



## Australian Microcap Investment Conference

Mark Burgess, Quickstep CEO & Managing Director

18th October 2017



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## **Mark Burgess, Managing Director & CEO**

- » Joined Quickstep in May 2017
- » Global aerospace and defence experience
- » Strong business development background
- » Previously with Honeywell and BAE Systems
- » Experience in Europe, USA, Middle East and Asia

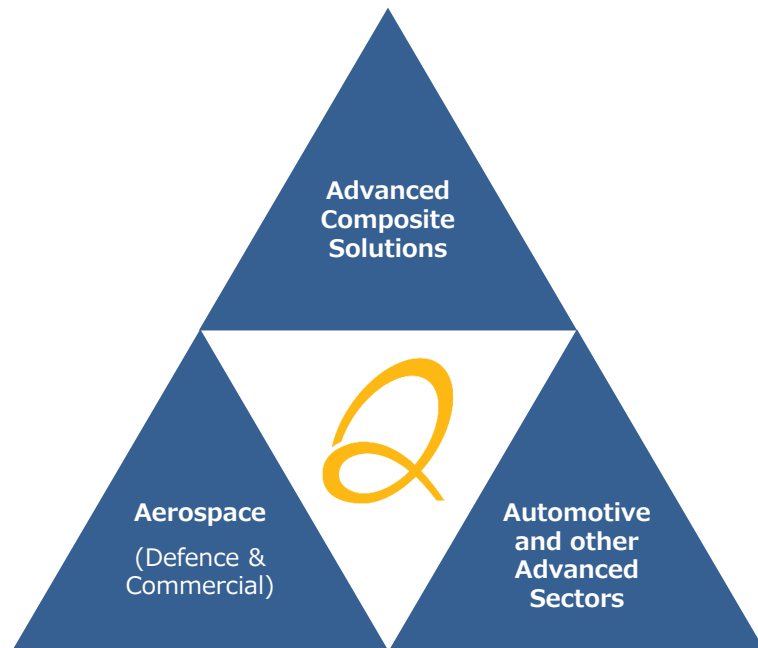


# Who We Are



## » Advanced Composite Solutions Provider

- Defence, Aerospace, Automotive and other Advanced Sectors
- Supplying parts to a number of leading global customers
- Developing advanced process technologies and solutions



# Experienced Leadership



- » Newly formed, strong and experienced management team
- » Extensive aerospace, automotive and manufacturing experience
- » Aligned to deliver OneQuickstep Change Strategy



**Tony Quick**  
**Non-Executive Chair**

- » Extensive experience in defence & aerospace
- » Leadership roles at Westland and GKN Aerospace
- » Also Chairman of Defence Materials Technology Centre (DMTC)



**Mark Burgess**  
**Managing Director & CEO**

- » Joined Quickstep as MD/CEO in May 2017
- » 20+ yrs' global aerospace and defence sectors
- » Leadership roles with Honeywell, BAE Systems



**Andrew Crane**  
**Chief Financial Officer**

- » Joined Quickstep in September 2015
- » Previously with GWA and Asaleo Care
- » Global manufacturing experience in multiple sectors



**Kevin Boyle**  
**Chief Operating Officer**

- » Extensive experience in automotive in Australia and overseas, joined in 2016
- » Responsible for performance of all Quickstep operations



**Ross Mahon**  
**Chief Business Development & Technology Officer**

- » Manufacturing/engineering professional, joined in January 2017
- » 30+ years in auto sector
- » Previously with Futuris, Plexicor and Ford



**Jacque Courtney-Pitman**  
**Chief Human Resources Officer**

- » Experienced HR professional, joined in 2016
- » Has held a number of senior and executive roles in both listed & private companies

# History and Milestones



- » **2001:** Established as an R&D Company
- » **2005:** Listed on the ASX (Code: QHL)
- » **2011:** LTA with Northrop Grumman for F-35 parts
- » **2012:** Lockheed-Martin contract for C-130J Flaps
- » **2013:** First parts delivered from Bankstown site
- » **2015:** Quickstep Geelong facility established
- » **2015:** Vertical tail parts to Marand/BAE Systems
- » **2016:** Ford production starts in Geelong
- » **2017:** Micro-X production commences in Geelong
- » **2017:** Capital Expansion at Bankstown completed
- » **2017:** OneQuickstep program commenced





