

Quarterly results Q2 2020, 10 August 2020, Jürgen Hermann, CEO

# QSC continues to grow from quarter to quarter

SECURE.  
INNOVATIVE.  
AT YOUR SIDE.

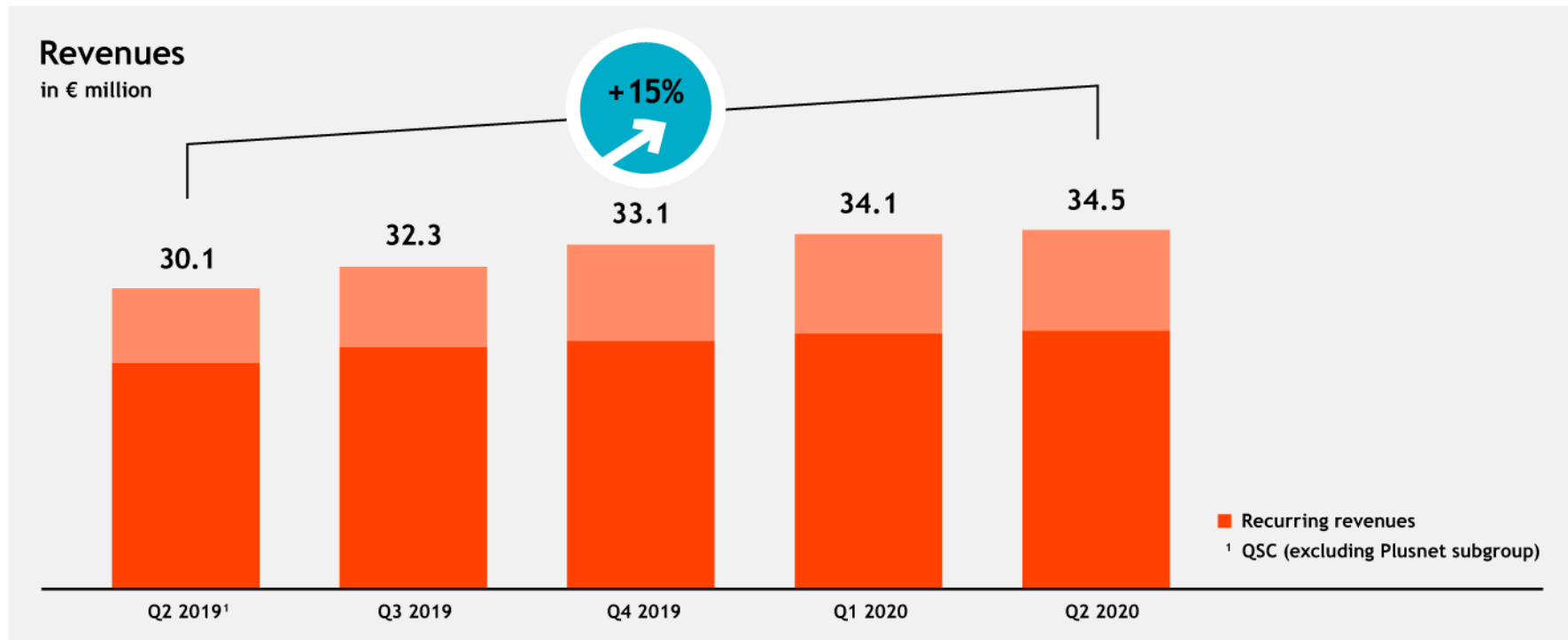
**QSC**<sub>AG</sub>

# Disclaimer

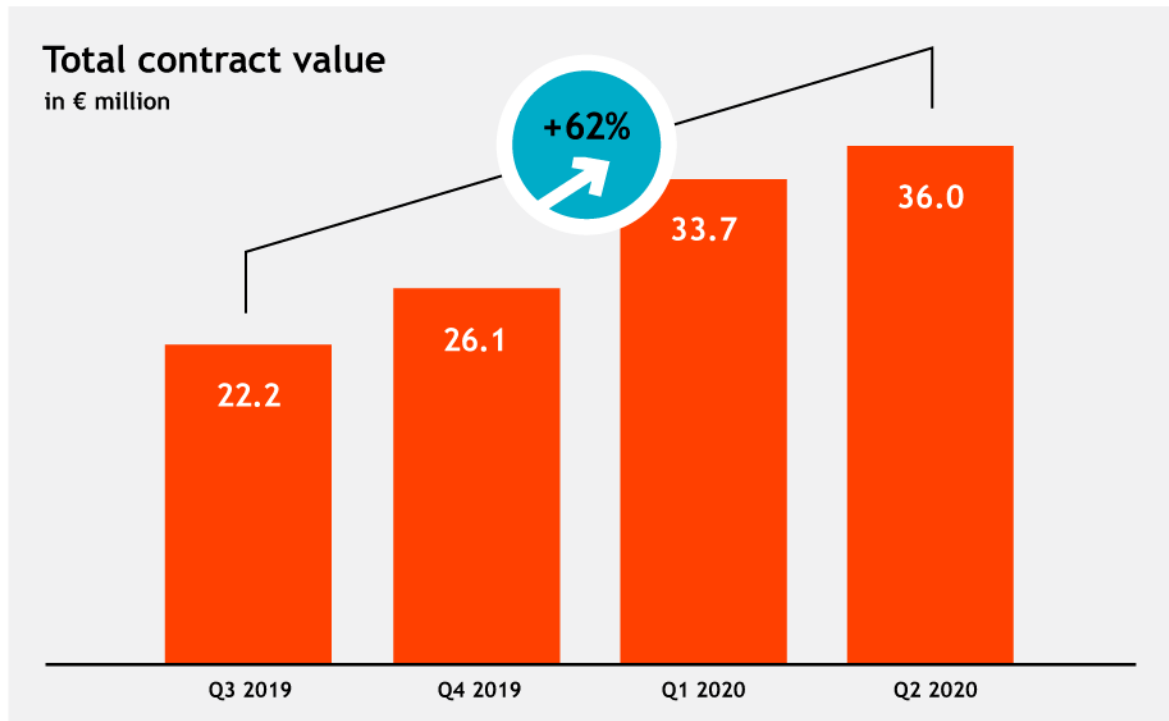
This presentation contains forward-looking statements based on management estimates and reflects the current views of QSC AG's ("QSC's") management board with respect to future events. These forward-looking statements correspond to the situation at the time this presentation was prepared. Such statements 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.

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.

