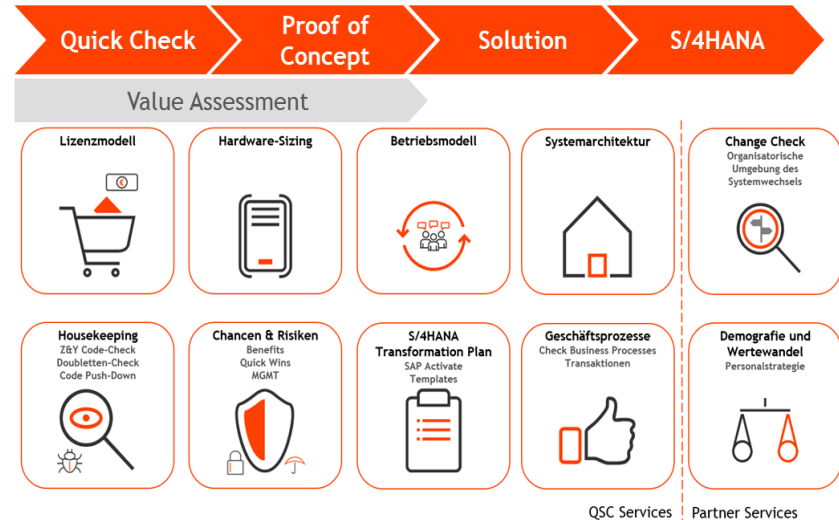
QSC publishes book on SAP

17 QSC authors, 1 topic: “Logistics with SAP”. The book was a bestseller at SAP PRESS in November and December 2017.

S/4/Hana is the most important growth driver

- Virtually all existing SAP customers are concerned specifically with the migration to S/4 HANA and with the use of the SAP cloud platform and other cloud products in hybrid cloud models
- Back in 2014, QSC opened its own HANA centre and now counts as one of the leading providers in this growth market
- Entry is frequently via the S/4HANA Value Assessment with which SMEs can develop a plan for transformation, define the requisite changes in the organisation and get processes ready for the future

S/4HANA - Value Assessment by QSC



Consulting takes new paths with new partners



Integration of **business process analyses in real time (process mining)** into SAP service portfolio. QSC has been a “System Integrator Partner” of Celonis since 2017 and has **put packages together specially for SMEs** using which companies can gain an idea of their process landscape in real time. Using the process mining technology, companies can not only reduce **throughput times of individual processes by up to 37%**, but also reduce process costs by some 25% in many cases.



Facilitation of the transformation with new partner Processline since the start of 2018

Processline examines the degree of maturity of the organisation and the system affinity of the users, and develops measures and expense recommendations for organisational change as part of transformation processes.

These **support services save costs for unplanned measures**, secure the acceptance of work flows and guarantee a smooth use of the new system.

Cloud: PEC convinces our customers



- Sector: banks and insurance companies
- Revenues: € 1.3 billion
- Headquarters: Bad Homburg



Objective

- IT landscape is to grow flexibly and swiftly with the new business model and rapidly increasing data volumes
- **Secure operation** of the business IT in the German judicial area
- **High availability**
- Provision of **virtualised enterprise workplace environments**
- **Cost efficiency** through modern procurement model from the cloud

Realisation

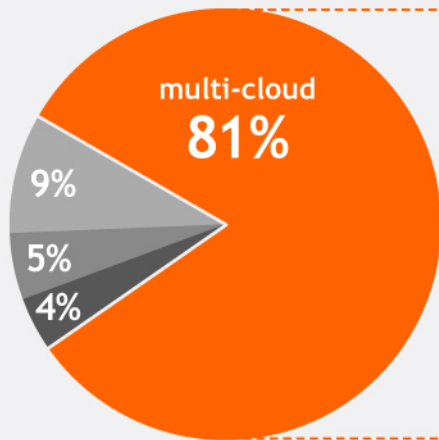
- **Provision of complete business IT from the Pure Enterprise Cloud**
- **Highly available operation** in the QSC data centres
- Database services
- VoIP services
- Operation of the entire LAN/WAN
- Assumption of all desktop services

Outlook

- **Fast integration of further life insurance companies** into the IT environment
- **First life insurance company has already been acquired** and incorporated in the IT by QSC

