

Cologne, 11 November 2019 – Q3 2019 results

# THE DIGITALISER TO THE GERMAN SME SECTOR

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**QSC** AG

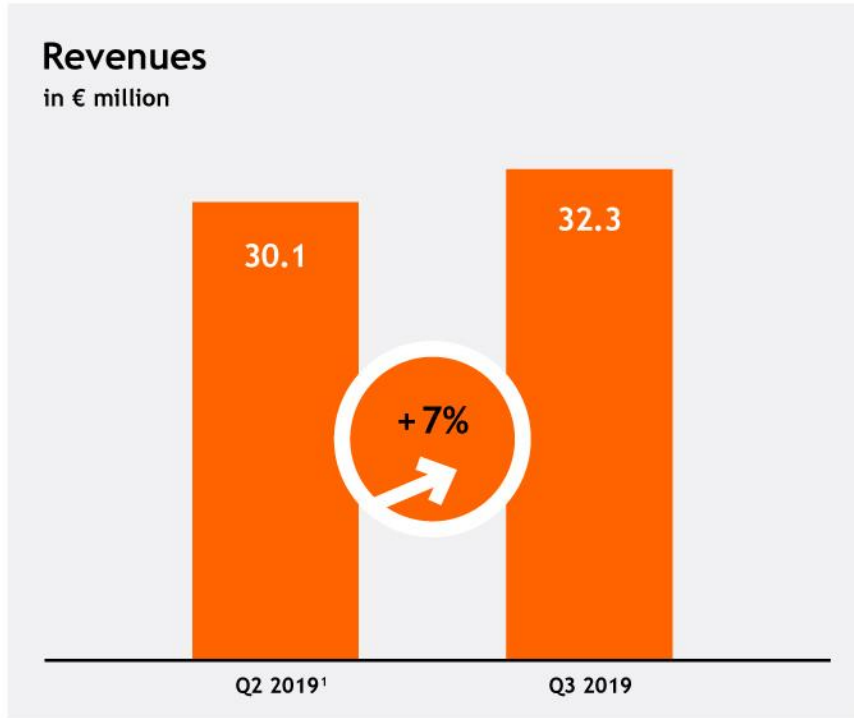
# Disclaimer

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.

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.

