

# QHL BUSINESS UPDATE | JULY 2024

**23 July 2024: Quickstep Holdings Ltd (ASX: QHL) (Quickstep or the Company) is pleased to provide a business update.**

## SUMMARY

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- **Restructuring activity, announced to the market in June 2024, has been successfully completed.**
- **Pricing and volume have been finalised with Lockheed Martin for the C-130 program post MYIII contract.**
- **A level loaded production plan for the Northrop Gruman F-35 program has been finalised.**
- **Record drone production output in Q4 FY24 from the Company's Geelong facility.**
- **Full Year Group revenue at \$99m (unaudited), exceeds guidance provided in April 2024 (\$94m-\$96m).**
- **Services business unit revenue grew 94% year on year to exceed \$10m.**
- **Underlying EBITDA positive for FY24 (unaudited).**

### Restructuring

The Structures Business Unit operational changes, announced on the 25 June 2024, have now been implemented delivering a reduction in direct production headcount of approximately 20% and a reduction in operational support headcount of a similar amount.

The key changes include transitioning from a 3 shift / 6-days a week operation to a 2 shift / 5-days a week pattern and the implementation of leaner Operations Leadership, Quality, Procurement and Engineering teams.

The rationalisation of the corporate support functions is also nearing completion with the timing of the remaining changes planned throughout July and August to ensure a successful transition.

### Volume and Pricing

Pricing and volume have been finalised with Lockheed Martin for the C-130 program post MYIII contract which covers the period from February 2025 to December 2029. Anticipated volume over this period is 100 ship sets and final pricing reflects an uplift on current pricing, addressing the inflationary pressures which continue to be experienced throughout the supply chain, post pandemic. The customer has also recently engaged the Company in discussions on the next contract period for C-130 (MY4), which covers the period 2030 to 2034.

The Northrop Gruman F-35 program is Quickstep's largest program. Whilst Lot 18 and 19 pricing was agreed in November 2022, recent engagement with Northrop has focused on agreeing a level loaded production plan for FY25 and FY26. These discussions have now successfully concluded. This more efficient production plan encompasses the current Lot AD contract which runs through to September 2024; the new contract Lot 18 ramping up over the coming months; and Lot 19 which ramps up from June 2025. Final purchase orders for the new contract lots are expected prior to the end of July 2024.

Discussions with Northrop are also ongoing in relation to price adjustments driven by supply chain impacts that have occurred between the original price agreement and start of production.

Negotiations with Marand Precision Engineering regarding Lot 18 and Lot 19 production of F-35 Vertical Tail components remain ongoing.

### **Drone Production & Engineering Development**

Quickstep's Engineering Development business unit has had a very strong end to FY24 delivering record drone production numbers largely in support of the previously announced additional volume from Carbonix. Revenue for the last 4 months of the year was circa \$1.3m which exceeded the revenues in the previous 8 months.

In mid-June 2024 Quickstep announced the expansion of the Geelong facility and the award of the Department of Science, Industry and Resources Grant under the Moon to Mars initiative. The expansion activities are progressing well and alongside expanded drone production capacity, this additional space enables development work to commence in support of a number of space initiatives as well as prototyping capability for guided weapons components such as rocket motor housings, fuselage bodies and launch systems.

Market thematics around commercial and military drones along with the Australian Government's Guided Weapons and Explosive Ordnance Enterprise (GWEO) initiative not only provides Quickstep with an exciting pipeline of potential development programs but will enable it to continue its growth into advanced manufacturing production programs across strategically attractive new markets.

### **FY24 Unaudited High-Level Results**

Quickstep will release its audited FY24 results in August but can confirm that the unaudited Group revenue at \$99m exceeds the guidance provided in April 2024 of \$94m-\$96m. This represents 5% growth year on year. Although FY24 saw slightly softer revenue in the Structures business unit, this was offset by strong growth in Services which grew 94% to over \$10m and Engineering Development which grew 57% year on year. Group margins have also improved year on year driven by productivity improvements in the Structures business unit and the growth in Services and Engineering Development. As guided in April 2024, the unaudited Underlying EBITDA remains positive for the year.

**-END-**

*This announcement was approved for release by Mark Burgess (Managing Director) of Quickstep.*

#### ABOUT QUICKSTEP HOLDINGS

Quickstep Holdings Limited (ASX: QHL) is the largest independent aerospace composite business in Australia, with facilities in Sydney, Geelong, Melbourne and Dallas. The group employs more than 220 people across Australia and internationally. More information about Quickstep is available at [quickstep.com.au](https://www.quickstep.com.au)

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