

## Quickstep delivers positive NPAT on 21% sales growth

- Sales \$33.8 million up 21% on prior year comparative period
- \$0.9 million NPAT for the first half of FY19
- Expects to deliver positive NPAT for FY19
- New contracts anticipated in FY19

**Sydney, 21 February 2019** – Quickstep Holdings Limited (ASX:QHL), Australia's leading independent manufacturer of advanced carbon fibre composite components today announced \$ 0.9 million net profit after tax (NPAT) for the first half of FY19 and total sales of \$33.8 million for H1 FY19, up 21.5% from \$27.9 million for the prior comparative period (pcp).

Quickstep continues to deliver improved profitability, evidenced through \$2.0 million EBIT and \$ 0.9 million net profit after tax in the first half of FY19 compared to a \$2.9 million net loss for the first half of FY18. Strong volume growth on the JSF programme, lean enterprise programs at the Group's Bankstown and Geelong sites, plus increasing efficiency have delivered first half gross profit of 23%, an improvement of 10.5% points on the pcp. The \$3.8 million year on year NPAT improvement includes a lift of \$4.3 million in gross profit.

Mark Burgess, CEO and Managing Director of Quickstep, said: "Our focus on driving efficiency improvements across the business and revenue growth backed up by a strong order book is now delivering profits. First half FY19 NPAT of \$0.9 million positions the company well for future profitable growth and increased investment in business development has contributed to a healthy pipeline of new business from which we anticipate securing significant new business during FY19."

### Aerospace production ramps up

Revenue from the Group's JSF contracts for H1 FY19 was \$24.0 million, up 36% from \$16.7 million in the pcp. JSF revenues are expected to further increase in the second half of FY19, in line with the growing F-35 production schedule which has delivered 358 JSF aircraft to date<sup>1</sup>.

C-130J wing flaps production continued at the long-term rate. A contract extension for production of these parts for a further five-year period was secured during the half ensuring Quickstep will continue to provide wing flaps for the C-130J/LM-100J aircraft through to 2024.

### Targeted new business activity

The unprecedented scale of Australian defence procurement and Quickstep's unique position in the Australian defence industrial base has created a very favourable market environment for the company in the US. Based on the progress of confidential negotiations we anticipate significant new business awards during FY19.

During the half Quickstep commenced delivery on a new three year programme with Boeing Defense, and secured Gold supplier status at first attempt, opening up opportunities across the Boeing Company.

<sup>1</sup> F-35 Lightning II Program Status, December 31, 2018.



Quickstep is a member of the General Atomics-led *Team Reaper Australia* partnership which won the tender for Australian Remotely Piloted Aircraft systems business and is in active discussions with General Atomics to secure substantive composite manufacturing packages.

In July 2018 Quickstep announced that it had secured a project to produce carbon fibre composite housings for an F-35 counter-measure flare for Chemring Australia. This project is supported by US and Australian customer funding. The company has completed the design of the flare housing production process to establish a manufacturing cell that demonstrates cutting edge carbon fibre production methods.

## Financial results

	H1 FY19	FY18	H2 FY18	H1 FY18	H1 FY19 vs H2 FY18 Change Fav / (Unfav)
<b>Results summary (\$m)</b>					
<b>Revenue</b>	<b>33.8</b>	<b>59.0</b>	<b>31.1</b>	<b>27.9</b>	<b>2.7</b>
<b>EBITDA</b>	<b>2.9</b>	<b>1.2</b>	<b>2.2</b>	<b>(1.0)</b>	<b>0.7</b>
EBIT	2.0	(1.3)	0.9	(2.2)	1.1
Net finance costs	(1.1)	(1.6)	(0.9)	(0.7)	(0.2)
<b>Net profit / (loss ) after tax</b>	<b>0.9</b>	<b>(2.9)</b>	<b>0.0</b>	<b>(2.9)</b>	<b>0.9</b>
<b>Operating cash flow</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>3.6</b>	<b>(4.3)</b>	<b>(4.5)</b>
Net Debt	11.0	9.9	9.9	13.3	(1.1)
<i>Impact of adoption AASB15</i>	<i>0.3</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.3</i>

For the first half of FY19 the Group reported \$0.9 million NPAT, and an operating profit (EBIT) of \$2.0 million compared to a modest positive NPAT for H2 FY18. Lean enterprise programs, combined with the ongoing ramp up in JSF volumes have been the key driver of improved profitability. Operating cash outflow for the first half of FY19 of \$0.9 million is a material improvement on the cash outflow of \$4.3 million in the first half of FY18 but was below expectations due to a build-up of inventory (primarily raw materials) attributable to production delays from a key machine outage in November and December. As production increases over the second half of FY19 the inventory balance will normalise, improving cash flow. The first half result includes a \$0.3 million EBIT benefit from the adoption of the new Revenue from Contracts with Customers (AASB 15) and a \$0.4 million benefit from the reassessment of plant and equipment useful lives.

Net debt has increased by \$1.1 million to \$11.0 million since 30 June 2018 to fund the increased investment in inventory as noted above.

## Other Developments

Negotiations on the new four year Enterprise Agreement with the Australian Manufacturing Workers' Union (AMWU) and Australian Workers' Union (AWU) have concluded and the Agreement was approved by ballot on 21 February 2019.



Quickstep's successes in defence manufacturing were recently recognised, taking out winners' awards at both the Premier's Export Awards in the NSW Defence Industries category and the Defence Business of the Year Award at the 2018 Optus MyBusiness Awards, acknowledging the achievements of Australia's best businesses.

## Outlook

Quickstep anticipates that the business will continue to strengthen over the remainder of FY19 as JSF deliveries ramp up towards peak production volumes over the next two years. The Group's revenue is expected to grow by more than 20% in FY19 and gross margins will continue to improve as the Group benefits from further economies of scale and increasing efficiencies.

The Group expects to deliver positive EBIT and positive NPAT for FY19 as well as positive operating cash flow for the full year. This is despite the impact of a failure in a key machine during Q2. This issue has now been resolved, however it will impact Q3 results.

The Group has significant growth potential and expects to win new composite manufacturing contracts, primarily in the aerospace sector, using traditional techniques and its proprietary advanced manufacturing Qure and QPS technologies. These provide faster, more controllable methods for curing of parts and enable a Class A finish.

Quickstep is further accelerating 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

The company has a healthy project pipeline and is well positioned for future profitable growth. The Group continues to be focused on high value, expanding global markets.

**-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](http://www.quickstep.com.au)

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