



20th ODDO Forum
Lyon, 5 January 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
> €380m
in 2016

30 years
of experience

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

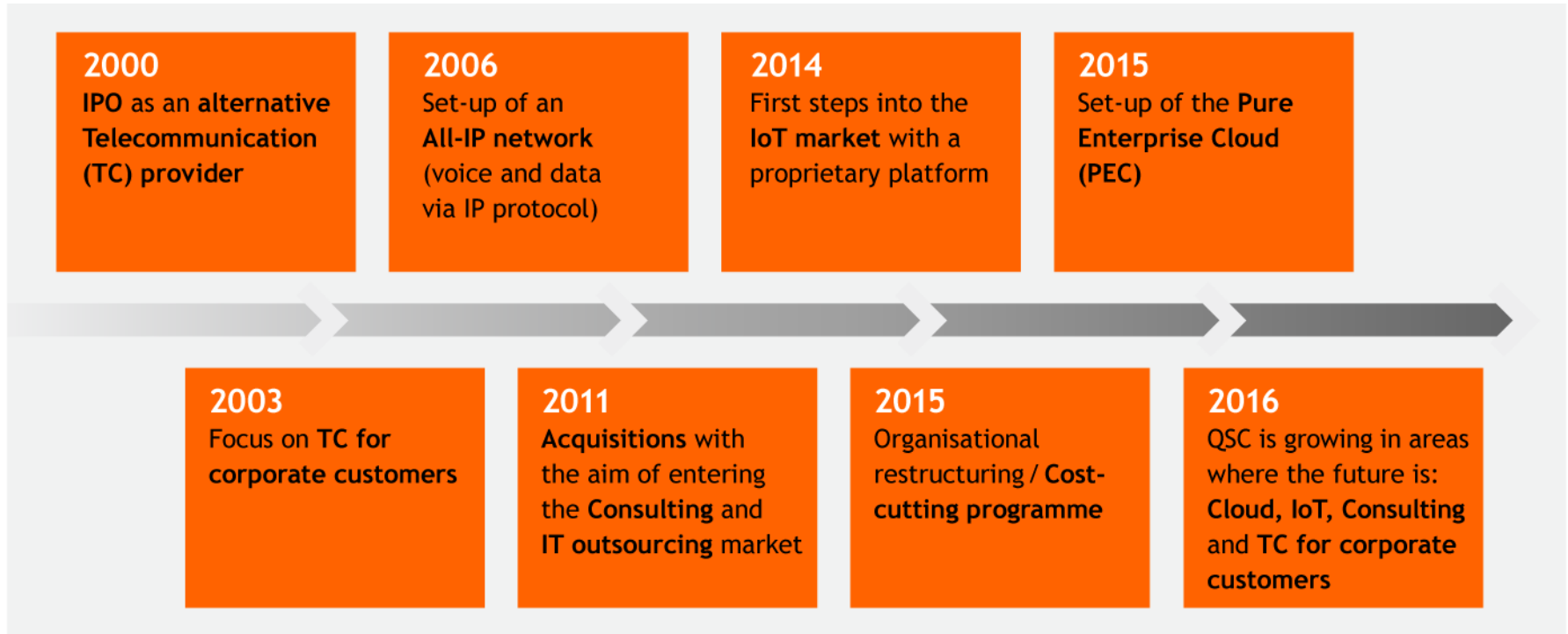
Proprietary
nationwide
**All-IP-based
network**

~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.

QSC is driving and being driven by digitisation

Comprehensive portfolio

STATE-OF-THE-ART
MODULAR PEC CATALOG

+

FULL STACK
IOT PORTFOLIO

+

SAP HANA
COMPETENCE

+

ALL-IP TELCO

- **Customers appreciate combined offers, e.g. IoT + SAP HANA, PEC including consulting, when it comes to digitisation**
- **ITIL-based process organisation facilitates digitisation**
- **Ongoing transformation of QSC's organisation with a focus on recruiting digitisation experts (Cloud, Consulting)**

