



Bankhaus Lampe Deutschlandkonferenz
Baden-Baden, 28 March 2017

THE DIGITISER OF THE GERMAN SME SECTOR

SICHER.
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 section in our financial statements.

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.

1. Business overview

Key figures at a glance

QSC_{AG}

>30,000
SME customers

Revenues of
€386m
in 2016

30 years
of experience

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

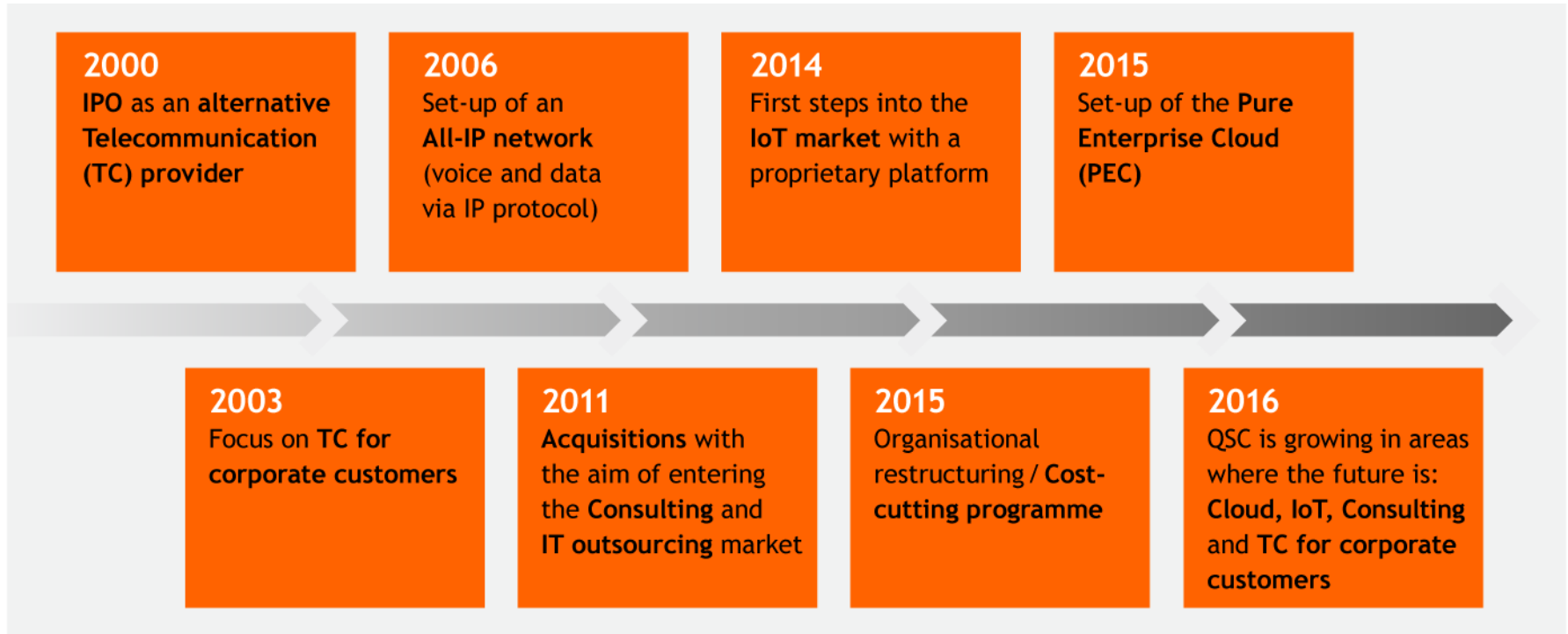
Proprietary
nationwide
**All-IP-based
network**

~1,350 employees
in 12 locations

Awards

- Experton Industrie 4.0/IoT Rising Star 2017
- Experton Security Leader 2016
- Experton Cloud Leader 2016

On the way to digitizing the German SME Sector



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 and Telecommunications**, QSC accompanies its customers securely into the digital age.

Secure.
Innovative.
At your side.

Customer view: consistent end-to-end responsibility

PURE ENTERPRISE CLOUD

CLOUD PLATFORM

Own data centres



Public cloud services



Own IoT services



CLOUD SERVICES

Virtual desktops



Collaboration



ERP software



Client software



IP telephony



Public SaaS/IaaS



Internet of Things



All-IP net
QSC AG

NETWORK AND CLIENT SERVICES

Corporate customers



LAN/WAN



Headquarters

LAN/WAN



Branch

WAN



Home office

Mobility



Mobile employee

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

- 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

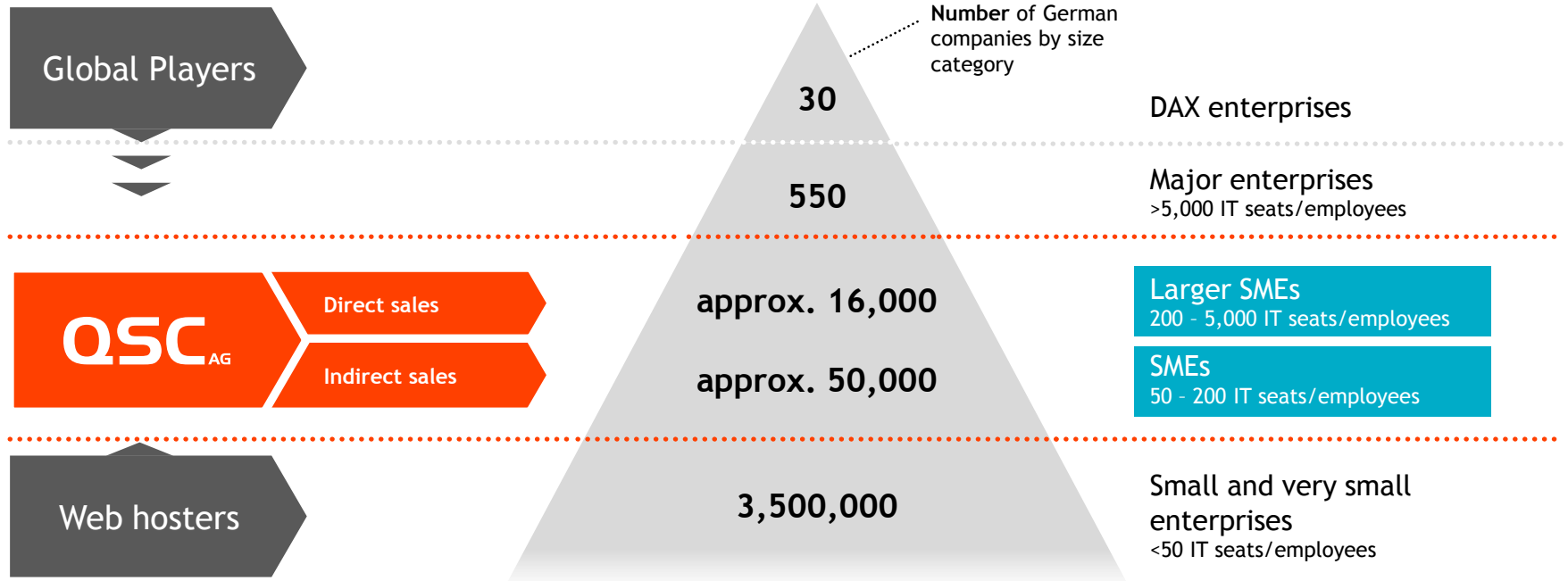
* Sources: Bitkom, Crisp Research, IDC, own research

