



## Microcap Presentation

18<sup>th</sup> October 2016

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Quickstep Holdings Limited (ASX:QHL)

AEROSPACE  
AUTOMOTIVE



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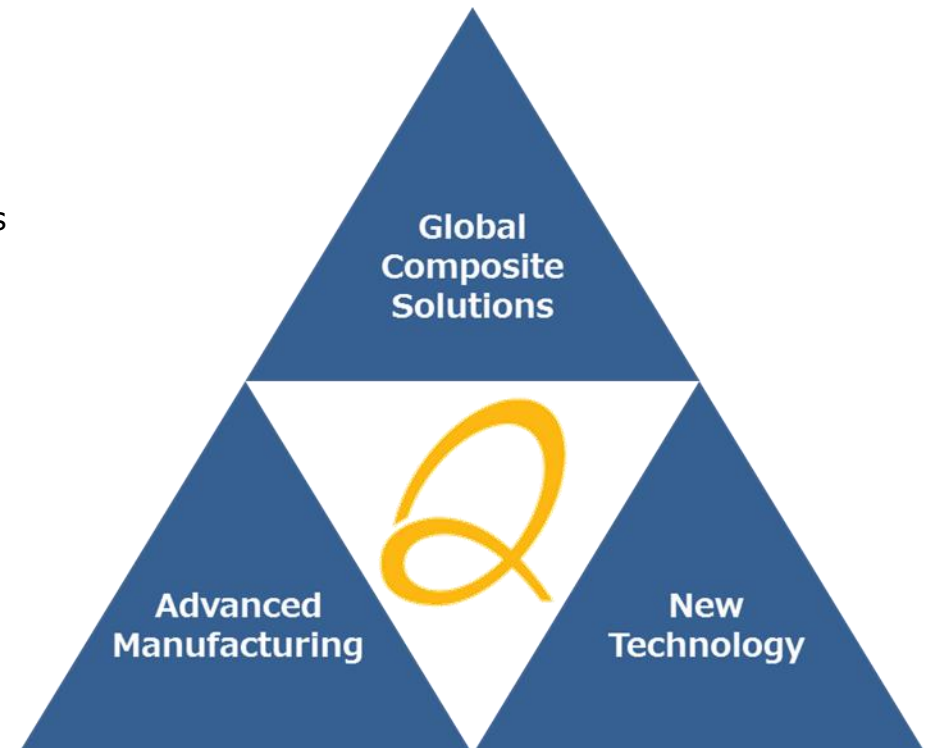
Quickstep is well positioned to become a **global leader in composite manufacturing solutions** through:

» **Aerospace Manufacturing**

- Manufacturer of composite components & complex assemblies, utilising Advanced Manufacturing processes
- Largest independent Carbon Fibre Components Manufacturer in Australia

» **New Innovative Technology**

- Global provider of parts using disruptive patented manufacturing technologies, lowering the cost of traditional composite parts production
- Structural or Class-A components for the Automotive, Transport, Aerospace, Defence & Marine sectors





**Leading global innovator & provider of advanced composites manufacturing solutions**

**Headquarters in Australia, manufacturing and development in NSW, Victoria and Germany**

- » Largest independent, aerospace-grade composites manufacturer in Australia
- » Partnering with some of the world's largest aerospace / defence organisations

**Growing outside Aerospace & Defence industries, into Automotive, Marine and Other sectors**

- » Well positioned to become a global leader in composite manufacturing solutions

