



Cologne, 7 August 2017 - Results H1 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 annual report.

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# 1. Strategy Update

# H1 2017: Progress in Cloud business and beyond

- QSC is visibly developing into the digitiser for the German “Mittelstand”
  - Cloud revenues grew by 80% in H1 2017
  - New customers for Pure Enterprise Cloud and SAP services
  - QSC is now one of two SAP recognized experts in retail in Germany
  - Expansion of cloud portfolio with Multi-Cloud Consulting
  - QSC is stepping up marketing of colocation & virtual data centres
  - New opportunities in TC for corporate customers
- ⇒ Progress in strategy implementation leads to higher profitability and free cash flow

# New PEC customer: Frankfurter Leben



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



## Objective

- IT landscape should grow in a flexible and agile way in line with new business model and rapidly growing data volumes
- Secure business IT operations in German jurisdiction
- High availability
- Provision of virtualised enterprise workplace environments
- Cost efficiency thanks to modern cloud-based procurement model

## Implementation

- Provision of all aspects of business IT from the Pure Enterprise Cloud
- High-availability operations at QSC's data centres
- Database services
- VoIP services
- Operation of entire LAN/WAN
- Assumption of all desktop services

## Summary & Outlook

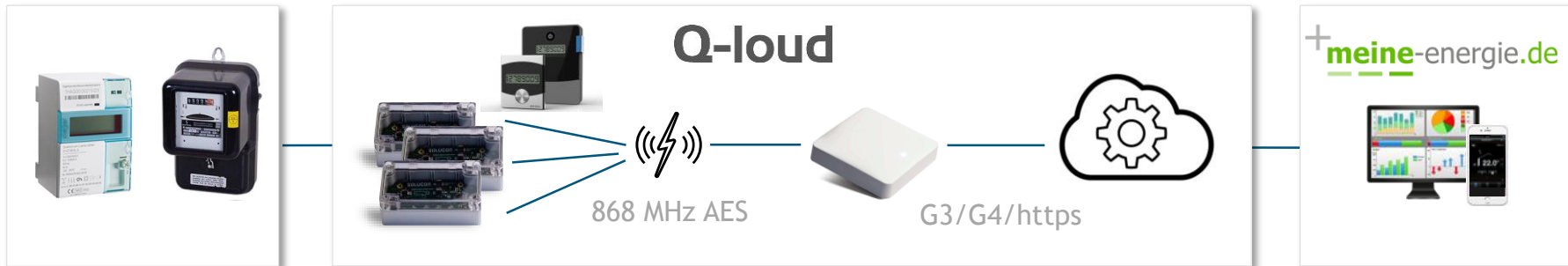
- Rapid integration of further life insurances into IT environment
- First life insurances (ARAG Leben) already acquired and integrated into IT by QSC

# New IoT customer project: meine-energie.de

Physical appliance

Integration / hardware provision / operation

Application / analysis



## Energy meters

- Electricity
- Gas
- Heating energy
- Water

Q-loud  
IoT adapter  
for RS485,  
ModBus, MBus

Q-loud  
protocol

Q-loud  
gateway

Q-loud  
IoT Cloud

Big data analytics,  
user application,  
smart support  
On-site / 3<sup>rd</sup> party

# New Consulting customer & more: Hermes Fulfilment



- Retail logistics: e-commerce
- 5,000 employees
- HQ: Hamburg, 4 locations
- Forms part of international Otto Group



## Objective

- Meeting rising customer demands in the age of e-commerce (“immediacy”)
- IT-based integration of customer logistics into own process worlds
- Maximum digitisation and automation of processes/ order management
- Focus on strategic enhancement of SAP landscape
- Assignment of application management and SAP operations to competent full-service provider

## Implementation

- All-round end-to-end ICT and cloud services
- SAP consulting, including support in introducing SAP EWM Warehouse Management
- SAP application management & 2<sup>nd</sup>/3<sup>rd</sup>-level support
- SAP ERP, Retail, BW, EWM, FI-CAX, PI, ...
- Operation of SAP system landscape incl. SAP BW on HANA
- Location networking (IP-VPN)
- Security/database/middleware management

## Summary/outlook

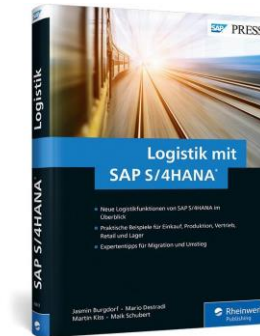
*“Our customers have ever higher expectations in us. This requires end-to-end digital processes and order management. QSC’s services offer us the scope we need to actively structure these requirements on behalf of our customers.”*