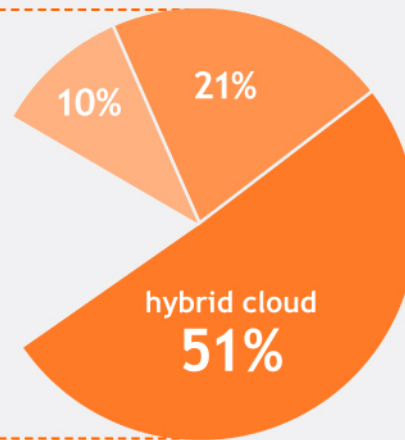
The future belongs to the multi-cloud

> 81% of companies have a multi-cloud strategy



9% public cloud only
5% no plans
4% private cloud only

> 51% of SMEs use hybrid cloud solutions



10% different private clouds
21% different public clouds
51% hybrid cloud

Source: RightScale, "State of the Cloud Report 2018", February 2018
Businesses surveyed: 525 > 1,000 and 472 < 1,000 employees (of which 50% US, 30% EMEA)

Multi-cloud - a challenge for the SME sector

MODERN APP ENVIRONMENT

- Cloud-native applications
- Enterprise grade container environment
- DevOps toolchain
- Application optimisation

SECURITY & GOVERNANCE

- Micro-segmentation
- Policy enforcement
- Monitoring & logging
(log & security analytics,
App insights)



AUTOMATISATION

- Provision & migration
- Policy-based management
- Security best practices
- Disaster recovery

INTEGRATED CLOUD MGMT

- Orchestration of all cloud environments
- Dashboarding
- Business management
(resources & costs)
- API & help desk integration

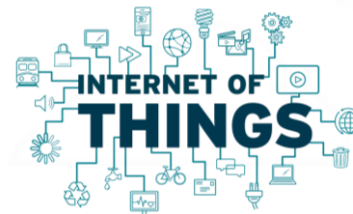
Multi-cloud functions even today



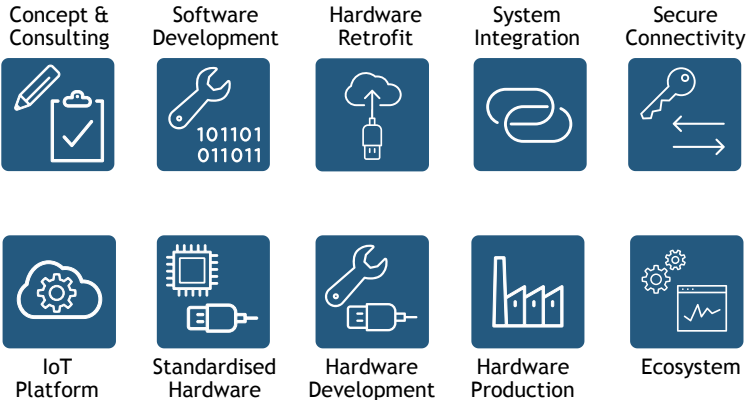
EU-GDPR is a challenge in the cloud era, but possible if the relevant checks are in place!
Sensitive data should continue to be left in the private cloud/DC (DE)!

Even critical workloads can be moved to the cloud without problem!

Innovation possibilities, prototyping and provision times of Cloud-IaaS/PaaS/SaaS are elementary for future business agility!



