



Cologne, 14 November 2016 - Results Q3 2016

THE DIGITISER OF THE GERMAN SME SECTOR

SICHER.
INNOVATIV.
AN IHRER SEITE.

QSC AG

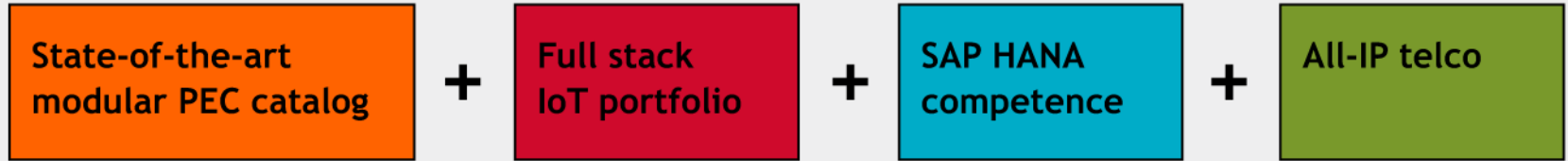
1. Strategic Update

Q3 2016: Accelerated growth in cloud business

- Q3 2016 developed in line with expectations:
Revenues reached € 95.9 million, EBITDA stood at € 9.3 million
- Growth in areas where our future lies:
Cloud, Consulting and TC for corporate customers
- Cloud business showing good growth (y-o-y: +143%) thanks to
 - Pure Enterprise Cloud (PEC) (new and existing customers)
 - considerable project revenues in IoT business
- Recruitment of further cloud experts and higher investments in Pure Enterprise Cloud
- Despite higher CAPEX, QSC earned a positive FCF of € 2.3 million

QSC is driving and being driven by digitisation

Comprehensive portfolio



- 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)

Market is demanding digitisation offers right now

Unique survey of around 170 German family-owned SMEs (200 to 5,000 employees)

85% are affected by the digital transformation

>50% will implement IoT solutions in logistics (sensors, data)

34% are still looking for the right strategy, 32% for the right method of implementation

88% are looking for external support

>90% are using or will be using cloud infrastructure

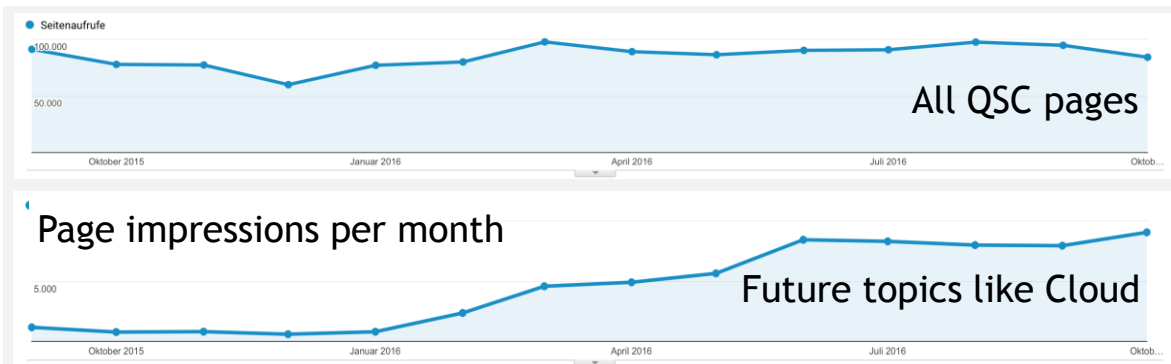
=> A unique opportunity for QSC

Market appreciates QSC's digitisation efforts

- High interest in PEC portfolio
- Several IoT projects with well-known German companies
- Industry analysts see QSC as a
 - “Rising Star” for cloud-based workplace services
 - “Cloud Leader” for SaaS and IaaS solutions
 - “Rising Star” for IoT Smart Building Energy Management
- SAP now sees QSC as an “excellent partner” with a view to our SAP HANA services



Higher visibility of QSC as the digitiser of German SMEs



QSC's website

- A steady 80,000 page impressions per month
- 9,000 website requests with regard to future topics like Cloud, IoT, SAP HANA (+1,500% since January)

Digitales-

Wirtschaftswunder.de

- Online for 15 weeks
- 127 blog posts
- Five top key words on page 1 of Google search



3,000 twitter followers (+90% since January)



52,000 YouTube views (+20% since January)



66,000 SlideShare views (+25% since January)

QSC is becoming a central part of the cloud economy

Use market opportunities !