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

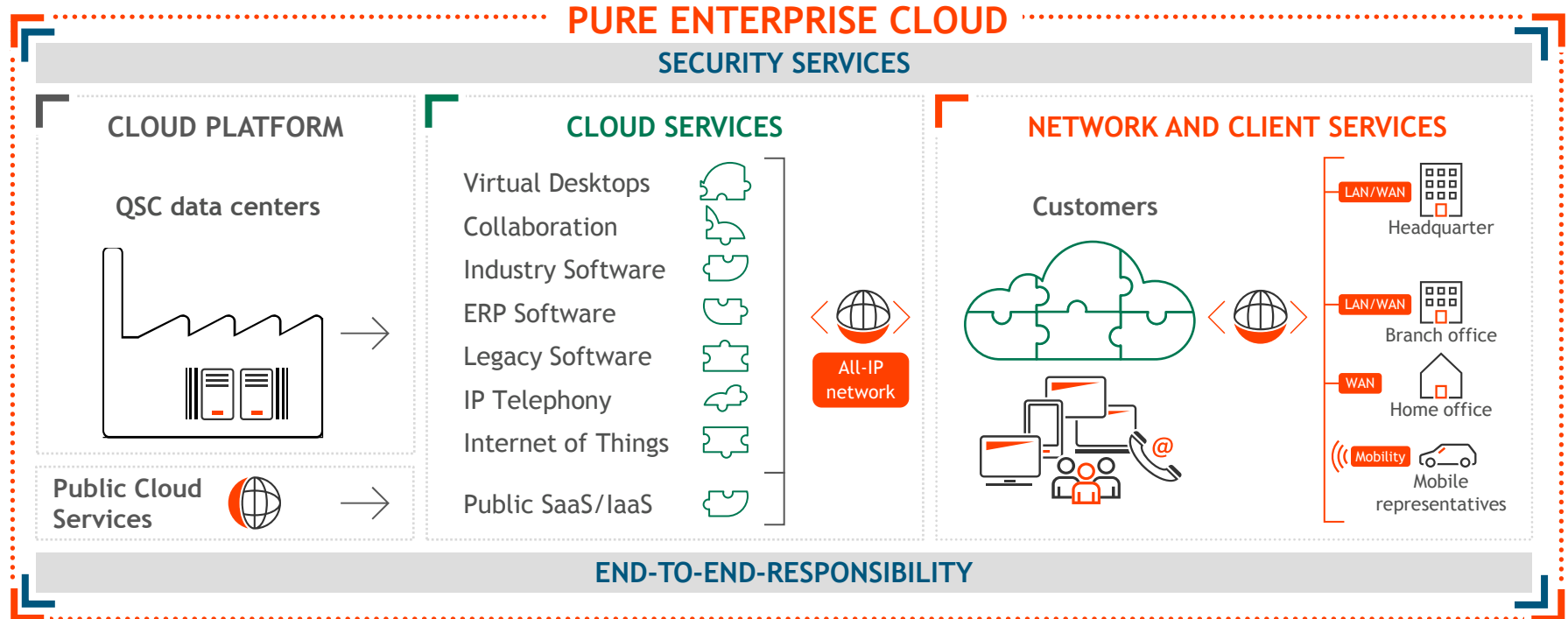
- All-IP Voice and Data Services
- Corporate Network Services

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

Excellent position in the competitive environment

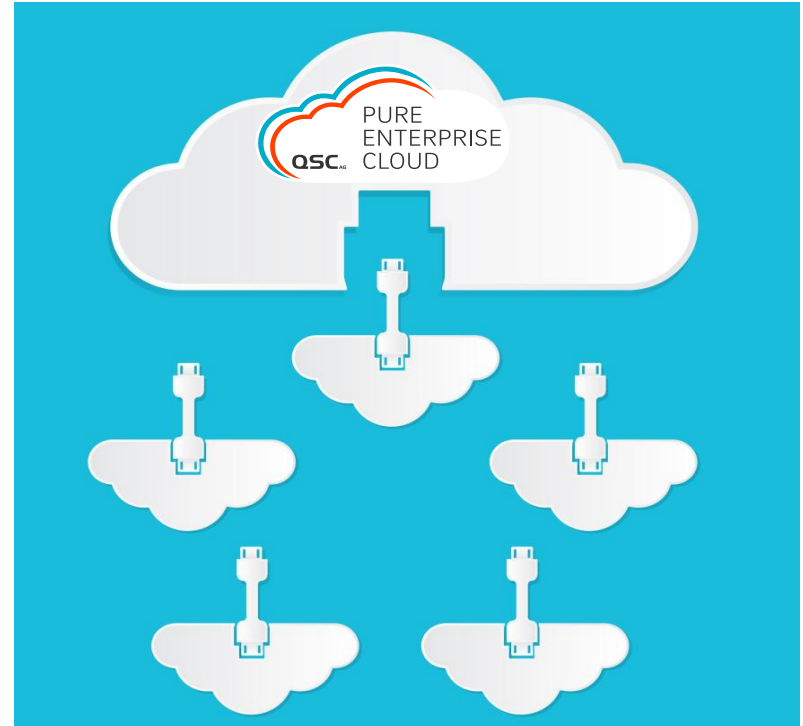
Competitor comparison German SME sector	CLOUD	BIG DATA	IOT	SECURITY	ALL-IP
QSC AG	✓ ✓	✓	✓	✓ ✓	✓ ✓
DTAG/T-Systems	✓ ✓	✓	✓	✓ ✓	✓
Cancom	✓ ✓	✓	—	✓	—
Bechtle	✓	✓	—	✓	—
All for One Steeb	✓	✓ ✓	—	✓	—

