

QUICKSTEP TRADING UPDATE & RESTRUCTURING

Key highlights FY22 including preliminary financials (vs FY21):

- **Challenging operating environment impacts revenue realisation, profit and cash**
- **Revenue up 1.9% to \$86.7 million**
- **Operating cash flow \$3.3 million**
- **Unaudited Underlying Profit / (Loss) before Tax (\$1.3 million)**
- **Rationalisation and redeployment program commenced**

29 July 2022: Quickstep Holdings Ltd (ASX: QHL) Quickstep today provides an interim trading update relating to FY22 operational and financial performance and outlines key operational, cost control and resource redeployment measures.

Operational Update

FY22 sales of \$86.7 million represented growth of 1.9% (\$1.6 million) versus the prior comparative period (pcp) is attributable to early revenue generation in the new Applied Composites business and Quickstep Aerospace Services (QAS), since its purchase in February 2021.

Cash from operating activities of \$3.3 million for FY22 was achieved despite investments made in both Carbonix and Swoop Aero, as well as a significant inventory build-up in H2 FY22 due to production delays. Capital expenditure of \$1.4 million has been invested to provide new capability, increase capacity and improve operational efficiency.

Further to the Operational Update provided on 22 April 2022, Quickstep continues to experience the impact of widespread absenteeism due to illness and isolation requirements, which has reduced from the March/April 2022 highs but remains consistently around 12%. Global supply chain challenges continue and are not anticipated to materially improve for the remainder of this calendar year, driving significantly elevated inventory. In addition to further lost manufacturing days during July 2022 at our Bankstown site due to flooding, the company has been impacted by a number of equipment reliability issues, recovery from which has been exacerbated by global labour and spare part shortages.

The net impact of these operational challenges has been a reduction of anticipated revenue against forecast of approximately 32% between April and June CY22. This revenue shortfall is comprised solely of firm demand and is expected to be progressively recovered during the course of FY23. A comprehensive operational recovery plan is in place and has already begun to drive improved delivery performance. It is anticipated that all Bankstown Aerostructures programs will return to schedule by August 2022.

As a result of the above factors, we are now anticipating an unaudited underlying loss before tax of approximately \$1.3 million for FY22.

In July 2022, the company executed a new loan facility with Export Finance Australia for the amount of \$5.0 million. The term of the new facility is 18 months ending 31 December 2023. This new facility will be applied to fund the additional working capital requirements primarily arising from recent operational challenges as described in this release.

Rationalisation and Redeployment

As part of the company's ongoing plan to drive productivity and efficiency improvements across the group, the business recently commenced a multi-year company-wide transformation program. The initial phase of this program has resulted in a net reduction in headcount across several support functions, which is expected to result in FY23 annualised savings of \$1.3 million. Further budget measures are expected to result in FY23 annualised savings of \$0.7 million as compared to FY22.

Following significant success in the Aftermarket business, including the recently announced contract with Jetstar Airways, and further progress in business development activities in the United States the company has also undertaken a resource redeployment within the group. The intent is to realign resource allocation from lower growth parts of the business to those that are experiencing higher near-term growth opportunities. Importantly, additional roles will also be added during early FY23 in Marketing and Business Development.

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This announcement was approved for release by Mark Burgess (Managing Director) of Quickstep Holdings Limited.

For further information please contact:

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

About Quickstep Holdings

Quickstep Holdings Limited (ASX: QHL) is the largest independent aerospace composite business in Australia, with facilities in Sydney, Geelong, Melbourne and Dallas. The group employs more than 280 people in Australia and internationally. More information about Quickstep is available at www.quickstep.com.au

Forward looking statements

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, exchange rates, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release.