Digital visibility



Focus on sales



Industrialisation



Paradigm shift in how ICT services are addressed, sold and operated!

2. Financial Update

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)

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%

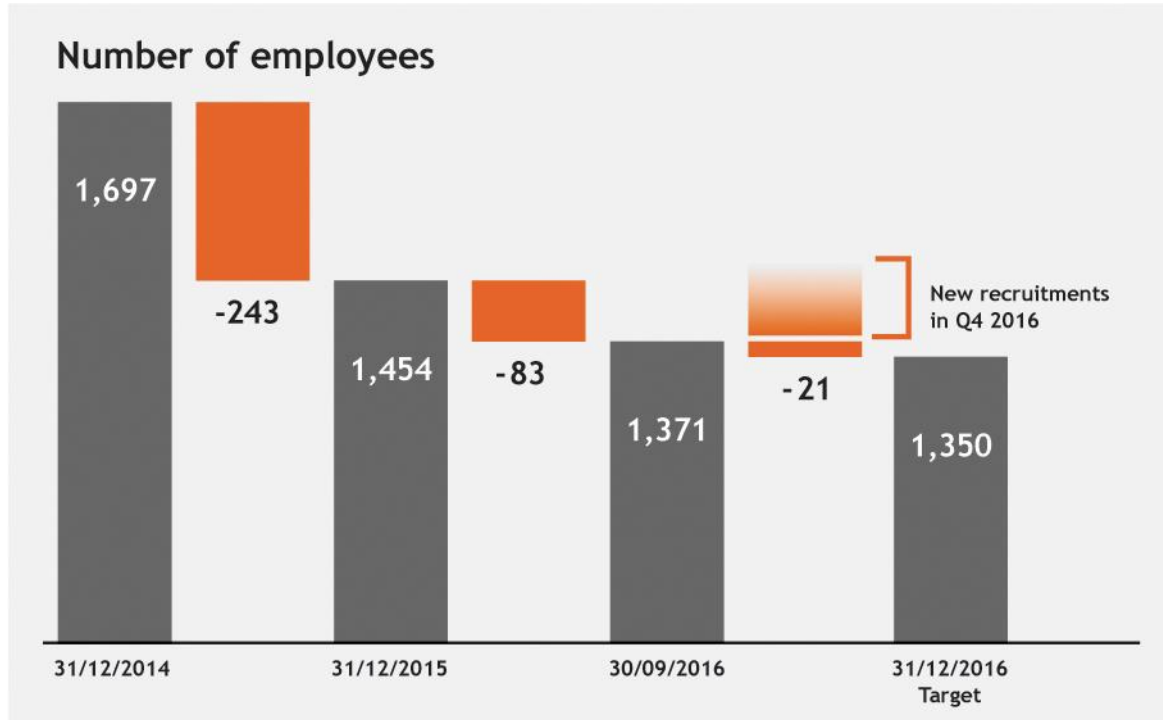
