



Quickstep Holdings Limited

Investor Presentation

September 2018



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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 & BAE Systems
- » Experience in Europe, USA, Middle East and South East Asia



Alan Tilley
Chief Financial Officer

- » Joined Quickstep in June 2018
- » Previously with NRMA and Murray Goulburn (Interim)
- » Multi sector experience spanning manufacturing, B2B and B2C services and FMCG
- » Broad experience spanning P&L responsibility, Finance, Treasury, Technology and Risk

Advanced Composite Solutions



**Defence
Aerospace**

**Automotive & other
Advanced Sectors**

**Commercial
Aerospace**

Quickstep: Company Overview



History & Milestones

- » **2001:** Established as an R&D Company
- » **2005:** Listed on the ASX (Code: QHL)
- » **2011:** **Northrop Grumman** LTA 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
- » **2017:** **OneQuickstep** introduced
- » **2017:** **General Atomics** Team Reaper Australia
- » **2017:** Two niche programs with **Boeing Defense**
- » **2018:** **Chemring** project awarded
- » **2018:** Quickstep passes 240 employees
- » **2018:** C-130J follow-on 5 year contact secured



Bankstown, NSW

- » 16,000 sqm advanced manufacturing facility in NSW
- » Accredited to Nadcap & AS9100 Rev D / ISO9001:2000
- » Focus on 'Build to print' defence and aerospace programs
- » Skilled and capable workforce

Geelong, Victoria

- » R&D and Technology Centre
- » Located at Deakin University's Waurn Ponds campus
- » Engineered composite solutions
- » Niche manufacturing capability

Texas, USA

- » Representative office & customer liaison/support

Value per Kilogram Carbon Fibre Utilised

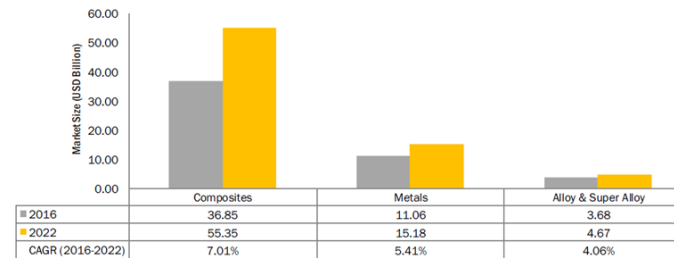
Aerospace & Defence	US\$310/kg	Wind Turbines	US\$97/kg
Automotive	US\$86/kg	Sport & Leisure	US\$94/kg

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

- » Aerospace is largest sectoral user of CFRP
- » Aerospace provides higher price point & margins
- » Long-term programs, providing certainty/stability



FIGURE 12 THE COMPOSITES SEGMENT IS ANTICIPATED TO GROW AT THE HIGHEST CAGR DURING THE FORECAST PERIOD



Source: Secondary Research, Expert Interviews, and MarketsandMarkets Analysis

Markets and Markets: Aerostructures Market - Global Forecast To 2022

- » Based on material type, the composites segment is the largest in global Aerostructures market
- » Composites segment of Aerostructures Market was valued at **US\$36.85bn** in 2016
 - Expected to reach **US\$55.35bn** by 2022
 - CAGR of 7.01% from 2016 to 2022

» **Mature, long-term market, niche to medium volume in size**

- Driven by government spending and national security issues
- Defense budgets in U.S., Australia, Asia region and other nations increasing

» **National security threats & concerns heightened globally**

- Rising global tensions - increasing demand for military products

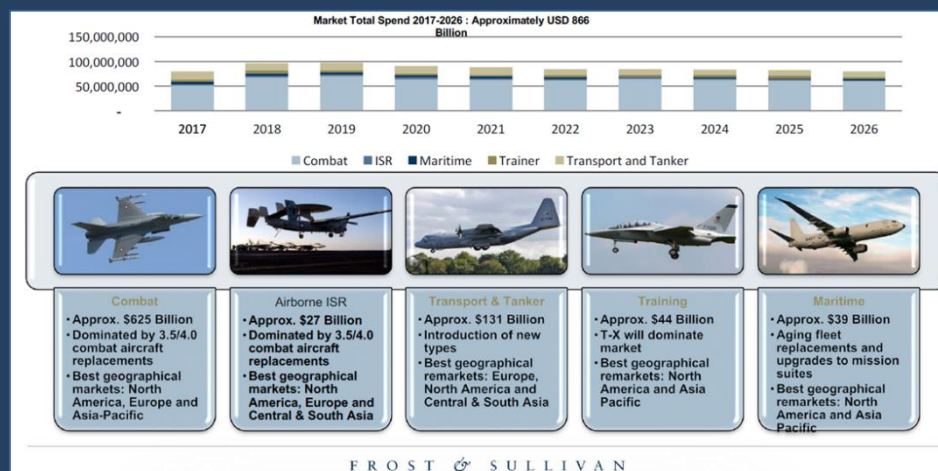
» **~3,000 New Combat Aircraft orders forecast up to 2030**