**Leading innovator of advanced manufacturing process technologies, with patents in place**



## Aerospace Manufacturing



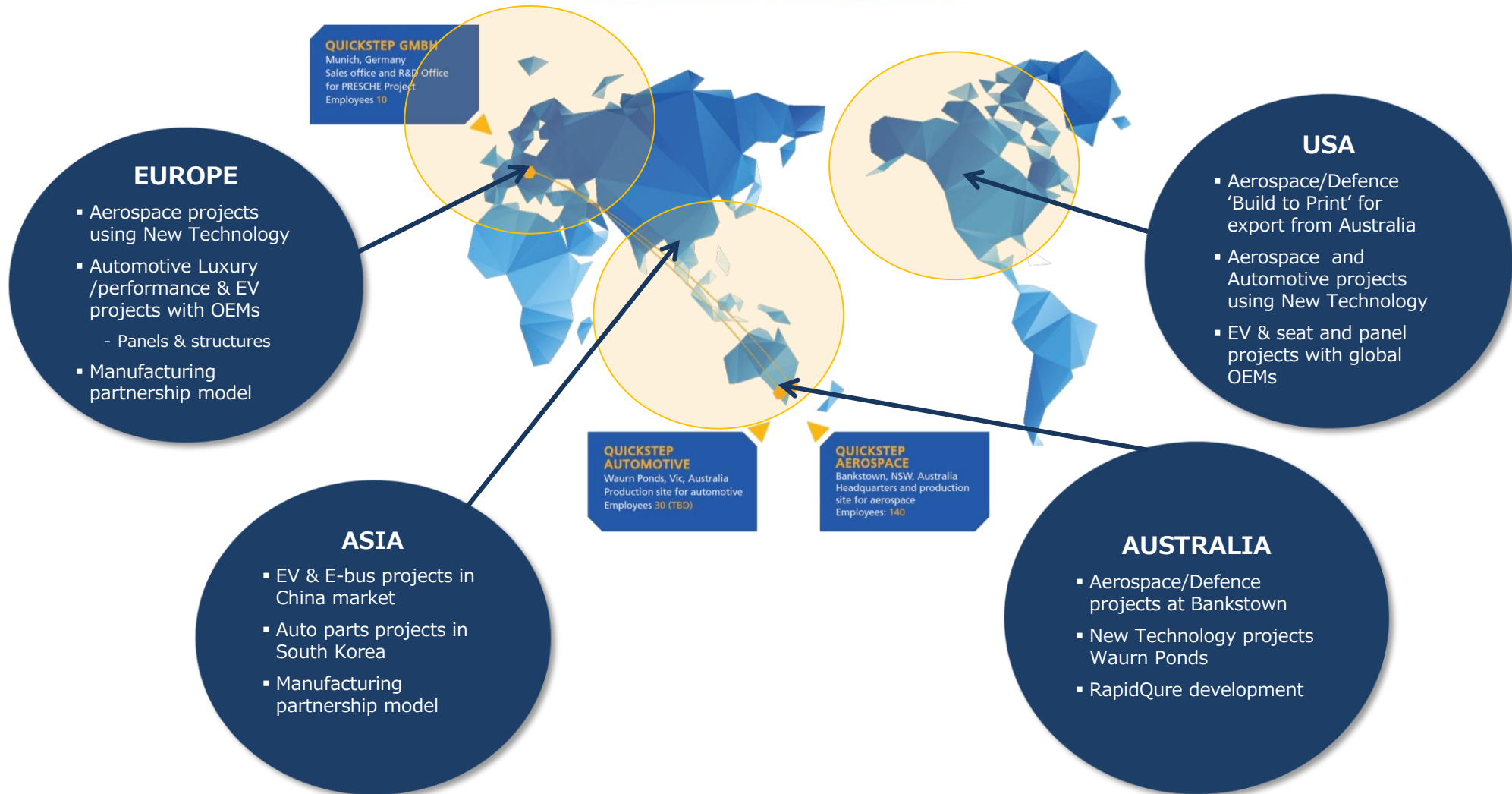
- » Advanced manufacturing of composite components & complex assemblies
- » AS9100 certification, NADCAP accreditation
- » Competitively awarded-global parts contracts for Joint Strike Fighter(JSF) & C-130J aircraft
- » All facets of aerospace & defence manufacturing with growth opportunities
- » Strong forward order book; capacity for growth

