

ASX/Media Release 23 November 2017

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2018FY Business Update and 2017 AGM Presentations

Enclosed are copies of the Chairman's Address and CEO's presentation and business update, which are being delivered today from 2:00pm at the 2017 Annual General Meeting of Quickstep Holdings Limited.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Jaime Pinto', written over a horizontal line.

Jaime Pinto
Company Secretary

QUICKSTEP – 2017 AGM Chairman’s Address

Good afternoon, ladies and gentlemen, and welcome to the 2017 Annual General Meeting of Quickstep Holdings Limited.

In 2017, we strengthened our position as Australia’s leading independent carbon fibre composites manufacturer.

We secured new contracts for Northrop Grumman, Lockheed Martin, BAE Systems, Ford Motor Company, The Korean Institute of Science and Technology, Micro-X and Thales. Our systems are globally competitive, offering significant export potential.

We completed a \$10 million expansion program at our Bankstown facility, and more than \$30 million has now been invested in our Bankstown site to date. Our increased capacity will support F-35 Joint Strike Fighter Program production that is scheduled to more than double from financial year 2017 to financial year 2020. New robotic drilling equipment has also been installed for Lockheed Martin’s C-130J ‘Super Hercules’ and LM 100J wing flaps production – this is designed to improve the efficiency and profitability of future production, with volumes forecast to be consistent with 2017FY production levels.

During the year we saw the departure of our previous CEO and Managing Director Dave Marino, and in May we welcomed his very able replacement, Mark Burgess, as CEO and Managing Director. Mark has a global aerospace and defence background; he was previously Vice President for Honeywell Aerospace Asia Pacific, and before that had a successful career with BAE Systems in Europe, USA, Middle East and Asia Pacific.

Mark has led a comprehensive review of the Quickstep business and developed a strong plan, the **OneQuickstep** program, which focuses on delivering growth while reducing the time frame to achieve profitability. OneQuickstep has been endorsed by the Board, and the plan’s implementation has led to a simplification of the management team structure, productivity and efficiency improvements and a refocus of research and development spend.

Cost effectiveness, light weight and strength benefits are driving growth in the carbon fibre composites market, which is estimated to exceed USD 31 billion by 2024. We are focused on supplying the aerospace and defence sector, which currently represents 61% of carbon fibre composite sales worldwide, at a higher price than other sectors. The aerospace and defence carbon fibre composites market was worth over USD 10.9 billion globally in 2016. This gives Quickstep significant short-, medium- and long-term opportunities.

Mark will talk in more detail about the Company’s strategy during his presentation.

In 2017FY we delivered revenue of \$51.9 million, up 4% from \$50.1 million in the previous year. Earnings before interest, tax, and research and development costs were a loss of \$0.2 million, compared to EBITR&D of positive \$1.3 million in the previous year.

Research and Development costs were \$5.5 million in 2017FY. While this will reduce under OneQuickstep, several projects are continuing and R&D spend will continue at 4%-5% of sales, focused on future growth opportunities, and managed from our Geelong facility where we have consolidated all Research and Development into a global centre of excellence.

We are not satisfied with the overall financial results for last year, so after determining the overall achievement of Key Performance Indicators based on our normal review process, the Board resolved that no Short-Term Incentive payment will be awarded for the 2017 financial year as a key threshold metric was not achieved.

I would like to acknowledge the departure of three of my fellow Directors leaving the Company today.

- Peter Cook is retiring from the Board, having been a Non-Executive Director since 2005. He has seen us through many changes, and chaired the Remuneration, Nomination and Diversity Committee
- Air Marshal Errol McCormack (Ret'd) AO, is also retiring having served as a Non-Executive Director since 2010. Errol has had a significant role in our aerospace and defence activities.
- Nigel Ampherlaw is resigning from the Board due to the time commitments in his new role as Chairman of Credit Union Australia. Nigel has been a Non-Executive Director and Chair of our Audit and Risk committee since 2013.

I wish to sincerely thank Errol, Peter and Nigel for the support and the hard work they have provided during their tenure on the Quickstep Board. They have seen the Company through a period of considerable change and growth, and can all be very proud of their significant contributions.

