

FIRST QUARTER FY20 UPDATE

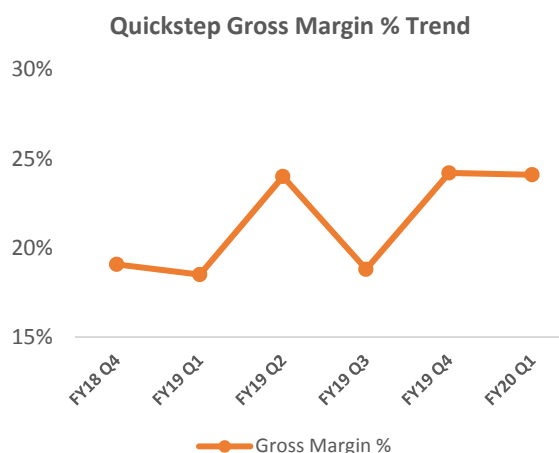
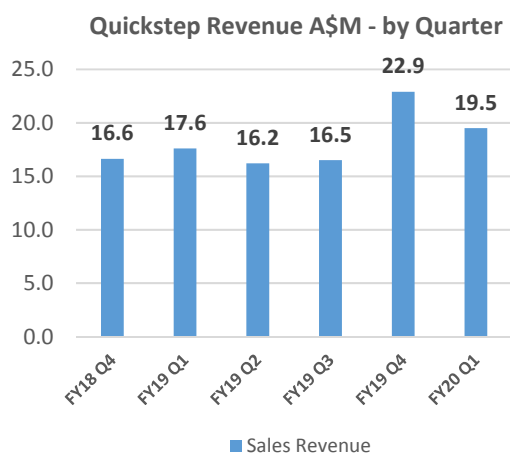
30 October 2019: Quickstep Holdings Limited (ASX: QHL), Australia's leading independent carbon fibre composites manufacturer, today released its quarterly update for the first quarter of FY20.

SEPTEMBER QUARTER SUMMARY (Unaudited)

- Q1 sales \$19.5 million, up 11% on same period in FY19
- Strong gross margin – on a par with Q4 FY19 and >5 % points above the same period in FY19
- Q1 \$(5.2) million operating cash flow
- Chemring flare housing equipment commissioned and first articles delivered

FINANCIAL UPDATE

Quickstep is on track to deliver 8% to 10% year on year sales growth in FY20 following a good Q1 that included 11% sales growth on Q1 of FY19. Gross margin is in line with Q4 FY19 results, and more than 5 % points ahead of the prior corresponding period, as a result of continuing efficiency and process improvements.



Operating cash flow of \$(5.2 million) for Q1 FY20 includes a strong EBITDA result offset by a \$2.4m decrease in net deferred income and an increase in working capital. The deferred income reversal relates to the C-130J contract and the run down in deferred income is now largely complete. C-130J cash flow will materially improve from Q2 FY20 as we transition to the new 5 year contract. Inventories are \$2.0m above plan primarily due to administrative processing delays with a key customer that have delayed shipments of finished goods. The majority of this stock has now been shipped and Q2 operating cash flow is expected to be positive.

Net capital expenditure of \$2.3m (primarily on the flare housing project) over the quarter, reversal of deferred income and the increase in working capital have resulted in the Company's net debt position increasing by \$7.7m to \$8.0m at 30 September 2019. The group held \$1.8 million in cash (30 June 2019: \$7.3 million) and \$0.8 million in restricted term deposits (30 June 2019: \$0.8 million). Total outstanding debt, including capitalised interest, was \$10.6 million at 30 September 2019, an increase of \$2.2 million since 30 June 2019. Debt is expected to reduce in Q2.

Operational Highlights:

F-35 production ramp-up continues according to plan, with full-rate production of existing contracts forecast to be achieved by end Q2 FY20. An initial contract for the supply of new F-35 parts was received during September, it is anticipated this will add approximately \$3.5 million of annual revenue at full-rate production from FY21.

