



Oddo Nextcap Forum 2016  
Paris, 3 May 2016

# THE DIGITISER OF THE GERMAN MITTELSTAND

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") 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

# QSC: The Digitiser of the German Mittelstand

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

**“With decades of experience and know-how in the areas of Cloud, Consulting, Outsourcing and Telecommunications, QSC accompanies its customers securely into the digital age.”**

# Key figures at a glance

# QSC<sub>AG</sub>

> 30,000  
SME customers

Revenues of  
> €400m  
in 2015

30 years  
of experience

Proprietary  
TÜV and  
ISO-certified  
data centres on  
20,000 m<sup>2</sup>

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

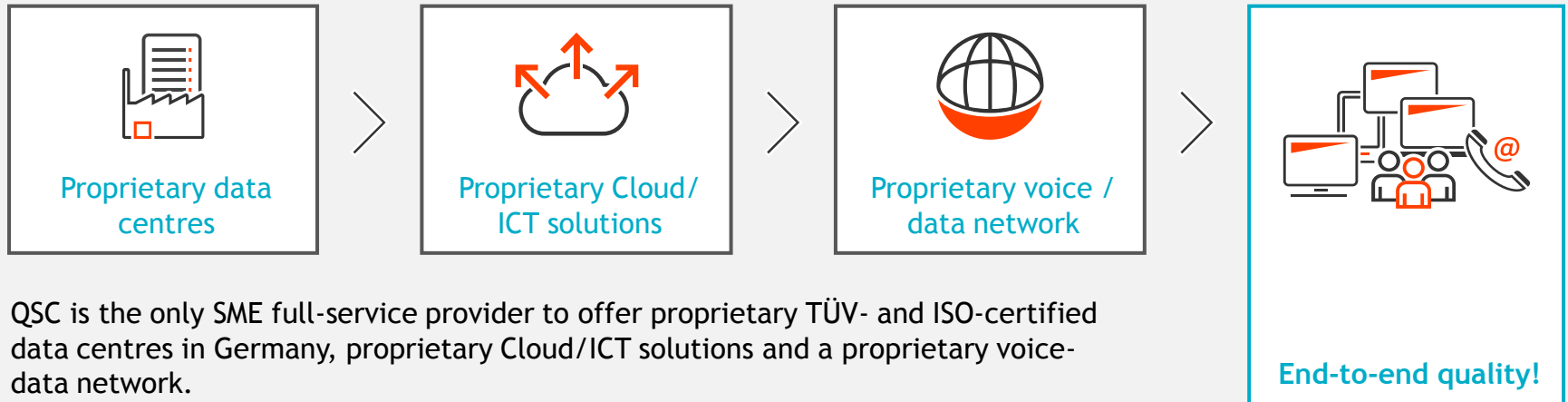
~ 1,400 employees  
in 12 locations  
across Germany

## Certifications

- ISO 27001:2005
- Experton Security Leader 2016
- Experton Cloud Leader 2015
- TÜV Service rated “sehr gut“
- ITIL Service Operation

# Competitive advantages at a glance

- 1 30,000 satisfied business customers
- 2 Respected partner at eye level with the SME sector
- 3 Real end-to-end quality



# A full-service provider for the digital age

## Segments of QSC

**Activities:** All IP Voice and data services

**USP:** Nationwide All-IP infrastructure

**Key customers:** 1+1 Internet (United Internet), Deutsche Post Customer Service

**Revenues 2015:** € 218.7 million

**Activities:** Full range - from data centres and secure corporate network services to process management

**USP:** Certified data centres, all located in Germany

**Key customers:** Amprion, Imperial Tobacco, Olympus Europa, Tchibo

**Revenues 2015:** € 138.5 million



**Activities:** Design and implementation of SAP and Microsoft solutions

**USP:** SAP HANA platform, SAP S/4HANA know-how

**Key customers:** Dussmann Group, Sharp, Vitakraft

**Revenues 2015:** € 38.0 million

**Activities:** Workplace and Application Services, Internet of Things (IoT)

**USP:** Pure Enterprise Cloud, IoT platform "solucon"

**Key customers:** Novoferm tormatic, Urbana (energy provider), Vodafone

**Revenues 2015:** € 7.3 million

# QSC 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

- IoT Cloud platform “Solucon” 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

Comparison of competition in the German SME sector

	CLOUD	BIG DATA	IOT	SECURITY	ALL-IP
QSC AG					
DTAG/T-Systems					
Cancom					
Bechtle					
All for One Steeb					

# Digital solutions already in use: Fressnapf & Tchibo

## Key QSC digital technologies



CLOUD



BIG DATA



IOT



SECURITY



ALL-IP

## Customers

Fressnapf/  
Tchibo  
Digital  
solutions



- Infrastructure as a service
- Communication as a service



- SAP landscape on HANA



- IT operation by certified German QSC data centres



- All-IP network (e.g. Corporate Network Services)

Omni-channel challenge (integration of stationary trade and e-commerce)

# Digital solutions already in use: URBANA

## Key QSC digital technologies



CLOUD



BIG DATA



IOT



SECURITY



ALL-IP

## Customer

URBANA  
Digital solutions



- IoT-Cloud platform Solucon



- Analysis of external factors (e.g. weather) as part of energy management



- Intelligent networking of energy consumption meters



- Encryption
- Secure operation in certified German QSC data centres



URBANA is an energy provider for the residential industry, trade and industry

Challenge: digitisation of energy consumption data

# PEC: Service portfolio through all QSC disciplines



Internet of Things



Corporate Applications



SAP Operations



User Help Desk



Virtual Desktop Services



Mobile Device Management



VPN and network operation

## PURE ENTERPRISE CLOUD

Client Management



Application Management



Compute Resources



Security Services



Cloud Storage



SAP Consulting Services



IP Telephony UCC Services



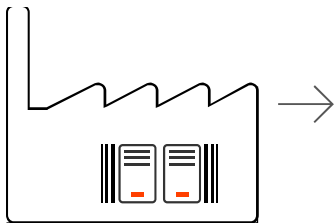
# Customer's view: Modular services

## PURE ENTERPRISE CLOUD

### SECURITY SERVICES

#### CLOUD PLATFORM

QSC data centres



Public Cloud Services



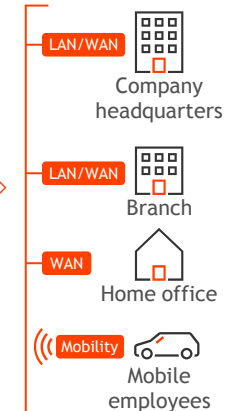
#### CLOUD SERVICES

- Virtual desktops
- Collaboration
- Sector software
- ERP software
- Legacy software
- IP telephony
- Internet of Things
- Public SaaS/IaaS