**Q3 2019: Strategy update**

# QSC is back on growth track



## Main growth drivers

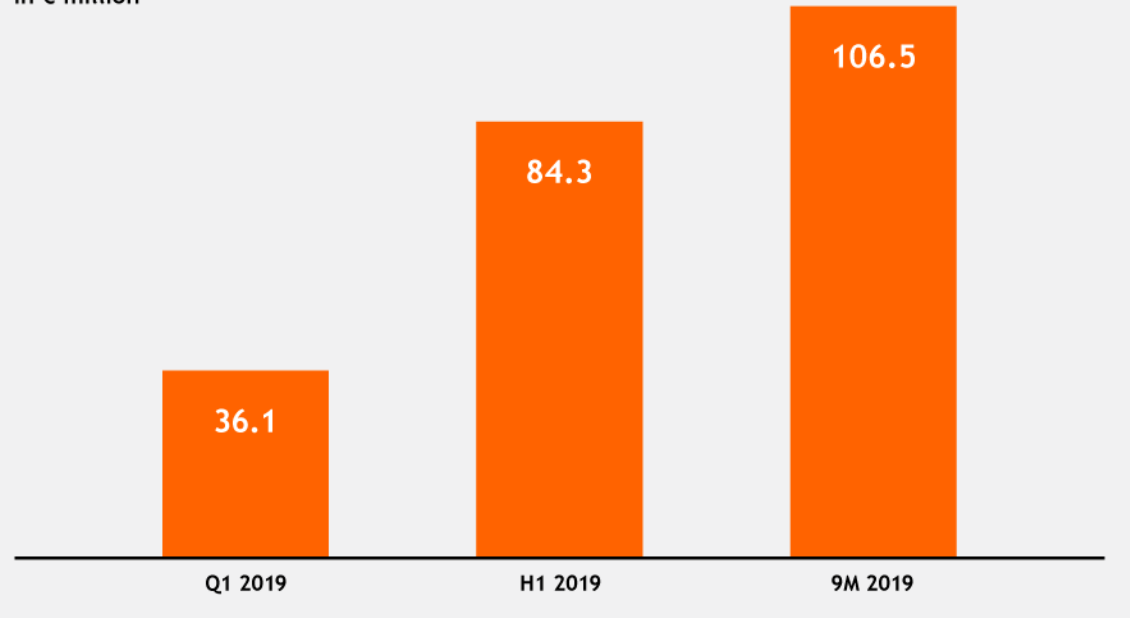
- Cloud business +24%
- Consulting +5%

<sup>1</sup> QSC (excluding Plusnet subgroup)

# Increased order intake in 2019

## Total contract value

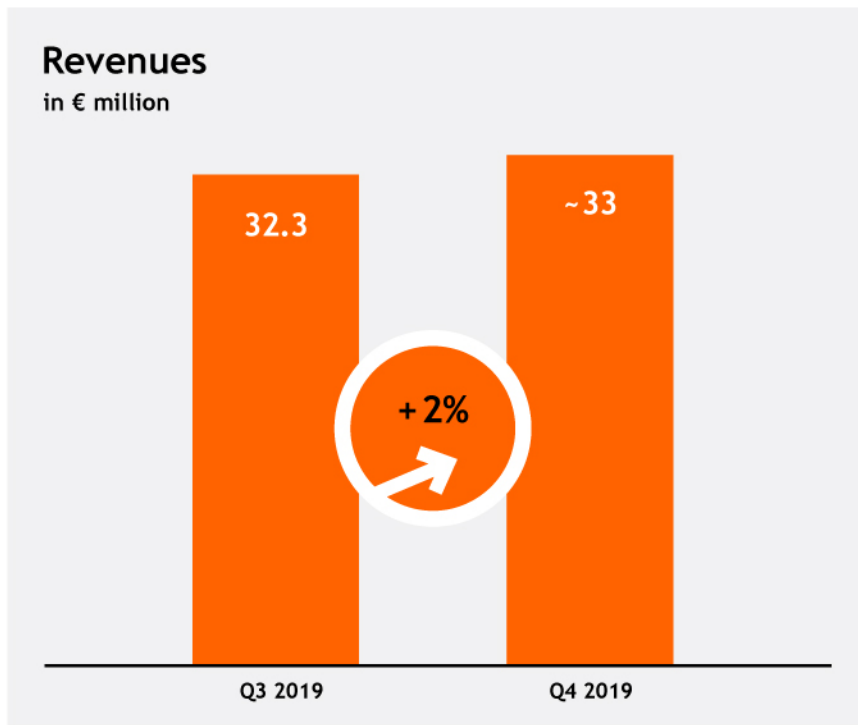
in € million



## Latest customer wins

- **Brunata-Metrone (Energy)** commissions QSC for complete SAP application management
- QSC to develop and operate **Techem's** data hub, one of the largest IoT platforms in the energy sector

# Ongoing growth in Q4 2019



## Main developments

- Further growth in Cloud business
- Slight decrease in Consulting revenues due to fewer working days in December
- Slight growth in Colocation business

