

## Quickstep H1 FY17 Results

- **Revenue \$24.9 million, operating cashflow \$0.8 million**
- **JSF production up 78%, expected to increase threefold from FY16 to FY19**
- **\$10 million Bankstown capital expansion nearing completion**
- **New technology commercial projects underway; healthy new business pipeline**

**Sydney, 24 February 2017** – Quickstep Holdings (ASX:QHL), the manufacturer of advanced carbon fibre composites, today announced that total sales for the six months to 31 December 2016 were \$24.6 million (H1 FY16: \$24.3m), with a loss from operating activities of \$2.8 million and positive operating cashflow of \$0.8 million.

Total revenue of \$24.9 million (H1 FY16: \$24.6m) was driven by aerospace manufacturing (\$24.0m) with contributions from New Technology (\$0.6m) and grant revenues (\$0.3m). Operating profit and NPAT were impacted by higher investment in research & development and the transition in aerospace volumes and revenue from C-130J to JSF.

JSF deliveries grew by 78% for H1 FY17 over the prior corresponding period (pcp), with 519 parts delivered. This growth has continued in calendar 2017 and will continue to increase as revenues from JSF are expected to triple from FY16 to FY19. There has been a reduction of the C-130J 'Super Hercules' volumes to long term levels, with 14.75 ship-sets (14 ship-sets plus spares) compared to 18 in the pcp.

Aerospace Manufacturing gross margins were impacted versus the pcp as the business moved to a focus on increased JSF growth. Aerospace manufacturing has performed well; to date the business has met all customer timelines and quality requirements on its growth path and profitability will increase with higher volume.

In the New Technology segment, research & development spend in the first half increased to \$2.5 million compared to \$0.9 million in the pcp. The business has increased engineering and technical capability at the Waurin Ponds and Ottobrunn facilities to focus on product development, material science programs, technology industrialisation and demonstrator products. The company now employs 30 technical and process manufacturing staff dedicated to the development and deployment of new technology. During the quarter, a number of demonstrator parts were delivered to key customers.

New Technology is focusing on complex fender components with a European automotive manufacturer to penetrate the European market and light-weight seating opportunities for global automotive and other industries. Subsequent to the end of the year Quickstep has received grant support for both of these activities from the Advanced Manufacturing Growth Centre and the Federal Government CRC-P program respectively. The business successfully completed volumes for Ford and Hawkei and began manufacture of Micro-X at Waurin Ponds using its patented Qure technology.

Operating cashflow of \$0.8 million for the half H1 (FY16: negative \$0.8 million) reflected: strong cash generation from aerospace manufacturing: an inventory reduction of \$1.8 million from June 2016; and investment in new technology of \$2.5 million. The Group also paid German VAT of \$1.8 million in the first half, this is expected to be fully recovered in the second half.

Investment in capital equipment to underpin increasing production volumes for the JSF program and automated drilling for the C-130J program is near completion, with capital spend of \$2.8 million in the half. In addition to positive operating cashflow and capital investment, the business also paid \$0.6 million of debt and capitalized interest in the first half.

The business is well-positioned with net assets of \$11.7 million and cash on hand of \$5.0 million with the capital program at Bankstown to support aerospace manufacturing growth close to finalisation. At 31 December 2016, Quickstep's order book was valued in excess of \$115 million.

Quickstep managing director, David Marino, said: "While revenue increased slightly, a significant transformation of our business has occurred. The \$10 million capital expansion program at Bankstown to support a threefold increase in Joint Strike Fighter (JSF) revenues from FY16 to FY19 is nearing completion, and delivery of JSF vertical tail components has commenced and is growing.

"Lower aerospace earnings in the half reflected initial vertical tail part deliveries and transition costs as we hired new staff to meet increased JSF production volumes and retrained employees with C-130J skills to focus on the JSF program as C-130J returned to long term volumes. The growing JSF program will drive increased aerospace profitability whilst further performance improvement will be achieved through new customer and contract opportunities in the Bankstown facility.

"Our Waurin Ponds facility, that supports our automotive division and global R&D centre, is now fully operational. We have commenced our first production supply contract with Micro-X using Qure to manufacture high quality composite parts with faster cure times and our contract focus has shifted from niche to higher volume opportunities in our target global markets. We have built a strong engineering capability that is providing valued engineering solutions to our growing customer base. We are well positioned on a number of projects underway with an expectation to convert into commercial contracts.

"We have a strong business foundation, having secured very long-term flagship aerospace manufacturing contracts and niche automotive contracts with global and Tier 1 organisations. We are looking to build on the business contracted to date in both segments - in Aerospace Manufacturing to fill the spare capacity at our Bankstown site and in New Technology utilising our value proposition in automotive panels, seating and other complex composite solutions."

**-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 and Airbus.

Quickstep operates from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW; a newly established production site for automotive parts manufacturing 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 transport aircraft.

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

Automotive activities include contracts with Ford Australia for a carbon fibre air intake duct and the development and supply of a range of composite parts and assemblies for the Thales Hawkei military vehicle.

**For further information:**

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