#### NETWORK AND CLIENT SERVICES

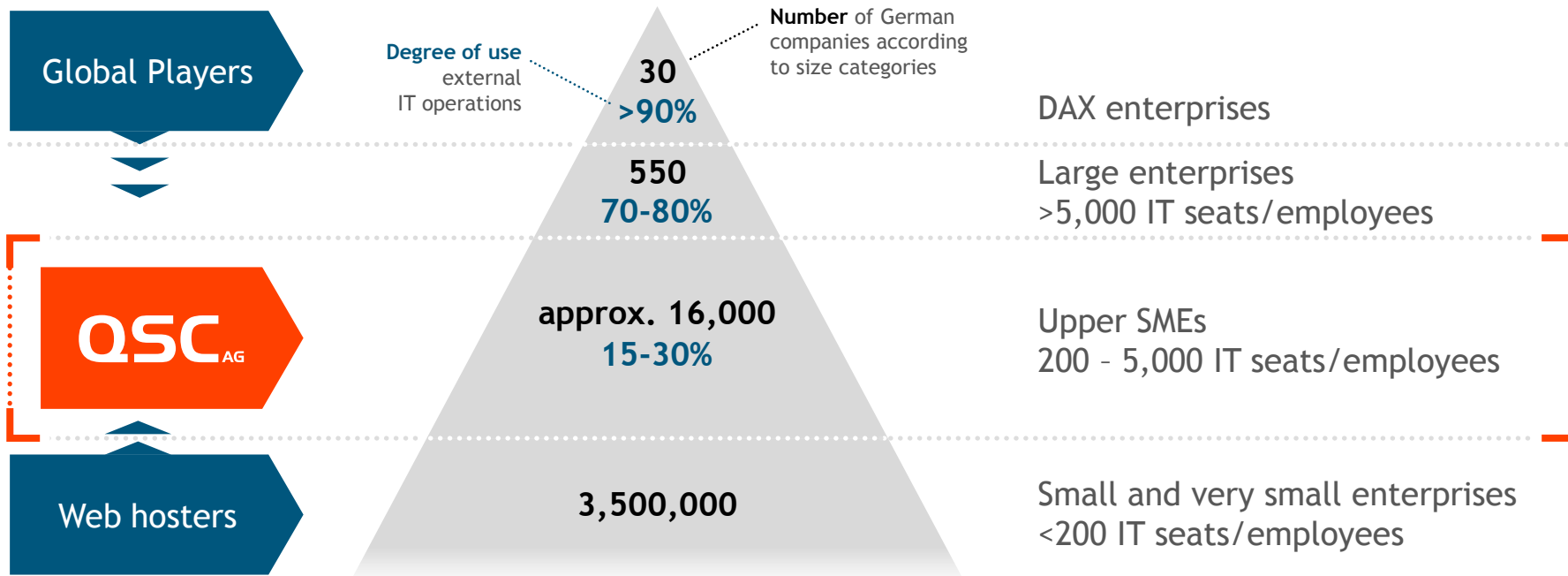
Customer's company



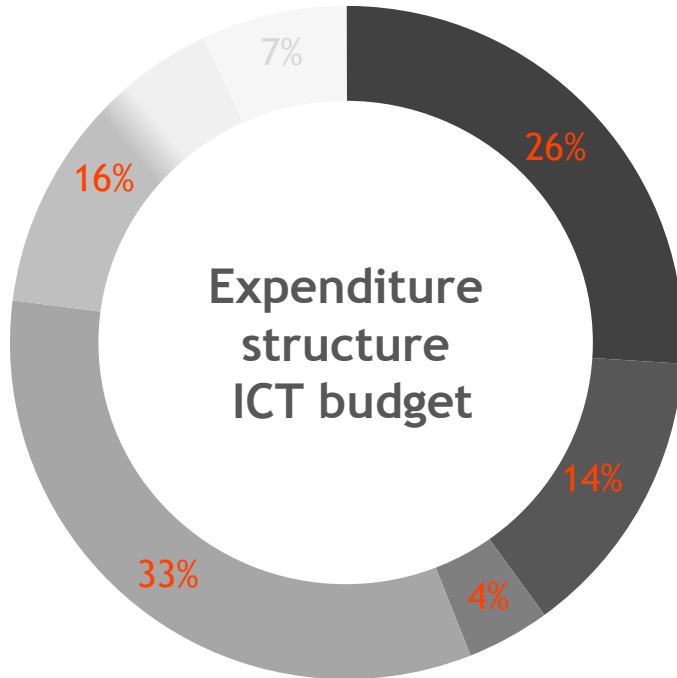
### END-TO-END RESPONSIBILITY

# Pure Enterprise Cloud (PEC): Target market addressed

## Providers



# PEC: Share of wallet in the target market

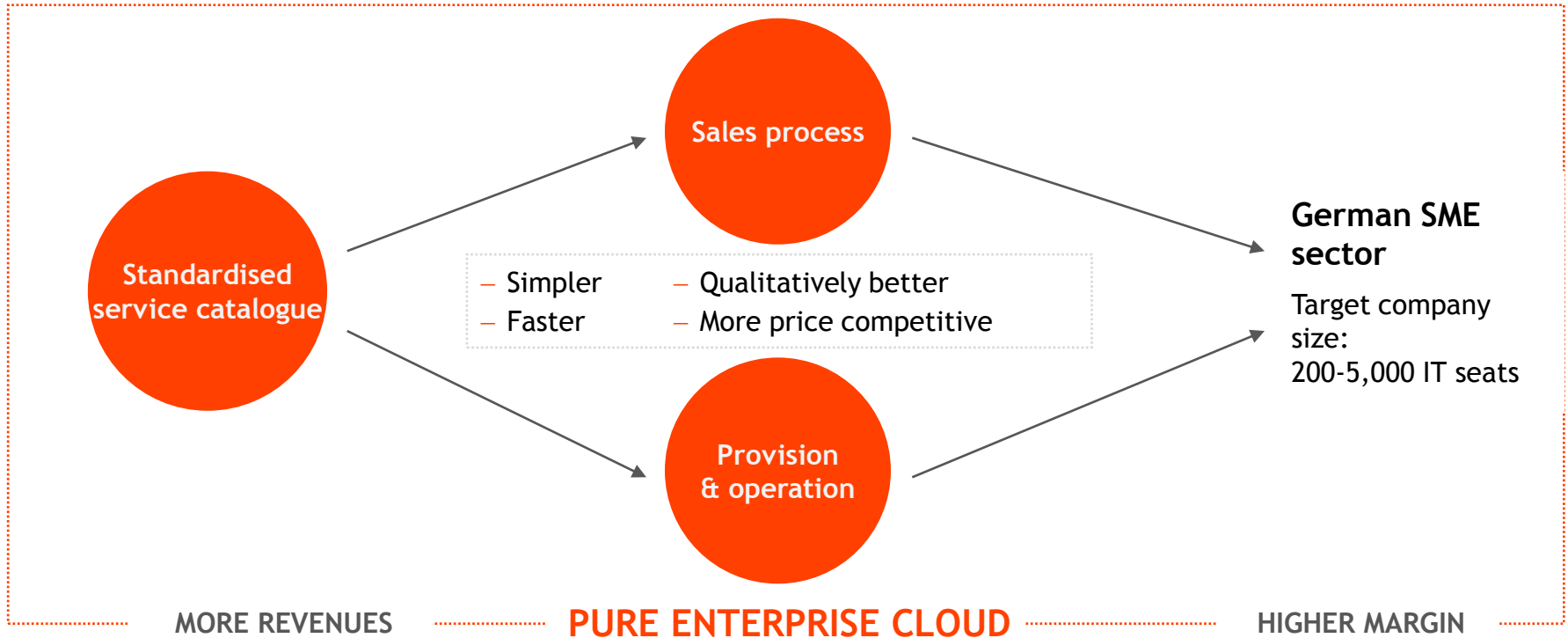


approx. 16,000 target enterprises

- IT services
- Software
- TC infrastructure
- TC services
- IT hardware (proportionate)
- TC terminal devices



# Digital, highly efficient business model



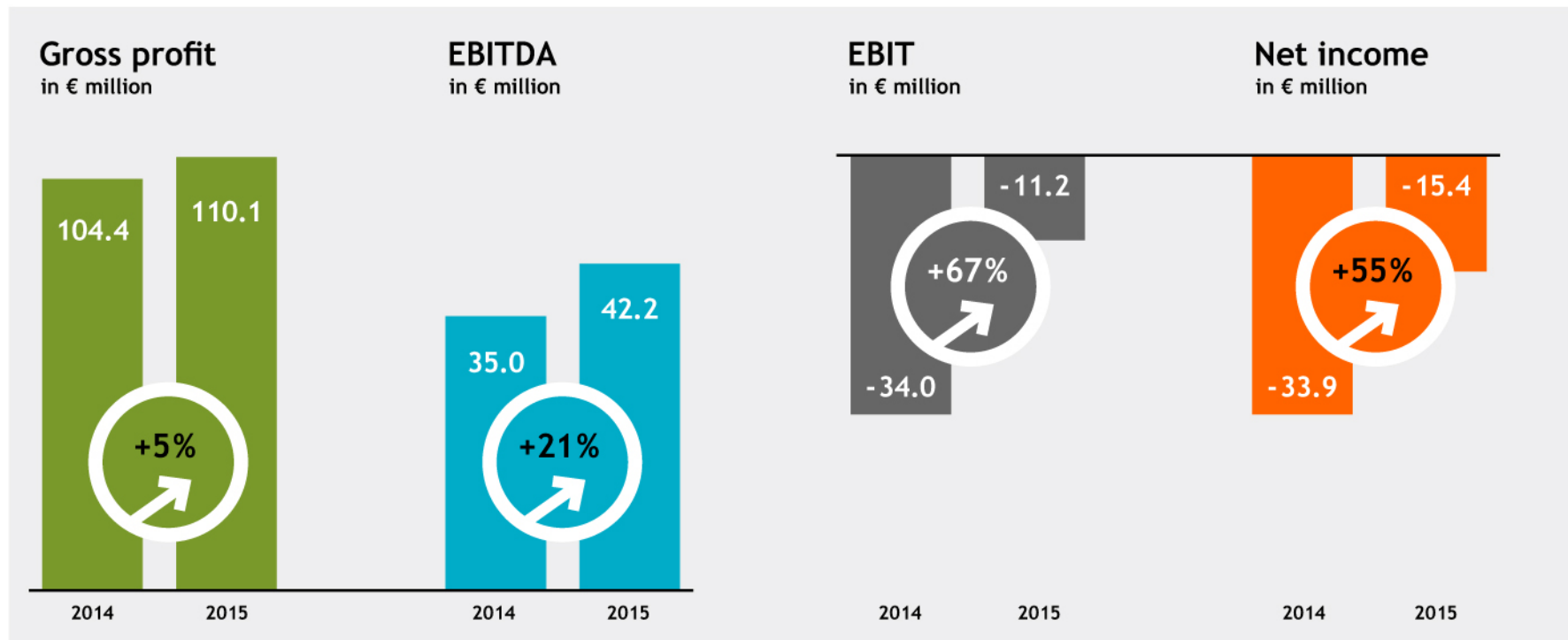


## 2. Financial development in 2015

# QSC surpassed its ambitious targets

Targets		Results for 2015
Enhanced profitability	✓	Significant rise in earnings despite revenue decline
Cost savings of at least € 10 million	✓	Cost savings of € 13.6 million
Staff cuts of 350 by the end of 2016	✓	Some 70% of target already achieved
Revenues > € 400 million	✓	Revenues of € 402.4 million
EBITDA > € 40 million / > € 42 million	✓	EBITDA of € 42.2 million
Free cash flow > € 0 million / € > 5 million	✓	Free cash flow of € 7.1 million