# New growth potential: QSC acquires a stake in aiXbrain

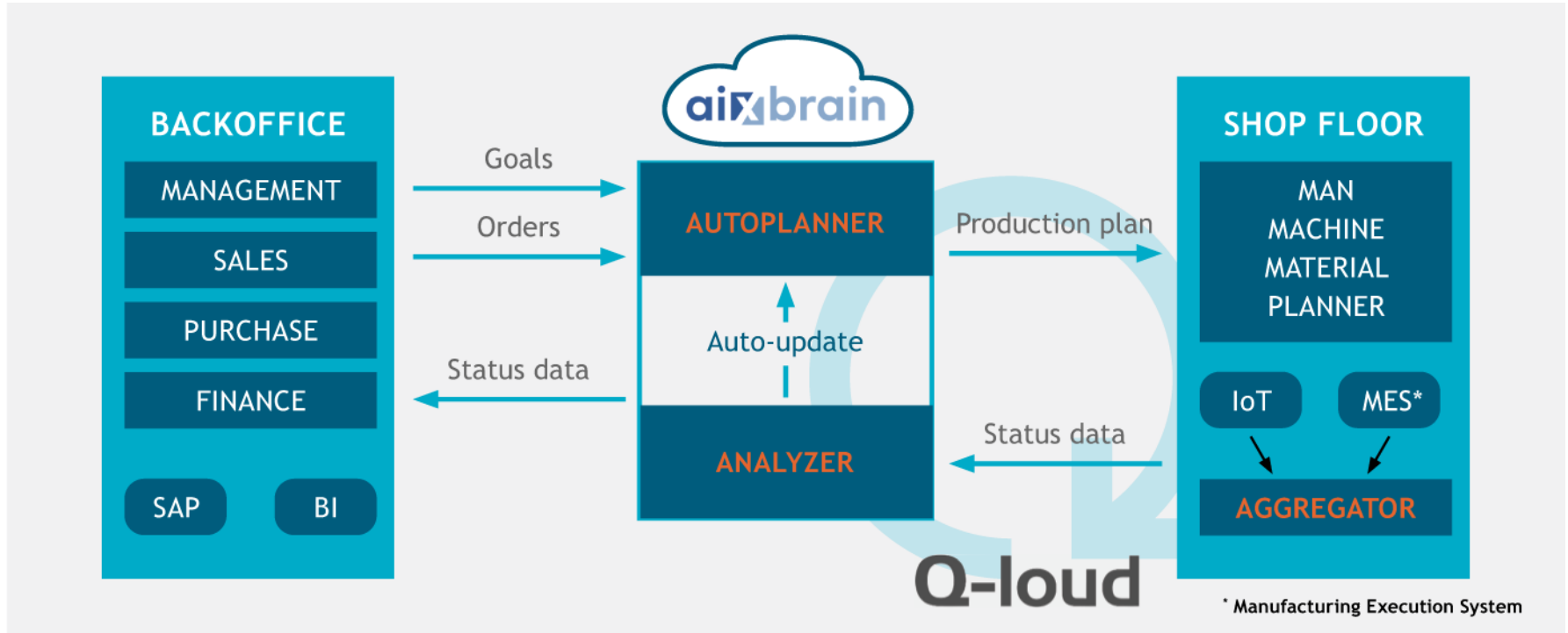
- QSC has acquired 25.1% of aiXbrain, a **specialist for artificial intelligence in manufacturing** and a spin-off from IT-institute at RWTH Aachen University
- aiXbrain has developed a **self-learning software** which increases flexibility in industrial production
- Software is **used by several companies** in the metal and automotive industry
- Team – headed by Prof. Dr. Rudolf Mathar – consists of **mathematicians, engineers and IT experts**
- Right to acquire **majority stake**
- Acquisition **complements QSC's portfolio**

# Legacy system: How most customers work today





# AI-assisted production: Tomorrow's smart-loop production



# Strategy 2020<sup>plus</sup>: Focus on profitable growth

“Digitaliser to the SME sector”