IoT: Q-loud convinces with full-stack approach



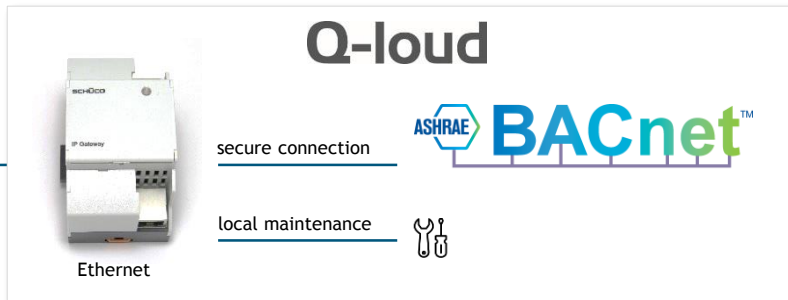
Q-loud convinces Schüco

Physical equipment



Window with electric opening

Integration / hardware provision / operation



Schüco BACnet gateway

BACnet/IP connector

Application/service



BACnet application, On-site maintenance, Building automation

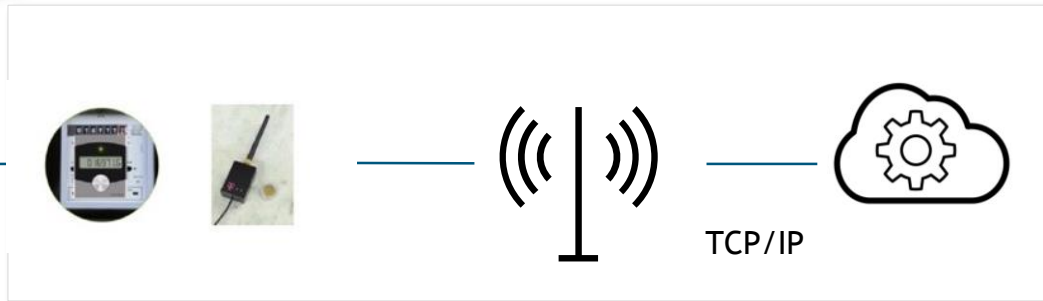
Q-loud convinces in Smart Energy (NB-IoT)



Equipment

Integration / hardware / operation

Application / analytics



Energie meter

- Electricity
- Gas
- Heating
- Water

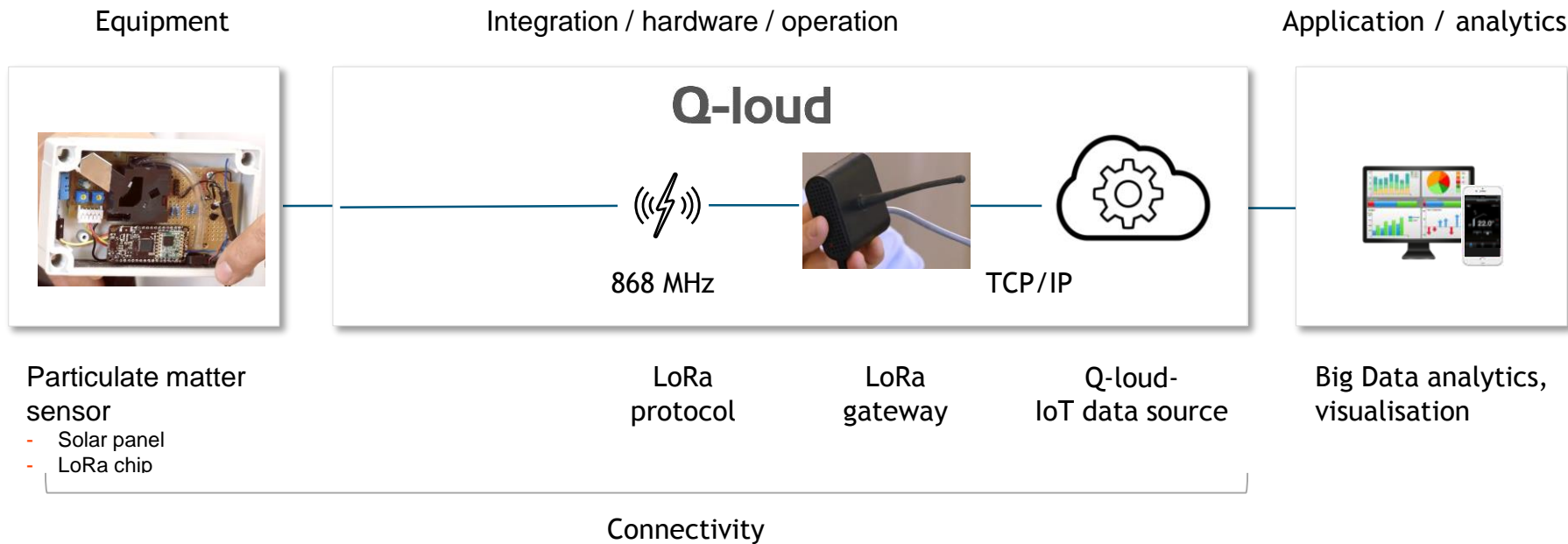
Q-loud-
IoT adapter
EnergyCam,
NB-IoT modem

MNO
NB-IoT

Q-loud-
IoT data source

Big Data analytics,
user application,
smart support
On site / third provider

Q-loud convinces in particulate matter measurement



New opportunities in all five business fields

- **Back in the black** -
QSC generates profit
- **SME sectors expects individuality** -
the positioning is correct
- **Verticalisation creates agility and customer proximity** -
growth opportunities in all areas through innovation



Questions & answers

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