## New Technology



- » Resin Spray Transfer (RST) for cost effective combining of dry fibre & resin to reduce cost
- » Qure – Out Of Autoclave (OOA) Curing solution
- » Reduces processing time & investment costs
- » Delivers high quality components
- » Parts manufacturing contracts already secured
- » RapidQure – Next generation of development





*Quickstep has various levels of activities in each of its target markets*

## Record sales of A\$50.1 million in FY16, up 27% y.o.y., driven by Aerospace Manufacturing EBIT pre R&D & significant items of A\$4.0 million

### » Aerospace Manufacturing continuing to drive sales revenue growth & EBIT

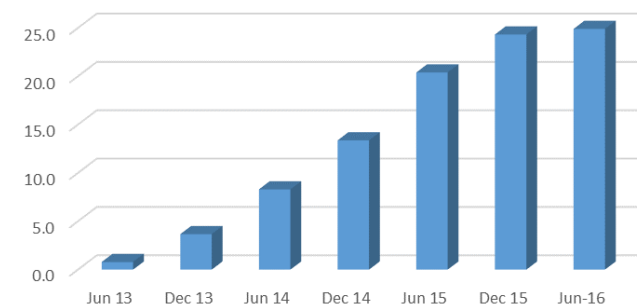
- 35 ship-sets to Lockheed Martin for C-130J
- 590 JSF parts to Northrop Grumman & BAE Systems
- Aerospace manufacturing sales A\$49.2m, up 46% from FY15
- Aerospace Manufacturing gross profit increase of 49%

### » Strong progress in New Technology development

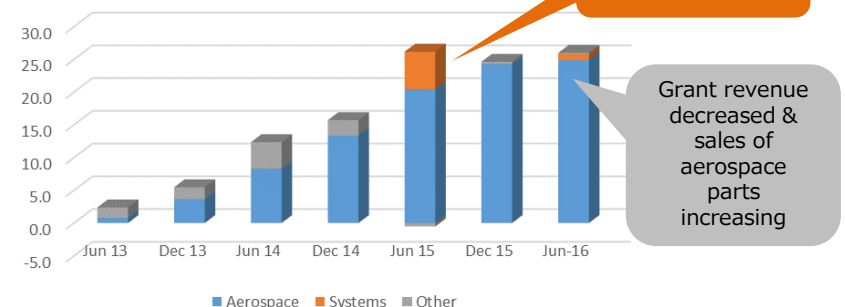
- R&D investment boosted to A\$3.5m, up from A\$2.1m
- Ford carbon fibre air intake duct program commenced
- First Hawkei body panels supplied to Thales
- MoU signed with DCNS for defence marine parts

### » Closing order book 30 June 2016, in excess of A\$125 million

Quickstep Holdings  
Aerospace Sales Revenue Dec 12 - Jun 16 by Half Year



Quickstep Holdings  
Total Revenue Jun 13 - Jun 16 by Half Year



## Aerospace Manufacturing

AUD millions	FY16	FY15
Revenue	\$49.2	\$33.8
Other Income	\$0.3	\$0.0
EBIT pre Significant Items	\$5.3	\$(0.4)
Segment Profit/(Loss)	\$1.5	\$(3.6)
Net Assets	\$14.4	\$(2.1)

- » Revenue increased by 46% with 590 JSF parts completed (prior year 466) and 35 C-130 shipsets (prior year 31)
- » VT qualification completed, with 20 parts delivered in FY16 and learning curve costs of \$0.6m incurred
- » EBIT pre Significant Items of \$5.3 million (11% of revenue)
- » Capital investment undertaken to increase production capacity to more than 100 JSF parts per month
- » Inventory build of \$5m to support growth and safety stock for capex, with a \$2 million reduction expected by December 2016
- » **Additional growth opportunities to further improve profitability**

