

# QUARTERLY STATEMENT

1 January to 31 March 2020

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INNOVATIVE.  
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**QSC** AG

## The most important key figures

€ million	01/01/ – 31/03/ 2020
Revenues	34.1
Cloud & IoT	23.3
SAP	10.8
EBITDA	(1.1)
Depreciation and amortisation <sup>1,2</sup>	4.2
EBIT	(5.3)
Net income (loss)	(5.5)
Earnings per share <sup>3</sup> (in €)	(0.04)
Capital expenditure <sup>4</sup>	0.8
Free cash flow	(4.1)
Net liquidity <sup>5</sup>	61.9
Shareholders' equity <sup>5</sup>	154.7
Equity ratio (in %)	71.0
Xetra closing price <sup>5</sup> (in €)	1.00
Number of shares <sup>5</sup>	124,172,487
Market capitalisation <sup>5</sup>	124.2
Number of employees <sup>5</sup>	860

<sup>1</sup> Including non-cash share-based compensation.

<sup>2</sup> Including depreciation of right-of-use assets (IFRS 16).

<sup>3</sup> Diluted and basic.

<sup>4</sup> Not accounting for IFRS 16.

<sup>5</sup> As of 31 March 2020.

"QSC WILL CONTINUE TO GROW FROM QUARTER TO QUARTER. IN THESE TIMES OF THE CORONAVIRUS PANDEMIC, WE ARE IN A COMPARATIVELY PRIVILEGED POSITION WITH OUR MOSTLY RECURRING, AND THUS CRISIS-RESISTANT, REVENUES. THAT ALSO ENABLES US TO CONFIRM OUR FORECAST."

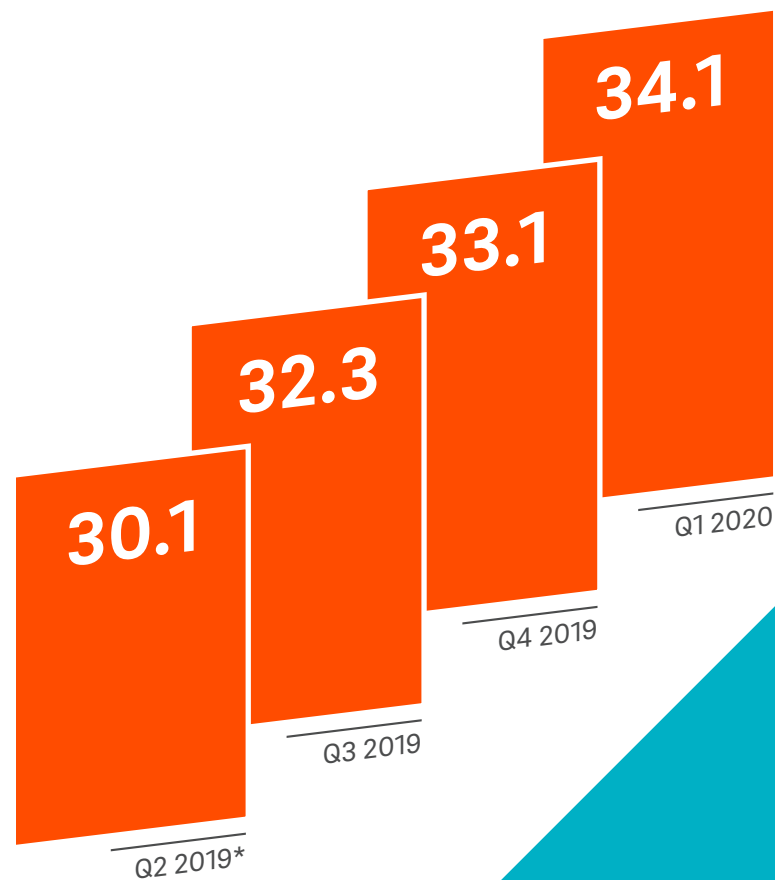
Jürgen Hermann, CEO

## QSC grows from quarter to quarter

**Revenues rise to € 34.1 million.** QSC raised its revenues for the third consecutive quarter: At € 34.1 million, revenues for the first quarter of 2020 were 3% ahead of the fourth quarter of 2019, and that even though the coronavirus pandemic severely limited economy activity in March.