With the recent changes to enhance the quality and capability of the executive management team, and increase the depth of capability within the broader executive, the Board has decided not to add any new non-executive Directors at this stage, adopting a lean board structure. The Quickstep Board will continue with the freeze on director's fees, and through **OneQuickstep** an executive pay freeze is also in place. This demonstrates our commitment as a Board and as a company to moving to profitability. The Board will undertake a further review of skills required from the Director Group as the outcomes of **OneQuickstep** become more apparent - paying particular attention to the strategic requirements of the business, diversity and affordability.

In closing, I would like to recognise the ongoing support of our shareholders. I thank my fellow Board members for their support. In particular, I would like to recognise our hard working and dedicated staff, ably led by Mark Burgess.

We have a positive outlook for the year ahead, and are optimistic about the company's prospects. Quickstep remains focused on its aerospace and defence programs, R&D activities to accelerate growth, and the implementation of our **OneQuickstep** change program. Our strong order book, patented technologies and competitiveness support our strong growth potential.



Annual General Meeting Presentation

Mark Burgess, Quickstep CEO & Managing Director

23rd November 2017



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- » This presentation should be read in conjunction with Quickstep’s 2017 Annual Report lodged with the ASX on 30 October 2017, and other periodic and continuous disclosure announcements that have been lodged by Quickstep with the ASX.
- » This presentation is not a disclosure document and should not be considered as investment advice or an offer, invitation, solicitation or recommendation to subscribe for or purchase any Quickstep securities in the United States or in any other jurisdiction, or an inducement to make an offer or invitation with respect to such securities. This presentation does not purport to cover all relevant information about any potential investment in Quickstep. Accordingly, potential investors are advised to seek appropriate independent advice, to determine the suitability of any investment. This presentation must not be relied on to make an investment or other financial decision and recipients should conduct their own investigations, enquiries and analysis and place no reliance on this presentation in evaluating any potential investment.
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- » All dollar values are in Australian dollars (AUD or \$) unless stated otherwise. Figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding and the actual calculation of these figures may differ from the figures set out in this this presentation.
- » Other than for the pictures of the Quickstep facilities and machinery, the assets featured in the pictures in this presentation are not assets of the Company.
- » By reviewing, attending or participating in this presentation, you acknowledge and agree to be bound by each of the foregoing statements.

» Global Advanced Composite Solutions Provider

- Defence, Aerospace, Automotive and other Advanced Sectors
- Manufacturing parts for a number of leading global customers
- Developing advanced manufacturing technologies and solutions



Key Challenges We Face



» Profitability

- Volumes have grown substantially, but disappointing margins
- Misaligned cost base and low productivity

» Technology exploitation

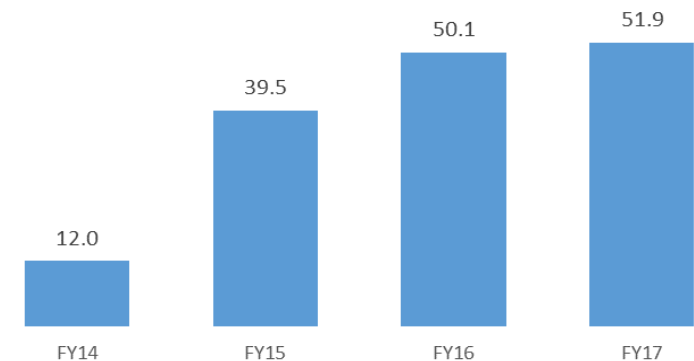
- Technology historically not aligned with available commercial opportunities

» Scale and optimised operations

- Scale and volume impacting profitability
- Slower than planned ramp-up of volumes
- Learning curve for new programs

» OneQuickstep implemented to address profitability and growth

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

What is OneQuickstep?



» Values system and cultural change

- Provides clear vision and underpinning values
- Drives behaviours of all employees at all levels
- Delivers improved outcomes

» Key Outputs of OneQuickstep are:

- Leadership and accountability
- Robust Technology Roadmaps
- Efficient & Effective Operations
- Growth & Expansion
- Profitability

» Starting point is an aligned strategy



OneQuickstep Achievements So Far...



