

24 July 2017

# Quarterly Report

## To 30 June 2017

### HIGHLIGHTS

#### **Strong JSF deliveries growth and new CEO/MD commenced**

- New Managing Director, Mark Burgess, commenced on 8 May 2017 and he is undertaking a detailed strategic and operational review, with the outcome to be announced early August
- Sales of \$14.6 million for Q4 FY17; and full year revenue of \$52.6m, up 4% compared to FY16 building on strong JSF delivery performance and growth reflecting increased capacity and production growth

#### **Joint Strike Fighter (JSF) production**

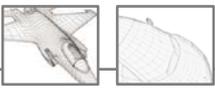
- 401 parts delivered in Q4 FY17, up from 310 parts in Q3 FY17 and 163 parts in Q4 FY16
- JSF production increased to 1,230 parts for the year, up 108% from FY16
- Additional BAE Systems order fulfilled, with 100% delivery performance

#### **Lockheed Martin C-130J production**

- Eight (8) ship-sets delivered in Q4 FY17
- 27.25 ship-sets delivered FY17 in line with expectations
- First parts supplied for LM-100J commercial air freighter

#### **Other Projects**

- Micro-X production now ramping-up using Qure process
- Manufacturing of 20 further Thales Hawkei sets of body parts has commenced
- Automotive front fender project nearing completion of phase one
- Several development projects underway with potential customers



## 1.0 FINANCIAL PERFORMANCE

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Total sales for Q4 FY17 were \$14.6 million, in line with expectations. F-35 Lightning II Joint Strike Fighter (JSF) production continued to grow strongly, with deliveries of 401 parts; up 29% on the prior quarter and 146% up on the prior corresponding period (pcp).

Sales for the twelve months to 30 June 2017 were \$51.9 million, up 4% compared to FY16. Total revenue for FY17 was \$52.6 million, including grant income.

At 30 June 2017, Quickstep's firm order book was valued in excess of \$98 million. This does not include further volumes under customer agreements outside U.S. government purchase order timeframes.

## 2.0 OPERATIONAL PERFORMANCE

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### 2.1 JSF PROGRAM

Quickstep is the key supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts for the JSF program. Quickstep will also supply 700 sets of vertical tails composite parts including skins, spars and fairings over the next 14 years under an agreement with BAE System's supplier, Marand Precision Engineering.

In Q4 FY17, JSF deliveries increased to 401 parts, up 146% from 163 parts in Q4 FY16. Quickstep has manufactured 1,230 parts in FY17 up 108% from 590 parts in the FY16. Vertical tail deliveries were 193 for the quarter and 514 for FY17 after producing an initial 32 parts in FY16. This total included fulfilment of an additional order for BAE Systems, with all deliveries completed on schedule. Quickstep's JSF production program continues its strong growth trajectory, with manufacturing expected to triple from FY16 to FY19.

### 2.2 C-130J PROGRAM

Quickstep is the exclusive supplier of composite wing flaps to Lockheed Martin for the C-130J Hercules aircraft under an initial five- year memorandum of agreement (MoA), which has been extended through to 2019 in line with Lockheed Martin's C-130J Multiyear II contract with the US Department of Defense.

Eight ship-sets were delivered in Q4, taking production for the year to 27.25 ship-sets comprising 26 full ship-sets and five individual spares. Robotic drilling equipment has been successfully installed and is in production.

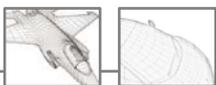
Quickstep announced that it is a supplier to Lockheed Martin for the new LM-100J commercial freighter, which recently made its global debut at the 2017 Paris Air Show. The LM-100J is based on the C-130J Super Hercules military tactical airlifter and delivers unmatched versatility and proven workhorse capabilities of its military counterpart to commercial operators.