*Dr. R. Lenz, SAP Applications Manager, Hermes Fulfilment*

# QSC now is an “SAP Recognized” expert in retail

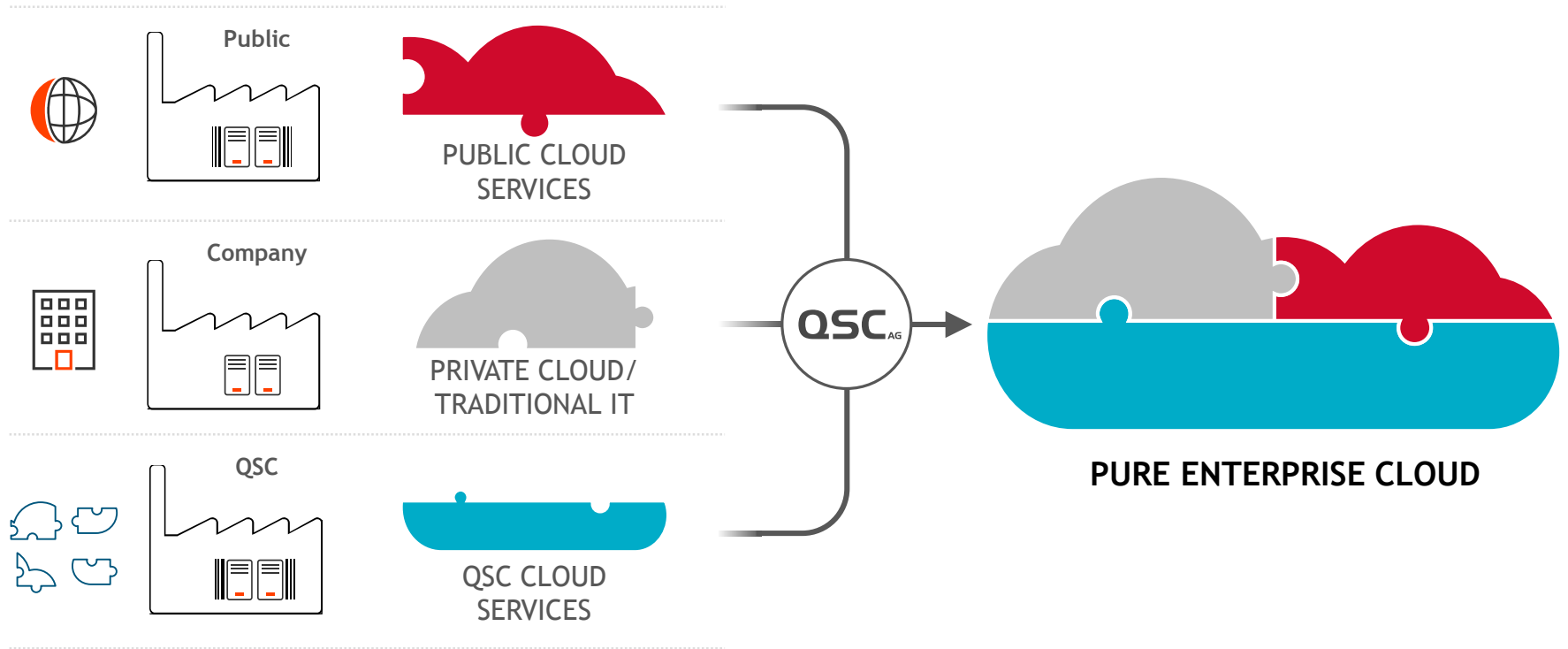
- Awarding of recognized expertise status by SAP confirms excellence of QSC’s expertise in retail
- QSC is one of two certified SAP partners for retailers in Germany
  - Status award based on: positive customer assessments by reference to a catalogue of criteria
  - Criteria surveyed: time and budget management, project management, solution expertise, etc.
- QSC’s strategic position as an SAP partner to retailers is confirmed by this certification and this supplements SAP’s campaigns targeting retailers (see SAP PRESS book: “Logistics with SAP S/4 HANA”)

**SAP**<sup>®</sup> Recognized Expertise  
in Retail





# New offering: Multi-Cloud management







# Multi-Cloud is the future of cloud services


## Main drivers:

- Maximum freedom in designing and enhancing cloud strategy
- Risk minimisation: avoidance of vendor lock-in
- Exploiting innovation potential (new cloud services always available from various providers)
- Different compliance requirements call for different deployment models
- Optimising data & system access performance (latency periods in international connectivity)
- Default security: high availability & backup
- Optimising costs: storage/processing uncritical workloads in public cloud

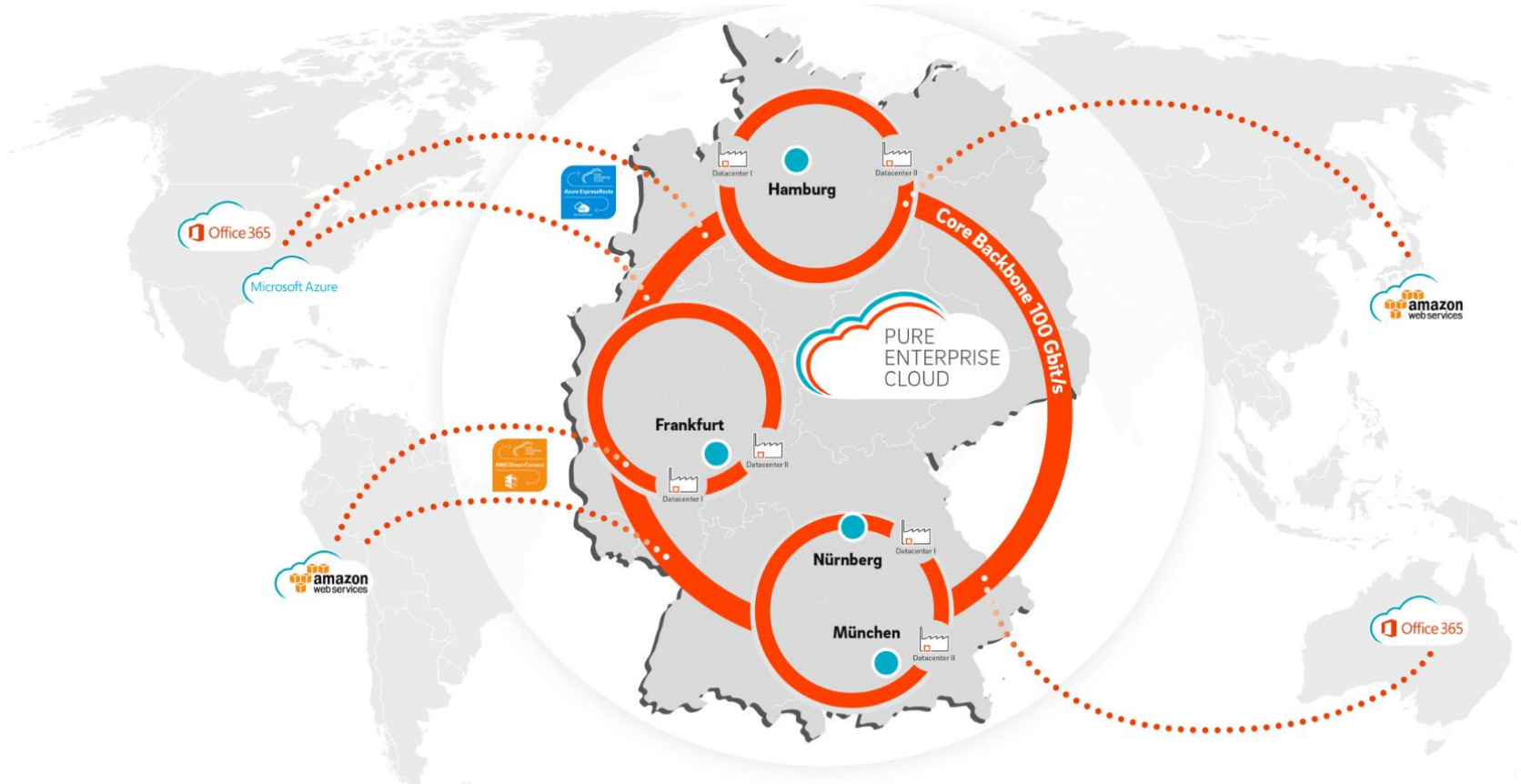
What is your favourite cloud deployment model (public, private, hybrid, multi) for now and the future?\*