Excellent position in the competitive environment

Competitor comparison German SME sector	CLOUD	BIG DATA	IOT	SECURITY	ALL-IP
QSC AG	✓ ✓	✓	✓	✓ ✓	✓ ✓
DTAG/T-Systems	✓ ✓	✓	✓	✓ ✓	✓
Cancom	✓ ✓	✓	—	✓	—
Bechtle	✓	✓	—	✓	—
All for One Steeb	✓	✓ ✓	—	✓	—

Focus on the German SME Sector

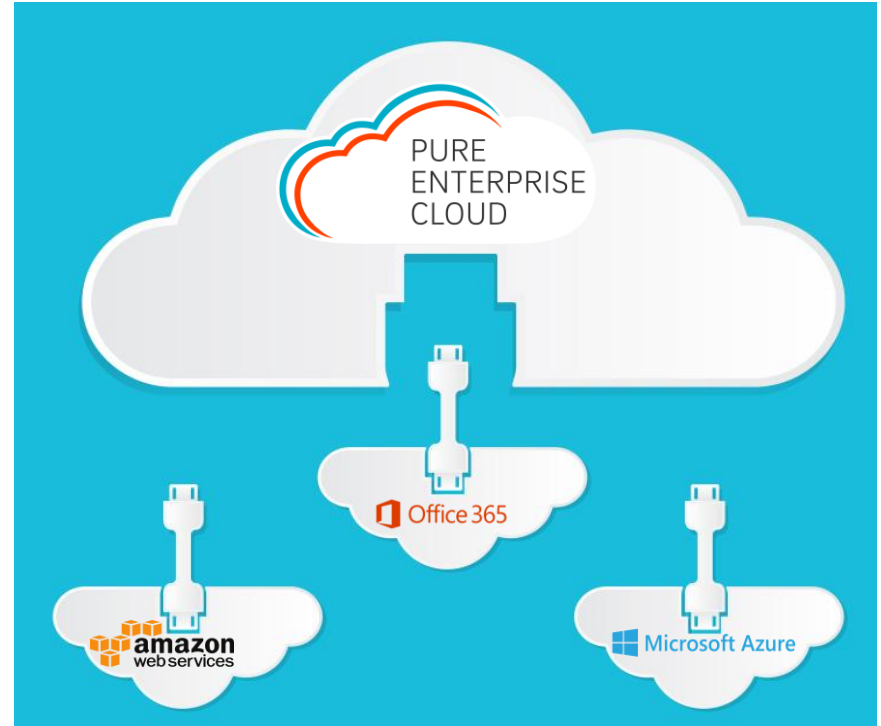
Providers



2. Milestones 2016

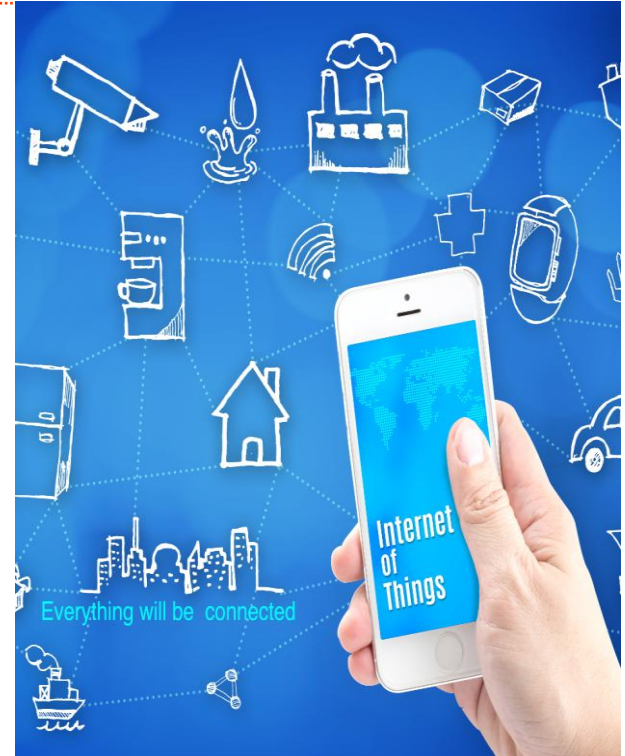
From cloud to multi-cloud: state-of-the art solution

- The digital age requires **“breathing” platforms** and networked, service-oriented and **well-distributed cloud scenarios!**
- Customers will demand **absolute freedom to select** their cloud strategies ... and will also make use of this freedom!
- Multi-cloud as the **dominant “architecture” blueprint** for the next 10 years!
- Yet: **SME players are completely out of depth** when it comes to “cloud orchestration”!
- QSC with **end-to-end service responsibility** for customers’ entire cloud-based IT!



Milestones with IoT / Q-loud: New customers on board

- **Milestones in 2016**
 - Spin-off to standalone company
 - Management team boosted
 - Major new customers (such as Schüco) acquired and expansion in partner eco-system
- **Great market opportunities**
IoT not only optimises existing production and business models, but also creates new models
- **Q-loud's strengths**
 - Full-stack service offering (consulting, hardware, software, front end, high-performing back-end technologies)
 - Longstanding projects/solution experience
 - Compliance with high security/data protection standards



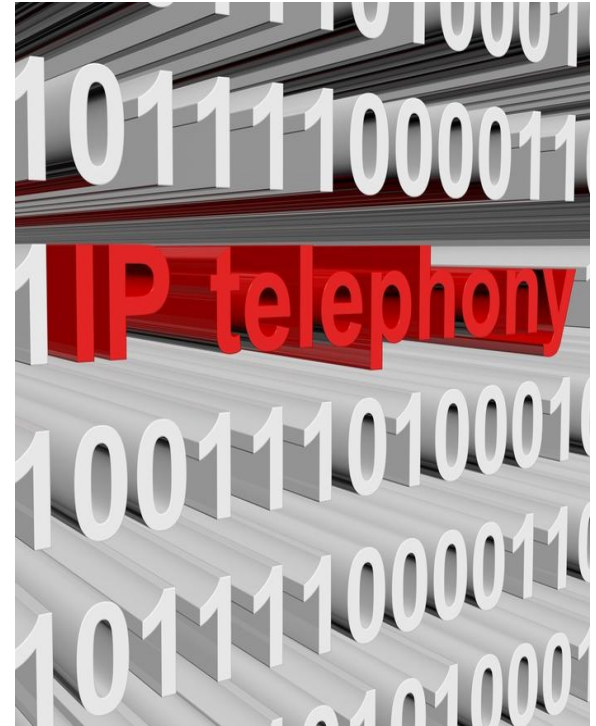
SAP milestones: More than 40 successful HANA projects

