

Quarterly Activity Report and Appendix 4C

Quickstep Holdings Limited (ASX: QHL) attaches its Quarterly Activity Report and Appendix 4C (Quarterly Cash Flow Report) for the quarter ended 30 September 2024.

The Quarterly Activity Report and Appendix 4C (Quarterly Cash Flow Report) have been authorised for release by the QHL Board.

For further information:

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First Quarter FY25 UPDATE

31 October 2024: Quickstep Holdings Ltd (ASX: OHL) (Quickstep or the Company) today released its quarterly update for the first quarter of FY25.

SUMMARY Q1 FY25 (Unaudited)

- Revenue from continuing operations \$20.8m, down 14% on the same period in FY24
- EBITDA from continuing operations \$2.99m, up 78% on pcp FY24
- Revenue from operations held for sale (Services) \$1.17m, down 54% on pcp FY24
- EBITDA loss from operations held for sale (Services) (\$1.45m) down 123% on pcp FY24

BUSINESS UPDATE

A major restructuring of the Structures business occurred in early July 2024 substantially improving efficiencies, reducing costs and improving profitability with reduced sales volume. Structures revenue for Q1 of \$19.9m reduced 15% and EBITDA of \$5.64m increased by 15% on the pcp in FY24. This fundamental change in approach to managing production flows through our facility allowed the business to reduce labour and achieve significantly more efficient and stable production. We would expect this improved profitability to continue over FY25 and beyond. The profitability of the Structures business should be further enhanced over the coming quarters as higher pricing recently negotiated with Lockheed Martin and Marand starts to take effect.

As previously advised, our Services business in Melbourne suffered from declining orders during the first quarter of FY25. The company announced on 23 October that it is exiting this business. This will be largely effected over the coming weeks. The Services business delivered an EBITDA loss of (\$1.45m) over the first quarter of FY25. While Q2 FY25 will still have some losses from the Services business for the month of October as well as the cost of wind down over the next month or so, we would expect ongoing residual costs (if any) from the QAS business to be minimal in Q3 & Q4 FY25.

The Q1 net operating cashflows of (\$4.19m) are not indicative of the ongoing operating cash flows. Specifically, the Q1 net operating cashflows included the following costs: 1) Receipt and payment for long lead time raw materials (\$2.61m) which will be drawn down over the next 4-5 months and 2) One-off restructuring cost of \$2.04m associated with the Structures operations.

Costs associated with the Services closure announced to the ASX on the 23rd of October 2024 will be reported in Q2 along with improved future cash flows post restructuring costs.

It is expected that the two initiatives undertaken to restructure the Structures business and exit the Services business along with cost savings initiatives should result in a significant increase in earnings over the second half of FY25.

-END-

This announcement was approved for release by the Quickstep Board of Directors.

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. More information about Quickstep is available at www.quickstep.com.au

Important Information - 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

30 SEPTEMBER 2024

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	22,303	22,303
1.2 Payments for		
(a) research and development	(541)	(541)
(b) product manufacturing and operating costs	(14,385)	(14,385)
(c) advertising and marketing	(3)	(3)
(d) leased assets	(756)	(756)
(e) staff costs	(6,889)	(6,889)
(f) administration and corporate costs	(1,628)	(1,628)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	11
1.5 Interest and other costs of finance paid	(257)	(257)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (restructuring cost)	(2,044)	(2,044)
1.9 Net cash from / (used in) operating activities	(4,189)	(4,189)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(216)	(216)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(216)	(216)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,634	1,634
3.6	Repayment of borrowings	(300)	(300)
3.7	Transaction costs related to loans and borrowings	(12)	(12)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,322	1,322

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,853	5,853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,189)	(4,190)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(216)	(216)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,322	1,322
4.5	Effect of movement in exchange rates on cash held	103	103
4.6	Cash and cash equivalents at end of period	2,873	2,873

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	4,543	5,960
5.2	Call deposits	-	-
5.3	Bank overdrafts	(1,670)	(107)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,873	5,853

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	180
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
	- Directors' remuneration (Item 6.1)	\$A'000 180

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	11,800	11,800
7.2	Credit standby arrangements	2,300	1,670
7.3	Other (please specify)	1,000	0
7.4	Total financing facilities	15,100	13,470
7.5	Unused financing facilities available at quarter end		1,630
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Lender: Commonwealth Bank of Australia (CBA)		\$A'000
	1) Working Capital Facility (Secured) – Interest rate 7.48%		10,000
	2) Secured Loan Facility (Secured) - Interest rate 7.48%		1,800
	3) Asset Financing Facility (Secured) - Interest rate N/A		nil
	4) Overdraft facility (Secured) – interest rate 13.05%		1,670

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,189)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,873
8.3	Unused finance facilities available at quarter end (item 7.5)	1,630
8.4	Total available funding (item 8.2 + item 8.3)	4,503
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<p>Answer:</p> <p>The Q1 FY25 is not indicative of the ongoing operating cash flows. Specifically, the Q1 net operating cashflows included the following costs:</p> <ol style="list-style-type: none"> 1. Receipt and payment for long lead time raw materials (\$2.61m) which will be drawn down over the next 4-5 months. 2. One-off restructuring cost of \$2.04m associated with the Structures operations. <p>Costs associated with the Services closure announced to the ASX on the 23rd of October 2024 will be reported in Q2 along with improved future cash flows post restructuring costs.</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes – The entity has taken the following initiatives:

- 1) Customer Advances of \$1.8m secured for Q2 and \$5.8m in Q3 (Confirmed)
- 2) Loan repayment deferrals of \$1.2m currently under review with CBA (pending signature)
- 3) Further operational cost measures (implemented)

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, net operating cash flows are expected to improve and be sufficient to continue operations and meet business objectives with the results from the restructuring of the Structures business and the closure of the Services business.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 31st October 2024



Authorised by:
(Patrick Largier – Non Exec. Chair, Independent Director)