Revenues

- 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

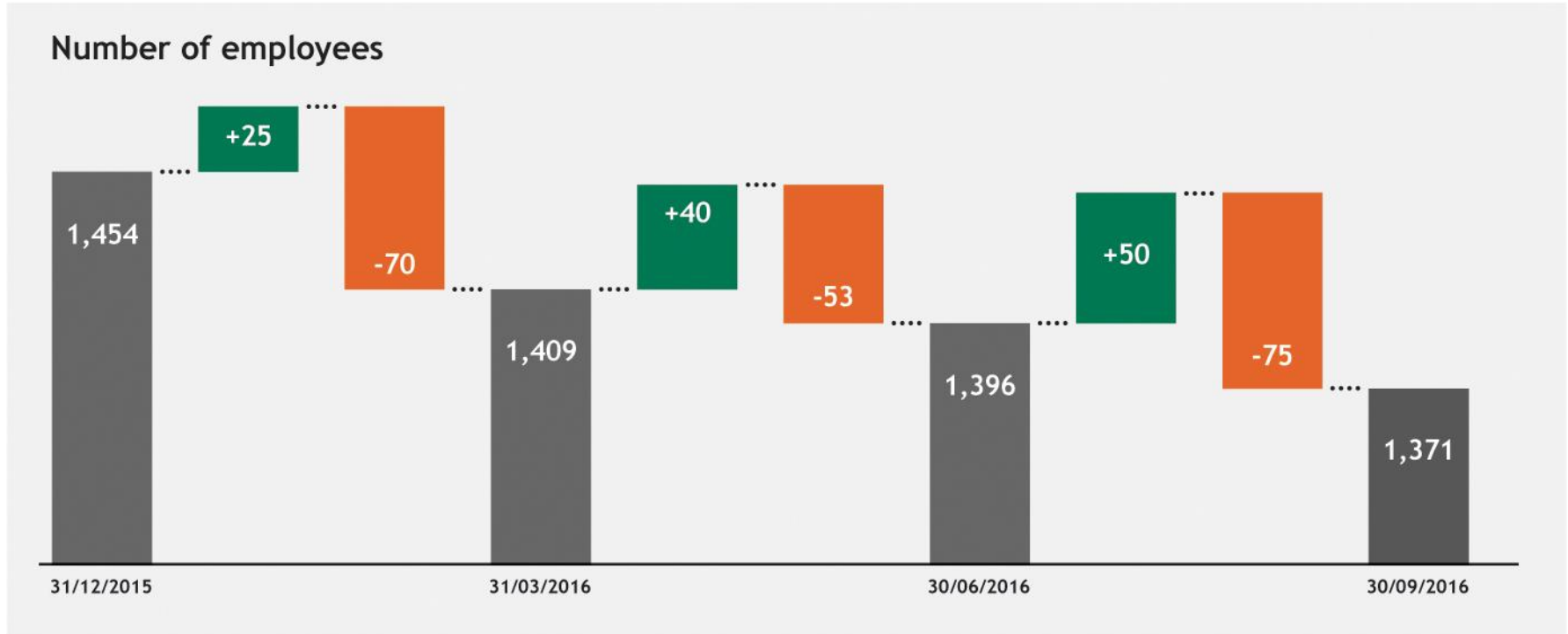
QSC is nearing its targeted workforce size of 1,350









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

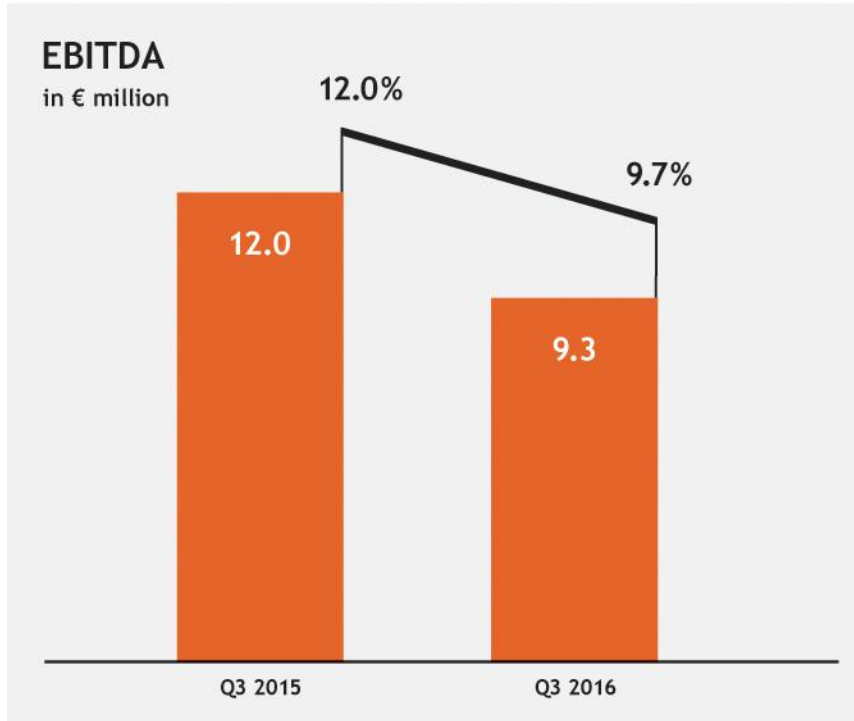
More than 100 further experts this year so far