- **Significant increase in visibility as SAP partner**
 - Designation as “Partner of Excellence“ by SAP SE
 - Experton: QSC’s SAP HANA portfolio stands out on account of its end-to-end approach
- **Consistent growth achieved**
 - QSC now has more than 210 in-house consultants
 - Revenue growth of 9.6% CAGR (2013-2016)
- **Greater competitiveness & expanded expertise**
 - More than 40 successful HANA projects (14 customers)
 - Proprietary HANA laboratory
 - First joint IoT projects with Q-loud subsidiary



All-IP milestones: Huge opportunity due to end of ISDN

- **Greatest All-IP experience in market (>10 years)**
 - > 250,000 active SIP voiceover IP connections
 - > 4,000,000 active dial numbers
 - > 1,000,000,000 minutes mediated per month
- **“Boom” due to switching off of DTAG’s ISDN network by 2018**
 - Potential for 3 million corporate customer connections
 - All connections without exception have to be migrated
 - All-IP products already account for 30% of total new orders in Indirect Sales
- **Opportunities during overall market consolidation**
(→ “easybell migrates DSL connections to QSC”, 02.02.16)



2. Key financials and outlook

QSC reaches its targets in 2016

	Goals 2016	Results 2016	
Revenues	€ 380 - 390 million	€ 386.0 million	✓
EBITDA	€ 34 - 38 million	€ 37.1 million	✓
Free Cash Flow	> 0 / >€ 7.1 million	€ 8.4 million	✓
Cost-cutting programme	€ 20 million	€ 24 million	✓
Employees	1,350	1,360	✓

Operating business performs as planned

in € million	2015	2016	Δ	Δ in%
Revenues	402.4	386.0	-16.4	-4.1%
Cost of revenues	292.3	282.9	-9.4	-3.2%
Gross profit	110.1	103.1	-7.0	-6.4%
Sales and marketing expenses	34.9	33.0	-1.9	-5.4%
General and admin. expenses	32.1	31.8	-0.3	-0.9%
Other operating income	(1.0)	(1.2)	-0.2	N/A
EBITDA	42.2	37.1	-5.1	-12.1%
Depreciation	53.3	35.0	-18.3	-34.3%
EBIT before one-off depreciations	(11.1)	2.1	13.2	N/A
One-off depreciations	-	15.2	15.2	N/A
EBIT	(11.1)	(13.1)	-2.0	-18.0%
Financial Result	(6.0)	(5.8)	0.2	+3.3%
Income Taxes	3.8	(6.1)	-9.9	N/A
Net Income	(13.2)	(25.1)	-11.9	-90.2%

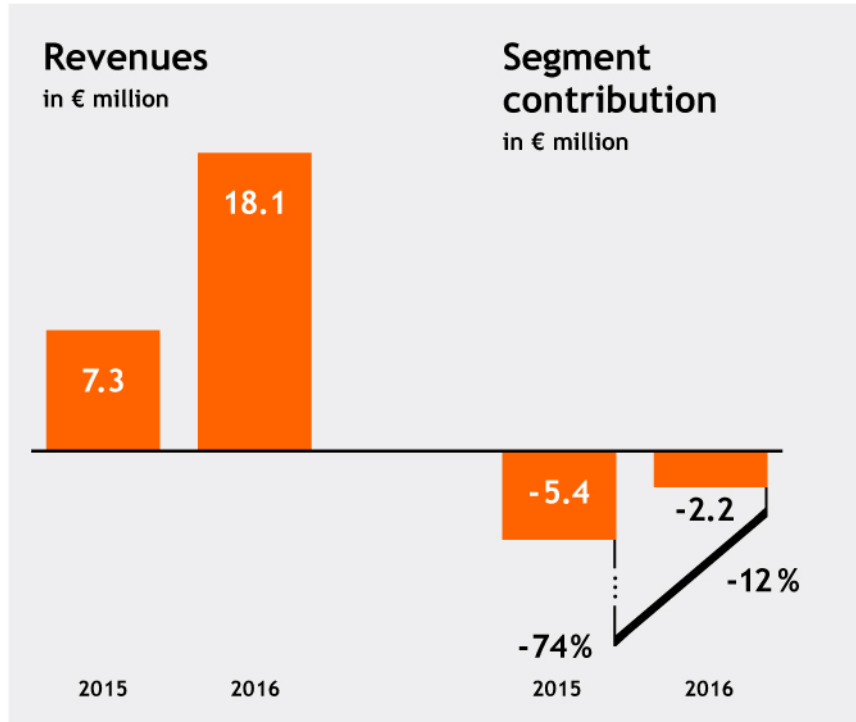
Revenues

- High growth in Cloud business; as planned, substantial decrease in TC reseller business and in Outsourcing

Earnings

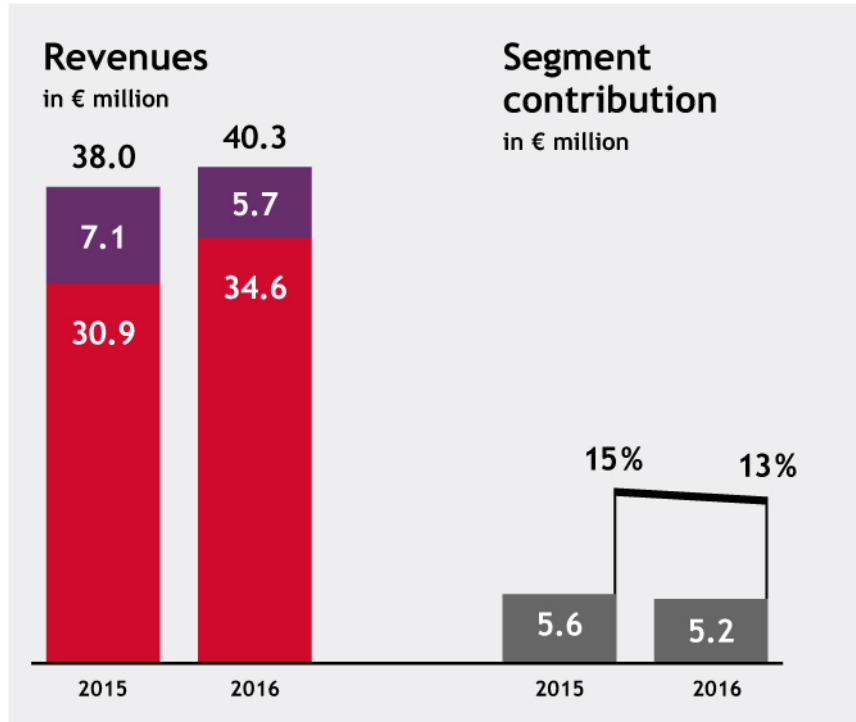
- Positive impact of cost-cutting programme
- Charge on earnings due to one-off write-downs in Q4 2016