# Global Carbon Fibre: Market Dynamics

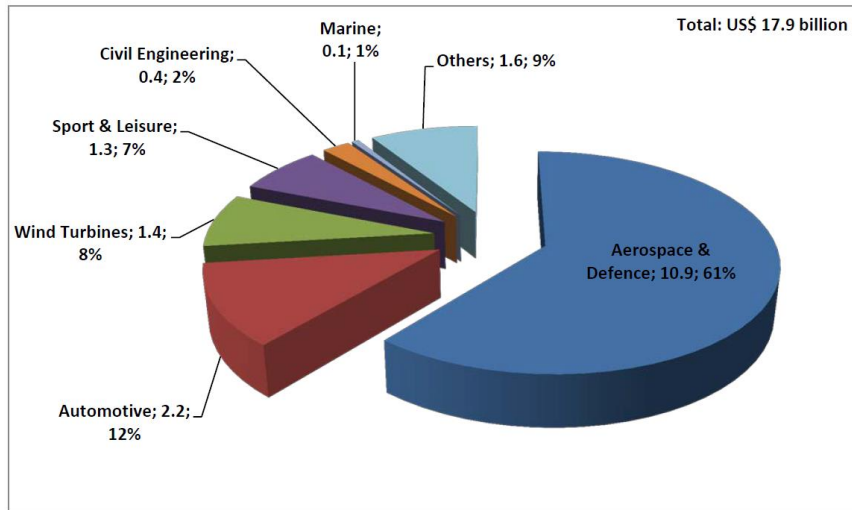


Figure 9: CC demand in billion US\$ acc. to application (2015).

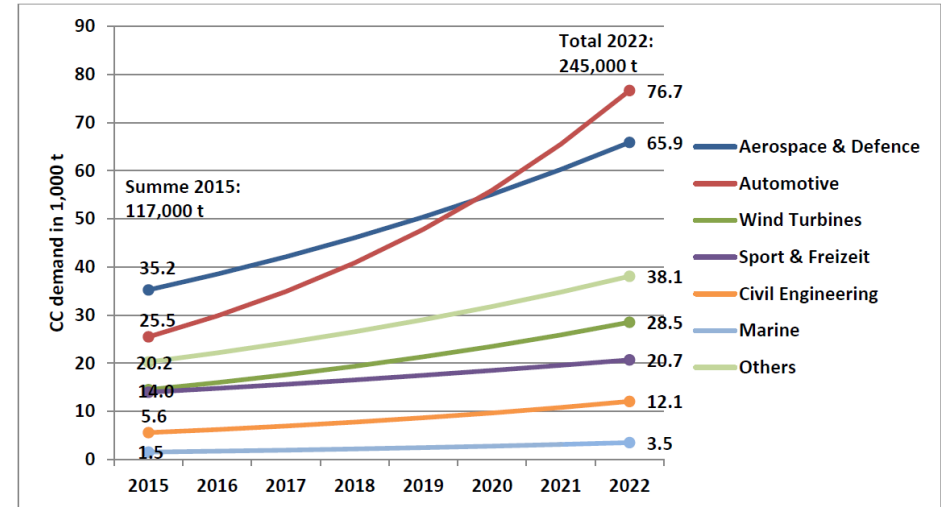


Figure 10: Predicted CC demand in 1,000 t acc. to application until 2022.

- » High value and growing markets
- » Main focus on Defence/Aerospace
- » Other advanced sector growth

## Value per Kilogram Carbon Fibre Utilised

Aerospace & Defence	US\$310/kg	Wind Turbines	US\$97/kg
Automotive	US\$86/kg	Sport & Leisure	US\$94/kg

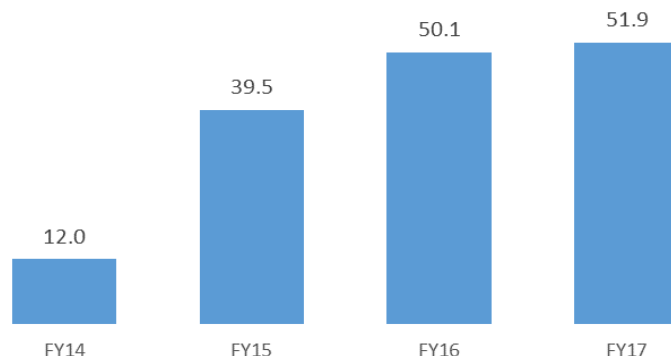
**CFRP:** Carbon Fibre Reinforced Polymers