**Hundreds of new digital workplaces.** QSC supported its customers in relocating their operations to home offices in March already. In some cases, it created hundreds of fully functional cloud-based workplaces in just a few days.

**Further double-digit revenue growth expected.** Due not least to the strong new order figure of € 33.7 million for the first quarter of 2020, QSC still expects its 2020 revenues to grow by at least 13% to more than € 143 million.



■ Revenues in € million

\* QSC revenues excluding Plusnet

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## SUMMARY OF THE FIRST QUARTER OF 2020

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### Business Performance

**Revenues rise from quarter to quarter.** QSC increased its revenues to € 34.1 million in the first quarter of 2020, up from € 33.1 million in the fourth quarter of 2019. The Company thus maintained the unswerving course it has pursued since selling its telecommunications business in mid-2019, with revenue growth each quarter. This course is based on consistently implementing the “2020plus” growth strategy, which is built on promoting digitalisation in the German SME sector with key focuses on Cloud, SAP and IoT applications. This approach is supplemented by consistently focusing on the three sectors of retail, manufacturing and energy. The development of suitable sector solutions creates a strong foundation for further growth in the quarters ahead. One good example here is the digitalisation platform already in use in the retail sector, which pools our expertise in the fields of Cloud, SAP and IoT. Its initial features include electronic price labelling, waiting time sensors for checkout areas and local customer communication options. The spring will see the marketing launch of a similarly comprehensive solution for use in manufacturing. In parallel to this, we are developing a uniform platform for the automated provision of all customer-oriented services. This is “cloud-agnostic”, i.e. independent of any specific target infrastructure.

**Revenues mostly immune to crisis.** The coronavirus pandemic has paralysed large areas of public life and economic activity since mid-March. Here, QSC is in a relatively privileged situation. We have a solid balance sheet and sufficient liquidity to survive the coronavirus crisis for many months. Our revenues are predominantly of a recurring nature and thus mostly immune to the crisis. As the digitaliser to the German SME sector, our portfolio means that, if anything, we will emerge from the current situation in even stronger shape. Digital workplaces play a core role here. QSC itself acted early to digitalise all its workplaces and was therefore able to relocate all its activities to home offices without any hitches in mid-March 2020. At customers, our experts set up hundreds of digital workplaces in some cases, and that within days. These can be used on a highly secure basis from any terminal device. In just four days, for example, we did just this for Schmolz + Bickenbach, one of the world’s leading companies for special long steel products.

**Digital workplaces boost our new “Cloud & IoT” segment.** The installation and operation of digital workplaces is one of the core competencies in the Cloud business and is expected to witness increased demand in the coming quarters. Since the beginning of 2020, the corresponding revenues have been allocated to the newly established “Cloud & IoT” segment. The second newly created segment is “SAP”. The new segmentation is aligned to the different way in which the Company is being managed following the sale of the telecommunications business. Another important aspect is that our customers are increasingly combining Cloud solutions with conventional Outsourcing approaches.

### Key segment figures for Q1 2020

€ million	Cloud & IoT	SAP
<b>Revenues</b>	<b>23.3</b>	<b>10.8</b>
Cost of revenues	(19.1)	(9.5)
<b>Gross profit</b>	<b>4.2</b>	<b>1.3</b>
Sales and marketing expenses	(2.2)	(1.1)
<b>Segment contribution</b>	<b>2.0</b>	<b>0.2</b>

In the first quarter of 2020, revenues amounted to € 23.3 million in the “Cloud & IoT” segment, while the segment contribution stood at € 2.0 million. Over the same period, the “SAP” segment generated revenues of € 10.8 million and a segment contribution of € 0.2 million. Demand in the SAP business focused above all on consulting services for migration to SAP S/4HANA. Not only that, the economic effects of the coronavirus pandemic meant that towards the end of the quarter customers showed greater interest in receiving support to adjust individual SAP modules at short notice. A good example here involves integrating applications for short-time work allowances (“furloughing”) in SAP-HCM systems. As previously announced, both segments have invested in their future growth – by pressing ahead with developing new digital services and recruiting additional Cloud, SAP and IoT specialists.