## New Technology

AUD millions	FY16	FY15
Revenue	\$0.9	\$5.8
Other Income	\$0.1	\$1.8
EBIT pre Significant Items	\$(4.8)	\$(0.3)
Segment Profit/(Loss)	\$(7.3)	\$(0.3)
Net Assets	\$(0.2)	\$0.9

- » Income in FY15 related to the Orpe system sale
- » FY16 revenue related to Ford project, initial Thales Hawkei production and the final 5% of ORPE
- » New R&D and manufacturing facilities were established at Waurin Ponds
- » Other Income of \$1.8m in FY15 reflects R&D tax incentives, Quickstep is no longer eligible as total Group sales above \$20m
- » **Facilities, teams and resources in place to deliver New Technology product strategy**



# Quickstep – Experienced Management Team



**David Marino**  
**Managing Director & CEO**

- » Joined Quickstep in Feb 2015 as CEO
- » Previously COO Futuris Automotive; led team of 1,600; responsible for businesses in Australia, Thailand, China, USA



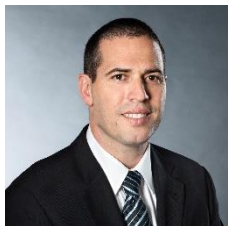
**Andrew Crane**  
**Chief Financial Officer**

- » Joined Quickstep in September 2015
- » Previously GM, Finance & Commercial for GWA & CFO for SCA Hygiene Aust



**Kevin Boyle**  
**Chief Operating Officer**

- » Extensive experience in the automotive sector in Australia & overseas
- » Responsible for development & performance of all Quickstep operations



**Jacque Courtney-Pittman**  
**Executive General Manager - HR**

- » Experienced HR professional, joined in 2016
- » Has held a number of senior & executive roles in both listed & private companies



**Carl De Koning**  
**Executive General Manager, BD (Auto) & External Relations**

- » Joined Quickstep in 2016, after 35 years in automotive sector
- » Previously with Futuris Automotive



**Tim Olding**  
**Vice President – Systems**

- » Appointed in February 2015; 25 years' automotive industry experience
- » 19 years at GM, culminating as Managing Engineer of Advanced Vehicle Development



**Michael Hau**  
**Director, European Operations**

- » Joined Quickstep in 2016, focused on business growth in the European markets
- » Previous aerospace & materials experience



**Michael Schramko**  
**Vice President – Operations**

- » Joined Quickstep in 2011 as Vice President, Manufacturing & Operations
- » Aerospace experience includes Airbus (UK); Hawker De Havilland & Boeing



**John Johnson**  
**Vice President - Commercial**

- » Joined in 2009, responsible for all commercial & administration activities
- » Extensive aerospace & defence experience with Boeing, ASTA & BAE



» **Newly formed strong & experienced management team. Extensive aerospace & automotive manufacturing experience**

*Experienced management team, capable of delivering Quickstep's Strategy*

- » **Global aerospace composites market is valued at US\$9.95bn in 2016 growing to US\$19.13bn in 2026 at CAGR of 6.8%**

## JSF F-35 Lightning II Program

- » Quickstep is a significant composites supplier to the estimated US\$382bn JSF Program
- » Northrop Grumman – (A\$700m sales over program life)
  - Doors & panels, Lower side skins, Maintenance access panels, Fuel tank cover, Lower skin
- » BAE Systems (A\$139m sales over program Life)
  - Vertical Tail Spars, Skins, Fairings
- » Components are supplied from Bankstown, Australia to all JSF aircraft globally



## Lockheed Martin C-130J Contract

- » Quickstep selected to manufacture wing flaps for C-130J military transport aircraft in 2012
  - Won this contract against global competition
- » Overall agreement valued at US\$75-\$100m to Quickstep over five years
  - 2 ship sets a month, plus spare parts on as needs basis
- » Investment in Capital for robotic drilling and increased efficiency commissioning December 2016
- » Components supplied to all C-130J aircraft globally



