

## THIRD QUARTER FY20 UPDATE

**7 April 2020: Quickstep Holdings Limited** (ASX: QHL), Australia's leading independent carbon fibre composites manufacturer, today released its quarterly update for the third quarter of FY20.

### **MARCH SUMMARY (Unaudited)**

- **Q3 sales \$19.2 million, up 16% on same period in FY19**
- **YTD sales \$57.7 million, up 14% on the same period in FY19**
- **Q3 \$0.1 million operating cash flow**
- **Comprehensive health, safety and operational risk management relating to COVID-19**

### **UPDATE ON COVID-19**

COVID-19 is, first and foremost, a public health emergency. As such, Quickstep is focused on the health and safety of our people with all appropriate health protocols and social distancing measures implemented, based on WHO and Australian government guidelines. This remains under daily review by the Executive crisis management team, chaired by the CEO, in close consultation with the Board.

To-date, COVID-19 has had no impact on Quickstep's financial performance. Our key customers are continuing production in line with plan and our production facilities at Bankstown and Geelong are meeting all contracted delivery schedules and quality standards.

We have implemented a robust management operating system to address internal and external communications, health controls, working patterns, supply chain risk and financial resilience. To ensure a strong financial position the company has a greatly increased focus on supply chain performance, broad cost control measures, deferral of non-essential capital spend and maintains regular dialogue with financiers.

### **FINANCIAL UPDATE**

Operating cash flow of \$0.1 million for Q3 FY20 reflects a seasonal dip in receipts as a consequence of the Christmas shutdown. Q4 receipts should be stronger than Q3 reflecting a ramp up in production and orders in hand and evidenced by a material increase in Trade receivables and Inventories at 31 March compared to 31 December. The \$3.2 million deferred income reversal relating to the C-130J contract that negatively impacted first half cash flow is now complete following transition to the new 5 year contract.

The Company's net bank debt increased by \$1.0 million to \$6.6 million at 31 March 2020 funding \$0.7million capital spend on the flare housing project. The group held \$3.1 million in cash (31 December 2019: \$2.6 million) and \$0.7 million in restricted term deposits (31 December 2019: \$0.7 million). Total outstanding bank debt, including capitalised interest, was \$10.4 million at 31 March 2020, an increase of \$1.5 million since 31 December 2019.

## **BUSINESS DEVELOPMENT HIGHLIGHTS**

Despite the impact of COVID-19 on business operations within the Aerospace and Defence market, bid and proposal activity continues in line with previous guidance. Growth in existing orders into FY21, over and above base demand, were secured in Q2 on the back of continued strong performance on quality, delivery and cost competitiveness and reflect Quickstep's reputation as a highly dependable supplier in an increasingly stretched supply chain.

The customer award decision for a significant package of new work is still anticipated in the coming months.

Quickstep has a clear strategy to grow revenue and diversify its customer base in the Aerospace and Defence sector, while expanding the company's capabilities to grow the business globally in the Aerospace, Defence and other advanced industry sectors. We anticipate a prolonged impact across the industry from COVID-19 and this is factored into our current business development and R&D planning.

## **OPERATIONAL HIGHLIGHTS**

F-35 production ramp-up has continued according to plan and we are now at full-rate production on the base contracts.

Further product qualification batches of the MJU-68 flare housing were delivered to Chemring Australia in Q3 for testing. The testing programme has been extended but final product approvals are still forecast for mid-year CY20.

C-130J demand has increased compared to base volumes which will benefit both FY20 and FY21. Transition to the new 5-year contract is complete. We have recently received additional orders from Boeing and the volume and scale of bids for new work with Boeing continues to increase.

Additional orders have been received from Micro-X for their Nano lightweight x-ray machine, which is being used by the medical profession in the fight against COVID-19. Deliveries have commenced but do not affect existing guidance.

Over recent months Quickstep has been in discussions with large aerospace OEMs and first tiers in the US and Europe to explore the application of AeroQure as a manufacturing technology. Locally Quickstep is progressing with internal trials to validate the integration of automated lay-up with AeroQure, as well as collaborating with AMSL, an Urban Air Mobility start-up based in Sydney. One of the objectives is to produce a large structural component using AeroQure that will be used on the first prototype that AMSL plan to fly during the course of this calendar year.

## **OUTLOOK**

Based on current operating conditions Quickstep expects to deliver year on year sales growth in FY20 above 10%, having secured incremental orders on existing contracts to complement the increased scope of F-35 parts contracted in September. FY21 revenue will increase a further 5-10% based on recent awards relating to existing programs, with additional growth potential from flare housings and other bids in the pipeline.

FY20 EBITDA guidance of 8 to 9% of sales on a like for like basis (excluding the impact of AASB16) remains current and includes the impact of increased investment in engineering and R&D to support strong FY20 and FY21 revenue growth. The group expects to deliver positive NPAT and positive operating cash flow for FY20.

The operating environment created by the global response to COVID-19 is unpredictable and dynamic. Quickstep will of course provide updated guidance, based on any material change in outlook, should that be necessary.

This announcement was approved by the Board of Quickstep Holdings Limited.

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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](http://www.quickstep.com.au)

## Appendix 4C

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

**Name of entity**
**Quickstep Holdings Limited**
**ABN**
**55 096 268 156**
**Quarter ended ("current quarter")**
**31 March 2020**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	17,106	54,796
1.2 Payments for		
(a) research and development	(229)	(664)
(b) product manufacturing and operating costs	(10,051)	(33,576)
(c) advertising and marketing	(23)	(111)
(d) leased assets	(33)	(76)
(e) staff costs	(5,750)	(18,761)
(f) administration and corporate costs	(942)	(2,808)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	18
1.5 Interest and other costs of finance paid	-	(304)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>78</b>	<b>(1,486)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,041)	(4,799)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from refund of term deposits	-	92
2.4	Dividends received (see note 3)	-	-
2.5	Other customer funding	-	374
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,041)</b>	<b>(4,333)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	3,000	6,200
3.6	Repayment of borrowings	(1,500)	(4,179)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal portion of lease payments)	(230)	(590)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,270</b>	<b>1,431</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,639	7,334
4.2	Net cash from / (used in) operating activities (item 1.9 above)	78	(1,486)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,041)	(4,333)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,270	1,431
4.5	Effect of movement in exchange rates on cash held	105	105
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,051</b>	<b>3,051</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	3,051	2,639
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>3,051</b>	<b>2,639</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
219
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments:

Non-Executive and Executive Directors' remuneration

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	10,435	7,935
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	3,333	2,205
7.4 <b>Total financing facilities</b>	13,768	10,140

7.5 **Unused financing facilities available at quarter end** 2,500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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, \$5.9 million has been repaid with the facility balance now \$4.4m 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 interest rate is currently 4.95% plus a 2% commitment fee on undrawn funds.

The Export Contract Loan (ECL) facility limit was increased in February 2020 to \$6m (from \$4m) to support additional working capital requirements related to growth of JSF deliveries. The current interest rate is 6.45% plus a 1.5% commitment fee on any undrawn funds. \$3.5m is currently drawn under this facility.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	78
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,051
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,500
8.4 Total available funding (Item 8.2 + Item 8.3)	5,551
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	71

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

### 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.

Date: 7 April 2020

Authorised by: The Board of Quickstep Holdings Limited.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.