### Earnings Performance

**Gross profit of € 5.5 million.** Based on revenues of € 34.1 million, the cost of revenues amounted to € 28.6 million in the first quarter of 2020. This resulted in gross profit of € 5.5 million. In what follows as well, this quarterly statement will focus on the key figures for the first quarter of 2020. Comparison with the previous year’s figures would render any understanding of the current operating business performance more difficult, as the telecommunications business still accounted for more than half of revenues and expenses in the previous year. This business, which was pooled at the Plusnet subsidiary, was sold as of 30 June 2019 for a price of € 229 million (equity value).

**As planned, EBITDA approaches break-even.** Sales and marketing expenses amounted to € 3.3 million in the first quarter of 2020, while general and administrative expenses came to € 3.8 million. Since selling Plusnet as of 30 June 2019, we have adapted our administrative structures to our Company’s new size. In the third quarter of 2019, general and administrative

expenses still amounted to € 4.9 million. Our administrative and sales activities now have the structures needed to cope with the growth planned for the current year and beyond with more or less unchanged personnel resources. Including other operating income and expenses, QSC generated EBITDA of € -1.1 million in the first quarter of 2020. In the first quarter following the Plusnet sale, i.e. the third quarter of 2019, this figure still amounted to € -2.2 million. As previously communicated, our Company is thus approaching break-even on EBITDA level, with sustainably positive EBITDA budgeted from the fourth quarter of 2020 onwards. Depreciation and amortisation amounted to € 4.2 million in the first quarter of 2020, with € 1.2 million involving depreciation of lease liabilities pursuant to IFRS 16. Operating earnings (EBIT) came to € -5.3 million in the first quarter of 2020, while consolidated net income stood at € -5.5 million.

## Financial and Net Asset Position

**High volume of net liquidity.** Since selling Plusnet in mid-2019, our Company has been debt free and financed its activities from liquid funds. As of 31 March 2020, we had net liquidity of € 61.9 million, as against € 66.0 million as of 31 December 2019. The change of € -4.1 million corresponds to the free cash flow for the first quarter of 2020. This key figure is traditionally calculated as the change in net liquidity/debt before acquisitions and dividend distributions.

**Investments in data technology.** Excluding IFRS 16 items, capital expenditure amounted to € 0.8 million in the first quarter of 2020, most of which involved technical equipment for data transmission at our data centres. For the 2020 financial year as a whole, we still expect investment requirements to total around € 8 million.

Given the effects of lower capital expenditure and of scheduled depreciation and amortization, the long-term assets presented in the consolidated balance sheet decreased to € 107.5 million as of 31 March 2020, compared with € 111.7 million at the end of 2019. Short-term assets totalled € 110.3 million, as against € 113.4 million as of 31 December 2019. This reduction was chiefly due to the change in liquid funds.

**Equity ratio of 71%.** As consolidated net income was negative, equity fell from € 160.2 million at the balance sheet date at the end of 2019 to € 154.7 million as of 31 March 2020. The equity ratio was unchanged at 71%. The long-term liabilities of € 21.7 million (31 December 2019: € 23.6 million) mostly comprise the IFRS 16 lease liabilities of € 15.1 million (31 December 2019: € 16.7 million). At € 41.5 million as of 31 March 2020, short-term liabilities remained virtually unchanged on the figure of € 41.4 million reported at the end of 2019. This line item mainly comprised trade payables of € 29.1 million (31 December 2019: € 28.6 million).

