

FOURTH QUARTER FY19 UPDATE

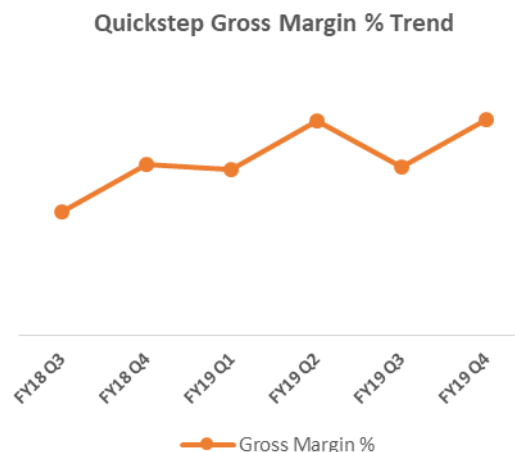
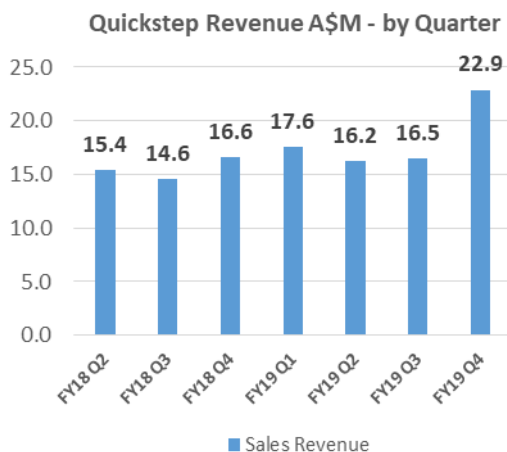
22 July 2019: Quickstep Holdings Limited (ASX: QHL), Australia's leading independent carbon fibre composites manufacturer, today released its quarterly update for the fourth quarter of FY19.

JUNE QUARTER SUMMARY (Unaudited)

- › Q4 sales \$22.9 million, up 38% on same period in FY18
- › Q4 \$ 0.6 million operating cash flow
- › Full year sales \$73.3 million, up 24% on FY18
- › Full year positive NPAT reaffirmed
- › Net debt \$0.3m as at 30 June 2019
- › Healthy pipeline of near-term opportunities, with new business awards anticipated in 2019
- › Chemring flare housing project in equipment commissioning phase

FINANCIAL UPDATE

Quickstep has delivered very strong sales growth in Q4, following the dip in Q3 due to the key machine tool failure, with record quarterly sales revenue of \$22.9 million, representing a 38% increase on the \$16.6 million achieved in Q4 FY18. Sales for the full year to June 2019 of \$73.3 million have also grown strongly and were 24% improved on the prior year, ahead of our forecast increase of 22%.



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During Q4 the business achieved a much-improved operational performance and a corresponding lift in gross margin percentage through efficiency gains, process improvements and economies of scale.

Quickstep will report a maiden full year profit in FY19 with a profitable second half building on the positive H1 result.

Operating cashflow of \$0.6 million for Q4 FY19 includes positive EBITDA and a decrease in working capital offset by a decrease in net deferred income.

The Company's financial position is much improved with \$0.3 million net debt at 30 June 2019. The group held \$7.3 million in cash (31 March 2019: \$7.6 million) and \$0.8 million in restricted term deposits (31 March 2019: \$0.8 million). Total outstanding debt, including capitalised interest, was \$8.4 million at 30 June 2019, a reduction of \$1.8 million since 31 March 2019.

Operational Highlights:

- ▶ **Lean and Continuous Improvement:** initiatives continued across all functions at both the Bankstown and Geelong sites in Q4 to improve efficiency, reduce cost and improve margins. Initiatives undertaken in Q4 include production process flow improvements, further cross-skilling and job rotation, and the further implementation of the Company's Lean/Continuous Improvement (CI) program, the benefits of which will be enjoyed in FY20 and beyond.
- ▶ **QPS:** Quickstep is in the final stages of commissioning the flare housing equipment as part of the Chemring project. The result will be a leading advanced manufacturing cell that demonstrates cutting edge high volume carbon fibre production methods with integrated quality control and product traceability for high performance and precision products. Trial production of flare housings will commence in Q1 FY20.
- ▶ **Qure:** Quickstep is continuing with development of Qure 2.5 bar to meet aerospace qualification standards. Qure 2.5 bar, or AeroQure, is currently being tested by an independent aerospace laboratory and a major global material systems company to validate the process at dramatically reduced cycle times compared to a standard autoclave, and to meet aerospace qualification requirements while delivering multiple processing benefits.

Business Development Highlights:

Based on the progress of confidential negotiations, we expect to see significant new business awards in 2019. Quickstep has a clear strategy to grow revenue and diversify its customer base in the Defence and Aerospace sectors, while expanding the company's capabilities to grow the business globally in the Aerospace, Defence and other advanced industry sectors. As part of this strategy Quickstep continues to make significant investment in business development (both in Defence and Commercial Markets) and supply chain resources in the US.

OUTLOOK

Quickstep's FY20 revenue is expected to grow at a more modest pace than in FY19 with upside potential dependent on timing and scope of new business awards. JSF deliveries are expected to ramp up towards peak production volumes over the next nine months. Gross margins are expected to continue to improve through economies of scale, further cost reductions and increasing efficiencies. The group expects to continue to deliver positive NPAT for FY20 as well as positive operating cash flow.