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 30 September 2016: approx. € 22 million
- Completion of the cost-cutting programme requires one-off costs in Q4 2016

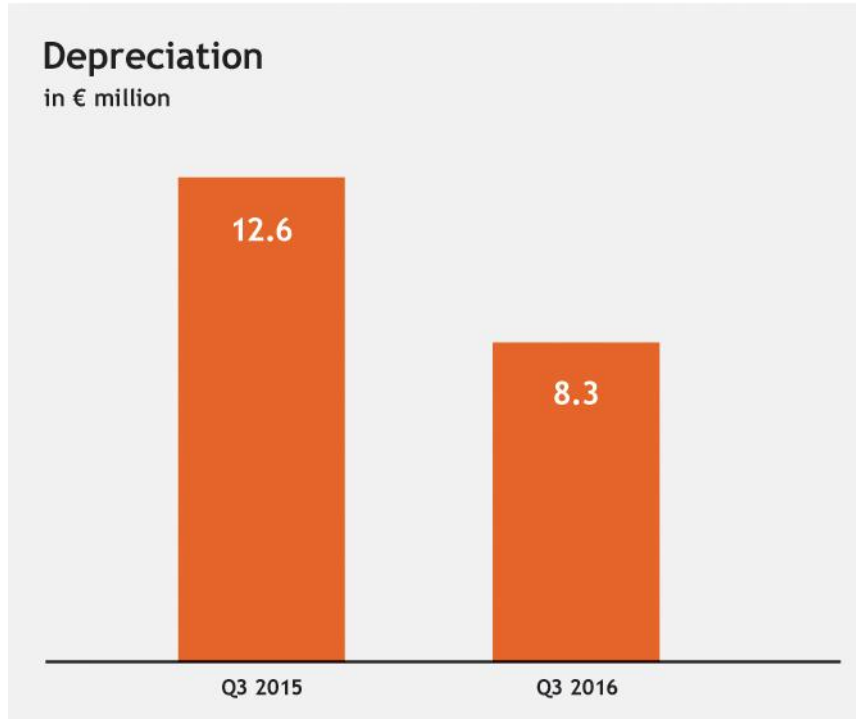