Highly efficient business model



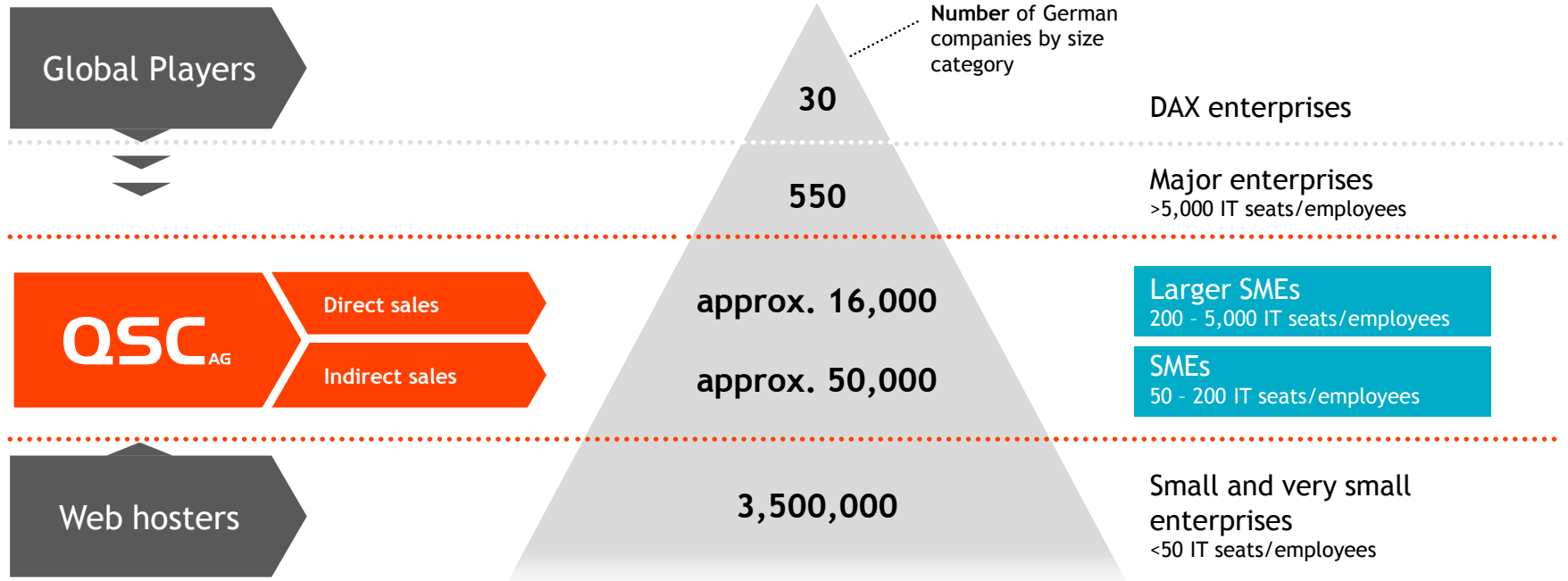
From Cloud to Multi Cloud

- QSC's PEC is able to integrate numerous public cloud solutions
- PEC is therefore the perfect base for Multi Cloud solutions
- Multi Cloud solutions will be a key growth driver in the years to come as customers are looking for connected, service-oriented and shared cloud scenarios
- Multi Cloud will be the dominant IT architecture in the next 10 years



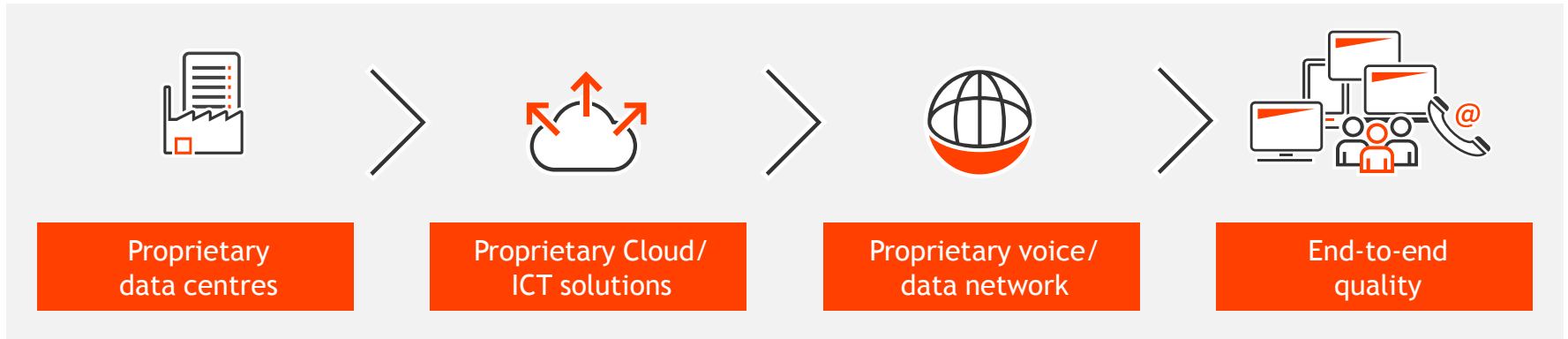
Focus on the German SME Sector

Providers



Our competitive advantages at a glance

1. Full-service Cloud/ICT portfolio including proprietary infrastructure and software development
2. Respected partner within the SME sector
3. Real end-to-end quality