» Re-alignment for profitability and growth

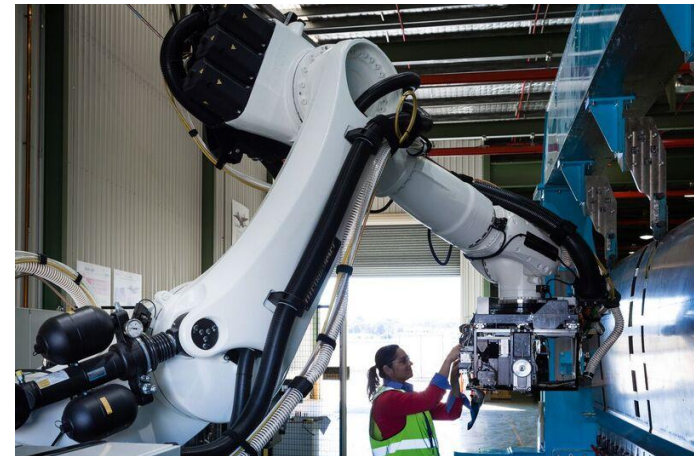
- Strategic and operational review in FY17
- **OneQuickstep** introduced in August 2017

» Achievements/Progress to-date in FY18

- Removal of business segments, simplified management and Board structure
- R&D realigned to revised strategy
- Closure of Ottobrunn/Consolidation at Geelong
- Ceasing non-core programs
- Evolution to 'Lean Enterprise'
- Cost control/realignment of incentive scheme

» FY18 cost savings of \$3.5m versus FY17

» Improve Gross Margin in FY18 H2



A Taste of What's Ahead...



» Further OneQuickstep actions in FY18

- Growing investment in business development
- Lean programs at Bankstown & Geelong
- Accelerate cost reduction and efficiency program
- Deliver focused R&D
- Qure and QPS solutions – further development
- Sales growth of >10% FY18

» Accelerated growth over time

- Secure new customers and contracts
- Diversified customer base to spread risk
- Establish Partnership opportunities

» Improved financial performance

- Targeting EBIT positive FY18 H2
- Positive EBIT for FY19



Revised Strategy and Focus



- » Focus on high value, expanding markets
- » Engineered and demanding applications
- » Initial main focus on Aerospace/Defence
 - Diversifying our customer base
 - Expanding our capability on programs and parts with existing and new customers
 - Secure higher revenue / volume programs
- » Pursue growth in other advanced sectors
 - Faster adoption of new technologies
 - Shorter launch times
 - Opportunities for Partnerships

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

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

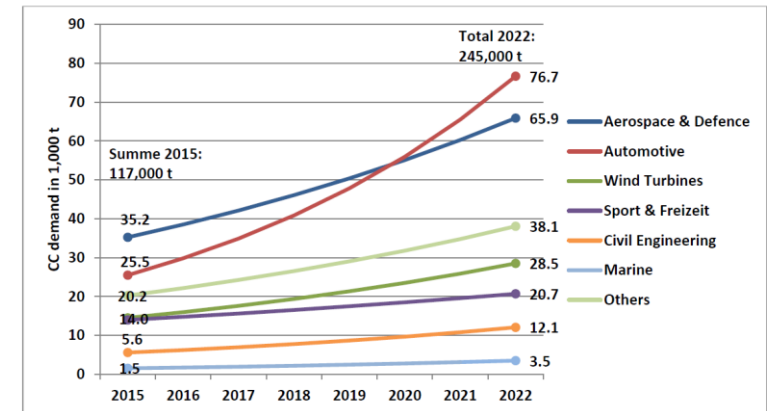


Figure 10: Predicted CC demand in 1,000 t acc. to application until 2022.