### 2.3 OTHER PROGRAMS

**Thales Hawkei:** Production of a second lot of ten (10) sets of composite body parts for the Hawkei military vehicle was completed in the quarter. The sets comprise 190 individual components, and the parts will be used for testing and evaluation. An order for a further twenty (20) sets was received from Thales during the quarter and production commenced in July 2017.

**Micro-X:** Production of parts for Micro-X's portable, ultra-lightweight X-ray device continued to ramp-up in Q4 FY17 using Qure technology. This follows the commencement of production for this contract in Q3 2017. The mobile X-ray device will be sold in North America and other export markets.

**RapidQure development:** Commercialisation of Quickstep's New Technology 'RapidQure', continued, with the front fender project for a European original equipment manufacturer (OEM) now nearing completion of phase one. The prototype parts and the working process will be demonstrated to the customer in August 2017. The aim of the project is to demonstrate the effectiveness of Qure as a substitute for traditional autoclave technology.



Quickstep is focused on increasing production rates to meet growing aerospace build rates and automotive vehicle volumes.

Work has ended on a composite seat structure project following a decision by the parent company of Quickstep's partner to withdraw participation.

## **3.0 CAPITAL EXPANSION AND GROWTH OPPORTUNITIES**

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### **3.1 CAPITAL FOR GROWTH**

The company's \$10 million Bankstown capital expansion program, to enable increased JSF production, was completed in the second half of FY17 enabling JSF deliveries to significantly increase over the prior year. Quickstep anticipates this growth will continue through the next three years as JSF aircraft production ramps-up globally.

### **3.2 NEW BUSINESS**

Quickstep remains engaged in a number of development projects. These projects are co-funded by Quickstep and its collaboration partners, and are expected to lead to further volume production contracts.

Quickstep is also negotiating with new and existing customers for additional growth opportunities at the Bankstown site.

## **4.0 CORPORATE**

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### **4.1 CASH POSITION**

At 30 June 2017, the group held \$3.7 million in cash, compared to \$4.5 million at 31 March 2017. The company also held \$0.7 million in restricted term deposits to be held to maturity.

### **4.2 CASHFLOW**

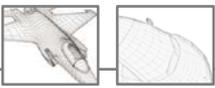
Operating cashflow was negative \$1.2 million, including continued R&D investment of \$1.4 million. This movement reflects half-yearly advance payments that are received for C-130J production. The business receives partial advance payments in quarters 1 and 3 distorting quarterly cashflows with nil annual impact. Full year cashflow was an outflow of \$1.1 million, including R&D activities of \$4.9 million.

The business received a \$0.9 million refund of VAT from Germany in June and expects the balance of \$0.8 million to be received in Q1 FY18.

Total capex spend for the quarter was lower at \$0.1 million, following completion of new equipment installation at Bankstown to facilitate JSF growth and robotic drilling for C-130J production. The business also made debt repayments of \$0.9 million in the quarter and had a new Efic Export Contract Loan (ECL) of \$3 million approved. This new loan will facilitate working capital needs for JSF growth, and an initial drawdown of \$1.5 million was made in the quarter.

### **4.3 MANAGEMENT CHANGES**

Quickstep welcomed new Managing Director and Chief Executive Officer, Mark Burgess, into the business in Q4 2017. Mark was previously Vice President Honeywell Aerospace Asia Pacific, responsible for driving sustained profitable growth during his four years in that role across a defence, space and commercial helicopter portfolio.



Previously he had a successful career with BAE Systems in Europe, USA, Middle East and South East Asia in sales, contracts, project and general management roles.

Mark joined Quickstep on 8 May 2017 and has stated, "I am delighted to be on board and I continue to be impressed by Quickstep's strong and profitable aerospace manufacturing business, its forward order book and revenue growth. Our business has a strong value proposition and significant growth opportunities in multiple sectors."

David Marino left the company at the end of May 2017.

## 5.0 OUTLOOK

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Quickstep's long-term vision is to become a world leader in advanced composites manufacturing and the Company is focused on expanding its business in the aerospace, defence, automotive and other high-growth sectors.