# Significant rise in profitability



# Significant rise in earnings despite revenue decline

in € million	2014	2015	Δ	Δ in %
<b>Revenues</b>	431.4	402.4	-29.0	<b>-6.7%</b>
Cost of revenues	327.1	292.3	-34.8	-10.6%
<b>Gross profit</b>	104.4	110.1	+5.7	<b>+5.4%</b>
Sales and marketing expenses	37.8	34.9	-2.9	-7.7%
General and admin expenses	32.3	32.1	-0.2	-0.6%
Other operating income	0.8	(1.0)	-1.8	nm
<b>EBITDA</b>	35.0	42.2	+7.2	<b>+20.6%</b>
Depreciation	69.0	53.3	-15.7	-22.8%
<b>EBIT</b>	<b>(34.0)</b>	<b>(11.2)</b>	<b>+22.8</b>	<b>+67.1%</b>
Financial result	(6.1)	(6.0)	+0.1	+1.6%
Income tax	6.2	1.8	-4.4	nm
<b>Net income</b>	<b>(33.9)</b>	<b>(15.4)</b>	<b>+18.5</b>	<b>+54.6%</b>

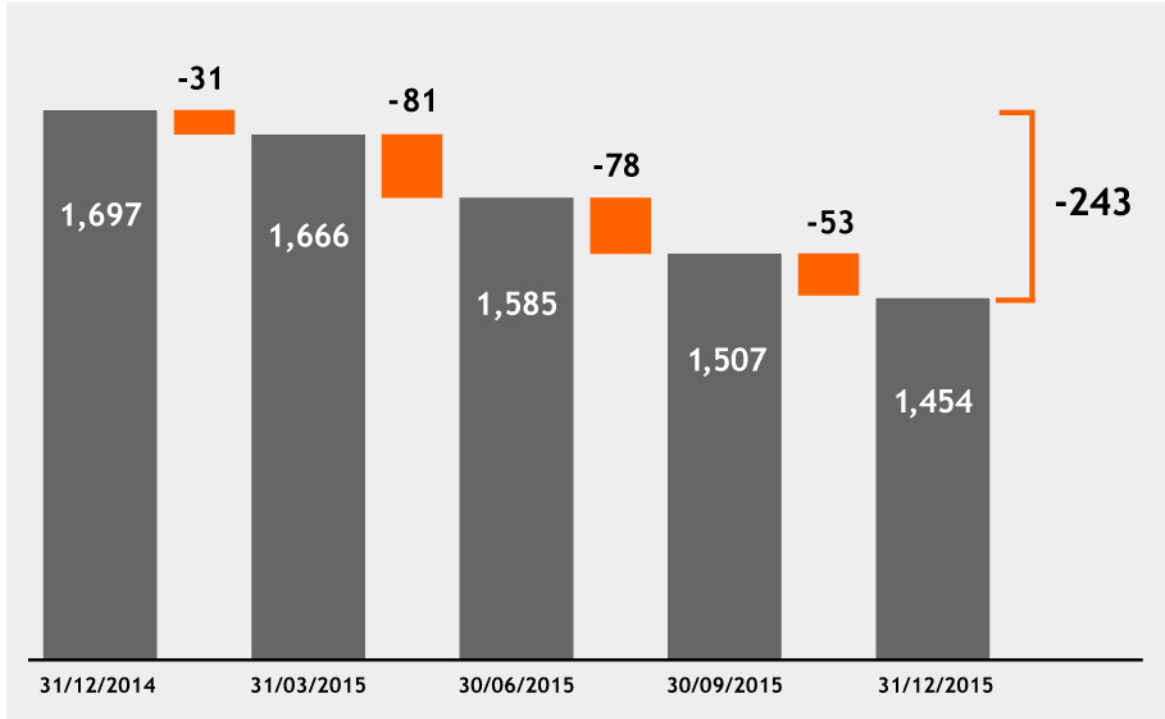
## Revenues

- Two-track development: Growth in the Cloud and Consulting segments; decreases in TC and Outsourcing business