	NOW	FUTURE
 Purely public cloud	27.5%	10.6%
 <b>Hybrid cloud</b> Own IT infrastructure in combination with public cloud	25.9%	32.8%
 <b>Multi-cloud</b> Managing various cloud environments including at least one public cloud	12.7%	36.0%
 <b>Private cloud</b> Purely private cloud environment at proprietary data centre	33.9%	20.6%

n = 189

 \* Market study "Multi-Cloud Management Among German SME Companies", Crisp Research AG

# QSC is becoming the single point of contact for IT services



# Strengthening of data center services

- “Colocation & Virtual Datacenter“ is now the 5<sup>th</sup> main offering on our website
- Growing demand for classic colocation products as well as virtual solutions
- Portfolio ranges from data center installations incl. MPLS-VPN to IaaS and DevOps scenarios
- Dedicated sales force for data centre services

The screenshot displays the GSC website's navigation and content. The top navigation bar includes links for UNTERNEHMEN, PARTNER, INVESTOR RELATIONS, PRESSE, KARRIERE, REFERENZEN, BLOGS, INFOCENTER, and LOGIN. The main menu features categories: CLOUD SERVICES & IT-OUTSOURCING, INTERNET OF THINGS & INDUSTRIE 4.0, IT-CONSULTING & SAP-SERVICES, INTERNET, TELEFONIE & VERNETZUNG, and COLOCATION & VIRTUAL DATACENTER. The COLOCATION & VIRTUAL DATACENTER dropdown menu lists: Portfolio im Überblick, Colocation Datacenter, Virtual Datacenter, Services & Solutions, Security & Domains, Technologiepartner, Zertifizierungen, Ansprechpartner, Statuspage, and Colocation Login. The main content area features a hero section with the text: "VIRTUAL DATACENTER VON GSC STARKE POTENTIALIE FÜR EIN EFFEKTIVES RZ-OUTSOURCING" and "Profitieren Sie durch die effiziente Skalierbarkeit unserer Datacenter Services und steigern Sie nachhaltig Ihre Flexibilität!". Below this, a breadcrumb trail reads "Home | Produkte & Lösungen | Colocation & Virtual Datacenter". The content area is divided into two sections: "PORTFOLIO IM ÜBERBLICK" and "GSC-COLOLOCATION & VIRTUAL DATACENTER". The "GSC-COLOLOCATION & VIRTUAL DATACENTER" section contains the text: "Auf dem Weg in die Digitalisierung ist eine sichere und flexible IT-Infrastruktur ein Muss. Mit GSC-Colocation erhalten Sie genau diese Sicherheit und können Ihr Rechenzentrum so skalierbar, innovativ und zuverlässig gestalten, wie Sie Ihre Geschäftsziele bestimmen." At the bottom, two boxes describe the services: "COLOCATION DATACENTER" (Rack & Cage, Server, Storage & Netzwerk, Twin Datacenter, Remote Hands) and "VIRTUAL DATACENTER" (Infrastructure as a Service, Container / Virtual Server, Hybrid und private Cloud, DevOps), connected by a double-headed arrow.

# New opportunities in TC for corporate customers

- Continued high interest in All-IP solutions
  - Especially high demand for SIP Trunks - the retrofit for conventional TC systems
  - IP-VPN solutions are becoming a part of many customer projects (e.g. Frankfurter Leben and Hermes Fulfilment)
  - In H1 2017, QSC won several tenders of larger companies for IP-VPN solutions
  - H2 2017 will see the start of migration of Telefónica's corporate lines
  - QSC is developing a new business line with municipal utilities ("Stadtwerke"): Network operations + All-IP solutions
- ⇒ A dedicated TC sales force will take these and other opportunities

# H2 2017: Ongoing progress in cloud business and beyond

- QSC expects significantly higher cloud revenues in H2 2017
- Multi-Cloud Consulting will start to contribute to segment revenues
- SAP expertise will be the driver for growing revenues in IT consulting and SAP services
- TC business for corporate customers will benefit from dedicated sales force
- Rollout of colocation and virtual data services
- Strict cost management will ensure the necessary scope to develop forward-looking business fields