2. Key financials and outlook

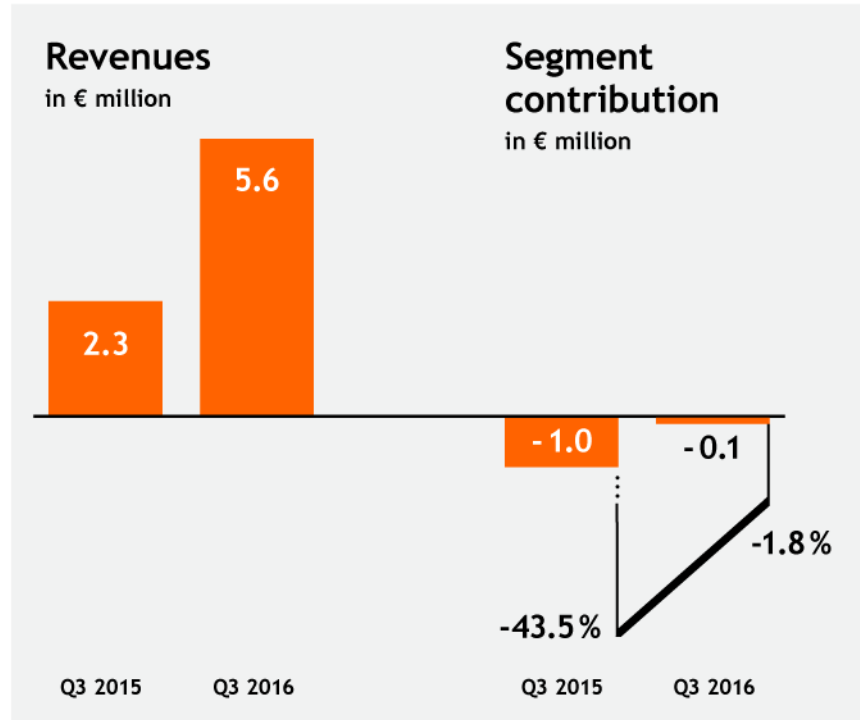
Q3 2016 in line with expectations

- Further improvement in revenue mix
- Cost-cutting programme on the way to meeting all targets:
 - Workforce of 1,350 by year-end 2016
 - Savings of > € 20 million already achieved
- Positive EBIT for the third consecutive quarter
- Positive FCF despite higher investments in Cloud business
- Raised FCF guidance for 2016 (FCF: > € 7 million)

QSC is growing in areas where the future is

Drivers in Q3 2016		Revenue development in 2016
Cloud	Initial PEC projects / considerable IoT revenues	
Outsourcing	Starting the migration to the PEC; no new customers in 1:1 outsourcing	
Consulting	High demand for SAP projects	
TC for corporate customers	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition	

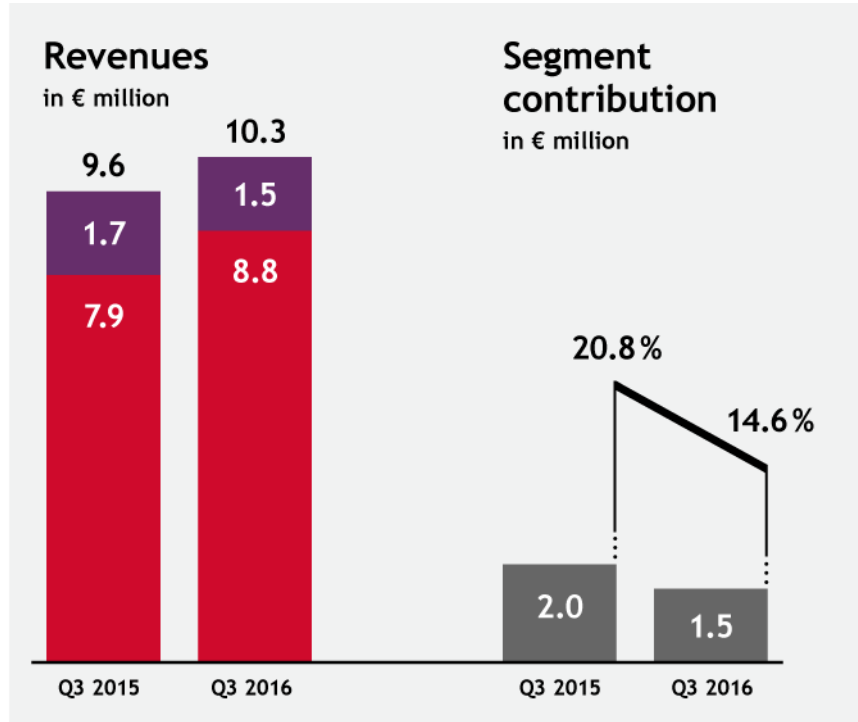
Cloud: Accelerated growth



- Revenues grew by 40% within a quarter (Q2 2016: € 4.0 million)
- PEC and IoT are gaining speed
- Significantly improved segment contributions thanks to the business model's scalability

■ Segment margin

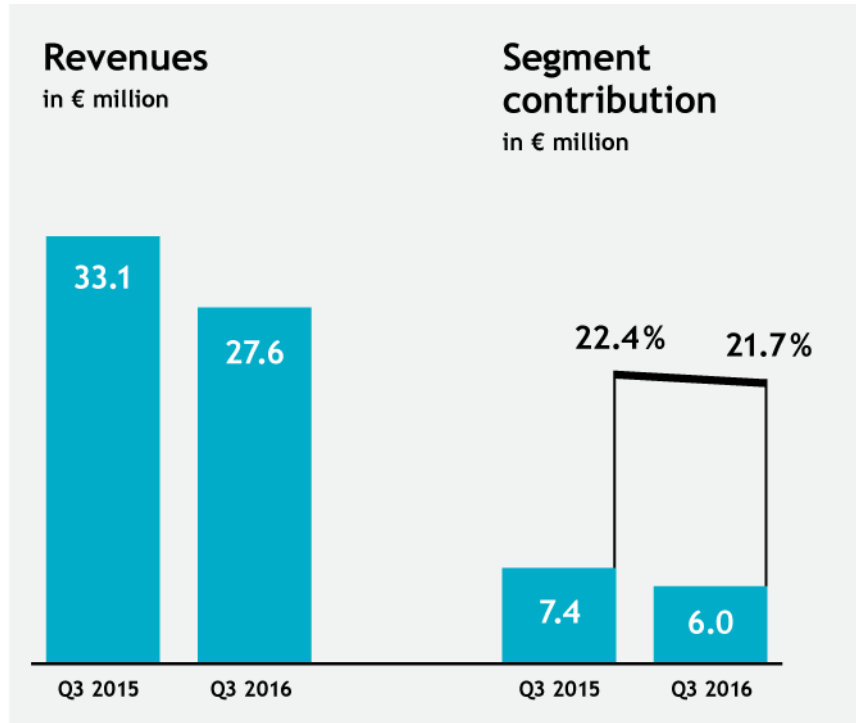
Consulting: On growth course



- High demand for SAP consulting is driving the segment
- Segment margin of 15% at the same level as in H1 2016