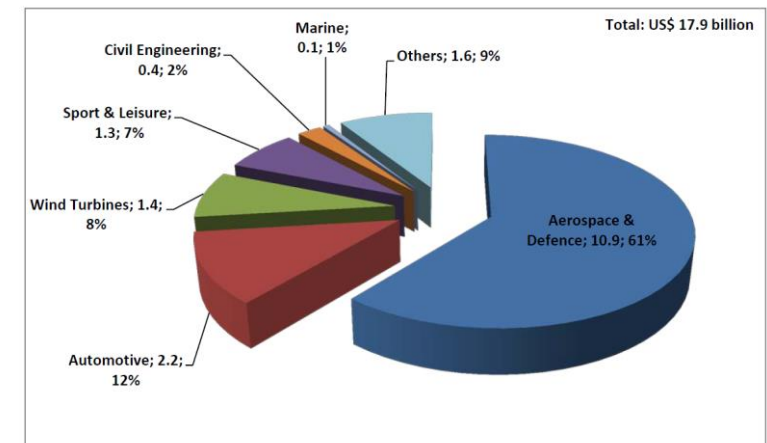


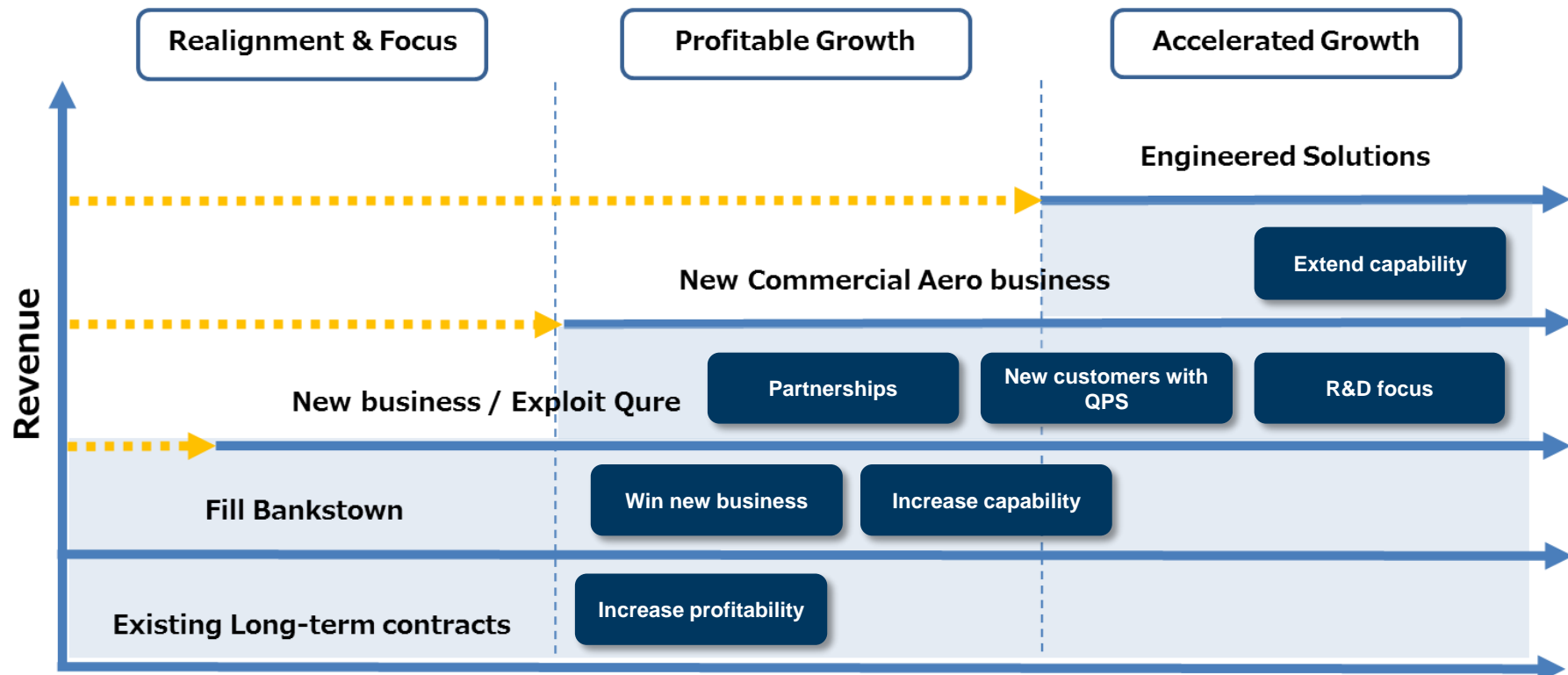
Figure 9: CC demand in billion US\$ acc. to application (2015).