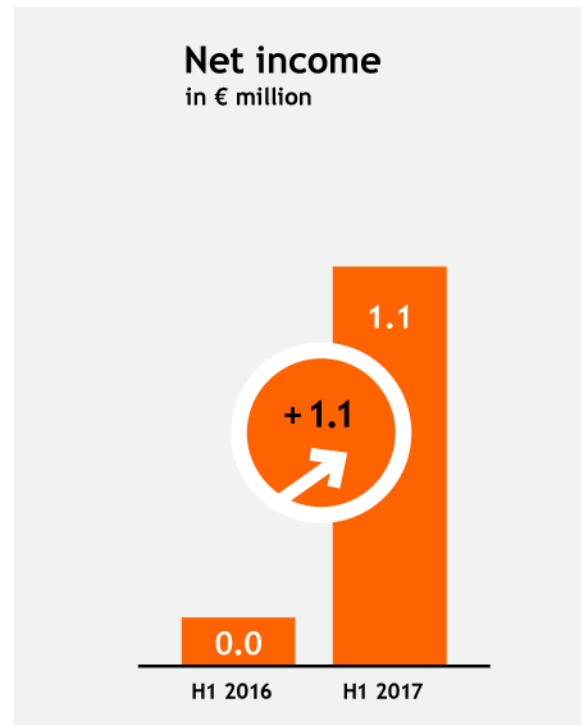
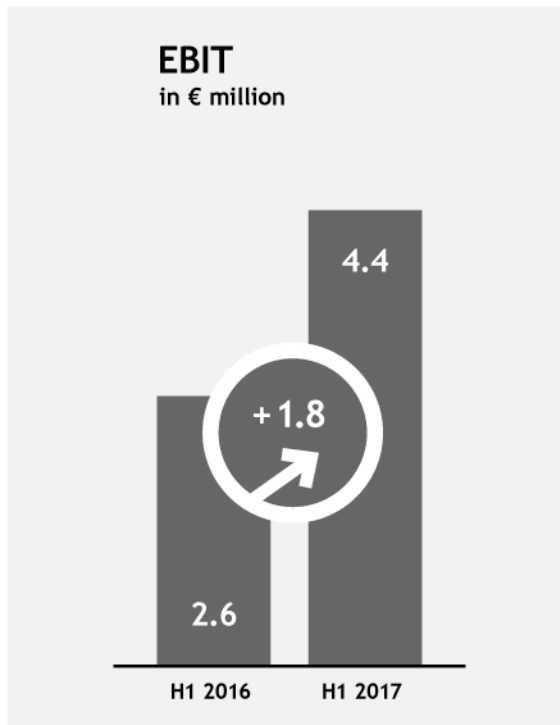
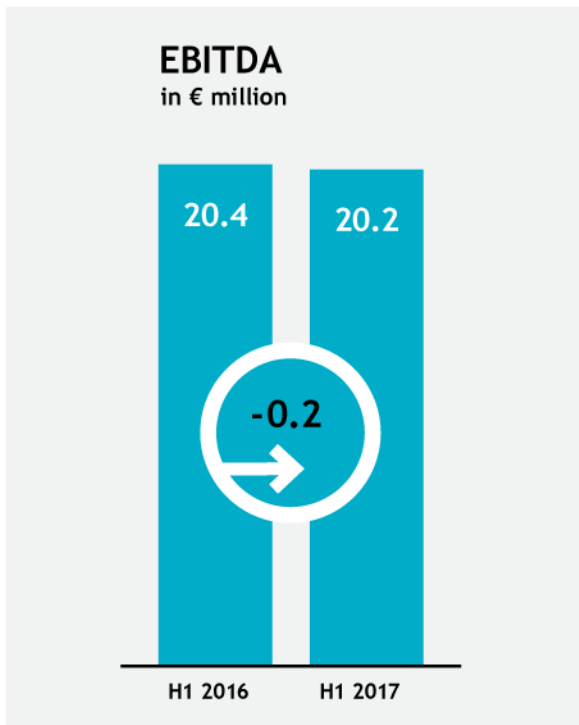
## 2. Financial Update

# H1 2017: QSC posts steady net profit

- Net profit came to € 1.1 million in H1 2017
- EBIT margin doubled to 2%; EBITDA margin rose to 11%
- Free cash flow improved by 16% to € 6.4 million - despite a 42% rise in CAPEX to € 9.8 million
- Cloud revenues rose by 80% to € 11.5 million
- Overall, revenues developed as expected except for TC for resellers



# H1 2017: Sustainable profit



# Higher earnings despite lower revenues

in € million	H1 2016	H1 2017	Δ	Δ in %
<b>Revenues</b>	198.0	175.9	-22.1	-11.2%
Cost of revenues	145.8	129.6	-16.2	-11.1%
<b>Gross profit</b>	52.2	46.3	-5.9	-11.3%
Sales and marketing expenses	15.9	12.8	-3.1	-19.5%
General and admin expenses	16.4	13.3	-3.1	-18.9%
Other operating income	0.4	-	-0.4	n/a
<b>EBITDA</b>	20.4	20.2	-0.2	-1.0%
Depreciation	17.8	15.8	-2.0	-11.2%
<b>EBIT</b>	2.6	4.4	+1.8	+69.2%
Financial result	(2.8)	(2.3)	+0.5	+17.9%
Income tax	0.2	(1.0)	-1.2	n/a
<b>Net income</b>	0.0	1.1	+1.1	n/a

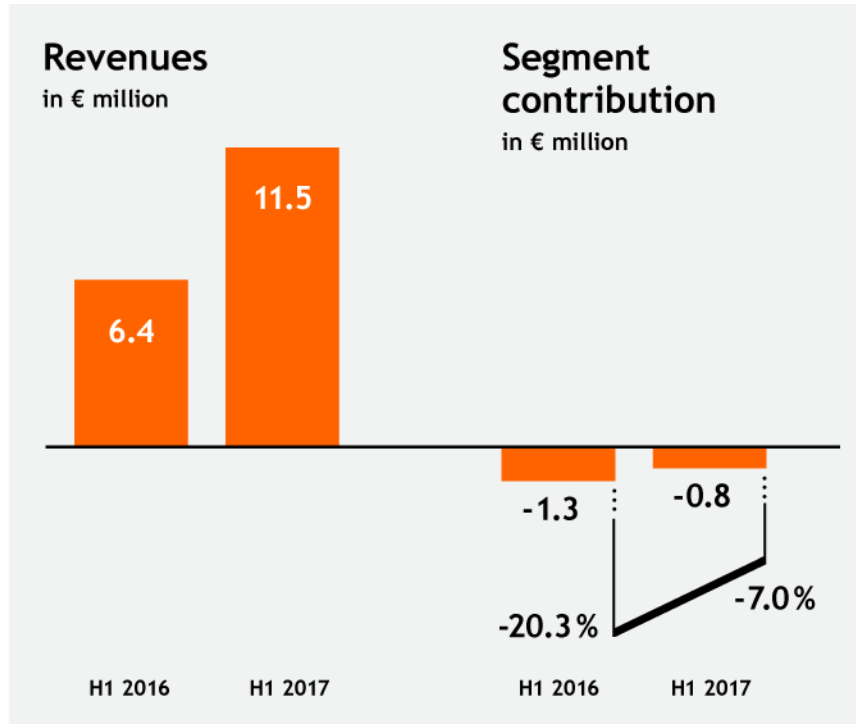
## Revenues

- Slightly below expectations due to weakness of TC for reseller business

## Earnings

- In line with expectations thanks to positive impact of
  - Leaner cost basis
  - Higher share of revenues in forward-looking business fields