## Earnings

- Cost-cutting programme impacting positively

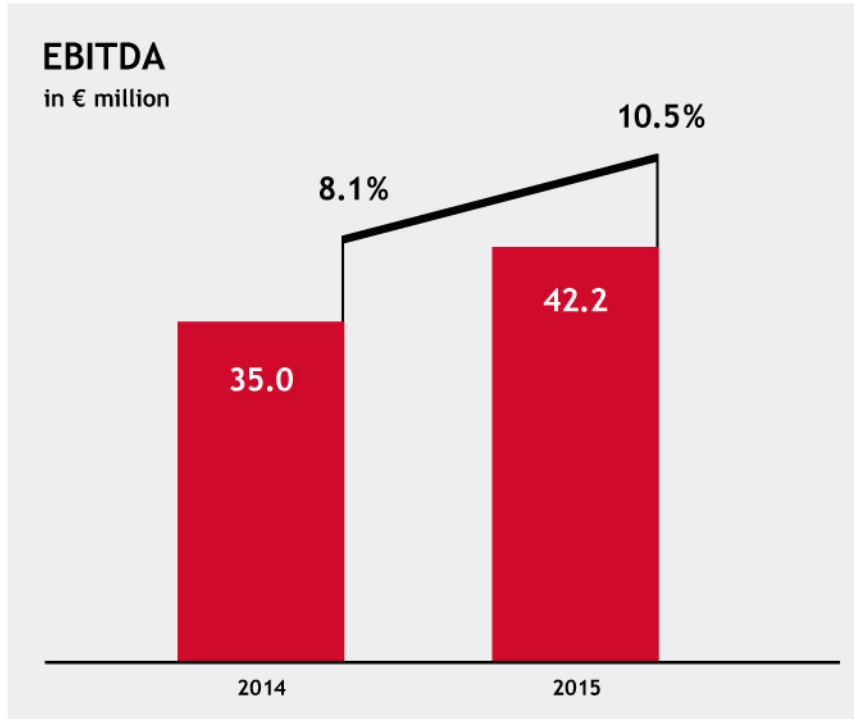
# Staff reductions faster than planned



## Main measures

- Termination of fixed-term contracts
  - Natural staff attrition
  - Socially responsible staff reduction
- > ~70% of planned volume has already been achieved

# Improved EBITDA margin

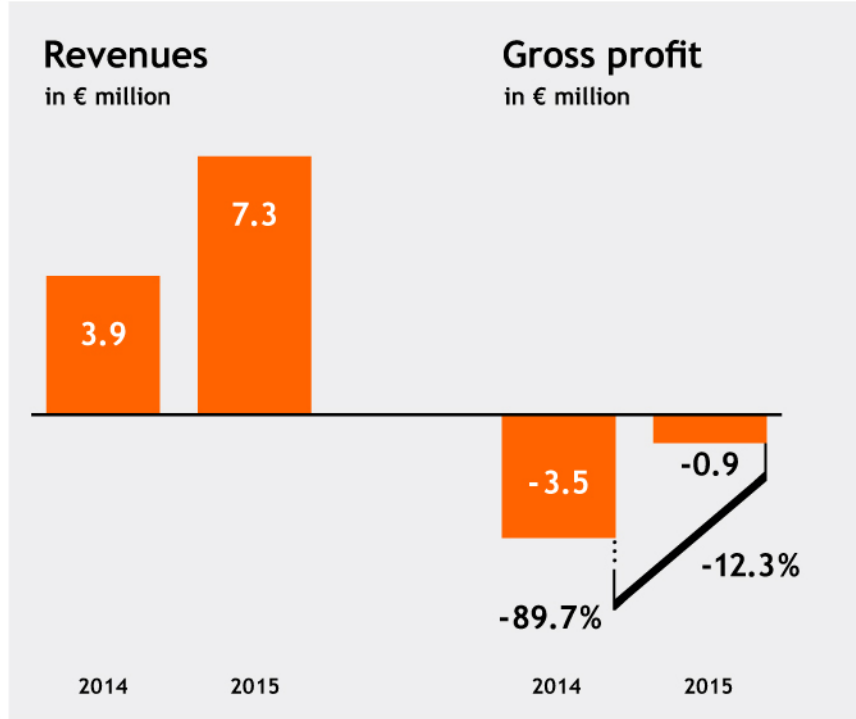


- Successes in cost-cutting contribute to an increase in EBITDA
- Focus on business fields with higher margins

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■ EBITDA margin

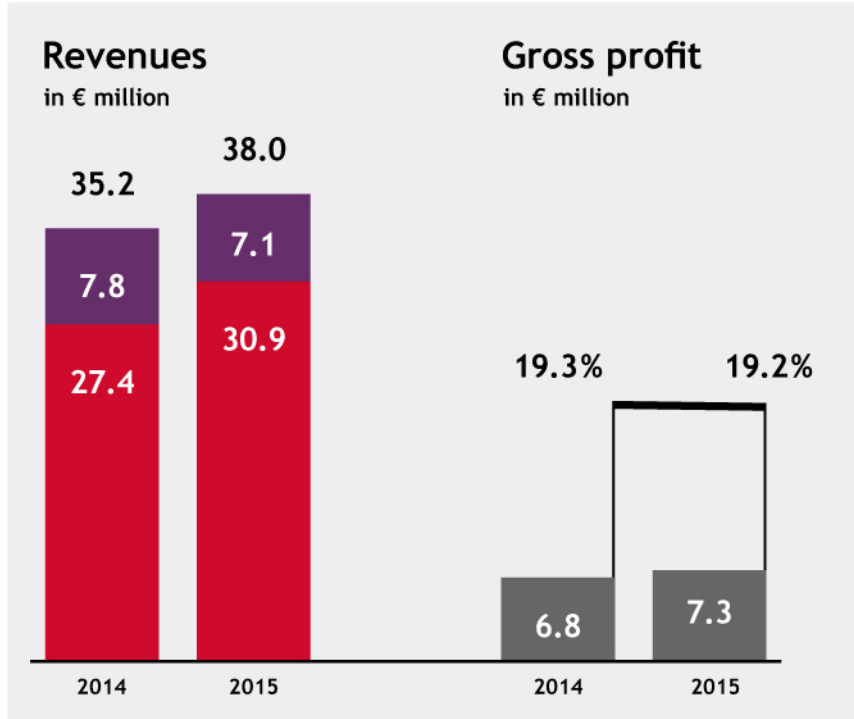
# Cloud: Revenues virtually doubled



- Cloud business still in its early stages
- Growing demand for Cloud-based services such as Cloud-based telephony
- Scalability of the business model enables significantly improved gross profits
- The Cloud segment has been generating positive gross profits since Q3 2015