Focus on Long-term Growth



» Business Development investment

- Additional resources (including Northern Hemisphere)
- Targeted customers and geographies
- Targeted parts and assemblies



» Existing long-term contracts in place

- Expected annual revenues of \$90m in FY21
- First industrial use of Qure with Micro-X

» Utilise additional capacity at Bankstown

- Additional volumes of existing business
- New business with existing customers
- New business with new customers

» Continue to focus on medium to long-term

- Targeted R&D and QPS development
- Partnerships to scale up in overseas markets

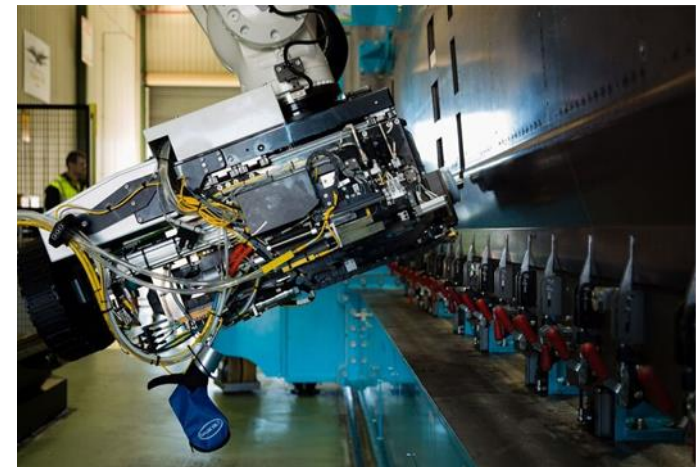
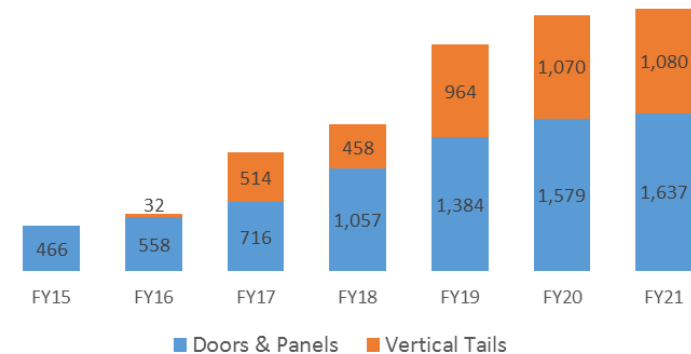
Recent Activity:

» Expanded Business Development team

» Success with two small Boeing programs

- Establish capability and quality accreditation
- Leverage for higher future volumes

JSF Part Deliveries & Forecast



New Growth Projects in Discussion

» New business activities in progress

- **Boeing Defense:** two small programs awarded
- **General Atomics:** 'Team Reaper' and other
- **Lockheed Martin:** C-130J scope expansion
- **Northrop Grumman:** additional work
- **MRO:** Investigating establishment of capability
- **Other:** number of projects in RFQ stage