# Quarterly growth for the 4th time in a row



# Order intake reaches record high



Consistent expansion of service portfolio paying off, especially in tough times:






- 60% of new orders generated by selling additional services to existing and new customers
- 40% contract extensions

# Ongoing growth under exceptional circumstances

QSC is in a privileged position despite the deep recession:

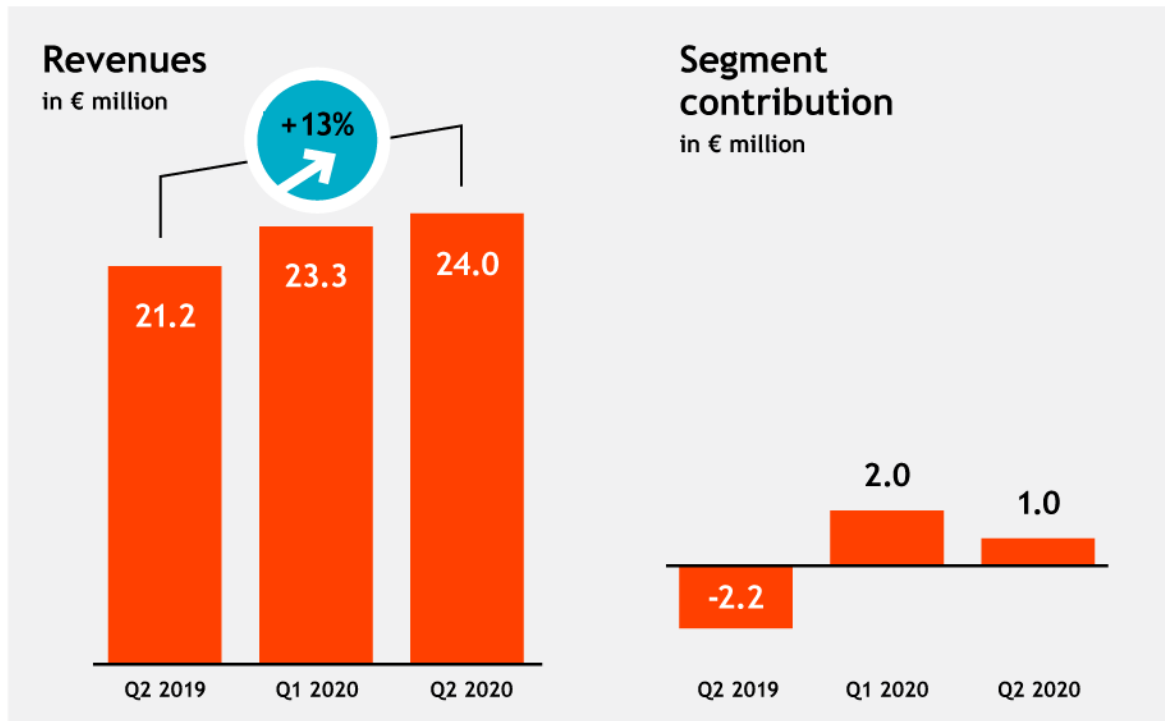
- 1 Stable and robust business model
- 2 Around 75% of revenues are recurring and platform-based
- 3 Net liquidity of € 54.7 million / equity ratio of 73%
- 4 Shutdown has triggered a wave of digitalisation among SME companies
- 5 Shutdown will cause a further growth push in our core markets Cloud, IoT and SAP