■ Gross margin

# Consulting: Growth in revenues and earnings

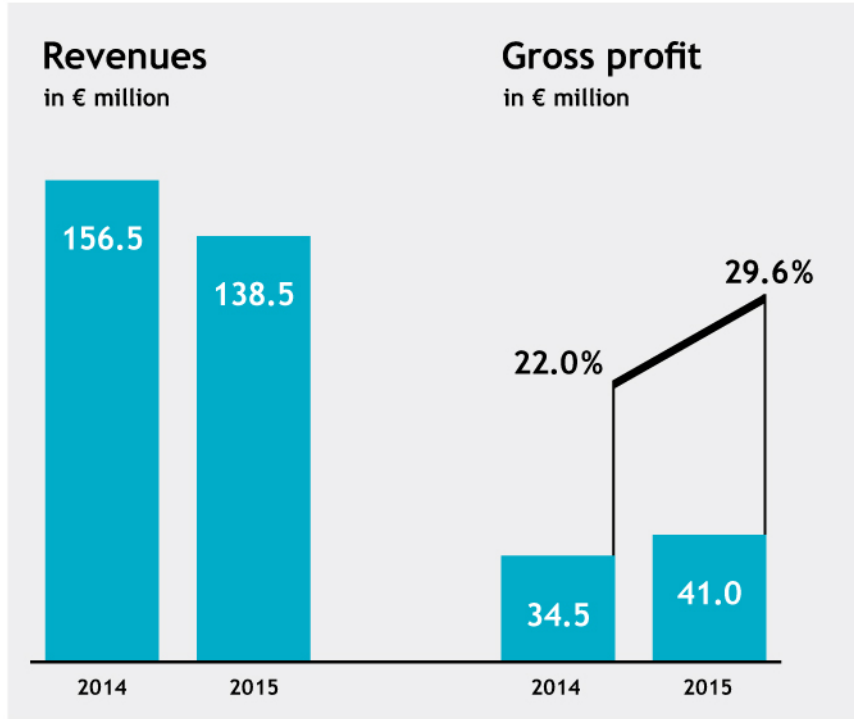


- High demand for SAP consulting
- Growing demand for Cloud expertise (SAP HANA)
- Higher share of external service providers (targeted increase in SAP employees planned)

- 
- Microsoft
  - SAP
  - Microsoft and SAP
  - Gross margin



# Outsourcing: Marked rise in gross margin

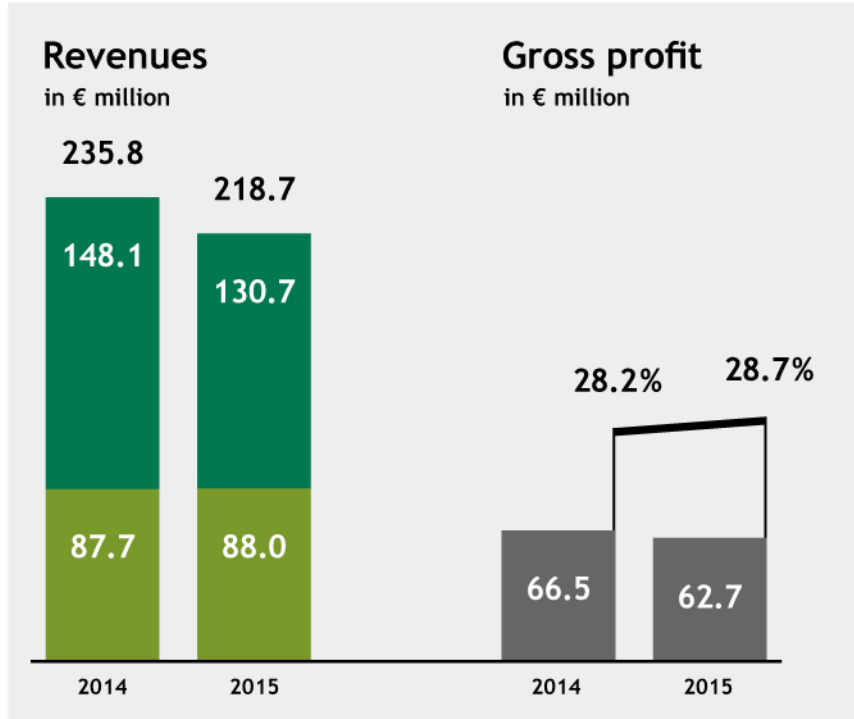


- Focus on SME customers and strong margin revenues
- Existing customers are loyal to QSC: Order intake increases to € 223.2 million (2014: € 177.4 million)
- Ongoing industrialisation and virtualisation
- Increase in gross profit is based on reorganisation and cost-cutting programme

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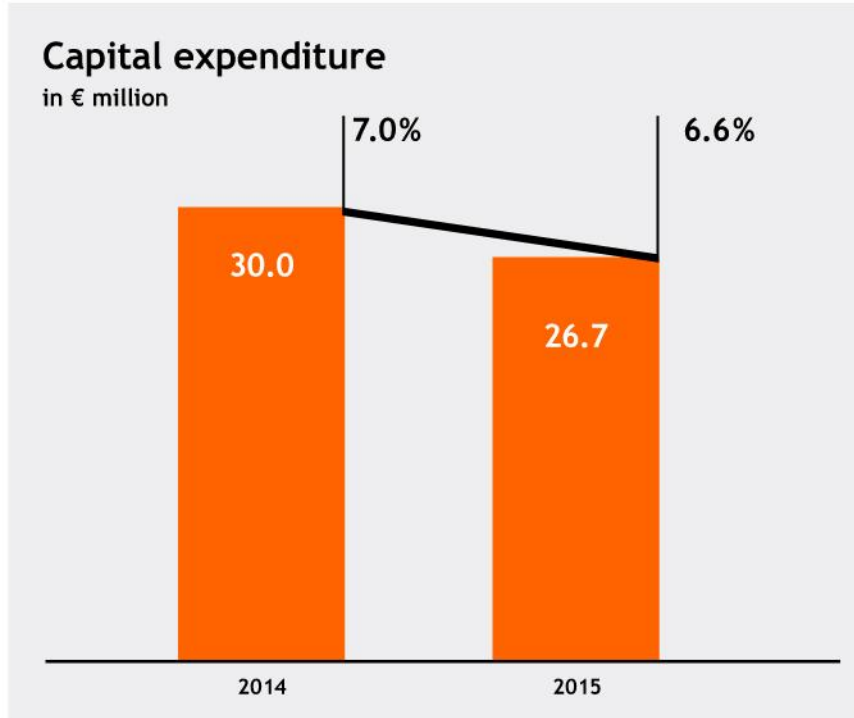
■ Gross margin