## Significant Capital Investment Completed

- » Advanced Manufacturing Investment in excess of A\$28m in capital for both JSF & C-130J programs completed
- » Further capital investment in key advanced manufacturing processes due for completion in CY16

## Opportunities for Growth

- » From January 2017 current production footprint averages 60% utilisation (2 shift 5 day basis)
- » Aerospace manufacturing FY16 sales A\$49.2m with expected 10% CAGR based on secured contracts over next 5 years (based on forecast volume) with significant step growth in FY18/FY19
- » Full 3 shift 6 day utilisation will accommodate growth rates of >15% CAGR with limited capital investment
- » Australian government purchases identified in Defence White Paper provides significant opportunities for Australian supplier involvement
- » Increased content opportunities on JSF and C-130J with existing customers
- » MoU signed with DCNS Group (France) for SEA 1000 program
- » New project opportunities actively in discussion with existing and new Defence Contractors







## Resin Spray Transfer (RST) – Lay-up

- » Now operated at Waurin Ponds
- » Manufacturing parts for Thales Hawkei

### Key Benefits

- » Automated process
- » Faster processing times
- » Resin rich surface for exterior panels
- » Surface finish



## Qure Process – Moulding / Curing

- » Fast curing of composite using fluid heat transfer
- » Turnkey manufacturing solutions for Aerospace, Defence & Automotive business clients

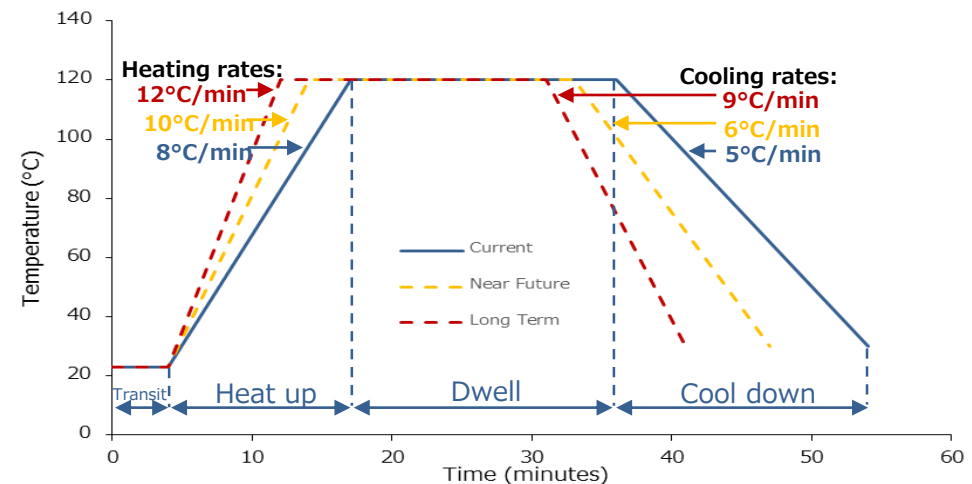
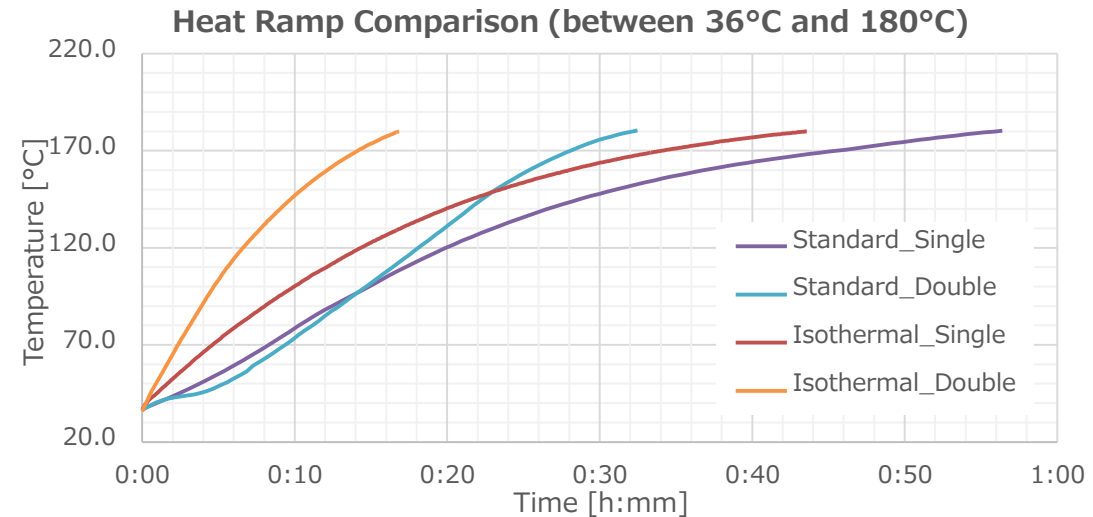
### Key Benefits