- Microsoft
- SAP
- Microsoft and SAP
- Segment margin

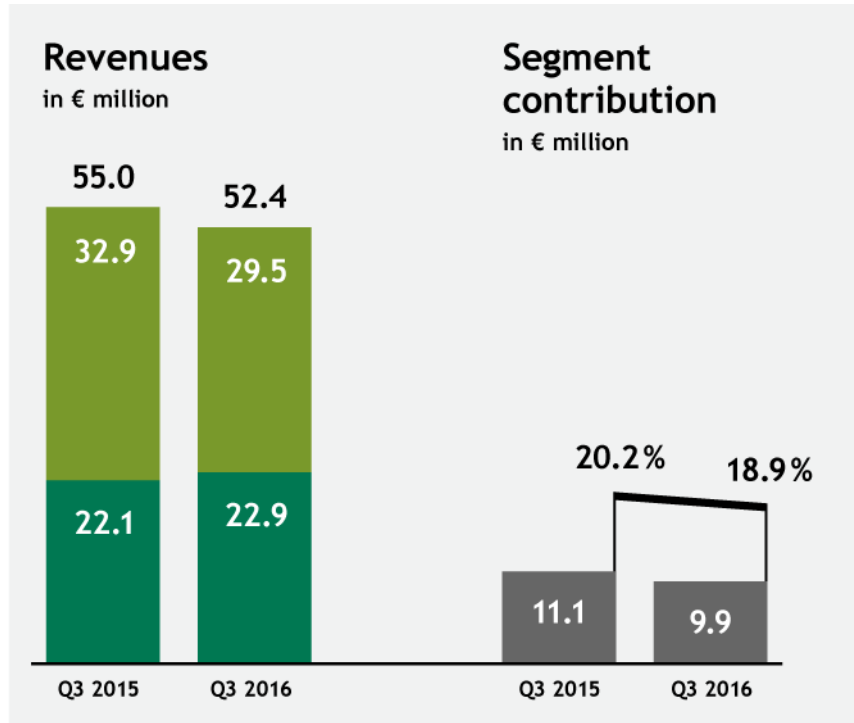
Outsourcing: Visible effect of the migration to PEC



- Two factors are influencing revenues:
 - Start of migration to the PEC
 - No new customers in 1:1 outsourcing
- Segment margin of 22% still underlines the cost-cutting programme's success

■ Segment margin

Telecoms: Growing revenues with corporate customers



- In a stagnating market, QSC managed to increase its B2B2B revenues by another 4%
- Positive impact of migration to All-IP solutions
- Business with resellers impacted by fierce price competition
- Regulation will lead to a negative revenue impact of approx. € 15 million next year; no effect on earnings

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

Significant improvement in EBIT and net income

in € million	Q3 2015	Q3 2016	Δ	Δ in %
Revenues	100.0	95.9	-4.1	-4.1%
Cost of revenues	72.4	70.5	-1.9	-2.6%
Gross profit	27.6	25.4	-2.2	-8.0%
Sales and marketing expenses	8.1	8.1	-	-
General and admin expenses	7.6	7.3	-0.3	-3.9%
Other operating income	0.1	(0.6)	-0.7	nm
EBITDA	12.0	9.3	-2.7	-22.5%
Depreciation	12.6	8.3	-4.3	-34.1%
EBIT	(0.6)	1.0	+1.6	+266.7%
Financial result	(1.5)	(1.3)	+0.2	+13.3%
Income taxes	0.4	0.2	-0.2	-50.0%
Net income	(1.7)	(0.1)	+1.6	+94.1%