# Telecoms: Stable revenues with business customers



- Stricter regulation is burdening the TC business
- Business with resellers additionally impaired by fierce price competition
- Despite stricter regulation, revenues with business customers remain stable
- Improved revenues mix leads to higher gross margin

# Moderate CAPEX in 2015



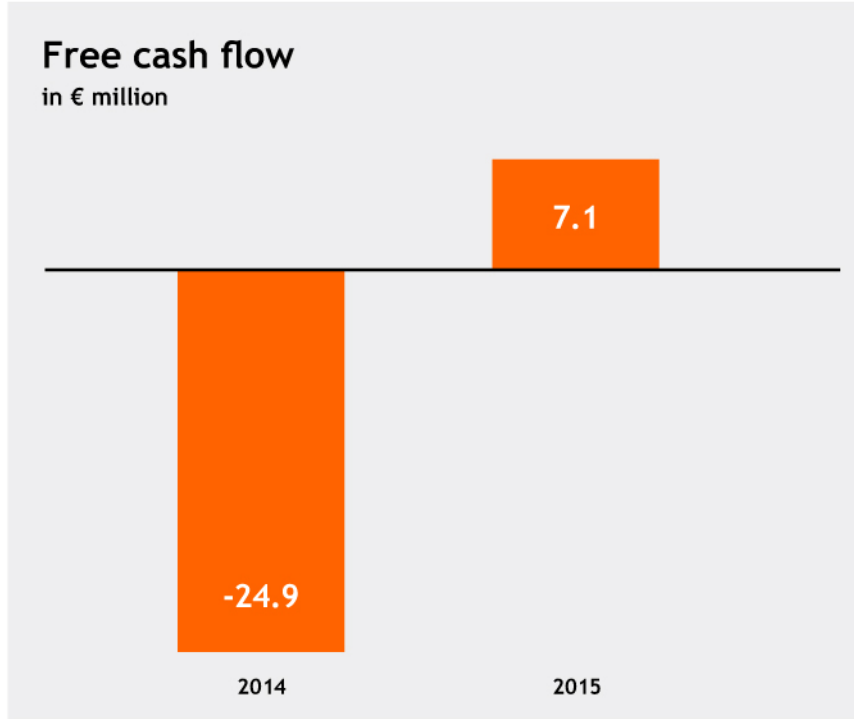
## Focus

- Infrastructure
- Development of Pure Enterprise Cloud
- Customer projects

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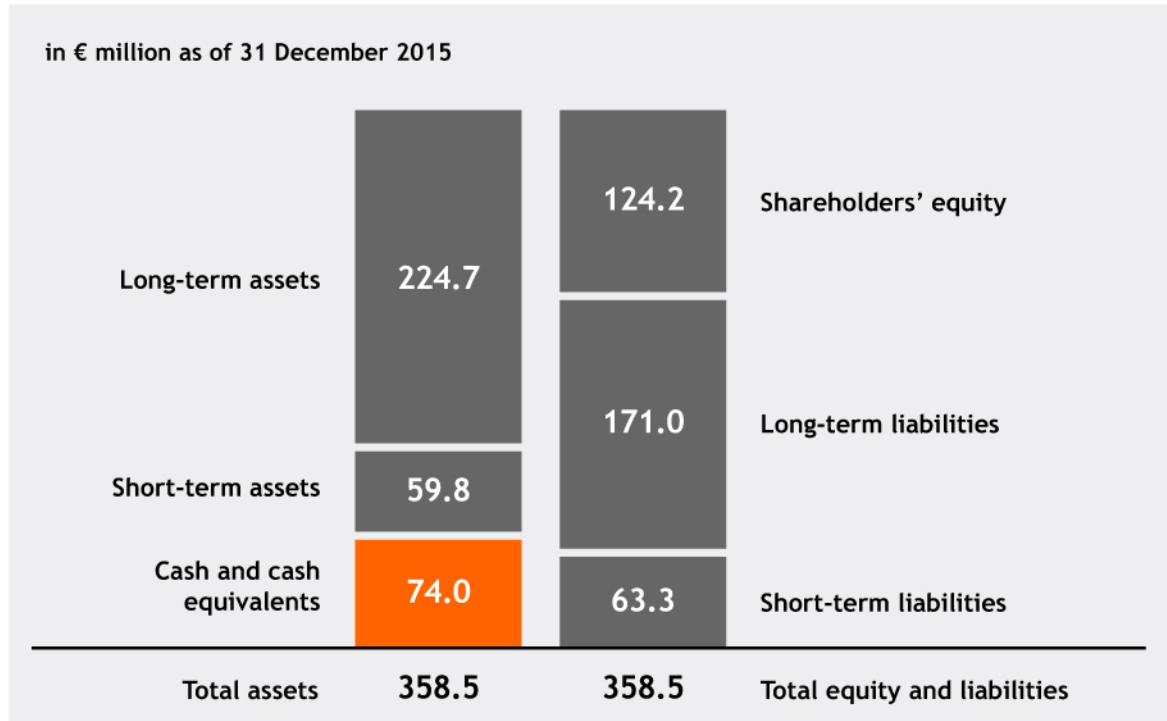
■ Share of CAPEX in revenues as a percentage

# Significantly improved free cash flow



- FCF of € 7.1 million exceeds raised forecast of € 5 million
- Positive FCF enables QSC to pay out a dividend for 2015
- Management Board proposes a dividend of 3 cents per share