# Revenue growth leads to improved profitability

in € million	Q1 2020	Q2 2020
<b>Revenues</b>	34.1	 34.5
Cost of revenues	(28.6)	(29.1)
<b>Gross profit</b>	5.5	 5.4
Sales and marketing expenses	(3.3)	(2.9)
General and admin expenses	(3.8)	(3.9)
Other operating income	0.6	0.7
Other operating expenses	(0.2)	(0.1)
<b>EBITDA</b>	(1.1)	 (0.8)
Depreciation	(4.2)	(4.2)
<b>EBIT</b>	(5.3)	 (5.0)
Financial result	(0.1)	(0.1)
Income taxes	(0.1)	-
<b>Net income</b>	(5.5)	 (5.1)

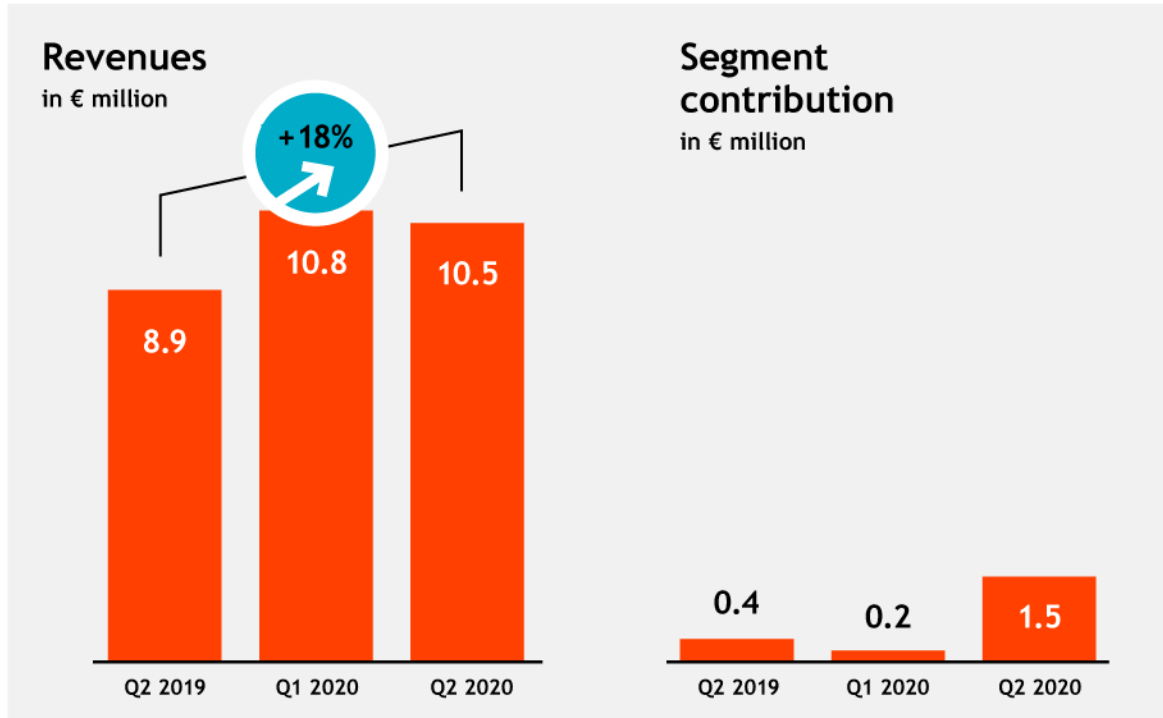
- Ongoing consistent investment in future growth impacts cost of revenues in particular
- **EBITDA** nevertheless approaching break-even