One-offs influenced EBITDA in Q3 2016



- 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

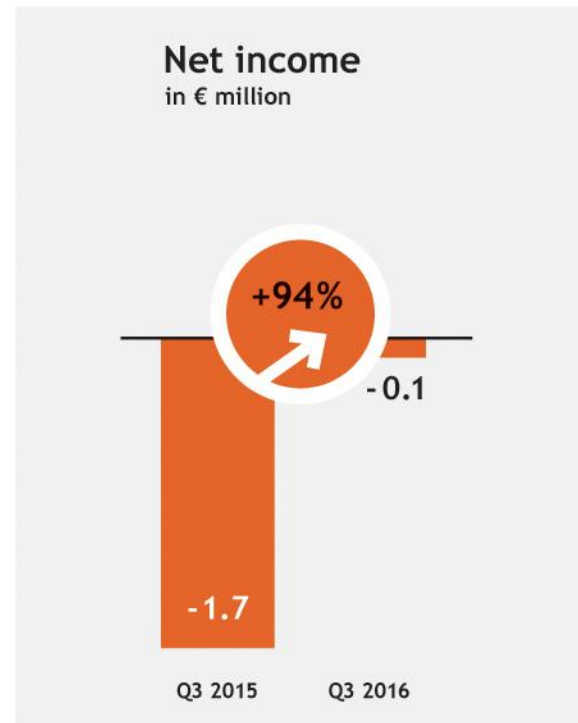
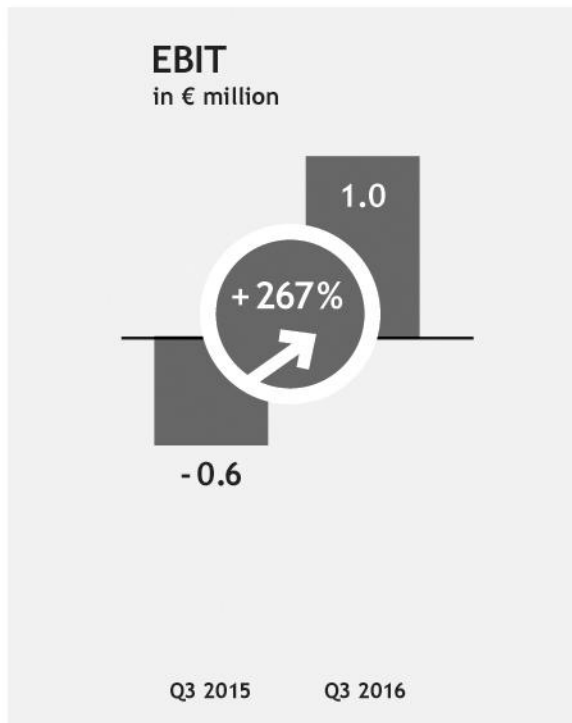
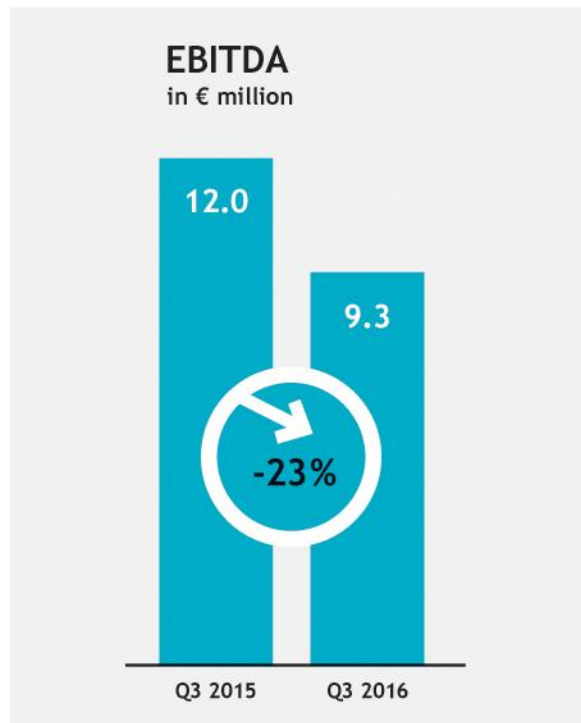
■ EBITDA margin