## Attractive business portfolio

- Highly scalable
- Recurring revenues

## Top innovations

- New technologies
- New combined services

## Effective “go-to-market” approach

- Strategic partners
- Sector focus

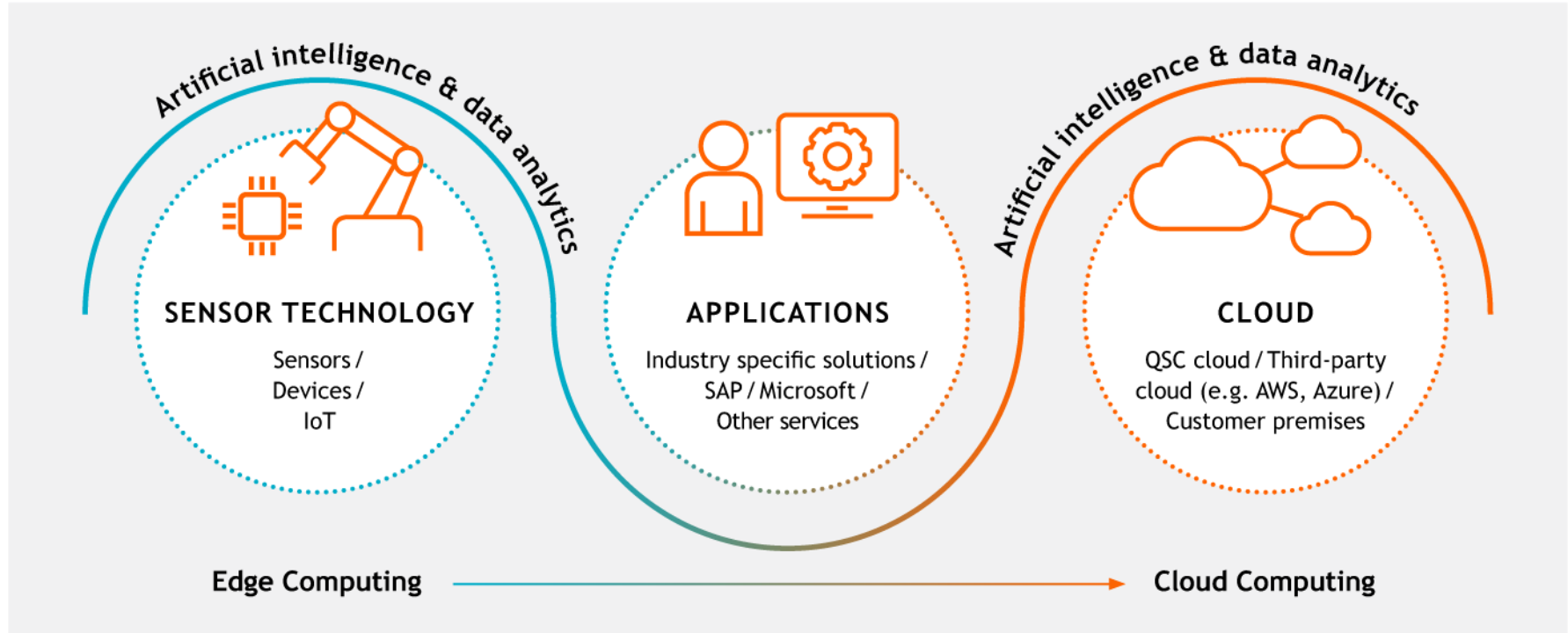
## New & experienced management team

- Top expertise
- Entrepreneurial approach

## Future investments and M&A

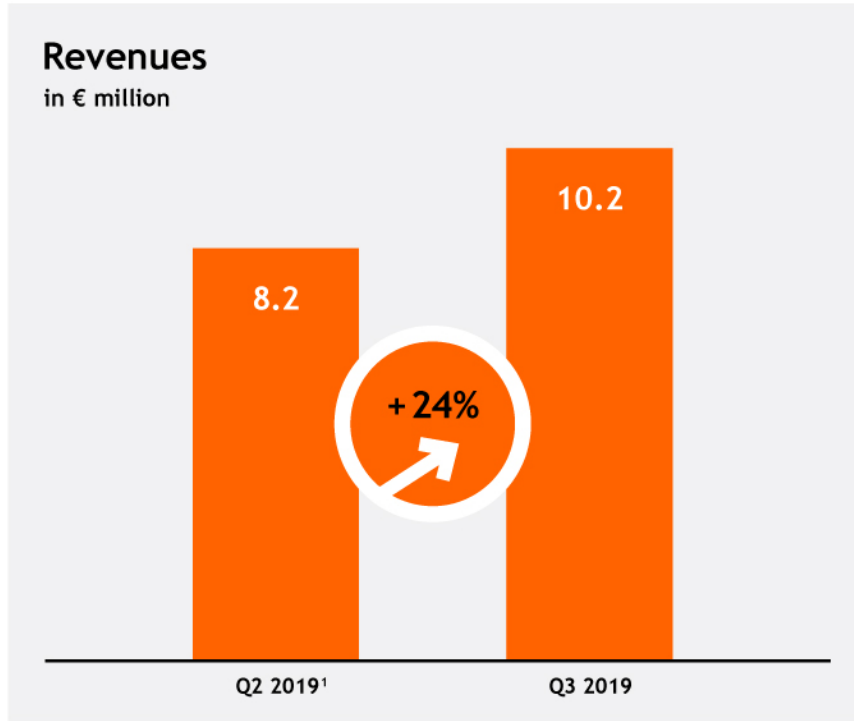
2022: Revenues of € ~200 million, EBITDA >10%, positive free cash flow