The \$7 million MJU-68 flare housing facility was officially opened by the Hon. Scott Morrison Prime Minister of Australia and the first pre-production parts have been delivered to Chemring Australia. Product qualification batches will be delivered in November and December, with all product approvals forecast during Q3 FY20.

C-130J production continues at anticipated rates, with transition to the new 5-year contract on-schedule for commencement in Q2/Q3 FY20. Boeing volumes, whilst disappointing to-date, are beginning to increase as detailed negotiations for new contracts continue with Boeing in the US.

AeroQure development has accelerated its progress, with the recent award of a record \$0.7 million co-funded grant from the Advanced Manufacturing Growth Centre (AMGC). Together with our partners on the project, Quickstep has commenced detailed work on process and material design, development and qualification under a \$3 million, two-year R&D program focussed on the global commercial aerospace market.

Business Development Highlights:

Bid and proposal activity continues at an elevated pace with a further increase expected during the current quarter as customer quotation volume increases.

Proposal submission to Chemring Australia for full-rate production of MJU-68 flare housings is anticipated to take place in during Q2/Q3 FY20.

Based on the progress of confidential negotiations, the company expects to see significant new business awards in FY20. Quickstep has a clear strategy to grow revenue and diversify its customer base in the Australian Aerospace and Defence sector, while expanding the company's capabilities to grow the business globally in the Aerospace, Defence and other advanced industry sectors. As part of this strategy Quickstep continues to make significant investment in business development and supply chain resources in the US.

OUTLOOK

Quickstep remains on track to deliver year on year revenue growth of between 8% and 10% in FY20 on current base business with upside potential dependent on timing and scope of new business awards. FY20 EBITDA is still expected to meet target of between 8% and 10% of forecast sales with JSF deliveries reaching peak production volumes over the next six months or so. Gross margins are expected to continue to improve on FY19 through ongoing economies of scale, productivity improvements and process efficiency. The group expects to deliver positive NPAT for FY20 as well as positive operating cash flow.

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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 245 people in Australia and internationally. More information about Quickstep is available at www.quickstep.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

30 SEPTEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,052	15,052
1.2 Payments for		
(a) research and development	(180)	(180)
(b) product manufacturing and operating costs	(12,438)	(12,438)
(c) advertising and marketing	(49)	(49)
(d) leased assets	(16)	(16)
(e) staff costs	(6,653)	(6,653)
(f) administration and corporate costs	(907)	(907)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(18)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from operating activities	(5,209)	(5,209)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,686)	(2,686)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other customer funding for capital project	374	374
2.6	Net cash used in investing activities	(2,312)	(2,312)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	2,000	2,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	2,000	2,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,334	7,334
4.2	Net cash from operating activities (item 1.9 above)	(5,209)	(5,209)
4.3	Net cash used in investing activities (item 2.6 above)	(2,312)	(2,312)
4.4	Net cash from financing activities (item 3.10 above)	2,000	2,000

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,813	1,813

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,813	1,813
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,813	1,813

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

208

-

Executive and Non-Executive Directors' remuneration included in item 6.1

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	9,914	7,914
8.2 Credit standby arrangements	-	-
8.3 Other (capitalised interest)	3,333	2,379
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Group has two loan facilities: -

A long term facility that was originally \$10m with additional capability to capitalise interest up to \$3.3m. To date, \$4.1 million has been repaid with the facility balance now \$5.9m with a capitalised interest cap of \$3.3m. The loan is secured with EFIC (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest comprises a variable base rate, a fixed margin and guarantee. The effective interest rate is currently 5.96%.

An Export Contract Loan (ECL) was renewed at the end of June 2019 for \$4m (down from \$7m for the previous 12 months) to fund working capital for further JSF growth in FY20. The current interest rate is 6.5% plus a 1.5% commitment fee on any undrawn funds. \$2m is currently drawn under this facility.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(392)
9.2 Product manufacturing and operating costs	(11,257)
9.3 Advertising and marketing	(43)
9.4 Leased assets	(31)
9.5 Staff costs	(6,685)
9.6 Administration and corporate costs	(1,165)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(19,573)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 30 OCTOBER 2019

Print name: JAIME PINTO

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.