## Outlook

**QSC confirms full-year forecast following good start to 2020.** QSC has not amended its budget and still expects its revenues to grow by at least 13% to more than € 143 million in the current financial year. We expect economic activity to normalise once again from the third quarter onwards. Until then, new business volumes may not reach expected levels in all areas, while the Consulting business may be held back by contact restrictions. On the other hand, since March 2020 we have already seen a noticeable rise in the interest shown in our digital workplace solutions. The strong new order figure of € 33.7 million and our growth in the first three months of 2020 confirm us in this assumption, as does the fact that more than 75% of our revenues are of a recurring and platform-based nature. This high share mitigates the risks resulting from the coronavirus pandemic.

We will continue to consistently implement our “2020plus” growth strategy in the current financial year. QSC is investing in future growth, developing new digital services and recruiting additional software and S/4HANA specialists. In view of this, our Company has budgeted EBITDA of up to € -5 million and free cash flow of up to € -16 million. From the fourth quarter of 2020, QSC will once again generate sustainably positive EBITDA.

## Further Information

**About this quarterly statement.** This document should be read in conjunction with the 2019 Annual Report, which can be found at [www.qsc.de/en/ir-publications](http://www.qsc.de/en/ir-publications). Unless they are historic facts, all disclosures in this quarterly statement constitute forward-looking statements. These are based on current expectations and forecasts concerning future events and may therefore change over time.

**About the Company.** QSC AG is digitalising the German SME sector and enabling its customers to enhance their business processes and business models with the utmost flexibility and efficiency. QSC has longstanding technological and application expertise in the fields of Cloud and Colocation, SAP and the Internet of Things. Its extensive service portfolio provides exactly what SME players need as they move into the digital age: from standardised pay-as-you-use services through to individualised full-range solutions for the retail, manufacturing and energy sectors. All services offer end-to-end quality and high security. QSC bases its relationships with customers on an entrepreneurial approach, a service-driven mindset and a desire to forge mutually beneficial partnerships. QSC AG is based in Cologne and has around 900 employees at locations throughout Germany.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Income (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/ – 31/03/ 2020	01/01/ – 31/03/ 2019
<b>Net revenues</b>	<b>34,108</b>	<b>87,395</b>
Cost of revenues	(28,573)	(57,738)
<b>Gross profit</b>	<b>5,535</b>	<b>29,657</b>
Sales and marketing expenses	(3,323)	(7,217)
General and administrative expenses	(3,773)	(6,368)
Depreciation and amortisation (including non-cash share-based compensation)	(4,176)	(14,558)
Other operating income	615	313
Other operating expenses	(180)	(483)
<b>Operating profit (EBIT)</b>	<b>(5,302)</b>	<b>1,344</b>
Financial income	12	8
Financial expenses	(115)	(1,853)
Income from associates	(22)	-
<b>Net income (loss) before income taxes</b>	<b>(5,427)</b>	<b>(501)</b>
Income taxes	(42)	196
<b>Net income (loss)</b>	<b>(5,469)</b>	<b>(305)</b>
<b>Attribution of net income</b>		
Owners of the parent company	(5,469)	(273)
Non-controlling interests	-	(32)
Earnings per share (basic) in €	(0.04)	0.00
Earnings per share (diluted) in €	(0.04)	0.00



## Consolidated Balance Sheet

Euro amounts in thousands (€ 000s)

	31/03/2020 (unaudited)	31/12/2019 (audited)
<b>ASSETS</b>		
<b>Long-term assets</b>		
Property, plant and equipment	29,159	30,341
Land and buildings	21,299	21,498
Goodwill	18,365	18,365
Right-of-use assets	17,851	19,127
Other intangible assets	15,078	15,911
Financial assets recognised at equity	180	202
Prepayments	1,382	1,401
Other long-term assets	4,205	4,819
<b>Long-term assets</b>	<b>107,519</b>	<b>111,664</b>
<b>Short-term assets</b>		
Trade receivables	31,505	31,034
Prepayments	4,195	3,525
Inventories	228	228
Other short-term assets	12,457	12,610
Cash and cash equivalents	61,936	66,031
<b>Short-term assets</b>	<b>110,321</b>	<b>113,428</b>
<b>TOTAL ASSETS</b>	<b>217,840</b>	<b>225,092</b>