# USP: End-to-end experts in the digitalisation value chain



# Q3 2019: Financial update and Outlook

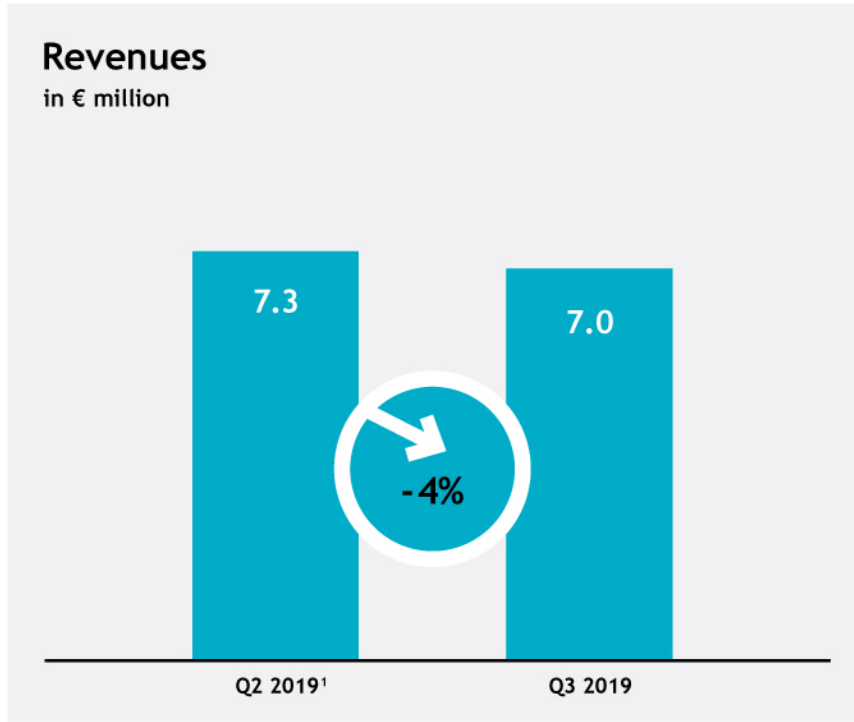
# Cloud: The main driver of revenue growth



- Higher recurring revenues with Cloud Services led to a 24% increase in revenues in Q3 2019
- Cloud revenues - like other segment revenues - positively impacted by Plusnet customers
- Segment contribution of € 0.2 million because of QSC's investment in future growth (esp. software competence)

<sup>1</sup> QSC (excluding Plusnet subgroup)

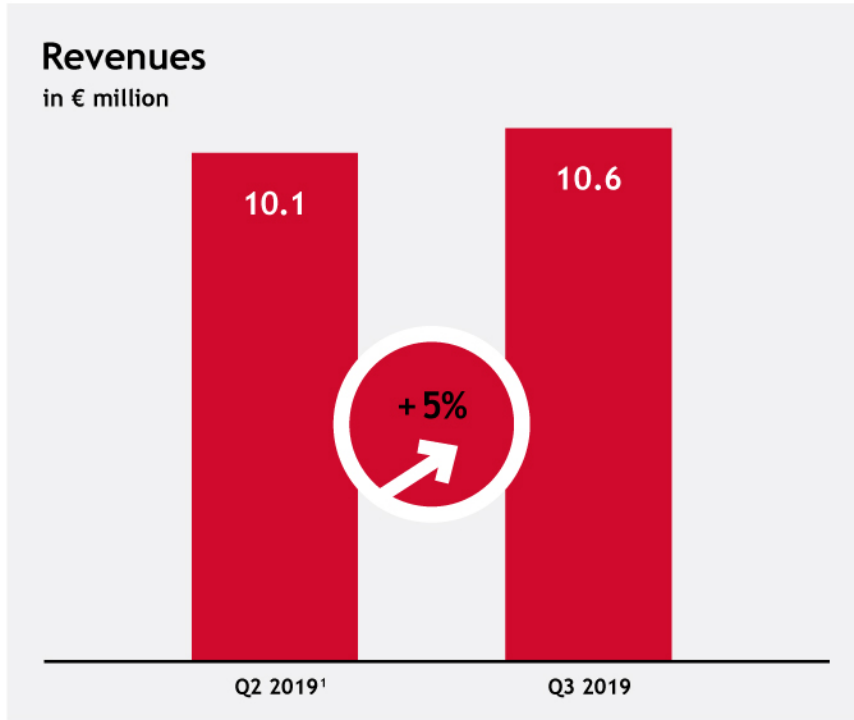
# Outsourcing: Stabilisation of revenues