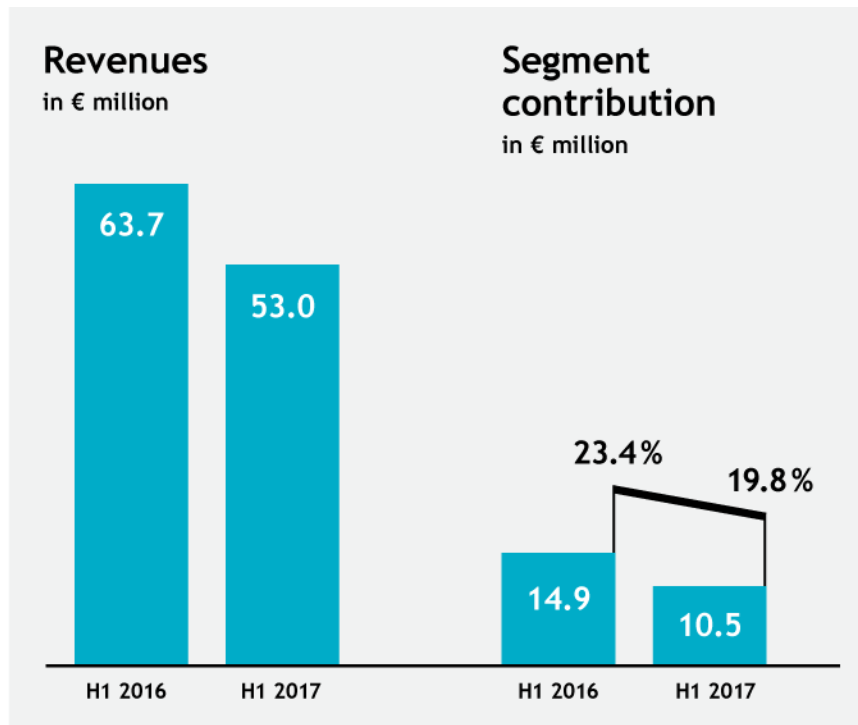
# Cloud: Revenues up by 80%



- Cloud revenues driven by Pure Enterprise Cloud and IoT business
- New customers for PEC and ongoing migration of Outsourcing customers
- QSC will continue to invest in future growth in the coming quarters
- Sales expects ongoing growth in H2 2017

■ Segment margin

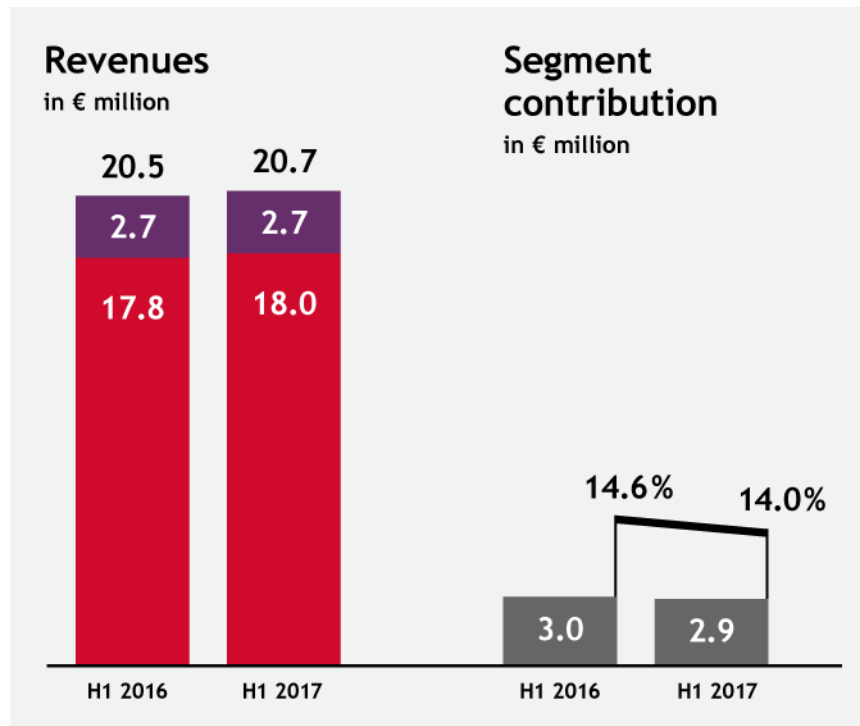
# Outsourcing: Focus on existing customer base



- Far-reaching change in traditional Outsourcing business:
  - Initial customers are being migrated to the Pure Enterprise Cloud
  - For new customers, QSC is focusing on standardised cloud-based outsourcing
- Further decline expected, partly due to the termination of one major contract in H2 2017