Lower depreciation boosts profitability

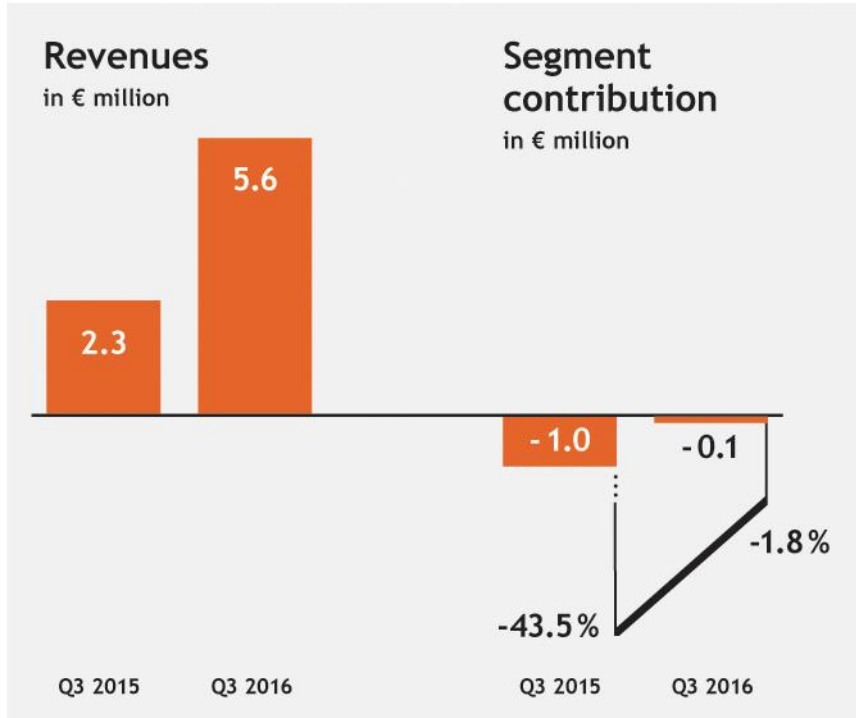


- 2016 was characterised by a significant decrease in depreciation on the TC infrastructure
- For FY 2016, QSC expects depreciation of approx. € 35 million

