

Quickstep sales up 14%; positive EBIT in H2

- Sales \$59 million up 14% on prior year
- \$0.9 million EBIT for the second half of FY18
- \$3.6 million operating cash flow for the second half of FY18

Sydney, 28 August 2018 – Quickstep Holdings Limited (ASX:QHL), Australia's leading independent manufacturer of advanced carbon fibre composite components, today announced total sales were \$59.0 million for FY18, up 13.7% from \$51.9 million in FY17.

The **OneQuickstep** change program which commenced in August 2017 continues to realign the company for growth and profitability, evidenced through \$0.9 million EBIT and positive net profit after tax in the second half of FY18. Group costs were reduced by \$3.5 million in FY18 through initiatives including closure of the group's German operations, consolidation of R&D operations at Geelong and ceasing non-core programs. Lean enterprise programs began at the group's Bankstown and Geelong sites, increasing efficiency and productivity, and second half gross margin was 5% higher than the first half. Earnings before interest, tax and research and development costs (EBIT before R&D) were \$2.4 million for the financial year ended 30 June 2018, compared to an operating loss before R&D of \$0.2 million for the previous corresponding year.

Mark Burgess, CEO and Managing Director of Quickstep, said: "We have a clear vision focused on aerospace sector growth and have strengthened our management team, increasing leadership skills and accountability across the business. The benefits of our value systems and lean programs are beginning to flow through with targeted R&D contributing to commercial projects, and contract wins that align the company for future growth. Production for the Joint Strike Fighter (JSF) program increased 45% in FY18 and is expected to continue to increase in FY19."

Aerospace production ramps up

Revenue from the group's JSF contracts for FY18 was \$38.6 million, up 45% from \$26.7 million in FY17. JSF revenues are expected to increase in FY19, in line with the growing F-35 production schedule which has delivered 310 JSF aircraft to date¹.

C-130J wing flaps production continued at the long-term rate of two ship-sets per month and after year end Quickstep secured a contract extension for production of these parts for a further five-year period from 2020 to 2024.

During the year the company commenced development to manufacture parts for Boeing Defense and also produced components for Micro X's portable, ultra-lightweight mobile X-ray.

**All figures compare FY18 to FY17 unless otherwise stated.*

¹ F-35 Lightning II Program Status, August 13, 2018.



Targeted new business activity

During the year Quickstep secured two new export programs with Boeing Defense and became an approved supplier for Boeing, opening opportunities across the Boeing Company, and for Airbus in Australia and the South Pacific. Quickstep is a member of the General Atomics-led *Team Reaper Australia* partnership which is tendering for Australian Remotely Piloted Aircraft systems business.

After year end, Quickstep announced that it had secured a new project to produce carbon fibre composite housings for an F-35 counter-measure flare for Chemring Australia, further expanding Quickstep's activity. This project is supported by project funding from the F-35 Lightning II Joint Program Office through Chemring Australia and a New Air Combat Capability – Industry Support Program grant of \$1 million alongside investment by Quickstep.

Quickstep also recently announced that it has signed a Memorandum of Understanding (MoU) with Lockheed Martin for a Long Term Flexible Contract (LTFC) associated with the ongoing supply of C-130J/LM-100J wing flaps for an additional five-years, covering the period 2020 to 2024. Quickstep has an existing contract with Lockheed Martin to provide wing flaps for the C-130J/LM-100J aircraft through to end-2019, and this contract extension will continue this successful supply chain relationship.

The company has also signed a letter of intent to work jointly on future projects with Triumph Aerospace Structures.

Quickstep has completed a successful manufacturing trial using its patented Qure technology to produce demonstration automotive front fenders for a European car manufacturer and entered into a sales and manufacturing agreement with The ATR Group, a leading Italian supplier of advanced manufacturing composite components for the aerospace and automotive sectors.

Financial results for FY18

	(\$m) FY18	(\$m) 2H FY18	(\$m) 1H FY18	(\$m) FY17	YOY % Change Fav / (Unfav)
Results summary					
Revenue	59.0	31.1	27.9	51.9	13.7
EBITDA	1.2	2.2	(1.0)	(3.5)	-
EBIT before R&D	2.4	2.5	(0.1)	(0.2)	-
R&D (new technology and product development costs)	(3.7)	(1.6)	(2.1)	(5.5)	32.7
EBIT	(1.3)	0.9	(2.2)	(5.7)	77.2
Net finance costs	(1.6)	(0.9)	(0.7)	(1.0)	(60.0)
Net profit / (loss) after tax	(2.9)	0.0	(2.9)	(6.7)	56.7

The group reported a strong second half generating a positive net profit after tax, and an operating profit (EBIT) of \$0.9 million compared to an operating loss of \$2.2 million for the first half. The benefits of the OneQuickstep program and Lean enterprise programs, combined with the ongoing ramp up in JSF volumes have been the key driver of improved profitability. Operating cash flow for the second half was \$3.6 million, compared to a cash outflow of \$4.3 million in the first half reflecting the \$3.2 million improvement in EBITDA over the first half and improved working capital management. The group's full year net loss improved to a loss of \$2.9 million for FY18 from a net loss of \$6.7 million for the previous year.

Total debt has been reduced by \$2.0 million to \$13.6 million since 31 December 2017 and the Group has recently secured a \$4 million increase in its short term working capital facility to support JSF volume growth.



Outlook

As previously reported, the group anticipates that the business will continue to improve in FY19 as JSF deliveries ramp up towards peak production volumes over the next two years. The Group's revenue is expected to grow by at least 20% in FY19 and gross margins will continue to improve as the group benefits from economies of scale and increasing efficiencies. As a consequence, the Group expects to deliver positive EBIT for FY19 as well as positive operating cash flow.

The Group has significant growth potential primarily in the aerospace sector, using traditional techniques and its proprietary advanced manufacturing Qure and QPS technologies. Quickstep's proprietary technologies provide faster, more controllable methods for curing of parts and enable a Class A finish. Quickstep continues to focus on winning new customers and contracts, and supporting growth through partnerships to build scale.

Quickstep will further accelerate its business development activities to win additional business, through its tiered growth strategy:

- **Core Defence Aerospace:** Increasing revenue and diversifying the company's customer base within the Defence/Aerospace sector utilising existing Bankstown facilities, while expanding core capabilities
- **Aerospace Qure/Advanced Manufacturing Deployment:** Strategic growth within the Aerospace and other sectors, using Qure and innovative technology solutions to attract new business opportunities
- **Step-change Growth:** Step change to Commercial Aerospace supply. Securing large global programs and/or inorganic growth across the wider defence, commercial aerospace and automotive industries

Over the next three years Quickstep expects to benefit from increasing JSF production and higher margins as economies of scale improve. An enhanced business development function and healthy project pipeline has the company well positioned for future profitable growth. The group continues to be focused on high value, expanding global markets while strengthening its position as Australia's leading independent carbon fibre composites manufacturer.

-ENDS-



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 200 people in Australia and internationally. Quickstep is partnering with some of the world's largest aerospace / defence organisations including Lockheed Martin (US), Northrop Grumman (US), Boeing Defense (US) and BAE Systems (UK), as well as Victorian-based Marand Precision Engineering. Quickstep is currently working on new opportunities with a number of additional companies including General Atomics (US). More information about Quickstep is available at www.quickstep.com.au

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