# Cloud & IoT: Profitability rises faster than revenues



- Revenue drivers: Cloud solutions and the digital workplace
- Segment contribution improved by € 3.2 million to € 1.0 million in Q2 2020 => High scalability of cloud business
- One-off initial costs for cloud projects counteracted a higher segment contribution in Q2 2020

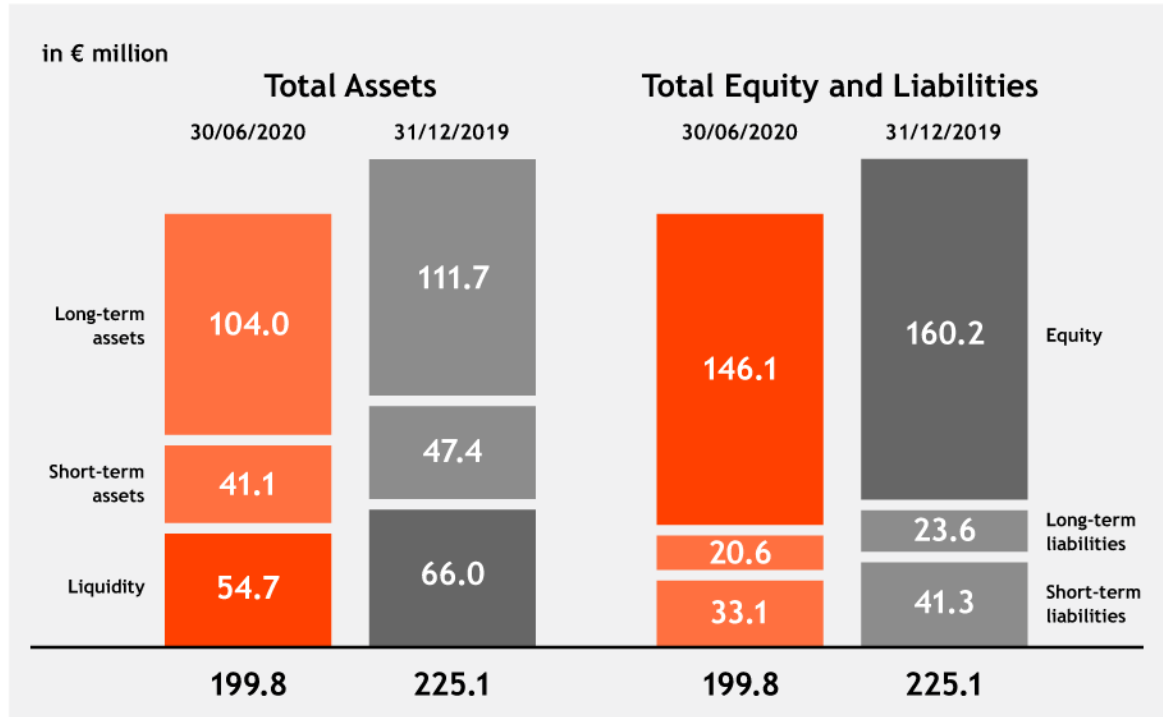
# SAP: Strong growth since Q2 2019



- Revenue driver: Migration to S/4HANA
- SAP operations and application management stabilise business during shutdown
- Segment contribution in Q2 2020 influenced by shutdown (e.g. fewer external experts, less travel expenses)