	31/03/2020 (unaudited)	31/12/2019 (audited)
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Issued capital	124,172	124,172
Capital surplus	144,104	144,132
Other capital reserves	(2,147)	(2,147)
Accumulated deficit	(111,458)	(105,989)
<b>Shareholders' equity</b>	<b>154,671</b>	<b>160,168</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Lease liabilities	15,115	16,698
Other financial liabilities	25	25
Accrued pensions	6,135	6,293
Other provisions	440	548
<b>Long-term liabilities</b>	<b>21,715</b>	<b>23,564</b>
<b>Short-term liabilities</b>		
Trade payables and other liabilities	29,140	28,593
Lease liabilities	5,301	5,501
Other provisions	5,833	7,030
Accrued taxes	54	54
Deferred income	1,126	182
<b>Short-term liabilities</b>	<b>41,454</b>	<b>41,360</b>
<b>Liabilities</b>	<b>63,169</b>	<b>64,924</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>217,840</b>	<b>225,092</b>

## Consolidated Statement of Cash Flows (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/ – 31/03/ 2020	01/01/ – 31/03/ 2019
<b>Cash flow from operating activities</b>		
Net income (loss) before income taxes	(5,427)	(501)
Depreciation and amortisation of long-term assets	2,988	5,973
Depreciation of right-of-use assets (IFRS 16)	1,216	8,543
Other non-cash income and expenses	432	393
Loss on disposals of assets	44	235
Income tax paid	(211)	(160)
Income tax received	11	-
Interest received	-	4
Interest paid in connection with leases (IFRS 16)	(113)	(974)
Net financial expenses	103	1,845
Income from associates	22	-
Changes in provisions	(1,463)	(490)
Changes in trade receivables	(931)	3,296
Changes in trade payables and other liabilities	2,369	(5,417)
Changes in other assets and liabilities	(812)	(3,024)
<b>Cash flow from operating activities</b>	<b>(1,772)</b>	<b>9,723</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	(101)	(1,802)
Purchase of property, plant and equipment	(814)	(2,765)
<b>Cash flow from investing activities</b>	<b>(915)</b>	<b>(4,567)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(3)	(486)
Payments for redemption of lease liabilities	(1,405)	(9,139)
<b>Cash flow from financing activities</b>	<b>(1,408)</b>	<b>(9,625)</b>
<b>Change in cash and cash equivalents</b>	<b>(4,095)</b>	<b>(4,469)</b>
Cash and cash equivalents as of 1 January	66,031	53,618
<b>Cash and cash equivalents as of 31 March</b>	<b>61,936</b>	<b>49,149</b>

## CALENDAR

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**Annual General Meeting**  
20 May 2020

**Quarterly Report Q2 2020**  
10 August 2020

**Quarterly Statement Q3 2020**  
9 November 2020

## CONTACT

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### **QSC AG**

Arne Thull  
Head of Investor Relations  
Mathias-Brüggen-Strasse 55  
50829 Cologne, Germany

T +49 221 669-8724

F +49 221 669-8009

[invest@qsc.de](mailto:invest@qsc.de)

[www.qsc.de](http://www.qsc.de)

[twitter.com/QSCIRde](https://twitter.com/QSCIRde)

[twitter.com/QSCIRen](https://twitter.com/QSCIRen)

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### **Editorial Responsibility**

QSC AG, Cologne

### **Design**

sitzgruppe, Düsseldorf

This translation is provided as a convenience only.  
Please note that the German-language original of  
this Quarterly Statement is definitive.