- Stable customer base (all due contracts were extended or even expanded in scope in 2018/2019)
- Step-by-step migration of existing customers to Cloud Services
- Reorganisation up and running
- Segment contribution of € -0.1 million because of ongoing reorganisation

<sup>1</sup> QSC (excluding Plusnet subgroup)

# Consulting: Investing in further SAP experts



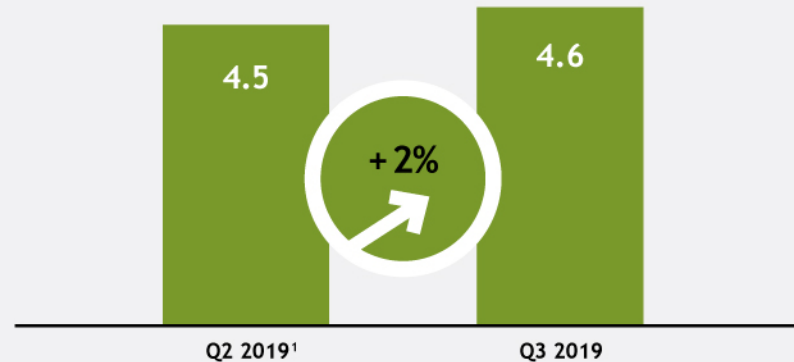
- Consulting on growth track in 2019: revenues up by another 5% in Q3 2019
- High demand especially for SAP HANA projects
- Strengthening personnel as well as drawing on external consultants impacted segment contribution (Q3 2019: € 0.4 million)

<sup>1</sup> QSC (excluding Plusnet subgroup)

# Colocation: Stable high-margin business

## Revenues

in € million



- TC segment now consists of colocation services
- Colocation characterised by long-term contracts
- Segment contribution of € 1.0 million
- Segment margin reached 22% in Q3 2019

<sup>1</sup> QSC (excluding Plusnet subgroup)



# First P&L after Plusnet sale

in € million	Q3 2019
<b>Revenues</b>	<b>32.3</b>
Cost of revenues	27.9
<b>Gross profit</b>	<b>4.4</b>
Sales and marketing expenses	3.0
General and admin expenses	4.9
Other operating income	1.5
Other operating expenses	(0.3)
<b>EBITDA</b>	<b>(2.2)</b>
Depreciation	4.1
<b>EBIT</b>	<b>(6.3)</b>
Financial result	(0.2)
Income taxes	3.9
<b>Net income</b>	<b>(2.6)</b>

- Q3 2019 developed as expected
- Current cost base allows future growth without increased costs => **scalability of QSC's business model**
- IFRS 16 depreciation now at € 1.2 million
- One-off tax effect because of Plusnet transaction

# G&A costs will be reduced in 2020

## General and admin expenses

in € million

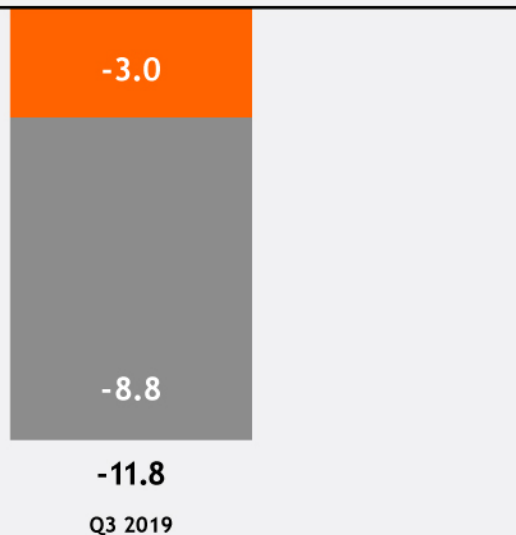


- In H2 2019, QSC is providing admin services for Plusnet
- As of January 2020, part of administrative employees will become part of the Cologne-based EnBW team
- Further reduction in G&A expenses in progress