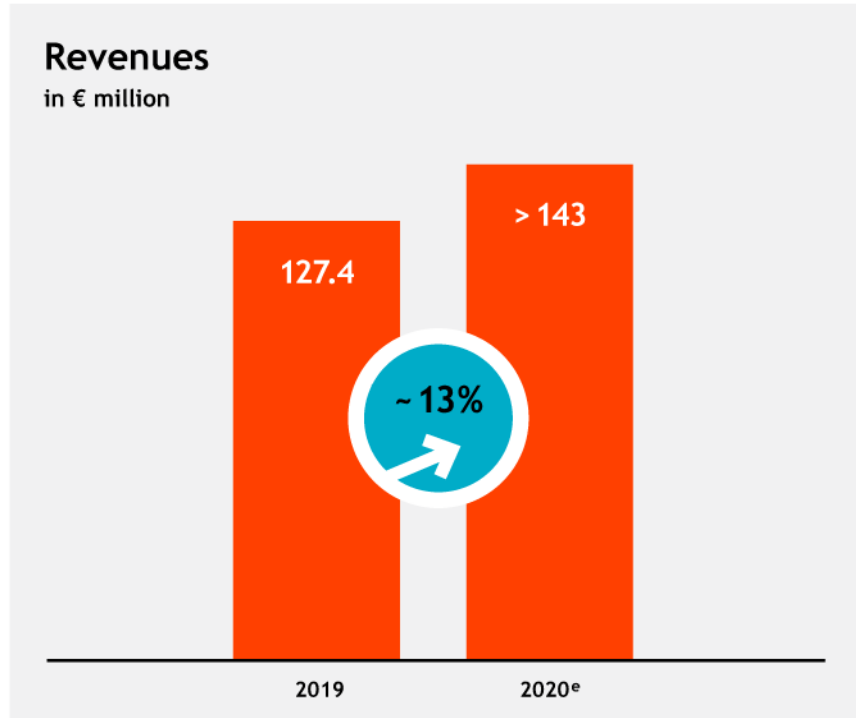


# Rock-solid financing thanks to balance sheet



- Net liquidity of € 54.7 million at 30 June 2020 as against € 61.9 million at 31 March 2020
- ⇒ Free cash flow of € -3.5 million (excluding dividend payout of € 3.7 million)
- H1 2020: Capex of € 2.5 million
- Equity ratio of 73%

# 2020 forecast confirmed despite deep recession



- Revenue growth of at least 13% expected despite changed business climate
- Investments in future growth: Therefore EBITDA of up to € -5 million and FCF of up to € -16 million planned
- Sustainably positive EBITDA from Q4 2020
- Sustainably positive free cash flow from Q4 2021

# Well positioned for sustainable growth

“Digitaliser to the SME sector”