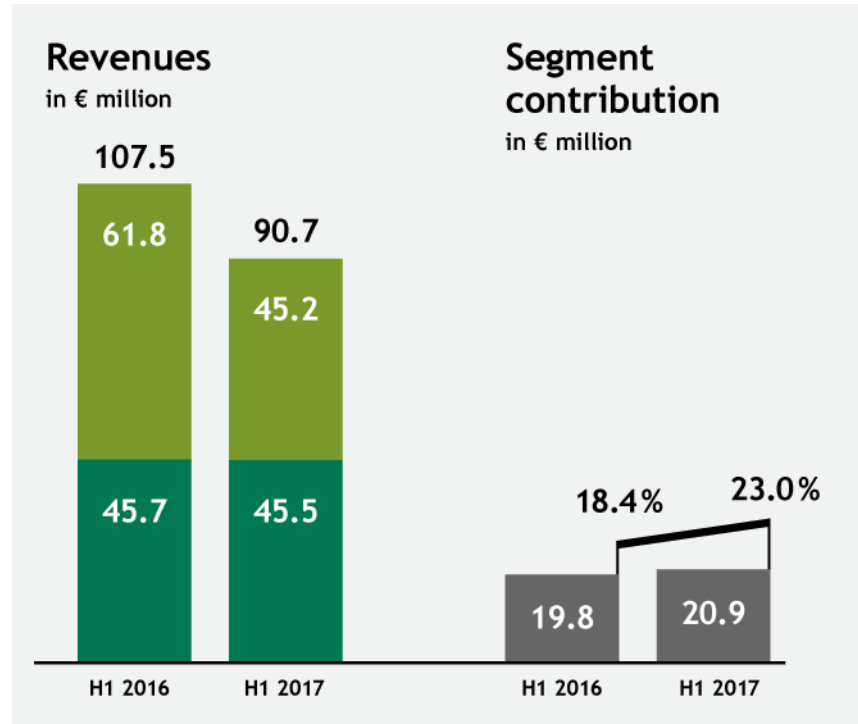
■ Segment margin

# Consulting: Stabilises at a high level



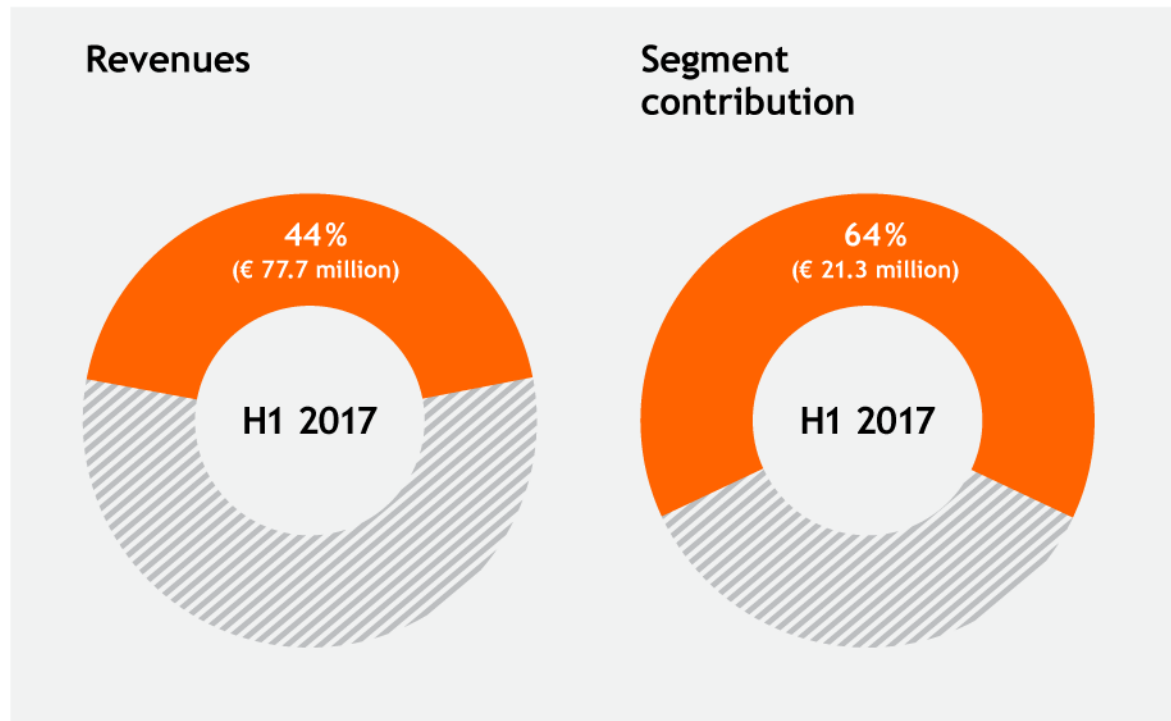
- Consulting developed as expected in H1 2017
- Ongoing high demand for SAP consulting and QSC’s broad HANA expertise
- Stable double-digit margin
- Growth expected in H2 2017

# Telecommunications: Attractive margins



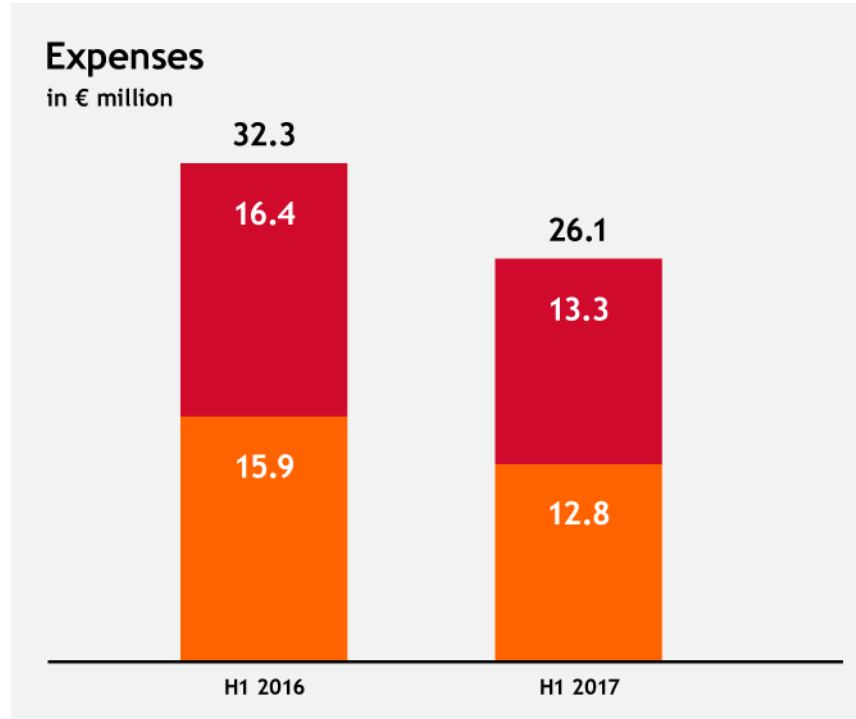
- For the first time, QSC has earned higher TC revenues with corporate customers than with resellers
- Higher share of business customers led to a strong increase in segment margin
- TC for resellers impacted by stricter regulation (~ € 8 million) and fierce price competition
- TC for resellers still expects to limit 2017 revenue losses to approx. € 25 million