- » Reduced production time
- » Greater design flexibility
- » Better end-product technical characteristics
- » Reduced capital and tooling investment

*Two patented processes delivering lower costs, improved quality & finish*

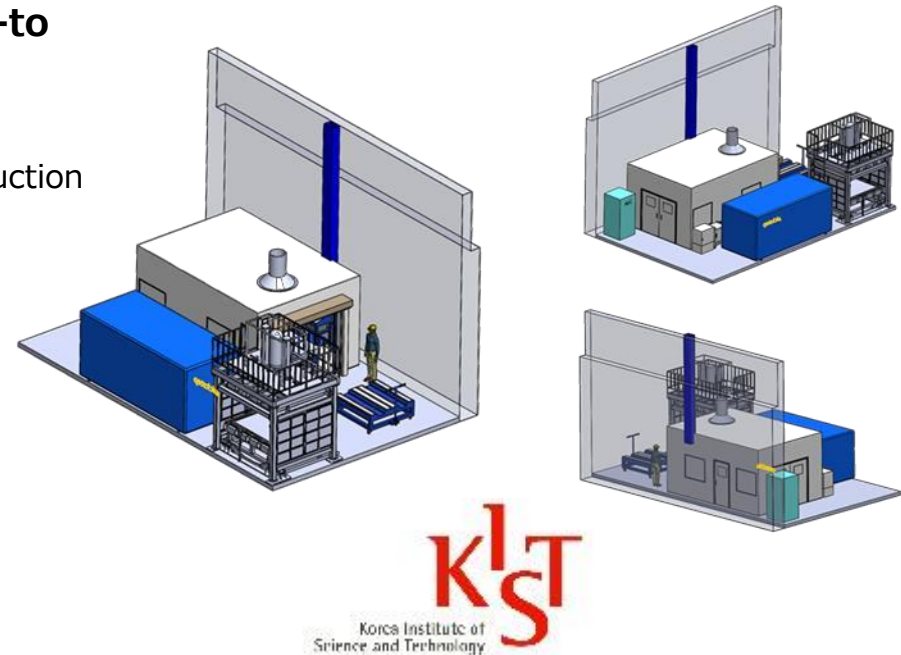
## Substantial progress in increasing heating rate of our Qure technology

- » Isothermal machine halves time taken to reach target cure temperature
- » In conjunction with rapid curing resins, Isothermal Qure will allow a 30 min cure time
- » Fast heat up rates can accelerate production rates for next generation aircraft where autoclave cure rates are typically 8 hours





- » **KIST (Korean Institute of Science and Technology) contract secured by Quickstep in early 2016**
- » **Manufacturing system being optimised for niche-to medium-volume automotive industry production**
  - Contract will drive further development of RST and Qure systems with Korean customers and higher volume production
  - Will deliver 30 minute Qure time with A-Class finish
  - Opens up opportunities for Quickstep to partner and manufacture in one of the world's largest automotive production markets
  - Supply of RST cell & Qure machine to KIST by end-2016





