

Quickstep delivers \$1.5m half year profit on 14% sales growth

- **NPAT \$1.5 million**
- **Sales \$38.4 million**
- **\$4.2 million EBITDA**
- **Strong revenue growth into FY21**

Sydney, 27 February 2020 – Quickstep Holdings Limited (ASX:QHL), Australia's leading independent manufacturer of advanced carbon fibre composite components, today announced a first half net profit of \$1.5 million for FY20 on total sales of \$38.4 million, up 14% from \$33.8 million in the first half of FY19. NPAT of \$1.5 million represents a \$0.6 million improvement on the first half of FY19.

Mark Burgess, CEO and Managing Director of Quickstep, said: "The first half of FY20 has seen continued strong growth in sales, further evidence of sustainable profitability and continued customer confidence resulting in significant growth in our existing order book. Our bid and proposal pipeline represents a broad range of opportunities to deliver on the strategic objective of doubling defence revenue by 2025. We anticipate a final decision from the customer on the first significant package of potential work before the end of FY20".

Continued Strong Sales Growth

Revenue from the group's JSF contracts for the first half of FY20 was \$27.9 million, up 16% from \$24.0 million in the first half of FY19. JSF revenues are expected to further increase over the remainder of FY20 and into FY21 as a result of additional work won over recent months with both Northrop Grumman and Marand. C-130J wing flaps production continued at the long-term rate plus modest incremental revenue on spares.

During the year the company manufactured increasing volumes for Boeing Defense on the F/A-18 and F-15 programs and increased production of accessibility ramps using Qure technology for Lockelec, a supplier to a number of Australian rail operators. We anticipate additional commercial orders will add incremental revenue to our Geelong operations through the course of this calendar year.

Ongoing improvements in EBITDA and NPAT

EBITDA for the first half of FY20 was \$4.2 million (10.9% of sales) but excluding the impact of AASB 16 (lease accounting) was \$3.1m (8.1% of sales) representing a 7% improvement on both the prior comparative period (pcp) and the second half of FY19. Reported gross margin of 21.9% is comparable with that achieved in H2 of FY19. Improvements in gross margin are a key focus area and will be achieved through a combination of efficiency gains, process improvements, economies of scale and cost reductions.

First half NPAT for FY20 of \$1.5m represents a \$0.6 million improvement on pcp including a \$0.8 million tax benefit. The introduction of AASB16 has reduced net profit by \$0.4m for H1 of FY20 including \$0.7 million incremental interest expense attached to the lease liabilities brought onto the balance sheet.

Investing in business growth

Excluding the impact of AASB16, net debt has increased by \$5.2 million since 30 June 2019 to \$5.5 million. This increase has funded capital spend of \$3.3 million, a significant portion of which relates to the flare housing facility which is in final commissioning, transition to a new 5 year contract for C-130J (including a non-recurring deferred income reversal of \$3.1 million) and working capital investment ahead of strong revenue growth into FY21 .

AUD Millions	H1 FY20	H1 FY20 Excl AASB16	H2 FY19	H1 FY19	H1 YOY change
Revenue	38.4	38.4	39.5	33.8	4.6 ↑
Gross Margin	8.4	8.2	8.7	7.7	0.7 ↑
Gross Margin %	21.9%	21.4%	22.0%	22.8%	-0.9%
EBITDA	4.2	3.1	2.9	2.9	1.3 ↑
EBIT	2.3	2.1	1.9	2.0	0.3 ↑
Tax Benefit	0.8	0.8	1.0	0.0	0.8 ↑
NPAT	1.5	1.9	1.8	0.9	0.6 ↑

New Business Update

Bid and proposal activity remains at unprecedented levels but decisions on award of work are often taking longer than anticipated. As noted above, growth in existing orders has been secured into FY21, over and above current base demand, on the back of continued strong performance on quality, delivery and cost competitiveness. The increase in orders reflects Quickstep's reputation as a highly dependable supplier in a stretched supply chain.

We are currently finalising bids for significant packages of new work and, for at least one of these bids, a final decision from the customer is expected to be made before the end of FY20.

Quickstep has a clear strategy to grow revenue and diversify its customer / program base in the 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 other resources in the US.

Outlook

Quickstep is on track to deliver year on year sales growth in FY20 above 10%, having secured incremental orders on existing contracts to complement the increased scope of F-35 parts contracted in September. FY21 revenue will increase a further 5-10% based on recent awards relating to existing programs, with additional growth potential from flare housings and other bids in the pipeline.

FY20 EBITDA guidance remains 8 to 9% of sales on a like for like basis (excluding the impact of AASB16) and includes increased investment in engineering and R&D to support strong FY20 and FY21 revenue growth. The group expects to deliver positive NPAT and positive operating cash flow for FY20.



This announcement was approved by the Board of Quickstep Holdings Limited

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For further information:

Mark Burgess – Managing Director
Quickstep Holdings Limited
p: +61 2 9774 0300
e: mburgess@quickstep.com.au

Alan Tilley – Chief Financial Officer
Quickstep Holdings Limited
p: +61 2 9774 0300
e: atilley@quickstep.com.au

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