Cloud: revenues more than double



- Cloud business driven by Pure Enterprise Cloud and IoT
- 2016 revenues rise quarter by quarter - from € 2.4 million (Q1) to € 6.1 million (Q4)

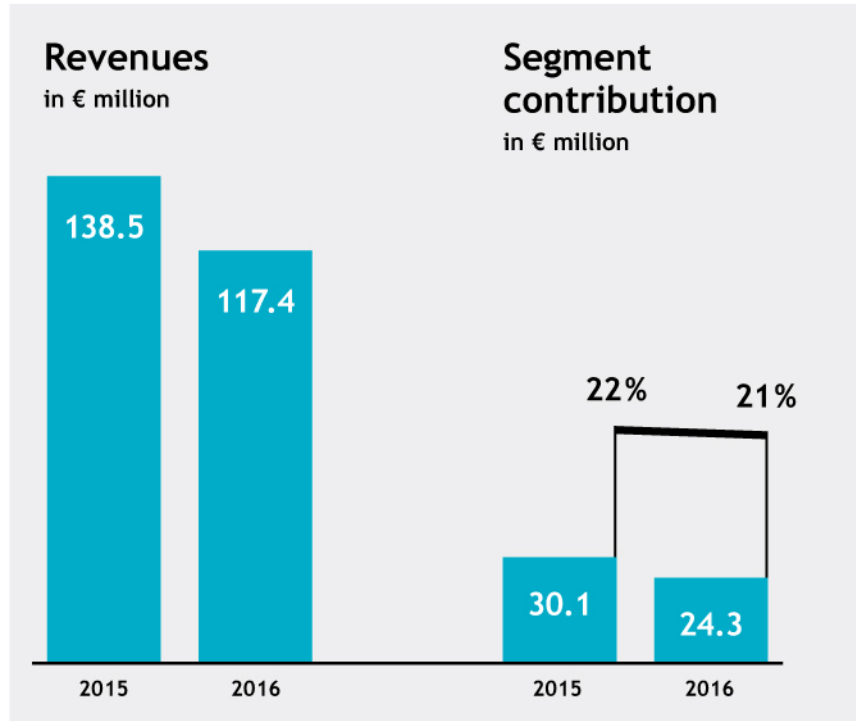
Consulting: continued growth with SAP consulting



- SAP-related revenues rise by 12% in 2016
- Growing share of cloud projects (SAP HANA)
- High demand necessitates deployment of external experts
- Segment margin in this personnel-intensive business remains in double-digit territory

- Microsoft
- SAP
- Microsoft & SAP
- Segment margin

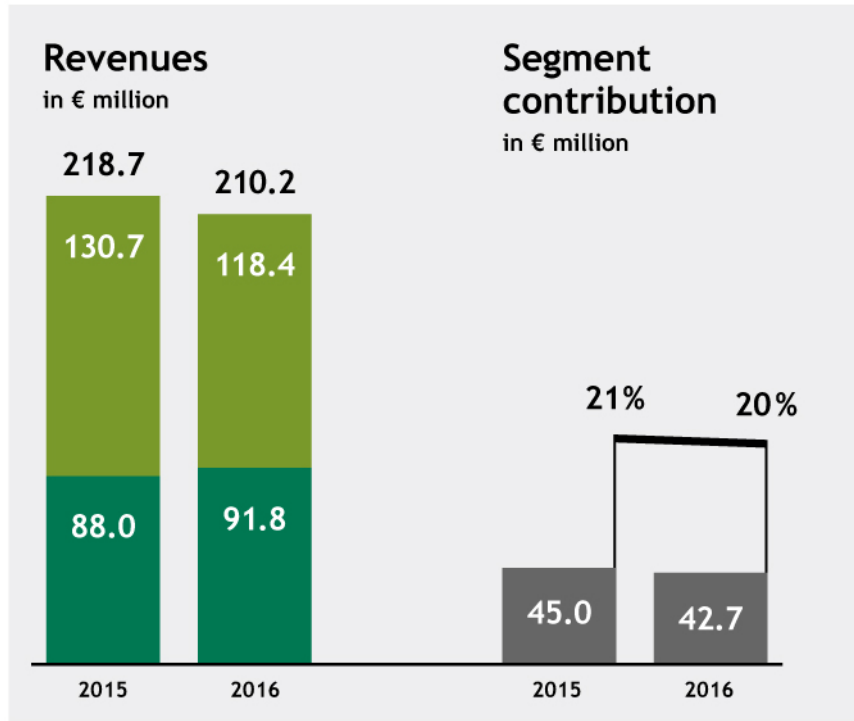
Outsourcing: migration to Cloud business begins



- Far-reaching change in traditional Outsourcing business:
 - Initial customers migrate to the Pure Enterprise Cloud
 - For new customers, QSC focuses on standardised cloud-based outsourcing
- Stable segment margin thanks to focus on high-margin revenues and substantial cost savings