Quickstep has significant further growth potential through winning composite manufacturing contracts, primarily in the aerospace sector, using traditional techniques and its proprietary advanced manufacturing Qure and QPS technologies; these provide faster, more controllable methods for curing of parts and enable a Class A finish.

Quickstep continues to focus on winning new customers and contracts and supporting growth through partnerships to build scale. Quickstep's business development activities are focussed on winning additional business, through its tiered growth strategy:

- › **Core Defence Aerospace:** Increasing revenue and diversifying the company's customer/program base within the Defence/Aerospace sector utilising existing Bankstown facilities, while expanding core capabilities.
- › **Aerospace Qure/Advanced Manufacturing Deployment:** Strategic growth within the Aerospace and other sectors, using Qure and innovative technology solutions to attract new business opportunities.
- › **Commercial Markets:** Expansion to Commercial Aerospace supply. Securing of global programs and/or inorganic growth across the wider defence, commercial aerospace and other advanced industry sectors.

The company has a healthy project pipeline and is well positioned for future profitable growth. The group continues to be focused on high value, expanding global markets.

Key facts about Quickstep's major contracts

Joint Strike Fighter (JSF)	<ul style="list-style-type: none">▶ Over the life of the JSF program, Quickstep will manufacture and supply more than A\$1 billion in JSF composite components and assemblies▶ The F-35 Lightning II JSF Program is the world's largest military aerospace program, valued in excess of US\$300 billion▶ Quickstep is the key supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts▶ QHL will supply 700 sets of vertical tail parts over 14 years under an agreement with BAE Systems' supplier, Marand Precision Engineering
Super Hercules C-130J	<ul style="list-style-type: none">▶ Lockheed Martin awarded Quickstep the sole supplier of composite wing flaps for the C-130J "Super Hercules" military transport aircraft▶ Quickstep's initial five-year memorandum of agreement (MoA) extends through to 2019 in line with Lockheed Martin's C-130J Multiyear II contract with the U.S. Department of Defense▶ Memorandum of Understanding (MoU) in place for a Long-Term Flexible Contract (LTFC) for the ongoing supply of C-130J/LM-100J wing flaps for an additional five-years, covering the period 2020 to 2024.▶ The business supplies wing flaps in shipsets, which comprise of four main structures – an inner and outer left and right flap. Spares supplied can be a partial shipset (one quarter) through to a full shipset.

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About Quickstep Holdings

Quickstep Holdings Limited (ASX: QHL) is the largest independent aerospace-grade advanced composite manufacturer in Australia, operating from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW and a manufacturing and R&D/ process development centre in Geelong, Victoria. The group employs more than 245 people in Australia and internationally. More information about Quickstep is available at www.quickstep.com.au

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

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

30 JUNE 2019

Consolidated statement of cash flows

**Current quarter
\$A'000**

**Year to date
(12 months)
\$A'000**

1. Cash flows from operating activities

1.1	Receipts from customers	19,288	69,561
1.2	Payments for		
	(a) research and development	(259)	(860)
	(b) product manufacturing and operating costs	(11,083)	(40,895)
	(c) advertising and marketing	(86)	(229)
	(d) leased assets	(17)	(76)
	(e) staff costs	(6,031)	(22,824)
	(f) administration and corporate costs	(848)	(3,639)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(392)	(675)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from operating activities	572	363

2. Cash flows from investing activities

2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,940)	(5,101)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

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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-customer funding for capital project	1,040	2,895
2.6 Net cash used in investing activities	(900)	(2,206)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,655	12,280
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	(113)	(614)
3.5	Proceeds from borrowings	-	5,250
3.6	Repayment of borrowings	(1,372)	(10,372)
3.7	Transaction costs related to loans and borrowings	(144)	(300)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	26	6,244

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,617	2,862
4.2	Net cash from operating activities (item 1.9 above)	572	363
4.3	Net cash used in investing activities (item 2.6 above)	(900)	(2,206)
4.4	Net cash from financing activities (item 3.10 above)	26	6,244

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	19	71
4.6	Cash and cash equivalents at end of quarter	7,334	7,334

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,334	7,334
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,334	7,334

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	216
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	

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

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

N/A

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8. Financing facilities available <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	9,914	5,914
8.2 Credit standby arrangements	-	-
8.3 Other (capitalised interest)	3,333	2,322
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 long term facility that was originally \$10m with additional capability to capitalise interest up to \$3.3m. To date \$4.1 m has been repaid, with the facility now at \$5.9m with a capitalised interest cap of \$3.3m. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest comprises a variable base rate, a fixed margin and guarantee. The effective interest rate is currently 6.7%.

An Export Contract Loan (ECL) was renewed at the end of June 2019 for \$4m (down from \$7m for the previous 12 months) to fund working capital for further JSF growth in FY20. The current interest rate is 6.5% plus a 1.5% commitment fee on any undrawn funds. As at 30 June 2019 there were no funds drawn under this facility.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(361)
9.2 Product manufacturing and operating costs	(12,756)
9.3 Advertising and marketing	(43)
9.4 Leased assets	(31)
9.5 Staff costs	(6,684)
9.6 Administration and corporate costs	(953)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(20,828)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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	-	-

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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: 22 JULY 2019

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.

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