# Focus on forward-looking business fields is paying off



- Cloud + Consulting + TC for corporate customers
- Outsourcing + TC for resellers

# Lean cost base pushes earnings



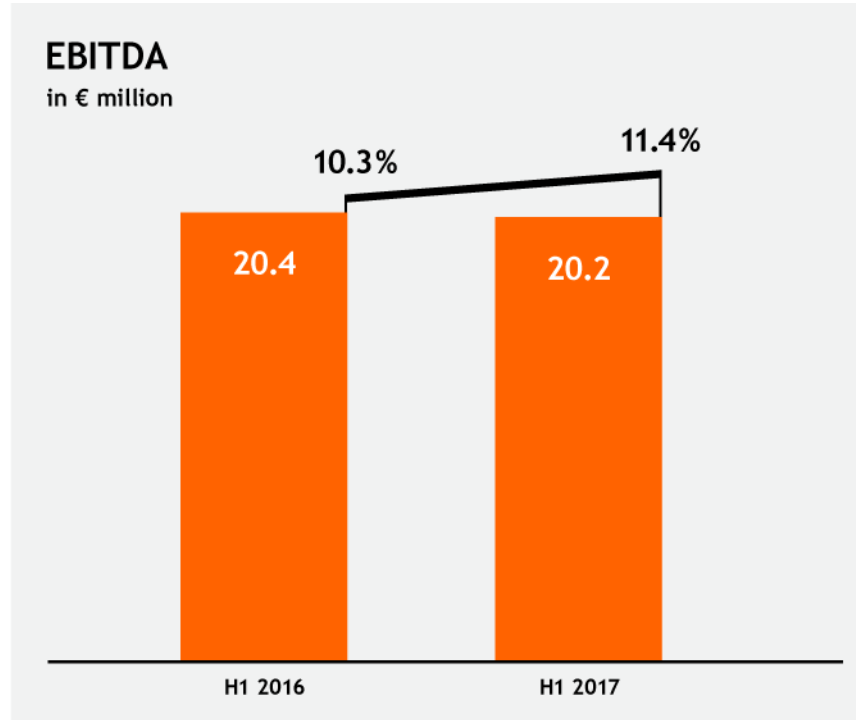
- Significant decline in SG&A expenses
- Decrease in sales and marketing expenses driven by lower commission payments in B2B2C TC business

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■ General and administrative expenses  
■ Sales and marketing expenses