■ Segment margin






TC: revenue growth with corporate customers



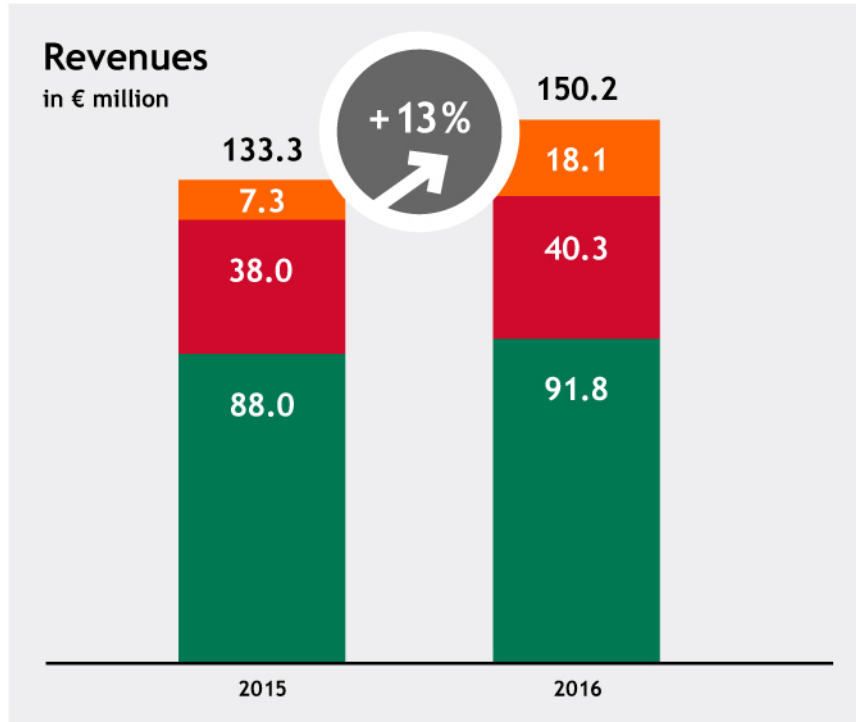
- Among corporate customers, QSC is benefiting from its All-IP expertise and is attracting additional customers
- Ongoing tough price competition among resellers
- Strong corporate customer business generates attractive segment margin

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

Growth where QSC expects it

Drivers in 2016		Revenue development in 2016
Cloud	Pure Enterprise Cloud and IoT	
Consulting	SAP HANA projects	
Outsourcing	Starting the migration to the Pure Enterprise Cloud / no new customers in 1:1 outsourcing	
TC for corporates	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition	

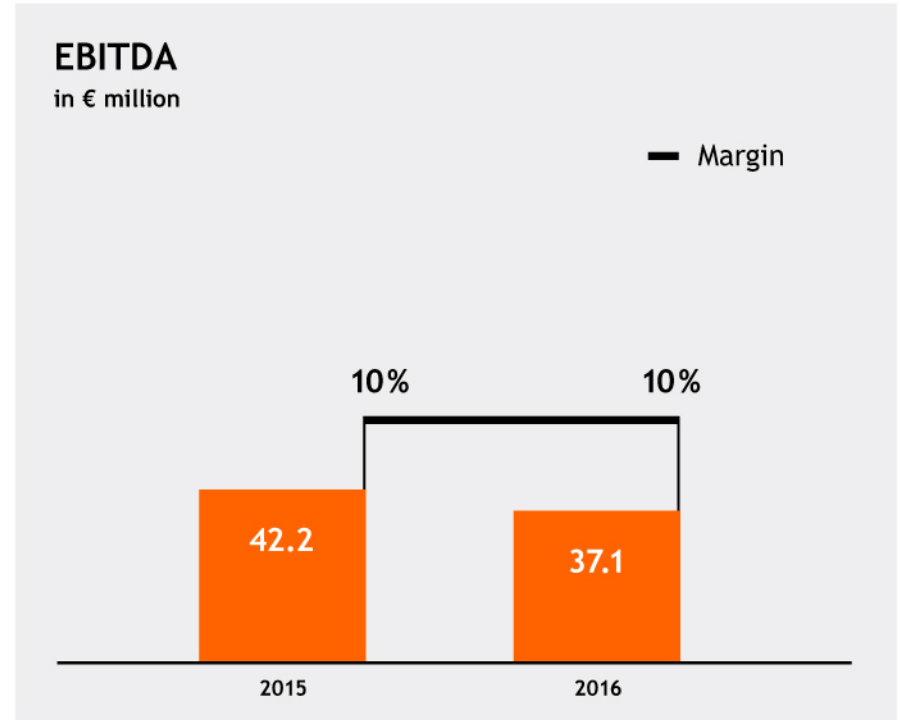
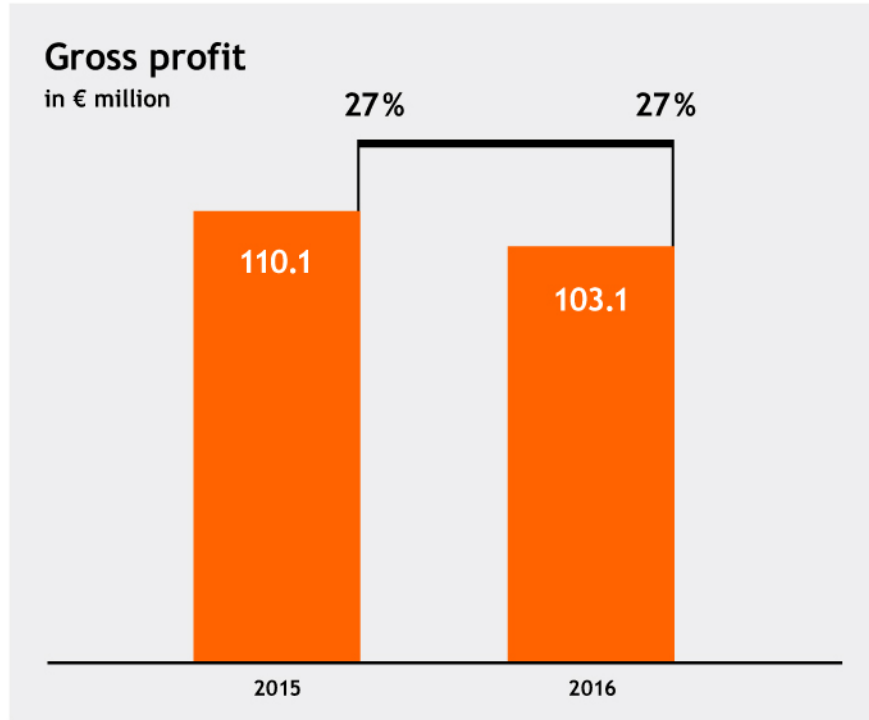
Marked growth in forward-looking business fields