## Excellent business portfolio

- Recurring revenues
- Highly scalable

## Top innovations

- Integrated solutions
- New technologies

## Effective “go-to-market” approach

- Sector focus
- Strategic partners

## Experienced management team

- Top expertise
- Entrepreneurial approach

Investments in future and M&A

2022: Revenues of € ~200 million, EBITDA >10%, positive free cash flow

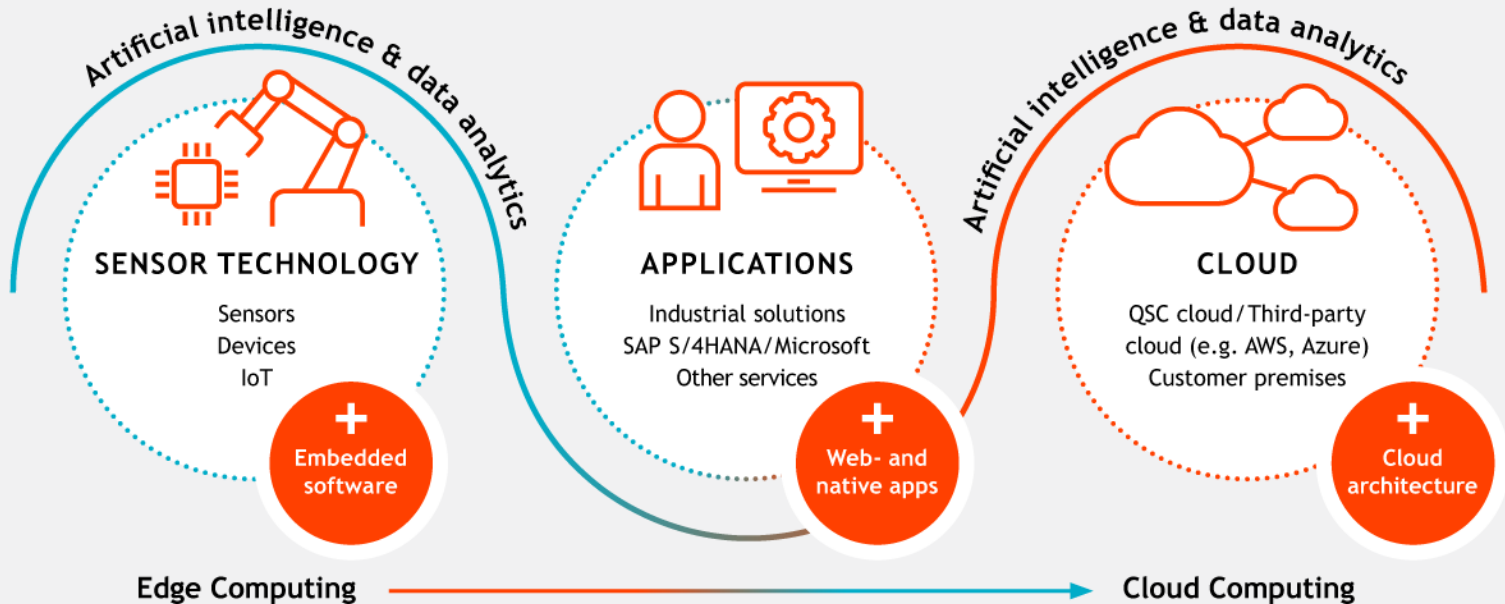
# M&A: QSC boosts software and development competence

Full takeover of software engineering specialist Incloud as of 31 July 2020

- 1 Developer of cloud and web solutions, mobile apps and IoT products
- 2 Rapidly growing IT service provider with 60+ experts on board
- 3 Agile teams develop and implement digital business models
- 4 Forecast 2020: Revenues of more than € 4 million and positive earnings

# Incloud perfectly complements QSC's expertise

+ Competences Incloud: Platform and product design /state-of-the-art development and technology



# New cooperation partners: Advantech and TeamViewer



## Advantech

Packages for as a Service business models

- Integrated IoT and Cloud solution with finely calibrated hardware and software components
- Advantech, leading provider of smart IoT systems and embedded platforms, is contributing its hardware
- QSC is providing edge technology for the platform and the devices
- First customers in manufacturing and retail