**Data Source:** AVK - Industrievereinigung Verstärkte Kunststoffe, Composites Market Report 2016

# Financial Performance



Total Sales Revenue Year \$ millions



\$m	FY14	FY15	FY16	FY17
EBIT	\$(9.0)m	\$(0.7)m	\$(2.2)m	\$(5.7)m
R&D	\$2.7m	\$2.1m	\$3.5m	\$5.5m
EBIT pre R&D	\$(6.3)m	\$1.3m	\$1.3m	\$(0.2)m
Op Cashflow	\$(6.7)m	\$(6.4)m	\$(4.9)m	\$0.1m
Capex	\$1.3m	\$1.0m	\$3.4m	\$4.0m

- » **FY17 sales revenue \$51.9M**
- » **Revenue growth 4% FY17**
- » **Prior year sales growth 27%**
- » **High R&D investment impacting financial return**
- » **R&D reduction FY18+**
- » **Learning curve for new programs and lower C-130J volumes impacted FY17 financials**
- » **Capex investment to support future volume growth completed FY17**
- » **Higher volumes, cost reduction initiatives and efficiencies will improve margins FY18+**



- » **Realignment for Growth and Profitability**
- » **Implementation of OneQuickstep in FY18**
  - Simplified management & board structure
  - Functional matrix organisation
  - Removal of business segments
  - Refocused R&D investment
  - Increased business development
  - Ceasing non-core programs
  - Productivity improvements
  - Cost reduction and efficiency program
  - Qure and QPS solutions for growth
- » **Accelerated growth/expansion over time**
  - Leverage long-term business in place
  - Develop manufacturing/technology partnerships





## Joint Strike Fighter F-35 Program

- » Long term revenue generation
- » **Northrop Grumman** (A\$700m over program life)
  - Doors and panels, skins
- » **BAE Systems/Marand** (A\$139m over contract life)
  - Vertical Tail Spars, skins and fairings
- » **Export supply from Bankstown**
- » **Supplying to all JSF aircraft globally**
- » **Strong quality and delivery performance**
- » **Production timeline beyond 2040**



## C-130J & LM-100J Transporter

- » Long term recurring revenue
- » **Lockheed Martin** (US\$75-100m over program life)
  - Wing flap assembly
- » **Initial contract 2015-2019**
  - Two ship sets per month plus spares
- » **Investment in robotic drilling**
  - Increased efficiency, commissioned in 2017
- » **Supplying to all C-130J aircraft globally**
- » **Strong quality and delivery performance**

# Growth Secured - Long Term Contracts



## » Total JSF deliveries up 108% FY17

- JSF production volumes to grow further 115% to end FY20

## » C-130J production extension expected to 2024

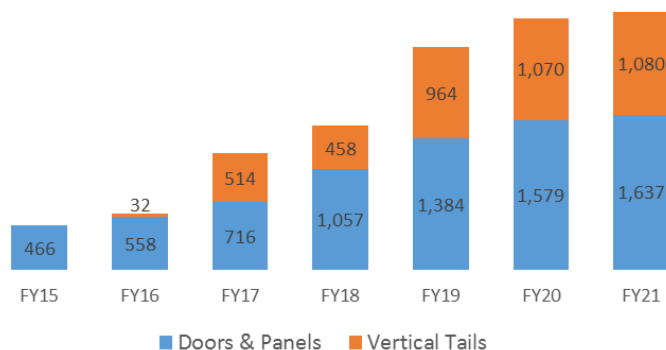
## » Capacity now in place at Bankstown for additional volumes

## » Moving beyond learning curve and low capacity utilisation phase

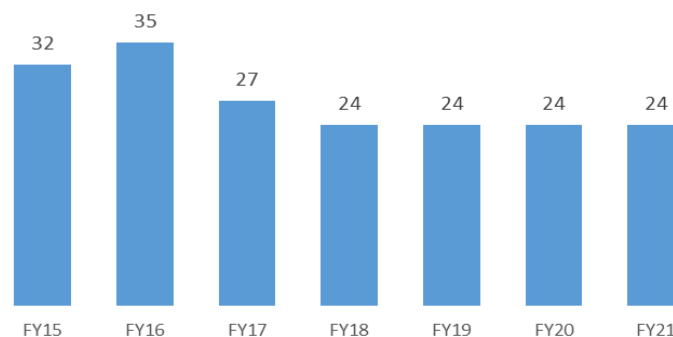
## » Profitability improves as volumes grow