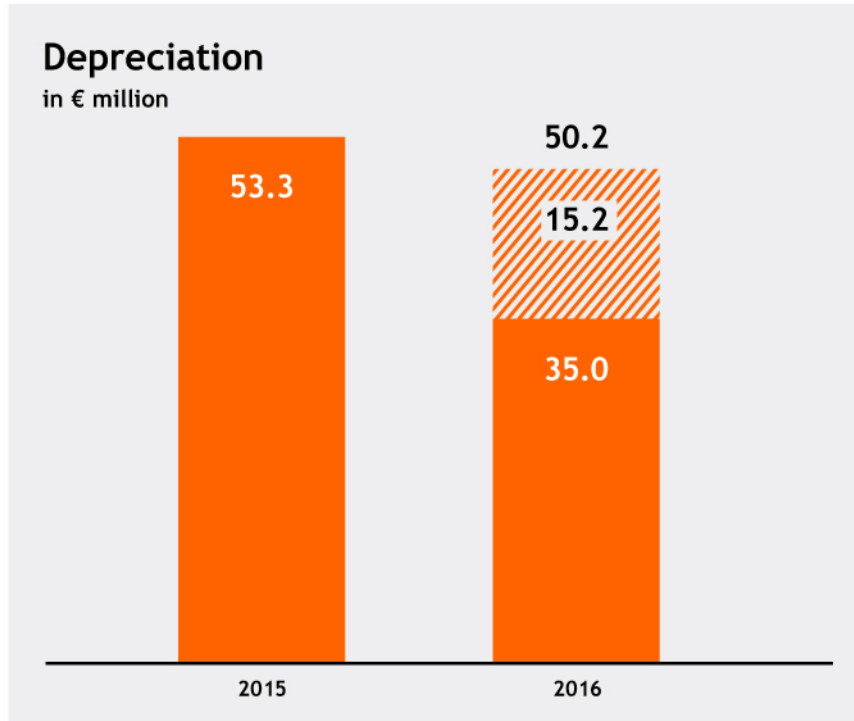
- Double-digit growth in those business fields in which QSC expects growth: organisational restructuring now bearing fruit
- Since 2014, the share of total revenues generated in the three major strategic business fields has risen by 10 percentage points
- Further increase expected in 2017 and beyond

-
- Cloud
 - Consulting
 - TC business with corporate customers

Operating margins unchanged despite lower revenues

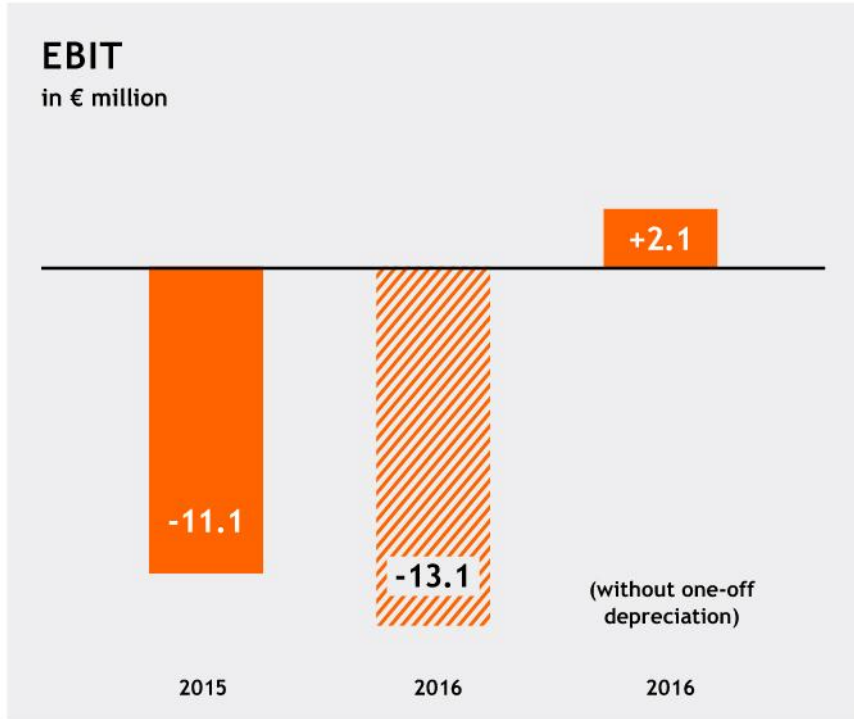


Substantial reduction in depreciation and amortisation



- Depreciation and amortisation in 2016 at just € 35.0 million (2015: € 53.3 million)
- One-off write-downs in Q4 2016 on:
 - Goodwill and intangible assets in Outsourcing business: € 13.9 million
 - Investment in FTAPI: € 1.3 million

EBIT affected by one-off write-downs



- One-off write-downs lead to lower EBIT in 2016
- Based on its operating business, QSC generated EBIT of € 2.1 million in 2016

Savings of more than € 20 million achieved

– QSC launched a cost-cutting programme in February 2015

– Core elements

– Cutting around 350 jobs _____



– Lowering number of external consultants _____



– Reducing number of locations _____



– Streamlining administration _____



– Optimising procurement _____



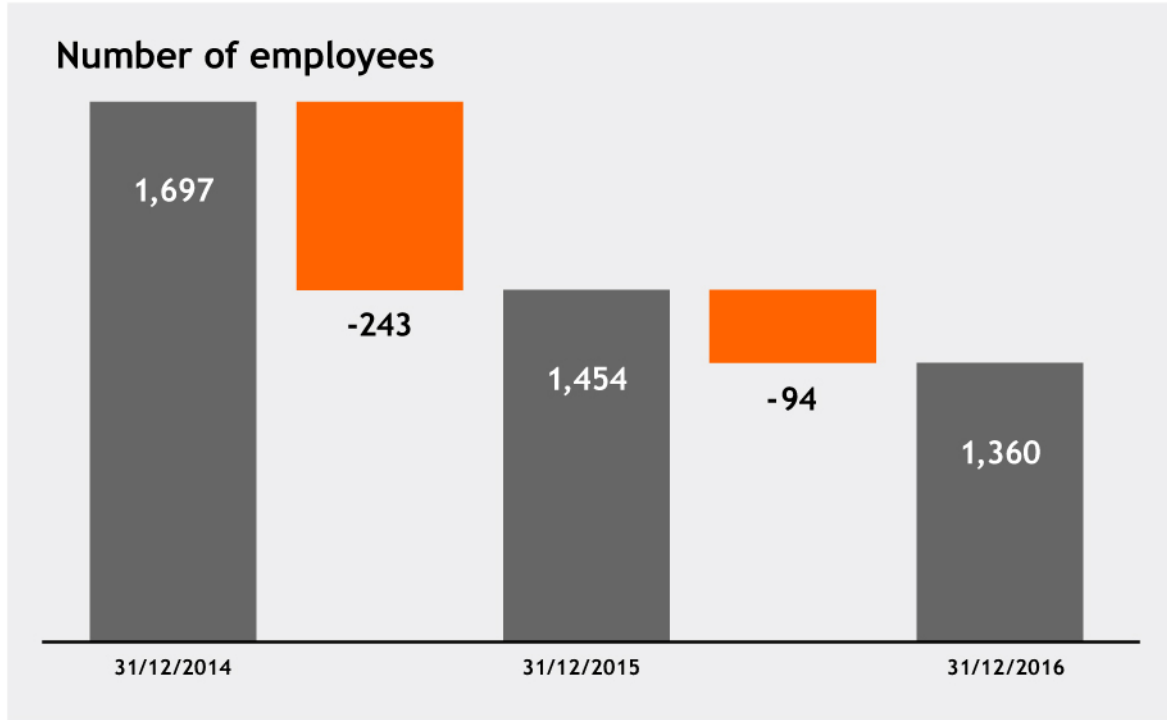
– Standardising/industrialising IT operations _____