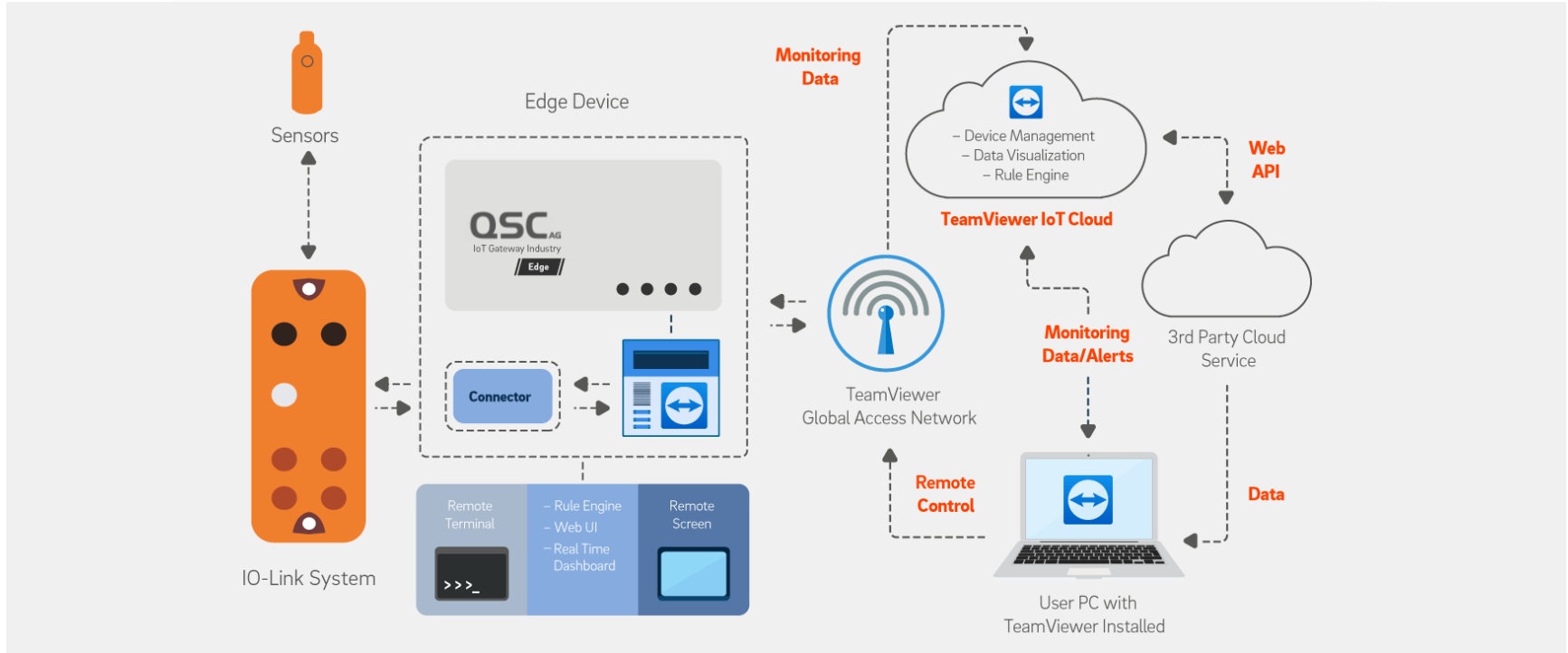


## TeamViewer

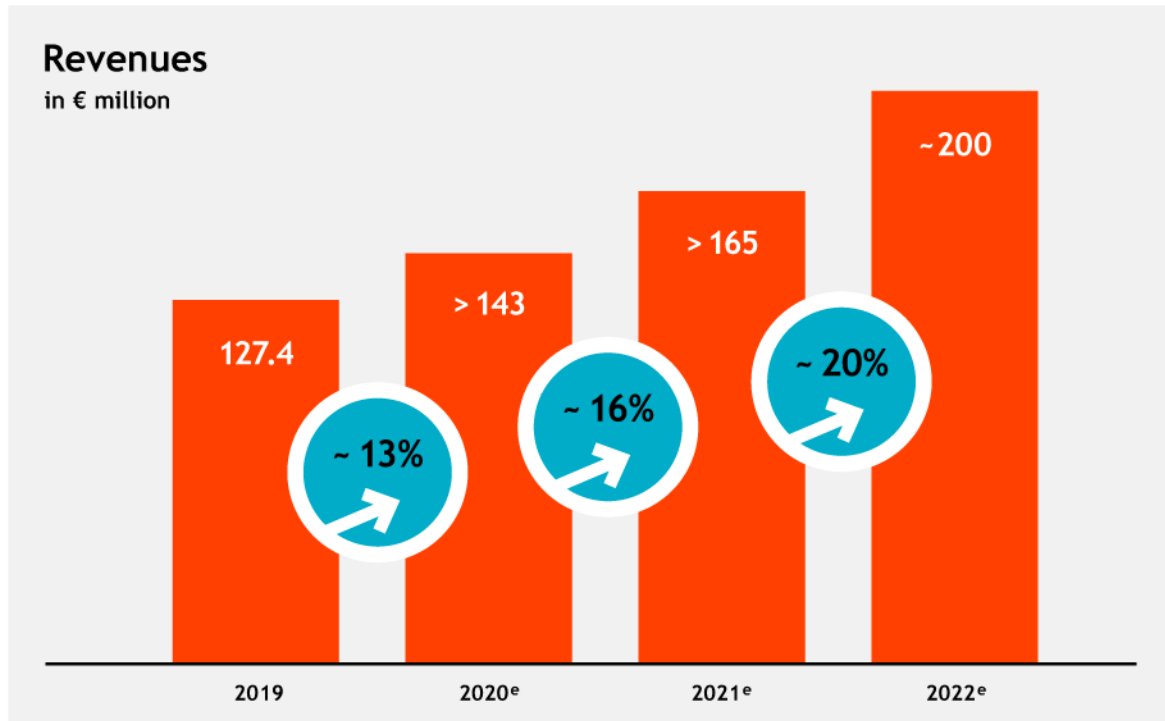
All-in-one-solution for the IIoT

- IIoT Starter Kit: Plug and play solution to digitise existing machinery and to allow easy remote maintenance
- First implementation of TeamViewer software in an Industry 4.0 context
- QSC is contributing its edge technology
- Solution enables dashboard-based monitoring of sensor data
- First product of a new partnership, closed in April 2020

# The IIoT Starter Kit Architecture at a glance



# Partners and M&A will support accelerated growth



## Main drivers:

- Growing order intake due to sharp positioning in growth markets
- high share of “as-a-service” solutions
- high share of recurring revenues
- scalable business model



# Next growth push: The Rebranding to “q.beyond”

In H1 2020, business developed as expected despite deep recession

- 1 Order intake has proven to be a perfect indicator for business development
- 2 Shutdown will stimulate the demand for Cloud, IoT and SAP solutions in H2 2020
- 3 QSC to become “q.beyond” from the end of September 2020
- 4 Rebranding campaign will raise awareness and generate further leads

**Questions & answers**

# Contact



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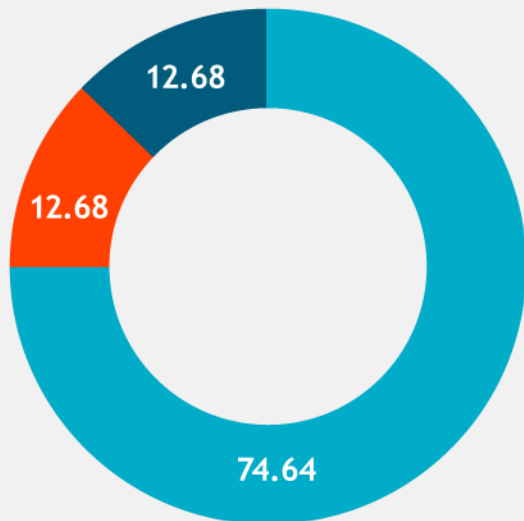
[xing.com/companies/QSCAG](http://xing.com/companies/QSCAG)

# Appendix

# CEO increases his shareholding by 50%

## Shareholder structure

in %