# EBITDA margin rises to 11%

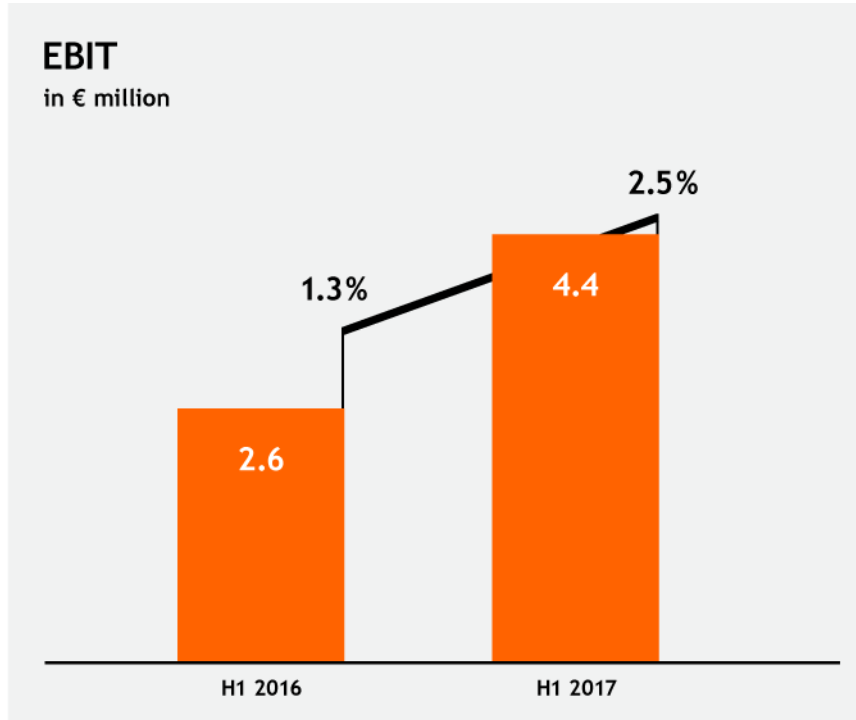


## EBITDA benefiting from

- Higher revenue share of forward-looking business fields
- Lean cost base

■ EBITDA margin

# EBIT margin doubles in H1 2017



## Main driver

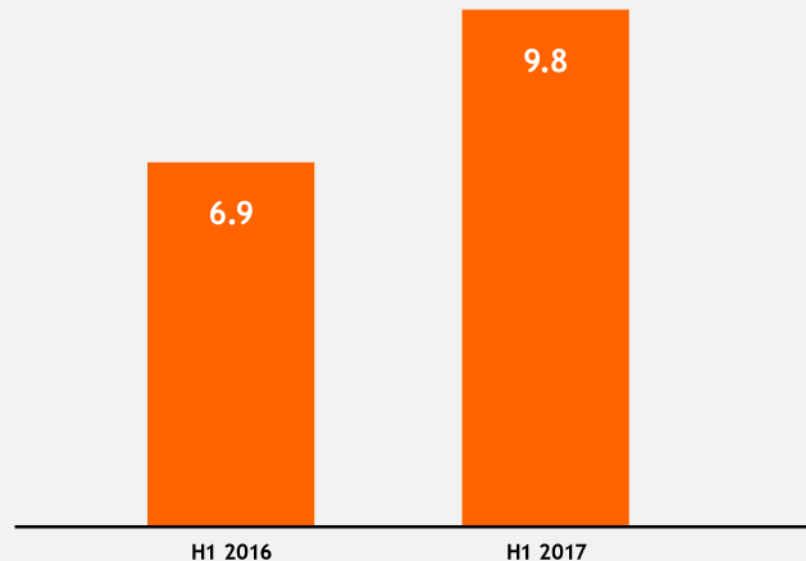
- Lower depreciation of - € 2.0 million

■ EBIT margin

# CAPEX still at a moderate level

## Capital expenditure

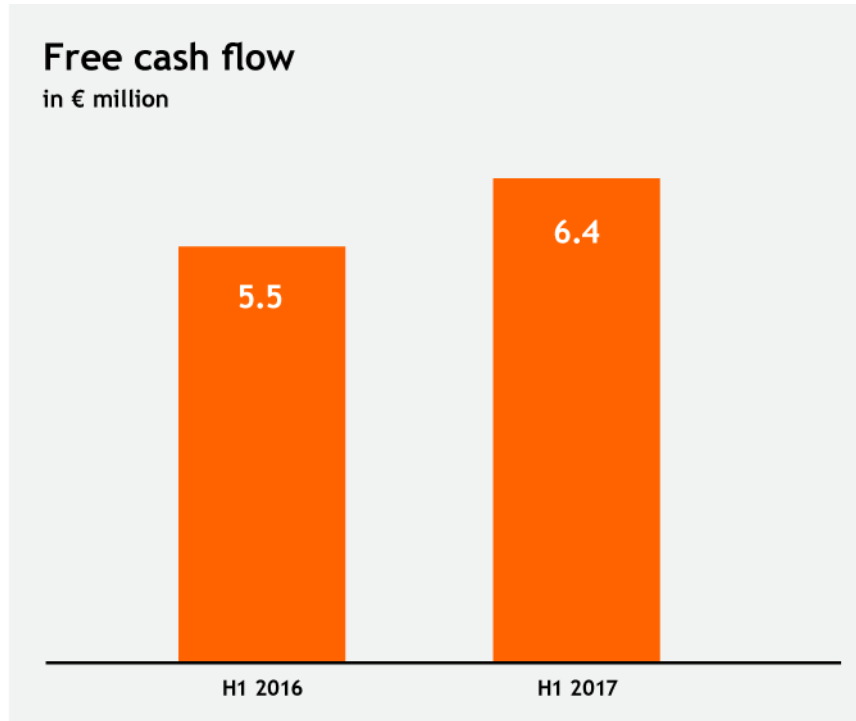
in € million



## Focus

- Infrastructure
- Data centres
- Customer projects
  
- Despite a 42% increase in CAPEX in H1 2017, QSC invested only 6% of its revenues
- FY 2017 expected CAPEX at approx. € 25 million

# Free cash flow rises by 16%



Increase in FCF driven by

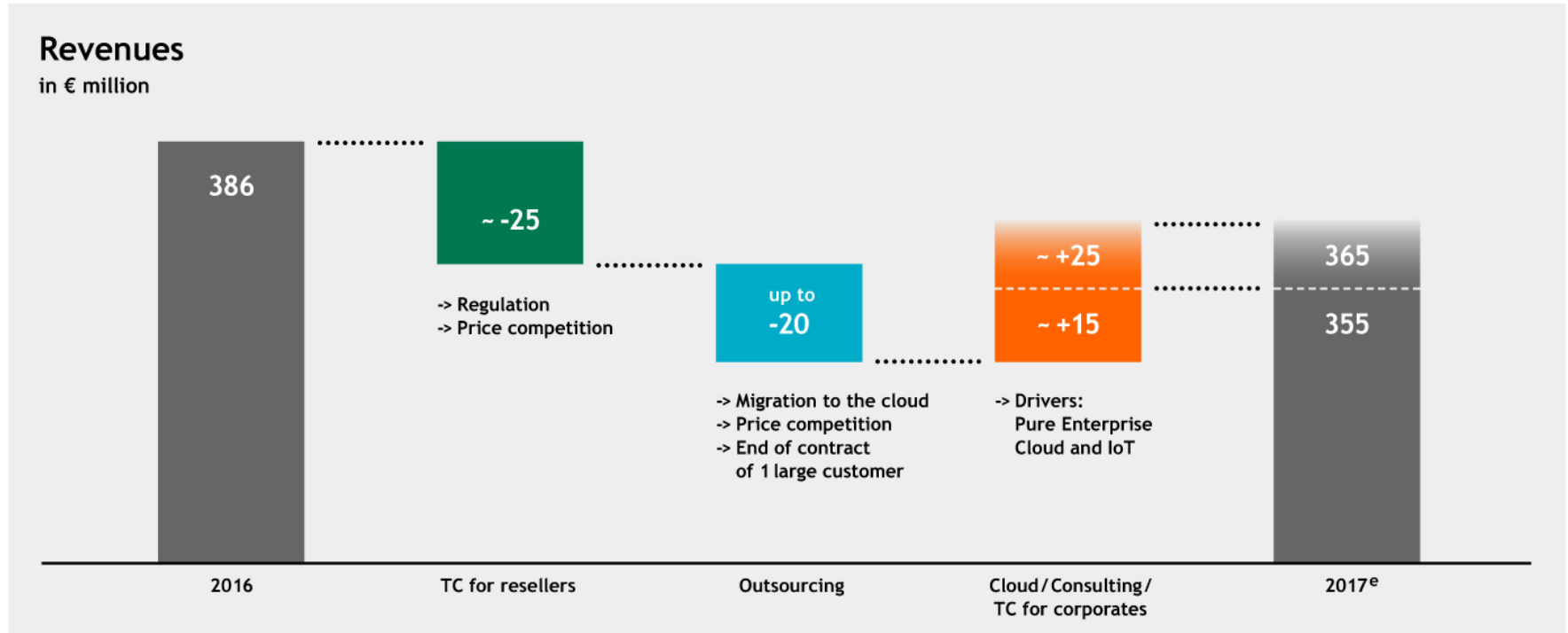
- Higher earnings
- Improved working capital

# QSC on track to fulfil 2017 guidance

For the current year, QSC is expecting:

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

# No change in segment development expectations



## 3. Questions & Answers

# Contact



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