– Target by end of 2016: total savings of around € 20 million

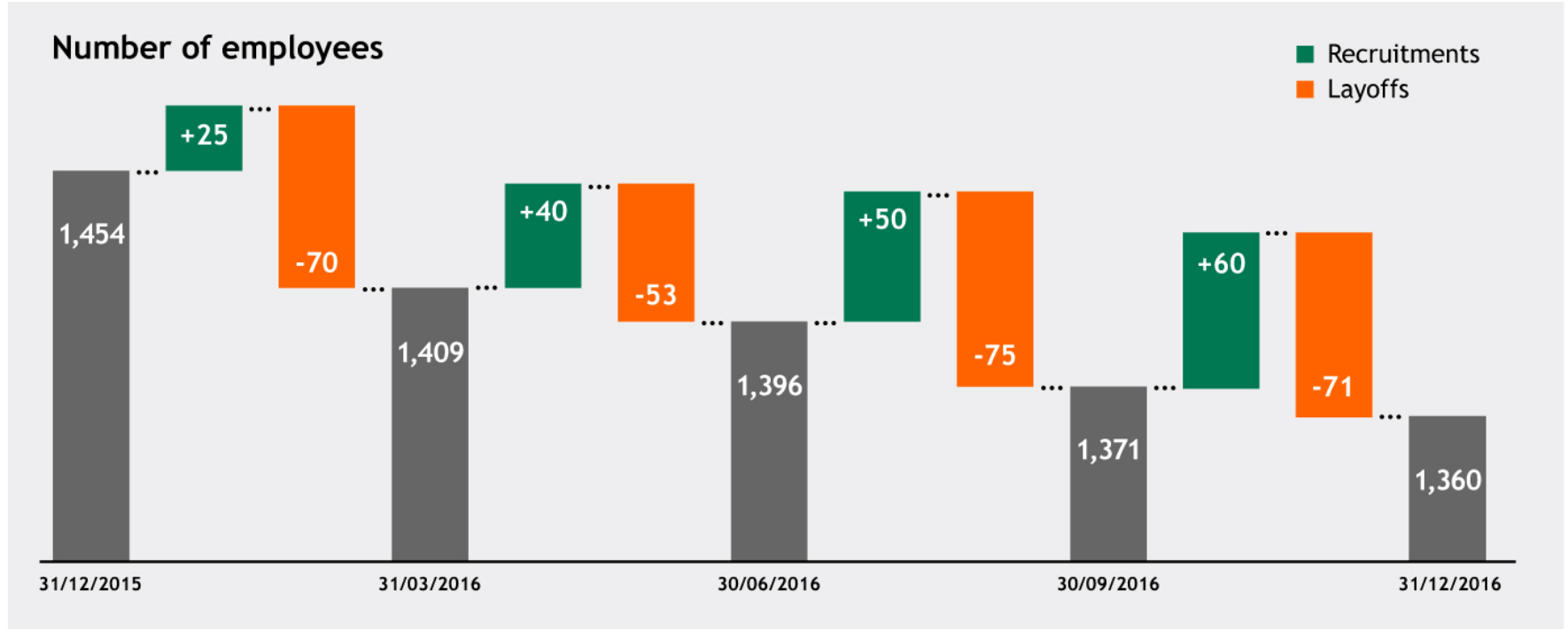
Result by end of 2016: savings of around € 24 million in total

Workforce reaches target size

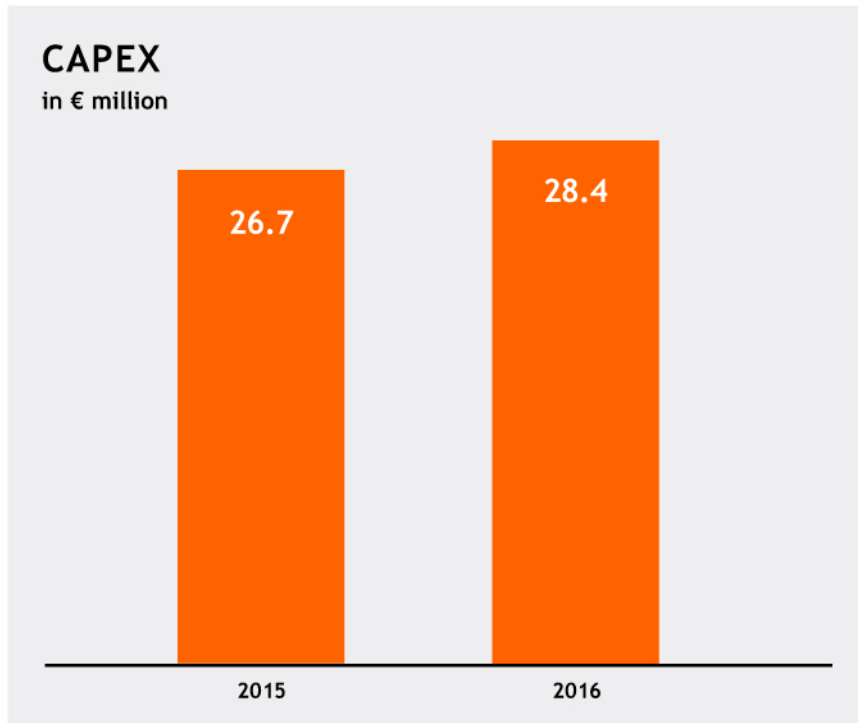


- QSC succeeds in adjusting number of employees to revenues within two years
 - => Rise in revenues per employee since 2015
- QSC manages to downsize workforce despite hiring numerous cloud experts for operations and sales
 - => Organisational restructuring progressing as planned