In March 2020, our CEO acquired a further 330,000 QSC shares:

**Jürgen Hermann**      **1,000,000 shares**

Neither founder has yet sold any QSC shares — share ownership is now structured as follows:

- 12.68%**    **Gerd Eickers<sup>1</sup>**
- 12.68%**    **Dr. Bernd Schlobohm<sup>2</sup>**
- 74.64%**    **Free float**

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

Status: 30 June 2020

# “Buy” recommendations for QSC shares

**MAINFIRST**  
*A Stifel Company*

**Buy**  
PT: €2.25

**QSC AG**  
IT Services  
27 May 2020 INITIATION

Initiation of coverage path

**Summary**

- We initiate coverage providing ~72% upside with a focus on Germany
- With the sale of the legacy business, QSC is exclusively active in software & IoT, ~30% from SAP strong financial foundation
- We forecast QSC rising from breakeven to “recent growth”

**Bankhaus Lampe**

**QSC AG**

Recurring revenues support the re...

08/05/2020

**Buy**  
1.80 EUR

Close 04/05/2020  
Bloomberg: QSC C

**COMMERZBANK**

**QSC**

2 March 2020

our rating to Buy. Early and hence success of the release of hidden value from our view. With additional current levels despite

**Buy** (from Hold)  
**TP €2.00** (from €1.70)  
**CP €1.12^**  
(Closing 28 February 2020)

Bank	Recommendation	Target price
Mainfirst	“Buy”	2.25 €
Commerzbank	“Buy”	2.00 €
Bankhaus Lampe	“Buy”	1.80 €
Warburg Research	“Hold”	1.40 €
Independent Research	“Hold”	1.40 €

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