Quickstep will provide the market with a further update on its strategy in August 2017, in addition to the normal reporting activities.

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-ENDS-

### **Background on Quickstep Holdings Limited**

Quickstep Holdings Limited (ASX: QHL) is an Australian publicly listed company, at the forefront of advanced composites manufacturing and technology development. Quickstep is the largest independent aerospace-grade advanced composite manufacturer in Australia, partnering with some of the world's largest Aerospace/Defence organisations including: Lockheed Martin, Northrop Grumman, BAE Systems, as well as Victorian-based Marand Precision Engineering.

Quickstep operates from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW; a recently established site for the advanced manufacturing of composite parts and R&D/ process development centre in Waurin Ponds, Victoria; and a development and customer support operation in Munich, Germany.

Quickstep is an approved supplier for the international F-35 Lightning II Joint Strike Fighter (JSF) program - the largest military aerospace program in the world, valued in excess of US\$300 billion worldwide. The company has also been selected by Lockheed Martin as the sole supplier of composite wing flaps for the C-130J "Super Hercules" military and commercial LM-100J transport aircraft.

Quickstep has developed significant capabilities and expertise in the production of automotive and aerospace grade, advanced composite components, using both conventional autoclave-based manufacturing and leading out-of-autoclave production technologies (developed in-house and patented).

### **For further information:**

#### **Investors**

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

<b>QUICKSTEP HOLDINGS LIMITED</b>
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**ABN**

<b>55 096 268 156</b>
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**Quarter ended ("current quarter")**

<b>30 JUNE 2017</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,638	51,932
1.2 Payments for		
(a) research and development	(1,394)	(4,905)
(b) product manufacturing and operating costs	(7,071)	(30,068)
(c) advertising and marketing	(35)	(216)
(d) leased assets	(37)	(191)
(e) staff costs	(4,374)	(16,652)
(f) administration and corporate costs	(588)	(2,301)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	27
1.5 Interest and other costs of finance paid	(53)	(110)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	750	1,405
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash used in operating activities</b>	<b>(1,153)</b>	<b>(1,079)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(134)	(2,398)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash used in investing activities</b>	<b>(134)</b>	<b>(2,398)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	1,500	1,500
3.6 Repayment of borrowings	(874)	(1,458)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(98)	(123)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>528</b>	<b>(81)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,483	7,578
4.2 Net cash used in operating activities (item 1.9 above)	(1,153)	(1,079)
4.3 Net cash used in investing activities (item 2.6 above)	(134)	(2,398)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	528	(81)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(2)	(298)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,722</b>	<b>3,722</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,722	3,722
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,722</b>	<b>3,722</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
290
-

Executive and Non-Executive Directors' remuneration included in item 6.1

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

N/A

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	11,250	9,750
8.2 Credit standby arrangements	-	-
8.3 Other (capitalised interest)	3,333	2,128
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Group has two loan facilities: -

A facility that was originally \$10 million with additional capability to capitalise interest up to \$3.3 million. To date, \$1.75 million has been repaid, with the facility now at \$8.25 million with a capitalised interest cap of \$3.3 million. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest is variable at a capped rate with a fixed margin and guarantee payable. The effective rate is currently 8.5%.

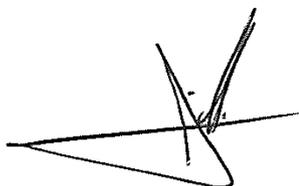
An additional \$3 million Export Contract Loan was created with Efic in June 2017. This is a short term facility to fund working capital for growth of booked business and \$1.5 million was drawn down in June 2017 with an initial interest rate of 8.1%.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(989)
9.2 Product manufacturing and operating costs	(7,268)
9.3 Advertising and marketing	(55)
9.4 Leased assets	(37)
9.5 Staff costs	(4,414)
9.6 Administration and corporate costs	(610)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(13,373)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: 24 JULY 2017

Print name: JAIME PINTO

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.