- Due to economies of scale and Bankstown utilisation

JSF Part Deliveries & Forecast



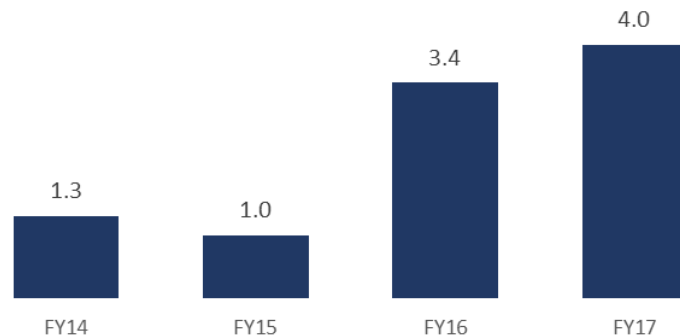
C-130J Shipset Deliveries & Forecast



# Capacity for Future Growth



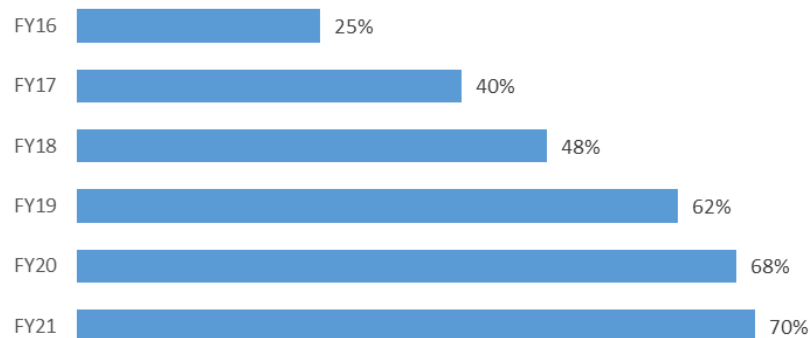
Capital Spend by Year \$ millions



- » Additional capacity installed through capital expansion FY16-FY17
- » Assets now on the ground at Bankstown to deliver existing contract volume growth
- » Current growth profile leaves 30% spare capacity at Bankstown
- » Geelong R&D site established FY16
  - Commercialising Qure technology
  - Micro-X contract commenced
  - Additional customer programs

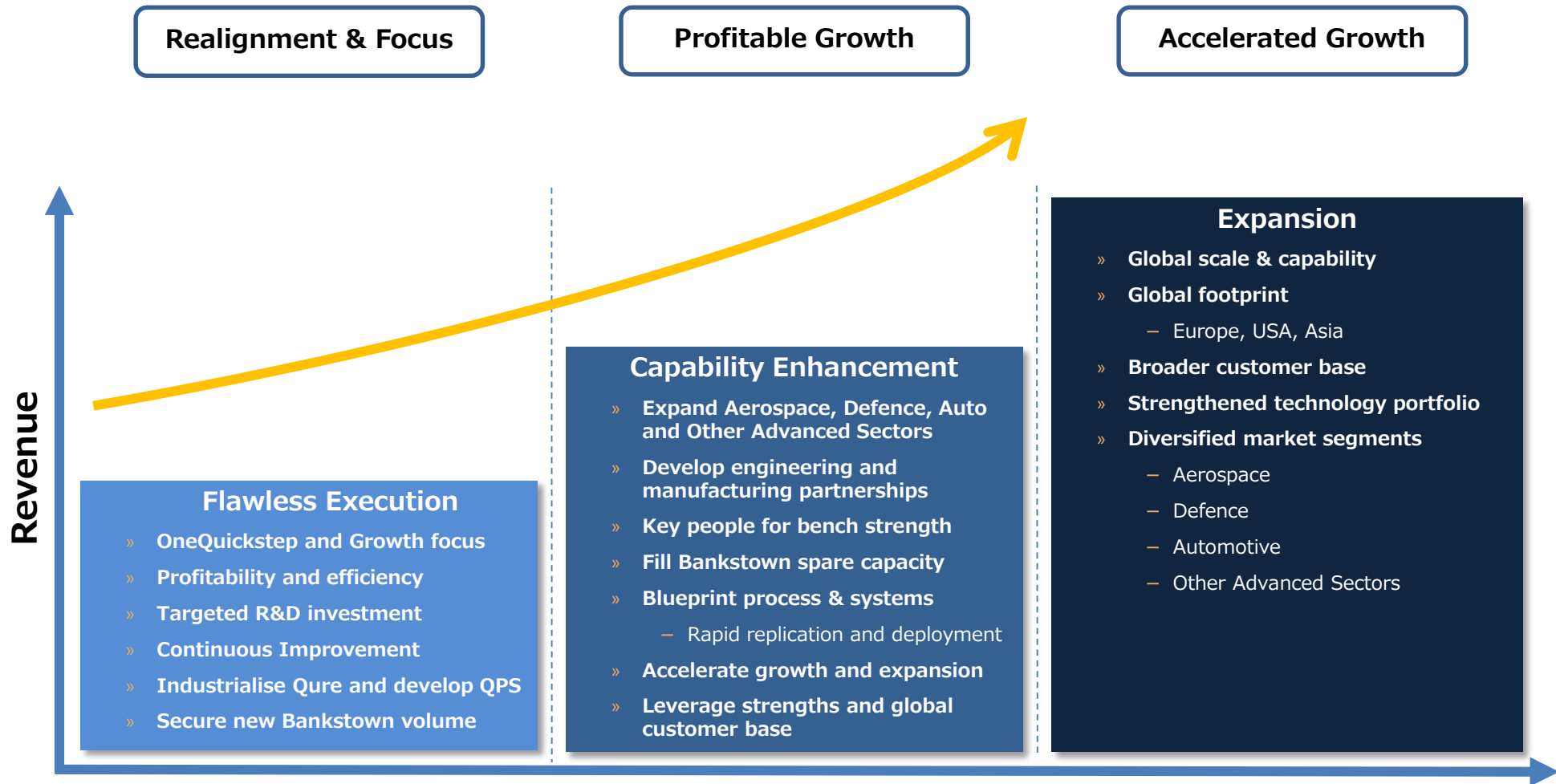
Bankstown Capacity Utilisation - Existing Contracts Only