» Access to Global Supply Chains

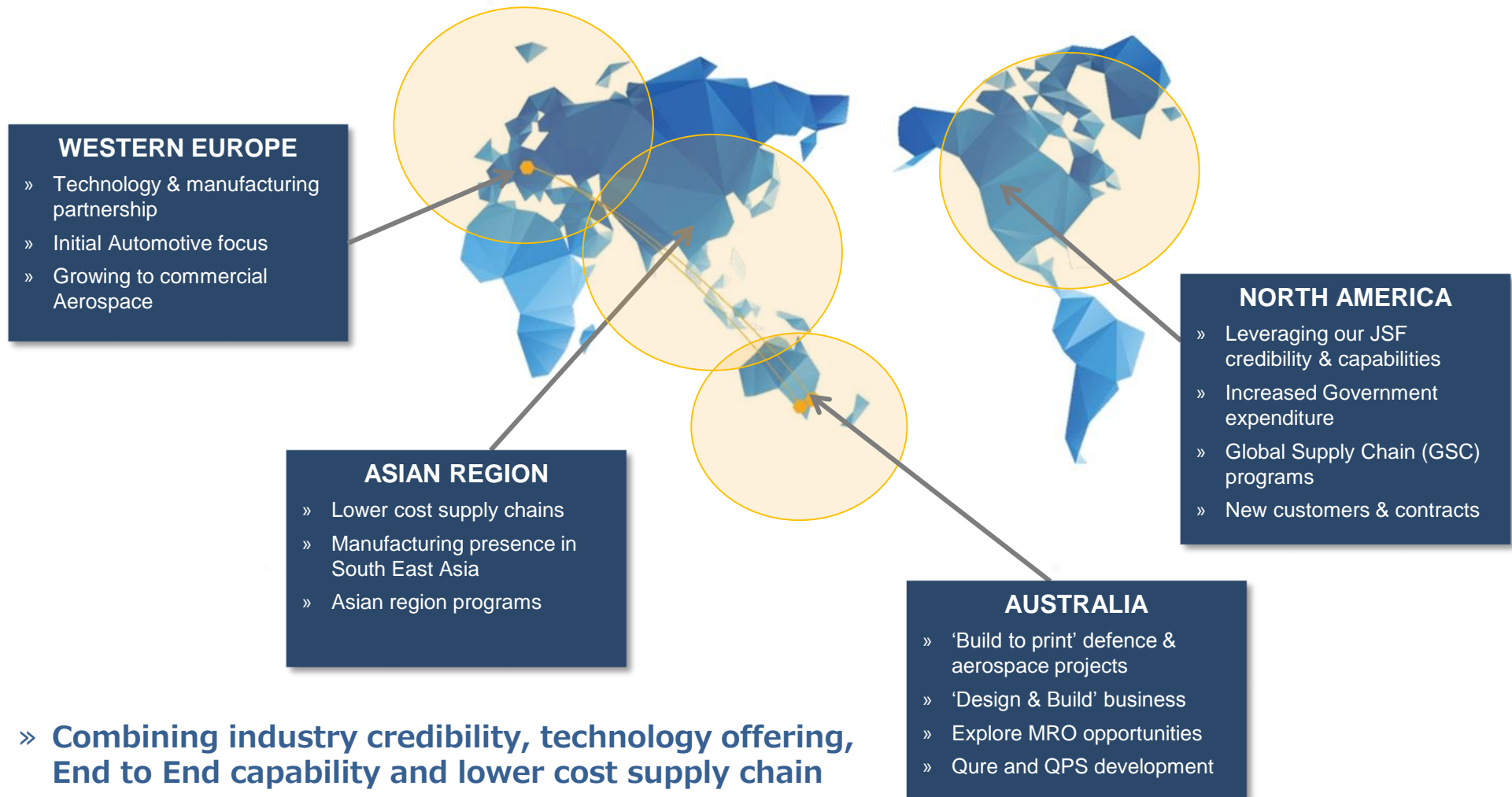
- Low volume projects initially
- Qualification of capabilities with Primes
- Leading to larger volume programs

» Volume accelerates Profitability growth

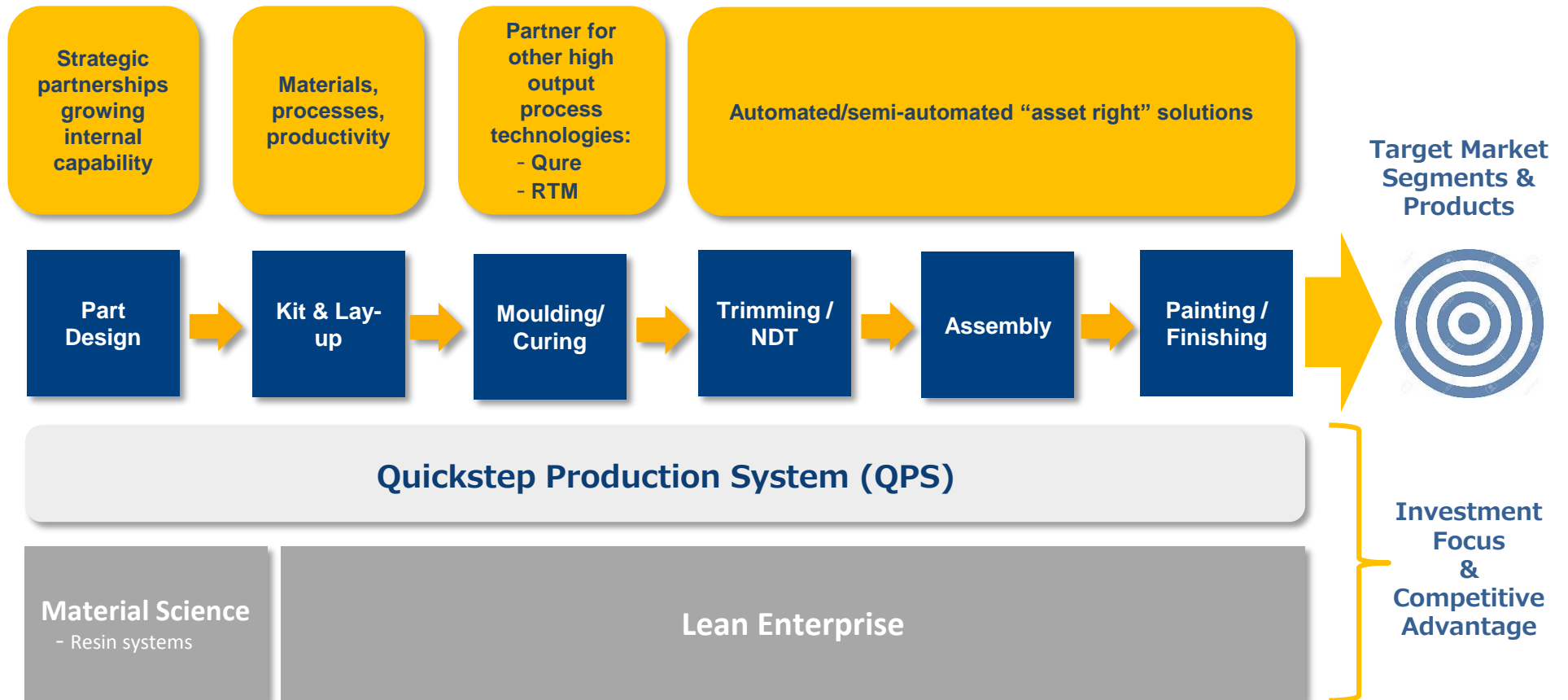
- Economies of scale
- Improved utilisation