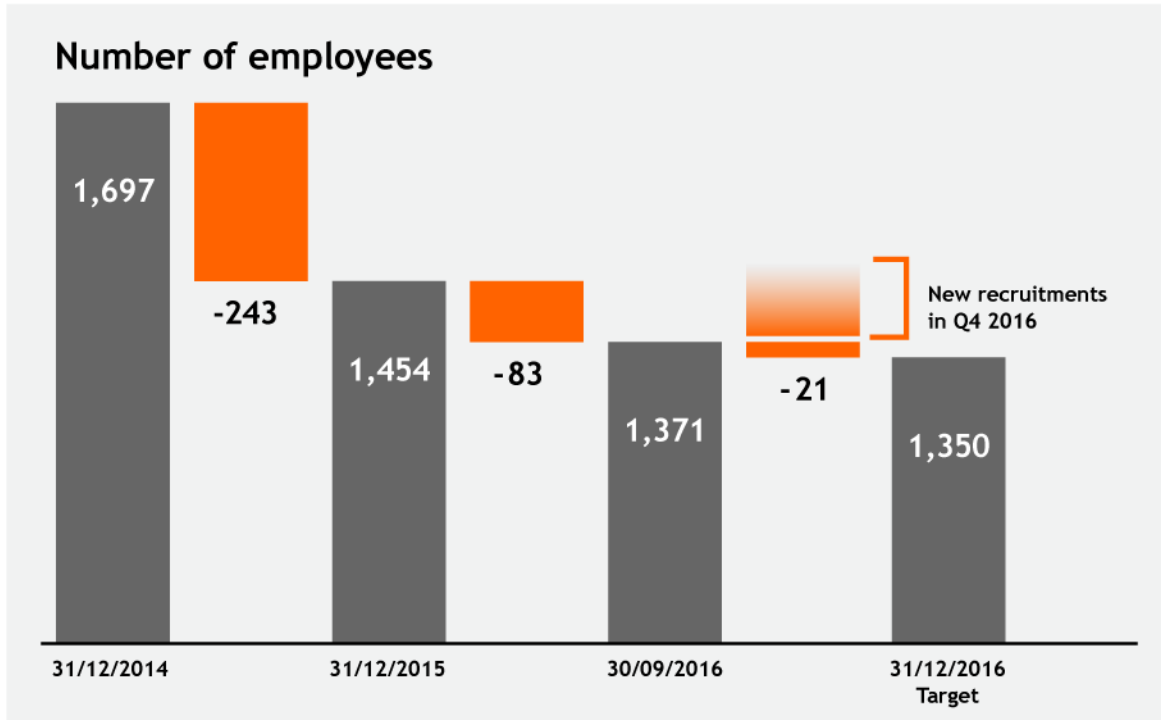
Revenues

- Ongoing two-track development: Growth in Cloud, Consulting and TC for corporate customers vs. decrease in TC for resellers and in traditional Outsourcing

Earnings

- Cost-cutting programme impacting positively
- One-offs due to completion of the programme as previously announced

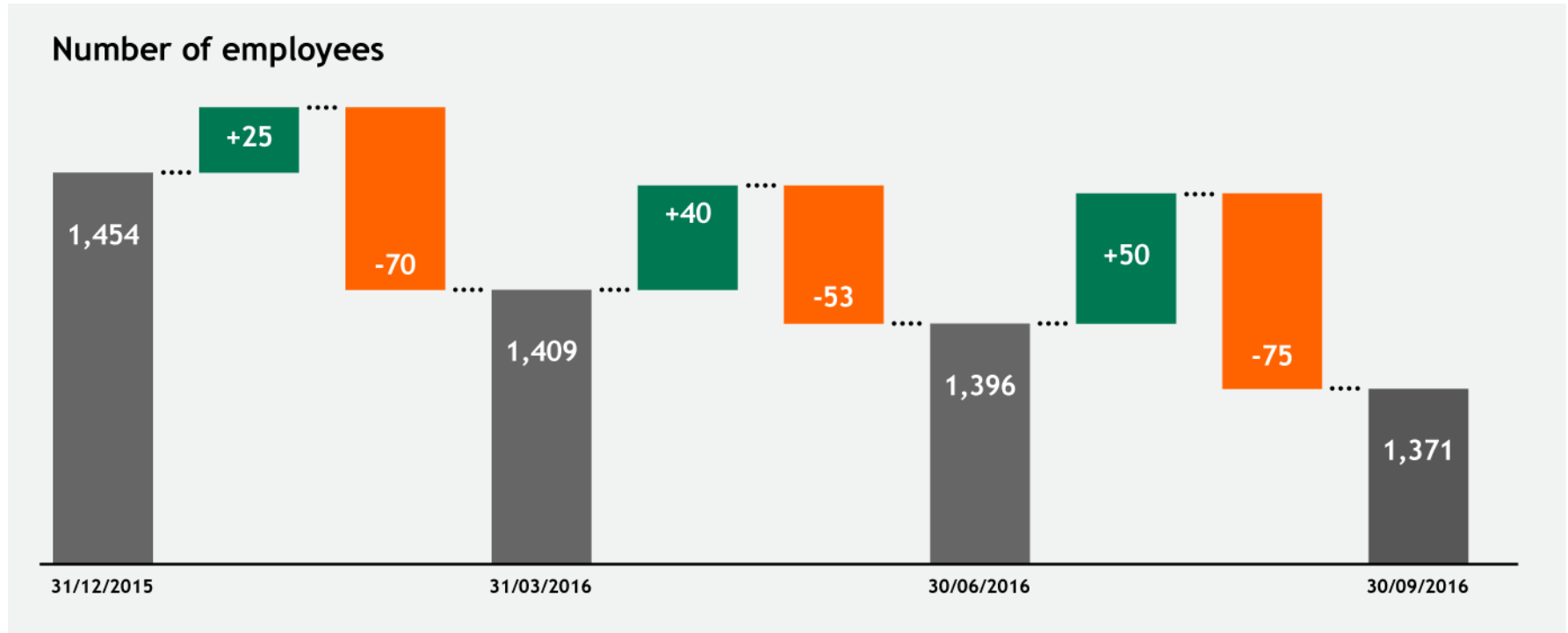
QSC is nearing its targeted workforce size of 1,350









Two-track development

- Recruitment of Cloud experts for sales and operations of the Pure Enterprise Cloud
- Staff cuts necessary in order to achieve the targeted workforce size of 1,350 by year-end 2016
- Staff reorganisation leads to one-off costs