- On top of already 3,000+ aircraft ordered in last five years

» **Australia's Defence White Paper provides further opportunities**

- Government aircraft and other military purchases with global defence contractors
- Access to Global Supply Chains (GSC)
- Support for Sovereign Capabilities

» **Long-term supply timeframes**

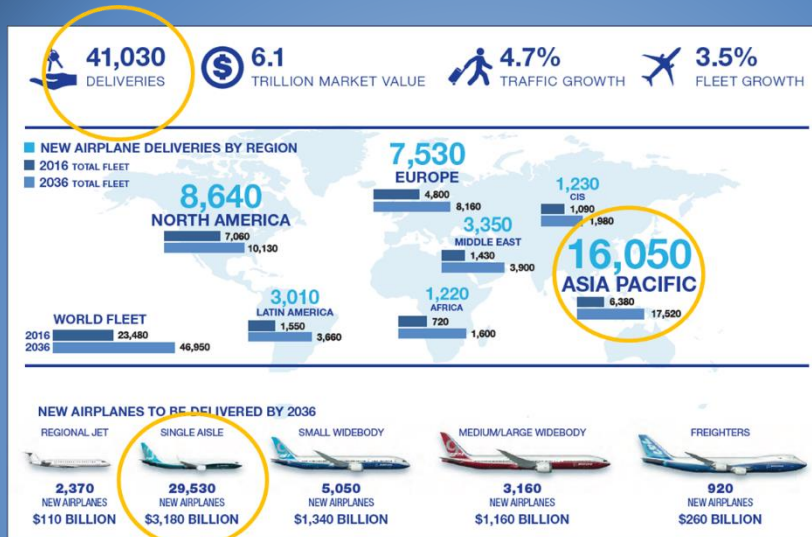


Defense Briefing: Frost & Sullivan, January 2018



» **Quickstep is uniquely positioned in the Australian military composites market**

Commercial: Global Aerospace



Source: The Boeing Company - 'Current Market Outlook: 2017-2036'



- » **35-40k new aircraft in 2017-2036**
 - Record backlog of 14k units end-2017
 - Over 70% will be narrow-body aircraft
- » **CFRP composites 'material of choice'**
 - Latest aircraft have >50% use of composites
- » **Boeing & Airbus hold 80% of market**
 - Both forecasting significant production growth
- » **Monthly aircraft production volumes growing, causing rate constraints**
 - 123 per mth. in 2017 (Boeing & Airbus)
 - 180 per mth by 2022 (Boeing, Airbus, COMAC)
- » **Global shortage CFRP supply capacity**
 - Not enough Autoclave capacity for growth
 - Customers seeking out alternative processes
- » **Quickstep has Autoclave capacity & alternative technologies available**

» **Commercial aerospace segment: high volume, high growth, supply constraints, need for rate solutions**

Differentiated Growth: Qure & QPS



Patented 'Qure' Process



- » **Fast curing of advanced composites**
- » **Significant advantages over Autoclave**
 - Reduced production time
 - Greater design flexibility
 - Reduced capital investment
 - Reduced energy consumption
 - Lower tooling costs
 - Greater control over cure cycle
 - Quality surface finish
- » **Rate solution for global customers**

Quickstep Production System (QPS)