Growth: Building Global Capability



Technology Roadmap



Pathway to Profitability and Growth



	Actions and Delivered	Profitability Pathway
People and Structure	<ul style="list-style-type: none"> » <u>OneQuickstep</u> roll-out » Structural changes in place 	<ul style="list-style-type: none"> » Lean mindset » Leadership & accountability » Deliver FY18 H2 positive EBIT
Lean, Cost, Efficiency	<ul style="list-style-type: none"> » Reduced R&D and Corporate costs » Lean program commenced » Deliver higher volumes 	<ul style="list-style-type: none"> » Improve Gross Margin » Fully utilise Bankstown capacity
R&D and Technology	<ul style="list-style-type: none"> » Single Centre of Excellence at Geelong » Commercialisation of Qure & QPS 	<ul style="list-style-type: none"> » Align R&D activity to strategy » Deliver QPS
Growth and Expansion	<ul style="list-style-type: none"> » Initial BD team now in place » New business with Boeing » Other projects underway 	<ul style="list-style-type: none"> » Win new business Bankstown » Profitable partnerships » Deliver long term wins aligned to strategy
Profitability	<ul style="list-style-type: none"> » Cost and structural actions » Lean Enterprise commenced 	<ul style="list-style-type: none"> » Deliver FY18 H2 positive EBIT » FY19 full year positive EBIT

- » Underpinned by an aligned strategy and OneQuickstep delivery
- » We are currently reviewing our debt structure to support:
 - OneQuickstep activities; working capital for booked growth; new business activities

- » We want to share with you where we are on the OneQuickstep journey
- » We will have more business development activity to communicate in 2018
- » We will communicate in a number of ways:
 - ASX releases will continue for any material new business or transactions
 - Quarterly Report, for non-material updates, more detail on projects that are not customer confidential
 - A half-yearly results call/conference (to be held in February and August each year)
 - Through our corporate website
 - Through our LinkedIn homepage
- » We will be more accountable for the delivery of critical Path to Profitability items



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



OneQuickstep adopted & implementation commenced



Business Strategy revised for growth and profitability



Aggressive focus on new business development



Commenced Lean Enterprise for operational efficiency



Further commercialisation of process technologies



- » Delivery of profitability and accelerated growth
- » FY18 sales target FY17 +10%
- » Target FY 18 EBIT positive in H2
- » Short term debt funding required to support OneQuickstep and growth
- » Target FY19 EBIT positive

CONTACT:

MARK BURGESS
CEO & Managing Director

Quickstep Holdings Limited
361 Milperra Road, Bankstown,
NSW, Australia

T +61 2 9774 0303
E mburgess@quickstep.com.au