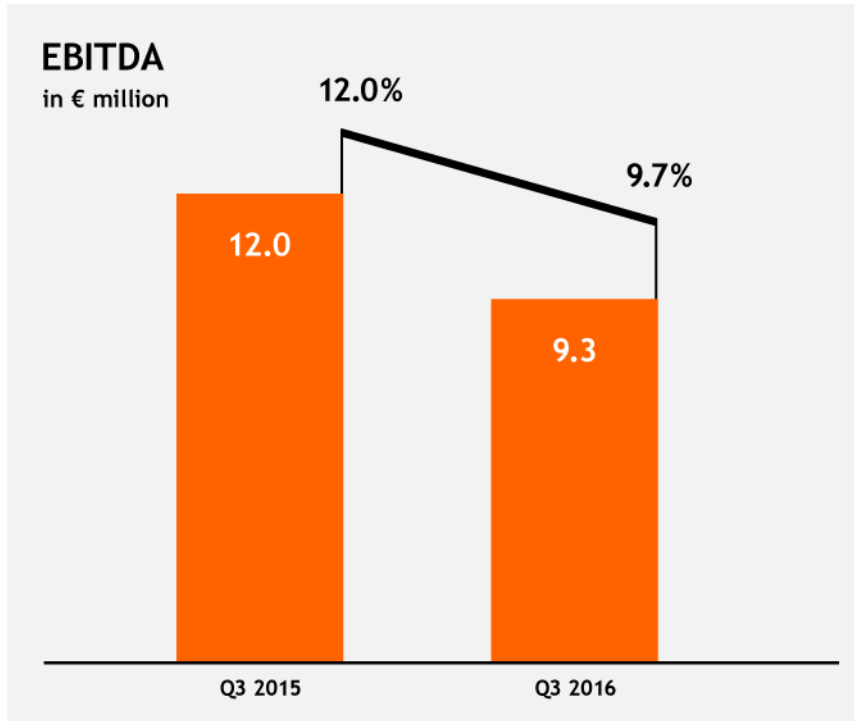
More than 100 further experts this year so far



Almost all cost-cutting targets have been met

- Since February 2015, a company-wide cost-cutting programme has been in place
- Key aspects of the programme
 - Reduction in headcount by around 350 employees 
 - Reduction in number of external consultants 
 - Reduction in number of locations 
 - Streamlining administration 
 - Optimisation of purchasing processes 
 - Standardisation/Industrialisation of IT operations 
- Savings achieved by 31 December 2016: approx. € 24 million
- Finalisation of cost-cutting programme with one-off depreciations in December 2016

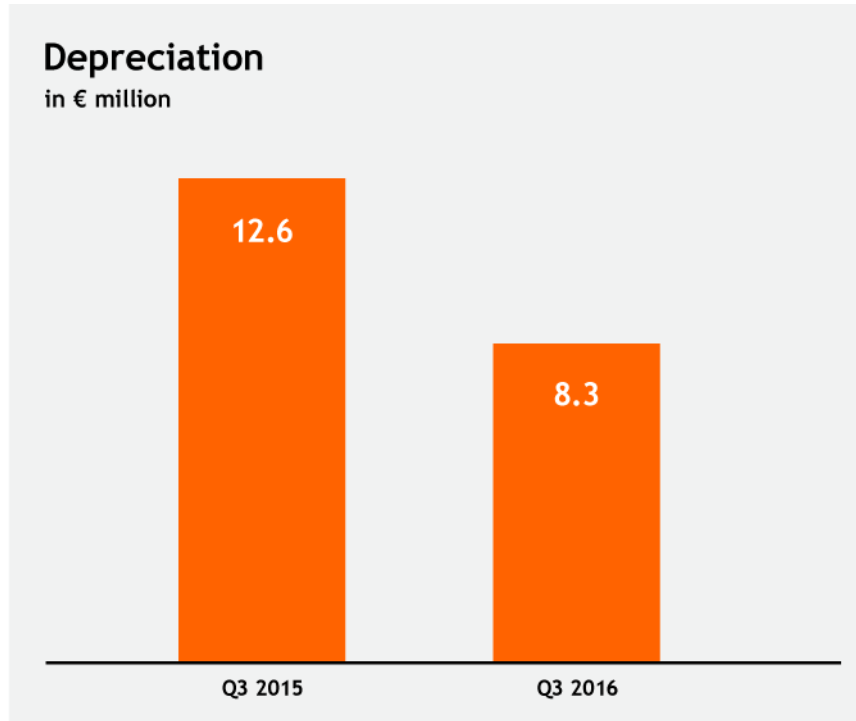
One-offs influenced EBITDA in Q3 2016 already



- Staff cuts require one-off costs in Q3 2016
- Effects of these one-offs will largely be felt in Q4 2016, also with regard to the 2016 annual financial statements