Positive EBIT for the third consecutive quarter



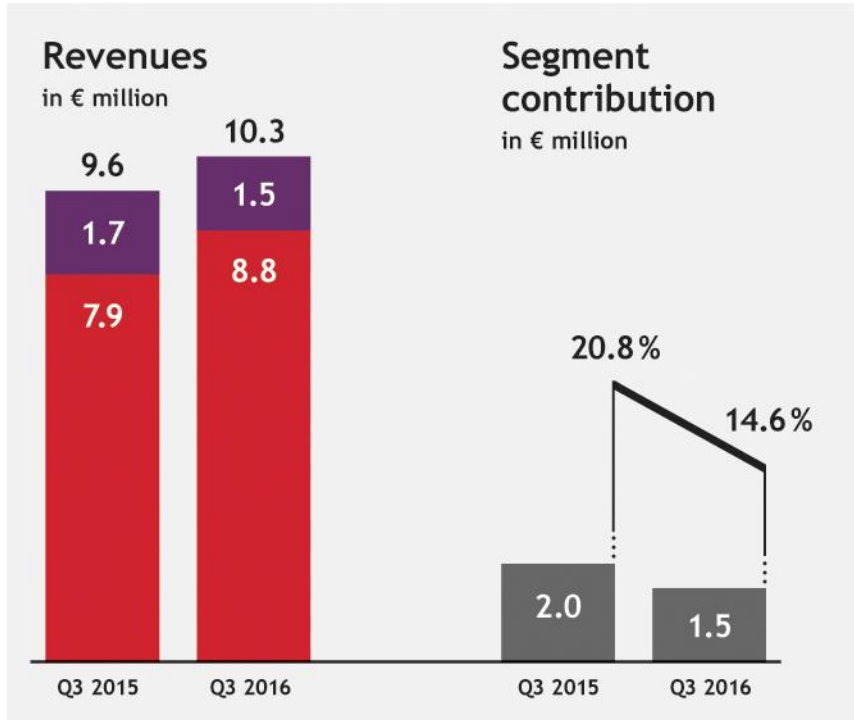
Cloud: Accelerated growth



- 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

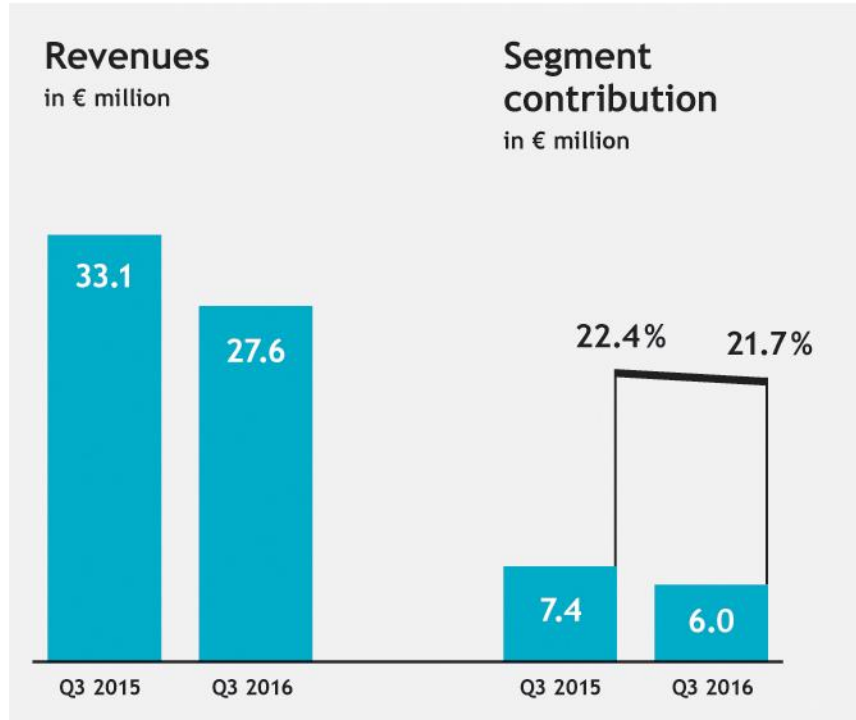
■ Segment margin

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

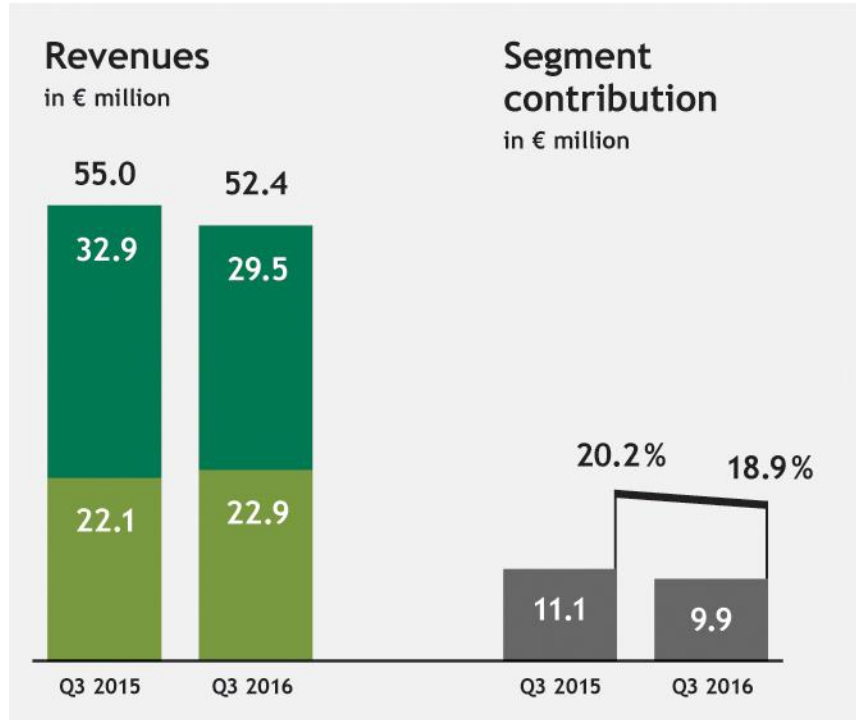
Outsourcing: Visible effect of the migration to PEC