» **Global automotive composites market is valued at US\$12.1bn in 2016**

- Forecast to grow at CAGR of 9.8% through to 2026
- Market forecast to be worth US\$30.9bn in 2026

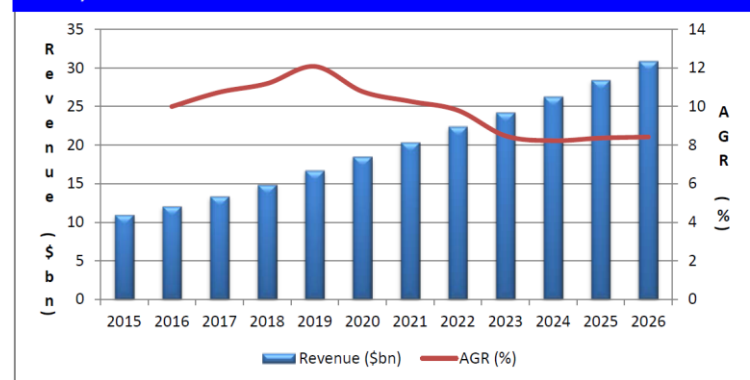
» **Market growth driven by number of factors**

- Increasingly demanding CO2 emissions regulations
- Increased demand for hybrid & electric vehicles globally
- Decreases in material & process costs of composites

» **Automotive composites market is made up of four product groupings**

» **Interior & Body components are the largest segments, with 62% combined share**

**Figure 3.1 Global Automotive Composites Market Size Forecast 2016-2026 (\$bn, AGR%)**



Source: Visiongain 2016

**Table 3.24 Global Automotive Composites Market Size Forecast 2016-2026 by Composite Components (\$bn, AGR%)**

Revenues (\$bn)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Interior Components	3.65	3.92	4.28	4.68	5.07	5.38	5.62	5.85	6.09	6.37	6.69	7.05
AGR(%)		7.3	9.2	9.3	8.3	6.1	4.5	4.1	4.2	4.6	4.9	5.5
Body Components	3.13	3.59	4.11	4.68	5.29	5.92	6.53	7.15	7.80	8.52	9.34	10.05
AGR(%)		14.7	14.6	13.9	13.1	11.8	10.4	9.5	9.1	9.3	9.5	7.6
Engine & Drivetrain	2.24	2.49	2.80	3.19	3.64	4.15	4.66	5.16	5.64	6.10	6.58	7.02
AGR(%)		11.2	12.4	14.0	14.1	14.0	12.3	10.7	9.3	8.2	7.8	6.7
Other Components	2.01	2.10	2.19	2.37	2.67	3.10	3.63	4.23	4.77	5.30	5.89	6.78
AGR(%)		4.4	4.7	8.1	12.5	16.3	17.2	16.3	13.0	11.0	11.0	15.1
TOTAL	11.03	12.09	13.38	14.92	16.67	18.54	20.44	22.38	24.31	26.30	28.49	30.90

Source: Visiongain 2016

- » Quickstep is shifting its New Technology segment from pure R&D and product development
- » Moving from capital supplier into a volume parts manufacturing globally
- » Build full service capability for each customer in design, materials development, and optimised bespoke manufacturing
- » Develop demonstrator parts, run at rate trials and establish quality performance
- » Established product development programs with key customers
- » Win Automotive contracts (e.g. Ford) at niche volumes to establish Automotive manufacturing quality and rate performance
- » Export from Australia for smaller volumes
- » Deploy capital in country where contract volumes support investment



*Quickstep's New Technology facility located at Deakin University's Waurin Ponds campus*

*Engine compartment component developed for Ford, part weight reduced by 48%, using carbon fibre to replace thermoplastics*



## Small Cars & Electric Vehicles

(Closures & Structural Parts)



- Vehicles requiring lightweighting for improved driving range & performance
- Focus on providing cost effective solutions for lower cost vehicles
- Strong focus on large structural parts to reduce vehicle weight