■ EBITDA margin

Declining current depreciation

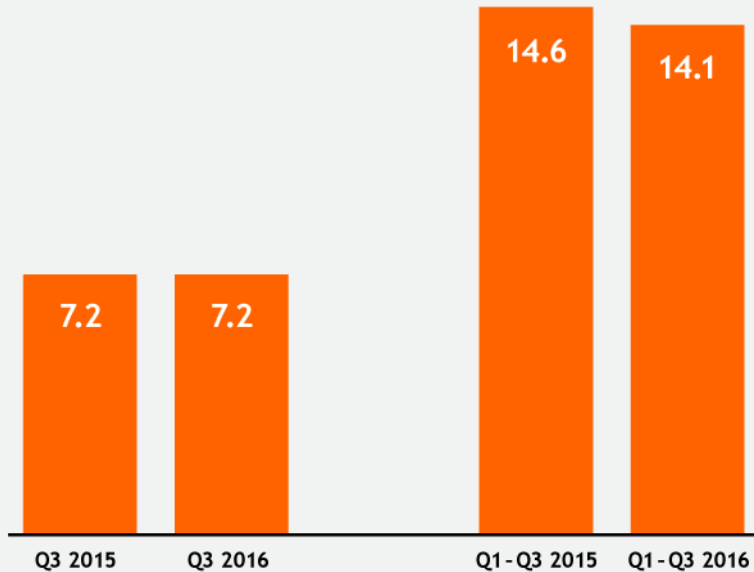


- 2016 was characterised by a significant decrease in depreciation on the TC infrastructure
- Two one-off depreciations in Q4 2016
 - A write-down of goodwill and intangible assets of declining Outsourcing business: € 13.9 million
 - A write-down of FTAPI in connection with the sale of the subsidiary: € 1.5 million

CAPEX in 2016 mainly for cloud business

Capital expenditure

in € million



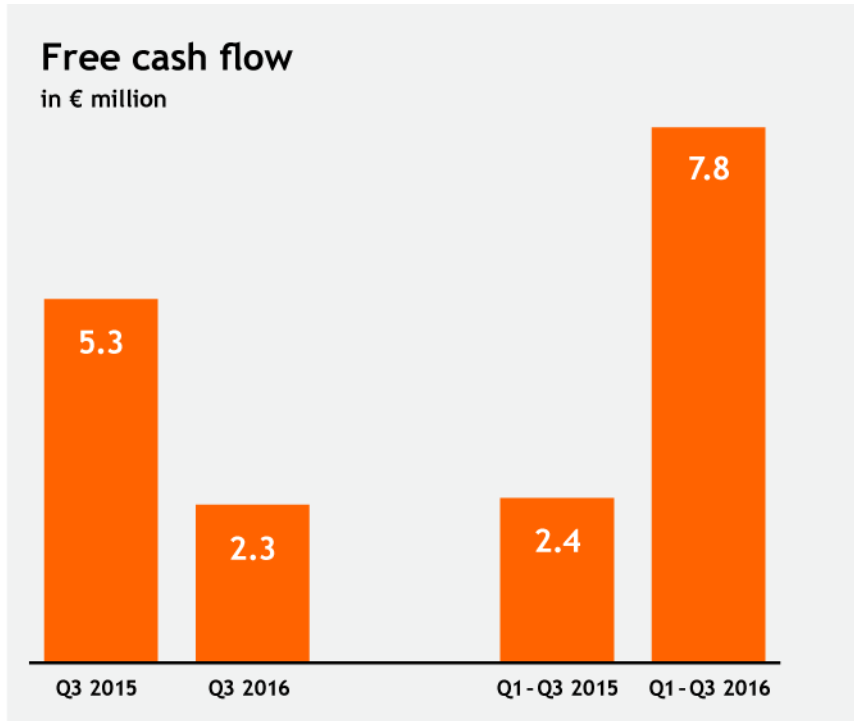
Focus of CAPEX in 2016

- Extension of the Pure Enterprise Cloud
- Customer projects
- Infrastructure

Focus in Q4 2016

- Extension of the Pure Enterprise Cloud
- CAPEX will increase to up to € 12 million
- CAPEX for 2016 in line with the budget (€ 25 – € 30 million)

FCF: Strong growth in 2016 so far



- Positive FCF development in the first nine months of 2016
- Q4 2016 will be characterised by higher CAPEX and lower earnings

QSC now expects a FCF of > € 7 million for FY 2016

For full-year 2016 QSC is still planning on

- Revenues of € 380 – 390 million and
- EBITDA of € 34 – 38 million
- Raised forecast: A positive FCF of more than € 7 million

Q4 2016 will be characterised by

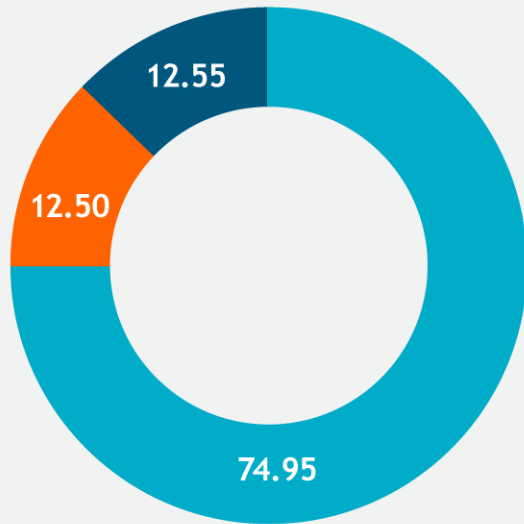
- Further improvement in the revenue mix
- Completion of the cost-cutting programme and corresponding one-off effects

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

Contact



QSC AG
Arne Thull
Head of Investor Relations

T +49 221 669-8724

M +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-Brueggen-Str. 55
50829 Cologne

QSC_{AG}