# Operating FCF in line with EBITDA development

## Free cash flow

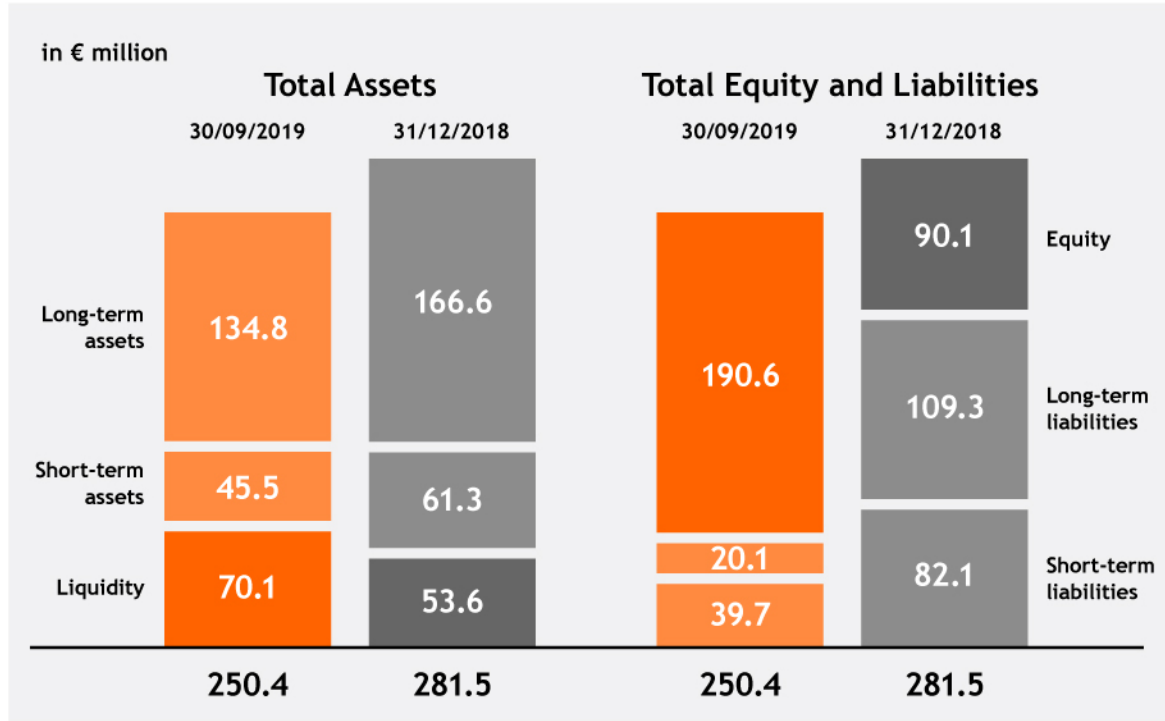
in € million



- FCF developed as expected in Q3 2019
- € 8.8 million one-off expenses because of Plusnet transaction (advice, legal and transaction fees)
- CAPEX reduced to € 0.9 million in Q3 2019
- Average CAPEX will be at some € 2 million per quarter

■ Operating free cash flow  
■ Transaction-related

# Strong balance sheet after Plusnet sale



- As of 30 June 2019, QSC fully repaid its external debt
- Net liquidity of € 70.1 million
- Equity ratio now at 76%

# On track to reaching the updated forecast



Revenues of more than € 235 million  
(9M 2019: € 204.9 million)



EBITDA of more than € 140 million  
(9M 2019: € 143.6 million)



Free cash flow of more than € 130 million  
(9M 2019: € 140.2 million)

**Questions & answers**

# Contact



**QSC AG**  
**Arne Thull**  
Head of Investor Relations

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)

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

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