QSC presses ahead with organisational restructuring



Capital expenditure remains moderate



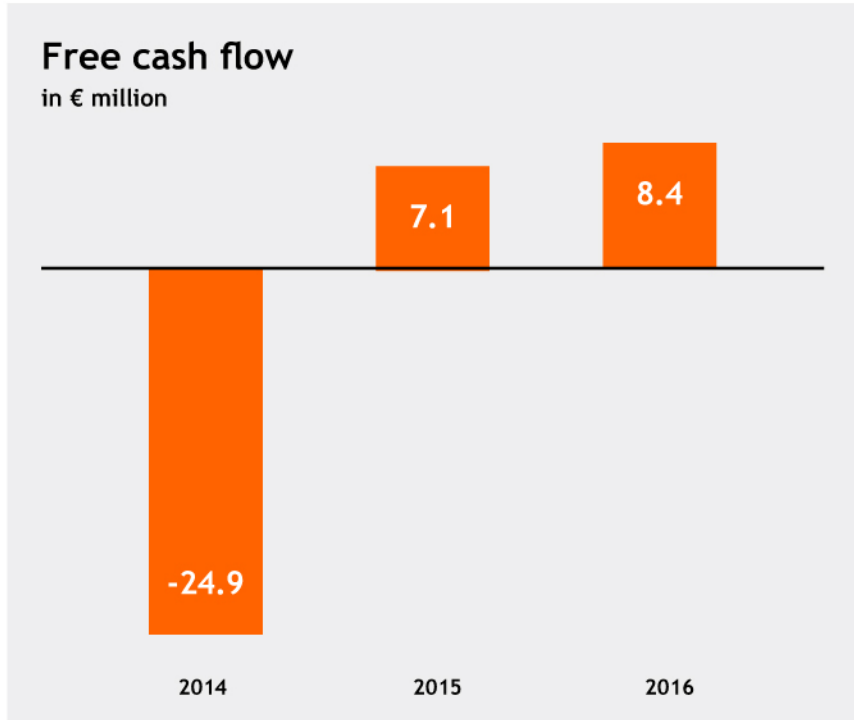
Two key focuses

- Infrastructure and technology (56%)
- Customer projects (36%)

Infrastructure expansion at data centres mainly focused on market launch of Pure Enterprise Cloud

Capital expenditure within planned framework of **up to € 30 million**

Free cash flow rises for second consecutive year



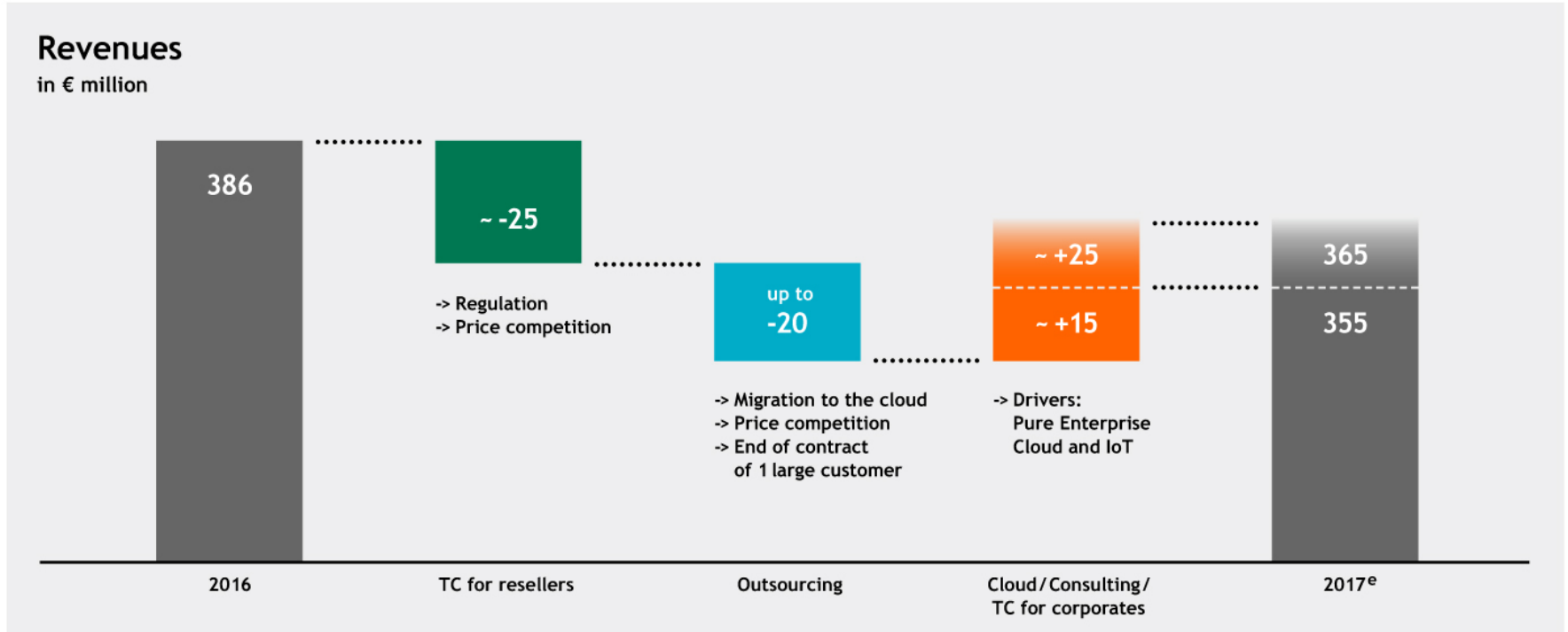
- FCF of € 8.4 million exceeds raised forecast of > € 7.1 million
- Positive FCF enables QSC to distribute a dividend for 2016
- As in the previous year, Management Board proposes a dividend of 3 cents per share

2017 at a glance: Further rise in FCF






For the current year, QSC has budgeted:

- Revenues of € 355 – 365 million
- EBITDA of € 36 – 40 million
- Free cash flow ahead of the previous year's figure (€ 8.4 million)

Cloud to achieve substantial revenues growth in 2017 too



2017: growth where QSC expects it

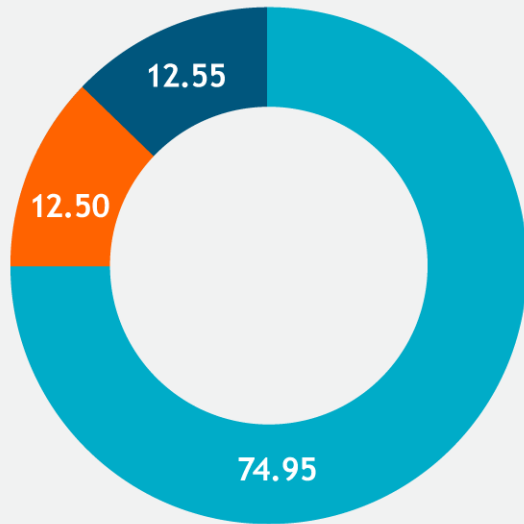
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Consulting	SAP HANA projects	
Outsourcing	Starting the migration to the Pure Enterprise Cloud / no new customers in 1:1 outsourcing	
TC for corporates	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition; tighter regulation	

4. 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 2016

Financial calendar

30 March 2017

Publication of the 2016 Annual Report

8 May 2017

Publication of the I/2017 Quarterly Statement

24 May 2017

Annual Shareholders Meeting

7 August 2017

Publication of the II/2017 Quarterly Report

6 November 2017

Publication of the III/2017 Quarterly Statement

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