## Performance & Luxury Vehicles

(Class A & Structural Parts)



- Number of luxury & performance vehicles utilising CFRP components
- Focus niche volume programs for performance vehicles
- Qualification of materials & Quickstep processes with vehicle manufacturers

## Trucks & Transit Vehicles

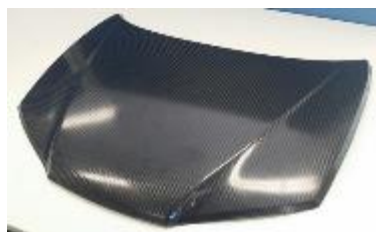
(Structural Parts & Large Panels)



- Lightweighting of structural parts to reduce vehicle weight & improve vehicle driving & towing performance
- Replacement of heavy steel parts with CFRP composite components
- Focus on beams, panels & assemblies



## Lightweight Sandwich/Core Structures (Class-A Surfaces)



*Demonstrator mini bonnet developed at Waurn Ponds facility using Qure and RST Technology*



*Composite Front Fender development program*

- **Qure** low-medium pressure cure process protects core/sandwich structure
  - Bonnets, decklids, door skins
- Prepreg or RST solutions for 'Class A' surface finish
- Suits low-medium volume production

## Lightweight Structural Parts (Structural Interiors)



*Composite Front Seat Back Structures manufactured at Quicksteps Waurn Ponds facility*

- Structural interior parts
- Focus on lower volume niche programs for export
- Significant weight savings & greater strength compared to steel

## Lightweight Structural Body Parts (Sound Absorptive)



- Parts with relatively flat, large surface areas & NVH requirements
- Processes provide cost benefits for automotive companies
- Targeting non-global platform models

## Space & Exploration Aircraft (Unmanned)



*Qure machine for 6x4m satellite shield for ORPE producing parts at Quickstep Germany*

- Use of **Qure** process to manufacture spacecraft & UAV parts – i.e. ORPE
- Focus on supply to low-medium volume production customers
- Customers potentially in developing markets – i.e. Russia, China, India

## Light & Sports Aircraft (Small to medium size)



*Demonstrator skin developed & manufactured for LA producer*

- Use of **Qure** process to manufacture light & sports aircraft components
- Flexible manufacturing solution for low volume multiple tooling opportunities
- Exploring opportunities in both developing & mature markets

## Defence & Commercial Aircraft (Large global platforms)



- Qualification of **Qure** with Defence & Commercial producers
- Use of **Qure** process to manufacture parts for large PRIMES & suppliers
- Identify opportunities for Rapid**Qure** in the aerospace & defence sectors
- Manufacturing of parts in-house; outside Australia in asset light model

## » Aerospace Manufacturing

- Complete capital investment plan to support growth
- Leverage existing customer relationships on new project opportunities
- Surpass volumes of 100 parts per month for JSF
- Improve manufacturing efficiencies and reduce inventory post capital installation

## » New Technology

- Deliver Qure & RST to KIST, with 30 minute part cure time and Class A surface performance
- Work with global customers on product development programs and demonstrator parts for future contracts
- Win contracts for target products
- Work with partners (Deakin, CSIRO, key suppliers) on material science programs
- Continue commercialisation of New Technology manufacturing through maturing of RapidQure process





## Advanced Manufacturing, Smart Technology in one Quickstep

- » Established Aerospace Manufacturing contracts in JSF and C-130J, with threefold JSF production **growth** expected from FY2016 to FY2019
- » Increased Aerospace Manufacturing **capacity** from invested capital at our Bankstown site
- » New product **development projects** underway with global OEMs and partners at our Waurin Ponds site
- » Substantial progress made to **commercialise** our Qure and RST technologies
- » Demonstrated **demand** for our New Technology – ORPE, Hawkei, KIST, DCNS
- » Global automotive supply for Ford underway
- » Strong and dedicated management team to support Strategy
- » **Talent, technology and growing markets – significant growth opportunities**