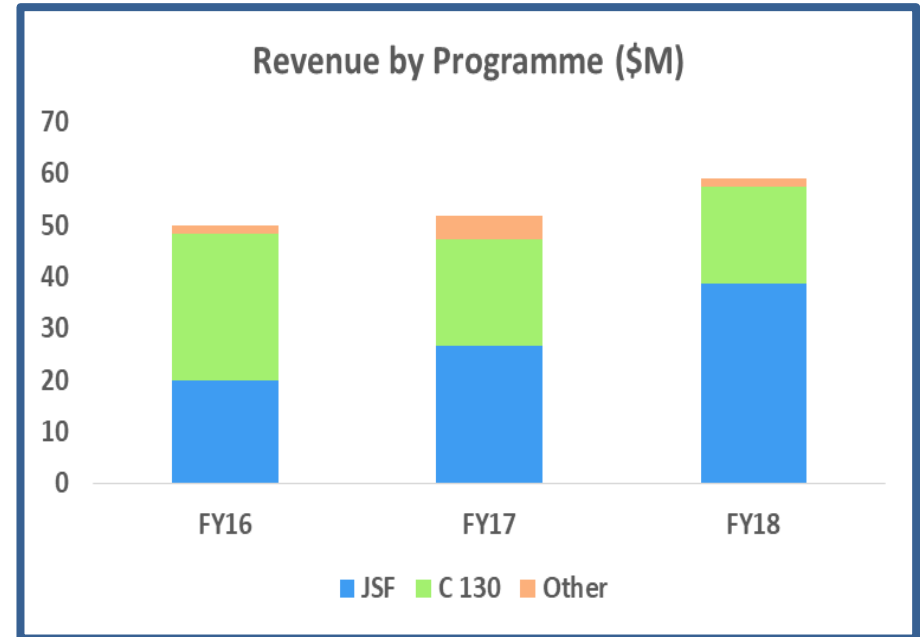


- » **'End to end' provision of composite solutions**
 - Advanced lean production system
 - Complete material to finished part solution
 - Engineered rate solutions for customers
 - Multiple market and part/assembly applications
- » **Current applications of QPS include:**
 - Micro-X carbon fibre chassis for portable x-ray device
 - Front fender demonstration project for European OEM
 - Being used to commission Chemring project
- » **Important competitive point of difference**

» *Ongoing investment in Qure & QPS provides Quickstep with competitive point of difference*

Strong Revenue Growth from JSF

- » **FY18 Group revenue up 13.7% on prior year**
 - As JSF program continues to ramp up
- » **44% JSF revenue growth in FY18 in line with expectations**
 - FY19 growth also very strong
- » **Revenue from C-130J program continues to moderate**
 - Reflecting mature nature of contract
 - Recently extended for a further five years to 2024



Profitability and Cash Flow Improving

- » **OneQuickstep starting to positively impact profit and cash flow in FY18**
- » **\$4.7m EBITDA improvement in FY18 compared to FY17 from:**
 - 14% revenue growth
 - Margin improvement
 - Reduced R&D spend
- » **\$2.6m y.o.y. improvement in EBIT pre R&D**
- » **Operating cash flow H2 \$3.6m cash in compared to H1 \$4.3m cash out**
- » **Debt reduced by \$2.0m from December 2017**

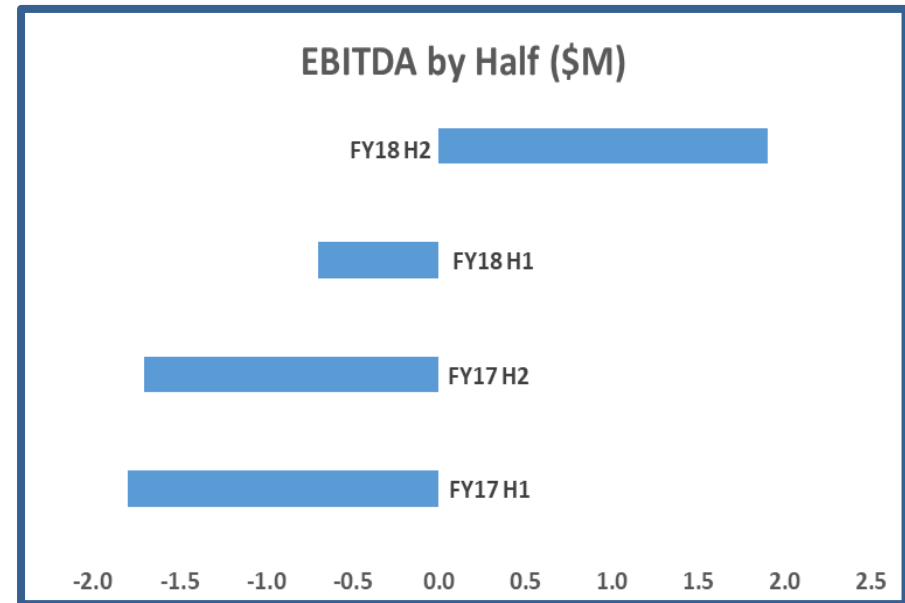
Results summary (\$m)	FY16	FY17	FY18
Revenue	50.1	51.9	59.0
EBIT	(2.2)	(5.7)	(1.3)
EBIT before R&D	1.3	(0.2)	2.4
EBITDA	(0.1)	(3.5)	1.2
Working Capital cash flow	(3.9)	2.7	(1.7)
Other cash flow	(0.9)	0.9	(0.2)
Operating Cash Flow	(4.9)	0.1	(0.7)