# Equity ratio at a solid 35%



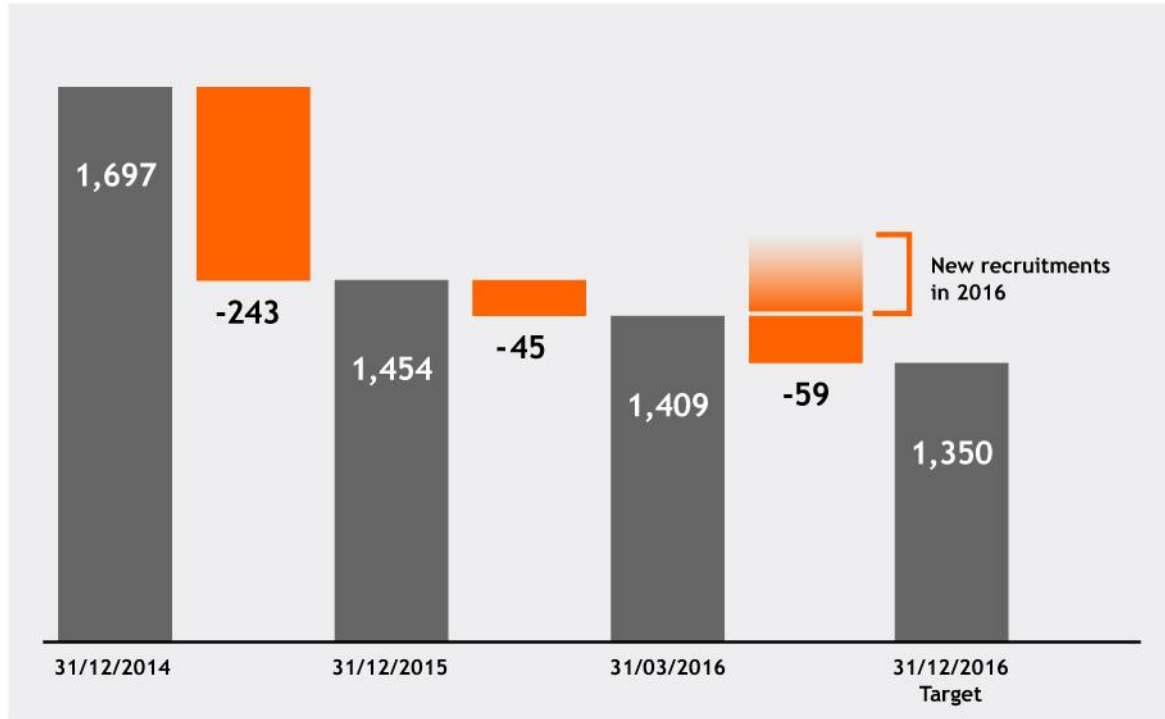
- Shareholders' equity and long-term liabilities cover over 100% of long-term assets with matching maturities
- High cash and cash equivalents of € 74.0 million

### **3. Financial outlook 2016**

# 2016: The first year of the Pure Enterprise Cloud

- In the current year, QSC is concentrating on
  - Developing the Cloud business
  - Marketing the Pure Enterprise Cloud
  - Completing the cost-cutting programme
- For the current year QSC is planning
  - Revenues of € 380 - 390 million
  - EBITDA of € 34 - 38 million
  - A positive free cash flow

# QSC hires further Cloud experts



## Two-track development in 2016

- Hiring of Cloud experts for sales and operation of the Pure Enterprise Cloud
- Necessary staff cuts in order to achieve the target of 1,350 employees by the end of 2016
- Staff reorganisation leads to one-off costs in the mid single-digit million range








# Staff reorganisation impacting EBITDA 2016

in € million	
2015 revenues (basis)	405.5*
2016 revenue expectation	380 — 390
2016 revenue decline	-25.5 — -15.5
<b>2016 contribution margin loss (~ 50%)</b>	<b>-12.8 — -7.8</b>
2015 EBITDA (basis)	42.2
2016 contribution margin loss	-12.8 — -7.8
= 2016 EBITDA (basis)	29.4 — 34.4
+ 2016 savings	+ 8-9
- Staff reorganisation / Pure Enterprise Cloud	- 4-5
<b>= 2016 EBITDA range</b>	<b>34 — 38</b>

\*Revenues prior to DTAG comparison

# Rising Cloud and Consulting revenues in 2016

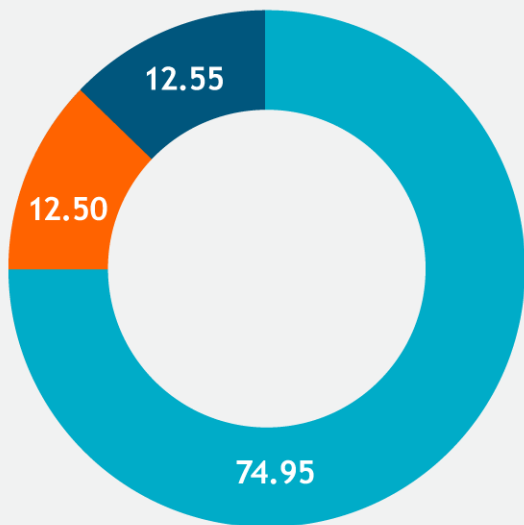
Drivers in 2016		Revenue development in 2016
Cloud	Launching the Pure Enterprise Cloud	
Consulting	SAP HANA project	
Outsourcing	Starting the migration to the Pure Enterprise Cloud; no new customers in 1:1 outsourcing	
TC for business customers	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition	

## 4. Appendix

# Stable shareholder structure

## Shareholders structure

in %



Founders never sold a single share since the IPO in 2000

- 12.55%** Gerd Eickers<sup>1</sup>
- 12.50%** Dr. Bernd Schlobohm<sup>2</sup>
- 74.95%** Free float

- 
- <sup>1</sup> Founder and Member of the Supervisory Board
  - <sup>2</sup> Founder and Chairman of the Supervisory Board

As of 30 April 2016

# Financial calendar

**9 May 2016**

Publication of Quarterly Report I/2016

**25 May 2016**

Annual Shareholders Meeting

**8 August 2016**

Publication of Quarterly Report II/2016

**1 September 2016**

TMT Conference, Commerzbank, Frankfurt

**8 September 2016**

German Technology Seminar  
Bankhaus Lampe, Zurich

**22 September 2016**

5th German Corporate Conference  
Berenberg/Goldman Sachs, Munich

**14 November 2016**

Publication of Quarterly Report III/2016

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