- 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

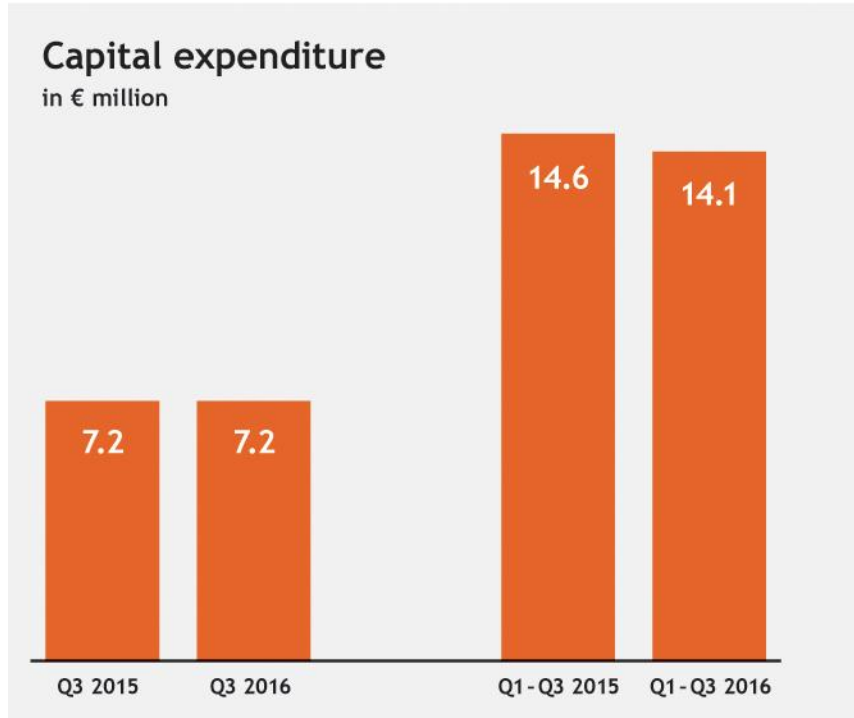
Telecoms: Growing revenues with corporate customers



- 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. € 10 million next year; no effect on earnings

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

CAPEX in 2016 mainly for cloud business



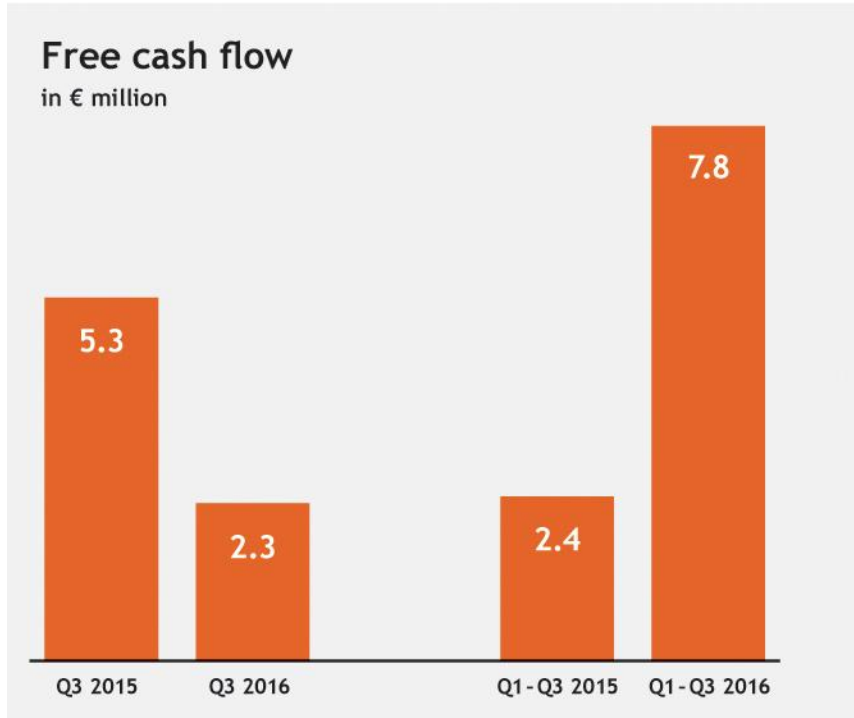
Focus of CAPEX in 2016

- 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 € 15 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

3. Questions & Answers

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

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.

QSC AG
Mathias-Brüggen-Str. 55
50829 Cologne, Germany

QSC_{AG}