Based on 6 days, 3 shifts





# Growth Horizons



## SOLUTION CHARACTERISTICS

- » Complex geometry
- » Poor Autoclave nesting
- » Rate constraints
- » Exotherm problems
- » Thick sections 15-25mm
- » Integrated structure
- » Fibre to Part Solution



## TYPES OF PART/ASSEMBLIES

### » Control Surfaces

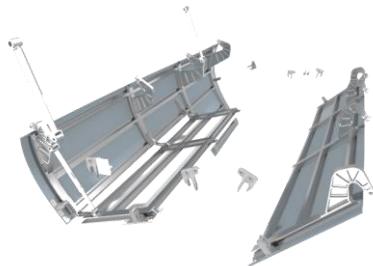
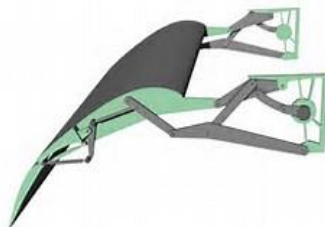
- Aerospace/Defence
- Automotive/Transport

### » Closure Systems

- Aerospace/Defence
- Automotive/Transport

### » Structural Parts

- Medical Devices
- Wind Energy
- Other Advanced Sectors



## » Quickstep Production System (QPS)

**QPS is an advanced lean production system, a complete material to finished part solution**

- Proprietary technology
- R&D initiative based in Geelong
- Multiple market and part applications

## » Typical applications include: -

- **Micro-X** (portable x-ray device)
  - Carbon fibre chassis using Qure process
  - Establishes higher volume capability
  - Global market
- **Front Fender** (automotive)
  - Demonstrates capability for automotive and aerospace
  - Addresses rate needed and part complexity
  - For European luxury automotive manufacturer



# Qure & QPS Pathways to Growth



- » **Fast curing of composites**
- » **Significant advantages over traditional Autoclave curing**
  - Reduced production time
  - Greater design flexibility
  - Reduced capital investment
  - Reduced energy consumption
  - Lower tooling costs
  - Greater control over cure cycle
  - Quality surface finish
- » **Rate solutions for customers**
  - Ability to meet higher volume needs than Autoclave curing
  - End to end manufacturing solutions







**Strategic review complete and OneQuickstep adopted**



**Long term contracts in place, established credentials**



**Attractive growth markets, particularly Aerospace**



**Cost and manufacturing efficiencies to improve margins**



**Delivery of profitability and accelerated growth**

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