OneQuickstep Change Program Delivering



- » **Good progress throughout FY18, but accelerating in H2**
- » **H2 revenue 11% increase on H1**
- » **Gross margin up 5 % points in H2 compared to H1 FY18**
- » **LEAN and continuous improvement programs are having an impact**
 - Starting to result in increasing efficiency and productivity



Strong FY18 H2: Good Platform for FY19



	(\$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 tech & product dev't)	(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

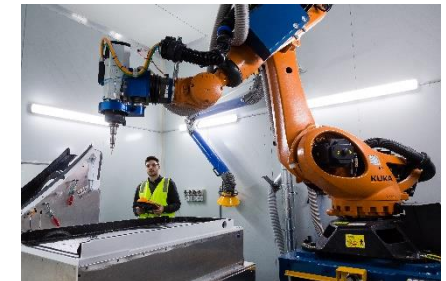
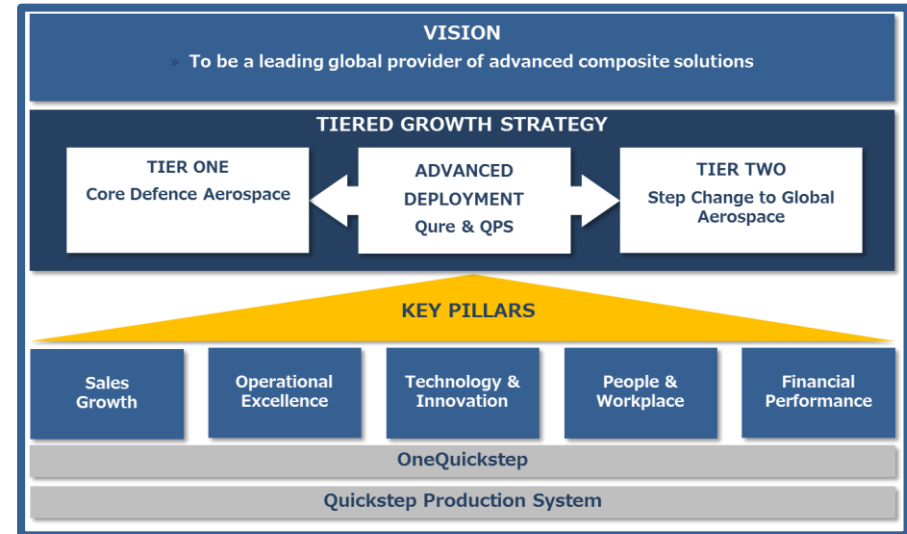


Performance

- » Revenue growth above 20%
- » Ongoing improvements in gross margin
- » Positive full year EBIT
- » Positive operating cashflow
- » Minimal FY19 P&L impact from Chemring project
- » Increased financing facility in place to fund JSF revenue growth
- » Next phase of lean implementation & ongoing cost control

Growth

- » Healthy pipeline of new business opportunities
- » Increasing Business Development investment
- » Qure & QPS investment providing platform for greater efficiencies & competitive advantage
- » Delivering our tiered growth strategy
 - Through investment, partnerships, customer diversification



Investment Recap



OneQuickstep adopted and financial performance improving



Long term contracts in place, established global credentials



Attractive growth markets, Defence and Commercial Aerospace



Cost and manufacturing efficiencies to improve margins



Tiered growth strategy defined and being implemented



Delivery of profitability and accelerated growth

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